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# **Bank of Uganda Development Finance Department**

*Export Credit Guarantee Scheme  
Completion Report*

Submitted by:  
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In association with:  
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Submitted to:  
USAID/Uganda

Under the SEGIR Financial Services IQC:  
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## **1. Introduction**

There are three objectives of this Task Order:

1. Develop internal procedures and prepare the Export Credit Guarantee Scheme (ECGS) Operations Manual for the Bank of Uganda/Development Finance Department (BOU/DFD)
2. Deliver training to BOU/DFD Staff
3. Market ECGS, train the staff of participating commercial banks, and oversee transactions

## **2. Actual Results vs. Expected Results**

### **2.1 Operations Manual**

The purpose of the Operations Manual is to provide detailed guidance to management and staff of the BOU to ensure that the BOU's Export Credit Guarantee Scheme for pre-shipment working capital export credit guarantees is administered in an efficient, effective, and consistent manner.

The Manual is an integral part of a package of documents related to the ECGS that have been approved by the BOU. In addition, extensive consultations have been held on the documents with Ugandan financial institutions, exporters, exporter's associations, and USAID. The Manual has been approved by the BOU's Board of Directors with the understanding that it will be used to guide day-to-day operations in all respects. Amendments to the Manual may only take place after their approval by the BOU's Board of Directors or the ECGS Executive Directorate.

Every effort has been made to organize the Manual in a coherent fashion so that it is easy to find relevant information, definitions of terms, step-by-step procedures, etc. Chapters I and II summarize general aspects of the ECGS. Chapters III and IV cover organizational and administrative matters. Chapter V treats Guarantee Application processing. Chapter VI covers the ECGS monitoring process, while Chapter VII addresses receipt of Claims and Claims processing. Attached to the Manual as Appendices A and B are the two variations of the ECGS Agreement, and Appendix C which comprises all ECGS Forms.

The Operations Manual was delivered to USAID and BOU in December 2000.

### **2.2 Training of BOU/DFD Staff**

The original Task Order specified training for five BOU/DFD staff. Subsequently, the Task Order was modified to provide training for six BOU/DFD staff, per the request of BOU. Thus, between October 23 and November 10, 2000, six BOU staff visited the Washington, DC. area to participate in the training. The six BOU trainees were:

- 1) Richard Apire, Director, DFD
- 2) William Kosozi, Deputy Counsel, Legal Department
- 3) Naomi Nasisiru, Assistant Director, DFD
- 4) Grace Mugame, Guarantee Processing Officer, DFD
- 5) Rosette Bamwine, Guarantee Processing Officer, DFD
- 6) Joyce Lanyero, Finance Officer, DFD

Training was delivered by First Washington Associates (FWA). The Courses covered the following topics:

- 1) Financial Analysis and Credit Scoring
- 2) Export Credit Institution Management
- 3) MIS Systems for Export Credit Agencies
- 4) Claims Evaluation and Recovery Techniques
- 5) Marketing and Selling Techniques for Export Credit Programs
- 6) Trade Finance, with emphasis on Pre-Shipment Export Support Programs

Positive feedback was received from all of the trainees.

### **2.3 Site Visits to International Financial Institutions**

In conjunction with the training noted above, FWA arranged visits for the BOU staff to international financial institutions including the World Bank, Multilateral Investment Guarantee Agency (MIGA, part of the World Bank Group), U.S. Eximbank, and the U.S. Small Business Administration (SBA). Meetings with the US Eximbank and the U.S. SBA focused on pre-shipment export credit programs operated by each agency. Discussion was related to credit criteria including security requirements, approval procedures, and claims processing. A number of useful comments were received, and these comments were subsequently included in the ECGS.

The meetings with the World Bank focused on its upcoming establishment of an entity to be known as the African Trade Insurance Agency (AFTI). It is expected that the AFTI will be established around April 2001. The ATI will begin by offering political risk coverage to exporters from Burundi, Kenya, Malawi, Rwanda, Tanzania, and Uganda for a fee of approximately 2% per annum. Comprehensive risks may be covered at a later stage. Discussion of the ATI related to credit criteria, claims processing, and arbitration procedures.

The meeting at MIGA concerned its investment insurance program and policies in Africa, with emphasis on Uganda. The MIGA representative made it clear that Uganda was one of the agency's countries of focus.

### **2.4 Marketing of the ECGS**

The marketing component of the Task Order included three activities:

1. Identify all potential customers of the ECGS
2. Develop a one-year marketing plan
3. Implement the marketing plan
4. Support the BOU in reviewing initial applications and refining the ECGS as needed

After BOU and USAID approval of the marketing plan, the plan was implemented.

#### **2.4.1 Operational Issues**

During early discussions with Participating Financial Institutions (PFIs) and exporters it became evident that, although the original design of the program provided ample incentive for individual, identifiable larger export transactions, it was not flexible enough to respond to the needs of the non-traditional exports business cycle. Consequently, the possibility existed that the program could experience limited utilization.

In response to this problem, an Issues Memorandum that included the main obstacles to program utilization and recommendations to overcome them was prepared. These recommendations were approved by the Director of DFD and then discussed with the BOU Lawyer. Amended guidelines were then prepared in order to allow multiple transactions under the program.

#### **2.4.2 Public Relations Program**

The Public Relations Program included the following components:

- *BOU Press Conference:* A Press Conference was held on June 12, 2001, attracting sixteen representatives from the media, including newspaper, television and radio coverage. After the Press Conference reporters from the two main newspapers and the television station remained to interview the Barclays Bank Senior Corporate Manager concerning the first four approved transactions under the program.
- *Operations Workshop:* On June 19, 2001 an operations workshop was held, which included representatives of the PFIs, exporters associations and other financial and institutional organizations. The objective of the workshop was to interface with bankers and exporters on a transactional basis through working groups and panel discussions using the new guidelines as a basis for completing potential deals. Other organizations also benefited from this “real-world” business interaction.
- *Expanded ECGS Brochure:* At the request of both bankers and exporters the original ECGS flyer was expanded to into a much more detailed brochure that also included “frequently asked questions” to help in understanding and utilizing the program. The new brochure was distributed at the workshop and will be used with all subsequent presentations and business calls.
- *Additional program coverage:* The associations will conduct direct mail campaigns to their members, which will include a copy of the new brochure. The new multiple transactions guidelines will also be discussed at associations’ meetings and an ECGS article will be included in their newsletters. In addition, the Uganda Bankers Association, the Institute of Bankers and the Export Promotion Board all agreed to publicize the program in their newsletters and other publications. Furthermore, the Institute of Bankers offered to include an ECGS module in one of its training programs for commercial bankers.

#### **2.4.3 PFI Operations**

The primary objective of this activity was to facilitate PFIs and NTE clients on a transactional basis in order to initiate and potentially close “pilot projects”. This process would not only familiarize both parties with the procedures of the program, but also produce demonstration projects for media publication. Also, as indicated earlier, the issue of multiple transactions quickly surfaced as the primary impediment to ECGS utilization. The following is a brief description of the current status of potential PFI transactions under the program:

- *Barclays Bank:* Discussions with Barclays were fruitful in that the bank approved the first transaction under the program (for the export of wheat) and is analyzing two more; one for a charter flight project to export flowers and vegetables and another for a fish exporter.

- *Stanbic Bank*: After several meetings bank officers were satisfied enough with the agreement in principle for amended guidelines that they moved forward with detailed client discussions on two projects; one for the export of biscuits and one for fish export.
- *Bank of Baroda*: The Managing Director stated that the bank has one potential client for the program. However, further facilitation work will be necessary in order to get the application processed since this bank operates with a very bureaucratic management style. Additionally, since it is a non-delegated bank, the application must be approved by the BOU, which will lengthen the process.
- *Standard Chartered Bank*: This bank signed the Master Agreement in June 2001, and from the beginning of the selection process for bank participation, this bank has been difficult to work with. In follow-up discussions with bank officers, who were not particularly cooperative, it was clear that further efforts will be needed to initiate more active participation.
- *dfcuBank and the East African Development Bank*: After meetings with these two financial institutions, both have requested to be accredited to the program. That process is currently underway with the assistance of the BOU Bank Supervision Department.
- *Citibank*: In-depth discussions were held with corporate officers to review their reservations concerning the program. The basic premise to their consideration for participation is that they do not want to be accredited unless they are going to use the program. In fact, all banks accredited to the program should take this approach. Due to the reputation of the institution itself, Citibank's participation will add credibility and a strong sense of competition to the program.

### 3. Conclusions

All activities have been completed as required, and the ECGS is definitely open for business. However, one must keep in mind that the program is in its start-up phase and it will be subject to the difficult learning curve encountered by any start-up operation. ***Strict and aggressive implementation of the Marketing Program is the key to the long-term success of the ECGS.***

### 4. Recommendations

The Marketing Program prepared by FWA in November 2000 and distributed by the Director of the Development Finance Department on January 15, 2001 needs no further revisions except to advance the implementation dates by one quarter due to the delays that took place in the second quarter of 2001. That has been done with the addition of:

- utilizing the amended guidelines over next two quarters to firmly institutionalize the ECGS and to establish a solid and growing loan portfolio with the PFIs
- following up on the direct mail campaigns to be undertaken by stakeholder organizations
- developing an ECGS module for the Institute of Bankers commercial bank training course
- including a program in 2002 for expansion into rural areas. This can best be accomplished through the development of Outreach Program using PFI branches and the UCB branch network

With its pending sale, it is not expected that the existing UCB will be immediately accredited under the program. Nevertheless, initial planning should take place prior to the end of the year for an Outreach Program using PFI branches and the branches of the newly formed financial institution for implementation since it is expected to be a complex task. This will ultimately require ECGS presentations and group training on a countrywide basis.

#### **4.1 Follow-On Work**

The CTO has indicated that USAID sees ECGS financing as providing the lynchpin for the successful implementation of other economic growth activities including the SPEED, COMPETE and IDEA projects. Therefore, in order to assure long-term ECGS sustainability, it is recommended that continuing technical assistance to implement the Marketing Program be made available to the DFD over the next year to assist in:

- implementing call schedules,
- facilitating “pilot project” transactions with new PFIs accredited to the program,
- developing and delivering ECGS presentations and workshops to various stakeholder institutions,
- developing the training module with the Institute of Bankers,
- installing management information systems, as required,
- expanding the public relations program,
- developing and executing the Outreach Program with PFI branches and the newly-formed (UCB) institution,
- claims evaluation and recovery techniques,
- organizational development requirements within the DFD, and
- other support as identified during program implementation.

A level of effort of at least 30 days per quarter should be provided in order to sustain momentum and to help achieve the objectives of the Marketing Program.