

PN-ABN-697

15N 8/632

**CONSULTANCY REPORT NUMBER TWO\***

on the  
**REGIONAL BANK OF WROCLAW**

for the  
**POLAND COOPERATIVE BANK DEVELOPMENT PROJECT**

Contract No. EUR-0024-G-00-1069-00

**PREPARED BY**

**DON HOVENDICK**

**AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL**  
Suite 900, 50 F Street N.W.  
Washington, D.C. 20001  
Phone: (202) 638-4661  
FAX: (202) 626-8726

**DECEMBER, 1992**

**\*Follow-up for the Report Dated July, 1992**

## TABLE OF CONTENTS

	Page
Scope of Work	3
Executive Summary	4
Methodology and Findings	5
Recommendations	7
Appendices	
I. Financial Report of Bank	
II. Territory and Branches (Map)	
III. GBPZ-ACDI Cooperation Agreement	
IV. Paper: "Changing Roles of Council Members and CEO's"	
V. Łądek-Zdrój Council Training Agenda	

### SCOPE OF WORK

The Regional Bank of Wrocław was established in January, 1992. This consultant was employed to assist with the start-up of operations during a four-week period in the summer of 1992 (see report dated July, 1992). At that time ACDI agreed that a follow-up consultancy might be arranged if desired by the president of the bank. The original scope of work for this second assignment was similar to that of the first, as follows:

1. Analyze the situation faced by the Regional Bank of Wrocław and determine steps needed to accelerate development of regional banking operations.
2. Set priorities for needed actions.
3. Counsel the Wrocław Bank president and other officers on such banking activities as establishing the credit department, accepting cooperative banks as affiliated banks, affiliation and consolidation agreements, internal audit functions and financial reporting.

Upon arrival it was apparent a revision was necessary. With the concurrence of the bank president, ACDI Chief of Party Jon Greeneisen and the consultant, it was agreed to add the following:

4. Recognizing a special General Assembly meeting and many related activities will occur during the term of the consultancy it is understood that the consultant will, first and foremost, stand ready to assist the bank president in all ways possible to assure the meeting is successful and the bank functions as well as it can through this time of considerable stress.

In addition to the above, about midway through the consultancy an opportunity came to conduct a two-day training exercise for 27 cooperative bank directors and council members from the Chełm area. Entitled "Responsibilities of Cooperative Bank Council Members", the training was planned and conducted by the consultant and his interpreter/assistant at the Łądek-Zdrój Training Center (see Appendix V).

## EXECUTIVE SUMMARY

The Regional Bank of Wroclaw (GBPZ) has been very successful in its efforts to increase shareholders and build a stronger capital and organizational base since my first visit in July, 1992. The number of shareholders is about 200 (and still growing) compared to 115; share capital is z1 140 billion compared to z1 20 billion; the central office is better housed (still temporarily); the computer system is performing well; there are 80 employees compared to 20; 9 branches compared to 2; and a credit department has been organized, processing 1,600 coop bank restructured loan applications for z1 346 billion. Most significantly, when the consolidation of the 200(+) coop banks is completed in 1993 it is estimated that the total assets of the GBPZ-Coop Bank "family" will exceed z1 6.5 trillion.

Morale is good. The staff is working long hours, it is obviously highly motivated and over-all personnel quality seems outstanding.

With this level of activity and growth it is natural that there is organizational and management stress. This consultancy is intended in part to help solve problems--or prevent them--to ease this start-up stress. Prioritized recommendations, mostly constituting pieces of a management system, have been made in the following subject areas (see RECOMMENDATIONS):

1. Top management stop soon to regroup and plan.
2. Develop business plan.
3. Develop organization chart and job descriptions.
4. Continue effective communications, internal and external.
5. Be cautious (plan) when making major investments in facilities.
6. Be sure all planned branches are necessary.
7. Develop policies and a policy manual, first for credit.
8. Develop master plan for staffing and training.
9. Follow through with plans for internal audit program.
10. Continue to increase capital base.
11. Develop coop bank assistance (supervision) program.
12. Complete work on the debt restructuring program.

## METHODOLOGY AND FINDINGS

My plan for doing this second GBPZ assignment evolved into the following approach: 1) reviewing progress with work on the recommendations made in the first consultancy--see report dated July, 1992; 2) add to, change or withdraw earlier recommendations; and 3) with my interpreter/assistant, help President Siano and his management team in their daily work, observing, offering suggestions, and doing everything possible to enhance the performance of the bank during this especially busy time.

... Which is to say, the consultancy was conducted during the final days of the start-up period for this bank as additional cooperative banks were affiliating, the loan re-structuring program was reaching its deadline, and the special council, general assembly, and affiliation meetings were being planned and conducted. The staff was extremely busy and working long hours, sometimes seven days a week. Although conditions were adverse it was, in fact, a good time to do this kind of consultancy and observe management strengths and deficiencies.

First, it needs to be stated that this report will not "stand alone", that is, it will be supplemental to the July, 1992, report and only by reference does the full picture come into focus. Second, the consultancy has concentrated on the development of pieces of a management system for the bank. I have therefore not dwelt on the numbers and statistical data but have instead looked for management techniques and practices that will help President Siano manage (plan, organize, lead, and control) the operations of the bank.

There have been some very noteworthy successes since July. At that time the bank had 115 shareholders; z1 20 billion of share capital; z1 23.8 billion of total assets; temporary, inadequate, central office facilities; a computer system was being installed (and having problems); there were 20 employees; one branch (at Opole) was beginning to function; and the loan/credit department had not been established.

This is being written following the special general assembly and affiliation meetings of December 3 and 4 and the numbers are changing dramatically day by day. The number of shareholders is reaching 200; share capital z1 140 billion (after matching by the Capital Fund); the central office is well situated, temporarily, in the new Wroclaw branch building; the computer system is functioning well; there are 80 employees; 9 branches (7 more to be added in December-January, mostly in coop banks and using their employees); and the credit department has about 15 employees who have processed 1,600(+) loan restructuring applications for z1 346 billion (of which z1 150 billion has been received, so far, from the Ministry of Finance).

It is reassuring to note that the operating loss of the bank during this start-up year has remained at a reasonable 21 1.5 billion for the year to date for several months now, increasing a small amount in November because of meeting and affiliation related activities (see Appendix I). The very large upsurge in capital at this time should have a positive impact on earnings in the future.

In view of the activity and growth described above, it is not surprising to find that many of the recommendations made in July are still awaiting attention. The spectacular successes in the "membership and capital development area" and what appears to be equally fine performance in the recruitment of well qualified staff additions tend to offset my disappointment regarding the lack of progress with work on the recommendations. Capital formation and finding qualified staff certainly are of extreme importance.

There were 19 recommendations in the July report, dealing with 6 identified weaknesses. Seven strengths were recognized (see the report) and it is apparent that these are indeed strengths which are helping overcome, or mask, problems caused by the weaknesses. It is the opinion of this consultant that almost all of those recommendations remain valid, and that the bank will experience very serious problems if attention is not immediately given to those with the highest priority.

Those on which some progress has been made include the areas dealing with delegation, organizational structure, staffing, and training; coop bank audits; bank communications; capital needs; regional bank-coop bank participation agreement; and the debt restructuring program.

The recommendations involving the following areas have, for the most part, not been dealt with: planning, both strategic and financial (business plan); capital investment and branch location decision making; policy making and policy "manual"; coop bank supervision; credit policy; and regional bank territorial boundaries. Of these, the most important is planning, especially the business plan which deals with at least short range strategic planning, and upon which almost every management decision should be based.

Please refer to the next section, RECOMMENDATIONS.

## RECOMMENDATIONS

... To Pawel Siano, President

Like an extremely successful army commander and his staff, following the directions of his general and associates, you and your staff and "general" Michal Gacek and the council have moved forward quickly in recent months and won some very important battles (gaining shareholders, capital and actual territory). Now like a fast moving commander, it is time to consolidate your gains, patch your stretched lines of supply, re-enforce your flanks, and properly prepare for the next attack.

Perhaps this sounds a bit too dramatic but this consultant is concerned that his client could win big battles like these, and lose the war.

We are all, I think, feeling very good about the development of recent months and especially so regarding to successful general assembly and affiliation meetings. Recognizing this, I am anxious to draw attention to the important things still undone. Your bank, like the army above, must now pause and re-group. Indeed, if you don't I fear you will have serious problems. The bank could fail. We must not let that happen.

What follows is mostly a repeat of my July, 1992, recommendations, with a few changes and additions. Please refer to the earlier report as you review the following. You will note some differences. Again, these recommendations are prioritized, with the following code:

- (\*) First Priority
- (\*\*) Second Priority
- (\*\*\*) Third Priority

### I. WEAKNESS: STRATEGIC AND OPERATIONAL PLANNING

#### A. (\*) Personal Objectives of the CEO

You will soon find hanging on your wall the personal objectives I challenged you with last summer with my best wishes.

New recommendation: take time for some "regrouping" by the key members of the bank staff, no later than early January, to communicate and do some simple strategic and business planning. I would suggest a retreat at a place away from the bank that is conducive to such an activity. The objective being to answer the planning questions:

1. Where are we now?
2. Where are we going?
3. How will we get there?

B. (\*) Delegation of Responsibility and Authority.

Finish drafting the organization chart you are working on and distribute copies as soon as possible to members of your council, staff, and the affiliated coop banks. These people need to know who does each job, what the reporting relationships are, and where each employee fits in the organization.

And, sorry to keep repeating this, but job descriptions must be completed, also as soon as possible. An employee without a job description just can't be held very accountable for performance.

C. (\*) Business and Financial Plan

I don't feel you should consolidate next year with coop banks that have no business plan. And, I feel they should not want to join a regional bank that has no business plan. Please refer to my earlier report for further comments. This just must be done. It should be the main job started at the planning meeting in Section A above.

This should be given even higher than a one star (\*) priority. You should not make any major decisions until you can test them against at least a preliminary business plan.

D. (\*) Bank Communications

The bank obviously knows how to communicate. This was apparent at the general assembly and affiliations meetings. Very professional. Very well done! Keep giving this kind of attention to communications. Refer to my earlier recommendation, especially as it pertains to employee communications.

II. WEAKNESS: CAPITAL NEEDS

A. (\*\*) Shareholders' Investment in Additional Capital

Congratulations on your recent successes. Outstanding. But emphasis on this kind of activity must be constant, and will always be a vital part of the bank's responsibility.

B. (\*) Bank Capital "Hunter"

Mr. Pajka of the Financial Department has been named. Push to be sure he is keeping informed and actually "hunting".

III. WEAKNESS: MASTER PLAN FOR STAFFING

A. (\*) Master Plan for Staffing (Priority Raised)

Being discussed but "can't do because changes are coming too fast". This has to key on the business plan which has not been started (I-C above), needs to be developed simultaneously, as soon as possible (January, at the latest).

B. (\*\*) Training Needs Assessment and Plan

It seems everyone in the bank and on the council is talking about the need for training. Press for development of a total needs assessment and training plan by mid-1993. The staff wants to express their needs and this should make an assessment easy to accomplish.

IV. WEAKNESS: BUILDING AND EQUIPMENT NEEDS

A. (\*) Capital Investment Considerations

It continues to be recommended that the business plan asked for in Section I-C be done before any further major investment is made. The bank's capital has been increased, and the percentage allowed for such purchases has also been increased, but without a plan we still can't answer the question "what can we afford?" with certainty.

B. (\*\*\*) Determination of the Number of Branches

Priority has been lowered. A total of 16 branches have been committed and evidently the 9 established so far have been opened successfully. Much remains to be done to make them fully operative. The bank needs to be certain it can provide supervision and technical support for seven more branches.

V. WEAKNESS: NEEDS FOR OPERATIONAL POLICIES, PROGRAMS, AND PROCEDURES

A. (\*\*) Adoption of Basic Bank Policies

It continues to be recommended that a policy manual be developed and that the model policies provided in the July report be adopted if not already covered by newly developed policies, per the earlier recommendation.

B. (\*) Coop Bank Audits

Recommendation changed. Stand by to cooperate with the plan now taking shape: EC will fund audits of regional banks and the coop banks where regional branches are maintained--during the first six months of 1993, using outside auditors

coordinated by Union of Cooperative Banks. The National Bank of Poland will audit others before consolidation, allowing those that meet certain tests by regional banks to consolidate without an audit. Eventually it is planned that the Union will conduct the audits on behalf of the regional banks (within the "System", as an internal audit).

C. (\*\*) Branch Office Start-up

Earlier recommendation: disregard.

D. (\*\*\*) Coop Bank Supervision

This recommendation is still valid. Work needs to be started to develop a coop bank supervisory or assistance program. See earlier July report.

E. (\*) Regional Bank-Coop Bank Participation Agreement

Earlier recommendation: accomplished

F. (\*) A "Sound" Credit Policy

See recommendation in July report. The draft policy should be considered, tailored to fit GBPZ, and adopted.

New recommendation: be very cautious as you begin to consider making loans at the regional bank. With inflation and interest rates at their present levels it is nearly impossible to make loans that will benefit either the borrower or the lender. It is recommended that the council be asked to approve the basic conditions and policies that will govern the bank's direct lending program.

G. (\*\*) Loan Classification Program

Assuming that the coop bank audit process will result in a required classification program, this recommendation is cancelled.

H. (\*) Debt Restructuring

Follow up closely to "encourage" Polish Government officials to advance funds as promised. Processing of loans about complete. An estimated z1 200 billion is still to be received.

VI. WEAKNESS: REGIONAL BANK TERRITORIAL BOUNDARIES

A. (\*\*\*) Will There Be a Fourth Regional Bank?

No change in recommendation. Cooperate with the other regional banks to assure SE Poland coop banks have access to regional banks. Consider possibility of GBPZ permanent service to all the southern voivodships.

Rearson Cooperative  
Bank of South-West  
in Wrocław  
joint stock company



Analysis of financial condition  
of GBPZ S.A.

ANALIZA KONDYCJI FINANSOWEJ  
GBPZ S.A. WE WROCŁAWIU

- Bilans Balance sheet
- Podstawowe wielkości ekonomiczne. <sup>Data from</sup> Dane za miesiące:  
June July August September  
czerwiec, lipiec, sierpień i wrzesień.
- Koszty Expenses
- Dochody Income
- Inwestycje Investments
- <sup>List of Cooperative-shareholders in GBPZ S.A.</sup>  
Wykaz Banków Spółdzielczych akcjonariuszy GBPZ S.A. we  
<sup>(according to registration)</sup>  
Wrocławiu w/g województw.
- <sup>List of Cooperative banks which declare the will</sup>  
Wykaz Banków Spółdzielczych deklarujących <sup>chcę</sup>  
<sup>to overtake the GBPZ S.A. according to the law</sup>  
przystąpienia do GBPZ S.A. we Wrocławiu w/g województw.

Wykaz Banków Spółdzielczych - Akcjonariuszy  
/założycieli/ GBPZ SA we Wrocławiu

WOJEWÓDZTWO	Liczba banków ogółem	W tym liczba akcjonariuszy	Ilość zakupionych akcji	Ilość akcji zgłoszonych do wykupu	% udział akcjonariuszy w ogólnej liczbie banków
częstochofskie	50	2	3	4	4%
jeleniogófskie	18	13	49	3	72%
legnickie	18	8	19	3	44%
opolskie	47	33	98	31	70%
wałbrzyskie	20	20	113	2	100%
wrocławskie	53	27	88	5	81%
zielonogófskie	27	12	30	36	44%
ogółem	213	115	400	84	54%

*Handwritten note:* Liczba banków w okręgu to kwota 54%

Wykaz Banków Spółdzielczych , deklarujących  
przystąpienie do GBPZ SA. Stan z 27.10.92 r.

L.p.	woj.	Liczba BS ogółem	Złożone deklaracje	Ilość akcji	Wpłaty na poczet akcji	Wpłaty na koszty organizacyjne
1.	bielsko-bialskie	31	24	101	875 mln.	150 mln.
2.	częstochofskie	50	18	34	100 mln.	25 mln.
3.	katowickie	43	17	109	1.825 mln.	250 mln.
4.	sieradzkie	39	9	12	150 mln.	150 mln.
	ogółem	163	68	256	2.950 mln	575 mln.

KOSZTY DOCHODY INWESTYCJE GBPZ S.A.

l.p.	Nazwa konta	% udział		% udział	
		Stan na 92-8-31	w ogół. kosztach	Stan na 92-9-30	w ogół. kosztach
1	Odpisy na ekplat. majątek trw. mater. i niemater.	75,0	1,24%	104,6	1,26%
2	Zakup dóbr konsump. i potrzeby w tym:	723,9	11,94%	1318,3	15,82%
	zużycie przedm. nietrw. walm.	270,1	4,46%	848,5	10,18%
	koszty pren. wydaw., prasy, księgozbiory	9,3	0,15%	11,4	0,14%
	zużycie pozostałych materiałów	47,3	0,78%	52,8	0,63%
	zużycie mater. biur. i formularzy	396,9	6,55%	405,2	4,86%
	świadczenia rzecz. wynik. z przepisów BHP	0,3	0,00%	0,3	0,00%
3	Wydatki związane z działaln. eksploat. w tym:	2032,3	33,53%	2244,7	26,93%
	zużycie energii	2,0	0,03%	2,5	0,03%
	zużycie pozost. mat. eksploat.	27,6	0,46%	42,2	0,51%
	koszty kom. i transportu	4,9	0,08%	5,8	0,07%
	usługi łączności	41,4	0,68%	73,6	0,88%
	remonty budynków i lokali	880,0	14,52%	880,0	10,56%
	pozost. usługi mat.	20,7	0,34%	43,8	0,53%
	koszty reprezentacyjne	4,6	0,08%	5,0	0,06%
	koszty konferencji	5,8	0,10%	7,9	0,09%
	usługi w zakr. ochr. mienia i obiegu papierów	99,0	1,63%	99,0	1,19%
	koszty podróży służbowych	118,8	1,96%	122,3	1,47%
	usługi lokalowe	547,7	9,04%	600,8	7,21%
	opłaty kom., skarb., i inne	3,5	0,06%	3,5	0,04%
	pozostałe usługi niemater.	276,3	4,56%	357,8	4,29%
	zużycie paliw		0,00%	0,5	0,01%
4	Podatki i opłaty	2,0	0,03%	2,0	0,02%
5	Wynagrodzenia i narzuty na wynagrodzenia w tym:	2089,4	34,47%	2849,6	34,19%
	wynagrodzenia	1506,4	24,85%	2044,8	24,53%
	ZUS	583,0	9,62%	804,8	9,66%
6	Koszty od oper. z pod. fin. LBR i NBP	93,8	1,55%	9,4	0,11%
7	Odsetki zapłacone innym bankom od środ. na lok	985,8	16,26%	1730,4	20,76%
8	Należności spisane na straty	59,5	0,98%	75,3	0,90%
	Razem	6061,7		8334,3	

l.p.	Nazwa konta	% udział w		% udział w	
		Stan na 92-8-31	ogół. dochodach	Stan na 92-9-30	ogół. doch.
1	Odsetki od oper. z innymi pod. fin. (lokaty w bankach)	3257,0	71,76%	5071,9	72,97%
2	Odsetki od oper. z innymi pod. fin. (LBR)	144,0	3,17%	305,6	4,40%
3	Odsetki otrzymane z Bystrzycy	1073,0	23,64%	1073,2	15,44%
4	Dochody z tytułu przel. telegraf.		0,00%		0,00%
5	Odsetki od kredytów inwestycyjnych		0,00%	355,7	5,12%
6	Odsetki od sald debetowych na rachunkach BS		0,00%		0,00%
7	Prowizje od zobowiązań uwierzytel. pod. (gwar.)	13,0	0,29%	13,0	0,19%
8	Dochody uboczne	52,0	1,15%	63,7	0,92%
9	Odsetki od bonów skarbowych		0,00%	67,3	0,97%
	Razem	4539,0		6950,4	

l.p.	Wydatki na śr. trwałe i inwestycje	Nr konta w/g BPK 91	Stan na	
			92-8-31	92-9-30
1	Środki trwałe			
		213-4	1475,6	2096,6
		213-5	75,5	75,5
		213-7		173,2
		213-8	276,1	313,3
2	Inwestycje rozpoczęte "SABA"		300,0	347,1
3	Inne wartości trwałe (budowa Sienkiewicza)		6399,0	7135,0
4	Wart. niematerialne i prawne		187,0	243,9
	Razem		8713,2	10384,6



# KOSZTY I DOCHODY GBPZ S.A.

Stan na dzień 30.11.92

l.p.	Nazwa konta	Nr konta w/g	
		BPK 91	Wartość w mln. zł
1	Odpisy na eksploatację majątek trwałe mater. i niemater.	771	194
2	Zakup dóbr konsump. i potrzeby w tym:	7621	1.609
	zużycie przedm. nietrwałych		1.096
	koszty prenumeraty wydaw., prasy, księgozbiory		19
	zużycie pozostałych materiałów		47
	zużycie materiałów biurowych i formularzy		447
	świadczenia rzeczowe wynik. z przepisów BHP		—
3	Wydatki związane z działalnością eksploatacyjną w tym:	7622	2.637
	zużycie energii		5
	zużycie pozostałych materiałów eksploatacyjnych		95
	koszty komunikacji i transportu		15
	usługi łączności		103
	remonty budynków i lokali		902
	pozostałe usługi materialne		62
	koszty reprezentacyjne		10
	koszty konferencji		14
	usługi w zakresie ochr. mienia i obiegu papierów		132
	koszty podróży służbowych		187
	usługi lokalowe		650
	opłaty kom., skarb., i inne		12
	pozostałe usługi niematerialne		449
	zużycie paliw		1
4	Podatki i opłaty	764	—
5	Wynagrodzenia i narzuty na wynagrodzenia w tym:	761	4.570
	wynagrodzenia	7611	3.259
	ZUS	7613-1	1.311
6	Koszty od operacji z pod. finansow. (NBP)	7124	12
7	Odsetki zapłacone innym bankom od środ. na lok.	7113	4.723
8	Należności spisane na straty	78	75
	<b>Razem</b>		<b>13.820</b>
1	Odsetki od oper. z innymi pod. fin. (lokaty w bankach)	8113-1	3.290
2	Odsetki od operacji z innymi podmiotami finansowymi	8113-2	315
3	Odsetki otrzymane z Bystrzycy	8113-3	1.073
4	Dochody z tytułu przeł. telegraf.	8113-4	—
5	Odsetki od kredytów inwestycyjnych	8113-5	795
6	Odsetki od sald debetowych na rachunkach BS	8113-6	—
7	Prowizje od zobowiązań uwierzytel. pod. (gwar.)	8222-1	13
8	Dochody uboczne	860	198
9	Odsetki od bonów skarbowych	8421-1	351
10	Zyski wartości majątku trwałego	8812-1	20
11	Prowizja od wykupu wierzytelności	8125-5	46
	<b>Razem</b>		<b>12.101</b>

Sporządził:

*[Podpis]*

Martyna Przebieralska

Odebrał:

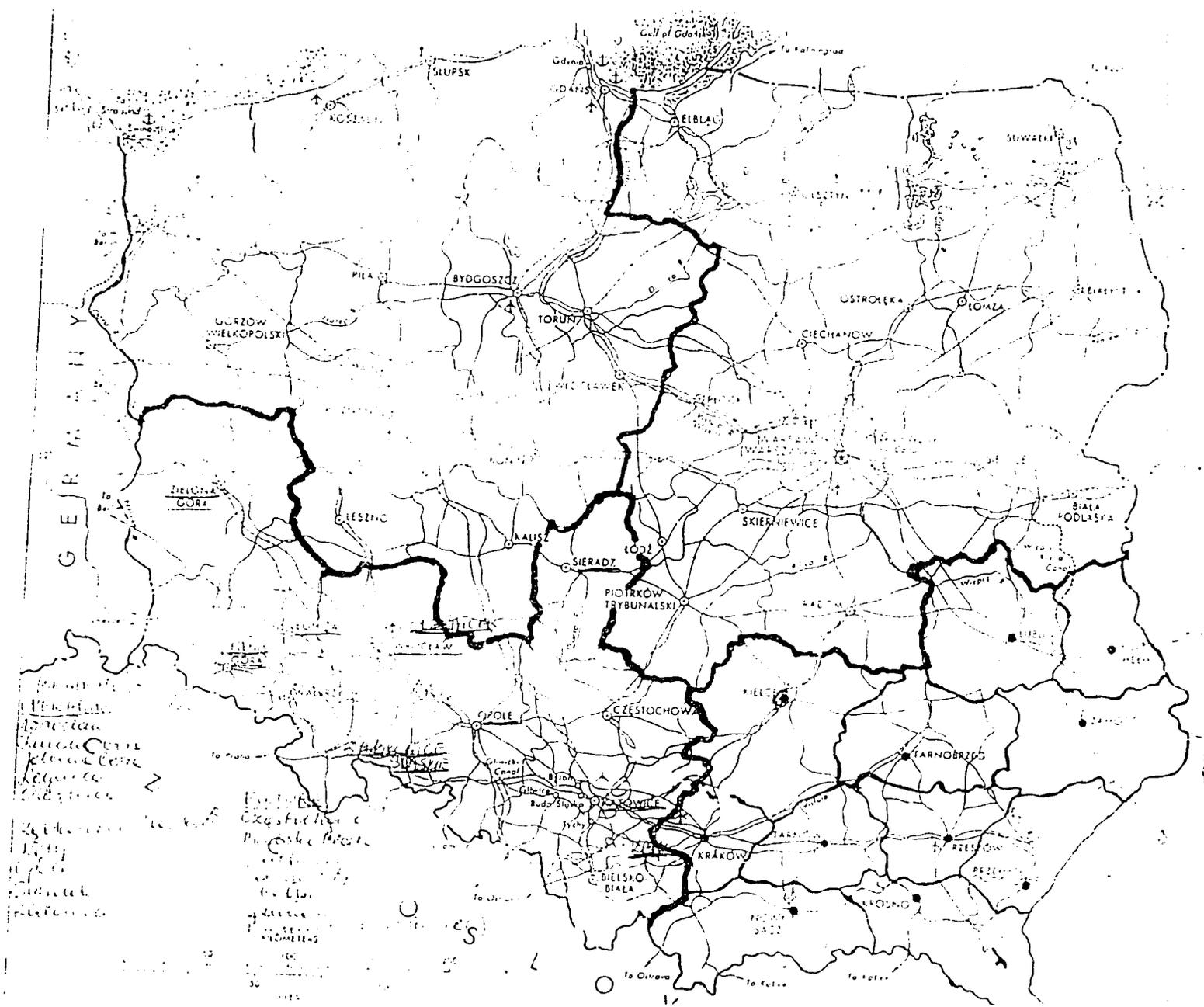
*[Podpis]*

BILANS GBPZ S.A.  
Stan na dzień 30.11.92r.

AKTYWA	Wartość w mln. zł
1. Bank Centralny-rach. bieżący	33.119
2. Rezerwa obowiązkowa NBP niefinans.	—
3. Rachunki bieżące w innych bankach	1.896
4. Lokaty terminowe w bankach (por. zał. 1 i zał. 2)	167.233
5. Kredyty inwest. (por. zał. 3)	13.250
6. Papiery wart. (por. zał. 4)	39.098
7. Operacje różne	86.615
8. Majątek trwały	15.887
9. Wynik fin. w trakcie zatw.	2.191
10. Nadwyżka wyd. nad doch. roku bież.	1.719
Suma bilansowa	361.008
PASywa	Wartość w mln. zł
1. Depozyty banków (por. zał. 5)	80.280
2. Depozyty podm. niefinans. (por. zał. 6)	57.134
3. Operacje różne	82.517
4. Kapitał akcyjny	62.450
5. Rachunki bieżące banków	—
6. Fundusz Oddł. i Restr.	78.627
Suma bilansowa	361.008

Sporządził: *Chęcińska*

Główny Księgowy  
Odebrał: *[Signature]*  
Banku  
*Marianna Przebierala*



12



**A COOPERATION AGREEMENT  
BETWEEN  
AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL  
AND  
GOSPODARCZYM BANKIEM POŁUDNIOWO - ZACHODNIM**

Agricultural Cooperative Development International ( **ACDI** ) and the Gospodarczy Bank Południowo - Zachodni ( **GBPZ** ), the Regional Bank in Wrocław, after earnest and friendly consultations and for the mutual benefit of both parties, agree to cooperate with each other as outlined below.

1. **ACDI** and **GBPZ** (hereinafter jointly called "two parties") will cooperate in several ways with a common objective of developing modern financial services for rural people in Southwest Poland.
2. The two parties will work together to encourage and develop activities that may be beneficial to both parties and their respective clients.
3. To achieve these objectives, the two parties are establishing a cooperative relationship that will provide the basis for the two parties to consider and be receptive to future mutually acceptable proposals.
4. The two parties will, on the basis of mutually acceptable terms and conditions, cooperate with each other in the exchange of useful information, training of staff, exchange of visits and consultancy service, and such developmental and educational activities as may benefit the two parties.
5. This Agreement will remain in effect until either **ACDI** or **GBPZ** proposes changes or amendments.
6. This Agreement shall be expressed in both the Polish and English languages and the two versions will be equally effective.

Agreed and signed in Wrocław, Poland, on December 2, 1992.

AGRICULTURAL COOPERATIVE  
DEVELOPMENT INTERNATIONAL

GOSPODARCZY BANK  
POŁUDNIOWO - ZACHODNI

by 

Jon F. Greeneisen  
Chief of Party

by 

Paweł Siano  
President



**POROZUMIENIE O WSPÓŁPRACY  
POMIĘDZY  
AGRICULTURAL COOPERATIVE DEVELOPMENT INTERNATIONAL  
I  
GOSPODARCZYM BANKIEM POŁUDNIOWO - ZACHODNIM**

Agricultural Cooperative Development International ( **ACDI** ) oraz Gospodarczy Bank Południowo - Zachodni ( **GBPZ** ), regionalny bank we Wrocławiu, po gruntownych i przyjaznych konsultacjach, mając na celu korzyści obu stron, zgadzają się współpracować w oparciu o poniższe zasady.

1. **ACDI** i **GBPZ** (zwane dalej stronami) będą współpracowały na wielu płaszczyznach, mając na celu rozwój nowoczesnych usług finansowych dla ludzi rolnictwa południowo - zachodniej Polski.
2. Obie strony będą razem pracować, aby zainicjować i rozwijać działalność, która będzie korzystna dla nich i dla klientów.
3. Aby osiągnąć te cele, obie strony nawiązują wzajemną współpracę, która zapewni im podstawę do konstruktywnych, wzajemnie akceptowanych rozwiązań.
4. Obie strony będą współpracować ze sobą na podstawie wzajemnie zaakceptowanych warunków w dziedzinie wymiany informacji, szkolenia pracowników, wzajemnych spotkań i usług konsultacyjnych oraz także działalności związanej z rozwojem i kształceniem, która byłaby korzystna dla obu stron.
5. Niniejsze porozumienie zachowuje ważność do czasu propozycji zmian lub poprawek wniesionych przez **ACDI** lub **GBPZ**.
6. Porozumienie to będzie sporządzone w języku polskim i angielskim, obie wersje mają jednakową moc.

Ustalono i podpisano we Wrocławiu, 2 grudnia 1992 r.

AGRICULTURAL COOPERATIVE  
DEVELOPMENT INTERNATIONAL

GOSPODARCZY BANK  
POŁUDNIOWO - ZACHODNI

Przewodniczący  
Jon F. Greenelsen

Prezes  
Paweł Siano

*"There is a  
greater recognition  
of the fact that  
managing and directing,  
planning and  
policy-making should  
not be viewed as  
entirely separate  
functions."*



D. L. Hovendick

## **THE CHANGING ROLES OF DIRECTORS AND CHIEF EXECUTIVE OFFICERS IN PLANNING AND POLICY-SETTING**

We have had a tendency, almost a tradition, in the Farm Credit System, to want to draw clear lines to distinguish the roles of management and the boards of directors. But in reality, how impossible it is to draw a clear line — and how impractical and unnecessary, especially in well-managed and directed businesses.

Planning is the key function of management, in my opinion, and policy-making the main responsibility of directors. Everything else builds on these bases.

It is gratifying to see that, as our organizations have matured, and as we have grown in our abilities as managers and directors, our thinking has begun to change. There is a greater recognition of the fact that managing and directing, planning and policy-making should not be viewed as entirely separate functions. They're so close you can hardly see the line that separates them. That's good. So close they may seem to overlap, yet they are subtly different. That's good too.

An effective job of planning and policy-making, at the very least, calls for a clear

recognition of mutual board and management responsibilities; and then some definition and an understanding of their respective roles in that process.

Let's test that by looking at them separately. First, the role of management in policy-making. I don't believe the chief executive officer of an organization can do his job effectively unless he is directly involved in the development of policy. He is not the policy-maker, but he'd better be part of the process that policies come from.

The CEO is responsible for planning. This is one of his primary functions as a manager. Policy-making is very much an activity of planning. Consider the elements of the planning function . . . forecasting, establishing objectives, programming and scheduling, policy-making, and budgeting.

Policy-making is an inseparable part of the planning process. Policies provide direction for courses of action. Rather than being a starting point, policies represent the decisions we make as a result of the forecasting we do and the objectives we set. Can a manager effectively perform the other activities of planning without an active involvement in policy-making? I think not.

The board of directors has the ultimate

responsibility for policy and the final say. I don't contend for a moment that this is something they should hand over to management. Directors are responsible for policy. The board that is most effective, though, is the one which recognizes management has a key role in the formulation and recommendation of policy.

The degree to which management is involved in policy formulation must be a mutually agreed upon delegation, and will depend on the situation. The variables include the size and nature of the organization, board confidence in management, the degree of competence of both board and management, the effectiveness of their communication, and their working relationship.

Just as policy is not the exclusive territory of boards, planning is not exclusively for management. The board must be actively involved, and again, roles need to be defined, understood, and agreed upon.

The CEO is the chief planner of the organization. This responsibility can't be delegated. Many others may be involved in assisting in planning, but in the end, the chief executive officer is the one who is accountable.

Good management effectively involves

other people in planning, including the board of directors. A CEO who sees director involvement as a threatening thing and does not have his board on the leading edge of the planning process is making a serious mistake. And, of course, the organization has no plan until the board really buys into it and approves it.

I don't mean that the board should be involved in the planning of the day-to-day activity of the organization. The board's planning role is in the area of long-term considerations, strategic thinking, the establishment of organizational aims, philosophy, and the mission.

If roles do become confused, both board and management share the blame, but the greater burden is carried by management. This goes back to something I mentioned a moment ago . . . relationships.

Director-management relationships should be arm's length, though defining what I mean by that is difficult. Their relationships should be close — I would say personal — but with a sense of when to keep a little distance . . . when to back off some. It is very much like a good working relationship between a loan officer and a member. A sense of when to be close, and when to back off

some — now that's a delicate thing to measure, but stockholders and boards of directors sometimes do just that when they elect, or unelect, Association and Bank directors and presidents.

The chemistry that binds boards and management together — or causes them to part — is complex. Management has the responsibility to understand this and to "manage" it. Boards do have the last word, so the main concern is naturally felt by the CEO. Like a marriage, it is complicated. Either it works or it doesn't. Each partner can prolong the relationship by making the effort, but anything less than a happy relationship is a constant threat to it.

Good management, especially in the PCA/FICB System, has one foot in the director's shoe and one in his own and walks around with a mixture of owner and employe interests and attitudes. A top administrator is always keenly sensitive to the feelings and needs of the owners and employees. Good directors need to fill this same kind of dual role.

Planning and policy-making is hard work. When a board or management is faced with a tough planning or policy decision and having a hard time reaching one, my standard advice

is to try the old reliable question: "What's best for the farmer?" Almost always, answering this leads to not only an easier, but a better decision. Any important decision should have to pass this test question.

In order for boards and management to be really effective in the area of planning and policy-making, there are some board room habits that need to be changed. I'm thinking, for one thing, of the agendas we work with, and address this mainly to management because I think boards expect management to develop the agendas.

There is a tendency for managers to devote too much time to reporting to boards on history . . . on minor details . . . on the control activities of management. If you are a president who feels your board is too involved in detail — in other words, in management — it could be that you have invited them, almost forced them, to be. I notice our directors often seem to enjoy themselves more, and give us more direction, when the last item on our agenda comes up . . . "other matters as time permits".

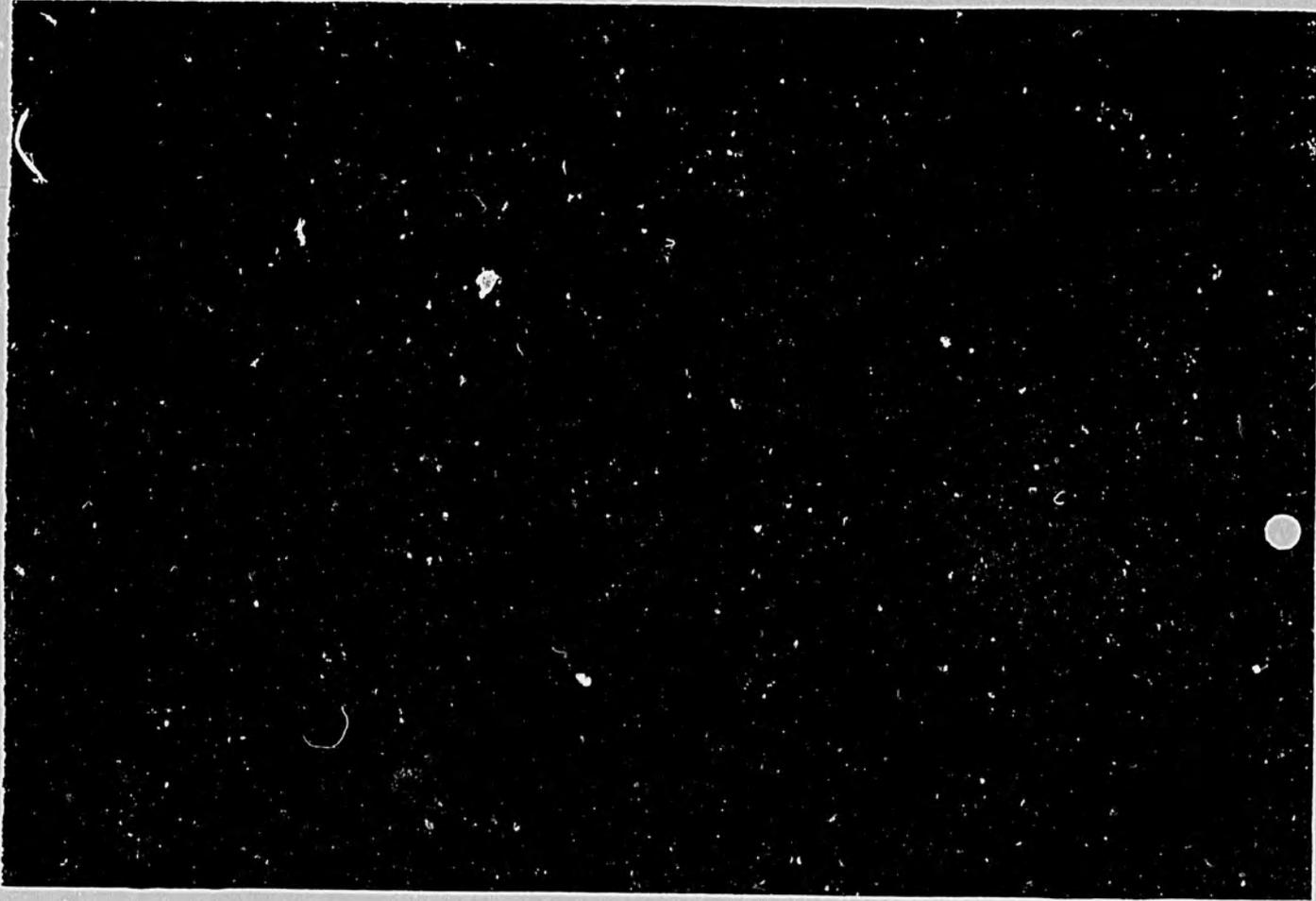
When managing and directing, planning and making policy, management especially has to keep in mind the long-range implications of actions being considered. The CEO's

pl

performance is often judged by short-term results, which, even though good, may not lead to what is best in the long run for the organization — or the farmer.

When an appropriate amount of board time is spent looking toward the future, there is greater assurance that short-term results will move the organization toward its long-range aims, and again, toward the answer to the question, "What's best for the farmer?"

Good long-range planning involves risk. We must make a lot of assumptions, and some of them will be wrong, some plans will go astray, some policies will not hold up. Still, the business that doesn't try, and has no risk-takers and no plan, is a business that has no future. That's not what any of us in the Production Credit Associations or Credit Bank want, and, for sure, it's not what's best for the farmer!



## HARMONOGRAM SZKOLENIA W DNIACH 8, 9.12.1992 r.

- 9.30 - 10.15 - Spółdzielczość i systemy banków spółdzielczych w Stanach Zjednoczonych.  
Podobieństwa i różnice w systemach polskim i amerykańskim.  
(Don Hovendick + tłum.)
- 10.30 - 11.30 - Banki Spółdzielcze w Polsce w gospodarce rynkowej.  
- Sprawowanie władzy. Obowiązki i zakres odpowiedzialności członków spółdzielni i Rady i Zarządu.  
- Podział decyzji kierowniczych (T.Kachniarz + uwagi Don'a).
- 11.45 - 12.05 Gacek - "Moja rola jako przewodniczącego - członka Rady Banku Regionalnego".
- 12.05 - 12.25 Hussar - "Moja rola jako przewodniczącej Komisji Rewizyjnej".
- 12.25 - 13.00 Vice Prezes- Bank Regionalny w nowym systemie. Nasza rola i stosunki z Bankami Spółdzielczymi.
- 13.15 - 14.00 - Zakres obowiązków członka Rady. Wybór kandydatów, a efektywność pracy.
- 15.30 - 16.30 - Stosunki między Radą, a Zarządem. Zakres podstawowych obowiązków i odpowiedzialności - Misja Rady
- 16.45 - 17.45 - Charakter funkcji i pole działania.  
A. Stworzenie i umocnienie organizacji  
- Wykwalifikowany Dyrektor  
- Nadzór nad prawidłowym funkcjonowaniem Banku od strony personalno-organizacyjnej  
- Stan materialny Banku

- Siła finansowa banku
  - a) kapitalizacja - kapitał
  - b) zysk - podział
- Prawo spółdzielcze i regulaminy
- Linie postępowania i statut - a działania
- Owocne posiedzenie Rady

B.Reprezentowanie członków - przedstawicielstwo akcjonariuszy.

C.Efektywne planowanie, kierownictwo i kontrola - zmiany, środki.

P.Owocne stosunki z organizacjami krajowymi, bankami.

Informacje organizacyjne

8.12.1992 r.

- 8.00 - śniadanie
- 14.00 - obiad
- 18.30 - kolacja

9.12.1992 r.

- 7.30 - śniadanie
- 10.30 - wyjazd do Wrocławia