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**Deloitte  
Touche  
Tohmatsu**

**Bank of Uganda  
Development Finance  
Department**

*Export Credit Guarantee Scheme  
Operations Manual*

Submitted by:  
Deloitte Touche Tohmatsu

In association with:  
First Washington Associates, Ltd.

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## **CHAPTER I: OVERVIEW OF THE MANUAL**

### **A. Organization of the Manual**

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

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

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

### **B. Use of the Manual**

It is intended that the policies and procedures contained herein be followed by the BOU management and staff in all respects. However, it is recognized that basic ECGS conditions may need to be modified as time passes and experience in operating the program is gained, and that some of these will require amendments to this Manual. It is important to note that the correct procedure must be followed in the amendment process. Amendments can be initiated by either the ECGS Executive Directorate or by the BOU's Development Finance Department; however, all amendments involving policy changes must be approved by the Board of Directors. Amendments that do not require policy changes may be approved by the ECGS Executive Directorate.

Circumstances may arise in the administration of the ECGS that require extra interpretation or further explanation beyond the original provisions of this Manual. In such cases, BOU managers and staff should be guided not only by the letter, but also by the spirit, of what is contained herein. A careful reading of the "Background and Objectives" section of the Manual, as well as the underlying feasibility study dated May 2000, will help to focus attention on the latter. For example, an upgrading of management information systems, improvement of monitoring and reporting, and expansion of staff numbers and responsibilities are all potentially desirable goals that may require amendments to this Manual. Operating Manual prescriptions are by no means intended to impair imaginative approaches to problem-solving in these or other areas or restrict other attempts to improve existing systems and procedures.

## C. Defined Terms

The following are the defined terms used in this Manual:

- “Agreement” shall mean either of the Master Guarantee Agreements attached as Appendices A and B to this Manual.
- “Borrower” shall mean the Qualified Borrower specified in each Guarantee Certificate or Loan Authorization Notice as a Borrower.
- “BOU” shall mean the Bank of Uganda, the Central Bank of Uganda.
- “Claim” shall mean a written demand on the BOU by a PFI for payment under the Guarantee in accordance with the terms of the Agreement.
- “Claim Date” shall mean the date on which the PFI presents a Claim to the BOU.
- “Claim Payment” shall mean a payment made by the BOU with respect to a Claim.
- “Claim Payment Date” shall mean the date on which the BOU makes a Claim Payment.
- “Collateral” shall mean all property and interest in property in which the PFI has been granted a Lien as security for the payment of a Loan Facility Obligation.
- “ECGS” shall mean the Export Credit Guarantee Scheme established by the BOU to provide working capital financing support for Ugandan exporters of non-traditional items.
- “ECGS Management Committee” shall mean a BOU committee comprising members of the Development Finance Department, Bank Supervision Department, and Legal Department that considers ECGS Guarantee Applications and Claims for approval or denial.
- “ECGS Advisory Committee” shall mean a committee comprising: a PFI that has delegated authority, a PFI that does not have delegated authority, two leading non- traditional exporters, the Uganda Export Promotion Board, and USAID.
- “Effective Date” shall mean with respect to a Loan Facility, the date on which the Loan Documents are executed by the PFI and the applicable Borrower.
- “Event of Default” shall have the meaning set forth in the Agreements.
- “Executive Directorate” shall mean the senior ECGS management and shall comprise the BOU Governor, the Executive Director of Finance, and the Director of the Development Finance Department.
- “Forms” shall mean collectively the various forms attached to this Manual as Form 100 through Form 206.
- “Guarantee” shall have the meaning set forth in the Agreements.
- “Guarantee Application” shall mean the application made by a PFI for a BOU Guarantee under the ECGS as per Form 101 of this Manual.

- “Guarantee Certificate” shall mean, with respect to a Loan Facility, the Guarantee Certificate as per Form 105 as executed by the BOU in favor of a PFI.
- “Guarantee Fee” shall mean the fee paid by a PFI to the BOU and shall have the meaning set forth in the Agreements.
- “Guaranteed Amount” shall mean, with respect to a Loan Facility, a maximum of seventy-five percent (75%) of the sum of the principal amount outstanding at the date of Event of Default plus interest due at Claim Payment Date. For the purpose of this Definition, interest due at Claim Payment Date shall mean the sum of: (1) a maximum of seventy-five percent (75%) of interest due and unpaid at the date of the Event of Default; plus (2) interest due and unpaid from the date of Event of Default to the Claim Payment Date, which latter interest rate shall be equal to the BOU Treasury Bill rate in effect on the date of Event of Default.
- “Guarantor” shall mean, with respect to a Loan Facility, any person or corporation identified in the Loan Documents who shall guarantee payment of a Loan Facility Obligation.
- “Lien” shall mean any mortgage, deed of trust, or other security agreement by which property is encumbered or otherwise charged.
- “Loan Approval Notice” shall mean the Loan Approval Notice executed as per Form 107 by a PFI and delivered to the BOU in accordance with an Agreement not involving delegated authority.
- “Loan Authorization Notice” shall mean the Loan Authorization Notice executed as per Form 106 by a PFI operating and delivered to the BOU in accordance with an Agreement for delegated authority.
- “Loan Documents” shall mean, with respect to the Loan Facility, the Guarantee Certificate, the Loan Facility Obligation, and any other instruments executed by the Borrower or any Guarantor relating to the Loan Facility.
- “Loan Facility” shall mean a credit facility established by a PFI in favor of a Borrower for the purpose of providing a pre-export working capital loan in support of a specific export transaction.
- “Loan Facility Obligation” shall mean a promissory note in form and substance satisfactory to BOU executed by the Borrower which evidences the debt obligation incurred by the Borrower under the Loan Facility.
- “Maximum Amount” shall mean seventy-five percent (75%) of the maximum principal balance that may be outstanding under a Loan Facility.
- “Manual” shall mean this ECGS Operations Manual.
- “Parties” shall mean the BOU and a PFI collectively.
- “PFI” shall mean a participating financial institution that has been accredited by the BOU to participate in the ECGS.
- “Qualified Borrower” shall mean a sole proprietorship, partnership, limited liability partnership, corporation or limited liability company which: (1) is privately owned, controlled and operated;

(2) is organized and authorized to conduct business in Uganda; and (3) has been engaged in exporting non-traditional products from Uganda for at least one year.

- “Release and Assignment Agreement” shall mean a release and assignment agreement executed by the PFI in favor of the BOU in form and substance satisfactory to the BOU.
- “Security” shall mean any one of the following: (1) Collateral, (2) a third party guarantee on a Loan Facility Obligation, or (3) a Letter of Credit securing the foreign buyer’s obligation to pay the Borrower.

## **CHAPTER II: SUMMARY OF THE ECGS**

### **A. Background and Objectives**

Non-traditional Ugandan exports - those excluding coffee, tea, cotton and tobacco – almost tripled between 1993 and 1996, rising from \$126 million to \$454 million; however, since 1996 they have decreased each year, falling to \$259 million in 1999. This current trend is of concern to the BOU. The difficulty in obtaining access to pre-shipment export finance to provide necessary working capital has been limited in recent years, and is one possible reason for the decline. This problem is present because Ugandan financial institutions, primarily commercial banks, have become risk averse and appear reluctant to expand their exposure to this sector without some direct government intervention. A BOU rediscount facility for commercial bank export paper, established in 1991, did not accomplish the objective of increasing non-traditional exports on a sustained basis, and is almost dormant at the present time. Thus, establishment of a BOU pre-shipment export credit guarantee program was considered to be a reasonable next step in export support and was determined to be feasible in a study dated May 2000.

A primary objective of the ECGS is to assist in stimulating the export of non-traditional goods and services through reduction of one of the primary barriers to increased exports, namely provision of pre-shipment working capital financing to enable an export order to be processed. Another objective has been to design the ECGS to minimize claims on the BOU so that the program will be self-sustaining, i.e. that estimated claims and operating expenses will not exceed ECGS fees and income from invested reserves. It is well known that some exporters will be new to a credit culture and that some financial institutions in Uganda have limited credit evaluation skills. These characteristics might well saddle the BOU with a large volume of claims; however, these problems have been addressed through: (1) requiring an exporter participation of 15% of the export price, (2) limiting the number of ECGS Guarantee recipients to the stronger PFIs that presumably have good credit evaluation skills, and (3) requiring an unguaranteed participation by each PFI of 25% of the transaction costs after the exporter participation. With respect to program viability, exporters must be given to understand that repayment of the related Loan Facility Obligations must be given a high priority.

To determine whether the twin objectives of stimulating non-traditional exports while operating at least on a self-sustaining basis are being met, continuous program monitoring will be necessary. This has been provided for through information provided by the PFIs on a monthly (overdue payments) and quarterly (new approvals and amounts outstanding) basis, as well as through the BOU's own analysis.

### **B. General Structure and Participants**

The BOU has determined the overall ECGS structure in cooperation with various Ugandan financial institutions, exporters, and export associations. Introduction and implementation of the following major program components will be key to the success of the ECGS:

- An ECGS Advisory Committee, comprising important ECGS stakeholders, will advise the BOU on the program from a user's perspective.
- The PFIs approved by the Executive Directorate for program eligibility will be divided into those operating with delegated authority to commit the BOU and those without such authority whose Guarantee Applications must be individually reviewed by the BOU. The Executive Directorate will also advise on: (1) transfer of PFIs between those operating with delegated authority and those without, and (2) those PFIs that should be added to or suspended from the program.
- BOU support will be in the form of a Guarantee of up to 75% on a Loan Facility Obligation or credit extended by a PFI to a privately-controlled Ugandan Borrower, a business that has been exporting non-traditional products for at least one year and is considered financially responsible and capable of fulfilling the export order.
- Estimated pre-shipment cost details must be furnished to the PFI by the prospective Borrower in a statement signed by the Borrower (Exhibit 2 of Form 101). That statement should indicate that Ugandan content is not less than 35% of the total export price.
- The Borrower will be required to participate for at least 15% of the total export price; consequently, the Loan Facility Obligation cannot exceed 85% of that price.
- With respect to the total costs as specified in Exhibit 2 of Form 101, the BOU Guaranteed Amount will not exceed the sum of: (1) 75% of the unpaid principal and interest due under a Loan Facility Obligation executed by the Borrower in favor of the PFI at the date of an Event of Default; and (2) interest on the Claim from the date of an Event of Default to the Claim Payment Date at the BOU Treasury Bill rate in effect on the date of the Event of Default.
- The guaranteed Loan Facility Obligation will be a promissory note in favor of a PFI, signed by the Borrower, and having a term not to exceed 180 days from date of final approval by the PFI.
- The BOU will charge a Guarantee Fee of 1.25% flat on the Loan Facility principal guaranteed; however, other fees, the interest rate on the Loan Facility Obligation, and the format of the Loan Agreement and Loan Facility Obligation are to be negotiated between the Borrower and the PFI utilizing the PFIs documentation.
- To the extent a PFI takes Security from the Borrower in connection with the Loan Facility guaranteed (such as asset pledges or a third party guarantee), in an Event of Default, the proceeds from such Security must be shared pro rata with the BOU. It is required that the PFI take a lien on the assets (inventory the related account receivable) that are financed.
- Disbursements by a PFI will be required to begin within 45 days after the Effective Date of a Loan Facility in order to avoid supporting stale transactions. If this does not take place, the Guarantee will be suspended and the Guarantee Fee subject to refund as the transaction would be considered one where the original assumptions had changed.
- Claims may be filed after a 90-day waiting period, but not subsequent to a 120-day period after the date of non-payment by the Borrower. Although transactions may be denominated in Ugandan shillings or any freely convertible currency, Claims will only be paid in Ugandan Shillings with any conversion made as of the Shilling rate for that currency on the date of the

Guarantee Application (non-delegated authority transactions) or the date of the PFIs approval of a Loan Facility (delegated authority transactions).

The ECGS has been structured to provide a final BOU Guarantee to PFIs rather than incorporating a preliminary commitment process. The above basic program components, as well as draft Agreements and Forms, are being made known to potential PFIs and exporters so that the BOU response to a creditworthy application should generally be predictable.

It should be noted that calculations of the 35% Ugandan content and the 15% Borrower participation apply to the total export price specified in item 5.c. of Form 101. The amount of the Loan Facility Obligation cannot exceed the total costs as per Exhibit 2 of Form 101 or 85% of the total export price, whichever is less.

The primary ECGS participants are Ugandan exporters that have acquired the business skills to effectively utilize financial institution credit; however, from time to time it is expected the ECGS will be asked to cover certain exporters that have no prior experience with credit. These firms should not be difficult to identify through a review of the Summary Of Borrower's Association With Applicant PFI (Form 101, Exhibit 1) which must be attached to all Guarantee Applications to the BOU. In such cases, diversion of loan proceeds should be considered as a possibly greater risk as well as ability to perform under the export order; however, it is an objective of the ECGS to introduce some Ugandan exporters to credit for the first time.

The BOU must consider real value of all Security and its relation to the size of the Loan Facility. At a minimum, it will be required that the PFI take a lien or first security interest in the inventory being financed which would later transfer to the particular account receivable after shipment by the Borrower. However, there may be situations in which the PFI has previously obtained a floating charge on all valuable Borrower security that is applicable to its existing exposure; consequently, the separately secured positions must be clear. The BOU must recognize this results in somewhat greater risk to its exposure if its guaranteed PFI can only take security from the assets financed. However, this need not be a reason for denial if the transaction is otherwise creditworthy as the PFI will still be participating for 25% of the Loan Facility after a 15% Borrower share of the total export price. The above comments are partly cautionary since it is clearly desirable that the ECGS stimulate creation of new Ugandan exporters, as well as increased sales by those already in business. However, some of these firms should be closely monitored in their early use of credit.

Another issue could arise with respect to the exporter's foreign buyer. While the BOU is expected to be able to identify creditworthy countries that pose little risk in remitting foreign exchange, similar identification of buyers will be more difficult. Section 4 of the Guarantee Application (Form 101) addresses financial analysis of the foreign buyer. Although payment by the foreign buyer does not directly affect repayment of a Loan Facility Obligation, unforeseen payment delays by a buyer can cause "ripple effect" delays by the Borrower. The BOU should be alert to this issue and consider a short extension of the final due date if it appears necessary to cure a Borrower repayment problem by giving the foreign buyer, in turn, more time.

A final point concerns whether the export covered is perishable. This issue is discussed below under BOU factors, but relates to the response time available for BOU analysis of a Guarantee Application.

Following are summary comments on the primary ECGS participants:

### *PFI's*

Since the BOU will be relying heavily on a PFI's credit evaluation skills and previous experience with the Borrower, it is important that weak financial institutions be excluded from the ECGS. Credit evaluation experience is relevant since a strong PFI will most likely deny support to a weak Borrower which, in turn, could seek to establish a credit relationship with a less competent financial institution. The selection process for PFIs will be as follows: (1) the BOU Development Finance Department, following consultation with the Bank Supervision Department, will invite all Ugandan financial institutions to apply for participation in the ECGS, (2) the application of each interested institution will be reviewed by the Development Finance Department and Bank Supervision Department, (3) as part of this review a "no objection" statement would be sought from USAID, and (4) the list of accredited PFIs, together with the USAID statement, would be presented to the Executive Directorate for final approval.

Basic eligibility for the program requires possession of a valid banking license issued by the BOU; however, PFIs will also have to be approved by the Executive Directorate following the procedure outlined above. Such approval would be for participation with or without delegated authority, although it is possible that the former institutions will choose to operate some portion of their program without delegated authority. This should not be discouraged, but would involve signing both versions of the Agreement with a single PFI. Continued participation in the ECGS will depend heavily on the PFIs' record in developing claim-free transactions so that it is possible PFIs may be dropped from the program if their volume of Claims is considered to be inordinately high. In addition, the Executive Directorate will have the authority to: (1) shift PFIs between those with delegated authority and those without, and (2) add PFIs to the program or suspend them therefrom.

The BOU's Development Finance Department will be the department within the BOU responsible for ECGS operations. It should establish close working relationships with the PFIs as they must have a consistent belief that the program is in their interest and is not simply a BOU effort to force extension of credit for a particular social purpose. Such relationships should include BOU training programs for PFI representatives, rapid BOU response to informal program inquiries and actual Guarantee Applications, a willingness to fairly evaluate Claims and make Claim Payments, an active calling program, as well as the ability to consider reasonable suggestions for program modifications. Without strong support from the PFIs, the ECGS cannot attain its goals.

Concerning the inevitable Claims, it is important to note that these are PFI loans so that basic follow-up actions and possible realization against Security should be left in the hands of the PFI with the understanding that PFIs must undertake certain steps prior to filing a Claim and will be expected to use their best efforts to rapidly effectuate recoveries.

## *The BOU*

Based on financial institution comments related to the previous rediscount program, BOU response time to applications left something to be desired. The ECGS Guarantee Application processing time must be speedy and responsive, in particular because many Guarantee Applications will be related to the export of perishable items, such as cut flowers and fish. For such transactions, the response time will be limited; otherwise, the export order could be lost. The BOU should recognize this issue and seek to maintain the Guarantee Application processing time recommended in this Manual. The timing for sequential steps to be taken in processing Guarantee Applications, as outlined herein, ought to be observed by the BOU and any PFI or Borrower comments about slow processing time taken seriously. This is said with recognition that an initial learning curve is reasonable; however, during some of this period a consultant will be present to provide support. The ECGS will be marketed aggressively and therefore will be a very public program in which the BOU's ability to perform will be held up to external scrutiny.

As the BOU gains experience with the ECGS and develops a closer relationship with PFIs and the exporting community, it may become aware of additional areas where follow-on support might add further to the country's export potential. Two possible examples are: (1) basic business training for new exporters, and (2) a guarantee program for medium-term credit covering capital goods required by exporters. Another possibility is establishment of a BOU post-shipment export support program; however, this last program does not appear necessary until the structure of non-traditional exports changes to involve fewer consumables.

### **C. The Agreements**

There are two versions of the Agreement which are attached as Appendices A and B. Appendix A should be used when delegated authority has not been authorized that PFI and all transactions must be submitted for prior BOU approval, while Appendix B is for those PFIs to which the BOU has granted delegated authority. The text of Appendices A and B are in the form of master guarantee agreements, under which various individual transactions would be concluded.

Both forms of Agreement have many similarities. With respect to Appendix A, after the Recitals and Article I comprising definitions, Article II defines the scope of the BOU Guarantee and the period when it shall be effective. Article III describes the obligations of the PFI, the most significant of which may be summarized as follows: (1) execution of an individual promissory note (Loan Facility Obligation) with each Borrower; (2) assignment of rights in any Security to the BOU and the PFI's agreement not to separately secure any Loan Facility Obligation; (3) the PFI's statement that it will exercise due diligence in evaluating Guarantee Applications, that the BOU has the right to review the PFI's procedures in so doing, that the PFI will keep accurate records, and will undertake periodic reviews of each transaction; (4) a requirement that the PFI advise the BOU within 5 business days of any payment arrearage; (5) the PFI's normal monthly and quarterly reporting requirements, detailed in Chapter VI of this Manual, including the requirement to notify the BOU of any matter that may adversely affect the Borrower's ability to repay; and (6) the PFI's agreement to pay the BOU Guarantee Fee. With respect to (4) above, the BOU may decide that disbursements should not be made by a PFI following a payment arrearage by sending the PFI Form 113.

Obligations of the BOU are set forth in Article IV including: (1) its commitment to respond to Guarantee Applications within ten (10) business days after receipt of a complete Guarantee Application, (2) the BOU's right to suspend a PFI from operating under the ECGS, (3) the agreement to pay approved Claims, and (4) provision of an ECGS training program for PFI loan officers. Finally, Article IV summarizes causes for suspension of a Guarantee which are: (1) material fraud or knowing misrepresentation by the PFI, (2) non-payment by the Borrower, (3) the Borrower applying for or consenting to appointment of a receiver or having its assets subject to liquidation, and (4) the PFI making no disbursements within 45 days after the Effective Date that is present in Article 3.06. In the latter case, the Guarantee Fee would be subject to refund. Article V describes what may cause an Event of Default, i.e. a failure to pay that extends for at least 90 days, appointment of a receiver or similar fiduciary for the Borrower, and initiation of legal proceedings against a Borrower or its Guarantor for liquidation or dissolution.

Article VI addresses Claims and describes: (1) the Forms and documents to be submitted to the BOU with each Claim, (2) important follow-up activities that the PFI is required to undertake in the 90-day waiting period after a non-payment but before making a Claim, (3) the 60-day time period within which the BOU agrees to respond to Claims, (4) the requirement that the PFI execute an agreement assigning rights under pledged Collateral or those with respect to a Guarantor to the BOU, (5) the BOU right to take direct action against a defaulting Borrower at any time after a Claim Payment, (6) the principal of pro rata distribution between the BOU and the PFI relating to any recoveries, and (7) the requirement that Claims must be filed within 120 days of the date of non-payment by the Borrower. There is also a provision that the BOU may request immediate filing of a Claim at any time subsequent to its being advised of non-payment by the Borrower.

Article VII treats amendment procedures and dispute resolution, while Articles VIII and IX describe the one-year validity of the Agreement, the status of Guarantees following expiration of the Agreement, and the fact that the Agreement and addenda set forth the entire understanding between the Parties.

With respect to Appendix B, the form of Agreement offering delegated authority to a PFI, this document defines delegated authority in Article III. In Appendix B, Article III, the PFI: (1) is granted the right to commit the BOU Guarantee on Loan Facility Obligations approved by the PFI, (2) states that provisions of the underlying Agreement apply to each transaction, (3) gives an outline of the basic terms of Loan Facility Obligations that could be approved under delegated authority, (4) provides for Guarantee Fee payment to the BOU, and (5) summarizes the various documents that must be submitted with each Loan Authorization Notice. The Loan Authorization Notice is the PFI's advice to the BOU that it has committed an ECGS Guarantee under its delegated authority, and must be submitted to the BOU within ten (10) business days of the Effective Date of the related Loan Facility. In Appendix B following Articles are advanced in number from those in Appendix A.

The Guarantee under either form of Agreement covers all risks of non-payment of principal and interest and may be suspended if it has been determined that the PFI: (1) committed fraud or made a knowing misrepresentation of material facts in its Guarantee Application or related documentation, (2) secured its 25% exposure on an ECGS transaction with security that was not shared ratably with the BOU, or (3) had not been repaid under the Loan Facility Obligation prior to completion of

disbursements, in which case the Guarantee is subject to suspension with respect to any undisbursed amounts. Under the Claims procedure, which is the same for both Agreements, interest will be payable by the BOU on the amount of the Claim from the date of an Event of Default under the Loan Facility Obligation to date of Claim Payment, not at the note rate, but at the BOU Treasury Bill rate in effect on the date of the Event of Default. Interest to the date of an Event of Default would be payable as stipulated in the Loan Facility Obligation. Attached to each form of Agreement is Form 100 which describes ECGS Eligibility Requirements that are applicable to all transactions.

The BOU will not charge a fee for processing a Guarantee Application. A Guarantee Fee of 1.25% flat of the Maximum Amount of principal guaranteed will be payable to the BOU within ten (10) business days of the PFI's receipt of a Guarantee Certificate for transactions without delegated authority. For transactions under delegated authority, the Guarantee Fee is payable within ten (10) business days of the Effective Date, the date on which the Loan Documents are executed between the PFI and the Borrower.

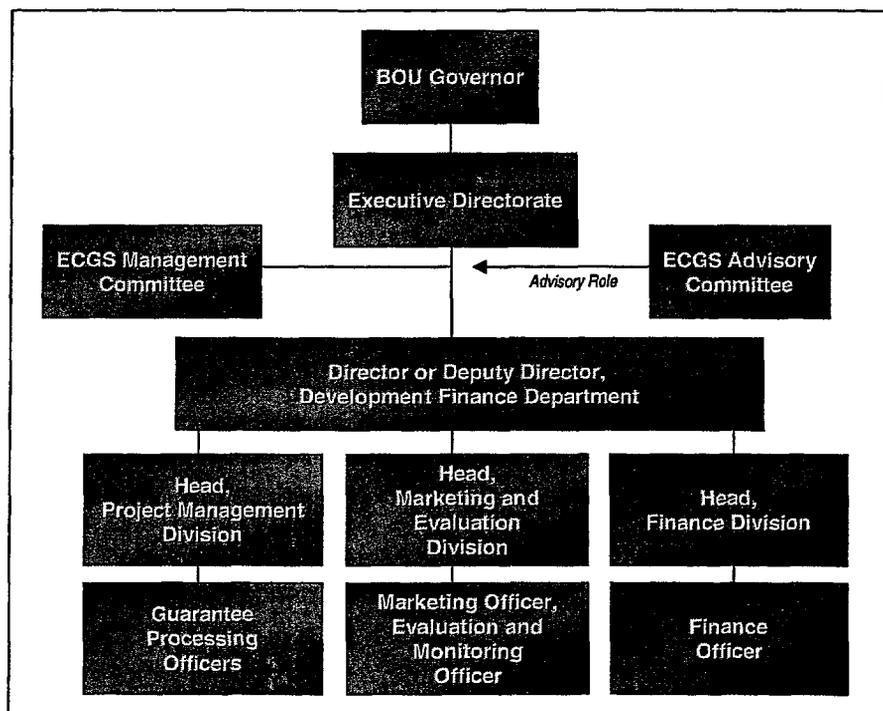
## CHAPTER III: ECGS ORGANIZATION

### A. Organization Chart

The ECGS is organized within the BOU so that it is responsive to the needs of participating Ugandan financial institutions and exporters of non-traditional goods. It is important that the ECGS organization structure be well suited to the tasks to be accomplished, that it be flexible in order to accommodate program changes, and that the BOU be responsive to its role as a service provider and export facilitator. Within the BOU, operating responsibility for the ECGS will reside in the Development Finance Department (DFD).

The organization chart for the ECGS is shown below. It is based on the assumptions that: (1) the ECGS will be accommodated within the present DFD structure, and (2) initially no new personnel will be hired by the BOU to operate the ECGS, but rather five members from the DFD will be assigned on a part-time basis to conduct operations. In addition, it will be necessary for some of these individuals and their managers to have contact with other BOU departments such as the Bank Supervision Department and the Legal Department, and these departments have been advised of ECGS operations.

During the first year, it is estimated that the members of the DFD will spend time equivalent to two full-time officers and one half-time officer. In subsequent years, it is assumed that increases in ECGS volume will require additional staff. In the second year, it is projected that a full-time clerical assistant will be required (not shown on the organization chart, but available to assist all Divisions); and that for the third year, the equivalent of two additional full-time officers will be necessary. Thus, by the third year of operations, it is projected that the ECGS will have the equivalent of five full-time staff. Following is the ECGS organization chart:



## **B. Governance and Management**

Ultimate control of ECGS operations will be the responsibility of the BOU's Board of Directors. Major policy decisions such as adoption of this Manual, changing important program parameters and modifying the role of ECGS committees or creating new ones are the types of fundamental decisions that should only be taken after Board approval following its normal procedures. Fundamental modifications to this Manual could only be approved by the BOU Board of Directors; however, more routine operating adjustments could be put in place by the Director of the DFD. An Executive Directorate, comprising the BOU Governor, Executive Director of Finance, Director of the DFD, and a representative from the Legal Department will oversee ECGS operations. Two committees are recommended to assist the Board and Executive Directorate in their responsibilities: (1) the ECGS Advisory Committee, and (2) the ECGS Management Committee. The functions, make-up, and recommended members of these committees are described in section C. below. The committees would make decisions on the basis of a simple majority vote of those participating.

It is considered that BOU commitments with respect to the program will be taken under the name of the Director of the DFD. The more significant BOU "sign-offs", which could also be made by the Director's Deputy, are on the: (1) Guarantee Application Checklist (Form 103) for a Guarantee approval or denial, (2) Guarantee Certificate (Form 105) which represents the actual BOU Guarantee, (3) Guarantee Denial Notice (Form 108), (4) Claim Checklist (Form 110) for a Claim approval or denial, (5) Claim Approval Notice (Form 111), Claim Denial Notice (Form 112), and the Notice Of Guarantee Withdrawal On Future Disbursements (Form 113).

Day-to-day operations of the ECGS will be carried out by the three Divisions within the DFD: (1) Project Management Division, responsible for assisting with selection of PFIs and processing Applications; (2) Marketing and Evaluation Division, responsible for marketing the ECGS and with its evaluation; and (3) Finance Division, responsible for Claims processing and MIS. Each of these Divisions report to the Director of the DFD. The Head of each Division will supervise and work very closely with their respective officers in charge of related activities. For the Project Management Division this would be the two Guarantee Processing Officers, for the Marketing and Evaluation Division this would be the Marketing Officer and the Evaluation and Monitoring Officer, and for the Finance Division this would be the Finance Officer. During the initial period of ECGS operations, activities of the Finance Officer may be limited as few Claims would have been filed. Marketing, on the other hand, will be heavy in the initial stages of the program, but is an ongoing activity that must not be neglected.

## **C. Position Descriptions**

### *Line Management*

**Executive Directorate:** It is proposed that ECGS's activities be overseen by an Executive Directorate which will consist of the BOU Governor, the Executive Director of Finance, the Director of the DFD, and a representative from the Legal Department. In carrying out its oversight responsibilities, the Executive Directorate will seek advice from the ECGS Advisory Committee. The major functions of the Executive Directorate will be to set overall ECGS policy guidelines

which will include: (1) determining the major parameters of the ECGS; (2) approving amendments to this Manual, other than those involving major policy changes; (3) approving PFIs, taking into account recommendations by the DFD and Bank Supervision Department; (4) approving the investment strategy for ECGS reserves; (5) approving budget forecasts and plans; (6) reviewing financial results; and (7) when requested, providing guidance to ECGS staff.

**ECGS Management Committee:** This committee is an internal BOU committee that would meet periodically on short notice, possibly 2-3 days, to approve or deny all Guarantee Applications and Claims. Both would be referred to it by the Director of the DFD. The committee should have six members appointed by the Executive Directorate comprising four representatives from the DFD consisting of the Director and Heads of the Project Management Division, Marketing and Evaluation Division, and Finance Division, as well as one representative from the Bank Supervision Department and Legal Department. The Chairman would be the Director of the DFD. A quorum of four would be required and decisions would be by simple majority of those voting. Telephone polls would be possible.

**Director or Deputy Director, DFD:** Either of these officials are authorized to commit the BOU by signing all ECGS documents. Two officers, the Director and Deputy Director, are designated so that one will always be present. Either officer could represent the DFD on the ECGS Management Committee. However, participation in activities of the Executive Directorate would only be the responsibility of the Director. Both officers should work closely with the Heads of the three Divisions that have basic responsibility for ECGS operations.

**Head, Project Management Division:** The Head of this Division will have the day-to-day responsibility to the Director, DFD, concerning: (1) recommendations concerning those financial institutions deemed qualified to participate as PFIs, taking into account comments received from the Bank Supervision Department as well as the lack of objection thereto by USAID, (2) receipt of Guarantee Applications and their assignment to a Guarantee Processing Officer, and (3) reviewing recommendations from a Guarantee Processing Officer for Guarantee approval or denial before forwarding them to the Director, DFD, for ultimate action by the ECGS Management Committee.

**Head, Marketing and Evaluation Division:** The Head of this Division will have responsibility for: (1) invitation to Ugandan financial institutions to become PFIs, (2) development and approval of ECGS marketing plans, (3) implementation of the marketing plan, (4) collection of all monitoring Forms from the PFIs, and (5) preparation of quarterly review documentation, including the DFD's own evaluation forms, for presentation to the Executive Directorate, ECGS Advisory Committee, and, when necessary, the Board of Directors.

**Head, Finance Division:** The Head of this Division will have responsibility for: (1) developing an investment strategy for ECGS reserves and profits to present to the Executive Directorate, (2) overseeing implementation of the approved investment strategy, (3) receiving Claims and assigning them to the Finance Officer, and (4) reviewing recommendations for Claim approval or denial before forwarding them on to the Director, DFD, and the ECGS Management Committee for action.

**Guarantee Processing Officer:** Each of the two initial Guarantee Processing Officers (GPOs) will report to the Head, Project Management Division. These officers will receive Guarantee Applications for transactions not involving delegated authority that are assigned to them by the Head of the Project Management Division. The Guarantee Applications are then processed by the GPOs according to the procedures in Chapter V of this Manual. The GPOs also receive from the Head, Project Management Division, the Loan Authorization Notices that are sent to the BOU by PFIs operating with delegated authority. The GPOs are responsible for making all entries in the MIS with respect to Guarantee Applications and Loan Authorization Notices. The work of the GPOs will largely involve evaluating credit risk and making a recommendation on Form 103 for Guarantee approval, approval with certain special conditions, or denial. Another responsibility of the GPO will be assisting the Evaluation and Monitoring Officer in evaluation of monthly or quarterly reports, as the case may be, from all PFIs (Forms 201-203). The GPOs should also assist the Head, Project Management Division, in formulating recommendations concerning PFIs that are allowed to participate in the ECGS.

**Marketing Officer:** The Marketing Officer (MO) will report to the Head, Marketing and Evaluation Division, and will develop and implement a variety of informational material and programs aimed at publicizing the ECGS, and in particular educating, through the use of seminars and workshops, those exporters and PFIs that are most likely to benefit from the scheme. Written materials and workshops may differ for exporters and PFIs. In carrying out these tasks, the MO will need to develop and implement, in conjunction with the Head, Marketing and Evaluation Division, strategies and tactics that will achieve defined marketing objectives. The basic objectives should include increasing the awareness among PFIs and the exporting community of the availability and advantages of the ECGS. Marketing will be very active as the ECGS is introduced, but is an ongoing activity that must be pursued continually. As a consequence, an effective ECGS should increase the levels of pre-shipment financing to Ugandan exporters of non-traditional goods and the overall volume of such exports.

**Evaluation and Monitoring Officer:** The Evaluation and Monitoring Officer (EMO) will report to the Head, Marketing and Evaluation Division, and will be responsible for preparation of all ECGS monitoring and evaluation reports, including the development of program recommendations based on these reports. These reports include: (1) Forms 201-203, required to be submitted by all PFIs, with respect to which it would be desirable to coordinate with the GPOs; and (2) Forms 204-206 which are internal BOU evaluation forms. Concerning the latter, consultation with the GPOs and the Finance Officer would be desirable. Completed evaluation and monitoring reports will be forwarded to the Head, Marketing and Evaluation Division.

**Finance Officer:** The Finance Officer (FO) will report to the Head, Finance Division, and will be responsible for: (1) recommending a prudent strategy for investment of program reserves, and, following approval of the strategy, implementing it; (2) collection and recording of ECGS Guarantee Fees; (3) receiving Claims from the Head of the Finance Division, as well as the processing of Claims as per Form 110, recommending approval or denial of Claims, and being responsible for Claim Payments; and (4) working with the PFIs and the BOU's Legal Department to pursue recoveries including taking action with respect to all forms of Security. The FO will also direct the development of the ECGS accounting and MIS programs required by management to monitor and control risk as well as to manage the ECGS effectively. With input from the GPOs, the MO, and the

EMO, the FO will prepare annual and multi-year forecasts of program activity and related operating budgets. This officer will also be responsible for the personnel and general office administration functions as they apply to the ECGS.

### *ECGS Advisory Committee*

**ECGS Advisory Committee:** The ECGS Advisory Committee should have six members appointed by the Executive Directorate, comprising one representative from: (1) a PFI that has delegated authority; (2) a PFI that does not have such authority; (3) two leading non-traditional exporters; (4) Uganda Export Promotion Board; and (5) USAID. This committee should meet with the BOU on a regular quarterly basis to review the ECGS monitoring reports (Forms 201 through 206) and comment on the ECGS from a stakeholder's perspective. The Chairman should be selected from the committee members by majority vote. It would require a quorum of four to meet and decisions would be taken by a simple majority of those present. Committee recommendations would not be binding on the BOU, but should be given serious consideration since they would be representative of program stakeholders. It is expected that the PFI and exporter membership will be rotated on an annual basis.

## **CHAPTER IV: ADMINISTRATION AND MIS**

### **A. Reporting to the Executive Directorate**

The ECGS will be operated by the BOU's DFD under the overall supervision of the Executive Directorate and ultimately the BOU Board of Directors. The BOU Governor, the Executive Director Finance, the Director of the DFD, and a member of the Legal Department are referred to collectively as the Executive Directorate. A variety of ECGS reports will be generated on a monthly and quarterly basis by the PFIs and the staff of the DFD which will be referred to the Director, DFD, for his approval and then on to the Executive Directorate, the ECGS Advisory Committee, and possibly the BOU Board of Directors. These reports will include:

- Forms 201 through 203 which are furnished by participating PFIs to the Head, Finance Division of the DFD, who, in turn, refers them to the FO. These forms comprise reporting on: (1) Loan Facilities approved (quarterly), (2) Loan Facilities outstanding (quarterly), and (3) Loan Facilities overdue (monthly). While PFIs are required to report monthly on Loan Facilities overdue, they are also required to informally advise the BOU within 5 business days of any non-payment.
- Forms 204 through 206 which are prepared by the FO quarterly on: (1) ECGS program status, (2) pending Guarantee Applications, and (3) the status of invested ECGS reserves.
- Informal reports from any meetings of the ECGS Advisory Committee that were held in the calendar quarter just concluded. It is expected that this committee will meet on a regular quarterly basis.

A review of this information by the Board of Directors and the Executive Directorate on a quarterly basis should provide senior BOU management with a comprehensive understanding of the ECGS and lead to discussion of any major program modifications that may be desirable.

### **B. Review of Activities and Budget**

With respect to those aspects of ECGS activity and informal reporting that are below the Board and Executive Directorate level, it would be helpful if the following were discussed periodically within the DFD:

- New program activity, in particular Guarantee Applications received, status of non-payments, Claims received, and Claim Payments.
- Status of pending Guarantee Applications with a view as to whether processing times are reasonable and whether any PFIs or Borrowers are commenting on processing times.
- Suggestions for any major or minor program modifications. It will be necessary to refer any major modifications, those that require changes to this Manual, to the Executive Directorate and possibly the Board of Directors. An example of a major change would be the level of the Guarantee Fee that should be periodically reviewed in any event.

- Adherence to budgetary targets. Income from Guarantee Fees and invested reserves is able to be ascertained, as are Claim Payments; however, expenses are more difficult to allocate. This is because some expenses, such as printing and marketing, are clearly attributable to the ECGS program; however, others such as staff compensation and many office costs are not. To produce an accurate budget it will be necessary for the Head, Finance Division, and the FO to develop a method of allocating the latter type of expense to the ECGS. An incremental cash budget could also be developed in which only expenses directly allocated to the ECGS are deducted from income.

### **C. Management Information System**

It is essential that the BOU develop a Management Information System (MIS) to enable Board members, the Executive Directorate, the DFD, and the managers of other divisions such as the Bank Supervision Department and the Legal Department to track changes within the ECGS as they take place. This would be a computer-based data entry and retrieval program. The MIS might be considered as a three-tier structure in which the bottom level consists of information for processing Guarantee Applications and Claims. The next level relates to information required to support day-to-day ECGS operations and control, such as production reports and summaries of activity. The final level comprises information essential for planning and decision-making, in particular by senior ECGS management. It is not the purpose of the Manual to design the actual computer program, but rather to recommend the types of information that should be available from the MIS.

Following is a summary of the information that should be available from four basic MIS data retrieval programs:

#### **1. PFIs Eligible To Participate In The ECGS**

- Name of each PFI approved for participation by the Executive Directorate, together with relevant contact data.
- PFIs approved for delegated authority and those approved without such authority.
- Date of related Agreement with each PFI.
- If a PFI has ever had its participation in the ECGS suspended by the Executive Directorate.
- Number of Guarantee Applications submitted, pending, approved, and denied; and total ECGS exposure per PFI.

#### **2. ECGS Guarantee Application Or Loan Authorization Notice Processing**

- Number assigned to Guarantee Application or Loan Authorization Notice.
- Date of Guarantee Application receipt and date letter of acknowledgment sent.
- Name of PFI, Borrower, and foreign buyer as well as contact data.
- If this is Borrower's initial transaction.
- Type of goods to be exported and estimated delivery date.
- Amount of export in U. Shs.
- Amount of Guarantee requested in U. Shs.
- Estimated final maturity date of proposed Loan Facility Obligation.
- Date of BOU Guarantee approval or denial.

- BOU Guarantee Fee amount and date of receipt.

The above data applies where a PFI does not have delegated authority. Most of the above information will be available from a Loan Authorization Notice (Form 106) for those transactions where the PFI is operating with delegated authority excepting: (1) the date when a Guarantee Application would have been received would be the date of the Loan Authorization Notice, (2) the date a BOU response is requested is irrelevant for a delegated authority Guarantee, (3) the due date of the Loan Facility Obligation would be 180 days after the Effective Date, and (4) the date of BOU approval or denial are irrelevant.

### **3. ECGS Borrowers**

- Exposure per Borrower
- Guarantee Fee income per Borrower
- Claims per Borrower

### **4. ECGS Claims Processing**

- Number assigned to original Guarantee Application, date of Claim receipt, and whether Claim was complete or was additional data requested.
- Brief identification of any additional data requested and date of its receipt.
- Name of Borrower and foreign buyer and related contact data.
- Principal and interest in default in U. Shs.
- Due date of above amounts.
- Amount of Claim.
- Brief summary of Security.
- Evidence presented that two claims have been made by the PFI on the Borrower and any Guarantor.
- If Collateral has been taken, evidence presented that: (1) the Borrower has been served with a 30-Day Statutory Notice with respect to fixed assets that have been pledged, and (2) At the expiry of the 30 days, whether the Collateral has been advertised for sale.
- Date of BOU action on Claim and whether Claim approved, modified, or denied.
- Amount of Claim Payment subsequently recovered in U. Shs.

### **5. ECGS Program Summary**

- The totals for each new calendar quarter for volume in U. Shs. of Guarantees approved, Guarantees denied, Claims received, Claim Payments, Guarantee Fee income, income received from invested reserves, ECGS operating expenses, and ECGS profit or loss.
- Number of GPOs, MOs, FOs, and other BOU staff assigned to the ECGS.
- Summary of minor ECGS program changes implemented (those not requiring a change in this Manual).

A complete MIS program will also offer managers the ability to cross-check certain data fields, e.g. Claims filed by PFI; however, this type of information should be discussed by the DFD with other BOU departments or the contractor that is creating the MIS.

## CHAPTER V: GUARANTEE APPLICATION PROCESSING

### A. Distributing Guarantee Applications

Guarantee Application processing initially involves the distribution of Guarantee Applications to PFIs as well as to some exporters and export associations. The next step is their receipt from a PFI operating without delegated authority and analysis by the BOU, leading to a decision regarding approval or denial of a Guarantee. All Guarantee Application processing is to be done on a first-come, first-served basis. This means that they will be processed in the order in which they are received by the BOU and that approval for a given Guarantee Application will not be withheld in order to make way for one that has just been received, or may be received in the future. However, there may be exceptional circumstances in which complex, time-consuming Guarantee Applications may be overtaken by those that are more straightforward.

Blank Guarantee Applications, as per Form 101 attached, should be available from the DFD. In addition, they should be distributed to all PFIs approved for participation in the ECGS. Larger exporters and exporters' associations should also receive copies of the Guarantee Application and be familiar with its contents. The BOU should also prepare a computer template of the Guarantee Application and distribute it to PFIs and some Borrowers. Note that the spaces provided on Form 101, and all other Forms, for responses are illustrative, and that if additional space is required, it should be utilized. The comments below on receiving and analyzing Guarantee Applications apply to PFIs that have not been granted delegated authority since the procedure for those with such authority simply involves submission of a Loan Authorization Notice to the BOU following internal approval of a Loan Facility by the PFI.

The DFD will also be responsible for promptly responding to all requests for additional information and explanation relating to Guarantee Applications, hopefully within 24 hours. To further publicize the contents of the Guarantee Application and the ECGS in general, the BOU has printed ECGS program summaries for distribution to Ugandan exporters, PFIs, interested Ugandan Government agencies, USAID, and other interested international donor agencies.

### B. Receiving Guarantee Applications

The purpose of Guarantee Application receipt procedure is to: (1) facilitate their submission by PFIs, (2) promptly commence BOU review, (3) have an accurate and timely reporting of work flow/assignments, and (4) permit prompt reporting of their status to the applicant PFI and within the BOU. Guarantee Applications may be submitted to the BOU by hand, courier, or fax. All Guarantee Applications must be signed by an authorized representative of the applicant PFI. There is no Guarantee Application fee.

Following are the sequences in Guarantee Application receipt:

- The Guarantee Application will be addressed to the Director, DFD, and will be received by the Director's office. It would then be promptly transmitted to the Head, Project Management Division, DFD, who gives it a number, and then assigns the Guarantee Application to a GPO.

- The GPO then enters the following data from the Guarantee Application into the MIS: (1) date received, (2) number assigned when first received, (3) name of PFI submitting the Guarantee Application, (4) name of Borrower and foreign buyer, (5) type of goods to be exported and delivery date, (5) amount of export and Guarantee requested, (6) estimated due date of Loan Facility Obligation, and (7) currency of the transaction.
- The GPO then sends the PFI a confirmation of the Guarantee Application receipt using Form 104A if no additional information is required and Form 104B if such data is required. Before sending either of these Forms, the officer should scan the Guarantee Application for completeness to determine if additional information is required. If it is, the needed information should be stipulated on Form 104B. The GPO should be careful to request only essential information that is required to process the Guarantee Application, but is missing or provided in a clearly unsatisfactory format. If the missing information is desirable, but not critical, the GPO may consider requiring its submission within a short period after approval. GPOs will be required to use their best judgement in determining what information is considered essential.

The entire Guarantee Application receiving, assignment, acknowledgment, and request for additional information process should take no more than 48 hours.

### **C. Analyzing Guarantee Applications**

The purpose of the analysis is to determine whether or not a Guarantee Application meets the eligibility/creditworthiness criteria for a Guarantee. All analysis should be completed within ten (10) business days of receipt of a completed Guarantee Application so that a BOU response may be given as per Article IV, Section 4.01, of the Agreement relating to non-delegated authority. The Head, Project Management Division, should assign a GPO whose workload is likely to accommodate the processing time indicated in the Agreement.

Presumably the PFI has completed Form 102, Guarantee Application Checklist For Applicant PFI, and so indicated in response to item 7.e. of the Guarantee Application. This will tend to ensure a complete Guarantee Application or a statement as to the reason why some information cannot be furnished at the time of submission. The GPO should utilize Form 103, Guarantee Application Checklist For Bank Of Uganda, in order to develop a recommendation. Note that Form 103, as well as Forms 102 and 110, have been designed with certain questions in a bold format. Normally a “Yes” answer is desirable (or mandatory in some cases) except for the bolded questions where a “No” answer is favorable. Form 103, and the other checklist Forms, may be visually scanned to quickly determine the sensitive areas by concentrating on the reverse of the above - those non-bolded questions answered with a “No” and the bolded questions answered “Yes”. Following are comments for consideration by the GPO on each question in Form 103:

#### **1. Applicant Bank**

1.a. - Is PFI’s Agreement signed and operative? Check MIS database. A Yes answer is mandatory since this is a program requirement.

1.b. - Is PFI in good standing with respect to the ECGS program? If the GPO is not familiar with PFI's standing, check with the Head, Project Management Division or the Director of the DFD. If the PFI's standing is questionable, this is a cause for concern and should result in a particularly careful analysis of the Borrower's creditworthiness since the PFI's credit evaluation skills may have deteriorated.

1.c. - Has PFI filed prior Guarantee Applications or received prior Guarantees? A high number of Guarantee Applications filed and Guarantees received is positive. However, if a number of Guarantee Applications have been denied, this is another warning signal that the PFI's analysis is questionable and the subject Guarantee Application should be very carefully examined.

1.d. - Has PFI filed prior Claims? This is a bolded question so a "No" answer is positive. However, some Claims are to be expected. Generally speaking, Claim Payments should be less than 5% of the value of Guarantees approved.

## *2. Borrower - Basic Data*

2.a. - Is Borrower more than 50% owned by private shareholders? A Qualified Borrower definition requires that the Borrower be privately owned, controlled, and operated. A Yes answer is mandatory since this is a program requirement.

2.b. - Has Borrower exported non-traditional products for at least one year? The Agreement in the definition of a Qualified Borrower states that it should have been exporting non-traditional products from Uganda for at least one year. If the Borrower is the successor to an established company, the total record should be considered.

2.c. - Do the principle managers and owners of the Borrower have good reputations? Information on this point should be available, not only from the Guarantee Application, but also from the Borrower's export association and the Uganda Export Promotion Board.

2.d. - Have comments from the export associations listed and/or Uganda Export Promotion Board been received and do they indicate the Borrower has expertise in exporting? It is important to form a judgement on a Borrower not otherwise known to the BOU. Both the BOU and PFI are taking Borrower performance risk under its export contract. A formal report is not required; however, a telephone check with the above or the PFI should suffice. Prominent export associations and the Uganda Export Promotion Board have offered to share this information.

## *3. Borrower - Financial Data*

3.a.. - Does PFI appear to have used reasonable criteria in its analysis of the Borrower's financial position? This is more difficult if financial statements are not furnished by the Borrower. In such cases, the criteria must be indicated and a reason supplied as to why the Borrower did not generate statements. Where statements are provided, it is desirable, but not mandatory, that they be prepared or audited by a professional accounting firm. If statements are in hand, a standard financial analysis should have been performed by the PFI emphasizing the ability to meet short-term obligations.

3.b. - Has Borrower ever declared bankruptcy or insolvency? A "Yes" answer must be explained in detail. What circumstances caused the problem and how was it resolved? For example, such a Borrower may be operating under certain court-approved financial conditions, e.g. debt limitations, and these should be ascertained. If a declaration of bankruptcy or insolvency has not been resolved, this would be cause for denial of the Guarantee Application.

3.c. - If PFI owns stock in the Borrower, is it less than 20% of total stock? If the PFI stock ownership is 20% or greater, the borrower is considered to be an affiliate of the PFI. This is cause for denial of a Guarantee Application unless the PFI can present a persuasive argument as to why it would not extend the loan without ECGS support since it is presumed to have a heavy financial interest in the Borrower.

3.d. - If individual stockholders own more than 20% of the Borrower's stock (3.g. in Guarantee Application), are they prepared to act as a Guarantor? This is a requirement under the program as these stockholders are considered to have a significant financial interest in the Borrower with this degree of stock ownership to the extent that their personal or corporate guarantees are appropriate.

3.e. - If Borrower has other banking relationships, are they satisfactorily maintained? If the Borrower is not well known, the GPO may want to check with the other banks indicated in response to this question. The nature of the relationship with the PFI will be indicated in Exhibit 1 of Form 101.

3.f. - If financial statements have been provided, do they show the Borrower was profitable over the past three years? If not, has the degree of loss affected debt repayment ability? Is any loss position likely to be reversed in the near future?

3.g. - Does PFI's most recent financial analysis of Borrower demonstrate a satisfactory position? The GPO's response on this point is intended to encompass a general financial analysis of the Borrower that should expand if necessary on financial analysis provided by the PFI. If PFI does not provide an analysis, one should be requested.

#### *4. Foreign Buyer Data*

4.a. - If foreign buyer is otherwise known to the BOU, has experience been satisfactory? The GPO should check the ECGS MIS on this point.

4.b. - Are buyer's banking and trade references, as well as any credit report, adequate and convincing? These should have been attached to the Guarantee Application. Have the references been given by well-known entities and do they indicate the extent of the relationship with the buyer?

4.c. - If Borrower had past experience with buyer, has it been favorable? This primarily relates to promptness of the buyer's payments to the Borrower or others, if the latter can be determined.

4.d. - Does country of foreign buyer pose foreign exchange transfer risks? The GPO could safely assume no problem exists with OECD members (the destination for most of Uganda's non-traditional exports) and other developed countries, but may want to consult with the PFI if a

developing country is indicated where there may be a problem. The GPO may then check the country with the BOU's Research or Treasury Departments. A common mitigant would be a commercial bank Letter of Credit from a satisfactory country.

## *5. Transaction Profile*

5.a. - Are the exports non-traditional products only? A Yes answer is mandatory as both are program requirements. Coffee, tea, cotton, and tobacco are excluded as being traditional exports; however, processed versions of these commodities are eligible. All other products are eligible as well as services associated with the export of those products. A related point is whether the products are perishable. In many cases the Guarantee Application will cover such products, adding to risks. However, this is the type of export that shows most promise of future growth so the BOU should develop expertise in evaluating such transactions.

5.b. - Has a copy of the export contract been provided and do contractual arrangements appear satisfactory? The export contract must be a written document and it is a program requirement that a copy be provided. Are the export volume, unit price, and the total export price clear? Is it reasonable to expect compliance with the delivery date? Is there a penalty for late shipment, partial shipments, or not fulfilling quality criteria?

5.c. - Is the method of payment customary for the type of goods exported? If the method appears unusual, check with the PFI, and possibly the exporter to determine if it has been used in the past. Many Ugandan exporters appear to ship on open account with good experience, even though this poses greater risk to the PFI/BOU than a Letter of Credit or documentary collection.

5.d. - Do payment terms requested by the buyer appear reasonable? For most orders payment should be made in 30-60 days after receipt of goods as Ugandan non-traditional exports are largely consumer products. If terms in excess of these are requested, there should be a valid reason, such as competition or the terms being common terms to the trade. It is not the intent of the ECGS to a finance foreign buyer's working capital. The GPO should be concerned about a request for extended terms by a foreign buyer that are not justified by the export cycle and reflect a working capital loan extended to the buyer by the Ugandan exporter.

5.e. - Have adequate transportation and any storage arrangements been made? Inspection can mitigate much of any PFI or BOU concern related to product quality. It would be a sensible PFI requirement if there is any doubt on these points or the Borrower is a relatively new exporter. Another technique would be for the PFI to withhold final disbursements until inspection had been completed.

5.f. - Will the goods be inspected by a professional inspection agency? Inspection can mitigate much of any PFI and BOU concern related to product quality. It would be a sensible lender requirement if there is doubt on these points or the Borrower is a relatively new exporter. Another technique would be for the PFI to withhold final disbursement until inspection had been completed.

## *6. Transaction Financing*

6.a. - Has the breakdown of cash costs, Exhibit 2, been signed by the Borrower? A Yes answer is mandatory as this is a program requirement. The breakdown is required in the Guarantee Application (Form 101, Exhibit 2), and if it has not been signed, the PFI should correct the oversight.

6.b. - Does the breakdown appear reasonable? The GPO should consider aspects such as: (1) when total costs are subtracted from the total export price (Form 101, item 5.c.) does the resulting profit seem reasonable, (2) are the costs in line with other Guarantee Applications relating to this industry, and (3) do any cost categories appear out of line?

6.c. - Has the minimum 35% Ugandan content rule been satisfied? A Yes answer is mandatory as this is a program requirement. See Form 101, Exhibit 2, for a breakdown of Ugandan costs. The rule is that these costs must be at least 35% of the total export price (Form 101, item 5.c.).

6.d. - Is the exporter participation at least at 15% minimum of the export price as required? A Yes answer is mandatory as this is a program requirement. If the PFI requires a higher participation, but is still prepared to proceed with the transaction, this is an indication of Borrower weakness. The GPO should analyze the basic weakness that could be financial or operational. Does it appear the Borrower can provide the additional participation without requesting an additional Guarantee in the middle of the production cycle?

6.e. - Do PFI disbursement procedures appear appropriate? If disbursements are against supplier invoices or direct to suppliers, does this indicate diversion of funds or financial weakness might be special issues with this Borrower? The PFI might also require that the foreign buyer pay it directly so the Loan Facility Obligation may be extinguished, rather than routing funds through the Borrower. If diversion is a serious possibility, this is a fundamental problem (fraud) and should be discussed with the PFI. Periodic disbursements directly to the Borrower should not pose an issue and might be preferable to a single disbursement. Note that, in order to avoid stale or inordinately delayed transactions, it is a program requirement that first disbursement by the PFI take place within 45 days after the Effective Date; otherwise, the Guarantee is suspended and the Guarantee Fee subject to refund. This requirement is indicated on both the Guarantee Certificate (non-delegated authority) and Loan Authorization Notice (delegated authority).

6.f. - Does the interest rate appear satisfactory, particularly in light of the proposed BOU Guarantee? This should be raised with great care and should be referred by the GPO to the Director, DFD, for consideration and any action. The PFIs appear to recognize that the BOU Guarantee should lead to a reduction in rates, but it may take some time before the PFIs become comfortable with the program and this begins to take place. A fundamental premise of the ECGS is that the BOU will not set PFI rates on the institution's Loan Facility Obligations.

6.g. - Is the final due date of the Loan Facility Obligation within 180 days of the probable Effective Date? This is generally recommended under the program; however, if a slightly longer maturity period is being requested on an exceptional basis, it should be highlighted in the Guarantee

Application with a strong justification. It would be appropriate to increase the Guarantee Fee if a longer maturity was being considered.

### **7. Requested BOU Guarantee and Related Security**

7.a. - Is the Guaranteed Amount equal to or less than 75% of the principal and estimated interest due under the Loan Facility Obligation? A Yes answer is mandatory as this is a requirement under the program. A PFI may desire to structure a marginal transaction by reducing its loan to less than the maximum permitted and therefore requiring greater Borrower participation. The 75% BOU Guarantee is always referred to as the maximum support available. The PFI's calculation of the Guaranteed Amount should be checked by the GPO.

7.b. - Should the PFI be contacted to discuss a reduction in the maximum 75% BOU Guaranteed Amount? There is an option for the Guaranteed Amount to be reduced in the riskier transactions by the BOU where it has not been proposed by the PFI, presumably where outright denial is not initially contemplated. These would most likely be transactions under non-delegated authority since the BOU does not have this option under delegated authority. A reduction in the 75% Guaranteed Amount must be negotiated with the PFI before processing of the Guarantee Application continues.

7.c. - Is the Guaranteed Amount (as defined in 7.a. above), when added to existing BOU exposure to the Borrower, less than U. Shs. 700,000,000? A Yes answer is mandatory as this is a program requirement. The GPO will have to do this calculation since a given Borrower may utilize more than one PFI for its ECGS business. The question of whether to deny an Guarantee Application related to a Borrower for which BOU exposure would exceed U. Shs. 700,000,000, and with which experience has been satisfactory, should only be taken by the Director, DFD. For some of the larger exporters that are in a satisfactory financial position, it may be reasonable to slightly exceed this ceiling for short periods.

If additional information on items in the Guarantee Application or explanation of related points is required, the GPO should contact the PFI; however, in a few instances it may be necessary to contact the Borrower directly. Before this is done, the GPO should first advise the PFI.

After reviewing the Guarantee Application together with related supporting data and forming a recommendation through the use of Form 101 and 103, the GPO should write a brief series of summary comments (Form 103, Section 8) to explain the analysis in reaching a final recommendation. The Guarantee Application should be summarized in terms of its strengths, weaknesses, and uncertainties. During preparation of these comments, the GPO may need to contact other BOU departments, such as the Legal Department or Bank Supervision Department, as well as the applicant PFI, and possibly the proposed Borrower. Following completion of this narrative, the Guarantee Application analysis process is complete.

### **D. Approval and Denial of Guarantee Applications**

The steps in approval/denial for ECGS Guarantees under non-delegated authority are as follows:

- After completion of Guarantee Application analysis, the GPO should complete Items a. through d. in Section 9 of Form 103, initial in Item i. and prepare the appropriate Guarantee Certificate (Form 105) or Guarantee Denial Notice (Form 108) to advise the applicant PFI.
- The package, incorporating the Guarantee Application, supporting data, completed BOU checklist (Form 103), and related Guarantee Certificate or Guarantee Denial Notice (Forms 105 or 108), should then be given by the GPO to the Head, Project Management Division.
- If in agreement with the recommendation, the Head, Project Management Division, enters the date of his/her review in Item e. and initials in Item h. of Section 9 and refers the package to either the Director or Deputy Director, DFD, who should then promptly review the package. If in agreement with the recommendation, the Director or Deputy Director should so indicate by completing Item f. in Section 9 of Form 103.
- The completed package is then copied by the GPO and placed on the agenda for the next meeting of the ECGS Management Committee that will make the final BOU decision.
- If a formal ECGS Management Committee meeting is not considered necessary by the Director or Deputy Director, a telephone poll may be conducted to elicit members' votes on the Guarantee Application.
- Following the vote of a majority of a quorum of this ECGS Management Committee, the Director or Deputy Director then completes Item g. and h. in Section 9 of Form 103, initials Item i. and signs either Form 105 or 108.
- The GPO is then responsible for making appropriate data entries in the MIS and transmitting copies of either Form 105 or 108 to the PFI.

For a typical Guarantee Application, the process of analysis and approval should not take more than ten (10) business days, the processing time committed by the BOU in Article IV, Section 4.01, of the Agreement relating to non-delegated authority.

The process for analysis and approval/denial relating to those PFIs operating with delegated authority does not involve the BOU until receipt by it of a Loan Authorization Notice (Form 106) from a PFI that has previously approved and committed an ECGS Guarantee. The Loan Authorization Notice is required to be submitted under Article III, Section 3.04 of the Agreement relating to delegated authority.

Following are the steps to be initiated after receipt of a Loan Authorization Notice:

- The Loan Authorization Notice is received by the Head, Project Management Division. A GPO is then assigned by this individual. The GPO first briefly and informally reviews the transaction summarized therein.
- Assuming no issues present themselves, the Loan Authorization Notice is given by the GPO to the Director or Deputy Director, DFD, who sign as acknowledging receipt and returns it to the GPO.

- The GPO then transmits one copy of the Loan Authorization Notice to the PFI and makes appropriate entries in the MIS.

This above process with respect to return of a Loan Authorization Notice should not take more than five (5) business days according to Article V, Section 5.01 of the Agreement relating to delegated authority.

## **CHAPTER VI: MONITORING GUARANTEES**

### **A. Monitoring Overview**

Careful monitoring of all outstanding ECGS Guarantees by the BOU is essential; however, the PFIs also have important monitoring responsibilities. In the early 1990s the BOU engaged in a detailed review of its ERS discount loan program about once every two years, although banks were required to submit data on a monthly basis. Some banks commented that monthly submissions were a burdensome reporting requirement, while an actively used program should probably be monitored more frequently.

To accommodate the banks' possible concern on an ECGS reporting burden, it is recommended that quarterly ECGS reporting by all participating PFIs be instituted at the outset for ECGS Loan Facilities approved and outstanding (Forms 201 and 202), but that monthly reporting on ECGS Loan Facilities overdue (Form 203) be maintained. The BOU's DFD would process these reports with its own quarterly report that would be distributed to stakeholders as indicated below; however, any new Guarantees overdue as per Form 203 should be given particular attention. PFIs are also required to informally advise the BOU of any ECGS non-payments within 5 business days thereof. Non-payments would also be summarized at the end of that month on Form 203.

The monitoring and quarterly report function should be centralized as being the responsibility of the FO within the DFD. The FO is separate from the GPOs so that report preparation should not interfere with the analysis of individual transactions. The FO would prepare the quarterly ECGS reports utilizing: (1) Forms submitted by participating PFIs, (2) the BOU's own MIS into which GPOs record data on Guarantee Applications submitted under non-delegated authority as well as the Loan Authorization Notices for transactions under delegated authority, and (3) the BOU's accounting records. It will also be desirable for the FO to have close contact with GPOs so that the reports will have a helpful narrative section, rather than being simply a compilation of numbers. The FO should also be responsible for monitoring transactions to make sure that the maximum ECGS exposure of U.Shs. 700,000,000 per Borrower is not exceeded.

### **B. Monitoring Procedures By PFIs**

The most important monitoring activity by a PFI is its obligation (Article IV, Section 4.04 d., of the Agreement relating to delegated authority and Article III, Section 3.04 d. of the Agreement relating to non-delegated authority) to advise the BOU within five (5) business days of any payment arrearage under a Loan Facility Obligation. Following the transmission of such advice to the FO, which may be by telephone, the BOU (through the ECGS Management Committee) must consider in cases where amounts remain to be disbursed whether to send the PFI Form 113 suspending the Guarantee with respect to future disbursements until the arrearage is cleared.

According to the Agreements (Article IV, Section 4.04 b. relating to delegated authority and Article III, Section 3.04 b. relating to non-delegated authority), PFIs must submit the following reports within 10 business days following the close of a calendar quarter, each of which should be signed by the PFI:

- Loan Facilities approved during the quarter as per Form 201. With respect to new Loan Facilities approved in the period, this Form requires information on each transaction including: (1) loan number as assigned by the BOU, (2) name of the Borrower, (3) amount of the individual Loan Facility, (4) the interest rate, (5) Loan Facility disbursement period, (6) date of approval, (7) date of first payment, (8) number of installments, and (9) a section for other comments. There are also sections to indicate the number and amount of Guarantee Applications denied as well as the number and amount of Guarantee Applications projected in the upcoming quarter.
- Loan Facilities outstanding at the end of the quarter as per Form 202. This Form covers activity under all Loan Facilities approved prior to the quarter under review as well as those in the particular quarter. Form 202 requires information on: (1) loan number as assigned by the BOU, (2) name of Borrower, (3) amount of Loan Facility approved, (4) disbursements under it prior to subject quarter, (5) disbursements under it during the subject quarter, and (6) the amount of the Loan Facility outstanding at the end of the calendar quarter. PFIs are also required to attach to Form 202 a copy of a report of a site visit made to the Borrower following the date of a Loan Facility approval.
- Loan Facilities overdue at the end of the month as per Form 203. ECGS overdue transactions are required to be reported on this Form (in addition to being reported within five business days to the BOU as above) with the following data being supplied: (1) loan number as supplied by the BOU, (2) name of Borrower overdue in its payments, (3) amount of ECGS Loan Facility outstanding, (4) Loan Facility due date or due dates, (5) amount of principal and interest overdue by 30 days or more, (6) collection efforts (including field visits, claim letters delivered to Borrowers and Guarantors; if fixed asset Collateral has been taken, serving the Borrower with a 30-Day Statutory Notice; after the expiry of the above 30 days, advertising such Collateral for sale; and any related legal action), (7) a summary of the Security, and (8) the date of any Claim filed by the PFI with the BOU or an estimate of when a Claim will be filed. See Chapter VII, Claims and Claim Payments, for a more detailed discussion of Form 203 and related Claims.

Forms 201 through 203 have an indication that a narrative report is attached. PFIs should be encouraged to take advantage of this voluntary portion of each Form to provide the BOU with a brief statement highlighting important trends observed from the raw data. This is particularly important for such PFI trends as ECGS Loan Facilities approved, total disbursements, Loan Facilities outstanding, and Claims filed. PFIs should be requested to file these Forms by e-mail or diskette.

### **C. Monitoring Procedures By The BOU**

When an informal PFI report of a payment arrearage is received by the BOU, it should be referred to the FO who should discuss the situation in detail with the PFI, then make a prompt oral report, in turn, to the Head, Finance Division. If some of the Loan Facility Obligation is undisbursed, a response may be prepared by the FO and sent by the Director or Deputy Director, DFD, to the PFI within 48 hours, as per Form 113, stating that the Guarantee has been suspended with respect to the undisbursed amounts until the arrearage is cured.

Within 20 business days from the end of the calendar quarter the FO, who receives these PFI reports, should prepare the quarterly ECGS report to the BOU Executive Directorate as per Forms 204 through 206. Form 204 addresses program volume, including Claim Payments, and whether the ECGS is profitable. Form 205 deals with the status of pending Guarantee Applications, while Form 206 gives more detail on invested reserves. At the outset of the program it is understood that ECGS reserves will be invested in short-term BOU Treasury Bills. These are important reports that will be discussed with the Executive Directorate as well as the ECGS Advisory Committee and possibly at the Board level.

Form 204 is expected to give an overall summary of the program by providing the following information for the quarter under review with respect to the participating PFIs: (1) name of PFI, (2) number of ECGS approvals, (3) amount of ECGS approvals, (4) total amount of Loan Facilities outstanding, (5) Ugandan exports supported, (6) total amount of Loan Facilities overdue, (7) Claims that have been received, (8) Claim Payments made, and (9) Claims pending. In addition, Form 204 requires BOU aggregate reporting on: (1) total Guarantee Fee income, (2) income from earnings on invested reserves, (3) the sum of items 1 and 2 or total ECGS income, (4) operating expenses which may include imputed staff salaries, (5) Claim Payments, and (6) the resulting ECGS profit or loss.

Form 205 addresses pending Guarantee Applications and includes data for the quarter then ended on: (1) Guarantee Application number, (2) name of applicant PFI, (3) name of Borrower, (4) the amount of the Guarantee requested, (5) date the Guarantee Application was received, (6) date the Guarantee Application was acknowledged, (7) date any additional information was requested, (8) date additional information was received, (9) brief comments on any unusual processing issues that might have delayed processing, and (10) date of projected BOU action.

The status of invested ECGS reserves is reported on Form 206. It identifies: (1) the name of the financial institution holding ECGS reserves, (2) the amount of such reserves at the beginning of the calendar quarter, (3) the type of investment and the currency of that investment, (4) the annual percentage rate of return on the investment(s) with that institution, (5) investment income received or credited in the quarter under review, (6) the amounts charged against reserves during the quarter (the amount by which administrative expenses and Claim Payments exceed Guarantee Fees and investment income), and (7) the amount of ECGS reserves at the end of the calendar quarter.

There is also a narrative portion for Forms 204 through 206 that should be used to summarize important trends in the entire program as well as any recommendations for program modifications.

Form 204, together with its narrative, should be a cover memorandum for Forms 201 through 203 sent in by each PFI. After preparation of the entire package (Forms 201 through 206) by the FO and review by the Head, Project Management Division, the package is then reviewed by the Director or Deputy Director of the DFD. Following this, the package is promptly placed before the Executive Directorate and, if considered desirable, the agenda of the upcoming ECGS Advisory Committee meeting. Some of the contents also may be raised at the Board level if they involve important policy issues.

## **CHAPTER VII: CLAIMS AND CLAIM PAYMENTS**

### **A. General Principles**

Unlike the ERS export credit rediscount program, where the obligation to pay the BOU was that of a Ugandan commercial bank, the ECGS, where the Borrower is a Ugandan exporter, is certain to generate Claims and Claim Payments. There should be an emphasis on program monitoring to determine actual experience. For example, Claim Payments may be higher due to the inexperience of some PFIs in evaluating ECGS Guarantee Applications, as well as the lack of a credit culture among many Ugandan exporters.

Both the BOU's Development Finance Department and Legal Department should be prepared to receive and process Claims, often working in close cooperation. This Claims processing procedure will not differ depending on whether or not a PFI had delegated authority; however, Claims are expected to be a lower percentage of delegated authority transactions due to the greater confidence placed in the PFI.

According to the Claims Article of each Agreement (Article VII of the Agreement relating to delegated authority and Article VI of the Agreement relating to non-delegated authority), a PFI may submit a Claim to the BOU no sooner than 90 calendar days nor later than 120 calendar days after the date of a non-payment under a Loan Facility Obligation. The initial 90-day waiting period has been established to give the PFI, possibly in consultation with the BOU, time to determine the reason for the arrearage and to take vigorous initial action. This might include a short extension of the payment due date (particularly in cases where the foreign buyer has not paid the Borrower), for which BOU consent must be obtained by the PFI. It is believed that at the end of 90 days all short-term delays that might have held up payment will have been resolved. In addition, during this period the PFI will have been required to take the following actions: (1) make two formal claims on the Borrower; (2) make two formal claims on any Guarantor; (3) if a mortgage on fixed asset Collateral has been provided, the Borrower must have been served with a 30-Day Statutory Notice indicating the PFIs willingness to take possession of and sell the Collateral; and (4) if 3. above is applicable, advertise the fixed asset Collateral for sale.

Although ECGS transactions may be denominated in a freely convertible foreign currency or Ugandan Shillings, Claim Payments will only be made in Ugandan Shillings, with the conversion from any foreign currency into Ugandan Shillings being made at the rate in effect on the date of the Guarantee Application (non-delegated authority transactions) or date of approval of the Loan Facility (delegated authority transactions). Stipulating that the conversion date must be at the outset of any transaction is intended to insulate the BOU from foreign exchange risks involved in possible deterioration of the value of the Shilling against the particular foreign currency.

The BOU has the right to immediately demand submission of a Claim without waiting for the customary 90-day waiting period to expire. This right is intended to be used in situations where the Borrower is in such serious difficulty that waiting for 90 days to expire would only expand the BOU's liability.

At a minimum, a first lien would be taken against the assets financed, initially representing inventory and, after export, the related account receivable. If payment has not been received after the above actions and expiry of the standard 90-day waiting period, an Event of Default has taken place. The 120-day outer limit on submission of a Claim is intended to forestall stale Claims. Most Claims are expected to relate to the final maturity date of the Loan Facility Obligation; however, in a few cases an interest installment (or even an early principal installment) might be due prior to final maturity.

## **B. Receiving and Analyzing Claims**

Claims should be submitted by PFIs to the DFD utilizing the Claim Form as per Form 109. The Claim Form identifies the principal and interest in default and the relevant due dates for each. It is generally expected that both principal and interest will be in default; however, there may be a few very troubled transactions where the Borrower is unable to make an early interest payment and the principal is not yet overdue according to the terms of the Loan Facility Obligation. If the requisite 90-day waiting period has elapsed in this or any other overdue payment situation, and the Borrower's payment has not been made, an Event of Default has taken place that entitles the PFI to make a Claim. In some cases, the PFI may have accelerated the Loan Facility Obligation so the entire transaction is in default. In most situations, there will be a single principal due date, approximately 180 days after the Effective Date, with some or all of the interest also due on that final due date. While it is permissible for the PFI to seek collection of interest on defaulted interest, such would not be eligible to be claimed from the BOU under the ECGS.

The Claim Payment is requested to be credited by the BOU to the PFI's clearing account and should not exceed the sum of : (1) seventy-five percent (75%) of the outstanding unpaid principal and interest of the Loan Facility Obligation up to the date of the Event of Default and (2) BOU interest on (1) above from the date of the Event of Default to date of Claim Payment at the BOU Treasury Bill rate in effect on the date of the Event of Default. To the extent that a Borrower made a partial payment subsequent to an Event of Default, such payment would be applied to amounts due under the Loan Facility Obligation in chronological order with the earliest maturity first.

The Claim, as per Form 109, must be accompanied by the following:

- The PFI's report on a site visit to the Borrower which must have been made subsequent to the date of non-payment.
- A detailed PFI financial analysis of the Borrower, also made subsequent to the date of non-payment.
- Evidence showing the PFI's efforts to collect subsequent to the date of non-payment. This must include the two formal claims on the Borrower and any Guarantor, and initial steps to realizing on any Collateral that are stipulated in section A. above.

A number of important aspects of the Claim are also summarized on the Claim Form, including:

- A listing of any Guarantors and pledged Collateral.

- The PFI's analysis of the reasons for non-payment by the Borrower. This is expected to draw on the site visit and financial analysis as provided above.
- A discussion of any legal action that has already been taken against the Borrower. It is likely that some legal action may have been commenced in the 90-day waiting period following non-payment; however, it is questionable whether such action would have been completed.
- The PFI's recommendation for legal action to be taken following submission of the Claim.
- Other comments by the PFI, in particular its opinion as to the ultimate collectability of the Loan Facility Obligation.

The Claim Form also states the PFI's willingness, if requested by the BOU, to execute a Release and Assignment Agreement with the BOU that would assign the PFI's rights in the Loan Agreement and Security to the BOU. The Release and Assignment Agreement would be required as a condition of any Claim Payment. In addition, the BOU shall have the right to reasonably request any other documents relevant to the Claim.

Claims will be received by the Head of the Finance Division in the DFD and assigned to the FO. Note that this is not the same individual as the original GPO who recommended the Guarantee. The FO will: (1) make appropriate entries in the MIS to record that a Claim has been received, (2) contact the BOU Legal Department to alert it that counsel may have to be assigned to the Claim, and (3) commence analysis of the Claim.

In analyzing the Claim, the FO should: (1) obtain the entire Guarantee file, (2) complete and sign Form 110, Claim Checklist for the BOU, and (3) feel at liberty to elicit additional pertinent information from the PFI, Borrower, or any Guarantors. Note that the blank spaces in Form 110 are only illustrative and that additional space should be taken in responding, if necessary. This Form should aid in Claim processing by highlighting certain areas for consideration by the FO, including:

- Status of the PFI making the Claim with respect to its general standing under the ECGS, if the PFI has filed prior Claims, and whether the PFI has ever been considered for elimination from the ECGS. If the FO concludes that this particular PFI is generating an inordinate volume of Claims, steps should be taken to discuss the problem with the PFI and possibly eliminate it from future ECGS Guarantees if the issue cannot be resolved.
- Any negative information that may come to light on the PFI must be reviewed separately since it has presumably suffered a legitimate default and is within its rights under the Agreement in making a Claim on the BOU. However, analysis of the Borrower is essential. Questions on the Borrower relate to the reasons contributing to the Event of Default and whether Borrower fraud might be involved. Any issues concerning Borrower performance under the export contract or foreign buyer failure to pay should be addressed. Finally, there is the point of whether the Borrower has been defaulting on other debts. Data on all of these areas should help the FO form an opinion as to whether the best prospects for BOU recovery involve the Borrower being liquidated or continued as a going concern with an appropriate debt rescheduling.
- A final area addressed by Form 110 is the value of the Collateral pledged and any Guarantor. Sometimes such security has a value more apparent than real so care should be taken in this

regard when a Guarantee Application is under consideration. Security must be identified and an initial judgement made on its true value and ease of collectability.

Finally, Form 110 calls for the FO's comments and recommendation on the Claim that should be made in cooperation with the Legal Department. One type of comment not explicitly included on Form 110 would be whether the initial PFI or BOU analysis of the Guarantee Application was flawed, and, if so, should internal program remedies be considered. Another comment is the FO's opinion on whether the PFI has taken any form of security that is not being identified and shared pro rata with the BOU. If the above can be demonstrated, it is cause for voiding the Guarantee as per Article III, Section 3.02 (c), of the Agreement relating to non-delegated authority and Article IV, Section 4.02 (c), of the Agreement relating to delegated authority.

### **C. Action on Approval of a Claim**

Form 110 is then signed by the FO and a member of the BOU's Legal Department and is referred through the Head, Finance Division, to the Director or Deputy Director of the DFD. The FO should attach a Claim Approval Notice (Form 111) or a Claim Denial Notice (Form 112) ready for signature. The package should include: (1) the entire Guarantee file, (2) Claim Form, (3) completed and signed Claim Checklist, and (4) either the Claim Approval or Claim Denial Notice. If the Director or Deputy Director are in agreement with the recommendation, they should refer the Claim to the next meeting of the ECGS Management Committee. Following concurrence by this committee, the Director or Deputy Director sign the bottom of the Claim Checklist and the Claim Approval or Denial Notice. The package is then returned to the FO who transmits the Claim Approval or Denial Notice to the PFI, makes the appropriate MIS entries, and, if the Claim is approved, arranges for Claim Payment in the form of a credit to the PFI's clearing account which credit should be made within five business days of final action on the Claim. Interest is payable by the BOU on the approved Claim from the date of the Event of Default to the date of Claim Payment, not at the rate on the Loan Facility Obligation, but at the BOU Treasury Bill rate in effect on the date of the Event of Default.

According to Article VII, Section 7.04, of the Agreement relating to delegated authority and Article VI, Section 6.04, of the Agreement relating to non-delegated authority, fully documented Claims will be acted upon within sixty (60) calendar days of receipt, and this timing should be adhered to if at all possible. It is imperative for success of the ECGS that PFIs receive the impression their Claims will be promptly and fairly addressed. Also note that if a Claim is to be denied or substantially reduced, the BOU should have extremely good reasons as such action could cause a PFI to commence legal action against the BOU to the detriment of the entire program. Failure to pay valid Claims promptly would be fatal to the ECGS as this is the only reason that many PFIs will be participating in the program.

### **D. Claim Recoveries**

The process of recovering Claims Payments is as much an art as it is a science, and clearly depends on the circumstances in each transaction. Decisions on recoveries should be taken promptly as most often continuation of the status quo will work against the BOU and the PFI as the Borrower finds its limited liquidity under more pressure through continuation of loss-making operations.

One of the basic business decisions is whether the Borrower should be allowed to continue in business as a going concern or liquidated. If the decision is to permit continuation, it should be within the context of a new business plan, possible realignment of management, and an appropriate debt rescheduling (which may involve debts other than the defaulted Loan Facility Obligation). Such a rescheduling may necessitate BOU cooperation with other lenders or the PFI with respect to the PFI's exposure that is separate from the ECGS. Whether or not the decision is made to liquidate the business, it may still be feasible to attempt recovery from Guarantors or move against pledged Collateral not directly utilized by the Borrower.

These decisions would initially be made by the PFI and then the FO, the latter working closely in cooperation with counsel from the BOU's Legal Department since it is clear that interpretation of legal documentation and possible court actions will be involved. The recovery process could be lengthy, but should not be neglected. Borrowers must be given the impression that follow-up actions will be taken if they default. The belief that government-guaranteed loans are essentially free money, is believed to be prevalent among some borrowers under certain government-supported loan programs in Uganda, but would be very harmful to the ECGS.

An important principle of the ECGS is that all recoveries will be shared pro rata between the PFI and BOU as their interests may appear. This should not be compromised.

Initial recovery efforts should be made by the PFI since it is the most familiar with the Borrower, the causes of the Event of Default, the quality of pledged Collateral, and third party Guarantors. The PFI should take all actions necessary for recovery of the defaulted amounts and take such actions in a vigorous manner. However, as noted above, the BOU as a condition of Claim Payment will require that the PFI execute an Release and Assignment Agreement in favor of the BOU, under which the PFI's rights under the Loan Agreement and to all Security would be assigned to the BOU. This is reasonable since the BOU exposure will be about three times that of the PFI in most transactions (75% vs. 25%), but does not alter the principle of pro rata sharing in amounts recovered. Another BOU right is to commence collection procedures directly against a defaulting Borrower at any time after a Claim Payment. The above BOU rights are defined in Article VII, Sections 7.03 through 7.09, of the Agreement relating to delegated authority and Article VI, Sections 6.03 through 6.09, of the Agreement relating to non-delegated authority.

Amounts recovered from a defaulting Borrower, through direct collections or by realizing on Collateral, and from third party Guarantors shall be distributed between the PFI and the BOU immediately after collection as their pro rata interests may appear. Distribution will be made after deduction of direct collection expenses such as those for asset conservation, asset sale, and legal or court costs.

#### **E. Sample Claim Payment Calculations**

Summarized below are some sample Claim Payment calculations based on the following common assumptions: (1) principal of Loan Facility Obligation - U. Shs. 100,000,000; (2) PFI's interest rate on Loan Facility Obligation - 15% per annum, (3) Effective Date is January 1, 2001, (4) the final

maturity date of the Loan Facility Obligation is June 30, 2001, (5) late interest is at the note rate, (6) there is no interest on late interest, and (7) the BOU Treasury Bill rate throughout the 180-day period is 9.0% per annum. For simplicity of calculation, all months are assumed to be equal in length.

1. One disbursement on the Effective Date and one payment of principal and interest due but not made on June 30, 2001.

100,000,000	Principal in default
7,500,000	Interest in default from January 1, 2001, through _____ June 30, 2001, @ 15% per annum
107,500,000	Total default through June 30, 2001
3,750,000	Late interest in default from July 1, 2001, through September 30, 2001, (90-day waiting period) when an Event of Default declared by PFI and a Claim _____ filed with BOU
111,250,000	Total default to date of Event of Default
<u>      x75%</u>	BOU share of total default
83,437,500	Total Claim
1,251,563	Interest payable by BOU on Claim @ 9% per annum from September 30, 2001, to November 30, _____ 2001, when the Claim Payment made
84,689,063	Total Claim Payment by BOU

2. One disbursement on the Effective Date with interest payments due monthly, but an interest payment due March 31, 2001, is not made, nor are subsequent interest payments.

100,000,000	Principal in default
1,250,000	Interest in default from March 1, 2001, through _____ March 31, 2001, 15% per annum
101,250,000	Total in default through March 31, 2001, as note accelerated
3,750,000	Late interest in default from April 1, 2001, through June 30, 2001, (90-day waiting period) when an Event of Default declared by PFI and a Claim filed _____ with BOU
105,000,000	Total default to date of Event of Default
<u>      x75%</u>	BOU share of total default
78,750,000	Total Claim
1,181,250	Interest payable by BOU on Claim @ 9% per annum from July 1, 2001, to August 31, 2001, when the _____ Claim Payment made
79,931,250	Total Claim Payment by BOU

3. Disbursements completed on April 30, 2001, with equal principal and related interest payments due monthly beginning on that date, but the payments due on May 31 and June 30, 2001, are not made.

66,666,667	Principal in default (2/3 of 100,000,000)
833,333	Interest in default from May 1, 2001, through May 31, _____ 2001, @ 15% per annum
67,500,000	Total in default through May 31, 2001, as note accelerated
2,499,999	Late interest in default from June 1, 2001, through August 31, 2001, (90-day waiting period) when an Event of Default declared by PFI and a claim filed _____ with BOU
69,999,999	Total default to date of Event of Default
<u>        x75%</u>	BOU share of total default
52,500,000	Total Claim
787,500	Interest payable by BOU on Claim @ 9% per annum from September 1, 2001, to November 1, 2001, _____ when the claim Payment made
53,287,500	Total Claim Payment by BOU

4. Disbursements are half completed through February 28, 2001, but interest is payable monthly on outstanding principal and an interest payment due February 28, 2001, is not made, nor are subsequent interest payments. The Bank immediately advises the BOU of the default and the BOU promptly sends the Bank Form 113, withdrawing its Guarantee on future disbursements, leaving the U. Shs. 50,000,000 outstanding. The principal face amount of the Loan Facility Obligation was due June 30, 2001.

50,000,000	Principal in default
625,000	Interest in default from February 1, 2001, through _____ February 28, 2001, @ 15% per annum
50,625,000	Total default through February 28, 2001, as note accelerated
1,875,000	Late interest in default from March 1, 2001, through May 31, 2001, (90-day waiting period) when an Event of Default declared by PFI and a Claim filed with _____ BOU
52,500,000	Total default to date of Event of Default
<u>        x75%</u>	BOU share of total default
39,375,000	Total Claim
590,625	Interest payable by BOU on Claim @ 9% per annum from June 1, 2001, to July 31, 2001, when Claim Payment made
<u>        </u>	
39,965,625	Total Claim Payment by BOU

**APPENDIX A:  
MASTER GUARANTEE AGREEMENT - NON-DELEGATED AUTHORITY**

This Agreement, made this \_\_\_\_\_ day of \_\_\_\_\_, 2000

**By and Between:**

1. **THE BANK OF UGANDA** of Kampala, Uganda (hereinafter referred to as "the BOU") of the one part, and

2. \_\_\_\_\_  
whose address is at \_\_\_\_\_ (hereinafter referred to as "the Participating financial Institution or PFI") of the second part,

**RECITALS**

**Whereas**, the PFI is a financial institution/bank fully licensed to grant loans in Uganda, and which seeks to participate as a guaranteed party in the pre-shipment Export Credit Guarantee Scheme (the ECGS);

**Whereas**, the BOU is authorized to issue banking licenses to financial institutions/banks operating in Uganda, to approve the participation of licensed Ugandan financial institutions/banks in the Scheme, and to provide guarantees to PFIs under the ECGS;

**Whereas**, the BOU, now therefore, wishes to provide guarantees to cover pre-shipment export credit loans granted by approved licensed PFIs in support of non-traditional exports from Uganda;

**Whereas**, the PFI is duly licensed to operate in Uganda; has been approved to participate in the ECGS; and, has agreed to enter into this Master Guarantee Agreement (Agreement) to govern the relationship with the BOU with respect to the ECGS;

**And Whereas** it is understood and agreed that this Agreement includes the general terms and conditions set forth below, the terms and conditions set forth in the Eligibility Requirements (Form 100 of this Agreement) and the specific terms and conditions set forth in each Guarantee Certificate (Form 105 of this Agreement).

**Now, Therefore** the Parties hereby agree as follows:

**ARTICLE I.  
DEFINITIONS**

"Agreement" shall mean this Master Guarantee Agreement.

"Borrower" shall mean the Qualified Borrower specified in each Guarantee Certificate as a Borrower.

"Claim" shall mean a written demand on the BOU by a PFI for payment under the Guarantee in accordance with the terms of this Agreement.

“Claim Date” shall mean the day on which the PFI presents a Claim to the BOU.

“Claim Payment” shall mean a payment made by the BOU with respect to a Claim.

“Claim Payment Date” shall mean the date on which the BOU makes a Claim Payment.

“Collateral” shall mean all property and interest in property in which the PFI has been granted a Lien as security for the payment of a Loan Facility Obligation.

“ECGS” shall mean the Export Credit Guarantee Scheme, the BOU pre-shipment export credit guarantee programme.

“Effective Date” shall mean with respect to a Loan Facility, the date on which the Loan Documents are executed by the PFI and the applicable Borrower.

“Eligibility Requirements” shall mean Eligibility Requirements relating to transactions eligible for a Guarantee under the ECGS and which contain the terms and conditions set forth in Form 100 of this Agreement.

“Event of Default” shall have the meaning set forth in Section 5.01 of this Agreement.

“Forms” shall mean collectively the Forms attached to this Agreement as Form 100, Form 101, Form 102, Form 105, Form 107, Form 109, Form 201, Form 202, and Form 203.

“Guarantee” shall have the meaning set forth in Section 2.01. of this Agreement.

“Guarantee Application” shall mean the application (Form 101 of this Agreement) submitted by a PFI to the BOU seeking a Guarantee under the ECGS.

“Guarantee Certificate” shall mean, with respect to a Loan Facility, the Guarantee Certificate (Form 105 of this Agreement) entered into between the PFI and the BOU.

“Guarantee Fee” shall be the fee paid by the PFI to the BOU and shall have the meaning set forth in Section 3.05 of this Agreement.

“Guaranteed Amount” shall mean, with respect to a Loan Facility, a maximum of seventy-five per cent (75%) of the sum of the principal amount outstanding at the date of Event of Default plus interest due at Claim Payment Date. For the purpose of this definition, interest due at Claim Payment Date shall mean the sum of: 1) seventy- five percent (75%) of interest due and unpaid at the date of Event of Default; plus, 2) interest due and unpaid from the date of Event of Default to the Claim Payment Date, which latter interest rate shall be equal to the BOU Treasury Bill rate in effect on the date of Event of Default.

“Guarantor” shall mean, with respect to a Loan Facility, any person or corporation identified in the Loan Documents who shall guarantee the payment of a Loan Facility Obligation.

“Lien” shall mean any mortgage, deed of trust, or other security agreement by which property is encumbered or otherwise charged.

“Loan Approval Notice” shall mean the Loan Approval Notice (Form 107 of this Agreement) executed by the PFI and delivered to the BOU in accordance with Article III, Section 3.04 (a) of this Agreement.

“Loan Documents” shall mean the documents, with respect to the Loan Approval Notice, the Loan Facility, the Guarantee Certificate, the Loan Facility Obligation and any other instruments executed by the Borrower or any Guarantor relating to the Loan Facility.

“Loan Facility” shall mean a credit facility established by a PFI in favour of a Borrower for the purpose of providing a pre-export working capital loan in support of a specific export transaction.

“Loan Facility Obligation” shall mean a promissory note in form and substance satisfactory to the BOU executed by the Borrower which evidences the debt obligation incurred by the Borrower under the Loan Facility.

“Maximum Amount” shall mean seventy-five per cent (75%) of the maximum principal balance that may be outstanding under a Loan Facility.

“Parties” shall mean the BOU and the PFI collectively.

“PFI” shall mean a participating financial institution or a financial institution/bank that has been accredited by the BOU to participate in the ECGS.

“Qualified Borrower” shall mean a sole proprietorship, partnership, limited liability partnership, corporation or limited liability company which (a) is privately owned, controlled and operated; (b) is organized and authorized to conduct business in Uganda; and (c) has been engaged in exporting non-traditional goods and services from Uganda for at least one year.

“Release and Assignment Agreement” shall mean a release and assignment agreement executed by the PFI in favour of the BOU in form and substance satisfactory to the BOU.

“Security” shall mean any one of the following: (1) Collateral, (2) a Guarantor, or (3) a Letter of Credit securing the foreign buyer’s obligation to pay the Borrower.

## **ARTICLE II. THE GUARANTEE**

2.01 The Guarantee. Subject to the terms of this Agreement, if a Borrower fails to pay when due any outstanding amount of principal and interest with respect to the Loan Facility extended

to it by the PFI, and such failure continues for more than ninety (90) consecutive calendar days, the BOU guarantees (the Guarantee) the payment of and shall pay to the PFI an amount equal to the Guaranteed Amount.

- 2.02 Guarantee Effectiveness. A Guarantee shall become effective as of the date of the Guarantee Certificate, provided the PFI meets the conditions as set forth in Article III, Sections 3.04 (a) and 3.05 of this Agreement.

### **ARTICLE III. SCOPE AND OBLIGATIONS OF THE PFI**

So long as this Agreement remains effective and the BOU remains liable under this Agreement, the PFI agrees as follows:

3.01 Loan Documents.

- (a) For each Loan Facility for which a Guarantee is sought, the PFI agrees to the terms and conditions set forth in the Guarantee Certificate (Form 105 of this Agreement) issued by the BOU.
- (b) For each Loan Facility established, the Borrower shall execute a Loan Facility Obligation.
- (c) Each of the Loan Documents shall be assignable to the BOU and governed by the laws of Uganda.

3.02 Security Interests.

- (a) The PFI shall insert in the Loan Facility Obligation a provision under which the Borrower grants to the PFI a valid and enforceable Lien in any Collateral, which provision shall require a first security interest in the specific inventory being financed and which shall automatically transfer to the account receivable following shipment.
- (b) The PFI shall insert in the Loan Facility Obligation a provision granting the right to the PFI of assigning its rights under the Loan Facility Obligation to the BOU.
- (c) The PFI shall not obtain from the Borrower a third party guarantee or a lien on any asset not included in the Collateral which would separately secure that portion of the Loan Facility not guaranteed by the BOU. If it is determined that either of the above has been obtained by the PFI, the Guarantee shall not be effective and the BOU shall not be liable to make Claim Payments thereunder.

3.03 Loan Approval and Administration.

- (a) The PFI shall evaluate applications received from prospective borrowers requesting a Loan Facility, and in so doing shall perform its customary due diligence in adhering to its then prevailing credit evaluation criteria. In undertaking its evaluation, the PFI shall take into consideration the Borrower's reputation, history of performance, financial

position, ability to meet its obligations and, if appropriate, comparable information on a Guarantor(s) as well as any other factors relevant to deciding whether to grant the requested Loan Facility; it being understood by the PFI that the BOU shall have the right to review the credit evaluation and decision processes of the PFI in determining whether to issue a BOU Guarantee on a Loan Facility being proposed by the PFI to be extended to the Borrower.

- (b) The PFI shall maintain accurate and complete records of each Guaranteed Loan Facility which shall include (i) relevant information supporting the decision to grant the Loan Facility, (ii) disbursements by the PFI under the Loan Facility, and (iii) payments of principal and interest by the Borrower relating to the Loan Facility. Upon reasonable request by the BOU, the PFI shall make available such information to the BOU.
- (c) The PFI shall require the Borrower to complete and submit to the PFI a Form, Estimated Cash Costs To Meet Export Order (Form 101, Exhibit 2 of this Agreement) as part of each Guarantee Application.
- (d) The PFI shall from time to time undertake a review of the transaction for which a guaranteed Loan Facility has been extended, which review shall include on-site visits to the Borrower's premises (the first visit to be made no later than twenty (20) business days following first disbursement), to ascertain that proceeds disbursed under the guaranteed Loan Facility are being applied in a manner consistent with the information provided by the Borrower in the form Estimated Cash Costs To Meet Export Order (Form 101, Exhibit 2 of this Agreement).

### 3.04 Reporting.

- (a) Upon receipt by the PFI of the Guarantee Certificate, the PFI shall provide the BOU within ten (10) business days of the Effective Date, notification of approval by the PFI of the granting of a guaranteed Loan Facility by submitting two (2) completed copies of the Loan Approval Notice (Form 107 of this Agreement).
- (b) The PFI shall submit, within a maximum of ten (10) business days from the end of each relevant period, (i) a quarterly report on Form 201 of this Agreement detailing approved guaranteed Loan Facilities extended by the PFI during the previous quarter, (ii) a quarterly report on Form 202 of this Agreement detailing the total amount of approved PFI guaranteed Loan Facilities outstanding at the close of the previous quarter, and (iii) a monthly report on Form 203 of this Agreement detailing due but unpaid approved guaranteed PFI Loan Facilities outstanding at the close of the previous month.

- (c) The PFI shall obtain and make available to the BOU, upon reasonable request by the BOU, other relevant information on the Borrower, and if appropriate the Guarantors included in Article III, Sections 3.03 (a) and 3.03 (b) of this Agreement.
  - (d) The PFI shall forthwith notify the BOU of any matters that may adversely affect the ability of the Borrower to meet its obligations under the Loan Facility including the occurrence of any non-payment by the Borrower lasting five (5) business days beyond payment due date specified in the Loan Facility Obligation.
- 3.05 Guarantee Fee. Within ten (10) business days of receipt by the PFI of a Guarantee Certificate from the BOU, the PFI shall pay to the BOU a Guarantee Fee equal to 1.25% of the Maximum Amount. Should the PFI fail to pay the Guarantee Fee within the period set forth herein, the BOU shall have the right to suspend its obligations under the BOU Guarantee.
- 3.06 Disbursements. Within forty-five (45) days of the date of the Guarantee Certificate, the PFI shall make an initial disbursement of Loan Facility proceeds. Disbursements initiated after this period shall not be eligible for cover under the BOU Guarantee.

**ARTICLE IV.  
SCOPE AND OBLIGATIONS OF THE BOU**

- 4.01 Guarantee Application. The BOU shall receive and evaluate Guarantee Applications (Form 101 of this Agreement) submitted to it by PFIs; it being clearly understood that the BOU shall have the right to deny any Guarantee Application in accordance with its internally established procedures and guidelines. The BOU shall approve or deny an application and so advise the PFI within ten (10) business days of receipt of a fully completed application.
- 4.02 Suspension of Participation in ECGS. Following the issuance of a notice in writing to a PFI, the BOU shall have the right to suspend its participation in the ECGS.
- 4.03 Payment of Claims In the Event of Default and subject to Article VI of this Agreement, the BOU agrees to pay to the PFI the Guaranteed Amount.
- 4.04 Training. The BOU shall provide training to lending officers nominated by approved PFIs and accepted by the BOU to enable the effective participation by PFIs in the ECGS.
- 4.05 Fraud and Misrepresentation. The BOU shall not be liable for the payment of a Claim for any loss if the PFI has at any time knowingly made a misrepresentation to the BOU that is material to the rights, liabilities or obligations of the BOU under this Agreement.
- 4.06 Suspension of a Guarantee. Unless having given prior written authorization to the PFI, the BOU shall not be liable to guarantee disbursements by the PFI relating to the Loan Facility which occur: (i) following non-payment by the Borrower of amounts due and unpaid under

the Loan Facility Obligation, or (ii) following the occurrence of either of the events specified in Article V, Sections 5.01 (b) and 5.01 (c) of this Agreement.

## **ARTICLE V. DEFAULT**

5.01 Event of Default. The occurrence of any of the following events with respect to a Borrower or Guarantor shall constitute an Event of Default with respect to the Loan Facility:

- (a) The Borrower fails to pay any amount payable under the Loan Facility within 90 calendar days of the due date thereof.
- (b) The Borrower applies for or consents to the appointment of a receiver, liquidator or similar fiduciary of itself or of a substantial part of its property.
- (c) The commencement of a proceeding against the Borrower or a Guarantor for the liquidation or dissolution of its assets.

## **ARTICLE VI. CLAIMS**

6.01 Claims Procedures. As condition precedent to the BOU making a Claim Payment to the PFI under this Agreement, the PFI shall submit a written demand to the BOU for payment not sooner than 90 calendar days nor later than 120 calendar days from the date when payment by the Borrower was due under the Loan Facility Obligation. Such written demand shall be comprised of the following documents:

- (a) An accurate and completed Claim Form (Form 109 of this Agreement), and
- (b) Other relevant documents reasonably requested by BOU.

6.02 Follow-up Procedures. The PFI shall also submit evidence to the BOU at the time of making a Claim that it has:

- (a) Visited the Borrower's place of business subsequent to the date of non-payment,
- (b) Completed a review of the Borrower's financial position, including financial information on the Borrower to the extent that such information is available, subsequent to the date of non-payment,
- (c) Made two written claims on both the Borrower and any Guarantor,
- (d) If the Security includes a legal mortgage, served the Borrower with a thirty (30) day Statutory Notice; or, where the Security includes an equitable mortgage, commenced foreclosure proceedings,

(e) Following expiry of the 30 day period, advertised the Collateral for sale;

and,

(f) Undertaken any other collection efforts deemed necessary to collect due and unpaid amounts from the Borrower.

6.03 Accelerated Claim. Notwithstanding the Claim filing dates specified in Article 6.01, the BOU shall have the right to request the PFI to file an immediate Claim at any time after the BOU has been advised by the PFI of non-payment under a Loan Facility Obligation.

6.04 Payment of Claims. Within 60 calendar days of receipt by the BOU of the information requested of the PFI in Article VI, Sections 6.01 and 6.02 of this Agreement, the BOU shall notify the PFI whether the BOU is prepared to pay the Claim or any portion thereof. If denied, the BOU shall advise the PFI of the reasons for such denial. If approved, the BOU shall credit the account of the PFI at the BOU.

6.05 Currency of Claim Payment. A Loan Facility and Loan Facility Obligation may be denominated in Ugandan shillings or a freely convertible foreign currency; however, all Claim Payments will be in Ugandan shillings with any conversion to Ugandan shillings being made by the BOU at the rate for that currency in effect on the date of the Guarantee Application.

6.06 Assignment. As a condition of any Claim Payment, the PFI shall, if requested by the BOU, execute and deliver to the BOU a Release and Assignment Agreement under which the PFI assigns all of its rights under the Loan Facility, in the Collateral and with respect to any Guarantors to the BOU, and releases the BOU from any further obligation under the related Guarantee.

6.07 PFI Recovery. The PFI shall take all actions necessary for the collection of amounts due from a defaulting Borrower.

6.08 BOU Recovery. At any time after Claim Payment, the BOU shall have the right, either on its own or jointly with the PFI, to commence any necessary collection procedures against the defaulting Borrower.

6.09 Partial Payments. To the extent that a partial payment is made by a Borrower subsequent to an Event of Default but before Claim Payment, such payment shall be applied in chronological order of due dates and be applicable to the BOU and PFI exposure on a pro rata basis.

6.10 Distribution. Any amounts, including interest, collected from the defaulting Borrower or Guarantor or as a result of execution on Collateral shall be distributed immediately between the BOU and the PFI in proportion to the agreed upon coverage ratio after deduction of any legal and court fees and other expenses incurred in connection with the collection. This provision applies to recoveries without limitation or regard to whether such distribution results in the BOU receiving an amount in excess of its Claim Payment. If an amount is received by the BOU in excess of its Claim Payment, the excess will be refunded to the Borrower.

**ARTICLE VII.  
GENERAL PROVISIONS**

- 7.01 Amendments. Except as provided below, this Agreement and its attachments 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 to this Agreement.
- 7.02 Amendments by the BOU. The BOU shall have the right to amend the guarantee conditions and the Forms appended to this Agreement provided that the proposed amendments are not in contradiction with the Articles of this Agreement. The said amendments shall apply to the issuance of new Guarantees and shall be enforced after thirty (30) days from the receipt of a written notification of that effect by the PFI.
- 7.03 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Uganda.
- 7.04 Dispute Resolution. Any disputes that may arise between the two parties as a result of or in connection with this Agreement and its appended Forms 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 Ugandan Arbitration Law. The decision of the arbitrator shall be final.

**ARTICLE VIII.  
TERMS & TERMINATION**

- 8.01 Validity. 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.
- 8.02 Expiration: 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 IX.  
ENTIRE AGREEMENT**

- 9.01 Entire Agreement. This Agreement which consists of nine (9) Articles and nine (9) Forms 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 Bank of Uganda

For and on Behalf of PFI

By:

By:

Title:

Title:

## APPENDIX B: MASTER GUARANTEE AGREEMENT - DELEGATED AUTHORITY

This Agreement, made this \_\_\_\_ day of \_\_\_\_\_, 2000

### By and Between:

1. **THE BANK OF UGANDA** of Kampala, Uganda (hereinafter referred to as "the BOU") of the one part, and

2. \_\_\_\_\_ whose address is at \_\_\_\_\_ (hereinafter referred to as "the Participating Financial Institution or PFI") of the second part,

### RECITALS

**Whereas**, the PFI is a financial institution/bank fully licensed to grant loans in Uganda, and which seeks to participate as a guaranteed party in the pre-shipment Export Credit Guarantee Scheme (the ECGS);

**Whereas**, the BOU is authorized to issue banking licenses to financial institutions/banks operating in Uganda, to approve the participation of licensed Ugandan financial institutions/banks in the ECGS, and to provide guarantees to PFIs under the ECGS;

**Whereas**, the BOU, now therefore, wishes to provide guarantees to cover pre-shipment export credit loans granted by approved licensed PFIs in support of non-traditional exports from Uganda;

**Whereas**, the PFI is duly licensed to operate in Uganda; has been approved to participate in the ECGS; and, has agreed to enter into this Master Guarantee Agreement (Agreement) to govern the relationship with the BOU with respect to the ECGS;

**And Whereas** it is understood and agreed that this Agreement includes the general terms and conditions set forth below, the terms and conditions set forth in the Eligibility Requirements (Form 100 of this Agreement) and the specific terms and conditions set forth in the Loan Authorization Notice (Form 106 of this Agreement).

**Now, Therefore** the Parties hereby agree as follows:

### ARTICLE I. DEFINITIONS

"Agreement" shall mean this Master Guarantee Agreement.

"Borrower" shall mean the Qualified Borrower specified in each Loan Authorization Notice as a Borrower.

“BOU” shall mean the Bank of Uganda, the central bank of Uganda.

“Claim” shall mean a written demand on the BOU by a PFI for payment under the Guarantee in accordance with the terms of this Agreement.

“Claim Date” shall mean the day on which the PFI presents a Claim to the BOU.

“Claim Payment” shall mean a payment made by the BOU with respect to a Claim.

“Claim Payment Date” shall mean the date on which the BOU makes a Claim Payment.

“Collateral” shall mean all property and interest in property in which the PFI has been granted a Lien as security for the payment of a Loan Facility Obligation.

“Delegated Authority” shall have the meaning set forth in Article III of this Agreement.

“ECGS” shall mean the Export Credit Guarantee Scheme, the BOU pre-shipment export credit guarantee programme.

“Effective Date” shall mean with respect to a Loan Facility, the date on which the Loan Documents are executed by the PFI and the applicable Borrower.

“Eligibility Requirements” shall mean Eligibility Requirements relating to transactions eligible for a Guarantee under the ECGS and which contain the terms and conditions set forth in Form 100 of this Agreement.

“Event of Default” shall have the meaning set forth in Section 6.01 of this Agreement.

“Forms” shall mean collectively the Forms attached to this Agreement as Form 100, Exhibit 2 of Form 101, Form 106, Form 109, Form 201, Form 202, and Form 203.

“Guarantee” shall have the meaning set forth in Section 2.01 of this Agreement.

“Guarantee Fee” shall be the fee paid by the PFI to the BOU and shall have the meaning set forth in Section 4.05 of this Agreement.

“Guaranteed Amount” shall mean, with respect to a Loan Facility, seventy-five per cent (75%) of the sum of the principal amount outstanding at the date of Event of Default plus interest due at Claim Payment Date. For the purpose of this definition, interest due at Claim Payment Date shall mean the sum of: 1) seventy-five percent (75%) of the interest due and unpaid at the date of Event of Default; plus, 2) interest due and unpaid from the date of Event of Default to the Claim Payment Date, which latter interest rate shall be equal to the BOU Treasury Bill rate in effect on the date of Event of Default.

“Guarantor” shall mean, with respect to a Loan Facility, any person or corporation identified in the Loan Documents who shall guarantee the payment of a Loan Facility Obligation.

“Lien” shall mean any mortgage, deed of trust, or other security agreement by which property is encumbered or otherwise charged.

“Loan Authorization Notice” shall mean the Loan Authorization Notice (Form 106 of this Agreement) executed by the PFI and delivered to the BOU in accordance with the Article IV, Section 4.04 (a) of this Agreement.

“Loan Documents” shall mean, with respect to the Loan Authorization Notice, the Loan Facility, the Loan Facility Obligation and any other instruments executed by the Borrower or any Guarantor relating to the Loan Facility.

“Loan Facility” shall mean a credit facility established by a PFI in favour of a Borrower for the purpose of providing a pre-export working capital loan in support of a specific export transaction.

“Loan Facility Obligation” shall mean a promissory note in form and substance satisfactory to the BOU executed by the Borrower which evidences the debt obligation incurred by the Borrower under the Loan Facility.

“Maximum Amount” shall mean seventy-five per cent (75%) of the maximum principal balance that may be outstanding under a Loan Facility.

“Parties” shall mean the BOU and the PFI collectively.

“PFI” shall mean a participating financial institution or a financial institution/bank that has been accredited by the BOU to participate in the ECGS.

“Qualified Borrower” shall mean a sole proprietorship, partnership, limited liability partnership, corporation or limited liability company which (a) is privately owned, controlled and operated; (b) is organized and authorized to conduct business in Uganda; and (c) has been engaged in exporting non-traditional goods and services from Uganda for at least one year.

“Release and Assignment Agreement” shall mean a release and assignment agreement executed by the PFI in favour of the BOU in form and substance satisfactory to the BOU.

“Security” shall mean any one of the following: (1) Collateral, (2) a Guarantor, or (3) a Letter of Credit securing the foreign buyer’s obligation to pay the Borrower.

## **ARTICLE II. THE GUARANTEE**

2.02 The Guarantee. Subject to the terms of this Agreement, if a Borrower fails to pay when due any outstanding amount of principal and interest with respect to the Loan Facility extended

to it by the PFI, and such failure continues for more than ninety (90) consecutive calendar days, the BOU guarantees (the Guarantee) the payment of and shall pay to the PFI an amount equal to the Guaranteed Amount.

- 2.03 Guarantee Effectiveness. A Guarantee shall become effective as of the date the Loan Authorization Notice, provided the PFI meets the conditions as set forth in Article IV, Sections 4.04 (a) and 4.05 of this Agreement.

### **ARTICLE III. DELEGATED AUTHORITY**

- 3.01 Delegation of Authority. The BOU hereby delegates its authority to the Bank to commit BOU's Guarantee on loans extended by the Bank to Borrowers under the Scheme, pursuant to: (i) the terms and conditions of this Agreement executed between the BOU and the Bank, and (ii) the terms and conditions set forth in the Eligibility Requirements (Form 100 of this Agreement).
- 3.02 Conditions of Delegation. The authority delegated to the PFI by this Agreement is granted based upon the BOU's reliance on the PFI's credit judgment. The PFI may exercise its Delegated Authority with respect to each Loan Facility to a particular Borrower only after it has analyzed such Borrower's Loan Facility application, including all supporting materials, and has determined that such Borrower is creditworthy and offers reasonable assurance of repayment of the Loan Facility. Any Loan Facility guaranteed by the BOU pursuant to the PFI's Delegated Authority must be administered and serviced by the PFI using the same procedures the PFI uses for other similar loans not guaranteed by the BOU, except to the extent that such procedures of the PFI are inconsistent with the requirements of this Agreement.
- 3.03 Governing Provisions. The provisions of this Agreement, including the Scope and Obligations of the PFI (Article IV), govern the ECGS and must be adhered to by the PFI in the exercise of its Delegated Authority.
- 3.04 Actions Required by PFI. The PFI's exercise of Delegated Authority with respect to a particular Loan Facility shall be effective only if the following is provided to the BOU within ten (10) business days after the Effective Date:
- (a) two (2) completed copies of the Loan Authorization Notice (Form 106 of this Agreement) and,
  - (b) the Guarantee Fee due to the BOU.
- 3.05 Action by the BOU. The BOU will acknowledge receipt of the Loan Authorization Notice by returning a copy to the PFI within five (5) business days. The PFI shall notify the BOU

in writing within five (5) business days of any amendment to the terms or conditions specified in the Loan Authorization Notice.

- 3.06 Loans to Affiliates. The PFI may not use its Delegated Authority in connection with any Loan Facility to an affiliate of the PFI. The term "affiliate" of the PFI shall mean that the PFI owns more than 20% of the Borrower.
- 3.07 Liens. To the extent that Loan Facilities are collateralized, they must be supported by a valid perfected lien under the laws of Uganda.

#### **ARTICLE IV. SCOPE AND OBLIGATIONS OF THE PFI**

So long as this Agreement remains effective and the BOU remains liable under this Agreement, the PFI agrees as follows:

4.01 Loan Documents.

- (a) For each Loan Facility for which a Guarantee is sought, the PFI agrees to the terms and conditions set forth in the Loan Authorization Notice (Form 106 of this Agreement) issued by the BOU.
- (b) For each Loan Facility established, the Borrower shall execute a Loan Facility Obligation.
- (c) Each of the Loan Documents shall be assignable to the BOU and governed by the laws of Uganda.

4.02 Security Interests.

- (a) The PFI shall insert in the Loan Facility Obligation a provision under which the Borrower grants to the PFI a valid and enforceable Lien in any Collateral, which provision shall require a first security interest in the specific inventory being financed and which shall automatically transfer to the account receivable following shipment.
- (b) The PFI shall insert in the Loan Facility Obligation a provision granting the right to the PFI of assigning its rights under the Loan Facility Obligation to the BOU.
- (c) The PFI shall not obtain from the Borrower a third party guarantee or a lien on any asset not included in the Collateral which would separately secure that portion of the Loan Facility not guaranteed by the BOU. If it is determined that either of the above has been obtained by the PFI, the Guarantee shall not be effective and the BOU shall not be liable to make Claim Payments thereunder.

4.03 Loan Approval and Administration.

- (a) The PFI shall evaluate applications received from prospective borrowers requesting a Loan Facility, and in so doing shall perform its customary due diligence in adhering

to its then prevailing credit evaluation criteria. In undertaking its evaluation, the PFI shall take into consideration the Borrower's reputation, history of performance, financial position, ability to meet its obligations and, if appropriate, comparable information on a Guarantor(s) as well as any other factors relevant to deciding whether to grant the requested Loan Facility.

- (b) The PFI shall maintain accurate and complete records of each Guaranteed Loan Facility which shall include (i) relevant information supporting the decision to grant the Loan Facility, (ii) disbursements by the PFI under the Loan Facility, and (iii) payments of principal and interest by the Borrower relating to the Loan Facility. Upon reasonable request by the BOU, the PFI shall make available such information to the BOU.
- (c) The PFI shall require the Borrower to complete and submit to the PFI a Form, Estimated Cash Costs To Meet Export Order (Form 101, Exhibit 2 of this Agreement), as part of each application for a Loan Facility.
- (d) The PFI shall from time to time undertake a review of the transaction for which a guaranteed Loan Facility has been extended, which review shall include on-site visits to the Borrower's premises (the first visit to be made no later than twenty (20) business days following first disbursement), to ascertain that proceeds disbursed under the Guaranteed Loan Facility are being applied in a manner consistent with the information provided by the Borrower in the Form Estimated Cash Costs To Meet Export Order (Form 101, Exhibit 2 of this Agreement).

#### 4.04 Reporting.

- (a) The PFI shall provide the BOU with notification of authorization by the PFI of the granting of a guaranteed Loan Facility by submitting within ten (10) business days after the Effective Date (i) two (2) completed copies of the Loan Authorization Notice (Form 106 of this Agreement), and (ii) a written notice stating that the PFI and the Borrower have executed the Loan Documents as of the specified Effective Date.
- (b) The PFI shall submit, within a maximum of ten (10) business days from the end of each relevant period, (i) a quarterly report on Form 201 of this Agreement\_ detailing approved guaranteed Loan Facilities extended by the PFI during the previous quarter, (ii) a quarterly report on Form 202 of this Agreement detailing the total amount of approved PFI guaranteed Loan Facilities outstanding at the close of the previous quarter, and (iii) a monthly report on Form 203 of this Agreement detailing due but unpaid approved guaranteed PFI Loan Facilities outstanding at the close of the previous month.
- (c) The PFI shall obtain and make available to the BOU, upon reasonable request by the BOU, other relevant information on the Borrower, and if appropriate the Guarantors included in Article IV, Sections 4.03 (a) and 4.03 (b) of this Agreement.

- (d) The PFI shall forthwith notify the BOU of any matters that may adversely affect the ability of the Borrower to meet its obligations under the Loan Facility including the occurrence of any non-payment by the Borrower lasting five (5) business days beyond payment due date specified in the Loan Facility Obligation.

4.05 Guarantee Fee. Within ten (10) business days of the Effective Date, the PFI shall pay to the BOU a Guarantee Fee equal to 1.25% of the Maximum Amount. Should the PFI fail to pay the Guarantee Fee within the period set forth herein, the BOU shall have the right to suspend its obligations under the BOU Guarantee.

4.06 Disbursements. Within forty-five (45) days of the date of the Loan Authorization Notice, the PFI shall make an initial disbursement of Loan Facility proceeds. Disbursements initiated after this period shall not be eligible for cover under the BOU Guarantee.

## ARTICLE V. SCOPE AND OBLIGATIONS OF THE BOU

- 5.01 Loan Authorization Notice. Within (5) five business days of receipt from the PFI of the documents specified in Article IV, Section 4.04 (a) of this Agreement, the BOU shall acknowledge receipt of such documents and return to the PFI one executed copy of the Loan Authorization Notice (Form 106 of this Agreement).
- 5.02 Suspension of Participation in ECGS. Following the issuance of a notice in writing to a PFI, the BOU shall have the right to suspend its participation in the ECGS.
- 5.03 Payment of Claims. In the Event of Default and subject to Article VII of this Agreement, the BOU agrees to pay to the PFI the Guaranteed Amount.
- 5.04 Training. The BOU shall provide training to lending officers nominated by approved PFIs and accepted by the BOU to enable the effective participation by PFIs in the ECGS.
- 5.05 Fraud and Misrepresentation. The BOU shall not be liable for the payment of a Claim for any loss if the PFI has at any time knowingly made a misrepresentation to the BOU that is material to the rights, liabilities or obligations of the BOU under this Agreement.
- 5.06 Suspension of a Guarantee. Unless having given prior written authorization to the PFI, the BOU shall not be liable to guarantee disbursements by the PFI relating to the Loan Facility which occur: (i) following non-payment by the Borrower of amounts due and unpaid under the Loan Facility Obligation, or (ii) following the occurrence of either of the events specified in Article VI, Sections 6.01 (b) and 6.01 (c) of this Agreement.

**ARTICLE VI.  
DEFAULT**

- 6.01 Event of Default. The occurrence of any of the following events with respect to a Borrower or Guarantor shall constitute an Event of Default with respect to the Loan Facility:
- (a) The Borrower fails to pay any amount payable under the Loan Facility within 90 calendar days of the due date thereof.
  - (b) The Borrower applies for or consents to the appointment of a receiver, liquidator or similar fiduciary of itself or of a substantial part of its property.
  - (c) The commencement of a proceeding against the Borrower or a Guarantor for the liquidation or dissolution of its assets.

**ARTICLE VII.  
CLAIMS**

- 7.01 Claims Procedures. As condition precedent to the BOU making a Claim Payment to the PFI under this Agreement, the PFI shall submit a written demand to the BOU for payment not sooner than 90 calendar days nor later than 120 calendar days from the date when payment by the Borrower was due under the Loan Facility Obligation. Such written demand shall be comprised of the following documents:
- (a) An accurate and completed Claim Form (Form109 of this Agreement), and
  - (b) Other relevant documents reasonably requested by BOU.
- 7.02 Follow-up Procedures. The PFI shall also submit evidence to the BOU at the time of making a Claim that it has:
- (a) Visited the Borrower's place of business subsequent to the date of non-payment,
  - (b) Completed a review of the Borrower's financial position, including financial information on the Borrower to the extent that such information is available, subsequent to the date of non-payment,
  - (c) Made two written claims on both the Borrower and any Guarantor,
  - (d) If the Security includes a legal mortgage, served the Borrower with a thirty (30) day Statutory Notice; or, where the Security includes an equitable mortgage, commenced foreclosure proceedings,
  - (e) Following expiry of the 30 day period, advertised the Collateral for sale; and,

- (f) Undertaken any other collection efforts deemed necessary to collect due and unpaid amounts from the Borrower.
- 7.03 Accelerated Claim. Notwithstanding the Claim filing dates in Article 7.01, the BOU shall have the right to request the PFI to file an immediate Claim at any time after the BOU has been advised by the PFI of non-payment under a Loan Facility Obligation.
- 7.04 Payment of Claims. Within 60 calendar days of receipt by the BOU of the information requested of the PFI in Article VII, Sections 7.01 and 7.02 of this Agreement, the BOU shall notify the PFI whether the BOU is prepared to pay the Claim or any portion thereof. If denied, the BOU shall advise the PFI of the reasons for such denial. If approved, the BOU shall credit the account of the PFI at the BOU.
- 7.05 Currency of Claim Payment. A Loan Facility and Loan Facility Obligation may be denominated in Ugandan shillings or a freely convertible foreign currency; however, all Claim Payments will be in Ugandan Shillings with any conversion to Ugandan Shillings being made by the BOU at the rate for that currency in effect on the date of approval of the Loan Facility.
- 7.06 Assignment. As a condition of any Claim Payment, the PFI shall, if requested by the BOU, execute and deliver to the BOU a Release and Assignment Agreement under which the PFI assigns all of its rights under the Loan Facility, in the Collateral and with respect to any Guarantors to the BOU, and releases the BOU from any further obligation under the related Guarantee.
- 7.07 PFI Recovery. The PFI shall take all actions necessary for the collection of amounts due from a defaulting Borrower.
- 7.08 BOU Recovery. At any time after Claim Payment, the BOU shall have the right, either on its own or jointly with the PFI, to commence any necessary collection procedures against the defaulting Borrower.
- 7.09 Partial Payments. To the extent that a partial payment is made by a Borrower subsequent to an Event of Default but before Claim Payment, such payment shall be applied in chronological order of due dates and be applicable to the BOU and PFI exposure on a pro rata basis.
- 7.10 Distribution. Any amounts, including interest, collected from the defaulting Borrower or Guarantor or as a result of execution on Collateral shall be distributed immediately between the BOU and the PFI in proportion to the agreed upon coverage ratio after deduction of any legal and court fees and other expenses incurred in connection with the collection. This provision applies to recoveries without limitation or regard to whether such distribution results in the BOU receiving an amount in excess of its Claim Payment. If an amount is received by the BOU in excess of its Claim Payment, the excess will be refunded to the Borrower.

**ARTICLE VIII.  
GENERAL PROVISIONS**

- 8.01 Amendments. Except as provided below, this Agreement and the appended Forms 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 to this Agreement.
- 8.02 Amendments by the BOU. The BOU shall have the right to amend the guarantee conditions and the Forms appended to this Agreement provided that the proposed amendments are not in contradiction with the Articles of this Agreement. The said amendments shall apply to the issuance of new Guarantees and shall be enforced after thirty (30) days from the receipt of a written notification of that effect by the PFI.
- 8.03 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Uganda.
- 8.04 Dispute Resolution. Any disputes that may arise between the two parties as a result of or in connection with this Agreement and its appended Forms 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 Ugandan Arbitration Law. The decision of the arbitrator shall be final.

**ARTICLE IX.  
TERMS & TERMINATION**

- 9.01 Validity. 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.
- 9.02 Expiration. 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 X.  
ENTIRE AGREEMENT**

- 10.01 Entire Agreement. This Agreement, which consists of ten (10) Articles and seven (7) Forms, 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 Bank of Uganda

For and on Behalf of PFI

By:

By:

Title:

Title:

**APPENDIX C: ECGS FORMS**

[For Use With All Transactions]

**BANK OF UGANDA (BOU)  
EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
ELIGIBILITY REQUIREMENTS**

Following are the basic ECGS eligibility requirements that must be observed for all transactions unless amended by the BOU in writing for a specific transaction:

1. Eligible Exports - Ugandan exports of non-traditional goods or services are eligible. This excludes those relating to coffee, tea, cotton, and tobacco in their unprocessed forms; however, processed versions of these commodities are eligible.
2. Costs – The estimated costs of a Ugandan exporter, the potential Borrower, that are necessary to complete an export order must be summarized on Exhibit 2 of Form 101, the Guarantee Application. A minimum Ugandan content rule, thirty-five percent (35%) of the export price, must be met.
3. Requirements for the Borrower - The Borrower must meet the requirements of a Qualified Borrower as defined in the Master Guarantee Agreement between the BOU and a participating financial institution (PFI).
4. PFI Loan Facility - The Loan Facility extended by a PFI to a Borrower and guaranteed by the BOU under the ECGS must be represented by a Loan Agreement and a promissory note in the form of a Loan Facility Obligation.
5. PFI Participation - A PFI must participate for a minimum of twenty-five percent (25%) of the amounts payable under a Loan Facility Obligation.
6. Borrower Participation - The Borrower will be required to participate for a minimum of fifteen percent (15%) of the export price.
7. Repayment Term - The repayment term of a Loan Facility Obligation should not exceed 180 days from its Effective Date.
8. Maximum Exposure - The principal and interest due under one or more Loan Facility Obligations to any single Borrower should not exceed U. Shs. 700,000,000.
9. Security - A PFI must be prepared to share the proceeds from all Security taken under a Loan Facility pro rata with the BOU.

[For Use With Non-Delegated Authority Transactions]

**BANK OF UGANDA (BOU)  
EXPORT CREDIT GUARANTEE SCHEME (ECGS)**

**PFI APPLICATION TO BOU FOR PRE-SHIPMENT GUARANTEE**

Date \_\_\_\_\_

To: Director, Development Finance Department  
Bank of Uganda  
Kampala, Uganda

The undersigned Participating Financial Institution (PFI) hereby applies for a BOU Guarantee under the ECGS for the transaction described below:

1. APPLICANT PFI

- a. Name of PFI: \_\_\_\_\_
- b. Address: \_\_\_\_\_
- c. Name and title of person(s) to contact: \_\_\_\_\_
- d. Telephone number: \_\_\_\_\_
- e. Facsimile number: \_\_\_\_\_
- f. E-mail address: \_\_\_\_\_

2. BORROWER - BASIC DATA

- a. Name of Borrower \_\_\_\_\_
- b. Address: \_\_\_\_\_
- c. Name and title of person(s) to contact: \_\_\_\_\_
- d. Telephone number: \_\_\_\_\_
- e. Facsimile number: \_\_\_\_\_
- f. E-mail address: \_\_\_\_\_
- g. Type of export business: \_\_\_\_\_

- h. Date of establishment: \_\_\_\_\_
- i. Year began exporting non-traditional items \_\_\_\_\_
- j. Names and titles of principle owners: \_\_\_\_\_
- \_\_\_\_\_
- k. Names and titles of principle managers: \_\_\_\_\_
- \_\_\_\_\_
- l. Percentage of private ownership: \_\_\_\_\_
- m. Number of employees: \_\_\_\_\_
- n. Membership in export associations: \_\_\_\_\_
- \_\_\_\_\_

3. BORROWER - FINANCIAL DATA

- a. Does Borrower produce financial statements?  Yes  No  
 If Yes, attach the last three years of annual statements plus latest interim statement.
- b. Attach PFI's most recent analysis of Borrower's financial position based on financial statements or other criteria.
- c. Has Borrower or any of its owners ever filed for bankruptcy or declared themselves insolvent?  Yes  No
- d. If Yes, briefly explain in an attachment.
- e. Indicate on the form provided as Exhibit 1 the extent of Borrower's banking relationships with the PFI.
- f. If the PFI owns stock in the Borrower, is it more than 20%?  Yes  No
- \_\_\_\_\_
- g. Do any shareholders of the Borrower own 20% or more of its capital stock?  
 Yes  No If Yes, indicate their names, percentage of stock interest, and willingness to guarantee.
- \_\_\_\_\_

4. FOREIGN BUYER DATA

- a. Name of foreign buyer: \_\_\_\_\_
- b. Address of foreign buyer: \_\_\_\_\_
- c. Number of years Borrower has done business with buyer and what has been the total amount per annum for the past three years? \_\_\_\_\_
- \_\_\_\_\_
- d. How many individual export sales has this involved? \_\_\_\_\_
- e. Have buyer's past payments been prompt?  Yes  No If No, explain.
- \_\_\_\_\_
- f. Attach buyer's banking and trade references and an international credit report (if latter available): \_\_\_\_\_
- \_\_\_\_\_

5. TRANSACTION PROFILE

- a. Types of goods and services to be exported: \_\_\_\_\_
- b. Volume and unit price: \_\_\_\_\_
- c. Total export price \_\_\_\_\_
- d. Attach a copy of the export contract.
- e. Method of payment (e.g. open account, documentary collection, Letter of Credit and issuing bank): \_\_\_\_\_
- f. Timing of payment (s): \_\_\_\_\_
- g. Will goods be inspected, and, if so, by what entity? \_\_\_\_\_
- h. Describe any storage arrangements in Uganda and mode of transport to buyer's country: \_\_\_\_\_
- i. Contract delivery date(s): \_\_\_\_\_

6. TRANSACTION FINANCING

- a. Furnish a breakdown of the cash costs necessary to meet subject order on the form provided as Exhibit 2. *Note that Exhibit 2 must be signed by the Borrower.*
- b. Do Ugandan costs comprise at least 35% of total export price in 5.c. above?  
\_\_\_\_\_
- c. Indicate exporter participation (minimum of 15% of total export price in 5.c. above):  
\_\_\_\_\_
- d. Amount (not to exceed costs in Exhibit 2) and date of Loan Facility conditionally approved by PFI for Borrower: \_\_\_\_\_
- e. Attach copies of draft: (i) Loan Agreement and (ii) Loan Facility Obligation between PFI and Borrower.
- f. Monthly disbursement schedule of Loan Facility: \_\_\_\_\_  
*Note that disbursements must begin within 45 days of the Effective Date of the Loan Facility.*
- g. Method of disbursement (against invoices, Borrower request, etc) \_\_\_\_\_
- h. Interest rate and fees applicable to Loan Facility Obligation: \_\_\_\_\_
- i. Estimated total interest due on Loan Facility Obligation: \_\_\_\_\_
- j. Final maturity date of Loan Facility Obligation: \_\_\_\_\_
- k. Is repayment of any principal and interest on Loan Facility Obligation required prior to the final due date? [ ] Yes [ ] No If Yes, indicate dates and amounts:

l. Indicate currency of Loan Facility Obligation: \_\_\_\_\_

**REQUESTED BOU GUARANTEE AND RELATED SECURITY**

a. Estimated Guaranteed Amount requested (for purposes of this Guarantee Application, the estimated Guaranteed Amount should not exceed the Maximum Amount plus interest thereon for the period of the Loan Facility Obligation):

b. Guarantee Fee payable to BOU (1.25% of the Maximum Amount):

c. List the Security required for the Loan Facility:

d. Was the PFI Application Checklist, Form 102, completed?       Yes  No

Defined terms are those utilized in the PFI's Master Guarantee Agreement with the BOU. If the PFI believes that any additional information should be supplied to provide the BOU with a complete profile of the subject transaction, such information is attached.

The PFI hereby agrees to pay the Guarantee Fee determined by the BOU within ten (10) business days following receipt of a BOU Guarantee Certificate indicating approval of the subject Guarantee Application.

The PFI certifies that the representations made and the facts stated in this Guarantee Application, including all accompanying information, are complete and true to the best of its knowledge and belief, and that it has not omitted any material facts. The PFI furthermore agrees that: (1) it has not otherwise financed the subject transaction, (2) the representations and facts contained in this Guarantee Application and accompanying information shall form the basis of, and be incorporated in, the Guarantee, if issued, (3) proceeds recovered from any Security will be shared on a pro rata basis with the BOU, and (4) the BOU may contact the proposed Borrower directly, if necessary, to verify information contained in this Guarantee Application.

Name of PFI:

\_\_\_\_\_

Authorized Signature:

\_\_\_\_\_

**APPLICATION FOR PRE-SHIPMENT ECGS GUARANTEE  
SUMMARY OF BORROWER'S ASSOCIATION WITH APPLICANT PFI**

1. Name of Borrower: \_\_\_\_\_
2. The relationship with the Borrower began on (month and year): \_\_\_\_\_
3. Banking relationships comprise:
  - a. Deposit account opened (month and year): \_\_\_\_\_
  - b. Average deposit account balance over past six months: \_\_\_\_\_
  - c. Savings account opened (month and year): \_\_\_\_\_
  - d. Average savings account balance over past six months: \_\_\_\_\_
  - e. Describe loan facilities extended and their repayment history: \_\_\_\_\_  
\_\_\_\_\_
  - f. What was the high credit amount and when was it reached? \_\_\_\_\_  
\_\_\_\_\_
  - g. Describe known relationships with any other banks: \_\_\_\_\_  
\_\_\_\_\_
4. Does the PFI perform a periodic financial analysis of the Borrower?  Yes  No If Yes, attach most recent analysis. If No, please explain as follows: \_\_\_\_\_  
\_\_\_\_\_
5. Does the PFI regularly visit Borrower's premises?  Yes  No If Yes, indicate dates of visits within the past year: \_\_\_\_\_
6. Does Borrower provide audited financial statements?  Yes  No
7. Describe other pertinent aspects of relationship with Borrower, e.g. prior repayment arrears, confidence in management, etc.: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**APPLICATION FOR PRE-SHIPMENT ECGS GUARANTEE  
ESTIMATED CASH COSTS TO MEET EXPORT ORDER (INDICATE CURRENCY)**

<u>Cost Category</u>	<u>Ugandan Costs</u>	<u>Non-Ugandan Costs</u>	<u>Total Costs</u>
Labour Expense			
Admin. & Management Expense			
Utilities			
Inventory - Raw Materials			
Inventory - Finished Goods			
Export Packing			
Inspection Fees			
Storage and Insurance Expense			
Transport to Export Port			
Transport from Export Port to Foreign Buyer			
Customs Duties			
Other (specify, but should not exceed 10% of above costs)	_____	_____	_____
<b>Total Costs to Meet Export Order</b>			

Note that Ugandan costs must comprise at least 35% of the total export price.  
This cost breakdown is hereby certified as correct.

Name of Borrower: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

[For Use By PFIs With All Transactions]

**BANK OF UGANDA (BOU) EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
SUGGESTED GUARANTEE APPLICATION CHECKLIST FOR APPLICANT PFI**

**1. Applicant PFI**

- a. Is PFI's Agreement with BOU signed and operative?  Yes  No  
\_\_\_\_\_
- b. Is PFI eligible to operate the ECGS under non-delegated authority?  Yes  No  
\_\_\_\_\_

**2. Borrower - Basic Data**

- a. Has Exhibit 1, describing PFI's relationship with Borrower, been completed?  Yes  No  
\_\_\_\_\_
- b. Is the overall relationship with the Borrower satisfactory?  Yes  No  
\_\_\_\_\_
- c. Has the Borrower operated as a going concern exporting non-traditional products for at least one year?  Yes  No  
\_\_\_\_\_
- d. Have comments on the Borrower been received from its export association and/or Uganda Export Promotion Board, and are they attached to the Guarantee Application?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_
- e. Is Borrower more than 50% owned by private shareholders?  Yes  No  
\_\_\_\_\_
- f. Are officers and owners of Borrower favorably known to the PFI?  Yes  No  
\_\_\_\_\_

**3. Borrower - Financial Data**

- a. Are financial statements on Borrower available?  Yes  No  
\_\_\_\_\_
- b. Has Borrower ever declared bankruptcy or insolvency?  Yes  No  
\_\_\_\_\_
- c. If above answer is Yes, has declaration been satisfactorily resolved?  Yes  No  
\_\_\_\_\_
- d. If Borrower has other banking relationships, do you believe they are satisfactorily maintained?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_
- e. If the PFI owns stock in the Borrower, is it less than 20%?  Yes  No  
\_\_\_\_\_
- f. If individual or corporate shareholders own 20% or more of the Borrower's stock, have their guarantees been provided?  Yes  No  
\_\_\_\_\_
- g. Do Borrower's financial statements or other financial criteria demonstrate a satisfactory condition?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**4. Foreign Buyer Data**

- a. Is the foreign buyer known to the PFI and/or the Borrower?  Yes  No  
\_\_\_\_\_
- b. Are buyer's banking and trade references adequate and convincing?  Yes  No  
\_\_\_\_\_
- c. If Borrower had past experience with buyer, was it favorable?  Yes  No  
\_\_\_\_\_



d. Does foreign buyer's country pose foreign exchange risks?  Yes  No

---

### 5. Transaction Profile

a. Is the Borrower's contract with the foreign buyer attached?  Yes  No

---

b. Is the method of payment customary for the type of goods exported?  Yes  No

---

c. Do overall contractual arrangements appear satisfactory?  Yes  No

---

d. Do payment terms proposed by the buyer appear reasonable?  Yes  No

---

e. Have adequate transportation and any storage arrangements been made?  Yes  No

---

f. Will the goods be inspected by a professional inspection agency?  Yes  No

---

g. Are contract delivery dates reasonable and likely to be met?  Yes  No

---

### 6. Transaction Financing

a. Has the breakdown of cash costs in Exhibit 2 been signed by the Borrower?  Yes  No

---

b. Does the breakdown appear reasonable?  Yes  No

---

---

- c. Has the minimum 35% Ugandan content rule been satisfied? [ ] Yes [ ] No  
\_\_\_\_\_
- d. Is the exporter participation at least at the 15% minimum of the export price? [ ] Yes [ ] No  
\_\_\_\_\_
- e. Do disbursement procedures appear appropriate? [ ] Yes [ ] No  
\_\_\_\_\_
- f. Is the interest rate one that takes into account the BOU Guarantee and the fact the PFI will not be required to maintain reserves against the guaranteed portion? [ ] Yes [ ] No  
\_\_\_\_\_
- g. Is the final due date of the Loan Facility Obligation within 180 days of the probable Effective Date? [ ] Yes [ ] No  
\_\_\_\_\_
- h. Has the currency of the Loan Facility Obligation been indicated? [ ] Yes [ ] No  
\_\_\_\_\_

## 7. BOU Guarantee And Related Security

- a. Does the requested Guaranteed Amount exceed 75% of the principal and interest due under the Loan Facility Obligation? [ ] Yes [ ] No  
\_\_\_\_\_
- b. Has prompt payment of the BOU Guarantee Fee been provided for? [ ] Yes [ ] No  
\_\_\_\_\_
- c. Has the required Security been indicated (minimum is inventory and related account receivable financed)? [ ] Yes [ ] No  
\_\_\_\_\_
- d. Will recoveries under Security be shared pro rata with the BOU? [ ] Yes [ ] No  
\_\_\_\_\_

[For Use With Non-Delegated Authority Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
GUARANTEE APPLICATION CHECKLIST FOR BANK OF UGANDA (BOU)**

**1. Applicant PFI**

- a. Is PFI's Master Guarantee Agreement signed and operative?  Yes  No  
\_\_\_\_\_
- b. Is PFI in good standing with respect to the ECGS program?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_
- c. Has PFI filed prior Applications or received prior Guarantees?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_
- d. Has PFI filed prior claims?  Yes  No  
\_\_\_\_\_

**2. Borrower - Basic Data**

- a. Is Borrower more than 50% owned by private shareholders?  Yes  No  
\_\_\_\_\_
- b. Has Borrower exported non-traditional products for at least one year?  Yes  No  
\_\_\_\_\_
- c. Do the principal managers and owners of the Borrower appear to have good reputations?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_
- d. Have comments from export associations and/or Uganda Export Promotion Board been received and do they indicate the Borrower has expertise in exporting?  Yes  No  
\_\_\_\_\_  
\_\_\_\_\_

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**3. Borrower - Financial Data**

- a. Does PFI appear to have used reasonable criteria in its analysis of the Borrower's financial position? [ ] Yes [ ] No  
\_\_\_\_\_  
\_\_\_\_\_
  
- b. Has Borrower ever declared bankruptcy or insolvency? [ ] Yes [ ] No  
\_\_\_\_\_
  
- c. If PFI owns stock in the Borrower, is it less than 20% of total stock? [ ] Yes [ ] No  
\_\_\_\_\_  
\_\_\_\_\_
  
- d. If individual stockholders own more than 20% of the Borrower's stock, have their corporate or personal guarantees been provided? [ ] Yes [ ] No  
\_\_\_\_\_
  
- e. If Borrower has other banking relationships, are they satisfactorily maintained? [ ] Yes [ ] No  
\_\_\_\_\_  
\_\_\_\_\_
  
- f. If financial statements have been provided, do they show the Borrower profitable over the past three years? [ ] Yes [ ] No  
\_\_\_\_\_
  
- g. Does PFI's most recent financial analysis of Borrower demonstrate a satisfactory position? [ ] Yes [ ] No  
\_\_\_\_\_

**4. Foreign Buyer Data**

- a. If foreign buyer is otherwise known to the BOU, has experience been satisfactory? [ ] Yes [ ] No  
\_\_\_\_\_
  
- b. Are buyer's banking and trade references, as well as any credit report, adequate and convincing? [ ] Yes [ ] No  
\_\_\_\_\_  
\_\_\_\_\_
  
- c. If Borrower had past experience with buyer, has it been favorable? [ ] Yes [ ] No  
\_\_\_\_\_  
\_\_\_\_\_

10/10  
2-00

d. Does country of foreign buyer pose foreign exchange risks?  Yes  No

---

### 5. Transaction Profile

a. Are the exports non-traditional products only?  Yes  No

---

b. Has a copy of the export contract been provided and do contractual arrangements appear satisfactory?  Yes  No

---

c. Is the method of payment customary for the type of goods exported?  Yes  No

---

d. Do payment terms requested by the buyer appear reasonable?  Yes  No

---

e. Have adequate transportation and any storage arrangements been made?  Yes  No

---

f. Will the goods be inspected by a professional inspection agency?  Yes  No

---

### 6. Transaction Financing

a. Has the breakdown of cash costs, Exhibit 2, been signed by the Borrower?  Yes  No

---

b. Does the breakdown appear reasonable?  Yes  No

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c. Has the minimum 35% Ugandan content rule been satisfied?  Yes  No

---

d. Is the exporter participation at least at the 15% minimum of the export price as required?  Yes  No

---

e. Do PFI disbursement procedures appear appropriate?  Yes  No

---

f. Does the interest rate appear satisfactory, particularly in light of the proposed BOU Guarantee? [ ] Yes [ ] No

\_\_\_\_\_

g. Is the final due date of the Loan Facility Obligation within 180 days of the probable Effective Date? [ ] Yes [ ] No

\_\_\_\_\_

h. Has the currency of the Loan Facility Obligation been indicated? [ ] Yes [ ] No

\_\_\_\_\_

**7. Requested BOU Guarantee And Related Security**

a. Is Guaranteed Amount equal to or less than 75% of principal and estimated interest due under the Loan Facility Obligation? [ ] Yes [ ] No

\_\_\_\_\_

b. Should the PFI be contacted to discuss a reduction in the maximum 75% BOU Guaranteed Amount? [ ] Yes [ ] No

\_\_\_\_\_

c. Is the Guaranteed Amount (as defined above), when added to existing BOU exposure to the Borrower, less than U. Shs. 700,000,000? [ ] Yes [ ] No

\_\_\_\_\_

**8. Comments by GPO Including any Special Conditions**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**9. BOU Summary and Action**

a. Date of Guarantee Application receipt: \_\_\_\_\_

b. Date Guarantee Application assigned to GPO: \_\_\_\_\_

c. Date GPO completed analysis: \_\_\_\_\_

d. Recommendation of GPO:  Approval as requested  
 Approval with special conditions  
 Denial

e. Date reviewed by Head, Project Management Division: \_\_\_\_\_

f. Date reviewed by Director or Deputy Director, DFD: \_\_\_\_\_

g. Date reviewed by ECGS Management Committee: \_\_\_\_\_

h. Did ECGS Management Committee concur with recommendation from GPO?  Yes  No

i. Initials of GPO [ \_\_\_\_\_ ], Head, Project Management Division [ \_\_\_\_\_ ],  
Director or Deputy Director, DFD [ \_\_\_\_\_ ].

[Bank Of Uganda Letterhead]  
[For Use With Non-Delegated Authority Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
CONFIRMATION OF GUARANTEE APPLICATION RECEIPT**

Date \_\_\_\_\_

Name of Applicant PFI: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear \_\_\_\_\_:

The Bank of Uganda (BOU) is pleased to acknowledge receipt of your Guarantee Application for a Guarantee under the ECGS. Your Guarantee Application has been assigned number \_\_\_\_\_, which should be referred to in all future correspondence.

We note that your Guarantee Application requests a BOU Guarantee covering a portion of the pre-shipment costs totaling \_\_\_\_\_ relating to the export of \_\_\_\_\_ by \_\_\_\_\_. The estimated Guaranteed Amount requested in the Guarantee Application is \_\_\_\_\_, and the Guarantee Fee has been calculated in your Guarantee Application at \_\_\_\_\_.

We will commence processing your Guarantee Application immediately. As soon as we have made a decision to approve or deny the requested Guarantee, we will send you a written notice of the action taken.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

[Bank of Uganda Letterhead]  
[For Use With Non-Delegated Authority Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
CONFIRMATION OF GUARANTEE APPLICATION RECEIPT**

Date \_\_\_\_\_

Name of Applicant PFI: \_\_\_\_\_

Address: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear \_\_\_\_\_:

The Bank of Uganda (BOU) is pleased to acknowledge receipt of your Guarantee Application for a Guarantee under the ECGS. Your Guarantee Application has been assigned number \_\_\_\_\_, which should be referred to in all future correspondence.

We note that your Guarantee Application requests a BOU Guarantee covering a portion of the pre-shipment costs totaling \_\_\_\_\_ relating to the export of \_\_\_\_\_ by \_\_\_\_\_. The estimated Guaranteed Amount requested in the Guarantee Application is \_\_\_\_\_, and the Guarantee Fee has been calculated in your Guarantee Application at \_\_\_\_\_.

An initial review of your Guarantee Application indicates that the following additional information will be required to process the transaction [GPO should list items]: \_\_\_\_\_

We request that this information be furnished as quickly as possible, following receipt of which processing of your Guarantee Application will commence.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

[Bank Of Uganda Letterhead]  
[For Use With Non-Delegated Authority Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
GUARANTEE CERTIFICATE**

Date \_\_\_\_\_

Name of Applicant PFI: \_\_\_\_\_

Address: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear \_\_\_\_\_:

The Bank of Uganda (BOU) is pleased to advise that pursuant to: (1) your Guarantee Application number \_\_\_\_\_ for a Guarantee under the ECGS, and (2) the terms and conditions of the Agreement between the Parties dated \_\_\_\_\_, this Guarantee Certificate is issued by the BOU to \_\_\_\_\_ (PFI) in the amount of (U. Shs.) \_\_\_\_\_. The terms used herein shall have the same meaning ascribed to them as in the above documents.

As the PFI, you will be expected to extend a Loan Facility to the Borrower in the near future to provide credit for a portion of the Borrower's pre-export financing requirements identified in the Guarantee Application. The terms and conditions of the BOU Guarantee to the PFI are as follows:

6. Borrower: \_\_\_\_\_

2. Estimated Guaranteed Amount (per Guarantee Application) in U. Shs.: \_\_\_\_\_

3. PFI Interest Rate: \_\_\_\_\_ %

7. Repayment \_\_\_\_\_ Terms: \_\_\_\_\_

8. Required \_\_\_\_\_ Security: \_\_\_\_\_

9. Estimated \_\_\_\_\_ Effective \_\_\_\_\_ Date: \_\_\_\_\_

10. Special Conditions required by BOU: \_\_\_\_\_

In accordance with the Agreement, within ten (10) business days of the date above, the PFI shall: (1) submit a Loan Approval Notice to the BOU, and (2) within ten (10) business days of the date of this Guarantee Certificate pay the BOU a Guarantee Fee of \_\_\_\_\_, in an amount that is equivalent to 1.25% of the Maximum Amount. Failure to comply with these provisions shall result in suspension of the Guarantee. It is required that disbursements begin within 45 days of the Effective Date of the Loan Facility.

Provided that the PFI satisfactorily complies with the above conditions, the BOU hereby guarantees repayment of the Guaranteed Amount. If a Claim Payment is made by the BOU under this Guarantee, interest will be payable from the date of the Event of Default to the date of Claim Payment at the BOU Treasury Bill rate on the date of the Event of Default. The Guaranteed Amount shall be paid to the PFI in Ugandan Shillings with any conversion from a freely convertible foreign currency to be made by the BOU at the rate for the foreign currency in effect on the date of the Guarantee Application.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

[PFI Letterhead]  
[For Use With Delegated Authority Transactions]

**BANK OF UGANDA (BOU) EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
LOAN AUTHORIZATION NOTICE**

Date \_\_\_\_\_

To: Director  
Development Finance Department  
Bank of Uganda  
Kampala, Uganda

Dear \_\_\_\_\_:

This Loan Authorization Notice is issued to the BOU in two (2) copies by \_\_\_\_\_  
\_\_\_\_\_(PFI) pursuant to the terms and conditions of the following: (1) an Agreement  
between the Parties dated \_\_\_\_\_, and (2) a Loan Facility Obligation dated  
\_\_\_\_\_ executed by the Borrower in favour of the PFI. The terms used herein shall  
have the same meaning ascribed to them as in the above documents.

Reference is made to a Loan Facility and Loan Facility Obligation approved by the PFI and made  
available to the Borrower to provide credit for a portion of the Borrower's pre-export financing  
requirements as identified in the Borrower's application to the PFI. The primary terms of the Loan  
Facility and executed Loan Facility Obligation are as follows:

1. Borrower: \_\_\_\_\_
2. Estimated Guaranteed Amount in U. Shs.: \_\_\_\_\_
3. PFI Interest Rate: \_\_\_\_\_%
4. Repayment Terms: \_\_\_\_\_
5. Required Security: \_\_\_\_\_
6. Effective Date: \_\_\_\_\_

The Borrower's application, PFI application evaluation documents, and the executed Loan  
Documents are available for inspection by the BOU. Under the terms of the Agreement, including its  
approval of Delegated Authority to the PFI, this Loan Authorization Notice is to advise the BOU that  
the PFI has committed a BOU Guarantee on the Loan Facility Obligation

for the amount indicated in No. 2 above and that the PFI will pay the Guarantee Fee to the BOU within ten (10) business days of the Effective Date indicated above.

It is understood that disbursements will be required to begin within 45 days of the Effective Date of the Loan Facility. It is also understood that the Guaranteed Amount shall be paid to the PFI in Ugandan shillings with any conversion from a freely convertible foreign currency to be made by the BOU at the rate for that currency in effect on the date of our approval of the subject Loan Facility.

Please acknowledge receipt of this Loan Authorization Notice by signing and returning a copy to the undersigned.

For and on Behalf of (PFI):

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Receipt Acknowledged:

\_\_\_\_\_  
Development Finance Department  
Bank of Uganda

[PFI Letterhead]  
[For Use With Non-Delegated Authority Transactions]

**BANK OF UGANDA (BOU) EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
LOAN APPROVAL NOTICE**

Date \_\_\_\_\_

To: Director  
Development Finance Department  
Bank of Uganda  
Kampala, Uganda

Dear \_\_\_\_\_:

This Loan Approval Notice is issued to the BOU by \_\_\_\_\_ (PFI) pursuant to the terms and conditions of the following : (1) an Agreement between the Parties dated \_\_\_\_\_, and (2) a Guarantee Certificate dated \_\_\_\_\_ issued to the PFI by the BOU with respect to a Loan Facility Obligation. The terms used herein shall have the same meaning ascribed to them as in the above documents.

This is to advise the BOU that a Loan Facility has been approved in favour of the Borrower to provide credit for a portion of the Borrower's pre-export financing requirements as identified in the PFI's Guarantee Application number \_\_\_\_\_ under the ECGS. The related Loan Facility Obligation was signed on \_\_\_\_\_. The primary terms of the Loan Facility and Loan Facility Obligation are as follows:

- 1. Borrower: \_\_\_\_\_
- 2. Estimated Guaranteed Amount (per Guarantee Application) in U. Shs.: \_\_\_\_\_
- 3. PFI Interest Rate: \_\_\_\_\_ %
- 4. Repayment Terms: \_\_\_\_\_
- 5. Required Security: \_\_\_\_\_
- 6. Effective Date: \_\_\_\_\_
- 7. Date by which disbursements are expected to commence: \_\_\_\_\_

All Loan Documents have been submitted to the BOU or are available for its inspection.

For and on Behalf of (PFI):  
\_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

[Bank of Uganda Letterhead]  
[For Use With Non-Delegated Authority Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
GUARANTEE DENIAL NOTICE**

Date \_\_\_\_\_

Name of Applicant PFI: \_\_\_\_\_

Address: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear \_\_\_\_\_:

The Bank of Uganda (BOU) advises that your Guarantee Application, number \_\_\_\_\_, for a Guarantee under the ECGS was not approved. After careful consideration and analysis, the BOU has concluded that this Guarantee Application does not meet ECGS eligibility requirements for the following reason(s):

We regret our inability to assist you at this time.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

[PFI Letterhead]  
[For Use With All Transactions]

**BANK OF UGANDA (BOU) EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
PFI CLAIM FORM**

Date \_\_\_\_\_

Director  
Development Finance Department  
Bank of Uganda  
Kampala, Uganda

Dear \_\_\_\_\_:

We hereby make a Claim on the Bank of Uganda (BOU) under the terms and conditions of: (1) an Agreement between the Parties dated \_\_\_\_\_, (2) a Guarantee approved by us under Delegated Authority or a Guarantee Application, number \_\_\_\_\_, (3) a Loan Facility Obligation dated \_\_\_\_\_, and (4) a Loan Authorization Notice or Guarantee Certificate dated \_\_\_\_\_. The terms used herein shall have the same meanings ascribed to them as in the above documents.

The Borrower has failed to make timely payment of the subject Loan Facility Obligation due the PFI, causing an Event of Default to take place on \_\_\_\_\_. The following amounts are in default (U. Shs.):

Principal \_\_\_\_\_ due \_\_\_\_\_  
Interest \_\_\_\_\_ due \_\_\_\_\_  
Total default in U. Shs. \_\_\_\_\_

We have converted any foreign currency default into Ugandan shillings at the rate for that currency in effect on \_\_\_\_\_ which is the date of the Guarantee Application (non-delegated authority transactions) or the date of our approval of a Loan Facility (delegated authority transactions). With respect to the total in default, we hereby submit this Claim to the BOU for U. Shs. \_\_\_\_\_, representing an amount not to exceed 75% of the total amount in default in U. Shs. It is understood that the BOU will pay interest in Ugandan shillings on the amount of the Claim from the date of the Event of Default to the date of Claim Payment at the BOU Treasury Bill rate in effect on the date of the Event of Default. It is also understood that the BOU will not include interest on interest in any Claim Payment. The BOU is requested to credit its Claim Payment to our clearing account, number \_\_\_\_\_.

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In support of this Claim, the following are attached: (1) our report on a site visit to the Borrower made subsequent to the date of non-payment, (2) our financial analysis of the Borrower made subsequent to the date of non-payment, (3) two claim letters delivered to both the Borrower and any Guarantor, and (4) if Collateral represented by assets of the Borrower have been pledged, copies of: (i) a 30- Day Statutory Notice that has been served on the Borrower, and (ii) following expiry of the above 30 days, evidence that the Collateral has been advertised for sale.

The Loan Facility Obligation is secured by the following Guarantor(s) and pledged Collateral:

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Reasons for non-performance by the Borrower appear to be: \_\_\_\_\_

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The following legal action has already been taken: \_\_\_\_\_

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The following legal action is recommended to be taken: \_\_\_\_\_

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Other comments, including our opinion on the ultimate recovery of the amount in default:

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We are prepared to execute a Release and Assignment Agreement with the BOU as defined in the Agreement and share amounts realized from the Security with the BOU on a pro rata basis. We note that the required 90 calendar days have passed, but not more than 120 calendar days, between the date of non-payment and the date of this Claim.

We hereby certify that the above facts and representations are correct and complete to the best of our knowledge, and that we have undertaken and will continue to follow up with the Borrower and any Guarantor(s) by way of taking all legal and juridical measures for collection under the terms of the Agreement.

For and on Behalf of: \_\_\_\_\_ (PFI)

Authorized Signature: \_\_\_\_\_

[For Use With All Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
CLAIM CHECKLIST FOR BANK OF UGANDA (BOU)**

**CLAIMANT PFI:** \_\_\_\_\_

**ECGS APPLICATION NUMBER:** \_\_\_\_\_

**1. Summary of Claim**

a. Date of Claim: \_\_\_\_\_

b. Date of non-payment: \_\_\_\_\_

c. Amount in default (U. Shs.):

Principal \_\_\_\_\_

Interest \_\_\_\_\_

Total \_\_\_\_\_

d. 75% (or amount of BOU Guarantee) of total in default:

\_\_\_\_\_

e. Name of Borrower: \_\_\_\_\_

f. Identify any payments made prior to date of non-payment:

\_\_\_\_\_

g. Did PFI wait at least 90 calendar days, but not more than 120  
calendar days, after the date of non-payment before filing Claim?  Yes  No

\_\_\_\_\_

h. If the Loan Facility Obligation was in a freely convertible foreign  
currency, did the PFI use the correct conversion rate into Ugandan  
Shillings?  Yes  No

**2. Claimant PFI**

a. Is PFI's Agreement operative?  Yes  No

\_\_\_\_\_

b. Is PFI in good standing with respect to the ECGS program?  Yes  No

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c. Has the PFI ever filed prior Claims under the ECGS?  Yes  No

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d. Has PFI ever been considered for elimination from the ECGS?  Yes  No

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e. Have the documents required by the Claim Form been provided?  Yes  No

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### 3. Borrower

a. Are the reasons for the Borrower's default clear?  Yes  No

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b. Is diversion of loan proceeds or other act of Borrower fraud unlikely?  Yes  No

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c. Did the Borrower appear to perform under the export contract?  Yes  No

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d. Was default caused by the foreign buyer's failure to pay the Borrower? If so, should a short extension of the maturity date of the Loan Facility Obligation be considered?  Yes  No

---

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e. Has the Borrower ever defaulted on other debts to the PFI or other lenders?  Yes  No

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f. Has the BOU ever received Claims under the ECGS related to this Borrower from this or other PFIs?  Yes  No

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---

g. Should the Borrower be continued as a going concern?  Yes  No

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**4. Security**

a. Has the PFI taken appropriate measures with respect to liquidating the Security to mitigate further losses?  Yes  No

\_\_\_\_\_

b. Has the PFI made two formal claims for payment on the Borrower and on any Guarantor(s)?  Yes  No

\_\_\_\_\_

c. Is it clear what Security is held by the PFI?  Yes  No

\_\_\_\_\_

d. Can you form an initial judgement as to the value of the Security?  Yes  No

\_\_\_\_\_

e. Has the PFI ever waived any right or cause of legal action against the Borrower or any other party that is relevant to the Claim?  Yes  No

\_\_\_\_\_

**5. Comments on Claim**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**6. Recommendation**

It is recommended that the subject Claim be approved  denied .

\_\_\_\_\_  
Finance Officer, DFD

\_\_\_\_\_  
Counsel  
Legal Department

Concur:

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Head, Finance Division, DFD

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Director or Deputy Director, DFD

[Bank of Uganda Letterhead]  
[For Use With All Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
CLAIM APPROVAL NOTICE**

Date \_\_\_\_\_

Name of claimant PFI: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear \_\_\_\_\_:

This is to advise that the Bank of Uganda (BOU) has approved your Claim dated \_\_\_\_\_ under Guarantee Application number \_\_\_\_\_ and related documents. The total amount of the Claim Payment approved was U. Shs. \_\_\_\_\_, comprising: (1) 75% of the total amount in default under the related Loan Facility Obligation as of the date of the Event of Default, and (2) interest on (1) above at \_\_\_\_\_% (the BOU Treasury Bill rate on the date of the Event of Default) from the date of the Event of Default to the date of Claim Payment which will be on \_\_\_\_\_. The Claim Payment will be credited to your clearing account with the BOU. [If the Claim Payment is to be less than the Claim, explain the difference.]

It will be essential, as we go forward, to work closely together to obtain maximum recovery of the total amount in default.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

[Bank of Uganda Letterhead]  
[For Use With All Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
CLAIM DENIAL NOTICE**

Date \_\_\_\_\_

Name of claimant PFI: \_\_\_\_\_

Address: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear \_\_\_\_\_:

The Bank of Uganda (BOU) regrets to advise that your Claim dated \_\_\_\_\_ under Guarantee Application number \_\_\_\_\_ has not been approved. After careful consideration and analysis, the BOU has concluded that the subject Claim was deficient for the following reason(s):

We regret our inability to assist you at this time.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

[Bank of Uganda Letterhead]  
[For Use With All Transactions]

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
NOTICE OF GUARANTEE WITHDRAWAL ON FUTURE DISBURSEMENTS**

Date \_\_\_\_\_

Name of PFI: \_\_\_\_\_

Address: \_\_\_\_\_

Fax Number: \_\_\_\_\_

Dear: \_\_\_\_\_

The Bank of Uganda acknowledges receipt of your advice on \_\_\_\_\_ that a payment arrearage is in effect with respect to your Loan Facility Obligation in favour of \_\_\_\_\_ (Borrower). The subject Loan Facility Obligation was concluded pursuant to: (1) an Agreement between the Parties dated \_\_\_\_\_, (2) a Guarantee Application for an ECGS Guarantee number \_\_\_\_\_, (3) and a Guarantee Certificate or Loan Authorization Notice dated \_\_\_\_\_. The terms used herein shall have the meanings ascribed to them as in the above documents.

It is understood that a payment of (U. Shs. or freely convertible foreign currency) \_\_\_\_\_ due on \_\_\_\_\_ has not been received and that (U. Shs. or freely convertible foreign currency) \_\_\_\_\_ remains to be disbursed under the Loan Facility. This is to advise that future disbursements should not be made under the subject Loan Facility until the payment arrearage is cleared, and that if such disbursements do take place they will not be subject to a BOU Guarantee under the ECGS. When you advise the BOU that the payment in arrears has been received in its entirety, you are authorized to recommence disbursements under the subject BOU Guarantee.

Sincerely yours,

Director  
Development Finance Department  
Bank of Uganda

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**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
PFI QUARTERLY REPORT ON ECGS LOAN FACILITIES APPROVED**

Date \_\_\_\_\_

Name of PFI: \_\_\_\_\_

1. The following ECGS Loan Facilities have been approved during the calendar quarter ending: \_\_\_\_\_.

Loan Number	Name Of Borrower	Amount of ECGS Loan Facility	Interest Rate	Disbursement Period	Date of Approval	Date Of First Payment	Number of Installments	Other Comments

Total: \_\_\_\_\_

2. Number of Guarantee Applications denied: \_\_\_\_\_ Their total amounts: \_\_\_\_\_

3. Number of Guarantee Applications projected in the next quarter: \_\_\_\_\_ Their total amounts: \_\_\_\_\_

All amounts are in U. Shs. or the convertible foreign currency indicated. Explanatory narrative of any unusual items is attached.

\_\_\_\_\_  
Printed Name and Title of Signatory

\_\_\_\_\_  
PFI Signature

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
PFI QUARTERLY REPORT ON ECGS LOAN FACILITIES OUTSTANDING**

Date \_\_\_\_\_

Name of PFI: \_\_\_\_\_

The following ECGS Loan Facilities were outstanding at the end of the calendar quarter on \_\_\_\_\_. All amounts are in U. Shs. or the convertible foreign currency indicated.

Loan Number	Name of Borrower	Amount of ECGS Loan Facility Approved	Amount of Loan Facility Outstanding at beginning of Calendar Quarter	Disbursements during Calendar Quarter	Amount of Loan Facility Outstanding at end of Calendar Quarter

Total: \_\_\_\_\_

Attached are: (1) PFI report on site visit to each Borrower, if not previously supplied, and (2) explanatory narrative of any unusual items.

\_\_\_\_\_  
Printed Name and Title of Signatory

\_\_\_\_\_  
PFI Signature

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**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
PFI MONTHLY REPORT ON ECGS LOAN FACILITIES OVERDUE**

Name of PFI: \_\_\_\_\_

Date \_\_\_\_\_

The following ECGS Loan Facilities were outstanding and overdue at the end of the month on \_\_\_\_\_. All amounts are in U. Shs. or the convertible foreign currency indicated.

Loan Number	Name of Borrower	Amount of ECGS Loan Facility Outstanding	Due Date	Principal and Interest Overdue	Endeavors at Collection*	Summary of Collateral	Date Claim Filed or to be Filed with BOU
				Principal: Interest:			
				Principal: Interest:			
				Principal: Interest:			

Total: \_\_\_\_\_

\*Could include: telephone contact, delinquency reminder notification, field visit, formal request for repayment, seizure of Security, recourse to Guarantor(s) filing of lawsuit, etc. Explanatory narrative of any unusual items is attached.

\_\_\_\_\_  
Printed Name and Title of Signatory

\_\_\_\_\_  
PFI Signature



**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
SUMMARY BANK OF UGANDA (BOU) REPORT ON ECGS**

Date \_\_\_\_\_

Following is a summary report of PFI activity under the ECGS for the calendar quarter ending \_\_\_\_\_.

Name of PFI	Number of ECGS Approvals	Amount of ECGS Approvals	Amount of ECGS Loans Outstanding	Ugandan Exports Supported	Amount of ECGS Loans Overdue	ECGS Claims Received	ECGS Claims Paid	ECGS Claims Pending

Following is a summary of the financial position of the ECGS for the same calendar quarter.

Guarantee Fee Income	Source and Amount of Income from Earnings on Reserves	Total Income	ECGS Operating Expenses	ECGS Claims Paid	ECGS Profit or Loss ( )

Attached are reporting Forms 201 through 203 from each PFI. Amounts are in U. Shs. or the convertible foreign currency indicated. An explanatory narrative of any unusual items is also attached.

\_\_\_\_\_  
Finance Officer, DFD

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
BANK OF UGANDA (BOU) REPORT ON PENDING GUARANTEE APPLICATIONS**

Date \_\_\_\_\_

Following is a summary of the pending ECGS Guarantee Applications for the calendar quarter ending \_\_\_\_\_.

Applicat- ion Number	Applicant PFI	Borrower	Amount of Guarantee Requested	Date Applicat- ion Received	Date Applicat- ion Acknow- ledged	Date Any Additional Informat- ion Requested	Date Additional Informat- ion Received	Unusual Processing Issues	Date of Projected Approval

Amounts are in U. Shs. or the convertible foreign currency indicated. A further explanation of any unusual processing issues is attached.

\_\_\_\_\_  
Finance Officer, DFD

**EXPORT CREDIT GUARANTEE SCHEME (ECGS)  
BANK OF UGANDA (BOU) REPORT ON STATUS OF INVESTED ECGS RESERVES**

Date \_\_\_\_\_

Following is a summary of the status of invested ECGS reserves for the calendar quarter ending \_\_\_\_\_.

All amounts are in U. Shs. or the convertible foreign currency indicated.

Name of Financial Institution Holding ECGS Reserves	Amount of Reserves at beginning of Calendar Quarter	Type of Currency and Investment	Annual Percentage Rate of Return	Income Received or Credited in Subject Quarter	Amounts Charged Against Reserves in Subject Quarter	Amount of Reserves at End of Subject Quarter
Totals						

If a further explanation of movements in reserves or in financial institutions holding reserves is required, it is attached.

\_\_\_\_\_  
Finance Officer, DFD

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