

## **Georgian Bank Training Center**

July 3, 2007

### **Hellenic Bank Association Providing Assistance to the Association of Banks of Georgia**

Through an arrangement with the Association of Banks of Georgia, the Hellenic Bank Association, and their training arm, the Hellenic Banking Institute, will provide technical assistance and training material for the newly established Georgian Bank Training Center. This training center will be located in Tbilisi, Georgia, and will meet the training needs of the commercial banking sector and the rest of the financial sector in Georgia.

The scheduled launch of the Georgian Bank Training Center will be September 2007, and will be attended by senior officials of the Hellenic Bank Association and the Hellenic Banking Institute, representatives of the Embassy of Hellenic Republic, Georgian government officials, Association of Banks of Georgia, Georgian banks, and other dignitaries.

### **Background**

Georgia faced a large task in 1991 following the breakup of the Soviet Union in that it did not have a commercial banking system. By the end of 1991 there were five commercial bank in operation, and steadily increased to 226 banks by the end of 1994. This rapid rise in the number of banks and lack of proper supervision created a number of financial difficulties for the economy of Georgia. In early 1995 the National Bank of Georgia (the central bank) took a number of steps to strengthen the banking system and ensure the commercial banks meet prudent norms. In doing so, by the end of 1997 the total number of commercial banks was reduced to 173. From 1997 the National Bank of Georgia has continued to reduce the number of banks based on their inability to meet prudential norms, capital requirements, and other sound banking principles.

Presently there are 17 commercial banks operating in Georgia, with one or two new international banks interested in opening banks or branches. In addition, there are 14 non-bank financial institutions (microfinance institutions), 41 licensed credit unions, 14 insurance companies, and 3 pension funds operating in the country.

While the banking system in Georgia is one of the most developed sectors of the economy and is advancing rapidly, it is constantly facing a shortage of trained and skilled employees to meet the needs of the banks. The other entities in the non-bank financial sector are also growing although at a slower pace, but also face the same problems of untrained and skilled employees to meet the needs of the companies.

### **Development of the Georgian Bank Training Center**

There is no active financial training facility in Georgia. The larger banks have created some internal training programs for specific areas within their organizations, but this is limited to certain generalized subjects and is directed towards lower level employees. The larger banks also send some mid to senior level people abroad for internships and trainings at European or American banks; however, this is very limited due the costs

involved. The National Bank of Georgia (NBG) also avails itself of training for its senior staff with a few European banks and central banks; but again, this is very limited. Microfinance institutions (MFIs) and smaller banks do not have the resources to provide very much internal training and even less overseas training, seminars, and conferences.

There is ample opportunity for banker training in Georgia at all levels. While it is common for certification programs to focus on entry level and mid-level personnel, Georgian bankers claim that senior level managers would also benefit. The key for the program success would be to ensure that it is linked to a reputable institution abroad so that it is recognized internationally in banking circles. The broad-based banker-training program would not replace in-house training, but would complement it. In this way, core standards and principles would serve as the foundation for professional banker training, while banks would determine their own additional in-house needs and deal with those accordingly.

The National Bank of Georgia (the central bank) also recognizes the necessity in establishing the bank training facility. For the NBG, it is very important that improved skills of commercial bankers will strengthen bankers' capacity to evaluate and manage credit and market risks that, in turn, will increase the stability of the financial system. In addition, the NBG staff will also benefit themselves in utilizing a training center for their knowledge, development, and growth.

It is worth mentioning that the European Bank for Reconstruction and Development (EBRD) fully supports the idea of establishing the banking training center. The strength and stability of the banking system is key for a sustainable development of financial system and improving the skills of bank employees will increase the efficiency of bank operations and reduce the risks associated to this business. The EBRD promised to participate in the institutional building of the GBTC by promoting the training center to the commercial banks within their network of banks in Georgia.

International donors try their best to assist Georgia in its institutional development and growth. The U.S. Agency for International Development (USAID), among others, is the active participant of this process.

The USAID-supported SME Support Project operates in Georgia. This Project is implemented by the International Executive Service Corps, an American private not-for-profit organization founded by David Rockefeller and other prominent Americans. This organization, focused on improving the lives of people throughout the world by strengthening private enterprise, realizing the necessity of creating the training center devoted to increasing the knowledge of the financial sector professionals in Georgia, made a decision to facilitate the establishment of such a center. The SME Support Project decided to partner with the Association of Banks of Georgia (ABG) by providing them technical assistance and a non-competitive grant for developing the Georgian Bank Training Center (GBTC). This grant is matched by the contributions of commercial banks, all members of the ABG, on a 50/50 basis. The ABG, in turn, announced a tender for selecting the business school that in conjunction with the ABG will have oversight on

the training courses, timing, content, pricing, etc. As a result of a tender, the Caucasus School of Business, one of the leading business schools in Georgia, was selected to house, manage, and support the GBTC. The supervisory board of the GBTC will be formed that will include the members from the banking community, NBG and other interested parties. All instructors teaching in the GBTC will be former or active bankers that have sufficient experience to teach the specific courses.

The GBTC designed primarily for commercial banks, is also open to all companies providing financial services including, but not limited to micro finance institutions, the National Bank of Georgia, insurance companies, leasing companies, pension funds, the securities industry, and private individuals that are seeking a career in finance.

There were several attempts of creating a sustainable training center with or without support of international donors, but they failed because they did not provide the quality trainings that the banks expected and lost the support of commercial banks. Long-term sustainability of the training center very much depends on the volume of bank participation. For a broader bank-training institute or program to succeed, it will need the quality of trainings which in turn depends on the quality of training materials to be used by the training program. This should be a mix of a certified program or group of programs that are recognized internationally preferably by reputable banking associations or dedicated bank-owned training institutes in advanced economies along with supplementary material to reinforce core fundamentals within the Georgian context.

### **Hellenic Bank Association and Association of Banks of Georgia Cooperation**

The SME Support Project and ABG started looking for such course material. The Embassy of Georgia in Greece provided information to ABG that the Hellenic Bank Association (HBA) has the training center dedicated for training of financial sector professionals in Greece – the Hellenic Banking Institute (HBI).

The HBI offers the GBTC the certification course and non-certification, short-term trainings on different topics from retail products to investment banking, risk management, bank marketing, analyzing financial statements, commercial lending, management, etc. The HBI provides the special preparation course for the European Foundation Certificate in Banking (EFCB) certification exams, with the accreditation of the European Bank Training Network. This course is based on European standards that have been jointly developed by 19 bank-training institutes in the EBTN context. The purpose of the EFCB course is to provide personnel, executives, and prospective employees of the broader financial sector with the requisite financial theory and banking practice knowledge, which is necessary for the efficient fulfillment of their tasks in today's highly challenging environment. The program presents an ideal basis, on which trainees can subsequently build expertise on specific services and products of the financial sector.

The ABG and the SME Support Project started negotiations with the Hellenic Bank Association and the Hellenic Banking Institute with the purpose of acquiring licenses of HBI core banking professional training course EFCB and textbooks to be used during this

training. The license on other non-certification courses will be acquired by the GBTC in the future. Dr. Christos Gortsos, Secretary General of the HBA and Ms. Maria Maghiorou, Managing Director of the HBI, as well as Mr. Joseph Hassid, Adviser on Education Policy and International Cooperation participated in negotiations from the Greek side. The Georgian side was represented by Mr. Dan Berkshire, Chief of Party of the SME Support Project and Mr. Zurab Gvasalia, President of the ABG. The Georgian and Greek sides quickly found common ground for cooperation and are in the process of signing the licensing agreement.

It is also vital that trainers selected for the GBTC be prepared for teaching the HBI licensed courses. Part of the licensing agreement is to provide Georgian trainers with “Training of Trainers” (TOT) and other technical assistance. It is envisaged that HBI and University of Piraeus/Greece would provide TOT program in fall 2007 and spring 2008. During the TOT program the trainers will learn the methods of training and educational communication, training material formation principles, how to create exercises and tests for evaluating the performance of the trainees.

As a result, the Georgian Bank Training Center will be able to provide the Georgian financial services professionals with continuous and effective education and training based on international standards in order to enable them to meet tomorrow’s challenges in rapidly advancing sector of the economy.

The benefit of selling the license and textbooks to the GBTC by the HBI is evident – the HBI starts exporting its quality training courses internationally, thus becoming the provider of comprehensive courses for financial sector professionals abroad. As such, it can be easily predicted that Georgia will not be the last country where the HBI assists in the development of a strong banking system.