

## Activities and Achievements:

### Financial Sector Technical Assistance Project (Phase I)

#### I) Re-engineering of Nepal Rastra Bank

IOS Partners, Inc., an American consulting agency was selected for the reengineering work of NRB. The IOS Partners started work from March 2003. The NRB reengineering team included four international consultants and two national consultants. The team composed of one Human Resource Advisor, one International Financial Management Consultant and two local Financial Management Consultants to strengthen the financial management systems of NRB, one Onsite /Off-site Inspection Advisor and one Bank Restructuring Advisor. A Reengineering Steering Committee was established on BS 2060/2/23 under the chairmanship of the Executive Director of Bank and Financial Institutions Regulation Department to analyze and review the suggestions forwarded by the IOS Partners and recommend to the bank management for implementation. The activities and achievements relating to Re-engineering of Nepal Rastra Bank are as follows:

- The new corporate re-organization model based on functional activities of NRB was developed and implemented since December 15, 2003. It has divided the functional areas of NRB into four groups (monetary and foreign exchange policy; banking operations; regulation and supervision and support services). Internal Audit Department has been made active and effective. This has led to elimination of functional duplication of works among departments.
- Human resource (HR) functions have been restructured to enhance the professionalism, efficiency and productivity of the staff of the NRB, In order to right size the staff strength, three phases of VRS have been launched. 571 employees opted for retirement. Besides this, 11 employees have retired under Compulsory Retirement Scheme.
- To enhance the skill and knowledge of the employees, training needs of all departments have been identified. Accordingly training programs for staffs of various departments have been / is being conducted. In the fiscal year 2005/06 , 217 employees have been provided opportunity to participate in international trainings /study tours/ seminars/ meetings.
- The staff compensation packages were reviewed and necessary adjustments were made by NRB in 2003 in order to motivate the manpower and retain the experienced and skilled staffs within the organization.

- The functions of the departments have been restructured in 2003 and job responsibilities of officers have been prepared in order to improve efficiency of the departments.
- The NRB Inspection and Supervision Byelaw 2059 has been implemented from March 18, 2003 to strengthen the inspection and supervision functions. New inspection manuals on on-site inspection and offsite supervision have been prepared. Likewise, Laptop computers and desk top computers were provided to the staff of Supervision departments to enable them prepare inspection report at site and reduce the time taken in writing report.
- Regarding accounting and auditing aspect, M/S Narayan Bajaj and associates has been appointed for the annual statutory audit of NRB, for FY 2004/05 and M/S LODHA & Co. in association with M/S Narayan Bajaj and associates as special auditor for the same. The Auditor has finished audit in regular basis and submitted to concerned authorities viz. The World Bank, IMF and Ministry of Finance along with Final Statements. Likewise for F/Y 2005/06 M/s K.K. Singh & Co. has been appointed as statutory auditor for NRB entity and the project. The auditors have already submitted the preliminary draft report NRB audit and are in the process of finalization. Further the audit of the project accounts for FY 2005/06 has been completed.
- The IT/MIS are being installed and improved. To design, install and launch appropriate systems and procedures on IT in the NRB, Mr. Krish R. Krishnan, a consultant from USA, has been hired and placed from August 9, 2004 for six months and extended for another six months period. To improve the physical facilities in supervisory departments, procurement of hardware has been completed and further re-engineering of processes is being initiated.
- After the expiration of initial one period of the contract, further contract with IT consultant have been entered on slot basis. The IT consultant has submitted the draft bid specification document as per first slot and in the process of finalization. In the process of receiving Bid Specifications, series of meeting were conducted and requested to IT consultant for necessary rectifications & incorporations of comments and suggestions received from various NRB departments. Further, the World Bank mission conducted Computerization Status Review during November 6-8, 2006. The mission focused on IT component project design and recommended on project phasing and procurement strategies. Discussion and workout being done for restructuring NIFMIS procurement plan.
- Public Relations Officers to NRB has been appointed from July 16, 2004 in order to strengthen Public relations activities and disseminate information regarding financial sector reform in Nepal effectively to general public.

## II) Restructuring of NBL and RBB

In order to restructure the two big troubled banks, the notice for the procurement of management teams was published in *The Economist* on September 30, 2000. After evaluating the applicants, Earnest and Young, ICC Bank Plc, Price Water-house Coppers and Development Partnership were short listed in the first round for the NBL management team. Similarly, Deloitte Touché Tohmatsu, The DFC group, Arthur Andersen and GMA Capital markets were short listed in the first round for the RBB management team. Finally, after evaluating the technical and financial proposals submitted by these consultancy firms, the contract was awarded to Deloitte Touché Tohmatsu (DTT), USA on January 31, 2002 for the management of the RBB and ICC Bank Plc on June 17, 2002 for the management of the NBL. After the disagreement of the assignment by the DTT, another management team was placed in the RBB. The ICC Bank Plc, ICC consulting resumed the assignment in NBL from July 22, 2002. In the meantime, the NBL, as a problematic bank, was taken over by the NRB on March 8, 2002 to facilitate the restructuring program. The Board of Directors of NBL was suspended and a new Management Committee was formed in NBL, exercising the power vested in Section 86 of the NRB Act, 2002. On the other hand, effective from August 1, 2002, full authority was provided to the NRB by cabinet decision to appoint all the Board of Directors in RBB for facilitating the restructuring works in the bank.

### A) Restructuring of NBL

ICC Bank Management Team “ICCMT” consisting of international bankers from Bank of Scotland (Ireland) Ltd. was appointed in the NBL, initially for two years on July 22, 2002 under the leadership of Mr. Craig McAllister. Upon completion of the initial two years the said contract was extended for another one year till July 21, 2005 and again for two months up to September 21, 2005 during the course of negotiation for further extension. On the basis of agreed negotiation, the management team contract has been extended for remaining period of two years ending July 21, 2007 under Phase II.

- The management team completed the financial analysis of the NBL within 45 days of initial assignment. Asset-Liability Management Committee (ALCO), Executive Committee (EXCO), Credit Committee (CC), Relation Management Division (RMD), Credit Administration and Review Division (CARD), Special Asset Group (SAG), and several special Task Forces have been established to create, apply and reinforce internationally accepted norms and modalities in the bank. The norms and modalities are focused toward identifying bank risk and enhance the loan risk rating systems in the bank.
- New Credit Policy Guide, Guidelines for Credit Decision Process, and Problem Loan Guide have been prepared and implemented from 2002.

- A continuous negotiation and dialogue with big defaulters has been initiated and around Rs. 8.15 billion of loan categorized as NPA has been recovered in cash within the contract period. Similarly, in order to improve the quality of loan portfolio, distressed and delinquent loans worth Rs. 2.93 billion have been rescheduled/ restructured within this period.
- On accounting and auditing fronts, new accounting manual and chart of accounts have been introduced in the bank. Around 300 employees in the NBL have received the accounting trainings within the two-year period. The pending audits of FY 2000/01 and 2001/02 were completed in 2003 year and the financial audit of 2002/03, 2003/04 and 2004/05 have also been completed in prescribed time period. For the annual statutory audit of the bank for FY 2005/06, the auditor have already been appointed and started their work. Because of up dating the books of accounts, NBL has been able to produce and publish the quarterly financial statement in regular basis since 2003.
- A detailed Human Resource Master Plan and Skill Enhancement Plan has been prepared and implemented. The bank, which had altogether 5652 employees at the end of mid-July, 2002 has been reduced to 2960 at mid-October 2006 through launching of various phases of VRS scheme under FSRP-Phase II..
- Within this period the bank also consolidated and rationalized the branch network, reducing the number of branches to 116 from 206 in 2001.
- Staff compensation package was revised and increased from July 16, 2004. Around 700 employees were promoted with in two years. To fill the skill gap, around 100 new employees in managers and assistant manager level were recruited from the open market at the end of 2004. Around 2,720 employees were imparted trainings in various fields for skill enhancement during the project period.
- The IT plan was prepared, requirements of the bank were assessed and procurement process initiated in the first year of the initial assignment. The opening of bids at NRB for the supply, delivery and installation and commissioning of information system to Nepal Bank Limited was completed on March 19, 2003. The process of evaluation of bids was completed on April 28, 2003. After obtaining the no-objection letter from the WB on May 20, 2003 the Supplier was invited for negotiation. Negotiation with ICICI InfoTech India Ltd, for the supply of Integrated Banking Software was completed and contract was signed on September 10, 2003. Equipments arrived on February 29, 2004 and these equipments began to be installed from April 14, 2004 beginning from the Lalitpur Branch as pilot testing.
- NBL is implementing NEWTON in 44 branches and KASSEL for Treasury operations. As of July 2006, all branches have been migrated to NEWTON System and all 44 branches have been confirmed being LIVE with their NEWTON operations and generate computerized reports.

- In the first year of the assignment, the loss position of the bank was reduced to Rs. 251 million in FY 2002/03 from that of Rs. 3,255 million in FY 2001/02. In the second year and third year of the management contract, that is, in FY 2003/04 and 2003/04, the bank has able to achieve a net profit of Rs. 710 million and 1730 million respectively. During FY 2005/06, NBL had shown a net profit of Rs 1710 billion. In this way, the profitability position is being achieved in the bank.
- The level of NPA of the bank has come down to 14.66 percent in mid October 2006 from 60.47 percent in Mid January 2003
- Similarly improvements in other financial performance indicators have also been observed. (Annex-1)

### ***B) Restructuring of RBB***

NRB completed the process of appointing a CEO and his team members of the management team in RBB on an individual basis. The contract between NRB and CEO Mr. Bruce F Henderson for consulting services was signed on December 21, 2002 after which he resumed his work from January 16, 2003. The contract with other team members was concluded in February 2003. By February 19, 2003, a full team was placed at the RBB. Since resuming the assignment by the new management team in the RBB, the team had prepared and submitted the Management Plan on April 1, 2003. To date, this plan has been used as a base plan to restructure the bank. The management team's contract, which was expired on January 15, 2005 and extended for another one year till January 15, 2006. Likewise in NBL case, the management contract for RBB was further extended for another two years up to January 15, 2008. During the tenor of management contract following achievement has been revealed:

- The financial analysis was completed in time and the report was submitted to the NRB on May 1, 2003.
- On the accounting and auditing fronts, the management team prepared zero-based Budget Plan for FY 2002/03 and FY2003/04. A strict budget monitoring system has been introduced and reinforced the best practices in the bank. A Budget Procedure Manual was prepared on May 27, 2003 and implemented in the bank
- A new Chart of Accounts complying with the international accounting standards has been prepared and implemented. A new accounting manual has also been prepared and implemented.
- Financial statements have been recasted and updated up to FY 2004/2005. The audit of FY 2001/02 was completed by the management team within a few months

and the audits of FY 2002/03, FY 2003/04 and FY 2004/05 have also been completed in due course of time. For the annual statutory audit of the bank for FY 2005/06, the auditor have already been appointed and started their work. The management team has been able to prepare and publish the financial statements regularly on a quarterly basis.

- The credit management aspects are also improving. New credit policy guidelines has been prepared and implemented to restore the best practices in credit management. New business areas have been explored and new lending has been started to creditworthy clients in order to generate the income stream.
- The management team has established seven core teams in order to make adequate efforts toward loan recovery and loan administration. This recovery team comprises five recovery units in regional levels, one unit for Kathmandu Main Office (KMO) and one unit for consortium loans. As at mid- october 2006, the team was able to recover Rs. 9.56 billion of loans in cash of those categorized as NPA. Loans worth Rs. 2.81 billion have been restructured.
- Significant improvements have taken place on HR development fronts. Organizational restructuring and functional restructuring have been completed. In order to right size the bank, the employees' need assessment study was completed and the number of branches required for the bank for operation had been identified. Accordingly, branch rationalization as well as the VRS was adopted. The bank, which had altogether 5422 employees at mid July 2002 has been reduced to 3277 at mid October 2006 through launching of various phases of VRS scheme under Phase II..
- Departmental actions were initiated for the employees involved in fraudulent and dishonest activities in the past. Promotion system was initiated for good performers.
- The new staff byelaw has been prepared and implemented which is opened up new avenues for faster promotion and HR development.
- The bank has prepared a comprehensive IT plan in order to install modern IT / MIS system in the bank. The procurement aspect has been completed. Computer hardware and software are being received and tested in the bank. As of July/August 2006, 21 branches of RBB are computerized within few months. Committees regarding computerization process such as IT Executive Committee, IT Steering Committee, Data Security Committee etc are formed. Trainings to various level staffs in Regional Offices, Branch offices are conducted. Similarly Regional Workshop on IT held for non IBIS branches.
- The financials of the RBB are also improving after the initiation of the restructuring activities. The bank was making a loss since the last few years and even in FY 2002/03 it had made a net loss of Rs. 483 million. The loss position is no more in the

bank now. The bank has been able to make a net profit of Rs. 104 million , Rs 1323 million and Rs 1690 in FY 2003/04, 2004/05 and 2005/06 respectively.

- The level of NPA of the bank has come down to 45 percent in mid October 2006 from 60.15 percent in Mid January 2003.
- Similarly improvements in other financial performance indicators have been observed. (Annex-2 )

### III) Capacity Building in the Financial Sector

#### A) Legislative Reforms

- *Enactment of NRB Act, 2002:* The forty six year old NRB Act, 1955 has been revamped and replaced with a new NRB Act, 2002 on January 30, 2002. It has bestowed sufficient powers to NRB for efficient management of monetary policy, improving financial infrastructure, strengthening and improving financial markets and their supervisions. The new NRB Act has provided more autonomy, authority and accountability to the central bank. As a result of enactment of the new NRB Act, supervisory, oversight, and regulatory functions have been strengthened substantially.
- *Enactment of Bank and Financial Institution Debt Recovery Act, 2002* The promulgation of Bank and Financial Institution Debt Recovery Act, 2002 is another outcome of legislative reform program. Government has also approved the bylaws of the said Act. Accordingly, the Debt Recovery Tribunal was established on June 19, 2003. This legislative framework is a new attempt to make loan recovery aspect more effective and reduce the level of NPA of the banking system. Currently, the Debt Recovery Tribunal is receiving the distressed loan cases and working on it. To hear the appeal on the cases decided by the Tribunal, an Appellate Tribunal has also been set up.
- *Enactment of Bank and Financial Institutions Ordinance, 2004:* Bank and Financial Institutions Ordinance, 2004 has been effective from February 4, 2004. By this Act, the fragmented legal bases such as Commercial Bank Act 1974, Finance Companies Act, 1985, Development Bank Act, 1996 and other laws governing some deposit-taking financial institutions have come under the single legislation. This has also tightened the regulatory rules governing those financial institutions.
- *Enactment of various Acts and Ordinance:* To enhance the legislative regime, the Public Debt Act, 2002 was promulgated on July 8, 2002 and the Foreign Exchange Regulation Act has been amended and the Secured Transactions Ordinance and Insolvency Ordinance have been enacted..
- *Preparation of other drafts of Acts:* The major problem faced by the Nepalese banking system is the high level of NPA. For this, efforts are underway to incorporate an Asset Management Corporation (AMC) in Nepal. A draft of AMC Ordinance has been submitted to Government of Nepal. The drafts of Company Ordinance and Anti-Money Laundering Ordinance have been prepared by the government and are in the process for enactment. The enactment of these acts will foster the legislative regime in the economy.

## **B) Regulative Reforms**

In order to comply with the best practices, the NRB formulated and issued various prudential regulations for banks and financial institutions beginning from March 2001. These regulations are being strengthened and implemented gradually to date in order to ensure a safe, sound and efficient financial system. These new directives are based on Basel Accord 1988. These directives meet the international standards and cover the following areas:

- Capital adequacy,
- Loan classification and provisioning,
- Credit concentration and single obligor limits,
- Accounting policies and formats of financial statements,
- Management and minimization of risk,
- Good corporate governance,
- Compliance with the directives issued in connection with inspection and supervision,
- Provisions relating to investment in shares and securities,
- Reporting requirements,
- Provisions relating to purchase and sale of promoters shares,
- Other relevant provisions such as branch expansion, profitability and distributing dividends,
- Regulations on consortium financing and
- Regulations on credit information and blacklisting.

## **C) Strengthening of CIB and Information System**

To strengthen the role of CIB, the reform measures have been initiated. In this connection, some preliminary works on the preparation of legal documents to restructure the CIB were completed. In the meantime, the bylaws of the CIB have been prepared and implemented to regulate its functions. The CIB was registered as a company on September 21, 2004 on the Company Registrar's Office and it is being operated by the private sector banks. Under the provision set forth in the NRB Act, 2002 the CIB's bylaws have come into effect to strengthen the CIB functions and powers. To strengthen the procedural aspects for CIB, a new directive to banks and non-bank financial institutions has been issued on September 18, 2003, covering all the systems and procedures of blacklisting by the CIB. The blacklisting procedures are being reviewed and simplified in order to enable and facilitate the system for better performance. Computerization works have been completed in the centre. In order to strengthen the CIB/C incorporated as a limited company, M/S Akaliko Financial services (Pvt.) Ltd., Sri Lanka was selected to provide the Consultancy Service. Mr. Amerasena, representing from the firm started assignment from February 21, 2005. Due to the failure of performing assignment as per the Contract, the Contract has been terminated after getting concurrence from the World Bank and NRB Board and it is decided not to

continue the service of the consultant for CIB in the context of its incorporation as a limited company.

**D) Bankers Training Center (BTC):**

Process for the establishment of a new BTC is in the process. M/S Koomach Koolins (Pvt.) Ltd., Sri Lanka was selected to provide the Consultancy Service for the above. Dr. Tenakoon, representing from the firm started assignment from March 21, 2005. But the contract was terminated because the consultant has given in writing stating that he cannot continue the working. The Contract terminated after getting concurrence from the World Bank and NRB Board. It has been decided that the Consultant for BTC is not required as one team in the Co-Ordination of Deputy Governor of Nepal Rastra Bank is working on all the aspects of making Bankers Training Center effective and modern. The team after studying several aspects of the establishment of BTC on their own as well as going through various options for its establishment is in the process of submitting report to the Nepal Rastra Bank.

**E) Strengthening of Accounting and Auditing Capabilities**

The auditing and accounting capabilities of the financial system are being strengthened. To enhance such capabilities, the process of obtaining technical assistance completed for various institutions. The NRB procured accounting and auditing consultants under the NRB re-engineering program, the NBL and the RBB were facilitated within the management contract and the ADB benefited by performance contract. The prevailing weak accounting and auditing practices of the NRB, RBB, NBL, ADB are improving. The capacity of preparing and publishing reliable financial data of the banks and financial institutions are improving. Audit committee within the banks is being activated under the chairmanship of the non-executive director. To build a prudent system in banks and financial institutions, accounting policies, auditing procedures, disclosure requirements and requirements for long form reports (LFR) have been clearly addressed in the new directives of NRB that have been issued to banks and financial institutions. Government of Nepal has appointed Lodha & Company, an affiliate of BDO International as an international auditor to conduct the IAS compliant audit of NRB for FY 2002/03. Moreover, the government concluded a Country Financial Accountability Assessment Report with the donor support to streamline the financial accountability structure of its institutions. The Institute of Chartered Accountants of Nepal has recently prepared and issued the Nepalese Accounting and Auditing Standards and these standards are being reviewed along the lines of international banking practices so that they could be applied in the financial system. Accordingly, the formation of the Accounting Board and Auditing Board has also helped establish a framework to facilitate the IAS compliant accounting and auditing practices in the country.

**F) Establishment of Monitoring System within FSRP**

A well-organized structure has been made and implemented to facilitate the smooth operation and monitoring of the reform program. With the Cabinet level decision of the Government of Nepal of March 26, 2001, a Top-level Co-ordination Committee (TLCC)

under the co-ordinatorship of Honorable Vice Chairman of National Planning Commission (NPC) has been formed. Later on as per the cabinet decision dated May 18, 2005 the previous TLCC was reformed and named as Economic and Financial Sector Reform High Level Committee under the co-ordinatorship of Honorable Finance Minister. The other members of this committee are Honorable Vice Chairman of National Planning Commission, Governor of the NRB, Chief Secretary and Secretary from the Ministry of Finance. This Committee facilitates in coordinating the program with other Government's plans and programs and deals with policy issues for successful implementation of the program and monitors the activities and achievements of economic and financial sector reform undergoing in Nepal. It provides policy guidelines on various issues of FSR. The NRB, as an implementing authority of Government of Nepal, is executing the Financial Sector Technical Assistance Project (Phase I) and Financial Sector Restructuring Project (Phase II). A Monitoring and Surveillance Committee under the co-ordination of Executive Director of Banks and Financial Institutions Regulation Department of NRB has also been formed to observe the processes and evaluate the performance, make suggestions and implement the policies under guidance by the said committee of FSRP. A Monitoring and Surveillance Team (M&ST) has been formed at the NRB to monitor and evaluate the progress and report the activities and analyze the issues of the RBB and NBL management teams. A Co-ordination and Support Team (CST) has been constituted at the NRB to deal with procurement and financial issues within the FSRP. On the other hand, a NRB Re-engineering Steering Committee has been formed to monitor the progress and facilitate the activities in the NRB's re-engineering process. This Committee consists of relevant department chiefs from NRB.

### Others

- Training program for financial journalist was conducted and workshops and seminars have been conducted to enhance their capability.
- A study tour and Training Program for DRT staffs are being arranged to enhance the skill for DRT members. Similarly, logistic support such as Computers etc. is also being provided.
- New training programs under FSTAP for NRB employees are being processed to upgrade the skill level and central banking professionalism
- Various seminars/workshops relating to various aspects of financial sector have been with the participation of all the major stakeholders of financial sector viz. central banks, commercial banks, development banks, DRT, Judiciary, CIC, FNCCI, Ministry of Finance, Finance companies Media persons, Multilateral agencies etc.
- As per directives a list of approved Auditors was prepared and is being updated on the regular basis.
- Preparation of Professional Director's list completed and being updated on the regular basis.

## Financial Sector Restructuring Project (Phase II)

### I) **NRB Reengineering**

- As per the suggestion of The World bank mission, a team of 7 Chartered Accountants from Nepal Rastra Bank has been formed. The team has already started their assignment from February 1<sup>st</sup>, 2006. The team has submitted Inception Report and other periodic reports in regular basis as per the Terms of Reference provided to the team.
- As per recommended by the IT Consultant hired under Phase I, project hired on IT trainer for the period of three months to provide "Pre-procurement" training to the staff of Nepal Rastra Bank who are involved as Domain expert. Training was successfully completed.
- Similarly, two Proto type developers were recruited as per the recommendation of IT Consultant for developing Prototypes for the period of three months. Prototype developers have successfully completed their job and the IT Consultant has certified the output.
- To develop the bank supervisory capacity of NRB and implement the recommendation of IOS Partners bank has hired consulting firm M/S IEF Inc. in association with KPMG Sri Lanka , comprising a team of 7 consultants, as international consultant of supervision department. The Contract was signed on Feb 6, 2006 and started their assignment on March 26, 2006. Only the team of 5 consultants resumed their work and they have submitted inception report to NRB and said report has been approved by the NRB. Despite several follow-ups and efforts of NRB, the consulting firm could not provide a team of full members. So due to unsatisfactory performance of the firm, NRB has decided to terminate the contract with the said firm. NRB is initiating required formalities for terminating the said contract.
- Mr. MA Nandasiri of Sri Lanka, as International HR Advisor is appointed for 24 months for HR development and he started work from June 26, 2005. HR Advisor is doing exercise to form new HR policy as per the recommendations of IOS partners .He has been submitting the reports as per the contract and working closely with the HR Department of NRB.

### II) **Voluntary Retirement Scheme (VRS)**

The largest component of the project is designed to support the VRS in Rastriya Banijya Bank (RBB) and Nepal Bank Limited (NBL) in an effort to reduce their costs and ultimately assist in making them more saleable/privatizable institutions. After the placement of new management teams in both banks they have identified redundant staff and designed suitable VRS schemes. In order to right size the Nepal Bank Limited, the

employees' need assessment study was completed as well as the number of branches required for the bank for operation had been identified. Accordingly, The bank, which had altogether 5652 employees at the end of mid-July, 2002 has been reduced to 2960 at mid-October 2006 through launching of various phases of VRS schemes.

In the case of RBB, there were altogether 5422 employees at mid July 2002. The number of staffs has been reduced to 3277 at mid October 2006 through launching of various phases of VRS scheme.

### **III) Bank Restructuring Advisor:**

NRB is in the process to hire restructuring advisor for two large banks, namely NBL and RBB. These Advisors will undertake proper due diligence, prepare a prospectus for the banks, and then undertake a road show to bring them to the point of sale to "fit and proper" private sector buyers as rapidly as possible. In this regard, the EOI and TOR for Bank Restructuring Advisor have been published in The Rising Nepal and UNDB respectively giving the deadline to submit the EOI up to December 31, 2005. Altogether 16 Consulting Firms has expressed their interest in the project. The evaluation for short-listing of consulting firms has been done and approval from NRB Board and the World Bank has also been obtained. Now the Request for Proposal (RFP) to be issued to the short listed firms is in the process of finalization.

### **IV) Continuing Management Team Support (at NBL and RBB)**

This component has been included in project to deepening of the reform process within the two large banks so as to improve their operational capacity and ensure that they operate on a more commercially oriented basis. This will permit their ultimate sale to "fit and proper" bank owners in the private sector. To attain the broader objective of the project, management contract of both banks have been extended for next two years. The extended contract of NBL management was signed on April 26, 2006 to the retroactive effect from July 22, 2005 to ending at July 21, 2007. The total Contract Price of extended contract is USD 2,970,948.00. Similarly, management contract of RBB was made on April 19, 2006 with retroactive effect from January 16, 2006 to ending at January 15, 2008. The total cost of extended contract is USD 1,198,025.17. The revised performance indicators and deliverable has been provided to both management teams.