

**Bosnia and Herzegovina
Bank Development and Training Program**

**Quarterly Status Report
01 January 2001 - 31 March 2001**

**PCE-I-00-99-00006-00
Task Order 808**

19 April 2001

**Attachments: Attachment A – BD&T Course Schedule
Attachment B – BD&T Course Attendance**

QUARTERLY STATUS REPORT
01 January 2001 - 31 March 2001

To: Bryan Kurtz
Cognizant Technical Officer
US Agency for International Development
Sarajevo, Bosnia and Herzegovina

From: Michael Gegen
Chief of Party
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cc: Brian Fahey
US Agency for International Development

A. Executive Summary

During the current reporting period, the Bank Development and Training (BD&T) provided in-bank advisory services to the three banks participating in the program and classroom training to ten banks in Bosnia and Herzegovina (BiH).

Key accomplishments resulting from the program team's in-bank advisory services were as follows:

- Writing of Strategic Plans – All banks
- Asset and Liability Committee established – Gospodarska Bank
- FX risk management methodology developed – All banks
- Managed fund concept developed and initiated – All banks
- Out of balance issues resolved – Hrvatska Postanska Bank
- IT Audit controls review and recommendations completed – All banks
- Training, process flows, and procedures for the domestic payment system provided – All banks
- New IT (hardware, systems and application software) system implemented – UPI Bank
- IT systems for domestic payment system implemented – All banks

The following courses were offered during the current reporting period:

Course	Instructor	Dates	Attendees
IT Project Management	Ms. Karen Hollinger	05/02/01-09/02/01	Auro, Banjalucka, Kristal, and Vakufska banks
Bank Operations	Ms. Lynda Swenson	26/02/01-02/03/01	Auro, Hercegovacka, Kristal, Union, and UPI banks
Foreign Exchange	Ms. C Crnkovich	05/03/01-09/05/01	Auro, Central Profit, Gospodarska, Hercegovacka, Hrvatska Postanska, Kristal, Union, Vakufska, and Zagrebacka banks
Asset and Liability Management II	Mr. Geary Vance	26/03/01-30/03/01	Auro, Central Profit, Gospodarska, Hercegovacka, Hrvatska Postanska, Kristal, Union, UPI, Vakufska, and Zagrebacka banks

**B. Project Quarterly Report for Current Reporting Period
(01 January 2001 – 31 March 2001)**

During the current reporting period, we have undertaken and achieved the work tasks and deliverables detailed below.

Task 4 –Bank Training

Task Description	Outcome
1. Identify course instructors and schedule courses	Twenty-two (22) courses have now been scheduled. Details are provided in <i>Attachment A – BD&T Course Schedule</i>
2. Provide training to banks	Courses in <i>IT Project Management, Bank Operations, Foreign Exchange, and Assets and Liability Management II</i> were offered during the reporting period

Task 5 –In-Bank Advisory Services

Task Description	Outcome
1. Provide in-bank advisory services	Provision of in-bank advisory services by the 5 resident advisors and according to work plans produced in Task 3 continues. Details for each advisor follow.

John Cunningham – Asset and Liability Management

- Establishment of Asset and Liability Committee significantly completed – UPI
- Correspondent bank review and recommendations provided – All banks
- Liquidity analysis completed – All banks
- Loan pricing analysis ongoing – All banks
- Analysis of IFC loan proposal completed - Gospodarska
- Definition of managed fund/"sweep" account concept completed (awaiting CB decision)– All banks

George Drakey – Accounting

- Valuation of bank analysis completed - UPI
- General Ledger cutover planned and scheduled – Hrvatska Postanska
- Domestic payment system accounting review completed – All banks
- Definition of a responsibility reporting system – Hrvatska Postanska

George Drakey – Audit

- Loan collateral and analysis review ongoing – All banks
- Domestic payment system audit review completed – All banks
- Implementation of internal controls with IT ongoing – All banks
- Training in audit theory completed – All banks

Michael Gegen – Strategic Planning and Organization

- Review of procedures for domestic payment system completed – All banks
- Strategic planning, particularly in the areas of marketing, branch organization, the domestic payment system, and electronic banking ongoing – All banks
- Scheduling and logistics associated with training ongoing – All banks
- Program management ongoing – All banks

Dino Peponis – Bank Operations

- Support for post-implementation of domestic payment system, with recommendations for enhancements to process flows, procedures, etc. completed – All banks
- Review of organization ongoing – All banks
- Review of operations of new IT system ongoing - UPI

Note: Much of Mr. Peponis' time during the reporting period has been spent in support of the domestic payments system

Stephen Williams – Information Technology

- New IT system selected – Gospodarska
- IT post-implementation support for domestic payment system completed – All banks
- Post-implementation support for new IT system ongoing – UPI
- Review of operations of new IT system ongoing - UPI
- Planning and scheduling of cutover to new IT system completed – Hrvatska Postanska

Note: Much of Mr. Williams' time during the reporting period has been spent in support of the domestic payments system

C. Forecast for Next Reporting Period (01 April – 30 June)

During the next reporting period, it is planned to perform the following:

Task 4 –Bank Training

1. Continue to identify instructors and to schedule classes agreed upon with banks.
2. Provide courses in *Human Resources, Financial Institutions Analysis Bank Cards, IT Database Design, International Banking, Bank Operations II, and Letters of Credit.*

Task 5 –In-Bank Advisory Services

1. Continue to revise work plans according to changing priorities and requirements
2. Continue implementation of in-bank advisory services within each bank according to work plans.

D. General Information

1. Project Identification

Title: Bosnia and Herzegovina Bank Development and Training Program
Contractor: Barents Group, LLC
Contract: PCE-I-00-99-00006-00
Task Order: 808

2. Project Performance Dates

Period of Performance: 28 months
Start Date: 22 February 2000
Reporting Period: 01 January 2001-31 March 2001
Report Date: 19 April 2001
Quarterly Report: No. 4
Anticipated Completion Date: 31 June 2002

3. Project Management

Home Office Project Director: Patrick Bryzki
Chief of Party: Michael Gegen

4. Project Description

The banking community of Bosnia and Herzegovina is weak and undercapitalized as a result of several factors, including low public confidence in the banking sector, significant weaknesses in corporate governance and risk management, and the lack of products and services provided in a market economy.

The purpose of the USAID Bank Development and Training Program is to address the above factors through the development of a competitive, financially strong, market responsive private financial sector. This is to be accomplished through the provision of in-bank advisory services by a team of resident financial advisors and of formal classroom training both in core banking areas and in specialized areas based upon local requirements. The team of five resident advisors will transfer banking skills in strategic planning, internal audit and controls, accounting, liquidity management and other treasury functions, bank operations management, and information technology. Workshops and classroom training will be delivered for board members, in-bank management, and bank staff.

The goal of the program is to build the capacity of selected banks to:

- Understand, assess, and manage a range of commercial banking risks
- Attract citizen deposits
- Offer a broader array of customer-oriented products and services to the public

Four banks were originally selected for the program – Banjalucka Banka ad Banja Luka, Gospodarska Banka dd Sarajevo, Hrvatska Postanska dd Mostar, and UPI Banka dd Sarajevo. Subsequently, Banjalucka Banka has been suspended from the program.

Attachment A – BD&T Course Schedule

**BANK DEVELOPMENT AND TRAINING PROGRAM
COURSE SCHEDULE 2000**

Date	Course	Instructor
06/05		
06/12		
06/19		
06/26		
07/03	Strategic Planning/Organization	T. Downen
07/10	Strategic Planning/Organization	T. Downen
07/17		
07/24		
07/31		
08/07		
08/14		
08/21		
08/28	Internal Audit	M. Berry
09/04		
09/11		
09/18		
09/25		
10/02	Asset and Liability Management I	G. Vance
10/09		
10/16	Branch Management	F. Zamon
10/23		
10/30		
11/06	Marketing/Advertising	P. Hudson
11/13	Risk Management	T. Grier
11/20	Strategic Planning	T. Downen
11/27		
12/04	Customer Service	E. Chitwood
12/11		
12/18		
12/25		

**BANK DEVELOPMENT AND TRAINING PROGRAM
BOSNIA COURSE SCHEDULE 2001**

Date	Course	Instructor
01/01		
01/08		
01/15		
01/22		
01/29		
02/05	IT Project Mgmt	K. Hollinger
02/12		
02/19		
02/26	Bank Operations	L. Swenson
03/05	Foreign Exchange	C. Crnkovich
03/12		
03/19		
03/26	Asset and Liability Management II (BOD & Gen. Dir. 1+days)	G. Vance
04/02	Human Resources	G. Vance
04/09		
04/16		
04/24	Financial Institutions Analysis	T. Grier
04/30	Bank Cards	T. Grier
05/07	IT Data Base Design Strategic Planning	K. Hollinger T. Downen
05/14		
05/21		
05/28	International Banking	T. Grier
06/04		
06/11	Bank Operations	L. Swenson
06/18	Letters of Credit	T. Grier
06/25	Internal Audit (Tentative)	D. Ralph
07/02		
07/09	Marketing II	P. Hudson
07/16		
07/23		
07/30		

Note: Instructors whose names are in **bold** have been confirmed; those not in bold have not been confirmed.

Attachment B – BD&T Course Attendance

BDT SEMINARS 2000/2001

YEAR	COURSE	UPI-Sa	GBS-Sa	HPB-M	Banjalucka-BL	Kristal-BL	Union-Sa	CPB-Sa	Vakufska-Sa	Auro-Mos.	Herceg-M	Zagreb-M	Total
2000	Internal Audit	3	2	2	3		1	2	2	2	2		19
	ALM I	4	4	3	1	3	2	3	2	1	2		25
	Branch Management	2	6	4		2	1		4	1	2		22
	Marketing&Advertising	1	3	1					1		1		7
	Risk Management	2	3					2	4		1		12
	Customer Services	2	3					1					6
2001	IT Project Management				2	2			1				5
	Bank Operations	3				1	2			1	2		9
	Foreign Exchange		3	1		2	1	1	2	1	1	1	13
	ALM II	3	2	1		2	2	1	1	1	2	1	16
	Total	20	26	12	6	12	9	10	17	7	13	2	134

Average number of participants : 13 per seminar

Period: August 28, 2000 through March 31, 2001