

ShoreCap Exchange ("Exchange") is a ShoreBank sponsored capacity building company that works to strengthen small business banks and microfinance institutions (MFIs) in developing countries. It provides a range of capacity building support to its partner banks and runs a growing knowledge exchange program. A non-profit, Exchange works in tandem with other partners, including two ShoreBank Corporation affiliates: ShoreCap International (SCI), which invests equity in regulated financial institutions that serve small business and microentrepreneurs, and ShoreBank International (SBI) which provides financial consulting services to emerging economies worldwide, including some of Exchange's clients. For a more detailed overview of our activities, please see our website at www.shorecapexchange.org.



ShoreCap Exchange



Exchange-News – December 2007

Quarterly Update from Exchange's President

ShoreCap Exchange added two new partners to its network this last quarter: MIC Microfinance Bank in Nigeria and Kashf Microfinance Bank in Pakistan. Existing partner microfinance and small business banks continued to work with Exchange in the areas of strategic planning, microfinance and small business lending, and risk management. Reliance in The Gambia expanded its Western Union services to its entire network of kiosks. Representatives from XacBank in Mongolia came to the United States for training on small business lending, risk management, and real estate lending. ShoreBank was also delighted to welcome these participants on-site to do job shadowing and to learn best practices.

This quarter ShoreCap Exchange and MicroSave designed and delivered a training on individual microlending aligned for the Asian market, which was based off the toolkit that Exchange and MicroSave had developed earlier this year. This training, launched in India, was customized to local audiences via case studies undertaken with local MFIs.

Exchange updated its website (please visit us at <http://www.shorecapexchange.org>) and published its new brochure this quarter. We have tried to share useful information and news about our work and our partners in both. Do tell us what you like and what you would like to know more about! Watch the 'news and events' page on our website for information on upcoming Exchange activities and how to participate.

Warm wishes for the new year!

Yours truly,
Lynn

Banker-to-Banker Peer Learning Forum

Developing the Training Resource

Strategic Issues in Management Training

As microfinance and small business banks move forward, training resources need to become more broad and complex in unison with the changing needs of the bank to ensure that competencies in management and leadership are fully developed, as appropriate. Businesses can easily remain focused on technical and business management skills alone, believing the upkeep of these individual competencies will sustain success. This perspective, however, overlooks the changing needs of a growing organization. As growing organizations manage the evolving role of training and development, Human Resource professionals must consider three important and strategic issues:

- Staging and timing the introduction or expansion of management training
- The management training domains on which to focus
- How to build and sustain support throughout the organization for management training

Stages of Training

The stages of training and development for employees typically occur in three to five steps.

STAGE	TRAINING DOMAINS	CRITICAL HR SKILLS	YEAR
One	Technical training	Business training skills	1 st – 2 nd
Two	Business management training	Decision-making, Business planning, Core business training skills	2 nd – 3 rd
Three – Five	People management, Leadership	Communication skills Organizational / political insights Interpersonal skill / emotional intelligence	3 rd – 7 th

Management Training Domains

The technical training activities encompassed within Stage One are critical early on to make certain new banking employees learn the business and information required for their positions. The HR and training group can advance the organization through a natural, and relatively simple, agenda of both formal and informal technical training. Technical training topics relate directly to the business activities of the organization and the knowledge and skills are relatively easy to describe. In addition, the experts can often be found in-house or in local institutions. XacBank in Mongolia, for example, developed its in-house experts to act as technical trainers and continued to coach in-house experts in presentation and training skills as the training function evolved.

Stage Two centers on business management competencies, which parallel the core finance, marketing, IT, and legal functions as well as key activities like decision-making, project planning and business analysis sciences. Stage Two begins when departments grow and less experienced members join the team. Challenges reside in designing the approach for developing competencies, in addressing the simultaneous need to formalize both professional development plans and processes, and in establishing links with sources of training. Regional hubs such as Manila in the Philippines may have an easier experience

dealing with this phase of challenges, while smaller or more remote centers, such as Ulaan Baatar in Mongolia, may be pressed with a more difficult phase. Whichever side of the spectrum an organization may stand, Stage Two surely will test qualities to influence and develop leadership competencies of the HR Dept. and its training professionals.

The competency domains of Stages Three through Five – people management, communication skills, and leadership – remain the most challenging needs to broaden and advance. Efforts to introduce training in leadership and people management may begin to take effect 3 – 7 years into the life of an organization, and some organizations mature without ever addressing such domains. It may be the case that Human Resources focuses on all of the competency areas in a single, intensive training initiative (Stage 3), while other approaches introduce the domains in separate stages (Stages 3 – 5, or more).

Selling Training to Managers

Just as HR may have to sell management training to executives and the Board, HR may also have to sell the initiative to managers. Asking managers, often already overloaded, to invest their time to learn new skills can be difficult. Many employees do not desire to leave their “comfort zones” of normal functioning to experience uncertainty and discomfort as they experiment with new behaviors and processes. To ensure managers participate and support management training, HR professionals need to conduct a communication campaign as if they were introducing a new product to customers. Using a variety of tactics increases the chances of reaching each and every manager in the bank. To embed new management competencies within all managers, HR and Training must not take a “one-shot” approach. Introducing any kind of management development requires a sales campaign, and, achieving any kind of tangible development requires an implementation campaign characterized by, at least, the three phases listed below:

- Introduction and Familiarization – informing potential participants about the competencies and the training process
- Training – providing preparatory assignments, training classes, role plays, and coaching instruction
- Follow-up - talking with bosses and employees about explored competencies, creating outlets for receiving performance feedback, and trouble-shooting with HR or the Training team.

The most enduring leadership component all businesses hope for in their leaders deals with thinking strategically and long-term, and then listening, persuading, and persisting to build the future of the business.

Lender's Corner

This column by ShoreCap Exchange credit expert, Richard Turner, focuses on lending lessons and challenges, and complements the Lender's Corner Banker-to-Banker Forum.

Just as the financial world heaves a sigh of relief anticipating the apparent resolution of the so-called ‘sub-prime crisis,’ a fresh wave of additional write-downs washes away the sandcastles of optimism. At the risk of dampening holiday spirits, this edition of the Lender's Corner will attempt to re-visit some basic principles of frameworks for risk assessment and

risk mitigation. Fundamentals are often mundane and tedious, but they would not be fundamentals if they had not stood the test of time.

In the last quarter-century, it has become mandatory across the world that extension of credit must be governed by policies. It is often overlooked, but the 'tone' management uses in elucidating its lending policies is as important as the content of the policies themselves. This tone is a crucial building block of an effective credit culture, and when it is slipshod, seems whimsical, or appears, at the end of the day, to serve only expediency, loan officers, despite their best instincts, may find themselves taking the easier, softer route of expediency as well. When that happens, flawed lending practices and shoddy decision-making will spread through the loan portfolio like a stain. Unhappily, the stain is often not so discernible until its deleterious effects are obvious to everyone.

Bank management, for example, should require at least a general framework, if not a rigid format, for loan presentations, and if it finds that the less-mathematical areas--- like assessments of management capacities--- are being treated generically, it must correct matters, immediately and with clarity, without regard to feelings. It must not allow the institution's loan approval process to be short-circuited or honored in the breach in the interests of volume goals or in order to chase competitors' lowered standards of quality.

Management and the lending cadre can both shoulder the burden of standing watch against something that is the enemy of good loan quality and which becomes obvious enough by the time the crisis stage arrives, but which is not so apparent until then. I call it 'buzz-talk,' and I believe it plays a not-so-unimportant part in allowing such 'crises' to develop and grow. Buzz-talk--- "to be completely honest with you," the loan will enable the borrower to "construct a platform for the exploitation of _ sector," "the bottom line will be enhanced," and so on--- is a specious and generally misleading substitute, allowing us to presume we are thoughtful and analytical when in reality we have surrendered to collective ego-stroking and gratification.

Lastly, perhaps every organization ought to create an ombudsman in its lending areas--- an ombudsman for quality, and for standards, and against groupthink-driven decisions. A veteran who's made enough mistakes to be dubious of buzz-talk and the latest in lending fashion, whether endorsed by Wall Street and supposed industry leaders or not, who can't be censured or fired for unpopular opinions, and whose views must be regularly accessible to top management, perhaps even the Board of Directors.

Partner News

[Eskhata Bank joins the IFC Global Trade Finance Program](#)

Eskhata Bank became the first bank in Tajikistan to join the IFC's Global Trade Finance Program. The program increases access to trade for its members from developing countries by supporting the flow of goods and services at a worldwide level. Through this new membership, Eskhata Bank can gain access to a broader, more global network for its trade finance operations, which allows capacity growth and improves access to trade finance for clients. To read the complete article, please [click here](#).

XacBank Opens a New Business Center

XacBank's head office now has launched a new initiative to provide business advisory and financial services to XacBank clients, especially clients who have small and medium-sized enterprises (SME). The Business Service Center offers clients an additional, unique opportunity to expand their businesses with the International Finance Corporation (IFC) and the European Bank of Reconstruction and Development (EBRD). This feature allows XacBank to promote relationships between its clients and companies and business networks around the world. To read the complete article, please [click here](#).

BRAC Bank Launches Omnibus ATM Network

BRAC Bank has partnered with IT Consultants Unlimited to launch the first Omnibus ATM network in the country. An independent association of member banks runs the network, allowing customers from individual member banks to access any of the ATM/POS machines launched through Omnibus. The ability of the network to handle inter-bank transactions signifies Omnibus' potential in future ATM based developments and innovations delivered across all of Bangladesh. To read the complete article, please [click here](#).

K-Rep Bank Receives Grant from FMO Capacity Building Program

K-Rep Bank in Kenya, has received support from the Capacity Development Program of the Netherlands Development Finance Company (FMO), a company that invests risk capital in companies and financial institutions in developing countries. FMO has committed a grant contribution lasting three years to assist K-Rep Bank forward. FMO and K-Rep Bank agreed that the project will focus on four areas of capacity building to improve the organization, the development and the management of K-Rep Bank's business model. The two entities carefully agreed on a clear agenda of goals for improving the organization so that achievements could be closely monitored. To read the complete article, please [click here](#).

BASIX India Extends its Indian Grameen Services Branch (IGS) out to Poorest Regions

BASIX, a group composed of five financial services and technical assistance companies and the parent company for Bhartiya Samruddhi Finance Limited, plans to expand the operations of its affiliate, Indian Grameen Services (IGS) Branch, into six different Indian states. IGS supplies BASIX group and other institutions with human resource and institutional research and development. BASIX and IGS together plan to address issues with poverty and low levels of financial inclusion in these five provinces. To read the complete article, please [click here](#).

Publications and Tools

Exchanging Views are papers incorporating tools and strategies for capacity building. Exchange Notes are short briefs that go in-depth into one aspect of a relevant issue and make strategic recommendations.

New and Upcoming Publications:

In every issue of Exchange-News, we'll give you a sneak peak at the exciting publications and tools we

are developing or have recently published. Keep an eye on our [website](#) for the posting of these articles.

Upcoming: Risk Management Notes

This series of briefs is rooted in the operational risk management sessions held at the Risk Mitigation Strategies for Fast-growing Banks Forum held by Exchange in South Africa in June 2007. The series will focus on developing quick lessons to identify, measure and manage key risks in operational areas that participants encounter within their own institutions. Some of the subjects to be covered include payment systems, mobile phone banking, anti-money laundering (AML) practices, branch rollout and savings mobilization, to name a few.

Previous Publications & Tools:

If you are interested in obtaining a copy of any of the following publications or tools, please click on the hyperlinked title.

[Exchanging Views Series #1, April 2005: Reflections & Learnings on Risk Management](#)

[Exchanging Views Series #2, June 2005: Technical Assistance Delivery to Small Business Banks and MFIs](#)

[Exchanging Views Series #3, July 2005: Staff Retention Strategies](#)

[Exchanging Views Series #4, June 2006: Compensation as a Retention Strategy](#)

[Exchanging Views Series #5: Building Win-Win Investor Investee Relationships](#)

[Exchange Note #1, October 2005: Cultural Transformation of an Organization](#)

[Exchange Note #2, May 2006: Peer Advisory Boards](#)

[Exchange Note #3: Leading Change Management](#)

[Exchange Note #4: Addressing Board Challenges](#)

Exchange ToolKits

[Exchange CD #1, Risk Management Forum](#)

CD-ROM with learnings from our Risk Management Forum. The CD contains tools to address such topics as credit, operations, institutional, and product risk management, as well as summaries and power points of the presentations.

[Exchange CD #2, Small Business Lending Forum](#)

CD-ROM with learnings from our Small Business Lending Forum. Our Small Business Lending Forum CD provides training material and exercises, as well as power points and summaries of the sessions.

[Exchange CD #3, Individual Lender Training for Managers and Officers](#)

This CD toolkit compiles the lessons, power points, and exercises that were presented at the Individual Lender Training that Exchange presented jointly with *MicroSave* in Kampala, Uganda.

[Exchange CD #4, Risk Mitigation Strategies Forum](#)

This CD has been created from the tools and templates shared during our 3-day Forum on

Risk Mitigation Strategies for Fast-Growing Banks held in June 2007 in South Africa. It includes the presentations from the Forum, publications and tools developed and shared by the speakers. Resources on comprehensive risk management, credit and operations, and technology and alternate delivery channels are included on the CD. Tools are provided for several risk issues related to growth – whether it be developing new products such as savings or building new branches.

Exchange Long-Term Partner Institutions

<u>Partner Institution</u>	<u>Country</u>
BRAC Bank	Bangladesh
Bhartiya Samruddhi Finance Limited	India
Cambodian Entrepreneur Building Limited	Cambodia
InecoBank	Armenia
K-Rep Bank	Kenya
XacBank	Mongolia
Eskhata Bank	Tajikistan
Plantersbank	The Philippines
BRAC Afghanistan	Afghanistan
Commercial Microfinance, Ltd	Uganda
Reliance Financial Services	The Gambia
MIC Microfinance Bank	Nigeria
Kashf Microfinance Bank	Pakistan

We welcome your feedback, which can be directed to Lynn Pikhholz (lpikhholz@shorecapexchange.org) or Urmi Sengupta (usengupta@shorecapexchange.org).

If you received this message from a friend, you can sign up for a dedicated copy at: info@shorecapexchange.org.

If you would like to decline our invitation to subscribe to the SCE newsletter please reply with the word "REMOVE" in the subject line.