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Bureau for Global Affairs, Field Support & Research
U S Agency for International Development
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Financial Sector Development Project (FSDP II)

JORDAN LOAN GUARANTEE CORPORATION

April 1996

Prepared by

First Washington Associates, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia USA 22209

Submitted by

KPMG Peat Marwick LLP
2001 M Street, N.W.
Washington, DC 20036

JORDAN LOAN GUARANTEE CORPORATION

VOLUME I
PROJECT SUMMARY

Prepared by

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

C

PROJECT SUMMARY
TABLE OF CONTENTS

D

PROJECT SUMMARY

I. BACKGROUND

On September 29,1994 , the Ministry of Planning (MOP) advised USAID of its intention to establish an export credit guarantee facility (ECG) in the Jordan Loan Guarantee Corporation (JLGC) and requested USAID to provide funding for technical assistance to evaluate their intended approach .

USAID provided resources for a feasibility study in the spring of 1995. The objective of the study was two fold: to evaluate the feasibility of establishing an export credit guarantee facility in Jordan and to design a technical assistance program for such a facility to be housed at the JLGC. The study indicated that there was a need to improve access to export finance facilities in Jordan, particularly for micro and small enterprises (MSEs). It also concluded that an ECG can provide improved access by two means: through the issuance of guarantees to banks which in turn encourages them to extend credit to Jordanian exporters to finance the pre-export phase of the export cycle; and following shipment, through the issuance of guarantees to exporters to protect against the risk of non payment by overseas buyers caused by commercial or political events in the country of the buyer . In this latter instance access to finance is improved because of the credit enhancement afforded by the guaranteeby JLGC. Jordanian and foreign banks operating in Jordan will be more favorably disposed to discounting foreign receivables guaranteed by a well capitalized Jordanian corporation than discounting foreign receivables not backed by such guarantees. Given current circumstances, the study concluded that the JLGC is the most appropriate entity in Jordan to carry out these two functions, primarily because its current role of providing working capital loan guarantees to banks funding Jordanian MSEs is similar in many respects to the extension of guarantees to cover pre-export credits provided by banks to Jordanian exporters.

On July 3, 1995 . the Central Bank of Jordan (CBJ) officially informed USAID that JLGC's Board of Directors had decided to establish an export credit guarantee facility on October 1, 1995 . In the same letter USAID was informed that JLGC's capital will be increased from JD 7 million to JD 10 million to support the undertaking. In consecutive meetings with MOP and CBJ , USAID proposed conditionally, and subject to later confirmation in writing, to reimburse CBJ an amount of $ 2.5 million towards increase in JLGC's capital provided that such funds would only be used to support MSE's.

II. TASKS PERFORMED BY FWA

On January 7, 1996, First Washington Associates commenced a six week consulting assignment to assist JLGC in launching the pre-export guarantee aspect of the program. The requirements for First Washington to complete this assignment included drafting a Guarantee Agreement, Operations Manual, Credit Evaluation Manual, Claims and Recoveries Manual and Operational Guidelines for Banks. Other responsibilities included assisting with the drafting of a Marketing Strategy, providing a MIS Scope of Work, a Training Scope of Work and a sample report to be filed by JLGC quarterly with AID describing activity under the Pre-Export Guarantee Program (PEGP).

The essence of each of these volumes is as follows :

A. Guarantee Agreement and Addenda: This volume will serve as the operating agreement between JLGC and each bank for the conduct of the PEGP. The Guarantee Agreement outlines the responsibilities of both parties from the inception of an application for coverage to the completion of the claims and recoveries process. The addenda includes sample form for guarantee applications, past due loan reports, forms for reporting on guarantees in force, claims forms, and letters of commitment, etc. The sample forms are not repeated in the other volumes of this report, although they are referred to, and JLGC should include them as appropriate prior to distributing them to its managers and staff.

B. Operations Manual : This volume describes the internal procedures for the JLGC to follow in conducting the PEGP. These include:

1. Processing applications from a bank for guarantee coverage. Among the steps described here is the completion of the check list for compliance with AID Use of Funds Policies.

2. Processing reports from a bank regarding guarantees in force. These steps include the quarterly report indicating volume under the PEGP, the monthly report of outstandings, the monthly report on past due loans, the monthly report on defaulted loans for which JLGC has paid coverage amounts and the report which is filed by a bank each time a guaranteed coverage is fully paid off .

3. Processing claims requests . Among other things this section describes the preparation of a Defaulted Loan Memorandum and involves all steps through the completion of any recoveries.

4. Processing the payment of guarantee fees by a bank. This section shows the

2

correlation with (2) above involving the reporting on guarantees in force.

5. A separate section is devoted to Guarantee Portfolio Risk Management. Subjects included here involve maximum contingent liability, exporter exposure limit. maximum exposure in any sector. guaranteed percentage, policy changes. investment policy, reserving policy, objectives to take under consideration when setting premium rates and other matters in these regards.

6. A separate section is devoted Marketing. Subjects included here involve goals of the PEGP program, objectives of the marketing program, strategies of the marketing program. program responsibilities. direct contacts with bankers and exporters. negotiating the Guarantee Agreement and the role of marketing in guarantee administration.

C. Credit Evaluation Manual: The major sections of this volume include an overview of credit evaluation, security, financial analysis and use of financial statements, exporter underwriting procedures, key underwriting issues and approval authority for guarantees and claims. A Guarantee Questionnaire is included so as to facilitate the underwriting process.

D. Claims and Recoveries Manual: The major sections of this volume include delayed payment, claims, recoveries and write-offs.

E. Operational Guidelines for Banks: This provides a complete description for a bank in order to understand and use the PEGP. It follows the flow of the Guarantee Agreement thus describing the responsibilities of both JLGC and the bank. It discuses the filing of all paperwork including the application process, reporting on guarantees in force, claims process, and payment of required guarantee fees. A discussion of all requirements involved with lending procedures is included. This section describes qualified borrowers, qualifying loans, non-qualifying loans, guarantee ratios, financial analysis, method of repayment and rescheduling of maturities.

F. Marketing Strategy: This describes the process for marketing the PEGP to banks and exporters. It provides some budget information , discusses the use of seminars, the use of Jordan Export Development Corporation's (JEDCO) mailing list and the use of a quarterly fax to the Jordanian export community discussing various aspects of the PEGP.

G. Scope of Work For MIS Requirements: This volume provides an information technology strategy. For each business operation it identifies the information systems requirement and provides a description of same. It looks at information technology architecture and discusses a number of existing and emerging technologies that should be taken into consideration during the development and procurement of the JLGC information systems. It also prioritizes the information systems requirements and estimates some time frames for instituting the various systems.

H. <u>Scope of Work For Training Needs Assessment:</u> This volume describes the organizational structure of JLGC and states the task as determining what training needs are required for the staff, where that training is to take place and the cost to complete the identified training needs.

I. <u>Quarterly Report From JLGC to AID Describing Activity Under the PEGP</u>: This report will take the form of a letter and will include the following:

1. Comments on volume of new loans .
2. Comments, as appropriate, on volume of rejected loans, repaid loans and projected loans for the next quarter.
3. A list identifying those loans during the quarter which finance imports and this list would include the country where import originated.
4. A list of product type for each loan during the quarter.

Accompanying the letter each quarter will be a copy of Form 203 from each bank which identifies the new loans for the quarter which have been guaranteed by JLGC.

4

III. MARKETING ACTIVITIES

Part of the Scope of Work required First Washington to participate, as appropriate, in the marketing of the PEGP. The following calls were made in this regard:

Marwan Awad
General Manager
Middle East Investment Bank

Mohammed Qassim
Deputy General Manager
Bank of Jordan

Adnan Ahmad Sallakh
General Manager
Export and Finance Bank

Eyad Kodah
Economist
Export and Finance Bank

Jawad Hadid
Deputy Chairman
Arab Banking Corporation

Moh'd Yaser Al-Asmar
General Manager
Jordan Kuwait Bank

Tawifiq A/Q Mukahal
Executive Manager
Jordan Kuwait Bank

Zakaria M. Kawasmi
Credit Manager
Jordan Kuwait Bank

Mufleh Akel
Senior Manager
Arab Bank

Wasef Azar
Deputy Chairman
The Business Bank

Issa Shukri Khoury
Assistant General Manager
The Business Bank

Sami Gammoh
President
United Group

Muhyeddin Al-Jamal
Chairman
Global Carpet and Rug Industries

Tarek Zubi
Chairman
Adritec

IV. TRAINING ACTIVITIES

Another part of the Scope of Work required First Washington to provide initial training to JLGC staff regarding the PEGP. The following sessions were conducted in this regard:

A. January 16, Marketing Division, Discussed Planning of Strategy - 1 Hour Discussion.

B. January 20, Loan Guarantee Division. Discussed Analyzing Financial Statements - 1 Hour Discussion.

C. January 21, Export Credit Guarantee Division, Discussed General Parameters of PEGP - 2 Hour Discussion.

D. January 23, Marketing Division, Discussed Planning of Strategy - 1/2 Hour Discussion.

E. January 24, Loan Guarantee Division, Discussed Analyzing Financial Statements - 1/2 Hour Discussion.

F. January 24, Export Credit Guarantee Division, Discussed Processing Applications and Attachment B From AID Letter - 2 Hour Discussion.

G. January 25, Export Credit Guarantee Division, Discussed Processing Applications and Attachment B From AID Letter - 1 Hour Discussion.

H. January 28, Export Credit Guarantee Division, Discussed Marketing of PEGP - 1 Hour Discussion.

I. January 29, Marketing Division and Export Credit GuaranteeDivision, Discussed Marketing of PEGP - 1/2 Hour Discussion.

1

V. ASSIGNMENT OF SHORT TERM ADVISOR

First Washington recommends AID provide JLGC with a short term advisor for three to six months to support in the launching of the PEGP. This advisor would assist in the conduct of all actions resulting from the AID technical assistance thus far. This would include but not be limited to the following:

A. The development of relationships with the participating banks under the Guarantee Agreement.
B. Processing and approving applications from the banks for guarantee coverage.
C. Applying the procedures for administration of guarantees in force and the payment of guarantee fees by the banks.
D. Applying the procedures for overall monitoring of the program including the quarterly reporting to AID.
E. Marketing the PEGP to the export community including a participation in seminars and workshops.
F. Conducting in-house training in support of the designed training program.
G. Implementation of the Credit Evaluation guidelines developed for the program.
H. Implementation of the Scope of Work for MIS.
I. Implementation of the Training programs developed under the Scope of Work for Training Needs Assessment.
J. Implementation of the concepts contained within the Guarantee Portfolio Risk Management section of the Operations Manual.

The timing of this person's arrival at JLGC can be additionally important to the creation of a post-shipment program in support of Jordanian exports. At this juncture JLGC anticipates offering a post-shipment program towards the end of 1996. This means beginning the planning process and the training program for such a facility in mid-1996. Thus if this AID supported technical advisor could come to JLGC in approximately June of this year, said advisor could serve the dual purpose of assisting in the initiation of the pre-export guarantee program and the planning of the post-shipment program. It is thus recommended that if AID approves this advisory position that a start date of June, 1996, be the targeted timing for commencement of the function.

JORDAN LOAN GUARANTEE CORPORATION

VOLUME II
PRE-EXPORT CREDIT
GUARANTEE AGREEMENT

Prepared By

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

a

TABLE OF CONTENTS

I. PRE-EXPORT CREDIT GUARANTEE AGREEMENT

This Agreement, made this _____ day of _____, 199___

By and Between:

1. **Jordan Loan Guarantee Corporation** whose address is at P.O. Box 830703, Amman 11183, Jordan represented by its Director General (hereinafter referred to as "JLGC") of the one part, and

2. ....
whose address is at ....
Represented by...
(Hereinafter referred to as "Second Party" and/or the "Bank")
of the other part,

WITNESSETH

Whereas, the Second Party is a financial institution/bank fully licensed to grant loans in Jordan;

Whereas, JLGC is in the business of providing guarantees to licensed Jordanian financial institutions extending credit to small and medium size Jordanian businesses engaged in exporting goods from Jordan;

Whereas, JLGC, now therefore, wishes to provide guarantees for working capital loans which are granted by licensed Jordanian financial institutions in support of productive export projects in Jordan;

And Whereas, the Second Party has been chosen to be one of the said financial institutions and has agreed to enter into an agreement to govern the relationship with JLGC with respect to the said guarantees;

NOW, THEREFORE, the Parties hereto hereby agree as follows:

Article (1)
Preamble

The preamble hereto shall constitute part and parcel hereof.

Article (2)
Scope and Obligations of JLGC

a. Subject to the terms of the Article 5 below, JLGC agrees to allocate a specific ceiling (hereinafter the "Guarantee Ceiling"), to be determined by JLGC and notified in writing to the Second Party upon signature of this Agreement, for the total value of guarantees to be provided by JLGC to cover the risks associated with qualified loans granted by the Second Party to qualified borrowers as set out in Addendum A of this Agreement. It is clearly understood by the Parties that JLGC has the right to reject any loans submitted to it by the Second Party in accordance JLGC's general internal policy and the Second Party may not contest same for any reason whatsoever.

b. JLGC shall have the right by a simple notice in writing to refuse to guarantee any new loans should its economic or financial condition or future plans require taking such a measure.

c. Subject to the provisions of Article 6 below, with respect to any guarantee that JLGC issues in accordance with the procedure set out in Addendum A, JLGC agrees to pay the amount of the guarantee within three month (3) from the date of receipt of the Second Party's request for the payment thereof after the lapse of the Default Period of the Loan set out in Article 6 (a) below.

d. JLGC shall provide the credit officers of the Second Party free-of- charge with the necessary training on the lending and management procedures of the loans granted to the export sector.

Article (3)
Obligations of the Second Party

The Second Party agrees to :

a. Receive and evaluate Loan applications and in so doing adhere to the then prevailing usual banking credit evaluation criteria. The Second Party shall take into consideration the borrower's reputation, character, financial position and ability to meet its obligations as well as any other factors relevant to the decision whether to grant the Loan; it being clearly understood by the Second Party that JLGC shall have the right to make recommendations and remarks in that regard;

b. Assist potential borrowers in evaluating their projects and in preparing the necessary information with respect to the application such as financial statements and cash flow projections;

c. Unless the Parties otherwise agree in writing, take all the necessary measures which guarantee the repayment of the Loan including life insurance on the borrower or insurance on the project in question for an amount equal to the full outstanding balance of the Loan plus interest. The said insurances shall continue to be valid throughout the term of the Loan;

d. Insert a text in the Loan agreement with the borrower in which the Second Party shall have the right to assigned to JLGC all of its rights under the said Loan agreement;

12

e. Fully adhere to the terms of the Lending Procedures set out in Addendum A of this Agreement which is considered an indivisible part hereof;

f. Obtain information from JLGC on the borrower before moving ahead with implementation procedures by submitting a complete Form 201 (Addendum B);

g. Provide JLGC with a notification of the approval of the Second Party on granting the Loan by submitting a complete Form 202 (Addendum C) giving the summary of the Loan which was committed by the Second Party within a maximum of seven days from the date the Second Party's approval of the Loan;

h. Maintain (and allow JLGC to examine) a separate file for each borrower that includes all information, statements and documents on the basis of which the decision for granting the Loan has been taken as well as a detailed record of issues relating to the Loans and developments thereon;

i. Perform office and on-location follow-up procedures on projects for which Loans have been granted to ascertain that the Loan proceeds have been used for the approved purposes and to monitor the progress and viability of the projects as well as work on the collection of the Loan installments on their due dates, evaluate the ability of the borrower to fulfill its obligations and follow up on the in-kind collateral and all other necessary follow-up procedures; it being clearly understood by the Second Party the JLGC has the right to evaluate and follow up itself on the said Loans;

j. Submit, within a maximum of ten days from the end of the relevant quarter or the month, quarterly reports on Form 203 (Addendum D) detailing all the quarterly lending activities of the Second Party and monthly reports on Form 204 (Addendum E) detailing the unpaid due installments;

k. Provide and obtain, upon the request of JLGC, any other reports or information on the borrowers covered by this Agreement;

l. Inform JLGC of any matters that may affect the ability of the Second Party to meet its obligations in accordance with this Agreement;

m. Recruit and inform JLGC of the names of qualified employees to be responsible for the management of the guaranteed Loans;

n. Nominate employees who will take part in the training courses offered by JLGC; and

o. Ensure that all third party guarantees of Loan guaranteed by JLGC include terms which allow the Second Party to assign its rights thereunder to JLGC, taking into account the outstanding liabilities of third party guarantee.

Article (4)
Guarantee Fees

a. The Second Party should pay to JLGC a minimum annual Guarantee Fee of 1.5% of the Guarantee Ceiling allocated for the Second Party by the JLGC in accordance with Article 2(a) above.

b. The said Guarantee Fee shall be paid by the Second Party on March 31, June 30, September 30 and December 31 of each year.

c. For the purposes of computing the said Guarantee Fee:

   1. Any part of a quarter shall be considered as a whole quarter, and
   2. Computation shall be made on the basis of the highest Guarantee Ceiling allocated by JLGC within the quarter.

d. Should the Second Party fail to pay the Guarantee Fee within one (1) month of its due date, then JLGC shall have the right, by a simple one week advance notice in writing, to suspend its obligations under this Agreement, including its obligations with respect to guarantees which were already used, for a period of two additional months. If at the end of the said two month period, the Second Party is still in default of the payments under this Agreement. then, without prejudice to its other rights in contract, law or otherwise, JLGC shall have the right by a simple one week advance notice in writing to terminate this Agreement.

e. If the Second Party wishes to enter into a new guarantee agreement with JLGC or if it wishes to reactivate this Agreement after its suspension or termination. the Second Party shall pay to JLGC any overdue Guarantee Fees together with a penalty equaling 1% of the total overdue fees plus interest thereon throughout the delay period at a rate to be determined in accordance with the prevailing interest rate on credit facilities.

Article (5)
The Guarantee Ceiling

a. JLGC shall have the right, by a simple thirty day advance notice in writing, to cancel the unutilized portion of the Guarantee Ceiling at any time without giving the reason for such a cancellation. JLGC shall reimburse the Second Party for the amount of any paid Guarantee Fees in proportion to the canceled amount of the Ceiling and the remaining period in the relevant quarter.

b. For purposes of computation of the unutilized portion of the guaranteed ceiling, the obligations of the Second Party with respect to the unexecuted Loans shall be added to the utilized portion of the Guarantee Ceiling.

14

c. Should the unutilized portion of the allocated Guarantee Ceiling be canceled, the utilized portion of the said Ceiling shall remain covered pursuant to the terms of this Agreement, and any amendments, and its adenda that may be made thereto.

d. The Second Party shall have the right to request the reduction of its Guarantee Ceiling. Such reduction shall be enforced as of the beginning of the quarter of the year following the quarter during which the reduction was requested, provided, however, that the Second Party shall have submitted the reduction request at least two weeks prior to the beginning of the quarter during which the reduction will apply.

e. Increases of the Guarantee Ceiling can be made only by written agreement of the Parties after mutual consultation and coordination.

Article (6)
Claims, Collections and Follow-up Under the Guarantees

a. Claims under any guarantee granted by JLGC pursuant to this Agreement may not be submitted until the relevant Loan becomes a "Loan in Default". A Loan shall be considered a "Loan in Default" if the borrower fails to pay the full amount of due Loan installments for a period of 180 consecutive days.

b. In the event of the claim being submitted by the Second Party under any guarantee hereunder, the following documents should be attached to the claim:

1. A photocopy of all statements and documents that evidence the efforts exerted for the collection of such an amount.
2. A photocopy of the Loan Agreement concluded between the Second Party and the borrower.
3. A photocopy of the statement of account of the borrower.
4. Form 205 (Addendum F) properly filled out.
5. Form 205/ a (Addendum G) properly filled out together with all the documents stated therein attached to the said form.
6. Any other documents requested by JLGC.

c. Before any claim under a guarantee is paid, the Second Party shall submit to JLGC evidence that it has implemented the following:

1. Visits to the borrower's site;
2. Full study of the borrower's financial position; and

/ 15

3. Collection procedures including, but not limited to,:
   a) Sending claim letters, warning and/or notices to third party guarantors if any;
   b) Commencing legal action to foreclose on the borrower's equipment, third party guarantees and other collateral;
   c) Any other steps deemed necessary to collect due and unpaid amount of the Loan.

d. The Second Party shall credit any guarantee proceeds which it receives from JLGC to a separate account named "Security Against Credit Facilities". This amount can not be used to offset any portion of the corresponding "Loan in Default" except after exhaustion of all collection efforts, judicial or otherwise, against the borrower and third party guarantors.

e. The Second Party shall take any and all the legal, judicial and follow-up measures necessary for the collection of the amounts due from the defaulting borrowers.

f. One year after the beginning of the 180 day default period, JLGC shall have the right, either on its own or jointly with the Second Party, to commence any necessary collection procedures against the defaulting borrowers. In such a case, the Second Party shall deliver all documents relating to the said debts to JLGC as well a letter of assignment assigning all of the Second Party's right under the Loan Agreement and third party guarantees to JLGC.

g. Any amounts, including interest, collected from the defaulting borrower or as a result of execution on collateral including third party guarantees, shall be distributed, within the period not exceeding three months from the date of their collection, between the Parties in proportion to the agreed upon coverage ratio after deduction of any legal and court fees incurred in connection with the collection.

Article (7)
General Provisions

a. Amendments: Except as provided below, this Agreement and its Addenda may not be amended or supplemented in any manner except by an instrument in writing signed by a duly authorized representative of each of the Parties.

b. Amendments by JLGC: JLGC shall have the right to amend the Lending Procedures, Guarantee Conditions and the Forms and Reports appended to this Agreement provided that the proposed amendments are not in contradiction with the Articles of this Agreement. The said amendments shall be enforced after thirty days from the receipt of a written notification of that effect by the Second Party.

c. Dispute resolution: Any disputes that may arise between the two parties as a result of or

16

in connection with this Agreement and its Addenda shall be settled in an amicable manner. In the event an amicable settlement to that dispute is not reached, the dispute shall be referred to arbitration to be conducted by a specialized arbitrator acceptable to both Parties in accordance with the Jordanian Arbitration Law.

Article (8)
Terms & Termination

a. This Agreement shall be valid for one year from the first written above and shall be automatically renewed for similar periods unless either party informs the other of its desire not to renew one (1) month prior to the end of the original term or any renewal thereof.

b. Expiration or non-renewal of this Agreement shall not affect the rights and obligations of both parties with respect to guarantees which have been issued during its validity.

Article (9)
Entire Agreement

This agreement which consists of nine (9) Articles and nine (9) Addenda sets forth the entire agreement and understanding of the Parties relating to the subject matter contained herein and supersedes all prior discussions among the Parties, and none of the Parties shall be bound by any previous agreements, negotiations, commitments or writing relating to the subject matter contained herein except as expressly provided in this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in two counterpart originals by their duly authorized representatives on the date specified above.

For and on Behalf of JLGC	For and on Behalf of Second Party
By____________________	By____________________
Name__________________	Name__________________
Title__________________	Title__________________

II. ADDENDA TO THE PRE-EXPORT CREDIT GUARANTEE AGREEMENT

Addendum A	-	Lending Procedures
Addendum B	-	Form 201
Addendum C	-	Form 202
Addendum D	-	Form 203
Addendum E	-	Form 204
Addendum F	-	Form 205
Addendum G	-	Form 205/a
Addendum H	-	Letter of Commitment
Addendum I	-	Letter of Denial

18

Addendum "A"

Lending Procedures

The Jordan Loan Guarantee Corporation will consider guaranteeing qualified loans to qualified borrowers within certain limits as more clearly set out below. The fact that the loan and/or the borrower meets the following criteria only qualifies it to be considered for a guarantee and the Jordan Loan Guarantee Corporation (JLGC) has the right to reject guaranteeing any loan without indicating the reason therefor.

1. Qualified Borrowers

a. If the Borrower is an individual, the Borrower must be a national or permanent resident of Jordan. If the Borrower is a corporation or other business entity, it must be majority - owned by Jordanian nationals or permanent residents of Jordan and/or corporations or other business entities that are owned by such nationals or residents;

b. The Borrower must be 100% privately owned, controlled and operated;

c. The Borrower's principal place of business must be in Jordan;

d. The Borrower must be a "microenterprise" or a small business enterprise as defined below. A microenterprise is a productive Jordanian individual or business whose principal place of business and permanent residency is in Jordan with five or less full time employees, with total assets (excluding land, buildings, and equipment) not exceeding the JD equivalent of $100,000. A small business is a productive Jordanian individual or business whose principal place of business and residency is in Jordan with fifty or less full time employees, with total assets (excluding land, buildings and equipment) not exceeding the JD equivalent of $250,000.

2. Qualified Loans

To qualify for consideration by JLGC, the proposed loan must:

a) Be up to a maximum limit of JD 100,000;
b) Be a short-term loan of 180 days - in exceptional circumstances JLGC might consider loans with a term of 270 days;

c) Be used to finance any private productive export activity conducted principally in Jordan and which is legal in Jordan.
d) Meet the Bank's general credit criteria for loans;
e) Have the Bank's then applicable market interest rate apply to it.

3. Non-Qualifying Loans

The following loans do not qualify for consideration:

a) Loans granted to the existing portfolios of the bank or for renewal and/or extension thereof. However, on an exceptional basis, new loans extended to former borrowers for the purpose of expanding existing operations shall qualify for guarantees; additional credit to that already extended to the borrower's may be eligible for consideration;
b) Loans for which the interest is collected up front;
c) Loans that are financed in whole or in part with subsidized funds from any source whatsoever;
d) Overdraft facilities whether or not they meet the other qualifying criteria.

4. Guarantee Limits/Ratios

Subject to the other Guarantee Agreement conditions being met, JLGC will guarantee the risks associated with qualified loans to qualified borrowers approved by it up to seventy-five percent (75%) of the total outstanding balance of the loan plus seventy-five percent (75%) of any accrued interest thereon up to 180 days following the date of the last repayment installment made by the borrower; penalty interest or amounts payable on default or for any other reason are not guaranteed.

5. Method of Repayment

Loans made under the JLGC guarantee may be repaid in monthly or quarterly instalments in accordance with the cash flow analysis of the borrower's business. In this regard the repayment of the entire loan amount at the end of the term of the loan is acceptable depending on the cash flow analysis.

6. Rescheduling/Extensions

The Bank is required to obtain the approval of JLGC prior to rescheduling and/or extending the maturity date of any guaranteed loan.

7. Procedure to be Followed by the Bank

Upon receipt of an application for a loan which the Bank believes meets the JLGC .

criteria for qualified loans and borrowers, the Bank shall follow the following procedures:

a. The Bank shall conduct a financial analysis of the borrower including an analysis of the borrower's:

   1) balance sheet;
   2) income statement;
   3) cash flow statement;
   4) operating budget; and
   5) sources for loan repayments, including but not limited to, collateral and third party guarantees,

   to determine whether the borrower qualifies for a loan from the Bank under its normal credit procedures without any guarantee from JLGC. Furthermore, the Bank shall also make full credit checks on the borrower with other banks as well as with the borrower's suppliers.

   The results and methods of analysis shall be fully documented in the borrower's file with the Bank.

b. The Bank shall submit to JLGC a completed Form 201 to inquire about the possibility of obtaining a guarantee under the Guarantee Agreement and provide JLGC with the necessary preliminary information.

c. When and if the Bank receives a preliminary "no objection" letter or fax from JLGC with respect to the new loan, the Bank shall submit to JLGC a completed Form 202 providing all of the necessary information, including any information requested by JLGC in its said fax/letter, for JLGC to consider whether a guarantee can be given and attached thereto the borrower's file.

d. If JLGC decides in its sole discretion to grant a guarantee, it shall so inform the Bank using the Letter of Commitment Form indicating therein the amount of the coverage, the tenor and other relevant information.

e. If JLGC decides in its sole discretion not to grant a guarantee, it shall so inform the Bank by simple notice in writing.

21

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ....

Addendum (B) - Form (201)

Inquiry Application Form No ( )

Name of Bank / Financial Institution ....

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

Please be kind enough to provide us with the information available with you on whether the under mentioned client has previously obtained loans from other banks pursuant to the loan risk guarantee system; whether the proposed loan is acceptable for purposes of offering guarantees to cover the risks of such a loan; and any other information which you deem relevant.

We fully understand that your reply to this inquiry by us is only for providing us with preliminary information and does not constitute any commitment on your part.

Bank Signature

....

Name of the Borrower

Address of the Borrower

Nationality of the borrower / Nationality of the owner

Amount of the required loan

Purpose of the loan

Name of the owner / partners

(% of ownership)

<u>Summary of the Purposes of the Loan, the Financing Sources and the Guarantees in Kind</u>

1) Type of activity:
(Principal place of business)
(How long has borrower been exporting)

2) Number of employees:

3) Purpose of the loan: <u>JDs</u>
* Purchase of machinery, equipment and tools ....
* Financing of working capital ....
(Product or service involved) Describe Fully -
* Others (To be specified) ....

Total: ______________

4) Name and address of foreign buyer
(Identify bank reference for foreign buyer)

5) Is any portion of the loan to finance the purchase of goods or services which are imported from a foreign country? If so, state the foreign country and identify whether the foreign supplier is 100% owned by nationals of that foreign country.

6) Is any portion of the loan to finance the purchase of goods or services from an entity in Jordan owned 50% or more by a foreign government, foreign nationals or permanent residents of a foreign country? If so, state what country.

7) Is any portion of the loan to finance the purchase of goods or services to be used for the establishment of an export processing zone or designated area where the laws of the country do not apply?

13

8) Assets:

(Provide balance sheet for past 3 years, if available)

* Cash	....
* Accounts receivable	....
* Inventory	....
* Fixed assets	....
* Other assets	....
Total:	

9) Liabilities/ Net Worth:

	....
* Loans from banks	....
* Other creditors	....
* Paid up capital	
* Retained profits and current accounts of partners	....
Total:	

10) Income Statement
(Provide past 3 years income statement, if available)

....

Sales	....
Cost of goods sold	....
Gross Margin	....
Operating Expenses	....
Net Margin	....
Taxes	....
Net Income	....

24

11) Other income sources for the owner/partners/guarantors:

12) Guarantees that may be provided:

Real Estate	_______	Shares and Bonds	______
Personal	_______	Machinery and Equipment	______

13) Estimated values for the guarantees

Real Estate of the value of:	....
Shares and Bonds of the value of:	....
Machinery and Equipment of the value of:	....
Others (To be specified):	....

14) Previous dealings with the bank/Statements from the Central Bank ....
....

25

Jordan Loan Guarantee Corporation

Reply to Form 201 Inquiry

Date________________-

To: _______________ (Name of Bank)

____

____

Dear Sirs,

Further to your Form 201 Inquiry No. ________ dated ____________, kindly be informed that:

	Yes	No
JLGC has previously guaranteed loans for the Borrower.	_____	_____
JLGC has previously guaranteed loans for the Owner(s).	_____	_____
Purpose of the loan is in line with the terms of the Guarantee Agreement.	_____	_____

JLGC has no objection to the Loan

Other

....

....

....

....

....

Best regards.

JLGC's signature

26

....

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ....

Addendum (C) - Form (202)

Summary of the Loan Granted by the Bank
Notification of Approval

Name of bank / Financial Institution ....

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

We have the pleasure to inform you of the approval of our Bank/our financial institution to grant the loan, of which the details are indicated here below:

1) Information on the client
   * Name of the owner/Names of the partners:
   * Nationality of owner/Nationality of the company:
   * Name of the authorized director:
   * Years of experience of the owner/director:

2) Information on the loan
   * Amount of required loan:
   * Amount of approved loan:
   * Date of bank approval for granting the loan:
   * Purpose of the loan:
   * Number of the granted loan:
   * Number of the client's account:
   * Date of the first drawdown:
   * Duration of the grace period:
   * Number of installments and their dates:
   * Amount of one installment and date of the first one:

3) Information on the interest rate and commission
   * Interest rate applicable on the loan:
   * Rate of collected commission:

22

* Method of collection of interest:

4) Name and address of foreign buyer

5) Information on the product or service (describe fully)

6) Information on the financing sources and cash flows
(Provide budget and/or cash flow statement for the next year)
* Paid up capital:
* Amounts borrowed from banks:
* Owner account/Partners current account:
* Suppliers and other creditors:
* Size of actual sales/projected:
* Size of actual purchases/projected:
* Size of actual inventory/projected:
* Amount of actual profits/projected:
* Other sources of income of the owner/partners:
* Value of existing equipment/projected:

7) Information on guarantees whether personal or in kind
* Names of personal guarantors:
* Sources of income of the guarantors:
* Type of pledged guarantee:
* Degree of mortgage:
* Estimated value of the guarantees:
* Ratio of coverage of the guarantees in kind:

8) General Information
* Name of governate:
* Location of the project (city/village):
* Legal status of the borrower:
* Relationship of the borrower with the bank:
* Previous experience with the borrower:
* Checking obtained from the Central Bank:
* Name and number of the bank branch providing the loan:
* Name of the responsible employee:

28

We hereby do assert to you that the loan, of which the details are described above, meet in conditions and purposes with the conditions and purposes as indicated in the Guarantee Agreement and its Addenda. Therefore kindly issue your Letter of.Commitment with respect thereto.

Best regards

Name and Rank of Signatory Signature

29

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date: ____________

Addendum (D) - Form (203)

THE QUARTERLY REPORT ON THE GRANTED LOANS

Name of the Bank/Financial Institution: ______________________________

1. The following loans have been approved during the previous quarter of the year that ended on: ____________

Loan No.	Name of Borrower	Amount of the Granted Loan	Interest Rate	Outstanding Balance	Date of Approval	Date of First Payment	Number of Installments	Other Notes

Total: ____________ ____________

2. Number of rejected loans ____________ Their Values ____________

3. Number of repaid loans ____________ Their Values ____________

4. Number of loans preojected in the forthcoming quarter ____________ Their Values ____________

____
Name and Rank of Signatory

____
Bank Signature

20

30

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date: __________

Addendum (E) - Form (204)

MONTHLY REPORT ON DUE BUT UNPAID LOANS *

Name of the Bank/Financial Institution: ______________________________

Loan No.	Name of Borrower	Amount of the Granted Loan	Outstanding Balance	Amount of Unpaid Installments	Date of First Unpaid Installment	Number of Days in Delay	Reasons for Non-Repayment	Endeavors for Collection	Other Notes

21

Total:			

Reasons for non-repayment
1. Delay in payment
2. Financial Difficulties
3. No contact has yet been made with the client
4. No response from the client
5. Others (Give detail)

Collection Endeavors
a. Contacts over telephone
b. Reminder Notification
c. Field visits
d. Requests for repayment
e. Legal Warning
f. Seizure for security
g. Recourse to guarantors
h. Filing of lawsuits
i. Others (Detail)

Name and Rank of Signatory

Bank Signature

* The due loans intended by this form are those loans for which thirty days have lapsed since their due dates

31

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date __________

Addendum (F) - Form (205)

CLAIM TO THE AMOUNT OF THE LOAN

Name of the Bank / Financial Institution: ____________________________

1. Loan Number: _____________

2. Name of the Borrower / Owner: ____________________________

3. Address of the Borrower ____________________ ____________________ | Address of the project ____________________ ____________________

4. Address of the Owner | Address of the Authorized Director

5. Amount of the granted loan | Guarantee coverage ratio %

6. Rate of interest % | Commission rate %

7. Date of approval / /19 | Date of first installment %

8. Recurrence of instalment and amount of each one:

9. Kind of existing guarantees (Real Estate, Shares, Bonds, Personal Guarantees, Others)
____

10. Estimated amount for the existing guarantees:

11. Degree of the guarantee:

12. Other creditors taking part in the loan and amount of their credit:
____

32

Continuation for Addendum (F) - Form (205)

13. Measures taken by the participants in the loan:

14. Date of last paid installment / /19

15. Amounts of collections after the date of last paid installment:

16. Dates of unpaid installments:

17. Reasons for non-performance:

18. The outstanding balance of the loan principal upon the start of the non-performing period of the loan:

19. Accumulated interest for the non-performing period:

20. Amount required to be paid:

21. Terms of the bank upon granting the loan:

22. Procedures for follow up and collection:

23. Legal procedures taken:

24. Other comments:

We hereby do assert that the above mentioned data is correct and that we have undertaken and will undertake to follow up on the borrower and the guarantors thereof by way of taking all legal and judicial measures for collection pursuant to what is stipulated in the Guarantee Agreement concluded with you.

Name and Rank of Signatory

Signature

37

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ___________

Addendum (G) - Form (205/a)

LETTER OF CLAIM TO THE AMOUNT OF THE GUARANTEE

Name of Bank / Financial Institution ________________________________

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

We confirm that the loan No. _______ Granted by us to the client ________________ Has been in default for a period exceeding 180 days, therefore it has become due for repayment of a sum equaling the already approved risk coverage ratio pursuant to the articles of the Guarantee Agreement concluded with you on ___________ And in execution of what is stated in the articles of the Agreement and its Addenda. we do hereby submit to you the following forms and documents:

1. A photocopy of the Loan Agreement concluded between us and the borrower.
2. A photocopy of the client's balance sheet as of the date of disbursement of the loan.
3. Form No. (205), Addendum (F) dully filled out.
4. A photocopy of the bank recommendation and its approval on granting the loan.
5. The credit Feasibility Study of the loan comprising the financial and profit and loss statements, the financial analysis and the cash flows.
6. A photocopy of the mortgage documents, the trade license and trade registration certificate.

Continuation for Addendum (G) - Form (205/a)

7. A photocopy of the statements and documents which evidence the exerted efforts for collection. The documents and statements include visits paid to the work site of the borrower, a study of his financial position, letters of claims, warnings, notices sent to guarantors, measures taken for collection such as seizure for security and foreclosure of the collaterals in kind in addition to other relevant legal and judicial procedures.

8. The bank's opinion on the possibility of collecting the due amounts.

Furthermore, we will provide you with any information or other dates you deem necessary to facilitate the procedures for this claim.

Name and Rank of Signatory　　　　　　　　Signature

________________________　　　　　　　　____________________

Addendum H
Letter of Commitment

Date________

To: ______________________
____
____

From: JLGC

Re:

Name of Borrower
Name of Guarantor(s)
Collateral Description
Amount of the Loan
Interest Rate
Maturity/Tenor of Loan
Coverage Ratio/Amount of Coverage
Foreign Buyer
Origin of Imports (if any)

Dear Sirs,

We refer to your form 202 Notification dated________ with respect to the above referenced loan.

Kindly be informed that we have approved the loan from the purposes of the Guarantee Agreement entered into between us on _________ and we, therefore, agree to guarantee the said loan pursuant to the terms of the Guarantee Agreement up to the abovementioned amount of coverage.

Best regards.

For & on Behalf of
JLGC

By ___________________

Name ___________________

Title ___________________

Addendum I
Letter of Denial

Date________

To: ____________________
____
____

From: JLGC

Re:

Name of Borrower

Dear Sirs,

We refer to your form 201 Notification dated________ with respect to the above referenced loan.

We regret to inform you we have declined the loan for the purposes of the Guarantee Agreement entered into between us on _________ . This declination is due to (insert reason)

Sincerely,

For & on Behalf of
JLGC

By ____________________

Name ____________________

Title ____________________

37

JORDAN LOAN GUARANTEE CORPORATION

VOLUME III
OPERATIONS
MANUAL

Prepared By
FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

38

OPERATIONS MANUAL

TABLE OF CONTENTS

39

I. INTRODUCTION

This document describes the internal procedures for JLGC to follow in conducting the PEGP. These procedures include:

A. Processing applications from a bank for guarantee coverage. Among the steps described here is the completion of the check list for compliance with AID Use of Funds Policies.

B. Processing reports from a bank regarding guarantees in force. These steps include the quarterly report indicating volume under the PEGP, the monthly report on defaulted loans for which JLGC has paid coverage amounts and the report which is filed by a bank each time a guaranteed coverage is fully paid off.

C. Processing claims requests. Among other things this section describes the preparation of a Defaulted Loan Memorandum and involves all steps through the completion of any recoveries.

D. Processing the payment of guarantee fees by a bank. This section shows the correlation with (B) above involving the reporting on guarantees in force.

E. A separate section is devoted to Guarantee Portfolio Risk Management. Subjects included here involve maximum contingent liability, exporter exposure limit , maximum exposure in any sector , guaranteed percentage, policy changes , investment policy, reserving policy, objectives to take under consideration when setting premium rates and other matters in these regards.

F. A separate section is devoted Marketing. Subjects included here involve goals of the PEGP program, objectives of the marketing program, strategies of the marketing program, program responsibilities, direct contacts with bankers and exporters, negotiating the Guarantee Agreement and the role of marketing in guarantee administration.

G. AID Quarterly Report. This section describes the format for a letter to be filed quarterly with AID by JLGC describing the new loan activity for the quarter under the PEGP.

40

II. PROCESSING APPLICATION FOR GUARANTEE COVERAGE

A. The initial step for coverage under the Pre-Export Guarantee Program (PEGP) is for the banks to forward Form 201 to JLGC.

B. Form 201 is registered by the Secretary of the Director General and is then referred to him for review.

C. Form 201 is then forwarded to the Division Manager of the Export Credit Guarantee Division (ECGD) for his review.

D. Division Manager makes his comments on Form 201 and refers it to the appropriate analyst processing requests for the bank submitting the Form 201 involved.

E. The analyst reviews the request in its entirety. Among the items to be reviewed include:

1. Confirmation whether or not the borrowing client has been the subject of previous guarantees from other banks. If the experience was negative, depending upon the circumstances the application may be denied. If coverage is in place and the application under consideration would cause JLGC to have more coverage than deemed prudent, the application may also be denied.

2. Review purpose of the loan (product to be exported), balance sheet, income statement, other income sources for the borrower such as outside income from owners, financial capacity of guarantors and estimated value of collateral.

3. Check experience reported by bank regarding the borrower under consideration.

4. Check country of record where product is to be exported.

5. Prepare Guarantee Questionnaire as outlined in the Credit Evaluation Guidelines. This phase is conducted utilizing the methodology required by the Credit Evaluation Guidelines (see in particular pages 8-9).

6. After (b),(c),(d) and (e) are completed, ECGD can be satisfied the application meets underwriting standards and the application can then be reviewed for conformity with other program requirements as listed in (g) through (j).

7. Prepare Checklist for Compliance with AID Use of Funds Policies (see attached checklist). Completed checklist is retained in file of the borrower.

8. Check the tenor of the loan is no more than 270 days and the principal of the loan guaranteed does not exceed J.D. 100,000.

41

9. Confirm 25% of the value of the product to be exported is of Jordanian content.

10. Confirm the product categories of fertilizers, potash and phosphates are not covered by the loan request.

F. Once step 5 is complete and all criteria are met the analyst prepares a fax message to the applicant bank indicating the transaction is acceptable for processing (this is the preliminary commitment subject to final approval after submission of Form 202) and indicating what guarantees and or collateral will be required. (If a declination is in order such is likewise prepared.)

G. The fax message and Form 201 are returned by the analyst to the Division Manager of ECGD who approves and signs the fax message after making any changes desired.

H. The fax message and Form 201 are next submitted to Director General who reviews and signs Form 201 for return to the applicant bank. This signature signifies the preliminary approval of the guarantee by the JLGC.

I. The fax message and Form 201 are then registered in outgoing mail and the fax is transmitted. A photocopy of these documents is returned to the ECGD with the original being mailed to the bank.

J. Data contained in Form 201 is entered into a computer file by the analyst and documents relating to the guarantee transaction are placed in a new file pending receipt of Form 202 from the bank.

III. RECEIPT OF FORM 202

A. Upon receipt from the applicant bank Form 202 is registered by the Secretary of the Director General and is referred to him for review.

B. Upon completion of review by the Director General, Form 202 is forwarded to the Division Manager of the ECGD who in turn refers it to same analyst who processed Form 201 involving the referenced guarantee transaction.

C. Form 202 is checked, first, to confirm consistency with the information submitted on Form 201.

D. Additional information is included with Form 202 including:
   1. Descriptive material on the borrower
   2. A projected budget from the borrower which with the previously supplied income statement allows cash flow projections to be studied
   3. Information regarding guarantors and the value such offer the transaction
   4. Information on the value of any collateral supporting the transaction

E. After reviewing the material submitted under D (1 through 4) and reviewing again the Guarantee Questionnaire a final underwriting determination can be made.

F. The additional data submitted with Form 202 is keyed into the computer and the analyst prepares a Letter of Commitment or denial for review by the Division Manager of the ECGD.

G. The Letter of Commitment (or Letter of Denial) is reviewed by the Division Manager of the ECGD and forwarded for signature to the Director General. After signature by the Director General the letter is entered in the outgoing mail register and sent to the bank.

H. A copy of the Letter of Commitment (or Letter of Denial) is returned to the analyst in ECGD and placed in the transaction file of the guarantee authorized (or denied).

IV. COMPLIANCE WITH AID USE OF FUNDS POLICIES

This form is to be completed by the JLGC analyst and retained in the borrower's file.

	YES	NO
A. Is borrower a national or permanent resident of Jordan and if a corporation is it majority owned by Jordanian interests?		
B. Is borrower 100% privately owned and is its principal place of business in Jordan?		
C. Does the borrower have 50 or less employees with total assets (excluding land, buildings and equipment) not exceeding JD equivalent of $250,000?		
D. Does the transaction being financed involve a private productive export activity conducted principally in Jordan and which is legal in Jordan?		
E. Is the product being financed excluded under any of the conditions listed by AID? If so, what is the product and nature of the transaction?		
F. Does this financing represent a loan previously under export guarantee coverage by JLGC which was subsequently removed for some reason?		
G. Is the borrower an existing customer of the bank and, if so, does this loan represent additional credit being extended by the bank? (Note: The loan under consideration must not be a renewal or extension of a pre-existing loan.)		
H. Is any portion of the loan to finance the purchase of goods or services which are imported from a foreign country and is the foreign supplier 100% owned by nationals of that country? State country imported from _____ and country of ownership of foreign supplier if not 100% local _____. (Check list of countries not eligible. Check if foreign ownership of supplier is 50% or more)		

uk

I. Is any portion of the loan to finance the purchase of good or services from an entity in Jordan owned 50% or more by a foreign government, foreign nationals or permanent residents of a foreign country? State country____ (check list of countries not eligible).

J. Is any portion of the loan to finance the purchase of goods or services to be used for the establishment of an export processing zone or designated area where the laws of the country do not apply?

45

V. PROCEDURES FOR REPORTING ON GUARANTEES IN FORCE

A. Monthly Report of Loan Outstandings

Within ten days of the end of each month the bank must provide via diskette to JLGC a list of the loans under guarantee at the end of the month and the amount outstanding for each of these loans. It is simply a list by borrower and amount with no other information.

It is the responsibility of each analyst for his/her assigned bank(s) to review the list submitted and verify there is a Form 202 in the file for any appearing on the list for the first time. In addition the analyst should check to determine that any loan for which a Form 202 was received during the month in question, now appears on this monthly list. If not, checking with the bank is appropriate.

B. Form 203

Each bank is required on a quarterly basis to file this report which lists all loans approved by JLGC for guarantee coverage during the previous quarter. The report is due within ten days of the end of each calendar quarter, i.e. March 31, June 30, September 30 and December 31. Each loan is listed by loan number and gives name of borrower, amount of loan granted, interest rate, outstanding balance, date of approval, date of first payment, number of installments and provides a column for other notes regarding the loan. The report also provides the number and values of rejected loans, repaid loans and loans projected in the forthcoming quarter.

Upon receipt of Form 203 it is immediately sent to the analyst in ECGD processing work for the bank submitting the report. It is checked to confirm that a Form 202 is in the transaction file for each loan listed on the report. The analyst must also verify that every new loan reported on the monthly list supplied by the bank now appears on Form 203.

The information listed in paragraph above is checked against the Form 202 in the transaction file to confirm its accuracy. After this step is completed Form 203 is placed in file for reference.

It should be noted that with the submission of Form 203 each bank forwards its check for premium payment in consideration of the guarantee coverage provided by JLGC. The analyst is responsible for checking with the Finance group that this has been credited.

C. Form 204

Within ten days of the end of each month each bank must submit this report which lists all loans thirty days or more past due. This report is by loan number and provides name of borrower, amount of loan granted, outstanding balance, amount of unpaid installment, date of first unpaid installment, number of days in delay, reasons for non-repayment, endeavors for collection and provides a column for other notes regarding the loan. With regards to reasons for

Kb

non-repayment and endeavors for collection there are numbered and lettered responses which may be entered in the appropriate column.
Upon receipt of this report it should be forwarded to the analyst in ECGD responsible for the sending bank. The analyst must:——

1. Verify the correctness of the information listed for each past due loan.

2. Confirm the balance reported on Form 204 is in accordance with the monthly report also submitted by the bank (report 1 of these procedures). If not, the reason for the difference must be determined.

3. Examine the collection efforts of the bank with regard to each loan listed. If the analyst determines the bank needs to make greater efforts on one or more of the loans in question, this subject can be addressed to the bank. Where possible the analyst should make specific recommendations when requesting the bank to apply greater efforts. When advisable or necessary the analyst should enlist the Head of ECGD or other appropriate JLGC executives in requesting greater collection efforts from a bank.

4. Upon completion of review Form 204 should be filed for future use including when the bank requests payment of coverage amount for a defaulted loan.

D. Monthly Report on Claims Paid for Defualted Loans

Each month by diskette the bank informs JLGC of the status of any defaulted loan for which JLGC has paid coverage amounts. A loan is listed on this report until collection of the guarantee payment is recovered by the bank from the borrower or the bank writes off the loan.

Each month the analyst should verify that all recently defaulted loans for which JLGC has paid amounts of coverage are listed in this report. The analyst should also be satisfied the bank is making acceptable collection efforts as deemed appropriate by JLGC. The analyst must also ascertain that JLGC has received its share of all amounts collected by the bank from its defaulting borrowers for whom JLGC has already paid guarantee amounts. This can be accomplished by comparing current outstanding balances of any loan with the previous balance reported. If such reimbursement has not been received by JLGC appropriate demand should be made upon the bank.

If acceptable collection efforts are not being undertaken by the bank, the analyst should so inform the bank. This information should also be provided to the Division Manager of the ECGD and appropriate executive management of JLGC. This is also the time to inform the bank of specific actions JLGC might wish it to take including legal procedures against a borrower or guarantor.

E. Form 206

This form is filled whenever a borrower completely repays a loan and the bank determines guarantee coverage for that borrower is no longer necessary. Naturally should full repayment occur and the bank determines a new loan to that borrower will be made in the future Form 206 would not be submitted.

When Form 206 is received by JLGC it should be sent to the head of ECGD who in turn will cycle it to the analyst handling the processing of work for the sending bank. It is the responsibility of that analyst to insure that all appropriate records of JLGC reflect this reduction in coverage for that borrower. Once this process is complete the analyst should place a copy of this Form 206 in the transaction file of the borrower.

F. Report on Countries of Importation (Origin)

In order to be certain of compliance with AID requirements excluding the importation of goods or services from certain designated countries this report must be compiled. Each time a guaranty is approved which involves the importation of a product or service the country of such importation and the product involved must be logged on this report. The logging should include the date the guaranty transaction was approved and should be on a chronological basis. This will allow JLGC to take the report at the end of the quarter and use it for submission to AID in order to satisfy monitoring requirements. An entry on this report might read as follows:

Date Transaction Approved ____________________
Country of Origin ____________________
Product/Service Involved ____________________

G. Report on Countries of Export

In order to be certain of compliance with AID requirements excluding certain products or businesses and in order for the JLGC to track the countries for which exports are designated, this report must be compiled. Each time a guaranty is approved the country of intended export and the product or business involved must be logged on this report. The logging should include the date the guaranty transaction was approved and should be on a chronological basis. This will allow JLGC to take the report at the end of the quarter and use it for submission to AID in order to satisfy monitoring requirements. An entry on this report might read as follows:

Date Transaction Approved ____________________
Country of Export ____________________
Product/Business Involved ____________________

48

For internal purposes only an addendum to this report should be maintained which lists all the countries where exports are projected with an aggregate number of the JD value of these exports. This will allow JLGC to track the volume of exports intended for each country and to utilize such information as needed. When each Form 206 is ultimately received indicating a loan payoff this information must be reflected on this addendum by reducing the exposure listed for that respective country.

Note: Appropriate forms for compliance of both of these reports should be printed and distributed to the analyst processing the guaranty applications.

VI. PROCEDURES FOR PROCESSING CLAIMS REQUESTS

The Guarantee Agreement stipulates a loan shall be considered in default if a borrower fails to pay the full amount of any installment for a period of 180 consecutive days. When this occurs the bank will then forward Form (205) and Form(205/a) to JLGC. Upon receipt of these documents a date stamp is applied by the Secretary of the Director General as well as the seal of JLGC, and the letter is presented to the Director General. This material is then forwarded to the Division Manager of the ECGD who in turn refers it to the analyst processing work for the sending bank.

The Claims and Recoveries Manual for JLGC refers to Claims staff processing these requests. At some future point such staff will be employed but due to the newness of JLGC and the current level of Claims requests, the staff member processing guarantee applications for banks will also process Claims requests from said banks. It is appropriate, however, for the Claims and Recoveries Manual to refer to a Claims staff because this Manual is for the long term and should thus reflect the eventual situation.

Upon receipt of Form (205) and (205/a) the analyst will retrieve the ECGD file on the transaction in question. The analyst will then review the documents attached by the bank to Form (205) and (205/a). These documents should include:

A. A photocopy of all statements and documents that evidence the efforts exerted for the collection of the loan.

B. A photocopy of the loan contract between the bank and the borrower.

C. A photocopy of the statement of account of the borrower.

D. Any other documents deemed appropriate by the bank to justify payment of the claims amount.

The analyst must also:

A. Confirm the bank has met all the term of the Guarantee Agreement.

B. Confirm the bank has made all collections efforts required by JLGC.

C. Compute the guaranteed amount due the bank by JLGC. This is done by determining date on which the loan has become in default. The outstanding balance of the loan on that date will be determined as being the balance of the loan in the month that precedes the starting date of default. Interest on the outstanding balance of the loan upon its default and the accumulated amount thereof for a period of six months with a maximum of 180 days shall be computed and added to the outstanding balance. Repaid installments

50

and collections made after the default must be subtracted from a guarantee coverage amount paid to the bank. When the correct final amount is determined the 75% guarantee ratio is applied to ascertain the guarantee amount due the bank.

D. Prepare the Defaulted Loan Memorandum. The first two pages of this Memorandum contain basic data on the loan under claim. The third page provides more descriptive data. This would include information on the following:

  1. A discussion on personal guarantees and collateral taken at the inception of the loan. An explanation of why such guarantees and collateral have proven inadequate should be provided. A discussion of reschedulings and extensions of maturity dates should be provided. It must be confirmed by the analyst that JLGC approved all such amendments.

  2. A description of measures taken by the bank to demonstrate adherence to the Guarantee Agreement and Addenda.

  3. A description of measures taken by the bank to effect collections should be provided. Items referenced should include sending letters, follow-up notices, and warnings through legal channels.

  4. A description of all legal action taken by the bank.

  5. A description of satisfactory actions taken by the bank in approving the loan, monitoring the loan and attempting to collect the loan once problems surfaced. The reasons for default should be identified and the views of the bank on collecting the past due amounts should be mentioned. Any views from the borrower that are known should be portrayed in this section.

  6. The decision of the Reimbursement Committee or the Board of Directors is noted as the final item on this Memorandum.

E. The Defaulted Loan Memorandum is presented to the Division Manager of the ECGD for approval. It is then presented to the Director General for approval. If less than J.D. 10,000 the Memorandum goes to the Reimbursement Committee for action and if above J.D. 10,000 it goes to the Board of Directors for action.

F. The bank is notified in writing of approval or declination. If approved a check accompanies the letter to the bank. In the approval letter the bank is urged to take all action necessary to collect the loan in question. Such reference also indicates to the bank JLGC awaits reimbursement of its share of any sums collected.

51

G. Upon payment of the claim said amount is entered on JLGC records for defaulted loans for which JLGC has paid the coverage amounts.

H. Utilizing the monthly report submitted by the bank regarding the status of any defaulted loan for which JLGC has paid coverage amounts, the analyst works with the bank to recover guarantee amounts paid. When a collection is made and the share due JLGC is received by the ECGD, the Director General shall be notified. A photocopy of the letter forwarding the payment to JLGC and the accompanying check are to be retained in the transaction file by the analyst. Any correspondence relating to the collections efforts shall be retained in the transaction file.

VII. PROCEDURES FOR ADMINISTRATION OF GUARANTEE FEES

At end of each quarter, (i.e., 3/31, 6/30, 9/30 and 12/31) each bank shall provide JLGC with a statement Form 207 on the outstanding balance of the guaranteed loans together with the disk from which the information is copied. Both items are recorded on the incoming mail/register. The disk is given to the computer employee responsible for recording this information, who upon receipt of the disk copies same and returns the disk to the bank so noting said return on the outgoing mail register.

The bank statement, on the other hand, is delivered to the Director General. The statement is then forwarded to the head of the ECGD who refers the statement to the analyst responsible for processing the work of the sending bank.

The Analyst must:

A. Confirm the information on the bank statement agrees with the information contained on the disk dispatched by the bank and copied by the computer employee.

B. Verify the information appearing in the bank statement such as borrower, amount of the granted loan, interest rate and the guarantee ratio agree with the information in the transaction file of each loan and with the previous bank statements on its balance.

C. Ascertain that (1) defaulted loans for which JLGC has paid coverage amounts, (2) loans that JLGC rejected offering guarantees therefor and (3) settled loans are not included in the list of guaranteed loans. This is accomplished by cross checking transaction files on each of the loans.

D. Review the balance of the loans and determine any noticeable increase of the current balance from the previous balance. Is this just a mistake in reporting or, for example, does the increase reflect changes on unpaid interest and installments due the bank.

E. Audit the guaranteed amounts on the balance of the loans by applying the 75% guarantee ratio to interest on the loan for six months plus the balance of the loan.

F. Calculate the guarantee fee due from the bank for the quarter in question by multiplying the Guarantee Ceiling of the bank times 1.5% and divide the resulting amount by 4.

G. All guaranteed loans of the bank and guarantee fees pertaining thereto, credits to or debits from the bank's account concerning previous guarantee fees and all guarantee fees due from said bank at the end of the quarter of the year in question shall be recorded in a special statement to be prepared by JLGC at the end of each quarter of the year for this purpose.

53

H. All of the information stated in (G) shall be provided in a fax message to the bank and signed by the Director General. The message shall be faxed to said bank after being registered in the outgoing mail register of JLGC. A Copy of the said document shall be retained by ECGD in a special file named "Guarantee Loans File".

54

VIII. PAYMENT OF THE GUARANTEE FEE

Upon receipt of a letter from the bank accompanying a check or a bank transfer notice in payment of the guarantee fee, said letter is to be noted in the incoming mail/register and forwarded to the Director General. The Director General will forward same to the Division Manager of the ECGD who will refer the material to the analyst who processes work from the sending bank.

The analyst shall:

A. Make a photocopy of either the check or transfer notice and deliver the original copy of either to the Division Manager of the Finance Division. The Division Manager of the Finance Division must sign for delivery of the item.

B. Ascertain that the amount of the check or transfer notice is in agreement with the amount of the guarantee fee due from the bank for the said quarter of the year.

C. Record in the book assigned for this purpose the amount and date of the paid guarantee fee.

D. A photocopy of the check or transfer notice together with a photocopy of the letter in which either one is enclosed are to be retained in a special file named "Paid Guarantee Fees File".

55

IX. Addendum A

Form 206
Request of Canceling
The Guarantee

Date:

To: JLGC
From: Bank

Please be advised that the stated loan referred to below which was guaranteed by the JLGC under the Pre-Export Guarantee Program has been completely repaid.

Name of bank:
Loan number:
Name of borrower:
Date of approval:
Withdrawal date:
First payment date:
Date of final repayment:

Please adjust your records to reflect the fact that the loan is no longer outstanding and that the guarantee should therefore be canceled.

Name & Signature

X. Addendum B

Form 207
Guarantee Fee Payment

To: JLGC **Date:**
From: Bank

Commission Fee

Name of the bank:
End date of quarter:
Approved ceiling to bank:
Balances Guaranteed under the old agreement:
Balances Guaranteed under the current agreement
Balances Guaranteed under the export credit agreement:
Sum of guaranteed balances:

Commission

Commission under the old agreement	....
Commission under the currant agreement	....
Commission under the PEGP	....
Sum of Commissions	....

57

XI. RISK MANAGEMENT

A. Basic Principles of Guarantee Portfolio Risk Management

Effective risk management is an essential component for operation of an export credit guarantee program. If credit risks taken are too limited, the number and amounts of guarantees issued may be so small that the objectives of the program cannot be met. If risks taken are too great, the claims losses may result in wasted resources, compared to the benefits received. Therefore, the risks assumed must be carefully managed, and policies set to guide program managers when assuming risks. Credit evaluation is the main determinant of portfolio risk. Credit evaluation is addressed fully in the Credit Evaluation Guidelines.

The key principle of guarantee portfolio management is that the potential for large losses can be mitigated through diversification of risks assumed. In other words, the more guarantees outstanding and the more varied the risk characteristics, the less likely it is that a single loss or a few losses will have a major impact on JLGC.

Based on this concept of spreading risk, guarantee programs typically leverage their resources by issuing guarantees to some multiple of their resources available to pay claims. In order to control risk as part of guarantee portfolio management, the leverage is usually capped at some specified multiple of outstanding guarantee obligations. In effect, this sets a maximum size of the guarantee portfolio at any one time.

Other techniques of portfolio management are designed to limit concentrations of risk. Limits are placed on the maximum amount of guarantees to single borrowers and related companies or percentage of the whole portfolio. The amount or percentage of outstanding guarantees in particular sectors or countries may also be limited.

Another risk management concept is sharing of the risk of loss between the bank and the guarantor. By keeping a share of the risk, the lending institution is encouraged to do effective appraisal of borrowers, loan administration and recovery. If the lender's share is too large, the lender may be less interested in the program because of the cost of appraisal and obtaining collateral to cover their risk may not justify the benefits of the guarantee. The percentage of guarantee coverage can be varied to encourage or discourage lender participation. Also, the impact of high risk borrowers on the portfolio can be limited through lowering the percentage guaranteed.

Another aspect of portfolio management is to relate the fees assessed for the guarantee to the perceived risk and claims experience. This is based on the principle that higher fees should be charged for assuming greater risks. The guarantee fees in general can be increased or decreased based on guarantee program experience. Fees can specifically be increased for higher risk borrowers or for guarantees issued to banks that have higher levels of claims. The benefits of

58

simplicity of administration often point to a simple fee structure that does not vary much according to risks.

The objectives usually taken into consideration when setting premium rates include the following:

1. Adequate compensation relative to risk assumed, i.e. on the whole portfolio sufficient premium will be collected to cover claims and exposures on underwriting, over a period of time.

2. An amount that exporters are willing and can afford to pay, in addition to interest, in order to obtain access to financing.

3. Equitable to a large range of exporters in the target market, usually small and medium size exporters who lack collateral or track record for access to normal bank financing.

4. Adjustments in rate if participating in other incentive programs, i.e. if the guarantee is required to access another program, the rate may be lower.

5. Competitive with guarantee fees offered elsewhere.

6. Ability of exporters and bankers to understand and calculate premium due and make payments using bank's normal record-keeping systems.

7. Consistency with principles applied in pricing banking and/or insurance services.

One of the key bases of sound portfolio management is competent, consistent risk assessment. By being able to accurately assess the risks guaranteed, the possibility of controlling and anticipating risk is increased. Controlling losses must be balanced with assuming diverse risks, otherwise the program will not be effective in achieving its objectives.

Another aspect of sound guarantee portfolio management is management of reserve funds. Income from investing reserves adds to the pool of funds available to pay claims and thus increases guarantee capacity. Reserves for paying claims must be available when needed. Sound investment reserve policy involves a balance between maximizing income and protecting principal, as well as a balance between investing in assets readily available to pay claims and expenses and longer term investments that may have greater returns (and greater risk). Most export credit insurance agencies concentrate investments in safe, government obligations, or other low-risk investments. They also attempt to plan maturities of investments to match estimates of potential claims payments.

59

B. Portfolio Risk Management Policies

The following criteria represent appropriate risk management policies for the PEGP. Their adoption will require approval by the Board of Directors.

- Capital and Reserves. For purposes of risk management, capital and reserves is defined as shareholder funds on the balance sheet as at the end of the prior month, reduced by the amount of any claims paid since that date.

- Maximum Contingent Liability. The maximum amount of guarantee exposure is 5 times JLGC's capital and reserves. This multiple should be carefully monitored over the next several years and adjusted appropriately as loss experience dictates.

- Exporter Exposure Limit. The maximum amount of guarantees outstanding covering credits/advances to a single exporter (including all related companies and individuals) is 10% of the outstanding authorized guarantees or 5% of capital and reserves, whichever is greater.

- Maximum exposure in any sector is 75% of JLGC's capital and reserves.

- Guaranteed Percentage. The Guaranteed Percentage is 75 % of the outstanding balance of the loan plus the accrued interest on the loan during 180 days following the date of the last installment that has been paid by the borrower.

- Policy Changes. The Board of Directors may change risk management policy, and annually will review the policy, considering recommendations presented by the Export Credit Guarantee Division, with input from the Marketing Division, taking into account guarantee experience to date.

- Investment Policy. JLGC's investment policy is set by the Board of Directors, and has the objectives of maximizing investment income consistent with preservation of principal. (The Board should set objectives with regard to acceptable investment instruments, and risk guidelines, including maximum term, rating of investments or credit rating of issuers). Any investment managers employed for portfolio management must meet criteria established by the Board of Directors, or be approved by the Board (see section D for detailed approach).

- Reserving Policy. The critical factor in the determination of reserve policy for losses is net operating income. It will be prudent dividend policy not to consider dividend payout until income from operations is positive for at least two years. In other words JLGC wants to be generating commissions from loan guarantees in excess of general and administrative expenses for at least two years before paying dividends to shareholders. In the interim income from investments should be credited to retained earnings as a source for increased reserves.

Once the operating income trend has shown positive results for two years, a review can be undertaken with regards to loss experience, operating expenses and operating income with the intent of establishing a longer term reserving policy.

C. Portfolio Risk Management Responsibilities

The Board of Directors of JLGC is responsible for setting the risk management policies for the PEGP. The Export Credit Guarantee Division is responsible for tracking guarantee exposure. The Finance Division must be apprised of guarantee exposure, and amount and timing of potential claims and recoveries on a regular basis, by the Export Credit Guarantee Division. Management reports on exposure and investments must be presented on a monthly basis to the Director General and summaries prepared for review by the Board of Directors.

As noted above, the Board of Directors may change risk management policy, and annually will review the policy, considering recommendations presented by the Export Credit Guarantee Division, with input from the Marketing Division, taking into account guarantee experience to date.

Responsibility for recommending investment policy rests with the Director General who makes recommendations on investment to the board for consideration. Investment policy is reviewed at least quarterly in order to take into account changing investment conditions.

D. Investment Policy

Current JLGC investment policy calls for 80% of funds to be invested in bank deposits and 20% in government bonds or corporate shares listed on the Amman Financial Exchange. The criteria utilized by JLGC in determining which Jordanian banks are to be beneficiaries of these funds is:

1. Must be a JLGC shareholder
2. Must be financially sound
3. Must be active user of JLGC programs
4. Must give competitive rates

Deposits are placed at 30 days in most instances and are rolled over at maturity. Depending on the yield curve for long term deposits, JLGC may want to consider extending maturities in more cases out to 60, 90 and 180 days. A normal yield curve would thus afford JLGC greater returns with little or no change in the risk parameters. The liquidity position of JLGC should not be adversely affected by investing funds at longer terms as claims requests early in the life of PEGP should be low. This low level of claims being the result of claims not being eligible for

61

filing until 180 days after a borrower fails to make a full payment and JLGC having 90 days after said filing to make its guarantee payment.

JLGC may also wish to review its underlying ratio of 80/20 in favor of bank deposits. This review process could consider mixing the envelope of government bond maturities as well as perhaps increasing investment in quality corporate shares. The ratio mix could shift to 75/25 or 70/30 depending on market conditions.

Diligence must be taken in the management of this investment process to insure regular review is conducted of all entities in which investments are made. This would include an annual review of each entity as well as interim reviews where appropriate. For example monitoring of banks for suitability could be on a quarterly basis and corporate shares should be consistently monitored for any event that could impact their value. An appropriate schedule for this review process of investments should be established by the Board of Directors.

As JLGC moves into post-shipment coverage for exports there may arise times when foreign currency risk may occur for the company. As this activity develops JLGC may wish to amend its investment policy allowing for inclusion of foreign currency bonds or another appropriate investment vehicle to protect against currency exposure. This is but an additional way to provide for a spread of risk which is central to any investment policy.

XII. MARKETING

The Marketing portion of the PEGP Operations Manual discusses the goals and objectives of marketing, addresses the responsibilities of the Marketing Division personnel and presents guidelines with regard to calling on clients, negotiating guarantee agreements, and administering on-going client relationships. It sets forth policies for dissemination of promotional activities and planing.

A. Marketing Goals And Objectives

Marketing embraces many activities including direct contacts with bankers and exporters, servicing existing accounts, and publicity, as well as public information activities. Design of quality products, direct sales, publicity, and public relations are all parts of the marketing effort.

Marketing is not a substitute for the quality of JLGC's products - guarantees of export related credits and advances - and of their delivery. Therefore, JLGC must constantly review and improve its programs, administer them effectively and efficiently and, importantly, pay claims in a timely manner, which demonstrates the value of JLGC's products. JLGC's reputation for prompt claims payment will be one of its best marketing tools.

1. Goals of the PEGP Program

The PEGP was formulated to expand Jordanian exports by providing an incentive to bankers to extend working capital export-related trade finance on a more liberal basis to exporters.

In particular, the PEGP:

- encourages bankers to support firms new to exporting and to assist existing exporters to obtain additional finance in order to expand their exports;
- helps bankers reduce their lending risk to exporters, adopt a bolder marketing approach towards trade financing and be more competitive in lending to Jordanian exporters; and,
- protects bankers by providing guarantees which substitute or supplement collateral required by bankers under their normal lending practices.

The long-term marketing goals for the PEGP, like those of the organization as a whole, are

- to encourage exporters to export more and to attract newcomers to the export business;

- to stimulate the growth of local small-scale industries which indirectly support the export industries;
- to promote increased participation of bankers in export financing and/or in mobilization of funds for export purposes; and,
- To serve the needs of exporters that ship goods on short term credit by providing quick, efficient service.

2. Objectives of PEGP Marketing Program

The basic objectives of JLGC's marketing program are:

- to increase awareness among participating bankers of the availability and utility of pre-shipment working capital guarantees from the JLGC;
- to increase the number of JLGC-guaranteed exporters;
- to increase the volume of pre-shipment lending to small and medium sized exporters; and,
- to increase awareness and acceptance of JLGC's PEGP among others in the export sector, such as trade associations, chambers of commerce, and appropriate public agencies.

3. Strategies of the PEGP Marketing Program

The following are the primary strategies to achieve the objectives identified above:

- Communicate consistently the benefits of JLGC's PEGP to eligible and potential bankers, and also to exporters, their suppliers (indirect exporters), shippers, and freight forwarders;
- Capitalize on JLGC's role as the sole export credit insurance and guarantee agency in Jordan; and,
- Establish in the minds of financial institutions, others in the Jordanian business community and public agencies that JLGC is a reliable service organization supporting efforts to improve the productivity and profitability of Jordanian exporters.

64

B. PEGP Program Responsibilities

The primary responsibilities of the Marketing Division concerning PEGP are:

- Prepare and implement marketing plans and programs;
- Develop and maintain close relationships with bankers, trade associations and appropriate government agencies;
- Market and negotiate guarantee agreements with bankers;
- Provide liaison between bankers and JLGC departments;
- Prepare and distribute promotional materials, including brochures, news releases, articles and advertisements;
- Prepare and present audio-visual programs; and,
- Organize and participate in seminars, workshops and conferences.

These activities complement existing JLGC Marketing activities and business development programs. For example, if marketing calls regarding post shipment cover are made on borrowers in a location outside Amman, calls on bankers in the area would normally also be scheduled to market the PEGP. In order to take advantage of the skills of the Marketing staff, the person(s) responsible for preparation of promotional materials for post shipment cover would also prepare them for PEGP.

The Division Manager of the Marketing Division is responsible for account management. In the case of the PEGP, this responsibility includes relationships with specific participating bankers, and for JLGC overall, may include geographic and sector specific responsibilities. Duties would include calling on existing and potential customers, as well as conducting and participating in seminars and workshops. A primary responsibility will involve liaison between the Export Credit Guarantee Division and banks actively engaged in the PEGP.

The Division Manager of the Marketing Division is responsible for preparation of promotional materials. He will work with outside firms to prepare materials, as necessary, and also work with the media and trade associations to obtain promotional coverage for the PEGP. Preparation of speeches for the Director General and Board Members is another responsibility.

In addition, the Division of Marketing has responsibility for strategic planning and product development.

65

1. Direct Contacts with Bankers and Exporters

Success of the PEGP program will depend upon the interest of loan officers in using the program, their perceptions as to how easy it is to use and the policy commitment of the financial institution's senior management to using the program, as well as how well the program responds to the needs of both bankers and exporters. Direct contact with potential users, in particular the bankers, is an effective and necessary component of the marketing program.

Calls on Bankers and Trade Associations. A calling program is a key element in generating interest, facilitating use, encouraging the policy commitment and obtaining information about the effectiveness of the program. JLGC marketing staff calls on bankers on a one-on-one basis, while time consuming, are perhaps the most effective marketing approach. During such calls, the bankers can freely discuss their particular concerns, and learn how the PEGP can meet their specific needs.

Focus and Tasks. The calling program is directed primarily at the bankers, i.e. commercial banks, development banks, and any other financial institutions that lend for exports.

The Marketing executives assist bankers by:

- answering questions,
- arranging and making presentations at the head office and branches,
- negotiating new Guarantee Agreements,
- accepting applications,
- acting as intermediaries between the Export Credit Guarantee Division and the banker on specific applications, when necessary, and
- following up regularly on JLGC's service to obtain feedback on performance.

Account Assignments. Each bank and other financial institution is assigned by the Division Manager of Marketing to a specific marketing executive. That executive is responsible for making regular calls on the head office staff responsible for the program and on the branches that do most of the export financing.

Scheduling. These meetings need not take more than an hour, scheduled in advance to meet the banker's convenience. Usually calls should be made at the banker's office, recognizing that the banker is a busy executive, who may want to include colleagues from the staff. Outside Amman, these visits, to conserve funds, can be arranged around scheduled seminars and workshops.

In scheduling these calls, priority should be given to those who actively participate, and then to those who have already expressed an interest in PEGP, either by attending workshops and seminars or by having previously contacted JLGC.

66

Head office contacts should be as frequent as monthly, and branch calls bi-monthly. It should not be assumed that once a banker has signed a Guarantee Agreement that no further regular contact is necessary. Effective marketing includes marketing to existing clients, as well as seeking new ones.

Call Reports and Follow-up. The marketing executive is responsible for maintaining detailed records of each call to facilitate follow-up and to help to develop a profile of the marketing effort as it relates to specific financial institutions and locales. Call Reports should be filled out immediately following each marketing meeting. The Call Reports should indicate conclusions from the call and the next steps. The attached Call Report format is meant to be simple, to make it easy to keep up to date with call reports.

All call reports should be filed in chronological order in the appropriate banker file, with a copy in the executive's correspondence (or "chron") file. Each executive or the Marketing secretary notes next steps in a computer "tickler" file, to provide a reminder to follow up with the next steps.

The "Remarks" section of the call report normally indicates the purpose of the call, who initiated it, what was discussed, and next steps to be taken by JLGC. If the call related to a specific application, or potential application, for a facility, basic information on the exporter could be obtained to obtain an indication of potential eligibility and assist the banker with the application, as well as enable preliminary underwriting to start, e.g. check on JLGC experience, availability of guarantee capacity, etc.

2. Negotiating the Guarantee Agreement

Each financial institution that participates in the PEGP must conclude a Guarantee Agreement with JLGC to which the Addenda related to the guarantee coverage are attached. The signed Guarantee Agreement acts as a master agreement. Letters of Commitment relating to guarantee coverage for specific exporters are maintained in file as they are approved by JLGC and accepted by the banker. Concluding the Guarantee Agreement establishes the banker's acceptance of the use of the guarantee as a matter of policy.

The Marketing Division concludes the Guarantee Agreements with bankers, while the Export Credit Guarantee Division is responsible for accepting and processing applications for individual commitments guaranteeing credits and/or advances to specific exporters.

In order to track the Guarantee Agreements in force, the Marketing Division maintains a computer-based record which indicates the responsible account executive, key information identifying the bank, and any non-standard aspects to the Agreement.

67

3. Role in Guarantee Administration

The account executives should call on their existing PEGP banker clients regularly, especially those that are active users of the PEGP. This provides an opportunity to review the relationship with JLGC and ascertain any concerns bankers may have about pending applications and claims, dealing with JLGC and/or guarantees in force. The account executives should try to obtain as much information as possible from the banker so as to be able to assist the banker in complying with the terms of the guarantee and to anticipate any payment problems. The account executive acts as a liaison between the Export Credit Guarantee Division executives and the bankers. On guarantees in force, the Marketing account executives are expected to report what has been learned to the underwriting executive, for inclusion in the file and action, if necessary.

4. The Marketing Plan

Executives should refer to the current Marketing Plan for guidance on activities. The Marketing Plan is reviewed and revised at least annually.

68

JLGC EXPORT GUARANTEE PROGRAM (PEGP) CALL REPORT

ACCOUNT RELATIONSHIP EXECUTIVE: ______________________________

BANK:____

ADDRESS: ____

TELEPHONE No. _________________________
FAX NUMBER ____________________________

CONTACT PERSON: ____

DATE: _________________________________

REMARKS:

NEXT STEPS:

69

XIII. AID QUARTERLY REPORT

To satisfy the quarterly reporting requirements from JLGC to USAID the content would be provided in letter form. The letter would be divided into four parts. These would breakdown as follows:

A. Part 1 - Comments on volume of new loans made under the PEGP.

B. Part 2 - Comments on volume of rejected loans, repaid loans and projected loans for the next quarter.

C. Part 3 - A list identifying new loans which financed imports and the country where the imports originated.

D. Part 4 - A list identifying the product type for each new loan.

As an attachment to this letter USAID would be provided the Form 203 from each of the participating banks in the PEGP. This is the form with which each participating bank notifies JLGC of its new loan activity for the quarter under the PEGP. A sample of Form 203 is attached to this summary for information purposes.

70

... CORPORATION LTD.

Date: __________

Form (203)

THE QUARTERLY REPORT ON THE GRANTED LOANS

Name of the Bank/Financial Institution: ______________________________

1. The following loans have been approved during the previous quarter of the year that ended on: __________

Loan No.	Name of Borrower	Amount of the Granted Loan	Interest Rate	Outstanding Balance	Date of Approval	Date of First Payment	Number of Installments	Other Notes

Total: ____________ ____________

2. Number of rejected loans __________ Their Values __________

3. Number of repaid loans __________ Their Values __________

4. Number of loans preojected in the forthcoming quarter __________ Their Values __________

____
Name and Rank of Signatory

____
Bank Signature

71

JORDAN LOAN GUARANTEE CORPORATION

VOLUME IV
CREDIT EVALUATION GUIDELINES

Prepared by

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

12

CREDIT EVALUATION GUIDELINES

TABLE OF CONTENTS

73

I. OVERVIEW OF CREDIT EVALUATION

A. General

The primary responsibilities of the Export Credit Guarantee Division concerning the credit evaluation process of the Pre-Export Guarantee Program are:

1. Evaluate and make recommendations on guarantee applications, renewals and changes to existing guarantees

2. Make policy recommendations with regard to the guarantee

3. Process requests for extension of due dates and evaluate past due account situations

4. Report imminent defaults and make recommendations to, and coordinate with the Claims process on actions to be taken on cases with payment difficulties

5. Monitor guarantee portfolio to conform with risk management policies

These guidelines are intended as an aid to identifying the relevant issues and attaching the correct weight and emphasis to those issues when evaluating the creditworthiness of exporters for short-term export credit guarantees. Credit evaluation is not an exact science. There is no single best way or exact rules to follow when underwriting. Underwriters must exercise judgement in each case.

The main task in underwriting guarantees for pre-shipment export credits is determining if the exporter has the capacity to fulfill export orders in a timely manner, so that foreign buyers pay as agreed. Unlike export credit insurance where the capacity of the foreign buyer to pay as agreed is evaluated, the exporter's capacity to pay is evaluated for export credit guarantees. Whether or not the foreign buyer can pay is of concern only if as a result of non-payment the exporter is unable to repay the credits/advances received from lenders to produce and ship the export goods. When there is no Letter of Credit (L/C) and the exporter extends credit terms to the foreign buyer, export credit insurance provides useful assurance that the exporter will receive payment. In such cases, export credit insurance may be required under the export credit insurance program.

It is important for underwriters to realize that credit evaluation for medium term loans or investment of equity has a considerably different emphasis than short term credit assessment. e.g. the rate of return on assets or the age of plant and machinery are not particularly relevant to determining whether a 180 day bill will be paid on presentation or a revolving line will be paid as agreed. These guidelines emphasize what is appropriate for short term credit analysis.

Even though this evaluation is for short term credits, it should also be recognized that a considerable period of exposure may be involved, e.g. exposure can extend over one year, commencing from the date of signing and continuing until final payment. Furthermore, much can happen after the issuance of a guarantee before it would normally be due for review.

B. Balancing the Issues

In the administration of guarantee approvals, it is important to act quickly and in a manner which is consistent with the commercial nature of the exporters' activities.

Even with respect to the key issues mentioned below. information will be lacking, e.g. there may be insufficient information regarding the exporter's record of payment of debts or working capital, or there may be inconsistency between sources of information.

It is not possible in advance to decide what weight to attach to individual elements. However, an attempt should be made to reach a decision in every case where practical considerations dictate that this should be done, even where there are gaps in the available information. This means that seldom will there be complete information on every factor relevant to the assessment. The many available facts individually may provide only vague information, but together present a picture of the creditworthiness of the exporter.

C. Flexibility and Commercial Realism

An underwriter should be conscious of the fact that for most exporters, getting the business done as speedily as possible is the major concern. If confronted with documents that are too complex or with delays which appear unnecessary or likely to endanger successful completion of the business, the lenders will be less inclined to work with the exporters using the guarantees. Likewise, exporters will not be interested in pursuing the possibility of the guarantees helping them obtain export financing.

Much of the business that is submitted for guarantee may not occur without the guarantee and the underwriter should always bear that in mind as a discipline to encourage action within a commercially realistic time-frame and with the appropriate degree of flexibility.

An underwriter should also consider that it is a duty to assist an exporter and lender as much as possible as long as this is consistent with the objective of supporting guarantee business that has reasonable prospects of payment.

15

II. SECURITY

As part of the process of demonstrating flexibility and using best endeavors to find a means of guaranteeing an exporter's credits/advances, it may be necessary to request that the exporter provide security. Two forms of security are (1) guarantees and (2) export L/Cs or confirmed purchase orders (CPO) from creditworthy foreign buyers, in addition to the standard pledges, mortgages and other charges on assets. Personal guarantees of principals of sole proprietorships and partnerships, and of shareholders of at least 25% of the stock corporations, may be required. Assignment of the proceeds of the underlying Letter of Credit may be required. The lender may be expected to obtain a pledge and hypothecation of goods purchased or assets created out of funds provided under the guaranteed credits.

It is recognized that obtaining the pledge and hypothecation may not be possible, if at the time the credits are made, another non-insured lender has a floating charge on assets. The lender should demonstrate why the pledge and hypothecation is not available when making application.

A. Guarantee

A guarantee is an undertaking by the guarantor that the guarantor will be responsible for the debt of another person or company, if the other person or company is unable to pay. It is a common occurrence for principal(s) of the company and/or parent or associated companies to guarantee the debts of their companies, subsidiaries or associated companies. In many cases, the exporter is a subsidiary of a larger company, but the exporter is without substantial assets. In such cases, a guarantee by the parent or associated company may be necessary. Quite often a guarantee is provided without question where the subsidiary company is without the necessary substance to be a good credit risk. On other occasions, a guarantee is refused, usually with the explanation that subsidiaries must "stand on their own two feet." A further refinement is for a parent or associated company to offer a "Letter of Comfort." This usually incorporates a statement to the effect that it is the parent or associated company's policy to ensure that the debts of the subsidiary are paid, but it accepts no legal liability to pay for them.

Obtaining a guarantee, particularly a personal guarantee of directors or shareholders, does not necessarily cure all the defects in the creditworthiness of the exporter, even if the guarantor has adequate asset backing. It is also necessary to look at the legal environment in which JLGC would be required to enforce such an obligation, if this became necessary. Enforcing guarantees, particularly personal guarantees, may be very difficult.

However, a guarantee from a parent company, director or shareholder can be a positive sign. A guarantee can be an act of good faith indication that the guarantor stands behind the exporter. As such, a guarantee can be of considerable value.

76

An underwriter must have regard to the above matters when evaluating the value of a guarantee and what weight to attach to it.

B. Assignment of export letter(s) of credit or confirmed purchase order(s)

Assignment of export letters(s) of credit or confirmed purchase orders(s) acceptable to the lender from a creditworthy foreign buyer is another form of security wherein the assignee obtains the proceeds from payment for the goods exported. However, this security only has value if the exporter ships the goods and the terms of the L/C and/or CPO are met, so that payment is received.

C. Pledge, Mortgage or Charge over Assets

Another possible form of security is a mortgage charge over assets. It would be somewhat unusual for an underwriter to require the pledging of all assets, particularly real estate or plant and equipment, for short term guarantee purposes. This type of security is usually provided as security for fixed asset or medium term finance. Underwriters should be aware of the mortgage charge over all assets, and also aware that the lender asking for the guarantee or another lender may have obtained this type of security to secure other credit facilities.

It should be noted that pledge and hypothecation of goods purchased or assets created out of funds provided under the guaranteed credits may be required as security, if available. The key here is that it is a pledge and hypothecation of assets related to the guaranteed credits. However, it is recognized that obtaining the pledge and hypothecation may not be possible if, at the time the credit is made, another non-insured lender has a floating charge on assets. The lender should demonstrate why the pledge and hypothecation is not available when making application.

It should also be noted that arranging this type of security can be expensive and time consuming. It would not seem to be justified unless there is likely to be continuing business between the exporter, the lender and the export credit agency.

III. FINANCIAL ANALYSIS AND USE OF FINANCIAL STATEMENTS

A. Financial Statement Submission

For financial statements to be useful in analysis, they must be prepared according to sound and accepted accounting principles, consistently applied, and they must be current. Financial statements for multiple periods rather than a single period are much more valuable as analytic tools providing the opportunity to analyze trends.

The exporter may be required to make financial statements available. Annual financial statements for two years, and interim statements, if the annual statements are more than six months old, are normally required.

Exceptions to the above requirement can be made in recognition of the fact that exporters covered under the facility may be newer and smaller companies. If the exporter has not been in business for two years, the annual financial statement requirement can be reduced to one year, plus interim statements, for companies that are new to exporting but already established domestically. If the exporter has been established for less than two years and is considered a beginning exporter, statements since inception must be supplied, and cover no less than six months of operation. If available, audited statements should be submitted.

Financial statements should be sought, usually by requesting the lender to provide them.

B. Financial Statements: Audited or Unaudited?

There are limits to the usefulness of financial statements because they represent the financial position of the company at one point of time only. However, audited accounts represent an important means of substantiating information from other sources about the company. Furthermore, if there are sets of audited accounts covering more than one year, a historical picture of the company can be built up which shows trends in such things as working capital, profits and debt levels.

Where accounts are unaudited, the information in the accounts should be treated with caution. Accounts, audited or unaudited, should seldom be the sole basis for approval.

C. Use of Financial Statements

Financial statements are analyzed primarily for indications of financial stability and earning capacity. Financial stability is the sustainable ability to meet financial commitments, and earning capacity is the ability to maintain and improve profits.

18

Analysis of financial information, obtained from financial statements and reports, should be undertaken where possible. The most important ratios are the Current Assets Ratio and the Quick Assets Ratio, which determine the solvency and immediate cash position of the exporter. Where possible, debt/equity ratios, net worth and profitability ratios should be calculated and examined, having regard to the reliability of the available information. The absence of sufficient information to complete technical financial ratio analysis should not impede decision-making on guarantee applications, if relevant information is sufficient and commercial reality dictates that a decision to approve or not approve should be made.

Reference is made under the heading "Important Issues" to the relevance and weight to attach to the various financial data concerning exporters. For a more detailed description of the meaning of the financial terms and a description of the technical elements of financial analysis, refer to "Understanding Financial Statements" by Dun and Bradstreet Credit Services, the "Interpretation of a Balance Sheet" by the Export Credits and Guarantees Department of the United Kingdom, and other available texts.

As is apparent in the succeeding pages, underwriters should not lose sight of the fact that financial analysis should be carried out from the perspective of short term credit risk.

A spreadsheet is used as an aid to summarize the relevant information from the financial statements and to calculate the basic financial ratios. Because financial statements vary greatly between different industries and different countries, using this standard format as a basis for analysis of financial statements allows for a consistent approach. Banks, other financial institutions and the credit departments of large corporations routinely use spreadsheets similar to this to assist them to assess creditworthiness. In most instances, underwriters will be able to accept the lender's categorization of accounts in their spreadsheets.

When using a computer-based spreadsheet program, underwriters should take into account the factors discussed below with regard to financial statement analysis. Underwriters should decide where to place accounts in the computer-based spreadsheet and not assume that the financial statements presented have necessarily categorized assets and liabilities correctly as to whether they are current or more than one year. The lender's categorization of assets and liabilities in their evaluation should also be reviewed and changed, if necessary, when preparing the spreadsheet.

Computer spreadsheet packages calculate a wide range of financial ratios. It should be kept in mind that the value of each ratio is not equal, not all apply to each situation and many are not essential to make decisions.

IV. EXPORTER UNDERWRITING PROCEDURES

As already noted, it is of the utmost importance that underwriters act within a commercially realistic time-frame. Where there are delays in approving guarantees caused by essential need to obtain credit information, the lender should be kept continually advised of progress.

The procedure in each case should reflect this need to act commercially, and follow this general pattern:

A. The application and any existing exporter file should be examined to determine whether the information is adequate to make a decision. The application should be checked against current risk management guidelines to determine if the application is eligible. e.g. the size of the proposed facility is acceptable taking into account other guarantees outstanding for credits to the exporter or related companies.

B. Where information is on hand which allows for assessment of the application without further enquiry, the lender/exporter should be advised of approval or rejection within the specified time frame established following receipt of the application.

C. Where information is insufficient. action should be taken on the day of receipt of the application to obtain necessary information and procedures followed to ensure prompt follow up. Receipt of the application should be acknowledged by telephone and in writing on the same day as actual receipt of the application, and the lender should be advised of the action taken to obtain the information. The lender should be regularly kept informed on the progress of the information collection process.

D. A Guarantee Questionnaire for the facility should be completed by the underwriter, as soon as information is available, or as soon as a decision is required. This Questionnaire is attached to Form 201 and Form 202.

E. Forms 201 and 202 should be reviewed by the underwriter. The underwriter should summarize the relevant financial data and the matters to be taken into account in reaching a recommendation, and then recommend a specific decision. Space is provided on form 201 and 202 for comment and concurrence of management in accordance with the Delegation of Authority for the Program.

F. For each guarantee, completing the following Guarantee Questionnaire is a useful guide to reaching conclusions incorporated in Forms 201 and 202.

FACILITY: GUARANTEE QUESTIONNAIRE	
GUARANTEE ~~No.~~	**EXPORTER NAME:** **No.**
DATE:	**LENDER:**
(1) Can the exporter, and related businesses, be correctly identified from available information?	
(2) What is Export Credit Agency's experience with the exporter/related companies?	
(3) What is the experience of the lender with the exporter?	
(4) How long has the business been operating?	
(5) How long has the company been exporting?	
(6) Are the current directors and senior managers experienced and successful in managing this business?	
(7) Have any recent changes in management or ownership occurred? If so, what is the impact?	
(8) Is there any significant history of overdue payment?	
(9) Is the business diversified or reliant on 1 or 2 products? If so, where is the business cycle now?	
(10) Is the business in an expansion, contraction or steady phase?	

81

GUARANTEE QUESTIONNAIRE, Page 2	
GUARANTEE No:	**EXPORTER NAME:** **No.**
DATE:	**LENDER:**
(11) Is the working capital adequate to support current operations? Is working capital adequate to support operations including this credit facility?	
(12) Is the company profitable?	
(13) Is the exporter's net worth satisfactory?	
(14) Are the company's borrowings within safe limits and appropriately structured? Has there been any change in the debt profile of the business?	
(15) Are there any negative elements such as disputes, court proceedings or political events adversely affecting the exporter or the exporter's markets?	
(16) Is the quality of the credit reports high and recommend size and payment terms of this transaction ?	
(17) What is the quality of the foreign buyer(s) and the exporter's experience with them?	
(18) Is the country risk acceptable? Are the foreign buyers creditworthy and likely to pay the exporter as agreed?	

V. KEY UNDERWRITING ISSUES

Not all information used in making credit decisions is of the same value. Set out below are some of the important issues to be addressed in guarantee assessments. Within this list, there are some that are more important than others. Elements that are of major importance and which are discussed in more detail below are:

- exporter's record of payment of debts
- record of the directors and management of the exporter in successfully managing the business
- stability of the exporter's industry
- lenders and export credit agency's experience with the exporter
- exporter's experience with the foreign buyer
- quality of the credit checkings/reports
- solvency or working capital position of the exporter

Most of the questions and issues that underwriters consider when assessing short term credit, including those referred to above are summarized in the following pages.

A. Can the exporter be correctly identified from available information?

A comparison of the name and address of the exporter described in the Guarantee Application and the exporter contained in any Credit Report and relevant documents should be carefully conducted. Any discrepancy should be investigated, usually in the first instance, by contacting the lender and then the exporter to confirm that details supplied in the application are correct. Care should be taken to identify all related businesses in the country.

B. What is the Export Credit Agency's experience with the exporter?

The exporter file should be checked to determine what experience the export credit agency has with the exporter, if any. This is important to determine the total potential exposure for the export credit agency including the application under consideration. Also, negative information and experience would signal caution and good experience would help to support granting of additional coverage. The underwriter should also check to see that the information in the files is consistent with the application under consideration. The underwriter should also check to determine the exposure to and experience with related, affiliated companies.

93

C. What is the experience of the lender with the exporter?

This is a very important element in assessing an exporter. If the lender has been successfully financing a exporter for some time and for amounts similar to that requested in the application, this is a very strong indication that the exporter is likely to continue to pay the lender. Good payment experience is probably the best indicator of future prompt payment. Also, in many cases, a lender has a great deal of information about an exporter and the exporter's business which could be useful in making a decision. This information could be particularly useful where there is difficulty in making a recommendation.

Whether the exporter has relationships with more than one bank should be ascertained and the experience with each explored. The information provided by the lender can be compared and weighed against the information from other sources.

D. How long has the business been operating?

The length of time a business has been in operation, surviving and paying its creditors, is an important element in assessing the creditworthiness of a company. Certain presumptions can be made regarding a company that has been in business for a number of years and has traded effectively in that period of time.

Absent information to the contrary for experienced, long-established firms, it is reasonable to presume that the business:

- has effective management;
- is likely to have an acceptable record of payment of its creditors; and,
- is in an industry sufficiently stable to allow for viable business operations.

Of course, regard should be given to any factors which may make it unwise for underwriters to presume such matters, such as a recent change in senior management or a recent change in trading patterns or in the terms under which the exporter trades. In the absence of such factors, a lengthy record of trading is an important factor in considering the creditworthiness of a company. When a company has been recently established, greater care should be exercised in credit assessment, especially on such matters as adequate capitalization, quality and experience of management, etc.

To be eligible for some facilities, a firm must have been established and operating as an independent business for at least six months. Suppliers and exporters must have been in business for at least two years in order to be eligible for other facilities.

E. How long has the company been exporting?

That a company has successfully exported and been paid is a good indication of future ability to export. Repeat sales to the same buyers, and growing sales, are particularly favorable indicators.

Under the facility, to be eligible a company either must have an established record of domestic sales or have a principal/chief executive who is experienced in exporting. If the firm is new to export, it should have annual domestic sales of at least five times the value of the export L/C supporting the eligible credits and/or advances to be covered under the facility.

If a beginning exporter, the principal or chief executive must have exporting experience in the same product area. Specifically, the minimum requirement should be at least two (2) years' exporting experience as a principal or in senior management in the same product area, or completion of at least two successful export L/C transactions.

Under a facility intended for more established exporters, eligible exporters will generally have been exporting for two years or more, and have some experience in the same product area to be financed under the guarantee.

F. Are the current directors and senior managers experienced and successful in managing this business?

Quality of management is a critical element to the success of a business, particularly in industries and economies where there is open competition requiring effective management for survival. Accordingly, underwriters should focus on the identity of the managers and their experience. As already noted, if the exporter has been trading effectively with existing management for some years, the quality of the management can be presumed to be good. However, if management is new, and is unproven, care should be exercised in scrutinizing the recent record of the company. If there is new, unproven management combined with adverse recent developments, caution should be exercised in approving a guarantee.

G. Have any recent changes in management or ownership of the business occurred? If so, what is the impact?

Where there have been recent major changes in senior management, greater care should be exercised in making presumptions based on the previous trading history of the company. An attempt should be made to obtain information on the experience and track record of the new management. Where there has been a recent change in ownership, care should be taken to ascertain whether there has been an adverse change in the policy of the company, such as increased borrowing, higher debt/equity ratio, extended payment terms from creditors, higher dividend payments, etc.

H. Is there any significant history of overdue payment?

This is a critical element in underwriting short term credit risk. If there is a history of defaults and/or long delays in payment of debts, particularly trade debts, cover should be denied unless there is a justifiable reason for believing that past behavior will not be a reliable guide to the future. Justifiable reasons might be a change of ownership or management to persons with a sound record of operating or managing organizations that honor their commercial debts, or a substantial injection of funds into an organization that has been operating with less than acceptable levels of working capital.

The correct premise to work from is that any company with a recent history of defaults or lengthy overdue payments should be denied approval. In some cases, where there is an established pattern of overdue payments without outright defaults, approval with a longer than usual period to pay claims can be considered as an underwriting condition on approval. Little regard should be given to any claims by the lender or exporter that a special relationship exists between the exporter, the lender and/or a foreign buyer, implying that payment of the debt to the lender would be favored over other debts.

The underwriter should review available records and information on the exporter, its principals and officers. This would include checkings with the exporter's bank(s), suppliers, the Registrar of Companies, courts and any other source of credit information. Any derogatory information with regard to payment or legal proceedings must be considered grounds for denial of the guarantee. In order to consider approval, any such negative information must be thoroughly investigated and determination made that the causes of such negative reports are not now and will not be a factor in the foreseeable future. For example, if previous management was responsible for payment problems and current management has a successful payment record, all else being equal, the underwriter might conclude that issuance of a guarantee was warranted.

I. Is the business diversified or reliant on one or two products? If reliant on one or two products, where is the business cycle now?

Many industries are subject to business cycles which can cause high levels of bankruptcies, e.g. building industry or trading in some types of commodities. It is important to keep in touch with the stage of the business cycle and the fortunes of those engaged in the industry concerned. For larger transactions, economic research may need to be done using digests and periodicals which permit these investigations to be done.

J. Is the business in an expansion, contraction or steady phase?

If the business is rapidly expanding, certain elements of the company's recent history should be carefully checked. Rapid expansion in and of itself is not necessarily adverse, unless the resources of the company are being pushed to the limit. The most important element to be concerned with for an expanding company is the position and trend of the

96

working capital. ~~Other~~ elements to check are profitability, debt service and debt/equity relationships.

A company with a history of operating profitably and effectively at a steady rate is clearly a good credit risk.

If business is contracting, concern should be about the quality of management and the external economic factors impinging upon the trading operations of the exporter, such as deregulation increasing the level of competition in the exporter's industry, international market changes, or the stage of the business cycle of the exporter's industry.

To determine the trend of a company, financial analysis of several years' financial statements should be undertaken. Extensive analysis should only take place if the size of the business warrants this approach and there are indications that such an analysis would yield useful results.

K. Is the working capital adequate to support current operations? Is working capital adequate to support operations including this credit facility?

The adequacy of working capital is a critical issue for underwriting short term credit. A company may have a number of longer term problems, such as a higher than appropriate debt level or a gradual decline in profitability. These will be of major concern to an investor or long term lender and will ultimately be reflected in a shortfall of working capital. These matters are not as critical to a short term guarantee as is adequacy of working capital.

Working capital is a measure of an enterprise's ability to meet its short term commitments with cash and assets intended to be converted into cash in the short term period. Working capital is defined as Current Assets minus Current Liabilities. Current Assets are cash, accounts receivable and stocks. Current Liabilities are accounts payable and debts maturing in the short term, i.e. within a period of 12 months. Working capital determines whether a company can meet its immediate or current debts as they fall due. The adequacy of working capital is determined by means of the Current Ratio, being current assets divided by current liabilities.

Clearly a company with less readily realizable assets than immediately payable debts, cannot be an acceptable credit risk unless there is evidence of external support by shareholders, directors, or the exporter's bank. What is a desirable ratio is open to question. Generally speaking, a current ratio of 1.5 to 1 is healthy. Underwriters, however, should be prepared to encounter many exporters with less acceptable ratios than this and be willing to approve guarantees for these exporters if the totality of the information indicates that this is not a serious problem. One useful guide is to have regard to the industry average if this information is available.

It should be noted that it may be necessary to examine the components making up working capital. The so-called "current" assets on the balance sheet may not be in fact short term. It is quite common to find longer term receivables and slow moving stocks shown as current assets. Underwriters should use their judgement in deciding if assets and liabilities are current or not, regardless of their categorization on the financial statements.

A further refinement of the Current Assets Ratio is the Quick Assets Ratio, often referred to as the "acid test." The Quick Assets Ratio is defined as Quick Assets divided by Current Liabilities. Quick Assets are Current Assets less stocks and prepaid expenses. Sometimes bank overdrafts are also subtracted from current liabilities on the assumption that bank overdrafts are rarely withdrawn on short notice. It is recommended that underwriters include bank overdrafts in current liabilities, as banks' own financial concerns affect provision of credit facilities, e.g. many banks seem more willing to withdraw credit facilities due to concerns about capital adequacy under the new regulations. Quick Assets can be a better test of a company's liquidity, depending on how readily saleable is the company's inventory. This ratio tests the ability of the business to meet its immediate commitments if called upon to do so by its creditors without disturbing its normal business activity.

A Quick Ratio should normally be at least 1:1. Lower ratios are frequently encountered, and may be considered acceptable if trends are positive and working capital appears sufficient.

Other measures of working capital relate to quality and liquidity of the components of working capital. The average collection period, also referred to as days in accounts receivable or receivable turnover, measures the number of days the business takes, on average, to collect accounts (and notes) receivable and convert them into cash. The measure indicates the liquidity of the receivable. When compared with industry norms, it provides an indication of the quality of the receivables. Slower than average turnover of receivables may reflect collection problems. Receivable turnover is calculated as the average of receivables at two dates (e.g. receivables at two consecutive year-ends divided by two) divided by sales in the period times 365 days.

Inventory turnover (also referred to as stock turnover or inventory turnover in days) measures the average rate at which inventory move through the business. It is a measure of quality as well as of liquidity of the inventory, forming part of current assets. When compared with industry norms, slow turnover may indicate obsolescence of inventory, which could affect the firm's ability to generate cash to pay debt obligations. Inventory turnover is calculated by dividing cost of goods sold by the average inventory. Opening and closing inventory (stocks) are added and divided by two to calculate average inventory. Average inventory is divided by cost of goods sold during the period and then multiplied by 365 days to determine the number of days it takes to turn over inventory. This ratio also can assist in determining what are the real working capital needs of the exporter.

98

L. Is the company profitable?

Since the export credit agency is concerned with profitability from the point of view of a short term trade creditor, the most important thing underwriters need to observe is that the company is profitable and that there is not a significant trend of declining profitability. The absolute level of profit or the return on net worth are not of major concern.

Under the facility, exporters must be operating profitably to be eligible. If new-to-export, the company must be profitable for at least the latest annual period. If the exporter has been established for less than two years and is considered a beginning exporter, the firm must be profitable for at least the last six months. Suppliers and exporters under other facilities must have a record of profitable operations for the last two years, and prospects for continuing and future profitable operation with reasonable growth possibilities consistent with industry averages.

Two relevant indicators are Return on Sales (i.e. Net Profit After Tax divided by Net Sales) and Return on Assets (Net Profit After Tax divided by Total Assets). It is difficult to determine what is an acceptable level of profit from the perspective of short term credit risk. Regard should be had to the industry average, if available. However, it is not satisfactory if a company has been making large recent losses unless the reason is clear and short-lived, and if the company does not have sufficient reserves to allow continued trading, notwithstanding the level of losses. In cases where there is a declining profitability or actual losses being incurred, but the company is considered good for a short term transaction, approvals could be limited in time or to specific transactions, and more frequent facility reviews scheduled.

M. Is the exporter's net worth satisfactory?

The net worth is the total assets of the company minus the total liabilities. It represents the amount available to shareholders of the company and the amount available to finance losses. The bigger the proportion of net worth to total assets, the greater the buffer against ultimate insolvency. However, before too much reliance is placed on net worth, the quality of the assets and the ability of the company to convert the assets into cash with which to pay short term creditors needs to be examined. It would not be sensible policy to base an approval solely on the net worth when it appears that the company is in financial difficulties, particularly if there is some doubt about the quality or salability of the assets.

Also the relationship of current and fixed assets may indicate the level of net worth necessary to sustain the business. It is a generally accepted credit principle that fixed assets should be financed out of equity and current assets out of normal trade credit (typically, supplier credit and short term financing from financial institutions). Thus, for a business with relatively low fixed assets, such as a trading company, net worth might be low relative to short term liabilities and a higher debt to net worth ratio may be acceptable.

89

A manufacturing firm with relatively more fixed assets would require more equity.

N. Are the company's borrowings within safe limits and appropriately structured? Has there been any change in the debt profile of the business?

Are the borrowings within safe limits? This can be determined by looking at the Debt/Equity Ratio, i.e. total debt divided by shareholders equity. To determine the significance of the debt/equity ratio, it is necessary to refer to the industry average. Some industries such as banks and financial institutions have apparently high debt/equity ratios, but this is due to the nature of the business. There is a general principle that for a manufacturing or trading company, it is appropriate to have a ratio of not more than 2:1, (i.e. debt not more than two times equity). If this rule were strictly applied, the practical necessity of approving guarantees would be overlooked. It is probably a good rule that if the debt/equity ratio is higher than the industry average, then before approval of a guarantee, careful scrutiny should be made of other important factors such as levels of working capital and the debt servicing record. Trading companies, retailers and financial firms often have much higher ratios.

A high debt to net worth ratio may be more of a concern in relation to a medium or small size business because the business may have difficulty raising more funds, and particularly in the short term, be overtrading or susceptible to take-over.

Once again, it should be noted that the trend of the debt to net worth ratio may be more important than the absolute level, and many other factors enter into the decision on creditworthiness. Thus, businesses that meet the debt to net worth criteria may not be acceptable risks based on other measures.

Another indicator is a coverage ratio, net earnings before payment of loan interest expense and tax expense divided by the amount of loan interest expense paid (EBIT), often referred to as "times interest earned." This ratio indicates the adequacy of income to cover the fixed interest incurred, and reflects the amount of debt that a business may safely carry and still be able to pay. Normally this ratio should be 3:1 or greater. However, each case should be evaluated on its merits as many companies consistently operate with a high level of debt and a low EBIT ratio.

Are the exporter's borrowings appropriately structured? Debt that is appropriately structured allows for debt servicing at times best suited to the debtor's cash flows and within affordable limits. Underwriters will frequently encounter situations where the exporter depends on short term overdraft facilities for survival, whereas the appropriate structure would be long term debt. The exporters in these situations can be entirely dependent on the lender's goodwill in rolling over short term facilities. In these cases, it is necessary to exercise some discretion and judgement. Many companies trade continuously on these terms and it would not be realistic to refuse a guarantee based solely on this fact. In cases where this situation exists and there appear to be deteriorating financial circumstances, it may be appropriate to require that the lender provide written indications of continued support for the exporter.

Has there been any change in the debt profile of the business? A recent change from medium term amortized debt to short term securities or a sudden increase in loans to or by directors or shareholders are examples of situations that may need to be explained before a guarantee can be recommended for approval. Again, this is a situation where discretion and balance need to be exercised in order to avoid needless delay in approving guarantees. Quite often a sudden change in debt profile is accompanied by adverse indicators such as a decline in profitability, in which case an underwriter is put on notice and should exercise care and endeavor to obtain as much information as possible before deciding on a recommendation.

O. Are there any negative elements such as disputes, court proceedings or political events adversely affecting the exporter or the exporter's markets?

Underwriters need to be conscious of external events or circumstances which might have an impact on the exporter's ability to pay. It is not appropriate for an underwriter to institute extensive investigations to discover matters which are not known or suspected. Instead, it is important to be aware of events occurring in the exporter's industry and in the countries where the firm exports and to be put on notice to enquire further if there is a reasonable possibility that such events or circumstances could adversely affect the business.

P. Is the quality of the available credit information high and do they recommend a transaction of this size and payment terms?

The underwriter should ascertain whether the quality of the information in the report is high or is it largely a record of unsubstantiated assertions by the exporter's owners or managers. The quality of the report depends to some extent on the source of the information, particularly if there is independent verification of the exporter's payment record.

There should be good reasons, clearly explained, for going against a negative recommendation in a report. However, when the quality of the report is low and other information is available, a recommendation, particularly a positive one, can be departed from. An underwriter should always refer to the report's recommendations in the summary.

Q. What is the quality of the lender?

This is also an important issue. Is the lender experienced in export finance and does the lender know the exporter well? How good is the quality of the lender's credit controls and systems? If these questions are answered satisfactorily, a great deal of weight can be attached to the lender's opinion of the exporter.

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R. Is the Country Risk acceptable? Are the foreign buyers creditworthy and likely to pay the exporter as agreed?

This question is a reminder to carry out appropriate investigations if there is serious doubt about political risk in the countries where the company exports. Export credit insurance is often required for all sales involving sales on deferred payment terms. The underwriter should consult with the area responsible for Country Risk when appropriate.

The analysis of a foreign buyer is very similar to that which is undertaken for an exporter. The major difference is that the appropriate information for analysis is less readily available, particularly current information about the commercial reputation and financial position. Also, issues of Country Risk are critical. Where there is serious concern about the country situation, underwriters should be prepared to express a view on the acceptability of Country Risk in their analysis and recommendations.

To review, among the major elements of concern in analyzing the creditworthiness of an exporter are the following:

- Exporter's record of debt payment;
- Record of the directors and management of the exporter in successfully managing the business, and particularly in exporting;
- Recommendations and quality of the credit reports;
- Working capital position of the exporter;
- Stability of the exporter's industry.

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VI. Approval Authority for Guarantees

Decision-making authority for approval and denial of all guarantee applications is vested within the General Manager or, in his absence, with the Financial Manager.

97

JORDAN LOAN GUARANTEE CORPORATION

VOLUME V
CLAIMS AND RECOVERIES MANUAL

Prepared by

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

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94

CLAIMS AND RECOVERIES MANUAL

TABLE OF CONTENTS

95

PROGRAM CLAIMS AND RECOVERIES MANUAL

I. INTRODUCTION

The primary functions of the Claims and Recoveries process of the Pre-Export Guarantee Program are:

A. Evaluate and process guarantee claims

B. Monitor and recommend actions with regard to cases in payment difficulty

C. Evaluate, recommend and implement agreed upon actions regarding settling claims and recovery cases

D. Monitor bank collection efforts, formulate collection strategy and develop recovery plans

E. Coordinate strategies and legal actions with JLGC legal counsel and bank attorneys

A. Organization and Purpose of the Manual

1. Organization

The Claims and Recoveries Manual in the Introduction briefly discusses the purposes of the Manual including key principles guiding claims and recoveries, definitions and responsibilities for preparation and revision of the Manual. Section 2 addresses policies and procedures with regard to delayed payment, including extension of the due date and financial difficulties. Section 3 deals with assessing validity and payment of claims. Section 4 presents policies and procedures for recovery amounts paid in claims. In each section of the Manual, the text of the applicable clause from the Guarantee Agreement and Addenda is shown, followed by a discussion of the policies (Guiding Principles) and procedures (Practices) related to it on which the Claims Department takes action.

This Claims and Recoveries Manual contains policies and procedures that JLGC follows when examining payment problem situations, evaluating and paying valid claims and effecting recoveries for the Pre-Export Guarantee Program (PEGP). It is meant to be a guide for JLGC as an organization, and for the Claims staff in particular.

96

The Manual provides information and guidance to Claims staff on the policies and procedures that guide their work. It can also inform the staff of other departments on what is involved in claims and recoveries.

It should be noted, however, that although this Manual aims to be comprehensive, it cannot cover all situations.

2. Definitions

Reference should be made to the Guarantee Agreement and Addenda for specific and commonly used definitions with regard to Claims and Recoveries. In addition, Claims staff may consult with the Head of the Claims process and publications in the library for additional guidance.

B. Guiding Principles

The purpose of the Program, is to provide assurance that in the event that guaranteed payments are not received as agreed, JLGC pays in accordance with the relevant guarantee terms and conditions. In this sense, JLGC exists to pay promptly valid claims. A complementary purpose is to minimise the probable loss of JLGC through sound claims evaluation and effective recovery actions.

It is very important that JLGC promptly pay all valid claims. If claims are not paid promptly, the value of the guarantee is diminished, and usage of the JLGC programs is likely to diminish as well. As a result, the exporter is not served, nor is JLGC able to prosper and meet its mandate to support exports. JLGC's claims and recoveries activities stem from its obligations under its various contracts of guarantee. Efficient examination, speedy processing and settlement of valid claims and effective recovery are objectives which must be borne in mind at all times, for the ultimate test of JLGC's value to exporters when they are in difficulty is the JLGC's performance.

JLGC's resources should be protected through sound administration of claims and recoveries. It is important also that JLGC only pay valid claims, and take all steps necessary to effect the maximum recovery of amounts paid out as claims.

Given that the situation with each exporter is different and that each lender operates differently, the circumstances surrounding each claim are different. One hundred percent compliance with all the terms and conditions of the guarantee is the exception rather than the rule. The Claims staff must use their judgement as to whether the non-compliance justifies denial of payment of a claim. Requiring strict adherence to all the terms and conditions will almost certainly result in claim denial. The role of the Claims

97

staff is not to deny claims, but to make judgements as to whether or not any breach of the contract was intentional and/or whether it made a significant contribution to the loss occurring and/or to the amount of the loss. In other words, if the breach of the guarantee agreement made no significant difference, it should not be considered grounds for denial of the claim. However, intentional fraud or misrepresentation is an exception. Fraud and intentional misrepresentation should always be considered sufficient reason to deny a claim, no matter what the impact.

Even where the breach is determined to be significant, but seems unintentional, JLGC may decide to pay the claim (making an *ex-gratia* payment), determining that the goodwill obtained from paying a claim outweighed the cost. If this is done, however, care should be taken that it not be done too often and that it not be done only for some clients and not others, to avoid appearance of preference or discrimination in favour of one lender over another. All attempts to politically influence decisions on claims and recoveries should be resisted.

In all cases, the Claims process should respond as quickly as possible to any situation that may or has become a claim. Experience has shown that prompt and sensible action by the lender usually produces the best results in obtaining payments from the exporter; conversely, the prospect of obtaining payment dwindles with the passage of time.

Claims and recoveries can provide useful information to JLGC regarding the PEGP, which should be communicated to senior management and the appropriate departments. For example, claims and recovery cases may reveal problems related to:

- clarity and adequacy of guarantee wording;
- adequacy or appropriateness of underwriting criteria or application of the criteria; and
- quality and suitability of risk management policies and procedures.

The above points to the importance of maintaining good communications within JLGC.

1. Approach to Claims and Recoveries

Regardless of whether the Claims staff is addressing extension, payment difficulty, claim, recovery or write-off, a problem solving approach is appropriate, as follows:

a. keep in mind always the objectives of seeking to prevent and/or minimise loss, and of providing service to the guaranteed lender in accordance with the terms and conditions of the guarantee;

b. identify the problem, by finding out what caused it;
c. consider what options might be available in the circumstances of the case;
d. reach a firm view of which option would be best for meeting the objective stated in (a);
e. seek, when in doubt, guidance from the Claims Manager or seek legal advice, as appropriate.
f. take a decision or, if the best option falls outside delegated authority, make a recommendation; and
g. monitor the outcome of the case as it develops.

Claims staff should be thoroughly familiar with all the terms of the Guarantee Agreement, and Addenda. It should be kept in mind at all times that the key, guiding clauses for the program are the following:

Credits and/or advances made to the exporter are covered by the guarantee when:

a. a Guarantee has been issued by JLGC; and

b. the guarantee fees have been paid.

These are the two key conditions in the Guarantee Agreement that govern whether or not a guarantee is valid

2. Reasons for Payment Default

The following is a list of common reasons for default, most of which generally result from inadequate management. It is not possible to list all the potential causes for default, given that virtually all cases are different.

- Decline in domestic and/or export business volume
- Non-payment by a foreign buyer
- Shortage of working capital
- Non-payment of domestic receivables
- Inability to produce goods of the quality or amounts needed to fulfil orders
- Cancellation of orders
- Shortage of raw materials
- Production equipment failure or obsolescence
- Use of funds for other purposes

99

- Inability to borrow additional sums
- Rise in expenses
- Death or departure of key managers or owners

C. Management Responsibilities

1. Responsibilities of the Export Credit Guarantee Division (ECGD)

The general rule is that when a loss seems certain or probable, the Claims process should be initiated. In most situations, both underwriting and claims executives should work together until a formal claim is lodged. At that time the exclusive responsibility transfers to the Claims process.

2. Management Reporting Responsibilities

The Claims staff is responsible for maintaining records of probable losses, claims and recoveries cases. The staff prepares a monthly report for the Director General, which is normally included in the monthly report to the Board of Directors. The reports provide summaries of pending cases, indicating number, amount and status.

These reports should include the following for probable loss, claims and recoveries cases:

- number of cases and the value at the beginning of the month
- cases added during the month
- cases deleted and reasons for deletion (e.g. exporter paid, claim paid, recovered in full, write-off, etc.)
- number of cases and values at the end of the month.

3. Preparation and Revision of the Manual

Preparation of revisions to the Claims and Recoveries Manual is the responsibility of the ECDG. The Direcor General approves the manual and any changes, based on exercise of the authority granted to him by the Board of Directors. The Manual should reflect the policies adopted by the Board. The Manual may be amplified, amended or replaced, in whole or in part, by the Director General through issuance of Claims Circulars.

It is the responsibility of the ECGD to review the Manual annually, taking into consideration the policies adopted by the Board, the views of the Marketing Division.

any changes in local law, and additions or changes suggested as a result of experience with particular claims and recoveries actions. It is the specific responsibility of the ECDG to propose changes in the Manual and submit them to the Director General for approval.

101

II. DELAYED PAYMENT

Delayed Payment refers to the stages prior to a claim being filed, including:

- Extension of Due Date, i.e the lender and JLGC have agreed to an extension of the due date;
- Report of overdue payment, i.e. lender reports that payment is 30 or more days past the due date or the extended due date; and
- Financial difficulties, i.e. awareness of occurrence of an event likely to cause loss.

A. Extension of Due Date

1. Relevant Guarantee Clauses

The relevant clause of the Addenda related to Extension of Due Date is the following:

In the Addenda -

The Bank is required to obtain the approval of JLGC prior to the rescheduling and/or extending the maturity date of any guaranteed loan.

2. Guiding Principles

The lender must request JLGC's agreement if an extension is proposed. If it is believed that the extension does not jeopardize JLGC's position in any significant way, the extension should be granted. The request should be scrutinized to determine whether the proposed extension favours the lender with regard to credit facilities that are not guaranteed. ECGD should presume that the lender has a sound basis for requesting extension, and be predisposed to approval. Note that the lender is required to use its normal loan administration and supervision polices and procedures with regard to guaranteed credits/advances as it does for non-guaranteed ones.

102

3. Practice

In such cases, ECGD receives the request, reviews it (requesting any necessary clarifications from the lender) and makes a recommendation, normally within two days. However, if ECGD has any concern regarding the appropriateness of the extension, it should be referred to the Claims staff for concurrence. The lender should be informed verbally of the extension, followed by written confirmation.

ECGD monitors the status of repayment by the exporter on the extended due date. If no payment is received, the lender may submit another request for extension to ECGD for consideration. If the lender decides not to extend the due date further, JLGC suspends guarantee of additional credits/advances. (See Report of Overdue Credits/Advances and Payment Difficulties below.)

B. Report of Overdue Credits/Advances or Event of Potential Loss

1. Relevant Guarantee Clauses

In the Guarantee Agreement -

Subject to the Provisions of Article 6 below with respect to any gurantee that JLGC issues in accordance with the procedure set out in Addendum A, JLGC agrees to pay the amount of the guarantee within three months (3) from the date of receipt of the Second Party's request for the payment thereof after lapse of the Default Period of the loan set out in Article 6(a) below.

Submit, within a maximum of ten days from the end of the relevant quarter or the month, quarterly reports on Form 203 (Addendum D) detailing all the quarterly lending activities of the Second Party and monthly reports on Form 204 (Addendum E) detailing the unpaid due instalments.

2. Guiding Principles

ECGD should take notice of any situation where guaranteed credits/advances are 30 days past due. A past due situation might arise from many causes,. including any of the factors mentioned on page 4 above. The main objectives of ECGD in handling of past dues and notices of events likely to cause loss are the following:

- to minimise the loss and to maximise recovery of the unpaid debt as quickly as possible;

103

- to protect the validity and enforceability of the debt; and
- to make it clear what the lender's position is under the guarantee, e.g. if there is a major breach of the guarantee conditions, such as non-payment of guarantee fees.

If the lender does not agree to extend the due date or apply for the extension, ECGD advises the lender that guarantees on additional credits/advances are suspended. The lender may propose that it continue giving credits/advances under the PEGP citing reason for such a course of action. ECGD considers such requests, consistent with the idea behind a program of reducing loss and having a greater opportunity for complete recovery than through calling of guarantees and liquidation of collateral. The quality and record of the exporter should be the main determinant of the appropriate course of action. Once an exporter is in serious financial difficulties, it is usually futile to give extensions of time to make payment of debt.

In order to ensure that appropriate and prompt action is taken, notification to ECGD by the lender of any event likely to cause loss is required as soon as the lender becomes aware of the event. Prompt notification is necessary because actions taken or omitted at an early stage could be vital as to whether or not a loss actually occurs.

3. Practice

ECGD receives notification of past dues shown in Form 204. ECGD registers the overdue, and the guarantee executive in charge checks the status of the reported overdue. If an extension has been granted by the lender and JLGC the guarantee executive monitors whether or not payment was received on the extended due date.

Whether or not the lender suggests a further extension of due date from the original or extended due date, the guarantee executive advises the lender to continue submitting Form 204 until the overdue has been settled or a claim has been submitted to JLGC.

If a notice is received from the lender under the Guarantee Agreement and Addenda about an event likely to cause loss, this is immediately transmitted to the Claims staff as a notice of Probable Loss. The Claims staff assesses the circumstances of potential loss, with particular reference to the following:

- bankruptcy or similar insolvent condition;
- classified as a financially inferior by the local credit bureaus
- more than one month overdue in payment of debt obligations (including

104

guaranteed credits/advances);

- misuse of the guaranteed credits/advances for purposes other than originally agreed;

- legal proceedings against the exporter in relation to a financial transaction in violation of law such as the tax law; and

- dormant business (no activity for three months or more).

ECGD quickly analyzes the material submitted by the lender and makes a recommendation as to how to proceed.

ECGD reviews available information regarding payment difficulties, including any material submitted by the lender. If, on the basis of the information obtained, it appears that the guaranteed amounts will be recovered, measures to be taken to avoid loss normally will be left to the lender. JLGC should request the lender to inform JLGC of actions taken and the results of these actions.

ECGD may suggest that the lender take specific action, if it believes that necessary. For example, the lender might be requested to send a strongly-worded letter, fax or telex to the exporter, pressing for immediate payment of the outstanding debt, or to exert pressure on the guarantor(s), if any, to pay the past due debt. In some cases the lender might be asked to institute legal proceedings.

JLGC cannot require the lender to take specific action. However, the lender may have to show that whatever actions are taken or not taken have not jeopardized JLGC's position with regard to a subsequent claim. It should be noted that if any actions are taken by the lender at the direction of the JLGC, or after close consultation and agreement with JLGC, JLGC cannot allege later that such actions constitute a breach by the lender of any pertinent obligations under the Guarantee Agreement.

While ECGD and Claims staff are expected to take quick and effective action at this stage, care should be taken to ensure that all contacts with lenders are documented, particularly if the lender is asked to take actions. ECGD and Claims staff should take care not to mislead the lender with regard to any matter that may affect JLGC's liability, either directly or through omission.

When a notification of a probable loss case is received by the Claims staff, the following steps are undertaken:

- Claims staff registers the details in a Payment Daily Register (or comparable

105

computer-based program).

- Claims staff prepares a summary sheet capturing the salient points on the development of the case and maintains this information on file.

The Claims staff carries out an initial fact-finding, including ascertaining the following:

- reason for non-payment, and any dispute related to domestic or export business of the guaranteed exporter.

- amount and terms of credits/advance made

- the amount and terms of credit/advances made that are past due

- amount and terms of any outstanding and planned export transactions for which credits/advances are or will be utilized

- any actions taken by the lender to reduce the potential for loss

- experience of other lenders and suppliers with the guaranteed exporter.

This summary of the case should also draw the attention of the Claims staff to any irregularities detected and recommend a course of action to be taken.

The Claims staff then determines what other information is required and from whom it should be requested, i.e. from JLGC's Departments, the lender, the Central Bank, etc. In order to determine the current financial condition of the exporter, a personal visit to the exporter's business premises may be required in cases where the guaranteed amount is large. It may also be necessary to investigate the potential of recovery through liquidation of collateral and calling on personal guarantees.

a. Actual or Imminent Insolvency

The results of the preliminary investigation may indicate that the exporter is or may become insolvent imminently. In this case, the following steps should be taken:

(i) Establish the Fact of Insolvency

The Claims staff should seek information from the lender, exporter and the judicial system to determine whether or not the exporter has been officially declared insolvent and a receiver or liquidator appointed. The Claims staff should endeavor to ascertain the name and address of the receiver or liquidator.

126

(ii) Registration of Debt

If insolvency is established, the Claims staff should request the lender to lodge a claim on the insolvent estates for the full amount due by the exporter, and ensure that the claim is duly registered with and admitted by the receiver or liquidator.

b. Pursuit of Guarantors

If preliminary investigation indicates serious financial difficulty, insufficient security collateral, and/or imminent insolvency, the Claims staff should pursue calls on any personal guarantees, including third parties that have provided guarantees.

The Claims staff should first request the lender to exert pressure on the exporter and/or other personal guarantor(s) to pay the debt. If the guarantor(s) do not make payment, the lender should be requested to obtain a judgement against the guarantor(s) for the amount of the debt and take necessary legal actions to realize pledged and hypothecated goods or other assets.

c. Rescheduling Plan

In the event that determination is made that the exporter has the intention of paying the debt and could do so over time, the best option to prevent loss may be to reschedule the debt according to a specific repayment plan. Any rescheduling should ideally have the following elements:

- part of the outstanding debt is payable immediately;
- a third-party guarantor acceptable to JLGC guarantees the remaining portion of the debt;
- regular installments (preferably monthly) are required for a period not exceeding one year;
- an acceleration clause (in the event of non-payment of any installment on the due date, the entire amount outstanding becomes payable immediately) is included;
- the rescheduling is in writing and is legally enforceable;
- any other creditors agree to similar rescheduling treatment.

107

III. CLAIMS

A. Compliance with Guarantee Agreement Conditions

When the claim is submitted, the lender must have complied with the conditions of the Guarantee Agreement, both in relation to the transaction for which the claim is being made and in general terms.

1. Relevant Guarantee Clauses

In the Guarantee Agreement -

Subject to the Provisions of Article 6 below with respect to any guarantee that JLGC issues in accordance with the procedure set out in Addendum A, JLGC agrees to pay the amount of the guarantee within three months (3) from the date of receipt of the Second Party's request for the payment thereof after lapse of the Default Period of the loan set out in Article 6(a) below.

Submit, within a maximum of ten days from the end of the relevant quarter or the month, quarterly reports on Form 203 (Addendum D) detailing all the quarterly lending activities of the Second Party and monthly reports on Form 204 (Addendum E) detailing the unpaid due instalments.

Claims under any guarantee granted by JLGC pursuant to this Agreement may not be submitted until the relevant loan becomes a "Loan in Default". A Loan shall be considered a "Loan in Default" if the borrower fails to pay the full amount of due loan installments for a period of 180 consecutive days.

The Second Party shall take any and all the legal, judicial, and follow - up measures necessary for the collection of the amounts due from the defaulting borrowers.

One year after the beginning of the 180 day default period, JLGC shall have the right, either on its own or jointly with the Second Party, to commence any necessary collection procedures against the defaulting borrowers. In such a case, the Second Party shall deliver all documents relating to the said debts to JLGC as well as a letter of assignment assigning all of the Second Party's rights under the Loan Agreement and third party guarantees to JLGC.

2. Guiding Principles

As stated in the beginning of this Manual, the objective of the guarantee is to protect the lender from incurring losses on guaranteed credits by paying valid claims covered by the guarantee. The Claims staff should keep in mind that paying claims is the main reason for the existence of JLGC, and to a large extent, JLGC will be judged on its record of paying the proper amount of claims and on the basis of efficient and prompt claims administration. It is important that the claims executive be reasonable and not unduly restrictive by imposing unrealistic standards and by expecting the lender's analysis to be more comprehensive, when judged in hindsight. The standard is rather that the lender conduct its activities as a reasonably prudent organization would with respect to documentation and dealing with the exporters, acting as if the credits and/or advances were not guaranteed and the lender had to bear the full loss.

The Claims staff should interpret compliance with the Guarantee Agreement and the Addenda broadly and recommend prompt payment of any apparently valid claim that conforms with the intent of the guarantee. Promptness is essential in dealing with claims. As stated in the Guarantee Agreement, JCGL will pay the lender within 90 days, upon receipt of a valid claim. If decisions are delayed, lenders may complain because of the uncertainty of knowing if payment will be received at all or what amount will be paid. The lender in the interim incurs a loss in income that would have been earned had payment been received quickly.

3. Practice

The guarantee is unconditional with respect to the actions of the exporter. It is not unconditional with respect to the lender. The conditions for the guarantee are straightforward. The essential conditions, as stated on page 4 of this manual govern payment of the claim. Form 202 refers to a particular transaction/exporter, so that a future claim can be identified with a specific guarantee. It is a basic component of a contract that there be some consideration which obligates JLGC to pay claims subject to the terms and conditions agreed upon in the guarantee documents.

Once the guarantee fee is paid, consideration has been received and JLGC is obligated to pay under the guarantee and cannot withdraw it (since it is irrevocable) except as explicitly stated in the Guarantee Agreement and Addenda. Non-payment of the guarantee fee is a valid reason to deny a claim, because, in effect, no guarantee contract is in force without payment of the fee.

The specific basis for rejection of a claim are set forth in the Guarantee Agreement

109

and Addenda. All relate to actions of the lender.

No cross default provisions apply to guaranteed credits/advances. If the exporter defaults on another debt, it is not a sufficient basis for considering the guaranteed credit also in default.

In order for the JLGC to pay a claim, the lender's loss must apply to credits/advances that were eligible for guarantee. Eligible credits/advances are defined in Addendum (A). As the objective of the PEGP is to assist exporters to obtain financing to support export sales, the credits/advances should conform to the criteria set forth relating to export credits. The lender need only establish that the credits/advances were made in accordance with these criteria. However, if, for example, the exporter used the funds for other purposes and misrepresented the situation to the lender, the credits/advances would be guaranteed and eligible for claims payment. The guarantee applies as long as the lender acted in good faith.

If an irregularity or discrepancy, not detected when examining at the probable loss stage, is subsequently found in the claims documents supplied, the Claims staff should take these into account, being certain to take a flexible approach.

When a claim is submitted, the lender must demonstrate compliance with conditions of the Guarantee Agreement, both in relation to specific credits/advances and in general.

The procedures for claims processing are presented in greater detail below, including reference to appropriate clauses in the Guarantee Agreement and Addenda.

B. Procedures for Submission and Processing of Claims

1. Relevant Guarantee Clauses

In the Guarantee Agreement -

Subject to the Provisions of Article 6 below with respect to any guarantee that JLGC issues in accordance with the procedure set out in Addendum A, JLGC agrees to pay the amount of the guarantee within three months (3) from the date of receipt of the Second Party's request for the payment thereof after lapse of the Default Period of the loan set out in Article 6(a) below.

Claims under any guarantee granted by JLGC pursuant to this Agreement may not be submitted until the relevant loan becomes a "Loan in Default". A Loan shall be considered a "Loan in Default" if the borrower fails to pay the full amount of due loan instalments for a period of 180 consecutive days.

Before any claim under a guarantee is paid, the Second Party shall submit to JLGC evidence that it has implemented the following:

a. Visits to borrower's site;
b. Full study of the borrower's financial position; and
c. Collection procedures including, but not limited to;
   1. Sending claim letters, warning and/or notices to third party guarantors if any;
   2. Commencing legal action to foreclose on the borrower's equipment, third party guarantees and other collateral;
   3. Any other steps deemed necessary to collect the due and unpaid amount of the loan.

In the event of a claim being submitted by the Second Party under any guarantee hereunder, the following documents should be attached to the claim;

a. A photocopy of all statements and documents that evidence the efforts exerted for the collection of such an amount;
b. A photocopy of Loan Agreement concluded between the Second Party and the borrower;
c. A photocopy of the statement of account of the borrower;
d. Form 205 (Addendum F) properly filled out;
e. Form 205/a (Addendum G) properly filled out together with all the documents stated therein attached to the said form; and
f. Any other documents requested by JLGC.

The Second Party shall credit any guarantee proceeds which it receives from JLGC to a separate account named "Security Against Credit Facilities". This amount cannot be used to offset any portion of the corresponding "Loan in Default" except after exhaustion of all collection efforts, judicial or otherwise, against the borrower and third party guarantors.

One year after the beginning of the 180 day default period, JLGC shall have the right, either on its own or jointly with the Second Party, to commence any necessary collection procedures against the defaulting borrowers. In such a case, the Second Party shall deliver all documents relating to the said debts to JLGC as well as a letter of assignment assigning all of the Second Party's rights under the Loan Agreement and third party guarantees to JLGC.

Any amounts, including interest, collected from the defaulting borrower or as a result of execution on collateral including third party guarantees, shall be distributed, within a period not exceeding three months from the date of their collection, between the Parties in proportion to the agreed upon coverage ratio after deduction of any legal and court fees incurred in connection with the collection.

2. Guiding Principles

In order to have consistency in managing the guarantee and for the lender to have knowledge of when payment under the guarantee could occur, it is necessary to stipulate the earliest date for which a claim may be filed. A payment is considered in default if it remains unpaid for 30 days after it is due. The lender can file a claim 150 days thereafter or 180 days after the due date. The 150 day period helps assure that the default was not some technical matter (e.g. lost check, incorrect crediting of a payment, etc.) or a temporary cash shortfall which could be quickly remedied. The waiting period limits the potential for unnecessary claims preparation and processing by the lender and JLGC.

When making a claim, the lender must submit documentation which establishes the basis on which the credits/advances were disbursed, status of the guaranteed credits, and compliance with conditions of the guarantee. Documents to be submitted would normally include:

- documents indicating payment has been demanded of the exporter and guarantors
- loan documentation (letter of offer, loan agreement, and evidence of disbursements and existence of required guarantees)
- listing of all debts of the exporter
- other documents showing compliance with the Guarantee Agreement and Addenda, including Addendum (F) and Addendum (G)

While Claims staff should seek to have complete documentation, judgement should be exercised as to what information is essential to complete claims processing.

Claims staff should only request additional information, particularly from sources other than the lender's own records, when absolutely necessary.

Every effort should be made to pay claims promptly. The Guarantee Agreement provides that JLGC seeks to pay claims within 90 days of receipt. Missing information should delay claims processing only if the information is critical to the decision.

The exact amount of the JLGC's liability must be determined when a claim is submitted.

112

3. Practice

When Form (205) and (205/a) are received by JLGC, it is sent to the ECGD. The claim is assigned to a staff member. The staff member undertakes the following procedure:

a. Verify all documents and statements which are requisite have been included with the claims letter;

b. Verifies bank has honored terms of the Guarantee Agreement and Addenda upon extending and monitoring the loan throughout its tenor;

c. Verifies seriousness of bank efforts in following the collection measures;

d. Determines guaranteed amount JLGC must pay;

e. Prepares Defaulted Loan Memorandum;

f. Forwards the Defaulted Loan Memorandum to the Division Manager of the ECGD;

g. After approval by the Division Manager of ECGD the memorandum is forwarded to the Director General;

h. Upon approval of Director General (1) if claim amount is less than J.D. 10,000 it goes to the Reinbursement Committee, (2) if claim is above J.D. 10,000 it goes to the Board of Directors;

i. If approved as described in (8) the claim is paid via letter with accompanying check. If declined such action is conveyed to the bank via letter;

j. The amount of the paid claim is recorded and is monitored via the bank through the collection efforts of the bank. This process includes monthly reporting by the bank on the status of its collection.

113

IV. RECOVERIES

Recoveries refers to the process of recovering money or property from the defaulting exporter or from any other person from whom recoveries can be made, pursuant to the rights of the lender or JLGC arising after payment of a claim.

A. Relevant Guarantee Clauses

In the Guarantee Agreement -

Any amounts, including interest, collected from the defaulting borrower or as a result of execution on collateral including third party guarantees, shall be distributed, within a period not exceeding three months from the date of their collection, between the Parties in proportion to the agreed upon coverage ratio after deduction of any legal and court fees incurred in connection with the collection.

B. Guiding Principles

Recoveries constitute a major objective of the Claims process and it is the responsibility of the ECGD to maximise recoveries. Successful pursuit of recoveries keeps down the JLGC's losses and contributes to the JLGC's ability to keep premium rates down.

The Guarantee Agreement provides for subrogation. The doctrine of subrogation under general law is that once a guarantor has paid a claim to a guaranteed party, the guarantor is subrogated to the rights of the guaranteed party to the subject matter of the guarantee. In other words, JLGC is permitted to claim against the exporter in substitution for the guaranteed lender. JLGC is allowed to take over from the lender and act in the name of the lender in seeking recovery of the debt. It should be noted that the lender is to continue recovery actions, including legal actions, following consultation with and request of JLGC. JLGC may exercise its subrogated rights by obtaining from the lender a power of attorney and assignment of all or part of the lender's rights, title and interest in the guaranteed debt. These rights do not arise until after payment of a claim.

JLGC normally requires the lender to pursue recoveries.

When the lender is requested to take action to effect recoveries, the lender is reimbursed from recoveries, with JLGC's agreement, for such expenses in the same proportion the Guaranteed Percentage bears to the amount of loss. This reduces significantly the cost of recovery to the lender. Payment is normally authorized for the lender's out-of-pocket expenses, but not for in-house costs and overheads.

C. Practice

1. Recovery Actions

The first task after a claim has been paid is to develop a recovery program for the case. In most cases, during the probable loss and claims evaluation processes, the potential for recovery and the most efficient methods to employ have already been considered.

The Claims staff assigned to deal with recovery should address the following:

- whether or not recovery action is worthwhile
- whether or not the lenders should be instructed to take action
- whether or not the lenders should subrogate their rights

In almost all cases, the question arises whether or not further money should be spent on lawyers and debt recovery action when the prospects for recovery are difficult to assess. The following may be helpful with regard to the question of the value of taking recovery action:

- for an insolvency case, check with the liquidator, receiver or trustee on progress of the proceedings, including any letters issued. Receivers and trustees are usually required to advise creditors of details of the assets and liabilities, proposals for realization of the assets and the likely outcome of recovery proceedings.

- for a default case, check if the buyer has shown any intention to pay or if action against the guarantor is yielding results. If some willingness to pay has been demonstrated, the potential for recovery is usually greater than if no efforts are evident.

Determining when it is more advantageous for JLGC than for the lender to pursue recovery may be a difficult decision. It cannot be emphasized too strongly that once a claim has been paid, JLGC can direct the course of recovery action. Lenders should be reminded of their obligations and of the JLGC's views of how to pursue recovery as soon as the claim is paid. This is particularly important because lenders are relieved of the bulk of their loss once a claim has been paid, and consequently may be reluctant to take necessary action. This may be particularly true if the action to be taken involves well-known persons and businesses. However, it should be noted that in some cases it may be

115

essential for the lender to undertake direct negotiations to effect recoveries. For example, the lender may have special knowledge of the market or industry that makes the lender useful, or even indispensable, in the recovery process.

The Claims staff may perceive that the lender is making less than a "best efforts" attempt to collect. In such cases, a visit to the lender by the Marketing Division and/or Senior Officers may be useful to learn the lender's intent regarding recovery actions and to encourage them to take necessary actions. If the results are unsatisfactory, subrogation may be the only feasible choice. However, once JLGC has decided to take direct and positive action to recover debt, including direct relationships with the exporter, even if no legal proceedings are initiated in the name of the lender, it is difficult to withdraw and require that the lender then take action. Once made, a decision to pursue recoveries directly is for all practical purposes irreversible.

It is almost always a good policy to visit and interview the debtor, the lender's representative and any of the involved lawyers. Also, if the exporter has other credit relationships, a visit to the other bankers or secured creditors can often provide useful information. Even if little direct benefit is obtained from these visits, the personal contact with others involved in the recovery process usually results in more effective recovery actions.

The case of insolvency requires additional action. The Claims staff responsible for a recovery should ascertain that the JLGC-guaranteed debt is included in the list of debts prepared by the receiver or trustee of the debtor's estate. JLGC is required in most cases to "prove" the debt, which involves a process of providing statements and evidence of the existence of the guaranteed debt to the trustee of the insolvent's estate. As a creditor, the JLGC or the lender also would normally have the right to vote at creditors' meetings and influence decisions on the recovery process.

The Claims staff who is responsible for the recovery case prepares a recovery program and makes recommendations for specific actions to be taken. These decisions may be difficult. The more informed the Claims staff is of the legal system, costs and practical issues involved in recovery proceedings, the more likely it is that appropriate decisions will be made. Claims staff should be trained in and research details of the local legal system and its operation, particularly if large amounts are involved.

2. Allocation of Recoveries

If the lender is required to pursue recoveries, the lender regularly reports on the status of these efforts, and also shall notify JLGC of any amounts recovered and the lender's proposal for apportionment. JLGC has a similar obligation to inform the lender in the event JLGC undertakes recovery actions.

116

In the event that there is successful recovery action, the amounts recovered must be allocated between the lender and JLGC. Allocation of recoveries between the lender and JLGC is specified in the Guarantee Agreement and Addenda, with 100% interest owed the lender prior to the date of loss having first priority, recovery expenses in proportion the loss was guaranteed next, and finally the loss itself also in the same proportion. If the lender makes recovery, the Claims staff examines the apportionment proposed by the lender. Normally, JLGC accepts for reimbursement of recovery expenses the costs of travel, accommodation and legal advice (except from the lender's in-house legal staff) or other professional services as incurred in the course of actions undertaken with the approval of, or required by, the company. Likewise, JLGC's in-house expenses and overheads are not allocated in the reimbursement of expenses.

The Claims staff informs the lender in writing of the JLGC's position with regard to the apportionment (agree, disagree or agree with specified modifications). If the lender has made recovery, the letter would include a request that the appropriate amount be remitted to JLGC. If JLGC has made recovery, the letter would indicate the amount to be remitted to the lender, request the lender's agreement to the proposed apportionment, and indicate payment would be remitted upon receipt of the lender's agreement.

117

V. WRITE - OFF

A. Guiding Principles

Any case should be written off as soon as practicable where the prospect of recovery or further recovery is non-existent or exceptionally remote.

The decision to write - off a case is most likely to be appropriate in the following situations:

- liquidator or receiver in cases of insolvency indicates no prospect of any distribution from the estate of the exporter/guarantor(s);
- based on the Default Loan Memorandum of the exporter/guarantor(s) in cases of insolvency, funds are not even adequate for secured creditors in full;
- exporter/guarantor is untraceable for a period of one year;
- exporter's financial status has deteriorated so that assets, based on current values, are inadequate to pay secured creditors in full;
- exporter/guarantor(s) has become insolvent subsequent to payment of the claim;
- efforts of debt collectors have failed completely;
- legal action is not considered worthwhile, against either the exporter or any guarantor.

B. Practice

Under the Guarantee Agreement, the lender may propose that no further recovery actions be undertaken and the amount of loss be written - off. The Claims staff reviews such proposals. and with the concurrence of the Claims Manager (or others according to the current delegation of authority with regard to claims and recoveries), informs the lender in writing indicating agreement for the lender to abandon recovery action and write off the case.

If JLGC disagrees with the lender and believes some recovery is still possible, JLGC would so inform the lender and normally assume responsibility for such recovery. If the lender believes that no further recovery is possible (or only at unreasonable cost), asking the lender to continue is unlikely to produce any positive results.

\\\\\\

If the Claims staff believes that no further recovery is possible, with the concurrence of the Claims Manager, write - off should be proposed and the lender informed in writing that no further recovery action will be undertaken by JLGC and any further actions will be at the discretion of the lender.

When JLGC reaches the decision that no further recovery (whether at the suggestion of the lender or JLGC itself) is possible, the claims file should be closed, and the appropriate notations made in the recoveries records and the Finance Division informed in writing.

In order to ensure that recovery prospects are adequately assessed, reserve provisions are appropriate, and financial position is accurately characterized, at the end of each fiscal year each open recovery case should be evaluated by the Claims Department and appropriate actions proposed, including new legal actions and write - offs.

119

VI. APPROVAL AUTHORITY FOR CLAIMS

Decision-Making authority for approval and denial of all Claims Applications is vested within the General Manager or in his absence with the Financial Manager. All decisions regarding claims up to JD10,000 can be taken by the Reimbursement Committee. Above that amount the decision should be taken by the Board.

Structure of the said committee is as follows:

- Dr. Jamal Salah	Committee Head
- Dr. Zuhair Khalifah	Member
- Dr. Ali Hamadah	Member
- Dr. Mohd. Yaser Al-Asmer	Member
- Mr. Daoud Al-Kurd	Member
- Fadel Shaheen	Secretary

125

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date: ____________

MONTHLY REPORT ON DUE BUT UNPAID LOANS *

Name of the Bank/Financial Institution: ______________________________

Loan No.	Name of Borrower	Amount of the Granted Loan	Outstanding Balance	Amount of Unpaid Installments	Date of First Unpaid Installment	Number of Days in Delay	Reasons for Non-Repayment	Endeavors for Collection	Other Notes

Total:			

Reasons for non-repayment
1. Delay in payment
2. Financial Difficulties
3. No contact has yet been made with the client
4. No response from the client
5. Others (Give detail)

Collection Endeavors
a. Contacts over telephone
b. Reminder Notification
c. Field visits
d. Requests for repayment
e. Legal Warning
f. Seizure for security
g. Recourse to guarantors
h. Filing of lawsuits
i. Others (Detail)

Name and Rank of Signatory

Bank Signature

* The due loans intended by this form are those loans for which thirty days have lapsed since their due dates.

Attachment (A) - Form (204)

121

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date __________

Attachment (B) - Form (205)

CLAIM TO THE AMOUNT OF THE LOAN

Name of the Bank / Financial Institution: ______________________________

1. Loan Number: ______________

2. Name of the Borrower / Owner: ______________________________

3. Address of the Borrower — Address of the project

   ____________________ ____________________

   ____________________ ____________________

4. Address of the Owner — Address of the Authorized Director

5. Amount of the granted loan — Guarantee coverage ratio %

6. Rate of interest % — Commission rate %

7. Date of approval / /19 — Date of first installment %

8. Recurrence of instalment and amount of each one:

9. Kind of existing guarantees (Real Estate, Shares, Bonds, Personal Guarantees, Others)

   ____

10. Estimated amount for the existing guarantees:

11. Degree of the guarantee:

12. Other creditors taking part in the loan and amount of their credit:

    ____

122

Continuation for Attachment (B) - Form (205)

13. Measures taken by the participants in the loan:

____

14. Date of last paid installment / /19

15. Amounts of collections after the date of last paid installment:

16. Dates of unpaid installments:

17. Reasons for non-performance: ____

____

18. The outstanding balance of the loan principal upon the start of the non-performing period of the loan:

19. Accumulated interest for the non-performing period:

20. Amount required to be paid:

21. Terms of the bank upon granting the loan: ____

____

22. Procedures for follow up and collection: ____

____

23. Legal procedures taken: ____

____

24. Other comments: ____

____

We hereby do assert that the above mentioned data is correct and that we have undertaken and will undertake to follow up on the borrower and the guarantors thereof by way of taking all legal and judicial measures for collection pursuant to what is stipulated in the Guarantee Agreement concluded with you.

Name and Rank of Signatory　　　　　　　　Signature

______________________　　　　　　　　______________

123

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ___________

Attachment (C) - Form (205/a)

LETTER OF CLAIM TO THE AMOUNT OF THE GUARANTEE

Name of Bank / Financial Institution ________________________________

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

We confirm that the loan No. _______ Granted by us to the client _________________ Has been in default for a period exceeding 180 days, therefore it has become due for repayment of a sum equaling the already approved risk coverage ratio pursuant to the articles of the Guarantee Agreement concluded with you on ___________ And in execution of what is stated in the articles of the Agreement and its Addenda, we do hereby submit to you the following forms and documents:

1. A photocopy of the Loan Agreement concluded between us and the borrower.

2. A photocopy of the client's balance sheet as of the date of disbursement of the loan.

3. Form No. (205), Addendum (F) dully filled out.

4. A photocopy of the bank recommendation and its approval on granting the loan.

5. The credit Feasibility Study of the loan comprising the financial and profit and loss statements, the financial analysis and the cash flows.

6. A photocopy of the mortgage documents, the trade license and trade registration certificate.

Continuation for Attachment (C) - Form (205/a)

7. A photocopy of the statements and documents which evidence the exerted efforts for collection. The documents and statements include visits paid to the work site of the borrower, a study of his financial position, letters of claims, warnings, notices sent to guarantors, measures taken for collection such as seizure for security and foreclosure of the collaterals in kind in addition to other relevant legal and judicial procedures.

8. The bank's opinion on the possibility of collecting the due amounts.

Furthermore, we will provide you with any information or other dates you deem necessary to facilitate the procedures for this claim.

Name and Rank of Signatory	Signature
______________________	____________

125

JORDAN LOAN GUARANTEE CORPORATION

VOLUME VI
OPERATIONAL GUIDELINES FOR BANKS

Prepared By

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

Addendum H
Letter of Commitment

Date________

______
______
______

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BEST AVAILABLE COPY

Loan
nount of Coverage

(if any)

/our form 202 Notification dated________ with respect to the above referenced

nformed that we have approved the loan from the purposes of the Guarantee
ered into between us on _________ and we, therefore, agree to guarantee the said
to the terms of the Guarantee Agreement up to the abovementioned amount of

rds.

For & on Behalf of
JLGC

By ______________

Name ______________

Title ______________

BEST AVAILABLE COPY

127

OPERATIONAL GUIDELINES FOR BANKS

TABLE OF CONTENTS

17

OPERATIONAL GUIDELINES FOR BANKS

I. GENERAL DESCRIPTION

Jordan Loan Guarantee Corporation (JLGC) has established the Pre-Export Guarantee Program (PEGP) for the purpose of providing credit guarantees to banks. These guarantees are meant to encourage banks to extend credit to Jordanian exporters to finance the pre-export phase of the export cycle. The PEGP is a working capital guarantee facility aimed at assisting Jordanian exporters obtain finance. It is anticipated that in the near future JLGC will establish a guarantee program for the issuance of guarantees to cover periods following shipment and this program will protect against the risk of non-payment by overseas buyers caused by commercial or political events in the country of the buyer.

The PEGP is thus a domestic credit guarantee facility to protect Jordanian banks against protracted default or insolvency of Jordanian businesses while these entities are in the cycle of preparing products for export abroad. It is worthy of note that there is a foreign risk aspect of the PEGP program in that the eventual foreign buyer could experience difficulties during this pre-export period thereby affecting its ability to pay the Jordanian exporter. Non-payment to the Jordanian exporter could adversely affect its ability to repay its loan to the Jordanian bank. Nonetheless, the PEGP should be viewed as a domestic working capital facility for the purpose of encouraging exports from Jordan.

The enterprises financed by the banks under the PEGP must meet the criteria of being a small business in Jordan. A small business is defined as a Jordanian individual or business whose principal place of business and permanent residency is in Jordan with fifty or less full time employees and total assets (excluding land, buildings and equipment) not exceeding the J.D.equivalent of $250,000.

Banks financing products to be exported enter into a Guarantee Agreement with the JLGC which defines the responsibilities of the bank and the JLGC under the PEGP. The remainder of this document is devoted to describing these responsibilities and to inform the banks how to conduct operational activities when financing small businesses under a PEGP.

A. The JLGC in conjunction with the bank will establish a specific ceiling for guarantees issued to cover the credit risks relating to the loans granted by the bank under the PEGP. The guarantee ceiling is determined by estimating the total amount of loans expected to be made by the bank and approved by JLGC.

   The JLGC has the right to cancel any unutilized portion of the guarantee ceiling at any time without giving the reason for such a cancellation. A thirty day written notice must be given the bank by JLGC and the cancellation of the unutilized portion shall only be

129

effective after the lapse of the notification period. The bank is entitled to a reimbursement for guarantee fees already paid for the quarter of the year during which the cancellation has been made on a proportional basis equaling the proportion between the canceled amount and the total amount of the ceiling. This cancellation does not affect the utilized portion of the ceiling as that portion remains covered per the terms of the Guaranteed Agreement and its Addenda.

The bank has the right to request a reduction of the ceiling at any time. Any such reduction will take effect at the beginning of the next calendar quarter provided the bank has requested the reduction at least two weeks prior to the end of the quarter.

Increases to the ceiling can also be made at any time through consultation and coordination between JLGC and the bank. Such an increase can be effective as of the date the two parties have come to a verbal agreement on the matter provided such a verbal agreement is supported by a written letter to that effect.

B. The bank is required to evaluate loans under generally accepted banking practices the same as the bank applies to its loans which have no guarantee cover from JLGC. This includes processing loan applications, evaluating the financial ability of a proposed borrower, considering the character of said borrower and any other factors affecting decision making with regard to approving a credit. As part of the loan agreement between the bank and the borrower, the bank attests it has the right to assign to JLGC its full rights owed to it by the borrower.

With regard to loan maintenance, the bank agrees to make site visits to the borrowers' office in order to ascertain that loan proceeds are utilized for the purposes stated in the loan requests. These visits will confirm the positive operations, or identify negative trends, for the borrowers. The bank also agrees to work on collecting loan installments on their due dates and to utilize all requisite follow up procedures. The bank is further obligated to keep JLGC informed on any matters that may affect its ability to meet its obligation under the Guarantee Agreement and Addenda.

Addendum (A) to the Guarantee Agreement involves the Lending Procedures to be followed by the JLGC and the bank under the PEGP. More information on this subject will be provided later in this document but at this point it should be noted that the bank in obtaining a guarantee facility for a borrower must first submit Form 201 (see Addendum B) to JLGC. Within seven days of approving a loan the bank must then submit Form 202 (see Addendum C). In order to allow JLGC to monitor activity under the PEGP a bank must further submit Form 203 (see Addendum D) and Form 204 (see Addendum E). Form 203 outlines guarantee activity during the quarter affecting the ceiling and naturally is filed on a quarterly basis. Form 204 explains unpaid due installments and is filed monthly. Each of these latter reports must be filed within ten days of the dates they are due.

130

C. The cost to the bank for the coverage is 1.5% annually of the total guarantee ceiling allocated to the bank. This fee is payable on a quarterly basis. Computation is made on the basis of the highest guarantee ceiling in effect during a quarter. Forms 203 and 207 are the documents utilized by JLGC for reporting by the bank for these purposes. Should the bank fail to pay guarantee fees due for a period of one month from due date, JLGC has the right to suspend coverage for a period of two more months and will notify the bank of this suspension. If payment is still not made JLGC has the right to terminate the Guarantee Agreement and Addenda. JLGC must provide the bank a warning of this termination one week before the last day of the suspension period. There is a mechanism for reactivating coverage, either through reinstatement of the old agreement or issuance of a new agreement if this series of events takes place.

D. A claim may be filed by the bank once a loan installment has failed to be paid in full for 180 days from due date. Form 205 (see Addendum F) is the document used by the bank for this purpose. This document is attached to a Letter of Claim (Form 205/a). In addition the bank must include in its submission a photocopy of all statements and documents that evidence the efforts exerted for the collection of the loan. Also included must be a photocopy of the Loan Agreement between the bank and the borrower plus a statement of account of the borrower.

   The bank must take all legal and judicial measures and make all efforts to effect collection from non-performing borrowers. In this regard, JLGC requires that one year after the beginning of the non-performing period of the loan it joins the bank in carrying out all necessary measures to collect the loan. This includes the bank delivering all documents relating to the said debts to JLGC. This requirement is imposed whether or not a claim has been filed. Naturally, if a claim has been filed JLGC should be in possession of all such documents. If the bank will not join in collection efforts JLGC reserves the right to pursue the matter on its own.

   If a bank is able to collect any amount from a non-performing borrower whose loans were under the PEGP, the bank is required within three months of such collection to distribute these collected amounts between JLGC and itself. Such distribution is to be made in proportion with the ratio of the guarantee to the loan in question. The bank is allowed to deduct legal expenses paid third parties utilized in pursuing the collection.

   Should the bank obtain any legal interest for the period that follows the non-performance period of the loan, the bank must share this interest with JLGC in proportion with the ratio between the guarantee amount and the loan in question.

E. The JLGC reserves for itself the following:

   1. JLGC can reject guaranteeing any loan proposed by the bank should such a decision be in line with the policy of JLGC;

131

2. JLGC has the right to evaluate and follow up on existing loans guaranteed under the PEGP. This can include making recommendations regarding the maintenance of such loans, examining credit files of the bank and requesting information on the covered borrowers; and,

3. JLGC can amend the lending procedures, guarantee conditions and the forms/reports required by the Guarantee Agreement provided the proposed amendments are not in contradiction with the Articles of the Guarantee Agreement during its validity. These amendments are enforceable after thirty days from the receipt of a written notification to that effect by the bank.

F. A Guarantee Agreement entered into between JLGC and a bank is valid for one year from the date of its conclusion and is automatically renewed for one year unless JLGC or the bank informs the other party it does not wish a renewal. This notification must be made one month prior to the maturity date of the Guarantee Agreement.

132

II. PEGP BANK LENDING GUIDELINES

A. Qualified Borrowers

1. If the Borrower is an individual, the borrower must be a national or permanent resident of Jordan. If the Borrower is a corporation or other business entity, it must be majority - owned by Jordanian nationals or permanent residents of Jordan and/or corporations or other business entities that are owned by such nationals or residents ;

2. The Borrower must be 100% privately owned, controlled and operated ;

3. The Borrower's principal place of business must be in Jordan ;

4. The Borrower must be a " microenterprise" or a small business enterprise as defined below or as agreed to in writing by USAID. A microenterprise is a productive Jordanian individual or business whose principal place of business and permanent residency is in Jordan with five or less full time employees, with total assets (excluding land, buildings and equipment) not exceeding the JD equivalent of $100,000. A small business is a productive Jordanian individual or business whose principle place of business and residency is is Jordan with fifty or less full time employees, with total assets (excluding land, buildings and equipment) not exceeding the JD equivalent of $250,000.

B. Qualified Loans

1. The maximum limit for a loan granted by the Bank is JD 100,000.

2. Loans are to be of a short term nature with a normal maximum maturity of 180 days but in exceptional circumstances JLGC will consider loans with a maturity of 270 days.

3. Loans that finance any private productive export activity conducted principally in Jordan and which is legal in Jordan.

4. Loans that meet the Bank's general credit criteria for loans.

5. Loans that are priced carrying the Bank's then applicable market interest rate.

C. Non- Qualified Loans

1. Loans granted to existing credit portfolios of the bank or for the renewal or extension thereof. Additional credit to that already extended to a borrower is eligible.

2. Loans for which interest is collected up front.

3. Loans that are financed in whole or in part with subsidized funds from any source.

4. Overdraft facilities whether or not they meet the other qualifying criteria.

D. The Guarantee Ratios

JLGC will guarantee the risks of the loan for 75% of the outstanding balance of the loan plus the accrued interest on the loan during 180 days following the date of the last installment that has been paid by the borrower provided all conditions of the Guarantee Agreement have been met. No interest beyond 180 days after the last paid installment is covered by the guarantee. Further the accrued interest paid under the guarantee must be a market rate set by the bank and no amounts of penalty interest are guaranteed.

It is prohibited to collect loan interest up front.

E. Financial Analysis

The bank must conduct a financial analysis including the balance sheet, income statement and cash flow statement. This analysis must be retained in the bank's file of the borrower. An operating budget for the borrower must be analyzed. All sources for loan repayment, including but not limited to collateral and outside guarantees, must be reviewed and the results maintained in the file of the borrower.

Checkings with other banks and or suppliers of the borrower should be performed and the results maintained in the borrower's file.

Any materials utilized in the credit decision making process should be recorded and maintained in the file of the borrower.

F. Method of Repayment

Loans made under the PEGP may be repaid in monthly or quarterly installments in accordance with cash flow analysis. In this regard one payment for the entire loan amount is acceptable depending upon cash flow analysis

134

G. Reschedulings / Extensions

The bank is required to obtain the approval of JLGC prior to the rescheduling and or extending the maturity date of any guaranteed loan.

III. APPLYING FOR A GUARANTEE

A. The initial step for a bank to apply for a loan guarantee is to submit Form 201. This form identifies the borrower, the product to be exported and what country is the beneficiary of the export, the balance sheet and income statement items, cash sources beyond the borrower including guarantees and collateral plus the history the banks have had with the proposed borrower. JLGC anticipates a quick turnaround response to the bank regarding this request. If declined, the bank is so notified.

B. After receiving acknowledgment in the form of a fax from JLGC, the bank then submits Form 202 to JLGC for final approval. This form provides greater detail on the proposed transaction including cash flow information which assists JLGC in making a final decision. Again JLGC anticipates a quick turnaround to the bank with its decision. If approved, JLGC sends a letter of commitment to the bank. If declined, the bank is so notified.

C. With receipt of the letter of commitment, the bank may advance the loan proceeds knowing it has the guarantee of JLGC. It must administer the loan in the same professional manner it administers non-guaranteed loans. This administration includes meeting all the requirements as evidenced in the Guarantee Agreement and Addenda thereto.

136

IV. REPORTING ON GUARANTEED LOANS AND PAYMENT OF GUARANTEE FEES

A. The bank must report on a monthly basis the amount of JLGC guaranteed loans. This is accomplished by diskette and involves a simple listing of the loans by borrower and amount. In addition the bank files Form 203 on a quarterly basis with JLGC (copy attached). This form is due ten days after the end of each calendar quarter. The report lists all new loans made during the past quarter which contain a guarantee from JLGC. It provides information on loan number, name of borrower, amount of loan, interest rate, outstanding balance, date of approval, date of first payment, number of installments and any other notes the bank deems pertinent. It also outlines the number of rejected loans, number of repaid loans and the number of loans projected in the forthcoming quarter. In addition to the number of loans in each of these categories it provides the total values of the loan amounts in each of the three categories.

B. With regard to past due loans the bank is required to submit a monthly report, due ten days after the close of each month. This report is contained in Form 204 (copy attached) and lists all loans for which thirty days have lapsed since their due dates. The information provided in this report includes loan number, name of borrower, amount of the loan granted, outstanding balance, amount of unpaid installments, date of first unpaid installment, number of days in delay, reasons for non-repayment, endeavors for collection and any other notes the bank deems pertinent.

Concerning reasons for non-repayment the form lists five possible considerations, the number for which can be inserted in the appropriate column. These reasons are:

1. Delay in payment
2. Financial difficulties
3. No contact has yet been made with the client
4. No response from the client
5. Others (give detail)

With regard to collection endeavors the form lists nine courses of potential action being undertaken:

1. Contacts over telephone
2. Reminder notification
3. Field visits
4. Requests for repayment
5. Legal warning
6. Seizure for security
7. Recourse to guarantors

137

8. Filing of lawsuits
9. Others (give details)

C. The payment of guarantee fees to JLGC by the bank is due on a quarterly basis. The fees are due ten days after the end of each quarter and are to accompany the filing of Form 203 and Form 207. As indicated earlier the fees are calculated at 1.5% annually of the total guarantee ceiling allocated to the bank.

138

V. FILING CLAIMS WITH JLGC

As mentioned previously claims may be filed for a non-performing loan when the borrower has failed to pay the full amount of the loan installment due thereon for a period of 180 consecutive days. JLGC has three months from the date the claim is filed to make or reject payment. To receive a claims payment the bank must provide the necessary documents and meet all its obligations under the Guarantee Agreement and Addenda.

The full process for filing a claim was outlined earlier in the General Description section and need not be repeated here. Suffice it to say the bank must file Form 205 which describes the loan which has not been repaid and accompany this document with Form 205/a which is a letter of claim.

Form 205 gives considerable detail on the loan transaction including information on the borrower and guarantor (if any), other creditors and measures taken by them to collect payment, collections data, reasons for non-performance, outstanding balance of the loan principal upon the start of the non-performing period, procedures for follow up and collection, legal procedures taken plus any additional comments the bank wishes to make.

Form 205/a which is the letter of claim accompanying Form 205 lists information items in addition to Form 205. These include a photocopy of the loan agreement, photocopy of the borrower's balance sheet as of the date of disbursement of the loan, a photocopy of the bank recommendation and its approval on granting the loan, the credit feasibility study of the loan, photocopies of any trade or mortgage documents and also photocopies of statements and documents which evidence the exerted efforts for collection. This last item of statements and documents could include visits paid to the worksite of the borrower, a study of his financial position, letters of claims and warnings, notices sent to guarantors, measures taken for collection such as seizure for security and foreclosure of collaterals in kind in addition to other relevant legal and judicial procedures.

The final item in the letter of claim is the bank's opinion on the possibility of collecting the due amounts.

The bank must keep in mind that this information contained in Form 205 and the papers included with Form 205/a provide the basis of its claim. The bank must also be in compliance with all the requirements of the Guarantee Agreement and Addenda thereto to be eligible for a claims payment.

139

VI. ADDENDA TO THE OPERATIONAL GUIDELINES FOR BANKS

Addendum A	-	Guarantee Agreement
Addendum B	-	Form 201
Addendum C	-	Form 202
Addendum D	-	Form 203
Addendum E	-	Form 204
Addendum F	-	Form 205
Addendum G	-	Form 205/a
Addendum H	-	Letter of Commitment
Addendum I	-	Letter of Denial

I. PRE-EXPORT CREDIT GUARANTEE AGREEMENT

This Agreement, made this _____ day of _____, 199___

By and Between:

1. **Jordan Loan Guarantee Corporation** whose address is at P.O. Box 830703, Amman 11183, Jordan represented by its Director General (hereinafter referred to as "JLGC") of the one part, and

2. ....
whose address is at ....
Represented by...
(Hereinafter referred to as "Second Party" and/or the "Bank")
of the other part,

WITNESSETH

Whereas, the Second Party is a financial institution/bank fully licensed to grant loans in Jordan;
Whereas, JLGC is in the business of providing guarantees to licensed Jordanian financial institutions extending credit to small and medium size Jordanian businesses engaged in exporting goods from Jordan;
Whereas, JLGC, now therefore, wishes to provide guarantees for working capital loans which are granted by licensed Jordanian financial institutions in support of productive export projects in Jordan;
And Whereas, the Second Party has been chosen to be one of the said financial institutions and has agreed to enter into an agreement to govern the relationship with JLGC with respect to the said guarantees;
NOW, THEREFORE, the Parties hereto hereby agree as follows:

Article (1)
Preamble

The preamble hereto shall constitute part and parcel hereof.

Article (2)
Scope and Obligations of JLGC

a. Subject to the terms of the Article 5 below, JLGC agrees to allocate a specific ceiling (hereinafter the "Guarantee Ceiling"), to be determined by JLGC and notified in writing to the Second Party upon signature of this Agreement, for the total value of guarantees to be provided by JLGC to cover the risks associated with qualified loans granted by the Second Party to qualified borrowers as set out in Addendum A of this Agreement. It is clearly understood by the Parties that JLGC has the right to reject any loans submitted to it by the Second Party in accordance JLGC's general internal policy and the Second Party may not contest same for any reason whatsoever.

b. JLGC shall have the right by a simple notice in writing to refuse to guarantee any new loans should its economic or financial condition or future plans require taking such a measure.

c. Subject to the provisions of Article 6 below, with respect to any guarantee that JLGC issues in accordance with the procedure set out in Addendum A, JLGC agrees to pay the amount of the guarantee within three month (3) from the date of receipt of the Second Party's request for the payment thereof after the lapse of the Default Period of the Loan set out in Article 6 (a) below.

d. JLGC shall provide the credit officers of the Second Party free-of- charge with the necessary training on the lending and management procedures of the loans granted to the export sector.

Article (3)
Obligations of the Second Party

The Second Party agrees to :

a. Receive and evaluate Loan applications and in so doing adhere to the then prevailing usual banking credit evaluation criteria. The Second Party shall take into consideration the borrower's reputation, character. financial position and ability to meet its obligations as well as any other factors relevant to the decision whether to grant the Loan; it being clearly understood by the Second Party that JLGC shall have the right to make recommendations and remarks in that regard;

b. Assist potential borrowers in evaluating their projects and in preparing the necessary information with respect to the application such as financial statements and cash flow projections;

c. Unless the Parties otherwise agree in writing, take all the necessary measures which guarantee the repayment of the Loan including life insurance on the borrower or insurance on the project in question for an amount equal to the full outstanding balance of the Loan plus interest. The said insurances shall continue to be valid throughout the term of the Loan;

d. Insert a text in the Loan agreement with the borrower in which the Second Party shall have the right to assigned to JLGC all of its rights under the said Loan agreement;

e. Fully adhere to the terms of the Lending Procedures set out in Addendum A of this

142

Agreement which is considered an indivisible part hereof;

f. Obtain information from JLGC on the borrower before moving ahead with implementation procedures by submitting a complete Form 201 (Addendum B);

g. Provide JLGC with a notification of the approval of the Second Party on granting the Loan by submitting a complete Form 202 (Addendum C) giving the summary of the Loan which was committed by the Second Party within a maximum of seven days from the date the Second Party's approval of the Loan;

h. Maintain (and allow JLGC to examine) a separate file for each borrower that includes all information, statements and documents on the basis of which the decision for granting the Loan has been taken as well as a detailed record of issues relating to the Loans and developments thereon;

i. Perform office and on-location follow-up procedures on projects for which Loans have been granted to ascertain that the Loan proceeds have been used for the approved purposes and to monitor the progress and viability of the projects as well as work on the collection of the Loan installments on their due dates, evaluate the ability of the borrower to fulfill its obligations and follow up on the in-kind collateral and all other necessary follow-up procedures; it being clearly understood by the Second Party the JLGC has the right to evaluate and follow up itself on the said Loans;

j. Submit, within a maximum of ten days from the end of the relevant quarter or the month, quarterly reports on Form 203 (Addendum D) detailing all the quarterly lending activities of the Second Party and monthly reports on Form 204 (Addendum E) detailing the unpaid due installments;

k. Provide and obtain, upon the request of JLGC, any other reports or information on the borrowers covered by this Agreement;

l. Inform JLGC of any matters that may affect the ability of the Second Party to meet its obligations in accordance with this Agreement;

m. Recruit and inform JLGC of the names of qualified employees to be responsible for the management of the guaranteed Loans;

n. Nominate employees who will take part in the training courses offered by JLGC; and

o. Ensure that all third party guarantees of Loan guaranteed by JLGC include terms which allow the Second Party to assign its rights thereunder to JLGC, taking into account the outstanding liabilities of third party guarantee.

Article (4)
Guarantee Fees

a. The Second Party should pay to JLGC a minimum annual Guarantee Fee of 1.5% of the Guarantee Ceiling allocated for the Second Party by the JLGC in accordance with Article 2(a) above.

b. The said Guarantee Fee shall be paid by the Second Party on March 31, June 30, September 30 and December 31 of each year.

c. For the purposes of computing the said Guarantee Fee:

   1. Any part of a quarter shall be considered as a whole quarter, and
   2. Computation shall be made on the basis of the highest Guarantee Ceiling allocated by JLGC within the quarter.

d. Should the Second Party fail to pay the Guarantee Fee within one (1) month of its due date, then JLGC shall have the right, by a simple one week advance notice in writing, to suspend its obligations under this Agreement, including its obligations with respect to guarantees which were already used, for a period of two additional months. If at the end of the said two month period, the Second Party is still in default of the payments under this Agreement, then, without prejudice to its other rights in contract, law or otherwise, JLGC shall have the right by a simple one week advance notice in writing to terminate this Agreement.

e. If the Second Party wishes to enter into a new guarantee agreement with JLGC or if it wishes to reactivate this Agreement after its suspension or termination, the Second Party shall pay to JLGC any overdue Guarantee Fees together with a penalty equaling 1% of the total overdue fees plus interest thereon throughout the delay period at a rate to be determined in accordance with the prevailing interest rate on credit facilities.

Article (5)
The Guarantee Ceiling

a. JLGC shall have the right, by a simple thirty day advance notice in writing, to cancel the unutilized portion of the Guarantee Ceiling at any time without giving the reason for such a cancellation. JLGC shall reimburse the Second Party for the amount of any paid Guarantee Fees in proportion to the canceled amount of the Ceiling and the remaining period in the relevant quarter.

b. For purposes of computation of the unutilized portion of the guaranteed ceiling, the obligations of the Second Party with respect to the unexecuted Loans shall be added to the utilized portion of the Guarantee Ceiling.

144

c. Should the unutilized portion of the allocated Guarantee Ceiling be canceled, the utilized portion of the said Ceiling shall remain covered pursuant to the terms of this Agreement, and any amendments, and its adenda that may be made thereto.

d. The Second Party shall have the right to request the reduction of its Guarantee Ceiling. Such reduction shall be enforced as of the beginning of the quarter of the year following the quarter during which the reduction was requested, provided, however, that the Second Party shall have submitted the reduction request at least two weeks prior to the beginning of the quarter during which the reduction will apply.

e. Increases of the Guarantee Ceiling can be made only by written agreement of the Parties after mutual consultation and coordination.

Article (6)
Claims, Collections and Follow-up Under the Guarantees

a. Claims under any guarantee granted by JLGC pursuant to this Agreement may not be submitted until the relevant Loan becomes a "Loan in Default". A Loan shall be considered a "Loan in Default" if the borrower fails to pay the full amount of due Loan installments for a period of 180 consecutive days.

b. In the event of the claim being submitted by the Second Party under any guarantee hereunder, the following documents should be attached to the claim:

1. A photocopy of all statements and documents that evidence the efforts exerted for the collection of such an amount.
2. A photocopy of the Loan Agreement concluded between the Second Party and the borrower.
3. A photocopy of the statement of account of the borrower.
4. Form 205 (Addendum F) properly filled out.
5. Form 205/ a (Addendum G) properly filled out together with all the documents stated therein attached to the said form.
6. Any other documents requested by JLGC.

c. Before any claim under a guarantee is paid, the Second Party shall submit to JLGC evidence that it has implemented the following:

1. Visits to the borrower's site;
2. Full study of the borrower's financial position; and

145

3. Collection procedures including, but not limited to,:
   a) Sending claim letters, warning and/or notices to third party guarantors if any;
   b) Commencing legal action to foreclose on the borrower's equipment, third party guarantees and other collateral;
   c) Any other steps deemed necessary to collect due and unpaid amount of the Loan.

d. The Second Party shall credit any guarantee proceeds which it receives from JLGC to a separate account named "Security Against Credit Facilities". This amount can not be used to offset any portion of the corresponding "Loan in Default" except after exhaustion of all collection efforts, judicial or otherwise, against the borrower and third party guarantors.

e. The Second Party shall take any and all the legal, judicial and follow-up measures necessary for the collection of the amounts due from the defaulting borrowers.

f. One year after the beginning of the 180 day default period, JLGC shall have the right, either on its own or jointly with the Second Party, to commence any necessary collection procedures against the defaulting borrowers. In such a case, the Second Party shall deliver all documents relating to the said debts to JLGC as well a letter of assignment assigning all of the Second Party's right under the Loan Agreement and third party guarantees to JLGC.

g. Any amounts, including interest, collected from the defaulting borrower or as a result of execution on collateral including third party guarantees, shall be distributed, within the period not exceeding three months from the date of their collection, between the Parties in proportion to the agreed upon coverage ratio after deduction of any legal and court fees incurred in connection with the collection.

Article (7)
General Provisions

a. Amendments: Except as provided below, this Agreement and its Addenda may not be amended or supplemented in any manner except by an instrument in writing signed by a duly authorized representative of each of the Parties.

b. Amendments by JLGC: JLGC shall have the right to amend the Lending Procedures, Guarantee Conditions and the Forms and Reports appended to this Agreement provided that the proposed amendments are not in contradiction with the Articles of this Agreement. The said amendments shall be enforced after thirty days from the receipt of a written notification of that effect by the Second Party.

c. Dispute resolution: Any disputes that may arise between the two parties as a result of or in connection with this Agreement and its Addenda shall be settled in an amicable manner. In the event an amicable settlement to that dispute is not reached, the dispute shall be referred to arbitration to be conducted by a specialized arbitrator acceptable to both Parties in accordance with the Jordanian Arbitration Law.

Article (8)
Terms & Termination

a. This Agreement shall be valid for one year from the first written above and shall be automatically renewed for similar periods unless either party informs the other of its desire not to renew one (1) month prior to the end of the original term or any renewal thereof.

b. Expiration or non-renewal of this Agreement shall not affect the rights and obligations of both parties with respect to guarantees which have been issued during its validity.

Article (9)
Entire Agreement

This agreement which consists of nine (9) Articles and nine (9) Addenda sets forth the entire agreement and understanding of the Parties relating to the subject matter contained herein and supersedes all prior discussions among the Parties, and none of the Parties shall be bound by any previous agreements, negotiations, commitments or writing relating to the subject matter contained herein except as expressly provided in this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed in two counterpart originals by their duly authorized representatives on the date specified above.

For and on Behalf of JLGC	For and on Behalf of Second Party
By____________________	By____________________
Name__________________	Name__________________
Title__________________	Title__________________

147

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ....

Addendum (B) - Form (201)

Inquiry Application Form No ( )

Name of Bank / Financial Institution ....

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

Please be kind enough to provide us with the information available with you on whether the under mentioned client has previously obtained loans from other banks pursuant to the loan risk guarantee system; whether the proposed loan is acceptable for purposes of offering guarantees to cover the risks of such a loan; and any other information which you deem relevant.

We fully understand that your reply to this inquiry by us is only for providing us with preliminary information and does not constitute any commitment on your part.

Bank Signature

....

Name of the Borrower

Address of the Borrower

Nationality of the borrower / Nationality of the owner

Amount of the required loan

Purpose of the loan

148

Name of the owner / partners

(% of ownership)

Summary of the Purposes of the Loan, the Financing Sources and the Guarantees in Kind

1) Type of activity:
   (Principal place of business)
   (How long has borrower been exporting)

2) Number of employees:

3) Purpose of the loan:

	JDs
* Purchase of machinery, equipment and tools	....
* Financing of working capital	....
(Product or service involved) Describe Fully -	
* Others (To be specified)	....
Total:	

4) Name and address of foreign buyer
   (Identify bank reference for foreign buyer)

5) Is any portion of the loan to finance the purchase of goods or services which are imported from a foreign country? If so, state the foreign country and identify whether the foreign supplier is 100% owned by nationals of that foreign country.

6) Is any portion of the loan to finance the purchase of goods or services from an entity in Jordan owned 50% or more by a foreign government, foreign nationals or permanent residents of a foreign country? If so, state what country.

7) Is any portion of the loan to finance the purchase of goods or services to be used for the establishment of an export processing zone or designated area where the laws of the country do not apply?

149

8) Assets:

(Provide balance sheet for past 3 years)

* Cash		....
* Accounts receivable		....
* Inventory		....
* Fixed assets		....
* Other assets		....
	Total:	____________

9) Liabilities/ Net Worth:

		....
* Loans from banks		....
* Other creditors		....
* Paid up capital		
* Retained profits and current accounts of partners		....
	Total:	____________

10) Income Statement

(Provide past 3 years income statement)	....
Sales	....
Cost of goods sold	....
Gross Margin	....
Operating Expenses	....
Net Margin	....
Taxes	....
Net Income	....

S

11) Other income sources for the owner/partners/guarantors:

12) Guarantees that may be provided:

Real Estate	_______	Shares and Bonds	______
Personal	_______	Machinery and Equipment	______

13) Estimated values for the guarantees

Real Estate of the value of:	....
Shares and Bonds of the value of:	....
Machinery and Equipment of the value of:	....
Others (To be specified):	....

14) Previous dealings with the bank/Statements from the Central Bank ....
....

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Jordan Loan Guarantee Corporation
Reply to Form 201 Inquiry

Date_______________

To:_______________ (Name of Bank)
____
____

Dear Sirs,

Further to your Form 201 1nquiry No. ________ dated ____________, kindly be informed that:

	Yes	No
JLGC has previously guaranteed loans for the Borrower.	_____	_____
JLGC has previously guaranteed loans for the Owner(s).	_____	_____
Purpose of the loan is in line with the terms of the Guarantee Agreement.	_____	_____

JLGC has no objection to the Loan

Other
....
....
....
....
....

Best regards.

JLGC's signature

157

....

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ....

Addendum (C) - Form (202)

Summary of the Loan Granted by the Bank
Notification of Approval

Name of bank / Financial Institution ....

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

We have the pleasure to inform you of the approval of our Bank/our financial institution to grant the loan, of which the details are indicated here below:

1) Information on the client
   * Name of the owner/Names of the partners:
   * Nationality of owner/Nationality of the company:
   * Name of the authorized director:
   * Years of experience of the owner/director:

2) Information on the loan
   * Amount of required loan:
   * Amount of approved loan:
   * Date of bank approval for granting the loan:
   * Purpose of the loan:
   * Number of the granted loan:
   * Number of the client's account:
   * Date of the first drawdown:
   * Duration of the grace period:
   * Number of installments and their dates:
   * Amount of one installment and date of the first one:

3) Information on the interest rate and commission
   * Interest rate applicable on the loan:
   * Rate of collected commission:

* Method of collection of interest:

4) Name and address of foreign buyer

5) Information on the product or service (describe fully)

6) Information on the financing sources and cash flows
   (Provide budget and/or cash flow statement for the next year)
   * Paid up capital:
   * Amounts borrowed from banks:
   * Owner account/Partners current account:
   * Suppliers and other creditors:
   * Size of actual sales/projected:
   * Size of actual purchases/projected:
   * Size of actual inventory/projected:
   * Amount of actual profits/projected:
   * Other sources of income of the owner/partners:
   * Value of existing equipment/projected:

7) Information on guarantees whether personal or in kind
   * Names of personal guarantors:
   * Sources of income of the guarantors:
   * Type of pledged guarantee:
   * Degree of mortgage:
   * Estimated value of the guarantees:
   * Ratio of coverage of the guarantees in kind:

8) General Information
   * Name of governate:
   * Location of the project (city/village):
   * Legal status of the borrower:
   * Relationship of the borrower with the bank:
   * Previous experience with the borrower:
   * Checking obtained from the Central Bank:
   * Name and number of the bank branch providing the loan:
   * Name of the responsible employee:

We hereby do assert to you that the loan, of which the details are described above, meet in conditions and purposes with the conditions and purposes as indicated in the Guarantee Agreement and its Addenda. Therefore kindly issue your Letter of.Commitment with respect thereto.

Best regards

Name and Rank of Signatory Signature

_______________________ ___________

155

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date: __________

Addendum (D) - Form (203)

THE QUARTERLY REPORT ON THE GRANTED LOANS

Name of the Bank/Financial Institution: ______________________________

1. The following loans have been approved during the previous quarter of the year that ended on: __________

Loan No.	Name of Borrower	Amount of the Granted Loan	Interest Rate	Outstanding Balance	Date of Approval	Date of First Payment	Number of Installments	Other Notes

Total: __________ __________

2. Number of rejected loans __________ Their Values __________

3. Number of repaid loans __________ Their Values __________

4. Number of loans preojected in the forthcoming quarter __________ Their Values __________

____
Name and Rank of Signatory

____
Bank Signature

156

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date: ___________

Addendum (E) - Form (204)

MONTHLY REPORT ON DUE BUT UNPAID LOANS *

Name of the Bank/Financial Institution: ______________________________

Loan No.	Name of Borrower	Amount of the Granted Loan	Outstanding Balance	Amount of Unpaid Installments	Date of First Unpaid Installment	Number of Days in Delay	Reasons for Non-Repayment	Endeavors for Collection	Other Notes

29

Total:			

Reasons for non-repayment
1. Delay in payment
2. Financial Difficulties
3. No contact has yet been made with the client
4. No response from the client
5. Others (Give detail)

Collection Endeavors
a. Contacts over telephone
b. Reminder Notification
c. Field visits
d. Requests for repayment
e. Legal Warning
f. Seizure for security
g. Recourse to guarantors
h. Filing of lawsuits
i. Others (Detail)

____
Name and Rank of Signatory

____
Bank Signature

* The due loans intended by this form are those loans for which thirty days have lapsed since their due dates

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ________

Addendum (F) - Form (205)

CLAIM TO THE AMOUNT OF THE LOAN

Name of the Bank / Financial Institution: ______________________

1. Loan Number: __________

2. Name of the Borrower / Owner: ______________________

3. Address of the Borrower ______________ ______________ Address of the project ______________ ______________

4. Address of the Owner — Address of the Authorized Director

5. Amount of the granted loan — Guarantee coverage ratio %

6. Rate of interest % — Commission rate %

7. Date of approval / /19 — Date of first installment %

8. Recurrence of instalment and amount of each one:

9. Kind of existing guarantees (Real Estate, Shares, Bonds, Personal Guarantees, Others) ________________________________

10. Estimated amount for the existing guarantees:

11. Degree of the guarantee:

12. Other creditors taking part in the loan and amount of their credit: ________________________________

Continuation for Addendum (F) - Form (205)

13. Measures taken by the participants in the loan:

____

14. Date of last paid installment / /19

15. Amounts of collections after the date of last paid installment:

16. Dates of unpaid installments:

17. Reasons for non-performance: ____

____

18. The outstanding balance of the loan principal upon the start of the non-performing period of the loan:

19. Accumulated interest for the non-performing period:

20. Amount required to be paid:

21. Terms of the bank upon granting the loan: ________________________________

____

22. Procedures for follow up and collection: ________________________________

____

23. Legal procedures taken: ____

____

24. Other comments: ____

____

We hereby do assert that the above mentioned data is correct and that we have undertaken and will undertake to follow up on the borrower and the guarantors thereof by way of taking all legal and judicial measures for collection pursuant to what is stipulated in the Guarantee Agreement concluded with you.

Name and Rank of Signatory Signature

______________________ ______________________

159

THE JORDAN LOAN GUARANTEE CORPORATION LTD.

Date ___________

Addendum (G) - Form (205/a)

LETTER OF CLAIM TO THE AMOUNT OF THE GUARANTEE

Name of Bank / Financial Institution ________________________________

Messrs. The Jordan Loan Guarantee Corporation Ltd.,

Greetings,

We confirm that the loan No. _______ Granted by us to the client ________________ Has been in default for a period exceeding 180 days, therefore it has become due for repayment of a sum equaling the already approved risk coverage ratio pursuant to the articles of the Guarantee Agreement concluded with you on ___________ And in execution of what is stated in the articles of the Agreement and its Addenda, we do hereby submit to you the following forms and documents:

1. A photocopy of the Loan Agreement concluded between us and the borrower.
2. A photocopy of the client's balance sheet as of the date of disbursement of the loan.
3. Form No. (205), Addendum (F) dully filled out.
4. A photocopy of the bank recommendation and its approval on granting the loan.
5. The credit Feasibility Study of the loan comprising the financial and profit and loss statements, the financial analysis and the cash flows.
6. A photocopy of the mortgage documents, the trade license and trade registration certificate.

Continuation for Addendum (G) - Form (205/a)

7. A photocopy of the statements and documents which evidence the exerted efforts for collection. The documents and statements include visits paid to the work site of the borrower, a study of his financial position, letters of claims, warnings, notices sent to guarantors, measures taken for-collection such as seizure for security and foreclosure of the collaterals in kind in addition to other relevant legal and judicial procedures.

8. The bank's opinion on the possibility of collecting the due amounts.

Furthermore, we will provide you with any information or other dates you deem necessary to facilitate the procedures for this claim.

Name and Rank of Signatory	Signature
_______________	_______________

161

Addendum H
Letter of Commitment

Date________

To:____________________
____
____

From: JLGC

Re:

Name of Borrower
Name of Guarantor(s)
Collateral Description
Amount of the Loan
Interest Rate
Maturity/Tenor of Loan
Coverage Ratio/Amount of Coverage
Foreign Buyer
Origin of Imports (if any)

Dear Sirs,

We refer to your form 202 Notification dated________ with respect to the above referenced loan.

Kindly be informed that we have approved the loan from the purposes of the Guarantee Agreement entered into between us on _________ and we, therefore, agree to guarantee the said loan pursuant to the terms of the Guarantee Agreement up to the abovementioned amount of coverage.

Best regards.

For & on Behalf of
JLGC

By ____________________

Name ____________________

Title ____________________

162

Addendum I
Letter of Denial

Date________

To:_____________________
____
____

From: JLGC

Re:

Name of Borrower

Dear Sirs,

We refer to your form 201 Notification dated________ with respect to the above referenced loan.

We regret to inform you we have declined the loan for the purposes of the Guarantee Agreement entered into between us on _________ . This declination is due to_(insert reason)_ .

Sincerely,

For & on Behalf of
JLGC

By __________________

Name __________________

Title __________________

163

JORDAN LOAN GUARANTEE CORPORATION

VOLUME VII
MARKETING STRATEGY

Prepared By
FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

164

MARKETING STRATEGY

TABLE OF CONTENTS

165

MARKETING STRATEGY

I. INTRODUCTION

JLGC has a Marketing Strategy in place and this document will highlight the basic elements being used in the implementation of it. The focus here will be on the PEGP and not the two other programs currently offered by JLGC. The Marketing Strategy for PEGP has several elements which are comprised of the following:

A. Calling program on banks and exporters;
B. Seminars and workshops for banks and exporters;
C. Advertising;
D. Use of the JEDCO mailing list;
E. Quarterly reports to the exporting community.

166

II. CALLING PROGRAM ON BANKS AND EXPORTERS

This program will involve the Director General and the Division Manager of the Marketing Division. The Director General will attempt to make two calls per week on the senior management of each of the 21 potential participating banks in the PEGP. The banks will be prioritized and this process at the commencement of the pre-export guarantee program could take up to twelve weeks. Maintaining contact with the participating banks on a prioritized basis the Director General will follow - up by visits and by phone. An attempt will be made to continue making two visits per week until the PEGP has reached sufficient maturity. After that the Director General will maintain contact with the banks as is deemed appropriate.

The Division Manager of the Marketing Division will work with the Director General in prioritizing the banks as to the most likely to finance exports and utilize the PEGP. The Division Manager will also conduct an initial marketing call at each of the 21 potential participating banks with his visits following that of the Director General. He will be visiting the credit officers and appropriate coordinators at each of the banks. His follow-up scheduling of visits to the banks will depend on the prioritization process. These visits will be coordinated with the Seminar Program for banks (to be discusses later in this document).

Concerning the calling program on exporters this function will be conducted by the Division Manager of the Marketing Division. By performing proper research, a universe of approximately 300 exporters will be determined and calls will be attempted at each of them. This target market will be called upon at the rate of twelve per week with an attempt to visit all of them within a six month period. Visits will be directed at the export managers and financial officers of each subject company. Follow-up visits will be scheduled as appropriate.

The Division Manager will coordinate visits at exporters with the participating banks' marketing staffs as much as possible.

167

III. SEMINARS AND WORKSHOPS FOR BANKS AND EXPORTERS

This concept has been successful for the existing Loan Guarantee Program and the JLGC believes it will be successful again for the PEGP. The following are the plans for this activity during the implementation phase of the PEGP:

A. Two seminars will be conducted in conjunction with JEDCO, the first in April and the second in October of this year. This attempt to reach the exporter market will be supported by identifying one or two exporters to participate in the October seminar to explain to the audience how JLGC and the PEGP have benefited their business.

B. One seminar in conjunction with the Amman Chamber of Industry to explain the PEGP to its members. This will be scheduled for May of this year.

C. Two seminars in conjunction with the Jordan Industrial States Corporation. One will be held in Sahab in June of this year and the other in Irbid during July. Regarding the Irbid seminar both banks and exporters will be invited to attend.

D. One seminar in conjunction with the Zarqa Chamber of Commerce. This will be geared to exporters in the Zarqa area including the Zarqa free zone area. Banks will also be invited with the projected date being set for May of this year.

E. Twelve workshops will be scheduled for banks over the next year with an attempt to conduct one per month. The attendance at these will be part of the prioritization process. The first workshop will be scheduled for April at the Institute of Banking Studies. After that workshops will be held at the Institute and inside individual banks. Naturally the greater usage and interest received from a bank, the more likely to conduct a workshop for an individual bank and its officers.

   Attendees from banks will include administrative management, credit officers and marketing officers. These workshops can be utilized to increase the working relationships with each bank on both the credit and marketing levels. In this latter case, it will give the Division Manager of the Marketing Division a greater opportunity to make marketing calls on exporters on a joint basis with bank staff.

IV. ADVERTISING

A consistent advertising campaign will be conducted for the PEGP. This will include:

A. Advertisements will be placed in newspapers twice each quarter.

B. Advertisement in The Amman Chamber of Industry magazine three times a year, April, August, and November.

C. Advertisement in the Amman Chamber of Commerce Magazine twice a year, May and September additions.

D. A poster is to be displayed at banks, Amman Chamber of Industry, Chambers of Commerce across Jordan, JEDCO and JTA. This poster will be designed after the existing poster for the Loan Guarantee Program.

E. A brochure will be designed and printed for distribution to banks and exporters describing the PEGP. This will also be designed using the same format as for the existing brochure on the Loan Guarantee Program. In addition it will focus on the features unique to the PEGP. This brochure is being drafted now and should be ready by the April 1st, starting date of the PEGP.

F. The JLGC Annual Report will be used as a marketing and advertisement document in appropriate cases.

169

V. USE OF JEDCO MAILING LIST

This list will provide a universe of approximately 1,500 names of exporters and the brochure described under 4 (E) above will be mailed to each of the exporting companies on the list. This will provide an initial, wide distribution network for the PEGP.

170

VI. QUARTERLY REPORT TO THE EXPORTING COMMUNITY

A database will be collected starting with participating banks and the JEDCO Mailing List. This database will grow as JLGC conducts the PEGP and will provide a listing of recipients for the quarterly report. The report will be communicated via fax and will provide the recipients the latest information about the PEGP, including information on how they might benefit from becoming active with the PEGP.

171

JORDAN LOAN GUARANTEE CORPORATION

VOLUME VIII
SCOPE OF WORK FOR
TRAINING NEEDS ASSESSMENT

Prepared By

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia, U.S.A. 22209

APRIL 1996

172

SCOPE OF WORK FOR TRAINING NEEDS ASSESSMENT

TABLE OF CONTENTS

172

SCOPE OF WORK FOR TRAINING NEEDS ASSESSMENT

I. Background

On September 29,1994, the Ministry Of Planning (MOP) advised USAID of its intention to establish an export credit guarantee facility (ECG) in the Jordan Loan Guarantee Corporation (JLGC) and requested USAID to provide funding for technical assistance to evaluate their intended approach.

USAID provided resources for a feasibility study in the spring of 1995. The objective of the study was two fold: to evaluate the feasibility of a ECG in Jordan and to design a technical assistance program for such a facility to be housed at the JLGC. The study indicated that there was a need to improve access to export finance facilities in Jordan, particularly for micro and small enterprises (MSEs). It also concluded that an ECG can provide improved access by two means: through the issuance of guarantees to banks which in turn encourages them to extend credit to Jordanian exporters to finance the pre-export phase of the export cycle; and following shipment, through the issuance of guarantees to exporters to protect against the risk of non-payment by overseas buyers caused by commercial or political events in the country of the buyer. Given current circumstances the study concluded that the JLGC was the most appropriate entity in Jordan to carry out these two functions.

On July 3,1995, the Central Bank of Jordan (CBJ) officially informed USAID that JLGC's Board of Directors had decided to establish an ECG on October 1,1995. In the same letter USAID was informed that JLGC's capital will be increased from JD 7 million to JD 10 million to support the undertaking. In consecutive meetings with MOP and CBJ, USAID proposed conditionally, and subject to later confirmation in writing, to reimburse CBJ an amount of $2.5 million towards an increase in JLGC's capital provided that such funds would only be used to support MSEs.

On January 7,1996, First Washington Associates commenced a six week consulting assignment to assist JLGC in launching the pre-export guarantee aspect of the ECG. It is expected that a post-shipment guarantee program will be launched toward the end of 1996.

174

II. The Company

Jordan Loan Guarantee Corporation (JLGC) was established in 1994 with a capitalization of 7 million JD. This is now being raised to 10 million JD. There are 24 shareholders including the Central Bank of Jordan, 17 commercial and specialized banks, 2 insurance companies and several other private investors.

JLGC guarantees loans made by banks to small and medium size private sector businesses in Jordan. There is, presently, one program which offers guarantees for working capital and capital investment projects (equipment, etc.) . Long term projects can carry guarantees out to six years. By year end 1995 JLGC had issued guarantees in force of approximately 1.8 million JD and the total value of the loans involved was 4.4 million JD.

JLGC has instituted a second program to provide guarantees to banks for housing loans. As mentioned previously the company is now commencing a program to guarantee bank loans for pre-export finance and later in 1996 intends to begin a program for post -shipment coverage regarding Jordanian exports.

1125

III. The Task

The task is to produce a needs assessment of the training requirements for the JLGC staff. This involves the whole JLGC group and not just the Pre-Export Guarantee Program (PEGP). As noted earlier JLGC currently extends a working capital guarantee program for bank loans to MSEs. This same program also covers longer term loans for the purpose of investing in capital assets. There is also the guarantee program for housing loans.

The task includes determining what training needs are required for this staff, where that training is to take place and what it will cost to complete. It is expected these actions can be completed in five working days.

Training will need to be provided for the various professional groups: Executive Office, Studies Division, Marketing Division and Finance/Administration Division . The professional staffing of these groups is as follows:

Executive Office - Director General

Studies Division - Division Manager. This individual is the number two officer in the company and serves additionally as the Secretary to the Board of Directors.

Loan Guarantee Division - This division manages the two existing guarantee programs offered to the banks. There is a Division Manager, one underwriter and two systems specialists. It is anticipated one additional underwriter may be added during 1996.

Export Credit Guarantee Division - This division manages the PEGP and will manage the post-shipment program once it is initiated. There is a Division Manager and one underwriter. It is anticipated one additional underwriter may be added this year for the PEGP. Staffing for the post-shipment program has yet to be planned.

Marketing Division - Division Manager

Finance / Administration Division - There is a Division Manager, Deputy Division Manager and a professional to manage the Human Resources function.

One or more members of senior management must learn the various aspects of managing an export credit guarantee program. There are only two institutions in the world which provide a range of courses especially tailored for ECA management: FWA of the United States, established in 1977, which offers 26 different specialized courses of 16 hours each for ECA managers and technicians and Prisma Risikoservice Gmblh of Austria, established in 1994, which offers one course of 20 hours covering the fundamentals of export credit insurance. FWA can offer the courses either in Washington or Amman. Prisma offers its course in Vienna. FWA's 1995-1996 course catalog is appended hereto, along with Prisma's first one-week course offering. In addition, JLGC managers could benefit from the 1-4 day orientation courses in program mechanics offered by the U.S. Eximbank, EDC of Canada, ECGD of the UK, and others. Determining which of these is appropriate will be part of the task. The amount of time to spend at courses and orientation sessions will have to determined and an appropriate training program drafted.

There are a number of other subjects that need to be considered when analyzing the training requirements for JLGC and the implementation of the scope of work will identify them. In addition to the professional staff, there is the administrative / clerical staff at JLGC which has training needs. This factor must be considered when performing the needs assessment task.

The time involved to achieve this training must be balanced with the cost for same. Reaching this balance is the crux of completing the task.

177

Addendum "A"

Offered By:

FIRST WASHINGTON ASSOCIATES, LTD.
1501 LEE HIGHWAY, SUITE 302
ARLINGTON, VIRGINIA 22209

U.S.A.

Telephone: (703) 525-0966
Facsimile: (703) 276-8851

CATALOG OF TRAINING COURSES

FOR EXPORT CREDIT AGENCIES

1996-1997

IV. ADDENDA TO THE SCOPE OF WORK FOR TRAINING NEEDS ASSESSMENT

A. Fwa Catalog of Training Courses
B. Prisma Catalogue of Subjects First Meeting ECA Managemnet Training

179

TABLE OF CONTENTS

190

TABLE OF CONTENTS

181

TABLE OF CONTENTS

- 182

GENERAL INFORMATION

The list of FWA instructors is given at the end of this catalog, together with a brief summary of their credentials. Each instructor has a minimum of 20 years' experience in the field of export credits, guarantees and insurance, and several have 30 years or more in ECA operations. All are seasoned trainers.

Each course consists of 16 hours of instruction time, scheduled over a 4-day period. Real case studies from export credit agencies around the world are utilized and attendees are intensively involved in classroom discussions and problem-solving.

The FWA courses are offered either in Washington, D.C. or in the export credit agency's own offices if there are enough participants. Tuition is $1,500 per participant for each course. Discounts will be given for groups of 10 or more.

In addition to the specialized courses in export finance listed in this catalog, FWA is able to offer a full range of courses in all aspects of commercial banking and international finance through its joint venture arrangement with the Bank Administration Institute of Chicago, Illinois. BAI is the oldest and largest bank training institute in the United States and is widely recognized as one of the best bankers' colleges in the world.

Export credit agencies interested in participating in FWA's training courses are urged to fill out and return the registration at the end of this catalog. Detailed descriptions of each course offering are given on the pages which follow.

187

BASIC COURSES

Course No.:	*ECA 001*
Title:	**Fundamentals of Export Credits, Guarantees and Insurance**
Instructor:	**Hamilton, Goldhar**
Curriculum:	This course is designed for new managers of export credit agencies who have a background in banking and finance but need additional training in the fundamentals of ECA policies, procedures and program mechanics. It covers the rationale for each program, different approaches to the coverage or service provided, staff requirements, and financial results. It also looks at the big picture of the role played by ECAs in the national economy, limitations on ECA operations, and factors for ECA success over the long-term.

184

Course No.: *ECA 002*
Title: **Fundamentals of International Investment Insurance**

Instructor: **Greene, Urban**

Curriculum: Covers the theory and practice of international investment insurance: its rationale, history, results, and mechanics. Offers useful guidance for the design or revision of investment insurance programs and discusses procedures followed by investment insurers from analysis of individual applications to the maintenance of a reasonably balanced and properly monitored book of business.

183

SPECIAL TYPES OF FINANCING

Course No.: *ECA 003*

Title: **Working Capital Programs for Exporters -Theory & Practice**

Instructor: **Roberts, Seifert**

Curriculum: This course covers the theory and practice of increasingly popular working capital loan and guarantee programs offered by ECAs to exporters and banks. The similarities and differences between pre- and post-shipment requirements are highlighted, and the special analytical procedures applicable to pre-shipment finance are examined. The success of certain model programs will be discussed, along with the failures of other prototypes and the reasons therefore. The similarities with traditional domestic credit insurance are covered, and the rationale for ECA involvement is analyzed in detail. Differences between developing and industrial countries in this area will also be examined.

Course No.: *ECA 004*
Title: **Latest Techniques of Project Financing**

Instructor: **Albright, Greene**

Curriculum: This course gives a comprehensive evaluation and details of the latest developments in international project financing. It covers criteria for successful financing, borrower-lender relations, types of capital and debt, sources of equity and debt, instruments used in raising funds, and special national requirements. Detailed examination is made of mixed credits, cofinancing with international financial institutions, cooperation with MIGA, and use of regional financing institutions. Joint financing of projects by several export credit agencies is covered. Attention is also given to the subject of how to maximize private sector contributions to financing.

187

Course No.: *ECA 005*
Title: **New Types of ECA Policies and Financial Instruments**

Instructor: **Roberts, Urban**

Curriculum: This course provides an intensive analysis and insight into new types of ECA policies and financial instruments: who offers them, what they look like, experience to date with them, problems which have arisen, needs they satisfy, and prospects for future use. The instruments and insurance policies discussed include exchange risk insurance, lease insurance, performance bond coverage, transit trade insurance, dealer/distributor coverage, etc. The course also familiarizes participants with new financial instruments, including note issuance facilities (NIFs), floating rate notes (FRNs), RUFs, interest swaps, etc.

18

MARKETING & PROMOTION

Course No.: *ECA 006*
Title: **Marketing ECAs Services: Techniques That Work**

Instructor: **Greene, Hamilton,**

Curriculum: This course helps management to target potential users of its services and shows how to reach them. It also identifies non-users who must be well informed about the agency's services. Pros and cons of paid advertising, public relations, and free publicity are reviewed. How to select the proper medium for each message and how to place material effectively are discussed. The relative importance, costs, and benefits of one-on-one meetings, seminars, trade associations, newspapers, special interest publications, brochures, and television are integrated into the curriculum. Using actual and hypothetical case studies, participants gain "hands on" experience in developing long range marketing plans. Budgeting and staffing for marketing activities are also included in this course.

Course No.: *ECA 007*
Title: **Building Public and Private Support for the ECA**

Instructor: **Greene, Hamilton**

Curriculum: This course explores how political and economic issues affect export credit agencies. It gives guidance in analyzing the causes and effects of export credit, guarantee and insurance operations on production, prices, employment, investment, the balance of payments and government budgets. Various ways to measure and estimate the economic impact of ECA operations are explained, together with the limitations of each method. The course then explains how to utilize the information gathered in building support for the ECA with government agencies and private sector groups.

189

GENERAL RISK ASSESSMENT

Course No.: *ECA 008*
Title: **Credit Risk Analysis for ECAs**

Instructor: **Seifert, Urban**

Curriculum: This course is designed for technicians and managers desiring to increase their credit evaluation skills and reduce the incidence of losses on export credit transactions. It examines in detail the underwriting methods used by the most successful ECAs in the world and considers how to improve the quantity and quality of credit and financial information without compromising timeliness. The limitations, drawbacks and problems of using certain information sources are discussed. Classical analysis techniques are studied and criticized and newer underwriting systems explained. Credit scoring models, as well as certain pre-qualification and credit limit increase systems are covered. Collateralization possibilities are fully explored, and ways to improve feedback from the claims operation are analyzed in detail.

Course No.: *ECA 009*
Title: **Country Risk Analysis for ECA's**

Instructor: **Gianturco, Goldhar**

Curriculum: This course shows how to classify and evaluate country risks of both an economic and political nature. Different systems of analyzing risk will be explained, both quantitative and qualitative. Historical experience is examined, together with predictive models. Various sources of information on country risk, and their strengths and weaknesses, are discussed. Different agencies' systems for risk evaluation and management are analyzed. Econometric models for measuring country risk are explained, as a simple market-based

190

method. Differences between short, medium and long-term risk evaluations will be explored. The class performs country risk analyses using different systems and actual current cases.

191

SPECIALIZED RISK ASSESSMENT

Course No.: *ECA 010*
Title: Latin America & Caribbean Countries Risk

Instructor: Goldhar, Hamilton

Course No.: *ECA 011*
Title: Asia & Middle East Country Risk

Instructor: Goldhar, Urban

Course No.: *ECA 012*
Title: Africa Countries Risk

Instructor: Caracciolo, Seifert

Course No.: *ECA 013*
Title: Central/Eastern Europe & Former S.U. Countries Risk

Instructor: Edgecombe, Goldhar

Course No.: *ECA 014*
Title: **Industrial Countries Risk**

Instructor: **Greene, Hamilton**

Curriculum: Each of these courses analyzes the com mercial, economic and political risks of short, medium and long-term export credits extended to countries of the geographic region. The risk profile of each individual country in the region is analyzed with regard to past and present perceptions and how actual payment performance has varied over time. A detailed examination is made of key economic indicators in each country. Expectations for future economic performance are evaluated, and prospects for partial stability in coming years are analyzed in depth.

193

FINANCIAL MANAGEMENT

Course No.: *ECA 015*
Title: **ECA Premiums and Fees**

Instructor: **Gianturco, Smith**

Curriculum: This course explains the theory and practice of setting premiums and fees for different ECA services, trends in different countries, and the needs of international competitiveness. The limitations of using premiums and fees as a risk-reducing device are analyzed, along with other alternatives to reducing the ECA's risks.

Course No.: *ECA 016*
Title: **ECA Capital and Reserving Policy**

Instructor: **Gianturco, Smith**

Curriculum: This course examines the theory and practice of establishing appropriate capital and reserves to absorb losses, and the effects that these reserves have on management of the export credit agency. New reserving practices of ECAs and related accounting changes are explained, along with a discussion of how bank regulatory agencies are changing their views of appropriate capital and reserves. A number of conflicting interests must be balanced in determining reserves and these are related through the examination of particular cases.

Course No.: *ECA 017*
Title: **ECA Portfolio Reviews**

Instructor: **Seifert, Proctor**

Curriculum: This course teaches ECA personnel how to review thoroughly a loan, guarantee and insurance portfolio, according to standards of acceptable performance and degrees of collection difficulty based on the most recent experience of other export

199

credit agencies and new banking standards. Students are taught how to analyze borrowers' capacity, as well as country and sector risks. They are shown how to establish formulae for adequate provisions against bad debts and the development of rehabilitation programs related to levels of difficulty through rescheduling, restructuring and recovery policies. The effects of the portfolio review are related to balance sheet loan values, debt funding, capital and reserves. Instruction is given on the latest computerized procedures to track credit performance and improve appraisal capability.

Course No.: *ECA 018*
Title: **ECA Program Reviews**

Instructor: **Albright, Roberts**

Curriculum: This course teaches program managers and analysts how to take a critical, objective view of what they are doing and relate it to broader goals of the country, other government ministries, and the rest of the export credit agency. It discusses how to identify and define program objectives and how to construct indexes to measure the accomplishment of these objectives. Program managers are taught to recognize the factors responsible for non-achievement of goals, and are given ideas on how changes in systems, policies, programs and procedures can affect future performance.

195

PLANNING

Course No.: *ECA 019*
Title: Strategic Planning for ECA Managers I

Instructor: Albright, Gianturco

Curriculum: This is the first part of a two-course offering to teach ECA managers how to prepare and revise a strategic plan. It helps to define the position of the ECA in the economy, costs of the activity, competing priorities, extent to which the agency meets perceived needs, and international factors to consider. It examines the government's objectives, exporters' objectives, and the agency's objectives, and ways to insure better linkage between the three. Detailed instruction is given in individual program analyses, cost-mix, analysis of needs, analysis of international competition, analysis of competing domestic sources of assistance, adaptation of existing programs and introduction of new programs.

Course No.: *ECA 020*

Title: **Strategic Planning for ECA Managers II**

Instructor: **Albright, Gianturco**

Curriculum: This is the second part of the two-part course offered in strategic planning. It covers the steps that should be followed after identifying ECA program needs. The course discusses how to estimate resource requirements associated with program needs: personnel, physical, financial and other. It also shows how to define and mobilize support requirements from outside sources, in various configurations. Considerable attention is given to the preparation of detailed projections for inclusion in the strategic plan: economic, operational, financial, and other. Methods for testing and changing the strategic plan to conform to new circumstances are also covered.

ADMINISTRATIVE SERVICES

Course No.: *ECA 021*
Title: **Human Resources Management for ECAs**

Instructor: **Greene, Urban**

Curriculum: This course examines the latest techniques in personnel management and development in export credit agencies worldwide. It covers how to select new employees, including psychological testing, interview techniques, and background checking. It also explains how to analyze the quantity of staff needed, personnel motivation and performance analysis, employee skills improvement, select the best people for promotion and handle adverse situations. The special requirements needed to work closely with exporters and banks, compensate for salary disparities, and meet customer demands for prompt and effective service are related to personnel management. The role of training in upgrading staff performance is considered. Participants are shown how to forecast staff needs for the future and develop a manpower plan.

Course No.: *ECA 022*
Title: **ECA Management Information Systems: Improving Content & Use**

Instructor: **Gianturco, Smith**

Curriculum: This course explains the different elements of management information systems (MIS) in use at export credit agencies around the world and helps the participants to identify those segments which are missing from their own system and could profitably be added. The instructor explains those elements of the MIS used for record keeping, analysis, coordination, control and planning. The sources and uses of various types of management information are described in detail and samples of output will be examined. The participants are taught how to help design an optimal management information system for their own organization and all the factors to be considered when changing the existing system.

PROBLEM LOANS

Course No.: *ECA 023*
Title: **Claims and Collections - How to Succeed**

Instructor: **Proctor, Vatter**

Curriculum: This course focuses on ways of improving efficiency of claims processing and increasing the probability of recovery. Methods used with greatest success by individual ECAs are examined. Coordination of the claims and underwriting functions are discussed, and the latest advances in computerization of the ECA claims process is explained. The use of outside lawyers and agents for collection activity is compared and contrasted with results from in-house efforts. The secrets of the most successful recovery agents are discussed, with extensive use of the case study method.

199

Course No.: *ECA 024*

Title: **Rescheduling ECA Loans: Protecting Your Interests,**

Instructor: **Hamilton, Proctor**

Curriculum: This course addresses two classifications of rescheduling: the first involves the inability or unwillingness of a buyer's government to service external debt. This covers operational details of Paris Club rescheduling, including classes of debt excluded, the Agreed Minute, and bilateral and implementing agreements. The second type of rescheduling involves loans where the borrower (usually private sector) is unable to effect timely repayment. In this kind of situation, the problem is not one of lack of access to foreign exchange, but rather operational and/or financial problems encountered by the borrower. Such problems can include construction delays, postponed cash flow for debt service, commercial risks, adequacy of guarantees or other collateral, etc. A key question which is addressed is how to decide whether loans in this category should be accelerated or restructured. Courses and remedies for different types of rescheduling situations are explored in detail, together with formulae for assuring that the export credit agency's interests are protected.

INTERNATIONAL SUPPORT

Course No.: *ECA 025*

Title: **Working With International Financial Institutions**

Instructor: Goldhar, Roberts

Curriculum: This course considers separately the World Bank, International Finance Corporation, Inter-American Development Bank, Asian Development Bank, African Development Bank, Islamic Development Bank, and other IFIs. It analyzes technical assistance for ECAs and how to obtain subsidiary services such as advance notices of financial opportunities, country risk assessment, training and conferences, etc. Evolving IFI policies with respect to guarantees, new financial instruments, cross default clauses and other factors affecting co-financing with export credit agencies are discussed. The IFIs' operating procedures, regulations and paperwork are explained in detail as they affect the ECA.

Course No.: *ECA 026*
Title: **International Sources of Funding and Risk-Sharing**

Instructor: **Gianturco, Goldhar**

Curriculum: This course explains how a number of export credit agencies have successfully tapped international money and capital markets to fund their operations, including steps they have taken to maximize their credit rating and differentiate their borrowing from that of other public sector organizations. It shows how international financial institutions and concessional lenders can be utilized by ECAs. The course also covers coinsurance and reinsurance possibilities, and discusses the techniques of negotiating the best agreements internationally.

207

INSTRUCTORS

RAYMOND J. ALBRIGHT is a former Senior Vice President for the Export-Import Bank of the United States. There he also held various Vice President positions, including Planning and Research, Country Risk Analysis, Europe and Canada and Asia. Mr. Albright has 25 years' experience in export credit, guarantees and insurance work.

JOHN L. CARACCIOLO has 20 years of consulting and supervisory experience in trade finance, agriculture credit and development banking, including extensive management of training activities in these disciplines.

LLOYD S. EDGECOMBE formerly held senior executive positions at the Export Finance and Insurance Corporation (EFIC), Australia's official export credit agency, including General Counsel and Manager of the Project Finance Division. Earlier, he was partner in a law firm specializing in financial matters.

DELIO E. GIANTURCO, President of First Washington Associates, was formerly Vice-Chairman of the Board of Directors of the Export Import Bank of the United States, Vice President of the International Union of Credit and Investment Insurers (Berne Union) and Adjunct Professor of international

business at George Mason and Georgetown Universities.

LAURA K. GOLDHAR was previously Banking Advisor at the Institute of International Finance and Director of Trade Finance and Export Advisory Services at the Chase Manhattan Bank. She was also Assistant Manager of the Foreign Credit Insurance Association and a financial economist and loan officer at the Export-Import Bank of the United States.

EDWARD A. GREENE, former Managing Director of a merchant bank in London and an experienced int
ernational banker, had prior service at the U.S. Department of Treasury and the Export-Import Bank. With 25 years of experience, he has specialized in project finance, foreign direct investment and trade finance issues.

203

ALBERT H. HAMILTON, formerly in charge of public affairs, marketing, training, and intra-governmental relations at the Export-Import Bank, represented the U.S. in country debt reschedulings at the Paris Club. He has had more than 30 years of experience in ECA work.

STEPHEN D. PROCTOR was previously Vice President - Claims and Recoveries at the Export-Import Bank. Earlier he was Senior Counsel in the office of the General Counsel at Eximbank. Mr. Proctor has 27 years of experience with export credit, guarantee and insurance management.

ROGER ROBERTS was formerly Vice-President, Project Finance at Bank of America. He was also a Loan Officer at Eximbank and an Adjunct Professor of International Business, San Francisco State University. Mr. Roberts has had over 25 years' experience in export credit work.

JANE SEIFERT, was formerly a Vice President at the Chase Manhattan Bank and Bankers Trust Company. She has served as consultant and trainer at commerical banks in the U.S. and abroad and has 25 years' experience in financial management and training.

W. STEVENS SMITH, a former Treasurer Comptroller at Eximbank and Adjunct Professor at Georgetown University, has had 20 years of experience in international trade finance work, including extensive training experience in management information systems and computerization for ECAs in the U.S., Africa, Asia and Latin America.

CAROL OMAN URBAN, First Vice-President and Treasurer of First Washington Associates, was formerly an underwriter at the Foreign Credit Insurance Association and an international loan officer at Chase Manhattan Bank. Ms. Urban has had over 25 years' experience in ECA management consulting and training.

PETER VATTER was formerly Deputy Vice President of Eximbank's Claims and Recoveries unit, working mainly in Central and South America. He has had 30 years of experience in international trade finance.

205

APPLICATION FORM

TO: Mr. Albert Hamilton
Training Coordinator
First Washington Associates
1501 Lee Highway, Suite 302
Arlington, Virginia 22209
U.S.A.

We are interested in participating in your training programs for ECA managers and staff, and have indicated below the courses of interest, potential number of participants, and desired scheduling. We understand FWA will contact us by return mail to provide further details and help us to reach agreement on a training program for our organization.

206

REGISTRATION FORM

Name ______________________________

Title ______________________________

Export Credit Agency ____________________

Courses of Interest:

Course Title	Number of Participants

207

About First Washington Associates

First Washington Associates (FWA) is an international management consulting firm offering technical assistance and training in the financial sector. Since its founding in 1977, FWA has worked in 85 countries around the world. FWA has been retained to provide its expertise for the establishment or improvement of export credit, guarantee and insurance agencies in 60 of those countries, as well as in a dozen states of the U.S.A.

FWA is a trusted source of information on all aspects of international trade finance, much of which is published in the FWA Quarterly, a newsletter distributed as a public service four times a year to managers of export credit agencies.

FWA welcomes enquiries regarding its consultants, facilities, and services.

208

Addendum "B"

Catalogue of Subjects
First Meeting
ECA Management Training

Provisional Program
First week : June 20 - 24, 1994

"Basis for Underwriting and Monitoring of Creditworthiness
- Commercial risks"

Day 1

a) Introduction:
Importance of export promotion measures in the form of export credit-insurance and export finance / Part 1 — Moser, 2 hours

b) Sources of information - General Survey

- Information agencies
- Other credit insurers
- Banks
- Buyers (auto-information)
- Experience (notifications of delay and extension)
- Press reports
- Balance sheets
- Existing commitments for a buyer / a group

Peraus, 1 hour

c) Services of information agencies — KSV, 2 hours

d) How to read credit information with the help of case studies / Part 1 — KSV, 2 hours

e) The information rendered by other credit insurers with case studies / Part 1 — Schmütsch, 2 hours

EXPORT
CREDIT
INSURANCE

Day 2

a) Bank Information with the help of case studies	CA/ Haberzettl 2 hours
b) Buyer (auto-information) / Part 1	Machan 1 hour
c) Experience (notification of delay and extension)	Hofer 1 hour
d) Press reports	Hofer 1 hour
e) Existing commitments for a buyer / a group	Hofer 1 hour
f) Organisation structure regarding credit decisions	Hofer 1 hour
g) Calculation of credit rating and control fees	Hofer 1 hour

Day 3

Balance sheets	
Part 1 - Introduction	) to be
Studying material for further work	) announced
Comments to Part 2 and 3 (autumn)	) 6 hours
Technical support for balance sheet analysis in a bank	OeKB 2 hours

Day 4

Requirements on information system to establish a sound basis for underwriting, monitoring of creditworthiness and risk management of the credit insurer	
a) Gathering of information	)
b) Underwriting	) to be
c) Monitoring of creditworthiness	) announced
d) Risk management including reinsurance aspects	) 6 hours
e) Rating and Control fees	)
f) History, on-line connections, archive, multiplicator, decision structure, etc.	)
Special vocabulary for reinsurance and other international relations I	Stöcklöcker 2 hours

Day 5

Workshops (2 groups) Underwriting I	Hofer, 2 hrs Schmütsch, 2 hours Machan, 2 hrs
Organisation of timetable of the remaining program	Peraus 2 hours

Wa003eci

JORDAN LOAN GUARANTEE CORPORATION

VOLUME IX
SCOPE OF WORK FOR
THE MIS REQUIREMENTS

Prepared by

FIRST WASHINGTON ASSOCIATES, LTD.
1501 Lee Highway, Suite 302
Arlington, Virginia 22209

APRIL 1996

TABLE OF CONTENTS

213

I. INTRODUCTION

214

Introduction

In an industry where information is one of the most important resources, it becomes an imperative that an institution such as the Jordan Loan Guarantee Corporation (JLGC) charts a proactive Information Technology Strategy that not only empowers JLGC employees to make sound business decisions but also enables them to better serve participating financial institutions and hence better serve the business community.

The purpose of this review is to prepare a 'Scope of Work' document that outlines what Information Technology Infrastructure (Hardware and Software) should be deployed to enable the JLGC to carry out its current and future business operations in a more efficient manner.

The content of the 'Scope of Work' document, or Information Technology Strategy, prepared for the JLGC was based on an overall understanding of the JLGC's business operations, interviews with key people in the organization, and an assessment of the hardware and software currently in place.

Introduction

The JLGC, through The United States Agency for International Development (USAID) in Jordan, has acquired computer hardware in order to automate its business processes. ***Accordingly, this IT Strategy was prepared based on the already acquired computer hardware.***

This deliverable consists of the following four main sections:

- An Information Systems Map which identifies what software is required to enhance the business operations at the JLGC.
- An Application Interface Matrix which presents an overall guideline of how the applications recommended in the previous section should interface with one another.
- An Information Technology Architecture which presents our recommendations with regards to how the software and hardware architectures at the JLGC should look.
- A Migration Plan which presents a suggested order for developing/acquiring applications.

Finally, 'Appendix A' covers some of our comments on the current IT operations at the JLGC.

2/6

II. INFORMATION SYSTEMS MAP

217

Introduction

The first step of building JLGC's Information Technology Strategy was identifying the core business operations at all organization levels. Once these core operations were identified, an assessment of how and where technology can be deployed to enhance the performance of the JLGC staff was carried out.

The output of this exercise is documented in the form of an Information System Map which maps business operations to Information System Requirements, and an Information System Description Grid which includes a brief description of each System in the map in addition to a recommendation on whether it should be custom-developed or ready-made. The brief description of each System is intended as an overall guideline and in no way should it be used as detailed user requirements/evaluation criteria according to which Systems should be developed/acquired.

The final page of this section includes notes on how the development and/or procurement of the Information Systems should be handled.

ZIP

Information Systems Map

ORGANIZATIONAL LEVEL	BUSINESS OPERATION	INFORMATION SYSTEMS REQUIREMENT
Operational Control Level	Accounting & Administration	☑ Payroll System ☑ Financial Accounting System ☑ Shareholders Info. Management System ☑ Human Resource Management System

2/9

Information Systems Map

ORGANIZATIONAL LEVEL	BUSINESS OPERATION	INFORMATION SYSTEMS REQUIREMENT
Management Control Level	Loan Guarantee Program	☑ Loan Guarantee Processing System
	Export Credit Guarantee Program	☑ ECG Processing System ☑ Credit Analysis System
	Marketing	☑ Marketing Information System ☑ Customer Feedback System
	Research	☑ Library Management System

Information Systems Map

ORGANIZATIONAL LEVEL	BUSINESS OPERATION	INFORMATION SYSTEMS REQUIREMENT
Strategic Planning Level	Investment Management	☑ Investment Portfolio Management System
All Levels	Office Automation & Productivity Tools	☑ Document Archiving & Management System ☑ Electronic Mailing System ☑ Connectivity to External Data Banks ☑ Productivity Tools

Information System Description Grid

Organizational Level: Operational Control

Business Operation: Accounting & Administration

Information System: Payroll System

Brief Description:

The Payroll System should support deductions, allowances (fixed or variable), exemptions (family, rent, educational, etc.), social security, saving funds, loans, medical insurance deductions, salary increases, and tax calculation. It should be able to support hourly, salaried, and commissioned employees. The System should also support one time salary transactions and bonuses.

Development Recommendation: ☐ Custom-Develop ☒ Acquire Ready Made

Information System Description Grid

Organizational Level: Operational Control

Business Operation: Accounting & Administration

Information System: Financial Accounting

Brief Description:

The Financial Accounting System should contain standard accounting modules such as General Ledger, Accounts Payable, and Accounts Receivable. Features should include a flexible account number structure, a flexible Chart of Accounts, easy entry of initial account balances, budgeting features, audit trail features, and recurring journals support. The System should provide account maintenance and customer information maintenance support. Additionally, the System should produce summary/detailed Balance Sheets, summary/detailed Trial Balances, Profit & Loss Statements, in addition to the support of online inquiries.

Development Recommendation: ☐ Custom-Develop ☒ Acquire Ready Made

223

Organizational Level: Operational Control

Business Operation: Accounting & Administration

Information System: Human Resource Management System

Brief Description:

The Human Resource Management System should keep track of information related to employees. Such information should include employee basic information, family and children information, medical insurance details, education, previous and current experiences, sick leaves and annual vacations. Furthermore, the System should keep track of the employee's career development, training courses attended (both external and internal), promotions, and acquired skills during his/her stay at the JLGC. Finally, the System should allow for the documentation of periodical evaluations.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

224

Information System Description Grid

Organizational Level: Operational Control

Business Operation: Accounting & Administration

Information System: Shareholders Information Management System

Brief Description:

The Shareholders Information Management System should keep track of information related to the JLGC shareholders. Such information should include shareholders basic information, paid up capital, number of shares, sales and purchases of shares, Certificates, profit distribution, shares splitting, and expansion of the capital.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

225

Information System Description Grid

Organizational Level: Management Control

Business Operation: Loan Guarantee Program

Information System: Loan Guarantee Processing System

Brief Description:

The Loan Guarantee Processing System should consist of two modules: a Front Office Module installed at the participating financial institutions and a Back Office Module installed at the JLGC. The System should handle tracking of applications and underwriting, collection of fees, tracking of exposures, past dues, tracking of claims applications, evaluation and payment of claims, and undertaking of recoveries. The System should be able to electronically transfer applications and other information between the financial institution (Front Office) and the JLGC (Back Office).

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

Organizational Level: Management Control

Business Operation: Export Credit Guarantee Program

Information System: ECG Processing System

Brief Description:

The ECG Processing System should also consist of a Front Office and a Back Office Module. The System should handle tracking of applications and underwriting, collection of fees, tracking of exposures, past dues, tracking of claims applications, evaluation and payment of claims, and undertaking of recoveries. The Back Office should provide the user with aggregate reports indicating such statistics as geographic, sectoral, volume, branch, and bank distribution of Export Credit Guarantees. It should also contain built-in validation of the import/export countries and should track country exposure.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

Organizational Level: Management Control

Business Operation: Export Credit Guarantee Program

Information System: Credit Analysis System

Brief Description:

The Credit Analysis System should provide both the LGP and the ECGP with the ability to analyze the financial statements of customers in order to arrive at an accurate assessment of the customer's credit worthiness. In the case of the ECG Program, the System should maintain information about exporters, foreign buyers, and country conditions. Information about Jordanian and foreign firms and banks, which should be used in the underwriting and guarantee administration operations, can be obtained through external databases such as the Amman Chambers of Industry and Commerce.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

Information System Description Grid

Organizational Level: Management Control

Business Operation: Marketing

Information System: Marketing Information System

Brief Description:

The Marketing Information System should keep track of the JLGC current and potential customers, whether direct customers such as banks or indirect customers such as exporters and/or loan applicants. Moreover, it should provide the user with the ability to segment the intended target market. It should also keep track of the JLGC's public relations effort, expenditures, news clippings, and advertising. The System should support mail merge features and electronic fax campaigns through integration with off-the-shelf software. Furthermore, the System should be able to track visits and calls made to financial institutions and the export community.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

Information System Description Grid

Organizational Level: Management Control

Business Operation: Marketing

Information System: Customer Feedback System

Brief Description:

The Customer Feedback System should keep track of customer satisfaction with the services and products offered by the JLGC. The System should also keep track of inquiries generated as a result of public relations campaigns carried out by the JLGC. It should contain historical records and statistics about customer behavior and reactions to various JLGC efforts.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

230

Information System Description Grid

Organizational Level: Management Control

Business Operation: Research

Information System: Library Management System

Brief Description:

The Library Management System should enable the Research Department at the JLGC to store and index all information required to support the operations of the JLGC. The System should keep track of the location of such material. It should also manage the checking out/in process, and provide the user with the ability to enter keywords for each library resource to be later used in searches.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

235

Information System Description Grid

Organizational Level: Strategic Planning

Business Operation: Investment Management

Information System: Investment Portfolio Management System

Brief Description:

The Investment Portfolio Management System should keep track of the JLGC investments. Such information should include basic information about bonds owned by JLGC, stocks bought through the Amman Financial Market, deposits made in banks, and information about companies the JLGC is a shareholder in. The System should also keep track of a historical record of capital gains/losses made in each of these investments.

Development Recommendation: [X] Custom-Develop [ ] Acquire Ready Made

Information System Description Grid

Organizational Level: All Levels

Business Operation: Office Automation & Productivity Tools

Information System: Document Archiving & Management System

Brief Description:

The Document Archiving & Management System should be used to manage the daily flow of paperwork at the JLGC. Furthermore, the System should be used to create a paperless office environment where all research and background material can be accessed by authorized personnel on a need basis. The System should support document archiving, retrieval, routing, image printing and manipulation, annotations, marking and stamping, and fax interface. The System should have effective security features and an audit trail.

Development Recommendation: ☐ Custom-Develop ☒ Acquire Ready Made

Organizational Level: All Levels

Business Operation: Office Automation & Productivity Tools

Information System: Electronic Mail System

Brief Description:

The Electronic Mailing System should be both internal and external. An internal module such as MS Mail, MS Exchange, or CC Mail should be used to increase the channels of communications between employees and reduce the amount of paperwork. An external (local and international) module should be used to communicate with entities within and outside Jordan.

Development Recommendation: ☐ Custom-Develop ☒ Acquire Ready Made

Information System Description Grid

Organizational Level: All Levels

Business Operation: Office Automation & Productivity Tools

Information System: Connectivity to External Data Banks

Brief Description:

The JLGC should have access to local, regional, and international data bases. Such databases will help the JLGC in its marketing and research efforts. Connectivity should be made to the internet through an Internet Service Provider. The JLGC, through the National Information Center for example, can be connected to local data bases such as the Amman Chambers of Commerce and Industry. In the future, a World Wide Web Page for the JLGC can be developed to familiarize potential target customers with the JLGC products and services. The WWW could also be used to access credit ratings, financial markets, credit information, and country conditions.

Development Recommendation: ☐ Custom-Develop ☒ Acquire Ready Made

235

Organizational Level: All Levels

Business Operation: Office Automation & Productivity Tools

Information System: Productivity Tools

Brief Description:

The JLGC should put spreadsheets, word processors, and small data bases into use in its various functions. Additional desktop publishing software should be used to produce in-house publishing using *the available* Power Macs, laser printers, and scanner.

Development Recommendation: ☐ Custom-Develop ☒ Acquire Ready Made

236

Notes:

Due to the lack of a ready-made, fully-integrated Management Information System that fulfills all the IS requirements outlined in this section, parts of the recommended Information Systems will be custom-developed while others will be bought off-the-shelf and integrated. If this activity is not managed carefully and standards and requirements are not clearly laid out, developed or acquired Systems may not be compatible and accordingly the advantages of synergy and integration will be lost.

Thus, we recommend that the JLGC outsources the overall management of the MIS function to a third party. This party would be responsible for gathering user requirements and accordingly preparing either conceptual design documents for systems that will be custom-developed or selection/evaluation criteria for systems that will be acquired. This will ensure that all systems, developed or acquired, are in line with the overall JLGC IT Strategy and in turn will ensure protecting JLGC's current and future IT investment. The third party should also be responsible for managing vendor relationships and drafting development and maintenance contracts.

Notes:

During the capture of user requirements and system design, adequate input from technical experts in trade finance and banking is recommended. Furthermore, extensive involvement by JLGC professionals should also take place.

Although there might be ready-made Human Resource Management Systems, Shareholders Information Management Systems, Investment Portfolio Management Systems, Marketing Information Systems, and Library Management Systems, we recommend that these be custom-developed in the form of small databases due to the following reasons:

- The relative unavailability of *locally-supported, ready-made* packages.
- The need to customize, among other things, support for three decimal places instead of two for the Jordan Dinar.
- The need to support both English and Arabic.
- The need to ensure that these Systems are fully-integrated, rather than segregated islands of information.

III. APPLICATION INTERFACE MATRIX

239

Introduction

The Application Interface Matrix depicts the high level interface that should be taken into consideration when developing or customizing applications. Although some applications might be initially operated as stand-alone systems, their design should cater for the fact that they will be integrated in an enterprise-wide Management Information System.

Relationships outlined by this matrix should be thoroughly analyzed. For example, the Financial Accounting System interfaces with The Payroll System to reflect, among other things, any salaries, taxes, social security, or medical expenses processed in the Payroll System. Moreover, Financial Accounting interfaces with the Shareholder Information Management System to reflect, among other things, expansion of capital and distribution of profits. Additionally, Financial Accounting interfaces with the Investment Portfolio Management System to reflect any capital gains or losses incurred. The System also interfaces with the LG and ECG Processing Systems to reflect, among other things, banks' fees and coverage of defaulted loans. Finally, the Financial Accounting System interfaces with the Document Archiving & Management System.

240

Application Interface Matrix

	Payroll System	Financial Accounting System	Shareholders Information Management	Human Resources Management	Loan Guarantee Processing	Credit Analysis System	ECG Processing	Marketing Information System	Customer Feedback System	Library Management System	Investment Portfolio Management	Document Archiving & Management
Payroll System		✓		✓								✓
Financial Accounting System	✓		✓	✓	✓		✓				✓	✓
Shareholders Information Management		✓									✓	✓
Human Resources Management	✓	✓										✓
Loan Guarantee Processing		✓				✓	✓	✓	✓			✓
Credit Analysis System					✓		✓					✓
ECG Processing		✓			✓	✓		✓	✓			✓
Marketing Information System					✓		✓					✓
Customer Feedback System					✓		✓					✓
Library Management System												✓
Investment Portfolio Management		✓	✓									✓
Document Archiving & Management	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

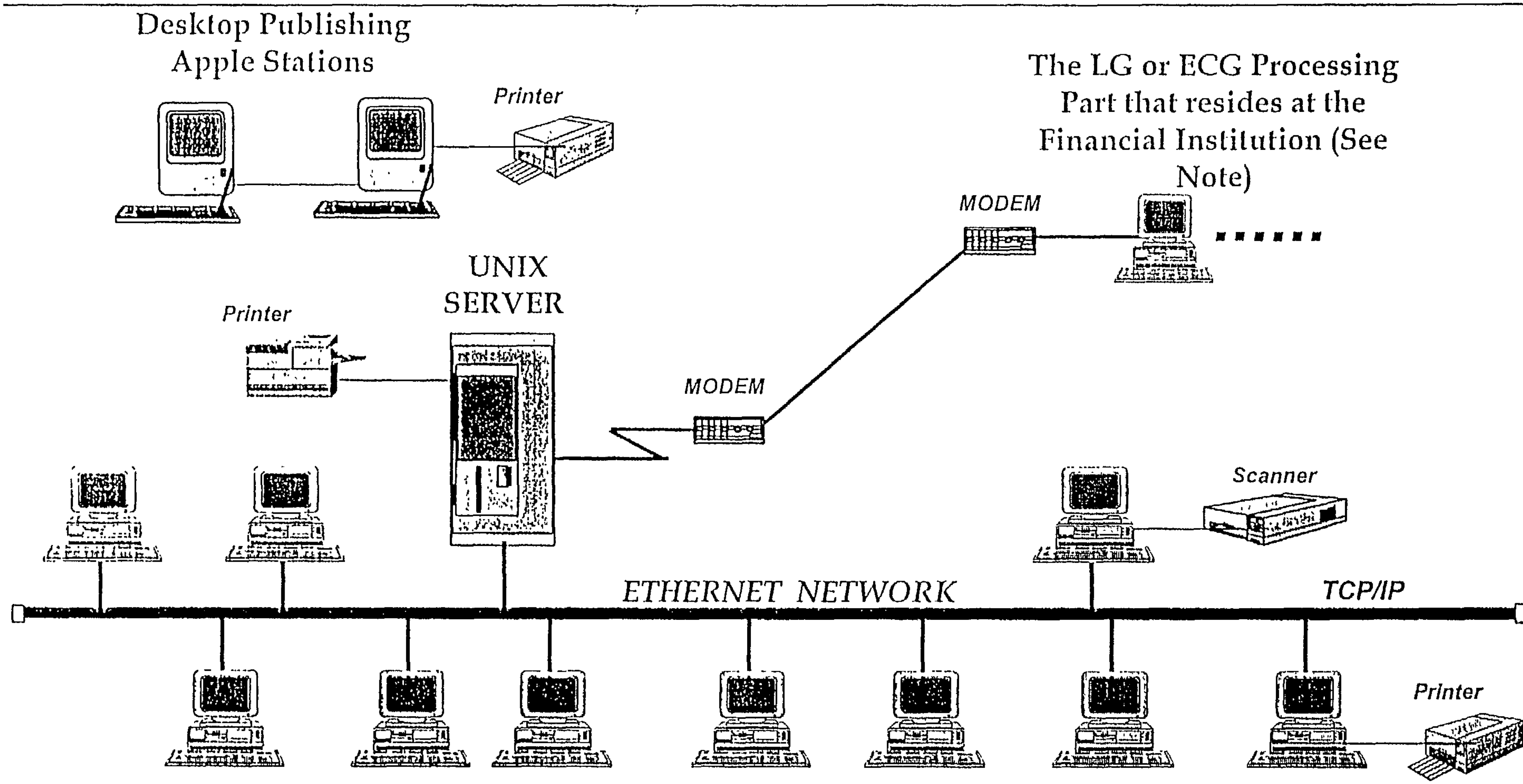
IV. INFORMATION TECHNOLOGY ARCHITECTURE

242

Introduction

This section consists of two parts. The first part presents an overall IT Architecture for the JLGC. Developed and/or procured software should fit within the overall framework of this infrastructure. Accordingly the IT Architecture should also be taken into account when evaluating different software vendors or systems.

The second part covers a number of existing and emerging technologies that should be taken into consideration during the development/procurement of the JLGC Information Systems outlined in the previous section. User requirements in addition to these technological trends should be used in devising some selection/evaluation criteria.



Note: Due to the fact that Banks have incompatible systems and varying levels of automation, the Front Office Part of the LG and/or ECG Processing System will be a stand alone module that is identical in all banks. The Front Office, like the Back Office, will be developed by the JLGC and provided to the Bank. It should run on an IBM PC Compatible therefore requiring a standard hardware that is available at all banks. The connection between the JLGC's Back Office and the Financial Institution's Front Office should be a low-speed, serial line connection requiring only a modem. Thus, there will be no need to develop any interface.

244

Recommendations:

The Proposed IT Infrastructure is based on a Client/Server Architecture. The Server will be UNIX based. The clients will be IBM PC Compatibles with the Front End Applications residing on MS Windows as the Graphical User Interface. Both high-end and low-end Relational Data Base Management System (RDBMS) Engines should be used. Moreover, low-end data bases such as MS Access could also be used as the Front End Interface.

Client/Server is an implementation of cooperative processing which is a type of computing where the processing of a business transaction is split across multiple processors.

The C/S Style recommended for the JLGC is *Distributed Data Management* where the Data Management Component is carried out at the Server level, while the Function and Presentation Components are carried out at the Client level. Moreover, some of the Data Management Component can still be carried out at the Client level.

Recommendations:

The Presentation Component is related to end-user Input/Output and include such things as screen/windows management, dialog control, field validation, data capture, codes table access, range checking, and security. The Function Component includes programs responsible for the business logic. While the Data Management Component represents the functions related to executing Data Manipulation Language Statements.

The advantages of using this style include:

- Allowing data to be distributed to the platform where it will be used the most, thus improving processing time, increasing user productivity, and empowering end-users.
- Permitting dedication of server to data manipulation thus enhancing server utilization.
- Allowing application processing at the Client level thus reducing network traffic and lowering processing/operating costs.

Recommendations:

The advantages of the recommended Client/Server Architecture in general include:

- Allowing JLGC to integrate new types of information (imaging, etc.).
- Allowing user-friendly information at point of need thus decisions in organization such as the JLGC can be made at lower levels of the organization.
- Improving system usability (response time, reliability, consistency, and interface).
- Empowering JLGC users (user-developed data and processing solutions, user experimentation, and increased computer resources).

In order to successfully implement such an architecture, the skills and knowledge capital of personnel at the JLGC MIS department should be upgraded through continuos training. A diversified skill base is required to maintain the multiple components, languages, and tools in this C/S environment. Hence, in addition to these skills being developed, the JLGC should evaluate hiring additional new staff or bringing in external consultants to fill in these skill gaps.

The following is a brief description of existing technological trends that should be taken into account when building the JLGC hardware and software architecture:

Graphical User Interface (GUI) - Today's knowledge worker requires a seamless, easy to use, standardized interface. Graphical User Interface, apart from being the standard, provides the user with the power to cut and paste between systems and take advantage of all window-based features. All JLGC applications should be GUI.

Networking - A Networking Architecture needs to be laid out in order to empower the JLGC employees. More than ever, the networked environment is giving companies a competitive edge.

Distributed Databases - To operate more effectively, users at the JLGC should be able to have the data that they want readily accessible. Using a distributed database architecture means that information is available where needed, when needed, which in turn ensures better performance, easier access, and a guaranteed service when the networked system is off-line.

Distributed Processing - The lower cost and more power of Microprocessor Technology enables organizations such as the JLGC to distribute processing; thus taking advantage of high end workstations. Distributed processing goes hand in hand with empowering employees by providing them with the necessary power to manipulate data and make decisions at their desktop.

Electronic Communications - Electronic Mail, Scheduling Utilities, and Internet connections are necessities to accelerate the pace of work, overcome barriers of time and space, and help in achieving a paperless environment. Open, easy to use channels of communication will certainly enhance productivity and workflow at the JLGC. Furthermore, access to local, regional, and international data bases will enable knowledge-based organizations such as the JLGC to acquire more information and hence make sound business decisions.

Multimedia - It is estimated that 90% of the data that companies will handle will be unstructured (scanned images, documents, audio, etc.). Having a platform that provides proper handling, imaging, and archiving of such data will definitely cut down on the storage cost and most importantly enable the manager with a click of a button to access this vital information. Such platform is essential for an organization such as the JLGC where there is a clearly laid out workflow that needs to be streamlined and automated.

Other Technologies - The use of Expert Systems (ES) will enable the JLGC to retain its knowledge capital while ensure that a lot of routine, time-consuming work is automated (Credit Scoring for example). To build and promote a learning organization, Computer Based Training (CBT) can be instituted and developed. CBTs can also be developed to familiarize financial institutions, the export community, and normal customers with the services and products offered by the JLGC.

V. MIGRATION PLAN

Migration Plan

HIGH PRIORITY	*MEDIUM PRIORITY*	*LOW PRIORITY*
Loan Guarantee Processing System	Marketing Information System	Investment Portfolio Management
ECG Processing System	Document Archiving & Management	Shareholders Info. Management
Credit Analysis System	Payroll System	Human Resource Management System
Financial Accounting System	Library Management System	Customer Feedback System

SUGGESTED ORDER OF IMPLEMENTATION

Note: The above order should be periodically evaluated and, if need be, revised to reflect changes in the business environment.

Migration Plan

System Name	*Estimated Man Months*	*Development Recommendation*
Payroll System	1.5	Acquire
Financial Accounting System	2	Acquire
Shareholders Information Management	2	Custom-Develop
Human Resources Management	2	Custom-Develop
Loan Guarantee Processing	2	Custom-Develop
Credit Analysis System	2	Custom-Develop
ECG Processing	2	Custom-Develop
Marketing Information System	1	Custom-Develop
Customer Feedback System	1	Custom-Develop
Library Management System	1	Custom-Develop
Investment Portfolio Management	1	Custom-Develop
Document Archiving & Management	1	Acquire

Note: The above are preliminary estimates that should be revised once detailed user requirements are captured.

Custom-Develop

Time is required to carry out the following tasks:
- *Document User Requirements at all Organizational Levels*
- *Prepare Business Process & Technical Design*
- *Programming & System Testing*
- *Installation, Conversion, and Training*

Acquire

Time is required to carry out the following tasks:
- *Document User Requirements at all Organizational Levels*
- *Survey Available Packaged Systems*
- *Develop Selection/Evaluation Criteria & Select Package*
- *Installation, Conversion, and Training*

257

VI. ATTACHMENTS

A. Current IT Operations

Key Findings:

The following notes and recommendations are based on the review of the current Information Technology Operations:

- ☑ The only automated function at the JLGC is the Loan Guarantee Program.
- ☑ Validation checking on such things as the eligibility of the customer should be automatically executed. Furthermore, and in order to minimize response time, most of the validation where rules are clear should be done at the Front Office part of the Loan Guarantee Processing System
- ☑ There should only be one point of data entry for all automated forms. This will both eliminate redundancy and increase data consistency between the JLGC and the Banks.
- ☑ Security & control should be managed more effectively. Users should be grouped and accordingly assigned different levels of access.
- ☑ Query & reporting options should be enhanced to provide decision-makers with better data to base their decisions on.
- ☑ The current System is stand alone and data entry is done through one workstation which in turn creates a bottleneck