



**TWELFTH QUARTERLY  
PERFORMANCE MONITORING REPORT  
1 October 2001 – 31 December 2001  
Contract No. PCE-I-00-99-00006-00**

**United States Agency for International Development  
Support for Economic Growth and Institutional Reform (SEGIR)  
Financial Services (FS)**

**TWELFTH QUARTERLY  
PERFORMANCE MONITORING REPORT  
PCE-I-00-99-00006-00**

Presented by:

Barents Group of KPMG Consulting

Presented to:

Global Bureau's Center for Economic Growth and Agricultural Development  
Office of Emerging Markets  
USAID/G/EGAD/EM

Prepared by  
John Eric Uggen

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Strategic Objective Information:

**USAID Objective 1.1** : Critical private markets expanded and strengthened  
**G/EGAD SSO 3**: Support appropriate and functioning economic policies, market reforms, and institutions in emerging markets and priority countries  
**G/EGAD SPO2**: Enhance the ability of indigenous business to become viable within emerging markets.

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1 October 2001 – 31 December 2001

**SEGIR Financial Services  
Performance Monitoring Report**

**For the Quarter Ending December 31, 2001**

**Contract PCE-I-00-99-00006-00**

**Barents Group of KPMG Consulting**

On January 19, 1999, USAID and Barents Group of KPMG Consulting signed a contract for the Financial Services component of “Support for Economic Growth and Institutional Reform” (SEGIR). Under the contract, Barents is to provide quarterly Performance Monitoring Reports (PMRs) to USAID.

**Reporting Period**

This is the twelfth quarterly Barents Performance Monitoring Report. It covers the period from October 1 to December 31, 2001.

**Staffing**

During the first quarter of 2000, Mr. James Hightower succeeded Andrew Murray as SEGIR FS Project Manager. Mr. Hightower is, like Mr. Murray, a Barents Group Managing Director. He currently leads the Financial Sector Development Practice, which consists of operational units providing technical assistance worldwide in financial sector regulation, capital markets, privatization, and financial institution development. A recognized bank supervision expert, Mr. Hightower served for 24 years with the Office of the Comptroller of the Currency. For the past twelve years he has provided advisory services to central banks and financial institutions.

**Changes in Staffing**

Marshall Culbreth, who assisted Mr. Hightower, departed Barents Group on November 1, 2001. Mr. Hightower is currently being assisted by Mr. John Eric Uggem.

**September 2001 Increase in Contract Ceiling**

Under Barents Group/KPMG’s contract with USAID, there existed a single option to allow for a one-time increase of 25% to the contract’s Maximum Ordering Limitation. This option was exercised on September 6, 2001, at the discretion of the Contracting Officer, as stipulated in the contract. The ceiling rose from \$60,833,333 to \$76,041,666. The term of the contract was not extended and remains January 19, 2007.

## **Task Orders**

As of December 31, thirty Task Orders have been awarded to Barents, seventeen under the Tier I (sole source) selection process and thirteen under Tier III (full competition). Ten Task Orders have been completed; USAID has requested follow-on work for two of them in the form of new Task Orders, as planned at their outset. One of these is underway (003, “Computer-Based Training”) and the other is among those completed (807, “Ecuador Deposit Guarantee Agency”).

### **New Task Orders**

During Fourth Quarter 2001, Barents started 3 new Task Orders:

- ◆ No. 008 – Poland, Warsaw Institute for Central Bankers
- ◆ No. 821 – Uganda Bank Supervision
- ◆ No. 824 – Bosnia Business Finance

### **Completed Task Orders**

Also during Fourth Quarter 2001, Barents completed two Task Orders:

- ◆ No. 805 – Jordan, Purchase and Implement new Application Systems for the Central Bank of Jordan
- ◆ No. 820 – India, Insurance Sector Assessment

Summary information on all task orders can be found in the following sections.

## ONGOING TASK ORDERS

<b>World</b>	<b>International Accounting Standards/Computer Based Training</b>	<b>\$234,979</b>
<b>Bank Training - Tier I</b>	<b>11/29/00 – 06/30/02</b>	<b>T.O. #003</b>
<p>Barents is developing a computer-based training program in International Accounting Standards. Previously, a pilot effort resulted in a comprehensive introduction to the core subject area. Now, significant content is being added to cover the subject matter and complete the course. USAID has been requested to extend the end date to 30 June 2002, to provide for beta testing in Thailand and other potential countries in Asia</p>		

<b>Serbia-Yugoslavia</b>	<b>Strengthening Banking Supervision</b>	<b>\$1,990,777</b>
<b>Bank Supervision – Tier I</b>	<b>04/1/01 – 09/30/02</b>	<b>T.O. #004</b>
<p>The Serbian banking system is essentially insolvent and undercapitalized. Total banking assets have declined substantially over the last six years, and confidence in the banking system evaporated in the early nineties. Two long-term Barents/KPMG advisors, assisted by short-term specialists, are helping the National Bank of Yugoslavia to develop a professional, modern bank supervision department. This will promote a sound functioning private banking sector. Banking sector reform and restructuring are part of USAID's overall objective to promote economic stabilization and growth. After an initial overall assessment of bank supervision, areas of involvement include:</p> <ul style="list-style-type: none"> <li>◆ On-site examination policies, procedures and training</li> <li>◆ Strengthening of off-site supervision</li> <li>◆ Legal and regulatory framework and enforcement</li> <li>◆ Problem banks</li> <li>◆ Bank licensing, and</li> <li>◆ Organizational development</li> </ul>		

<b>World</b>	<b>Technical Assistance in Support of USAID Credit Programs</b>	<b>\$396,862</b>
<b>Small and Microenterprise Credit - Tier I</b>	<b>04/13/01 – 04/10/03</b>	<b>T.O. #005</b>
<p>On an as-needed basis with separate scopes of work, as requested by USAID missions abroad, Barents Group is providing support to USAID's Office of Development Credit in:</p> <ul style="list-style-type: none"> <li>◆ Economic viability analysis</li> <li>◆ Financial viability analysis</li> <li>◆ Credit risk assessment</li> </ul> <p>Economic viability analysis addresses market imperfections, assures that assistance does not supercede private funding, and ensures that USAID is acting as a lender of last resort. Financial viability analysis encompasses rates of return, ability of borrowers/ intermediaries to meet obligations. Credit risk assessment is the process of determining the probability of adverse outcomes related to an activity.</p> <p>Through the use of Development Credit Assistance (DCA), local financial institutions are encouraged to expand financial services to traditionally underrepresented economic sectors and social groups, including small and microenterprises. USAID resources are maximized; the agency can leverage up to 25 times the per-dollar impact by using credit to finance development activities. Additionally, local capital is mobilized and local partners are provided access to less expensive credit, demonstrating sustainability and profit of development activities utilizing credit.</p>		

<b>Croatia/ Southeastern Europe</b>	<b>Bank Supervision Workshop</b>	<b>\$247,637</b>
<b>Bank Supervision - Tier I</b>	<b>06/25/01 –4/30/02</b>	<b>T.O. #007</b>
<p>Barents is organizing all aspects of a three-day Financial Sector Conference in Croatia for the countries of southeast Europe: Croatia, Slovenia, Hungary, Federal Republic of Yugoslavia/Serbia and Montenegro, Macedonia, Albania, Bulgaria, Romania and Bosnia. Kosovo will also be included. The conference originally scheduled for October 2001 was re-programmed to be held in February 2002; its theme is "Expanding Financial Intermediation and Managing Risk." This is the sixth annual bank supervision conference arranged for USAID by Barents. A 90 days no cost extension is in process.</p>		

<b>Poland</b>	<b>Warsaw Institute for Central Bankers (WICB)</b>	<b>\$298,964</b>
<b>Institute Development - Tier III</b>	<b>9/20/01 – 12/31/02</b>	<b>T.O. #008</b>

Barents is facilitating the establishment of the Warsaw Institute for Central Bankers. Tasks outlined in this task order are:

- ◆ design and development of the initial operational framework and management of the WICB
- ◆ Help determine the best exit strategy for USAID and design a profitable operating and marketing plan for the GINB/NBP
- ◆ Design of a long-term vision strategy that outlines a Mission statement and an operating strategy for the WICB; identify resources, both technical and financial, that will ensure sustainability past the initial pilot period.
- ◆ Help to define the WICB's target market by designing appropriate market surveys
- ◆ Advise on the technical accuracy of presentation materials in areas including, but not limited to, off-site and on-site supervision, problem bank resolution, and integration of the off and on-site areas of supervision.
- ◆ Help the NBP establish a network of capable internal and external lecturers for the Institute

Progress through this Quarter includes:

- ◆ Comprehensive discussions over the strategic and operational focus of the training initiative took place the week of 12/3/01. USAID Washington, NBP, GINB, and KPMG Consulting participated in a series of meetings/brainstorming sessions.
- ◆ NBP and the contractor have tentatively agreed that a draft Strategic Plan should be developed by mid to late January, and that the Plan should be submitted for approval by the end of February 2002.
- ◆ A draft mission statement has been developed for consideration by NBP.
- ◆ The session held 11/26-30 included a course feedback tool recommended by technical advisor Diana Osinski. Results of this evaluation tool are now being compiled. Further market surveys will be designed during early 2002.

<b>Indonesia</b>	<b>Technical Assistance for Taxation, Public Macroeconomics and Commodity Futures Trading</b>	<b>\$4,502,207</b>
<b>Tax, Macroeconomics, Capital Markets – Tier I</b>	<b>7/19/99 – 11/30/01</b>	<b>T.O. #801</b>
<p>For Indonesia’s Ministry of Finance, Barents is providing two resident advisors, in Tax Administration and in Economics and Fiscal Policy, respectively. Additionally, in a continuation of an earlier engagement, a team of intermittent regulatory specialists is assisting the nascent Indonesian Commodity Futures Exchange and its government regulatory body, BAPPEBTI.</p> <ul style="list-style-type: none"> <li>◆ In <i>taxation</i>, Barents is helping the GOI to employ a more systematic approach to developing, monitoring and evaluating tax administration and tax policy. A long-term advisor is being assisted by intermittent specialists in value-added taxation (VAT), computerization of tax administration and income tax modeling.</li> <li>◆ In <i>macroeconomic and fiscal</i> areas, Barents is examining the fiscal implications of a number of key macroeconomic issues, focusing especially on appropriate tax policy for stimulating the banking sector and the private sector generally. This involves examination of the tradeoffs between the tax subsidies necessary for rapid expansion, on one hand and, on the other, the longer-term adverse implications of those subsidies for the revenue base of the Indonesian government.</li> <li>◆ In <i>commodity futures trading</i>, in continuation of an earlier Barents engagement, the firm provided a team of intermittent advisors to assist the Jakarta Futures Exchange (JFX) itself and its government supervisory body, BAPPEBTI. This component has been phased out following the opening of the Exchange. Advisors focused on: <ul style="list-style-type: none"> <li>- Agricultural Information System</li> <li>- Training of newly appointed individuals in the JFX and BAPPEBTI</li> <li>- BAPPEBTI Management Information System</li> <li>- Review of the JFX business plan and application forms for potential traders.</li> </ul> </li> </ul>		

<b>Kazakhstan and Uzbekistan</b>	<b>Financial Restructuring and Accounting Reform</b>	<b>\$2,814,039</b>
<b>Central banks Bank restructuring Accounting Reform - Tier III</b>	<b>03/01/00 – 12/31/01</b>	<b>T.O. #803</b>

As part of a larger USAID effort to promote the development of private banking sectors in Central Asia, Barents is providing technical assistance to the central banks of the Republics of Kazakhstan and Uzbekistan. In each country there is one long-term Barents advisor who is being assisted by short-term specialists. The overall objective in both countries is to assist the respective central banks to achieve compliance with the *Basle Core Principles for Effective Banking Supervision*.

Advisory teams are concentrating on two areas. The first is financial restructuring for the central banks, the National Bank of Kazakhstan and The Central Bank of Uzbekistan. The second is financial sector accounting reform; specifically, implementation of charts of accounts conforming to International Accounting Standards (IAS).

Technical assistance in financial restructuring. In both countries, Barents is conducting the following activities for the central banks:

- ◆ On-site inspections. In order to enhance the overall effectiveness of off-site surveillance, problem bank identification and resolution, and potential restructuring efforts, Barents advisors are leading a limited number of on-site inspections.
- ◆ Problem Bank Resolution Unit. Using newly adopted concepts and policies developed by USAID, Barents advisors are assisting the central banks with creating units responsible for problem bank resolution.
- ◆ Training and skills development
- ◆ Refinement of off-site surveillance system.
- ◆ Assistance with bank liquidations
- ◆ Harmonization of the accounting framework with the regulatory framework

Technical assistance in financial sector accounting reform.

- ◆ International Accounting Standards. In both countries, Barents is assisting pilot commercial banks to implement charts of accounts based on IAS.
- ◆ Harmonization of the accounting framework with the regulatory framework
- ◆ U.S. training

<b>Honduras</b>	<b>Reactivation of the Economy through Agricultural Credit and Technologies (REACT)/Agricultural Recovery Credit (ARC) Project</b>	<b>\$4,371,713</b>
<b>Rural Banking, Microenterprises – Tier III</b>	<b>08/26/99 – 3/31/02</b>	<b>T.O. #806</b>

Over the 21-month operation of the ARC program beginning April 1, 1999 and ending December 31, 2001, and subsequent extension through March 30, 2002, the following tasks and adjectives were accomplished:

- ◆ **Achieved Impact on Employment and Farm Sales** - Over the duration of the Program, CRA financing has resulted in the creation of 2,577 full time jobs, and has produced over \$23.6 million annually in increased sales of agricultural products.
- ◆ **Processed Loan Applications and Disbursed Loan Funds** - As of December 31, 2001, the ARC program disbursed 238,902,836 Lempira in loan funds (\$14,931,427). Eleven banks participated in the ARC program and disbursed loans to 538 agricultural producers.
- ◆ **Submitted a Post-Completion Date Monitoring Plan** - The MOU staff developed and submitted to USAID a Post-Completion Date Monitoring Plan that defines how the ARC program will monitor and protect the loans and other assets of the program over the next two years.
- ◆ **Completed ARC Program Evaluation** - There were several interesting features of the ARC project, including its launch in response to an emergency situation created by the extremely severe damage caused by hurricane Mitch, the establishment of an independent management and oversight unit to oversee the project, its functioning within a local second tier banking institution that had unique fund distribution and collection procedures, and its use of commercial banks who maintained the direct lending relationship with the primary borrowers. The purpose of the ARC program evaluation was to learn what worked well, and what might have been an impediment, in the design and implementation of the project. The lessons learned during the implementation of the project were identified, and the factors that contributed to the success of the program were reviewed. Copies of the ARC program ion are available from USAID/Honduras or KPMG Barents.
- ◆ **Completed a Customer Satisfaction Survey of Participating Banks** - The role of the commercial banks in identifying potential loan customers and providing the ARC program with eligible borrower applications was a critical factor in the ability of the program to mobilize the \$15 million in USAID funds approved for the project. Without the support of the commercial banks it would not have been possible to implement the program as it was designed. The customers of the ARC program were the commercial banks, not the farmer borrowers who were the customers of the banks. Therefore, in order to launch the program, it was required that the banks and ARC personnel establish and maintain a productive working relationship.

<b>Bosnia-Herzegovina</b>	<b>Bank Development and Training Program</b>	<b>\$8,248,250</b>
<b>Bank Training - Tier III</b>	<b>01/24/00 – 05/23/02</b>	<b>T.O. #808</b>

Barents and SEGIR Financial Services consortium member Canal Bridge Consulting (formerly Titus Austin Inc.) are assisting Bosnia-Herzegovina to help restore public confidence in the banking system and to encourage mobilization of domestic savings that are urgently needed to fuel economic growth. Advisors are focusing on building competitive private financial markets by helping commercial banks to understand banking risk and to improve their core banking skills..

In collaboration with the World Bank, EU PHARE and the IMF, the advisors are strengthening selected banks through intensive in-bank consulting services and formal classroom training responding to specific diagnostic assessments of participating banks. The banks, selected competitively at project outset, are contributing to operating expenses.

Within the banks (in-bank advisory services), long and short-term advisors are contributing on an ongoing basis to understanding of the following areas:

- ◆ Organizational structure
- ◆ Financial and management reporting
- ◆ Technology
- ◆ Asset and liability management
- ◆ Internal audit and controls
- ◆ Operations

Classroom training activities focus on areas that are complementary to the in-bank training and reinforce it. Additionally, courses are being made available to participants from non-target banks.

Examples of course topics include:

- ◆ Role of banks in a market economy,
- ◆ Basic management skills and human resources,
- ◆ Domestic payments clearing
- ◆ Financial reporting
- ◆ Corporate governance and ethics
- ◆ Strategic planning
- ◆ Asset-liability management
- ◆ Foreign exchange risk
- ◆ Bank operations
- ◆ Customer service
- ◆ New product development

<b>Indonesia</b>	<b>Additional Activities in the Indonesian Bank Restructuring Agency (IBRA)</b>	<b>\$3,464,930</b>
<b>Bank Supervision, Bank Restructuring. - Tier III</b>	<b>03/15/00 – 03/11/02</b>	<b>T.O. #809</b>

The Indonesian Bank Restructuring Agency (IBRA) is a new organization, formed in 1998 to confront national liquidity problems stemming from bank failures during the country's recent economic crisis. Three long-term Barents advisors, assisted by a number of short-term specialists, are helping in the following areas:

- ◆ *Information systems*; to provide sufficient information about the assets under IBRA management to assure adequate monitoring and control.
- ◆ *Finance and accounting*; to improve IBRA's normal finance and accounting operations, and to improve the special systems that are required to deal with issues arising from bank closings, bank recapitalization, asset disposal, and settlement of frozen bank liabilities to third parties.
- ◆ *Bank investment and restructuring*; including bank valuation, increasing value of banks in IBRA's portfolio, and issues stemming from bank mergers, bank acquisitions and bank disposals.
- ◆ *Shareholder settlement and asset disposal*, to assist in the negotiations process with bank shareholders; valuation of assets/investments that would be surrendered by shareholders (including various debt restructuring instruments for ongoing concerns that would be surrendered to IBRA); optimizing asset disposal returns through mergers, acquisitions and sales, prior to actual market flotations; and monitoring and supervision system for holding companies.
- ◆ *Operating an Asset Management Company*, including administration of loans and other assets, financial accounting and management reporting, back office activities, and disposal of non-core assets.

Over the past quarter, Barents has focused assistance on the following areas:

- ◆ Deposit insurance – Barents provided a legal analysis of the current deposit insurance legislation and provided the initial input for creating a transition and implementation plan
- ◆ Bank merger – Barents has begun to advise IBRA on the strategy and operational issues involved in merging four large banks
- ◆ Asset Resolution – Barents is continuing to provide assistance to the Asset Disposal Unit on marketing and selling restructured loans
- ◆ Privatization – Barents has begun to advise the Ministry of State Owned Enterprises on privatizing large corporate assets

<b>Bulgaria</b>	<b>Bankers Training</b>	<b>\$2,481,593</b>
<b>Financial Institution Training - Tier III</b>	<b>04/14/00 – 04/13/03</b>	<b>TO #811</b>

In the wake of a banking crisis, USAID has provided assistance since 1997 to the Government of Bulgaria to stabilize the country's banking and financial systems. Barents is conducting this Tier III task order to promote the institutional development of the International Banking Institute (IBI) to become Bulgaria's leading educational body in the financial services industry. An assortment of long and short-term advisors are developing a strategy for professional qualification of bankers and annual programs of courses and seminars, working closely the Director of the IBI and the Executive Board of the Association of Commercial Banks (ACB). Task order components have included include the following:

- ◆ Training needs analysis
- ◆ Strategy for bank professional qualification
- ◆ Business plan and cost accounting model to price products on a self-sustaining basis
- ◆ Annual program of courses and seminars
- ◆ Computer-based training program.

Training programs are well underway even as needs continue to be determined and assessed on a continuous basis. Development of an IBI course catalog and web page is nearing completion.

Activities through December include:

- ◆ The IBI course catalog was completed in early 2001. Now ready to publish the 2002 edition.
- ◆ The IBI web page was launched in June 2001
- ◆ Primary activity focused on IBI newsletter publication. The first edition was distributed in October 2001.
- ◆ Two classes delivered in September.
- ◆ Second and third H/R managers' roundtable meetings conducted
- ◆ Delivery of seven (7) classes.
- ◆ Pricing model for "in bank" classes established.
- ◆ IBI public relations activity was elevated via a major 10th anniversary event.

<b>Bulgaria</b>	<b>Health Reform</b>	<b>\$2,569,140</b>
<b>Insurance Pensions - Tier III</b>	<b>06/01/00 – 05/31/02</b>	<b>TO #812</b>

Under a Tier III task order, Barents Group, together with SEGIR Financial Services consortium members Institute for Public/Private Partnerships (IP3) and Overseas Strategic Consulting (OSC), is assisting the Bulgarian National Health Insurance Fund (BNHIF) in areas that are critical to its functioning and long-term sustainability. These include:

- ◆ Increase the capacity of the BNHIF in its budgeting and its ability to develop and implement financial plans and forecasts that ensure financial sustainability.
- ◆ Develop the institutional capacity of the BNHIF to manage its operations and assets portfolio efficiently and effectively.
- ◆ Assist in creating broad based public support among key policy makers, business leaders and media.
- ◆ Assist the BNHIF to develop procedures defining its working relationship with other players in the healthcare area.

A long-term resident advisor – a Barents macroeconomist specialized in health - is being assisted by short-term specialists in areas such as insurance, financial analysis, financial regulation, communications and training. The team's efforts should provide the following results:

- ◆ Draft legislative changes that will facilitate Bulgarian health care reform
- ◆ Short and long-term investment plans and asset allocation strategies, through assistance to the BNHIF
- ◆ Increased public understanding of health care reform
- ◆ Development of host country training programs
- ◆ Communications strategy
- ◆ Recommendations for reconciling potential conflicts among pertinent GOB entities

<b>El Salvador</b>	<b>Supervision of Non-Bank Financial Institutions</b>	<b>\$938,375</b>
<b>Bank Supervision, Bank Restructuring – Tier I</b>	<b>07/24/00 – 07/23/02</b>	<b>TO #814</b>

This task order spans a number of areas in supervision and microenterprise finance. Its objective is to assist the Government of El Salvador to enable credit mechanisms for small borrowers and microenterprises under strict new supervision requirements imposed in the wake of a major bank failure. Components include:

- ◆ Assistance to El Salvador’s Superintendency of Banks in the implementation of new banking laws, in particular the law governing supervision of non-bank financial intermediaries;
- ◆ Assistance to other financial sector regulatory agencies in revising policies or adopting reforms leading to a strengthened microfinance system;
- ◆ Strengthening of the capabilities of the Superintendency of Banks and other regulatory institutions to monitor the financial sector, and to enforce laws and regulations; and
- ◆ Strengthening the roles of auditors, both external and internal, in financial institutions, in identifying problems.

<b>Ukraine</b>	<b>MBA in Finance Activity</b>	<b>\$1,083,034</b>
<b>Financial Training, Academic Institution Development - Tier I</b>	<b>08/15/00 – 07/31/02</b>	<b>TO #815</b>

Since 1991, Ukraine has faced the daunting task of restructuring its political and economic institutions to those of a democratic state with a free market economy. Central to making this transition has been the development of a market-oriented private financial sector. Barents Group is continuing an effort initiated in 1996 to develop an MBA in Finance program, as one component of wider USAID efforts to strengthen Ukraine's banking sector. The activity fosters the general development of management and business education. Advisors are working with a Ukrainian organization, the International Management Institute (IMI), to select students to participate in the MBA in Finance program, to develop both core courses and specialized courses, and to strengthen the IMI institutionally. Project objectives include:

- ◆ Increased number of finance professionals with an understanding of free-market economics
- ◆ Improved applied teaching and training methodologies and curricula at IMI,
- ◆ Full-service Career Services and Placement Office established at IMI; and
- ◆ MBA alumni association established for IMI graduates, providing opportunities for networking and information exchange among alumni and students.

The MBA in Finance Program started its second year with 30 finance professionals largely from the industrial sector. Barents has provided significant curriculum in marketing and management for financial professionals. The Career Services Center is providing expanded services in 2002 including interview and presentation skills development and web based placement capability. The alumni association and IMI Business Club are providing active financial and services support to the institute while developing broader communication through Barents/IMI web based solutions.

<b>Macedonia</b>	<b>Accounting and Tax Reform</b>	<b>\$1,398,423</b>
<b>Tax Accounting - Tier III</b>	<b>08/15/00 – 03/31/02</b>	<b>TO #816</b>

Under this Tier III task order, Barents advisors are assisting USAID/Macedonia in the continuation and expansion of earlier efforts by another contractor to bring about accounting development and reforms, including related taxation issues. Activities for the current quarter include providing the Government of Macedonia (GOM) with advisory services aimed at:

- ◆ Establishing a fully functioning legal and regulatory framework for accounting and audit reform and development necessary for conversion of enterprises to IAS systems and practices;
- ◆ Converting 250 enterprises' accounting practices to IAS systems and practices through subcontracting as well as in-house effort, as well as providing short-term training in the conversion process and IAS core standards;
- ◆ Developing a GOM-approved certified auditor program based on IFAC Education Guidelines and producing certified auditors. In the current quarter we provided the MOF with specialized professional assistance in the preparation of examination questions and counseling in the grading and administration of the certified auditor examinations held in December, 2001; and
- ◆ Assisting the Audit Council (an independent entity constituted within the Soyuz organization) on implementing and revising its by-laws and organizational infrastructure to be in more IFAC-compliant.

<b>Bosnia-Herzegovina</b>	<b>Bank Supervision Strengthening</b>	<b>\$2,009,976</b>
<b>Bank Supervision Tier I</b>	<b>07/15/01 – 10/14/02</b>	<b>TO #817</b>

Two long-term Barents advisors, assisted by short-term specialists, are helping to develop a professional bank supervision capability in Bosnia-Herzegovina as a critical element in a market-oriented financial sector and economy. Components include:

- ◆ Improving the legal and regulatory framework in which banks operate in Bosnia-Herzegovina (BiH),
- ◆ Promoting the institutional development of bank regulatory authorities,
- ◆ Strengthening the bank regulatory authorities' capacity to regulate and monitor the banking system and individual banks, and
- ◆ Assisting the bank regulatory authorities to establish supervisory policies and procedures and to deal with problem banks.

Two banking agencies under the umbrella of the Central Bank of Bosnia continue to make progress in the areas of bank intervention and resolution, in addition to bank supervision. Provisional administrators appointed by the agencies are receiving technical assistance and guidance from short-term advisors.

<b>Croatia</b>	<b>Bank Supervision</b>	<b>\$494,195</b>
<b>Bank Supervision - Tier I</b>	<b>06/26/01 – 12/25/02</b>	<b>TO #819</b>
<p>Barents is assisting the National Bank of Croatia to meet international standards as set forth in the 25 Basle Core Principles of Bank Supervision. A number of short-term advisors are helping to develop a competitive, stable and well-regulated banking sector to ensure a steady supply of financing to Croatian enterprises of all sizes in order to establish new businesses or invest in existing operations. To accomplish these objectives, the advisors are supporting:</p> <ul style="list-style-type: none"> <li>◆ Offsite reporting and analysis</li> <li>◆ Refinement of the on-site supervision process</li> <li>◆ Consolidated supervision</li> <li>◆ Licensing and corporate activities and</li> <li>◆ Participant training.</li> </ul>		

<b>Uganda</b>	<b>Uganda Bank Supervision</b>	<b>\$102,605</b>
<b>Bank Supervision - Tier I</b>	<b>11/27/2001 – 2/28/2002</b>	<b>TO #821</b>
<p>New SEGIR FS TO signed Nov. 27, 2001. The purpose of this task order was to complete the work that was originally performed under task order 805 SEGIR GBTI, Contract PCE-I-00-98-00012, dated Mar. 1, 2000. Under the new TO, we prepared, customized, and delivered two bank supervision courses: Risk-Based Supervision and Risk Management Assessment, to 38 examiners within Bank of Uganda/Bank Supervision Department (BOU/BSD). This final training session included 20 newly hired examiners, all senior examiners and a selected group of senior management officials of BOU/BSD.</p> <p>In addition, we performed a final training needs diagnostic review to determine the success of the training program and provide recommendations describing specific training needs and priorities within each component of the bank supervision program.</p>		

<b>Bulgaria</b>	<b>Bank Privatization</b>	<b>\$1,765,083</b>
<b>Tier I</b>	<b>08/31/01 – 08/30/03</b>	<b>TO #823</b>
<p>Under this Tier III task order, Barents Group is assisting the Government of Bulgaria's Bank Consolidation Company (BCC) to privatize remaining state-owned banks. The activity is a continuation of an earlier Barents effort under a different mechanism; since mid-1997, five banks have been sold to major international strategic investors. Bulgaria is thus distinguished for having stabilized, and privatized the lion's share of its banking system more effectively and rapidly than any other country in the region. A long-term Commercial Banking Specialists is being assisted by short-term advisors in law, corporate finance and marketing to accomplish current objectives. These include:</p> <ul style="list-style-type: none"> <li>◆ Assist the Bank Consolidation Company to prepare and sell the three remaining state-owned banks;</li> <li>◆ Assist the Privatization Agency and/or other privatization bodies, as appropriate, to refine privatization policies and strategies, and implement legislation and regulation making non-bank privatization more competitive and transparent.</li> </ul>		

<b>Bosnia and Herzegovina</b>	<b>Bosnia Business Finance</b>	<b>\$17,086,732</b>
<b>- Tier III</b>		<b>T.O. #824</b>
<p>Barents is managing this \$17.1 million, two-year extension to continue the direct lending operations of the USAID Business Finance Component of the Business Development Program for Bosnia. The primary objectives of the project are to direct capital to rebuild the Bosnian enterprise sector (with a focus on the private sector) and to increase employment. Secondary objectives are to support the development of the commercial banking sector, initiate bank direct lending and develop a local counterpart team to assume program operation at the end of the project. The Business Finance operation works closely with the Business Consulting operation of the project, which is tasked with providing consulting support for Bosnian private sector companies to assist with their turnaround.</p> <p>A complete set of credit risk management processes have been established with full back office support, comprehensive credit administration and problem loan management capabilities, independent bank and counterpart training program, bank technical assistance and a complete local counterpart team. There are presently 13 senior banking consultants on the ground in Bosnia directly recommending the extension of credit to the Bosnian banking and enterprise sectors. The project is supported by 135 local employees who assist with the management of this significant banking operation that covers the entire territory of the Bosnian Federation and the Republika Srpska.</p> <p>Over the course of a two-year period, the project is projected to extend a total of \$250 million in medium-term credits to the Bosnian private sector, lending through 5 branch offices across the country and working directly through select Agent Banks and Micro Finance Institutions on an on-lending basis. Over \$130 million in loans have already been extended and are being managed by the Business Finance banking team. Loan size has ranged from DM200,000 to DM2,000,000 and a new focus on smaller credits to support business initiation and entrepreneurial projects was launched at the outset of this new project phase.</p>		

## COMPLETED TASK ORDERS

<b>Slovakia</b>	<b>Bad Debt Crisis Resolution and Bank Privatization</b>	<b>\$1,632,522</b>
<b>Bank Supervision, Bank Restructuring, Privatization - Tier I</b>	<b>10/22/99 – 09/30/01</b>	<b>T.O. #001</b>
<p>Barents undertook this activity to help the Government of Slovakia to begin a program to clean up its bad loan/enterprise over-indebtedness problem and to privatize its state banks. The over-indebtedness problem (the fact that many, if not most, Slovak firms have unsustainable levels of debt and that state banks are technically insolvent) is a major impediment to economic restructuring and the resumption of sustainable economic growth. In conjunction with the World Bank and EU PHARE, Barents advisors made contributions in the following areas:</p> <ul style="list-style-type: none"> <li>◆ Problem assessment and solution design,</li> <li>◆ Bankruptcy reform,</li> <li>◆ Resolution of bad loans,</li> <li>◆ Privatization of banks,</li> <li>◆ Public education and advocacy,</li> <li>◆ Re-implementation training,</li> <li>◆ Workout support and,</li> <li>◆ Recapitalization of banks.</li> </ul>		

<b>Central &amp; Eastern Europe/Newly Independent States</b>	<b>International Association Bank Training [Dual Track, Risk Management, Computer-Based Training (CBT) Program]</b>	<b>\$50,000</b>
<b>Bank training Tier I</b>	<b>5/1/00 – 03/31/01</b>	<b>TO #002</b>
<p>Under this Tier I task order, Barents completed the development of a computer-based training course in risk management. The ten-hour pilot program is comparable to 36 hours of paper-based course material addressing the unique requirements of both commercial bankers and central bank regulators. Initially, course material was to be presented within a “dual track” structure, simultaneously addressing the different needs of commercial bankers and central bank regulators. It was expanded to comprise two different programs, one for commercial bankers and one for supervisors, sharing the same operability and utilizing the same program formatting.</p>		

<b>Egypt</b>	<b>Investment Banking Support</b>	<b>\$151,710</b>
<b>Insurance – Tier I</b>	<b>03/17/99 - 04/19/99</b>	<b>T.O. #800</b>

To assist the Egyptian Ministry of Economy in establishing transparent, efficient and fair procedures to privatize insurance companies, Barents Group provided an expatriate insurance expert, an expatriate investment banker, and three Egyptian specialists (insurance accounting, investment banking and law). Upon the team's arrival the Minister appointed a task force to work with it. The team advised the task force on strategies for its negotiations with an investment banking firm, providing it with a *pro forma* advisory contract and critiquing the contract proposed by the firm.

<b>Ecuador</b>	<b>Rule of Democracy Support Project (Assistance to the Guarantee Deposit Agency)</b>	<b>\$295,006</b>
<b>Bank Supervision, Bank Restructuring – Tier I</b>	<b>7/27/99 – 8/21/00</b>	<b>TO #802</b>

Barents began a twelve-month initiative designed to assist the Government of Ecuador to restore confidence in the country's banking system through increased financial transparency. The initiative focused on strengthening public sector institutions charged with the deposit insurance, asset resolution and bank liquidation. The SEGIR FS team was composed of two Barents staff members, both financial regulatory specialists; two expatriate financial management advisors; and an Ecuadorean attorney, who conducted the following tasks:

- ◆ Provided organizational and institutional support for strengthening and reforming government regulatory agency in charge of deposit insurance, asset resolution and bank liquidation, the Deposit Guarantee Agency (AGD).
- ◆ Helped AGD staff to review FDIC resolution and liquidation manuals with respect to their applicability to the present Ecuadorean context, and suggested modifications.

Among outputs were a manual on Due Diligence, a directive on Delegated Authorities and an Organizational Chart. As planned at project outset, USAID issued a second Task Order (No. 807) on November 2, 1999, for continuation of services in selected areas.

<b>Egypt</b>	<b>Egyptian Insurance Supervisory Authority (EISA): Reforming the Insurance Market (RIM)</b>	<b>\$2,522,748</b>
<b>Insurance - Tier III</b>	<b>09/01/99 – 04/15/01</b>	<b>T.O. #804</b>
<p>To help implement reforms supported by USAID’s Sector Policy Reform programs, a long-term Barents advisor directed short-term U.S. and Egyptian specialists to advise the Egyptian Insurance Supervisory Authority (EISA) in insurance supervision, legal and regulatory reform, and the establishment of an education and training program for EISA staff and actuaries. Advisors focused on:</p> <ul style="list-style-type: none"> <li>◆ <i>Information management needs assessment</i> to determine software requirements</li> <li>◆ <i>Technical analysis of Egypt’s current insurance legal and regulatory structures</i>, in order to examine their viability in light of international norms.</li> <li>◆ <i>Training</i> in actuarial sciences, market conduct regulations, financial conditions and reasons for insurers’ failures.</li> </ul> <p>The advisory team reviewed supervision and control procedures and prepared a framework for reform in order for EISA to be able to more efficiently and effectively monitor and supervise insurance companies and intermediaries. A parallel process took place for regulatory reform, in order to strengthen the laws and regulations governing insurance companies and private pension funds. Advisors also conducted training needs assessments to design and present courses on topics such as recent trends in actuarial sciences, pricing techniques and asset valuation, treatment of expenses and re-insurance, and the relation between regulations and insurers’ failure. They also participated in planning and presentation of a workshop on pension reform and assisted in technical reviews of papers to be presented.</p>		

<b>Jordan</b>	<b>Purchase and Implement New Application Systems for the Central Bank</b>	<b>\$2,890,571</b>
<b>MIS for Financial Institutions - Tier I</b>	<b>01/15/00 – 10/31/01</b>	<b>T.O. #805</b>

A six-person team of intermittent Barents advisors is assisting the Central Bank of Jordan (CBJ) to determine its needs for accounting and human resource software, and to procure and implement improved systems on the basis of those needs. The project involves issuing and judging RFPs for both the accounting and HR software.

The advisors are working alongside a group of CBJ employees to acquire and implement the new systems, working within the framework of CBJ's business plans, policies, procedures methods, tasks and systems.

- ◆ In *accounting*, the advisors are focusing on improving the CBJ's general ledger, foreign currency transactions and annual forecasts (budgeting).
- ◆ In *human resources*, the team is focusing on areas ranging from recruiting and hiring new employees to administration and disbursement of salary; benefits including health and vacation; social security and insurance; and employee savings plans.

A second phase began in mid-September 2000, during which a Chief of Party, an HR specialist and accounting specialists produced operating manuals for new UNIX-based hardware, funded by USAID under the task order, that the CBJ decided to purchase midway through the first phase. Yet a third phase was agreed in January 2001 that extended the activity for eight months, through August. Under this, Barents is maintaining an oversight role during installation of new accounting applications by a U.S. firm, CNSI. Barents is playing a similar role in human resources. The bank purchased new equipment necessary to implement an Oracle HR system as well as the updated accounting system. The equipment is being installed, and work is progressing with software implementation.

The project was completed on October 31, 2001 as planned. Barents Group received a satisfactory completion report from both USAID and the Central Bank of Jordan. The total actual expenditures came to the authorized expenditures. The last month of the project saw the training of the help desk staff, and on-site support of the system. The Bank now has the new accounting and Human Resource applications installed, running and under their control.

<b>Ecuador</b>	<b>Phase II: Rule of Democracy Support Project (Assistance to the Guarantee Deposit Agency)</b>	<b>\$499,890</b>
<b>Bank Supervision, Bank Restructuring – Tier I</b>	<b>11/02/99 – 09/30/00</b>	<b>TO #807</b>

This task order was the continuation, as planned at the outset, of TO #802 (above). Barents assisted the Government of Ecuador to restore confidence in the country's banking system by increasing financial transparency. As specified also in the previous task order, advisors focused on strengthening Ecuador's public sector institution charged with deposit insurance, asset resolution and bank liquidation, the Deposit Guarantee Agency (AGD). The following areas were of particular importance:

- ◆ Organizational Framework
- ◆ Strategic and Business Planning
- ◆ Asset Management and Disposition.
- ◆ Practical Training and hands on assistance

The SEGIR FS team was composed of two Barents staff members, both financial regulatory specialists; two expatriate financial management advisors; and an Ecuadorean attorney. As a result of the team's efforts, an Asset Management and Disposition Manual was approved by the AGD's Board of Directors; a fully functional MIS system was designed and its reconciliation to general ledgers started; a review of due diligence materials was conducted; and a business plan and ethics policies were presented to AGD.

<b>Thailand</b>	<b>Banker Training</b>	<b>\$121,409</b>
<b>Financial Institution Training - Tier III</b>	<b>05/05/00 – 07/15/00</b>	<b>TO #810</b>

Barents Group was selected in a Tier III competition to provide training to Siam Commercial Bank in Thailand.

On the basis of an informal order to proceed, an advisor completed a brief preliminary mission to the country and returned in May. A signed task order was received on June 16, 2000.

<b>Poland</b>	<b>Poland: Assessment of the Polish Banking System 2000</b>	<b>\$59,211</b>
<b>Financial Institution Strengthening - Tier I</b>	<b>06/01/00 – 07/31/00</b>	<b>TO #813</b>

As USAID ended its ten-year presence in Poland, Barents received a Tier I task order to review contributions to the development of a sound private banking system and to determine further, post-USAID technical assistance needs. A Barents advisor traveled to Poland in mid-June to conduct the assessment.

<b>India</b>	<b>Insurance Sector Assessment</b>	<b>\$164,697</b>
<b>Tier III Insurance</b>	<b>08/13/01 – 09/30/01</b>	<b>TO #820</b>

Under this Tier III task order, a three-person team led by Barents staff member Tom Power conducted a needs assessment to help USAID design a program of technical assistance aimed at developing a vibrant insurance market in India. In December 1999, India opened its insurance sector to competition, ending years of monopoly by state-owned entities. Advisors are examining a number of insurance industry issues spanning capacity building for the Insurance Regulatory and Development Authority (IRDA); opportunities for expanded private health insurance in India; consumer protection; development of databases for IRDA and for the insurance sector; the availability of education, research and training for the insurance sector; and opportunities for broadening and deepening the availability of insurance services.

The team conducted a series of interviews in Washington, DC with USAID and other resources and completed field work in India (including New Delhi, Mumbai, Pune, Bangalore and Hyderabad). A report was submitted to USAID and the Indian Insurance Regulatory and Development Authority.

Contract PCE-I-00-99-00006-00  
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Task Order No.	Name	Authorized Expenditures	Actual Expenditures	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days +/-
TO 001	Slovakia - Bad Debt Crisis Resolution and Bank Privatization	\$1,623,522.00	\$1,598,894.18	\$24,627.82	9/30/2001	9/30/2001	61
TO 002	Dual Track, Risk Management, Computer-Based Training (CBT) Program	\$50,000.00	\$51,014.00	(\$1,014.00)	3/31/2001	04/02/01	0
TO 003	International Accounting Standards/Computer Based Training	\$234,979.00	\$187,011.00	\$47,968.00	6/30/2002		N/A
TO 004	Serbia - Strengthening Banking Supervision	\$1,990,777.00	\$250,600.56	\$1,740,176.44	09/30/02		2,911
TO 005	World - Technical Assistance for USAID Credit Program	\$396,862.00	\$147,645.03	\$249,216.97	04/10/03		N/A
TO 007	Croatia - Bank Supervision Workshop	\$247,637.00	\$15,123.00	\$232,514.00	4/30/2002		137
TO 008	Poland - Warsaw Institute for Central Bankers (WICB)	\$298,964.00	\$42,020.75	\$256,943.25	12/31/02		134
TO 800	Egypt - Investment Banking Assistance for the Ministry of the Economy	\$151,710.00	\$97,934.34	\$53,775.66	04/19/99	04/22/99	0
TO 801	Indonesia - Technical Assistance for Taxation, Public Macroeconomics and Commodity Futures Trading	\$4,502,207.00	\$3,303,084.48	\$1,199,122.52	11/30/01		715
TO 802	Ecuador - Rule of Democracy Support Project	\$295,006.00	\$276,113.69	\$18,892.31	08/21/00	08/21/00	0
TO 803	Kazakhstan and Uzbekistan - Financial Restructuring and Financial Sector Accounting Reform	\$2,814,039.00	\$2,301,764.00	\$512,275.00	3/1/2002		210
TO 804	Egypt - Egyptian Insurance Supervisory Authority (EISA)	\$2,522,748.00	\$2,522,748.00	\$0.00	04/15/01	4/15/2001	127
TO 805	Jordan - Purchase and Implement New Application Systems for the Central Bank of Jordan	\$2,890,571.22	\$2,790,798.68	\$99,772.54	10/31/01	10/31/2001	111
TO 806	Honduras - Reactivation of the Economy through Agricultural Credit and Technologies (REACT)	\$4,371,713.00	\$2,857,302.00	\$1,514,411.00	3/31/2002		1,050
TO 807	Ecuador - Rule of Democracy Support Project (Phase II)	\$499,890.00	\$494,671.00	\$5,219.00	9/30/00	09/30/00	0
TO 808	Bosnia-Herzegovina - Bank Development and Training Program	\$8,248,250.00	\$4,213,505.87	\$4,034,744.13	5/23/02		4,293
TO 809	Indonesia - Additional Activities in the Indonesian Bank Restructuring Agency (IBRA)	\$3,464,930.00	\$3,094,624.00	\$370,306.00	03/14/02		23

Contract PCE-I-00-99-00006-00  
Barents Group of KPMG Consulting

Task Order No.	Name	Authorized Expenditures	Actual Expenditures	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days +/-
TO 810	Thailand - Bankers Training	\$121,409.00	\$100,396.69	\$21,012.31	06/15/00	06/15/00	7
TO 811	Bulgaria - Bankers Training	\$2,481,593.30	\$1,029,964.95	\$1,451,628.35	04/13/03		2,531
TO 812	Bulgaria - Health System Reform	\$2,569,140.00	\$1,098,950.26	\$1,470,189.74	05/31/02		31
TO 813	Poland - Assessment of the Polish Banking System 2000	\$59,211.00	\$54,822.00	\$4,389.00	08/04/00	07/31/00	0
TO 814	El Salvador - Supervision of Non-Bank Financial Institutions	\$938,375.00	\$780,523.74	\$157,851.26	07/23/02		151
TO 815	Ukraine - MBA in Finance Activity	\$1,083,034.00	\$672,054.75	\$410,979.25	07/31/02		191
TO 816	Macedonia - Accounting and Tax Reform	\$1,398,423.00	\$940,482.18	\$457,940.82	03/31/02		781
TO 817	Bosnia - Bank Supervision Strengthening	\$2,009,976.00	\$912,994.26	\$1,096,981.74	10/14/02		1,478
TO 819	Croatia - National Bank Supervisions	\$494,195.00	\$76,291.48	\$417,903.52	12/25/02		254
TO 820	India - Insurance Sector Assessment	\$164,697.00	\$159,617.85	\$5,079.15	09/30/01	10/30/2001	0
TO 821	Uganda Bank Supervision	\$102,605.00	\$85,723.00	\$16,882.00	2/28/2002		0
TO 823	Bulgaria - Bank Privatization	\$1,765,082.97	\$0.00	\$1,765,082.97	08/30/03		1,940
TO 824	Bosnia Business Finance	\$17,086,732.00	\$1,428,323.93	\$15,658,408.07	10/24/2003		43,329
<b>TOTAL</b>		<b>\$64,878,278.49</b>	<b>\$31,584,999.67</b>	<b>\$33,293,278.82</b>			<b>60,465</b>