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**Deloitte  
Touche  
Tohmatsu**

USAID SEGIR Financial Services IQC

Contract No: PCE-1-00-99-00008-00

QUARTERLY REPORTS

July 1, 1999 – December 31, 2000



## SEGIR Quarterly Reports

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- Jordan - Loan Guarantee Corporation

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### Report 4 – April 1 – June 30, 2000

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- Thailand – AERA/ Thai Farmers Bank
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- West Bank - Accounting and Auditing Reform
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- Thailand – AERA/ Bank of Ayudyha
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- Thailand – AERA/ Bank Thai
- Thailand – BOT III – Mid Term Evaluation
- Thailand – AERA/ Bangkok Bank of Thailand
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### Report 6 – October 1 – December 31, 2000

- West Bank - Accounting and Auditing Reform
- Uganda – Access to Financial Services



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## Memo

Date: January 11, 2000  
To: Penny Farley, USAID SEGIR Financial Services IQC COTR  
From: Teresa Mastrangelo, SEGIR Financial Services Project Manager  
Subject: Contract No. PCE-I-00-99-00008-00  
Quarterly Performance Monitoring Report No. 1  
Covering the Period July 1 – September 30, 1999

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Paragraph F.11(c) on page 24 of Contract No. PCE-I-00-99-00008-00 requires that quarterly performance monitoring reports be submitted to the cognizant SEGIR Privatization COTR. The purpose of these reports is for “summarizing progress of the major activities in process in relation to the requirements of the contract, indicating any problems encountered, and proposing remedial actions as appropriate.”

Attached please find the Deloitte Touche Tohmatsu SEGIR Quarterly Performance Monitoring Report No. 1 covering the period July 1 – September 30, 1999.

If you have any questions or require additional information, please contact me at telephone no. 202-879-5644 or via email at [tmastrangelo@dtus.com](mailto:tmastrangelo@dtus.com).

Issuing Office: USAID/Jordan  
T.O. No.: 800  
Title: Technical Assistance for Jordan Loan Guarantee Corporation  
Start Date: May 21, 1999  
Est. Completion Date: August 29, 1999, extended to October 15, 1999

The objectives of this T.O. are to: Assess the actuarial soundness of the Jordan Loan Guarantee Corporation (JLGC) fee structure for both the Direct Loan Guarantee (DLG) and the Export Credit Guarantee Facility (ECG) programs; assess the long-term financial viability of JLGC's guarantee programs; assist and train JLGC personnel in underwriting procedures; streamline JLGC's operations; and prepare the JLGC for future ECG products by developing an informational database of local exporters.

#### **I. Planned vs. Actual Activities During Reporting Period**

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities undertaken immediately following.

*(1) Develop an actuarial assessment of the DLG and ECG programs. Assist the JLGC in developing an underwriting capability for its products. Specific tasks to include: a study on the LT financial viability of the JLGC's pricing policies; development of a financial model for future pricing policy assessment; make specific pricing policy recommendations; assessment of the ECG's underwriting needs and assessment of IT requirements to support the JLGC underwriting capability; development of associated operations and training manuals and forms for underwriting procedures; develop an automated rating system that assigns credit risk ratings and underwriter opinions/estimations similar to that used by the SBA; develop underwriting training plan and course materials and conduct training of ECG employees; and regularly brief the JLGC Director General.*

Studied JLGC's pricing policies. Conducted financial analysis of long-term viability against key indicators, taking into consideration current pricing policy and other operational and financial practices. Examined number of other factors which influence the level of guarantee fees and insurance premiums charged to assess viability. Provided comparison with other export credit agencies in 35 other countries. Developed financial model for future pricing. Recommended changes in premiums and fees going forward to ensure sustainability.

Conducted a review of JLGC's adherence to manuals and international standards of operation. The methodology used by the Actuarial/Underwriting Advisor in preparing this assessment consisted of gathering and analyzing documents and statistics from JLGC, together with personal interviews with management, line and support personnel. The analysis and recommendations contained herein also draw heavily on experience with other credit guarantee agencies in countries around the world.

JLGC's underwriting procedures and needs were observed and discussed with JLGC's management, with banks, exporters and others. The recommendations made fell into two categories: those pertaining mainly to the pre-shipment guarantee program and those with major implications for the post-shipment guarantee program. The Advisor recommended that all changes and improvements be part of an integrated operations/IT process, rather than being compartmentalized and only available to a limited user group within JLGC. All recommendations were made assuming a unified process, thus avoiding the possibility of continuing the negative implications of separate databases, re-keying the same data for different purposes, awkward interfaces, laborious information generation, and similar problems.

Also assessed and made recommendations on JLGC's proposed credit scoring model, which incorporates an Expert System and an automated underwriting rating. Developed a unified scoring model to serve multiple purposes and contribute significantly to upgrading JLGC's information technology for underwriting.

Planned, prepared, implemented and evaluated an underwriting training course for JLGC employees. The training course was delivered in August for three and was attended by the key operating officers of JLGC. The training was generally well received by JLGC employees and built upon their personal management experiences and prior training received from other sources.

*(2) Assess the current IT infrastructure of the JLGC and how it responds to the present and future needs of JLGC and its customers. Make recommendations and assist in the design, procurement, and/or installation of the following: (a) JLGC's overall IT strategy and integration, (b) online connectivity with local banks and Coface; (c) integration of commercial information services/credit history database online connections; (d) in-house training room; (e) communications management strategy, (f) database management strategy, (g) internet connectivity/integration; (h) feasibility and integration of a "backward chaining" Expert System application; and (i) the feasibility and integration of an automated underwriting rating system application. Design an integrated IT infrastructure and identify hardware and software requirements. Design a training room and identify hardware and software requirements. Assist in the procurement, setup, and training of JLGC employees in the use of new equipment. Develop associated operations and training manuals and a training plan and course for the Expert System and the Underwriting Rating System materials and conduct training for JLGC employees. Assist in the design and development of an informational/credit history database for Jordanian exporters. Provide regular briefings for the JLGC Director General.*

Following initial familiarization with the Corporation's operations, a Situational Analysis was formulated to provide the back drop for ensuing activities. During this phase, existing procedures were examined and volumes and values were obtained. In addition, inventory of existing automation was secured and its efficacy assessed. Computer room security as well as

data protection were found to be deficient and recommendations for immediate remedial action were given verbally in addition to being formulated in a final report.

Based on the findings, several strategies were formulated, both with respect to a possible change in the Corporation's approach towards guarantee provision and relative to the direction of replacement automation, in terms of application, communication, database, hardware and client operating software. To assist progression of envisaged initiatives towards realization, an Operations Model was constructed and this, in turn, was utilized to provide supporting documentation for Requests for Information submitted to a number of Amman-based application developers/systems integrators.

A set of three Credit Evaluation/Scoring Models was constructed to address the distinct risk management requirements of each of Domestic Loan Guarantees, Housing Loan Guarantees and Pre-Shipment Export Credit Guarantees. A corresponding Operations & Training Manual was developed and a demonstration/training session was held with each of the product groups.

Project Scope called for the development of a framework for an Exporter Information/Credit History Database, and this was accomplished as well. Relevant data elements/parameters, database structure and proposed code sets all form part of this construct

Training Room requirements were initially assessed and, following the Corporation's decision to consolidate its operations on a single floor, further assistance was rendered with respect to design issues to accommodate revised space and measurements. Proposed procurement for furnishings and equipment was also addressed.

## **II. Problems Encountered**

- (1) JLGC required significantly more work than anticipated by the statement of work on the information technology issues
- (2) JLGC management was slow in making decisions based upon the consultants' recommendations.

## **III. Proposed Remedial Actions**

The following remedial actions are being taken to address the problems listed above.

- (1) Mr. Sam Ree, the IT specialist, performed additional work pertained to the approval by JLGC of the integrated IT infrastructure and specific hardware and software requirements to fulfill proposed infrastructure changes as well assistance in the procurement of the new equipment. The task order was modified to accommodate 72 days of labor over the original 24 anticipated and the task order end date was extended.

**IV. Activities Planned Next Reporting Period**

Activities planned for the next quarter include:

- Completion of the final report and submission of all final deliverables
- Submission of final, closing invoice



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## Memo

Date: February 28, 2000  
To: Penny Farley, USAID SEGIR Financial Services IQC COTR  
From: Teresa Mastrangelo, SEGIR Financial Services Project Manager  
Subject: Contract No. PCE-I-00-99-00008-00  
Quarterly Performance Monitoring Report No. 2, covering the Period October 1  
through December 31, 1999

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Paragraph F.11(c) on page 24 of Contract No. PCE-I-00-99-00008-00 requires that quarterly performance monitoring reports be submitted to the cognizant SEGIR Privatization COTR. The purpose of these reports is for "summarizing progress of the major activities in process in relation to the requirements of the contract, indicating any problems encountered, and proposing remedial actions as appropriate."

Attached please find the Deloitte Touche Tohmatsu SEGIR Quarterly Performance Monitoring Report No. 2 covering the period October 1 – December 31, 1999.

If you have any questions or require additional information, please contact me at telephone no. 202-879-5644 or via email at [tmastrangelo@dtus.com](mailto:tmastrangelo@dtus.com).

Issuing Office: USAID/Jordan  
T.O. No.: 800  
Title: Technical Assistance for Jordan Loan Guarantee Corporation  
Start Date: May 21, 1999  
Est. Completion Date: August 29, 1999, Extended to October 15, 1999

The objectives of this T.O. are to: Assess the actuarial soundness of the Jordan Loan Guarantee Corporation (JLGC) fee structure for both the Direct Loan Guarantee (DLG) and the Export Credit Guarantee Facility (ECG) programs; assess the long-term financial viability of JLGC's guarantee programs; assist and train JLGC personnel in underwriting procedures; streamline JLGC's operations; and prepare the JLGC for future ECG products by developing an informational database of local exporters.

#### **I. Planned vs. Actual Activities During Reporting Period**

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities undertaken immediately following.

*(1) Develop an actuarial assessment of the DLG and ECG programs. Assist the JLGC in developing an underwriting capability for its products. Specific tasks to include: a study on the LT financial viability of the JLGC's pricing policies; development of a financial model for future pricing policy assessment; make specific pricing policy recommendations; assessment of the ECG's underwriting needs and assessment of IT requirements to support the JLGC underwriting capability; development of associated operations and training manuals and forms for underwriting procedures; develop an automated rating system that assigns credit risk ratings and underwriter opinions/estimations similar to that used by the SBA; develop underwriting training plan and course materials and conduct training of ECG employees; and regularly brief the JLGC Director General.*

This task was completed in the previous quarter

*(2) Assess the current IT infrastructure of the JLGC and how it responds to the present and future needs of JLGC and its customers. Make recommendations and assist in the design, procurement, and/or installation of the following: (a) JLGC's overall IT strategy and integration, (b) online connectivity with local banks and Coface; (c) integration of commercial information services/credit history database online connections; (d) in-house training room; (e) communications management strategy, (f) database management strategy, (g) internet connectivity/integration; (h) feasibility and integration of a "backward chaining" Expert System application; and (i) the feasibility and integration of an automated underwriting rating system application. Design an integrated IT infrastructure and identify hardware and software requirements. Design a training room and identify hardware and software requirements. Assist in the procurement, setup, and*

*training of JLGC employees in the use of new equipment. Develop associated operations and training manuals and a training plan and course for the Expert System and the Underwriting Rating System materials and conduct training for JLGC employees. Assist in the design and development of an informational/credit history database for Jordanian exporters. Provide regular briefings for the JLGC Director General.*

Task was completed in the previous quarter.

*(3) Completion of final report and submission of final deliverables.*

The reports were completed and submitted to USAID/Amman during the first week of October.

## **II. Problems Encountered**

N/A

## **III. Proposed Remedial Actions**

The following remedial actions are being taken to address the problems listed above.

N/A

## **IV. Activities Planned Next Reporting Period**

Activities planned for the next quarter include:

- None

Issuing Office: **USAID/Egypt**  
T.O. No.: **OUT-PCE-I-801-99-00008-00**  
Title: **Power Sector Support II**  
Start Date: August 15, 1999  
Est. Completion Date: August 14, 2000

The T.O. objective is to support the privatization of the Electricity Companies (ECs) by strengthening their financial planning, cash management and debt management systems and by providing financial advice to EC management.

### **I. Planned vs. Actual Activities During Reported Period**

T.O. activities are divided into four sub-tasks: Financial Planning, Cash Management, Loan Tracking System, and Financial Management Training. For each subtask, planned tasks for this period are listed below in italics, with a summary of actual activities undertaken immediately following each task:

#### **A. Subtask 1 – Financial Planning**

Assist the seven ECs to strengthen their financial planning capabilities by implementing an Arabic-language Financial Planning Model and developing the required organization, skill, policies and procedures. Mr. David Hayward is leading this activity.

##### *(1) Review financial model requirements*

Financial Planning Model (FPM) users from Canal, Alexandria, Middle Egypt, and Beheira were interviewed to identify issues with the existing model and determine any improvements, or modifications needed. Objectives for the model were then agreed during a four-day workshop conducted in Ismailia in September for model users and senior-level managers in the Canal Electricity Company. Topics discussed included what financial ratios to include in the FPM, analysis of financial statements, and financial issues related to future regulation.

##### *(2) Modify the existing model to incorporate the chart of accounts and financial statement format used by the companies*

This task is partially complete. During this quarter modifications to the reports in the model, including the income statement, balance sheet, cash flow statement and summary ratios report, were completed. Additional output reports and other potential modifications that the ECs would find useful as the process of privatization unfolds were also identified – e.g. revenue

requirements estimation, a valuation report, separation of distribution and generation business segments, and fixed and variable costs by generation unit.

## **B. Subtask 2 – Cash Management**

Assist the seven ECs to strengthen cash management by helping them develop the organization, skills, systems, policies and procedures to improve cash planning. Mr. Tom Nein is leading this activity.

### *(1) Review Services from Egyptian Banks*

Cash Management Departments of several major banks in Cairo, selected commercial and investment bankers, two Cairo-based corporations active in cash management, and several financial consultants were interviewed to determine the kinds and levels of corporate cash management services offered by Egyptian banks. In general, such services are in their infancy in Egypt, although several banks are actively marketing cash management services to selected companies (including several of our ECs). ECs must actively seek customized products and services from selected banks to meet their specific needs and create competition.

### *(2) Document Cash Management processes*

An initial overview of the cash management organization and procedures of the ECs was undertaken by the FM Project's Egyptian consultants. There are currently no written or formalized Cash Management Policies & Procedures in place. Further detailed analysis will be done in the next quarter with the assistance of an Egyptian Cash Management consultant that will be added to the project's consulting staff.

## **C. Subtask 3 - Loan Tracking System**

Assist the ECs and EEA to improve debt management by implementing a Loan Tracking System in EEA and each EC. Mr. Robert Lagrange is leading this activity.

### *(1) Review Loan Tracking System Requirements*

During this quarter we defined the strategy for the analysis, design, development, and implementation of the Loan Tracking System (LTS) and the workplan. We agreed that:

- our base analysis and design will be focused on Cairo Electric Company's (CEC) needs, since that company has the greatest number of loans and amount outstanding.
- once the LTS has been implemented at CEC, it will be rolled out first to the other ECs and then to the EEA (in the latter case with appropriate modifications).
- training will be centralized for all the companies in a 3-day session in Cairo. Individual assistance will also be offered to those companies requiring it after the training session.

We also completed a detailed Needs Analysis working with CEC and the EEA. 11 days were spent discussing current budget processes, their relationships with loans, and reporting requirements for EC and EEA use.

(2) *Design the Loan Tracking System*

A preliminary plan for design of the LTS was presented and discussed with CEC. The LTS will be a stand-alone system since CEC does not currently have an IS network. A total of 32 tables with over 150 fields will form the basic structure of the loans database section of the LTS, not including the other 5 databases (discussed below) that we are planning to add.

**D. Subtask 4 - Financial Management Training**

This activity is intended to strengthen financial management in the ECs. It covers workshops and other training activities not directly tied to specific task order deliverables.

(1) *Hold Financial Management Basics Courses*

During this quarter, the FM Project Director Mr. Tom Nein presented *Corporate Financial Management* seminars of approximately 6 hours each to ECs in Alexandria, Damanhur, Cairo, and Mansoura. Attendance ranged from 25 – 50 per seminar and the topics covered included:

- the critical role of financial management,
- what financial managers need to know & do,
- factors critical to successful financial management in market economies,
- how financial managers operate,
- 10 major financial management activities,
- useful tools & techniques in finance,
- mathematics of finance, financing & investment options,
- focus on performance & value,
- measuring & communicating the performance-based value of your company's shares.

An Executive version of this seminar, stressing the need for effective financial management in private sector enterprises, was also presented for the Cairo EC Chairman and three of his senior executives.

(2) *Hold training on cash management, financial planning and capital management*

During this quarter, the FM Project team worked with DT2 and its subcontractor Titus Austin to prepare courses on Cash Management, Financial Planning and Capital Management. The first course on Cash Management is scheduled for the week beginning 28 November 1999.

## **II. Problems Encountered**

### **A. Subtask 1 – Financial Planning**

We are still finding different interpretations of the income tax logic and other areas of the model. In interviews with EC personnel, we have also had difficulty understanding what is included in each EC's chart of accounts, and how the EC's book various transactions. We will need precise definitions for each account. Ultimately the regulator should establish these definitions. Right now though, each company is free now to book accounting transactions as they deem appropriate. Comparisons among electric companies are difficult, if not impossible.

### **C. Subtask 3 - Loan Tracking System**

To make the LTS most effective, we identified 5 additional databases that need to be created for other activities and transactions that have a direct relationship with loan tracking.

## **III. Proposed Remedial Actions**

### **A. Subtask 1 – Financial Planning**

We recommend that work to improve the chart of account definitions be included in future projects, possibly as part of the institutional support provided to the new regulatory body. For now, we must rely on a detailed walkthrough with each EC of booking each transaction.

### **C. Subtask 3 - Loan Tracking System**

The additional data base requirements identified above may cause some slippage of the LTS completion date. At present time, we are still on schedule but we will review the schedule once the design of the tables and programming requirements have been completed.

## **IV. Activities Planned Next Reporting Period**

Activities planned, by subtask, for the next quarter include:

### **A. Subtask 1 – Financial Planning**

#### *(1) Modify Financial Model*

With Canal EC personnel, walk through all significant transactions using their chart of accounts. Verify key portions of the model code e.g. tax logic. A short-term consultant, Mr. Rick Horocholyn, will provide short-term programming assistance to modify the FPM.

(2) *Translate Financial Model*

The translation of the model into Arabic may present some difficulties due to the terms used, some of which may not even have appropriate translations to Arabic.

(3) *Prepare User Manual*

After testing the FPM at Canal, the Users' Guide will be written in English and then translated into Arabic. Technical assistance will be required to write a professional Users' Guide. We will identify an expatriate writer in Cairo to lead this effort with our Egyptian consultants.

(4) *Hold training on Financial Model*

A seminar for the senior-level employees at all EC's is scheduled for January 25-27 in Cairo. This will explain the usefulness of the FPM as well as how the financial community evaluates electric companies throughout the world. A 3-day training seminar for FPM users in the 7 EC's is also planned for late February, subject to the FPM being fully tested by that time.

**B. Subtask 2 – Cash Management**

(1) *Document Cash Management Processes*

During the next quarter we will document in detail the cash management processes in each EC. An Egyptian consultant with process analysis experience will assist Mr. Nein in this activity. Our data gathering requires that we interview a number of middle & lower-level EC staff who speak only Arabic, and that we review numerous documents available only in Arabic. Discussions with banks to determine the cash management services they would be willing and capable of providing is also most efficiently done by a single Arabic-speaking specialist.

(2) *Prepare Recommendation Memorandum*

Over the next quarter, we expect to complete our analysis of the cash management processes in most of the ECs. We should be complete with all of the ECs by the end of February 2000.

(3) *Develop CM Reports/ systems as required*

We will begin developing new reports and systems necessary to improve cash management in the ECs. These are likely to be fairly simple spreadsheet models that are easy to use and will not require special programming or systems skills.

**C. Subtask 3 – Loan Tracking System**

*(1) Program the Loan Tracking System*

During this quarter, we will program the LTS. Since no major modifications are expected for the design, the English version of the LTS should be completed by early January. A Microsoft Licensed company, DataCorp, will do some of the programming in Houston, Texas.

*(2) Translate the Loan Tracking System*

We will create a dictionary for all the databases, tables, and fields with the English and Arabic translations. Translating the LTS into Arabic may present certain difficulties. We have begun researching for potential problems we may encounter with the Arabic/English version of Microsoft Windows and how to properly address them. We have identified a consultant in Cairo who has some experience in translating programs into Arabic. CEC personnel have also stated that they have some experience and would like to be involved in this process.

*(3) Prepare User Manual*

During the implementation of the LTS at CEC, the user guide and the training materials will be written in English and then translated into Arabic. Technical assistance in writing manuals will be required, to provide a professionally written manual. We will be looking for someone in Cairo to assist us. We plan to use our Egyptian consultants to review the materials in Arabic. Again, translating the manual into Arabic may present some difficulties due to the terms used, some of which may not even have appropriate translations to Arabic.

*(4) Conduct Centralized Training*

A three-day centralized seminar for the users of the LTS from the 7 EC's is expected to take place towards the end of February or the beginning of March. Two days of the training will focus exclusively on the LTS and the third day is expected to include some training on how to do queries and create reports in Access. The training may have to be delayed a couple of weeks, if we encounter any problems on the sub-tasks mentioned above or if there are any scheduling conflicts with any of the seminars conducted through the DT2 Project.

*(5) Assist in Implementing the Loan Tracking System*

Implementation of the LTS at CEC will take place after the Financial Planning Model Seminar (scheduled for the last week of January) since one or two of the key persons at CEC will be attending FPM training. We expect to have two to four of our Egyptian consultants in Cairo throughout the implementation process in Cairo to gain implementation experience.

**D. Subtask 4 - Financial Management Training***(1) Hold Financial Management Basics Courses*

The three remaining *Corporate Financial Management Seminars* are expected to be presented in Minya, Aswan, and Ismailya in January and February 2000.

*(2) Hold Senior Management Briefings*

Three briefings are planned, starting in January and running through May 2000.

*(3) Financial Planning, Cash Management, Capital Management Training*

DT2 and Titus Austin will hold the following centralized training during the next quarter:

	<b>Group # 1</b>	<b>Group # 2</b>
Cash Management	Nov 28-Dec 2 (completed)	Jan. 23-27
Financial Planning	Jan. 16-20	Feb. 6-10
Capital Management	Jan. 30-Feb. 3	Feb. 13-17

*(4) Conduct CM Excel Training*

Discussions with DT2 on still going on regarding training to use Excel for cash management analysis. We may decide to hold the training in-house using our seven Egyptian consultants.

*(5) Implement FM Project Web site*

During the next quarter we will begin developing the FM Project web site. The web site is intended to help teach the ECs financial management skills by directing them to Internet sites on foreign exchange management, risk management, cash management etc. The web site will also facilitate communication between the ECs financial departments and the project team through the use of an Internet bulletin board, chat rooms, etc.

Issuing Office: USAID/West Bank & Gaza  
T.O. No.: OUT-PCE-I-802-00008-00  
Title: West Bank and Gaza Accounting and Auditing Sector Program  
Start Date: September 29, 1999  
Est. Completion Date: October 31, 2002

The objective of this T.O. is to develop a self-regulating accounting and auditing profession in the West Bank and Gaza that uses internationally-accepted or internationally-competitive standards.

The tasks set forth in the amended T.O. are listed below in italics. A summary of the actual activities undertaken under each of these tasks during the reporting period follows immediately after.

#### **I. Planned vs. Actual Activities During the Reporting Period**

The long-term team was mobilized on November 1, 1999. During the reporting period, many project start-up activities were undertaken including:

- Meeting with CTO and discussion of objectives and work plan
- Introduction to counterparts in West Bank and Gaza of project plans and contractor
- Identification of office space and preparation and submission of procurement plan to office of contracts for office furnishings, computer equipment, other office equipment
- Identification and hiring of local office staff
- Initial drafting of assessment report, implementation plan, and first year work plan

The T.O. scope of work is divided into two phases.

#### **A. Phase 1**

- (1) *Conduct an assessment of the following areas: Accounting faculty at five pre-selected universities; curriculum currently in use at those universities; CPA preparatory courses available in the region; market satisfaction rate with graduates from the university accounting programs; the Palestinian Association of Professional Accountant's (the Association) current work and staffing; and the Palestinian Society of Auditor's (the Society) current work and staffing. Make recommendations for action in each area.*

commence with an assessment in the following areas:

- The accounting faculty at the five pre-selected universities
- Curriculum currently in use at those universities
- CPA preparatory courses available in the region

- The market's satisfaction rate with graduates from the university accounting programs
- The Palestinian Accountants' Association current work and staffing
- The Palestinian Auditors' Society current work and staffing.

The overall objective of this assessment is to update and expand upon earlier reports prepared by USAID as part of the design of the Accounting and Auditing Sector Program. Prior to commencing our assessment, we thoroughly reviewed these reports. Although, in the course of our assessment we identified some changes in the situation and made modifications to the proposals contained in them, we found that in general the information and recommendations set out in them continue to be valid.

- (2) *Assist the Association, its committees and staff assistants to draft new by-laws. Establish and implement procedures to review applications and approve members of the Association. Draft a professional code of ethics, establish procedures for investigating ethics violations, and establish process for rendering judgments and enforcing penalties. Establish procedures and requirements for continuing education and offer continuing education courses on a formalized basis. Publish and disseminate documents from the various committees. Establish and implement procedures to enable the Association to become self-sustaining. Provide limited financial support to the Association for selected recurrent costs. Provide training assistance to the Association on how to raise funds or collect revenues to enable it to become self-sufficient by the time USAID support for recurrent costs is scheduled to end.*

Tasks to begin in next quarter.

- (3) *Assist the Society, its committees and staff assistants to: (a) Draft by-laws; (b) Establish procedures to review applications and approve members of the Society; (c) Review existing Arabic language version of the International Standards of Auditing, write any necessary explanatory interpretations, and approve the standards for publication; (d) Draft a professional code of ethics, establish procedures for investigating ethics violations, and establish process for rendering judgments and enforcing penalties; (e) Publish and disseminate documents from the various committees; (f) Establish procedures for administering CPA exams including quality control measures to ensure exams are comparable to those offered in the U.S. and elsewhere; and (g) Establish and implement procedures to enable the Society to become self-sustaining. Provide limited financial support to the Society for selected recurrent costs. Provide training assistance to the Society on how to raise funds or collect revenues to enable it to become self-sufficient by the time USAID support for recurrent costs is scheduled to end.*

Tasks to begin in the next quarter

- (4) *Analyze the current curriculum to determine the performance of the pre-selected universities in the areas of student preparation, alumni satisfaction, graduate accomplishments, teaching quality, and employers' satisfaction. Provide limited instructional resources to the universities, based on a needs assessment for each university's accounting department.*

Tasks to begin in the next quarter.

## **B. Phase II**

Phase II tasks are not required or budgeted for in the current T.O. If the draft legislation is signed into law, tasks to be funded are expected to include support to the: Association, Society, Foundation/Board of Trustees for the FASB, and to the FASB.

## **II. Problems Encountered**

The new T.O. team was in place for less than two months during the reporting period and had not yet encountered any actual problems. Based upon the initial discussions with the West Bank and Gaza partners, however, the T.O. team discovered that there are virtually no resources in these organizations to facilitate technical assistance provided to their members. It is clear that, without any technical staff, it will be extremely difficult to direct the amount of training that will be required to raise the level of competence of the auditors to that which will be required as a result of the introduction of the new accounting and auditing standards.

## **III. Proposed Remedial Actions**

A plan and proposal for a task order amendment to include addition of local project staff to be resident within the partner associations in West Bank and in Gaza will be developed and submitted to the CTO during the next quarter.

## **IV. Activities Planned Next Reporting Period**

Activities planned for the next quarter include:

- Conduct Employer Satisfaction Survey to assess competency level of accounting profession in West Bank/Gaza
- Establish various committees to oversee the establishment of International Accounting and Auditing Standards.
- Develop course material on International Accounting and Auditing Standards standards, in English, and incorporate those into the accounting and finance curriculum of the partner universities
- Prepare training materials for professors of International Accounting and Auditing Standards, assist them to identify additional resources for teaching those courses in English
- Develop proposal for local staff inclusion in project and negotiate task order amendment.



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# Memo

Date: July 31, 2000  
To: Penny Farley, USAID SEGIR Financial Services IQC CTO  
From: Teresa Mastrangelo, SEGIR Financial Services Project Manager  
Subject: Contract No. PCE-I-00-99-00008-00  
Quarterly Performance Monitoring Report No. 4, covering the Period April 1  
through June 30, 2000.

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Paragraph F.11(c) on page 24 of Contract No. PCE-I-00-99-00008-00 requires that quarterly performance monitoring reports be submitted to the cognizant SEGIR Privatization COTR. The purpose of these reports is for “summarizing progress of the major activities in process in relation to the requirements of the contract, indicating any problems encountered, and proposing remedial actions as appropriate.”

Attached please find the Deloitte Touche Tohmatsu SEGIR Quarterly Performance Monitoring Report No. 4 covering the period April 1 – June 30, 2000.

If you have any questions or require additional information, please contact me at telephone no. 202-879-5644 or via email at [tmastrangelo@dtus.com](mailto:tmastrangelo@dtus.com).

Issuing Office: **USAID/Egypt**  
T.O. No.: **OUT-PCE-I-801-99-00008-00**  
Title: **Power Sector Support II**  
Start Date: August 15, 1999  
Est. Completion Date: August 14, 2000

The T.O. objective is to support the privatization of the Electricity Companies (ECs) by strengthening their financial planning, cash management and debt management systems and by providing financial advice to EC management.

**I. Planned vs. Actual Activities During Reported Period**

T.O. activities are divided into four sub-tasks: Financial Planning, Cash Management, Loan Tracking System, and Financial Management Training. For each subtask, planned tasks for this period are listed below in italics, with a summary of actual activities undertaken immediately following each task:

**A. Subtask 1 – Financial Planning**

The objective of the financial planning task is to assist the seven ECs in strengthening their financial planning capabilities by implementing an Arabic Financial Planning Model (FPM) and by assisting them to develop the required organization, skill, policies and procedures. This activity was directed by Mr. David Hayward for most of the quarter and then by Messrs. Sitton and Nein.

(1) *Modify the Financial Model*

During this quarter modifications to the English version of the Financial Planning model were completed.

(2) *Translate the Financial Model*

Translation of the financial model was begun during this quarter. Translation of the glossary of financial labels was completed and used to overwrite labels in the English version of the Financial Planning Model. Translation of sheet names, program messages, etc. will be completed before user training in early June 2000.

(3) *Prepare User's Manual*

During this quarter David Hayward developed a draft English user manual. The English user manual will be used as the base for the Arabic manual, which will be developed following user training in June 2000.

(4) *Implement Financial Model in ECs*

During this quarter, the EC consultants worked with the ECs to implement versions of the English Financial Model. This hand-on training was done to support the training and to facilitate the future implementation of the Arabic model.

(5) *Assist with "base case" and "problem" forecasts*

During this quarter, the Egyptian consultants assigned to the seven ECs assisted the ECs to develop a base case forecast using English versions of the Financial Planning Model

**B. Subtask 2 – Cash Management**

The objective of this task is to assist the seven ECs to strengthen cash management by assisting them to develop the organization, skills, systems, policies and procedures to improve cash planning. Mr. Tom Nein is directing this activity. Activities during this quarter were as follows:

(1) *Document Cash Management Process*

During the 3<sup>rd</sup> quarter, the project conducted extensive interviews of the cash management practices in Alexandria and in Cairo. The focus in Alexandria was on their management of key cash management activities such as meter reading, billing, credit & collections, banking (bank deposits, transfers, borrowings, etc.), and disbursements to identify areas of possible improvement. In Cairo, the focus was on cash forecasting and how this critical financial activity can best be structured and introduced into that EC and other ECs.

(2) *Prepare Recommendation Memorandum*

Cash Management recommendations for the Alexandria EC were drafted during the quarter. The results of our work in Alexandria and previously in Ismailia and Minya are being incorporated into the Cash Management Policy Manual. Recommendations for cash forecasting and for utilizing a cash forecasting model have been developed using Cairo EC as the pilot site and are being standardized for introduction to the other six ECs. Both the Policy Manual and the forecasting model will be introduced to all ECs at the Cash Management Conference scheduled for early July.

(3) *Develop Cash Management Reports / Systems as Required*

During the quarter, the Cash Management System and reports were developed as follows:

- a) An excel forecasting model to forecast future cash receipts & disbursements over the coming 14 days by day (expandable to 30 days or more as may be required).
- b) An model to forecast future cash receipts & disbursements over the coming 12 months by month (also expandable to more months as may be required) focusing on total funding needs and uses over the period.
- c) An Access database and module that will enable ECs to enter, store, and retrieve information for analysis of receipts and disbursements from the ECs' bank accounts. The module will initially provide over 10 reports and assist the EC's in doing their bank account reconciliation.
- d) A Cash Management Policy Manual describing the uses of their Cash Management models and database, and our recommended Cash Management policies regarding key cash management activities. This manual describes sound cash management practices within the financial and operating environment of the seven ECs.

**C. Subtask 3 - Loan Tracking System**

The objective of this task is to assist the ECs and EEA to improve debt management by implementing a Loan Tracking System (LTS) in EEA and each EC. Mr. Robert Lagrange is directing this activity. During this reporting period, the major focus was on loading Cairo EC's loan data into the LTS.

*(1) Program the Loan Tracking System*

Based on the customer's needs, the system was expanded significantly from what was originally conceived or defined. The expanded system allows the customer to obtain other relevant information such as booked exchange rates, gains and losses on foreign exchange (loan related), background information on purchase orders and contracts financed, invoices financed, status of loans, disbursements, and loan payments, financial institutions and vendor information, contacts information, accrued interests, and type of products or services financed.

To accommodate the additional requirements, the number of tables increased from 40 to 100; 15 used for reports and queries and 10 used for Cash Management (8 are for future use related to Letters of Credit and Bank Guarantees). The number of fields increased from 170 to 774. Forty five more screens were created, increasing the number from the original 15 to 60 (including 5 used for Cash Management which have not been fully designed). Reports increased from 6 to 11 related to loans, and there will be at least 10 more required for Cash Management purposes.

(2) *Translate the Loan Tracking System*

An independent Egyptian developer with ample experience in Arabizing systems was selected to convert the LTS into an English/Arabic system.

(3) *Prepare User Manual*

Initiated the preparation of the user manual. It is designed to be descriptive, showing the screens and taking the user through the steps necessary to do each operation.

(4) *Conduct Centralized Training*

The centralized training was scheduled for June, once the bilingual system is finished, so it can be conducted in Arabic.

**D. Subtask 4 - Financial Management Training**

This activity is intended to strengthen financial management in the ECs. It covers workshops and other activities not directly tied to specific task order deliverables.

During this 3<sup>rd</sup> quarter, the Project Director presented a Financial Management Basics seminar in Minya on March 1 and an abbreviated version at the DT2 seminar on Financial Planning presented by Titus Austin on April 20.

At the request of the Alexandria EC Chairman, an additional seminar on financial management and cash management was presented on March 1, 2000 in Alexandria by the Project Director, the Cash Management specialist, and the resident consultant.

The DT 2 Financial Planning seminar, which was postponed from its original January 16-20 date, was held on April 16-20.

**II. Problems Encountered**

N/A

**III. Proposed Remedial Actions**

N/A

**IV. Activities Planned Next Reporting Period**

Activities planned, by subtask, for the next quarter include:

**A. Subtask 1 – Financial Planning**

- (1) *Hold Training on Financial Model*
- (2) *Prepare User Manual*
- (3) *Implement Financial Model in ECs*

**B. Subtask 2 – Cash Management**

- (1) *Conduct Centralized Cash Management Training*
- (2) *Field assistance and training in cash management*

**Subtask 3 – Loan Tracking System**

- (1) *Program the Loan Tracking System*
- (2) *Translate the Loan Tracking System*
- (3) *Prepare Users' Manual*
- (4) *Conduct Centralized Training*
- (5) *Assist in Implementing Loan Tracking System*

**Subtask 4 - Financial Management Training**

During the next quarter, the project will hold conferences in Cairo for designated EC and EEA personnel on the Financial Model, the Loan Tracking System, and the Cash Management System.

During the final weeks of the 4<sup>th</sup> quarter, training will move to the field where our Egyptian consultants assisted by the expatriate consultants will be involved in implementation. Each of these three deliverables represents a new aspect of financial management for ECs and will require significant practice if these models and financial management practices are to become powerful and effective financial management tools to EC executives.

Issuing Office: **USAID/West Bank & Gaza**  
T.O. No.: **OUT-PCE-I-802-00008-00**  
Title: **West Bank and Gaza Accounting and Auditing Sector Program**  
Start Date: **September 29, 1999**  
Est. Completion Date: **October 31, 2002**

The objective of this T.O. is to develop a self-regulating accounting and auditing profession in the West Bank and Gaza that uses internationally accepted or internationally-competitive standards.

**I. Planned vs. Actual Activities During Reported Period**

The following is a summary of notable accomplishments on the project in this quarter:

**A. Revised Committee Activities**

A decision was made to suspend the activities of the Oversight Committee. This decision requires Deloitte, as the contractor, to work directly with the Palestinian Association of Accountants with respect to programs for the non-auditor accountants and work directly with the Palestinian Association of Certified Public Accountants with respect to programs to be established for the audit profession. Accordingly, during this quarter it was necessary to prepare a revision to the committee activities as set out in the Work Plan Year 1 to take this change into account.

**B. Committee Terms of Reference**

During the quarter the West Bank members of the Palestinian Association of Certified Public Accountants prepared draft terms of reference for the committees that they believe will be required for the project programs related to the audit profession. These drafts were based on those that we had previously presented to the Oversight Committee but included a set for a Membership Committee that we had not provided for because we believed they may be unnecessary because of their inclusion in the Accounting and Auditing Law. The drafts were presented to the Gaza members but agreement on them and appointment of the committee members has not yet been accomplished.

**C. Course Materials and Preparation**

Accounting 439, at Bir Zeit – International Accounting and Multinational Enterprises was completed. Ten students successfully completed the course with an average grade of 78 %. This was a 32 session, graduate level course and in addition to normal course work required preparation and presentation of a term paper. Students' term paper topics were directed toward development of the accounting and auditing profession and the use and acceptance of International Accounting and Auditing Standards in Palestine.

In addition to the text book - International Accounting and Multinational Enterprises, specifically examined during the course were:

**International Accounting Standards**

IAS 01	Presentation of Financial Statements
IAS 14	Segment Reporting
IAS 34	Interim Reporting
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 35	Discontinuing Operations
IAS 12	Income Taxes
IAS 10	Contingencies and Events Occurring After the Balance Sheet Date
IAS 37	Provisions, Contingent Liabilities and Contingent Assets

**International Standards on Auditing**

310	Knowledge of the Business
550	Related Parties
560	Subsequent Events
580	Management Representations
620	Using the work of an Expert
700	Auditor's Report on Financial Statements
710	Comparatives

Final planning for future University level activities was completed.

In the fall an Accounting Seminar Studies course will be taught at Bir Zeit, with the designation Accounting 480. Detailed exposure to all of the current International Accounting Standards will be given to students. Additionally over 80% of the International Standards on Auditing will be presented.

Development of materials for use in the course commenced. Materials to be developed represent approximately an additional 120% of the material developed for Accounting 439. A project total of over 1200 slides plus testing materials to be based on the Association of Certified Chartered Accountants (ACCA) will comprise the course.

Translation of the above listed materials in to Arabic has started. This is approximately sixty percent completed.

Planning for a "six session" "Continuing Professional Education Program " based upon the IFAC Education Guideline # 2 with the Palestinian Society of Auditors was

completed. This program allow attendees to experience what the recommended minimum 30 hours per year represents, in addition to obtaining a preliminary view into the IASs and ISAs. The first session of this series was held on June 27 and 74 persons attended.

Medium term planning of implementation of an "International Accounting and Auditing Standards" course was discussed with each of the five "target" universities, as part of the curriculum reform. Implementations roll out, i.e. listing of a course and requiring it for graduation is the target. It is anticipated, with our activities at Bir Zeit, this will occur in Fall 2000 or Winter 2001 semester. Availability of materials in Arabic plus teachers and facilities are critical for other Palestinian Universities.

#### **D. Curriculum Evaluation**

Curriculum evaluation was continued during the quarter by the assembly of information on Birzeit University. Complete details on texts and other materials and the methodology used in the accounting program, and a listing of the accounting texts available in the University library were obtained.

#### **E. Palestinian Accounting/Auditing Law and ByLaws**

In the previous quarterly report it was noted that arrangements had been made for short-term consultant, Mr. John Gruner, former Director-General of the International Federation of Accountants, to visit Ramallah to work on the Law with Dr. Atef Alawna. Mr. Gruner attended for the periods April 29 to May 4 and May 6 to May 8. During the periods of his attendance, drafts of the four components (i.e. Audit Licensing Law, Palestinian Association of Certified Public Accountants Law, Palestinian Association of Accountants Law and Palestinian Financial Accounting Foundation Law) were prepared. After his departure, work was continued by means of electronic communication and final drafts of the four laws and the necessary related bylaws for each were completed. In addition, Dr. Alawna translated the four laws.

#### **F. Task Order Expansion**

Subject to two minor adjustments to the budget, the Expanded Task Order Proposal that was submitted in the previous quarter was approved during June. Activities will now be commenced to recruit the Locally-Hired Nationals and to establish a small office in Gaza City.

#### **G. Study Tours**

During the quarter, arrangements were finalized to conduct two study tours with two small groups of members of the associations. The objective of the tours was to enable the members to observe the processes of setting, implementing and enforcing international accounting, auditing, ethical and educational standards. The following is a list of

organizations visited. International Federation of Accountants, Financial Accounting Standards Board, New York Stock Exchange, Deloitte & Touche, Ernst & Young, International Federation of Accountants, and the American Institute of Certified Public Accountants.

## **II. Problems Encountered**

- A. The Projects COP resigned from his post.
- B. The Project lacks a champion to assist in getting the Accounting/Auditing Law passed.
- C. There are conflicts between the West Bank & Gaza members of both the Palestinian Associations of Accountants and the Palestinian Associations of Certified Public Accountants.

## **III. Proposed Remedial Actions**

- A. We are in the process of hiring a new COP.
- B. We have spoken with the Palestinian Ministry of Finance to get his assistance in locating a champion to assist in getting the Accounting/Auditing Law passed.
- C. We are working with USAID to hold joint trainings and seminars. Additionally, each Association must appoint members to various committees that are from both the West Bank & Gaza. We hope that in doing so this foster a system of cooperation and not competition.

## **IV. Activities Planned Next Reporting Period**

- Hire New Chief of Party.
- Assist in the Passage of the Accounting/Auditing Law.
- Hire Four Local National accountants.
- Establishment of a small office in Gaza City.
- Begin Research on "Annual Report Contest".

Issuing Office: USAID/Cambodia  
T.O. No.: 806 PCE-I-00-99-00008-00  
Title: Bank of Ayudhya Training Program  
Start Date: March 20th, 2000  
Est. Completion Date: June 23rd, 2000  
(extended until September 15th, 2000)

The objectives of this T.O. are 1) to develop and deliver a risk management training program divided into three parts: summary training session for top management, integrated risk management training for middle management, and training in specific risk areas for line management and staff; and 2) to assist the bank in developing an integrated risk management framework.

#### **I. Planned vs. Actual Activities Undertaken During Reporting Period**

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities immediately following.

- (1) Assess the Bank's current risk management policies and procedures in the areas of credit, market risk and operational risk.*

As the first Phase of the project, the Deloitte team undertook a comprehensive assessment of the Bank's current risk management procedures, comparing these to 'best practice' across each area and identifying and prioritizing key improvement opportunities.

- (2) Prepare and deliver a two-day, offsite training session for the Bank's top management, based on the results of the assessment. The session will also be used to present and refine an integrated risk management framework for the Bank.*

Deloitte prepared and delivered a two-day offsite session attended by the Bank's president and the fifteen most senior managers. The results of our assessment were presented during the session, and were followed by an in-depth discussion of world class approaches to credit, market and operational risk management. The session concluded with broad agreement as to the content and structure of the training program as well as agreement on a high-level plan for implementing a new risk management framework.

- (3) *Prepare and deliver a 3 to 5 day risk management training course for middle management in credit, market risk and operational risk.*

Delivery of this course was postponed until July, at the Bank's request, as the target group was occupied with year-end closing during most of June. However, the course was prepared, agreed upon by the Bank, and finally delivered to the target group in July. Three separate training courses were organized and delivered to a total of 375 senior and middle managers. 75 senior managers received a 3-day course on overall risk management, 200 "credit-oriented" middle managers received a 3-day course on credit analysis, and 100 "non-credit oriented" middle managers received a 3-day course on market and operational risk management. Specialists from Deloitte were brought in to address each class on specific topics. While the courses varied in specific content, each was delivered in the context of an overall risk management framework in order to assist the Bank in building a common risk management approach and vocabulary.

- (4) *Prepare and deliver separate training courses in credit, market and operational risk management to 200 line managers and staff from relevant departments.*

See above. Overall, Deloitte trained nearly 400 Bank of Ayudhya staff in leading edge techniques for managing credit, market and operational risk. Moreover, Deloitte helped the Bank's top management to reach consensus on key needs for improvement and agree upon a plan for implementing these improvements.

## **II. Problems Encountered**

No major problems were encountered during this reporting period.

## **III. Proposed Remedial Action**

No remedial actions are necessary.

## **IV. Activities Planned Next Reporting Period**

Activities planned for the next quarter include:

- Complete training program for line management as planned, by August 30th
- Assist the bank in developing a plan for implementing the integrated risk management framework (to be largely completed by mid-August)
- Collect and refine all training materials and submit to USAID

The Bank's top managers have told us on several occasions that they are very pleased with the results the project has achieved to date. Deloitte's team of consultants developed an integrated risk management framework tailored to the Bank's unique requirements. Our team led an offsite seminar for the Bank's top 20 managers in which the framework was refined and agreed upon. This was followed by a similar meeting for top managers on August 3<sup>rd</sup>.

As a result of this project, nearly 400 BAY managers will have received hands-on training in credit analysis, market risk assessment and operational risk management. The resulting increase in skill levels should allow BAY to reduce credit losses and improve long-term profitability and stability. By extension, BAY's improved risk management capabilities will hasten Thailand's economic recovery and help protect Thailand's banking sector against the threat of another financial crisis.

Issuing Office: **USAID/Cambodia**  
T.O. No.: **807**  
Title: **Bank Thai Training Program**  
Start Date: **June 19th, 2000**  
Est. Completion Date: **August 23rd, 2000**  
(extended until September 25<sup>th</sup>, 2000)

The objectives of this T.O. are 1) to assist BankThai in improving their debt restructuring; 2) provide revenue-generating departments' senior managers and managers the latest theories and experience on debt restructuring; 3) provide BankThai's revenue-generating departments' senior managers and managers with knowledge on negotiation techniques for debt restructuring and cross-selling techniques; 4) design a training program for BankThai staff regarding debt restructuring and negotiation techniques for debt restructuring; 5) provide BankThai with the skills of writing and presenting a report on loan/debt restructuring; 6) provide negotiating skills and techniques; and 7) assist BankThai to distinguish between corporate and retail loan/debt restructuring.

#### **I. Planned vs. Actual Activities Undertaken During Reporting Period**

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities immediately following.

*(1) Assess the Bank's lending policies, credit management procedures and credit operation policy in order to integrate training with these rules and procedures*

This activity began on the effective date and was successfully completed by July 9, 2000. A workplan detailing all aspects of the project implementation was developed and agreed with BankThai senior management. Copies of the workplan were forwarded to USAID with a request to extend the end date of the task order by 30 days until September 25, 2000 to correspond to the agreed training schedule.

*(2) Provide at least thirty hours of theoretical presentations and workshops on business knowledge and twenty-four hours for train-the-trainer tips to each module of the business training program for approximately 30 selected senior managers and managers.*

In accordance with the workplan, the training will be conducted over two successive weekends in early September 2000.

## **II. Problems Encountered**

No major problems were encountered during this reporting period.

## **III. Proposed Remedial Action**

No remedial actions are necessary.

## **IV. Activities Planned Next Reporting Period**

- Deliver training programs according to the schedule agreed upon by BankThai
- Collect all training materials and submit to USAID

The project is off to a strong start and has enjoyed strong support from BankThai management as detailed in the workplan. The Deloitte team completed its initial assessment of the Bank's relevant policies and procedures, and the Bank has agreed upon the content, structure and timing of the training course.

Issuing Office: USAID/Cambodia  
T.O. No.: 806  
Title: Government Savings Bank Training Program  
Start Date: May 11th, 2000  
Est. Completion Date: July 18th, 2000  
(extended until August 4th, 2000)

The objective of this T.O. is to develop and deliver custom-made training programs in credit risk management, project finance and credit marketing for 30 GSB credit officers who will then go on to train all of GSB's credit analysts and relationship managers.

#### **I. Planned vs. Actual Activities Undertaken During Reporting Period**

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities immediately following.

- (1) Develop and deliver a training program divided into three parts: Credit Analysis Techniques, Project Assessment Techniques, and Credit Business Marketing. The applicable target group for all three modules is 30 credit officers selected to become in-house credit trainers.*

All three training modules were delivered to the target group by July 21<sup>st</sup>, 2000. Feedback from the Bank has so far been positive. A select group of 30 commercial credit officers received a 5-day, interactive course on basic credit and cash flow analysis. This was followed by a 3-day module on practical project analysis techniques and a 2-day module outlining practical techniques for marketing credit services to SMEs and large national corporations. All three training modules were delivered in Thai. These 30 individuals have been designated by the Bank as in-house trainers and will go on to provide the same courses to the Bank's entire staff of credit officers, including all of those based in the Bank's extensive branch network.

All three modules were delivered in a highly interactive fashion incorporating group exercises and practical case studies modeled on the Bank's own client base. This allowed the future in-house trainers to apply their newly acquired skills and will help ensure that these skills are embedded in the Bank's credit culture. Moreover, the content of each module was designed in consultation with the Bank and responds to GSB's unique situation. For example, cash flow exercises incorporated additional measures necessary to verify information received from SMEs for which audited financial statements are not

available. Overall, 30 staff received 80 hours of training each, for a total of 2400 person/hours of intensive, practical training in credit management.

## **II. Problems Encountered**

No major problems were encountered during this reporting period.

## **III. Proposed Remedial Action**

No remedial actions are necessary.

## **IV. Activities Planned Next Reporting Period**

Activities planned for the next quarter include:

- Collect and refine all training materials and submit to USAID
- Seek detailed feedback from GSB

Overall, the Government Savings Bank Training Program appears to have been very successful. Deloitte's team of trainers developed a tailor-made program designed to meet the Bank's unique requirements. Our team delivered the course material in an interactive fashion utilizing group exercises and "live" case studies. Once the training material has been collected and submitted to USAID, the project will be completed.

As a result of this project, 30 key credit officers at GSB have received hands-on training in credit analysis, project assessment techniques and credit business marketing. These officers will go on to offer this training to the rest of GSB's credit and relationship management staff. The resulting increase in skill levels should allow GSB to reduce credit losses and improve long-term profitability as it increases its lending volume and moves into the competitive project finance business. By extension, GSB's improved credit management capabilities will hasten Thailand's economic recovery and help protect Thailand's banking sector against the threat of another financial crisis.

Issuing Office: **USAID/Cambodia**  
T.O. No.: **804**  
Title: **Technical Assistance to provide Risk Management Program for IFCT (Industrial Finance Corporation of Thailand)**  
Start Date: April 24th, 2000  
Completion Date: May 25th, 2000

The objectives of this T.O. were 1) to assist IFCT in improving its market risk and credit risk measurement and analysis capability; 2) to train IFCT's executives in efficient portfolio management techniques based on risk-adjusted capital allocation 3) to provide IFCT with information on future capital requirements based on risk and return on business activities; and 4) to provide IFCT front-line managers with improved analytical tools in the assessment of their loan and investment portfolio characteristics or project appraisal analysis.

#### **I. Planned vs. Actual Activities Undertaken During Reporting Period**

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities immediately following. Specific deliverables along with time schedule were agreed with IFCT following the initial assessment phase. They covered all client's requests as listed in RFP. A copy of the workplan signed by the client has been forwarded to Kenan Institute, and was included in the Project Deliverables submitted to USAID at the end of the project.

##### Key Planned Activities:

- (1) *Develop and deliver a presentation of concepts of risk-based capital allocation to 10 Executive Vice Presidents, 25 Vice Presidents and 15 staff members who are in charge of information technology and policy and planning departments and are responsible for implementation of the risk management system.*
- (2) *Train about 15 IFCT staff members in the information technology and policy and planning departments on techniques for measuring value-at-risk, credit risk of default and capital-at-risk for each group of products, customers and corporate data requirements.*

Both activities were successfully completed before the end of the reporting period. Following discussions with the IFCT risk management leaders, executive management, and staff members, a tailored Risk Management Training program was developed reflecting the priorities of IFCT.

As requested by the client, a condensed (one day) Executive Briefing in key concepts and techniques in Credit and Market Risk measurement and management, including the leading edge methodologies (CAR, RORAC, VAR) was delivered to over 20 top level executives.

This was followed with a four-day in-depth training program on Risk Management Concepts and Tools, again including the leading edge techniques, delivered to forty managers in Policy & Planning, Lending, IT, Credit Policy, Treasury and Finance departments. As requested by the client, numerous case studies tailored to Thailand environment have been developed and applied in the training program by the consultants.

Overall, 20 top managers received one day of training on risk management approached and 40 senior and middle managers received four days of interactive training on specific measurement techniques, for a total of 40 hours of training or 240 person/hours of tailored and practical risk management training.

Additionally, as requested by the client, following the training the consultants introduced complex quantitative risk evaluation formulas to the key leaders of the risk management efforts at IFCT.

Finally, a gameplan for subsequent IFCT in-house training and for extending training to other institutions in Thailand has been presented to and discussed with the client.

*(1) Recommend the hardware and software systems for implementing the risk-based capital allocation system.*

This activity was also fulfilled to the full satisfaction of the client, before the end of the reporting period.

As agreed in the Workplan, Deloitte IT specialists were directly involved in all discussions with the client, and based on the information gathered have prepared an IT System high-level improvement plan focused on strengthening IFCT Credit Risk and Market Risk management capabilities. Both sides agreed that more resources will be needed to further refine and then implement the "Implementation Plan for IFCT Improved Risk Management" submitted by the consultants.

At the end of the project, the client and the Deloitte Team Leader confirmed in writing the completion and delivery of all Tasks/Deliverables as agreed in the Workplan. (See Memorandum of May 24, in the "Project Deliverables" document)

## **II. Problems Encountered**

No serious problems were encountered, other than the limited time (5 weeks, up from 4 weeks initially proposed by the client) suggested by the client for the implementation of the ambitious project goals.

## **III. Proposed Remedial Action**

Deloitte worked closely with IFCT to prioritize and define project deliverables in view of limited project resources. The results were included in the workplan. By working very hard over the five-week period, we were able to meet the client's ambitious expectations.

## **IV. Activities Planned Next Reporting Period**

All in all, the project was completed to the full satisfaction of the client, and all relevant materials submitted to USAID, by the end of the reporting period. On numerous occasions, the client expressed their appreciation of the quality of the consultants' performance and the project results.

As a result of this project, IFCT's executive management have improved their understanding of key risk management concepts, and the company risk management leaders and other key officers have received hands-on training in the concepts and applications of a number of leading-edge risk measurement and management techniques. The resulting increase in skill levels should allow IFCT to reduce credit losses and improve long-term profitability as it continues to operate in an increasingly competitive

marketplace. The plan for extending training to other institutions in Thailand has been discussed and agreed with the client. By extension, IFCT's and eventually other Thai financial institutions' improved risk management capabilities will hasten Thailand's economic recovery and help protect Thailand's banking sector against the threat of another financial crisis.

Issuing Office: USAID/Cambodia  
T.O. No.: 805  
Title: Thai Farmers Bank Training Program  
Start Date: March 20<sup>th</sup>, 2000  
Est. Completion Date: June 23<sup>rd</sup>, 2000  
(extension requested until August 30<sup>th</sup>, 2000)

The objective of this T.O. is to develop and deliver a custom-made training program in credit risk management for TFB's credit staff in related departments. The course should fit the bank's environment and also lead the bank to the global standard.

### I. Planned vs. Actual Activities Undertaken During Reporting Period

The planned activities agreed to with the COTR for the reporting period are listed below in italics with a summary of actual activities immediately following.

- (1) *Develop and deliver a credit training program divided into three parts: Credit Management 1, Credit Management 2, and Train-the-Trainer. The applicable target groups for Credit Management 1 and 2 are 200 credit analysts from the Corporate Client Relationship department and Credit Policy department. The applicable target group for Train-the-Trainer is 50 Credit Trainers.*

Credit Management 1 was successfully delivered to 200 credit analysts during the reporting period. Credit Management 2 was successfully delivered to all but 40 credit analysts. The last session of Credit Management 2 was postponed until mid-August, 2000 at the Bank's request. The Train-the-Trainer course was delivered by July 7<sup>th</sup> to 12 credit trainers – the Bank decided to reduce the number of credit trainers from 50 to 12.

The content of each module was tailored to TFB's specific situation. For example, many of TFB's loan clients are SME that do not offer audited financial statements. According, Credit Management 1 addressed various means to gather and verify clients' financial and operational information in the absence of audited financial statements.

Overall, when the project is completed, 200 Bank staff (TFB's entire commercial credit and relationship management staff) will have received 10 days (80 hours) of training on credit analysis and credit risk measurement and management. 9 TFB credit managers and 3 university professors invited to participate in the train-the-trainer session received

advanced credit training as well as instruction on the design and delivery of in-house training modules. These 12 individuals will go on to train all new employees in relevant areas and thus embed new credit skills into the organization. All three training modules were delivered in a highly interactive fashion making use of case studies and group exercises. This gave the participants an opportunity to practice newly acquired skills and helps ensure that these skills will be employed on a day-to-day basis in the Bank.

## **II. Problems Encountered**

No major problems were encountered during this reporting period.

## **III. Proposed Remedial Action**

No remedial actions are necessary.

## **IV. Activities Planned Next Reporting Period**

Activities planned for the next quarter include:

- Complete delivery of Credit Management 2 by August 30<sup>th</sup>
- Collect and refine all training materials and submit to USAID

Overall, the Thai Farmers Bank Training Program has been a resounding success. Deloitte's team of trainers developed a tailor-made program designed to meet Thai Farmers Bank's specific and unique requirements. Our team delivered the course material in a highly interactive fashion and received very positive feedback from the Bank's senior management. Once the final group of credit analysts has received Credit Management 2 in mid-August, the project will be completed.

As a result of this project, Thai Farmers Bank entire credit staff of 200 individuals will have received 10 days of extensive training on practical credit analysis skills and leading edge approaches to credit risk management. The 12 Credit Trainers will go on to provide similar training to other bank staff and to all new credit department employees. The resulting improvement in overall skill levels should result, over time, in a marked increase in the Bank's credit quality and long-term profitability. This in turn will hasten Thailand's economic recovery and strengthen the banking sector against the risk of another financial crisis. In summary, the project will achieve its objective of providing a course that fits that bank's environment and leads the bank to the global standard.



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# Memo

Date: January 31, 2001  
To: John Crihfield, USAID SEGIR Financial Services IQC CTO  
From: Veronica Gilbert, SEGIR Financial Services Project Manager  
Subject: Contract No. PCE-I-00-99-00008-00  
Quarterly Performance Monitoring Report No. 5, covering the Period July 1  
through September 30, 2000.

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Paragraph F.11(c) on page 24 of Contract No. PCE-I-00-99-00008-00 requires that quarterly performance monitoring reports be submitted to the cognizant SEGIR Privatization COTR. The purpose of these reports is for “summarizing progress of the major activities in process in relation to the requirements of the contract, indicating any problems encountered, and proposing remedial actions as appropriate.”

Attached please find the Deloitte Touche Tohmatsu SEGIR Quarterly Performance Monitoring Report No. 5 covering the period July 1 – September 30, 2000.

If you have any questions or require additional information, please contact me at telephone no. 202-879-5644 or via email at [vegilbert@deloitte.com](mailto:vegilbert@deloitte.com).

Issuing Office: **USAID/Egypt**  
T.O. No.: **OUT-PCE-I-801-99-00008-00**  
Title: **Power Sector Support II**  
Start Date: August 15, 1999  
Est. Completion Date: August 14, 2000

The objective of this Task Order is to support the privatization of the Egyptian Electricity Companies (ECs) by strengthening their financial planning, cash management, and debt management systems, and by providing financial advice to EC management.

Changes expected in the ECs resulting from the Task Order include:

- Improved financial planning,
- Improved cash management,
- Improved debt management,
- Improved financial management and cost recovery, and
- Improved management information systems.

Project management realized early on that to do this, a significant degree of counseling would be necessary on the role of finance vs. accounting in corporate management, as virtually all key EC financial personnel come from accounting rather than finance backgrounds. ECs in general showed little knowledge of financial management, and in some cases there was even a lack of strong interest in learning about and developing modern financial management within their companies.

Consequently, an important activity necessary to achieve the above objective and desired changes in the ECs, became one of encouraging the process of thinking in terms of finance, financial planning, and preparing to deal effectively with private-sector financial institutions and markets. It became necessary to convince EC management - including the Chairmen and the Deputy Chairmen for Finance - of the importance of developing professional financial management (as opposed to accounting management) and systems.

#### **I. Planned vs. Actual Activities During Reported Period**

T.O. activities are divided into four sub-tasks: Financial Planning, Cash Management, Risk Management/Loan Tracking System, and Financial Management Training. For each subtask, planned tasks for this period are listed below in italics, with a summary of actual activities undertaken immediately following each task:

**A. Subtask 1 – Financial Planning**

The Financial Planning Model (FPM) is an essential tool for evaluating the financial impact of EC operating and financial strategies, options and plans. Developed using MS Excel the FPM provides EC management with a dynamic tool that can easily be modified to keep pace with changes in the sector, including the planned separation of generation and distribution functions into separate companies, the planned formation of a power pool or the privatization of the companies.

- a. The Financial Planning Model that was developed under the ESPG task order was extensively modified and translated into Arabic and distributed to all ECs and to the EEA. The FPM includes standardized reports (balance sheet, income statement and cash flow statements) as well as selected financial ratios.
- b. A FPM User Manual was prepared in Arabic and distributed to the ECs and the EEA.
- c. Separate training was held for users - those tasked with actually running the model - and managers, which will hopefully use the model to analyze financial options for their companies.
- d. The project team worked with the ECs to prepare base case financial forecasts.

The project team also assisted ECs in the organization of Financial Planning Departments by recommending to the EEHC and to the ECs the creation of a Corporate Finance Department (CFD) which includes a Financial Planning Department as one of the major departments, and the project's Egyptian consultants helped to identify personnel appropriate to serve in the position.

**B. Subtask 2 – Cash Management**

The Cash Management System (CMS) delivered to the ECs provides the appropriate tools for each EC to start building their Cash Management Departments and to professionally manage their cash and borrowing needs. The tools delivered allow and encourage ECs to methodically collect and analyze cash flow data, estimate future cash needs, and plan and execute action steps to deal with key cash-management issues such as liquidity problems and debt acquisition and management. Properly utilized, the CMS will permit each EC to identify well in advance their cash needs and cash sources, and distribute to key finance department executives and managers the company's financing plan for the short term using the 10-Day Excel Model and the medium term with the 12-Month Excel Model.

Perhaps as important as the models themselves is the cash management techniques introduced by the models, and a cornerstone of good corporate cash management in general. In the ECs, the prevailing accounting mentality has virtually precluded the analysis and implementation of cash management in terms of identifying and managing

“sources and uses of cash”. Using the 2 Excel models and the Access database that feeds the models with key historic information, is a valuable cash planning exercise for EC personnel. Using the models to plan cash management activities introduces the effective management of bank debt as one of the most critical components of professional cash management.

A) Requirements for the Cash Management System (CMS) were established to include 3 components:

1. a 10-Day Excel Cash Forecasting Model and User Manual,
2. a 12-Month Excel Cash Forecasting Model and User Manual, and
3. an Access Database & User Manual to record, analyze, and report historic data on collections and payments

B) The 2 Excel Cash Forecasting Models and User Manuals were developed by the project’s Cash Management Consultant Tom Nein (also the COP), and therefore there was no need to purchase additional software. CEC served as the pilot EC for the 10-Day Excel model that is the backbone of the CMS. The Access Database System was developed by the project’s Debt Management consultant R Lagrange with the assistance of the Houston based firm DataCorp. Together, these 3 deliverables constitute the CMS.

C) The 3-Day Cash Management seminar held in August 2000 introduced the 10-Day Cash Forecasting Model and the Access Database System. Implementation at each EC began thereafter. The Cash Management Manual delivered by each consultant to his EC in September included the above plus the 12-Month Excel Forecasting Model which follows the same format as the 10-Day Model.

D) User Manuals in Arabic were prepared and distributed for all of the cash management system deliverables.

E) The project assisted in the organization of Cash Management Departments at each EC by recommending to the EEA and to the ECs the creation of a Corporate Finance Department (CFD) which includes a Cash Management Department as one of the CFD’s four major departments. The project’s Egyptian consultants helped to identify personnel appropriate to serve in the Cash Management (and other CFD) position.

F) The project assisted the ECs in developing Cash Management policies and procedures through the Cash Management seminar held in August (in Arabic) and the Cash Management Manual (in Arabic). The seminar provided instruction on how, why, and when to use short-term cash forecasting and the use of the 10-Day Cash Forecasting Excel Model. The manual, issued subsequent to the seminar, included all the materials distributed and discussed at the Cash Management seminar plus a 12-Month Cash Forecasting Model and User Manual (both in Arabic). With the same format as the 10-Day Model, this 12-Month model constitutes a powerful tool for

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estimating major cash flows, funding needs, and forecast funding sources on a monthly basis over the coming 12 months. As such, it is a key link between the 10-Day Cash Forecast and the 5-Year Financial Planning Model. Cash Management Manual materials included how to input data and how to use the output reports of the two excel forecasting models and the Access database, and various materials on cash management including how to evaluate and select commercial banks, managing banks, receivables & liquidity management, cash forecasting, and the critical role of a Corporate Finance Department in each EC.

- G) Training on use of the CMS was conducted centrally in Cairo from August 21-23 and individually by the project's consultants at their respective ECs afterwards.

**C. Subtask 3 - Debt Management**

The Loan Tracking System (LTS) not only provides information required for repaying the loans and maintaining loan balances, but also allows the companies to:

- analyze new loans by looking at the expected stream of capital and interest payments, as well as expected fees, by using Net Present Value (NPV) and Internal Rate of Return (IRR);
- look at all disbursements made under each loan and segregate them by status for appropriate follow up;
- link the uses of each loan to the procurement activities (purchase orders, contracts, and projects) and accounts payable; and,
- look at loan schedules in their original currencies or convert those into EGP in accordance to current exchange rates or booked exchange rates, to determine potential gains and losses on foreign exchange exposures.

The LTS will provide ECs for the first time the ability to look at their whole loan portfolio, analyze costs, exposures in each currency, determine the exact payment of capital and interests, create their own ad hoc queries and reports. Some of the information derived from this system will be used as input into the financial planning and cash management models.

- a. The Requirements for a LTS to be implemented was fulfilled by the Loan Tracking Module of the LTS. That module provides the means for creating amortization schedules and track future obligation on their respective loans. It also enables each EC to track the uses of their loans (disbursements) and list, record, and track their repayments. As an added feature, each EC can record their booked exchange rates and the system can automatically calculate gains and losses on foreign exchange with respect to loan repayment. In addition, the LTS provides four adjacent modules:

1. Exchange Rates, where all current foreign currency exchange rates can be recorded. This information is linked to the loans and automatically updates all amounts, enabling the EC's to determine their foreign currency exposures and equivalent Egyptian Pounds, at any time;
2. Organizations, which is used to register all entities that have any type of commercial activity with the EC's, from financial institutions to vendors. It includes street and mailing addresses, telephone and fax numbers, and web address. One or many individual contacts can be linked to each organization, with important information to facilitate communication, from phone numbers to email addresses;
3. Procurement is used to register projects, contracts, and purchase orders, and can be flagged or marked for financing by selecting an active loan from a drop down button. The information can be as detailed as needed, from line items on a purchase order and type of product being purchased, to more general information without much detail. The country of origin and other information is also recorded, to assist in the selection of corresponding loans; and
4. Accounts Payable, where all invoices with respect to the procurement activities are recorded and flagged, or marked for financing by choosing the corresponding loan. When making disbursements under an active loan, these invoices are automatically picked up through the Loan Tracking Module, linking procurement activities to loan utilization.

The first two modules are required to operate the Loan Tracking Modules, while the Procurement and Payables Modules are optional, depending on the level of detail each EC wants to consider for managing their loans. By using these modules the EC's can more easily allocate loan costs to their projects or procurement activities. Furthermore, the LTS provides a queries and reporting database that cannot be altered or modified by the user, but enables him/her to create ad hoc queries and reports on over seven hundred fields in the system.

- b. Interface with IS Project has been taken into account, provided the EC's will utilize one of the American larger platforms, such as Oracle. The LTS has been designed to easily transfer onto a larger platform, with minimal technical effort. Most of the functionality existing in the LTS is not included in off-the-shelf programs, so most of its functionality would also migrate to a future platform. This is the main reason for having selected a Microsoft product for the design of this system, in addition to their support for Arabization and their local presence and support in Egypt.
- c. Software was developed in Access, Office 2000 version, with an interface to an Excel spreadsheet for the calculation of capital and interest schedules and accrued interest. The schedules are imported from the Excel spreadsheet into the Access

system. The LTS is bilingual, English/Arabic, and enables users to enter and see both numeral shapes (Arabic and Hindi) in the Arabic version.

- d. Implementation of LTS at CEC and other ECs was completed in the month of September. One of the seven EC's, Delta, had problems in loading the system because they did not want to use Office 2000, since they had other applications in the prior version. A converted version was installed, but the program may lose some of its functionality.
- e. User Manual in Arabic was prepared and distributed to all ECs and EEA. The Manual contains user-friendly instructions as to how to use the Loan Tracking System's five modules: Exchange Rates, Organizations, Procurement, Payables, and Loan Tracking. It also provides a section with some guidelines that will help the EC's install and utilize the system properly, taking advantage of its reporting capabilities and features.
- f. Assistance in developing Policies & Procedures was provided to all ECs and the EEA driven by the design of the LTS itself. The system is status driven, giving the user a sequence to follow with respect to each module and corresponding activity. The dropdown buttons only show information in a particular status, and some information cannot be modified once a certain status has been reached. Some of the statuses are user-defined and others are automatically changed. The logic of the whole system follows the normal life of a loan from initial cost analysis and comparison, to its utilization, creation of amortization schedules, and final repayment.
- g. LTS training was centrally conducted in Cairo, in Arabic. At least 3 members from each EC and EEA attended the four-day seminar. The first two days and part of the fourth day were dedicated to giving an introduction to the whole LTS, while the third day and part of the fourth day concentrated on providing guidelines for doing ad hoc queries and reports in Access.

#### **D. Subtask 4 - Financial Management Training**

Training has been an important component of the project. In the early stages of the project, the COP made 12 presentations to various EC groups on key financial management topics & issues, and on the project's deliverables. David Hayward and R Lagrange also conducted a number of presentations on financial planning & the Financial Planning Model, and on the Loan Tracking System respectively.

As the project progressed and the seven Egyptian consultants gained experience, they helped to prepare and conducted in Arabic training conferences. During the last several months of the project, the Egyptian consultants conducted entirely in Arabic the major training seminars presented in Cairo for all ECs on the Financial Planning Model, the Loan Tracking System, and the Cash Management System.

In the early months of the project, the DT2 project through the training firm Titus Austin, conducted six 5-day training seminars on Cash Management, Capital Management, and Financial Planning during the period November 1999 – April 2000. The seminars were developed and presented based on detailed input prepared by the project as to the seminar contents.

The 3 expatriate consultants plus Mr. Rick Horocholyn also did significant training of the seven Egyptian consultants on financial management in general and on the project's deliverables in particular. Instruction was also provided on using excel and access in order to enable the consultants to effectively deliver to their client ECs the three excel models and the two access systems, and to assist their clients with implementation and getting maxim benefit from using the models and systems.

## II. What Remains to be Accomplished

Implementation has been slower than desired. There are several reasons for this:

- In many (but not all) ECs, there is a notable lack of urgency in beginning the development of financial planning and management capability. Even at the highest levels in some ECs, there seems to be a lack of understanding of the critical role of financial management. Few EC executives appreciate how many months and years it takes to create a group of finance professionals within their companies capable of doing what is / will be needed, i.e. effectively forecasting future performance and financial needs, doing the excel modeling required in modern financial management, streamlining cash management & debt management activities, expanding their sources of capital to include private sector capital markets, introducing better management of banking services, and negotiating effectively with capital markets.
- There has been progress with some EC Chairmen and Deputy Chairmen for Finance on these issues. But real commitment will be evidenced only when they take the actual steps to develop professional financial management - steps such as creating a group like the recommended CFD within their companies and assigning / attracting from the outside top-quality people to it fulltime and with the authority and resources to do the financial management job - a job clearly absent in ECs at this time.
- Quality output from models is generally absent at this time for most of the ECs. More time is needed to work with the models and to provide good input. But, greater urgency is also needed to motivate ECs to work hard with the models and systems. If each EC actually was forced to raise multi-million pound credit facilities from commercial banks, the pressure would be on to introduce professional financial management. Without that kind of pressure, results have been disappointing in most of the ECs.

### **III. Proposed Remedial Actions**

As described previously, the project developed and delivered five financial management systems: the Excel Financial Planning Model, the Loan Tracking System, the Cash Management Excel 10-Day Cash Forecasting Model, the Cash Management 12-Month Cash Forecasting Model, and the Cash Management Access Database

This report has stated that these tools, in the hands of financial managers with a certain degree of financial management skill and experience, can help the ECs greatly in managing their financial activities on a "stand-alone" or partially "stand-alone" basis, i.e., companies operating with reduced dependence on the EEHC and other government agencies for financial assistance, direction, and funding.

The reverse is also true. In the hands of managers with little or no skill, knowledge, or motivation to pursue improved financial management of their companies, these tools will mean little for the development of professional financial management. Each of these tools requires good input. And even if the ECs spend the time required to assure good input, output in most cases – certainly the with the 3 excel models – will be of limited use in the hands of management with little idea of how to use it to deal with lenders, investors, or how to manage cash and banking relations.

It is for these reasons that the financial skills of the project consultants should be extended for another year to those ECs that demonstrate a real desire to work at developing their financial management skills. The follow-on project should focus on helping the ECs to use the financial management tools developed by this project in their day to day decision-making

Some of the ECs have shown little interest or motivation to develop financial professionals in their organization. Fortunately, there are several ECs with Chairmen and DCFs that do want to develop financial management – in themselves and within their organizations. The follow-on project should focus on those companies with that kind of leadership. Where that leadership does not exist, new financial leadership should be installed or they should be dropped from participating in the follow-on project.

The project has recommended to the EEHC the creation in each EC of a Corporate Finance Department (CFD) headed by a Chief Financial Officer possessing significant private-sector financial experience. He will report to the EC Chairman and build a competent and effective CFD.

The projects resources will once again be limited and it will be critical to focus these resources on companies and people where they will have the greatest positive impact.

### **IV. Activities Planned Next Reporting Period**

We are currently in the process of proposing a follow-on project.

Issuing Office: **USAID/West Bank & Gaza**  
T.O. No.: **OUT-PCE-I-802-00008-00**  
Title: **West Bank and Gaza Accounting and Auditing Sector  
Program**  
Start Date: **September 29, 1999**  
Est. Completion Date: **October 31, 2002**

The objective of this T.O. is to develop a self-regulating accounting and auditing profession in the West Bank and Gaza that uses internationally accepted or internationally-competitive standards.

**I. Planned vs. Actual Activities During Reported Period**

The following is a summary of notable accomplishments on the project in this quarter:

**A. Training Activities**

**CPE Programs**

The CPE Program on IAS and ISA commenced in late June and will run through December 2000. The purpose of this program is to introduce international accounting and auditing standards to practicing accountants and auditors. The program consists of the following:

- Six independent sessions, with those attending all six sessions to be awarded a certificate of completion, indicating 30 hours of CPE: this total is the recommended annual level according to *International Education Guideline 2*
- Those who attend all six sessions will also be eligible to participate in a prize drawing, the prize being bound volume sets of the International Accounting Standards and the International Standards on Auditing
- The sessions are given at four different locations- in Gaza City and in three West Bank cities (Ramallah, Hebron and Nablus)

An average total of 324 practicing accountants and auditors (as well as some students) have been trained so far, as follows:

## GAZA CITY-

Accountants` Association	122
Auditors` Society	56
RAMALLAH	50
HEBRON	64
NABLUS	<u>32</u>
TOTAL	<u>324</u>

The program has been widely-publicized and is being sponsored and administered by the Accountants' Association and Auditors' Society. Among the notable publicity events were:

- Taping of the 18<sup>th</sup> September session in Hebron for the local television, and
- A visit by Chairman Arafat to a reception following the 24<sup>th</sup> September session in Gaza city, at which time he praised the initiative
- An article in one of the main newspapers citing the importance that the Minister of Finance puts on the training program- this article followed one of the early Gaza sessions.

### University Training

The second quarter report indicated the success of a course on *International Accounting and Multinational Enterprises* during the Spring 2000 term at Bir Zeit University. During this past quarter, a second course entitled *Accounting Seminar Series* was also started at Bir Zeit University, with eleven students registered.

### B. Local Staff Hiring

The ability of the project to move forward on its initiatives is dependent on the availability of high-quality local staff. In this regard, the project engaged three Technical Managers, as follows:

- In Gaza, a senior level accountant with extensive experience as a local practitioner (accounting and auditing) and in advising inbound investment clients; he will oversee the Gaza office and have direct responsibility for liaison with the Association of Accountants in Gaza

- In Ramallah, a Technical Manager with senior financial management experience at a listed company; he was also formerly with the project Oversight Committee and has good knowledge of the project goals and issues
- In Ramallah, a second Technical Manager Big 5 audit experience and financial management experience with a multinational enterprise

We continue to look for a third Technical Manager, preferably a recent university graduate with strong theoretical background. We had engaged a candidate for this position, but just as the quarter ended, he decided not to take up the post.

The project also engaged Administrative Executives for both the Gaza and Ramallah offices- the latter to replace the incumbent who resigned on 30<sup>th</sup> September.

The hiring of local staff will permit the work of the Association and Society committees, the to-be-created Financial Accounting Standards Board and the Public Auditors' Licensing Board to begin in earnest.

As noted in previous reports, the Terms of Reference and general work programs for the committees and other institutions are in place. In addition, considerable background work has been done on audit and related issues. The new local hires will act as staff for the committees and institutions, conducting research, drafting policy and procedure recommendations and carrying out various promotion/public relations related to the project.

### **C. Palestinian Accounting/Auditing Law and ByLaws**

During the second quarter of 2000, the project drafted two laws. The first of these two, which was a new law, would cover Accounting and Auditing, and the various organizations that would be responsible for setting accounting and auditing and related standards in Palestine. The second law, the Public Auditors Licensing Law, would supersede an existing law. These laws were drafted with the assistance of the Deputy Minister of Finance.

During the quarter July through September, the Public Auditors Licensing Law was introduced into the Diwan. The Accounting and Auditing Law has not yet been introduced. Nevertheless, the project management continued to push this issue, as follows:

- A meeting with the Minister of Finance and his Budget Director to explain the general structure of the laws and what the effect would be on the accountancy profession and the capital markets in West Bank and Gaza; USAID accompanied the Interim COP to the meeting and we stressed the need for someone at a high level of the Ministry to take charge of following these laws through the entire legislative process
- A meeting with the national presidents of the Society and Association on the same subject, to insure their cooperation. Drafts of the laws (in English and Arabic) were

distributed to both organizations and the presidents/ confirmed their support for the proposed laws; they further agreed to work with the Ministry of Finance to insure that the Public Auditors Licensing Law was moved from the Diwan into the legislative process and, as a matter of urgency, that the Accounting and Auditing Law was introduced into the Diwan and then quickly moved into the legislative process

Passage of both of these laws is crucial to the long-term success of the project. In particular, the setting of IAS-based accounting standards, is to be the responsibility of the to be created Palestinian FASB, under the general supervision of the to be created Palestinian Financial Accounting Foundation. The project can begin the process of analyzing the IAS, drafting any required alterations to accommodate local needs and begin a due process of exposure, review and approval. For these standards to have any acceptance and recognition, however, the Palestinian FASB must be created/authorized and its procedures adopted formally. That can only happen when the law is passed.

#### **D. Other Matters**

In addition to the formal meetings above, the project management continued to meet informally with the leadership of the Association and the Society on specific issues. We also held numerous meetings with the Chairman of the CPE Committee of the Society of Auditors on the future of the IAS/ISA training.

Finally, the project was visited by a delegation from the Arab Society of Certified Accountants (ASCA). ASCA is an Amman-based pan-Arabic accountancy organization, which issues the Arab CPA designation. It has an extensive training program and an examination system that is being changed to incorporate international standards. Discussions were held to find ways in which the project and ASCA could work together and possibility of cooperation will be pursued.

#### **II. Problems Encountered**

N/A

#### **III. Proposed Remedial Actions**

N/A

#### **IV. Activities Planned Next Reporting Period**

- Assist in the Passage of the Accounting/Auditing Law.
- Establishment of a small office in Gaza City.
- Begin Research on "Annual Report Contest".

Issuing Office: USAID/Uganda  
T.O. No.: 809  
Title: Access To Financial Services  
Start Date: August 22<sup>nd</sup>, 2000  
Est. Completion Date: August 31<sup>st</sup>, 2001

This Quarterly Report covers the period from project commencement (August 22, 2000) through September 30, 2000.

There are three objectives of this Task Order:

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

#### **I. Planned vs. Actual Activities Undertaken During Reporting Period**

All planned activities were completed on time during the reporting period.

- A Work Plan which provided a detailed set of actions to be undertaken over the life of the T.O. was submitted to BOU and USAID three days after project mobilization. The Work Plan was approved by BOU and USAID.
- In consultation with BOU/DFD, a Draft Operations Manual was prepared. The Operations Manual covers all aspects of the ECGS (processes, role and responsibilities, performance standards, etc.). The Draft manual was submitted to BOU and USAID. The manual will be revised and finalized during the training course, which will take place during October/November 2000.

#### **II. Problems Encountered**

No major problems were encountered during this reporting period.

#### **III. Proposed Remedial Action**

No remedial actions are necessary.

Activities Planned Next Reporting Period

Issuing Office: USAID/Cambodia  
T.O. No.: 808  
Title: Bangkok Bank Training Program  
*Business Planning for SMEs*  
Start Date: July 19th, 2000  
Est. Completion Date: Extension granted until November 29<sup>th</sup>, 2000

*The objectives of this T.O. are:*

For the SME customers:

1. To develop and provide systematically to SME's, guidelines for SME business plan preparation and analysis
2. To share knowledge and experiences between SME owners and BBL Instructors, Consultants, Executives and other employees.

For Bangkok Bank:

1. To develop internal instructors in the *Business Plans for SMEs* workshops
2. To have knowledge transfer to BBL employees working in SME projects and SME owners, both in Bangkok metropolitan and provincial areas.
3. To standardize the knowledge and skills in SME Business Plan preparation and analysis.

In line with these objectives, design and deliver:

- One six-day Instructor's workshop, presented in English
- Three four-day Consultant's workshops, one in English and two in Thai
- Facilitation and Coaching at 6 pilot two-day workshops for SME owners by our two Thai consultants.

## **I. Planned vs. Actual Activities Undertaken During Reporting Period**

In accordance with the workplan agreed with Bangkok Bank and submitted to USAID, the following activities were undertaken during the period:

### ***Phase 1 - Design***

As described in our workplan dated August 18, 2000, during the first Phase of the project, we:

- Interviewed Bangkok Bank Senior Management, credit officers and other Bank personnel to understand objectives of the Bank with regard to SME's and the business planning workshops
- Interviewed Bangkok Bank staff to understand SME credit application and approval processes.
- Interviewed twelve individuals who will be trainers and consultants in the SME workshops and administered a questionnaire on workshop topic priorities and preferences

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- Interviewed owners of eight SME's who may be participants or speakers in the workshops to identify business planning and management issues to address in the workshops
- Interviewed faculty from three universities regarding existing courses offered for SME's
- Interviewed the Department of Industrial Promotion and the Institute for SME Development of the Ministry of Industry, as well as the Kenan Institute of Asia to identify other programs offered for SME's
- Designed and worked with the Bangkok Bank Coordinator Team on the course structure, design, content and timing

As a result of this activity, at a meeting on August 15, we came to preliminary agreement with BBL on all aspects of project implementation including

- Target SMEs
- Course Design
- Structure
- Content
- Timing

The matrix below illustrates the nature and relationship between the three courses conducted under the project and the intended results for each audience.

**WORKSHOP OVERVIEW**

SME OWNERS 2 DAYS	BBL CONSULTANTS 4 DAYS	BBL INSTRUCTORS 6 DAYS
<b>Intended Outcome or Result</b>		
Understand the benefit of planning Understand price of not planning Understand what a bank needs Knowledge of expected templates Know process of preparing the plan Know decisions that need to be made Experience in preparing a plan	Better understand the subject matter Understand relationship between business plan and loan repayment Practice analysis techniques Practice challenging assumptions Experience in plan evaluations Experience in advising SME	Better understand the subject matter Understand relationship between business plan and loan repayment Practice analysis techniques Practice challenging assumptions Experience in plan evaluations Experience in teaching subject

<b>Market Analysis and Market Strategy Segment</b>		
<ul style="list-style-type: none"> <li>• <i>One day</i></li> <li>• Templates for market analysis</li> <li>• Case study of market analysis</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two days</i></li> <li>• Analysis of case</li> <li>• Role play advising</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Three days</i></li> <li>• Analysis of case</li> <li>• Role play teaching</li> </ul>
<b>Financial Analysis and Financial Projections Segment</b>		
<ul style="list-style-type: none"> <li>• <i>One day</i></li> <li>• Templates for financial projections</li> <li>• Case study of financial analysis</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Two days</i></li> <li>• Analysis of case</li> <li>• Role play advising</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Three days</i></li> <li>• Analysis of case</li> <li>• Role play teaching</li> </ul>

Lesson plan outlines for each of the courses above are attached to this report.

***Phase 2 – Development of Training Materials***

Phase two was conducted over a period of approximately four weeks from mid-August to mid-September. During this time the team development of all training materials for all courses. These materials, all of which have been translated into the Thai language, include:

- Training Modules – The Business Planning for SMEs course contains 7 modules as follows:

<b><i>Module</i></b>	<b><i>Contents</i></b>
1	Introduction / Business Planning
2	Market Analysis - Definition / Industry Analysis / Segmentation
3	Market Strategy - Targeting / Positioning / Programs
4	Financial Analysis – Financial Statements / Ratios / Cash Flow
5	Key Financial Indicators
6	Financial Planning – Financial Projections
7	Next Steps and Follow-up

Each module contains a wealth of practical material, examples and case exercises. All modules have been translated into the Thai language

Quarterly Performance Monitoring Report No. 5

- Case Study – One master case study is used throughout the seven modules. This case study – Fine Foundry / Smart Burner, was developed on the basis of a student-created business plan from Thamasaat university. It was carefully adapted for use in the training and is extremely useful for illustrating market strategy and planning issues. We have also rewritten a full business plan for the case, which is provided to participants at the end of the course.
- Marketing Templates – a set of 6 marketing templates was developed for use in Thailand. These templates illustrate the basics of techniques such as customer and competitor analysis and market positioning. In addition to the blank templates, we have provided completed templates for the case in the participant’s manual.
- Financial Model and Templates – we created a financial model that will allow an SME to create a full set of historical and projected financial statements. The model was created in Excel and is provided to SME participants. We have also created a set of templates for the case study.
- *Exercises - Information to support case study exercises, role play and presentation evaluations has also been provided to BBL.*

During this Phase BBL convened several meetings of a “Curriculum Review Committee” of Thai SME experts who reviewed the material and assisted with revisions. These experts were drawn from the bank’s SME specialists, leading Thai universities and institutions such as the Institute for SME Development (ISMED) and the Department of Industrial Promotion. These experts brought their years and years of experience assisting Thai SMEs to bear on refining the course material before the first Instructors course was held starting September 20.

***Phase 3 – Conduct Training Courses***

*The training courses started September 20 as follows:*

Instructors Course: September 20-23 and 28-30

*The participants from this groups were drawn from BBL and outside organizations and contained a number of highly experienced SME experts. The current BBL instructors for the 2-day SME workshop were all trained in this course. On the third and sixth days of the course this group provided extensive structured feedback on the training materials. Instructors also selected sections of the materials for practice presentation sessions at which they received feedback from other participants on effectiveness of their presentation.*

During October, the Consultants Courses were held leading to the first two pilot two day Business Planning for SMEs workshops held in early November in Bangkok.

**I. Problems Encountered**

No major problems were encountered during this reporting period.

**III. Proposed Remedial Action**

No remedial actions are necessary.

**IV. Activities Planned Next Reporting Period**

The project continues with the four sessions of the BBL *Consultants* course, held in November, a Sr. Management session and the pilot Business Planning for SMEs workshops. The project end date is November 29, 2000 and results achieved will be reported in the next reporting period.



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## Memo

Date: January 31, 2001  
To: John Crihfield, USAID SEGIR Financial Services IQC CTO  
From: Veronica Gilbert, SEGIR Financial Services Project Manager  
Subject: Contract No. PCE-I-00-99-00008-00  
Quarterly Performance Monitoring Report No. 6, covering the Period October 1 through December 31, 2000.

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Paragraph F.11(c) on page 24 of Contract No. PCE-I-00-99-00008-00 requires that quarterly performance monitoring reports be submitted to the cognizant SEGIR Privatization COTR. The purpose of these reports is for "summarizing progress of the major activities in process in relation to the requirements of the contract, indicating any problems encountered, and proposing remedial actions as appropriate."

Attached please find the Deloitte Touche Tohmatsu SEGIR Quarterly Performance Monitoring Report No. 6 covering the period October 1 through December 31, 2000.

If you have any questions or require additional information, please contact me at telephone no. 202-879-4917 or via email at [vegilbert@deloitte.com](mailto:vegilbert@deloitte.com).

Issuing Office: USAID/West Bank & Gaza  
T.O. No.: OUT-PCE-I-802-00008-00  
Title: West Bank and Gaza Accounting and Auditing Sector  
Program  
Start Date: September 29, 1999  
Est. Completion Date: October 31, 2002

The objective of this T.O. is to develop a self-regulating accounting and auditing profession in the West Bank and Gaza that uses internationally accepted or internationally-competitive standards.

### **I. Planned vs. Actual Activities During Reported Period**

Noteworthy accomplishments of this quarter include:

- Maintenance and increase of Palestinian interest in the program
- Fulfillment of teaching commitment to Bir Zeit University
- Compilation of rational framework plans for Educational Reform and Accounting and Auditing Standards adoption

The following is a summary of activity on the project for this quarter:

#### **A. Training Activities**

Time made available as a result of travel impediments was used for development. Active fieldwork was on hold during Quarter Four - 2000. During December 2000, significant efforts were invested in resuming training. This reactivation will occur in Quarter One - 2001, allowing the Program to pull forward, the intended migration of training efforts to local national ownership.

A detailed plan for implementation of comprehensive training was produced. It is a compendium of training activities underway, the assessed needs and desires of the local nationals as noted during previous fieldwork, and agreed upon skills upgrades. The plan was publicized to all stakeholders and had several by-product effects, such as formation of SRO working groups, stimulation of local national interest and involvement, and increased levels of overall support of training.

#### **B. Educational Reform**

The Program was able to honor its commitment to teach a "Seminar on International Accounting Standards and International Standards on Auditing" at Bir Zeit University, through the extra-ordinary commitment of one of its local national staff. By collaborating with students, the Program was able to plan "make-up" sessions, held at the Program offices, insuring that a full measure of material was delivered. Fourteen senior student are enrolled, and have rewarded the Program with almost 100% attendance and test scores in

the high 80% range Noteworthy with this event is that it generated a very high level of bonding with the students and the University, and the Program. A level of serious and commitment was generated which can be called upon in the future.

The Program seminar on the IFAC - Code of Ethics was launched to an assembly of Bir Zeit University accounting and business students (eighty persons), in December.

An expanding level of interest in Program work - from Bethlehem University and Al Najah University, was registered. The Program had translated and distributed the IFAC International Education Guidelines (IEG) # 9 - Prequalification Education, Assessment of Professional Competence and Experience Requirements of Professional Accountants. Development, by our staff member championing Educational Reform, on seminar on was started, and will be launched in Quarter One - 2001 to a wide audience - teachers, businesspersons, and students.

### **C. Accounting & Auditing Laws**

Conditions during the Fourth Quarter did not permit noteworthy progress to be made in this area. The majority of local national counterparts that deal with the issue were located in areas not easily accessible to those Program members that could oversee activities and cause movement. Internally, institutional memory associated with work on the law was absent. However, during December 2000, the Program implemented an upgrading on personnel, and believes that this will bring about more positive developments in this area.

### **D. SRO & Standards**

The IFAC - Code of Ethics for Professional Accountants was translated and IEG # 2 Continuing Professional Education.

The Code of Ethics was converted, by the Program, into a seminar and, as noted above, successfully launched. This activity stimulated the Auditor's Society to take over ownership of this product and engage in promoting it. The Society is planning to offer an extended amount of Ethics training, under the "Ethics Committee" banner.

An "infomercial" using the materials from IEG # 2, detailing the "whys and what fors" of Continuing Professional Education was completed. It is planned to use this material as at various Program events. The Program desires to stimulate demand for CPE by convincing a wider public of its benefits.

A significant amount of lobbying was performed to encourage SROs to look inward and build Committee infrastructure. Program activities in the training area, combined with the unique chance to "turn over" higher levels of responsibility to Palestinians, caused more concrete results to occur. Official Standards Adaptation Committees were formed by both the Accountants

Association and the Auditors Society. Continuing professional Education Committees became energized, subscribing to training plans and promoting attendance. The Program sees that a momentum is building and envisions the SRO structural build out accelerating in Quarter Two and Three - 2001.

A logical and organized plan for a transparent process for the adaptation of International Accounting Standards and International Standards on Auditing was conceived. The structure of this plan is such that it, in addition to causing IAS / ISA to be injected into the profession, it will support development of the institutions. A large portion of the preparatory work for this massive undertaking was done during November and December, some additional work will be undertaken in Quarter One - 2001, however it is planned to definitively launch this effort in Quarter One - 2001.

#### **E. Other Matters**

The planned transition, indicated in the Quarter Three - 2000, of responsibility to a permanent replacement Chief of Party did not occur. This event was timed to happen early in October 2000. Program direction and guidance were handled by acting Chief of Party.

Mobilization of the Gaza Office facility was completed. Office equipment and furnishing necessary for staff to operate were acquired. Significant re-designing of internal operations was made, procurement, funding, operations management and staffing. This rectified multiple issues and permitted the Program to raise its level of focus on task.

Overall, however, the operating environment of Quarter Four 2000, once initial shocks had been over come, did permit the Program to mature significantly and find a better direction.

#### **II. Problems Encountered**

Due to the existing political turmoil and security concerns in the region, Deloitte has been unable to mobilize the replacement Chief of Party, which has delayed the implementation of some of the tasks associated with the project. The Acting Chief of Party, however, is on-site and has been able to carry out many responsibilities, including acting as liaison with the USAID mission.

#### **III. Proposed Remedial Actions**

Empowerment of local national resources, both employees of the Program and persons in the Profession, due to the existing operating conditions was turned to the advantage of the program. We were able to pull forward on transitioning goals.

During this time, we were able to complete tangible work product, translations, develop new seminar materials and engage in preparation work for adaption of standards and more. Time was invested well.

Deloitte is prepared to mobilize the replacement Chief of Party as soon as conditions in West Bank/Gaza allow. In the interim, the acting Chief of Party, who is resident in the field, will continue to facilitate progress on the project. Reactivation of training efforts will also occur as soon as conditions improve, allowing the project to pull forward.

#### **IV. Activities Planned Next Reporting Period**

- Assist in the Passage of the Accounting/Auditing Law.

Issuing Office: USAID/Cambodia  
T.O. No.: 808  
Title: Bangkok Bank Training Program  
*Business Planning for SMEs*  
Start Date: July 19th, 2000  
Est. Completion Date: Extension granted until November 29<sup>th</sup>, 2000

*The objectives of this T.O. are:*

For the SME customers:

1. To develop and provide systematically to SME's, guidelines for SME business plan preparation and analysis
2. To share knowledge and experiences between SME owners and BBL Instructors, Consultants, Executives and other employees.

For Bangkok Bank:

1. To develop internal instructors in the *Business Plans for SMEs* workshops
2. To have knowledge transfer to BBL employees working in SME projects and SME owners, both in Bangkok metropolitan and provincial areas.
3. To standardize the knowledge and skills in SME Business Plan preparation and analysis.

In line with these objectives, design and deliver:

- One six-day Instructor's workshop, presented in English
- Three four-day Consultant's workshops, one in English and two in Thai
- Facilitation and Coaching at 6 pilot two-day workshops for SME owners by our two Thai consultants.

**I. Planned vs. Actual Activities Undertaken During Reporting Period**

In accordance with the workplan agreed with Bangkok Bank and submitted to USAID, the following activities were undertaken during the period:

**Training Conducted**

*Consultants Course 1 – October 2 –6*

The first four-day Consultants course was conducted in English.

*Consultants Course 2-3 – October 11-15 and 18-22*

The second and third Consultants courses were conducted in Thai

*Senior Management Sessions – September 20 and October 4*

While not envisaged in the initial terms of reference, we briefed two sessions of Sr. Management representatives on the objectives and content of the program. Both sessions were opened and attended by the President and/or Executive Chairman of Bangkok Bank whose objectives were to raise awareness of the importance of business planning in the context of expanding SME lending going forward. Over 200 managers were briefed in the two sessions.

*Pilot 2 –day SME Workshops – November*  
*Six 2-day pilot workshops were conducted in Bangkok (2), Pattaya, Chaing Mai, Hadyai, and Korat. These courses were conducted by BBL instructors with the assistance of our Thai consultants.*

The team also assisted Bangkok Bank with the evaluation of the courses, materials and new instructors. A summary of evaluation activity is below:

<i>Evaluation</i>	<i>Result</i>
<ul style="list-style-type: none"> <li>• Evaluation of Instructors and Consultants Course by Participants (Bangkok Bank internal training methodology)</li> </ul>	<ul style="list-style-type: none"> <li>• Curriculum rated highly especially Case Study and Finance Modules</li> <li>• Instructors generally rated well</li> </ul>
<ul style="list-style-type: none"> <li>• Structured Evaluation of All Course Materials (Structured feedback sessions)</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation conducted during Instructors course. After completing Modules 1-3 and 4-7, four breakout groups reviewed structure, content, flow and all training materials.</li> <li>• Groups made presentations on suggestions for improvements, additional examples, etc.</li> <li>• Result was large number of helpful substantial changes to program materials</li> </ul>
<ul style="list-style-type: none"> <li>• Evaluation of Individual Instructors in Instructors course (Using peer review evaluation form created for the course)</li> </ul>	<ul style="list-style-type: none"> <li>• Each participant in instructors course had two opportunities to present material to peers in groups and to be evaluated on presentation/instruction skills. Participants received eight completed feedback forms at the end of the course</li> <li>• As a result Bangkok Bank was able to identify high potential instructors for the 2-day course</li> </ul>

The Bangkok Bank team has an ongoing program of evaluating the two-day workshops and plans to revised the course with feedback received from the first six courses in December 2000 for the 12 external and 20 internal sessions planned for 2001.

### Results Achieved

The following tangible results were achieved:

**Result 1: Bangkok Bank possesses a high-quality tested curriculum and materials for the Business Planning for SMEs course.** All 7 modules, case materials, exercises, templates and other materials have been translated into Thai and are being continuously refined as the bank gains further experience implementing the program. The program has now been tested and improved in ten sessions (Instructors, Consultants and SMEs).

**Result 2: A new Thai case study for SME business planning has been developed and tested.** During the design phase, much effort was put into identifying and adapting a case study that would resonate and be relevant to Thai SMEs. Eventually, the case was adapted from a business plan written by a group of students at Thammasat University. The case has now been tested and has proven to be an excellent learning tool for Thai SMEs.

**Result 3: 30 BBL Instructors and 80 BBL Consultants have been trained.** This core group of trained BBL professionals and outsiders greatly enhances the bank's ability to implement the program going forward and expand lending to SMEs. The 80 BBL consultants, mostly credit staff, now have increased ability to offer value-added advice to SME clients.

**Result 4: Six Pilot sessions of the two-day SME course are being conducted.** As of the end of the task order four of the six pilot course have been conducted in Bangkok (2), Pattaya, and Chaing Mai. In line with the request of Bangkok Bank, both our Thai consultants have served as facilitators during these first four sessions, delivering certain modules and assisting the BBL instructors on others.

**Result 5: Ownership of the process has been successfully transferred to Bangkok Bank.** Bangkok Bank now firmly owns the process and has a plan to roll-out the course through their unparalleled branch network in Thailand. The bank has formed a core team to drive the process forward and Sr. Management, especially the Executive Chairman and President, have ensured, through constant participation and organization of Sr. Management briefings that the full force of Bangkok Bank is behind the initiative.

**Result 6: The "Business Planning for SMEs project" along with another Bangkok Bank project to assist agricultural SMEs, was nominated for an Asian Innovation Award sponsored by the Far Eastern Economic Review.** The project was one of 27 nominees from across Asia and the only bank to be nominated.

**Result 7: The Bank has aggressive plans to roll-out the program over the next year.** At this point, Bangkok Bank plans 12 sessions of the 2-day course for 2001, 7 sessions in Bangkok and 5 larger sessions in the provinces.

**Result 8: In 2001, the Bank plans 20 internal sessions of the Business Planning for SMEs course.** The bank is thoroughly committed to exposing all levels of staff in the bank to business planning concepts and methodology. The goal is that all branch managers and lending officers and all Executive Vice President level and above are exposed to the Business Planning for SMEs program. During the course of Phase 3 the consulting team did two senior management briefings on the course for internal audiences of 180 and 80 BBL managers. As Thailand's largest bank, this internal effort is an important contribution to improving understanding of SME business planning.

**Result 9: All of the major Thai SME support initiatives and organizations have participated in the development of the program.** Bangkok Bank should be commended for involving all the major SME support organizations in the development of the program. The Institute for SME Development (ISMED), Department of Industrial Promotion, and Chula and Thammasat Universities participated in the curriculum review committee and sent participants to the Instructors course. A key member of professional staff at ISMED has delivered several of the modules in the pilot courses. In this way the *Business Planning for SMEs* course has added to the experience of these practitioners and the curriculum, case, and exercises can be further adapted by these organizations going forward.

**I. Problems Encountered**

No major problems were encountered during this reporting period.

**III. Proposed Remedial Action**

No remedial actions are necessary.

**IV. Activities Planned Next Reporting Period**

The project ended on November 29, 2000 and results achieved have been noted above.

Issuing Office: **USAID/Uganda**  
T.O. No.: **809**  
Title: **Access To Financial Services**  
Start Date: **August 22<sup>nd</sup>, 2000**  
Est. Completion Date: **August 31<sup>st</sup>, 2001**

This Quarterly Report covers the period from project commencement (August 22, 2000) through September 30, 2000.

There are three objectives of this Task Order:

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

#### **I. Planned vs. Actual Activities Undertaken During Reporting Period**

##### **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

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

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

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

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

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

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

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

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

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.

#### **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.

### **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.

### **II. Problems Encountered**

No major problems were encountered during this reporting period.

### **III. Proposed Remedial Action**

No remedial actions are necessary.

**IV. Activities Planned Next Reporting Period**

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.