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Export Credit Guarantee Scheme
Quarterly Report
for Quarter Ended December 31, 2000

Submitted by:
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In association with:
First Washington Associates, Ltd.

Submitted to:
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A

Uganda Export Credit Guarantee Scheme (ECGS)
Quarterly Report
October 1 – December 31, 2000

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I. Introduction

This report covers the quarter October 1 – December 31, 2000. To review, there are three objectives of this Task Order:

1. Develop internal procedures and prepare the Export Credit Guarantee Scheme (ECGS) Operations Manual for the Bank of Uganda/Development Finance Department (BOU/DFD) – 5 weeks
2. Deliver training to BOU/DFD Staff – 3 weeks
3. Market ECGS, train the staff of participating commercial banks, and oversee transactions – 6 weeks

The following is a summary of results achieved during the fourth quarter 2000:

- Six staff from BOU/DFD participated in training in Virginia, USA
- Operations Manual was reviewed and finalized
- Marketing Plan, Promotional Material, and Implementation and Calling Schedule were prepared and delivered to BOU for comments
- Two workshops on ECGS were conducted for exporters of non-traditional products, and for Ugandan bankers

II. Operations Manual

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

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

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

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

III. Training of BOU/DFD Staff

A. Training

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

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

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

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

Course descriptions for Courses 1-5 above, described in FWA's 2000-2001 training catalogue, are attached as Appendix A. Course descriptions for Course 6 (Trade Finance) was tailored for BOU staff and, therefore, is not available. This course dealt with the different types of trade finance payment mechanisms from open account to payment against documents through to letters of credit. Examples of each were provided and discussion took place on the risks of each mechanism to buyers and sellers, their complexity, and their likelihood of use by an importer of non-traditional Ugandan products.

Positive feedback was received from all of the trainees. All trainees indicated that the courses would be of assistance when the ECGS begins its marketing operations, which are expected to commence in January 2001.

B. Site Visits to International Financial Institutions

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

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

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

IV. Marketing Program

In order to facilitate the successful operation and implementation of the ECGS, a well conceived marketing plan must be developed and implemented. In this connection, FWA prepared an overall Marketing Plan. This Marketing Plan is comprised of several components:

1. Overall marketing strategy for the ECGS
2. Background Note on the ECGS (part of package of promotional material to be given to potential ECGS customers)
3. Fact Sheet on ECGS (part of package of promotional material to be given to potential ECGS customers)
4. Memo on Implementation and Calling Schedule of 2001 Marketing Program with detailed, time-based deliverables for a Quarterly Calling Schedule. It also includes a sample calling report and a sample Projected Quarterly Calling Schedule.
5. Powerpoint slide presentations on the ECGS for BOU to use at seminars and workshops for potential ECGS customers
6. Written statement and talking points to be used by the Governor of the Central Bank to announce the establishment of the ECGS

FWA delivered the overall marketing strategy and plan to BOU for comments in October 2000. The other promotional materials described above, to be distributed by BOU as part of their marketing effort, were prepared and delivered to the BOU in November 2000. Furthermore, two workshops on ECGS were conducted in Uganda between December 15th and 19th, 2000. The workshop for exporters of non-traditional export products was attended by approximately 40 exporters and 10 export associations. The workshop for Ugandan bankers was attended by representatives from approximately 15 banks. The presentations developed by FWA were designed so that they can be used by BOU at future ECGS workshops and seminars. Items 1 – 4 and the agendas for the workshops noted in Item 5 above are attached as Appendices B through F, respectively.

V. Follow Up/Next Steps

The remainder of the project will focus on implementation of the ECGS. We will work with BOU to determine which activities on which our work should be focused for the duration of the project.

Appendix A: Training Program Agenda and Course Descriptions

Training Program
Working Capital Loan Guarantees
Prepared and Presented by First Washington Associates
for the Export Credit Guarantee Scheme of Uganda
October 23 to November 10, 2000

All seminars will be held at The Virginia Hotel, Arlington, Virginia, unless otherwise noted.

Monday, October 23 through Thursday, October 26:

09:00 Financial/Credit Analysis and Credit Scoring
Instructor: Delio E. Gianturco

12:30 Luncheon

13:30 Export Credit Institution Management
Instructor: Edward A. Greene

17:00 End of Day's training

Friday, October 27

09:30 Briefing at U.S. Small Business Administration

12:00 Luncheon

13:30 Briefing at U.S. Export-Import Bank

Monday, October 30 through Thursday, November 2:

09:00 Management Information Systems for Exprt Credit Agencies
Instructor: Sam Ree

12:30 Luncheon

13:30 Trade Finance, with Emphasis on Pre-Shipment Export Support Programs
Instructor: John Lentz

17:00 End of day's training

Friday, November 3:

09:30 Briefing at World Bank
Instructor: Ono Ruhl

12:00 Luncheon

13:30 Briefing at Multilateral Investment Guarantee Agency

Monday, November 6 through Thursday, November 9:

09:00 Claims Evaluation and Recovery Techniques
Instructor: Steven D. Proctor

12:30 Luncheon

13:30 Marketing and Selling Techniques for Export Credit Programs
Instructor: Edward A. Greene

Thursday, November 9 only:

16:00 Questions and Answers, Course Evaluation at FWA

16:30 Presentation of Training Certificates and End of Training Program

GENERAL RISK ASSESSMENT

Course No.: ECA 008

Title: Credit Risk Analysis for ECAs

Instructor: Lentz, Nye

Curriculum: This course is designed for technicians and managers desiring to increase their credit evaluation skills and reduce the incidence of losses on export credit transactions. It examines in detail the underwriting methods used by the most successful ECAs in the world and considers how to improve the quantity and quality of credit and financial information without compromising timeliness. The limitations, drawbacks and problems of using certain information sources are discussed. Classical analysis techniques are studied and criticized and newer underwriting systems are explained. Credit scoring models, as well as certain pre-qualification and credit limit increase systems are covered. Collateralization possibilities are fully explored, and ways to improve feedback from the claims operation are analyzed in detail.

ADMINISTRATIVE SERVICES

Course No.: ECA 016

Title: Human Resources Management for ECAs

Instructor: Greene, Villepique

Curriculum: This course examines the latest techniques in personnel management and development in export credit agencies worldwide. It explains how to analyze the quantity of staff needed, personnel motivation and performance analysis, employee skills improvement and selection of the best people for promotion. The role of training is explored and participants are shown how to forecast staff needs for the future and develop a manpower plan.

Course No.: ECA 017

Title: ECA Management Information Systems

Instructor: Ree

Curriculum: This course explains the different elements of management information systems (MIS) in use at export credit agencies around the world and helps the participants to identify those segments which are missing from their own system and could profitably be added. The instructor explains those elements of the MIS used for record keeping, analysis, coordination, control and planning. The sources and uses of various types of management information are described in detail and samples of output will be examined. The participants are taught how to help design an optimal management information system for their own organization and all the factors to be considered when changing the existing system.

PROBLEM LOANS

Course No.: ECA 018

Title: ECA Claims and Collections

Instructor: Proctor, Vatter

Curriculum: This course focuses on ways of improving efficiency of claims processing and increasing the probability of recovery. Methods used with greatest success by individual ECAs are examined. Coordination of the claims and underwriting functions are discussed, and the latest advances in computerization of the ECA claims process is explained. The use of outside lawyers and agents for collection activity is compared and contrasted with results from in-house efforts. The secrets of the most successful recovery agents are discussed, with extensive use of the case study method.

MARKETING & PROMOTION

Course No.: ECA 006

Title: Marketing the ECA

Instructor: Hamilton, Hill

Curriculum: This course helps management to target potential users of its services and shows how to reach them. It also identifies non-users who must be well informed about the ECA's services. Pros and cons of paid advertising, public relations, and free publicity are reviewed. How to select the proper medium for each message and how to place material effectively are discussed. The relative importance, costs, and benefits of one-on-one meetings, seminars, trade associations, newspapers, special interest publications, brochures, and television are integrated into the curriculum. Using actual and hypothetical case studies, participants gain "hands on" experience in developing long range marketing plans. Budgeting and staffing for marketing activities are also included in this course.

Appendix B: ECGS Marketing Plan

MARKETING PLAN

BANK OF UGANDA
EXPORT CREDIT GUARANTEE SCHEME (ECGS)

Introduction:

A fundamental goal of the Government of Uganda is to expand exports. A major hurdle to achieving this objective has been the inability of local exporters to access reasonably priced financing to fund their pre-shipment costs. Under the auspices of the Bank of Uganda (BOU), the ECGS has been developed to encourage Ugandan financial institutions to extend pre-shipment credit to Ugandan enterprises engaged in exporting non-traditional products. Under the ECGS, it is expected that the guarantee cover provided by the BOU to Ugandan participating financial institutions will help to reduce credit risk, and thereby encourage these institutions to be more willing than in the past to make available reasonably priced loans to qualified Ugandan exporters.

To help in the successful implementation and operation of the ECGS, it is necessary to have a well-conceived marketing plan which is effectively implemented. The ECGA marketing effort will need to focus on two separate but related target markets: existing and prospective Ugandan exporters of non-traditional goods and, participating financial institutions which will provide the financing to support the exporters' production and export sale of non-traditional goods. ECGS personnel and funding will be limited, so it will be necessary to identify and communicate to these two distinct markets in as effective and efficient a manner as possible. In certain instances therefore, ECGS marketing efforts will need to involve the use of intermediaries (e.g. the Uganda Export Promotion Board, trade associations, conferences/seminars, the media) to ensure that the widest number of prospects is reached given the limited resources available to carry out the task. However, in other circumstances, where appropriate, direct contact with existing/prospective exporters and participating financial institutions will be initiated. The message to be delivered and the means of delivering it will differ, depending on which market is being addressed. Below there follows an outline describing who should be contacted; how they should be contacted; and what message should be delivered.

Who to contact:

In Uganda:

- BOU
  - Members of the Board of Directors
  - Executive Directors and BOU Department Directors
  - ECGS Advisory Committee
- Government
  - Ministries of: Industry, Agriculture, Economy and Finance
  - The Uganda Export Promotion Board
  - Uganda Development Corporation
  - Other? (e.g. any Government entities that could affect NTEs)

- Participating Financial Institutions (PFIs)
  - Delegated authority
  - Non-delegated authority
- Uganda Bankers' Association
- Trade Associations Representing Exporters of non-traditional goods and services
  - Uganda Horticultural Exporters' Association
  - Uganda Flower Exporters' Association
  - Uganda Fish Exporters' Association
  - Uganda Manufacturers' Association
  - Other Relevant Trade Associations (e.g. Chamber of Commerce)
- Ugandan Exporting Enterprises (existing and prospective exporters of NTEs)
  - Trading
  - Producers
  - Agro-businesses
  - Manufacturing/industrial
  - Other
- Development Finance Institutions (DFIs)
  - African Development Bank
  - East African Development Bank
  - Development Finance Company of Uganda, Ltd.
  - Other
- Donors Operating in Uganda (supporting projects/programs relevant to the ECGS)
  - World Bank Group
  - UNDP
  - EU
  - Bi-lateral European and Scandinavian Programs
  - Other Bi-lateral Programs e.g. India, Japan
  - Other USAID Programs
- NGOs Operating in Uganda (supporting projects/programs relevant to the ECGS)
- Media (i.e. local newspapers, radio and television)
- Relevant conferences/seminars/workshops
- Other

International:

- Are there any entities outside of Uganda that should be told of the ECGS (e.g. MIGA, IFC, ADB, Berne Union, other?)?

How to Make Contact:

In Uganda:

- Through direct calling, continually encourage participating financial institutions to market the ECGS aggressively to clients and prospective clients engaged in exporting NTEs. A key aspect of this effort will include providing participating financial institutions with detailed

descriptive ECGS printed material to be distributed to that part of their customer base interested in or currently engaged in exporting NTEs.

- Through the BOU Board of Directors and relevant Government departments, establish direct contact with prospective Ugandan exporters of NTEs likely to benefit from the ECGS. Provide these enterprises with detailed descriptive ECGS printed material.
- Through visits with participat8ing financial institutions, trade associations and relevant donor programs, establish direct contact with prospective Ugandan exporters of NTEs likely to benefit from the ECGS. Once contact is established, provide these enterprises with detailed descriptive ECGS printed material.
- Through regular participation in workshops and seminars sponsored in cooperation with participating financial institutions, donors, trade associations, development finance institutions, chambers of commerce, universities, NGOs and the Government (e.g. the Uganda Export Promotion Board, the Uganda Development Corporation) held throughout Uganda which are aimed at relevant audiences interested or currently engaged in exporting NTEs. In addition to distributing printed material to these groups, whenever possible, BOU staff will deliver the ECGS message through prepared presentations.
- Actively seek opportunities to participate in discussions/interviews on Ugandan television and radio programs and submit articles/give interviews for newspapers and relevant journals circulated in Uganda. These efforts will be carried out on an ongoing basis.

International:

- If there are entities outside of Uganda that will be told of the UCGS, how will they be contacted?

What to say:

The Message delivered will be determined by the audience being addressed:

In Uganda:

- For exporters of NTEs:
  Detailed information explaining ECGS objectives, terms, and conditions. The material will fully address exporters' questions and concerns, and specify ECGS program requirements which must be met and fulfilled by the exporter. This material will include the type of exporter information which the ECGS requires the PFI to obtain from the exporter.

- For participating financial institutions (PFIs):
  Prior to ECGS implementation, representatives of selected PFIs will participate in BOU sponsored half-day workshops aimed at familiarizing PFIs with the ECBGS. The information disseminated in these workshops will be detailed and in addition to focusing on ECGS objectives, terms and conditions, will be directed toward describing the rights and duties of the PFI, the BOU, and the exporter under the ECGS.

Following completion of the workshops, the ECGS marketing campaign will support PPFI efforts aimed at identifying and encouraging prospective borrowers engaged in non-traditional exporting to seek loans guaranteed under the ECGS. Printed informational ECGS material addressing the exporter's requirements and concerns will be provided to the PFI or it to pass on to its exporter client base to assist in explaining the scheme.

- For Representatives of the BOU (including Board of Directors) and Government:
  Prior to and during early stages of ECGS implementation, it cannot be assumed that representatives of these two groups will possess a sound understanding of the ECGS. Initial meetings with them will, therefore, need to focus on program objectives, eligibility requirements, and operating procedures. For this purpose, a brief one or two page description can be distributed. Once this effort is completed, then focus will be directed toward enlisting this group's active support in identifying prospective Ugandan companies that could benefit from participation in the ECGS. Once identified, prospective exporters will be contacted and given printed ECGS material as outlined above.

- For Trade Associations:
  At the outset, it cannot be assumed that representatives of Trade Associations will possess a sound understanding of the ECGS. Initial meetings with them, therefore, will need to focus on program objectives, eligibility requirements, and operating procedures. For this purpose a brief one or two page description can be distributed which can be the same as that distributed to BOU and Government representatives. After this initial contact screening effort is completed, then focus will be directed toward enlisting Trade Associations' active support in identifying prospective member companies that could benefit from participation in the ECGS. Once identified, then the Trade Association and/or the prospective exporter will need to be given the appropriate printed ECGS material as outlined above. I meetings are scheduled with a large number of members from an association, it will be appropriate for BOU staff to give a formal slide/overhead presentation.

- For DFIs, Donors, and NGOs:
  At the outset, it cannot be assumed that representatives of these groups will possess a sound understanding of the ECGS. Initial meetings with them will, therefore, need to focus on program objectives, eligibility requirements, and operating procedures. For this purpose a brief one to two page description can be distributed, which can be the same as that distributed to BOU and Government representatives. Following completion of this effort, then focus will be directed toward enlisting this group's active support in identifying prospective Ugandan companies that could benefit from participation in the ECGS. Once identified, prospective exporters will be given the appropriate printed ECGS material as outlined above.

- For Relevant conferences/workshops:
  Fully prepared slide/overhead presentations should be made which provide a detailed description of the ECGS, its objectives and how it can assist Ugandan exporters of non-traditional products gain access to much needed working capital finance. Depending upon the composition of the audience, these presentations will be supplemented with the hand out of printed material.

- For the Media:
  Press release announcing the establishment of ECGS. Fully prepared basic script.

International:

Next Steps:

Required Informational material:

- Design and prepare one to two page(s) of ECGS descriptive material for general distribution, primarily to entities other than exporters and PFIs.
- Design and prepare material to be used in half-day workshops for PFIs. Material will rely heavily on the contents of Guarantee Agreements and Forms.
- Design and prepare the informational package to be distributed, directly or through intermediaries to potential exporters. This material will include a program description including eligibility requirements, questions frequently asked about the ECGS, the procedure to be followed when seeking a loan from a PFI that will be supported by an ECGS guarantee, and the specific types of information that the ECGS will require the PFI to request form the exporter.
- Design and prepare a basic ECGS slide/overhead presentation to be used at all workshops/seminars/conferences. Modifications to the basic presentation can be mad eon a case-by-case basis to tailor it to satisfy the interests and requirements of the individual audience. BOU presenters at these events will accompany their presentations with distribution of printed material, the type to be determined by the composition of the audience.
- Prepare press release announcing establishment of ECGS. Prepare basic script to be followed when giving interviews for various media groups. Script my require periodic modification to satisfy the specific requirements of individual audiences.

Implementation Schedule:

- November 2000
  - Begin preparation of all marketing/informational material Agree to appropriate design/formats with local design consultant
  - Develop ECGS calling schedule for PFIs, exporters, trade associations, Government agencies, donors, and DFIs to be initiated in January 2001
  - Invite members of the media to attend December Uganda Bankers' Association meeting announcing establishment of the ECGS. In conjunction with Uganda Bankers' Association officials, decide whether to invite key exporters/trade associations to the meetings.
  - In conjunction with BOU Public Affairs Department, determine whether additional press conferences would be beneficial.

- December 2000
  - Announce introduction of ECGS at December meeting of Uganda Bankers' Association and distribute one-two page descriptive material to attendees
  - Working through BOU Public Affairs Department, submit press release announcing establishment of ECGS to Ugandan newspapers, other print media, as well as radio and television stations.
  - Conduct workshop for PFIs selected to participate in ECGS. Emphasize importance to PFIs of aggressively marketing ECGS to their existing and prospective client base.
  - Finish preparation of marketing/informational material and send to printer for production/printing of final material. Printer to complete work by end of month.
  - If requested, carry out workshops for relevant Trade Associations and selected exporters.

- January 2001
  - Initiate calling schedule and prepare to accept applications.

Appendix C: Background Note on ECGS (Package of Promotional Material)

BACKGROUND NOTE

BANK OF UGANDA

FEATURES OF THE PRE-SHIPMENT EXPORT CREDIT GUARANTEE SCHEME (ECGS)

BACKGROUND

A fundamental goal of the Government of Uganda is to expand exports. Until now, a major hurdle to achieving this objective has been the inability of local exporters to access reasonably priced financing to fund their pre-shipment costs. As part of the effort to address this problem, the Bank of Uganda (BOU) has established the ECGS which is aimed at encouraging Ugandan financial institutions to extend pre-shipment credit to Ugandan enterprises engaged in exporting non-traditional goods and services. Under the ECGS, the BOU will provide guarantee cover to participating Ugandan financial institutions lending to eligible Ugandan exporters. It is expected that because the BOU guarantee will significantly reduce the credit risk borne by the participating financial institutions, these institutions will become more willing than in the past to make available reasonably priced loans to qualified Ugandan exporters to fund their pre-shipment activity.

DESCRIPTION

BOU guarantees will be issued to selected Ugandan participating financial institutions which extend credit to eligible Ugandan exporters. The guarantees will cover up to 75% of the loan amount, plus related interest, while the participating financial institution will retain the remaining risk of at least 25% for its own account. Risks covered by the BOU guarantee will be for losses resulting from non-payment or default by the Ugandan borrower. Loans guaranteed under the ECGS will be based on commercially reasonable terms and conditions, and will contain no grant or subsidy element. Detailed features of ECGS are described in the following information.

OBJECTIVE

The purpose of the ECGS is to increase the limited amount of pre-shipment export financing currently available to Ugandan exporters of non-traditional goods and services to enable them to expand their export sales. The ECGS will seek to accomplish this objective by guaranteeing a portion of pre-export loans extended by participating financial institutions to Ugandan exporters, who, in turn, are expected to use the loan proceeds to finance the costs and expenses associated with the pre-shipment cycle of their export sale.

ELIGIBLE EXPORTS

Only transactions involving the export of non-0traditional goods and services will be eligible for cover under the ECGS. In Uganda, non-traditional exports are defined as all those other than coffee, cotton, tea, and tobacco in their unprocessed forms. However, processed versions of these four products would be eligible for coverage. The extension of credit relating to

transactions involving perishable non-traditional products would also be eligible for guarantee cover under the ECGS. For example, loans extended to fund the pre-shipment costs associated with exporting cut flowers and fish could be guaranteed under the ECGS. While obligations arising from the financing of services will also be eligible for guarantee cover under the ECGS, it is likely that during the early stages of operation, they will account for only a relatively small amount of ECGS's guarantee activity.

CREDIT FACILITIES

Pre-shipment financing guaranteed under the ECGS will be extended by Ugandan participating financial institutions in U.shs. with repayment in the same currency. The ECGS will require the Ugandan exporter/borrower to present evidence of an export order. The export order does not necessarily need to be supported by a Letter of Credit (L/C) as the payment mechanism, although an L/C would be viewed as desirable. Open account sales and those involving cash against documents are permissible.

The amount of pre-shipment financing required to fulfill the export order will be enumerated by the potential borrower in the application it submits to the participating financial institution. The breakdown will be by the type of expense the loan was intended to finance, as well as whether that expense represented Ugandan or non-Ugandan content. The form to be used for breaking down the credit request will be prepared by the BOU and distributed by those participated financial institutions selected by the BOU. It includes the primary eligible expense categories associated with an export order, such as: raw materials, salaries and wages for both management and staff, raw material inputs, export packing, transport, insurance, export inspection/verification services and customs duties. This expense breakdown and related certification of loan use by the borrower in each application are intended to provide protection against diversion of loan proceeds, a problem not uncommon in Uganda. Under the ECGS, loan proceeds must be used for the purposes stated by the borrower in its application to the participating financial institution and cannot be used for any other purpose, including repayment of existing debt, regardless of the source (e.g. financial institution or trade credit). As a means of controlling the borrower's proper use of loan proceeds, the ECGS will allow participating financial institutions to disburse directly to an exporter's supplier to the basis of its invoices.

The extent to which financing is used for Ugandan or non-Ugandan content must be clearly indicated in the application. To qualify for ECGS guarantee cover, exported goods or services must have a minimum of 35% Ugandan content, a requirement consistent with COMES's definition of local content.

SCOPE OF GUARANTEE

Under the ECGS, eligible pre-shipment credits extended by participating financial institutions cannot exceed 85% of the borrower's export order/contract and will be used exclusively to fund the pre-export costs and expenses relating to the specific export sale, such as raw materials, wages, packing, transport, and insurance. In turn, BOU will cover up to 75% of the eligible pre-shipment credit, with the participating financial institution covering the remaining risk (minimum of 25%). The BOU guarantee will cover all risks of non-payment or default by the

borrower on the note principal and interest. The participating financial institution will not be allowed to obtain a guarantee or lien on any asset which would separately secure, for the sole benefit of the partici0pating financial institution, that portion of the pre-shipment credit not guaranteed by the BOU.

An ECGS guarantee will not be effective it is has been determined that the participating financial institution committed fraud or made a material misrepresentation concerning the transaction. Similarly, any disbursements made by a prospective participating financial institution prior to issuance of a BOU guarantee will not be covered by a BOU guarantee. It is also important to recognize that following issuance of a guarantee by the BOU, participating financial institutions will be required to disburse loan proceeds within forty-five (45) days. Disbursements made after this time will not be covered by the BOU guarantee.

GUARANTEED LENDERS

A financial institution in Uganda is eligible to participate in the ECGS if it has: (1) a valid banking license issued by the BOU; and (2) been selected by the BOU as an institution with which the BOU is prepared to conclude a Master Guarantee Agreement. Guaranteed lenders participating under the ECGS will be referred to as participating financial institutions. Licensed Ugandan financial institutions will not automatically be invited to participate in the ECGS, but rather will be selected on the basis of past performance, financial viability, and ability assess and administer credit effectively. For those selected to participate, there will be two categories, one with delegated authority and the other without delegated authority. The participating financial institutions operating within the delegated authority category will be permitted to extend credit which will automatically be guaranteed without first obtaining BOU approval, providing terms and conditions required by the ECGS are met. For the non-delegated authority category, participating financial institutions will be required to obtain prior BOU approval of their proposed extension of credit before the BOU will issue its guarantee. The BOU will be responsible for selecting participating financial institutions and assigning them to their respective categories.

Participating financial institutions will be required to monitor ECGS individual guaranteed transactions and report periodically to the BOU on their status. These reports are considered to be an integral part of the Master Guarantee Agreement that has been executed by the BOU and participating financial institutions. The report formats have been prepared by the BOU.

Active involvement by Ugandan participating financial institutions in using and encouraging the use of the ECGS is essential to the success of the ECGS. Since the program represents extension of domestic financing, it vital that the participating financial institutions know their customers will and have demonstrated a high level of analytical and administrative capabilities in which the BOU will have confidence.

QUALIFIED BORROWERS

To qualify under the ECGS, a Ugandan borrower will need to fall in one of the following categories: 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.

Guaranteed pre-shipment credits can be extended to qualified Ugandan private sector exporters if they have been engaged in exporting non-traditional goods and services from Uganda for at least one year. This definition is intended to include: (1) original product growers or producers (2) original products processors who might buy from growers/producers and transform the items to a degree prior to export, and (3) export trading companies acting simply as collectors or wholesalers, but who do not alter the products. It is also intended to include producers of manufactured and semi-manufactured products. Intended for exclusion are those entities, such as investment companies, that do not have a direct interest in a specific export sale. Also intended for exclusion are exporters that are controlled by the GOU, since they are deemed to have adequate access to pre-shipment export credit. In any event, privatization of the Ugandan economy in the early 1990s has eliminated virtually all of these parastatal export bodies. The requirement that borrowers have at least one year of experience in non-traditional exporting is considered important, because it should demonstrate the ability to compete effectively in the international marketplace, thereby helping to reduce the higher risk of claims often associated with start-up businesses.

REPAYMENT TERMS AND INTEREST RATES

Participating financial institution loans under individual ECGS transactions will not be on an overdraft basis where they would be mingled with a variety of other lending activity between the financial institution and its borrower, but rather they will take the form of a promissory note (using the institution's note form) signed by the borrower. This approach will permit a more accurate allocation of security and record keeping. In effect, ECGA guaranteed loans would be "fenced off" from other loans extended to the borrower.

The maximum note repayment term will be 180 days, which should allow ample time for the export cycle to be completed, particularly in light of the preponderance of agricultural exports. It should be noted that repayment of the note is not contingent on the exporter's receipt of funds from the export sale; however, non-receipt of funds may cause a cash flow problem. The promissory note may require partial payment of principal and/or interest prior to its final maturity or both may be repaid on a single installment due date.

Interest and fees (apart from the BOU guarantee fee) charged will be set by the participating financial institution in consultation with the borrower, however the BOU expects that in establishing an appropriate interest rate, the participating financial institution will take into account its reduced credit risk resulting from the BOU guarantee.

LATE INTEREST

If full repayment by the borrower has not been made after the last maturity date under an ECGS guarantee, and a timely claim was submitted to the BOU, late interest will be guaranteed and payable by the BOU from the date of default to the date of claim payment. During this period,

late interest would be paid at the GOU Treasury Bill rate in effect at the time of default. In this situation, the Treasury Bill rate is considered the appropriate rater, rather than the note rate, because the transaction would then be in a claim status, under which the lender has shifted the risk of non-payment or default from the borrower to the BOU.

SIZE OF ELIGIBLE CREDIT

In order to make the ECGS available to as many borrowers as possible, it is recommended that initially there be a limit of 700 million U. shs. Per borrower outstanding at any one time. This limit would have to monitored by the BOU since a single borrower, in particular larger exporters, may do business with more than one part8icipating financial institutions. There will be no required minimum transaction size. This determination has been left tot the participating financial institution.

BOU GUARANTEE FEE

The BOU will charge a one-time flat guarantee fee of 1.25% on the principal amount payable under the guaranteed note. Interest charged on the principal amount will not be included in the calculation to determine the ECGS guarantee fee. Since the maximum note repayment term will never exceed 180 day, the fee could be viewed as equivalent to 2.50% calculated on a per annum basis. As the fee is a flat 1.25%, it will not be reduced if the term is less than 180 days. This fee must be received by the BOU within ten business days after issuance of a Guarantee; otherwise, the BOU shall have the right to suspend the related guarantee. The guarantee fee will not be eligible to be financed under the ECGTS. The BOU is willing to forego charging an application processing fee since the minimum 25.0% risk retention required of the participating financial institution is considered sufficient to forestall the receipt of applications that are not serious.

DOCUMENTATION

All participating financial institutions will be required to execute one of two Master Guarantee Agreements with the BOU under which individual transactions will be covered; one Master Guarantee Agreement will be used for those participating financial institutions operating with delegated authority, and the other will be used for those participating financial institutions not operating with delegated authority. Both Master Guarantee Agreements will have attachments which will include: ECGS eligibility requirements, an application form which must be fully completed by prospective participating financial institutions seeking a guarantee, a loan approval/authorization notice, a guarantee denial notice, a claim form, claim approval and denial notices and various reporting forms. All ECGS documentation will be standard and will not be amended or modified for individual transactions. The Master Guarantee Agreements and related documentation will be prepared by the BOU.

CLAIMS AND RECOVERIES

Under the ECGS, a participating financial institution may submit a claim to the BOU no sooner than 90 calendar days nor later than 120 calendar days after the date of an event or default. The initial 90 day waiting period has been established to give the participating financial institution,

possible in consultation with the BOU, time to determine the reason for the arrearage and to take vigorous initial action. It is believed that at the end of 90 days, short-term delays that might have held up payment will have been resolved; consequently, a true event of default has taken place. The 120 day outer limit on submission of a claim is intended to forestall the submission of a stale claim. Most claims are expected to relate to the final maturity date of the payment obligation; however, in a few cases an interest installment (or even an early principal installment) might be due prior to final maturity.

After a declaration of an event of default, it is expected that a participating financial institution will attempt to realize value fro its collateral before requesting the BOU to pay under its guarantee. The participating financial institution may not request payment of a claim sooner than 90 days after the date of non-payment by the borrower, but must do so within 120 days after non-payment. The claim must be properly documented as required by the Master Guarantee Agreement. The Master Guarantee Agreement calls for fully documented claims to be acted upon within sixty (60) calendar days of receipt, and this timing will be adhere to if at all possible.

Initial recovery efforts will be made by the participating financial institution, since it is the entity most familiar with the borrower, the causes of the event of default, the quality of pledged collateral. And third party personal or corporate guarantors.. The participating financial institution will take all actions necessary for the timely recovery of defaulted amounts. However, the BOU has right to request that the participating financial institution execute an Assignment Agreement in its favor.

A fundamental principle of the ECGS is that recoveries will be shred pro rate between the participating financial institution and BOU on the basis of their interests as stated in the Master Guarantee Agreement and related documentation.

For additional details, please contact: Bank of Uganda
Development Finance Department
37/43 Kampala Road, P.O. Box 7120
Kampala, Uganda
Attention: Ms. Naomi Nasasira
Tel: 256-41-230052, Fax: 256-41-258218

Appendix D: Fact Sheet on ECGS (Package of Promotional Material)

FACT SHEET

BANK OF UGANDA
EXPORT CREDIT GUARANTEE SCHEME (ECGS)

BACKGROUND

A fundamental goal of the Government of Uganda is to expand exports. Until now, a major hurdle to achieving this objective has been the inability of local exporters to access reasonably priced financing to fund their pre-shipment costs. As part of the effort to address this problem, the Bank of Uganda (BOU) has established the ECGS which is aimed at encouraging Ugandan financial institutions to extend pre-shipment credit to Ugandan enterprises engaged in exporting non-traditional goods and services. Under the ECGS, the BOU will provide guarantee cover to participating Ugandan financial institutions lending to eligible Ugandan exporters. It is expected that because the BOU guarantee will significantly reduce the credit risk borne by the participating financial institutions, these institutions will become more willing than in the past to make available reasonably priced loans to qualified Ugandan exporters to fund their pre-shipment activity.

ECGS DESCRIPTION

BOU guarantees will be issued to selected Ugandan participating financial institutions which extend credit to eligible Ugandan exporters. The guarantees will cover up to 75% of the loan amount, plus related interest, while the participating financial institution will retain the remaining risk of at least 25% for its own account. Risks covered by the BOU guarantee will be for losses resulting from non-payment or default by the Ugandan borrower. Loans guaranteed under the ECGS will be based on commercially reasonable terms and conditions and will contain no grant or subsidy element.

Details of the ECGS are:

1. ECGS Objective: Expand Uganda non-traditional exports through a program of pre-shipment BOU guarantees issued to participating financial institutions. Eligible goods and services comprise all exports **except** coffee, tea, cotton, and tobacco – although processed versions of these commodities would be eligible.
2. Eligible Credit Facilities: Pre-shipment credits to meet the working capital requirements of a bona fide, private sector Ugandan exporters. Credits extended by participating financial institutions shall not exceed 85% of the borrower's export orders/contracts and will be used exclusively to fund the pre-export costs and expenses relating to the specific export sale such as raw materials, wages, packing, transport, and insurance. There will be a 35% local (Ugandan) content requirement.
3. Guaranteed Ugandan Lenders (Participating Financial Institution): Any financial institution in Uganda: (i) possessing a valid banking license issued by the BOU, and (ii) which has been approved by the BOU to conclude the underlying Master Guarantee Agreement.

4. Eligible Ugandan Borrowers: Any privately owned Ugandan enterprise which is organized and authorized to conduct business in Uganda, and has been engaged in the export of non-traditional goods and services from Uganda for at least one year.
5. Scope of Guarantee: BOU to cover up to 75% of an eligible credit with participating financial institutions sharing at least 25% of the risk. The guarantee covers all risks of non-payment or default by the borrower on the note principal and interest.
6. Repayment Term and Interest Rate: The term of a guaranteed loan under the ECGS will not exceed 180 days. The guaranteed obligation will normally be repaid in a single installment including interest, but payments made in installments are eligible for cover. Interest will be determined by the participating financial institution and the borrower; however, the BOU would expect that the interest rate charged would take into account its guarantee.
7. Size of Eligible Credit: Maximum is U. shs. 700,000,000 per borrower outstanding at any time, subject to modification by the BOU. There is no minimum size required for a credit to be guaranteed.
8. BOU Guarantee Fee: A flat fee of 1.25% of the guaranteed loan is payable at the time of issuance of the guarantee.
9. Documentation and Security: BOU will execute an ECGS Master Guarantee Agreement with each participating financial institution, and each participating financial institution will agree to monitor individual guaranteed transactions and report on their status to the BOU. As a condition for the issuance of its guarantee, the BOU will require participating financial institutions to take a security interest in the assets financed.
10. Claims and Recoveries: Claims my be filed with the BOU after a 90 day waiting period. Recoveries will be shared pro rate on the basis of respective BOU and participating financial institution exposure. Both parties will cooperate in recovery efforts. Participating financial institutions may require additional collateral, but recoveries from all collateral will be shared ratably.

For additional details, please contact: Bank of Uganda
Development Finance Department
37/43 Kampala Road, P.O. Box 7120
Kampala, Uganda
Attention: Ms. Naomi Nasasira
Tel: 256-41-230052, Fax: 256-41-258218

Appendix E: Memo on Implementation and Calling Schedule for 2001 Marketing Program

BANK OF UGANDA

MEMORANDUM

From: Richard S. Apire
Director, Development Finance Department (DFD)

To: Naomi N. Nasasira
Head, Marketing and Evaluation Division, DFD

Date: January 15, 2001

Subject: Export Credit Guarantee Scheme (ECGS)
Implementation and Calling Schedule for 2001 Marketing Program

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A vigorous and structured marketing program is essential to success of the ECGS. It is requested that the projected implementation and calling schedule for the 2001 ECGS marketing program, indicated below, be carried out by the Marketing and Evaluation Division. The program has been divided into calendar quarters; however, in a few instances, activities may overlap between quarters. Marketing goals are clearly indicated. To monitor activities, it will be required that: (1) an ECGS Calling Report be completed within 48 hours after each marketing call or presentation, and (2) in the first week of each quarter a projected ECGS Calling Schedule should be given to me. Forms for both of these documents are attached as Appendices A and B, respectively. ECGS Calling Reports should be given by calling officers to the Head, Marketing and Evaluation Division. Any policy issues that are raised in Calling Reports should be promptly discussed with myself.

Following is the proposed 2001 ECGS calling program which should be initiated immediately:

Quarter Ended March 31, 2001

1. Within two weeks, the BOU should complete selection of participating financial institutions (PFIs), comprising those that will be operating with delegated authority and those without such authority. If any PFIs that are being considered for inclusion in the ECGS have not sent in letters requesting participation, they should be contacted immediately to determine the reason.
2. Once all potential PFIs have applied to participate, the list should be immediately discussed with the Bank Supervision Department, and after approval, a letter requesting "no objection" to the list should be sent to USAI/Kampala on a sort turnaround basis. The letter to USAID should also solicit its approval to serve on the ECGS Advisory Committee, and the functions of the Committee should be described as per the Operations Manual (see item 4 below).
3. When the response from USAID is received, each PFI should be promptly provided with copies of the related Master Guarantee Agreement (MGA) and applicable forms. A draft

cover letter, the MGAs, and Forms have been given to the Marketing and Evaluation Division. The PFI should be asked to sign the MGAs within a short period. It should be noted that five selected PFIs have previously been offered a draft MGA for comment; consequently, the final MGA is not subject to negotiation at this time.
The target date signature of all MGAs is February 15, 2001. Only after this is completed can the ECGS be considered operative.

4. Following receipt of each executed MGA, initiate the first call on that PFI to welcome it to the program and receive an assessment of upcoming transactions.
5. By the end of February, a calling schedule for the remainder of the quarter should be prepared and submitted to me.
6. Immediate steps should be taken to form the ECGS Advisory Committee. The Uganda Export Promotion Board (UEPB) should be invited to sit on the Committee. Assuming USAID has no objection to participating, the DFD should then select two prominent non-traditional exporters, probably one flower exporter and one fish exporter, as well as a PFI that has delegated authority and a PFI that does not have delegated authority to complete the six-member committee. All members should be advised of their selection, receive a written briefing on the functions of the Committee, be advised that the initial quarterly meeting will take place at the BOU in the second half of February. The members should be asked to select a Committee Chairman for the three meetings to be held in 2001. Although the initial Committee meeting may be prior to approval of many transactions, it should be held nonetheless to develop program momentum.
7. By the end of February, schedule the first ECGS Advisory Committee meeting for around mid-March. Following the meeting and all others, it may be desirable for appropriate staff of the DFD to meet to review the results of the meeting and any recommendations for program changes.
8. In February, the BOU should schedule a full ECGS presentation to the management and staff of the UEPB. This would be the first time an ECGS Calling Report form will be utilized. The meeting should be attended by the BOU Guarantee Processing Officers who should finalize coordination with their counterparts at the UEPB with respect to checking on Borrowers when Guarantee Applications are received under non-delegated authority transactions.

It is essential that the above tasks be completed in a timely manner; otherwise, the ECGS cannot function.

Quarter Ended June 30, 2001

1. Within the first week of the quarter, provide me with the projected ECGS Calling Schedule for the quarter in question. It is expected that between 15 and 20 calls should be targeted for each month of the quarter.
2. In April the DFD, the consultant, and a representative of the Legal Department should meet with the Uganda Flower Growers and Exporters Association to make an ECGS presentation and discuss the modalities of assisting its members who sell largely on consignment and usually do not have a specific export contract relating to each shipment. It would be

desirable to invite knowledgeable PFIs and individual exporters to such a meeting, which should be set up well in advance.

3. ECGS presentations should be made to other prominent exporter's associations for non-traditional exports, including the Uganda Fish Exporters Association and the Uganda National Farmers Association. Presentations could be scheduled at regular meetings of these associations so that they might publicize the event to their members.
4. ECGS marketing to relevant Government of Uganda ministries and agencies should be completed. These include: (1) Ministry of Finance, Planning and Economic Development; (2) Ministry of Tourism, Trade and Industry (UEPB oversight Ministry); (3) Ministry of Agriculture, Animals and Fisheries; and (4) Uganda National Chamber of Commerce and Industry.
5. During this quarter and extending into the next quarter if necessary, ECGS presentations should be made to donor institutions (excepting USAID that is presumably informed through its participation on the ECGS Advisory Committee). The reasons for advising donors are that: (1) the ECGS may work in conjunction with many of their programs in Uganda and (2) some of these institutions might be considered as possible investors in a restructured ECGS which could be set up as an independent corporation in the future. The institutions to contact that include: IMF, World Bank (concentrating on relationships between the ECGS and its African Trade Insurance Agency), European Commission, United Nations Development Program (including related agencies in the same meeting, if possible), African Development Bank, east African Development Bank, and major bilateral donors such as the Scandinavian countries and Japan.
6. By the end of May, schedule the second meeting of the ECGS Advisory Committee for around mid-June.

By June 30 the ECGS should be fully operative with major stakeholders being advised of the program and encouraged to provide their comments.

Quarter Ended September 30, 2001

1. Within the first week of the quarter, provide me with the projected ECGS Calling Schedule for the quarter in question. It is expected that between 15 and 20 calls should be targeted for each month of the quarter.
2. Complete presentations to donor institutions as per 5 above.
3. Meet with the two largest exporters in both the fish and flower industries to review their early use of the ECGS. In particular, determine whether any program modifications to assist the flower industry have been successful.
4. Visit all PFIs to follow up on their initial use of the ECGS, with initial emphasis to be on those with non-delegated authority.
5. Complete meetings with other major exporters' associations for non-traditional exports, including the Uganda Manufacturers Association and the Uganda Importers, Exporters and Traders Association.

6. By the end of August, schedule the third meeting of the ECGS Advisory Committee for around mid-September.
7. Near the end of the quarter, schedule another internal BOU review of the ECGS by the MCPC.

Quarter Ended December 31, 2001

1. Within the first week of the quarter, provide me with the ECGS Calling Schedule for the quarter in question. It is expected that between 15 and 20 calls should be targeted for each month of the quarter.
2. Meet with any new PFIs accredited through September 30, 2001. If applicable, meet with any PFIs that have been dropped from the program to discuss what steps the PFI should take to be reinstated.
3. Convene a second ECGS non-traditional exporters workshop. Indicate in the workshop that this is intended to be an annual event.
4. If applicable, visit some of the non-traditional exporters that had been expected to use the ECGS, but have not or have made only minor use of the program.
5. If not previously visited, make at least two ECGS presentations to large non-traditional exporters or their export associations that are located outside Kampala.
6. By the end of November, schedule the fourth meeting of the ECGS Advisory Committee for around mid-December.

During the year, a continuing effort should be made to keep the media apprised of ECGS "events" such as the approval of the first delegated authority transaction, the first under non-delegated authority, payment of the first claim, and any major changes in the program. PFIs should be encouraged to conduct their own ECGS workshops for non-traditional exporters and the DFD should indicate its willingness to participate therein. In all calls and presentations ECGS literature should be distributed with emphasis on giving out the appropriate information. If PFIs desire to develop their own ECGS literature, the staff of the DFD should indicate that full DFD cooperation can be made available.

The above marketing plan is believed to be attainable using the existing staff of the DFD's Marketing and Evaluation Division.

BANK OF UGANDA
ECGS CALLING REPORT

Entity Called	Primary Individuals Met on Call	Date of Call	Objectives of Call	Summary/Results of Call	Follow-on or Next Steps Related to Call

BOU Call Reporting Officer: _____

BANK OF UGANDA
ECGS PROJECTED CALLING SCHEDULE FOR QUARTER ENDED _____

Entity to be Called	Approximate Date of Call	Anticipated Objectives of Call

Head, Marketing and Evaluation Division: _____

Appendix F: Programs for ECGS Workshop

PROGRAM FOR THE WORKSHOP FOR EXPORTERS OF NON-TRADITIONAL PRODUCTS TO TAKE PLACE ON 15TH DECEMBER, 2000 AT THE SHERATON HOTEL

Time	Activity
8:30 a.m. – 9:00 a.m.	Registration of participants
9:00 a.m. – 9:30 a.m.	Opening the workshop by Dr. L Kasekende, Deputy Governor BOU
9:30 a.m. – 9:45 a.m.	Introduction of participants
9:45 a.m. – 10:00 a.m.	USAID
10:00 a.m. – 10:30 a.m.	Presentation by Director, DFD
10:30 a.m. – 11:00 a.m.	Tea Break
11:00 a.m. – 12:00 a.m.	Presentation by Mr. John Leintz
12:00 a.m. – 12:50 p.m.	Question and Answer session
12:50 p.m. – 1:00 p.m.	Wrap-up
1:00 p.m.	Lunch

PROGRAMME FOR THE ECGS BANKERS' WORKSHOP TO TAKE PLACE ON 19TH DECEMBER, 2000 AT THE SHERATON HOTEL

Time	Activity
2:00 p.m. – 2:15 p.m.	Registration of Participants
2:15 p.m. – 2:30 p.m.	Introduction of participants
2:30 p.m. – 2:45 p.m.	Opening remarks by the Director, DFD
2:45 p.m. – 3:45 p.m.	Modalities of accessing ECGS by Mr. John Lentz
3:45 p.m. – 4:00 p.m.	Tea Break
4:00 p.m. – 4:30 p.m.	Modalities of ECGS (continued)
4:30 p.m. – 4:50 p.m.	Discussion
4:50 p.m. – 5:00 p.m.	Closing remarks