



Theme N° 2
Resources for what demands?
Human Resources

CERUDEB-Uganda

MAIN workshop
The levers of financial sustainability

Case study

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1 – BACKGROUND.....	3
1.1 Background information on Centenary Rural Development Bank.....	3
2 – HUMAN RESOURCES.....	3
2.1 Policy.....	3
2.2 Human Resource Management and Development.....	3
2.3 Criteria for Hiring.....	3
2.4 Criteria for Holding on to Staff.....	4
2.5 Criteria for Evaluating Operating Staff (Loan Agents).....	4
2.6 Criteria for evaluating managerial staff.....	4
2.7 Criteria for Evaluating Executives	4
2.8 Criteria for Evaluating Elected (other) Staff Members	4
2.9 Staff Performance.....	5
2.9.1 Incentive Measures	5
2.9.2 Challenges and constraints	6
2.9.3 CERUDEB Objectives	6
2.9.4 Training and funding.....	6
2.9.5 Internal training.....	7
2.9.6 Funding	7
2.9.7 External training	7
CONCLUSION	7

1 – BACKGROUND

1.1 Background information on Centenary Rural Development Bank

CERUDEB is a private limited liability company operating a commercial banking business with a microfinance niche.

In line with its mission of providing appropriate financial services to all Ugandans in a sustainable manner, CERUDEB has over the years expanded its branch network to fifteen across the country. CERUDEB intends to increase its outreach by nine branches to 24 by the year 2002.

At the end of August 2000, CERUDEB had a deposit base of UGX47 billion with more than 200,000 depositors. It had a loan portfolio of UGX17 billion with over 15,000 borrowers. Total number of loans in arrears of one day and above stood at 4%.

The total asset base of the Bank was more than UGX57 billion. CERUDEB on the average disburses over 2000 loans per month.

More than 95% of CERUDEB's loans are financed from the local deposits it mobilises mainly from upcountry.

The Bank conforms to the prudential norms of capital requirement and asset quality as stipulated by the Bank of Uganda.

Plans are already underway to introduce new loans and savings products in the Bank's operations.

2 – HUMAN RESOURCES

2.1 Policy

An elaborate Human Resource policy is in place to regulate employment. It addresses all aspects of human resource administration, management and development and governs all categories of Bank employees. It is currently under review. New regulations will come into effect during the year 2000.

Accounting, Operations, Audit, and Credit Policies supplement Human Resource policy as additional internal controls in the Bank's day to day operations.

The Bank thrives on a culture of merit and professionalism. Business ethics, discipline, responsibility and efficiency constitute every one's daily obligation while at work; and are the Bank's primary requirement and expectation of every individual staff.

2.2 Human Resource Management and Development

CERUDEB has a Human Resource Department whose main mandates are staff recruitment/selection, training, motivation, general administration and development functions. The Human Resource Manager reports to the Deputy Chief Executive. Other Departmental/Branch Managers play a complimentary role in the day-to-day staff administration in their respective areas of jurisdiction.

2.3 Criteria for Hiring

Recruitment is based strictly on open-competitive merit, confirmed need and takes into account the Bank's business and operational goals as well as the budget provisions.

The Bank through a transparent, rigorous and elaborate selection process focuses mainly on fresh and well-qualified university graduates. These are inexperienced and require a lot of training.

Candidates are properly vetted and medically examined prior to formal appointment into the service.

The Bank employs over 400 qualified staff of whom 34% are women and 74% are young, recent university graduates with limited professional skills and less than four years' practical experience in management, banking, auditing and accounting.

Once staff have been selected, the Human Resource Department in liaison with their respective supervisors, keeps track of their progress through periodic appraisal, assessment of performance/potential and instituting of necessary follow up interventions.

2.4 Criteria for Holding on to Staff

The Bank offers to staff the following:

- Market-related compensation and performance-driven incentive packages.
- Career development and advancement opportunities to eligible staff.

Moreover, team spirit and effective communication are encouraged at all levels throughout the bank.

In spite of the above measures, the Bank has lost some well trained staff to better paying institutions. However, management is committed to improving terms and conditions of work to enhance the stability of the human resource factor. As testimony to the above commitment, staff emoluments have been increased by over 300% in the last three years.

2.5 Criteria for Evaluating Operating Staff (Loan Agents)

Management uses arrears rate, outstanding number of loans per month, processing speed, number of loans approved per month and outstanding balances to evaluate loan staff.

2.6 Criteria for evaluating managerial staff

Managerial staff are evaluated basing on a combination of the following factors:

- Audit rating on compliance with and implementation of Bank policies, rules, and other internal controls,
- Attainment of budget targets in relation to profit and loss,
- Arrears rate,
- Customer care/service,
- Average number of days for submitting returns to Head Office,
- Ability to plan, manage and achieve departmental/unit targets and goals within prescribed deadlines, priorities.
- Staff administration, motivation and development capabilities.

2.7 Criteria for Evaluating Executives

The Board evaluates Executives on the basis of the Bank's overall performance.

2.8 Criteria for Evaluating Elected (other) Staff Members

Management evaluates performance of other staff on the basis of:

- customer service,

- initiative, commitment and drive,
- attendance and tardiness,
- work planning and management, the ability to prioritise and to achieve set targets
- quality and quantity of work output,
- relative risk created by or associated with the staff through losses or savings.

2.9 Staff Performance.

Globally staff performance is positive but there is still room for improvement.

Follow-up measures put in place to improve staff performance include regular monitoring, periodic appraisal and instituting of appropriate follow up interventions, in accordance with Bank policy.

2.9.3 Incentive Measures

Performance-related incentives were introduced to motivate staff and to enhance productivity. The Performance Related Pay Scheme (PRPS) incentive, loan incentive, payment of honorarium and/or management's commendation for outstanding performance and achievement go a long way to motivate eligible staff.

Eligibility for the incentive is tied to successful achievement of set budgetary targets and goals and/or prescribed work targets and achievements within unit work plans. According to the PRPS scheme principles, non-performers are not tolerated in the Bank.

Management sets the performance criteria in line with Bank's mission and vision, its business plan, overall operational goals and strategies.

There is a profit sharing scheme in place. Under this scheme, staff have been sharing 10% of the Bank's profits.

The Bank has improved its retirement plan. Staff terminal benefits will now be 8% of each staff's monthly salary received and will be placed in a US Dollar account with one of our correspondent banks. The funds will earn interest at 1% less than we receive from our correspondent bank.

The Bank is also in the process of introducing ESOP. Under this plan staff will own shares fully or partly paid for by the Bank depending on the number of years served.

2.9.2 Challenges and constraints

The Bank has experienced a number of challenges, constraints and problems, which it is trying to address, namely:-

Recruitment/ Selection		The right calibre of applicants may not be easily found. Response from referees is slow or non-committal. Appointed Doctors omit to check selected candidates for sensitive ailments.
Motivation and retention of staff		It is costly to replace staff who have been dismissed or services terminated for indiscipline or incompetence. A few outstanding staff have passed away. International and some local banks, NGOs offer better terms of employment. A number of staff have voluntarily resigned to seek better employment opportunities elsewhere. Yet the Bank requires more good Managers and staff to implement its business expansion programme.
Training		Internal capacity is still limited. Training delivery and evaluation techniques and skills are required. Majority of Bank staff require more skills and experience in management, banking, accounting and auditing.
Hours of work		Are sometimes too long and strain staff, especially in general banking. Computerisation will reduce the working hours considerably.
Recuperation		In the past, some staff were not taking annual leave due to official duty obligations. Staff with accumulated leave have been advised to take it.
Performance appraisal		Some Managers and Supervisors have not fully internalised the essence, principles and practice of staff performance appraisal. Training solution to be implemented.

2.9.3 CERUDEB Objectives

Staff are sensitised on the Bank's objectives and mission at various fora and are updated of new developments through brochures, Newsletter, Workshops, monthly meetings at branch/unit level, quarterly management meetings as well as through orientation/induction training.

All Bank staff are associated with the Bank's objectives in that their official work operations are in line with the policies, overall objectives and mission of the institution.

2.9.4 Training and funding

An annual training plan is in place and is implemented on schedule.

2.9.5 Internal training

This is implemented in the following areas:-

- Induction, orientation and on-the job training is offered for all categories of staff
- In-house, basic training in Credit, Accounting, Banking, Customer Service and Auditing.

Management defines the course/seminar content. Training is customised to meet the Bank's needs.

2.9.6 Funding

Funding is by the Bank individually or with Donor support in varying proportions. We are grateful for the funding support so far received from ECOTEC, BUDS, USAID, DFID and one we expect to receive from AFD (French Development Agency – Agence Française de Développement).

2.9.7 External training

External training is reserved for specialised needs in the areas of credit, accounting, auditing, general management, secretarial, security and defensive driving that the Bank is unable to meet internally.

The Bank's training objectives have to a large extent been met.

CONCLUSION

In conclusion, the Bank is consistently streamlining and strengthening its policy framework as well as other areas of operation. It is gradually building capacity in the human resource and other areas to ensure profitability and sustainability.

The Bank's open door policy to international organisations has enabled it to obtain donor-funding support for its staff training programmes.

The staffing constraints and problems outlined in the text are containable and are being systematically addressed by management.