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**Technical Support Services (TSS)
IQC Contract
Jordan Loan Guarantee Corp.**

**Contract #278-I-00-96-90524-04/2003.003
Delivery Order #2**

Final Report

Volume I - Training Activity

Submitted to

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American Embassy/Amman
USAID Unit 70206
APO AE 09892-0206

Submitted by

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February 1998

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**FINAL REPORT OF THE TRAINING ADVISOR
TO THE JORDAN LOAN GUARANTEE CORPORATION**



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Bharat K Bhargava, Principal
Asia and Middle East Region

February 24, 1998

Mr. Jamal Al-Jaberi
United States Agency for International Development
American Embassy/Amman
USAID Unit 70202
Amman, Jordan

Dear Mr. Al-Jaberi:

**RE: Final Report for Technical Assistance to the Jordan Loan Guarantee Corporation,
Contract No. 278-I-00-96-90524-04, TO # 02**

We are pleased to submit our Final Report for the technical assistance task order to the Jordan Loan Guarantee Corporation with this letter. We enjoyed working with you on this project, and look forward to future associations.

If you have any comments or questions on this report, I would welcome hearing from you.

Best regards.

Sincerely,

Bharat Bhargava
Principal, Asia and Middle East Region

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- I. Rapid Assessment of JLGC Training Needs.
- II. Accounting, Ratio Analysis and Balance Sheet Logic
- III. Trade Finance. Case Studies in Pre- and Post-Shipment Financing.
Provides a complete training manual suitable for translation into Arabic
- IV. Small Business Lending and Cash Flow Analysis.
- V. Business Usage of the World Wide Web.
- VI. The Loan Guarantee Program and Small Business Lending.
- VII. Final Report to JLGC Director General.
- VIII. Tour Itinerary for Senior JLGC staff of US Banking Institutions.

Introduction and Scope of Work

In May of 1997, International Business and Technical Consultants, Inc. (IBTCI) under U.S. Agency for International Development Contract No. 278-I-00-96-90524-04 provided a Training Advisor to the Jordan Loan Guarantee Corporation, Ltd. (JLGC) for a period of approximately six months. The purpose of this advisory position was to strengthen organizational capabilities of the JLGC in its task to provide guarantees to banks for small business loans and pre- and post-shipment export credits. The Training Advisor was to achieve this objective by providing technical assistance and training to JLGC personnel and loan officers of Jordanian Banks. The scope of work, in task form, is presented in Table 1 below.

Table 1

Scope of Work – Tasks
<ul style="list-style-type: none">• Conduct a rapid assessment of JLGC operations and adherence to manuals and international standards of operations.
<ul style="list-style-type: none">• Assess training needs.
<ul style="list-style-type: none">• Define course materials.
<ul style="list-style-type: none">• Design a series of workshops, seminars, and lectures to meet needs.
<ul style="list-style-type: none">• Participate in selection of candidates for training courses.
<ul style="list-style-type: none">• Evaluate the training program through course questionnaires and personal interviews.
<ul style="list-style-type: none">• Complete training manual in English suitable for translation into Arabic on professional procedures in export credit and loan guarantee operations.
<ul style="list-style-type: none">• Provide regular briefings for the JLGC Director General on the progress of training activities.

This Final Report documents the extent to which the above tasks have been achieved. It also includes recommendations for additional training and technical assistance deemed necessary for JLGC to meet all international standards common to export credit guarantee agencies. Training manuals suitable for translation into Arabic have been prepared in export credit and loan guarantee operations. They have been presented separately to the JLGC and are not included in this final report. Overhead transparencies and floppy disk copies of this material have been delivered to the JLGC.

Training: An Ongoing Investment in Human Capital

As personnel, products and processes change or are added at JLGC, it is important to note that training is an ongoing task, necessary for the normal maintenance of human capital. The training imperative is even more applicable in the case of JLGC because it is beginning to identify its market niches, and it is also charged with the added social responsibility of increasing employment and mitigating poverty in Jordan.

However, the nature of the JLGC limits its ability to achieve these two formidable responsibilities to indirect means. The first of these is to provide guarantees to banks in order to encourage them to lend to small and medium sized businesses on the margins of bankability. The second is to extend credit guarantees directly to exporters. While the JLGC can provide guarantees to existing businesses, it has the further mandate of seeking out those businesses that are new or are attempting to reach out to new and non-traditional markets, both those that sell domestically and internationally.

In a very real sense then, the JLGC is charged with creating its own market, a task that can only be achieved by developing a high level of professional skill necessary to develop and deliver its guarantee products to the banking and exporting communities in Jordan

Training Objectives

The ultimate objectives of all training courses must meet the mission statement of the JLGC, its corporate objectives and the personal objectives of the recipients. Accordingly, the Training Advisor focused his efforts on providing training in topics that would facilitate the JLGC's ability to achieve the following:

- Understand and define creative financial transactions, both domestic and international.
- Facilitate the conceptualization and development of creative security and collateral arrangements among bankers that include JLGC products.
- Prudently expand JLGC export credit and small business loan guarantees through enhanced underwriting skills.
- Open a dialogue with those market sectors that facilitate JLGC product development and expand markets for Jordan and employment for Jordanians.

These are basics that can provide a strong basis for all future training efforts by, and for, all JLGC personnel.

Methodology

Methodologies used by the Training Advisor varied according to the task at hand. Significant differences are noted below

Rapid Assessment of the JLGC

To perform the rapid assessment, the Training Advisor reviewed a number of written materials. These included the English versions of the JLGC Annual Reports for the period 1994 - 1996, and selected interim data through May 31, 1997. For purposes of this Final Report, statistical data presented in the Assessment has been updated by the JLGC through September 30, 1997.

In addition, the "Report on the Feasibility of Establishing an Export Credit Guarantee Facility in Jordan" written by First Washington Associates in May of 1995 was reviewed. This included related manuals of procedures, existing JLGC manuals of procedures for the Loan Guarantee Program, the pre- and post-shipment Export Credit Guarantee Programs, and other proprietary materials.

The Training Advisor also interviewed members of the management and line personnel of the JLGC in order to clarify and verify the status of JLGC operations and its compliance with international standards. The Rapid Assessment was presented to JLGC and USAID June 11, 1997 (See Appendix I).

Training Course Development

The training criteria and delivery techniques were developed on the basis of the Training Advisor's experience. This experience was adapted based upon information gathered from management and personnel of the JLGC and others involved in the financial and development community in Jordan. In this regard, acknowledgment and thanks must be extended to the Institute of Banking Studies in Amman, the Queen Alia Fund, and many members of the banking and business community.

Assessing Training Needs

Assessing training needs requires market analysis. It is imperative to define the consumer and his needs. The scope of work adequately defined the basic needs of the JLGC, the bankers, and the exporters. Together they form the market for Jordan Loan Guarantee domestic and pre- and post-shipment products. They naturally became the "consumer" to whom the Training Advisor had to address his efforts. The matrices below represent this assessment.

ASSESSMENT OF TRAINING NEEDS

Course Selection	Audience		
UNDERWRITING SKILLS			
	JLGC	BANKS	EXPORTERS
Accounting and Ratio Analysis			
Common Size Analysis – BS and Income Statement			
Credit and Cash Flow Analysis			
Balance Sheet Logic			
Working Capital versus Working Investment Analysis			
International Trade Documentation			
Structuring Pre-Shipment Credit			
Structuring Post-Shipment Credit			

ASSESSMENT OF TRAINING NEEDS

MANAGEMENT OF DOMESTIC LOAN, PRE-SHIPMENT AND POST-SHIPMENT EXPORT CREDIT, GUARANTEES			
Course Selection	Audience		
	JLGC	BANKS	EXPORTERS
Pricing			
General Portfolio Management			
Reserving for Losses			
Reinsurance issues			
Legal and claims issues			

Based upon this range of training opportunity and the audiences identified, the Training Advisor consulted with the management of JLGC to choose among the alternatives. In addition, input from senior management from the Institute of Banking Studies was seriously considered so as to avoid duplication of effort. The course curricula and content developed from these efforts

Course Curricula and Content

The Training Advisor designed and presented formal training courses on the following topics:

- A Review of Accounting, Ratio Analysis and Balance Sheet Logic
- Trade Finance: Case Studies in Pre- and Post-Shipment Financing
- Loan Guarantee Program and Cash Flow Analysis

- Loan Guarantee Program and Small Business Lending
- Business Usage of the World Wide Web

A Review of Accounting, Ratio Analysis and Balance Sheet Logic (See Appendix II for course outline).

An outline of the content of **A Review of Accounting, Ratio Analysis and Balance Sheet Logic** follows:

Time: 13.30 to 15 00

June 17, 1997

Introduction and Overview
The Language of Accounting
The Accounting Equation
“T” Accounts
The Chart of Accounts

June 18, 1997

The Balance Sheet Structure
Asset Quality
Liability Quality
Fixed Asset Efficiency
Equity. What is it?

June 21, 1997

The Income Statement
Relationship to the Balance Sheet
“T” Accounts Exercise

June 22, 1997

Ratios Defined
Balance Sheet Ratios

June 23, 1997

More Balance Sheet Ratios
Horizontal Ratio Analysis
Vertical Ratio Analysis

June 24, 1997

Case study in Balance Sheet Ratios
Balance Sheet Logic

June 25, 1997

Income Statement Ratios
Relationship of Assets and Equity
Efficiency Ratios

June 28, 1997

Case Study in Income Statement Ratios
Income Statement Logic

June 29, 1997

Review of Balance Sheet and Income Statement Logic
Case Study, if time permits

Trade Finance: Case Studies in Pre- and Post-Shipment Financing (See Appendix III for course outline. This Appendix provides a complete training manual in export credit and loan guarantee procedures).

An outline of the content of **Trade Finance: Case Studies in Pre- and Post-Shipment Financing** conducted in cooperation with the Institute of Banking Studies in Amman follows:

Time: 9 00 to 12:00 September 13 - 17, 1997

Day 1

9:00 - 10:15

Introductory Remarks
Course Objectives
Marketing Products and Services Across Borders

10:15 - 10:30

Refreshments

10:30 - 12:00

Buyer and Seller Relationships
Methods of Payment
Methods of Settlement
Documentary Collections

Day 2

9:00 - 10:15

Common Documents Presented with Collection Orders
Default under a Collection and Exporter Alternatives
Protest
Country Risk

10.15 - 10:30

Refreshments

10:30 - 12:00

Export Letters of Credit

Day 3

9:00 - 10:15

INCOTERMS

Types of Letters of Credit

Bankers' Acceptances

10:15 - 10:30

Refreshments

10:30 - 12:00

Time Line of Trade Transactions

Pre-shipment Loan Guarantee

Borrowing in Foreign Currency

Day 4

9:00 - 10:15

The Pre-shipment Loan Guarantee Application Process

Claims Procedures

Claim Payment

10:15 - 10:30

Refreshments

10:30 - 12:00

Post-shipment Export Financing

Commercial Risks

Political Risk

Day 5

9:00 - 10:15

JLGC Post-shipment Guarantee Program

The Post-shipment Export Credit Guarantee Application Process

Claims Procedures

Claim Payment

10:15 - 10:30

Refreshments

10:30 - 12:00

Case Study and Review of Concepts

Course Evaluation Questionnaire

Small Business Lending and Cash Flow Analysis (See Appendix IV for course outline).

An outline of the content of **Small Business Lending and Cash Flow Analysis** follows:

Time: 14:00 to 15:00 each day

October 6, 1997

Purpose of Course

Identify the characteristics of small business

Examine reasons for borrowing

Examine ability to repay

Review use of JLGC forms 101/102

October 7, 1997

Characteristics of Small Business

Develop classical definitions of Asset/Liability, Income, and Human Resource structure

Adapt classical definition to Jordanian context

Competitive Analysis

Management Analysis

October 8, 1997

Critical Financial Analysis Ratios

Case study for application of ratios

October 11, 1997

Cash Flow for Small Business

Case study for developing cash flow for small business

October 12, 1997

Case study for participants to analyze and present

Business Usage of the World Wide Web (See Appendix V for course outline).

Business Usage of the World Wide Web was an *ad hoc* workshop presented based upon expressed demand by participants in the trade finance seminar. Seven bankers from 5 banks and three exporters from 2 exporting companies attended. The Head of the JLGC Computer Section and the Training Advisor jointly presented it. No formal outline was presented, but workshop materials are included in the Appendices of this Final Report.

The Loan Guarantee Program and Small Business Lending

On October 25th a one-day seminar on **The Loan Guarantee Program and Small Business Lending** was presented to a number of bankers. This was held at offices of the JLGC and jointly presented by the Head of the JLGC Counseling Services Department. An outline of this one day seminar follows.

Schedule

8:30 - 10:30	Introductions and Characteristics of Small Business Elements of Competitive Analysis Elements of Management Analysis
10:30 - 10:45	Break
10:45 - 12:15	Elements of Common Size Analysis Critical Financial Analysis Ratios Case Study Analysis
12:15 - 13:30	Cash Flow Preparation for Small Business
13:30 - 15:00	Lunch Break
15:00 - 16:00	Case Study in Cash Flow Analysis
16:00 - 17:00	Case Study in JLGC Loan Guarantee Process

Lists of Participants

Sixty-seven participants attended one or more of the seminars and workshop presented. Among these were 16 members of management and staff of the JLGC, 41 bankers from 20 separate banks, including members of the Central Bank of Jordan, and 10 managers from 7 exporting companies. 19% of the attendees were women, 81% men.

The bankers represented a wide range of financial specialization. There were division heads from domestic and international banking; credit officers to small, medium, and large borrowers, a manager of human resources, letter of credit officers, and a consumer finance executive.

A comprehensive list of these participants is presented in Tables 2, 3, 4, and 5. These tables show the name of the participant, the course attended, professional affiliation, and title. Every effort has been made to present correct English Spelling of Arabic names. An apology is extended for any inadvertent errors in this regard.

Table 2

JLGC Personnel

Accounting, Ratio Analysis and Balance Sheet Logic (10 Participants) June, 1997	Small Business Lending and Cash Flow Analysis (12 Participants) September, 1997
Mr. Walid I. Abuzir	Mr. Walid I. Abuzir
	Mr. Mohammed Al-Momani
Mr. Nizar Al-Ashkar	Mr. Nizar Al-Ashkar
Mr. Hosam M. Jumaa	Mr. Hosam M. Jumaa
Mr. Khaldoun M. Khalaf	
	Mr. Mohannad Al-Sa'udi
Mr. Omar H. Alawi	
Mr. Hamdi Al-Ejel	
Mr. Farid Karaymeh	
	Mr. Ibrahim Qasim
	Ms. Maha Al-Nsour
	Mr. Ahmed Al-Qaddoumi
	Ms. Naemeh Ellyan
Mr. Mohannad M. Al-Rashdan	Mr. Mohannad M. Al-Rashdan
Mr. Faeq R. Nassar	Mr. Faeq R. Nassar
Mr. Ghassan Al-Bukhari	Mr. Ghassan Al-Bukhari

Table 3

**Trade Finance: Case Studies in Pre- and Post-Shipment Financing
33 Participants - September 13 - 17, 1997**

Name	Title	Affiliation
Mr Khalid W. Dajani	Manager	Citibank
Ms. Lubna N. Nabulsi	Manager, Trade Finance	Cairo Amman Bank
Ms. Hala N. Ma'ayta	Division Head	Cairo Amman Bank
Ms. Reem R. Al-Khaldi	Controller	Cairo Amman Bank
Mr. Jamil M. Attar	Assistant Manager	Jordan Kuwait Bank
Mr. Khaled F. Kakish	Clerk	Jordan National Bank
Ms. Randa S. Aibef	Clerk	Jordan National Bank
Mr. Haval H. Zaza	Assistant Section Head	Jordan National Bank
Mr. Jerjes B. Sweiss	First Officer	Jordan National Bank
Mr. Tha'er W. Bakri	Letter of Credit Officer	Jordan Gulf Bank
Mr. Mazen S. A. Al-Taher	Letter of Credit Officer	Jordan Gulf Bank
Mr. Issa I. Barhoum	Letter of Credit Officer	Jordan Gulf Bank
Ms. Laila Sh. Dayeh	Letter of Credit Officer	Jordan Gulf Bank
Mr. Ahmad A. K. Abdur-Rahiem	Credit Officer	Arab Bank
Mr. "Ala'a Eldin" Moh'd s KH. Al-Tamimi	Credit Officer	Arab Bank
Mr. Sameh M. Al-Shanti	Credit Officer	Arab Bank
Mr. Mohammad Ramadan Y. Odetalla	Assistant Head of Department	Central Bank of Jordan
Mr. Kamal H. Hashem	Assistant Head of Department	Central Bank of Jordan
Mr. Abul Raheem S. Abu- Romman	Assistant Head of Department	Central Bank of Jordan
Mr. Shafiq Kh. Al-Abed	Head of Division	Central Bank of Jordan
Mr. Farouq Y. Al-Hares	Assistant Department Head	Cities and Villages Development Bank
Mr. Hatem H. Shehab	Credit Officer	Bank of Jordan
Mr. Yousef R. Abdelaziz	Credit Officer	Bank of Jordan
Mr. Mohammed H. Attari	Credit Officer	Bank of Jordan
Ms. Reem H. Goussous	Economist	United Group
Mr. Sadi M. Al-Darras	Manager	UMEX Co.
Mr. Suhail A. Asfour	Manager	Jordan Carbonate Co.
Mr. Tamader Arafat	Manager	Betna Co.
Mr. Mahmoud A. Abu Rub	Manager	Betna Co.
Mr. Samih I. Hababeh	Manager	A P.M. Co.
Mr. Khalid J. Abed-Rahim	Vice President	Al-Mawared Co
Mr. Khalid A. Hassan	Manager	Al-Mawared Co.
Mr. Nayef F. Kassis	Financial Manager	Hikma Pharmaceuticals

Table 4

JLGC Workshop: Business Usage of the WWW

Name	Title	Affiliation
Ms. Lubna N. Nabulsi	Manager, Trade Finance	Cairo Amman Bank
Ms. Hala Ma'ayta	Division Head	Cairo Amman Bank
Mr. Abdul Raheem S Abu-Romman	Assistant Head of Department	Central Bank, Jordan
Mr. Yousef R. Abdelaziz	Credit Officer	Bank of Jordan
Mr. Hatem H. Shehab	Credit Officer	Bank of Jordan
Mr. Jamil M. Attar	Assistant Manager	Jordan Kuwait Bank
Mr Sameh M. Al-Shanti	Credit Officer	Arab Bank
Mr. Suhail A. Asfour and colleague	Manager Systems Manager	Jordan Carbonate Co.
Mr. Mahmoud A. Abu Rub	Manager	Betna Co.

Table 5

Loan Guarantee Program and Small Business Lending

Name	Title	Affiliation
Mr. Ahmad Fahmi Al-Alem	Credit Officer	Export and Finance Bank
Ms Mona Al Ghazawi	Chief Personnel Dept.	Export and Finance Bank
Ms Rabab Abbadi	Credit Officer	Union Bank
Mr. Hashem Abu Hanak	Credit Officer	Jordan Kuwait Bank
Mr. Yousef Al Nawaiseh	Division Chief, Small Industrial and Handicrafts	Industrial Development Bank
Mr. Vladimir Ahmad	Consumer Finance Executive	British Bank
Ms. Hanada Shekakhwa	Credit Officer	Jordan Bank
Mr. Shaker Jarallah	Credit Manager	Jordan National Bank
Mr. Abdullatif Al Tarabeen	Credit Officer	Housing Bank
Mr. Mohammad Ayesh	Supervisor, Credit Department	Middle East Investment Bank
Mr Samer Haddad	Credit Officer	Arab Banking Corporation
Mr Hekmat Mohanna	Credit & Marketing Officer	Cairo Amman Bank
Mr. Yousef Mousa Kandah	Corporate Credit Manager	Jordan Gulf Bank
Mr. Khaldoun Audeh	Credit Manager	Arab Jordan Investment Bank
Mr. Fadi Al Abedi	Investment Banker	Jordan Investment Bank
Mr. Mohammad Al Quraan	Credit Officer	Arab Land Bank

Compilation of Participant Evaluations

The compilation of participant evaluations as to content and methodology is self-explanatory. There is no reason to doubt the candor of all respondents to the questionnaires used which, with one exception, were designed by the Training Advisor. The exception occurred because of the preference of the Institute of Banking Studies to use its own form, and the opinion of the Training Advisor that the Institute's format included comparable evaluative criteria

A Review of Accounting, Ratio Analysis and Balance Sheet Logic

Participant evaluation of **A Review of Accounting, Ratio Analysis and Balance Sheet Logic** is detailed in Table 6. A summary of that table is represented below. For evaluation purposes, 1 is deemed Excellent, 2 Very Good, 3 Satisfactory, 4 Poor, and 5 Unsatisfactory for all positive statements. The numerical values may be reversed for the few statements that use such words as "less," "not," "underestimated".¹

Evaluation Summary - Table 6 Overall Percentage Ratings

	Excellent			Unsatisfactory	
	1	2	3	4	5
Subject Matter	27.2	35.2	28.8	8.8	0
Utility of Subject Matter	11.4	44.3	33.0	10.2	1.1
Facilities/Logistics	40.6	31.2	9.4	15.6	3.1
Participants	20.0	37.0	28.6	8.6	5.7
Trainer	42.5	34.5	14.9	6.9	1.2
OVERALL PERCENTAGE	27.9	36.6	24.5	9.4	1.6

Overall, 89% of participants found this first seminar to the JLGC staff good, very good or excellent. Focusing on only the subject matter, its utility and the performance of the trainer, 90.6% of the participants thought that these three fell into the categories of good, very good, or excellent.

Looking at more specific points in the evaluation, eight of ten participants responded to most questions. The occasional missing response was considered oversight and not intentional on the part of the respondent. Absence during the last class was the reason for only eight responses. Assuming "3" to be "satisfactory", the overall response was more than satisfactory.

In the 16 areas related to the Subject Matter, overall response indicates participants understood the subject matter being presented. There is no way in this evaluation to measure the affect of prior knowledge of the concepts presented in this result. It was likely significant. For example,

¹ Negative statements were eliminated from the evaluation of subsequent questionnaires in order to facilitate numerical measurement of responses

two out of eight respondents, 25%, did not understand the difference between working investment and working capital, and two respondents did not see how the subject applied to small business. Working capital and working investment are financial statement analysis concepts for which prior training would have been an important factor in understanding this abbreviated presentation.

Looked at from another perspective, this could also be attributed to a problem in the trainer's presentation of the case studies. This conclusion can be reached by comparing the response to the case study statement in the "Trainer" section of the evaluation to the case study statement in the "Subject Matter" section. In the "Trainer" section, 25% of respondents were not satisfied with the trainer's ability to make the point in the case studies. At the same time, all respondents considered the case studies relevant in the "Subject" evaluation. All things being equal, one would expect that if the case studies were relevant and the trainer did an excellent job, the difference between working capital and working investment and relevance to small business should have been clear.

Referring again to the "Subject Matter" section, the overall "middle-of-the-range" choice to the statement, "The importance of management in the control of the conversion cycle is clear to me" indicates a clear level of uncertainty on this topic among participants. If this is the case, then eight of ten JLGC participants only received a "satisfactory" understanding of the importance of management in the business cycle. And in the Jordanian market, the importance of management is critical.

In short, in this first seminar to JLGC personnel, the subject matter and the trainer's presentation need to be reviewed to increase understanding small business cycles, and the importance of management in the practice of small business, by participants.

In the area of the "Utility of the Subject Matter", the overall rating was more than satisfactory. 63% of the respondents indicated that they would use more than half of the material presented in their daily work. 50% considered the material good background and 63% thought the material included new analysis tools that could be applied to daily work. 75% thought the subject matter would have use outside JLGC work and would assist in communicating with clients.

The "Facilities and Logistics" were generally acceptable, although half the class thought a different time slot to be better. No specific times were indicated.

Participants strongly believed that the class could have been separated into different groupings. Personal familiarity with the participants together with a single participant's comment leads one to attribute this preference to educational backgrounds as opposed to employment function. Participants were satisfied that the trainer understood their level of knowledge and recognized their requirements.

Table 6
Jordan Loan Guarantee Corporation, Ltd. Training
Course Evaluation

INSTRUCTIONS:

This evaluation form is intended to be a tool for improving the training course that you have just completed. Your name should not appear on this evaluation. Please respond to each question thoughtfully in the following manner:

First: Respond to each of the questions in the training program categories on the following pages by simply putting an "X" in the appropriate box. As this is an opinion poll and value judgments are required, the *operative words* are in *Italics*. Numerical gradations are self-explanatory.

Second: At the end of this evaluation, where your comments are solicited, please indicate any further criticisms, general comments on, or methods for, improving the course. Please identify each criticism, complement, or improvement according to the categories shown below.

Subject Matter	Agree			Disagree	
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented.	4	3	1		
The concept of debits and credits is clear.	5	2	1		
The relationship between the balance sheet & income statement is clear.	2	3	3		
The importance of management in the control of the conversion cycle is clear to me.	1		5	1	
Horizontal analyses of the balance sheet and income statement were clearly presented.	2	2	3	1	
Balance sheet logic was <i>clearly</i> presented.	4	2	1	1	
Vertical analyses of the balance sheet and income statement were clearly presented.	1	4	2	1	
Ratios and ratio analysis was <i>clearly</i> presented.	1	3	3	1	
Reasons for short- or long-term lending is clear to me.	1	2	4		
The difference between working investment and working capital is clear to me.	3	3		2	
Ratio analysis is clear to me.	2	4	2		
Balance sheet logic is clear to me.	1	3	3	1	
I understand "T" accounts and how to construct a balance sheet and income statement.	3	5			
A common credit analysis language has been created among participants.		2	4	1	
The case studies and examples were relevant.	2	4	2		
It is clear to me how this material can be applied to small businesses.	2	2	2	2	

Table 6, continued

Utility of Subject Matter	Agree			Disagree	
	1	2	3	4	5
This course is <i>directly</i> related to my main responsibility at JLGC.	2	4	2		
This course is <i>not</i> directly related to my main responsibility at JLGC.		1	1	2	4
I will use <i>less than half</i> of the subject matter in my daily work.	1	1	2	2	2
I will use <i>more than half</i> of the subject matter in my daily work.	2	2	1	2	1
Subject matter is <i>good background information</i>	4	3	1		
The subject matter included important <i>new analysis tools</i> for my daily work.		5	2	1	
The subject matter <i>helped clarify</i> applicability of analysis tools I already possessed.	1	3	2	2	
I believe I can do my job more effectively and efficiently than before this course.		1	6	1	
The subject matter increased my management skills.		4	4		
The subject matter increased my awareness of other areas of JLGC and its clients.		2	5	1	
The subject matter will help me recognize opportunities to cross-sell JLGC services.		3	4	1	
The subject matter has applicability in areas other than just my JLGC work.	1	6		1	
The subject matter will help me teach others, including clients.		6	2		

Facilities/Logistics	Agree			Disagree	
	1	2	3	4	5
Room was comfortable.	5	3			
Teaching aids were adequate. (Make any suggestions in second part.)	3	4		1	
Time allocation was appropriate.	2	1	1	3	1
Reference materials were useful.	3	2	2	1	

Participants	Agree			Disagree	
	1	2	3	4	5
Fellow trainees added to the value of the course.		4	2	1	
I perceived candor and sincerity among participants.	3	2	2		
There should have been different groupings. (Make suggestions in second part)	2	1	3	1	
It was easy to get help from other trainees if I needed it.	2	4		1	
Trainees were generally well prepared for class.		2	3		2

Table 6, continued

Trainer	Agree		Disagree		
	1	2	3	4	5
The trainer was well prepared.	7	1			
The trainer was on time.	8				
The trainer was always available to provide assistance.	8				
The teaching aids, audio and visual, were well chosen and appropriate.	3	4		1	
The trainer overestimated the level of knowledge of participants		3	3	2	
The trainer underestimated the knowledge of participants.		1	5	2	
The trainer had a good sense of participant requirements.	1	5	2		
The trainer adjusted to constructive criticism.	1	6			
The trainer answered all questions and/or researched those required.	5	3			
The trainer achieved balance between theory and practice.	3	3	2		
Case study and/or examples were well chosen to make the point.	1	4	1	1	1

PLEASE MAKE WRITTEN COMMENTS PER THE SECOND SET OF INSTRUCTIONS ABOVE. PLEASE WRITE CLEARLY AND REMEMBER TO GROUP COMMENTS INTO ONE OF THE CATEGORIES ABOVE WHEN THAT IS APPROPRIATE.

YOU ARE FREE TO DEFINE NEW CATEGORIES OR COMMENT WITHOUT STRUCTURE.

YOU MAY USE MORE THAN A SINGLE SHEET TO COMPLETE THIS SECTION.

The following comments were made on the course These were made by one individual, the identity of which, by design, is unknown

- 1 *Teaching aids were good, but the board space was too small Some ideas require more than one paperboard page and then information that was written on it could be arranged more logically.*
- 2 *I suggest that the class be divided into different groups because of the different backgrounds of the trainees and their previous knowledge of the material discussed*
- 3 *I suggest also to have applicable examples(case studies) to solve that are related to our loan environment and banking system in Jordan*

Loan Guarantee Program and Cash Flow Analysis

Table 7 represents the evaluation of the seminar in **Small Business Lending and Cash Flow Analysis** presented to JLGC staff members shown in the right hand column of Table 2. The purpose of presenting this analysis out of chronological order is to maintain the reader's thought process on essentially the same audience whose seminar evaluation is presented in Table 6, and named in the left hand column of Table 2.

Only 7 of 12 participants submitted evaluations. This is because the difficulty in the exclusive use of the English language required that these evaluations be translated among participants and turned in the following day. In the interest of anonymity there was not an easy method to determine who did not turn in an evaluation. One of the five missing evaluations was that of a Senior Manager whose time constraints prohibited completion and who made a personal comment that the presentation and material was excellent overall. One is loathe to conclude that the other four were disinterested. Only the evaluations returned were counted.

A summary of Table 7 is presented below.

Evaluation Summary - Table 7 Overall Percentage Ratings

	Excellent			Unsatisfactory	
	1	2	3	4	5
Subject Matter	61.0	32.5	6.5	0	0
Utility of Subject Matter	27.4	46.8	21.0	1.6	3.2
Facilities/Logistics	53.6	32.2	7.1	7.1	0
Participants	47.0	26.5	20.6	5.9	0
Trainer	78.6	19.0	2.4	0	0
OVERALL PERCENTAGE	52.6	32.9	11.5	2.0	1.0

Overall, 97% of JLGC personnel found this second seminar good, very good or excellent. Focusing on only the subject matter, its utility and the performance of the trainer, 98.4% of the participants thought that these three evaluative criteria fell into the categories of good, very good, or excellent. Overall ratings improved over the first seminar.

Looking once more at more specific points in the evaluation, seven of twelve participants responded to most questions. In the 11 areas related to the Subject Matter, overall response indicates participants understood the subject matter being presented to a greater degree than in the first seminar. 61% of the respondents rated the subject excellent, 32.5% very good, and 6.5% good. There were no "poor" or "unsatisfactory" ratings.

This is particularly gratifying when one considers that 95.2% of respondents considered the utility of the subject matter to their job, JLGC clients, and services to be good, very good, or excellent.

In short, this second seminar to JLGC personnel represents marked improvement over that of the first. Returning again to the area of the "Utility of the Subject Matter," 66% of the respondents indicated that they would use more than half of the material presented in their daily work. 100% considered the material very good or excellent background and thought the material included new analysis tools that could be applied to daily work.

The "Facilities and Logistics" were generally acceptable, although comments about holding sessions in the morning rather than after work came from more than just the person documenting that preference

Participants rated their own performance higher than in the first seminar. As trainer, I can endorse that rating. Participation was more intense and animated. 100% of the participants indicated that the trainer understood their requirements.

Table 7

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

INSTRUCTIONS:

This evaluation form is intended to be a tool for improving the training course that you have just completed. Your name should not appear on this evaluation. Please respond to each question thoughtfully in the following manner.

First: Respond to each of the questions in the training program categories on the following pages by simply putting an "X" in the appropriate box. As this is an opinion poll and value judgments are required, the *operative words* are in *Italics*. Numerical gradations are self-explanatory.

Second: At the end of this evaluation, where your comments are solicited, please indicate any further criticisms, general comments on, or methods for, improving the course. Please identify each criticism, complement, or improvement according to the categories shown below.

Subject Matter	Agree			Disagree	
	1	2	3	4	5
Characteristics of small business were clearly presented.	6	1			
Competitive analysis was clearly presented.	4	2	1		
Management analysis was clearly presented.	5	2			
The importance of management in the control of the conversion cycle is clear.		6	1		
Common size analysis was clearly presented.	3	3	1		
Cash flow for small business was clearly presented	4	3			
Selected ratio analysis was clearly presented.	6		1		
Reasons for short- or long-term lending is clear to me	4	2	1		

Table 7, continued

Trainer	Agree		Disagree		
	1	2	3	4	5
The trainer was well prepared.	5	2			
The trainer was on time.	6	1			
The teaching aids, audio and visual, were well chosen and appropriate.	5	2			
The trainer had a good sense of participant requirements	7				
The trainer answered all questions to my satisfaction.	6		1		
The trainer achieved balance between theory and practice.	4	3			

PLEASE MAKE WRITTEN COMMENTS PER THE SECOND SET OF INSTRUCTIONS ABOVE. PLEASE WRITE CLEARLY AND REMEMBER TO GROUP COMMENTS INTO ONE OF THE CATEGORIES ABOVE WHEN THAT IS APPROPRIATE.

YOU ARE FREE TO DEFINE NEW CATEGORIES OR COMMENT WITHOUT STRUCTURE.

YOU MAY USE MORE THAN A SINGLE SHEET TO COMPLETE THIS SECTION.

The following comments were made on the course These were made by one individual, the identity of which, by design, is unknown

1 This course was good and I get a new information

2 The time of the class every day is better to get it in the morning not after the work time

Trade Finance: Case Studies in Pre- and Post-Shipment Financing

Table 8 represents the evaluation of the seminar in **Trade Finance: Case Studies in Pre- and Post-Shipment Financing** presented to bankers and exporters at the Institute of Banking Studies in Amman. The table below is an exact representation of that prepared by the Institute. The analysis follows that format. Participants are listed in Table 3.

Table 8
Institute for Banking Studies
Course Evaluation of Trade Finance Seminar

I. Seminar Material	Poor	Satisfactory	Good	Very Good	Excellent	Total
Text Material Adequacy	-	1	12	13	5	31
Coordination & Correlation	-	2	12	13	4	31
Contribution to Goal Attainment	-	4	13	9	5	31
Information Value in Work Area	-	7	10	7	7	31
Inclusion of Practical Applications	1	6	9	11	4	31
Total	1	20	56	53	25	155
Percentage %	0.65%	12.9%	36.13%	34.19%	16.13%	100%
II. Lecturer's Evaluation						
Ability to Convey Information	-	3	5	11	12	31
Degree of Capability in Subjects	-	2	4	13	12	31
Degree of Effectiveness and Interaction with Participants	-	1	7	12	11	31
Range of Success in Training Methods Selection	-	-	8	14	9	31
Total	-	6	24	50	44	124
Percentage %	-	4.84%	19.35%	40.32%	35.49%	100%
III. Duration & Seminar Location						
Time Sufficiency	6	6	10	5	4	31
Appropriate Timing of Seminar	1	3	4	14	9	31
Appropriate Location	-	2	5	14	10	31
Total	7	11	19	33	23	93
Percentage %	7.53%	11.83%	20.43%	35.48%	24.73%	100%
IV. General Evaluation (I + II)						
Total	1	26	80	103	69	279
Percentage	0.36%	9.32%	28.67%	36.92%	24.73%	100%
V. General Evaluation (I + II + III)						
Total	8	37	99	136	92	372
Percentage %	2.15%	9.95%	26.61%	36.56%	24.73%	100%

It is noteworthy that for this particular seminar, senior management of the JLGC and the Institute of Banking Studies insisted that a major objective of the trainer must be that the materials presented meet the test of incremental value to an already well-trained audience. The best indication that this objective was achieved is that 87% of the 31 respondents considered the seminar to be a good (42%), very good (29%), or an excellent (16%) contribution to their own goal attainment.

USAID, in a similar manner, charged the training advisor to remember that training must be retained to be valuable. Self-interest is the best motivation for retention. This same "contribution to . . . goal achievement" is solid evidence that the material presented in the Trade Finance seminar is likely to be retained.

Table 8 shows that 86.5% of participants considered the text material, the coordination and correlation of the material, the contribution to goal attainment, the information value to the work area, and the inclusion of practical applications as good, very good, or excellent. 95% rated the lecturer's ability to convey information, capability with the subject, degree of effectiveness and interaction with participants, and the range of success in selection of training methods, as good, very good, or excellent. A memorandum further detailing participant performance is in the Appendix to this Final Report.

Loan Guarantee Program and Small Business Lending

Table 9 represents the evaluation of the seminar presented to bankers at the JLGC in the **Loan Guarantee Program and Small Business Lending**. A summary of Table 9 is presented below. Participants are listed in Table 5.

Evaluation Summary - Table 9 Overall Percentage Ratings

	Poor			Excellent	
	1	2	3	4	5
Subject Matter			28.7	48.3	23.0
Utility of Subject Matter		13.6	33.1	37.3	16.0
Facilities/Logistics		12.5	34.4	45.3	7.8
Participants		2.5	51.2	39.0	7.3
Trainer			11.2	42.5	46.3
OVERALL PERCENTAGE		5.6	29.6	43.1	21.7

In this table, the rating scheme was inadvertently reversed, i.e., "1" is deemed poor, and "5" excellent. This does not change the effectiveness.

Over 94% of the bank participants, all highly qualified and motivated, rated the overall seminar as either good, very good, or excellent. 100% rated the subject matter in this fashion, and over 86% rated the utility of the material as good, very good, or excellent.

This was an animated and relatively younger class than those in the Trade Finance seminar. This group will undoubtedly challenge their managers in the area of small business lending. Table 9 below shows the detail of the above summary.

Table 9

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

INSTRUCTIONS:

This evaluation form is intended to be a tool for improving the training course that you have just completed. Your name should not appear on this evaluation. Please respond to each question thoughtfully in the following manner:

First: Respond to each of the questions in the training program categories on the following pages by simply putting an “X” in the appropriate box. As this is an opinion poll and value judgments are required, the *operative words* are in *Italics*. Numerical gradations are self-explanatory.

Second: At the end of this evaluation, where your comments are solicited, please indicate any further criticisms, general comments on, or methods for, improving the course. Please identify each criticism, complement, or improvement according to the categories shown below.

Subject Matter	Poor		Excellent		
	1	2	3	4	5
Characteristics of small business were clearly presented			2	1 1	3
Competitive analysis was clearly presented.			5	9	2
Management analysis was clearly presented.			5	8	3
The importance of management in the control of the conversion cycle is clear.			8	4	3
Common size analysis was clearly presented.			7	6	3
Cash flow for small business was clearly presented.			6	5	5
Selected ratio analysis was clearly presented.			4	7	5
Reasons for short- or long-term lending is clear to me.			4	1 0	2
The case study was relevant.				9	7

Table 9, continued

Utility of Subject Matter	Poor		Excellent		
	1	2	3	4	5
This course is <i>directly</i> related to my main responsibility.		1	7	2	5
I will use <i>more than half</i> of the subject matter in my daily work.		1	5	7	3
Subject matter is <i>good background information</i>		2	3	7	3
The subject matter included important <i>new analysis tools</i> for my daily work.		6	4	4	1
The subject matter <i>helped clarify</i> applicability of analysis tools I already possessed.		1	6	7	0
I believe I can do my job more effectively and efficiently than before this course		5	3	5	2
The subject matter will help me recognize opportunities to cross-sell JLGC services.			6	7	1
The subject matter has applicability in areas other than just my JLGC work.			5	5	4

Facilities/Logistics	Poor		Excellent		
	1	2	3	4	5
Room was comfortable.		4	5	5	2
Teaching aids were adequate. (Make any suggestions in second part)			6	9	1
Time allocation was appropriate. (Make comments in second part.)		3	7	6	0
Reference materials were useful.		1	4	9	2

Participants	Poor		Excellent		
	1	2	3	4	5
Fellow trainees added to the value of the course.			6	9	1
I perceived candor and sincerity among participants.			7	5	1
There should have been different groupings. (Make suggestions in second part)		1	8	2	1

Trainer	Poor		Excellent		
	1	2	3	4	5
The trainer was well prepared				10	6
The teaching aids, audio and visual, were well chosen and appropriate.			2	9	5
The trainer had a good sense of participant requirements.			3	4	9
The trainer answered all questions to my satisfaction.			2	4	10
The trainer achieved balance between theory and practice.			2	7	7

Table 9, continued

PLEASE MAKE WRITTEN COMMENTS PER THE SECOND SET OF INSTRUCTIONS ABOVE. PLEASE WRITE CLEARLY AND REMEMBER TO GROUP COMMENTS INTO ONE OF THE CATEGORIES ABOVE WHEN THAT IS APPROPRIATE.

YOU ARE FREE TO DEFINE NEW CATEGORIES OR COMMENT WITHOUT STRUCTURE.

YOU MAY USE MORE THAN A SINGLE SHEET TO COMPLETE THIS SECTION.

The following comments were made on the course One respondent, the identity of which, by design, is unknown, made these

The case and materials should have been made available a week before rather than on the day before the weekend for better preparation

Trainer Comment: Material was available for distribution six days prior to the seminar and one week after invitations were sent out. They were sent to participants immediately upon receipt of participant acknowledgment that he/she would attend.

In future, the recommendation will be made to have all materials ready two weeks prior to the seminar. In that way, receipt will be in control of participants who need only respond to the invitation to attend on a timely basis

By examining the section on Subject Matter in Table 8, it is clear that the participants understood reasons for short and long term lending. This is particularly important because of the apparent frequency of unwarranted grace periods on loan repayments that seem to become part of the pricing process on loans in the current credit market in Jordan.

84% of the respondents indicated the utility of the material as good, very good, or excellent, and that 14 of 16 respondents found the material presented to be useful in selling the JLGC loan product. 100% of the participants rated the Trainer as good (11.2%), very good (42.5%), or excellent (46.3%).

Business Usage of the World Wide Web

Participants in this short workshop did not receive evaluation forms. Observing the interest and enthusiasm of the participants did indicate that the presentation by Mr. Ghassan Al-Bukhari, of the Systems Section at JLGC was excellent. Comments indicated that the participants would continue to use the WWW information whenever possible.

Participant Evaluations

The original of participant evaluations divided by course is filed in this section. These are source documents for the Compilation of Participant Evaluations presented in the previous section. There is one discrepancy. Inadvertently one evaluation form from the October 25 seminar was misplaced after the data was compiled.

JLGC Review of Accounting, Ratio Analysis and Balance Sheet Logic

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

INSTRUCTIONS:

This evaluation form is intended to be a tool for improving the training course that you have just completed. Your name should not appear on this evaluation. Please respond to each question thoughtfully in the following manner:

First: Respond to each of the questions in the training program categories on the following pages by simply putting an "X" in the appropriate box. As this is an opinion poll and value judgments are required, the *operative words* are in *italics*. Numerical gradations are self explanatory.

Second: At the end of this evaluation, where your comments are solicited, please indicate any further criticisms, general comments on, or methods for, improving the course. Please identify each criticism, complement, or improvement according to the categories shown below.

Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented		✓			
The concept of debits and credits is clear			✓		
The relationship between the balance sheet & income statement is clear		✓			
The importance of management in the control of the conversion cycle is clear to me				✓	
Horizontal analysis of the balance sheet and income statement were clearly presented			✓		
Balance sheet logic was <i>clearly</i> presented	✓				
Vertical analysis of the balance sheet and income statement were clearly presented		✓			
Ratios and ratio analysis was <i>clearly</i> presented		✓			
Reasons for short- or long-term lending is clear to me		✓			
The difference between working investment and working capital is clear to me				✓	
Ratio analysis is clear to me		✓			
Balance sheet logic is clear to me			✓		
I understand "T" accounts and how to construct a balance sheet and income statement		✓			
A common credit analysis language has been created among participants			✓		
The case studies and examples were relevant			✓		
It is clear to me how this material can be applied to small businesses				✓	

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter increased my management skills
- The subject matter increased my awareness of other areas of JLGC and its clients
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
	✓			
			✓	
		✓		
		✓		
✓				
	✓			
	✓			
		✓		
	✓			
	✓			
		✓		
	✓			
	✓			

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part.)
- Time allocation was appropriate
- Reference materials were useful

Agree		Disagree		
1	2	3	4	5
	✓			
			✓	
		✓		
	✓			
	✓			

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants.
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it.
- Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5
			✓	
		✓		
✓				
			✓	
				✓

Trainer

- The trainer was well prepared
- The trainer was on time.
- The trainer was always available to provide assistance
- The teaching aids, audio and visual, were well chosen and appropriate.
- The trainer overestimated the level of knowledge of participants
- The trainer underestimated the knowledge of participants.
- The trainer had a good sense of participant requirements
- The trainer adjusted to constructive criticism.
- The trainer answered all questions and/or researched those required.
- The trainer achieved balance between theory and practice
- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
	✓			
✓	✓			
✓				
			✓	
	✓			
			✓	
		✓		
	✓	✓		
✓				
	✓			
				✓

PLEASE MAKE WRITTEN COMMENTS PER THE SECOND SET OF INSTRUCTIONS ABOVE PLEASE WRITE CLEARLY AND REMEMBER TO GROUP COMMENTS INTO ONE OF THE CATEGORIES ABOVE WHEN THAT IS APPROPRIATE.

YOU ARE FREE TO DEFINE NEW CATEGORIES OR COMMENT WITHOUT STRUCTURE. YOU MAY USE MORE THAN A SINGLE SHEET TO COMPLETE THIS SECTION.

Teaching aids were good but the board space was too small that one idea will take more than one paper board and the informations that had written on it, were not arranged and logically.

And I suggest to have different groups because of the different back grounds of trainers and their knowledge of what had been discussed

I suggest ~~to~~ also to have an applicable examples to solve related to our ~~en~~ loans environment and our banking system in Jordan.

Thank you for everything

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter increased my management skills
- The subject matter increased my awareness of other areas of JLGC and its clients
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
	X			
			X	
X				
				X
X				
		X	X	
		X	X	
		X	X	
		X	X	
		X	X	
		X	X	
	X		X	
		X	X	

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part)
- Time allocation was appropriate
- Reference materials were useful

Agree		Disagree		
1	2	3	4	5
X				
	X			
			X	
		X		
		X		

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants.
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it.
- Trainees were generally well prepared for class.

Agree		Disagree		
1	2	3	4	5
		X	X	
		X	X	
	X			
		X	X	

Trainer

- The trainer was well prepared.
- The trainer was on time.
- The trainer was always available to provide assistance.
- The teaching aids, audio and visual, were well chosen and appropriate.
- The trainer overestimated the level of knowledge of participants
- The trainer underestimated the knowledge of participants.
- The trainer had a good sense of participant requirements
- The trainer adjusted to constructive criticism
- The trainer answered all questions and/or researched those required
- The trainer achieved balance between theory and practice.
- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			
			X	
		X	X	
	X			
	X			
	X			
	X			
	X			
	X			
	X			
	X			
	X			
	X			

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

INSTRUCTIONS:

This evaluation form is intended to be a tool for improving the training course that you have just completed. Your name should not appear on this evaluation. Please respond to each question thoughtfully in the following manner:

First: Respond to each of the questions in the training program categories on the following pages by simply putting an "X" in the appropriate box. As this is an opinion poll and value judgments are required, the *operative words* are in *italics*. Numerical gradations are self explanatory.

Second: At the end of this evaluation, where your comments are solicited, please indicate any further criticisms, general comments on, or methods for, improving the course. Please identify each criticism, complement, or improvement according to the categories shown below.

Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented	X				
The concept of debits and credits is clear.	X				
The relationship between the balance sheet & income statement is clear			X		
The importance of management in the control of the conversion cycle is clear to me.			X		
Horizontal analysis of the balance sheet and income statement were clearly presented			X		
Balance sheet logic was <i>clearly</i> presented.			X		
Vertical analysis of the balance sheet and income statement were clearly presented			X		
Ratios and ratio analysis was <i>clearly</i> presented.			X		
Reasons for short- or long-term lending is clear to me			X		
The difference between working investment and working capital is clear to me	X				
Ratio analysis is clear to me			X		
Balance sheet logic is clear to me.			X		
I understand "T" accounts and how to construct a balance sheet and income statement.		X			
A common credit analysis language has been created among participants.			X		
The case studies and examples were relevant		X			
It is clear to me how this material can be applied to small businesses			X		

PLEASE MAKE WRITTEN COMMENTS PER THE SECOND SET OF INSTRUCTIONS ABOVE. PLEASE WRITE CLEARLY AND REMEMBER TO GROUP COMMENTS INTO ONE OF THE CATEGORIES ABOVE WHEN THAT IS APPROPRIATE.

YOU ARE FREE TO DEFINE NEW CATEGORIES OR COMMENT WITHOUT STRUCTURE. YOU MAY USE MORE THAN A SINGLE SHEET TO COMPLETE THIS SECTION.

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter increased my management skills
- The subject matter increased my awareness of other areas of JLGC and its clients
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
	X			
			X	
X				
				X
X				
		X		
		X		
		X		
		X		
		X		
		X		
		X		
	X			
		X		
		X		

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part)
- Time allocation was appropriate
- Reference materials were useful.

Agree		Disagree		
1	2	3	4	5
X				
	X			
			X	
		X		
		X		

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it
- Trainees were generally well prepared for class.

Agree		Disagree		
1	2	3	4	5
		X		
		X		
		X		
	X			
		X		

Trainer

- The trainer was well prepared
- The trainer was on time
- The trainer was always available to provide assistance
- The teaching aids, audio and visual, were well chosen and appropriate
- The trainer overestimated the level of knowledge of participants
- The trainer underestimated the knowledge of participants
- The trainer had a good sense of participant requirements
- The trainer adjusted to constructive criticism
- The trainer answered all questions and/or researched those required
- The trainer achieved balance between theory and practice
- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			
		X		
		X		
	X			
	X			
	X			
	X			
		X		
		X		

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Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

INSTRUCTIONS:

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Subject Matter	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented.	X				
The concept of debits and credits is clear.		X			
The relationship between the balance sheet & income statement is clear.	X				
The importance of management in the control of the conversion cycle is clear to me.			X		
Horizontal analysis of the balance sheet and income statement were clearly presented.		X			
Balance sheet logic was <i>clearly</i> presented.		X			
Vertical analysis of the balance sheet and income statement were clearly presented.		X			
Ratios and ratio analysis was <i>clearly</i> presented.		X			
Reasons for short- or long-term lending is clear to me.					
The difference between working investment and working capital is clear to me.	X				
Ratio analysis is clear to me.		X			
Balance sheet logic is clear to me.		X			
I understand "T" accounts and how to construct a balance sheet and income statement.	X				
A common credit analysis language has been created among participants.				X	
The case studies and examples were relevant.		X			
It is clear to me how this material can be applied to small businesses.		X			

BEST AVAILABLE COPY

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter increased my management skills
- The subject matter increased my awareness of other areas of JLGC and its clients
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work.
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
				<input checked="" type="checkbox"/>
		<input checked="" type="checkbox"/>		
			<input checked="" type="checkbox"/>	
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
		<input checked="" type="checkbox"/>		
		<input checked="" type="checkbox"/>		
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part.)
- Time allocation was appropriate
- Reference materials were useful.

Agree		Disagree		
1	2	3	4	5
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
			<input checked="" type="checkbox"/>	
		<input checked="" type="checkbox"/>		

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it
- Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5

Trainer

- The trainer was well prepared.
- The trainer was on time.
- The trainer was always available to provide assistance.
- The teaching aids, audio and visual were well chosen and appropriate.
- The trainer overestimated the level of knowledge of participants
- The trainer underestimated the knowledge of participants.
- The trainer had a good sense of participant requirements.
- The trainer adjusted to constructive criticism.
- The trainer answered all questions and/or researched those required
- The trainer achieved balance between theory and practice
- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
<input checked="" type="checkbox"/>				
<input checked="" type="checkbox"/>				
<input checked="" type="checkbox"/>				
<input checked="" type="checkbox"/>				
		<input checked="" type="checkbox"/>		
		<input checked="" type="checkbox"/>		
	<input checked="" type="checkbox"/>			
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>			

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Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented			X		
The concept of debits and credits is clear.	X				
The relationship between the balance sheet & income statement is clear			X		
The importance of management in the control of the conversion cycle is clear to me.			X		
Horizontal analysis of the balance sheet and income statement were clearly presented				X	
Balance sheet logic was <i>clearly</i> presented.				X	
Vertical analysis of the balance sheet and income statement were clearly presented.				X	
Ratios and ratio analysis was <i>clearly</i> presented.			X		
Reasons for short- or long-term lending is clear to me			X		
The difference between working investment and working capital is clear to me.				X	
Ratio analysis is clear to me			X		
Balance sheet logic is clear to me				X	
I understand "T" accounts and how to construct a balance sheet and income statement		X			
A common credit analysis language has been created among participants.			X		
The case studies and examples were relevant.			X		
It is clear to me how this material can be applied to small businesses.			X		

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter increased my management skills
- The subject matter increased my awareness of other areas of JLGC and its clients
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
		X		
		X		
	X		X	
		X		
		X		
			X	
			X	
		X		
		X		
		X		
			X	
			X	
		X		
		X		

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part.)
- Time allocation was appropriate
- Reference materials were useful.

Agree		Disagree		
1	2	3	4	5
X				
X				
			X	X
			X	X

Participants

- Fellow trainees added to the value of the course
- ~~I perceived candor and sincerity among participants.~~
- There should have been different groupings (Make suggestions in second part)
- ~~It was easy to get help from other trainees if I needed it.~~
- Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5
		X		
X			X	X
	X		X	X
X			X	X
		X		

Trainer

- The trainer was well prepared
- The trainer was on time.
- The trainer was always available to provide assistance.
- The teaching aids, audio and visual, were well chosen and appropriate.
- The trainer overestimated the level of knowledge of participants.
- The trainer underestimated the knowledge of participants.
- The trainer had a good sense of participant requirements.
- The trainer adjusted to constructive criticism.
- The trainer answered all questions and/or researched those required
- The trainer achieved balance between theory and practice.
- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			
			X	
		X		
		X		
X				
		X		
		X		

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Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented.		X			
The concept of debits and credits is <i>clear</i> .		X			
The relationship between the balance sheet & income statement is <i>clear</i> .		X			
The importance of management in the control of the conversion cycle is <i>clear</i> to me.					
Horizontal analysis of the balance sheet and income statement were <i>clearly</i> presented.			X		
Balance sheet logic was <i>clearly</i> presented.	X				
Vertical analysis of the balance sheet and income statement were <i>clearly</i> presented.			X		
Ratios and ratio analysis was <i>clearly</i> presented.				X	
Reasons for short- or long-term lending is <i>clear</i> to me.		X			
The difference between working investment and working capital is <i>clear</i> to me.	X				
Ratio analysis is <i>clear</i> to me.	X				
Balance sheet logic is <i>clear</i> to me.			X		
I understand "T" accounts and how to construct a balance sheet and income statement.		X			
A common credit analysis language has been created among participants.					
The case studies and examples were <i>relevant</i> .	/				
It is <i>clear</i> to me how this material can be applied to small businesses.	/		/		

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
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- The subject matter has applicability in areas other than just my JLGC work
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
		X		
	X			
	X			
			X	
	X			
			X	
			X	
		X		
		X		
		X		
	X			
	X			

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part.)
- Time allocation was appropriate
- Reference materials were useful.

Agree		Disagree		
1	2	3	4	5
	X			
	X			
				X
	X			
	X			

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants.
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it.
- Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5
	X			
	X			
		X		
	X			
				X

Trainer

- The trainer was well prepared.
- The trainer was on time.
- The trainer was always available to provide assistance
- The teaching aids, audio and visual, were well chosen and appropriate.
- The trainer overestimated the level of knowledge of participants
- The trainer underestimated the knowledge of participants.
- The trainer had a good sense of participant requirements.
- The trainer adjusted to constructive criticism.
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- The trainer achieved balance between theory and practice
- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			
		X		
		X		
	X			
	X			
X				
X				
			X	

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Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented.	✓				
The concept of debits and credits is clear.	✓				
The relationship between the balance sheet & income statement is clear.		✓			
The importance of management in the control of the conversion cycle is clear to me.			✓		
Horizontal analysis of the balance sheet and income statement were clearly presented.		✓			
Balance sheet logic was <i>clearly</i> presented.	✓				
Vertical analysis of the balance sheet and income statement were clearly presented.	✓	✓			
Ratios and ratio analysis was <i>clearly</i> presented.			✓		
Reasons for short- or long-term lending is clear to me.			✓		
The difference between working investment and working capital is clear to me.			✓		
Ratio analysis is clear to me.	✓				
Balance sheet logic is clear to me.	✓				
I understand "T" accounts and how to construct a balance sheet and income statement.	✓				
A common credit analysis language has been created among participants.			✓		
The case studies and examples were relevant.		✓			
It is clear to me how this material can be applied to small businesses.	✓				

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Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented		X			
The concept of debits and credits is <i>clear</i> .	X				
The relationship between the balance sheet & income statement is <i>clear</i> .			X		
The importance of management in the control of the conversion cycle is <i>clear</i> to me.	X				
Horizontal analysis of the balance sheet and income statement were <i>clearly</i> presented	X				
Balance sheet logic was <i>clearly</i> presented.		X			
Vertical analysis of the balance sheet and income statement were <i>clearly</i> presented		X			
Ratios and ratio analysis was <i>clearly</i> presented.	X				
Reasons for short- or long-term lending is <i>clear</i> to me			X		
The difference between working investment and working capital is <i>clear</i> to me.		X			
Ratio analysis is <i>clear</i> to me.		X			
Balance sheet logic is <i>clear</i> to me.		X			
I understand "T" accounts and how to construct a balance sheet and income statement.		X			
A common credit analysis language has been created among participants.		X			
The case studies and examples were <i>relevant</i>	X				
It is <i>clear</i> to me how this material can be applied to small businesses.	X				

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
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- The subject matter has applicability in areas other than just my JLGC work
- The subject matter will help me teach others, including clients

Agree		Disagree		
1	2	3	4	5
X				
				X
				X
X				
	X			
	X			
	X			
	X			
		X		
		X		
	X			
	X			

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate: (Make any suggestions in second part.)
- Time allocation was appropriate
- Reference materials were useful.

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
X				

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it
- Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5
	X			
	X			
			X	
	X			
		X		

Trainer

- The trainer was well prepared.
- The trainer was on time.
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- Case study and/or examples were well chosen to make the point

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X	X		
			X	
	X			
	X			
	X			
	X			

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- The course was in general good
- The background of the trainer was helpful
- The course at through the trainer gave us a lot of practical examples related to SIM projects

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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Subject Matter

	Agree		Disagree		
	1	2	3	4	5
The difference between cash and accrual accounting was <i>clearly</i> presented	X				
The concept of debits and credits is <i>clear</i>	X				
The relationship between the balance sheet & income statement is <i>clear</i>	X				
The importance of management in the control of the conversion cycle is <i>clear</i> to me			X		
Horizontal analysis of the balance sheet and income statement were <i>clearly</i> presented		X			
Balance sheet logic was <i>clearly</i> presented	X				
Vertical analysis of the balance sheet and income statement were <i>clearly</i> presented		X			
Ratios and ratio analysis was <i>clearly</i> presented		X			
Reasons for short- or long-term lending is <i>clear</i> to me	X				
The difference between working investment and working capital is <i>clear</i> to me		X			
Ratio analysis is <i>clear</i> to me		X			
Balance sheet logic is <i>clear</i> to me		X			
I understand "T" accounts and how to construct a balance sheet and income statement.	X				
A common credit analysis language has been created among participants.			X		
The case studies and examples were <i>relevant</i> .		X			
It is <i>clear</i> to me how this material can be applied to small businesses		X			

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work
- I will use *more than half* of the subject matter in my daily work
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Agree		Disagree		
1	2	3	4	5
	X			
				X
			X	
X	X			
	X			
X				
		X		
	X			
		X		
X	X			
	X			

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate. (Make any suggestions in second part)
- Time allocation was appropriate
- Reference materials were useful.

Agree		Disagree		
1	2	3	4	5
X				
X				
	X			
X				

Participants

- Fellow trainees added to the value of the course
- I perceived candor and sincerity among participants.
- There should have been different groupings (Make suggestions in second part)
- It was easy to get help from other trainees if I needed it.
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Agree		Disagree		
1	2	3	4	5
	X			
X				
		X		
X				
	X			

Trainer

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- The trainer was on time
- The trainer was always available to provide assistance
- The teaching aids, audio and visual, were well chosen and appropriate
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- The trainer underestimated the knowledge of participants
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Agree		Disagree		
1	2	3	4	5
X				
X				
X				
X				
		X		
		X		
X				
X				
X				
X				

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JLGC Loan Guarantee Program and Cash Flow Analysis

SS

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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Subject Matter

- Characteristics of small business were clearly presented.
- Competitive analysis was clearly presented
- Management analysis was clearly presented
- The importance of management in the control of the conversion cycle is clear
- Common size analysis was clearly presented
- Cash flow for small business was clearly presented
- Selected ratio analysis was clearly presented.
- Reasons for short- or long-term lending is clear to me
- The difference between working investment and working capital is clear to me.
- The case study was relevant
- I understand how to use JLGC forms I01 & I02 to prepare key ratios.

		Agree		Disagree		
		1	2	3	4	5
	Characteristics of small business were clearly presented.	X				
	Competitive analysis was clearly presented		X			
	Management analysis was clearly presented	X				
	The importance of management in the control of the conversion cycle is clear		X			
	Common size analysis was clearly presented		X			
	Cash flow for small business was clearly presented		X			
	Selected ratio analysis was clearly presented.	X				
	Reasons for short- or long-term lending is clear to me		X			
	The difference between working investment and working capital is clear to me.		X			
	The case study was relevant		X			
	I understand how to use JLGC forms I01 & I02 to prepare key ratios.	X				

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC
- This course is *not* directly related to my main responsibility at JLGC
- I will use *less than half* of the subject matter in my daily work.
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed.
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter increased my awareness of other areas of JLGC and its clients.
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work

		Agree		Disagree		
		1	2	3	4	5
	This course is <i>directly</i> related to my main responsibility at JLGC		X			
	This course is <i>not</i> directly related to my main responsibility at JLGC				X	
	I will use <i>less than half</i> of the subject matter in my daily work.	X				
	I will use <i>more than half</i> of the subject matter in my daily work					X
	Subject matter is <i>good background information</i>		X			
	The subject matter included important <i>new analysis tools</i> for my daily work		X			
	The subject matter <i>helped clarify</i> applicability of analysis tools I already possessed.		X			
	I believe I can do my job more effectively and efficiently than before this course		X			
	The subject matter increased my awareness of other areas of JLGC and its clients.	X				
	The subject matter will help me recognize opportunities to cross-sell JLGC services			X		
	The subject matter has applicability in areas other than just my JLGC work	X				

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate. (Make comments in second part.)
 Reference materials were useful

Agree		Disagree		
1	2	3	4	5
X				
	X			
		X		
	X			

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings. (Make suggestions in second part)
 It was easy to get help from other trainees if I needed it
 Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5
	X			
	X			
			X	
X				
		X		

Trainer

The trainer was well prepared
 The trainer was on time
 The teaching aids, audio and visual, were well chosen and appropriate
 The trainer had a good sense of participant requirements
 The trainer answered all questions to my satisfaction.
 The trainer achieved balance between theory and practice

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
X				
X				
X				

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 Reference materials were useful

Agree		Disagree		
1	2	3	4	5
X				
	X			
		X		
	X			

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1	2	3	4	5
X				
X				
		X		
	X			
	X			

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1	2	3	4	5
X				
X				
X				
X				
X				
X				

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Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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- The case study was relevant
- I understand how to use JLGC forms 101 & 102 to prepare key ratios

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			
X				
X				
X				
X				
X				
X				

Utility of Subject Matter

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Agree		Disagree		
1	2	3	4	5
	X			
			X	
			X	
X				
X				
		X		
X				
	X			
		X		
	X			
	X			

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Agree		Disagree		
1	2	3	4	5
x				
	x			
x				
x				

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Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)
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Agree		Disagree		
1	2	3	4	5
x				
	x			
		x		
x				
x				

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 The trainer achieved balance between theory and practice

Agree		Disagree		
1	2	3	4	5
x				
x				
	x			
x				
x				
	x			

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- The case study was relevant
- I understand how to use JLGC forms 101 & 102 to prepare key ratios.

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			
X				
X				
X				
X				
X				
X				

Utility of Subject Matter

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Agree		Disagree		
1	2	3	4	5
	X			
			X	
			X	
X				
X				
		X		
X				
	X			
		X		
	X			
	X			

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Agree		Disagree		
1	2	3	4	5
X				
	X			
X				
X				

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Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
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 It was easy to get help from other trainees if I needed it
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Agree		Disagree		
1	2	3	4	5
X				
	X			
		X		
X				
X				

Trainer

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 The trainer answered all questions to my satisfaction.
 The trainer achieved balance between theory and practice

Agree		Disagree		
1	2	3	4	5
X				
X				
	X			
X				
X				
	X			

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- The case study was relevant.
- I understand how to use JLGC forms 101 & 102 to prepare key ratios.

Agree		Disagree		
1	2	3	4	5
	X			
		X		
	X			
		X		
	X			
		X		
		X		
X				
	X			

Utility of Subject Matter

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Agree		Disagree		
1	2	3	4	5
		X		
		X		
		X		
		X		
X				
		X		
		X		
		X		
		X		
		X		
		X		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
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 Reference materials were useful

Agree		Disagree		
1	2	3	4	5
	X			
	X			
			X	
			X	
			X	

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 Trainees were generally well prepared for class

Agree		Disagree		
1	2	3	4	5
		X		
		X		
	X			
		X		
			X	
	X			

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 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice

Agree		Disagree		
1	2	3	4	5
	X			
		X		
		X		
	X			
		X		
	X			

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- The case study was relevant.
- I understand how to use JLGC forms 101 & 102 to prepare key ratios.

		Agree		Disagree		
		1	2	3	4	5
Characteristics of small business were clearly presented		X				
Competitive analysis was clearly presented		X				
Management analysis was clearly presented.		X				
The importance of management in the control of the conversion cycle is clear			X			
Common size analysis was clearly presented.			X			
Cash flow for small business was clearly presented		X				
Selected ratio analysis was clearly presented.		X				
Reasons for short- or long-term lending is clear to me		X				
The difference between working investment and working capital is clear to me			X			
The case study was relevant.		X				
I understand how to use JLGC forms 101 & 102 to prepare key ratios.		X				
		X				

Utility of Subject Matter

- This course is *directly* related to my main responsibility at JLGC.
- This course is *not* directly related to my main responsibility at JLGC.
- I will use *less than half* of the subject matter in my daily work..
- I will use *more than half* of the subject matter in my daily work
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		Agree		Disagree		
		1	2	3	4	5
This course is <i>directly</i> related to my main responsibility at JLGC.		X				
This course is <i>not</i> directly related to my main responsibility at JLGC.			X			
I will use <i>less than half</i> of the subject matter in my daily work..			X			
I will use <i>more than half</i> of the subject matter in my daily work			X			
Subject matter is <i>good background information</i> :			X			
The subject matter included important <i>new analysis tools</i> for my daily work			X			
The subject matter <i>helped clarify</i> applicability of analysis tools I already possessed.			X			
I believe I can do my job more effectively and efficiently than before this course			X			
The subject matter increased my awareness of other areas of JLGC and its clients.			X			
The subject matter will help me recognize opportunities to cross-sell JLGC services			X			
The subject matter has applicability in areas other than just my JLGC work.			X			

Facilities/Logistics

- Room was comfortable
- Teaching aids were adequate (Make any suggestions in second part)
- Time allocation was appropriate (Make comments in second part)
- Reference materials were useful

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
	X			

Participants

- Fellow trainees added to the value of the course
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Agree		Disagree		
1	2	3	4	5
X				
X				
X				
X				
X				

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Agree		Disagree		
1	2	3	4	5
	X			
	X			
X				
X				
X				
X				

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Agree		Disagree		
1	2	3	4	5
X				
	X			
	X			
	X			
X				
X				
X				
X				
	X			
X				
X				

Utility of Subject Matter

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Agree		Disagree		
1	2	3	4	5
	X			
				X
	X			
X				
		X		
X	X			
	X			
	X			
	X			

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Agree		Disagree		
1	2	3	4	5
X				
X				
X				
X				

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Agree		Disagree		
1	2	3	4	5
	X			
	X			
X				
X				

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1	2	3	4	5
X				
X				
X				
X				
X				
X				

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* THIS course was good AND I GET A NEW INFORMATION
 * THE TIME OF THE CLASS EVERY DAY IS BETTER TO GET IT IN THE MORNING NOT AFTER THE END OF WORK TIME

Trade Finance: Case Studies in Pre- and Post-Shipment Financing

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			✓		
Coordination & Correlation			✓		
Contribution to Goal Attainment			✓		
Information Value in Work Area			✓		
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

NO

Any Other Comments

Banker

**Trade Finance
Seminar**

September 13-17, 1997

Held at The Institute of
Banking Studies

In Cooperation With

Jordan Loan Guarantee Corporation &

United States Agency for International Development
(U.S. AID)

Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					✓
Coordination & Correlation				✓	
Contribution to Goal Attainment					✓
Information Value in Work Area					✓
Inclusion of Practical Applications					✓
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

Facilities
Securities

Any Other Comments

Nothing

Banker

**Trade Finance
Seminar**

September 13-17, 1997

Held at The Institute of
Banking Studies

In Cooperation With

Jordan Loan Guarantee Corporation &

United States Agency for International Development
(U.S. AID)

Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					✓
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications					✓
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		✓			
Appropriate Timing of Semunar					✓
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area			✓		
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants			✓		
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

no

Any Other Comments

no

Bankers.

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(U.S. AID)

Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- FACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications			x		
II. LECTURERS EVALUATION					
Ability to Convey Information					x
Degree of Capability in Subjects				x	
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				x	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					x
Appropriate Timing of Seminar					x
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

- MORE INFORMATION about the type of LIC.
- Analysis of balance sheets.

Any Other Comments

Banker

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Amman ~ Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy		X			
Coordination & Correlation			X		
Contribution to Goal Attainment		X			
Information Value in Work Area		X			
Inclusion of Practical Applications			X		
II. LECTURERS EVALUATION					
Ability to Convey Information		X			
Degree of Capability in Subjects		X			
Degree of Effectiveness and Interaction with Participants			X		
Range of Success in Training Methods Selection			X		
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					X
Appropriate Timing of Seminar					X
Appropriate Location					X

Please list any other subjects for which you would find Seminars / Workshops useful:

- 1) Options, Futures Contracts concentrating in case studies
- 2) Assets liabilities management

z

Any Other Comments

we spend more time not on the "main" elements of this course, but in other elements such as L/Cs and I think its better to concentrate on main top "Trade Finance"

than these sub elements -

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

✓

Any Other Comments

I think time is not enough
for such a programme, and it is better
to give more about (A.L.C) and
its job.

Banker -

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					7
Coordination & Correlation					7
Contribution to Goal Attainment					1
Information Value in Work Area					7
Inclusion of Practical Applications					7
II. LECTURERS EVALUATION					
Ability to Convey Information					7
Degree of Capability in Subjects					7
Degree of Effectiveness and Interaction with Participants					7
Range of Success in Training Methods Selection					7
III. DURATION & SEMINAR LOCATION:					1
Time Sufficiency			7		
Appropriate Timing of Seminar					7
Appropriate Location					7

Please list any other subjects for which you would find Seminars / Workshops useful:

No

Any Other Comments

* One week is not sufficient to cover all of the text material.

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			✓		
Coordination & Correlation			✓		
Contribution to Goal Attainment			✓		
Information Value in Work Area			✓		
Inclusion of Practical Applications		✓			
II. LECTURERS EVALUATION					
Ability to Convey Information			+		
Degree of Capability in Subjects		✓			
Degree of Effectiveness and Interaction with Participants			+		
Range of Success in Training Methods Selection			✓		
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		✓			
Appropriate Timing of Semunar		✓			
Appropriate Location		✓			

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					✓
Coordination & Correlation					✓
Contribution to Goal Attainment					✓
Information Value in Work Area				✓	
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Seminar					✓
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

LOAN GUARANTEE IS NEW IN JORDAN ,
THEREFORE , I WOULD LIKE TO SEE
ABOUT THIS TOPIC INCLUDING
FORFEITING & FACTORING .

Any Other Comments

EXCELLENT

Banker

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Amman ~ Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				+	
Coordination & Correlation				+	
Contribution to Goal Attainment			+		
Information Value in Work Area			+		
Inclusion of Practical Applications			+		
II. LECTURERS EVALUATION					
Ability to Convey Information				+	
Degree of Capability in Subjects			+		
Degree of Effectiveness and Interaction with Participants				+	
Range of Success in Training Methods Selection				+	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			+		
Appropriate Timing of Seminar				+	
Appropriate Location				+	

Please list any other subjects for which you would find Seminars / Workshops useful:

- ① We should have ~~in~~ talk more about
Pre shipment & Post shipment Risks
- ② talk more about JLGIC / Jordan
the mecanissime.

Any Other Comments

Banker

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(U.S. AID)

Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area					✓
Inclusion of Practical Applications			✓		
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Seminar			✓		
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

There is a need for making it longer in period.

Any Other Comments

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(U.S. AID)

Amman - Jordan

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			✓		
Coordination & Correlation		✓			
Contribution to Goal Attainment			✓		
Information Value in Work Area		✓			
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency	✓				
Appropriate Timing of Seminar				✓	
Appropriate Location			✓		

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			X		
Coordination & Correlation			X		
Contribution to Goal Attainment		X			
Information Value in Work Area			X		
Inclusion of Practical Applications		X			
II. LECTURERS EVALUATION					
Ability to Convey Information				X	
Degree of Capability in Subjects				X	
Degree of Effectiveness and Interaction with Participants					X
Range of Success in Training Methods Selection				X	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency	X				
Appropriate Timing of Seminar					X
Appropriate Location				X	

Please list any other subjects for which you would find Seminars / Workshops useful:

More specific seminars in different subjects.
(avoid general seminars).

Any Other Comments

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**Trade Finance
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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information					-
Degree of Capability in Subjects					-
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection					
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		✓			
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

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**Trade Finance
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1/97

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area			✓		
Inclusion of Practical Applications			✓		
II. LECTURERS EVALUATION					
Ability to Convey Information			✓		
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants			✓		
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					✓
Appropriate Timing of Seminar					✓
Appropriate Location					✓

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Please list any other subjects for which you would find Seminars / Workshops useful:

- 1) *dehning*
- 2) *jurimetic*

Any Other Comments

Banker

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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				X	
Coordination & Correlation			X		
Contribution to Goal Attainment			X		
Information Value in Work Area					X
Inclusion of Practical Applications				X	
II. LECTURERS EVALUATION					
Ability to Convey Information				X	
Degree of Capability in Subjects			X		
Degree of Effectiveness and Interaction with Participants			X		
Range of Success in Training Methods Selection				X	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					X
Appropriate Timing of Semunar				X	
Appropriate Location				X	

AL MAWARED

NATURAL BEAUTY PRODUCTS Corp.

P O Box . (921417)
Amman (11192) Jordan
TEL (962 6) 701767
FAX (962 6) 701774

السيد رئيس
ابراهيم
زعين و الجباري
بني صده ارت له
٩٧/٢١

الشركة الأردنية لضمان استوص

رسالة واردة
٩٧ / ٩ / ٢١ التاريخ
٢٠ - الرقم

M/S. Jordan Loan Guarantee Corp.

FAX 617396

To the kind attention of:-

DATE : 20.9.97

Mr. Sa'eed Hammami /General Manager.

REF. : 944/97

Number of pages including cover (1)
If you do not receive all pages, please call

Dear Sir,

On behalf of Al Mawared Natural Beauty Products Corp. please allow me to express my deep thanks to your organization as well as for you personally, for giving us the opportunity to attend the Trade Finance Seminar which had been held recently. Also, to convey our thanks for the persons in charge of the US Agency for International Development as well as our dear instructor, Mr Zamon.

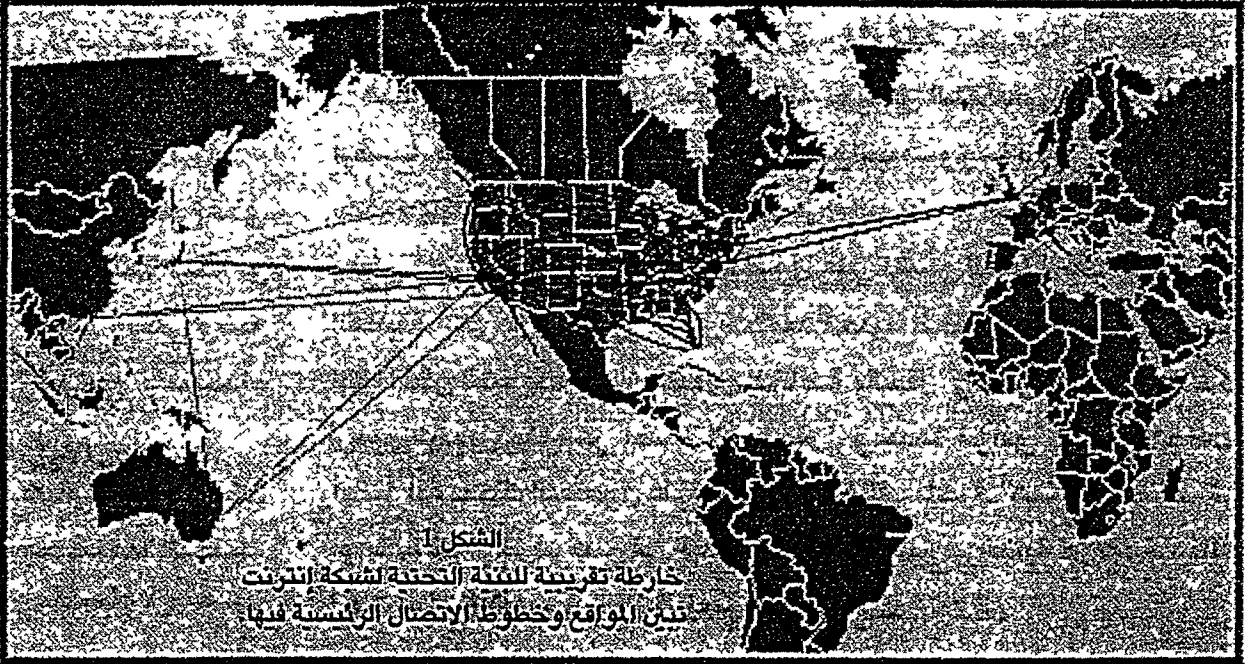
It is a successful seminar and I hope with the next seminars that you will be able to do it on a high level for decision makers in order to achieve the goals of the program.

We will be always looking toward a very fruitful cooperation between our both institutions.

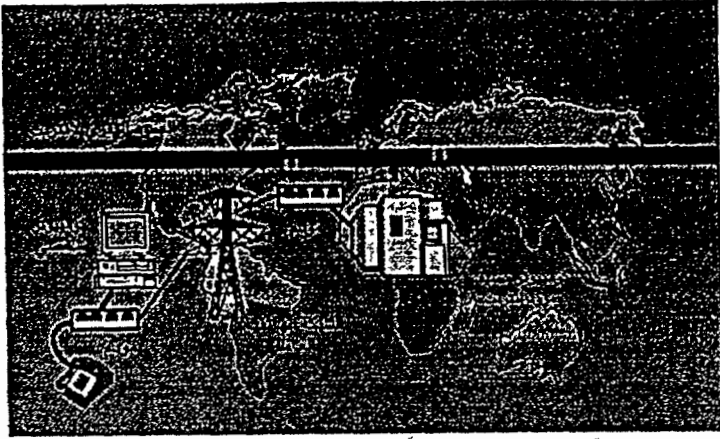
Sincerely yours,

Vice President
Khalid A. Rahim

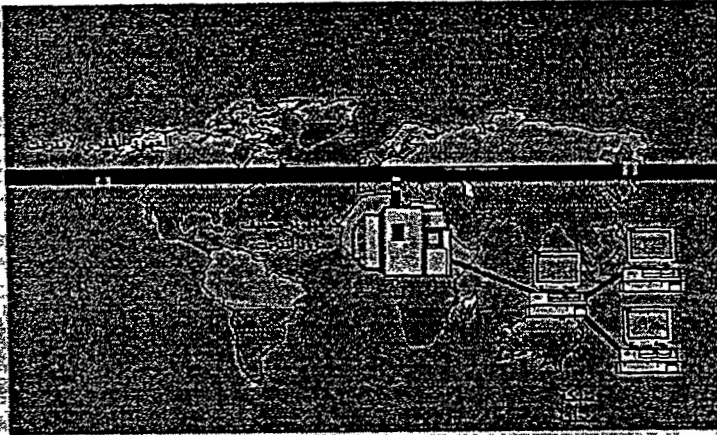
Delivery address: Amman City, Jabal Al Husein Area Khalid Bin Al Waleed St., Adel Al Qasem Complex, 6th Floor.



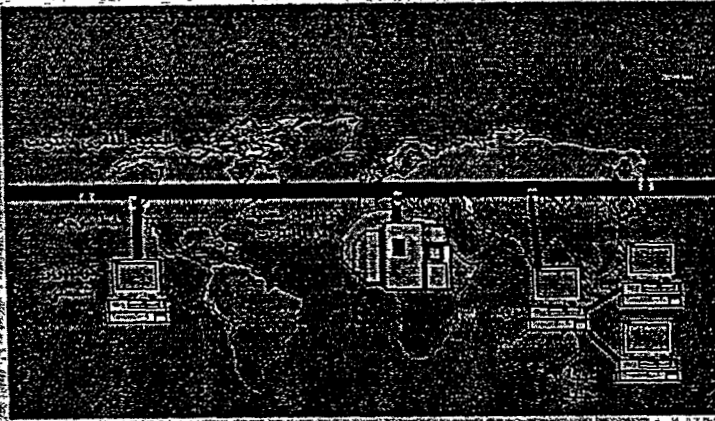
طرق الاتصال بشبكة إنترنت



الشكل 2. الاتصال المردي عبر موادم وخط هاتفى عادى.

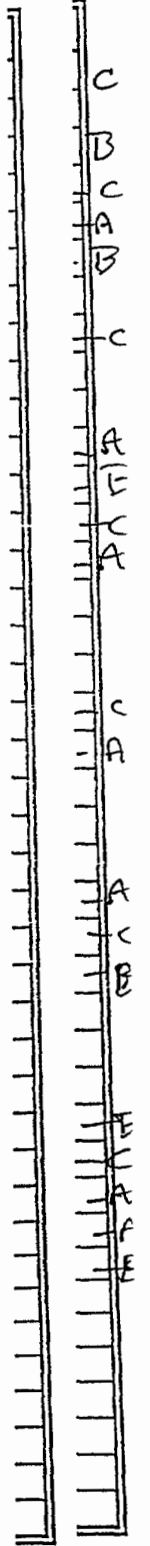


الشكل 3. اتصال الشبكة المحلية من الخدمة عبر موادم وخط هاتفى عادى أو فوجر



الشكل 4. اتصال الشبكة المحلية من الخدمة عبر موادم وخط هاتفى عادى أو فوجر
 ويوجد فى المصحات المناسبة فى منى الشبكة الكلية (يعنى)
 اتصال كمبيوتر شخصى عادى مع أجهزة الصور الفوتوغرافية فى إنترنت بواسطة خط هاتفى
 فوجر ويوجد فى مصحات مناسبة (بستان)

TCP



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**Participants of "Trade Finance" Seminar
Held at the Institute of Banking Studies in Cooperation
with Jordan Loan Guarantee Corp. and U.S. A.I.D.
September 13-17, 1997**

No	Name	Title	INST.	Sign.
1	Khalid Dajani	Manager	Citi Bank	M
2	Lubna Al-Nabulsi	Controller	Cairo Amman Bank	F
3	Hala Ma'ayta	Division Head	Cairo Amman Bank	F
4	Reem Al - Khalidi	Controller	Cairo Amman Bank	F
5	Jamil M Attar	Asst Manager	Jordan Kuwait Bank	M
6	Khaled F Kakish	Clerk	Jordan National Bank	M
7	Randa S Aibef	Clerk	Jordan National Bank	F
8	Haval H. Zaza	Asst Section Head	Jordan National Bank	M
9	Jerjes B Sweiss	First Officer	Jordan National Bank	M
10	Tha'er W Bakri	L.C.'S Officer	Jordan Gulf Bank	M
11	Mazen S A. Al-Taher	L.C.'S Officer	Jordan Gulf Bank	M
12	Issa I. Barhoum	L.C.'S Officer	Jordan Gulf Bank	M
13	Laila Sh Dayeh	L.C.'S Officer	Jordan Gulf Bank	F
14	Ahmed Abed-Alrahim	Credit Officer	Arab Bank	M
15	Ala'ddin KH Al-Tamuni	Credit Officer	Arab Bank	M
16	Sameh M Al-Shanti	Credit Officer	Arab Bank	M
17	"Mohammed Ramadan" Y Odetalla	Asst. Head of Dept	Central Bank of Jordan	M
18	Kamal H. Hashem	Asst Head of Dept	Central Bank of Jordan	M
19	Abdul Raheem S. Abu-Romman	Asst Head of Dept	Central Bank of Jordan	M
20	Shafiq Kh. Al-Abed	Head of Division	Central Bank of Jordan	M
21	Farouq Y Al-Hares	Asst. Dept. Manager	Cities & Villages Development Bank	M
22	Fawaz Al- Jayyousi	Division Head	Arab Banking Corporation	M
23	Hatem Shehap	Credit Officer	Bank of Jordan	
24	Yousif Rushdi	Credit Officer	Bank of Jordan	
25	Mohanned Attari	Credit Officer	Bank of Jordan	
26	Tareq El-kour	Engineer	Jordan International Industrial Co	
27	Reem Gonsous	Manager	Jordan International Industrial Co.	F
28	Sadi M Al-Darras	Manager	UMEX Co	
29	Suhail A. Asfour	Manager	Jordan Carbonate Co.	
30	Tamader Arafat	Manager	Betna Co	F
31	Mahmoud Abu Rub	Manager	Betna Co	
32	Samih Habaibeh	Manager	A.P.M Co	
33	Khalid A. Rahim	Vice President	Al-Mawared Co.	
34	Khalid Al- Amain	Manager	Al-Mawared Co	
35	Nayef Qusis	Manager	Hikma Pharmaceuticals	
36				
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39				
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**Trade Finance
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Amman ~ Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT	Total
Text Material Adequacy	-	1	12	13	5	31
Coordination & Correlation	-	2	12	13	4	31
Contribution to Goal Attainment	-	4	13	9	5	31
Information Value in Work Area	-	7	10	7	7	31
Inclusion of Practical Applications	1	6	9	11	4	31
Total	1	20	56	53	25	155
Percentage %	0.65%	12.9	36.13	34.19%	16.13%	100%
II. LECTURERS EVALUATION						
Ability to Convey Information	-	3	5	11	12	31
Degree of Capability in Subjects	-	2	4	13	12	31
Degree of Effectiveness and Interaction with Participants	-	1	7	12	11	31
Range of Success in Training Methods Selection	-	-	8	14	9	31
Total	-	6	24	50	44	124
Percentage %	-	4.84	19.35%	40.32%	35.49	100%
III. DURATION & SEMINAR LOCATION:						
Time Sufficiency	6	6	10	5	4	31
Appropriate Timing of Seminar	1	3	4	14	9	31
Appropriate Location	-	2	5	14	10	31
Total	7	11	19	33	23	93
Percentage %	7.53%	11.83%	20.43%	35.48%	24.73%	100%

	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT	Total
IV. GENERAL EVALUATION: (I + II)						
Total	1	26	80	103	69	279
Percentage %	0.361	9.32%	28.67%	36.92%	24.73%	100%
V. GENERAL EVALUATION: (I + II + III)						
Total	8	37	99	136	92	372
Percentage %	2.15%	9.95%	26.61%	36.56	24.73%	100%

Please list any other subjects for which you would find Seminars / Workshops useful:

- Financial analysis
- Analysis of balance sheets
- Options , Futures
- Asset and liability management
- ISO 9000
- International Trade Regulations
- Marketing of Financial Services

Any Other Comments

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Amman - Jordan

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

Examples were very useful.
For nonbankers, many examples would help a lot especially if accompanied with short video films representing cases from A to Z. From the moment a seller receives L/C until final decisions concerning his request for facilities.

NON BANKER

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Amman - Jordan

SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Material Adequacy			✓		
Relevance & Correlation			✓		
Contribution to Goal Attainment			✓		
Practical Value in Work Area		✓			
Provision of Practical Applications		✓			
LECTURERS EVALUATION					
Ability to Convey Information			✓	✓	
Degree of Capability in Subjects					
Degree of Effectiveness and Interaction with Participants					✓
Percentage of Success in Training			✓		
Methods Selection					
DURATION & SEMINAR LOCATION:					
Time Sufficiency	✓				
Appropriate Timing of Seminar		✓			
Appropriate Location					✓

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			✓		
Coordination & Correlation			✓		
Contribution to Goal Attainment			✓		
Information Value in Work Area		✓			
Inclusion of Practical Applications		✓			
II. LECTURERS EVALUATION					
Ability to Convey Information			✓		
Degree of Capability in Subjects			✓		
Degree of Effectiveness and Interaction with Participants			✓		
Range of Success in Training Methods Selection			✓		
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Seminar			✓		
Appropriate Location			✓		

Please list any other subjects for which you would find Seminars / Workshops useful:

/

Any Other Comments

- 1- Concentration on U/C operations and Cases
- 2- = - M/Market = ~

Non-Banker

**Trade Finance
Seminar**

September 13-17, 1997

Held at The Institute of
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In Cooperation With

Jordan Loan Guarantee Corporation &

United States Agency for International Development
(U.S. AID)

Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				X	
Coordination & Correlation				X	
Contribution to Goal Attainment					X
Information Value in Work Area					X
Inclusion of Practical Applications				X	
II. LECTURERS EVALUATION					
Ability to Convey Information					X
Degree of Capability in Subjects					X
Degree of Effectiveness and Interaction with Participants					X X
Range of Success in Training Methods Selection					
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			X		
Appropriate Timing of Seminar				X	
Appropriate Location				X	

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

Non Banker.

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Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

- should spend less time on telling stories.
⇒ bad time management caused
quick coverage of topics that I wanted
to learn more about.
- There should be more case studies
- the course should be more than 5 days.
- the manual is excellent.

NON Banker

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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area					✓
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants				✓	✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		✓			
Appropriate Timing of Semunar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

NON Banker.

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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation					✓
Contribution to Goal Attainment			✓		
Information Value in Work Area			✓		
Inclusion of Practical Applications			✓		
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Seminar				✓	
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

ISO 9000
international trade regulations.

Any Other Comments

Non-Rubber

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			✓		
Coordination & Correlation			✓		
Contribution to Goal Attainment			✓		
Information Value in Work Area			✓		
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

NO

Any Other Comments

Banker

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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					✓
Coordination & Correlation				✓	
Contribution to Goal Attainment					✓
Information Value in Work Area					✓
Inclusion of Practical Applications					✓
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Semunar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

Facilities

Securities

Any Other Comments

Nothing

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					✓
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications					✓
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		✓			
Appropriate Timing of Seminar					✓
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

Banker

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area			✓		
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants			✓		
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

No

Any Other Comments

No

Bankers.

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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- FACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications			×		
II. LECTURERS EVALUATION					
Ability to Convey Information					×
Degree of Capability in Subjects				×	
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				×	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					×
Appropriate Timing of Seminar					×
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

- MORE INFORMATION about the type of UK.
- Analysis of balance sheets.

Any Other Comments

Baker

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy		X			
Coordination & Correlation			X		
Contribution to Goal Attainment		X			
Information Value in Work Area		X			
Inclusion of Practical Applications			X		
II. LECTURERS EVALUATION					
Ability to Convey Information		X			
Degree of Capability in Subjects		X			
Degree of Effectiveness and Interaction with Participants			X		
Range of Success in Training Methods Selection			X		
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					X
Appropriate Timing of Seminar					X
Appropriate Location					X

Please list any other subjects for which you would find Seminars / Workshops useful:

- 1) Options, Futures Contracts concentrating in case studies
- 2) Assets liabilities management

z

Any Other Comments

we spend more time not on the "main" elements of this course, but in other elements such as L/Cs and I think its better to concentrate on main top "Trade Finance"

than these sub elements -

Banham

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Semunar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

I think time is not enough
for such a programme, and it is better
to give more about (TLE) and
its job.

Banker -

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					7
Coordination & Correlation					7
Contribution to Goal Attainment					7
Information Value in Work Area					7
Inclusion of Practical Applications					7
II. LECTURERS EVALUATION					
Ability to Convey Information					7
Degree of Capability in Subjects					7
Degree of Effectiveness and Interaction with Participants					7
Range of Success in Training Methods Selection					7
III. DURATION & SEMINAR LOCATION:					7
Time Sufficiency			7		
Appropriate Timing of Semunar					7
Appropriate Location					7

Please list any other subjects for which you would find Seminars / Workshops useful:

No

Any Other Comments

* One week is not sufficient to cover all of the text material.

BANLER

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			X		
Coordination & Correlation			X		
Contribution to Goal Attainment					
Information Value in Work Area			*		
Inclusion of Practical Applications		X			
II. LECTURERS EVALUATION					
Ability to Convey Information			4		
Degree of Capability in Subjects		X			
Degree of Effectiveness and Interaction with Participants			4		
Range of Success in Training Methods Selection			/		
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		X			
Appropriate Timing of Seminar		X			
Appropriate Location		X			

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy					✓
Coordination & Correlation					✓
Contribution to Goal Attainment					✓
Information Value in Work Area				✓	
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants					✓
Range of Success in Training Methods Selection					✓
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency				✓	
Appropriate Timing of Semunar					✓
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

LOAN GUARANTEE IS NEW IN JORDAN ,
THEREFORE , I WOULD LIKE TO SEE
ABOUT THIS TOPIC INCLUDING
FORFEITING & FACTORING .

Any Other Comments

EXCELLENT

Banker

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Amman ~ Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				+	
Coordination & Correlation				+	
Contribution to Goal Attainment			+		
Information Value in Work Area			+		
Inclusion of Practical Applications			+		
II. LECTURERS EVALUATION					
Ability to Convey Information				+	
Degree of Capability in Subjects			+		
Degree of Effectiveness and Interaction with Participants				+	
Range of Success in Training Methods Selection				+	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			+		
Appropriate Timing of Seminar				+	
Appropriate Location				+	

Please list any other subjects for which you would find Seminars / Workshops useful:

- ① We should have ~~in~~ talk more about Pre shipment & Post shipment Risks
- ② talk more about JLG / Jordan the mecanissime.

Any Other Comments

Banker

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area					✓
Inclusion of Practical Applications			✓		
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency			✓		
Appropriate Timing of Seminar			✓		
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

There is a need for making it longer in period.

Any Other Comments

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			✓		
Coordination & Correlation		✓			
Contribution to Goal Attainment			✓		
Information Value in Work Area		✓			
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information				✓	
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency	✓				
Appropriate Timing of Seminar				✓	
Appropriate Location			✓		

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy			X		
Coordination & Correlation			X		
Contribution to Goal Attainment		X			
Information Value in Work Area			X		
Inclusion of Practical Applications		X			
II. LECTURERS EVALUATION					
Ability to Convey Information				X	
Degree of Capability in Subjects				X	
Degree of Effectiveness and Interaction with Participants					X
Range of Success in Training Methods Selection				X	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency	X				
Appropriate Timing of Seminar					X
Appropriate Location				X	

Please list any other subjects for which you would find Seminars / Workshops useful:

More specific seminars in different subjects.
(avoid general seminars).

Any Other Comments

2411-FK

**Trade Finance
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Amman - Jordan

I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area				✓	
Inclusion of Practical Applications				✓	
II. LECTURERS EVALUATION					
Ability to Convey Information					✓
Degree of Capability in Subjects					✓
Degree of Effectiveness and Interaction with Participants				✓	
Range of Success in Training Methods Selection					
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		✓			
Appropriate Timing of Seminar				✓	
Appropriate Location				✓	

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

Bauder

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				✓	
Coordination & Correlation				✓	
Contribution to Goal Attainment				✓	
Information Value in Work Area			✓		
Inclusion of Practical Applications			✓		
II. LECTURERS EVALUATION					
Ability to Convey Information			✓		
Degree of Capability in Subjects				✓	
Degree of Effectiveness and Interaction with Participants			✓		
Range of Success in Training Methods Selection				✓	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					✓
Appropriate Timing of Seminar					✓
Appropriate Location					✓

Please list any other subjects for which you would find Seminars / Workshops useful:

- 1) *debating*
- 2) *parliament*

Any Other Comments

Banker

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I. SEMINAR MATERIAL	POOR	SATISFY- ACTORY	GOOD	VERY GOOD	EXCEL- LENT
Text Material Adequacy				X	
Coordination & Correlation			X		
Contribution to Goal Attainment			X		
Information Value in Work Area					X
Inclusion of Practical Applications				X	
II. LECTURERS EVALUATION					
Ability to Convey Information				X	
Degree of Capability in Subjects			X		
Degree of Effectiveness and Interaction with Participants			X		
Range of Success in Training Methods Selection				X	
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency					X
Appropriate Timing of Seminar				X	
Appropriate Location				X	

Please list any other subjects for which you would find Seminars / Workshops useful:

In General it's good SEMINAR
and I hope you do more of this
kind of these seminar.

Any Other Comments

banker

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Text Material Adequacy			X		
Coordination & Correlation			X		
Contribution to Goal Attainment			X		
Information Value in Work Area			X		
Inclusion of Practical Applications			X		
II. LECTURERS EVALUATION					
Ability to Convey Information				X	
Degree of Capability in Subjects				X	
Degree of Effectiveness and Interaction with Participants			X		
Range of Success in Training Methods Selection			X		
III. DURATION & SEMINAR LOCATION:					
Time Sufficiency		X			
Appropriate Timing of Seminar			X		
Appropriate Location				X	

Please list any other subjects for which you would find Seminars / Workshops useful:

Any Other Comments

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

INSTRUCTIONS:

This evaluation form is intended to be a tool for improving the training course that you have just completed. Your name should not appear on this evaluation. Please respond to each question thoughtfully in the following manner:

First: Respond to each of the questions in the training program categories on the following pages by simply putting an "X" in the appropriate box. As this is an opinion poll and value judgments are required, the *operative words* are in *italics*. Numerical gradations are self explanatory.

Second: At the end of this evaluation, where your comments are solicited, please indicate any further criticisms, general comments on, or methods for, improving the course. Please identify each criticism, complement, or improvement according to the categories shown below.

Subject Matter

- Characteristics of small business were clearly presented
- Competitive analysis was clearly presented
- Management analysis was clearly presented.
- The importance of management in the control of the conversion cycle is clear
- Common size analysis was clearly presented.
- Cash flow for small business was clearly presented
- Selected ratio analysis was clearly presented.
- Reasons for short- or long-term lending is clear to me
- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
				X
			X	
				X
			X	
			X	
				X
				X
			X	
			X	

Utility of Subject Matter

- This course is *directly* related to my main responsibility
- I will use *more than half* of the subject matter in my daily work
- Subject matter is *good background information*:
- The subject matter included important *new analysis tools* for my daily work
- The subject matter *helped clarify* applicability of analysis tools I already possessed.
- I believe I can do my job more effectively and efficiently than before this course
- The subject matter will help me recognize opportunities to cross-sell JLGC services
- The subject matter has applicability in areas other than just my JLGC work

Poor		Excellent		
1	2	3	4	5
		X		
		X		
	X			
	X			
		X		
	X			
		X		
		X		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
			X	
			X	
			✓	
			✓	

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor		Excellent		
1	2	3	4	5
		X		
		X		

Trainer

The trainer was well prepared
 The teaching aids, audio and visual, were well chosen and appropriate
 The trainer had a good sense of participant requirements
 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice

Poor		Excellent		
1	2	3	4	5
			X	
			X	
				X
				X
				X

PLEASE MAKE WRITTEN COMMENTS PER THE SECOND SET OF INSTRUCTIONS ABOVE. PLEASE WRITE CLEARLY AND REMEMBER TO GROUP COMMENTS INTO ONE OF THE CATEGORIES ABOVE WHEN THAT IS APPROPRIATE.

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Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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Subject Matter

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- Management analysis was clearly presented.
- The importance of management in the control of the conversion cycle is clear.
- Common size analysis was clearly presented.
- Cash flow for small business was clearly presented.
- Selected ratio analysis was clearly presented.
- Reasons for short- or long-term lending is clear to me.
- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
			X	
			X	
		X		
		X		
				X
				X
				X
		X		
			X	

Utility of Subject Matter

- This course is *directly* related to my main responsibility.
- I will use *more than half* of the subject matter in my daily work.
- Subject matter is *good background information*.
- The subject matter included important *new analysis tools* for my daily work.
- The subject matter *helped clarify* applicability of analysis tools I already possessed.
- I believe I can do my job more effectively and efficiently than before this course.
- The subject matter will help me recognize opportunities to cross-sell JLGC services.
- The subject matter has applicability in areas other than just my JLGC work.

Poor		Excellent		
1	2	3	4	5
				X
			X	
			X	
	X			
			X	
	X			
		X		
			X	

Facilities/Logistics

Room was comfortable

Teaching aids were adequate (Make any suggestions in second part)

Time allocation was appropriate (Make comments in second part) → *u151 r1 bul ←*

Reference materials were useful

*for 2-3 days
is better ✓*

Poor			Excellent	
1	2	3	4	5
	X			
			X	
	X			
			X	

Participants

Fellow trainees added to the value of the course

I perceived candor and sincerity among participants

There should have been different groupings (Make suggestions in second part)

Poor			Excellent	
1	2	3	4	5
	X		X	
	X		X	
			X	

Trainer

The trainer was well prepared

The teaching aids, audio and visual, were well chosen and appropriate

The trainer had a good sense of participant requirements

The trainer answered all questions to my satisfaction

The trainer achieved balance between theory and practice.

Poor			Excellent	
1	2	3	4	5
			X	
			X	
				X
				X
				X

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- Selected ratio analysis was clearly presented.
- Reasons for short- or long-term lending is clear to me.
- The case study was relevant.

Poor			Excellent	
1	2	3	4	5
			X	
		X		
			X	
			X	
		X		
			X	
			X	
				X

Utility of Subject Matter

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- Subject matter is *good background information*.
- The subject matter included important *new analysis tools* for my daily work.
- The subject matter *helped clarify* applicability of analysis tools I already possessed.
- I believe I can do my job more effectively and efficiently than before this course.
- The subject matter will help me recognize opportunities to cross-sell JLGC services.
- The subject matter has applicability in areas other than just my JLGC work.

Poor			Excellent	
1	2	3	4	5
			X	
			X	
		X		
	X			
			X	
			X	
			X	
			X	

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor			Excellent	
1	2	3	4	5
			X	
		X		
			X	
			X	

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor			Excellent	
1	2	3	4	5
			X	
			X	
			X	

Trainer

The trainer was well prepared
 The teaching aids, audio and visual, were well chosen and appropriate
 The trainer had a good sense of participant requirements.
 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice

Poor			Excellent	
1	2	3	4	5
			^	
			^	
			X	
		X		
		X		

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Loan Guarantee Program and Small Business Lending

203

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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- Cash flow for small business was clearly presented.
- Selected ratio analysis was clearly presented.
- Reasons for short- or long-term lending is clear to me.
- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
				X
			X	
				X
			X	
			X	
				X
			X	
			X	

Utility of Subject Matter

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- The subject matter *helped clarify* applicability of analysis tools I already possessed.
- I believe I can do my job more effectively and efficiently than before this course.
- The subject matter will help me recognize opportunities to cross-sell JLGC services.
- The subject matter has applicability in areas other than just my JLGC work.

Poor		Excellent		
1	2	3	4	5
		X		
		X		
	X			
	X			
	X			
		X		
		X		

Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
			X	
		X		
			X	
				X
			X	
			X	
		X		
			X	
		X	X	

Utility of Subject Matter

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Poor		Excellent		
1	2	3	4	5
		X		
		X		
			X	
			X	
			X	
			X	
			X	
		X		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
		X		
			X	
			X	
		X		

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor		Excellent		
1	2	3	4	5
			X	
		X		
	X			

Trainer

The trainer was well prepared
 The teaching aids, audio and visual, were well chosen and appropriate
 The trainer had a good sense of participant requirements
 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice

Poor		Excellent		
1	2	3	4	5
			X	
			X	
		X		
			X	
			X	

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- Selected ratio analysis was clearly presented.
- Reasons for short- or long-term lending is clear to me.
- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
				X
			X	
			X	
				X
			X	
		X		
			X	
			X	
			X	

Utility of Subject Matter

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Poor		Excellent		
1	2	3	4	5
				X
				X
			X	
		X		
			X	
			X	
		X		
			X	

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
			X	
			X	
			X	
			X	

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor		Excellent		
1	2	3	4	5
		X		
			X	
		X		

Trainer

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 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice.

Poor		Excellent		
1	2	3	4	5
				X
				X
				X
				X
				X

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- The case study was relevant.

		Poor			Excellent	
		1	2	3	4	5
					X	
				X		
				X		
				X		
					X	
					X	
				X		
						X

Utility of Subject Matter

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		Poor			Excellent	
		1	2	3	4	5
				X		
				X		
						X
			X			
			X			
			X			
				X		
				X		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor			Excellent	
1	2	3	4	5
		X		
		X		
	X			
		X		

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor			Excellent	
1	2	3	4	5
		X		
		X		
			X	

Trainer

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 The trainer achieved balance between theory and practice

Poor			Excellent	
1	2	3	4	5
			X	
			X	
		X		
		X		
		X		

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The case & materials should have been made available a week before rather than one day before weekend → for better preparation.

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- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
		X		
		X		
		X		
		X		
		X		
			X	
			X	
		X		
			X	

Utility of Subject Matter

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- The subject matter has applicability in areas other than just my JLGC work

Poor		Excellent		
1	2	3	4	5
		X		
		X		
			X	
		X		
		X		
	X			
		X		
		X		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor			Excellent	
1	2	3	4	5
			X	
			X	
			X	
			X	

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor			Excellent	
1	2	3	4	5
			X	
		X		

Trainer

The trainer was well prepared
 The teaching aids, audio and visual, were well chosen and appropriate
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 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice

Poor			Excellent	
1	2	3	4	5
				X
				X
				X
				X
				X

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Poor			Excellent	
1	2	3	4	5
				X
				X
				X
				X
				X
				X
			X	
				X

Utility of Subject Matter

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Poor			Excellent	
1	2	3	4	5
				X
			X	
				X
				X
				X
				X
				X
				X

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
				X
				✓
		X		
				+

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor		Excellent		
1	2	3	4	5
				✓
				✓
				X

Trainer

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Poor		Excellent		
1	2	3	4	5
				X
				X
				X
				X
				X

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- Reasons for short- or long-term lending is clear to me
- The case study was relevant

Poor		Excellent		
1	2	3	4	5
			X	
			✓	
			X	
			X	X
		X		
		X		
			X	
				X
				X

Utility of Subject Matter

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- The subject matter has applicability in areas other than just my JLGC work

Poor		Excellent		
1	2	3	4	5
	X			
	X			
	X			
	X	X		
		X		
	X			
			X	
		X		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor			Excellent	
1	2	3	4	5
			X	
		X		
		X		
	X			

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor			Excellent	
1	2	3	4	5
		X		
		X		
		X		

Trainer

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Poor			Excellent	
1	2	3	4	5
			X	
				X
				X
				X
			X	

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Jordan Loan Guarantee Corporation, Ltd. Training Course Evaluation

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- Common size analysis was clearly presented
- Cash flow for small business was clearly presented
- Selected ratio analysis was clearly presented
- Reasons for short- or long-term lending is clear to me
- The case study was relevant.

Poor			Excellent	
1	2	3	4	5
			X	
			X	
			X	
		X		
			X	
		X		
		X		
			X	
			X	

Utility of Subject Matter

- This course is *directly* related to my main responsibility
- I will use *more than half* of the subject matter in my daily work
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- The subject matter has applicability in areas other than just my JLGC work

Poor			Excellent	
1	2	3	4	5
		X		
			X	
			X	
		X		
		X		
		X		
			X	
			X	

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor			Excellent	
1	2	3	4	5
		X		
		X		
	X			
		X		

Participants

Fellow trainees added to the value of the course
 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

Poor			Excellent	
1	2	3	4	5
			X	
		X		
		X		

Trainer

The trainer was well prepared.
 The teaching aids, audio and visual, were well chosen and appropriate
 The trainer had a good sense of participant requirements
 The trainer answered all questions to my satisfaction
 The trainer achieved balance between theory and practice

Poor			Excellent	
1	2	3	4	5
				X
			X	
				X
				X
			X	

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- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
			X	
			X	
		X		
		X		
		X		
				X
			X	X
			X	X
				X

Utility of Subject Matter

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Poor		Excellent		
1	2	3	4	5
		X		
			X	
			X	
			X	
		X	X	
			X	
			X	
			X	

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
		X		
			+	
			+	
			+	

Participants

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 I perceived candor and sincerity among participants
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Poor		Excellent		
1	2	3	4	5
			+	
		X		
		+		

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Poor		Excellent		
1	2	3	4	5
			+	
			+	
			+	
			+	
			+	

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- Reasons for short- or long-term lending is clear to me
- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
			X	
				X
				X
			X	
				X
				X
			X	
			X	

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- The subject matter has applicability in areas other than just my JLGC work

Poor		Excellent		
1	2	3	4	5
				X
				X
				X
			X	
			X	
				X
			X	
				X

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
			X	X
		X		
				X
				X

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1	2	3	4	5
			X	X
			X	
		X		

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Poor		Excellent		
1	2	3	4	5
				X
				X
				X
				X
				X

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- The case study was relevant.

Poor		Excellent		
1	2	3	4	5
		✓		
		✓		
		✓		
		✓		
			✓	
			✓	
		✓		
			✓	
			✓	

Utility of Subject Matter

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- The subject matter has applicability in areas other than just my JLGC work.

Poor		Excellent		
1	2	3	4	5
			✓	
			✓	
		✓		
			✓	
			✓	
			✓	
		✓		

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
	✓			
			✓	
		✓		
		✓		

Participants

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 I perceived candor and sincerity among participants
 There should have been different groupings (Make suggestions in second part)

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Poor		Excellent		
1	2	3	4	5
			✓	
			✓	
		✓		
				✓
			✓	

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- The case study was relevant.

Poor			Excellent	
1	2	3	4	5
			X	
			X	
			X	
				X
			X	
		X		
				X
				X
			X	

Utility of Subject Matter

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Poor			Excellent	
1	2	3	4	5
				X
				X
			X	
	X			
		X		
			X	
			X	
				X

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
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Poor		Excellent		
1	2	3	4	5
		X		
			X	
		X		
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				X
			X	
				X
				X
				X

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Poor		Excellent		
1	2	3	4	5
			X	
			X	
			X	
		X		
		X		
		X		
		X		
			X	
				X

Utility of Subject Matter

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Poor		Excellent		
1	2	3	4	5
		X		
		X		
			X	
		X		
		X		
		X		
			X	

Facilities/Logistics

Room was comfortable
 Teaching aids were adequate (Make any suggestions in second part)
 Time allocation was appropriate (Make comments in second part)
 Reference materials were useful

Poor		Excellent		
1	2	3	4	5
	X			
		X		
		X		
			X	

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		X		
			X	
			X	
			X	

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Evaluation of Training Effectiveness

Training is recognized as investment in human capital. In a limited labor market, this investment is not only critical for increasing management efficiency and employee productivity, but often just to prevent good employees at every level from leaving the organization.

In the service industry, training is a never-ending requirement. This stems from the basic fact that in the services industry the consumer is an integral part of the production process. As a result, survival depends on forever changing the production process based on client requirements and preferences. Not surprising then, ever-increasing amounts are being spent on training. This raises key issues of accountability and return on investment.

Measuring the effectiveness of the training provided by the Training Advisor to the JLGC must therefore address these issues, and defining measurement criteria for accountability and return on investment an important task.

The Market Attitude: Accountability is Perceived Value

Selling training products for a prolonged period in a market that perceives itself as being saturated is a major challenge for any training professional. The Training Advisor quickly encountered the market's primordial question of perceived value:

Will the training you offer be an incremental contribution to all that which we have already experienced?

From the investor in training the primordial question was.

Assuming you provide incremental training, will your methodology ensure retention and use of the subject matter by the recipients?

Put in other words, "What will be my return on investment?"

Classical Measurement Criteria

Donald L. Kirkpatrick defined a classical set of training measurement criteria almost forty years ago in his book, "Evaluating Training Programs, The Four Levels"² Jack J. Phillips, Ph.D. in his book, "Return on Investment in Training and Performance Improvement Programs," adds a fifth level, "Return on Investment."³ A representation of those levels appears below.

Training Measurement

Level	Measurement Focus
1. Reaction and Planned Action	Measures participant satisfaction with the program and captures planned actions.
2. Learning	Measures changes in knowledge, skills, and attitudes
3. Job Applications	Measures changes in on-the-job behavior
4. Business Results	Measures changes in business impact variables.
5 Return on Investment	Compares Program Benefits to Costs

Reaction and Planned Action

Measuring participant reactions to the subject matter of training, and the participant's perception as to the utility of the subject matter in the work place, comprise one half of the first level. Getting the participant to identify precise action he will take in his job as a direct result of the training received comprises the second half of level one

Both halves of this first level can be measured by requesting completion of appropriately crafted questionnaires.

Learning

In the second level, measuring changes in knowledge, skills, and attitudes associated with specific training is more difficult. Of course, knowledge testing is the obvious answer in areas of technical expertise such as accounting, financial analysis, cash flow analysis, and the features and benefits of specific products. Questionnaires to clients on an employee's perceived level of product knowledge is widely used in the financial and non-financial services industry

² Donald L. Kirkpatrick, "Evaluating Training Programs, The Four Levels," Berrett-Koehler Publishers, (San Francisco, California), 1994 (Reprinted)

³ Jack J. Phillips, Ph D , "Return on Investment in Training and Performance Improvement Programs," Gulf Publishing Company, (Houston, Texas), 1997

In the case of attitudinal evaluation, behavior assessment in role-play situations can be effective. Performance evaluations by superiors, peer, and subordinates, and most important of all, clients, are also useful tools for attitudinal evaluation.

Job Applications

Measuring changes at the third level, in on-the-job behavior, takes time. It should be an integral part of employee performance evaluation. This means that all training received by the employee should be recorded in his personnel file. Whether or not the employee must be held accountable for having that knowledge is a matter of goal setting on the one hand and the actual position the employee holds. Common tools for measuring the participants' use of specific training on the job include, but are not limited to, the following.

- Follow-up surveys of the participant peer and subordinates
- Follow-up questionnaires.
- Observation on the job and other forms of performance monitoring
- Interviews with participants, superiors, peers, subordinates, and clients
- Follow-up focus groups.
- Specific assignments based upon the training program
- Action planning based on the training program

The difficulty of the above and on business results below is separating the affect of specific training from the myriad factors that motivate and influence on the job performance. Bearing this in mind, the evaluator must at once be objective and subjective in his evaluations.

Business Results

Judging how specific training impacts business performance variables comprises the fourth level of training performance. It is substantially more difficult than even on the job performance. Common tools are:

- Control group arrangements.
- Trend line analysis of performance data against the control group
- Forecasting methods of performance data.
- Evaluation of the training by subjective percentage estimates from management, staff, and customers

Return on Investment

Measuring the financial benefits of training against its cost requires that level four business results be assigned specific monetary value. Specifically, in the financial sector this requires that the financial benefits of customer satisfaction, market share, and the number of new account relationships be expressed in financial terms. In well run businesses; management estimates are often the best available conversions. Good managers intuitively factor in the cost of quality

service, employee time, and historical costs. They know where to find the data required and how to apply the estimates of others. These financial benefits must then be compared to the costs of training.

Five Levels of Evaluation and the JLGC Training Program

These five criteria can be integrated with those gleaned from the scope of work for the training advisor and represented below:

1. Numbers and Quality of Participants
2. Participant Evaluations.
3. Increased Loan Guarantee Volume
4. Improvement in Underwriting Skills.
5. Improvement in Underwriting Policies and Procedures
6. Quality of Continued JLGC Training Programs.
7. Increase in net income per employee

This integration yields a new measurement matrix represented below

Integrated Training Measurement

Level	Measurement Focus
1. Reaction and Planned Action <ul style="list-style-type: none"> • Numbers and Quality of Participants. • Participant Evaluations 	Measures participant satisfaction with the program and captures planned actions.
2. Learning. <ul style="list-style-type: none"> • Improvement in Underwriting Skills. 	Measures changes in knowledge, skills, and attitudes.
3. Job Applications. <ul style="list-style-type: none"> • Improvement in Underwriting Policies and Procedures. • Improved Quality of JLGC Training Programs. 	Measures changes in on-the-job behavior
4. Business Results <ul style="list-style-type: none"> • Increased Loan Guarantee Volume. 	Measures changes in business impact variables
5. Return on Investment. Increase in net income per employee.	Compares Program Benefits to Costs

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Reaction and Planned Action

Participant evaluations comprised the primary measurement for the success of the training program conducted for JLGC personnel, bankers, and exporters. The course curriculum was limited to the general category of Underwriting Skills shown on page 3. Management training as defined in the Training Assessment matrix shown on page 4 was not targeted. A major part of management training fell heavily under the scope of work assigned to the Marketing Advisor. Pricing, portfolio analysis and management, reinsurance issues, loan loss reserves, and legal issues were a daily topic of discussion between JLGC Senior Managers and the Marketing Advisor.

The **Compilation of Participant Evaluations** beginning on page 15 above, provides adequate evidence of the perceived effectiveness of various training courses 16 personnel of the JLGC attended one or both training sessions held for JLGC management and staff 41 bankers at all levels of management from 20 different banks attended either the Trade Finance course or the Small Business Lending course 10 members of the exporting community attended the Trade Finance Course.

The limited time associated with each course-precluded development of statements of precisely how the information taught might be utilized in their specific job This could be the subject of a short follow-up seminar for the participants of the Trade Finance course (2 - 3 days The objective at the end of the course might be to conceptualize an action plan that would be implemented for the next two to six months.

Learning

Measuring what was learned took the form of case studies and presentations more frequently than by specific tests. In the opinion of the Training Advisor, participants successfully demonstrated their understanding of the skills they intended to teach. Their discussions and questions verified this assessment. Frequent accurate application of material not presented by the trainer, but included within the context of case study presentations made it obvious that the material presented was well understood.

Job Applications

Whether or not the material taught is being applied by participants on the job has not been tested At JLGC it is obvious that the issues of underwriting are being discussed with a new level of understanding. Risk is now of serious concern More importantly, there is serious discussion concerning the policies and procedures for controlling risk vis-a-vis the policies and procedures of serving the lending community.

It has been observed that some requests for guarantees have been rejected based on underwriting skills taught in the course. Whether those declinations would have occurred in any case is not

known. What is known is that the level of confidence in decisions to decline requests is at a much higher level than before the training occurred.

Amongst bank and exporter participants, verbal feedback indicates a higher appreciation for structuring credits and managing risks based on the transaction flow and conversion cycle. Whether the pressures of the job will dampen known cautions can only be known over time.

Business Results

The Training Advisor at JLGC cannot measure the direct impact on business results of the banks and exporters. JLGC itself will only know this indirectly by the quality and quantity of new deals to arrive at the doors of JLGC over the next six months. However, it is interesting to speculate that the following changes in volume of business year to date at JLGC, shown in Tables 10, 11, and 12, and the changes that occurred during the period from May 31 to September 30, 1997 when the Training Advisor was present at the JLGC shown in Table 13, were at least in a small way facilitated by the training that has occurred.

Table 10

Jordan Loan Guarantee Corporation			
Comparative Loan Guarantee Statistics	1995	1996	% Change
Number of Applications Received	166	264	59%
Guarantee Amount of Applications Received	JD 2,002,107	JD 2,920,006	46%
Number of Applications Executed	111	171	54%
Guarantee Amount of Applications Executed	JD 1,396,481	JD 1,993,032	43%
Number of Applications under Execution Process	21	46	119%
Amount of Applications under Execution Process	JD 235,067	JD 632,374	169%
Number of Items Rejected and Canceled	34	47	38%

Source: JLGC Annual Report 1995 and Internal Statistics 1996

Table 11

Jordan Loan Guarantee Corporation			
Comparative Loan Guarantee Statistics for Five Months (Period 01/01/97 to 30/09/97)	1996	1997	% Change
Number of Applications Received	192	389	102.6
Guarantee Amount of Applications Received	1,972,158	4,936,040	150.3
Number of Applications Executed	132	288	118.2
Guarantee Amount of Applications Executed	1,391,458	3,367,221	142.0
Number of Applications under Execution Process	20	82	310.0
Amount of Applications under Execution Process	308,825	1,192,907	286.3
Number of Items Rejected and Canceled	40	19	-52.5

Source: JLGC Internal Statistics

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Table 12

Jordan Loan Guarantee Corporation			
Comparative Loan Guarantee Statistics for Five Months (Period 01/01 to 31/05)	1996	1997	% Change
Number of Applications Received	111	195	76%
Guarantee Amount of Applications Received	JD1,128,262	JD2,338,309	107%
Number of Applications Executed	83	123	48%
Guarantee Amount of Applications Executed	JD877,887	JD1,401,746	60%
Number of Applications under Execution Process	4	62	1450%
Amount of Applications under Execution Process	JD78,750	JD843,152	971%
Number of Items Rejected and Canceled	24	10	-58%

Source JLG Internal Statistics

Table 13

Jordan Loan Guarantee Corporation			
Increase in Loan Guarantee Statistics from 31/05/97 to 30/09/97	31/5/97	30/09/97	% Change
Number of Applications Received	195	389	99.5%
Guarantee Amount of Applications Received	JD2,338,309	4,936,040	111.1%
Number of Applications Executed	123	288	134.1%
Guarantee Amount of Applications Executed	JD1,401,746	3,367,221	140.2%
Number of Applications under Execution Process	62	82	32.3%
Amount of Applications under Execution Process	JD843,152	1,192,907	41.5%
Number of Items Rejected and Canceled	10	19	90.0%

Source JLG Internal Statistics

The domestic LGP gained substantial momentum during 1996, and made even more dramatic improvement during the first five months of 1997. A review of Table 9, shows that the number of applications received in all of 1996 totaled 264, a 59% increase over 1995. A similar review of Table 11 shows an actual five month increase in applications received during 1997 over a comparable period in 1996 of 76%. Table 10 shows that during the nine-month period of 1997 guarantee applications increased 102% over the comparable period in 1996. Applications nearly increased 100% from May 31 to September 30.

Other important observations from these tables are

- The total Dinar amount guaranteed since May 31 is up 140%.
- The Number of Applications Executed during the first nine months of 1997 is up 118% over a comparable period in 1996, but up 134% from May 31 to September 30, 1997.

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- The number of items rejected is lower in the nine-month periods of 1996 and 1997, but the number is up 90% since May 31. One can hope this is a result of harder decisions taken by JLGC decision-makers in response to the training.

Return on Investment

Measuring the return on investment will obviously require serious analysis over time. The Training Advisor can present no reasonable estimates. This should not deter JLGC management from trying to define some measurements based on fee income and claims statistics.

Recommendations

The recommendations of the Training Advisor cover three areas, first a planning, responsibility and prioritization methodology with multiple applications, second, the logistics of JLGC training bankers and exporters while marketing its products, and third, recommendations on continued training seminars.

Planning and Responsibility Work Sheet and Training Logistics

On the following page is a planning and responsibility worksheet, the format of which has universal application. In this particular example the logistics of organizing a training seminar is presented. The format can be used for organizing and conducting a seminar in any of the JLGC products including the Loan Guarantee Program, the Pre-Shipment or Post-Shipment Export Credit Guarantee programs. In a large project involving several tasks, each task can be divided into smaller, more manageable components, with each task having its own planning and responsibility worksheet. In this way, even without a computerized project management capability, the project manager can "dig down" into the details of the project and monitor the performance of those with primary and secondary responsibility.

Establishing Priorities

Establishing priorities can be accomplished by recording tasks on a matrix and rating them according to the following criteria:

1. Tasks that must be done before anything else
2. Tasks that can be done at least cost, have the greatest positive impact, and do not depend on the completion of other tasks
3. Tasks that must follow the completion of others.
4. Tasks that can be logically delayed, i.e., "those nice to have, but not necessary."

Other criteria can be set, but the above are simple and usually easy to identify. When there are multiple tasks of equal priority, practical issues such as cost, time, and other resource

requirements can be used to establish the “first among equals.” Alternatively, several activities may have to be carried out simultaneously.

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PROJECT PLANNING AND RESPONSIBILITY WORKSHEET

PROJECT: Conduct a Seminar at the Union Bank, Ma'an Branch						
Project Responsibility						
Number and Task Description	Primary	Secondary	Begin Date	End Date	Comments	Priority
1 Call and set date	Initials	Initials	xx/xx/xx	xx/xx/xx	done	1
2 Check on type of facilities Blackboard Overhead Projector	Initials	Initials	Two weeks prior to presentation			2
3 Check on number of participants and establish experience and interests	Initials	Initials	Two weeks prior to presentation	Three days prior to presentation		1
4 Prepare teaching materials	Initials	Initials	Three weeks prior to presentation	One week prior to presentation		2
5 Prepare materials to distribute	Initials	Initials	Three weeks prior to presentation	One week prior to presentation	Correct amounts when confirming participants in step 3	Priority changes closer to day of presentation
6 Do rehearsal or have coordinating meeting of presenters	Initials	Initials	Three days prior to presentation		Complexity of rehearsal depends on presentation and presenters	Priority changes based on presenters
7 Organize transportation	Initials	Initials	One week prior to presentation	Confirm day before presentation		1
8 Present and evaluate presentation	Initials	Initials	Next day after presentation	Two days after presentation	Do not delay evaluation	2
9 Follow-up when necessary	Initials	Initials	Next day after presentation		Follow-up is critical	1

- NOTES: 1 Tasks can become Projects with more defined Tasks under them
 2 Use initials for primary/secondary responsibility
 3 A person with primary responsibility on one task may be secondary on another
 4 Ending dates are estimates until actually complete
 5 Comments can be used for updates, to show actual completion date, etc

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Recommendations on JLGC Underwriting Policy

Should the JLGC continue to depend on banks to perform the underwriting task, then the JLGC should become expert in bank analysis. The domestic loan program and the pre-shipment loan guarantee programs are currently depend solely on the credit analysis of the lending institution that receives the benefit of the JLGC guarantee. Thus it is critical that JLGC be able to distinguish credit risk amongst banks.

Bank Analysis

It is recommended that technical assistance be provided over an appropriate time to build a solid underwriting capacity to include the following (75 man-days recommended):

- Construction/installation of a computerized spreadsheet for bank analysis, including assets, liabilities, income statement, sources and uses of funds, loan loss reserve analysis and such other analyses as deemed appropriate.
- Design of guarantee referral/approval forms for professional presentation to the Board of Directors or their designates for approval purposes.
- Training to include:
 1. Thorough understanding and application of ratio analysis for banks.
 2. Thorough understanding of common size analysis both vertical and horizontal for banks.
 3. Construction of peer analysis among banks
 4. Clear understanding of the differences among banks: commercial, consumer, housing, development, and investment banks.
 5. Thorough capability in the use of the computerized spread sheet analysis

Foreign Buyer Risk Analysis

Separately, analysis capabilities should also be implemented for underwriting buyer risks in foreign markets. This will require 60 man-days and should be coordinated with the above bank analysis project. This is required to support the JLGC Post-shipment export credit guarantee program. This should include:

- Construction/installation of a computerized spread sheet for company analysis, including assets, liabilities, income statement, sources and uses of funds, cash flow analysis and such other analyses as deemed appropriate. The system should be able to easily translate foreign currencies where necessary.
- Design of guarantee referral/approval forms for professional presentation to the Board of Directors or their designates for approval purposes.
- Training to include:
 1. Thorough understanding and application of ratio analysis.
 2. Thorough understanding of common size analysis both vertical and horizontal for different companies in different industries.

3. Thorough capability in the use of the computerized spread sheet analysis.
4. Training in analysis of political and foreign exchange risk.

Two advisors are recommended to be in residence at the JLGC at the same time in order to spread and enhance the training requirements. The effort of coordinating a computer installation and training staff is not to be underestimated

There must be a strong commitment from Senior Management and staff to make time available for a dedicated underwriting staff to complete these training requirements. A serious pre-training/installation plan must be formulated prior to the arrival of training personnel

Recommendations on Continued Training Seminars

The following recommendations, while simple in statement, require thorough planning and coordination. Announcements should be made three months in advance of annual seminars and again one month prior to the actual day of the seminar. Prices should at least cover costs.

Quarterly announcement of technical seminars should be announced a minimum of four weeks prior to the seminar. Any materials for distribution, especially case studies, should be available to participants a minimum of one week prior to the seminar. Prices should cover costs, and the distribution of materials should only occur after payment for the course is received.

Annual Seminars

Annual seminars should be held on the importance of positive reinforcement ***“Nothing Succeeds Like Success!”***

They should include the following, but need not be limited in this manner

- Annual Meeting of Bankers and Exporters to focus on success stories (Spring)
- Annual Meeting of Bankers and Small Business Managers to focus on success stories (Fall).
- Panel of Experts (Foreign and Domestic) to extract solutions from successes at each seminar and apply them to manageable sized problems

In this latter case, technical assistance in forming this panel of experts is warranted. Thirty man-days should be satisfactory, with ten days allocated to work that need not be carried out in Jordan. The other 20 man-days would be allocated around the seminar dates

Quarterly Technical Training

Quarterly seminars should focus on technical training. These should be aimed at middle and line managers. ***“Managers Want Tools, Not Training!”***

In this situation, the case study method is important. Building case studies from JLGC files or relevant files from cooperative banks or exporters is most effective. This activity can take a minimum of one week per case or more, depending on the complexity of the scenario constructed. Suggestions for topics follow. Others can be chosen.

- Case Studies in managing Delinquent Debt
- Case Studies in Claims Processing
- Case Studies in how key Sectors can utilize the JLGC Loan Guarantee Program and ECG Programs
- Separate Program Case Studies for Back Office Personnel of JLGC Program Users

Follow-up on Courses Presented

It is recommended that based on the lists of participants that questionnaires be crafted to survey seminar participants as to the usefulness of the subject matter taught. In addition, a question as to what other courses interest them could be posed at the same time to assist in completing the above list of technical training.

Training Equipment

The JLGC is in dire need of the following:

- A modern, portable, overhead projector.
- A new photocopier machine capable of reliably printing 150,000 to 200,000 copies per annum.

The copier should be capable of sorting and stapling documents, expanding and reducing images, and producing high quality transparencies.

Three estimates of various size photocopier machines are included with this Final Report. While it is not in the purview of the Training Advisor to make a specific recommendation, the features described above are important. One other consideration is the quality of service after purchase or lease.

- Portables flip chart and markers
- Markers for transparencies.
- Additional graphics software.
- Professionally printed guarantee policies

Conclusions

During the last six months, the Training Advisor, in concert with the Senior Management of the JLGC, primarily addressed the need for presenting underwriting skills to JLGC personnel, bankers and exporters. The objectives of this training included not only the presentation of

technical aspects of trade finance and financial analysis, but also the communication of the features and benefits of JLGC programs to potential users, the bankers and exporters in Jordan.

Training objectives were established not only to enhance JLGC programs, but also to define business risks so as to give the participants the ability to

- Understand and define creative financial transactions, both domestic and international
- Facilitate the conceptualization and development of creative security and collateral arrangements among bankers that include JLGC products
- Prudently expand JLGC export credit and small business loan guarantees through enhanced underwriting skills.
- Open a dialogue with those market sectors that facilitate JLGC product development and expand markets for Jordan and employment for Jordanians.

Accordingly seminars and a workshop were structured and presented on the following topics.

- A Review of Accounting, Ratio Analysis and Balance Sheet Logic.
- Trade Finance. Case Studies in Pre- and Post-Shipment Financing
- Loan Guarantee Program and Cash Flow Analysis.
- Loan Guarantee Program and Small Business Lending.
- Business Usage of the World Wide Web.

The results, as evidenced in evaluation questionnaires submitted from 16 members of the JLGC staff, 41 bankers from 20 banks, and 10 exporters, were on average “very good” In the opinion of the trainer, participants will use the skills and concepts to creatively assist their clients’ financial requirements. This will include increasing use of JLGC products

As mentioned above, the JLGC needs to increase its underwriting capabilities Faced with delivering their products quickly, the JLGC depends on banks to do borrower analysis Therefore, the Training Advisor has recommended that the JLGC become increasingly involved in bank analysis. In addition, underwriting skills need to be applied to foreign buyers in order to serve the Jordanian export community.

Finally, training needs to be continued in an environment of positive reinforcement to encourage the banks and exporting community to utilize JLGC products and expand the Jordanian economy. A survey of previous participants on the usefulness of subject matter presented and requesting their suggestions for additional training is recommended.

To facilitate this effort, planning and logistics for training must be implemented in a “scientific” manner, i.e , with clear lines of responsibility in a step-by-step process. To this end, a Planning and Responsibility Worksheet has been included In addition some basic equipment needs should be filled, and estimates are included for management consideration

APPENDIX I

RAPID ASSESSMENT OF JLGC TRAINING NEEDS

JORDAN LOAN GUARANTEE CORPORATION, LTD

AN ASSESSMENT

by

International Business & Technical Consultants, Inc.
June, 1997

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Introduction

Under a delivery order issued by the United States Agency for International Development (USAID), technical assistance to the Jordan Loan Guarantee Corporation, Ltd. (JLGC), is to be provided by advisors from International Business & Technical Consultants, Inc. (IBTCI), Vienna, Virginia, USA. This report is partial fulfillment of the scope of work assigned the Training Advisor under that delivery order. It consists of a rapid assessment of JLGC's operations and adherence to manuals and international standards of operations.

Methodology

The IBTCI training advisor's methodology used in preparing this assessment consisted of gathering and analyzing documents and statistics from JLGC, together with personal interviews of, and assistance from, management, line, and support personnel of JLGC. Sincere thanks is due each of them for their effort and patience. Naturally any errors in this assessment remain the sole responsibility of the writer.

The documents and statistics represent policies and procedures put in place, and results achieved, by the JLGC from inception to the current date. Table 1 is a list of the documents and statistics reviewed. A comparison of JLGC current operations and product availability with recommendations initially made by First Washington Associates¹ (FWA) is also presented in matrix form. This is shown as Table 2. Reference to the content of these tables appears in various parts of the Assessment.

Assessing whether or not JLGC policies and procedures compare favorably with international standards is based on the training advisor's personal knowledge of export credit agencies in Africa, East Europe, and Latin America. For a further reference to relevant experience in the Far East, the interested reader is referred to a study by the Asian Development Bank called "Export Finance: Some Asian Examples."² This volume features detailed analysis and a discussion of problems and prospects of export credit and insurance programs in India, Indonesia, Pakistan, the Philippines, and Thailand.

International standards applicable to JLGC operations also exist within the scope of commercial and financial management practice. To the extent that these can be applied to JLGC operations, they will be specifically presented in the Assessment. Items that will be addressed where international standards can be applied include individual and aggregate credit limits, underwriting standards, application and product processing or delivery times, percentages of cover, the timeliness of accounting entries, and audit controls.

¹ "Report on the Feasibility of Establishing an Export Credit Guarantee Facility in Jordan," May 1995 Prepared for the U S Agency for International Development, Amman Jordan In this feasibility study, FWA prepared a series of standard documents and manuals for evaluating and issuing pre- and post-shipment export credit guarantees within the JLGC organization structure. The current Technical Assistance for Training program is intended to continue the activities recommended by FWA.

² "Export Finance: Some Asian Examples," Asian Development Bank, Economics and Development Resource Center, 1990, Manila, Philippines

Table 1
Documents and Statistics Reviewed

Title	Source/Author	Date
JLGC Annual Report 1994, 1995	Jordan Loan Guarantee Corporation, Ltd	June, 1995/6
JLGC Annual Report 1996 (Draft)*	Jordan Loan Guarantee Corporation, Ltd	May, 1997
Report on the Feasibility of Establishing an Export Credit Guarantee Facility in Jordan*	First Washington Associates, Ltd	May, 1995
Various recommended procedures manuals*	First Washington Associates, Ltd.	May, 1995
The ECG Marketing Plan of the JLGC for 1997	Jordan Loan Guarantee Corporation, Ltd	Feb. 22, 1997
Application for Post-Shipment Export (Whole turnover) Credit Guarantee Against Commercial Risks	Jordan Loan Guarantee Corporation, Ltd.	Undated
Post-Shipment Export Credit Guarantee Contract Against Commercial Risks (Basic Policy)	Jordan Loan Guarantee Corporation, Ltd	Dec 12, 1996
Jordan Loan Guarantee Corporation Loan Agreement. (English Translation)	Jordan Loan Guarantee Corporation, Ltd.	Oct. 30, 1994
JLGC Organization Chart	Jordan Loan Guarantee Corporation, Ltd	June 3, 1997
Reports below are for the period 28/08/94 to 03/06/97		
Received Inquiries Applications LGP/ JLGC	Jordan Loan Guarantee Corporation, Ltd	June. 3, 1997
Relative Importance Report of Received Inquiries Applications LGP/JLGC	Jordan Loan Guarantee Corporation, Ltd.	June 3, 1997
Received Inquiry Transactions by Sector, Request Status, Gender, and Location	Jordan Loan Guarantee Corporation, Ltd	June 3, 1997
Reports below are for the period 01/10/90 to 03/06/97		
Received Inquiries Applications LGP/ JLGC	Jordan Loan Guarantee Corporation, Ltd.	June. 3, 1997
Relative Importance Report of Received Inquiries Applications LGP/JLGC	Jordan Loan Guarantee Corporation, Ltd.	June 3, 1997
Received Inquiry Transactions by Sector, Request Status, Gender, and Location	Jordan Loan Guarantee Corporation, Ltd	June 3, 1997
Reports below are for the period 01/01/97 to 03/06/97		
Received Inquiries Applications LGP/ JLGC	Jordan Loan Guarantee Corporation, Ltd	June. 3, 1997
Relative Importance Report of Received Inquiries Applications LGP/JLGC	Jordan Loan Guarantee Corporation, Ltd.	June 3, 1997
Received Inquiry Transactions by Sector, Request Status, Gender, and Location	Jordan Loan Guarantee Corporation, Ltd	June 3, 1997

Except as marked with an "*", a copy of each item in Table 1 is included in the Appendix. Those documents not included are either considered too large to be included or of a proprietary nature, and deemed by JLGC as not available to the general audience of this report

LGP = Loan Guarantee Program, which is the domestic loan guarantee program for small and medium size businesses

Table 2
JLGC Current Operations and Product Availability:
A Comparison to FWA Recommendations

FWA Recommendation	Implementation				In Process		Comment
	Yes		No		WC	EX	
	WC	EX	WC	EX			
Continue loan guarantee program (LGP)	x						Improved limits and affect of guarantee on risk-based capital/asset calculation for banks
JLGC to develop pre-shipment loan guarantee product		x					Implemented February 1, 1997. First transaction in process.
JLGC to develop post-shipment loan guarantee product		x					Implemented January 1, 1997. No outstanding transactions at this time.
Increase capital to JD10 Million	x	x					Effective 1997. Capital serves domestic and export loan guarantees.
Establish credit policies	x	x					Limits in place and monitored for LGP and pre-shipment loan guarantee. COFACE assists with post-shipment guarantee.
Establish underwriting manual					x	x	Initial manual in place. Substantial dependence on banks and COFACE for underwriting process. Part of current Technical Assistance.
Establish claims manual	x					x	Part of current Technical Assistance.
Establish a separate underwriting department for pre- and post-shipment export credit guarantees		x					Fully staffed as of June 1, 1997. See JLGC Organization Chart. Training is part of current Technical Assistance.
Linkage to outside agencies to obtain credit data for post-shipment products		x					Agreement with COFACE dated Jan. 7, 1997. Agreement also provides reinsurance on commercial risk.
Provide or achieve access to political risk cover						x	Consultation with the Inter Arab Investment Corp. is in process of development. JLGC management intends to begin dialogue with Government.
Design and present seminars to bankers and exporters to sell all JLGC products	x	x					See list of seminars and conferences presented in this Assessment.
Design and implement a marketing plan	x	x					A marketing advisor is part of current Technical Assistance.
Undertake external training		x					Key management attended training at COFACE in Paris. Training in the USA planned.
Provide for internal training	x	x					Part of current Technical Assistance.

Legend: WC = "Working Capital," and refers to the domestic Loan Guarantee Program (LGP)
EX = "Export," and refers to the pre- and/or post-shipment Export Credit Guarantee (ECG) programs

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Findings

Overall Assessment: A Summary

Details of this overall Assessment may be found below. This summary is intended to focus the reader's attention on the most significant points of the presentation. Since inception, but in particular during the last 12 months, the management of the Jordan Loan Guarantee Corporation, Ltd. has diligently assembled all the critical operating components necessary for an effective domestic loan guarantee and an export credit guarantee organization. The advice and counsel of a number of consultants, primarily funded by USAID, have been substantially implemented. As can be seen from Tables 1 and 2, this has encompassed the capitalization, the organizational structure, a marketing plan, internal and external training, a financial accounting and management information system.

In addition, the Government of Jordan (except in the case of deciding that political risk coverage must be borne by the private sector), has provided a legislative environment more favorable to JLGC operations and its potential clients than in the past. Specifically, allowing beneficiary banks to allocate capital at 20% for purposes of calculating their risk-based capital to asset ratio on loans guaranteed by JLGC instead of 100% should be an important incentive for banks to use JLGC products. Another incentive to banks, and one that directly benefits the earnings of each bank, is the Central Bank exemption of loans guaranteed by the JLGC from the 2% bad debt provision.

The Government has also improved the export climate by liberalizing the customs regime, exempting all income from exports from taxes, and in general pursuing international commercial expansion to the greatest extent possible in a difficult environment. This should increase commercial opportunity in the domestic and export sectors.

International standards of performance are being met as measured by the timeliness of processing domestic applications and outstanding domestic guarantees, the booking of fees and expenses, and the ability to quickly generate up-to-date statistical data. On the other hand, given the level of business outstanding, there is clearly much to achieve to meet international standards of expertise in the areas of risk analysis and underwriting. Management is aware of this shortcoming and depends heavily on the banks' underwriting skills in the case of domestic loan guarantees and pre-shipment credit guarantees. Post-shipment export credit risks are being managed under the relationship with Groupe COFACE. This is done through credit information on foreign buyers and through a reinsurance agreement.

Major Objective

The major objective now facing the JLGC, and challenging the technical advisors at the JLGC for the next six months, is to substantially increase the level of outstanding guarantees. This is particularly the case of export credit, both pre- and post-shipment. Increasing credit skills, streamlining operating procedures, defining marketing plans, while necessary, mean little unless somebody buys JLGC products.

It is not trite to use two clichés: "Nothing happens until somebody buys something," and "Nothing succeeds like success."

Major Obstacles

Obstacles to be overcome in achieving this major objective are not new. They are well documented in all literature on export finance in general and on small business guarantors and export credit agencies in particular. They are documented in the FWA feasibility study for Jordan and experienced by loan guarantee and export credit guarantee agencies worldwide. They are keenly felt at the JLGC. They include, but are not limited to, conservative lenders, defining the performance capability of the borrower, the borrower's suppliers, and issues of collateral versus loan repayments from the conversion cycle, called "cash flow."

"The" Solution

There is no specific solution. "The" solution is a process. Adding another position, person, or function to the JLGC organization structure will not magically overcome the obstacles. This process has been best verbalized by a member of the JLGC senior management when he said, in essence, that we must focus on identifying the market's needs and adapt JLGC products accordingly. Clearly, this does not mean compromising the basic principles of underwriting, or the policies and procedures in place.

It does mean listening to potential clients of JLGC in order to clearly identify their needs. It does mean adapting JLGC products to those needs. The "products" are the domestic Loan Guarantee Program and the ECG Program, i.e., both the pre- and post-shipment export loan guarantee programs. It does mean adapting JLGC "packaging" to those needs.. The "packaging" consists of the seminars and training programs for banks and borrowers, the counseling service for individual potential small business borrowers, and media presentations.

For example, JLGC seminars for bankers must present not only the LGP, but must also provide bankers the skills to make marginal credit profitably bankable with an appropriate use of a JLGC guarantee. In the process of presenting the ECG, the "directions for use" on the JLGC "package" must show the banker how to:

- Determine the potential borrower's ability to perform under an export contract
- Determine overall creditworthiness of the potential exporter
- Understand and assist in the structure of the transaction
- Be creative in security and collateral arrangements.

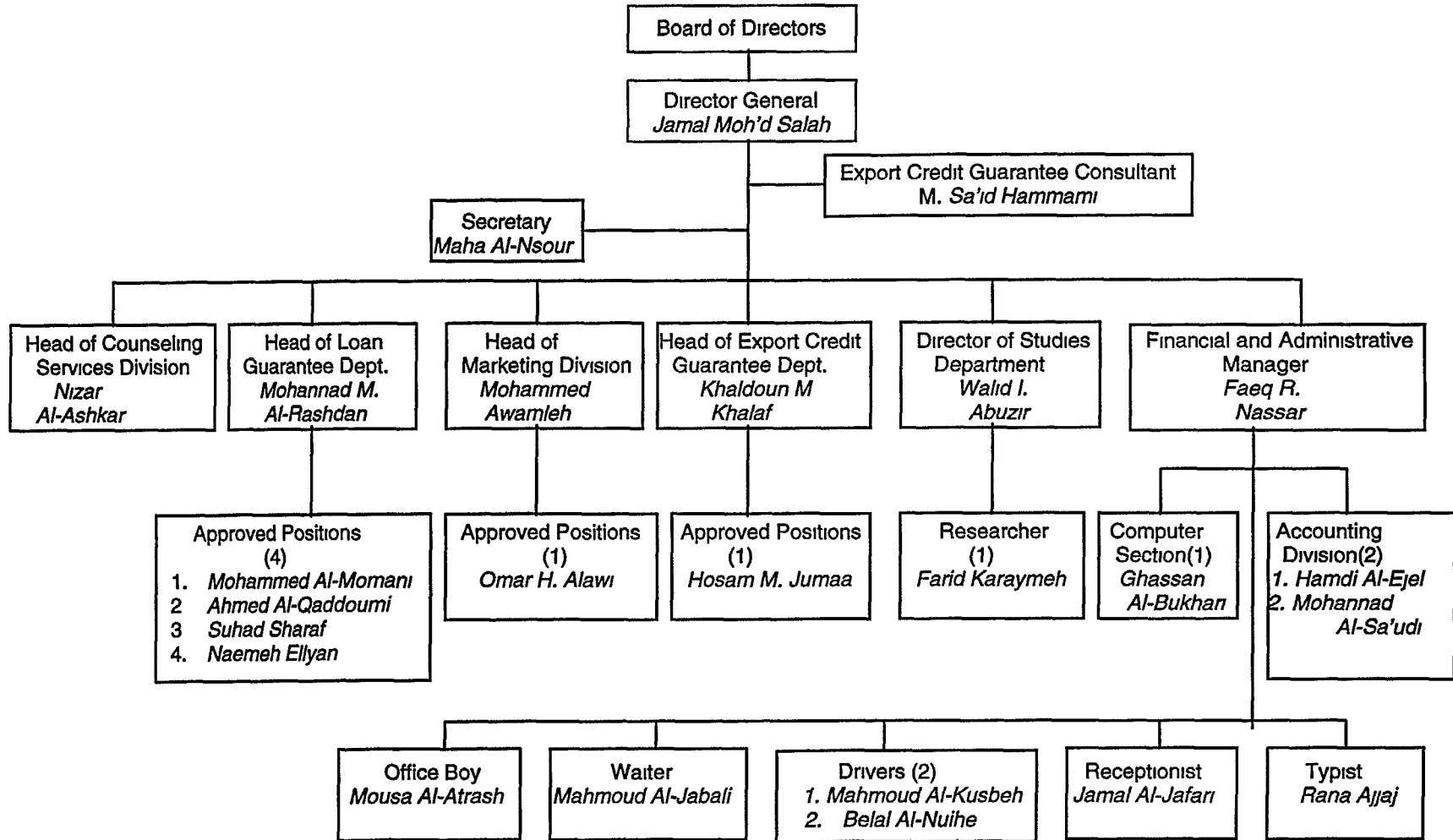
Finally, all of the above does mean more adaptive and thoughtful hard work. An overall assessment of the personnel at the JLGC whom this writer has met do date indicates them fully capable of achieving this objective in the next six months and sustaining it in the future.

Organizational Structure

The organizational structure of the JLGC is shown on the following page. For comparative purposes, the organizational chart envisaged in the May 1995 study by FWA is shown on the page thereafter. Based on the FWA recommendation, the JLGC is structurally prepared to provide effective LGP and ECG programs. There does not appear any reason to add additional personnel. While the FWA study suggested 17 to 18 personnel to begin, there are now 25 members of the staff.

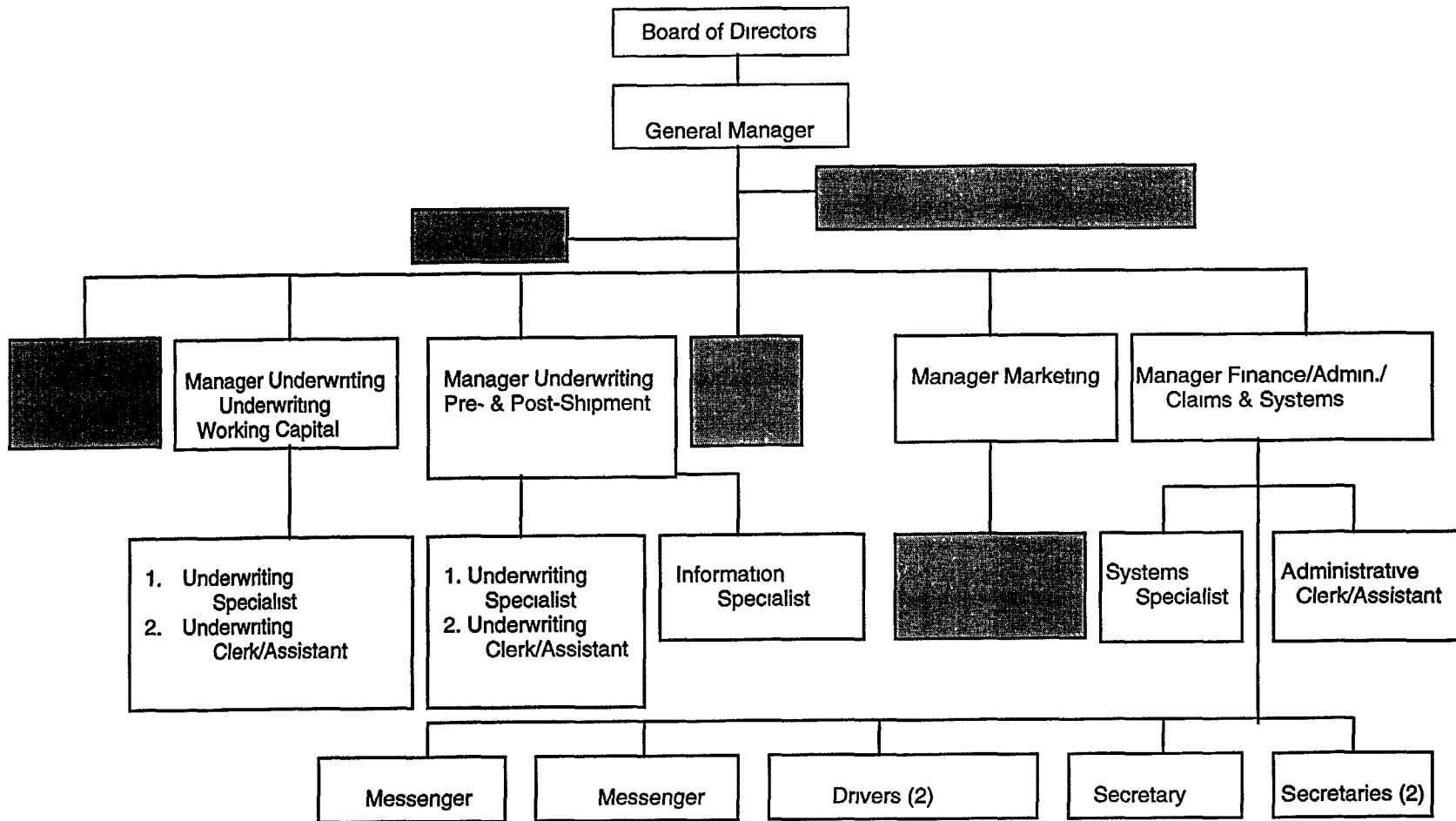
Should there be a surge in volume in one, as opposed to another, division of the JLGC, management should be able to reallocate personnel resources appropriately. Senior management specifically indicated that cross training has occurred in the past and that specialization to the disadvantage of the operation is not permitted. This should apply to line personnel as well as support personnel. This will require that each line officer know both the domestic and international products of JLGC.

JORDAN LOAN GUARANTEE CORPORATON, LTD.
Organization Chart as of June 3, 1997



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**FWA RECOMMENDED ORGANIZATION CHART.(MAY, 1995)
Combined JLG/ECGI Facility**



Shaded boxes show positions currently on the JLG/ECGI Organization Chart not originally recommended by FWA and shown here for comparative convenience.

Handwritten initials/signature

Functional Descriptions of Divisions and Sections

Management has provided a functional description for Divisions, Departments, and Sections of JLGC. These appear below as bullet points. A brief assessment of each unit follows. The reader may identify particular personalities with each unit by referring to the organizational chart on page 7, above.

General Manager

The General Manager is responsible to the Board of Directors of the JLGC for the overall management of the Corporation as defined in the Divisions, Departments, and Sections below, its relations with public and private sector, and its program and product development..

Financial and Administrative Department

Major responsibilities of the Financial and Administrative Department are to:

- Plan for the future needs of employees and the Corporation
- Supervise and control the implementation of the financial and accounting system
- Supervise and prepare financial reports and financial statements

This Department is also responsible for the Human Resources Management of the JLGC. It appears orderly and well managed. This was evidenced by the prompt deliver of organization chart information and statistical operating data within an hour of when requested.

Accounting Division

Major responsibilities of the Accounting Division are to:

- Execute the financial and accounting system
- Provide bookkeeping and organization of the payments process
- Input financial data into computerized financial system

While this "rapid assessment" is not an audit of either the financial accounting system or the computer system, the observed daily flow of payments, payment vouchers, and the approval process all indicate an orderly and well managed unit. One instance worth mentioning was a reimbursement request submitted by this writer with an error of two dinars. It was immediately identified and referred for correction. Questions about the timeliness of entries reveal that fees are properly monitored. In the event of claim payments, it is reported that the underwriters examine the documentation, a claims approval committee of the board of directors reviews the material and approves or rejects the claim. The Board of Directors must approve payment of all claims above JD20,000. It is reported that under no circumstances is a committee member allowed to participate in a claims decision if it originates from his own institution.

Computer Section

Major responsibilities of the Computer Section are to:

- Develop, install, and support application software and software packages

- Administer computer network
- Solve or arrange solution of hardware problems

Physical Location and Hardware

The Computer Section functions in a normal office area. That is, it is not located in a special installation with climate control and sub-floor wiring. A network is maintained and utilizes both PC and MAC equipment with a Sun "SPARC server 20". It features two 2.1 gigabyte hard drives, to which external hard drives can be added. The server has 64 megabytes of random access memory (RAM) and eight expansion slots that when fully utilized can provide upto 512 megabytes of RAM. The server processes 110 million instructions per second.

Software and Work Environment

Microsoft Windows 3.11 and '95 are in use with Microsoft Office software including availability of Word 6.0 or 7.0, Excel 5.0 or 7.0, Access, and FoxPro for Windows. A scanner is available and two laser printers are shared by the staff. The MAC equipment provides desktop publishing capabilities and includes Microsoft PowerPoint. Given the availability of space, the unit is efficiently organized and offers a friendly work environment. The manager and staff are aware of the issues of intellectual property rights and keep software in a locked cabinet.

Backup

File systems and data are backed up weekly using a 4mm Sun Unipack tape drive. One copy of the tape is retained on premises; a second off premises at the home of the manager of the Computer Section.

Systems in Place

A review was made of recommendations for MIS requirements provided by Integrated Business Solutions and reported by First Washington Associates. Processing systems in place and in operation are:

- Attendance System
- Communications Logging System (for all incoming mail and documents)
- Mailing List Management System
- The Loan Guaranty System
- The Export Credit Guaranty System
- The Electronic Mail System
- Productivity Tools such as word processing and analytical tools and data bases.

The internal Electronic Mail system is hardly used since it is easier to physically go to a colleague's office or call them on the telephone. This is not to imply that the system be discontinued, rather than just a statement of fact. The use of productivity tools is improving. PC hardware has been ordered to provide access through an ethernet internal connection to all staff. Six employees have completed intensive courses in Windows 3.1, Excel 5.0 and Microsoft Word 6.0. Mr. Al-Bukhari, Manager of the unit, has participated in training in

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Microsoft Access for Programmers and UNIX for Users and Administrators. It is reported that the secretarial staff have above average skills for using productivity tools, and continue to learn on the job. In this respect, it was observed that the manager is actively involved in on the job training.

All reports provided by these systems are available in Arabic, with some available in English.

Systems in Development

Systems in development are:

- The Shareholder's Information Management System
- The Payroll System
- The Human Resource Management system
- The Financial Accounting system
- The Credit Analysis system
- The Marketing Information system
- The Customer Feedback system
- The Library Management system
- The Investment Portfolio Management system
- Connectivity to External Data Banks

Of these, the Human Resource Management and Financial Accounting Systems should be operative in one week. The Payroll System and the Shareholder's Information Management System are in process, although it is reported that there have not been any recent requests for data related to the Shareholder's Information Management System. Connection to national and international financial data is available through a local information company, ACCESS. JLGC does maintain a page on the world-wide web.

Of the remaining, it is recommended that the Credit Analysis System and the Marketing Information System should receive priority in the development process.

The system manager recognizes that, in the future, improving on-line communication with the Corporation's 20 banking clients will have to be addressed. To accomplish this, it is reported that the UNIX Server would need a larger Database engine such as Ingress, Oracle, or Sybase. In addition, a minimum of 4 additional telephone lines would need to be acquired together with a communications manager(hardware/software) to process input from 20 client modems. Education of users at both JLGC and the banks will also have to be considered, together with information security and processing procedures. Implementation of such an improvement should be based upon an appropriate cost/benefit analysis, including decisions as to who should own the modems at the client bank locations.

Research and Studies Department

Major responsibilities of the Research and Studies Department are to:

- Prepare quarterly and annual reports of JLGC
- Follow up decisions made by the Board of Directors and the General Assembly of the JLGC
- Prepare studies related to small and medium size enterprises and the ECG Program

The annual report for the JLGC reflects a very professional and transparent presentation of the operations of the Corporation. This advisor's experience reviewing export credit agency annual reports from all over the world rates that of the JLGC (English version) very highly in appearance, format, and content. No assessment of this Department's responsibility for studies was made, but if the annual report is an indication, the unit should provide excellent support in the process of achieving the objective of increasing the level of outstanding guarantees.

Loan Guarantee Department

Major responsibilities of the Loan Guarantee Department are to:

- Process and analyze guarantee applications received from Banks as well as monthly and quarterly reports
- Analyze defaulted loans and make recommendations for coverage
- Conduct workshops for banks and credit officers in domestic loan guarantees

Export Credit Guarantee Department

Major responsibilities of the Export Guarantee Department are to:

- Develop a marketing plan and calling program for pre- and post-shipment export loan guarantee programs for non-traditional exporters to traditional and non-traditional markets
- Conduct workshops for bank credit officers and exporters in pre- and post-shipment export credit loan guarantee programs
- Underwrite and recommend pre- and post-shipment export credit loan guarantee transactions
- Implement and monitor reinsurance agreement in cooperation with COFACE and other insurance and reinsurance companies

The Loan Guarantee Department and the ECG Department are major components of the JLGC "front line." It is to these Departments that the current technical assistance program is charged to focus most of its efforts. Line officers in these Departments work together to identify and reach their target markets. The ECG Department, for example, has recently sent a survey questionnaire to the Association of Exporters for distribution to its members. Responses are yet to be received

These line officers are also responsible for underwriting transactions, monitoring outstanding transactions, and processing claims. Seminars and workshops presented from January 1, 1997 to June 3, 1997 by these units are shown in Table 3 on the following page. Managers and staff of the LGP and the EGP meet with bank credit officers and exporters on an individual basis as well. It is reported that call reports are required subsequent to all individual meetings.

It is recommended that except when tending to the administration of transactions or undergoing training, members of these Departments should, to the greatest extent possible, be in the field. That is, they should be identifying the needs of banks and exporters, and bringing the features and benefits of JLGC programs to respond to these needs. In this respect, the

General Manager has noted that repeat visits to potential clients are required to gain credibility; to get the interest and commitment of customers. The addition of a new Manager/Consultant to lead the ECG Division should enhance this process.

Table 3
Seminars and Workshops, 1997
 (As of June 3, 1997)

Date	Number of Participants	Name of Bank and Location	Level of Audience	Unit Presenting	
				LGP	ECG
4/3/97	28	Arab Land Bank, Amman	Mixed Mgmt & Staff	x	x
16-17/3/97	14	Jordan National Bank, North Regional Admin. (Irbid)	Regional & Branch Mgmt. and Credit Officers	x	x
18/3/97	29	Arab Jordan Investment Bk	Senior Mgmt	x	x
12/4/97	70	Cairo-Amman Bank	Management	x+	x+
17/5/97	20	The Housing Bank, 1st Reg	Credit Officers	x	
18/5/97	17	The Housing Bank, 2nd Reg	Credit Officers	x	
19/5/97	15	The Housing Bank, So Reg	Credit Officers	x	
20/5/97	19	The Housing Bank, No Reg	Credit Officers	x	
21/5/97	19	The Housing Bank, Salt Reg	Credit Officers	x	
27/5/97	16	The Housing Bank, Zarga Reg	Branch Managers	x	
Total	247				

Legend "x+" indicates that in addition to these Department representatives, there was a member of Sr Mgmt of JLGC present

During the time frame of this assessment there was not an opportunity to experience an individual call, seminar, or workshop. Therefore, no comment on effectiveness of such presentations is possible. However, the General Manager's active calling on bank client counterparts is noteworthy when considered in the context of his other responsibilities.

Counseling Services Division

Major responsibilities of the Counseling Services Division are to:

- Identify targeted groups as potential domestic loan guarantee clients
- Assist clients in preparing feasibility studies and cash flow analysis for loan guarantee applications

Another member of the JLGC line is the Counseling Services Division. In place for only a few weeks, it is very active in assisting potential small and medium size business owners/managers organize their plans, balance sheet, income statement, and "cash flow" prior to their visit to a bank. One of the obstacles to obtaining credit facing small and medium size businesses is the unwillingness of bankers to take the time to analyze the structure of a transaction and the business plan of the potential client. The current incumbent appears uniquely qualified for this task. He has been observed meeting with up to 6 prospects in a single day. The proof of success of this unit will be, of course, in the number of counseling sessions that actually result in bank applications for credit guarantees. In the event that a bank chooses to support a referred client without the JLGC guarantee, this should also be recorded as a success for this unit.

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Management thoughts on charging for this service are entirely appropriate. Reasonable application/success fees mark the seriousness of the client, provide a market driven "gatekeeper" for the availability of the counselor, and compensate the JLGC for another product.

Marketing Division

Major responsibilities of the Marketing Division are to:

- Develop a marketing plan and calling program for the domestic loan guarantee program
- Coordinate with the marketing program of the Export Credit Guarantee Department
- Conduct workshops for targeted domestic groups

Due to the absence for medical reasons of the Division Head, this assessment must rely on the Marketing Plan prepared by Senior Management for the ECG. It compares favorably with recommendations of the FWA study. A copy of the plan is in the Appendix of this report. There is no comparable plan for the domestic LGP, but the process need not be dissimilar. It includes individual visits to clients, market research, seminars, workshops, and a variety of media venues for advertising.

As with all efforts to sell LGP and ECG products by the Loan Guarantee Department and the Export Credit Guarantee Department, the Marketing Division must concentrate its efforts on client needs. To this end, at the request of the Board of Directors, a special survey of the JLGC staff, bankers, targeted groups was conducted by the Arab Consulting Center. The results were received in February 1997. Conducted by Dr. Tayseer Abed-Aljaber (sp), the study posed questions on JLGC operations, products and client relations. It is reported that conclusions of this survey resulted in recommendations about increasing JLGC personnel, work hours, employee incentives, and marketing efforts.³ The market research scheduled for the fourth quarter of the year should the results of this survey and those to be received from the Association of Exporters into consideration.

International Standards of Performance

Application Approval

According to procedures established by the JLGC, an "Inquiry Application Form" is required from the lender proposing to consider a loan guaranteed under its master agreement with JLGC. This form is sent to the JLGC and responded to, negatively or affirmatively, by the JLGC within two business days. Processing this inquiry requires accessing a data base of legal or individual persons who have an unsatisfactory record and reviewing the application thoroughly. Two business days exceeds international standards.

The U.S. Small Business Administration may take weeks to approve guarantees subsequent to receipt of a very extensive application. The U.S. Eximbank considers special approvals under its pre-shipment Working Capital Guarantee Program to take 7 business days. Normal approvals are assumed to take longer.

³ At the time of this writing, an English translation of this survey was not available. Some of the recommendations were implemented. Others rejected. This survey forms an important baseline study.

On the other hand, the U.S. Eximbank performs a more thorough underwriting exercise than the JLGC, except in the case where U.S. banks are granted delegated authority under which they are authorized to commit the guarantee of the U.S. Eximbank based upon specific credit criteria. JLGC's procedures appear to fall somewhere in the middle of those of its U.S. counterpart.

Guarantee Approval

Final approval of the Guarantee also only takes two business days. As with the Application process noted above, this activity is within standards accepted internationally.

Monthly Activity Reports

Monthly activity reports provide the first hard evidence that a loan has been disbursed and the approved guarantee should be considered in effect. The writer asked management what would happen if all 20 participant banks sent in activity reports on the same defined reporting day. The response was that the accounting staff would have to work overtime until all entries were completed. Should that be physically impossible in a single day, then at most two days would be used.

Data on these reports represent details under guarantee facilities (contingent liabilities) already reflected on the books of the JLGC for each bank. A reasonable international standard for measuring the timeliness of processing for JLGC applications, approvals, and even claims, is that applied internationally by the International Chamber of Commerce (ICC) when considering documentary examination occurring under letters of credit, also contingent liabilities, outstanding on the books of the issuing bank. The standard of "reasonable time" under Publication 500 of the ICC is defined as three business days. Therefore, current processing of monthly activity reports does meet this international standard.

Delinquency Reports

Monthly, guaranteed banks submit reports on past due loan payments from individual borrowers. The LGP staff underwriters are reported to review these forms immediately and the data is entered into the management information system. This practice meets credit administration requirements worldwide.

Audit Controls

Audit controls observed by this writer have been limited to the strict dual control procedures practiced by the JLGC accountants and management. The procedure follows international accounting practices.

Credit Lines, Aggregate Limits, and Per Borrower Limits

International standards governing credit administration require management to set credit policy and various limits. All of the above are reported in place at the JLGC. These limits

are included in the policy guidelines distributed to clients, explained in seminars and workshops. More importantly the underwriters of LGP and ECG products understand and enforce these limits. For example, the "Received Inquiries Applications" report updated daily, a copy of which is in the Appendix for various periods, monitors outstandings against aggregate ceilings.

Investments

Investment of capital funds is primarily in Government of Jordan paper. This meets international standards. Whether the yield is being maximized and the accounting properly done has not been reviewed. This is properly a function of JLGC internal and external auditors.

Percentage of Coverage Provided

Specific percentages of coverage are defined in the guarantees issued. They include commercial risk cover up to 75% of all loans up to JD40,000 and 50% thereafter up to a maximum of JD100,000 for domestic working capital loans. Pre-shipment coverage is for 75% of all loans up to the maximum of JD100,000. Post-shipment coverage is for 85% of the outstanding loan. In all cases, interest coverage is up to six months on the outstanding principal.

These coverage rates are comparable with international standards, which are generally in the range of 50% to 85% of domestic and pre-shipment working capital loan guarantees. Post-shipment coverage is typically 80% to 95% of commercial risk cover, and in special cases up to 100% cover. There is no political risk cover provided by the JLGC.

Conclusions

The major conclusion of this Assessment is that the management of the Jordan Loan Guarantee Corporation, in a period of approximately three years, has developed all the necessary organizational and functional components necessary to operate a successful loan guarantee program for domestic and export loans. JLGC employees appear to possess a variety of experiences, all suited to achieving the JLGC objective, i.e., the extension of loan guarantees to credit worthy exporters and small and medium size domestic business borrowers. Management, the Board of Directors, and the financial and moral supporters all have a right to be proud of their accomplishment. The statistics below illustrate the success of the domestic Loan Guarantee Program and augur well for the success of the newly established Export Credit Guarantee Programs.

Growth in the Domestic Loan Guarantee Program (LGP)

The domestic LGP gained substantial momentum during 1996, and made even more dramatic improvement during the first five months of 1997. A review of Table 4, on the following page, shows that the number of applications received in all of 1996 totaled 264, a 59% increase over 1995. A similar review of Table 5, shows an actual five month increase in applications received during 1997 over a comparable period in 1996 of 76%. Looked at from another viewpoint, 74% of the total number of applications received in 1996 were received

during the first 5 months of 1997. This indicates that the marketing efforts of the JLGC are being successful.

Table 4

Jordan Loan Guarantee Corporation			
Comparative Loan Guarantee Statistics	1995	1996	% Change
Number of Applications Received	166	264	59%
Guarantee Amount of Applications Received	JD2,002,107	JD2,920,006	46%
Number of Applications Executed	111	171	54%
Guarantee Amount of Applications Executed	JD1,396,481	JD1,993,032	43%
Number of Applications under Execution Process	21	46	119%
Amount of Applications under Execution Process	JD235,067	JD632,374	169%
Number of Items Rejected and Canceled	34	47	38%

Source JLGC Annual Report 1995 and Internal Statistics 1996

Table 5

Jordan Loan Guarantee Corporation			
Comparative Loan Guarantee Statistics for Five Months	1996	1997	% Change
(Period 01/01 to 31/05)			
Number of Applications Received	111	195	76%
Guarantee Amount of Applications Received	JD1,128,262	JD2,338,309	107%
Number of Applications Executed	83	123	48%
Guarantee Amount of Applications Executed	JD877,887	JD1,401,746	60%
Number of Applications under Execution Process	4	62	1450%
Amount of Applications under Execution Process	JD78,750	JD843,152	971%
Number of Items Rejected and Canceled	24	10	-58%

Source JLGC Internal Statistics

Important observations from Tables 4 and 5 are:

- The total Dinar amounts guaranteed are also up, and up substantially. This is reflected in the Guarantee Amount of Applications Executed during the first five months of 1997, which are up 60% from a comparable period in 1996.
- This fact is more significant when it is observed that the Number of Applications Executed during the first five months of 1997 is up only 48% as opposed to 54% for the whole of 1996. The implication here is that bigger transactions are in the pipeline.
- The pipeline, as measured by the Number of Applications under Execution Process, is up over 1000%, and the related amount is up nearly 1000%.
- The number of items rejected is lower, which one hopes means that the quality of Applications has improved overall. This is not total conjecture when one considers that of the 55 defaulted loans experienced by JLGC, 45 were from the predecessor Loan

Guarantee Project occurring prior the commencement of JLGC operations in May of 1994, and only 10 originated after that date.

Projected Guarantees Outstanding to Capital

However, based on the fact that the capital of the JLGC should theoretically be able to support guarantees five times that amount, or JD50,000,000, another conclusion may be drawn. That is, now that the organizational structure is in place, the level of guarantees outstanding must increase substantially. If they do not, then the objectives of the Corporation are in danger of not being achieved.

Specifically, with Jordan Central Bank statistics for 1996 showing exports of JD1.82 billion, and imports of JD4.29 billion, there must be a demand from small and medium scale businesses for investment and for pre-and post-shipment credit guarantees that is not being satisfied, but could be with JLGC's credit enhancement products. Only by increasing total guarantees outstanding will the JLGC objective of enhancing investment, increasing production, trade, and job creation be achieved at the level envisioned at inception.

Establishing an Acceptable Growth Rate

Given the increasing rate of domestic loan guarantees and February 1997 establishment of the ECG program, the critical question is: "At what rate should the growth in guarantees occur?"

The FWA study projects exports to increase at about 10% per annum. Financial projections for export related guarantees presented in the FWA report suggest 1.0% of total exports, or JD20 million, to be a realistic figure. Applying an average coverage rate of 75%, then at the end of 1997, outstanding guarantees should be JD15 million. In the subsequent 4 years, export related loan guarantees should reach 1.5%, 2.0%, 4.0% and 6% of annual exports.⁴ Therefore, at the end of 2001, export related loan guarantees outstanding should equal JD22 million. The balance, adjusted for the growth of capital, would be allocated to domestic loan guarantees.

Defining a Budget Objective

Whether or not JD15 million is a reasonable target for export credit guarantees for 1997, it is clear that a target should be established for both domestic loan guarantees and pre- and post-shipment guarantees. JD50,000,000 will not magically appear to justify JLGC existence, even in 5 years. Other bases could be chosen for each product, such as a portion of total bank credit outstanding for domestic businesses as compared with total credit outstanding to export businesses.

Adapting Products to Market Needs

It may be concluded that concentration of effort during the three years since JLGC commenced operations on developing the organizational aspects of the JLGC may have affected the natural adaptation process that would make the guarantee products more readily acceptable to the market. The change in the rate of growth of domestic loan guarantees

⁴ *Op cit.*, p. 32

shown in Tables 4 and 5 does suggest more positive market acceptability of that particular JLGC product. It also proves that in addition to the effort in institution building, considerable effort was spent on developing business. In the case of pre- and post-shipment export credit guarantees, one reason transactions are only gestating is that the ECG products are less than six months old. Coordination of marketing and business development efforts toward a specific financial objective will enhance the adaptive process.

International Standards of Performance

A final conclusion is that the JLGC is functioning at an international standard based upon its level of expertise and operations. Underwriting skills are largely deferred to the lending banks. There is need to improve skills on the one hand and examine policy and procedure relative to guarantee risks being taken on the other. All this must be accomplished while emphasizing the building of a guarantee portfolio without reducing underwriting standards and accepting unmeasurable risk.

The management and staff appear enthusiastic and prepared to meet these challenges.

Recommendations

1. The management and line personnel of the JLGC should be requested to rate the following factors that might be hindering the acceptability of JLGC products. These questions should be asked for each product, i.e., the domestic loan guarantee, the pre-shipment loan guarantee, and the post-shipment loan guarantee. Ratings could be assigned a scale of 1 to 5 as follows. Other scales may be just as useful.

- Always a hindrance to acceptability.
- Frequently a hindrance to acceptability
- Occasionally a hindrance to acceptability
- Hardly ever a hindrance to acceptability
- Never a hindrance to acceptability

Tabulated results should then be discussed in a group session to clarify reasoning and justify results. They should be compared with the results of the questions posed by the Arab Consulting Center.

Then, suggested solutions should be identified. This can be done in groups of two or three, with each group reporting results, and finally reaching a consensus. Action plans could then be structured with specific responsibilities assigned, and timetables set.

2. The following "hindrance factors" should be rated. Others can be added as management sees fit.
 - Bank collateral requirements too high
 - Overall bank underwriting requirements too conservative
 - Banker mistrust of guarantee
 - Cash flow requirements too high
 - Inability of bankers to structure transactions

- Borrowers fear of providing data
 - Borrowers lack of financial management skill
 - Borrowers lack of business sense
 - Borrowers inexperience with international competitive standards
 - Borrowers inability to obtain reliable suppliers
 - Borrower unwillingness to invest his own capital
 - Borrow is culturally resistant to the product
 - Coverage of the program inadequate
 - Fees too high
 - Maximum limits too high
 - Maximum limits too low
 - Marketing addressing the wrong end-users
 - Processing time too long
3. If appropriate, and not already answered in the survey conducted by the Arab Consulting Center or those through the Association of Exporters, these questions should be refined and presented to bankers and exporters. An evaluation procedure should be devised and implemented.⁵
 4. Underwriting policies, procedures, and training requirements should be redefined in light of the overall objective of building a guarantee portfolio.
 5. The Marketing Division should coordinate its objectives with the market development objectives of the Loan Guarantee Department and the Export Credit Guarantee Department.
 6. The Marketing and business development units for domestic and export guarantees should agree on quantitative goals for guarantees outstanding for 1997 and through the second quarter 1998
 7. Establishing calling quotas should be considered together with monthly evaluation procedures relative to quantitative and qualitative measures of performance relating to these calls.

⁵ Care should be taken in conducting any further surveys until it is clear that all the information already collected requires enhancement. Respondents will quickly object to redundancy. Worse, the credibility of the JLGC will be questioned. Bankers and exporters alike will doubt whether or not their cooperation is worth their effort.

Summary

JLGC has reached the end of three years of development during which the emphasis has been placed on completing an organizational structure and staffing for the purpose of running a successful domestic loan guarantee and export guarantee program. Products, marketing plans, systems, policies, and procedures are in place. The growth rate of domestic loan guarantees outstanding is improving. Export credit guarantees are on stream. Focusing on market needs and adapting JLGC products to those needs in order to build a portfolio of guarantees is now a priority.

This adaptation must not sacrifice sound underwriting standards for measuring risk. The management and staff have the skills, enthusiasm, and access to technical assistance to achieve this objective.

Training Objectives

Based on the above, the management of JLGC and the IBTCI training advisor are in process of finalizing the work plan through the balance of the technical assistance contract. Input from the General Manager and various other members of JLGC management are being solicited on the following tasks

1. Selection of courses in the general area of underwriting skills. This will include specific topics such as:
 - Accounting and Ratio Analysis
 - Balance Sheet and Income Statement Common Size Analysis
 - Balance Sheet Logic
 - Credit and Cash Flow Analysis
 - Working Capital versus Working Investment
 - Structuring Pre-Shipment Credit
 - Structuring Post-Shipment Credit
 - Analysis of Management Skills
2. Selection of courses in the general area of managing loan guarantees, pre- and post-shipment export credit guarantees. This will include specific topics such as:
 - Pricing loan guarantees, pre- and post-shipment export credit guarantees
 - General portfolio management
 - Reserving for losses
 - Reinsurance issues
 - Legal and claims issues
3. Identification of course requirements by type of audience, i e., JLGC Personnel, Client Bankers, Exporters.
4. Allocating the training advisor's time between internal JLGC training, and conducting workshops and seminars for bankers and exporters.

5. Selecting and prioritizing the courses to be presented will consider, but not be limited to, the following factors:

- The objectives of the JLGC as envisioned in its Articles of Incorporation.
- The obligation of the JLGC to train bankers in its programs.
- The obligation of the JLGC to train bankers in the skills to implement the programs
- The training requirements of the exporting community.
- The duration of each course. (This will be advised to management by the training advisor and include an estimate of preparation time.)
- What courses will have the greatest impact in the shortest possible time.
- Which courses will have applicability across several audiences.

Training manuals will flow from the above. It is anticipated that a JLGC training counterpart will be associated with each or all of the training components for purposes of future maintenance of the manuals and training.

Internal training could commence as early as June 15th, but not later than the 20th. This depends on JLGC logistics and trainer preparation associated with course selection.

Appendix

Note to Appendix

The English translations of JLGC documents contained herein are missing certain changes in the official Arabic version that were recently made to improve the terms and conditions of the agreements. These changes do not affect the essence of the Assessment as presented.

Memorandum

To: Wendy Kabele
cc: Jody Schubert

From: Fred Zamon, Consultant to JLGC

Date: October 29, 1997

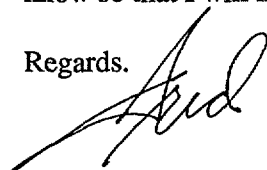
Subject: Second Copy of Assessment Report

Wendy,

Per your request, I am enclosing a second hard copy of the Assessment Report. The Appendices enclosed with the original are no longer available to me. Therefore, I urge you to consult with Jody to see if you can find those originally sent from Jordan in the pouch of June 16, 1997.

In addition, please also check the diskette I sent with all USAID Deliverables in the pouch of October 16, 1997. I believe I included a Word 7.0 copy on that diskette. If not, please let me know so that I will make sure IBTCI gets a copy.

Regards.



APPENDIX II

SEMINAR / ACCOUNTING, RATIO ANALYSIS AND BALANCE SHEET LOGIC

Jordan Loan Guarantee Corporation, Ltd.

A Review of Accounting,
Ratio Analysis, and
Balance Sheet Logic

Frederick J. Zamon
International Business and Technical
Consultants, Inc.

Introduction

- ◆ Role and Relationship of Credit to the Business of the Bank
- ◆ Baseline Accounting Language and Principles
- ◆ Financial Accounting
- ◆ Credit Analysis
- ◆ Needs Analysis and Financial Engineering
- ◆ Financial Engineering in Practice

Role and Relationship of Credit to the Business of the Bank

- ◆ How do banks make money?
- ◆ How do banks lose money?
- ◆ Definition of Risk
 - Credit
 - Operations
 - Trading
- ◆ Risk Management
 - Avoidance
 - Mitigation

Baseline Accounting Language and Principles

◆ Financial Accounting

- The Accounting Equation
- Revenues, Expenses, and Profits
- Forms of Business
- Income and Capital Statements
- The Balance Sheet

◆ Accounting Principles

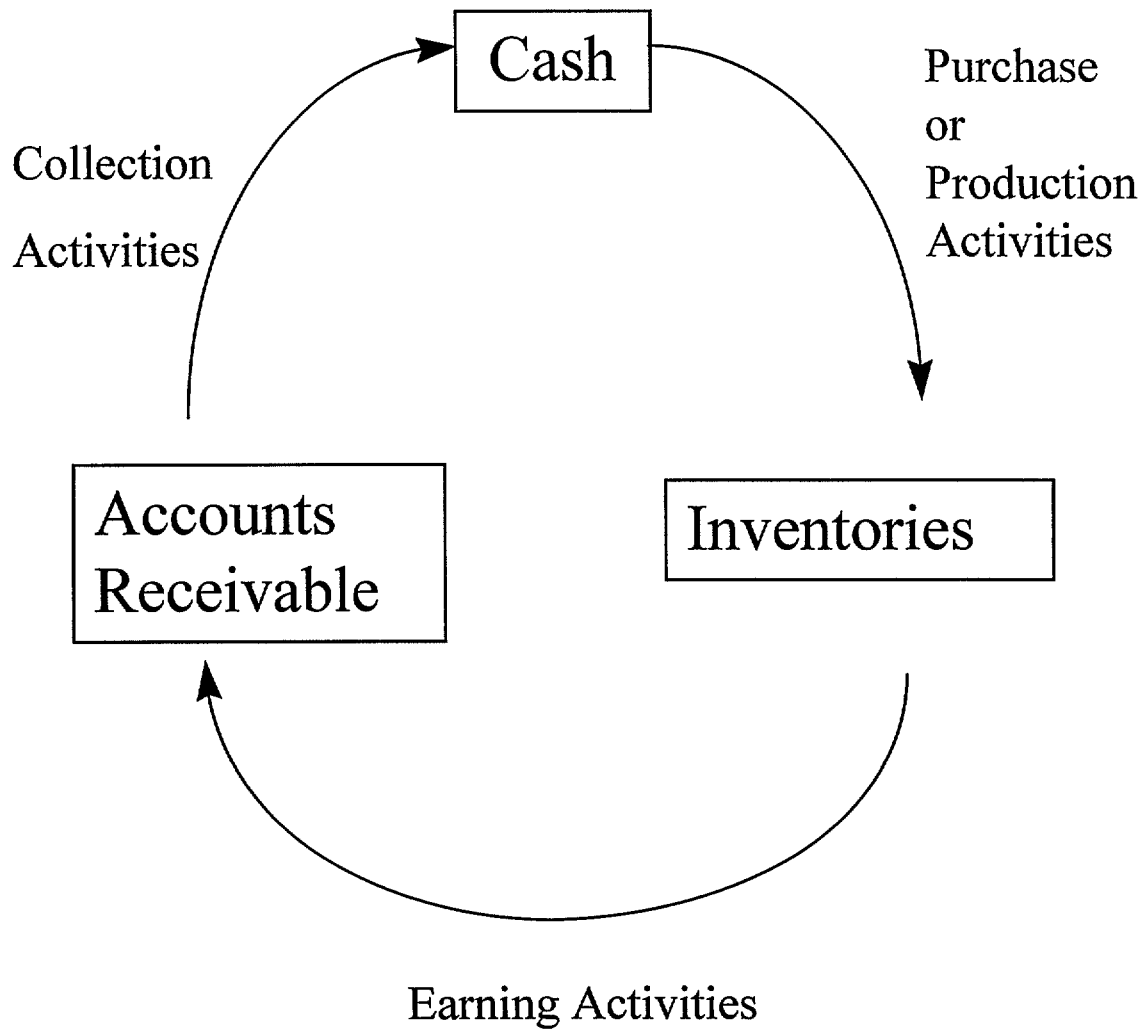
- Conservatism
- Consistency
- Cost
- Disclosure
- Comparability
- Matching
- Going Concern
- Realization
- Materiality
- Entity
- Time Period

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Financial Accounting

- ◆ The Balance Sheet
- ◆ The Income Statement
- ◆ Relationship between the Balance Sheet and the Income Statement

Basic Business Cycle



The Balance Sheet

- ◆ Current Assets
- ◆ Non-current Assets
- ◆ Goodwill
- ◆ Current Liabilities
- ◆ Non-current Liabilities
- ◆ Owner's Equity

The Income Statement

- ◆ Revenues
- ◆ Cost of Goods
- ◆ Gross Margin
- ◆ Expenses
- ◆ Net Income
- ◆ Retained Earnings

Accounting Records and Systems

- ◆ The Account
 - Debits
 - Credits
- ◆ The Ledger
- ◆ Chart of Accounts
- ◆ The Journal
- ◆ The Trial Balance
- ◆ Adjusting Entries
- ◆ Closing Entries

Matching Principle:

Costs are reported in the accounting period in which the associated revenue is reported.

- ◆ Adjustments for accrued expenses
Expenses incurred but not paid in the current accounting period, i.e., unrecorded expenses incurred during the period.
- ◆ Adjustments for accrued revenues
Revenues earned but for which cash was not received in the current accounting period, i.e., unrecorded revenues earned during the period.
- ◆ Adjustments for deferred (unearned) revenues
Advance payments from customers, i.e., recorded revenues to be apportioned among two or more accounting periods.
- ◆ Adjustments for deferred (unexpired) expenses
Prepaid expenses, i.e., costs to be apportioned among two or more accounting periods.

The Going Concern:

In valuing a firm's assets, it is assumed that the firm will remain in business during the foreseeable future.

- ◆ **Asset Conversion**
- ◆ **Working Investment**
 - Permanent
 - Increasing
 - Seasonal
- ◆ **Sources and Uses of Funds**
 - Net profit after tax
 - Asset conversion
 - Liability increases
 - Equity increase

RATIO ANALYSIS

Major Categories of Ratios	Method of Calculation	Comments and Explanations
<u>Liquidity Ratios</u>		
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	A broad measure of liquidity that should be in a range of 1.5 to 2.0
Acid Test or Quick Ratio	$\frac{\text{Cash} + \text{Cash Equivalents} + \text{A/R} + \text{Rec.}}{\text{Current Liabilities}}$	Cash equivalents are marketable securities Accounts receivable net of bad debt reserve A more severe measure of liquidity that should be 1.0 or larger
Current Assets/Total Liabilities	$\frac{\text{Current Assets}}{\text{Total Liabilities}}$	Shows what portion of total liabilities could be paid if all current assets are liquidated at 100% of value Also shows reliance on the ability to liquidate fixed assets to retire total debt
<u>Efficiency Ratios</u>		
Days Receivables on Hand	Net Acc Rec / Credit Sales X 365	Indicates days receivables on hand before they are converted to cash
Days Inventory on Hand	Avg Inventory / COGS X 365	Average Inv is usually Inv at beginning of period + Inv at the end of the period divided by 2 Indicates days inventory on hand before it is sold
Days Sales in Receivables	In two steps	
Calculate	1	
Receivables Turnover	$\frac{\text{Credit sales}}{\text{Accounts receivables}}$	Accounts receivable net of bad debt reserve and one may want to use averages
Calculate	2	
Days Rec'bles = Collection Period	$\frac{365 \text{ days in period}}{\text{Receivables Turnover}}$	
Days Inventory on Hand	In two steps	
Calculate	1	
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory during period}}$	Average Inv is usually Inv at beginning of period + Inv at the end of the period divided by 2
Calculate	2	
Days Inventory on Hand	$\frac{365 \text{ days in period}}{\text{Inventory Turnover}}$	
Days Trade Payables on Hand	Avg Trade Payables / COGS X 365	Average Acc Payable is usually Acc P at beginning of period + Acc P at the end of the period divided by 2 Indicates the number of days payables on hand before they are paid
Days Trade Payables on Hand	In two steps	
Calculate	1	
Payables Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Payables during period}}$	
Calculate	2	
Days Payables on Hand	$\frac{365 \text{ days in period}}{\text{Payables Turnover}}$	
Fixed Asset Turnover	$\frac{\text{Sales}}{\text{Net Fixed Assets}}$	
Days Accruals on Hand	Avg Accruals / COGS X 365	Average Accrued Expenses are usually Acc Exp at beginning of period + Acc Exp at the end of the period divided by 2 Indicates the number of days accrued expenses on hand before they are paid
Days Accruals on Hand	In two steps	
Calculate	1	
Accruals Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Accruals during period}}$	
Calculate	2	
Days Accruals on Hand	$\frac{365 \text{ days in period}}{\text{Accruals Turnover}}$	
Fixed Asset Turnover	$\frac{\text{Sales}}{\text{Gross Fixed Assets}}$	Indicates the number of dinars in sales for each dinar invested in gross plant
Fixed Asset Turnover	$\frac{\text{Sales}}{\text{Net Fixed Assets}}$	Indicates the number of dinars in sales for each dinar invested in net plant
Average annual portion of plant that is depreciated	$\frac{\text{Depreciation Expense}}{\text{Average Gross Plant}}$	Assuming straight line depreciation dividing this ratio into 1.0 will give the number of years for plant to be fully depreciated
Number of years remaining in plant life assuming no additions	$\frac{\text{Net Plant}}{\text{Depreciation Expense}}$	This assumes straight line depreciation For some businesses the older the plant the lower the efficiency
<u>Profitability Ratios</u>		
	$\frac{\text{Cost of Goods Sold}}{\text{Sales}}$	

APPENDIX III

**SEMINAR / TRADE FINANCE: CASE STUDIES IN PRE- AND
POST-SHIPMENT FINANCING**

Memorandum

To: Dr. Jamal Moh'd Salah
cc: Walid I. Abuzir
Mr. M. Said Hammami
Dr. Adeb Haddad, General Director, Institute for Banking Studies
Mr Jamal Al-Jaberi, USAID

From: Frederick J Zamon

Date: September 20, 1997

Subject: Trade Finance Seminar, September 13 - 17, 1997 in cooperation with USAID, and the Institute for Banking Studies

33 bankers and exporters attended the above seminar. A list of participants is attached. Represented were 20 representatives of 7 banks, 4 members of the Central Bank of Jordan, and 9 representatives of 7 exporting companies.

Course evaluations from participants were collected by the Institute for Banking Studies, as is their standard procedure. Photocopies will be sent to me through Dr. Salah. I will analyze the results as required in the USAID Scope of Work, and submit them to USAID upon receipt. My own impressions of the seminar follow:

- The participants showed sincere interest in the subject matter and asked important questions from the first day. The quality of questions and intensity increased throughout the seminar.
- Participants were divided into 5 teams for case studies in marketing, methods of payment, and pre-shipment export financing. Examples on the subject of bills of exchange, bankers' acceptances, and letters of credit were presented to and analyzed by the group as a whole in general session.
- During case study preparation, interaction within each team appeared lively and organized. Case studies and general session examples were designed to see if participants were able to apply the trade finance principals previously presented by the trainer. Each team was requested to make a short presentation of its results. Observation of general session examples and team presentations revealed that the participants were able to
 1. Effectively utilize graphics to illustrate borrower needs based upon production cycles
 2. Make clear assumptions about production functions.
 3. Make clear distinctions between the assumptions and the production cycle with respect to trade finance requirements and JLGC programs

INTRODUCTION

The Jordan Loan Guarantee Corporation, Ltd is proud to provide this manual on Trade Finance. We recognize that you may have to manage many other products and services besides international transactions, so we have developed this manual as an overall guide to help you organize these transactions when they occur. We hope that it will become an important part of your reference library.

We have chosen to present it in a binder to extend its functionality. When you add magazine and newspaper articles, technical information, memoranda, and copies of relevant policies and procedure, you will have an organized and up to date reference. We believe the section dividers provide a common categorization of data that affect most cross-border transactions, and which will provide quick and easy reference source. We know that they are not all inclusive. We therefore encourage you to add new sections, as you need them.

Two of these sections present details of JLGC products: **Pre-shipment and Post-shipment Guarantees**. As improvements or additions to our programs occur, we will send notification to the JLGC Liaison person in your establishment. This includes policy changes as well as updated application and reporting forms.

We are confident that when you examine these programs, you will discover that they provide efficient risk management capabilities that will enhance your ability to profitably extend your sales and services to new clients in new markets.

- 4 Define real financing *requirements* as compared to unnecessary financing *requests* over the life of a trade finance transaction from the marketing phase through pre- and post-shipment phases.
 - 5 Ask critical questions concerning the borrower, his suppliers, and his buyers in process of structuring a trade finance transaction.
 - 6 Examine critical productive factors affecting domestic versus export production, the trade-off in capacity.
 - 7 Question the credit worthiness of issuing banks under letter of credit transactions
 - 8 Evaluate when and when not to use the JLGC programs based upon various factors in the trade finance transaction
- Interest on the part of the majority of participants in the use of the WWW for gathering marketing information was very high. As a result, 25 of the 33 participants have signed up for a one-hour workshop in the commercial use of the WWW on September 22, 23, or 24. This writer, with assistance of JLGC, will put together this presentation. This will be held at the JLGC offices for small groups. Results will be reported after the training occurs.

Comment on Facilities and support personnel of the Institute for Banking Studies

The support personnel of the Institute for Banking Studies (IBS) deserve special mention and credit for the success of the seminar. The copying services of the IBS in producing the JLGC Trade Finance Manual were critical. The attentiveness of Mr. Hamed in logistical matters throughout the five days, including:

1. Extemporaneous requests for copying presentation materials for the participants
2. Coordinating the team classrooms
3. Assuring the availability visual equipment

There were, I am sure, others behind the scenes that I cannot name assisting him, and they too deserve special thanks for making the seminar the success that I believe it was.

This was a special opportunity for me, as Training Advisor to the JLGC, and I would like to take this time to thank all above and their support staff for helping me in this seminar.

Trade Finance

Case Studies in Pre- and Post-Shipment Financing

Sponsors:

**Jordan Loan Guarantee Corporation, Ltd.,
The Institute for Banking Studies and USAID**

Amman, September 1997

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Section I

Course Objectives

Course Objectives

When you finish this course you should have the necessary tools to perform

- An analysis of the trade finances process.
- An analysis of the particulars of pre- and post-shipment risks, whether you are a banker or an exporter.
- A cost and price analysis for trade finances transactions
- A value-added analysis for JLGC pre- and post-shipment guarantees.

To accomplish these objectives, familiarity with the reasons for international trade, the characteristics of international marketing, cross-border personal and technical relations between buyer and seller, and methods of payment are critical. Whether you are a banker or an exporter, all of these factors will affect you, either directly or indirectly. A thorough understanding of them will allow you to measure the credit risk, foreign exchange risk, and operation's risk inherent in every cross-border transaction.

The Reasons for International Trade

Businessmen, bankers and other analysts of international trade, typically consider the most important reasons for cross-border transactions to include the following:

- To achieve higher profit margins than on the sale of goods and services domestically
- To optimize available capacity and achieve advantages of economies of scale
- To meet standards of international competition
- To increase aggregate sales by participation in fast growing markets
- To extend a product's life cycle

These objectives, while difficult to achieve in the international marketplace, are also the incentive for exporters and bankers to confront and overcome obstacles in the path of reaching these objectives.

Section II

Marketing Products and Services across Borders

Marketing Products and Services across Borders

Whether the banker or exporter enters the international marketplace instinctively or deliberately, he goes through at least four identifiable thought processes and activities. They may not occur in the order presented, or they may only be "afterthoughts," that is, those that occur with historical perspective, -- but they all do occur

First, every trader identifies the market.

Second, he identifies that market's specific requirements

Third, he evaluates his productive capacity, whether that involves physical goods or delivery of services.

Finally, he evaluates the constraints on delivery

If done deliberately, consideration of these activities helps define costs and then profitable pricing. The probability for optimizing profit is, therefore, predictable. If done instinctively, then the costs may bear no relation to prices, and the probability of optimizing profits is not predictable. The information that follows in this presentation should increase the ability of those engaged in cross-border financing and trading to make deliberate decisions and thereby increase the probability of optimizing profits.

Identifying the Market

Identifying the market and market potential can be accomplished without physical presence. Three methods are commonly utilized. They are

- Statistical analysis of demographic data, consumer spending habits, and trades flows. Substantial databases are now available on computer diskettes and CD-ROM media for efficient data analysis, manipulation, and report formatting.
- Accessing databases, advertising, and solicitation lists available on the World Wide Web (WWW), from nearly every country in the world. "Web Browsing", as it is called, is becoming easier, cheaper, and more sophisticated every day.
- Contracting the services of a foreign agent or sales representative to market your product.

Visiting the market is always the best way to assess its potential. The question that must be answered is whether and when the costs of a visit are justified by the benefits. Focusing ones efforts and minimizing costs is always a challenge This can be done by

- Attendance at trade fairs and exhibitions that focus on your product lines and your competitors.
- Meetings with local chambers of commerce and industry, often with assistance from the International World Trade Center offices.
- Specific business meetings developed from contacts identified through statistical analysis, Web browsing, or agents referred to above.

- Establishing representative or branch offices and distribution facilities in other countries

The ultimate purpose of all the above activities is to establish market requirements.

Market Requirements

Evaluating market requirements involves analysis of end-user needs and how they relate to your product or service. Should you possess an unique product/service, clearly in demand, you may, at first, not have to evaluate market requirements. In a free-market situation, however, it will not be long before your success will generate competition. The following analysis will then become useful. One way to focus on end-user needs is to analyze the competition. This can be done statistically or through client interviews and asking questions that identify “Qualifying Needs”, “Determinant Needs”, and “Differentiating Factors”

Qualifying Needs

A qualifying need is one that a product must have before any customer will even consider purchasing it. An example might be a car in the UK with a steering wheel on the left hand side. Without a “Qualifying Need” consumers simply exclude the product from their set of choices.

Determinant Needs

A determinant need is one that customers use to choose your product or service from among all those who have qualified. For example, once you offer a car in the UK with a right side steering wheel, then the customer will include your offering among all other such vehicles. Whether or not a client finally purchases the car depends on whether or not your product meets his other requirements as well, such as size, color, and number of doors.

Differentiation Factors

When several competitors offer approximately the same product or service in every perceived respect, then differentiation factors play a role in the customer’s final decision to buy. These factors include four major categories: The quality of the product (Product Line Factors), the price of the product, the delivery process (consistency, convenience, and maintenance), and advertising (Promotion Policies).

The matrix on the following page represents an analytical tool for competitive analysis of most any product or service. The information, as noted earlier, can be obtained from existing statistical data or gathered through market surveys.

Productive Capacity

Productive capacity must be viewed as market specific. That is, just holding the product or service available may not even qualify the item as an acceptable choice. Rather, the product

must meet quantity and quality standards of the competition. For example, consumers of Coke and Fanta in the USA prefer a much higher level of carbonation than do consumers in West Africa. Product packaging and sizing may be especially critical. For example, bulk packaging may not be suitable in a market with small families and those with school age children who want to take individual portions for lunch at school. In today's environment, animal rights activism can require special packaging indications in the EU and America.

Delivery and Distribution

Delivery and distribution are processes. They involve more than just transportation of goods and services from one location to another, although that is clearly the most easily defined in terms of cost. They are more complex than just a physical closure of borders or availability of motor, rail, sea, or air transport. Included in the consumers concept of "delivery" for hard products are the consistency of product availability, convenience of availability, maintenance, and repair requirements. Delivery may also include the packaging, even though the package may also present certain promotional aspects of the product.

Consumers to include ease of communications and the ability to efficiently solve client problems view delivery of services. Meeting these requirements across national boundaries is always more complex than in the domestic market.

Summary

Marketing products and services across borders involves four major processes:

- Market identification
- Market requirements
- Productive capacity
- Delivery and distribution

All of these processes must be examined from the point of view of the consumer. Failure to meet his criteria will exclude the product or service from his choices.

There are, of course, other factors to consider when trying to measure one's ability to compete in international markets. These involve temporal, cultural, legal, and financial issues. They will be considered within the context of cross-border buyer/seller relationships.

However, before addressing these issues, it is useful to examine, in matrix form, some constraining factors to competitiveness of all exports. The matrix shown on page 5 is a particularly useful analytical tool whether one is a current exporter, new to export, or considering financing an exporter. The methodology is to identify policy, institutional, infrastructure, and capacity constraints, both internal and external, for each of the differentiating factors, of product price, quality, delivery, and promotion. With this information, a realistic risk analysis can then

be over a number of sectors The constraints considered should include those apparent in both domestic and foreign markets.

Analyzing Key Product Markets

<i>Competitive Analysis</i>							
<i>Product/Market:</i>			<i>Your Location/Branch</i>			<i>Date:</i>	
Market Needs Summary:							
<p style="text-align: center;">Qualifying Needs:</p> <p style="text-align: center;">Determinant Needs:</p>							
			T R E N D	Differentiation Factors (Marketing Mix)			
Competitors	Current Local Currency Volume	Current Market Share		Product Line Factors	Pricing Policies	Promotion Policies	Distribution Methods
Your Business/ or Your Bank							
Total							

299

Note This format is a minor modification of that found in Eric Reidenbach, The Bank Marketing Handbook, p 93, Irwin Professional Publishing, Chicago, London, Singapore, 1994

For simplicity, the TREND can be shown as up ↑, down ↓, or steady ⇔

Constraining Factors to Export Competitiveness

<i>Constraints</i>	Price	Quality	Delivery	Promotion
<u><i>Policies</i></u>				
<u><i>Institutions</i></u>				
<u><i>Infrastructure</i></u>				
<u><i>Capacity</i></u>				

Buyer and Seller Relationships

Effective communication between buyer and seller forms the basis for all successful international sales. Language differences frequently occur across borders. This gives rise to the entrance of third parties, such as marketers, translators, bankers, and agents. While these third parties are there for the purpose of assistance, they may also create additional problems that will require solution.

Effective communication begins long before the sales contract is finalized. For the seller, the sales contract is usually the end of a long process of market identification, product promotion, and client needs assessment. It also marks the beginning of a whole new relationship that requires even more effective communication skills in order to complete the conversion cycle and make additional sales.

Geographic and Temporal Factors

Geographic distances create natural obstacles to easy buyer/seller relationships. It is not unusual for a buyer in the North America, South America, Africa, or the Middle East to have to transport goods hundreds of miles from the delivery point to the point of utilization. These distances also include time zone differences. Time differences become critical during a situation when problems need solution. They may at one moment go to the benefit of the seller, and at another moment to the benefit of the buyer. These physical distances and time differences must be anticipated and communicated by both parties in order to avoid disputes.

Cultural Factors

Cultural factors cover a range of social relationships affecting communication between buyers and sellers. Religious, ethnic, and ethical orientations all affect business relationships. They must be carefully considered in decisions governing product development, packaging, and promotion.

Financial Factors

Precisely where temporal and cultural factors become financial can be defined as the point in time when a transaction occurs between buyer and seller. The objectives of each as defined below set the terms.

Buyer Objectives

Buyers' major objectives are:

- To obtain on time delivery of the correct quantity and quality of goods or services
- To defer payment as long as possible for purposes of controlling cash flow
- To pay only if seller fulfills his obligations
- To minimize financing costs
- To conduct final settlement through a trustworthy third party and in an advantageous currency

Rational buyers' are motivated by their own production and conversion cycle. Buyers will do whatever is required to minimize financing costs associated with their purchase while obtaining the quantity and quality of inputs necessary. They seek to avoid as many intermediaries as possible to reduce costs and potential problems of delivery and increased costs. This affects their behavior toward all suppliers.

Seller Objectives

Sellers' objectives are:

- To accomplish on time delivery of the correct quantity and quality of goods or services
- To obtain payment in the shortest possible time to facilitate cash flow
- To minimize financing costs
- To obtain settlement through a trustworthy third party and in an advantageous currency

Sellers are primarily motivated by the desire for prompt payment. Financing the buyer is important only if that is required to make the sale against competition. Like buyers, they seek to avoid as many intermediaries as possible to reduce costs and potential problems.

Since the objectives of the buyer and seller are on opposite sides of the transaction, it is important that communications between the buyer and seller are clear. Failure to understand where each party is in the process may create costly delays for both. This is also critical for all intermediaries who seek to facilitate the transaction. Failure of either the buyer or the seller to communicate vital data to the intermediaries, whether banker, carrier, translator, or agent, could result in financial loss or damage to business reputation of one or several parties.

Close communication facilitates the exchange of information on events that are external to the transaction, but which ultimately affect the financial viability of future transactions. Paramount among these topics are those associated with the political climate in the countries of the buyer and the seller.

Political Risk

Political risks include events under the control of, or actions taken by, governmental authorities of the country of the buyer or seller. They include acts of war, civil disobedience, riot, and revolution. They may include statutory or *de facto* restrictions affecting the flow of goods, services, and payments. They include any government act that might inhibit the payment of funds in or out of the country irrespective of the ability of any individual or corporate resident of that country to meet contractual payment obligations. This is sometimes called *transfer risk*.

Protecting against political risks is usually accomplished by transferring the risk to another party. Sellers commonly accomplish this by requiring that buyers open Letters of Credit which include a condition that a bank in the seller's country confirm the Letter of Credit. Protection against adverse political events can also be obtained by the purchase of special export credit insurance.

Commercial Risks

Commercial risks are all those circumstances that might prevent a private or corporate party to a contract from fulfilling the terms of that contract due to its own act or failure to act. Commercial risks can be grouped into five major categories:

- Credit risk
- Foreign exchange risk
- Market risk
- Performance risk
- Settlement risk

All of these risks should be considered when entering international trade transactions. There are ways to protect oneself against these risks. Protections can be included in the terms of the contract or outside of it.

Credit Risk

Credit risk is controllable through knowledge of the buyers and sellers financial strength and character. Credit references can and should be obtained on all counterparts to a trade transaction. For sellers, such information indicates the ability and willingness of the buyer to honor his obligations. For buyers, this information indicates the ability of the seller to perform as agreed. Such references are usually obtained prior to execution of the contract and assist in developing terms of payment of the transaction.

The following points should be kept in mind when seeking a report on overseas counterparts:

- The exact amount of the transaction should be quoted in order to obtain the most accurate information. Inflating the amount may eliminate satisfactory buyers or sellers.
- The exact time frame for the transaction should be specified. It is important to distinguish whether the specific sum quoted for the buyer is a single shipment or many shipments. A buyer may be able to pay for an amount spread over a period of time and multiple shipments, but may not be able to pay for that sum in a single transaction. A seller on the other hand may be able to produce large amounts of a product over a long period of time, but not in a shorter period of time.
- The terms of payment relative to the type and quantity of the goods are important to consider. Payment for services often presents a unique situation. Payment experience of buyers, and the delivery record of sellers, competition in the market, and financing alternatives must be considered.

Exchange Risk

Exchange risk occurs whenever a seller agrees to accept payment in a currency other than his own, and then must convert that currency (foreign currency) into his local currency. The corollary of this is that if a payment received in foreign currency can be used to settle an obligation in that same currency, the exchange risk is avoided.

Exchange risk is measured by the change in the *rate* of exchange of one currency for another over a period of time. If by law there is no possibility of a difference in the rate of exchange over

time, the exchange risk is zero. In today's global economy every currency encounters exchange risk with one currency or another. The danger to the buyer is that he will be required to pay out more local currency at the time of exchange than anticipated when the transaction was agreed. In this case his cost of goods sold increases. He can either accept a reduction in his gross profit margin or raise the price of his product.

The danger for the seller is that he receives less local currency at the time of exchange than anticipated. In this case his gross revenue in local currency is reduced and his gross profit margin is reduced by the reduction in anticipated receipts.

There are methods to cover these risks by conducting foreign exchange hedging transactions. These will be addressed later.

Market Risk

Market risk can most simply be defined as the demand for the product in the market. Competition, perceived value, technological change, demographics, religion, and politics can be a factor in whether or not a product will sell in the international market. Only constant involvement in the market and the willingness to bear costs associated with maintaining a certain position in a market can overcome those risks. Consideration of all these factors will assist in completing the marketing matrices presented on pages 7 and 8, above.

Performance Risk

Performance risk may be defined as the willingness and ability of all parties to a contract to do what they have agreed on a timely basis. This must be extended to all suppliers of sellers and ultimate users of the product, e.g., customers of buyers. Like market risk, performance risk is affected by social, political, economic, cultural, religious, and commercial events that occur in the environment of all parties to international trade.

Protection against the failure of a party to perform can be included in the contract. Common protective clauses include such things as bid, advance payment, performance, and warranty bonds, authorities for changing the order, arbitration clauses, and clauses related to *force majeure*.

Section III

Methods of Payment

Methods of Payment

There are four basic methods of payment for international transactions. All others are derivatives of these. In order of increasing risk to the seller, and therefore, decreasing risk to the buyer, they are:

- Payment in Advance
- Payment through a Letter of Credit, also called a Documentary Credit
- Payment through a Documentary Collection
- Payment through Open Account

The realities of the political and commercial risks associated with the market, the specific parties to the transaction, and the merchandise under consideration determine which of these methods to utilize. Each method presents certain advantages to the buyer and seller. While they both are working from opposite sides of the transaction, the competition will influence the degree of control the buyer and seller seek to achieve through one method or another.

The negotiation of the final payment method is included in a purchase contract. Depending on the product or service, the contract can be as simple as a verbal agreement, a one page purchase order, or as complex as a multi-volume purchase contract.

A quick summary of the most important factors affecting the choice of a method of payment include, but are not limited to the following:

- The relative bargaining power of the contract parties
- The credit standing of the buyer and the reliability of the seller
- Previous relationships between parties
- Market competition as to price, availability, and financing terms
- The type of merchandise.
- Country risk

Preferences for the timing of payment from the perspective of the buyer and the seller are summarized in the table on the following page. Whatever the outcome of negotiations, it is critical that all parties communicate these preferences clearly and reach final agreement, preferably in writing, to eliminate costly misunderstandings.

Payment Methods

Method	Advantages		Disadvantages	
	Buyers	Sellers	Buyers	Sellers
Advance Payment	<ul style="list-style-type: none"> • May get better service than other buyers <p>Obtain product ahead of the competition unwilling to pay cash</p>	<ul style="list-style-type: none"> • Complete control of funds and goods • Receives financing from buyer • Credit and country risk eliminated 	<ul style="list-style-type: none"> • No control of funds or goods • Finances the seller 	<ul style="list-style-type: none"> • Some sales lost because some buyers need financing or to competition
Letter of Credit	<ul style="list-style-type: none"> • Buyer knows documentary conditions that must be met for payment to occur • Buyer is able to get better price or service 	<ul style="list-style-type: none"> • Credit risk of buyer is substituted by that of issuing bank • Seller knows exact terms on which he will be paid • Seller need not finance buyer for sight credit 	<ul style="list-style-type: none"> • No control over quality or quantity of goods received • Credit line is drawn • Bank fees must be paid 	<ul style="list-style-type: none"> • Documentary requirements may be hard to fulfill If errors are found after goods are shipped, correction may be impossible and L/C is invalid • Bank fees must be paid
	Time L/Cs generate bankers acceptances that can be used for financing buyers or sellers			
Confirmed L/C	<ul style="list-style-type: none"> • Ability to get better prices and increased availability of goods 	<ul style="list-style-type: none"> • Confirming bank assumes credit risk of buyer and buyer's bank <p>Confirming bank assumes country risk of buyer and buyer's bank</p>	<ul style="list-style-type: none"> • Buyers may have to pay confirmation fees 	<ul style="list-style-type: none"> • Sellers are usually required to pay confirmation fees
Documentary Collection	<ul style="list-style-type: none"> • On sight payment, buyer does not pay until he gets documents <p>On time payments, buyer does not have to pay until maturity of draft</p>	<ul style="list-style-type: none"> • Seller retains control over title to goods until buyer pays for documents or accepts draft 	<ul style="list-style-type: none"> • On sight payment, buyer has no control over quality or quantity of goods 	<ul style="list-style-type: none"> • Seller finances goods until buyer pays for documents or draft at maturity • Payment not assured and buyer can refuse documents
Open Account	<ul style="list-style-type: none"> • Financing from seller • Goods received before payment 	<ul style="list-style-type: none"> • Higher sales are possible 	<ul style="list-style-type: none"> • Prices may be higher to him because seller assumes higher risk 	<ul style="list-style-type: none"> • Goods delivered before payment • Seller assumes credit and country risk

INTRODUCTION

The Jordan Loan Guarantee Corporation, Ltd. is proud to provide this manual on Trade Finance. We recognize that you may have to manage many other products and services besides international transactions, so we have developed this manual as an overall guide to help you organize these transactions when they occur. We hope that it will become an important part of your reference library.

We have chosen to present it in a binder to extend its functionality. When you add magazine and newspaper articles, technical information, memoranda, and copies of relevant policies and procedure, you will have an organized and up to date reference. We believe the section dividers provide a common categorization of data that affect most cross-border transactions, and which will provide quick and easy reference source. We know that they are not all inclusive. We therefore encourage you to add new sections, as you need them.

Two of these sections present details of JLGC products: **Pre-shipment and Post-shipment Guarantees**. As improvements or additions to our programs occur, we will send notification to the JLGC Liaison person in your establishment. This includes policy changes as well as updated application and reporting forms.

We are confident that when you examine these programs, you will discover that they provide efficient risk management capabilities that will enhance your ability to profitably extend your sales and services to new clients in new markets.

Trade Finance

Case Studies in Pre- and Post-Shipment Financing

Sponsors:

**Jordan Loan Guarantee Corporation, Ltd.,
The Institute for Banking Studies and USAID**

Amman, September 1997

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Section I

Course Objectives

Course Objectives

When you finish this course you should have the necessary tools to perform

- An analysis of the trade finances process.
- An analysis of the particulars of pre- and post-shipment risks, whether you are a banker or an exporter.
- A cost and price analysis for trade finances transactions
- A value-added analysis for JLGC pre- and post-shipment guarantees.

To accomplish these objectives, familiarity with the reasons for international trade, the characteristics of international marketing, cross-border personal and technical relations between buyer and seller, and methods of payment are critical. Whether you are a banker or an exporter, all of these factors will affect you, either directly or indirectly. A thorough understanding of them will allow you to measure the credit risk, foreign exchange risk, and operation's risk inherent in every cross-border transaction.

The Reasons for International Trade

Businessmen, bankers and other analysts of international trade, typically consider the most important reasons for cross-border transactions to include the following:

- To achieve higher profit margins than on the sale of goods and services domestically
- To optimize available capacity and achieve advantages of economies of scale
- To meet standards of international competition
- To increase aggregate sales by participation in fast growing markets
- To extend a product's life cycle

These objectives, while difficult to achieve in the international marketplace, are also the incentive for exporters and bankers to confront and overcome obstacles in the path of reaching these objectives

Section II

Marketing Products and Services across Borders

Marketing Products and Services across Borders

Whether the banker or exporter enters the international marketplace instinctively or deliberately, he goes through at least four identifiable thought processes and activities. They may not occur in the order presented, or they may only be “afterthoughts,” that is, those that occur with historical perspective, -- but they all do occur.

First, every trader identifies the market.

Second, he identifies that market’s specific requirements

Third, he evaluates his productive capacity, whether that involves physical goods or delivery of services

Finally, he evaluates the constraints on delivery.

If done deliberately, consideration of these activities helps define costs and then profitable pricing. The probability for optimizing profit is, therefore, predictable. If done instinctively, then the costs may bear no relation to prices, and the probability of optimizing profits is not predictable. The information that follows in this presentation should increase the ability of those engaged in cross-border financing and trading to make deliberate decisions and thereby increase the probability of optimizing profits.

Identifying the Market

Identifying the market and market potential can be accomplished without physical presence. Three methods are commonly utilized. They are:

- Statistical analysis of demographic data, consumer spending habits, and trades flows. Substantial databases are now available on computer diskettes and CD-ROM media for efficient data analysis, manipulation, and report formatting.
- Accessing databases, advertising, and solicitation lists available on the World Wide Web (WWW), from nearly every country in the world. “Web Browsing”, as it is called, is becoming easier, cheaper, and more sophisticated every day.
- Contracting the services of a foreign agent or sales representative to market your product.

Visiting the market is always the best way to assess its potential. The question that must be answered is whether and when the costs of a visit are justified by the benefits. Focusing ones efforts and minimizing costs is always a challenge. This can be done by.

- Attendance at trade fairs and exhibitions that focus on your product lines and your competitors.
- Meetings with local chambers of commerce and industry, often with assistance from the International World Trade Center offices.
- Specific business meetings developed from contacts identified through statistical analysis, Web browsing, or agents referred to above.

- Establishing representative or branch offices and distribution facilities in other countries.

The ultimate purpose of all the above activities is to establish market requirements.

Market Requirements

Evaluating market requirements involves analysis of end-user needs and how they relate to your product or service. Should you possess an unique product/service, clearly in demand, you may, at first, not have to evaluate market requirements. In a free-market situation, however, it will not be long before your success will generate competition. The following analysis will then become useful. One way to focus on end-user needs is to analyze the competition. This can be done statistically or through client interviews and asking questions that identify “Qualifying Needs”, “Determinant Needs”, and “Differentiating Factors.”

Qualifying Needs

A qualifying need is one that a product must have before any customer will even consider purchasing it. An example might be a car in the UK with a steering wheel on the left hand side. Without a “Qualifying Need” consumers simply exclude the product from their set of choices.

Determinant Needs

A determinant need is one that customers use to choose your product or service from among all those who have qualified. For example, once you offer a car in the UK with a right side steering wheel, then the customer will include your offering among all other such vehicles. Whether or not a client finally purchases the car depends on whether or not your product meets his other requirements as well, such as size, color, and number of doors.

Differentiation Factors

When several competitors offer approximately the same product or service in every perceived respect, then differentiation factors play a role in the customer’s final decision to buy. These factors include four major categories: The quality of the product (Product Line Factors), the price of the product, the delivery process (consistency, convenience, and maintenance), and advertising (Promotion Policies)

The matrix on the following page represents an analytical tool for competitive analysis of most any product or service. The information, as noted earlier, can be obtained from existing statistical data or gathered through market surveys.

Productive Capacity

Productive capacity must be viewed as market specific. That is, just holding the product or service available may not even qualify the item as an acceptable choice. Rather, the product

must meet quantity and quality standards of the competition. For example, consumers of Coke and Fanta in the USA prefer a much higher level of carbonation than do consumers in West Africa. Product packaging and sizing may be especially critical. For example, bulk packaging may not be suitable in a market with small families and those with school age children who want to take individual portions for lunch at school. In today's environment, animal rights activism can require special packaging indications in the EU and America

Delivery and Distribution

Delivery and distribution are processes. They involve more than just transportation of goods and services from one location to another, although that is clearly the most easily defined in terms of cost. They are more complex than just a physical closure of borders or availability of motor, rail, sea, or air transport. Included in the consumers concept of "delivery" for hard products are the consistency of product availability, convenience of availability, maintenance, and repair requirements. Delivery may also include the packaging, even though the package may also present certain promotional aspects of the product.

Consumers to include ease of communications and the ability to efficiently solve client problems view delivery of services. Meeting these requirements across national boundaries is always more complex than in the domestic market.

Summary

Marketing products and services across borders involves four major processes.

- Market identification
- Market requirements
- Productive capacity
- Delivery and distribution

All of these processes must be examined from the point of view of the consumer. Failure to meet his criteria will exclude the product or service from his choices.

There are, of course, other factors to consider when trying to measure one's ability to compete in international markets. These involve temporal, cultural, legal, and financial issues. They will be considered within the context of cross-border buyer/seller relationships.

However, before addressing these issues, it is useful to examine, in matrix form, some constraining factors to competitiveness of all exports. The matrix shown on page 5 is a particularly useful analytical tool whether one is a current exporter, new to export, or considering financing an exporter. The methodology is to identify policy, institutional, infrastructure, and capacity constraints, both internal and external, for each of the differentiating factors, of product price, quality, delivery, and promotion. With this information, a realistic risk analysis can then

be over a number of sectors. The constraints considered should include those apparent in both domestic and foreign markets.

Analyzing Key Product Markets

<i>Competitive Analysis</i>							
<i>Product/Market:</i>			<i>Your Location/Branch</i>			<i>Date:</i>	
Market Needs Summary:							
Qualifying Needs:							
Determinant Needs:							
			T R E N D	Differentiation Factors (Marketing Mix)			
Competitors	Current Local Currency Volume	Current Market Share		Product Line Factors	Pricing Policies	Promotion Policies	Distribution Methods
Your Business/ or Your Bank							
Total							

Note This format is a minor modification of that found in Eric Reidenbach, The Bank Marketing Handbook, p 93, Irwin Professional Publishing, Chicago, London, Singapore, 1994

For simplicity, the TREND can be shown as up ↑, down ↓, or steady ⇒

Constraining Factors to Export Competitiveness

<i>Constraints</i>	Price	Quality	Delivery	Promotion
<u><i>Policies</i></u>				
<u><i>Institutions</i></u>				
<u><i>Infrastructure</i></u>				
<u><i>Capacity</i></u>				

Buyer and Seller Relationships

Effective communication between buyer and seller forms the basis for all successful international sales. Language differences frequently occur across borders. This gives rise to the entrance of third parties, such as marketers, translators, bankers, and agents. While these third parties are there for the purpose of assistance, they may also create additional problems that will require solution.

Effective communication begins long before the sales contract is finalized. For the seller, the sales contract is usually the end of a long process of market identification, product promotion, and client needs assessment. It also marks the beginning of a whole new relationship that requires even more effective communication skills in order to complete the conversion cycle and make additional sales.

Geographic and Temporal Factors

Geographic distances create natural obstacles to easy buyer/seller relationships. It is not unusual for a buyer in the North America, South America, Africa, or the Middle East to have to transport goods hundreds of miles from the delivery point to the point of utilization. These distances also include time zone differences. Time differences become critical during a situation when problems need solution. They may at one moment go to the benefit of the seller, and at another moment to the benefit of the buyer. These physical distances and time differences must be anticipated and communicated by both parties in order to avoid disputes.

Cultural Factors

Cultural factors cover a range of social relationships affecting communication between buyers and sellers. Religious, ethnic, and ethical orientations all affect business relationships. They must be carefully considered in decisions governing product development, packaging, and promotion.

Financial Factors

Precisely where temporal and cultural factors become financial can be defined as the point in time when a transaction occurs between buyer and seller. The objectives of each as defined below set the terms.

Buyer Objectives

Buyers' major objectives are:

- To obtain on time delivery of the correct quantity and quality of goods or services
- To defer payment as long as possible for purposes of controlling cash flow
- To pay only if seller fulfills his obligations
- To minimize financing costs
- To conduct final settlement through a trustworthy third party and in an advantageous currency

Rational buyers' are motivated by their own production and conversion cycle. Buyers will do whatever is required to minimize financing costs associated with their purchase while obtaining the quantity and quality of inputs necessary. They seek to avoid as many intermediaries as possible to reduce costs and potential problems of delivery and increased costs. This affects their behavior toward all suppliers.

Seller Objectives

Sellers' objectives are

- To accomplish on time delivery of the correct quantity and quality of goods or services
- To obtain payment in the shortest possible time to facilitate cash flow
- To minimize financing costs
- To obtain settlement through a trustworthy third party and in an advantageous currency

Sellers are primarily motivated by the desire for prompt payment. Financing the buyer is important only if that is required to make the sale against competition. Like buyers, they seek to avoid as many intermediaries as possible to reduce costs and potential problems.

Since the objectives of the buyer and seller are on opposite sides of the transaction, it is important that communications between the buyer and seller are clear. Failure to understand where each party is in the process may create costly delays for both. This is also critical for all intermediaries who seek to facilitate the transaction. Failure of either the buyer or the seller to communicate vital data to the intermediaries, whether banker, carrier, translator, or agent, could result in financial loss or damage to business reputation of one or several parties.

Close communication facilitates the exchange of information on events that are external to the transaction, but which ultimately affect the financial viability of future transactions. Paramount among these topics are those associated with the political climate in the countries of the buyer and the seller.

Political Risk

Political risks include events under the control of, or actions taken by, governmental authorities of the country of the buyer or seller. They include acts of war, civil disobedience, riot, and revolution. They may include statutory or *de facto* restrictions affecting the flow of goods, services, and payments. They include any government act that might inhibit the payment of funds in or out of the country irrespective of the ability of any individual or corporate resident of that country to meet contractual payment obligations. This is sometimes called *transfer* risk.

Protecting against political risks is usually accomplished by transferring the risk to another party. Sellers commonly accomplish this by requiring that buyers open Letters of Credit which include a condition that a bank in the seller's country confirm the Letter of Credit. Protection against adverse political events can also be obtained by the purchase of special export credit insurance.

Commercial Risks

Commercial risks are all those circumstances that might prevent a private or corporate party to a contract from fulfilling the terms of that contract due to its own act or failure to act. Commercial risks can be grouped into five major categories

- Credit risk
- Foreign exchange risk
- Market risk
- Performance risk
- Settlement risk

All of these risks should be considered when entering international trade transactions. There are ways to protect oneself against these risks. Protections can be included in the terms of the contract or outside of it.

Credit Risk

Credit risk is controllable through knowledge of the buyers and sellers financial strength and character. Credit references can and should be obtained on all counterparts to a trade transaction. For sellers, such information indicates the ability and willingness of the buyer to honor his obligations. For buyers, this information indicates the ability of the seller to perform as agreed. Such references are usually obtained prior to execution of the contract and assist in developing terms of payment of the transaction.

The following points should be kept in mind when seeking a report on overseas counterparts

- The exact amount of the transaction should be quoted in order to obtain the most accurate information. Inflating the amount may eliminate satisfactory buyers or sellers.
- The exact time frame for the transaction should be specified. It is important to distinguish whether the specific sum quoted for the buyer is a single shipment or many shipments. A buyer may be able to pay for an amount spread over a period of time and multiple shipments, but may not be able to pay for that sum in a single transaction. A seller on the other hand may be able to produce large amounts of a product over a long period of time, but not in a shorter period of time.
- The terms of payment relative to the type and quantity of the goods are important to consider. Payment for services often presents a unique situation. Payment experience of buyers, and the delivery record of sellers, competition in the market, and financing alternatives must be considered.

Exchange Risk

Exchange risk occurs whenever a seller agrees to accept payment in a currency other than his own, and then must convert that currency (foreign currency) into his local currency. The corollary of this is that if a payment received in foreign currency can be used to settle an obligation in that same currency, the exchange risk is avoided.

Exchange risk is measured by the change in the *rate* of exchange of one currency for another over a period of time. If by law there is no possibility of a difference in the rate of exchange over

time, the exchange risk is zero. In today's global economy every currency encounters exchange risk with one currency or another. The danger to the buyer is that he will be required to pay out more local currency at the time of exchange than anticipated when the transaction was agreed. In this case his cost of goods sold increases. He can either accept a reduction in his gross profit margin or raise the price of his product.

The danger for the seller is that he receives less local currency at the time of exchange than anticipated. In this case his gross revenue in local currency is reduced and his gross profit margin is reduced by the reduction in anticipated receipts

There are methods to cover these risks by conducting foreign exchange hedging transactions. These will be addressed later.

Market Risk

Market risk can most simply be defined as the demand for the product in the market. Competition, perceived value, technological change, demographics, religion, and politics can be a factor in whether or not a product will sell in the international market. Only constant involvement in the market and the willingness to bear costs associated with maintaining a certain position in a market can overcome those risks. Consideration of all these factors will assist in completing the marketing matrices presented on pages 7 and 8, above.

Performance Risk

Performance risk may be defined as the willingness and ability of all parties to a contract to do what they have agreed on a timely basis. This must be extended to all suppliers of sellers and ultimate users of the product, e.g., customers of buyers. Like market risk, performance risk is affected by social, political, economic, cultural, religious, and commercial events that occur in the environment of all parties to international trade.

Protection against the failure of a party to perform can be included in the contract. Common protective clauses include such things as bid, advance payment, performance, and warranty bonds, authorities for changing the order, arbitration clauses, and clauses related to *force majeure*

Section III

Methods of Payment

Methods of Payment

There are four basic methods of payment for international transactions. All others are derivatives of these. In order of increasing risk to the seller, and therefore, decreasing risk to the buyer, they are:

- Payment in Advance
- Payment through a Letter of Credit, also called a Documentary Credit
- Payment through a Documentary Collection
- Payment through Open Account

The realities of the political and commercial risks associated with the market, the specific parties to the transaction, and the merchandise under consideration determine which of these methods to utilize. Each method presents certain advantages to the buyer and seller. While they both are working from opposite sides of the transaction, the competition will influence the degree of control the buyer and seller seek to achieve through one method or another.

The negotiation of the final payment method is included in a purchase contract. Depending on the product or service, the contract can be as simple as a verbal agreement, a one page purchase order, or as complex as a multi-volume purchase contract.

A quick summary of the most important factors affecting the choice of a method of payment include, but are not limited to the following:

- The relative bargaining power of the contract parties
- The credit standing of the buyer and the reliability of the seller
- Previous relationships between parties
- Market competition as to price, availability, and financing terms
- The type of merchandise.
- Country risk

Preferences for the timing of payment from the perspective of the buyer and the seller are summarized in the table on the following page. Whatever the outcome of negotiations, it is critical that all parties communicate these preferences clearly and reach final agreement, preferably in writing, to eliminate costly misunderstandings.

Payment Methods

Method	Advantages		Disadvantages	
	Buyers	Sellers	Buyers	Sellers
Advance Payment	<ul style="list-style-type: none"> • May get better service than other buyers <p>Obtain product ahead of the competition unwilling to pay cash</p>	<ul style="list-style-type: none"> • Complete control of funds and goods • Receives financing from buyer • Credit and country risk eliminated 	<ul style="list-style-type: none"> • No control of funds or goods • Finances the seller 	<ul style="list-style-type: none"> • Some sales lost because some buyers need financing or to competition
Letter of Credit	<ul style="list-style-type: none"> • Buyer knows documentary conditions that must be met for payment to occur • Buyer is able to get better price or service 	<ul style="list-style-type: none"> • Credit risk of buyer is substituted by that of issuing bank • Seller knows exact terms on which he will be paid • Seller need not finance buyer for sight credit 	<ul style="list-style-type: none"> • No control over quality or quantity of goods received • Credit line is drawn • Bank fees must be paid 	<ul style="list-style-type: none"> • Documentary requirements may be hard to fulfill If errors are found after goods are shipped, correction may be impossible and L/C is invalid • Bank fees must be paid
	Time L/Cs generate bankers acceptances that can be used for financing buyers or sellers			
Confirmed L/C	<ul style="list-style-type: none"> • Ability to get better prices and increased availability of goods 	<ul style="list-style-type: none"> • Confirming bank assumes credit risk of buyer and buyer's bank <p>Confirming bank assumes country risk of buyer and buyer's bank</p>	<ul style="list-style-type: none"> • Buyers may have to pay confirmation fees 	<ul style="list-style-type: none"> • Sellers are usually required to pay confirmation fees
Documentary Collection	<ul style="list-style-type: none"> • On sight payment, buyer does not pay until he gets documents <p>On time payments, buyer does not have to pay until maturity of draft</p>	<ul style="list-style-type: none"> • Seller retains control over title to goods until buyer pays for documents or accepts draft 	<ul style="list-style-type: none"> • On sight payment, buyer has no control over quality or quantity of goods 	<ul style="list-style-type: none"> • Seller finances goods until buyer pays for documents or draft at maturity • Payment not assured and buyer can refuse documents
Open Account	<ul style="list-style-type: none"> • Financing from seller • Goods received before payment 	<ul style="list-style-type: none"> • Higher sales are possible 	<ul style="list-style-type: none"> • Prices may be higher to him because seller assumes higher risk 	<ul style="list-style-type: none"> • Goods delivered before payment • Seller assumes credit and country risk

Advance Payment

In this method of payment, the buyer pays the seller prior to shipment of goods.

Letter of Credit (L/C), or Documentary Credit

In this method of payment, the service of a bank is usually required. A Letter of Credit, also known as a documentary credit, is a written commitment issued by a bank for the account of the buyer to pay the seller. The issuer of the Letter of Credit agrees to pay the seller even if the buyer fails to pay, provided the seller meets all terms and conditions of the Letter of Credit within the specific time constraints of the Letter of Credit. The amount paid cannot exceed the value of the Letter of Credit.

Documentary Collection

In this method of payment, the seller ships the goods to the buyer, but sends the documents evidencing shipment, title to the goods, and demand for payment through an intermediary, usually a bank. Demand for payment is usually in the form of a bill of exchange, also called a draft. The intermediary, according to written instructions from the seller, prepares a letter of instruction called a collection letter to a correspondent bank relaying the seller's instructions. With the collection letter, the documents and draft are sent to the buyer's bank.

Banks that provide this collection service only act under the letter of instruction from the seller. The collecting bank releases documents to the buyer upon payment or acceptance of the draft. Neither the seller's bank nor the buyer's bank assumes any responsibility for payment if the buyer fails to take delivery of the documents and/or make payment. Section IV presents a more detailed description of this method of payment.

Open Account

In this method of payment, the seller ships the goods directly to the buyer before payment is required. Settlement of the buyer's account on the books of the seller is arranged between the buyer and seller.

Methods of Settlement

In addition to the method of payment to be used, the buyer and seller must decide how the payment will finally be made, that is, how the currency agreed as payment is finally transferred to the possession of the seller. This is called the *method of settlement*.

The primary methods of settlement include:

Cash: Physical cash delivered to the buyer.

Bank Check: A check drawn on a bank payable in the seller's country, often called a "banker's draft" A banker's draft is purchased by the buyer from his bank and delivered to the seller by the buyer.

Mail Payment Order: A mail payment order is purchased by the buyer from his bank and sent by the bank to the correspondent bank of the seller for credit to the seller's account

Wire Transfer: A wire transfer is service of the buyer's bank, purchased by the buyer, which provides telegraphic instructions to a correspondent bank to credit the seller's account.

SWIFT Payment: A SWIFT payment is a wire transfer over a special bank payments system called the Society for Worldwide Inter-bank Financial Telecommunications (S.W.I.F.T.) to which a bank must belong as a member.

Corporate or Personal Check: The check may be drawn on the buyer's bank account in his country, the country of the seller, or even a different country than the domicile of either buyer or seller.

All of these methods carry risks of non-delivery Some are deliberately used to slow payment delivery. In general, it is true that the more intermediaries, the greater the cost, and the longer the time it takes to effect payment to the seller. Except in the case of Letters of Credit where the settlement process is an integral part of the Letter of Credit process, these are important reasons that the contracts clearly specify not only the method of payment, but also the method of settlement.

Section IV

Documentary Collections

Documentary Collections

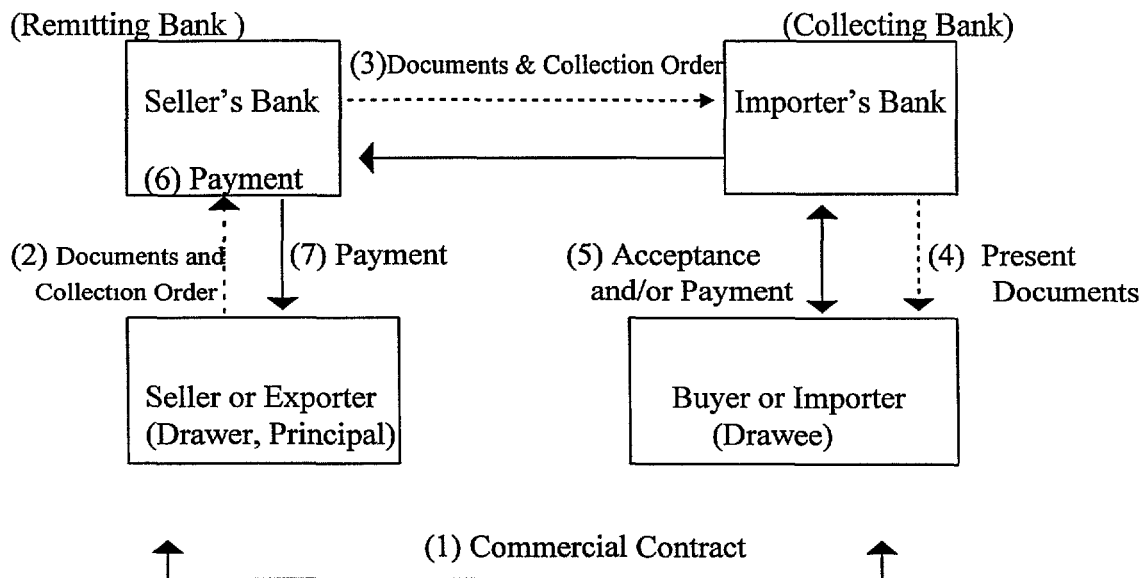
For companies unwilling to take the risk of open account trading, and Letters of Credit are too expensive or uncompetitive, then the documentary collection process is an attractive alternative.

In the documentary collection process, banks act as a trustworthy third party between buyers and sellers. The seller retains control of title documents (and thereby the goods) through the intermediation of a bank, until they are paid for, or until the buyer has given formal acceptance to pay at a future date. In the documentary collection process the bank acts solely as agent for the customer, and assumes no responsibility for the goods or the payment. The advantages and disadvantages to the importer and exporter are summarized in the Payments Methods matrix shown in Section III. Banks and their customers, both buyer and seller, who use the documentary collection process generally agree to be governed in their behavior by the Uniform Rules for Collections defined by the International Chamber of Commerce, ICC Publication 522.

Parties and Process

The parties to an international trade contract and their responsibilities under the documentary collection process are shown in the schematic below. The terminology used conforms with that used among banks and in ICC 522. Consistent usage of these terms greatly enhances communication between parties to an international trade transaction. A step by step description of actions taken by the parties to the collection process is presented on the next page.

Parties to the International Collection Process and The Flow of Documents and Payment



Party	Step	Function Performed
Seller (exporter/drawer)	1	<ul style="list-style-type: none"> • Agrees to contract
	2	<ul style="list-style-type: none"> • Ships the goods and submits documents to his bank
Exporter's Bank	3	<ul style="list-style-type: none"> • Verifies documents named in collection order are there • Sends documents and collection order to correspondent in buyer's country with instructions to collect payment
	7	<ul style="list-style-type: none"> • Pays the exporter when it receives payment from the Collecting Bank
Collecting Bank	4	<ul style="list-style-type: none"> • Presents bill of exchange to buyer for payment and/or acceptance
	5	<ul style="list-style-type: none"> • Releases the documents to the buyer on acceptance or payment
	6	<ul style="list-style-type: none"> • Advises payment and/or acceptance to Remitting Bank (less any charges for cables, etc.)
Buyer/Importer	1	<ul style="list-style-type: none"> • Agrees to contract
	5	<ul style="list-style-type: none"> • Pays and/or accepts the bill of exchange

Common Documents Presented with Collection Orders

Documents commonly used in the collection process are commercial invoices, insurance documents, bills of lading, a draft or bill of exchange, packing lists, consularized documents, and documents peculiar to the type of merchandise. These are described in more detail below

Commercial Invoices

A commercial invoice is a statement of a transaction prepared by the seller and addressed to the buyer. A commercial invoice presents a complete description of goods being shipped from the buyer to the seller. It may include reference to a particular purchase order or contract number. Occasionally a copy of the Purchase Order is also sent with the documents. It has the same general information as the commercial invoice, but it is issued and signed by the buyer or his authorized representative.

Insurance Document

The insurance document evidences that the goods are insured against complete or partial damage or loss during a specified period of shipment. It may be for an amount in excess of the value of the collections. Insurance can cover multiple methods of transport. The document details what

events are covered, such as war, civil disturbance, natural disaster, etc. This insurance document is not related to credit insurance.

Bill of Lading

A marine bill of lading is a receipt issued by a shipping company, or its authorized agents, for goods shipped on board a named vessel, or for goods received for shipment. In addition, and most important to all parties, it is a document of title to the goods described. A bill of lading can also be issued for air transport. It is called an Air Waybill.

The marine bill of lading shows the name of the ocean vessel, the port of loading, and the port of discharge, the date of shipment and the status of goods on board called the "on-board" notation. The term, "Marine Bill of Lading" is synonymous with the term "Ocean Bill of Lading" in common usage, and may or may not be a negotiable instrument.

Various other transport documents may be presented with the collection order. The type depends on the mode of transport. A common list of transport documents includes:

- Sea Waybill
- Combined Transport Document
- Rail Waybill
- Railway Consignment Note
- CIM Consignment Note (Used for rail shipments.)
- Post Receipt (Issued by the postal service of various countries.)
- Certificate of Posting
- CMR International Consignment Note
- Forwarder's Certificate of Receipt
- Forwarder's Certificate of Transport

In each case however, the description of the goods in the bill of lading must agree with the description stated in the related invoice.

Packing List

A packing list states specifically how the goods are packed for shipment. This detail is important for a wide range of purposes from marketing to insurance coverage. For heavy goods, like cement, an entire ship's cargo plan may be presented. Packing lists vary according to the merchandise and the contractual requirements.

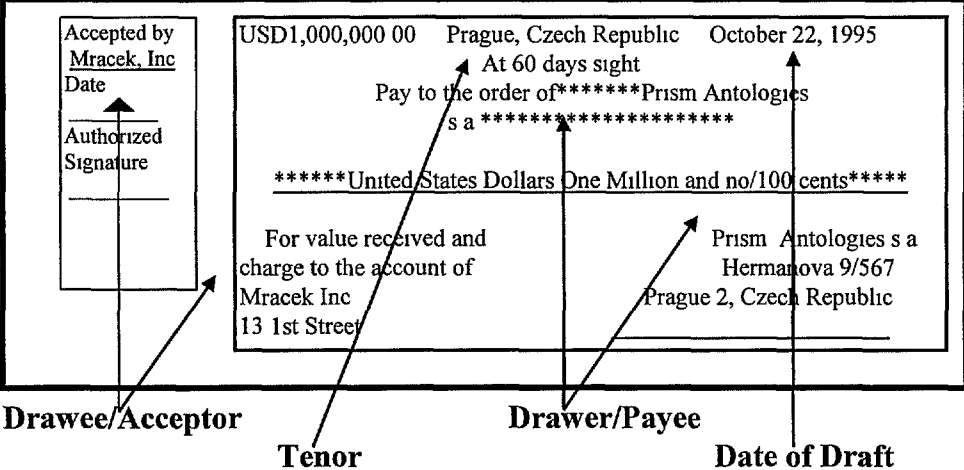
Bill of Exchange

The Bill of Exchange, or draft, is an unconditional demand for payment of a certain amount from the buyer. It is prepared and signed by the exporter (drawer) and drawn on the buyer (drawee). It may be payable "at sight," i.e., when presented to the buyer by the collecting bank and the buyer

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“sees” it. The draft may also be drawn for payment at a future date, e.g., “90 days sight” or “180 days from bill of lading date.” It is this instrument that is presented to the buyer for formal acceptance under D/A terms. The draft is stamped “Accepted,” dated for payment at the specified future date, and signed by the drawee. The instrument is now a “trade acceptance” and a legal obligation of the acceptor to pay at maturity.

A common form of a Bill of Exchange appears below. Its components are labeled for easy reference.



When dated and signed by the buyer, Mracek, Inc., this Bill of Exchange will become a trade acceptance and the collecting bank will deliver the documents to Mracek, Inc. This type of collection is called Documents against Acceptance, D/A collection. If the seller, Prism Antologies has a. desires to make the bill negotiable, they need only endorse the back of the bill.

If the tenor were only “At Sight,” this would be a Documents against Payment D/P collection. Before Mracek, Inc., could obtain accompanying documents of title to the goods Mracek, Inc would have to pay the collecting bank.

Other Documentary Requirements

In order to meet certain statutory requirements, some of the above documents may have to be stamped prior to shipment by the Consular Office of the buyer’s country. This consular office is located in the country of the seller. Those items stamped then become “consularized” documents. Health certificates, certificates of chemical analysis and composition, warning notices, and many other documents required by statutes of the importer or exporter may also be submitted to the presenting bank for the collecting bank and the importer. All should be named in the collection order.

Goods should not be consigned to the order of the collecting bank without specific permission of that bank. Banks have no obligation to take custody of goods under a collection order, and it is becoming a frequent practice for banks to return such documents

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Importers and exporters should consult with freight forwarders and customs agents to establish current documentary requirements for the particular type of merchandise being shipped. This simple precaution can mean the difference between a profitable deal and a non-profitable deal

Collection Order

Whichever documents the exporter presents to his bank, he must always attach his instructions on a collection order. The collection order is a form issued by the exporter's bank, completed by the exporter, the "principal" or his designated agent, and submitted with documents for collection. These instructions are passed on to the importer telling him how and when to pay. The collection order includes:

- The name and address of the collecting bank
- The name and address of the seller and buyer of the goods
- A list of documents
- Description of the goods being shipped, named vessel and bill of lading number.

Instructions in the collection order indicate whether:

- The attached bill of exchange should be purchased or sent for collection
- Documents should be released against acceptance (D/A) or payment (D/P)
- Documents should be sent via air mail or courier
- The collecting bank should cable advice of non-payment or acceptance by the buyer
- The bill of exchange should be "protested" for non-payment
- Who can act as agent ("case of need") for the seller in the buyer's country
- Charges and interest are for account of buyer or seller
- Settlement should be by mail, wire, SWIFT, or other means, and the exact account to which the proceeds should be paid.

Throughout the collection process, the banks of the buyer and seller assume no other obligation than that of "reasonable care." This is stipulated in the Uniform Rules for Collections. Banks are not responsible for non-payment by the buyer

Default under a Collection and Exporter Alternatives

Under a documentary collection, the drawee defaults if he refuses to:

- Make payment
- Accept a draft
- Pay an accepted draft at maturity

As previously noted, banks assume no obligation for payment under a documentary collection. The credit and country risk of the buyer and his country remain with the seller. Banks, as agents

for the principal, merely act with "reasonable care" on the basis of instructions in the collection order. Should the buyer be unable or unwilling to pay for the goods or accept the draft, the merchandise remains at the disposal of the seller. Typically the exporter has the following options:

- Protest the bill of exchange
- Warehouse the goods and find another buyer
- Arrange clearance and re-export of the goods

In all of the above options, the costs are for the account of the seller.

Non-payment/Non-acceptance Risk

One advantage of the collection process is that the collecting bank may be able to assist with the above options. In addition, exporters may want to consider the services of a "Case of Need" contact person in the importer country. Should non-payment/non-acceptance occur, this party can render valuable services in protecting the merchandise, finding another buyer, and/or re-exporting the goods. Great care should be taken in nominating such a party because he then controls the fate of the goods, and at the expense of the seller.

Protest

In the worst case scenario, in which the buyer refuses to pay a sight payment (D/P) collection, or a maturing trade acceptance, the remitting bank may be able to use the collecting bank to arrange "**Protest**" of the draft. The bank's action of filing protest on behalf of the seller is a formal demand for payment by a notary, or equivalent official. Protesting gives the seller a stronger position in a court of law, and it may be a prerequisite to court action in some countries. Caution should be taken in applying the action of protest. In many countries it is sufficient to seriously damage an importer's reputation to such an extent that he could be forced into an insolvent position.

Country Risk

Funds are sometimes detained in countries due to exchange controls. In this case, a buyer may have already paid the local currency equivalent to settle his obligation to a local bank. The local bank is only awaiting permission from the government to release foreign exchange. In a worse case, the bank is awaiting the actual availability of foreign exchange. Non-payment due to country risk, commonly called transfer risk, does not allow the remedial options for the exporter noted above. Only if the exporter had previously arranged export credit insurance that covered political and transfer risk could he reduce or remove this risk.

Importer Concerns of Exporter's Default

The importer's concerns of default by the exporter are more specific to the goods and sometimes easier to control since he can normally inspect the documents to see if they match the terms of the contract of purchase before paying or accepting them. They are briefly summarized in the table below together with commonly available risk mitigation techniques. Documents can be deceiving, and only subsequent to receipt of the goods can the buyer know for sure that the goods are of the quantity and quality described therein.

Importer Risk Mitigation

Risk	Ways to Reduce Risk
Goods do not arrive, arrive late, or are damaged.	Insurance coverage.
Lack of financing to take up collections.	Arrange financing secured by merchandise of collection
Foreign currency exposure	Hedge foreign exchange exposure or be invoiced in own currency.
Goods are inferior or lower quantity than ordered	Settle dispute with exporter. Take legal action in country of the buyer, or enlist the support of an arbitrator

Document Delay and Shipment Bonds or Shipper's Indemnity

One serious importer concern involves arrival of the merchandise prior to the arrival of documents sent on a collection basis. This commonly occurs in the case that:

- Goods are sent by air
- The documents are lost or delayed in the postal system
- Operational problems within banks involved result in the shipment arriving prior to the documents

When goods are unloaded from the ship or aircraft, they are stored in a warehouse that belongs to the shipping company or its agents. The goods may or may not be cleared through customs at this time. The shipping company usually allows a few days free storage after which the importer must pay storage fees called *demurrage*. The only way to avoid demurrage charges is for the buyer to take custody of the goods, which is not possible without correct documentation.

The solution to this dilemma is for the buyer to purchase a *shipment bond*, also called a *shipper's indemnity* from a bank. The buyer gives up his right to reject the documents at the time he

receives the indemnity. This document is a commitment of the bank to pay for the goods and hold the carrier harmless from any and all costs associated with releasing the goods to the buyer in the absence of title documents.

Banks charge a nominal fee for such service. It may be a flat amount or a percentage of the reputed value of the goods. Collateral may or may not be required. Prudent banking practice requires that such facilities be considered an extension of credit. When the title documents finally arrive, the bank sends them directly to the shipping company to have its liability released under the shipper's indemnity.

Section V

Export Letters of Credit

Export Letters of Credit

Definition

Whether a Letter of Credit is an "Export" Letter of Credit or an "Import" Letter of Credit is strictly a function of from whose point of view a single Letter of Credit is being examined. In other words, a Letter of Credit received by the seller (the *beneficiary*), is called an "Export" Letter of Credit. Viewed by the buyer (the *issuer*), the very same Letter of Credit is called an "Import" Letter of Credit. It is an international standard that a Letter of Credit (L/C) is also called a documentary credit (Credit), whether viewed by the importer or the exporter.

Generically, a Letter of Credit is a written commitment issued by a bank (*issuing bank*) for the account of the *applicant* (buyer/importer), to pay a named *beneficiary* (seller/exporter) a specific amount not to exceed the value of the Letter of Credit, provided all terms and conditions of the L/C are met. Under a documentary credit, the terms and conditions include the presentation of specified documents not later than a certain expiry date of the L/C.

Article 1 of the Uniform Customs and Practices for Documentary Credits, International Chamber of Commerce Publication 500, (henceforth the "UCP," or "Publication 500") states:

The Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication 500, shall apply to Documentary Credits...where they are incorporated into the text of the Credit. They are binding on all parties thereto, unless otherwise expressly stipulated in the Credit

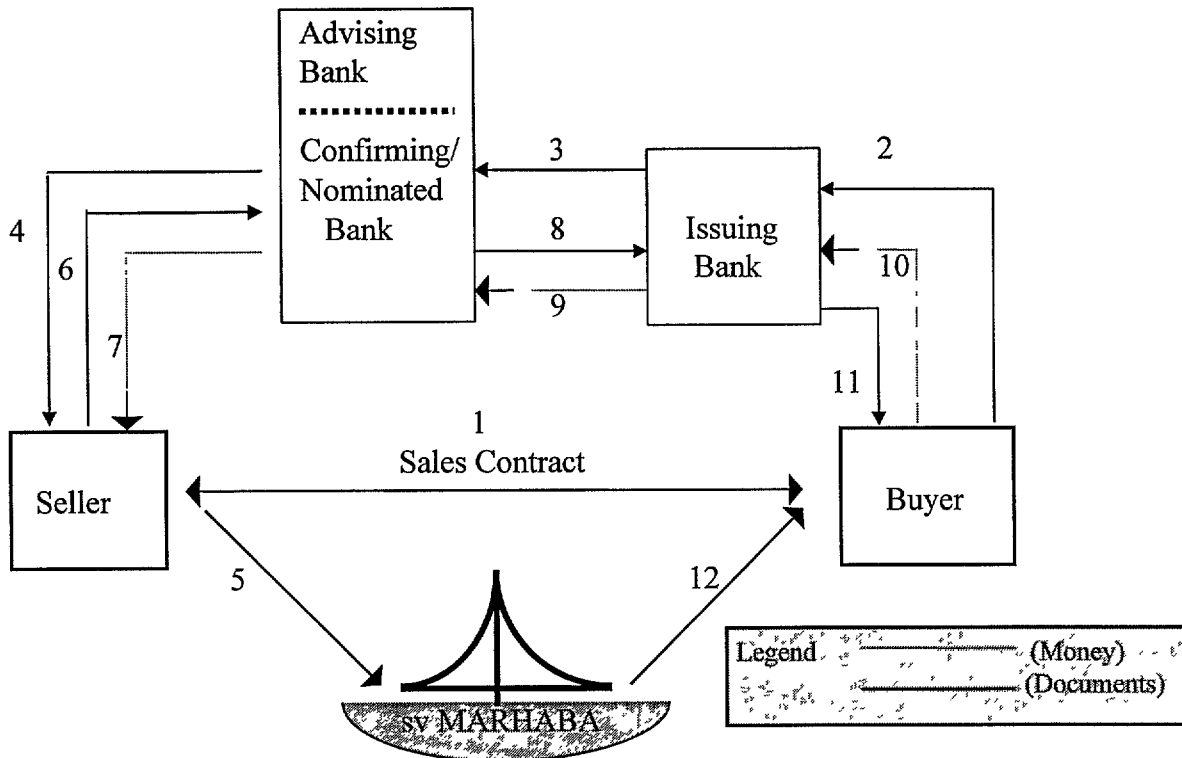
Documentary requirements commonly include a *financial* document, i.e., a draft or bill of exchange drawn on the issuing bank; *commercial* documents, such as a bill of lading, commercial invoice, insurance certificate or policy, and *government* documents, such as export or import licenses, and other documents.

The bill of exchange or draft prepared under the Letter of Credit can be drawn payable "at sight" or at a point of time in the future. As a result an export credit could be called a "sight export credit", or a "time export credit". Time credits are also called "usance credits" or "acceptance credits."

Under a Letter of Credit an *issuing bank* substitutes its promise to pay for that of the *buyer*

Therefore, when a seller/exporter is the beneficiary of a Letter of Credit, he does not have to depend on the credit standing of the buyer. Provided all the terms and conditions contained in the Letter of Credit are met by the beneficiary, the issuing bank will pay him. The beneficiary of the credit must, however, be concerned about the creditworthiness of the issuing bank and the country risk of the issuing bank. Both of these concerns can be eliminated through an appropriate *confirmation* of the Letter of Credit. This process is more fully explained below.

Steps in Processing a Sight Payment Letter of Credit Transaction



Number "1" represents the sales contract.

In "2" the buyer instructs the issuing bank to issue the Letter of Credit

In "3" the issuing bank issues the Letter of Credit.

In "4" the advising/confirming/nominated bank informs the seller about the Letter of Credit

In "5" the seller ships goods and receives the transport document

In "6" the seller presents documents to the nominated bank

In "7" the nominated bank examines the documents and makes payment

In "8" the nominated bank forwards the documents to the issuing bank.

In "9" the issuing bank examines the documents and reimburses the nominated bank

In "10" the buyer reimburses the issuing bank.

In "11" issuing bank releases documents to the buyer.

In "12" the buyer presents the bill of lading to the carrier and receives the goods.

The 12 separate steps above define important actions that parties to a sight Letter of Credit must perform. Whether one is an exporter or importer, the following matrix shows which of the 12 steps involve the flow of goods, documents, or money.

Step	Goods	Documents	Money
1		x	
2		x	
3		x	
4		x	
5	x	x	
6		x	
7		x	x
8		x	
9		x	x
10			x
11		x	
12	x	x	

Parties to a Letter of Credit Transaction

Identification of the parties to a Letter of Credit transaction is critical to clear communications between the bank, the buyer, and the seller.

The *applicant or account party* is the one applying for the Letter of Credit. The applicant or account party is usually referred to as one of the following:

- buyer
- importer
- consignee

The *beneficiary* is the party to whom the Letter of Credit is addressed. The beneficiary is usually the same party as one of the following.

- seller
- exporter
- shipper

In a Letter of Credit transaction, at least two banks are usually involved

- The bank that issues the Letter of Credit on behalf of the buyer is usually located in the country of the importer and is called the *issuing bank*. If examination and negotiation of documents presented under a Letter of Credit are restricted to the counters of a specific bank, namely, the issuing bank or the advising banks, this is called a *straight credit*. If examination and negotiation of documents may be presented and negotiated at any bank, such a credit is called a *negotiable credit*.
- The bank that advises the seller that the Letter of Credit has been issued is usually located in the country of the exporter and is called the *advising bank*.
- In most cases, the issuing and advising banks will be *correspondents* to each other. This means that they at least have the ability to validate communications between

themselves by test keys, encryption capabilities, and an exchange of authorized signatures. They may also have reciprocal accounts, which facilitate financial transactions between them and their clients.

- The bank authorized to pay, undertake a deferred payment obligation, accept, or negotiate under a Letter of Credit is called the *nominated bank*.
- The bank upon which the beneficiary draws the draft is called the *drawee bank*

Other items of importance with respect to the L/C process are:

- The sales contract in step No. 1, is a matter solely between the buyer and the seller. Article 3 of Publication 500 states:

Credits, by their nature, are separate transactions from the sales or other contract(s) on which they may be based and banks are in no way concerned with or bound by such contract(s), even if any reference whatsoever to such contract(s) is included in the Credit. Consequently, the undertaking of a bank to pay, accept and pay Draft(s) or negotiate and/or to fulfill any other obligation under the Credit, is not subject to claims or defenses by the Applicant resulting from his relationships with the Issuing Bank or the Beneficiary.

- The relationship between the applicant and the issuing bank is a separate contractual relationship between those two parties. Article 3 of Publication 500 states that a beneficiary in a Letter of Credit cannot avail himself of this relationship. The most important aspect of this relationship involves the decision of the issuing bank to assume the credit risk of the applicant by agreeing to pay the beneficiary under the Credit on behalf of the applicant.
- The Letter of Credit is usually advised to the beneficiary through a correspondent bank of the issuing bank, although the issuing bank could send the Letter of Credit directly to the beneficiary. This bank is called the nominated bank or the advising bank. Article 10 of the UCP defines a Nominated Bank as that which is "authorized to pay, to incur a deferred payment undertaking, to accept Draft(s) or to negotiate. In a freely negotiable Credit, any bank is a nominated bank."
- The advising bank can provide an advice of a Credit without engagement on its part, but if it does, it is required under Article 7, of UCP 500 to "take reasonable care to check the apparent authenticity of the Credit it advises."
- Article 4 of the UCP states: "In Credit operations all parties concerned deal with documents and not with goods, services and/or other performances to which the

documents may relate.” Therefore, a Letter of Credit does not provide the applicant any assurances of the actual quantity or quality of goods as stated in the documents.

- Payment, acceptance of drafts, or negotiation depends solely upon the bank’s ability to determine compliance with terms and conditions of the credit. Compliance can only occur by examination of the documents as presented and comparing them to the terms and conditions of the credit. No examination of the goods represented therein is required. Hence the importance of the accuracy and consistency of all documents one to the other. Failure on the smallest point can void the credit.

INCOTERMS

Since Banks only consider the documents as presented by the exporter, there is no room for error in their preparation if the exporter expects to get paid as stated in the Letter of Credit. International Commercial Terminology is frequently interpreted differently by international traders in one country than in another

The International Chamber of Commerce recognizes this problem and has, since 1936, attempted to avoid or reduce these differences as much as possible by defining what is called for short, INCOTERMS. The most recent revision of these terms was published in 1990¹ The purpose of the revision was to recognize the new methods of transport in cross-border trade and to organize the terminology according to freight payment practices and modes of transportation. The following is an excerpt from INCOTERMS 1990.

In connection with the revision work within the ICC Working Party, suggestions were made to present the trade terms in another manner for the purpose of easier reading and understanding. The terms have been grouped in four basically different categories, namely starting with the only term whereby the seller makes the goods available to the buyer at the seller’s own premises (the “**E**”-term Ex works); followed by the second group whereby the seller is called upon to deliver the goods to a carrier appointed by the buyer (the “**F**”-terms FCA, FAS and FOB); continuing with the “**C**”-terms where the seller has to contract for carriage, but without assuming the risk of loss of or damage to the goods or additional costs due to events occurring after the goods or additional costs due to events occurring after shipment and dispatch (CFR, CIF, CPT and CIP), and, finally, the “**D**”-terms whereby the seller has to bear all costs and risks needed to bring the goods to the country of destination (DAF, DES, DEQ, DDU and DDP). A chart setting out this new classification is given hereafter.

¹ INCOTERMS 1990 and other publications of the International Chamber of Commerce are available from ICC Publishing S A , 38, Cours Albert 1er, 75008 Paris, France Telephone (33-1-) 49-53-29-23, Fax (33-1-) 49-53-29-02

INCOTERMS 1990		
Group E Departure	EXW	Ex-Works
Group F Main Carriage Unpaid	FCA FAS FOB	Free Carrier Free Along Side Free On Board
Group C Main Carriage Paid	CFR CIF CPT CIP	Cost and Freight Cost, Insurance and Freight Carriage Paid To Carriage and Insurance Paid To
Group D Arrival	DAF DES DEQ DDU DDP	Delivered at Frontier Delivered Ex Ship Delivered Ex Quay Delivered Duty Unpaid Delivered Duty Paid

The above terms clearly define the conventional payment responsibility of the seller under the respective terms. These conventions can be contractually changed, but for universal clarity that is not recommended. For even greater clarity, INCOTERMS were also grouped by mode of transport. This is illustrated in the following chart.

Mode of Transport and the Appropriate INCOTERM 1990		
Any Mode of Transport including Multimodal	EXW FCA CPT CIP DAF DDU DDP	Ex Works (named place) Free Carrier (named place) Carriage Paid To (named place of destination) Carriage and Insurance Paid To (named place of destination) Delivered at Frontier (named place) Deliver Duty Unpaid (.named place of destination) Deliver Duty Paid (.named place of destination)
Air Transport	FCA	Free Carrier (named place)
Rail Transport	FCA	Free Carrier (named place)
Sea and Inland Waterway Transport	FAS FOB CFR CIF DES DEQ	Free Along Side (named port of shipment) Free On Board (named port of shipment) Cost and Freight (named port of destination) Cost, Insurance and Freight (named port of destination) Deliver Ex Ship (named port of destination) Deliver Ex Quay (named port of destination)

Since banks only process documents under Letters of Credit, it is important that each document be consistent, one with the other. Adhering to INCOTERMS throughout greatly facilitates this task. Even more importantly, INCOTERMS makes clear to all parties to the transaction who is responsible to pay for certain freight costs, thereby avoiding disputes on the one hand and easing the pricing process on the other

Types of Letters of Credit

There are various types of Letters of Credit. They can be identified by certain characteristics that define the processing of documents under the Credit, financing opportunities, payments' processing, and the liabilities and responsibilities of the parties to the Credit. Common names of various types of Credits are presented below along with their distinguishing characteristics.

Sight vs. Time Letters of Credit

To claim payment under a Letter of Credit, the beneficiary usually presents documents to the nominated bank along with a demand for payment called a *draft*. If the beneficiary is to be paid as soon as the draft is presented and honored, the Letter of Credit is called a *sight Letter of Credit*, and the draft is called a *sight draft*.

If the beneficiary is to be paid on some future date after the draft is presented and honored, the Letter of Credit is called a *time Letter of Credit*, and the draft is called a *time draft*.

The terms of payment for a draft is called the *tenor* or in some circles *usance*. Tenor or usance is specified in one of the following ways:

- sight
- "x" days date (where "x" represents a number of days agreed under the sales agreement)
- "x" days sight
- "x" days bill of lading date

If the beneficiary is to be paid "x" number of days after the date of the draft, the draft will be drawn *x days date*, and the date will be specified by the *Letter of Credit*. If the beneficiary is to be paid "x" number of days after the bank accepts the draft, the draft will be drawn *x days sight*. If the beneficiary is to be paid "x" number of days after the bill of lading date, the draft will be drawn based on the "on board" date indicated on the bill of lading.

Confirmed Letter of Credit

A Letter of Credit becomes *confirmed* when another bank, adds its promise to pay in the event that the issuing bank fails to pay as agreed, provided all terms and conditions are met. In this case, the confirming bank substitutes its creditworthiness for that of the issuing bank. When the

confirming bank is resident outside the country of the issuing bank, the political and transfer risk of the issuing bank is assumed by the confirming bank, and not the beneficiary.

It is common, therefore, for the beneficiary who wants to eliminate the country risk associated with the buyer and the issuing bank to request that the credit be confirmed by a bank in his own country. The beneficiary then need only concern himself with the risk of a bank in his own country, which preferably is his own bank of account.

Irrevocable vs. Revocable

A Letter of Credit that represents a bank's promise to pay against the presentation of documents that comply with the terms of the Letter of Credit, and which cannot be changed or canceled without the agreement of the buyer (applicant), seller (beneficiary), and banks party to the credit (issuing/confirming banks), is called an *irrevocable Letter of Credit*

A Letter of Credit that can be changed or canceled without the agreement or knowledge of the seller (beneficiary) prior to payment, (or acceptance, negotiation, or issuance of a deferred payment commitment) against documents that comply with the terms of the Letter of Credit, is a *revocable Letter of Credit*. Revocable Letters of Credit are uncommon due to the limited protection provided to the seller. The use of the term "Letter of Credit" in this course means "irrevocable Letter of Credit"

Transferable Letter of Credit

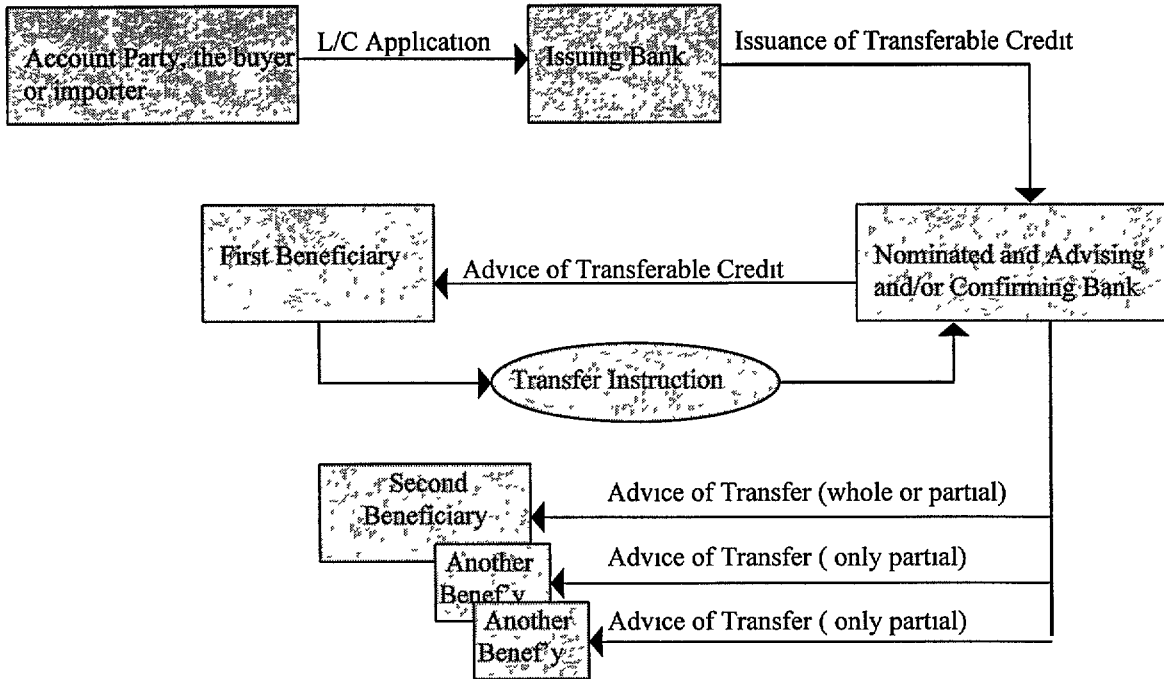
Transferable Letters of Credit are specially mentioned in Article 48 of the UCP. A Letter of Credit must state that it is "Transferable" to be transferred. A transferable Letter of Credit allows the "First Beneficiary" to "make the Credit available in whole or in part to one or more other Beneficiary (ies) (Second Beneficiary (ies))" Among other stipulations in the UCP, such Credits can "be transferred only on the terms and conditions specified in the original Credit, with the exception of:

- the amount of the Credit,
- any unit price stated therein,
- the expiry date,
- the last date for presentation of documents in accordance with Article 43,
- the period for shipment,
- Any or all of which may be reduced or curtailed "

In addition, the insurance coverage may be adjusted to meet Credit requirements or those required under Articles of the UCP

The benefit of transferability to the First Beneficiary lies in his ability to pass on the protection of the issuing bank to a Second Beneficiary without the advising/nominated bank incurring credit risk of the First Beneficiary when making the transfer. Except for the changes to the original Credit mentioned above, the Second Beneficiary receives full benefit and must fulfill the terms and conditions of the Credit he receives as if the First Beneficiary's bank (the transferring bank) issued the Credit for his account. A schematic of this transfer is represented below.

Transferable Letter of Credit Flow Chart



Two types of transferable Letters of Credit are *full transfer* and *partial transfer*.

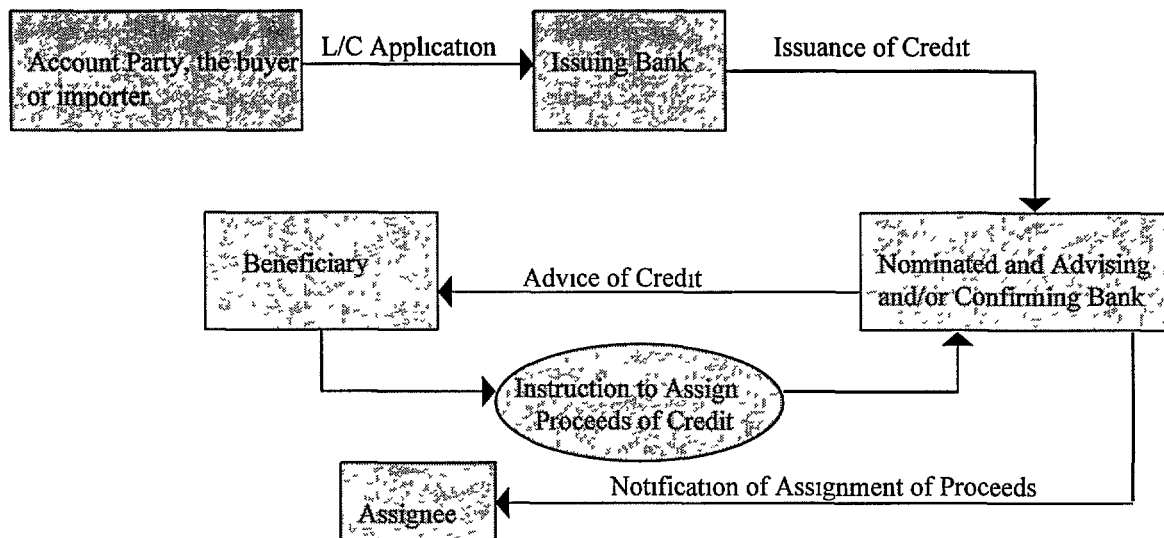
Under a transferable Credit, unless specified in the Credit, only one transfer is allowed. That is, only the First Beneficiary can make transfers. However, if the Credit allows partial shipments, a transfer to multiple Second Beneficiaries is allowed. Together these are considered only one transfer.

Documents flow from the Second Beneficiary (ies) directly to the transferring bank. There, the First Beneficiary submits his own invoices for the full amount of the Credit. The transferring bank then sends the documents to the issuing bank requesting reimbursement. The Second Beneficiary is paid his portion and the First Beneficiary the excess over the amount paid the Second Beneficiary (ies).

Assignment of Proceeds

An Assignment of Proceeds is mentioned in Article 49 of the UCP. It is not a variation of a Letter of Credit. It is a method, available under applicable law for the beneficiary to make the proceeds from a Letter of Credit available to another party. A schematic of an assignment of proceeds appears below.

Assignment of Proceeds Flow Chart



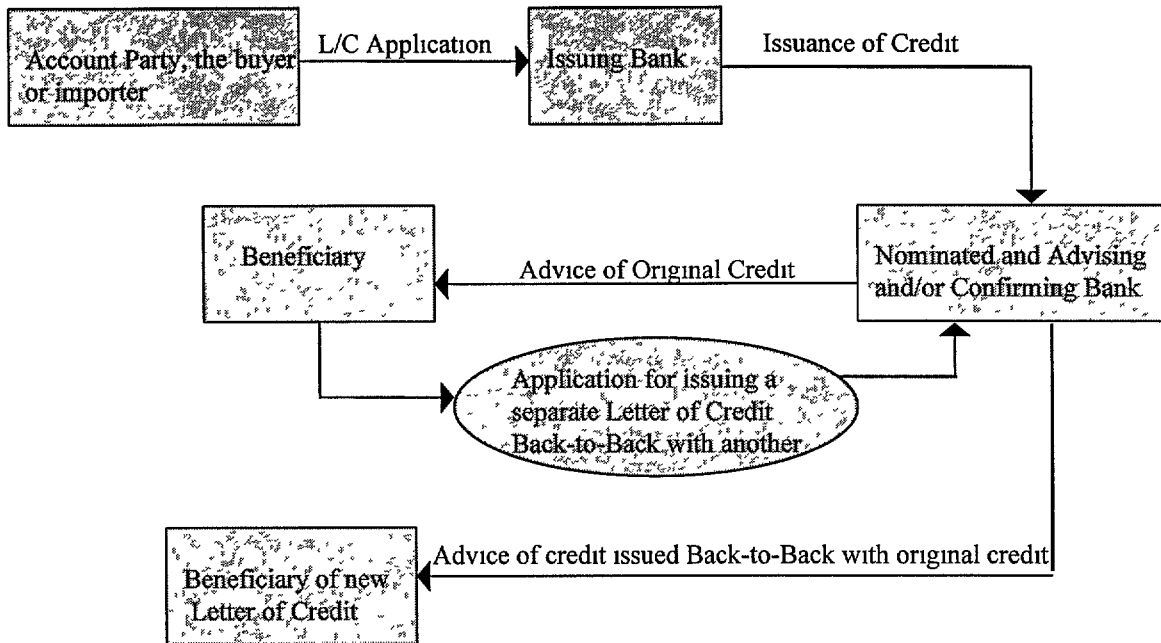
Under an assignment of proceeds:

- The beneficiary requests assignment.
- The assignee is not a party to the Letter of Credit.
- The bank forwards the notice of the assignment to the assignee.
- The beneficiary presents the documents. If presentation conforms to the terms and conditions of the Letter of Credit, the assigned proceeds are paid to the assignee. Any proceeds remaining are paid to the Beneficiary.
- The issuing bank and account party is not involved in the assignment.

Back-to-Back Letter of Credit

A back-to-back Letter of Credit is an arrangement whereby a bank issues a Letter of Credit on the assumption that the applicant will be able to perform as beneficiary under a separate Credit. In other words, under a back-to-back Letter of Credit, the beneficiary of a separate Letter of Credit *uses it to induce the issuance of a second Letter of Credit*. The advising/nominating bank usually does issuance of the second Letter of Credit, although that is not a requirement. A schematic of this arrangement appears below

Back to Back Letter of Credit Flow Chart



A back-to-back Letter of Credit is often requested when:

- A transferable Letter of Credit is not available, or will not serve the precise requirements of the transaction, especially where strict confidentiality is required
- Assignment of the proceeds of a Letter of Credit is not acceptable.

It is very important to note that the credit risk to the bank issuing the second credit depends on the creditworthiness of the Beneficiary of the Original Credit. There is no connection to the issuing bank of the Original Credit or the original account party.

Back-to-back Letters of Credit must be carefully structured so that the proceeds of the Original Credit are available at or around the time the presentation under the Second Credit occurs.

The Second Credit, the “Back-to-Back Credit” is usually structured so that the amount of the Letter of Credit is less than that of the first, invoices are easily substitutable, expiration, shipping, and presentation dates are sooner than those of the first credit, and all other terms are the same

The main risk of the bank issuing the second Letter of Credit is *non-performance of the beneficiary of the Original Credit*. Should this occur, the bank may have to pay out under the second Credit to its beneficiary and not have the ability to receive proceeds under the Original Credit with which to reimburse itself.

Red Clause Letter of Credit

A red clause Letter of Credit contains a special provision that authorizes the confirming bank or any other nominated bank to *make advances to the beneficiary prior to document presentation*.

Red clause Letters of Credit are used as a method of providing the seller with *pre-export financing*.

If the beneficiary fails to present conforming documents

- The nominated bank can demand repayment from the issuing bank.
- The issuing bank has recourse to the account party.

Revolving Letter of Credit

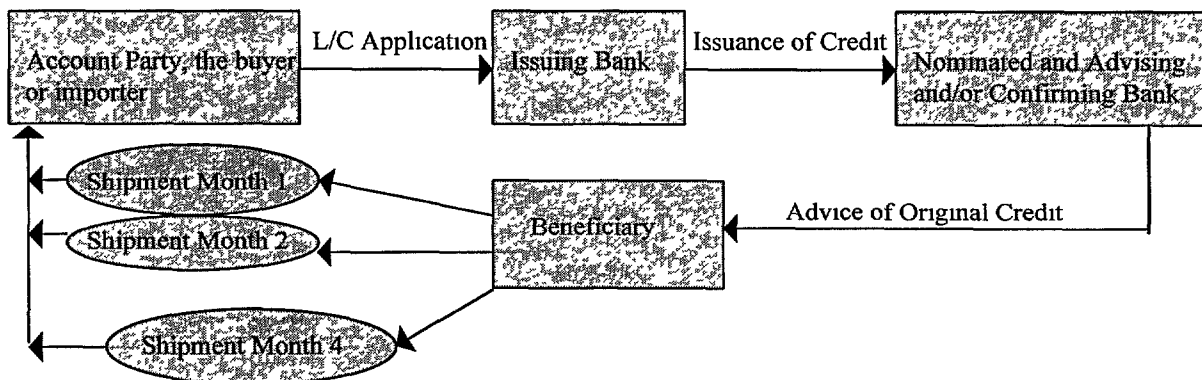
Under a revolving Letter of Credit, the terms and conditions of the Credit allow the *amount to be renewed or reinstated without amendments*.

A revolving Letter of Credit can revolve with respect to *time* or *value*. It may be cumulative or non-cumulative. A revolving Letter of Credit is useful when.

- There are periodic shipments required under a contract
- Buyer and seller want to eliminate multiple Letters of Credit
- Buyer and seller want to minimize amendments

A schematic of a revolving Credit may be shown as follows:

Revolving Letter of Credit Flow Chart



The example below, based upon the flow above, provides an example that illustrates the difference between a cumulative and non-cumulative credit.

Consider that in the above scenario, a single revolving L/C is issued for, say German marks 100,000, (DEM 100,000), and expires in 12 months. The Credit specifies that it is non-cumulative and one shipment per month may be made not to exceed DEM 100,000. Except for those limitations, all other terms and conditions for shipment is identical for each shipment.

The beneficiary can ship up to DEM 1,200,000 of product. However, this is a non-cumulative Credit. If he fails to meet the shipment deadline in month 3, he forfeits that portion of the L/C. In a cumulative revolving credit, he could ship the month 3 shipment anytime in the future up to the expiry of the credit.

Standby Letters of Credit

Exporters are routinely requested to provide proof of their ability to perform. In some large transactions this requirement may begin with a Bid Bond, and, should the contract be awarded, then include a Performance Bond.

Besides a cash deposit with the buyer or his agent, there are three ways that these "Bond" requirements are commonly fulfilled. One is through insurance companies who issue these bonds. The second is through a bank guarantee. The third is through the issuance by a bank of a standby Letter of Credit. It is the latter that is addressed below.

Definition

A *standby* Letter of Credit is a bank commitment issued at the request of the account party (applicant) to pay the beneficiary *upon the default or non-performance of the account party*. Evidence of non-performance is defined in the Letter of Credit. It is usually in the form of a statement clearly specified in the Credit. A Bill of Exchange may or may not be required in the demand for payment. As noted earlier, standby Letters of Credit are usually made available at the counters of the issuing bank, i.e., they are *straight or non-negotiable*. As with commercial Credits, the banks deal only in documents. The bank does not substantiate the beneficiary's claim, and under law is prohibited from determining default or non-performance on the part of the applicant. In commercial transactions they fulfill the purpose of bid, performance, advance payment, and warranty bonds.

In financial transactions such as loans and investments, standby Letters of Credit are used for a wide range of credit enhancement purposes.

The use of standby Letters of Credit primarily grew out of the need for banks in the United States to support clients with guarantees when insurance companies, the normal source, became very expensive and U.S. branches of foreign banks began earning substantial fees by issuing

guarantees. Unfortunately, under U.S. banking laws, it is illegal for national banks to issue guarantees. U.S. banks, in response to the competition, identified standby L/C's as a legal way to solve the problem.

Standby Letters of Credit pose a different risk to the issuing bank than commercial L/C's. They are not "self liquidating" through the purchase and sale of goods. Nor do they provide access to collateral in the form of goods inherent in a trade transaction. They do pose performance risk. They pose no different risk to the beneficiary or the confirming bank than commercial Credits. A sample standby Letter of Credit appears below

Standby Letter of Credit Example

Main Street Bank
International Operations Division
5 Second Avenue
New York, New York 10000
May 31, 1997
Chaucer Company
200 Main Street
New York, New York, 10002

Gentlemen.

We hereby authorize you to draw on us for the account of XYZ Company, 32 41st Street, New York, New York 10003, for a sum not exceeding USD \$600,000.00 (Six hundred thousand U S. dollars) available by your drafts on us at sight accompanied by the following documents:

Your signed statement reading.

"The amount of this drawing USD \$600,000.00 represents funds due us as XYZ Company has failed to perform in accordance with their obligations under contract Number: 769810 dated March 30, 1997."

This standby Letter of Credit expires at our counters on December 31, 1997. All drafts must be marked "Drawn under Main Street Bank New York, New York, Standby Letter of Credit Number 12345, Dated May 31, 1997".

This credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500.

We engage with you that drafts drawn under and in compliance with the terms of this credit will be duly honored upon presentation.

Very truly yours,
Authorized Signature
American Bank

International Standby Practices 1997

In the last two years there has been a serious effort on the part of the banking industry in the United States to establish a more thorough international convention on standby Letters of Credit. The result of this effort up to January 7, 1997 is presented by permission. As this is a draft document, it is intended for guidance and not deemed to be comparable to the ICC Publication 500, despite its similar format.

It does accurately reflect current practices in the United States as regards standby Letters of Credit and their various types up to the date of its completion. For the reader unfamiliar with standby Letters of Credit it is a very useful tool.

Section VI

Bankers' Acceptances

Bankers' Acceptances

A Bankers' Acceptance, (or BA), is a usance bill of exchange (time draft) drawn on the drawee bank by the drawer. The drawee bank is named in the Credit. It may be the advising/nominated/confirming bank, or it may be the issuing bank. It is usually the exporter's bank, or at least a bank in the country of the exporter. Whoever the drawee bank is, it is that bank that "accepts." the liability to pay the bill of exchange at maturity. A time draft is considered "accepted" when an authorized bank employee physically stamps or writes the word "accepted" on the face of the bill of exchange, indicates the maturity date of the item, and signs the acceptance. Once this is done, the accepting bank assumes the obligation to make payment of the draft at maturity.

Credit and Money Markets

By accepting the draft, a bank adds its creditworthiness to the instrument and is therefore entitled to and collects a commission. Provided the creditworthiness of the accepting bank is acceptable in the marketplace, the draft becomes readily marketable instrument in the secondary market. The secondary market usually consists of private investors, non-bank financial institutions, other banks, and, as a last resort, the central bank. In the USA, as noted below, that is the Federal Reserve Bank.

The availability of the secondary market determines the relative ability of banks to obtain cash for these liabilities, or, in other words, their ability to liquidate their holdings and use the proceeds for other, more lucrative investments.

Acceptance Financing

The first owner of the banker's acceptance is the drawer. He can either hold it to maturity, or offer it for sale to the accepting bank or any other investor in the secondary market at a discount. The discount to the drawer is usually composed of the sum of the acceptance commission plus the market discount rate. Proceeds of the sale are credited to the seller of the acceptance. At maturity, the acceptance is presented for payment to the accepting bank who pays the face amount of the acceptance to the presenter (investor) of the instrument. Such acceptances can originate under Letters of Credit, documentary collections, or refinancing transactions. The discount rate in the secondary market is in a continuous state of change.

Exporters providing terms to importers are able to receive the discounted amount of the bankers' acceptance in cash before its maturity date provided they are able to find a buyer. Importers, who pay exporters on sight terms, can refinance these purchases until the goods are sold also through the use of bankers' acceptances.

In the United States, The Federal Reserve Bank requires that for a BA to be eligible for purchase by the Federal Reserve Bank the instrument must represent one of the following types of transactions. These are typical transactions world wide for bankers' acceptances as well.

- Import or export of goods involving United States trade. In the U.S, this is the most common usage of acceptance financing. Bankers' acceptance financing can be used for pre-shipment and post-shipment financing. It is also the most familiar pattern of use in other parts of the world.
- Domestic storage of readily marketable commodities
- Refinancing of third country trade. In this case, bankers' acceptances finance shipment of goods between countries outside the United States

In addition, the Federal Reserve generally requires that the tenor (maturity) of the banker's acceptance not exceed six months. In every case however, the maturity date must coincide with the borrower's anticipated receipt of sale proceeds.

Acceptances created under usance Letters of Credit are usually accepted and settled through the bank where the credit is made available. When a Letter of Credit calls for payment to be made to the beneficiary a specified number of days after presentation of documentation, the Letter of Credit usually requires that a usance draft be presented for acceptance by the paying bank. The accepting bank holds the accepted and discounted acceptance in safekeeping. However, if the acceptance is re-discounted in the secondary market, it may be delivered to the new owners, the investors. These investors return the acceptance to the drawee bank for payment at maturity.

In some cases, the buyer is so interested in getting the seller's product, he will agree to pay discount charges normally assumed by the seller. This is specifically mentioned in Letters of Credit. If the buyer agrees to absorb the discount charge, the buyer pays for the draft plus discount and commission charges. The seller is paid the full face value of the bill of exchange upon presentation of documents in conformity with the Letter of Credit. Otherwise, these charges accrue to the seller (beneficiary), who only receives the discounted proceeds of the accepted bill of exchange. A typical banker's acceptance is shown below.

Bankers' Acceptance

<p>Accepted by <u>Czech</u> <u>Savings Bank</u> as Date _____</p> <p>To Mature Date _____</p> <p>Authorized Signature _____</p>	<p>USD1,000,000 00 Prague, Czech Republic October 22, 1995</p> <p>At 60 days sight</p> <p>Pay to the order of *****Prism Antologies s a *****</p> <p>*****United States Dollars One Million and no/100 cents*****</p> <p>Drawn under Chemical Bank NY Letter of Credit 12356</p> <p>For value received and charge to the account of Czech Savings Bank a s Vodickova 30</p> <p>Prism Antologies s a Hermanova 9/567 Prague 2, Czech Republic</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Drawee/Acceptor

Tenor

Drawer/Payee

Date of Draft

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Section VII

Pre-shipment Export Financing

Time Line of Trade Transactions

The time frame of every trade transaction is similar to any conversion cycle. Schematic flows below illustrate this fact. First there is a marketing phase prior to the sale of goods or services. Inventory may or may not be purchased during this phase. The time period in this phase can be days, months, or even years.

Second, after the sale is made, but before shipment, the pre-shipment phase occurs. It is during this period that the product or service is manufactured or prepared for shipment. The product or service being sold determines the time period in this phase. It is product specific.

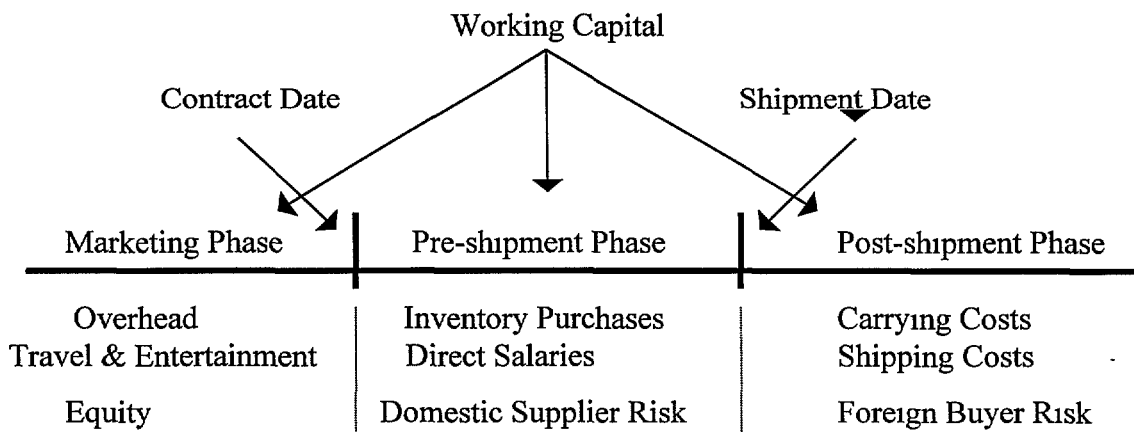
Third, after shipment occurs, the post-shipment phase begins. This may or may not involve transfer of title to the goods. This phase is product specific. It is also dependent upon the competition. For purposes of this presentation, this phase is determined to end when the seller receives final payment.

In every phase someone is providing financing. The importance of dividing trade transactions into these three phases lies in the ability to identify risks associated with each. If no bank is involved, the seller finances the entire transaction. Financial intermediaries, banks or others, can finance any or all of these stages of a trade transaction.

In any case, the buyer and seller must know how the transaction will be financed and how it will affect their cash position. Whoever provides financing needs to know precisely the same information in order to assess the process and probability of repayment.

From another point of view, that of the method of payment agreed between buyer and seller, it is important to examine the financing opportunities that flow naturally from the method of payment. The case studies in pre-and post-shipment financing below examine these opportunities.

Schematic of the International Trade Transaction Financing Opportunities



Al-Ashkar Plastic Works

Business Overview

Annual Sales.	JD 2,712,000
Total Assets:	1,129,750
Type of Business	Manufacturer of Molded Plastic Utensils
Established	1987
Legal Structure	Family Owned

Background Information

Al-Ashkar plastic works has been in business for ten years. Historically they have manufactured plastic buckets, re-usable drinking cups for cold and hot beverages, plastic plates, kitchen utensils and disposable plastic knives, forks, and spoons. This line represents 80% of gross sales revenue. Recently they have acquired equipment to manufacture molded plastic chairs and tables. This represents the remainder of gross sales revenue.

The client list includes a number of strong companies. Therefore only a small reserve for bad debts of JD 4,000 is maintained. As a matter of policy, bad debts are charged off against earnings on an annual basis. Three customers accounted for 60% of sales in 1996, up from 53% in 1995.

In November 1993, the company moved out of its original facilities in Wahdat and into new manufacturing facilities in Sahab Industrial City in order to expand operations. The old facility is vacant, except for some use as a storage facility. Electricity, water, insurance, and other maintenance costs are expected to be around JD 25,000 annually. Management has resisted leasing the building because lessees require long term leases and the Company is interested in selling it as soon as possible. There has been some passing discussion by the young secretary/treasurer, Fuoad Mansour, who has an MBA in marketing from Philadelphia University, concerning converting the old facility into a show room and a wholesale and small retail outlet.

Recent sales growth has been strong. Statistics indicate sales trends should continue strong at least for the next two or three years due to the growth in new households. The sales growth of the new line of molded chairs and tables is even higher than that of other products.

Mr. Mansour is directly responsible for the situation now facing the Company. There is a written request from Iraq for delivery of JD 500,000 of plastic chairs and tables. The buyer indicates he is able to provide a Letter of Credit if the transaction goes forward. The problem is that the Company needs money for the raw materials, resins and polymers, necessary to manufacture these products. They want to meet with your bank to present their proposal.

It is possible to manufacture JD 100,000 worth of chairs and tables per month. Shipment to Iraq will be by truck. Shipment terms are still to be decided. Gross profit margin on domestic sales of these products is 30%.

Management of the Company

Hosam Al-Ashkar, age 56, is President. He has spent his entire career in the plastics manufacturing business, mostly as a production supervisor for large companies. Along with his brother, Farid Al-Ashkar, he owns 78% of the Company

Farid Al-Ashkar, age 53, is Vice President. He is very experienced in sales and helped raise a significant portion of the Al-Ashkar family's financial stake in the business, through his highly respected status as a buyer for a retail household utensil distributor

Fuoad Mansour, age 25, is Secretary/Treasurer. A relative of the Al-Ashkars, he has an MBA from the Philadelphia University and is working on his CPA certification. His contacts include potential investors in the Company.

Banking Relationship

The Company has been with your bank since 1993, when their previous banker refused to grant short-term funds to assist in the move from Wahdat to the Sahab Industrial City facility. The Company has a mid-five figure deposit relationship with your bank. It is profitable and properly managed. They use very few fee-based services and the bank management has targeted the company as a likely prospect for a number of these services in the future.

The Company has financed most of its growth by regularly resetting its term loans at the bank. These obligations generally have been rewritten on 8- to 10-year terms, secured by first liens on fixed assets with a secondary collateral position on receivables and inventory. The Company also has a JD 100,000 short-term line of credit secured by short-term assets. This is supposed to be paid off for a period of at least 30 days during each year. This requirement has not been met in 1997.

You must decide:

Whether or not your bank is willing to finance the production of these tables and chairs

To do so you need to examine the following

The timeline of the transaction from contracts signing to time of payment. Consider whether or not you would do the transaction with no additional collateral. Estimate the financing costs to the Company and income to the bank. Decide how you would use a JLGC pre-shipment guarantee to facilitate this transaction. The costs associated with the method of financing used.

NAME : Al-Ashkar Plastic Works
LOCATION: Amman, Jordan
BUSINESS. MFGR. of Household Plastic Items

Currency Unit: Thousands of Jordanian Dinars

YEAR ENDED DECEMBER 31,	1993	1994	1995	1996
BALANCE SHEETS				
ASSETS				
Cash	41 00	7 00	43 00	40 25
Short-term Investments	0 00	0 00	0 00	0 00
Receivables	276 50	224 00	290 00	252 75
Prepayments	12 75	16 00	16 25	18 50
Inventory	190 00	227 25	218 25	226 00
Taxation	0 00	0 00	5 75	0 00
CURRENT ASSETS	520 25	474 25	573 25	537 50
Land, Buildings & Equipment (Accumulated Depreciation)	395 50 (166 25)	595 75 (204 00)	763 50 (243 75)	838 50 (267 75)
FIXED ASSETS	229 25	391 75	519 75	570 75
Investments	0 00	0 00	0 00	6 50
Sundry Receivables	9 00	9 00	8 50	9 75
Intangibles	3 75	2 25	5 25	5 25
	0 00	0 00	0 00	0 00
TOTAL ASSETS	762 25	877 25	1106 75	1129 75
LIABILITIES				
Bank Overdraft/Short-term Loan	5 75	22 75	71 00	13 50
Accounts Payable	199 50	159 25	198 50	282 25
Accrued Expenses	22 50	24 00	31 50	36 00
Taxation	4 25	2 25	0 00	5 50
Dividends	0 00	0 00	0 00	0 00
Current Portion of Long-term Debt	15 50	34 75	66 25	66 25
Sundry Current Liabilities	36 00	68 00	34 50	12 75
CURRENT LIABILITIES	283 50	311 00	401 75	416 25
LONG TERM DEBT				
Shareholders Loans	0 00	5 75	24 00	24 00
Deferred Taxes	0 00	8 00	29 25	29 25
TOTAL LIABILITIES	705 00	790 25	980 00	928 25
Stated Capital	0 50	0 50	0 50	0 50
Income Surplus	56 75	86 50	126 25	201 00
Capital Surplus	0 00	0 00	0 00	0 00
NET WORTH	57 25	87 00	126 75	201 50
TOTAL LIABILITIES AND EQUITY	762 25	877 25	1106 75	1129 75
CONTINGENT LIABILITIES				

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NAME : Al-Ashkar Plastic Works
LOCATION: Amman, Jordan
BUSINESS: MFGR. of Household Plastic Items

Currency Unit: Thousands of Jordanian Dinars
PROFIT AND LOSS ACCOUNTS

YEAR ENDED DECEMBER 31,	1993	1994	1995	1996
SALES VOLUME				
NET SALES	1591 75	2054 00	2379 00	2712 00
Less Cost of Sales	1129 50	1518 00	1823 25	2061 25
Depreciation	16 25	16 25	17 50	24 00
GROSS PROFIT	<u>446 00</u>	<u>519 75</u>	<u>538 25</u>	<u>626 75</u>
Selling, General & Admin Expenses	366 75	429 50	428 00	461 00
NET OPERATING PROFIT	<u>79 25</u>	<u>90 25</u>	<u>110 25</u>	<u>165 75</u>
Other Income/(Deductions)	0 00	0 00	0 00	0 00
Interest Expenses	(27 50)	(34 50)	(34 50)	(35 50)
Other Expenses	(28 00)	(14 25)	(13 25)	(21 00)
Other Income	0 00	0 00	0 00	0 00
PROFIT BEFORE TAX & UNUSUAL ITEMS	<u>23 75</u>	<u>41 50</u>	<u>62 50</u>	<u>109 25</u>
Provision for Income Tax	6 50	8 25	17 75	28 00
NET PROFIT BEFORE UNUSUAL ITEMS	<u>17 25</u>	<u>33 25</u>	<u>44 75</u>	<u>81 25</u>
Unusual Credits and Charges	0 00	0 00	0 00	0 00
Profit/(Loss) on Sale of Fixed Assets	(0 50)	0 00	(1 00)	0 00
Profit/(Loss) on Sale of Investments	0 00	0 00	0 00	0 00
NET PROFIT AFTER UNUSUAL ITEMS	<u>16 75</u>	<u>33 25</u>	<u>43 75</u>	<u>81 25</u>
Cash Dividends - Ordinary Shares	3 00	3 50	4 00	6 50
RETAINED EARNINGS FOR PERIOD	<u>13 75</u>	<u>29 75</u>	<u>39 75</u>	<u>74 75</u>
Credits and Charges to Net Worth	0 00	0 00	0 00	0 00
Proceeds from Shares sold	0 00	0 00	0 00	0 00
(Purchase) of Own Shares	0 00	0 00	0 00	0 00
INCREASE IN NET WORTH	<u>13 75</u>	<u>29 75</u>	<u>39 75</u>	<u>74 75</u>

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Al-Ashkar Plastic Works

CASHFLOW STATEMENTS

YEAR ENDED DECEMBER 31,	1994	1995	1996
Net Profit/(Loss) after unusual items	33 25	43 75	81 25
Add			
Tax Provision	8 25	17 75	28 00
Depreciation	16 25	17 50	24 00
Amortization			
Loss/(Profit) on Sale of Fixed Assets	0 00	1 00	0 00
TOTAL SOURCES	57 75	80 00	133 25
(Increase)/Decrease in			
Net Working Investment	(23 50)	(10 25)	117 75
Investments	0 00	0 00	(6 50)
Other Assets	(1 75)	(2 75)	(3 50)
Increase/(Decrease) in			
Other Liabilities	32 00	(33 50)	(21 75)
Tax (Paid)	(2 25)	(4 50)	(16 75)
CPLTD	(15 50)	(34 75)	(66 25)
TOTAL USES	(11 00)	(85 75)	3 00
Excess/(Deficit)	46 75	(5 75)	136 25
Net Plant Expenditures	(178 75)	(146 50)	(75 00)
NET CASHFLOW BEFORE FINANCING	(132 00)	(152 25)	61 25
FINANCING			
Increase/(Decrease) in			
Short-term debt	17 00	48 25	(57 50)
Long-term debt	78 75	125 75	0 00
Equity	0 00	0 00	0 00
Shareholders Loans	5 75	18 25	0 00
Dividends (Paid)	(3 50)	(4 00)	(6 50)
TOTAL FINANCING	98 00	188 25	(64 00)
NET CASHFLOW	(34 00)	36 00	(2 75)
Cash changes			
Ending Cash	7 00	43 00	40 25
Beginning Cash	41 00	7 00	43 00
Change in Cash	(34 00)	36 00	(2 75)

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Al-Ashkar Plastic Works

Al-Ashkar Plastic Works

Breakdown of Operating Expenses

December 31, 1993 1994 1995 1996

Selling Expenses

Sales, Salaries, Commissions, Fringe Benefits	52 75	36 75	50 50	55 55
Travel & Entertainment	11 75	15 00	12 00	13 20
Automobiles	4 75	4 50	5 75	6 33
Telephone	2 00	2 50	2 75	3 03
Miscellaneous	7 75	15 50	9 25	10 18
Total Selling Expenses	79 00	74 25	80 25	88 28

General & Administrative Expenses

Management Salaries	133 75	158 75	168 25	185 08
Office Salaries	28 25	41 00	42 50	46 75
Fringe Benefits	15 50	19 00	20 75	22 83
Insurance	44 00	13 75	18 00	19 80
Professional Fees	10 50	2 25	20 75	22 83
Telephone	11 75	15 00	16 00	17 60
Automobiles	4 00	7 00	12 75	14 03
Bad Debt Expenses	1 00	11 25	1 50	1 65
Miscellaneous	39 00	87 25	47 25	51 98
Total General & Admin. Expenses	287 75	355 25	347 75	382 53

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Key Financial Analysis Numbers and Ratios Al-Ashkar Plastic Works

Year Ended December 31,	1993	1994	1995	1996
Current Assets	520 25	474 25	573 25	537 50
Current Liabilities	283 50	311 00	401 75	416 25
WORKING CAPITAL	236 75	163 25	171 50	121 25
NET WORKING INVESTMENT (NWI)	244 50	268 00	278 25	160 50
Long Term Debt	437 00	500 25	591 25	525 00
Net Worth - Less Intangibles	53 50	84 75	121 50	196 25
RATIOS				
Current Ratio	1 84	1 52	1 43	1 29
Quick Ratio	1 16	0 79	0 88	0 75
Ratio - C A to Total Liabilities	0 74	0 60	0 58	0 58
Ratio - Total Liabilities to Tangible NW	13 18	9 32	8 07	4 73
Ratio - NWI to Sales	0 15	0 13	0 12	0 06
% Sales volume increase over previous Yr				
%Net Sales increase over previous Yr		29 04%	15 82%	14 00%
% to Net Sales				
of Gross Profit	28 02%	25 30%	22 63%	23 11%
of Selling, General & Admin Expenses	23 04%	20 91%	17 99%	17 00%
of Net Profit before unusual items	1 08%	1 62%	1 88%	3 00%
Cost of Goods Sold	47 86%	52 17%	57 50%	56 90%

Section VIII

JLGC Pre-shipment Guarantee Program

Pre-shipment Loan Guarantee²

In February 1997, the Jordan Loan Guarantee Corporation launched one part of the Export Credit Guarantee Program, the Pre-shipment Loan Guarantee. This product is intended to facilitate the expansion of Jordanian exports by encouraging banks to lend to micro- and small businesses that have export opportunities, but insufficient funds to buy or produce goods, or provide services for export. A micro-enterprise is a productive Jordanian individual or business whose principal place of business and permanent residence is in Jordan with five or less full time employees, with total assets (excluding land, buildings, and equipment) not exceeding the JD equivalent of US\$100,000. A small business is a productive Jordanian individual or business whose principal place of business and permanent residence is in Jordan with fifty or less full time employees, with total assets (excluding land, buildings, and equipment) not exceeding the JD equivalent of US\$250,000. These businesses must be 100% privately owned.

Features of the Pre-shipment Loan Guarantee

The Pre-shipment Loan Guarantee provides an indemnification to a lender of up to 75% of the unpaid outstanding loan balance on a single guaranteed loan up to a maximum of JD 100,000. It also covers up to 75% of the unpaid accrued interest outstanding up to 180 days. The price of the guarantee is 1.5% per annum of the amount of the loan principal guaranteed.

The loan maturity, and hence the guarantee should normally be for no more than one year. Exceptions are possible to extend the maturity to more than one year. In addition, it is possible for a single borrower to have aggregate guaranteed loans outstanding of up to JD 250,000, but the guarantee amount cannot exceed JD 75,000.

The loan must meet the lending bank's general credit criteria for such loans and carry the bank's then applicable interest rate.

Benefits to the Bank

Incremental export sales often put pressure on a company's working capital requirements just when lines are fully extended and all available collateral pledged. The JLGC pre-shipment guarantee is intended to make up for this shortfall, reduce the risk to the lender, and allow the transaction to go forward. Properly implemented, the JLGC program can not only increase a lender's ability to serve a growing export customer, but also increase his ability to extend the aggregate size of the loan portfolio of export loan transactions. These transactions typically add incremental fee income and opportunities for exchange profits as well.

Other advantages accrue where export transactions are financed. Access to the Central Bank rediscount program is one of these. Under current regulations, export orders evidenced by export

² A copy of the Pre-shipment Loan Guarantee Agreement and the Forms referred to in Section VIII are at the end of the Section for reference. They are in Arabic.

Letters of Credit allow the bank to fund up to 75% of the face amount of the credit at 1% below the current discount rate, say 8.25%, and then on-lend the funds at a 2.5% spread or 9.75%. Two other advantages that must be included in the pricing of these loans are the exclusion of JLGC guaranteed loans from the statutory 2% bad debt reserve requirement and the reduction of the applicable risk-based-capital to asset allocation from 100% to 20%.

Borrowing in Foreign Currency

The JLGC guarantee does not cover loans in foreign currencies. Therefore, any foreign exchange risk is the responsibility of the borrower should be managed through normal market mechanisms. In this regard, it is important that lenders give borrowers correct advice in matters of foreign exchange. The objective of this advice should be to provide methods that eliminate foreign exchange risk for the exporter. The exporter is exposed to foreign exchange risk by either borrowing in foreign currency or invoicing in foreign currency.

All borrowers seek to minimize their interest expenses. It may happen that borrowing in foreign currency appears to be cheaper than in local currency. For example, borrowing in Dinar may be at a rate of 15% per annum, while borrowing the same amount for the same period of time in US dollars may be at a rate of 10% per annum. Nominally the advantage to borrowing in USD appears to be 5%.

However, borrowers of US dollars must calculate the cost of exchanging Dinars into USD to repay the loan. Mathematically, exchange rate calculations are based upon the relative interest rate differences between currencies, the "interest rate differential." In terms of the difference in borrowing cost between Dinars and USDs, and assuming no other circumstances affect the rate of exchange, the apparent 5% advantage of borrowing in USD is precisely the cost of exchanging Dinars into US dollars in order to repay the loan. If the differential increases, the cost increases. If the differential decreases, the cost decreases. Hence the apparent gain simply disappears when the loan is paid.

The markets, unfortunately, are never that predictable. In addition to the interest rate differential, the rate of exchange is also influenced by the spot rate between currencies, which is affected by a complex interplay of economic, social, and financial interactions. It is possible then that while the cost of borrowing in Dinars or USD equalize in terms of the interest rate, other events could make the exchange substantially more costly.

In short, the prudent borrower of foreign currency, or the exporter who receives foreign currency payments, should "hedge" his position in the foreign currency market in order to fix the cost of exchange. For the borrower, entering an agreement with a bank to purchase the foreign currency that he expects to need at a predetermined forward date will fix his cost. For an exporter who receives payment in foreign currency, he should sell the foreign currency he expects to receive, but wants to exchange into Dinars at a predetermined forward date. What and in this case he will know precisely how many Dinar he will receive his gross profit will be. In the language of

trading, each of these agreements is called a “forward outright” transaction. An example for an exporter appears below.

Managing Foreign Exchange Risk Arising from Export Sales

Sales contracts between buyers and sellers should specify the particular currency in which payment is to be made. If a currency other than that of their own country of residence is to be the means of payment (foreign currency), exporters and importers need to understand the impact of currency fluctuations on the transaction in terms of their local currency. The bearer of the risk can then accept the risk or take action to protect against it.

As noted above, rates of exchange between local and foreign currencies fluctuate due to a complex combination of economic, political, and financial events. Trade transactions denominated in foreign currencies may gain or lose money through movements in rates of exchange that occur from the time of shipment of goods to the time of payment for them. This exchange risk can be avoided if the risk bearer purchases *forward foreign exchange contract*.

A forward foreign exchange contract is a contract wherein the parties agree to deliver a certain amount of one currency for a certain amount of another at a certain date in the future. (Also called a *forward outright* contract.) This agreement of one party to sell a certain currency, and the agreement of the other party to buy that currency for a different currency, fixes a “rate of exchange” between the currencies at the time the contract is executed. Forward foreign exchange contracts are not usually agreed between buyer and seller, but rather through third party financial intermediaries. Most frequently these are banks.

Example: An exporter agrees to sell yen forward

An exporter in the Jordan who is to receive one million Japanese yen three months from now can immediately enter a forward foreign exchange contract with a bank to fix the amount of Dinars he will get from selling the yen he will receive. With the contract in place, if the value of the yen falls in terms of Dinars before the transaction takes place, a loss would be avoided. On the other hand, if the yen appreciates in value, no gain will accrue to the exporter. Under the terms of the contract, the foreign exchange risk is assumed by the bank, which takes the gain or loss.

The most important point is that the exporter can fix how much he will receive in his own currency so that his profit on the transaction is assured.

Occasionally, delivery of currency on the due date of the forward foreign exchange contract may not match payment by the foreign buyer. This could occur for a number of reasons including delays in manufacturing and shipping, alteration in payment terms, and alteration to the underlying commercial transaction. In such cases, the bank may allow the customer to close out the old contract and enter into a new one at a rate determined at that time. In this close out procedure, the bank arranges settlement of the old contract (i.e., takes its gain or loss on the contract) and creates a new contract. The counterpart does not, at this time, have to deliver the

principal amount of the contract, which, due to circumstances of the trade transaction, he does not yet possess. The forward rate could, however, change, and thereby affect the profit associated with the trade transaction.

By mutual agreement, a forward foreign exchange contract may be canceled (closed out) at any time. However, at the due date, the bank has sole discretion over whether or not it will create a new contract. If the bank refuses to renew (rollover) the contract, the bank's client must provide the principal amount of the exchange agreed. If he has to purchase the currency, say one million yen, at the current and higher spot rate, substantial costs could occur. This provision is particularly pertinent when the underlying commercial arrangements have been terminated and there are no other transactions to which deliveries of the contracted currency could be applied. For this reason serious consideration must be given to the decision to enter a forward foreign exchange contract.

The Pre-shipment Loan Guarantee Application Process

The application process for the pre-shipment loan guarantee is a two step process. Assuming the applicant has reviewed the transaction, the management, and the financial condition of the borrower, these steps are straightforward and simple.

JLGC Form 201: Inquiry Application Form

JLGC Form 201 is in letter form. It is a request from the potential lender to JLGC requesting any experience that the JLGC may have had with the potential borrower. Accompanying this request, the potential lender includes basic financial data on the potential borrower, the transaction contemplated, and, if possible, three year's financial statements on the potential borrower.

The JLGC response to this inquiry will normally, without formal commitment, indicate whether or not it has any objection to the proposed loan. If the form is complete, this process can be accomplished in 24 to 48 hours from receipt of the form 201.

JLGC Form 202: Summary of the Loan Granted by the Bank Form

JLGC form 202 is also in letter form. It is a statement by the lender that they have indeed granted a loan, that it conforms to the Guarantee Agreement between the bank and JLGC. It includes the details of that loan and a request that JLGC issue its formal letter of commitment. Assuming no major changes in what was submitted on the form 201 from that on form 202, the commitment letter, or letter of denial, can be sent within 24 hours of receipt by the JLGC. Should the forms 201 and 202 differ, then the applicant will be contacted for clarification.

JLGC Maintenance Forms

There are two maintenance forms required under the Guarantee Agreement with the JLGC to keep guarantees in force. The first is Form 203. This is a quarterly report and is a summary report of loans granted by the bank, the number and Dinar amount of loans rejected, repaid, and in the pipeline for processing in the coming quarter. The second is Form 204. This is a monthly report that summarizes guaranteed loans due and unpaid. It includes a status report on the reasons for non-payment and collection actions taken. This report is very important since it is the first official notification by the guaranteed bank to the JLGC that certain guaranteed loans are delinquent

Claims Procedures

Claims procedures begin at the time of loan inception. This means that the diligent bank anticipates the documentation required making a valid claim. This is no different than in any bank credit where the bank's claim must be proved to enforce its legal claim against the debtor. Precisely what information and documents are required can be discovered in JLGC Form 205, Claim to the Amount of the Loan, and 205/a, Claim to the Amount of the Guarantee. Most of the information should have been collected at the time the loan was granted and before funds were disbursed.

A claim against the Guarantee of JLGC cannot be made until 180 consecutive days has lapsed since the last payment was made. In the interim, actions the bank has taken to collect the amounts due must be documented

Claim Payment

JLGC procedures require that the Indemnification Committee review all claims documentation. The Committee can approve or reject a claim up to JD 20,000. The Board of Directors must review all those above JD 20,000. Claim payment or rejection occurs within three months after the claim has been submitted.

Distribution of guarantee proceeds is to be made into a "Security Against Credit Facilities" account. According to the Guarantee Agreement: This amount cannot be used to offset any portion of the corresponding "Loan in Default" except after exhaustion of all collection efforts, judicial or otherwise, against the borrower and third party guarantors. Meanwhile the funds on deposit in the guaranteed lending institution become a source of funds until the claims process and/or liquidation are finalized to the satisfaction of the bank and the JLGC.

Section IX

Post-shipment Export Financing

Post-shipment Export Financing

Financing goods after shipment occurs to a destination outside the legal and political control of the seller and the lender, both of who depend on payment of the goods, presents special risks. The methods of payment discussed in Section III are designed to meet the degree of risk post-shipment financing presents. Cash in advance eliminates this risk, and confirmed Letters of Credit provide substantially more protection than documentary collections, but they may not be competitive. The risks facing the exporter and financing party include

- Foreign exchange risk, if the sale is in foreign currency
- Risk of physical loss due to disaster or war
- Risk of non-acceptance of goods at destination
- Risk of delayed payment, i e., protracted default
- Risk of non-payment

Foreign exchange risk can be managed as noted in Section VIII above. Risk of physical loss can be insured in the casualty insurance market. The final three risks arise because of commercial and/or political events that affect the buyer.

Commercial Risks

Commercial risks are all those circumstances that might prevent a private or corporate party to a contract from fulfilling the terms of that contract due to its own act or failure to act. Commercial risks can be grouped into five major categories:

- Credit risk
- Foreign exchange risk
- Market risk
- Performance risk
- Settlement risk

Political Risk

Political risks include events under the control of, or actions taken by, governmental authorities of the country of the buyer or seller. They include acts of war, civil disobedience, riot, and revolution. They may include statutory or *de facto* restrictions affecting the flow of goods, services, and payments. They include any government act that might inhibit the payment of funds in or out of the country irrespective of the ability of any individual or corporate resident of that country to meet contractual payment obligations. This is sometimes called *transfer* risk.

Protecting against political risks is usually accomplished by transferring the risk to another party. Sellers commonly accomplish this by requiring that buyers open Letters of Credit, which include a condition that a bank in the seller's country confirms the Letter of Credit.

Only an export credit guarantee or export credit insurance policy can mitigate these last three risks for both the exporter and the bank. In this regard it is common to separate commercial and political risk coverage.

The JLGC Post-shipment Export Credit Guarantee provides commercial risk coverage. The following case study is illustrative, but first a summary of JLGC Export Credit Guarantee features and benefits is appropriate.

Section X

JLGC Post-shipment Guarantee Program

JLGC Post-shipment Guarantee Program

In January 1997, the Jordan Loan Guarantee Corporation launched its Post-shipment Export Credit Guarantee Program. Like the Pre-shipment Export Credit Guarantee, this product is intended to facilitate the expansion of Jordanian exports by encouraging banks to lend to businesses that have export opportunities.

Its purpose is also to provide the exporter the opportunity to extend competitive trade terms to his clients in existing and new markets. The JLGC Export Credit Guarantee is not limited to only micro-enterprise and small businesses. All eligible exporters may apply for cover, the benefits of which can accrue to the exporter or be assigned to a lender. The post-shipment guarantee only covers the risk of non-payment by the foreign buyer because of commercial risks.

Features of the Post-shipment Loan Guarantee

The Post-shipment Loan Guarantee is a "whole turnover" arrangement. That is, the guarantee covers all eligible export receivables. It provides an indemnification against non-payment to the guaranteed party of up to 85% of the net invoice value of each shipment and up to a maximum of the equivalent of US Dollars 4,000,000 per buyer. It also covers refusal of the buyer to accept the goods. The price of the guarantee is 1.5% per annum of the amount of the net invoice value guaranteed.

The guarantee expiry date should match trade terms. This can be for no more than 180 days.

Benefits to the Exporter and the Bank

In order to meet domestic competition, as well as competition from other foreign suppliers, exporters are often required to provide extended payment terms to meet that competition. Extending terms of payment may also be required to access new and expand existing markets.

Extending these terms however leaves the seller exposed to all the commercial risks noted above. In addition, the banks who normally provide short-term credit against receivables, typically exclude export receivables on the basis of risk.

The JLGC Export Credit Guarantee substantially reduces the risk of non-payment to the exporter (to 15% of invoice value) and thereby allows him to extend competitive terms in new and existing markets. If the benefits of the Guarantee are then assigned to a lender, that lender's risk is also reduced. Therefore, properly implemented, the JLGC Export Credit Guarantee should provide incentive to lenders to extend loans against a specific level of export receivables.

Advantages that accrue to banks for loans guaranteed under the JLGC Pre-shipment Loan Guarantee Program also accrue to those guaranteed by the JLGC for export transactions. Access to the Central Bank rediscount program is even more beneficial to the bank. Under current

regulations, export orders evidenced by promissory notes and trade acceptances allow the bank to fund up to 90% of the face amount of export credit. As with other JLGC guaranteed loans, the rediscount rate is at 1% below the current discount rate, with on lending at a 2.5% spread.

Two other advantages that must be included in the pricing of these loans are the exclusion of JLGC guaranteed loans from the statutory 2% bad debt reserve requirement and the reduction of the applicable risk-based-capital to asset allocation from 100% to 20%.

The Post-shipment Export Credit Guarantee Application Process

The exporter must complete the post-shipment export credit guarantee application process. Annex 1 (copy attached in this Section) to the Guarantee Agreement reports on the exporter's business and his relevant experience with foreign buyers including current and expected sales, receivables analysis, bad debt history, and countries of risk by buyer

Annex 2 is the JLGC list of credit limits for each approved buyer together with any special conditions that apply to transactions with that buyer. Should exports to buyers not previously approved in Annex 1 occur, there is a form called "Declaration of Executed Shipments to Unapproved Buyers" that must be submitted immediately after shipment.

Based upon the above, risk premiums are assessed by JLGC and advised to the exporter on a form similar to Annex 3. Actual premiums are remitted with the exporter's "Monthly Turnover Declaration," shown in Annex 4.

Claims Procedures

Annex 5 called a "Declaration of Risk" is used to report non-payment of export receivables. This report is due within 30 days of default. Indemnification of claims occurs "One month from the date of registration of the exporter's debt on the list of verification of debts in case of the buyer's bankruptcy or six months after receipt by the Company (JLGC) of the request for intervention, (Article 16-5 of the *Guarantee Agreement*), whichever date comes first."

The date of "receipt by the Company (JLGC) of the request for intervention" is found on Annex 5

Claim Payment

Barring bankruptcy, the Guarantee Agreement notes that indemnification shall occur six months from the date of the Company receiving request for intervention in case of the buyer's failure to pay, or from the date of his refusal to receive the goods, or two months from the date the goods are resold, whichever date comes first.

Once again, it is critical that the documentation evidencing the transaction be complete. This will include evidence of debt, any legal documentation evidencing action taken against the buyer in his country, evidence of shipment, title documents, or other documentation peculiar to the nature of the transaction.



جدول المحتويات

(١) اتفاقية ضمان ائتمان الصادرات لمرحلة ما قبل الشحن

(٢) ملاحق اتفاقية ضمان ائتمان الصادرات لمرحلة ما قبل الشحن

- | | |
|-------------------------------------------------|--------------------------|
| الملحق أ - نظام القروض . | الملحق ب - نموذج ٢٠١ |
| طلب الاستعلام ورد الشركة . | الملحق ج - نموذج ٢٠٢ |
| ملخص عن القرض الممّوح من البنك / اشعار موافقة . | الملحق د - نموذج ٢٠٣ |
| التقرير ربع السنوي للقروض الممنوحة . | الملحق هـ - نموذج ٢٠٤ |
| التقرير الشهري للقروض المستحقة غير المدفوعة . | الملحق و - نموذج ٢٠٥ |
| مطالبة بملغ الضمان . | الملحق ز - نموذج ٢٠٥/أ |
| كتاب مطالبة بملغ الضمان . | الملحق ح - كتاب التعهد . |
| | الملحق ط - كتاب الرفض . |



(١)

اتفاقية ضمان ائتمان الصادرات
لمرحلة ما قبل الشحن



(١)

اتفاقية ضمان ائتمان الصادرات لمرحلة ما قبل الشحن

جرى ابرام هذه الاتفاقية في اليوم _____ من شهر _____ لسنة ١٩ _____

بين

١- الشركة الاردنية لضمان القروض م.ع.م ، وعنوانها ص.ب ٨٣٠٧٠٣ ، عمان ١١١٨٣ الاردن، ممثلة
بالمدير العام للشركة (ويشار اليها فيما بعد بـ "الفريق الاول" و / أو "الشركة") .

و

٢- البنك _____

وعنوانه _____

ممثلاً بالمدير العام أو من يفوضه بذلك _____ (ويشار اليه فيما بعد بـ "الفريق الثاني"
و/أو "البنك") .

وحيث :

- ان الفريق الثاني بنك مرخص لمنح قروض في الاردن ،
- ان الفريق الاول يعمل في مجال تقديم ضمانات للبنوك المرخصة العاملة في الاردن ، التي تقوم بمنح الائتمان الى المؤسسات الاردنية العاملة في مجال تصدير البضائع من الاردن،
- ان الفريق الاول يرغب بتقديم ضمانات لقروض رأس المال العامل الممنوحة من قبل البنوك المرخصة العاملة في الاردن لتمويل المشاريع الانتاحية التصديرية في الاردن ،
- انه تم اختيار الفريق الثاني ليكون واحدا من بين البنوك المشار اليها ، وقد وافق على الدخول في اتفاقية تحكم العلاقة مع الفريق الاول فيما يخص تلك الضمانات ،

فقد اتفق الفريقان على ما يلي :

المادة (١)

مقدمة

يشكل ما ذكر اعلاه مقدمة للاتفاقية وجزءا لا يتجزأ منها ويقرأ معها .

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المادة (٢)

واجبات الفريق الاول

- أ- استلام طلبات ضمان القروض المقدمة من الفريق الثاني للمقترضين المؤهلين المشار اليهم في نظام القروض الملحق بهذه الاتفاقية (ملحق أ) ، ودراستها وتقييم مدى ملاءمتها مع شروط الضمان .
- ب- دفع مبلغ الضمان وذلك خلال مدة اقصاها ثلاثة اشهر من تاريخ قيام الفريق الثاني بتقديم مطالبة الدفع بعد انقضاء فترة التعثر ، شريطة ان يتم استكمال الوثائق المطلوبة وان يكون القرض الممروح وعمليات المتابعة مطابقة لما هو مبين في هذه الاتفاقية وملاحقها .
- ج- توفير التدريب اللازم بدون مقابل لمسؤولي الائتمان من الموظفين العاملين لدى الفريق الثاني على اجراءات الاقراض وادارة القروض الممنوحة لقطاع التصدير .

المادة (٣)

واجبات الفريق الثاني

- أ- استلام طلبات القروض وتقييمها والالتزام بالقواعد المصرفية السائدة عند تقديم القرض ، بحيث يؤخذ في الاعتبار سمعة العميل وسلوكه ووضعته المالي وقدرته على الوفاء بالتزاماته الى غير ذلك من العوامل المؤثرة في القرار الائتماني .
- ب- مساعدة المرشحين للاقتراض في تقييم المشروع واعداد البيانات الضرورية المتعلقة بالطلبات مثل تقديرات الاحتمالات المستقبلية للبيانات المالية والبيانات ذات العلاقة بكشف التدفق النقدي .



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- ج- اتخاذ كافة الاجراءات التي تكفل سداد القرض بما ذلك التأمين على حياة المقترض أو التأمين على المشروع بما يساوي كامل الرصيد القائم للقرض المسموح وفوائده إلا اذا قام الفريقان بالتوصل الى ترتيبات بديلة ، ويظل التأمين ساريا طيلة مدة القرض .
- د- ادراج نص في عقد القرض المبرم مع العميل المقترض يقضي بأن للفريق الثاني الحق في تحويل كامل الحقوق المترتبة له في ذمة المقترض الى الفريق الاول بما في ذلك كفالات الاخرين .
- هـ- التقيد الكامل بما هو مبين في نظام القروض (الملحق أ) المرفق بهذه الاتفاقية والذي يعتبر جزءا لا يتجزأ منها.
- و- الاستعلام من الفريق الاول عن العميل المقترض قبل السير في اجراءات التنفيذ وذلك بتعبئة النموذج ٢٠١ (الملحق ب) .
- ز- تزويد الفريق الاول باشعار موافقة الفريق الثاني على منح القرض وذلك بتعبئة وتقديم النموذج ٢٠٢ (الملحق ج) الذي يبين ملخصا عن القرض الذي التزم به الفريق الثاني وذلك خلال سبعة ايام كحد اقصى من تاريخ موافقة الفريق الثاني على منح القرض .
- ح- حفظ ملف منفصل لكل مقترض والسماح للفريق الاول بفحصه يتضمن جميع المعلومات والبيانات والمستندات التي جرى على ضوئها اتخاذ قرار بمنح القرض ، اضافة الى المعلومات الكاملة ذات العلاقة بتطورات القرض .
- ط- القيام باعمال المتابعة المكتبية والميدانية للمشاريع التي جرى تقديم قروض اليها للتثبت من ان الاموال قد استخدمت في الوجيه الممنوحة لها وللاطلاع على سير النشاط واستمراره والعمل على تحصيل الاقساط في مواعيدها ، وتقييم قدرة المقترض على الاستمرار بالوفاء بالتزاماته ومتابعة الضمانات العينية الي غير ذلك مما تتطلبه عمليات المتابعة .
- ي- تقديم التقارير الدورية المطلوبة على النموذج ٢٠٣ (الملحق د) الذي يبين النشاطات الاقراضية ربع السنوية للفريق الثاني ، وكذلك التقرير الشهري على النموذج ٢٠٤ (الملحق هـ) الذي يبين الاقساط المستحقة غير المدفوعة ، وذلك خلال عشرة ايام كحد اقصى من تاريخ انتهاء ربع السنة أو الشهر المقدم عنه التقرير ذي العلاقة .
- ك- يلتزم الفريق الثاني بتقديم أية تقارير اخرى أو معلومات يطلبها الفريق الاول من الفريق الثاني عن المقترضين ممن تشملهم هذه الاتفاقية وملاحقتها .
- ل- ابلغ الفريق الاول بأية امور يكون من شأنها التأثير على قدرة الفريق الثاني على الوفاء بالتزاماته بموجب هذه الاتفاقية .



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م- اختيار موظفين مؤهلين ليكونوا مسؤولين عن ادارة القروض المضمونة وبحري اسلاغ الفريق الاول باسماء هؤلاء الموظفين .

ن-تسمية موظفي الاقراض العاملين لديه الدين سيشاركون في الدورات التدريبية التي ينظمها الفريق الاول .

المادة (٤)

رسوم الضمان

أ- يقوم الفريق الثاني بدفع رسوم ضمان بموجب شيك مصرفي الى الفريق الاول بسنة ١٢٥٪ شهريا على اعلى رصيد للقرض المضمون خلال الشهر ، ويستمر في تسديد رسم الضمان طيلة مدة حياة القرض المضمون ، ولهذه الغاية يعتبر جزء الشهر شهرا كاملا .

ب- يقوم الفريق الثاني بتسديد رسم الضمان الى الفريق الاول خلال اسوع من تاريخ موافقة الفريق الاول على ضمان مخاطر القرض .

ج- اذا تخلف الفريق الثاني عن سداد رسوم الضمان المستحقة الدفع لمدة شهر من تاريخ استحقاقها للفريق الاول الغاء شمول القرض المتخلف الدفع عنه بعبء الضمان على ان يقوم الفريق الاول باخطار الفريق الثاني بهذا الامر .

المادة (٥)

المطالبات بقيمة الضمان وتحصيلاتها ومتابعاتها

أ- لايجوز تقديم مطالبات بموجب أي ضمان ممنوح من قبل الفريق الاول وفقا لهذه الاتفاقية الى ان يصبح القرض المعني "قرض متعثر" . ويعتبر القرض متعثرا اذا لم يتم المقترض دفع كامل قيمة القسط المترتب في ذمته لمدة ١٨٠ يوما متتالية .

١٨٦



- ٥ -

ب- عند قيام الفريق الثاني بتقديم المطالبة بقيمة الضمان فيتوجب عليه ان يرفق المستندات التالية :

٠ ١ صورة عن جميع المستندات والوثائق التي تبين الجهود المدولة للتحصيل .

٠ ٢ صورة عن عقد القرض المبرم بين الفريق الثاني والمقترض .

٠ ٣ صورة عن كشف حساب العميل المقترض .

٠ ٤ النموذج ٢٠٥ (الملحق و) معبأ حسب الاصول .

٠ ٥ النموذج ٢٠٥/أ (الملحق ز) معبأ حسب الاصول ومرفقا به جميع الوثائق المينة فيه .

٠ ٦ أية معلومات أو مستندات أخرى يطلبها الفريق الاول وتكون متاحة للفريق الثاني

ج- يقوم الفريق الثاني ببيع الضمان المدفوع له من قبل الفريق الاول في حساب مستقل "امانات مقابل تسهيلات" ولا يستخدم هذا المبلغ لسداد جزء من رصيد القرض المتعثر دي العلاقة الا بعد استيفاء جميع احراءات التحصيل .

د- يتعين على الفريق الثاني ان يقوم باتخاذ جميع الاجراءات القانونية والقضائية واجراء المتابعات اللازمة لتحصيل المبالغ المتحققة في ذمة المقترضين المتعثرين .

هـ- يجوز للفريق الاول ، بعد انقضاء سنة على بداية تعثر القرض ، ان يقوم منفردا أو بالمشاركة مع الفريق الثاني بالاجراءات اللازمة لتولي عملية تحصيل المديونية المتعثرة ، وفي هذه الحالة يقوم الفريق الثاني بتحويل جميع المستندات ذات العلاقة بالمديونية الى الفريق الاول .

و- يتعين على الفريق الثاني توريد حصة الفريق الاول خلال مدة لا تتجاوز ثلاثة اشهر من تاريخ تحصيل أية مبالغ من المقترضين المتعثرين الذي جرى تعطية قروضهم المضمونة من قبل الفريق الاول ويوزع صافي المبالغ المحصلة بين الفريقين وفقا لنسبة الضمان للقرض ذي العلاقة .

ز- يقوم الفريق الثاني باقتطاع المصاريف القانونية التي دفعت لاطراف اخرى من أصل المبالغ المحصلة من العملاء المتعثرين الذين جرى تعطية قروضهم المضمونة من قبل الفريق الاول .

ح- يتعين على الفريق الثاني فيما اذا تمكن من الحصول على أية فوائد قانونية عن الفترة التالية للتعثر ان يقوم بتوزيع هذه المبالغ فيما بين الفريقين بنسبة الضمان للقرض ذي العلاقة .



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المادة (٦)

احكام عامة

أ- للفريق الاول حق تقييم ومتابعة القروض المقدمة من قبل الفريق الثاني للمقترضين المؤهلين واسداء التوصيات والملاحظات المناسبة في شأنها .

ب- يجوز للفريق الاول رفض ضمان أي قرض مقدم اليه من الفريق الثاني والامتناع عن ضمان أية قروض جديدة اذا استدعت الظروف الاقتصادية أو الاوضاع المالية للفريق الاول أو حططه أو توجهاته المستقلة اتخاذ مثل هذا الاجراء ، وفي هذه الحالة يتم اشعار الفريق الثاني بهذا الامر خطيا .

ج- لايجوز للفريق الاول ان يقوم بتعديل أي من بود هذه الاتفاقية إلا بعد التشاور والتنسيق مع الفريق الثاني وموافقةه الخطية على ذلك .

د- يحوز للفريق الاول ان يقوم بتعديل نظام القروض ، وشروط الصمان ، والنماذج والتقارير الاخرى المرفقة بهذه الاتفاقية شريطة ان لا تتعارض التعديلات المقترحة مع مواد هذه الاتفاقية اثناء فترة سريانها وتعتبر هذه التعديلات سارية المفعول بعد مضي ثلاثين يوما من تاريخ اشعار الفريق الثاني بها خطيا .

هـ- يحق للفريق الاول ان يطلب من الفريق الثاني أية معلومات أو مستندات عن العملاء المقترضين ذوي العلاقة بهذه الاتفاقية وملاحقها والاطلاع على ملفاتهم التي يحتفظ بها الفريق الثاني .

و- يتم تسوية أي نزاع ينشأ بين الفريقين بشأن هذه الاتفاقية وملاحقها بصورة ودية وفي حال تعذر التسوية الودية يتم اللجوء الى محكم محتص ، يتفق عليه الفريقان ، للفصل في سب النزاع في ضوء ما ينص عليه قانون التحكيم الاردني .

المادة (٧)

سريان الاتفاقية وانهاؤها

أ- تكون هذه الاتفاقية سارية المفعول لمدة سنة من تاريخ ابرامها وتجدد تلقائيا ما لم يتم أي من الفريقين باابلغ الفريق الاخر قبل مضي شهر من تاريخ انقضائها بعدم رعته في تجديدها ، ولاغراض عملية يكون أجل انتهاء هذه الاتفاقية للمرة الاولى وبصورة استثنائية في ١٩٩٧/١٢/٣١ .

ب- لا يؤثر انتهاء مدة هذه الاتفاقية أو عدم تجديدها على حقوق والتزامات الفريقين التي تعلقت و / أو نشأت



- ٧ -

المادة (٨)

ابرام الاتفاقية

نظمت هذه الاتفاقية على نسختين من ثماني مواد متضمنة هذه المادة وتسعة ملاحق وتسلم كل من الفريقين نسخة منها .

واتمهنا على ذلك ، فقد قام الفريقان بالتوقيع على هذه الاتفاقية في التاريخ المذكور اعلاه .

الفريق الاول

الفريق الثاني



- ٨ -

(٢) ملاحق اتفاقية ضمان ائتمان الصادرات لمرحلة ما قبل الشحن

- | | |
|--------------------------|------------------------------------------------|
| الملحق أ - نظام القروض . | |
| الملحق ب - نموذج ٢٠١ | طلب الاستعلام ورد الشركة |
| الملحق ج - نموذج ٢٠٢ | ملخص عن القرض الممنوح من البنك/ اشعار موافقة . |
| الملحق د - نموذج ٢٠٣ | التقرير ربع السنوي للقروض الممنوحة . |
| الملحق هـ - نموذج ٢٠٤ | التقرير الشهري للقروض المستحقة غير المدفوعة . |
| الملحق و - نموذج ٢٠٥ | مطالبة بمبلغ الضمان . |
| الملحق ز - نموذج ٢٠٥/أ | كتاب مطالبة بمبلغ الضمان . |
| الملحق ح - كتاب التعهد . | |
| الملحق ط - كتاب الرفض . | |



(٢)

ملاحق اتفاقية ضمان ائتمان الصادرات
لمرحلة ما قبل الشحن



الملحق (أ)

نظام القروض

١- المقترضون المؤهلون :

أي شخص طبيعي أو معوي اردني أو مقيم دائم في الاردن وتكون ملكية المشروع كاملة للقطاع الخاص، وإذا كان المقترض مؤسسة أو عمل تحاري آخر ، فيجب ان تكون مملوكة بالاغلبية لمواطنين اردنيين أو مقيمين دائمين في الاردن .

٢- القروض المقبولة للضمان :

- أ- ان يكون الحد الاعلى للقروض الممنوح من قبل الفريق الثاني للعملية الواحدة ١٠٠ ألف دينار ، وبصورة استثنائية يمكن للفريق الاول ان يضمن قروضا تصل في حدها الاعلى الى ٢٥٠ ألف دينار للمقترض المؤهل ، سواء كانت هذه القروض ممنوحة من قبل البنك أو السوك الاخرى .
- ب- ان يكون القرض قصير الاحل بحيث لاتتجاوز فترة سداده عام واحد ، وبصورة استثنائية يمكن زيادة فترة سداد القرض لاكثر من عام واحد بعد موافقة الشركة المسققة .
- ج- يمكن للفريق الاول تقديم الضمان الحرثي للقروض الممنوح من الفريق الثاني والتي تزيد قيمته على ١٠٠ ألف دينار بشرط ان لايتعدى الحد الاقصى للضمان المقدم من الفريق الاول لأي قرض من هذه القروض عما مقداره ٧٥ ألف دينار مضافا اليه الفائدة المتراكمة على الحد الاقصى لقيمة الضمان لفترة ١٨٠ يوما . وفي جميع الاحوال ، يتعهد الفريق الثاني بعدم اعطاء دينه غير المضمون أولوية في السداد ، حيث يتم توزيع الاموال المسددة على الجزء المضمون من قبل الفريق الثاني وكذلك الجزء غير المضمون وفقا لنسبة الضمان المقدمة من قبل الفريق الاول .
- د- يستخدم لتمويل أي نشاط خاص انتاجي تصديري مدار وقانوني في الاردن (تمويل رأس المال العامل) ، ولا تعتبر السحوبات على المكشوف من قيل القروض المضمونة .
- هـ- ان يفي بمعايير البنوك الائتمانية العامة للاقراض .
- و- تطبيق سعر الفائدة السائد لدى الفريق الثاني .

Benefits

- ◆ Increment to or substitute for collateral support for exporters
- ◆ Access to competitor clients through specialization in export lending
- ◆ Increment to the incentive to access the Central Bank's rediscount program
- ◆ Repayment of 75% of defaulted principal and up to 180 days of related unpaid interest

Pricing

- ◆ 1.5% per annum of the guaranteed loan outstanding
- ◆ Payable for each quarter or for any part thereof, in arrears

Future Product Variations and Linkages

- ◆ Increased bank liquidity through linkage of JLGc guaranteed bank loans funded through the Central Bank rediscount program
- ◆ Competitive pricing through reduced funding cost expands export sector

Unqualified Loans

- ◆ Loans granted to trading companies whose sales depend on imports
- ◆ Profit sharing trade transactions (Murabaha)
- ◆ Consumer purchase/sale transactions
- ◆ Loans granted as “refinancing” of existing credit facilities

Claims procedures

- ◆ Claims procedures must be understood when the loan is approved
- ◆ Claims documentation requires correct documentation of debt including, but not limited to:
 - Bills of Lading, Truck Receipt, Truck Consignment Note
 - Invoices
 - Bills of exchange and/or promissory notes, statement of accounts
 - Export purchase orders, letters of credit, or other proof of export order
- ◆ Statement of collection efforts undertaken
- ◆ Copies of the loan agreement between the bank and the defaulted borrower

Indemnification Procedures of JLGC

◆ Processing steps for claim documentation by JLGC

- Submission of defaulted borrower documentation
- Review by JLGC indemnification committee and/or Board of Directors
- Approval/Disapproval - If approved, payment within 90 days

◆ Recovery operations

**WORKSHOP PRESENTATION
JORDAN LOAN GUARANTEE
CORPORATION**

**POST-SHIPMENT
CREDIT GUARANTEE PROGRAM**

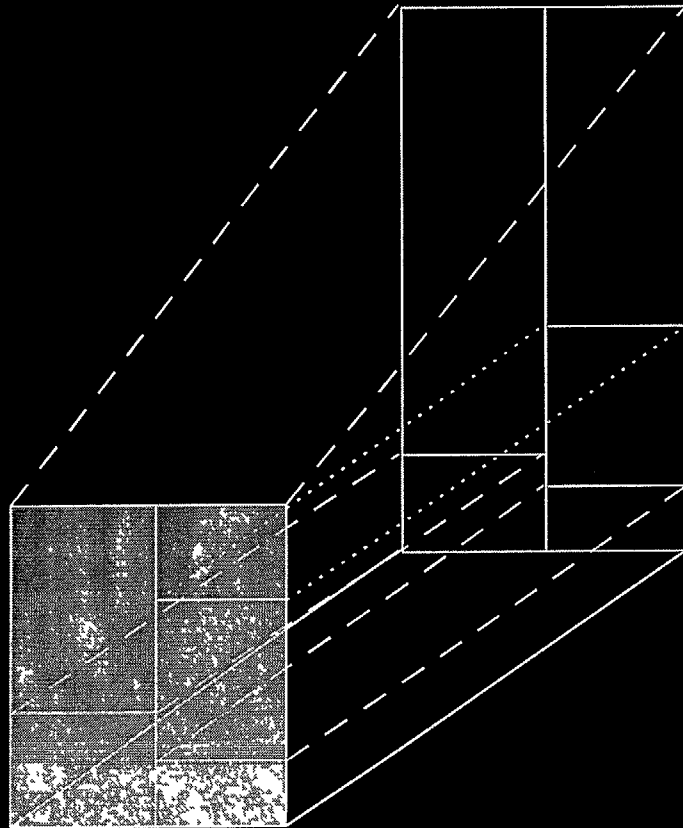
Exporters' Need for the Program

- u To cover risk of nonpayment/non-acceptance by foreign buyers
- u Ability to offer competitive terms of sale in markets around the globe
- u Availability of credit information on new foreign buyers
- u Guarantee cost information prior to shipment that will allow proper pricing decisions

Bankers' Need for the Program

- u To enhance risk management for the exporter by whole turnover guarantee coverage against non-payment of foreign receivables
- u To safely increase the aggregate level of loans against foreign receivables
- u To enhance the banks competitive position in the area of trade finance
- u To safely increase bank profits from export transactions and new relationships

Effect of Export Order on Balance Sheet of Small to Medium Size Business



Features

- u Guarantee coverage of entire portfolio of eligible export receivables
- u 85% indemnification of eligible export receivables in the event of non-payment
- u Up to US\$4,000,000 maximum per buyer
- u Coverage of commercial risk on receivables with maturities of up to 180 days

Benefits for the Banker

- Assignment of benefits of 85% guarantee against non-payment of eligible export receivables because of insolvency or protracted default for commercial reasons
- Access to competitor clients through specialization in export lending

Benefits for the Exporter

- u Reduction in risk associated with opening new foreign buyer relationships by:
 - Guarantee against non-payment of 85% of the invoice value of eligible export receivables because of insolvency or protracted default for commercial reasons
 - Guarantee against refusal of the buyer to accept the documents for shipped goods of 85% of the invoice value

Benefits for the Exporter

- Ability to offer competitive terms in foreign markets
- Availability of credit information on new foreign buyers
- Guarantee cost information prior to shipment that will allow proper pricing decisions

Pricing

- Competitive pricing based on JLGC assessment of the covered risks
- Payable at the time of shipment

10x

Future Product Variations Anticipated

- u Effort to extend larger US\$ limits
- u Effort to extend coverage in foreign currencies
- u Effort to extend political risk coverage
- u Effort to extend coverage to individual export transactions

Unqualified Export Transactions

- Exports under advance payment (cash) terms
- Exports under letters of credit confirmed by a Jordanian bank
- Export receivables with terms in excess of 180 days

Claims procedures

- u Claims procedures must be understood when the loan is approved
- u Claims documentation requires correct documentation of debt including, but not limited to:
 - Bills of lading
 - Invoices
 - Bills of exchange and/or promissory notes, statement of accounts
 - Export purchase orders, letters of credit, or other proof of export order
- u Notification of potential claim within 30 days of event of default.

Indemnification Procedures of JLGC

Processing steps for claim documentation by JLGC

- Submission of defaulted borrower documentation
- Review by JLGC indemnification committee and/or Board of Directors
- Approval/Disapproval - If approved, payment in one to six months

Recovery operations

APPENDIX IV

**SEMINAR / SMALL BUSINESS LENDING AND CASH FLOW
ANALYSIS**

Loan Guarantee Program and Small Business Lending

Jordan Loan Guarantee Corporation

October 6, 7, 8, and 11, 12, 1997

October 6, 1997

Purpose of Course

Identify the characteristics of small business
Examine reasons for borrowing
Examine ability to repay
Review use of JLGC forms 101/102

October 7, 1997

Characteristics of Small Business

Develop classical definitions of Asset/Liability, Income, Human Resource structure
Adapt classical definition to Jordanian context

Competitive Analysis

Management Analysis

October 8, 1997

Critical Financial Analysis Ratios

Case study for application of ratios

October 11, 1997

Cash Flow for Small Business

Case study for developing cash flow for small business

October 12, 1997

Early warning system for bad loans
Actions to expect from creditors
Case study for participants to analyze and present

Jordan Loan Guarantee Corporation, Ltd.

**Loan Guarantee Program
and
Small Business Lending**

Purpose of Course

Identify the characteristics of small business
Examine reasons for borrowing
Examine ability to repay
Review use of JLGC forms 101/102

Characteristics of small business

Number of Employees	5-20
Maximum Equity Amount	JD50,000
Management	Owner is Manager
Employees	Family members at most, even all, key levels

Competitive Analysis
Management Analysis
Financial Analysis
Recommendations

Positive Attitudinal Differences of Small Business Managers

Twenty-four-hour Work Ethic
Quick Adaptability to Market Change
Responsive to Client Requests

Negative Attitudinal Differences of Small Business Managers

Resistance to Change
Tendency not to Listen
Prematurely Jumping to Conclusions
Lack of Knowledge of Bank Operations
Intimidated Attitude
Lack of Understanding of Technical Terms
Defensiveness
Emotional Reactions
Lack of Feedback
Personality Conflicts
Know-It-All Attitude
Either/Or Thinking

Small Business Banking Officers in the United States

Definition of Small Business

Source of financing by percentage of personal capital, personal loans, bank or non-bank loans.

Service Requirements of Small Business

Market
Management
Productivity (Conversion Cycle)
Death of an Owner

APPENDIX V

WORKSHOP / BUSINESS USE OF THE WORLD WIDE WEB



Introduction to the World Wide Web (WWW)

Background and Definitions

The WWW ("Web") is a remarkable electronic universe that makes parts of the Internet easier and more efficient to use. It is helpful to remember that the Internet began as a method of connecting scientific institutions to exchange information. Basically, the Internet is many sets of computer to computer connections, with nodes or cross points joined by large capacity computers called servers. The servers are built and maintained by Internet Service Providers, ISP's. It is these machines we access when we connect our computer through phone or fiber optic lines "to the Internet"

The Internet offers other services such as *electronic mail* - "e-mail", "FTP"- *file transfer protocol* programs, and specialized search engines (software) such as Gopher and Usenet. Sometimes a Web service company also provides links to FTP, e-mail, and other search activities. At this point in the development of the WWW, it is better to connect directly to these services via software programs such as Eudora for e-mail.

The WWW itself is part of the computer universe, and was developed to create a common language among computers. It is used by persons or institutions who want to "put information on the Web". Web is the ordinary name for this system, and it makes access, use, retrieval and posting of information very user friendly. Information which resides on the WWW is composed of text, graphics, videos and sound. Any or all of these are coded in a software program called "HTML" - *hyper text markup language*-which allows software on your computer to read and present the information. The software you use to access this WWW is usually called a "browser," for example Netscape, and is provided by those organizations maintaining the servers, the ISP's. Some servers are free, for example those at education or government institutions. Others charge a fee, usually a monthly rate. These are commercial access ISP's

When we want to access the WWW we normally have a computer use its modem to dial the server's access telephone number. Charges for this "telephone" call are the same as regular phone rates, so it is wise to be sure the server selected has a local telephone number! At some places, for example, the nearest server requires an international telephone call, and consequently, using the WWW can be very expensive.

One of the creators of the WWW described it this way:

The World Wide Web is the universe of network accessible information, the embodiment of human knowledge...with a body of software, and a set of protocols and conventions. WWW uses hypertext and multimedia techniques to make the Web easy for anyone to roam, browse, and contribute to

Tim Berners-Lee, in *HTML for Dummies*,
Ed Tittle & Steve James, IDG Publishing, 1995.

This exercise has been prepared by independent consultants under a technical assistance grant from the United States Agency for International Development, USAID exclusively for the use of the Jordan Loan Guarantee Corporation, Amman, Jordan. For information on the Jordan Loan Guarantee Corporation write or call the JLG at P.O. Box 830703, Amman 11183 Jordan Telephone: 962-6-617393 Facsimile: 962-6-617396

“Hypertext” or **“hyperlink”** are important additional terms to know. These two words refer to the part of the software program which enables one piece of information to be linked to another by the click of a mouse button. For example, if the WWW displays a map of Jordan, there may be a word on the map underlined or in a different color. By clicking the mouse on it, the viewer is transferred to information linked to the material originally seen. Perhaps clicking on the word Jerash will transfer the user from a map to photographs of the ruins, and those photographs may be linked to travel reservation information. As we see, this can become a long and very informative journey. But we do not have to worry, because we can always go back to our previous “page”, and thus to the original information.

Some other definitions are useful

A **“page”** is the location of the material- it can be large or small, and does not refer to a paper page. So it is important to scroll down the computer screen to not miss what may be at the “bottom”. **“Site”** is another name for a page.

An **“address”** is the location of that page. It tells the server where to locate the information. The technical name is **“URL”**- *uniform resource locator*.

Each address has several parts, and an error in any of them will mean a request is rejected. Sometimes a message will tell what went wrong, often it does not

The parts of an address are

http://www companyname com/
↑ ↑ ↑ ↑
1 2 3 4

1. Directs selection of software access to a hypertext document.
2. Directs to the Web system.
3. Indicates the WWW page/site to access.
4. Designates the type of **“source”**, in this case a commercial institution

These source types are also called **“domain”** names and include the following designations: (.gov)= government, (.edu) education, (.net) = network provider, (org)=non profit organization. Some addresses are very long in order to take the user to a very specific part of a large site. These domain names, *com, gov, edu, net, org*, are also commonly included as part of e-mail addresses.

Important: *Typing accuracy is necessary for all the letters, spaces and punctuation*

Using WWW Information

What can we do with the information we find? Of course we hope it will answer some question we have, but that is not all the WWW can do. On the Web:

1. We can often e-mail the information we see to ourselves or someone else. There are several sites, for example that allow sending an electronic postcard, complete with picture and message to anyone who is also linked to the internet.
2. We can print the information directly by following normal print commands.
3. We can save the information in a file, again using normal commands.

4. We can “**Bookmark**” or save the URL address in the part of the program that holds the address only, not the information. Then a simple click on the item in this file will provide a shortcut to the saved address. This avoids re-typing addresses and increasing the chance for errors.

You, the user determine the final use of material discovered. A word of caution however- while much information on the Web is free of copyright, it is wise to pay attention to any indicators regarding proprietary materials. If you want to use proprietary material, contacting the owner of the WWW page for permission is usually very easy because each page has the person responsible for it, his address, and the last time material was up dated.

How to Get on the Web

There are four parts to joining those who already use the Web.

1. **Connection** →
2. **Request** →
3. **Response** →
4. **Close**

Connection

Connection to the WWW is only possible if certain software is installed on the computer and an Internet Service Provider (ISP) has been selected. After calling up the individual access program, for example Netscape, on the computer, a set of directions and sometimes a password request will appear. After the user enters proper information, the computer modem dials the previously installed phone access number for the ISP. If a computer such as a notebook is taken to another location, this number may be changed to get a different local calling number.

As the connection goes through, a screen appears with many choices. The ISP often uses hyperlinks on this screen to provide immediate access to information it believes users have an urgent interest in.

Request

At this point, the user can select via the hyperlinks information from this first page. It is more likely however, that definite searches are desired. It may be necessary to scroll down to see the place on the page that accepts a request for searches. The user enters search terms in the box provided. Selecting key words, and short specific phrases is very important. The WWW will look everywhere for these terms. Sometimes it returns a list of 10,000 items connected, at least in its “mind”, with the chosen subject. Few users have the stamina to wade through 10,000 replies. In many cases there is a portion of the result page that asks for better terminology, and a new request with more specific terms is launched. The computer lists what it believes are the closest matches first. This results listing is really a list of hyperlinks, and to get the item described the user clicks on it. To return to the list, use the GO BACK function displayed at the top of the screen. While the list is displayed, you may want to print it. Be cautious however, not to ask for all 10,000 in the list but only the ones on screen, usually 10-15 at a time.

Response

The hyperlink click sends the user to the specific item from the list. At this point the user has options to “**download**” or keep the information. The easiest of course is to print using the basic commands. Again it is wise to check length! If attempting to download video/graphic/multimedia materials to computer

files, one needs to know the ability of the user's computer to store these items in proper formats. To download into a normal A: or C: file, use commands usually found in the "save as" function. Be aware that graphic or video/sound materials require huge amounts of space, and are often downloaded into Zip files.

Now that information has been retrieved in some manner, this phase is complete.

Close

Be sure to exit the WWW when a research session is completed. If your computer has not been taken off line, it is still on line, and will continue to run phone line charges, and in some cases prevent regular use of that phone line. Even local charges mount up if a computer is left connected overnight!

Some thoughtfully constructed browsers have an automatic disconnect if there is no activity for a designated time period - perhaps 20 minutes

Exiting the program is usually very easy- often via an icon that disconnects the phone link. There is usually a confirmation screen to prevent accidental disconnection

Although there may be glitches in the computer, the program, or just a traffic jam at the server, most of the time using the Web is easy, and results in the discovery that there is much more information available than it is possible to digest! The WWW can demand much hard work to use its vast resources, and can stretch intellectual capacity, patience and perseverance to new limits.

Good Luck! Have fun and success with your new-found skills on the WWW.



APPENDIX VI

**WORKSHOP / THE LOAN GUARANTEE PROGRAM AND
SMALL BUSINESS LENDING**

Jordan Loan Guarantee Corporation, Ltd.

**Loan Guarantee Program
and
Small Business Lending**

Purpose of Course

- ◆ Identify the characteristics of small business
- ◆ Examine reasons for borrowing
- ◆ Examine ability to repay through financial analysis (Guarantee underwriting)
- ◆ Review use of JLGC forms 101/102

Characteristics of Small Business

- ◆ Number of Employees: 5 - 20
- ◆ Total Sales: Up to JD100,000
- ◆ Equity Amount: Up to JD50,000
- ◆ Fixed Assets: Up to JD250,000
- ◆ Management: Owner is usually Manager
- ◆ Employees: Family members in most, even all, key levels

◆ Space reserved for slide of business cycle

◆ Reserved for slide on credit cycle

Competitive Analysis

- ◆ Unable to influence total market
 - Supply
 - Policies
 - Demand
 - Institutions
 - Price
 - Infrastructure
- ◆ Market share is relatively small
- ◆ Critical competition is usually local
- ◆ Promotion/advertising based on reputation
- ◆ Capacity depends heavily on suppliers

Management Analysis

Positive Attitudinal Characteristics of Small Business Managers

- ◆ **Twenty-four-hour Work Ethic**
- ◆ **Peripheral Business Vision (“lateral” thinking)**
- ◆ **Quick Adaptability to Market Change**
 - Change Pricing Policies (Price taker)
 - Adjust Product Lines
- ◆ **Responsive to Specific Client Requests**
 - Distribution Methodologies
 - Customization

Negative Attitudinal Characteristics of Small Business Managers

- Resistance to Change
- Tendency not to Listen to Bankers
- Prematurely Jumping to Conclusions
- Lack of Knowledge of Bank Operations
- Attitude Intimidated by Bankers
- Lack of Understanding of Technical Financial Terms
- Defensiveness
- Emotional Reactions
- Lack of Feedback
- Personality Conflicts
- Know-It-All Attitude
- Either/Or Thinking



**Financial Analysis:
Underwriting Activities**

Components of Underwriting

- ◆ Economic Analysis
- ◆ Industry and Competitive Analysis
- ◆ Management Analysis
- ◆ Corporate Historical Financial Analysis
 - Common size analysis
 - Ratio analysis
- ◆ Cash Flow Analysis
- ◆ Financial Projections

Critical Financial Analysis Ratios

Retained Earnings/Total Assets: A measure of cumulative profitability.

The higher the ratio, the stronger the firm.

Sales/Total Assets: An asset turnover ratio used to measure the sales generating ability of the firm's assets. The ratio varies according to the production cycle.

Earnings Before Tax/Equity: A profitability ratio that removes tax effects. The larger the ratio, the stronger the firm.

Cash Flow/Total Debt: Critical measure of a firm's ability to service debt. The greater the ratio, the stronger the firm. Cash flows may have to be considered project specific.

Debt/Total Assets: Critical measure of leverage. The greater the ratio, the weaker the firm in terms of its ability to withstand stress.

Critical Financial Analysis Ratios

Current Liabilities/Total Assets: A leverage ratio that has statistically behaved opposite expectations, i.e., the higher the ratio, the stronger the firm. Careful analysis of the components is necessary to determine the reality of the statistical tendency.

Tangible Total Assets: A measure of size, it excludes capitalized goodwill and other intangibles such as start up costs. Statistically, the larger the total assets, the stronger the firm.

WorkingCapital/Total Debt: A measure of liquidity that statistically shows up as a more accurate measure of the liquidity strength in small firms than the current or quick ratio. The larger the ratio, the stronger the firm.

Earnings Before Interest and Tax/Interest: The “interest coverage ratio” which statistically indicates that the higher the ratio, the stronger the firm.

Recommendations

1/25/20

APPENDIX VII

FINAL BRIEFING OF USAID TRAINING ADVISOR

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**Final Briefing of the USAID Training Advisor
Jordan Loan Guarantee Corporation, Ltd.
(JLGC)**

to
**H.E. Dr. Ziad Mohammad Fariz,
Governor of the Central Bank of Jordan
and
Chairman of the Board of the JLGC**

Amman, Jordan
October 29, 1997

Training Advisor's Scope of Work

- ◆ Conduct a rapid assessment of JLGC operations and adherence to manuals and international standards of operations
- ◆ Assess training needs
- ◆ Design a series of workshops, seminars, lectures to meet needs and define course materials
- ◆ Participate in selection of candidates for training courses

Training Advisor's Scope of Work

- ◆ Evaluate the training program through course questionnaires and personal interviews
- ◆ Complete a training manual in English, suitable for translation into Arabic, on professional procedures in export credit and loan guarantee operations
- ◆ Provide regular briefings for the JLGC Director General on the progress of training activities

Training Objectives

- ◆ Expand JLGC export credit and small business loan guarantees
- ◆ Open a dialogue with those market sectors that facilitate JLGC product development and expand markets for Jordan and employment for Jordanians
- ◆ Understand and define creative financial transactions, both domestic and international
- ◆ Develop creative security and collateral arrangements, including JLGC products

ASSESSMENT OF JLGC OPERATIONS

- ◆ Organizational structure in place
- ◆ The JLGC depends on the bankers, beneficiaries of JLGC guarantees, to maintain international standards of expertise in the areas of risk analysis associated with underwriting
- ◆ International standards for back-office operations were being met
- ◆ There is a need to substantially increase the volume of outstanding guarantees in order to meet financial goals

7/11/12

Recommendation on the JLGC Underwriting Policy

- ◆ Loan Guarantee Program and Pre-shipment Loan Guarantee Program
 - Should the JLGC continue to depend upon banks to perform the underwriting task, then the JLGC should become an expert in bank analysis
- ◆ Export Credit Guarantee Program
 - Buyer underwriting should be implemented

Training Assessment

Underwriting Skills

Course Selection	Audience (Numbers of Individuals)		
	JLGC	Banks	Exporters
Accounting and Ratio Analysis	16	16	
Common Size Analysis	16	16	
Balance Sheet Logic	16	16	
Credit and Cash Flow Analysis	16	16	
Working Capital and Working Investment Analysis	16	16	
Pre-shipment Financing	16	22	9
Post-shipment Financing	16	22	9

1/14

Training Assessment

Management Skills			
Course Selection	Audience		
	JLGC	Banks	Exporters
Pricing			
Portfolio Management			
Reserving for Losses			
Reinsurance Issues			
Legal and Claims Issues			

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WORKSHOPS, SEMINARS, LECTURES

- ◆ A Review of Accounting, Ratio Analysis and Balance Sheet Logic
- ◆ Trade Finance: Case Studies in Pre- and Post- Shipment Financing
- ◆ Loan Guarantee Program and Cash Flow Analysis
- ◆ Loan Guarantee Program and Small Business Lending
- ◆ Business Usage of the World Wide Web

COURSE MATERIALS

MANUALS

- ◆ Export Credit Guarantee Program:
Trade Finance for Bankers and Exporters
- ◆ Loan Guarantee Program and
Small Business Lending
- ◆ Case Studies

TRAINING PARTICIPANTS

- ◆ 16 JLGC Personnel
 - Managers and Staff
- ◆ 41 Bankers from 20 Banks
 - Division Heads, Credit and Trade Finance Officers, Letter of Credit Officers, and Senior Support Personnel
- ◆ 10 Managers from 7 Exporting Companies
 - Financial Managers, Controllers, and Systems Personnel

Program Evaluation

- ◆ **Course Questionnaires**
 - Institute of Banking Studies
 - Training Advisor
- ◆ **Increased Loan Guarantee Volume**
 - Numbers of Items
 - Size of Loan
- ◆ **Improvement in Underwriting Skills**
- ◆ **Improvement in Underwriting Policies and Procedures**
- ◆ **Numbers and Quality of Participants**
- ◆ **Quality of Continued JLGC Training Programs**

Training Objectives

- ◆ Expand JLGC export credit and small business loan guarantees
- ◆ Open a dialogue with those market sectors that facilitate JLGC product development and expand markets for Jordan and employment for Jordanians
- ◆ Understand and define creative financial transactions, both domestic and international
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Training Recommendations

Positive Reinforcement

“Nothing Succeeds Like Success!”

- Annual Meeting of Bankers and Exporters to focus on success stories (Spring)
- Annual Meeting of Bankers and Small Business Managers to focus on success stories (Fall)
- Panel of Experts (Foreign and Domestic) to extract solutions from successes and apply them to manageable sized problems

Training Recommendations

Quarterly Technical Training

“Managers Want Tools, Not Training!”

- ◆ Case Studies in managing Delinquent Debt
- ◆ Case Studies in Claims Processing
- ◆ Case Studies in how key Sectors can utilize the JLGC Loan Guarantee Program and ECG Programs
- ◆ Separate Program Case Studies for Back Office Personnel of JLGC Program Users

Planning and Responsibility Implementation Methodology

- ◆ Identify major training tasks and set benchmarks for completion
- ◆ Delegate authority and responsibility to separate Primary and Secondary personnel to achieve that task
- ◆ Agree on resources required and dates to begin and end task
- ◆ Agree on all sub-tasks to be accomplished to complete major task
- ◆ Establish priorities among tasks and sub-tasks based upon:
 - Tasks that must be done before anything else
 - Tasks that can be done at least cost, have the greatest positive impact, and do not depend on the completion of other tasks
 - Tasks that must follow the completion of others
 - Tasks that can be logically delayed, i.e., “those nice to have, but not necessary”

APPENDIX VIII

**SENIOR JLGC STAFF TOUR ITINERARY
OF US BANKING INSTITUTIONS**



International Business & Technical Consultants, Inc.

8614 WESTWOOD CENTER DRIVE ■ SUITE 400 ■ VIENNA, VA 22182 ■ USA
TEL: 703-749-0100 ■ FAX: 703-749-0110 ■ EMAIL: IBTCI@AOL.COM

PO Box 16574
WASHINGTON, DC 20041

WEDNESDAY, NOVEMBER 19, 1997

return to Washington

THURSDAY, NOVEMBER 20, 1997

10:00 AM meeting at

MIGA
1800 G Street, NW
12th Floor
Washington DC 20433

with:

Luis Dodero
Vice President of General Counsel
phone: 202-473-5245
fax: 202-522-2640

11:00 AM meeting with

Roland Pladet
Guarantee Officer
phone: 202-473-2059
fax: 202-522-2630

and

Bob Randall
Regional Manager
phone: 202-473-2059

3:00 PM meeting with

Tamara Lanski
Investment Officer
IFC
2121 Pennsylvania Ave
Room 3P252
Washington DC 20433
phone: 202-473-8047
fax: 202-974-4400

4:30 PM meeting with

Sami Haddad
IFC
Room 9K250
phone: 202-473-6864
fax: 202-974-4339

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PO Box 16574
WASHINGTON, DC 20041

FRIDAY, NOVEMBER 21, 1997

10:00 AM meeting

Jack McDonald
Senior Credit Officer
Inter-American Development Bank
1300 New York Ave
South East Wing, Room 568
Washington DC 20577
phone: 202-623-1979
fax: 202-623-3639
stop # : wo512

12:30 PM Lunch with Mr Jayanta Roy

World Bank
H Building
600 19th Street N W.
Room 061, 10th Floor
Washington DC 20433
phone. 202-473-6316
fax: 202-477-1482

For your meetings at the Small Business Administration, when you arrive at the address below, please go to the Visitors Center inside the building and have them call Nancy Larson at 205-7257 or if she is not there, call the front desk and ask that Nancy Larson be told that you have arrived. The front desk number is 205-6720.

3.30 PM to 4:00 PM meeting with

Nancy Larson
Marketing Manager, International Trade
Small Business Administration
409 Third Street, S.W., 8th floor
Mail Code 7111
Washington, D.C. 20416
phone: 202-205-7257
fax: 202-205-7272

and

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International Business & Technical Consultants, Inc.

8614 WESTWOOD CENTER DRIVE ■ SUITE 400 ■ VIENNA, VA 22182 ■ USA
TEL: 703-749-0100 ■ FAX 703-749-0110 ■ EMAIL: IBTCI@AOL.COM

PO Box 16574
WASHINGTON, DC 20041

4:00 PM to 4:30 PM meeting with
Grant MacKinnon
Senior International Finance Specialist
Small Business Administration

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International Business & Technical Consultants, Inc.

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TEL 703-749-0100 ■ FAX 703-749-0110 ■ EMAIL IBTCI@AOL.COM

PO Box 16574
WASHINGTON, DC 20041

MONDAY, NOVEMBER 10, 1997

Meet Jennifer Kole in the Lobby of your hotel (Radisson Barcelo Hotel) at 9:00 AM

10:00 AM meeting with

Mr. Abed Tarbush
Regional Manager of Business Development for the Middle East and North Africa
OPIC
1100 New York Avenue NW, 12th Floor
Washington , DC. 20527
phone: 202-336-8632
fax: 202-408-5145

3:30 PM meeting with

Mr. Kalan Banerjee
World Bank
1919 Pennsylvania Ave, NW
5th Floor, Room Q125
Washington DC
phone: 202-473-2901

Continue to Union Station with Jennifer Kole for the 5:35 train to New Jersey

TUESDAY, NOVEMBER 11, 1997

9:00 AM meeting with

Mr. Christopher Short
Vice President, Export Credit
CNA Insurance
1100 Cornwall Road
Monmouth Junction, NJ 08852
phone: 732-398-4505
fax: 732-398-5104

We will be driven with Mr. Short to New York City for lunch.

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International Business & Technical Consultants, Inc.

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TEL 703-749-0100 ■ FAX 703-749-0110 ■ EMAIL IBTCI@AOL.COM

PO Box 16574
WASHINGTON, DC 20041

3:00 PM meeting with

Mr. Byron Shulton
Vice President
FCIA
40 Rector Street, 11th Floor
New York, NY 10006
phone: 212-306-5091
fax: 212-306-5218

and

Mr. John Hanson
President
FCIA
40 Rector Street, 11th Floor
New York, NY 10006
phone. 212-306-5000
fax: 212-306-5218

WEDNESDAY, NOVEMBER 12, 1997

Meetings at the Export-Import Bank

with

9-10AM US Division VP Sam Zytcer Room 901
10:30-11:30am Special Asst. to EVP Ken Telesca Room 1123
11.30-12 Deputy VP Country Risk Peter Gosnell Room 975
1-2pm Risk Manager Insurance Thomas Fitzpatrick Room 731
2-3pm Deputy VP Engineering Kark Kendall Room 1173
3-4pm Sr. Loan Officer Aircraft Financing Margaret Kostic room 905
4-4:30pm Policy and Planning Helene Walsh Room 1238

THURSDAY, NOVEMBER 13, 1997

10:00 AM meeting with

Mr. Eugene Sutter
Assistant Vice President
Trade Finance Division
First National Bank of Maryland
25 South Charles Street
Baltimore, MD 21297
Phone: 410-244-4037
Fax: 410-539-4594

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PO Box 16574
WASHINGTON, DC 20041

FRIDAY, NOVEMBER 14, 1997

10:00 AM meeting with

Jayanta Roy
Principal Economic Middle East Department
World Bank
H Building
600 19th Street N.W.
Room 061, 10th Floor
Washington DC 20433
phone: 202-473-6316
fax: 202-477-1482

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fax. 202-408-5145

Meet Jennifer Kole at Union Station at 4 15 PM for train to New Jersey
5:00 metroliner train departs Washington DC, reservation number 702285

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meeting with
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Assistant Vice President
Trade Finance Division
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25 South Charles Street
Baltimore, MD 21297

Phone: 410-244-4037
Fax: 410-539-4594

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Principal Economic Middle East Department
World Bank
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600 19th Street N.W.
Room 061, 10th Floor
Washington DC 20433
phone: 202-473-6316
fax. 202-477-1482

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REVISED THURSDAY SCHEDULE

THURSDAY - OCTOBER 23, 1997

MEET JENNIFER KOLE AT 10:00 AM IN THE LOBBY OF YOUR HOTEL
(WASHINGTON CAPITAL HILTON)

MEETING AT 10:30 AM (WILL INCLUDE LUNCH)

1501 LEE HIGHWAY SUITE 302

ARLINGTON, VA

PHONE: 703-525-0966

(directions for cab driver: behind the Key Bridge Marriott and next to the Air Force Association Building.)

MEET WITH

MS. CAROL OMAN URBAN AND MR. EDWARD GREENE

1:00 MEETING AT THE SMALL BUSINESS ADMINISTRATION

1110 VERMONT AVENUE, NW

WASHINGTON DC 20005

PHONE: 202-205-7429

FAX: 202-205-7416

MEET WITH

RICHARD GINSBERG

DIRECTOR INTERNATIONAL BUSINESS PROGRAMS

HOTELS FOR DR. JAMAL SALAH AND MR. WALID ABUZIR

16 Oct 97 - THURSDAY THROUGH 20 Oct
WESTPARK BEST WESTERN
8401 WESTPARK DRIVE
MCLEAN, VA 22102
PHONE 703-734-2800
FAX 703-821-8872

20 Oct 97 - MONDAY
HOTEL PHILADELPHIA- HOLIDAY INN
WILMINGTON DOWNTOWN
700 KING ST
WILMINGTON, DE 19801
PHONE. 302-655-0400
FAX 302-655-5488

21 Oct 97 - TUESDAY THROUGH 24 Oct
WASHINGTON NATIONAL
HILTON/CONRAD INTL
CAPITAL HILTON
1001 17TH ST NW
WASHINGTON, DC 20036
PHONE 202-394-1000
FAX 202-639-5784

24 Oct 97 - FRIDAY ABA Course in Oklahoma THROUGH 31 Oct

31 Oct 97 - FRIDAY
RESIDENCE INN BY MARRIOTT HOTEL
8616 WESTWOOD CENTER DRIVE
VIENNA, VA 22182
PHONE 703-893-0120
FAX 703-790-8896

Schedule for Dr. Salah and Mr. Abuzir

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
12	13	14	15	16 Arrive DC	17 Meridian International Center Washington, DC	18 DC free
19 DC Free	20 First National Bank of Maryland Baltimore, MD	21 CoreStates Bank Wilmington n DE	22 free	23 Small Business Administration Washington, DC	24 Travel to Oklahoma	25 Training at American Bankers Association Norman, OK
26 ABA OK	27 ABA OK	28 ABA OK	29 ABA OK	30 ABA OK	31 ABA OK PM travel to DC	return to Amman

APPENDIX VII

FINAL BRIEFING OF USAID TRAINING ADVISOR

**Final Briefing of the USAID Training Advisor
Jordan Loan Guarantee Corporation, Ltd.
(JLGC)**

to
**H.E. Dr. Ziad Mohammad Fariz,
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Amman, Jordan
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Training Advisor's Scope of Work

- ◆ Conduct a rapid assessment of JLGC operations and adherence to manuals and international standards of operations
- ◆ Assess training needs
- ◆ Design a series of workshops, seminars, lectures to meet needs and define course materials
- ◆ Participate in selection of candidates for training courses

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Training Advisor's Scope of Work

- ◆ Evaluate the training program through course questionnaires and personal interviews
- ◆ Complete a training manual in English, suitable for translation into Arabic, on professional procedures in export credit and loan guarantee operations
- ◆ Provide regular briefings for the JLGC Director General on the progress of training activities

Training Objectives

- ◆ Expand JLGC export credit and small business loan guarantees
- ◆ Open a dialogue with those market sectors that facilitate JLGC product development and expand markets for Jordan and employment for Jordanians
- ◆ Understand and define creative financial transactions, both domestic and international
- ◆ Develop creative security and collateral arrangements, including JLGC products

ASSESSMENT OF JLGC OPERATIONS

- ◆ Organizational structure in place
- ◆ The JLGC depends on the bankers, beneficiaries of JLGC guarantees, to maintain international standards of expertise in the areas of risk analysis associated with underwriting
- ◆ International standards for back-office operations were being met
- ◆ There is a need to substantially increase the volume of outstanding guarantees in order to meet financial goals

Recommendation on the JLGC Underwriting Policy

- ◆ Loan Guarantee Program and Pre-shipment Loan Guarantee Program
 - Should the JLGC continue to depend upon banks to perform the underwriting task, then the JLGC should become an expert in bank analysis
- ◆ Export Credit Guarantee Program
 - Buyer underwriting should be implemented

Training Assessment

Underwriting Skills

Course Selection	Audience (Numbers of Individuals)		
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Accounting and Ratio Analysis	16	16	
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Post-shipment Financing	16	22	9

Training Assessment

Management Skills

Course Selection	Audience		
	J L G C	B a n k s	E x p o r t e r s
P r i c i n g			
P o r t f o l i o M a n a g e m e n t			
R e s e r v i n g f o r L o s s e s			
R e i n s u r a n c e I s s u e s			
L e g a l a n d C l a i m s I s s u e s			

WORKSHOPS, SEMINARS, LECTURES

- ◆ A Review of Accounting, Ratio Analysis and Balance Sheet Logic
- ◆ Trade Finance: Case Studies in Pre- and Post-Shipment Financing
- ◆ Loan Guarantee Program and Cash Flow Analysis
- ◆ Loan Guarantee Program and Small Business Lending
- ◆ Business Usage of the World Wide Web

COURSE MATERIALS

MANUALS

- ◆ Export Credit Guarantee Program:
Trade Finance for Bankers and Exporters
- ◆ Loan Guarantee Program and
Small Business Lending
- ◆ Case Studies

TRAINING PARTICIPANTS

- ◆ 16 JLGC Personnel
 - Managers and Staff
- ◆ 41 Bankers from 20 Banks
 - Division Heads, Credit and Trade Finance Officers, Letter of Credit Officers, and Senior Support Personnel
- ◆ 10 Managers from 7 Exporting Companies
 - Financial Managers, Controllers, and Systems Personnel

Program Evaluation

- ◆ **Course Questionnaires**
 - Institute of Banking Studies
 - Training Advisor
- ◆ **Increased Loan Guarantee Volume**
 - Numbers of Items
 - Size of Loan
- ◆ **Improvement in Underwriting Skills**
- ◆ **Improvement in Underwriting Policies and Procedures**
- ◆ **Numbers and Quality of Participants**
- ◆ **Quality of Continued JLGC Training Programs**

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Training Objectives

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Training Recommendations

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“Nothing Succeeds Like Success!”

- Annual Meeting of Bankers and Exporters to focus on success stories (Spring)
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 - Tasks that must follow the completion of others
 - Tasks that can be logically delayed, i.e., “those nice to have, but not necessary”

**Technical Support Services (TSS)
IQC Contract
Jordan Loan Guarantee Corp.**

**Contract #278-I-00-96-90524-04/2003.003
Delivery Order #2**

Final Report

Volume II - Marketing Activity

Submitted to

**Jamal Al-Jabiri, Senior Private Sector Officer
American Embassy/Amman
USAID Unit 70206
APO AE 09892-0206**

Submitted by

**International Business and Technical Consultants, Inc.
8614 Westwood Center Drive, Suite 400, Vienna, VA 22182 USA
Telephone 703-749-0100 Facsimile 703-749-0110 Email Amer@ibtci.com**

February 1998

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INTRODUCTION

The Jordan Loan Guarantee Corporation (JLGC) is a registered Jordanian company, the largest single shareholder of which is the Central Bank of Jordan (just under 50%). A number of other public sector entities, including the Social Security Corporation, also hold small shares in JLGC. The remaining JLGC stock is held by a number of banks and insurance companies operating in Jordan (40%).

JLGC's public policy purpose was, and continues to be, the provision of loan guarantees and related services. The majority of the loans are aimed at supporting Small and Medium Enterprises (SMEs) and pre- and post-shipment export credit guarantees to Jordanian exporters subsequent to official launch in September 1997.

USAID has supported JLGC from inception and USAID financial assistance for the establishment of JLGC and the Export Credit Guarantee program was provided via the Central Bank of Jordan.

JLGC's Chairman, H. E. Dr. Ziad Fariz, is also the Governor of the Central Bank of Jordan and the JLGC General Manager, Dr. Jamal Salah, was previously head of the Research Department at the Central Bank of Jordan.

Upon inception, the JLGC assumed the loans of a predecessor loan guarantee program administered by Jordan's Industrial Development Bank. At the time that the Marketing Advisor's assignment commenced in June 1997, the JLGC was providing loan guarantees at the rate of approximately 300 per year.

2.0 Overview of Activities

In discussions between USAID, Amman and JLGC senior management, it was agreed that a short-term Marketing Advisor be assigned to JLGC to:

- Strengthen JLGC's understanding of its existing client base.
- Determine the size and shape of loan guarantee demand among banks in Jordan.
- Identify and detail the market for export credit guarantees in Jordan.
- Assess client satisfaction with JLGC's loan guarantee product and process.
- Draft a comprehensive medium-term, step-by-step JLGC Marketing Plan, including anticipated costs.
- Assist JLGC in the early stage implementation of the Marketing Plan, including promotional materials and themes.

2.1 Overview of Accomplishment

The primary objective for the Marketing Advisor was to assist JLGC better focus itself as a marketing organization and to enhance its image and position in the Jordanian financial community.

While the JLGC had been engaged in marketing initiatives, characteristically these efforts have been conducted on an ad hoc basis. The JLGC was operating without a formal Marketing Plan but had consciously pursued a calling program amongst banks that included field visits by the JLGC General Manager. This calling program met with some initial success though business development, although follow-up was inconsistent. The services of the JLGC were known in the Jordanian financial community (particularly at bank head offices), however awareness of its program activities at working levels was embryonic.

By the completion of the Marketing Advisor's assignment, JLGC understanding of marketing priorities and objectives had improved significantly. JLGC senior management conceded the shortcomings of previous marketing efforts and agreed to implement or consider implementing in the coming 1-2 years nearly all the 50 specific recommendations that were presented in the Marketing Plan (See Appendix I).

Understanding of both marketing priorities and urgency has also improved at the JLGC. This understanding had spread beyond the JLGC senior management and is increasingly manifest at staff working levels.

2.2 Agency Background

Though a registered company with its own founding charters, the JLGC grew out of the public sector and faced the traditional challenges of wider acceptance by the private financial sector. The JLGC appears to have had and continues to have a strong relationship with one of Jordan's leading financial institutions, The Housing Bank. The Housing Bank was and remains the single largest source of JLGC loan guarantee requests and approvals.

The JLGC's involvement with Jordan's biggest private financial institution, The Arab Bank, has been modest. In certain fields of end-use, such as transportation equipment (truck trailers, taxis), the JLGC has been developing a growing exposure but in most other sectors, the volume of guarantee business written by the JLGC has been more modest.

In the field of Export Credit Guarantees, the JLGC had devoted the bulk of its time to establishing framework agreements with participant banks and structuring a Treaty of Reinsurance with COFACE, a French reinsurance agency. The treaty was agreed and the JLGC is now a member of the COFACE-led Credit Alliance, an umbrella mechanism that groups export credit agencies in a number of countries including Egypt, Ireland and Singapore. Participation in Credit Alliance allows the JLGC access to both COFACE reinsurance facilities (thereby minimizing exposure and increasing coverage possibilities) and its buyer information database. In addition, JLGC staff are now eligible for certain forms of specialized training in

underwriting procedures and the like. Nevertheless, during the Marketing Advisor's assignment, the JLGC senior management recognized that it needed to expand beyond the COFACE arrangement if the JLGC wished to succeed as a provider of export credit guarantees.

2.3 Work Performed

As outlined above, the mandate of the Marketing Advisor included a series of related tasks

- Strengthen JLGC's understanding of its existing client base;
- Determine the size and shape of loan guarantee demand among banks in Jordan,
- Identify and detail the market for export credit guarantees in Jordan;
- Assess client satisfaction with JLGC's loan guarantee product and process,
- Draft a comprehensive medium-term step-by-step Marketing Plan for JLGC, including costs;
- Assist JLGC in the early stage implementation of the Marketing Plan, including promotional materials and themes

The following summarizes the status of each of these deliverables by the end of the Marketing Advisor's assignment.

2.3a Strengthen the JLGC's understanding of its existing client base.

The Marketing Advisor prepared a detailed analysis that included observations of the JLGC's portfolio of some 800+ loan guarantees, disaggregated by loan guarantee size (large >40,000 JD vs. small <40,000 JD), originating bank sector (See Appendix II).

The JLGC senior management was satisfied with the analysis provided and specifically agreed to implement a more detailed sectoral breakdown of loan guarantees using the SIC system of industrial classification. If properly implemented, this will significantly strengthen JLGC's understanding of its existing client base; assist in the development of future marketing targets; and should allow the JLGC to better understand its portfolio sectoral exposure (supply-side and demand-side). JLGC has advised that these improvements in sectoral breakdown information will commence in Quarter 1, 1998.

2.3b Determine the size and shape of loan guarantee demand among banks in Jordan.

The Marketing Advisor prepared and led a detailed opinion survey among staff at upwards of 20 bank branches in Jordan. A questionnaire was used in the survey to permit standardization of information gathering, with Marketing Advisor present at all interview sessions. Bank branches surveyed were chosen jointly by the Marketing Advisor and JLGC, the aim being to solicit insight from banks that are active with the JLGC and those with lower participation levels. Interviews lasted as long as 2 hours and bank respondents were typically enthusiastic in their participation and welcomed this outreach activity on the part of JLGC. (See Appendix III)

The results of the survey were prepared in report format and identified substantial bank branch-level interest in the JLGC's guarantee services. In addition, it became clear that there exists a desire at the branch-level to better understand the criteria that the JLGC employs when considering a loan guarantee. The JLGC senior management advised that the results of the survey were helpful and several of the recommendations in the Marketing Plan accepted by JLGC emerged from the survey.

2.3c Identify and detail the market for export credit guarantees in Jordan.

The Marketing Advisor met with a range of exporters in Jordan and prepared a report that examined the respondents' perception of risk in the export field. Employing a standardized questionnaire, the survey attempted to quantify such things as the typical shipment size, payment terms, payment experience, regional destination, buyer type (public, private, local, multinational, short-term, long-term), etc. (See Appendix IV)

The JLGC staff participated with the Marketing Advisor in performing the actual survey that covered both large and small exporters in areas such as pharmaceuticals, veterinary medicines, and men's garments.

One of the principal findings to emerge from the survey was that respondents did not generally perceive exporting to be risky, though they did acknowledge specific shipment risk into less creditworthy markets or under unsecured terms such as Open Account. Additionally, respondents spoke of average shipment sizes often larger than JLGC's pre-shipment guarantee maximum (100,000 JD).

These findings were of direct operational relevance to the senior management at the JLGC, thus the Marketing Plan contains a series of recommendations regarding new guarantee products – (specific transaction, shipment guarantees, increasing the maximum per shipment size under the pre-shipment guarantee program, etc) (See Appendix I, Part III, Page 43)

The results of the exporter survey (Appendix IV) will also permit improvements in the tone and focus of future marketing campaigns, referring more to individual export payment risks and less to an overall payment risk in exporting. The JLGC's senior management is rapidly pursuing implementation of these recommendations and discussion of the implementation schedule has reached the JLGC Board level (meeting of December 27, 1997).

2.3d Access client satisfaction with JLGC's loan guarantee product and process.

During the course of the interviews with bank branch management cited above, a number of the respondents advised the Marketing Advisor that they did not tell their customers/clients when a loan was receiving a JLGC guarantee and wished to maintain this practice. The reason for this practice is due to the perception that exporters might not feel obligated to make payments if they were made aware of the loan guarantees. Thus their reluctance was driven by their need to ensure loan repayment schedules. To conduct a survey among JLGC clients would have run

counter to this bank practice as it would have entailed advising borrowers not yet aware that their bank had guaranteed repayment of their loans.

Following consultation with senior management of the JLGC and USAID/Amman, it was agreed that such a survey would not be advisable and it was agreed that the survey not be implemented

2.3e Draft a comprehensive medium-term, step-by-stem Marketing Plan for JLGC, including costs.

The Marketing Advisor drafted a comprehensive Marketing Plan, including a series of 50 recommendations, an implementation schedule, and projected costs of implementation. These 50 recommendations covered a range of themes, including the Mission Statement, advertising themes and forms (e.g., "success stories"), customization of loan guarantee mechanisms, improvements to the JLGC's loan guarantee product thresholds, upgrading of JLGC's information capacity and electronic links to banks at branch level, partnering, and internal restructuring options (See Appendix I).

In addition, upon request of the JLGC Chairman and senior management, the Marketing Plan considered the potential costs to the JLGC of business volume vs. premium income and default ratios under a variety of guarantee activity levels (domestic loan guarantees and pre/post-shipment export credit guarantees).

Discussions of the Marketing and the costing simulations were conducted at all levels within JLGC. These discussions were precipitated by presentations to the JLGC Chairman at the Central Bank of Jordan, the Marketing Sub-committee of the JLGC Board of Directors, and JLGC staff.

Nearly all of the 50 recommendations have been accepted for implementation by JLGC. In faxed correspondence dated January 22, 1988, the JLGC advise that "...implementation of your recommendations is going exactly as we have agreed upon...everything is going according to the schedule...Also, please note that H.E. Dr. Fariz, the Chairman has instructed us to present all of your recommendations to the Board by its forthcoming meeting...Currently, a sub-committee from the Board is reviewing the Marketing Plan in order to prepare a sufficient budget for implementation" (See Appendix V).

2.3f Assist JLGC in the early stage implementation of the Marketing Plan, including promotional materials and themes.

During the month of December 1997, the Marketing Advisor led the early stage implementation of the Marketing Plan. This included a report to JLGC senior management, summarizing implementation suggestions on each of 50 recommendations and developed promotional materials in both English and Arabic (See Appendix VI)

A separate memo was prepared for USAID/Amman that summarized the status of each of 50 recommendations and the monitoring and mentoring role that USAID/Amman may wish to

consider playing to assist the implementation process. Areas for possible future technical assistance called for under the Marketing Plan implementations were also identified and appraisal provided of the general performance to date of JLGC as marketing organization and the likelihood of improvement over the medium-term (See Appendix VII).

The highlight of the Marketing Advisor's implementation work as a joint project with the JLGC to design and test a 25-variable, "fuzzy logic" based system of preliminary loan guarantee review that is to be distributed for use at selected bank branches in Jordan. This computerized system of loan guarantee review came in direct response to the input gathered at bank branch level during the survey referred to above. It should be viewed as a conscious and positive effort by the JLGC to expand its lines of direct communication with sources of loan guarantee business (i.e. bank branches in Jordan)

The senior management at the JLGC assigned specialist personnel to this project and by the end of the implementation period of the Marketing Advisor's assignment the first version of the system had been programmed and successfully pre-tested (See Appendix VIII).

During the implementation phase of the Marketing Advisor's assignment, an extensive dialog was conducted with the senior management of the JLGC concerning advertising materials and themes and the use of sector-specific "success stories" (amongst JLGC loan guarantee clients) to strengthen the appeal of the JLGC loan guarantee product. The marketing Advisor assisted the JLGC with the opening of formal lines of communication with major export credit agencies to widen JLGC's knowledge of this field, share business development experiences and to raise the JLGC's profile in the business as a loan guarantee intermediary.

3.0 CONCLUSION

The Marketing Advisor's deliverables, with a single exception, were fully met on schedule. The JLGC, as noted above, has strongly embraced the Marketing Plan, and seems to have undergone a significant improvement in its corporate understanding of what marketing means and how to go about increasing business volume. The support provided by USAID/Amman during the Marketing Advisor's assignment was exceptional and played a significant role in the openness that the JLGC senior management demonstrates towards this overall initiative.

There are now significant grounds for additional optimism that over the medium-term, the JLGC will evolve to be a stronger and more viable player in the Jordanian financial community. Moreover, that experiences gained at JLGC can be used in other developing countries with similar gaps in their range of bank services and credit guarantee products.

APPENDIX I

MARKETING PLAN

PART I / DISCUSSION OF ISSUES AND RECOMMENDATIONS

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1. INTRODUCTION

The central deliverable of the Marketing Advisor's assignment with the Jordan Loan Guarantee Corporation (JLGC) is a Marketing Plan that focuses on developing a comprehensive series of realizable objectives for JLGC over a time-frame of the coming two-three years. The Marketing Plan is divided into three parts:

- Part I – Recommendations and a Discussion of the Issues
- Part II – Review of Jordan's Economy and Export Trade
- Part III – Business Scenario Costing and Liability Scenarios

The aim of the present Marketing Plan is to build on JLGC's performance to date and to affirm JLGC's special role in the Jordanian financial community.

Marketing is far more than merely advertising and image; marketing also involves position, product; and process. Implementation always represents the fundamental test of any Marketing Plan's relevance.

To be effective, implementation of this Marketing Plan will make a myriad demands. The most important of these will involve administrative creativity combined with a parallel sense of urgency. Both of these qualities have as their basic premise, a broad understanding of corporate mission, of "position" and its appreciation by all staff.

Through this Marketing Plan, JLGC will embark on a path of corporate re-engineering. Such re-engineering is never simple. Moreover, the impact of changes is neither always immediate nor obvious. In combination, however, the recommendations advocated in this Marketing Plan, once fully pursued, should reinforce acknowledgment within the Jordanian financial community of JLGC's role. Recognition of this type and significantly expanded business volume represent the two sides of JLGC's basic marketing equation.

The author wishes to acknowledge the access to files, which JLGC afforded in the preparation of this Marketing Plan. Without this access, preparation of the Marketing Plan would have been made profoundly more difficult.

Of equal importance were the many hours JLGC management and staff and IBTCI's Principal, Banking and Financial Markets, Bharat Bhargava, spent reviewing and discussing a draft version of this Marketing Plan and providing helpful comment. These constitute strong indicators of the seriousness with which JLGC approaches its valuable mission in the Jordanian economy and the earnest desire of IBTCI to assist this process.

MORTON ROODMAN, AMMAN, OCTOBER 1997

2. MISSION STATEMENT

To clarify the strategic marketing focus of JLGC, the establishment of a Mission Statement represents an indispensable first step. A Mission Statement is *characteristically a general statement of organizational purpose*

A Mission Statement, while general, must summarize the essence of an organization. In the specific case of JLGC, the Mission Statement should reflect

- Broad objectives,
- Public policy purpose
- Principal areas of business (current & future)

The Mission Statement should be understood by all staff of JLGC and should serve as the foundation for all principal marketing decisions which JLGC adopts. The Mission Statement should, in effect, *steer* JLGC's planning decisions and orient JLGC's business activities.

The Mission Statement should be reflected in all actions taken by JLGC in regard to the following.

- Priority banking partnerships,
- Sectors of focus;
- Portfolio mix and sectoral concentration,
- Contribution to sustainable macro-economic development

RECOMMENDATIONS

AGREEING AND IMPLEMENTING A MISSION STATEMENT

JLGC should prepare and agree a Mission Statement that will serve as the principal "directional aid" in all business decisions taken by JLGC.

The following represents a proposed JLGC Mission Statement

"To enhance sustainable economic growth in Jordan through the provision of a range of economically viable guarantees covering domestic small business loans, export credits and related services."

TIME FRAME: 1-2 Months

COST: N/A

3. PUBLIC IMAGE RAISING

At present, JLGC's image is general and broadly defined. The most typical identification of JLGC, for example within the financial community, is with "handicraft" i.e., small/very small scale lending. Loan guarantee activity, at an industry sub-sector, appears to be less widely known.

All the same, JLGC has been developing a recognized niche at a number of the leading banks in Jordan. Further, JLGC is now a familiar player among senior financial and public sector officials.

At bank branch level, survey research conducted as background to the present Marketing Plan indicates few managers or credit officers were fully current with JLGC's basic operating parameters. Example: most branch level respondents were not aware of the loan guarantee maximum (to 100,000 JD, effective January 1, 1997) or the maximum number of employees per guarantee applicant enterprise (50). Information gaps of this type may limit interest, at branch level, in exploring the full extent a JLGC loan guarantee can be used in *their day-to-day* lending activity.

A separate issue is that knowledge of JLGC's range of products tends to be largely related to the domestic guarantee program. Awareness among management at bank branches regarding JLGC product range does not generally include export pre and post-shipment guarantee programs. While this is understandable, as export guarantees are not "mass market" and were only launched earlier in 1997, familiarity with them at selected bank branches is still critical.

Established foreign counterparts of JLGC (US: Small Business Administration, Export-Import Bank; Canada: EDC, Business Development Bank, France: COFACE; Germany: HERMES) unquestionably owe a share of their sustained and impressive volume of business to instinctive "brand recognition". This is true both at bank branch level and bank head offices. Being a known "quantity" facilitates new business "leads" for these agencies, both on an informal level (referrals) and a formal level (joint initiatives). Such JLGC counterparts, are often automatically contacted, if and when

- A business encounters credit access challenges,
- A bank is hesitant to make available its normal range of services;
- A risk is perceived in a new/foreign market;
- Credit and payment conditions significantly worsen in an traditional market.

Attainment of such instinctive "recognition", as the *obvious* organization to call upon, is critical for JLGC's marketing initiatives to be fully cost effective. Once this "recognition" is attained, the flow of business to JLGC is likely to significantly increase, mirroring the experience in other countries.

“Recognition” of this type, when it is connected with the supply of intangible services, like the guarantee products JLGC offers, clearly presents special challenges. Marketplace acceptance for an intangible must contend with frequently amorphous buyer appraisal criteria . Among others,

- Is this service really required;
- Is it affordably priced;
- Is it easy to understand;
- Is it/could it operate successfully;
- Is there a way that the company could provide the service itself.

Each of these five criteria constitutes fundamental thresholds in the cycle of marketplace recognition. The time factor, a “track record”, can play an especially important role in this overall process. When a history of relevance -- a “track record” -- is confirmed for a service intangible, typically over a period of a number of years, marketplace acceptance is a direct corollary. More critically, marketplace recognition can, by its very nature, be self-sustaining, via word-of-mouth reference, end-user testimonial and the like

The “natural” process of marketplace selection/recognition can be expedited by a number of tactical devices. In the instance of JLGC, these tactical devices would include

- Rightness of product/demand fit (term, loan amount, grace period);
- Visibility at bank working levels (regular branch visits, information sessions for borrowers/participating banks);
- Sustained dialog with all potential stakeholders (banks, exporters, intermediaries) ;
- Enhanced ability to speak knowledgeably with clients about their businesses (sectoral issues, market trends, product payment cycles);
- Presence where/when potential business may be expected to develop (trade fairs, small business seminars, business symposia).

RECOMMENDATIONS

FURTHER CLARIFYING THE JLGC IMAGE

JLGC must recognize as a top priority, both over the short-term and medium-term, the further clarification and detailing of its image in key target audiences. These audiences would include banks, exporters and such providers of related services as insurers, freight forwarders, foreign trade and commercial lawyers, accountants/ consultants.

As a basic approach, JLGC promotional materials should target *specific audience interests* to all the more effectively communicate how JLGC works and the role of JLGC guarantees. Wherever possible, promotional materials should briefly highlight “success stories”.

Such “success stories” should highlight:

- Businesses which have used the JLGC and have since been highly successful;
- The role that a JLGC loan guarantee played in enhancing credit access by the borrower;
- The creativity of JLGC in customizing a loan guarantee, to specifically fit the borrower's circumstances;
- The promptness of JLGC in responding to a loan guarantee application, from the time of initial inquiry to formal JLGC approval.

WIDENED UNDERSTANDING OF THE ROLE OF JLGC GUARANTEES

JLGC's products must be *widely* seen as *practically* useful and *easy-to-access*. JLGC guarantee services should be readily understood as *the* appropriate instrument in a wide number of particular cases

This would appear to be so already in the trailer sector, where domestic loan guarantee volume has been significant and has been advanced by customization of the JLGC application. Comparable initiatives in other sectors, preferably those with a high growth and loan repayment potential, are to be encouraged. A corollary is that JLGC continue to be flexible in applying its guarantee parameters and, therefore, reinforce the customer's (bank/borrower) perception that JLGC understands what *they* require *now*

BROADER JLGC KNOWLEDGE OF SECTORAL CREDIT NEEDS

JLGC should continue to broaden, where required, its knowledge of the fundamental challenges facing banks/borrowers and the exporters being guaranteed. Inter alia, product/business development cycle, suitable repayment amortization; typical bank loan terms; appropriateness of the guarantee (JD amount vs. typical capital funding need for this kind of SME).

This may require using the JLGC guarantee to "marry" longer-term sectoral payback periods with commercial lenders' preference to shorten loan repayment periods

PRO-ACTIVE MANAGING OF THE JLGC GUARANTEE PORTFOLIO

JLGC should consciously manage the composition of its guarantee portfolio. Portfolio composition and corporate image should be understood as links in the further crafting of the JLGC image. This will likely require that JLGC be more "pro-active" and less "re-active" to bank requests and referrals. The intention would be for JLGC to consciously balance the sectoral composition of its portfolio, both from the standpoint of the product/service being offered and the sector/s and markets of principal end-use. The objective would be to broaden beyond the image of a "handicraft sector" organization and underline JLGC's potential for diversity.

STRENGTHENING TIES WITH GROWTH AND NICHE SECTOR INITIATIVES

Further to Recommendation 5, JLGC should, as a matter of explicit strategy focus, “manage” its portfolio so that JLGC is more directly involved with pioneering sectors of the Jordanian economy.

As an example, to directly involve JLGC in the expanding pattern of ISO 9000/ 9001/9002 certification among Jordanian enterprises. This could include formal partnering with finance sources (via provision of any necessary loan or pre/post-shipment guarantees). Both Industrial Development Bank and Export and Finance Bank have targeted the ISO certification field and formal JLGC association with this existing initiative, e.g., joint sponsorship ,appears recommended. In this particular respect, the JLGC “contribution” would be to guarantee loans for smaller enterprises whose achievement of ISO status would ease their entry, as sub- or prime suppliers, on export markets JLGC would provide the repayment guarantee, Industrial Development Bank and Export and Finance Bank, the loan capital

REINFORCING JLGC’S SECTORAL “STAYING POWER”

JLGC must be seen as having “staying power”. Within the context of *basic lending prudence*, to continue guarantee support and portfolio exposure in a sector or type of business, even when the latter is/are in a cyclical downturn. By so doing, JLGC will be able further refine its image and distinguish itself from the pattern of at least the more conservative members of the banking community In effect, to convert the notion of “banker of last resort” to JLGC’s longer-term advantage.

TIME FRAME: 12-36 Months

COST N/A

4. OUTREACH TO THE BANKING SECTOR

JLGC has a series of twenty-one participatory agreements with commercial banks in Jordan, establishing a formal structure for providing domestic loan guarantees to prospective borrowers. More recently, JLGC has secured comparable arrangements with fifteen banks in Jordan in regard to the new Export Credit Guarantee (ECG) program.

During the period 1995/1996, some 27% of classified JLGC domestic loan guarantees (by individual loan guarantee count) originated with Housing Bank and a further 15% (by count) with Jordan-Kuwait Bank. During the period January 1-August 10, 1997, the Housing Bank proportion of classified JLGC domestic guarantee business (by individual loan guarantee count) reached 52%. Jordan-Kuwait Bank continued to represent a further 15% of JLGC's domestic guarantee business (by count).

To date, the amount of business under the ECG program, both pre and post shipment, is slight and a clear pattern has yet to emerge.

For JLGC to expand its volume of domestic guarantee business, an organized campaign of outreach, *selectively* targeting both banks and bank branches less active in JLGC programs, appears indispensable. While JLGC has initiated a dialog with banks, systematic and sustained contact at branch level – identifying branch level concerns and loan guarantee requirements – is embryonic and, frequently, underdeveloped.

A survey at bank branches, conducted as input to the present Marketing Plan, identified strong interest in learning more about JLGC's products and the latter's potential relevance to enhance loan origination at branch level. In this regard, as noted earlier, while there was a measure of familiarity with the domestic loan guarantee program, knowledge of the ECG facility was generally slight.

A separate challenge is to extend the number of branches using JLGC's services, even among those banks which are relatively active in the JLGC guarantee program. At present, the number of branches *originating or recommending domestic* loans for JLGC guarantee is modest vis-a-vis the total number of bank branches in Jordan. Many of these latter may never originate a JLGC loan guarantee request but others surely will. JLGC should endeavor to significantly increase its branch business total and, hence, the marketing "reach" of JLGC.

RECOMMENDATIONS

INCREASING JLGC VISIBILITY AT BANK BRANCH LEVEL

JLGC *working level personnel* should plan and commence a series of regular visits to a group of targeted bank branches. Initially, this should be commenced on a pilot project basis in order to determine and customize, per bank branch, the optimum frequency of visits and preferred themes.

Given the general volume of loan applications reported during the survey of bank branches (as many as one hundred per branch per month) JLGC staff visits *at least every month* to targeted branches seem advisable. For especially active branches, visits may be increased to fortnightly basis. These visits should be seen as *customized business development sessions*, with JLGC representative/s *primarily focusing on specific transaction issues* and the *particular* relevance/utility of the JLGC guarantee.

Among regular themes that would be reviewed at such sessions:

- Any new changes introduced by JLGC in its basic range of products and operating procedures *and how they are likely to impact that particular bank and branch*,
- Current loans under consideration by the branch for which a JLGC loan guarantee may be relevant;
- Joint business development opportunities, such as potential business calling, with bank branch staff.

STRENGTHENING JLGC'S BANK BRANCH INFORMATION DATABASE

JLGC should further develop its existing bank branch information data base, identifying

- Key contacts;
- Field visits by JLGC staff (dates, principal issues covered);
- Loan authorization limits by branch management sectoral specialization (if applicable)
- Collateral use restrictions;
- Current JLGC loan guarantee pipeline;
- Any limitations involving loan guarantee business with JLGC.

ENHANCED TRACKING OF BUSINESS DEVELOPMENT AT BRANCH LEVEL

JLGC should broaden and computerize its existing system of tracking bank branch level business development. This would involve:

- Weekly summary reports on a standardized format (new loan guarantees, problem accounts, special sectoral or borrower category initiatives, joint JLGC/bank branch new business prospecting, information requests re JLGC rules and procedures);
- Business development plans for the following 1-2 weeks;
- Planned joint business development initiatives involving JLGC and branch personnel;
- Schedule of *follow-up visits*

Such information should be organized to permit easy adaptation to a standardized, computer-mounted format. This latter would allow for the establishment, as soon as possible, of a JLGC/bank branch business development database with extensive sub-category cross-referencing

TIME FRAME: Commencement 1-2 Months Ongoing

COST: Maximum 1-2 Person-Years (Business Development Staff)

5. OUTREACH TO BUSINESS COMMUNITY

In the past, JLGC has been conducting outreach to the business community. Currently, this is continuing but on an ad hoc basis. While business and trade association development in Jordan is often only at the embryonic stage, such groupings do nevertheless exist and could serve as a communications “conduit” to the wider business community.

Mass marketing of JLGC services (electronic/print media advertising, roadside signage, posturing), can be useful in terms of maintaining a public “presence”. However, its role should always be secondary to more focused outreach initiatives.

The objective of such targeted outreach on JLGC’s part would be to diversify the kinds of forum through which JLGC communicates to its potential markets or “publics”. In so doing, JLGC would be strongly advised to seek out partners/sponsors in such initiatives, both to broaden the “reach” of the basic “message” and to limit direct spending by JLGC.

Co-operative advertising/ marketing are not unknown concepts in Jordan and this cost-effective approach to marketing is recommended. Partners/sponsors might include banks, business support organizations (e.g., Rotary), trade groupings.

Particularly important for the ECG program would be the targeting of Jordanian business audiences organized in terms of end-use or supply sector (e.g., health, pharmaceuticals, finished garments, and crafts). In this respect, it appears advisable to target either potential growth sectors and/or sectors likely to make a positive net contribution in widening access by Jordan to world markets.

RECOMMENDATIONS

RE-INITIATING INFORMATION SESSIONS AMONG SECTORAL GROUPS

JLGC should re-initiate a series of pro-active information sessions with sectoral groupings, however embryonic may be these groupings. Such sessions should not be structured as general information meetings. Rather, as forum to provide specific examples of how JLGC services can benefit *their* sector and practical illustrations of the kinds of assistance *available to them from JLGC*. To increase audience interest, non-JLGC speakers should be invited to discuss a topic of current interest.

- Example. Expanding Jordan’s share of international project procurement sub-contracting. JLGC could detail where it may play a role as foreign payment guarantor. Non-JLGC speaker/s could discuss project sub-contracting specifics and challenges.

REINFORCED MONITORING OF SECTORAL TRENDS/CREDIT CONCERNS

JLGC should continue to extend its awareness of the current concerns of particular industry sectors so as to better speak their "language" concerning:

- Capital funding needs and challenges;
- Changes in minimum capitalization requirements;
- Significant adjustments to phyto-sanitary standards in foreign markets and other non-tariff barriers (NTBs),
- Methods of new market entry inter-alia, ISO certification, consortia;
- Electronic Document Interchange (EDI) and its impact on methods of confirming foreign buyer purchase orders payment defaults ("paper trail")

Information gathering of this scope implies the compiling by JLGC, on a systematic and continuing basis, of sub-sector detail and current business conditions. Personnel should be identified who would be principally involved with this responsibility and be *specifically mandated* to organize such data to permit easy access. Whenever possible, indexation and cross-referencing of this information should be computerized (See Infomatics)

SELECTIVE JLGC PARTICIPATION AT FOREIGN TRADE FAIRS

JLGC should seek to participate, on a selective basis, in foreign trade fairs and missions where the relevance of its pre and post-shipment Export Credit Guarantees, would tend to be *immediately apparent* to potential clients. In this regard, JLGC will be following the successful pattern of comparable involvement by its more established counterparts, among others, EXIM and OPIC (USA); EDC (Canada) This could even include "back-room" participation in export sale negotiations, since pricing of the JLGC guarantee may be a factor in overall landed cost.

PREVIEWING NEW PRODUCTS

JLGC should establish a dialog with selected industry associations to provide a forum for, among others, prior testing of new guarantee products such as sector-wide or "group" guarantee cover.

PARTICIPATION WITH INDUSTRY IN EARLY STAGE PLANNING

JLGC should position itself, in outreach to industry, as their *partner*, and an integral component of that industry's plans, *when such plans are being initially conceived* In practice, when plans are being made ("pro-active"), not after they have been implemented ("re-active").

TIME FRAME: Immediate and Ongoing

COST: Export Promotion Missions (US\$8,000 per mission/3 missions per annum)

6. OUTREACH TO INSURERS

Senior management at larger enterprises in Jordan appears to appreciate the advantages of insuring against foreign buyer risk. However, SMEs in Jordan seem to be less clear about the benefits of insuring against foreign buyer risk. Discussions with insurers in Jordan imply that some of this latter resistance to insuring against risk may even be socio-cultural – a generations-old belief in “destiny” (“good” or “bad”) and of the latter’s inevitability. By way of illustration, Jordan’s largest life insurer (80% market share) speaks of only 30,000 policyholders in a population of 4.5 Million persons.

Insurers in Jordan have, nevertheless, been able to identify targets in the local economy that are receptive to the basic concept of risk cover. Partnering, on a pilot basis, with the local insurance industry, appears recommended; the intent would be to permit general brokers/agents of insurance to also selectively market the JLGC post-shipment guarantee.

Such a step would demand that JLGC be prepared to “divide” its marketing efforts. Specifically, between what it can reasonably be expected to handle on its own, in terms of marketing and selling, and what it may not be in a position to address because of finite budgetary and human resources. The latter could be devolved to the general insurance trade.

The use of general insurers to “sell” export credit cover is neither novel nor untested. In some markets where the insurance industry is highly developed (e.g., European Union), selling of national export credit cover via an established insurer is the principal method of product marketing/ delivery (i.e., in Germany, via HERMES, Ireland through Insurance Corporation).

RECOMMENDATIONS

MANDATING INSURERS TO SELL THE JLGC POST-SHIPMENT PRODUCT

JLGC should initiate preliminary discussions with insurers in Jordan to determine their interest in “selling” the JLGC post-shipment product, on a commission basis. These discussions should seek to confirm basic interest on the part of the insurance community. *If this interest is confirmed*, then operational modalities and “exclusive calling territory” (insurers: JLGC) would be negotiated and *formally* agreed

JLGC PRODUCT FAMILIARIZATION FOR GENERAL LINES INSURERS

JLGC must recognize that for widened marketing, as per Recommendation 16, to be successful, sellers of general lines of insurance will require training in the basics of the JLGC product. JLGC should be prepared to present intensive 2-3 day training seminars on the types of risks that will/will not be covered; the mechanics of submitting a claim; the business of insuring export credit risk; and the experience in other countries

MONITORING BENEFITS OF JLGC/INSURERS ALLIANCE

JLGC should establish a framework to assess any such joint marketing arrangements with insurers Net business development benefits to JLGC should be monitored regularly (monthly and quarterly basis) to limit the attendant risk of merely dividing premium income from which JLGC would otherwise be sole beneficiary. Moreover, the commission should also be “incentivized” to discourage high-risk business prospecting by participating insurers. Specifically, JLGC should semi-annually review the quality of such referral business and provide a commission premium for referral business with minimal claims incidence.

TIME-FRAME: Commencing 1-2 Months Ongoing
COST: N/A

7. STRENGTHENING TIES WITH GOVERNMENT ORGANIZATIONS

Jordan's public sector is compartmentalized, with separate competencies and expertise. While this is advisable in some fields of public service delivery, it may present challenges to the optimal development of small enterprises and of their export trade. Both these fields can routinely call upon a wide spectrum of *inter-related* services.

In the fields of small business development and foreign trade promotion, the advantage of joint program delivery, "one-stop shopping" has been recognized in many advanced economies. Some examples: USA: EXIM/ SBA/ AID/ Commerce Department; Canada: EDC/Business Development Bank/Foreign Affairs and International Trade; Australia: AUSTRALIA JLG initiative to strengthen small business development and export trade policy dialog, among public sector actors, seems worthy of close study.

JLGC's domestic loan guarantee program is, to a considerable degree, a participant in the policy "loop" for small enterprise development. JLGC is in contact with, for example, Queen Alia Fund and Investment Promotion Corporation, though these appear to be initiative-based or project-specific.

For the moment, JLGC's newer Export Credit Guarantee program seems largely an "outsider" in the comparable export development policy "loop". The ECG program has, however, been in formal contact with potential partner organizations in the Jordanian public sector (e.g., JEDCO and participation at the recent MedPartneriat Conference in Amman).

JLGC appears to remain outside certain potentially relevant export finance initiatives, *inter alia*, the World Bank's Export Development Loan, a US\$40 Million facility allocated through the Central Bank and on-lent via some twelve participating local financial institutions. This credit could provide a useful venue for combining pre-shipment export finance, repayment guarantee, and requisite support mechanisms for threshold exporting SMEs. To date, no such melding has taken place. Continued initiatives by JLGC to address this gap ought to be sustained.

RECOMMENDATIONS

STRENGTHENING LINKAGES WITH THE DOMESTIC LOAN PROGRAMME

In the case of the domestic guarantee program, JLGC should reinforce its dialog with recognized Jordanian organizations whose main business is to grow small enterprises, For example, Queen Alia Fund, Investment Promotion Corporation. This could involve discussion of and joint action regarding specific fields of initiative, recognizing all the while that policy dialog of this sort is not JLGC's principal line of activity.

INCREASED JLGC INVOLVEMENT WITH FOREIGN TRADE MISSION PLANNING

JLGC should endeavor to have itself regularly included in the discussion of and planning for export promotion events (trade fairs, missions, in-coming visits) like most other providers of

export credits do as a matter of course. The aim would be to encourage such events in markets where JLGC expects to be on-cover and reinforce export promotion through provision of export credit guarantees. As well, to sensitize government and para-government agencies regarding foreign buyer creditworthiness criteria and their importance in formulating medium-term export development plans.

INVOLVEMENT IN SPECIALIZED EXPORT FINANCE CREDIT FACILITIES AT THE PLANNING STAGE

JLGC should establish a formal dialog with relevant stakeholders to have itself directly involved, at the planning stage, in export financing facilities like the World Bank's Export Development Loan; JLGC's contribution could be as repayment guarantor for loans to smaller enterprise borrowers via participating banks. This may also take the form co-sponsoring information sessions, using inter-linked themes of SME development, export opportunities, credit needs and repayment guarantees.

TIME FRAME: Immediate & Ongoing
COST: N/A.

8. VISIBILITY IN BUSINESS CORE AREAS

JLGC operates, at present, primarily from a single main office, in central Amman. This main JLGC office handles day-to-day application processing and back-office activities. As well, the main office acts as a principal site for meetings with potential loan guarantee clients and representatives of banks originating loan guarantees.

JLGC has commenced a local calling program in Irbid (three times per week) using the facilities of the Central Bank of Jordan. Through a local branch of the Industrial Development Bank, JLGC has also a delegated presence in Aqaba. In both of these cases, specific local financing needs are being addressed and the impressive volume of loan guarantee requests from Irbid underscores the merits of such a marketing tactic.

A separate and, to date, highly successful initiative has been JLGC's Counseling Services Unit. This JLGC head office-based Unit facilitates borrower information access and business plan preparation for domestic loan guarantees. The Unit has recorded a large volume of borrower requests since launch in April 1997. An auxiliary presence in business core areas seems likely to generate even further activity for this Unit.

In general, JLGC has tended to concentrate its calling programs on targets within banks. Visibility by JLGC within the wider business community, at "street-level", is often modest though there has been pamphleteering among some sectors, such as dentists and nursery schools. While loan guarantee services are not a mass-market financial product, experience in countries where JLGC counterparts have an established profile (USA, Canada, for example) confirms the link between branch office presence and business volume.

Such branches tend to offer smaller companies and entrepreneurs a more direct method of contact with organizations that may otherwise seem "distant". The end result has been more SME business. If this basic concept applies in developed economies, where information flow is wide and often instantaneous, it may be even more valid for a transitional economy like Jordan with a strong sense of "community" but a more basic information infrastructure.

RECOMMENDATIONS

SELECTION OF CORE BUSINESS AREAS FOR HIGHER VISIBILITY

JLGC should identify a list of core small business areas where it would seek to raise JLGC visibility regarding its guarantee services. Initially, these target areas would be in the Greater Amman Municipality. These core business areas would represent the initial focus for increased *street-level* JLGC visibility.

JLGC INFORMATION SESSIONS AT BRANCH LEVEL

JLGC should short-list local bank branches in target areas, further to Recommendation 22, who would be interested in co-hosting JLGC borrower information sessions. In establishing this list, it

should be understood that some bank branches prefer to maintain their guarantee arrangement with JLGC on a confidential basis and without direct borrower knowledge. To address this concern, such borrower information sessions might be conducted on an *invitation only basis*

The utility of such branch-level borrower information sessions should be reviewed on a regular (quarterly) basis, with a view to increasing their frequency if found beneficial for JLGC's development of additional business. At the outset, such sessions should be held at least monthly on the bank branch level

SETTING-UP JLGC "STREET LEVEL" OFFICES

JLGC may wish to consider opening small, part-time staffed offices in core areas of small business activity. For example, Wadi As-Siyr. Staffing might be alternated between JLGC business development personnel and representatives of the Counseling Services Unit. Such offices would serve as a local contact point for inquiries about JLGC's range of guarantee products and help in bringing JLGC "closer" to the small business community

TIME FRAME Immediate Commencement & Ongoing

Local Office Opening, 3-6 Months

Quarterly Performance Review

COST: N/A Except optional street-level offices

9. PRODUCT DEVELOPMENT & ENHANCEMENT OF DELIVERY - EXPORT CREDIT GUARANTEES (ECG)

The Exporter Questionnaire Survey and extensive contact with senior bank officials which, together, served as input in preparing the present Marketing Plan, underline the *urgent* need to diversify the pre- and post-shipment guarantee products. Moreover, to maintain a regular program of market research to ensure appropriateness of types of cover offered by JLGC.

Typically, per shipment sizes among more successful Jordanian exporters, even relatively small enterprises, may be at least as large as the current ECG pre-shipment guarantee maximum of 100,000 JD. Further, because payment terms often involve substantial up-front payments (as much as 50%) or sales are conducted on the basis of Confirmed L/Cs, the Jordanian exporter perception of pre-shipment finance need and of associated risk is often slight.

Nevertheless, there *is* a requirement for pre-shipment guarantees for exports, but this would appear to be with a significantly higher JD maximum (even for small enterprises). Per buyer shipment surveyed exporters as being more characteristically closer to 100,000 JD report value, even for example, manufacturers of specialized health care products whose end use markets are typically narrow. This reflects, inter alia, minimum scale economies in ocean transport i.e., the need to pay for/fill a 20-Foot Container. Some sectors' average shipment size may be smaller, but these seem to be the exception.

In its current whole turnover form, the JLGC post-shipment guarantee appears difficult to sell. In the Exporter Questionnaire Survey, most respondents perceived little payment risk in the greatest percentage of their exports; sales were either L/C based or substantially pre-paid in cash/comparable method. Their foreign buyers were typically established accounts and even abrupt changes in foreign currency were not *yet* having a significant adverse impact on foreign sales or payment terms to such buyers. The tradable services sector, such as consultancies, expressed some interest in "group-wide" or all-industry payment cover, with premiums adjusted lower on the basis of the "Law of Large Numbers"

Exporters concede there may be limited post-shipment risk in *certain of their export sales*. Among destinations where risk was perceived: some of the Maghreb countries; Africa -South of Sahara; Yemen; Former Soviet Union; South America. (Because of the current UN-monitored Food-for-Oil program, exporter perception of *post*-shipment risk for sales to Iraq has appreciably lessened)

In these instances, the risk was not commercial (covered by JLGC, at present) but political (not covered by JLGC, at present) Hence, among possible new coverage areas for JLGC to consider:

- Inability to confirm an L/C based on changes in government regulations in importing countries;
- Unilateral suspension in the importing country of a buyer's access to convertible currency,

- Delays in remittance of sales revenue from consignment agents owing to changes in local banking regulations;
- Suspension of import privileges because of changes in foreign trade rules in importing country
- Nationalization or re-nationalization (“creeping expropriation”) of importing enterprise and suspension of existing Purchase Orders from foreign suppliers.

RECOMMENDATIONS

REVIEW THE PRE-SHIPMENT GUARANTEE CEILING

The current pre-shipment guarantee maximum should be reviewed for upward adjustment. To limit the contingent liability borne by JLGC with such a higher ceiling maximum, the JLGC guarantee proportion on shipments in excess of 100,000 JD should be lowered from the current 75% to 50% of shipment value.

Further, JLGC should consider using this higher pre-shipment guarantee maximum *only* for markets where the either the exporter has not previously shipped or has *confirmed evidence* from his/her regular bank that such pre-shipment finance to a traditional market will not be available without a JLGC guarantee.

COMMENCE SPECIFIC TRANSACTION GUARANTEES

The post-shipment guarantee product must be diversified to include specific transaction (individual shipment) cover. Specific transaction payment guarantees should be priced to recognize the significantly increased likelihood of claims. Such specific transaction cover should be subject to a publicity campaign, including targeted marketing to business associations, banks and the local insurance trade. The marketing theme of such specific transaction cover should focus on the *specific risks in some export sales*, e.g , “IF EVEN SOME OF YOUR EXPORTS ARE A CONCERN, CONTACT JLGC “.

“SECTOR-WIDE” WHOLE TURNOVER GUARANTEES

To encourage wider exporter participation in the Whole Turnover product, JLGC should endeavor to sign up an entire sector on the basis of “group-wide policy” cover. Premium cost for such cover would be proportionately reduced, in recognition of this larger premium base (“Law of Large Numbers”) The modalities of such cover *may involve joint marketing in association with brokers of marine and freight insurance and common collection of premiums*

ECG COVER FOR SHIPMENTS VIA FOREIGN AGENTS

JLGC post-shipment cover should also be available for exports conducted through foreign sales agents, on a consignment basis. In practice, JLGC would cover a) refusal of a foreign agent or representative to remit sales revenue to the Jordanian exporter and b) third party credit non-

payment. As this would be a new area of cover for JLGC, and agency sales are *per se not* "third-party", a pilot project approach appears preferable in the preliminary stages.

SECTORAL CUSTOMIZATION OF CLAIMS PROCEDURES

JLGC should formally recognize, in its underwriting procedures, that payment terms in sectors like consulting engineering, design and construction are periodic i.e , staggered throughout the life of a contract of sale. JLGC buyer default cover and claims procedures should acknowledge such sector-specific underwriting concerns This would mean establishing, case-by-case, relevant payment benchmark dates; realistic maximum overdue periods; and procedures for claims processing that are mutually agreeable to both JLGC and the Jordanian exporter.

ENCOURAGE REFERRALS FROM BANKS

To encourage client referral from participating banks, JLGC should consider cooperative or shared media advertising with banks and compensate participating banks with a share in the premium charged the borrower Incentive payments of 25 basis points (0.25%) are reported to be the "going rate" in the market for cooperative programs involving banks and outside providers of services

INCREASE BANK INVOLVEMENT IN GUARANTEE PROCESS

US Exim Bank and Canada's EDC both are using a designated lending authority concept, allocating a ceiling for smaller pre-export shipment finance for approval *at designated bank branches*. This should be studied for utility in Jordan with intention of reducing paper burden for smaller transactions. To ensure banks maintain sufficient loan guarantee prudence, the JLGC guarantee would be reduced, during a period of initial performance review, to 50%

PREPARE A COMPREHENSIVE GUIDE ON ECG OPERATION RULES AND EXPORT CREDIT CONDITIONS AND TERMS

JLGC should prepare a comprehensive guide to the ECG program, focusing on detailed responses to questions that exporters might ask, including concerns that are sector-specific. This would constitute an in-house manual for JLGC staff involved with the program *and*, in a summary version, a promotional material for communicating with exporters. The guide would also highlight JLGC market research, obtained by means of intensive exporter surveys and similar techniques, regarding payment conditions on foreign sales, order-to-shipment production cycle lengths and associated themes.

TIME FRAME: 3 Months Product Development

3-6 Months- Publicity for Specific Transaction Guarantees

6 Months Bank-level Guarantee Approvals

6 Months ECG Program Guide 6 Months, 12 Months, 18 Months, 24 Months & 36 Months

Product development performance monitoring

COST: Subject to extensive actuarial analysis, per Part III Marketing Plan.

10. DOMESTIC LOAN GUARANTEES: REFINING THE BASIC PRODUCT

JLGC's original business was and continues to be provision of domestic loan guarantees to participating Jordanian banks. The principal objective is to enhance financial market access for smaller enterprises and owner/operator entrepreneurs. The current JLGC guarantee product is largely uniform, except that the degree of guarantee is diminished from 75% to 50% beyond 40,000 JD to the 100,000 JD threshold maximum. The number of sectors eligible for the JLGC guarantee has been broadened. Effective January 1, 1997, sectoral loan guarantee coverage has been increased to include the commercial/retail sector. The lifting of this previous restriction could represent a significant advance for JLGC, as there is a large and vibrant retail industry in Jordan.

In terms of basic underwriting parameters, the domestic loan guarantee product is largely uniform, irrespective of sector. Nevertheless, JLGC has been customizing its application format to address particular sectoral requirements; example: truck trailers. A widening of this embryonic pattern is to be encouraged.

Loans guaranteed by JLGC in 1996 averaged 21,000 JD in value. For very small-scale basic enterprises, including those, which are owner/operator, loans in this range may be adequate. Start-up or expansion of more technically-challenged small enterprises, under-represented in the current JLGC portfolio mix but critical if Jordan is to move its increasingly open economy "up-market", often require rather much larger financial infusions to achieve minimum scale. This would be especially so if JLGC targets growing company finance niches such as those associated with ISO certification.

In the Bank Questionnaire, a large majority of respondents indicated that even without a JLGC guarantee, management approved their loans (by their admission, with periodic revision). By implication, therefore, a large percentage of credits for smaller enterprises, to the extent that banks approve them, take place without a JLGC guarantee.

The fundamental *selling* challenge for JLGC is to encourage bank credit officers to more frequently consider the JLGC guarantee option in their regular flow of loans under consideration.

A separate issue *may* be that of JLGC's current method to assess commission from participating banks for JLGC guarantee cover. At present, this is on a before-use basis and regardless of degree of utilization. The intention is to encourage bank utilization of *purchased* JLGC guarantee cover. However, for banks less active with JLGC, this prior-purchase method could temper interest in higher exposure ceilings. A review of the overall and individual effect on banks seems advisable.

RECOMMENDATIONS

FURTHER CUSTOMIZATION OF DOMESTIC LOAN GUARANTEES

JLGC's domestic loan guarantee product should be further customized to address the funding needs of expanding and leading edge economic sectors in Jordan. This could require larger loan average sizes in these sectors to match minimum funding needs. Alternatively, repayment terms and conditions.

FLEXIBLE PERCENTAGES OF LOAN GUARANTEE

The current loan guarantee maxim is uniform, regardless of loan or sector requirements. Higher levels of percentage of guarantee should be studied for emerging and export sectors, in reflection of their greater net contribution to the Jordanian macro-economy. In practice, a sliding scale of percentage guarantee, depending on degree of product transformation, level of technology; and *potential* to export.

REVIEW THE METHOD OF CHARGING BANKS FOR GUARANTEES

JLGC should review the advantages/disadvantages of levying the JLGC guarantee commission at the time a loan is actually guaranteed, in contrast with current practice. For example, the merits/drawbacks of adopting the World Bank-type practice of charging one-quarter of the total guarantee premium at time of initial commitment, remainder upon actual usage

EXTENDING BRANCH LEVEL LOAN AUTHORIZATION AUTHORITY

JLGC should initiate a dialog with both bank head offices and branches to identify the *operational modalities* of leveraging and extending branch level loan recommendations using the JLGC guarantee. For example, providing a guarantee only on the value of a loan that exceeds a bank's notional ceiling per loan/borrower.

TIME FRAME: Immediate commencement of program review
Continuing for 2-3 years
COST: N/A

11. JLGC ORGANIZATION STRUCTURE AND THE WORK-FLOW PROCESS

JLGC is presently structured on the basis of product/function. By contrast, institutions within the financial community and providers of related specialized services are increasingly adopting organizational structures focused on sector, geography or client size. The objective has been to permit customers more immediate access, "one stop-shopping", to the full range of the organization's services.

The current JLGC organizational structure may have the tendency to encourage functional measures of performance. Individual department workload processing times, *often impressive and within one day*, are seen as the basic tool for monitoring overall JLGC performance.

The combined effect of customer interface with JLGC, from preliminary inquiry to final decision, *and as seen from the standpoint of the customer*, understandably becomes less apparent under the current JLGC structure. *Combined effect on the customer should be regularly monitored and incorporated as an integral component of a broadly defined marketing strategy*

While preparation of a Human Resources (HR) plan is a task separate from the present Marketing Plan, the possible HR options that JLGC may wish to consider should be seen as having significant implications for the success of the present Marketing Plan, hence brief discussion in this Marketing Plan.

Among possible HR options:

- Organizing client/JLGC contact on the basis of discrete geographical units;
- Organizing JLGC around sectoral areas of concentration;
- Organizing client/JLGC contact on the basis of client size. All transactions greater than 40,000 JD, including domestic loans, handled by the current ECG division and all transactions below 40,000 JD concentrated on the current domestic loan guarantee department.

Regardless of choice, JLGC should review for its overall potential to assist in marketing success, and the continued efficiency in processing the increased business volume that should follow, the option of restructuring of JLGC into two broad divisions:

- Corporate Operations. This would include *both* the domestic loan and ECG programs and the Counseling Services Unit. As a basic *modus operandi*, all staff in Corporate Operations would be expected to concentrate the bulk of their time on business development, directly interfacing with banks and other potential customers. In essence, a full-service Marketing Department.
- Corporate Services. This would include all "back-office" activities, inter alia, financial control, technical analysis of guarantee applications, claims adjudication; internal audit; international relations; and research

A basic objective of such reorganization would be to clearly separate operational/marketing from services functions within JLGC and develop associated scale economies. Separately, JLGC

should initiate an operating procedure dialog with banks in Jordan, to determine preferred “best practices”. This dialog would be conducted as an integral part of the overall process of enhancing JLGC’s image with the banking community and, in discussions with the banking community, should be so described.

“Best practices” would include:

- Methods of client referral,
- Communication of JLGC program changes to branch levels,
- Centralization vs decentralization of JLGC/bank contact,
- Jointly communicating with potential borrowers

RECOMMENDATIONS

REVIEW CURRENT JLGC ORGANIZATIONAL STRUCTURE

JLGC should consider organizational restructuring as an integral component of marketing. There may be a number of JLGC/client interface organizational options; among them: Geography; Sector; Borrower-Size

ASSESS RELATIONSHIP BETWEEN JLGC STRUCTURE AND MARKETING

JLGC should review the merits, *from a marketing standpoint*, of the option of structuring internally on the basis of two broad categories, Corporate Operations/Marketing and Corporate Services/Underwriting.

INFORMING BANKS OF PRELIMINARY JLGC GUARANTEE ATTITUDE

JLGC should establish targets for advising banks/clients of its preliminary position regarding guarantee requests. Elapsed time should be measured from the stage of initial/informal inquiry. A formal tracking system should be established to permit monthly performance monitoring by senior JLGC management.

“BEST PRACTICES” TO ENCOURAGE BANK USE OF JLGC SERVICES

JLGC should commence an active dialog with banks less active in JLGC activities with a view to determining the most efficient, “best practices” method of handling their JLGC-related loan guarantee and related inquiries. Specifically, to determine what is the preferred method of applying the JLGC guarantee e.g., entire loan amount or only the proportion exceeding typical approval limits

TIME FRAME: Immediate & Ongoing 2-3 Years
COST N/A

12. JLGC INFORMATICS STRUCTURE

JLGC's current Management Information System (MIS) and Infomatics structure appear adequate for the present volume of JLGC domestic guarantee business

If JLGC chooses to embrace the significantly more intensified marketing focus central to the present Marketing Plan, experience from other guarantee agencies who have undergone comparable marketing transitions points to a need to develop sophisticated borrower/buyer data bases. This pattern strongly argues for a corresponding Infomatics capacity upgrade at JLGC too.

Strengthening of JLGC's Infomatics structure would seek:

- To increase on-line contact with banks and other organizations in the financial community;
- To encourage more direct and ad hoc contact with JLGC's specialized outreach group, the Counseling Services Unit;
- To widen JLGC's real-time knowledge of foreign buyer and related credit conditions,
- To develop an easy-to-use "backward-chaining" Expert System or ES capable of generating a preliminary informal appraisal of guarantee applications *at bank branch level*. This Expert System (ES) would have imbedded, within its "rules" or logic structure, all key JLGC guarantee parameters.

A separate target of the overhaul of JLGC's Infomatics capacity would be a significant enhancement in the kinds of information captured on the basis of both actual guarantees approved and preliminary inquiries.

This information would routinely identify:

- Borrower sub-sector;
- End-use sub-sector;
- Number of years borrower has been in business,
- Degree of export orientation and principal markets;
- Use of loan proceeds (e.g., company start-up; equipment upgrade; physical plant; production inputs; computer hardware; computer software; training);
- City and sub-district (If Amman).

This information would be included as input to the individual "rules" in the Expert System (ES) to broaden case experience in the ES raw data base and enhance ES relevance to bank branch level end-users.

Over the longer-term, there may also be scope for JLGC information transmission via the World Wide Web, provided Internet access becomes more widespread in Jordan and electronic borrower/bank interface ("Virtual Branches") is proven viable. Over the shorter-term, JLGC would be well advised to largely monitor this process of "electronic banking" until, for example, suitable levels of low-cost encryption become the norm.

RECOMMENDATIONS

SIGNIFICANT SOFTWARE UPGRADE TO HANDLE INCREASE DATA BASE

UNIX server reinforced by software such as ORACLE, INGRESS or SYBASE This would permit the efficient handling of significantly increased Client application volumes and ECG credit information data storage.

MODEMS TO FACILITATE DATA EXCHANGE WITH BANKS

Modems (Modulator/Demodulator), to permit data transmission between JLGC and banks using normal telephone line.

MANAGEMENT OF SIMULTANEOUS VOICE/DATA COMMUNICATIONS

Communications Manager for controlling voice/data flow over common communication lines. This is a tool for prioritizing or "managing" simultaneous in-coming voice and data messages.

"HOT-LINE" TELEPHONE LINKS WITH HIGH USERS OF JLGC SERVICES

Dedicated 'hot-line' connections, to enhance on-line contact with high-use bank clients

EXPERT SYSTEM (ES) TO EXPEDITE LOAN APPLICATION REVIEW

Expert System e.g., EXSYS, customized in backward-chaining rule structure to assist in preliminary analysis of loan guarantee applications at JLGC and banks and to help the latter to better understand what JLGC requires from a guarantee applicant.

"REAL-TIME" BUSINESS INFORMATION DATA BASES

Reuters or Lexis/Nexis + Dun and Bradstreet subscription to enhance real time knowledge of foreign trading conditions and buyers.

ENHANCED BORROWER DETAIL ON JLGC INTERNAL DATA BASE

Enhancement of coverage in JLGC portfolio database to strengthen borrower/inquiry sectoral, geographic and company information

TIME FRAME: Planning, immediate

Hardware/Software Acquisition,

Commencing 3 months & ongoing development over 12-24 months

COST: Database Management System - JD25,000, Modems - JD3,000, Communications Manager - JD6,000, Dedicated Phone Lines- JD1,400, Expert System (Shell) - JD5,000, Expert System (Development) JD10,000, Reuters, Lexis/Nexis, Dun & Bradstreet - JD10,000

TOTAL: JD 60,400

13. CHANGE MANAGEMENT

The recommendations detailed in the present Marketing Plan will present JLGC with a significant workload. Implementation of those recommendations which are felt to be of merit by JLGC senior management and approved by its Board of Directors are likely to demand regular performance monitoring, at minimum on a monthly basis.

As per practice in comparable change initiatives in other organizations, this performance monitoring or internal auditing should be conducted by JLGC senior managers *not directly involved* in the process of change itself. Use of an external, part-time consultant, to guide JLGC in the *administration* of the change process, may also be worthy of consideration

RECOMMENDATIONS

REVIEW PROCESS FOR MONITORING MARKETING PLAN IMPLEMENTATION

JLGC should consider the establishment of a Change Management Council to steer and monitor the implementation of those Marketing Plan recommendations, which are accepted by JLGC. The Change Management Council should meet at least monthly or, more frequently, if circumstances warrant.

JLGC should review the advisability of drawing membership in such a Change Management Council be drawn from senior management of JLGC less directly involved in the change process.

ASSESS MERITS OF PART-TIME EXTERNAL ADVISOR ON JLGC CHANGE

JLGC should study the merits of appointing a part-time, *external advisor whose* scope of work would be to help JLGC senior management monitor the marketing change process. Such an external advisor would operate under a *highly specific terms of reference and mandate, limited time frame and not duplicate functions that existing JLGC senior management does and will continue to routinely perform*

COMPREHENSIVE SEMI-ANNUAL REVIEW AND UPDATE OF MARKETING PLAN

JLGC should subject the process of change to a semi-annual internal review. At the same time, a comprehensive review of Marketing Plan effectiveness should be conducted, with amendment as and where required.

TIME FRAME: Commencing 2-3 months Ongoing 2-3 Years
COST Optional External Advisor – 10,000 JD per annum (part-time basis)

APPENDIX I

**MARKETING PLAN
PART II / JORDAN'S ECONOMY AND EXPORTS**

1. INTRODUCTION

- The Hashemite Kingdom of Jordan has an official population of 4.5 million persons (1997) plus a foreign worker population, largely Egyptian in origin, estimated at 300,000 persons.
- In the principal urban centers, Amman; Irbid; Zarqa, population density ranges as high as 479 persons/Km² (Irbid) Settlement densities on this level are comparable to those recorded in the most heavily urbanized European countries. This level of urbanization in Jordan has positive implications in terms of the basic dynamic of establishing and sustaining private business. Equally, the potential that smaller enterprises can readily identify a profitable niche.
- Basic demand factors are additionally reinforced by a young average Jordanian population -- 53% below 20 years of age -- and fertility rates of approximately 4 per female of childbearing age.

2. GDP AND GDP/CAPITA

- The Gross Domestic Product (GDP) of Jordan is projected to be, in USD Equivalent, US\$8.04 Billion or US\$ 1787 per capita in 1997. This latter would place Jordan in a middle income category among developing countries
- Actual disposable income, as reflected both in the general level of commerce and recent business and residential construction, particularly in the Greater Amman Municipality, would appear to significantly exceed this national average. UNDP, in a recent estimate that controls for comparative purchasing power, reports a figure of US\$4187 per capita in Jordan (1997).
- In the case of Amman, the site of the lion's share of the Jordan's recorded economy, levels of development and effective purchasing power may well be closer to conditions in lower income European Mediterranean countries such as Portugal and Greece (Purchasing Power Parity basis). This level of consumer spending and basic consumption should have largely positive implications for JLGC's small business loan guarantee activity, especially should the latter target growth sectors.

3. ECONOMIC GEOGRAPHY

- Jordan lies along potentially major trans-shipment routes between Southern Europe/Mediterranean, the Gulf and West Asia. This applies equally to land and maritime transport (Port of Aqaba) and air traffic too. At the same time, Jordan's immediate geography consists of either larger (Syria, Iraq), wealthier (Saudi Arabia, UAE/Gulf) or advanced economies (Israel).
- In combination, this economic geography presents Jordanian products, goods and tradable services, with regional competitors whose relative factor-endowments can and frequently do represent challenges to expanded foreign market entry by many Jordanian businesses.

Nevertheless, there is a core of successful Jordanian exporters, including a number of smaller ones with distinct overseas market niches

4. EXOGENOUS IMPACTS

- The Jordanian economy has emerged in a rather healthy condition, despite significant external shocks. These latter would include the Second Gulf War of the early 1990's, which profoundly affected exports (volume, level of defaults) with one of Jordan's largest trading partners, Iraq. Recently, shipments to Iraq have begun to recover in parallel with the UN-supervised food-for-oil agreement, with Banque Nationale de Paris as financing intermediary. Lack of a comprehensive Middle East peace agreement remains a separate exogenous factor with which Jordan's economy has had to contend.
- There is anecdotal evidence that these kinds of external factors may have acted as stimuli to some members of Jordan's export community to diversify their foreign customer base. New foreign market entry of this type represents the very kind of export re-positioning which JLG's newer pre- and post-shipment export guarantees, if appropriately refined, should be capable of supporting.

5. JORDAN'S INDUSTRIAL BASE

5.1 NATURAL RESOURCES

- The natural resource production and processing sectors constitute a central core of Jordan's GDP. The combination of the agri-food, mining and manufacturing (largely, primary or first-stage) industries accounted for 21.1% of the reported GDP in 1996 (22.4% in 1992). This slight decline in the period 1992-1996 appears largely traceable to a downturn in the registered output of the agri-food sector, especially harvest of such bulk commodities as wheat and barley and citrus fruits. The natural resource sector's share of the Jordan GDP may have declined additionally in First Half 1997 with a significant drop reported (source: Jordan Times) in both production and sales of potash.

5.2 WHOLESALE/RETAIL

- The wholesale and retail sectors, inclusive of the hotel and hospitality/ restaurant trade, accounted for 9.3% of the 1996 reported GDP (8.0% in 1992). This relative increase in the years 1992-1996 can be traced, in part, to significant further entry in this area of the Jordanian economy. This latter trend reflects comparatively low capital and associated entry barriers.
- Administrative and regulatory changes appear to have also had a notable impact. For example, in the early 1990's, the previous waiting period before a pharmacy graduate could open a drugstore was waived. In the succeeding period, the number of pharmacies in Jordan has reportedly increased to some 1600 and appears to be nearing over-capacity

5.3 TRANSPORT/COMMUNICATION/STORAGE

- Transport communication and storage, in combination, accounted for 11.5% of 1996 GDP (12.9% in 1992). The relative decline of this sector during 1992-1996 may reflect a significant drop in import tonnage through Aqaba Port and a flat/declining level of Aqaba Port export tonnage. Traffic via Aqaba has been recovering in the first seven months of 1997.
- A separate issue is the pace of growth in the telecommunications sector, a locomotive for wider macro and micro expansion in a growing number of developed and industrializing economies. To date, in Jordan, telecommunications has been lagging this trend. Recent developments suggest an improving climate in the Jordanian telecommunications sector, including permission for a private firm to install a network of pay telephones.

5.4 CONSTRUCTION

- The construction sector represented 6.6% of 1996 GDP (6.2% in 1992), maintaining its relative share in Jordan's GDP. This sustained share of the GDP reflects a number of influences, including investment spending by Jordanians previously resident in the Gulf. As well, the continued inflow of disbursements from multilateral (inter alia, IBRD, Arab Fund for Economic and Social Development, Islamic Development Bank) and bilateral (Japan, Germany) official sources. However, the degree of local procurement on larger capital projects, e.g., the group of 5-star hotels currently being built, excluding basic building materials, appears likely to be modest.

5.5 GOVERNMENT SERVICES

- Producers of Government Services accounted for 15.4% of the 1996 GDP (15.9% in 1992). This may decline further in coming years provided the process of privatization is continued.

6. ENTERPRISE SIZE IN JORDAN

- The vast majority of sub-industrial sectors in Jordan typically fall within JLGC's maximum domestic loan guarantee threshold of 50 employees. Hence, almost all enterprises in Jordan could potentially be targets of JLGC business development and outreach. The following are sector-specific average enterprise sizes and numbers of enterprises.

GOODS PRODUCING SUB-SECTORS: JORDAN 1994

Sector/Sub-Sector	Average No. of Employees	Number of enterprises
MINERALS		
Stone-Cutting/Quarrying	8.6	122
AGRI-FOOD		
Meat/Poultry Slaughter	46.6	21
Dairy	6.2	236
Vegetable/Animal Oils	15.6	97
Grain Mill	7.6	93
Bakery	6.9	1099
Chocolate/Sugar	13.6	44
TEXTILES/FABRICS		
Made-Up Textiles	3.5	170
Knitting	11.6	83
Carpets/Rugs	23.8	27
APPAREL		
Wearing Apparel/Tailoring	5.5	1536
Leather/Tanning	8.4	272
Footwear	7.6	206
FURNITURE		
Furniture	3.6	1481
Upholstery	2.3	534
PAPER.		
Paper Products	23.8	18
PRINTING/PUBLISHING		
Printing/Publishing	10.9	281
CHEMICALS		
Rubber Products	12.5	10
Plastics	37.4	96
NON-METALLICS		
Glass	11.1	20
Non-Metallic Unclassified	4.8	1707
METALS		
Non-Ferrous	27.6	16
Fabricated Metal Products	3.5	2299
MACHINERY		
Non-Electric	26.9	63
Transport Equipment	34.6	22
Industrial Repair/Maintenance	2.4	6997

RAW DATA SOURCE: Industrial Survey, 1993

SERVICE-PRODUCING SUB-SECTORS: JORDAN 1994

Sector/Sub-Sector	Average No. of Employees	Number of enterprises
HOSPITALITY		
Hotels/Related	22.5	256
Restaurants	3.0	4830
PROFESSIONAL		
Software Consulting	6.9	20
Legal	1.8	1121
Accounting	5.4	136
Architecture/ Engineering	4.7	855
Advertising	2.3	456
Photographic	1.8	537
SANITATION		
Building-Cleaning	41.5	52
EDUCATION		
Primary Education	11.1	610
HEALTH-CARE		
Medical/Dental	2.0	2677
PERSONAL HYGIENE/BEAUTY		
Washing/Dry Clean	2.4	451
Hairdressing/Beauty	1.7	3797
RECREATIONAL		
Sporting Activity	5.9	90
RETAIL SUB-SECTORS: JORDAN 1994		
Food, Beverage, Tobacco	1.5	13335
(Predominant)		
Food, Beverage, Tobacco	1.8	5124
(Specialized)		
Textiles, Clothing, Footwear	2.0	6465
Leather		
Hardware, Paint, Glass	2.7	1847
Household Appliances	2.4	3301
Pharmaceuticals, Medical, Cosmetics	3.2	518
Other Specialized Retail	2.4	3372

RAW DATA SOURCE: Statistical Yearbook, 1995

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CONSTRUCTION SECTOR: JORDAN 1994

Region (Head Office Location)	Average No. of Paid Employees	No. of Enterprises
AMMAN	31.4	482
IRBID	7.2	101
KARAK	8.3	84
ZARKA	3.1	38
MA'AN	5.1	25

RAW DATA SOURCE: Statistical Yearbook, 1995

10. JORDAN'S EXPORT TRADE

10.1 ARAB COUNTRIES

- During the first half of the 1990s, domestic exports from Jordan became increasingly concentrated on shipments to Arab countries. The relative share moved from 29.3% to 46.7% during 1991-1996 (1990: 42.4%). This conforms to the pattern in many other trading regions (North America, Europe Union) with a steady-to-increasing proportion of intra-regional trade. Should this pattern continue in the case of Jordan, the coverage of political risk under JLGC's post-shipment guarantee, and the inclusion of an explicit risk premium on the pre-shipment guarantee, seems imperative.

PERCENT SHARE OF JORDANIAN DOMESTIC EXPORTS: ARAB COUNTRIES

1996	1995	1994	1993	1992	1991	1990
46.7%	45.3%	42.8%	41.6%	35.3%	29.3%	42.4%

RAW DATA SOURCE: *Statistical Yearbook, 1995; 1994; CBJ*

10.2 ASIA

- Asia's share of Jordanian domestic exports dropped from 47.0% to 28.8% during 1991-1995 (1990: 45.0%), as a result of a decline/steadying in shipments to India and a significant fall in Jordan's exports to the fastest growing major economy in the World, the People's Republic of China.
- The downturn in South-East Asian economies during first-half 1997, which is continuing, may temper general enthusiasm for new export initiatives in that region. At the same time, this turbulence can be normally expected to generate increased interest in post-shipment guarantee cover if appropriately positioned and competitively priced.

PERCENT SHARE OF JORDANIAN DOMESTIC EXPORTS: ASIA

1996	1995	1994	1993	1992	1991	1990
N/A	28.8%	27.4%	28.8%	39.2%	47.0%	45.0%

RAW DATA SOURCE: *Statistical Yearbook, 1995; 1994*

10.3 EUROPEAN UNION

- Exports to the European Union (EU) member countries grew from 3.1% to 7.9% of Jordan's total domestic exports during the period 1991-1996 (1990: 3.6%). This increase is noteworthy. At the same time, the proportion remains significantly below that reported by a number of neighboring and Maghreb economies (e.g., Tunisia – 80%, source *Financial Times*, 22/9/97). These latter have become increasingly linked into the EU supply chains, in areas such as agri-food and finished garments.

- In part, this trend in neighboring and Maghreb economies reflects significant levels of Foreign Direct Investment (FDI) by manufacturing companies and backward-integrated retailers whose principal base of operations is the EU. JLGC's pre and post-shipment guarantee products will require further refining (e.g., to cover non-arms length export sales) to accommodate this typical pattern of wider market penetration within the EU.

**PERCENT SHARE OF JORDANIAN DOMESTIC EXPORTS:
EUROPEAN UNION**

1996	1995	1994	1993	1992	1991	1990
7.9%	6.2%	5.1%	4.0%	3.0%	3.1%	3.6%

RAW DATA SOURCE: Statistical Yearbook, 1995; 1994, CBJ

10.4 EAST EUROPE/FORMER SOVIET UNION (FSU)

- The East Europe and Former Soviet Union (FSU) share of Jordan's total domestic exports fell from 4.6% to 1.8% during 1991-1996 (1990: 4.0%). While the period was one of profound change in that particular region, it was also a period of consolidation and market share increase by a wide range of foreign suppliers in such fields as pharmaceuticals, medical products, processed foods, building supplies and specialized consulting services.
- To participate in the now increasingly stable East Europe/FSU market, Jordanian exporters will require from JLGC the same kinds of pre and post-shipment credit guarantees of which their international competitors have made extensive use to minimize payment risk in exporting to that region.

**PERCENT SHARE OF JORDANIAN DOMESTIC EXPORTS:
E. EUROPE/FSU**

1996	1995	1994	1993	1992	1991	1990
1.8%	1.7%	1.7%	4.8%	2.5%	4.6%	4.0%

RAW DATA SOURCE: Statistical Yearbook, 1995; 1994, CBJ

10.5 NORTH AMERICA

- North America's share of Jordanian domestic exports rose from 0.4% to 1.5% during 1991-1995 (1990: 0.6%). The North American market remains the largest open market in the World. Those established exporters in Jordan who are currently shipping to North America perceive little risk in selling to that region. Newer suppliers may, however, need the JLGC pre and post-shipment product, provided that these are offered in combination with a wider business opportunities/marketing strategy that would encourage Jordanian suppliers not yet selling to buyers there.

**PERCENT SHARE OF JORDANIAN DOMESTIC EXPORTS:
NORTH AMERICA**

1996	1995	1994	1993	1992	1991	1990
N/A	1.5%	1.1%	1.1%	1.1%	0.7%	0.4%

RAW DATA SOURCE: Statistical Yearbook, 1995; 1994

10.6 SOUTH AMERICA

- South America represented a slight 0.4% of Jordan's domestic exports in 1995, identical to the 0.4% proportion recorded in 1991 (1990. 0.1%) While the region has certain systemic instability, it also a marketplace of wide opportunity This is especially true for Brazil and such economies of the "southern cone" like Chile and Argentina. Some smaller Jordanian exporters report they are commencing shipments to these markets. It is imperative that JLGC's ECG product addresses their specific buyer credit requirements

**PERCENT SHARE OF JORDANIAN DOMESTIC EXPORTS:
SOUTH AMERICA.**

1996	1995	1994	1993	1992	1991	1990
N/A	0.4%	0.8%	0.6%	0.7%	0.4%	0.1%

RAW DATA SOURCE: Statistical Yearbook, 1995; 1994

APPENDIX I

MARKETING PLAN

PART III / BUSINESS SCENARIO COSTING

BUSINESS COST ESTIMATION

1. INTRODUCTION

An integral component of the corporate re-engineering, the central theme of the proposed JLGC Marketing Plan, is a costing estimate of incremental business sensitivity. Simply put, what costs may JLGC potentially have to bear if it wishes to significantly increase its volume of business.

The potential cost can be divided into two discrete categories

- I contingent liability
- II administrative overhead

The current set of scenarios address the issue of contingent liability, based on a range of levels of claims incidence i.e. "effective liability."

Administrative overhead is equally critical; however, estimate of such costs would be best addressed in a comprehensive review of JLGC's administrative structure and workflow methods

2. CONTINGENT LIABILITY

Contingent liability refers to the implicit financial risk in underwriting a specific volume of business. Calculation of such contingent liability should be a pre-condition of all strategic marketing decisions JLGC chooses to make

Estimation of contingent liability is especially critical in determining the potential cost of underwriting cover under terms of the post-shipment component of the new Export Credit Guarantee program

3. POST-SHIPMENT GUARANTEES

The key variables in estimating potential liability are:

- a) Per shipment value
- b) Number of shipments
- c) Premium
- d) Percentage of premium retained by JLGC
- e) Frequency of claim
- f) Co-insurance ratio
- g) Claims recovery

a) Per Shipment Value. The Exporter Questionnaire Survey and dialog with the banking community in Jordan indicate minimum per shipment size on exports is frequently US\$100000. This figure reflects a variety of basic economic considerations, including minimum scale economies on long-distance transport i.e. 1 x 20 Foot container. Of the 41

individual buyer credit limits requested to date under the post-shipment program, only 6 were under \$100,000.

To test contingent liability, several per shipment values will be used: US\$ 100,000, US\$150,000, US\$200,000.

- b) Number of Shipments. The current post-shipment cover is "Whole Turnover," that is, it would cover all of a Jordanian suppliers export receivables less L/Cs. Even smaller companies, during the Exporter Questionnaire Survey, are reporting several individual shipments per year. Larger companies have been requesting cover from JLGC for as many as 12-13 separate buyers.

Accordingly, the estimates of contingent liability have been tested with an assumption of 100 Shipments.

- c) Premium. The current JLGC post-shipment premium ranges from 1.0% to 2.5%. A figure closer to 1% is the norm in Whole Turnover cover, and some export credit agencies are reported to charge significantly less than 1%.

To examine contingent liability and potential premium revenue, the following premium calculations will be used. 1%.

- d) Percentage of Premium Retained by JLGC. The current reinsurance agreement with COFACE is based on a JLGC-COFACE division of premium revenue, excluding cases of claim, of 20% (JLGC): 80% (COFACE). COFACE also remits 32/100 of its 80% premium share, in a "finder's fee" arrangement, to JLGC. In combination, the 20% JLGC share + 32/100 of the COFACE 80% share, equal a total premium share to JLGC of about 46/100 per 1.0 %

For purposes of estimating premium income sensitivity, the following scenario of JLGC-COFACE premium sharing will be employed: 0.46: 0.54.

- e) Frequency of Claims. Post-shipment cover is, by definition, a high-risk sector of guarantee underwriting. Typically, even the most established of export credit insurers (USA: EXIM; Canada: EDC; UK: ECGD/NCM; France: COFACE; Germany: HERMES) provide cover for only a small percent of total national export and, characteristically, in riskier markets and to riskier buyers. This is the basic reality of the export credit business and one with which JLGC will also be obliged to contend. Of the 41 buyer credit limits requested to date under the post-shipment program (referred to in a above), 19 are for customers in Western/Southern Europe, 17 to customers in the Middle East/Maghreb, and 4 to the Former Soviet Union/Eastern Europe

For purposes of contingent liability estimation, the following levels of claims frequency levels have been chosen: 1%; 2%; 4%

f) Loss Compensation Ratio. This refers to the degree of cover, or compensation, provided by JLGC under the post-shipment guarantee. The current level for JLGC is 85%, though it should be noted that 90%-95% is more the norm among established export credit insurers

For purposes of contingent liability estimation, a standard 85% will be uniformly applied.

g) Claims Recovery The degree of claims recovery can vary widely and is subject to further variation, depending on accounting standard used. In general, claims recovery in the export credit field can be protracted and, not infrequently, costly Larger export credit agencies have the resources to pursue such claims; it is unlikely, for the immediate future, that similar actions by JLGC would be cost effective

For purposes of contingent liability estimation, a standard assumption will be of negligible claims recovery.

SCENARIO 1.0: Assumptions

a) Per Shipment Size:	\$100000
b) No. of Shipments:	100
c) Premium	1%
d) JLGC Premium Share.	0.46%
e) Claim Frequency:	1%
f) Loss Compensation Ratio.	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$46,000
JLGC Effective Liability	= \$17,000
NET TO JLGC	= +\$29,000

SCENARIO 1.1: Assumptions

a) Per Shipment Size:	\$100000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claim Frequency:	2%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$46,000
JLGC Effective Liability	= \$34,000
NET TO JLGC	= +\$12,000

SCENARIO 1.2: Assumptions

a) Per Shipment Size:	\$100000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claim Frequency:	4%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$46,000
JLGC Effective Liability	= \$68,000
NET TO JLGC	= (\$22,000)

SCENARIO 1.3: Assumptions

a) Per Shipment Size:	\$100000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claim Frequency:	10%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$ 46,000
JLGC Effective Liability	= \$170,000
NET TO JLGC	= \$134,000

SCENARIO 2.0 Assumptions

a) Per Shipment Size:	\$150,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	1%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$69,000
JLGC Effective Liability	= \$25,500
NET TO JLGC	= +\$44,500

SCENARIO 2.1 Assumptions

a) Per Shipment Size:	\$150,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	2%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$69,000
JLGC Effective Liability	= \$51,000
NET TO JLGC	= +\$18,000

SCENARIO 2.2 Assumptions

a) Per Shipment Size:	\$150,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	4%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
Total JLGC Premium Revenue	= \$ 69,000
Total JLGC Effective Liability	= \$102,000
NET TO JLGC	= (\$33,000)

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SCENARIO 2.3 Assumptions

a) Per Shipment Size:	\$150,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	10%
f) Loss Compensation Ratio	85%
g) Claims Recovery	----
JLGC Premium Revenue	= \$ 69,000
JLGC Effective Liability	= \$255,000
NET TO JLGC	= (\$186,000)

SCENARIO 3.0 Assumptions

a) Per Shipment Size:	\$200,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	1%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$92,000
JLGC Effective Liability	= \$34,000
NET T JLGC	= +\$58,000

SCENARIO 3.1 Assumptions

a) Per Shipment Size:	\$200,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	2%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$92,000
JLGC Effective Liability	= \$68,000
NET TO JLGC	= +\$24,000

SCENARIO 3.2 Assumptions

a) Per Shipment Size:	\$200,000
b) No. of Shipments:	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	4%
f) Loss Compensation Ratio:	85%
g) Claims Recovery:	-----
JLGC Premium Revenue	= \$ 92,000
JLGC Effective Liability	= \$136,000
NET TO JLGC	=(\$ 44,000)

SCENARIO 3.3 Assumptions

a) Per Shipment Size:	\$200,000
b) No. of Shipments	100
c) Premium:	1%
d) JLGC Premium Share:	0.46%
e) Claims Frequency:	10%
f) Loss Compensation Ratio	85%
g) Claims Recovery:	---
JLGC Premium Revenue	= \$ 92,000
JLGC Effective Liability	= \$340,000
NET TO JLGC	=(\$248,000)

COMMENT

There is a potential for the post-shipment guarantee program to be marginally profitable, excluding administrative overhead, *provided the level of claims does not exceed 2% per value of shipments covered*

If the claims incidence averages 4% or greater, there appears a strong potential for the post-shipment program to *record operating losses*, excluding administrative overhead. This calculation is based on average per shipment values no greater than \$200,000

The current post-shipment guarantee program permits a ceiling of \$4 Million *per buyer*. On the basis of the 20% JLGC, 80% COFACE reinsurance agreement and an 85% default compensation ratio, the contingent liability to JLGC for compensation to a Jordanian exporter on this maximum scale would be \$680,000 or 4.5% JLGC's present capitalization. While a claim on this level may be unlikely, *inter alia* because of underwriting safeguards at COFACE, it remains a possibility under current rules of the post-shipment program.

If JLGC chooses to maintain a maximum cover per buyer on this scale, it seems strongly advisable all buyer credit guarantees likely to have a *significant* effect on the JLGC capital base, in the case of claim, be *formally accompanied by a parallel assessment to senior management of actuarial implications and of implicit JLGC underwriting liability*

4. PRE-SHIPMENT GUARANTEES

The current pre-shipment guarantee program provides a 75% guarantee to a normal maximum shipment value of JD100,000. Premium is levied at an annual rate of 1.5% of the guaranteed amount

The JLGC guarantee risk is not shared/syndicated among outside underwriters

Key variables in estimating contingent liability

- a) Shipment value. Dialog with the exporting community and input from several Jordanian banks indicates the current maximum of 100,000 JD is closer to the minimum value for more established exporters.

For purposes of contingent liability calculation, a figure of 100,000 JD per shipment will be employed.

- b) Premium Value. The current rate is a uniform percentage, regardless of export market of shipment.

For purposes of contingent liability calculation, a 1.5-% annual premium will be assumed.

c) Production cycle. The Exporter Questionnaire Survey and pre-shipment guarantees confirmed by JLGC to date indicate the typical cycle from order to shipment is generally not in excess of 180 days and frequently less.

For purposes of contingent liability calculation, three measures will be used: 60 days, 90 days, and 180 days.

d) Business Volume. To date, interest in the pre-shipment guarantee product has been slight: two guarantees issued and two guarantees under consideration

For purposes of contingent liability calculation, business volume will be estimated at 50 guarantee per annum, 100 guarantees per annum.

e) Guarantee Level The current level is a uniform 75% For purposes of contingent liability calculation, this level will be retained

SCENARIO 1.0

(a) Shipment Value:	(a) 100,000 JD
(b) Premium Value:	(b) 1.5%
(c) Production Cycle.	(c) 60 Days
(d) Business Volume:	(d) 50 Loans
(e) Guarantee %:	(e) 75 %
JLGC Cumulative Contingent Liability/Annum	= 22.5 Million JD
JLGC Premium Income/Annum	= 56,250 JD
JLGC Contingent Liability/Production Cycle	= 3.75 Million JD
JLGC Premium Income/Production Cycle	= 9,375 JD
JLGC Loss Pay Out/Annum 0.5% Claim Rate	= 112,500 JD
JLGC Loss Pay Out/Annum 1.0% Claim Rate	= 225000 JD

SCENARIO 2.0

a) Shipment Value:	00000 JD
b) Premium Value.	.5%
c) Production Cycle:	0 Days
d) Business Volume:	0 Loans
e) Guarantee %:	5%
JLGC Cumulative Contingent Liability/Annum	= 15.0 Million JD
JLGC Premium Income/Annum	= 56,250 JD
JLGC Contingent Liability/Production Cycle	= 3.75 Million JD
JLGC Premium Income/Production Cycle	= 14,063 JD
JLGC Loss Pay Out/Annum 0 5% Claim Rate	= 75,000 JD
JLGC Loss Pay Out/Annum 1.0% Claim Rate	= 150,000 JD

SCENARIO 3.0

a) Shipment Value:	100,000 JD
b) Premium Value:	1.5%
c) Production Cycle:	180 Days
d) Business Volume:	50 Loans
e) Guarantee %:	75%
JLGC Cumulative Contingent Liability/Annum	= 7.5 Million JD
JLGC Premium Income/Annum	= 56,250 JD
JLGC Contingent Liability/Production Cycle	= 3.75 Million JD
JLGC Premium Income/Production Cycle	= 28,125 JD
JLGC Loss Pay Out /Annum 0.5% Claim Rate	= 37,500 JD
JLGC Loss Pay Out /Annum 1.0% Claim Rate	= 75,000 JD

COMMENT

As presently structured, these scenarios of revenue/liability for the pre-shipment guarantee program identify *significant concerns as to basic actuarial soundness*. Example the scenario of a 60 day order-to-payment cycle, 50 guarantees per period at the current 100,000 JD loan maximum would produce annual contingent liability to JLGC of 22.5 Million JD vs annual premium income of 56,250 JD. Even at a 0.5% rate of claims incidence, income *would not cover the cost of claims*.

Though the JLGC net improves, assuming a 90 day order-to-payment cycle, revenue *would still not cover cost of claims at a 0.5% rate of claim incidence*. On a 180 day, order-to-payment cycle, revenue would slightly exceed potential cost of claims at the 0.5% claim incidence level *but revenue would fall short of cost of claim at a 1.0% rate of claim incidence*.

If this program is to be operated as a self-funding “profit center,” its actuarial soundness needs a comprehensive and urgent review.

5. DOMESTIC LOAN GUARANTEES

Estimating the contingent liability of the domestic loan guarantee program, as presently constituted, involves several assumptions.

- a) Loan Guarantee Maximum. There is a 100,000 JD loan guarantee maximum, effective January 1, 1997.

For purposes of estimating JLGC contingent liability, this loan guarantee maximum will be used.

- b) Degree of Guarantee. The degree of guarantee is 75% up to 40,000 JD, 50% on the portion of a loan above 40,000 JD. To date, the number of loan guarantees above 40,000 JD has been modest. The weighted average of degree of guarantees in 1996 was 65%.

For purposes of estimating contingent liability, this 65% average will be retained.

- c) **Guarantee Premium.** A uniform premium of 1.5% is levied per bank on the pre-purchased guarantee ceiling.

This current 1.5-% premium will be retained in the estimates to follow

- d) **Business Volume.** Operating expenditures for the Domestic Loan Guarantee programs are currently estimated at 174,000 JD (1996· JLGC Annual Report) Expressed in terms of required *yearly average* purchase by banks of loan guarantee ceiling, this would translate (assuming no parallel increase in operating expenditures) of 11.6 Million JD

In the estimates of contingent liability, the following level of *year one, day one* guarantee business volume will be used: 13.3 Million

- e) **Loan maturity.** Loan maturity on recent JLGC domestic loan guarantees has been typically ranging from 36 to 60 months

For purposes of estimating contingent liability, the following loan maturity terms will be used: 36; 48 months

- f) **Grace Period** As a general principle, the longer the grace period, the larger the premium income. JLGC's present loan guarantee portfolio averages a grace period of as much as 54 months.

For purposes of presenting a "least case" scenario in terms of premium income, 0 months grace period will be used

- g) **Claims.** The incidence of claims is reported by JLGC to be currently 2%. For purposes of estimating contingent liability, the following levels of claims incidence will be used: 2%; 3%; 4%. Compensation will be on the basis of the current procedure of 6 months of the guaranteed balance outstanding.

SCENARIO 1.0

a) Loan Volume:	20.4 Million JD
b) Degree of Guarantee:	65%
c) Amount Guaranteed:	13.3 Million JD
d) Premium:	1.5%/Annum
e) Loan Term:	36 Months
f) Grace Period:	0 Months
g) Claim Incidence:	2%
JLGC PREMIUM REVENUE· YEAR ONE = 174,000 JD	

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JLGC EFFECTIVE LIABILITY: YEAR ONE	= 94,568 JD
NET YEAR ONE	= +79,432 JD
JLGC PREMIUM REVENUE. YEAR TWO	= 107,714 JD
JLGC EFFECTIVE LIABILITY· YEAR TWO	= 63,045 JD
NET YEAR TWO	= 44,669 JD
JLGC PREMIUM REVENUE·YEAR THREE	= 41,429 JD
JLGC EFFECTIVE LIABILITY·YEAR THREE	= 31,523 JD
NET YEAR THREE	= +9,906 JD
TOTAL NET – THREE YEARS	= +134,001 JD

SCENARIO 1.1

a) Loan Volume:	20.4 Million JD
b) Degree of Guarantee:	65%
c) Amount Guaranteed.	13.3 Million JD
d) Premium:	1.5%/ANNUM
e) Loan Term:	36 Months
f) Grace Period	0 Months
g) Claim Incidence:	3%
JLGC PREMIUM REVENUE: YEAR ONE	= 174,000 JD
JLGC EFFECTIVE LIABILITY: YEAR ONE	= 141,851 JD
NET YEAR ONE	= 32,149 JD
JLGC PREMIUM REVENUE:YEAR TWO	= 107,714 JD
JLGC EFFECTIVE LIABILITY·YEAR TWO	= 94,568 JD
NET YEAR TWO	= 13,146 JD
JLGC PREMIUM REVENUE·YEAR THREE	= 41,429 JD
JLGC EFFECTIVE LIABILITY·YEAR THREE	= 47,284 JD
NET YEAR THREE	= (5,855 JD)
TOTAL NET - THREE YEARS	= +39,440 JD

5/2

SCENARIO 1.2

a) LOAN VOLUME:	20.4 Million JD
b) DEGREE OF GUARANTEE:	65%
c) AMOUNT GUARANTEED:	13.3 MILLION JD
d) PREMIUM.	1 5%/ANNUUM
e) LOAN TERM:	36 MONTHS
f) GRACE PERIOD:	0 MONTHS
g) CLAIM INCIDENCE:	4%
JLGC PREMIUM REVENUE YEAR ONE	= 174,000 JD
JLGC EFFECTIVE LIABILITY YEARONE	= 189,135 JD
NET YEAR ONE	= (15,135 JD)
JLGC PREMIUM REVENUE:YEAR TWO	= 107,714 JD
JLGC EFFECTIVE LIABILITY:YEAR TWO	= 126,090 JD
NET YEAR TWO	= (18,376 JD)
JLGC PREMIUM REVENUE:YEAR THREE	= 41,429 JD
JLGC EFFECTIVE LIABILITY:YEAR THREE	= 63,045 JD
NET YEAR THREE	= (21,616 JD)
TOTAL NET THREE YEARS	= (55,127 JD)

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SCENARIO 2.0

a) LOAN VOLUME:	20.4 MILLION JD
b) DEGREE OF GUARANTEE:	65%
c) AMOUNT GUARANTEED.	13 3 MILLION JD
d) PREMIUM:	1.5%/ANNUM
e) LOAN TERM:	48 MONTHS
f) GRACE PERIOD:	0 MONTHS
g) CLAIM INCIDENCE.	2%
JLGC PREMIUM REVENUE YEAR ONE	= 180,214 JD
JLGC EFFECTIVE LIABILITY YEAR ONE	= 70,926 JD
NET YEAR ONE	= +109,288 JD
JLGC PREMIUM REVENUE: YEAR TWO	= 130,500 JD
JLGC EFFECTIVE LIABILITY: YEAR TWO	= 53,194 JD
NET YEAR TWO	= +77,306 JD
JLGC PREMIUM REVENUE YEAR THREE	= 80,786 JD
JLGC EFFECTIVE LIABILITY YEAR THREE	= 35,463 JD
NET YEAR THREE	= +45,323 JD
TOTAL NET THREE YEARS	= +231,917 JD

SCENARIO 2.1

a) LOAN VOLUME:	20.4 MILLION JD
b) DEGREE OF GUARANTEE:	65%
c) AMOUNT GUARANTEED:	13 3 MILLION JD
d) PREMIUM:	1 5%/ANNUM
e) LOAN TERM	48 MONTHS
f) GRACE PERIOD:	0 MONTHS
g) CLAIMS INCIDENCE.	3%
JLGC PREMIUM REVENUE: YEAR ONE	= 180,214 JD
JLGC EFFECTIVE LIABILITY: YEAR ONE	= 106,389 JD
NET YEAR ONE	= +73,825 JD
JLGC PREMIUM REVENUE: YEAR TWO	= 130,500 JD
JLGC EFFECTIVE LIABILITY: YEAR TWO	= 79,791 JD
NET YEAR TWO	= + 50,709 JD
JLGC PREMIUM REVENUE: YEAR THREE	= 80,786 JD
JLGC PREMIUM REVENUE: YEAR THREE	= 53,194 JD
NET YEAR THREE	= +27,592 JD
TOTAL NET THREE YEARS	= +152,126 JD

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SCENARIO 2.2

a) LOAN VOLUME:	20.4 MILLION JD
b) DEGREE OF GUARANTEE:	65%
c) AMOUNT GUARANTEED:	13 3 MILLION JD
d) PREMIUM:	1 5%/ANNUUM
e) LOAN TERM:	48 MONTHS
f) GRACE PERIOD:	0 MONTHS
g) CLAIM INCIDENCE	4%
JLGC PREMIUM REVENUE:YEAR ONE	= 180,214 JD
JLGC EFFECTIVE LIABILITY:YEAR ONE	= 141,851 JD
NET:YEAR ONE	= + 38,363 JD
JLGC PREMIUM REVENUE:YEAR TWO	= 130,500 JD
JLGC EFFECTIVE LIABILITY:YEAR TWO	= 106,389 JD
NET:YEAR TWO	= + 24,111 JD
JLGC PREMIUM REVENUE:YEAR THREE	= 80,786 JD
JLGC EFFECTIVE LIABILITY:YEAR THREE	= 70,926 JD
NET YEAR THREE	= + 9,860 JD
TOTAL NET THREE YEARS	= +72,334 JD

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COMMENT

The revenue/effective liability scenarios for the domestic loan guarantee program highlight the potential to more than absorb cost of claims at significantly expanded levels of JLGC loan guarantee activity, *provided the rate of claims can be maintained at a 2% level*

However, *if the rate of claims reaches even the 3% level*, under a 36-month, nil grace period scenario, *by Year Three, revenue would fall short of cost of claims*. Further, *losses would be consistently recorded in each year at a 4% rate of claims incidence*, under the 36 month, nil grace period scenario. With the loan term set at 48 months, over the course of the first 36 months of repayments, *premium revenue would consistently exceed the cost of claims*, though this JLGC premium revenue net of claims would diminish significantly at the 4% claims incidence.

This 36-month term vs. longer repayment period distinction is of both strategic and actuarial significance, in terms of JLGC potential to expand its volume of guarantee business with Jordanian banks. The latter typically prefer loan term maximum to not exceed 3 years vs. current JLGC guarantees which are averaging approximately 50 months in the case of Housing Bank loan guarantees and 33 months for all bank guarantees.

RECOMMENDATIONS IN BRIEF

No.	DESCRIPTION	CATEGORY:			TIME REQUIRED
		POSITION	PRODUCT	PROCESS	
1	Mission Statement	✓			MONTH 1
2	Clarifying Image	✓			MONTH 1
3	Understanding Guarantees	✓			MONTH 1-12
4	Wider Knowledge Credit Needs	✓			MONTH 3
5	Pro-Active Portfolio Management	✓			MONTH 3
6	Ties with Growth Sector/Niches	✓			MONTH 3
7	Sectoral "Staying Power"	✓			CONTINUOUS
8	Bank Branch Visibility	✓			MONTH 1
9	JLGC Bank Branch Database			✓	MONTH 2
10	Business Development Tracking			✓	MONTH 2
11	Sectoral Information Sessions	✓			MONTH 3
12	Monitoring Sectoral Sessions		✓	✓	MONTH 1
13	Trade Fair Participation	✓	✓	✓	MONTH 4
14	Previewing New Products		✓	✓	MONTH 2
15	Early Stage Industry Planning	✓		✓	CONTINUOUS
16	Insurers to sell post-Shipment ECG			✓	MONTH 3-4
17	Insurers ECG Product Knowledge			✓	MONTH 2
18	Monitoring JLGC/Insurer Benefits			✓	MONTH 6
19	Policy Loop Domestic Programme	✓			CONTINUOUS
20	Policy Loop Trade Mission Plans	✓			CONTINUOUS
21	Planning Stage Export Finance	✓			CONTINUOUS
22	Selecting Core Business Areas			✓	MONTH 1
23	Branch Level Information Sessions	✓			MONTH 2
24	JLGC Street-Level Offices	✓			MONTH 4
25	ECG Pre-Shipment Ceiling			✓	MONTH 1
26	ECG Specific Transaction Cover			✓	MONTH 3
27.	ECG Sector-Wide Guarantees		✓	✓	MONTH 4
28	ECG Cover for Foreign Agents			✓	MONTH 2
29	ECG Claims Customization			✓	MONTH 4
30	ECG Referrals from Banks			✓	MONTH 2
31	ECG Involvement of Banks			✓	MONTH 3
32	ECG Operations Guide			✓	MONTH 4
33	Domestic Loan Customization			✓	MONTH 6
34	Domestic Loan Flexibility		✓	✓	MONTH 6
35.	Domestic Loan Premium Charges			✓	MONTH 1
36	Domestic Loan Branch Powers		✓	✓	MONTH 6
37	JLGC Organization Structure			✓	MONTH 3
38	Organization Structure/Marketing			✓	MONTH 1
39	Preliminary attitude Re Guarantees			✓	MONTH 2
40	"Best Practices" JLGC/Bank Links			✓	MONTH 2
41	Infomatics: Software Upgrade			✓	MONTH 4
42.	Infomatics Modems			✓	MONTH 1
43	Infomatics Voice/Data Communications			✓	MONTH 2
44	Infomatics. JLGC/Bank "Hot-Line"			✓	MONTH 3

No.	DESCRIPTION	CATEGORY:			TIME REQUIRED
		POSITION	PRODUCT	PROCESS	
45	Infomatics Expert System			✓	MONTH 6
46	Infomatics External Database			✓	MONTH 3
47	Infomatics JLGc Loan Database			✓	MONTH 1
48	Monitoring Plan Implementation			✓	MONTH 1
49	Plan Implementation Advisor			✓	MONTH 1
50	Semi-Annual Plan Reviews			✓	MONTH 6

DATE: October 23, 1997
TO: SAID HAMMAMI, JLGC

FROM: MORTON ROODMAN,
MARKETING ADVISOR

RE: KEY TASKS – PROPOSED SECOND STAGE
MARKETING PLAN IMPLEMENTATION

This memo will serve as a summary of the tasks concerning the Marketing Plan implementation, further to my sense of related JLGC business development and marketing priorities.

As I have explained, and wish to re-affirm in this memo, it is my feeling that this process optimally begins in about 4-6 weeks time, once the current series of fact-finding missions are completed and the information that has been gathered has been “digested.”

This timing also flows from separate and equally critical information gathering involved that I would be responsible for and intend to accomplish during this intervening and proposed “away” period. This latter information-gathering, relates to such issues as pricing of comparable types of specific transaction and “group-wide” cover by export credit agencies and types of “standard” cover that may be offered.

TASK 1. ECG - SPECIFIC TRANSACTION COVER

- Define target sectors, countries
- Types of buyers (e.g. local private sector, MNE's)
- Maximum period of cover
- Re-insuring
- Conditions of cover (e.g. single transaction, limited number of multiple shipments to same buyer/market, group of countries)
- Pricing (flat rate, flexible rate with/without administration charge)

TASK 2. ECG - PRE-SHIPMENT GUARANTEES

- Raising present per shipment ceiling
- Lowering % of guarantee cover

- Pricing and pricing modalities (monthly, quarterly, minimum two reporting periods, etc.)
- Business referral system (e.g. 0.25% fee)

TASK 3. ECG - POST-SHIPMENT “GROUP-WIDE” COVER

- Outreach to sectoral groups
- Pricing options
- Methods of premium collection
- Types of cover (standard-limited, special-all inclusive)

TASK 4. BRANCH-LEVEL INFORMATION SESSIONS

- Selection of target branches
- Planning key themes
- Advising re specialized promotional materials

TASK 5. INVOLVEMENT IN SPECIALIZED SME FINANCING

- Dialog with potential stakeholders (Central Bank, Amman Financial Market, IDB, Export & Finance Bank)
- Refining JLGC role
- Outreach to potential SME participants to confirm interest/modalities

Please review the above and advise me of reaction/decision.

Given the general volume of loan applications reported during the survey of bank branches (as many as one hundred per branch per month) JLGC staff visits *at least every month* to targeted branches seem advisable. For especially active branches, visits may be increased to fortnightly basis. These visits should be seen as *customized business development sessions*, with JLGC representative/s *primarily focusing on specific transaction issues* and the *particular* relevance/utility of the JLGC guarantee.

Among regular themes that would be reviewed at such sessions.

- Any new changes introduced by JLGC in its basic range of products and operating procedures *and how they are likely to impact that particular bank and branch*,
- Current loans under consideration by the branch for which a JLGC loan guarantee may be relevant;
- Joint business development opportunities, such as potential business calling, with bank branch staff.

STRENGTHENING JLGC'S BANK BRANCH INFORMATION DATABASE

JLGC should further develop its existing bank branch information data base, identifying

- Key contacts;
- Field visits by JLGC staff (dates, principal issues covered);
- Loan authorization limits by branch management sectoral specialization (if applicable)
- Collateral use restrictions,
- Current JLGC loan guarantee pipeline;
- Any limitations involving loan guarantee business with JLGC.

ENHANCED TRACKING OF BUSINESS DEVELOPMENT AT BRANCH LEVEL

JLGC should broaden and computerize its existing system of tracking bank branch level business development. This would involve:

- Weekly summary reports on a standardized format (new loan guarantees, problem accounts, special sectoral or borrower category initiatives, joint JLGC/bank branch new business prospecting, information requests re JLGC rules and procedures);
- Business development plans for the following 1-2 weeks;
- Planned joint business development initiatives involving JLGC and branch personnel;
- Schedule of *follow-up visits*

Such information should be organized to permit easy adaptation to a standardized, computer-mounted format. This latter would allow for the establishment, as soon as possible, of a JLGC/bank branch business development database with extensive sub-category cross-referencing.

TIME FRAME: Commencement 1-2 Months Ongoing

COST: Maximum 1-2 Person-Years (Business Development Staff)

5. OUTREACH TO BUSINESS COMMUNITY

In the past, JLGC has been conducting outreach to the business community. Currently, this is continuing but on an ad hoc basis. While business and trade association development in Jordan is often only at the embryonic stage, such groupings do nevertheless exist and could serve as a communications "conduit" to the wider business community

Mass marketing of JLGC services (electronic/print media advertising, roadside signage, posturing), can be useful in terms of maintaining a public "presence". However, its role should always be secondary to more focused outreach initiatives.

The objective of such targeted outreach on JLGC's part would be to diversify the kinds of forum through which JLGC communicates to its potential markets or "publics". In so doing, JLGC would be strongly advised to seek out partners/sponsors in such initiatives, both to broaden the "reach" of the basic "message" and to limit direct spending by JLGC

Co-operative advertising/ marketing are not unknown concepts in Jordan and this cost-effective approach to marketing is recommended. Partners/sponsors might include banks, business support organizations (e.g., Rotary), trade groupings.

Particularly important for the ECG program would be the targeting of Jordanian business audiences organized in terms of end-use or supply sector (e.g., health, pharmaceuticals, finished garments, and crafts). In this respect, it appears advisable to target either potential growth sectors and/or sectors likely to make a positive net contribution in widening access by Jordan to world markets.

RECOMMENDATIONS

RE-INITIATING INFORMATION SESSIONS AMONG SECTORAL GROUPS

JLGC should re-initiate a series of pro-active information sessions with sectoral groupings, however embryonic may be these groupings. Such sessions should not be structured as general information meetings. Rather, as forum to provide specific examples of how JLGC services can benefit *their* sector and practical illustrations of the kinds of assistance *available to them from JLGC*. To increase audience interest, non-JLGC speakers should be invited to discuss a topic of current interest.

- Example: Expanding Jordan's share of international project procurement sub-contracting. JLGC could detail where it may play a role as foreign payment guarantor. Non-JLGC speaker/s could discuss project sub-contracting specifics and challenges.

REINFORCED MONITORING OF SECTORAL TRENDS/CREDIT CONCERNS

JLGC should continue to extend its awareness *of the current concerns of particular industry sectors so as to better speak their "language"* concerning:

- Capital funding needs and challenges;
- Changes in minimum capitalization requirements;
- Significant adjustments to phyto-sanitary standards in foreign markets and other non-tariff barriers (NTBs),
- Methods of new market entry inter-alia, ISO certification, consortia,
- Electronic Document Interchange (EDI) and its impact on methods of confirming foreign buyer purchase orders payment defaults ("paper trail").

Information gathering of this scope implies the compiling by JLGC, on a systematic and continuing basis, of sub- sector detail and current business conditions. Personnel should be identified who would be principally involved with this responsibility and be *specifically mandated* to organize such data to permit easy access. Whenever possible, indexation and cross-referencing of this information should be computerized (See Infomatics).

SELECTIVE JLGC PARTICIPATION AT FOREIGN TRADE FAIRS

JLGC should seek to participate, on a selective basis, in foreign trade fairs and missions where the relevance of its pre and post-shipment Export Credit Guarantees, would tend to be *immediately apparent* to potential clients. In this regard, JLGC will be following the successful pattern of comparable involvement by its more established counterparts, among others, EXIM and OPIC (USA); EDC (Canada). This could even include "back-room" participation in export sale negotiations, since pricing of the JLGC guarantee may be a factor in overall landed cost.

PREVIEWING NEW PRODUCTS

JLGC should establish a dialog with selected industry associations to provide a forum for, among others, prior testing of new guarantee products such as sector-wide or "group" guarantee cover.

PARTICIPATION WITH INDUSTRY IN EARLY STAGE PLANNING

JLGC should position itself, in outreach to industry, as their *partner*, and an integral component of that industry's plans, *when such plans are being initially conceived*. In practice, when plans are being made ("pro-active"), not after they have been implemented ("re-active")

TIME FRAME: Immediate and Ongoing

COST: Export Promotion Missions (US\$8,000 per mission/3 missions per annum)

6. OUTREACH TO INSURERS

Senior management at larger enterprises in Jordan appears to appreciate the advantages of insuring against foreign buyer risk. However, SMEs in Jordan seem to be less clear about the benefits of insuring against foreign buyer risk. Discussions with insurers in Jordan imply that some of this latter resistance to insuring against risk may even be socio-cultural – a generations-old belief in “destiny” (“good” or “bad”) and of the latter’s inevitability. By way of illustration, Jordan’s largest life insurer (80% market share) speaks of only 30,000 policyholders in a population of 4.5 Million persons

Insurers in Jordan have, nevertheless, been able to identify targets in the local economy that are receptive to the basic concept of risk cover Partnering, on a pilot basis, with the local insurance industry, appears recommended, the intent would be to permit general brokers/agents of insurance to also selectively market the JLGC post-shipment guarantee.

Such a step would demand that JLGC be prepared to “divide” its marketing efforts. Specifically, between what it can reasonably be expected to handle on its own, in terms of marketing and selling, and what it may not be in a position to address because of finite budgetary and human resources. The latter could be devolved to the general insurance trade.

The use of general insurers to “sell” export credit cover is neither novel nor untested. In some markets where the insurance industry is highly developed (e.g., European Union), selling of national export credit cover via an established insurer is the principal method of product marketing/ delivery (i.e., in Germany, via HERMES, Ireland through Insurance Corporation).

RECOMMENDATIONS

MANDATING INSURERS TO SELL THE JLGC POST-SHIPMENT PRODUCT

JLGC should initiate preliminary discussions with insurers in Jordan to determine their interest in “selling” the JLGC post-shipment product, on a commission basis. These discussions should seek to confirm basic interest on the part of the insurance community. *If this interest is confirmed*, then operational modalities and “exclusive calling territory” (insurers: JLGC) would be negotiated and *formally* agreed.

JLGC PRODUCT FAMILIARIZATION FOR GENERAL LINES INSURERS

JLGC must recognize that for widened marketing, as per Recommendation 16, to be successful, sellers of general lines of insurance will require training in the basics of the JLGC product. JLGC should be prepared to present intensive 2-3 day training seminars on the types of risks that will/will not be covered; the mechanics of submitting a claim; the business of insuring export credit risk; and the experience in other countries.

MONITORING BENEFITS OF JLGC/INSURERS ALLIANCE

JLGC should establish a framework to assess any such joint marketing arrangements with insurers. Net business development benefits to JLGC should be monitored regularly (monthly and quarterly basis) to limit the attendant risk of merely dividing premium income from which JLGC would otherwise be sole beneficiary. Moreover, the commission should also be “incentivized” to discourage high-risk business prospecting by participating insurers. Specifically, JLGC should semi-annually review the quality of such referral business and provide a commission premium for referral business with minimal claims incidence.

TIME-FRAME: Commencing 1-2 Months Ongoing
COST. N/A

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7. STRENGTHENING TIES WITH GOVERNMENT ORGANIZATIONS

Jordan's public sector is compartmentalized, with separate competencies and expertise. While this is advisable in some fields of public service delivery, it may present challenges to the optimal development of small enterprises and of their export trade. Both these fields can routinely call upon a wide spectrum of *inter-related* services.

In the fields of small business development and foreign trade promotion, the advantage of joint program delivery, "one-stop shopping" has been recognized in many advanced economies. Some examples: USA EXIM/ SBA/ AID/ Commerce Department, Canada: EDC/Business Development Bank/Foreign Affairs and International Trade; Australia AUSTRADE. JLGC initiative to strengthen small business development and export trade policy dialog, among public sector actors, seems worthy of close study.

JLGC's domestic loan guarantee program is, to a considerable degree, a participant in the policy "loop" for small enterprise development. JLGC is in contact with, for example, Queen Alia Fund and Investment Promotion Corporation, though these appear to be initiative-based or project-specific.

For the moment, JLGC's newer Export Credit Guarantee program seems largely an "outsider" in the comparable export development policy "loop". The ECG program has, however, been in formal contact with potential partner organizations in the Jordanian public sector (e.g., JEDCO and participation at the recent MedPartneriat Conference in Amman).

JLGC appears to remain outside certain potentially relevant export finance initiatives, *inter alia*, the World Bank's Export Development Loan, a US\$40 Million facility allocated through the Central Bank and on-lent via some twelve participating local financial institutions. This credit could provide a useful venue for combining pre-shipment export finance; repayment guarantee; and requisite support mechanisms for threshold exporting SMEs. To date, no such melding has taken place. Continued initiatives by JLGC to address this gap ought to be sustained.

RECOMMENDATIONS

STRENGTHENING LINKAGES WITH THE DOMESTIC LOAN PROGRAMME

In the case of the domestic guarantee program, JLGC should reinforce its dialog with recognized Jordanian organizations whose main business is to grow small enterprises; For example, Queen Alia Fund, Investment Promotion Corporation. This could involve discussion of and joint action regarding specific fields of initiative, recognizing all the while that policy dialog of this sort is not JLGC's principal line of activity.

INCREASED JLGC INVOLVEMENT WITH FOREIGN TRADE MISSION PLANNING

JLGC should endeavor to have itself regularly included in the discussion of and planning for export promotion events (trade fairs, missions, in-coming visits) like most other providers of

export credits do as a matter of course. The aim would be to encourage such events in markets where JLGC expects to be on-cover and reinforce export promotion through provision of export credit guarantees. As well, to sensitize government and para-government agencies regarding foreign buyer creditworthiness criteria and their importance in formulating medium-term export development plans.

INVOLVEMENT IN SPECIALIZED EXPORT FINANCE CREDIT FACILITIES AT THE PLANNING STAGE

JLGC should establish a formal dialog with relevant stakeholders to have itself directly involved, at the planning stage, in export financing facilities like the World Bank's Export Development Loan; JLGC's contribution could be as repayment guarantor for loans to smaller enterprise borrowers via participating banks. This may also take the form co-sponsoring information sessions, using inter-linked themes of SME development, export opportunities, credit needs and repayment guarantees

TIME FRAME: Immediate & Ongoing
COST: N/A.

8. VISIBILITY IN BUSINESS CORE AREAS

JLGC operates, at present, primarily from a single main office, in central Amman. This main JLGC office handles day-to-day application processing and back-office activities. As well, the main office acts as a principal site for meetings with potential loan guarantee clients and representatives of banks originating loan guarantees.

JLGC has commenced a local calling program in Irbid (three times per week) using the facilities of the Central Bank of Jordan. Through a local branch of the Industrial Development Bank, JLGC has also a delegated presence in Aqaba. In both of these cases, specific local financing needs are being addressed and the impressive volume of loan guarantee requests from Irbid underscores the merits of such a marketing tactic

A separate and, to date, highly successful initiative has been JLGC's Counseling Services Unit. This JLGC head office-based Unit facilitates borrower information access and business plan preparation for domestic loan guarantees. The Unit has recorded a large volume of borrower requests since launch in April 1997. An auxiliary presence in business core areas seems likely to generate even further activity for this Unit.

In general, JLGC has tended to concentrate its calling programs on targets within banks. Visibility by JLGC within the wider business community, at "street-level", is often modest though there has been pamphleteering among some sectors, such as dentists and nursery schools. While loan guarantee services are not a mass-market financial product, experience in countries where JLGC counterparts have an established profile (USA, Canada, for example) confirms the link between branch office presence and business volume.

Such branches tend to offer smaller companies and entrepreneurs a more direct method of contact with organizations that may otherwise seem "distant". The end result has been more SME business. If this basic concept applies in developed economies, where information flow is wide and often instantaneous, it may be even be more valid for a transitional economy like Jordan with a strong sense of "community" but a more basic information infrastructure.

RECOMMENDATIONS

SELECTION OF CORE BUSINESS AREAS FOR HIGHER VISIBILITY

JLGC should identify a list of core small business areas where it would seek to raise JLGC visibility regarding its guarantee services. Initially, these target areas would be in the Greater Amman Municipality. These core business areas would represent the initial focus for increased *street-level* JLGC visibility.

JLGC INFORMATION SESSIONS AT BRANCH LEVEL

JLGC should short-list local bank branches in target areas, further to Recommendation 22, who would be interested in co-hosting JLGC borrower information sessions. In establishing this list, it

should be understood that some bank branches prefer to maintain their guarantee arrangement with JLGC on a confidential basis and without direct borrower knowledge. To address this concern, such borrower information sessions might be conducted on an *invitation only basis*

The utility of such branch-level borrower information sessions should be reviewed on a regular (quarterly) basis, with a view to increasing their frequency if found beneficial for JLGC's development of additional business. At the outset, such sessions should be held at least monthly on the bank branch level.

SETTING-UP JLGC "STREET LEVEL" OFFICES

JLGC may wish to consider opening small, part-time staffed offices in core areas of small business activity For example: Wadi As-Siyr Staffing might be alternated between JLGC business development personnel and representatives of the Counseling Services Unit Such offices would serve as a local contact point for inquiries about JLGC's range of guarantee products and help in bringing JLGC "closer" to the small business community

TIME FRAME: Immediate Commencement & Ongoing
Local Office Opening, 3-6 Months
Quarterly Performance Review
COST: N/A Except optional street-level offices

9. PRODUCT DEVELOPMENT & ENHANCEMENT OF DELIVERY - EXPORT CREDIT GUARANTEES (ECG)

The Exporter Questionnaire Survey and extensive contact with senior bank officials which, together, served as input in preparing the present Marketing Plan, underline the *urgent* need to diversify the pre- and post-shipment guarantee products. Moreover, to maintain a regular program of market research to ensure appropriateness of types of cover offered by JLGC.

Typically, per shipment sizes among more successful Jordanian exporters, even relatively small enterprises, may be at least as large as the current ECG pre-shipment guarantee maximum of 100,000 JD. Further, because payment terms often involve substantial up-front payments (as much as 50%) or sales are conducted on the basis of Confirmed L/Cs, the Jordanian exporter perception of pre-shipment finance need and of associated risk is often slight

Nevertheless, there *is* a requirement for pre-shipment guarantees for exports, but this would appear to be with a significantly higher JD maximum (even for small enterprises). Per buyer shipment surveyed exporters as being more characteristically closer to 100,000 JD report value, even for example, manufacturers of specialized health care products whose end use markets are typically narrow. This reflects, inter alia, minimum scale economies in ocean transport i.e., the need to pay for/fill a 20-Foot Container. Some sectors' average shipment size may be smaller, but these seem to be the exception.

In its current whole turnover form, the JLGC post-shipment guarantee appears difficult to sell. In the Exporter Questionnaire Survey, most respondents perceived little payment risk in the greatest percentage of their exports, sales were either L/C based or substantially pre-paid in cash/comparable method. Their foreign buyers were typically established accounts and even abrupt changes in foreign currency were not *yet* having a significant adverse impact on foreign sales or payment terms to such buyers. The tradable services sector, such as consultancies, expressed some interest in "group-wide" or all-industry payment cover, with premiums adjusted lower on the basis of the "Law of Large Numbers".

Exporters concede there may be limited post-shipment risk in *certain of their export sales*. Among destinations where risk was perceived: some of the Maghreb countries; Africa -South of Sahara; Yemen; Former Soviet Union; South America. (Because of the current UN-monitored Food-for-Oil program, exporter perception of *post*-shipment risk for sales to Iraq has appreciably lessened)

In these instances, the risk was not commercial (covered by JLGC, at present) but political (not covered by JLGC, at present). Hence, among possible new coverage areas for JLGC to consider:

- Inability to confirm an L/C based on changes in government regulations in importing countries,
- Unilateral suspension in the importing country of a buyer's access to convertible currency,

- Delays in remittance of sales revenue from consignment agents owing to changes in local banking regulations;
- Suspension of import privileges because of changes in foreign trade rules in importing country
- Nationalization or re-nationalization (“creeping expropriation”) of importing enterprise and suspension of existing Purchase Orders from foreign suppliers.

RECOMMENDATIONS

REVIEW THE PRE-SHIPMENT GUARANTEE CEILING

The current pre-shipment guarantee maximum should be reviewed for upward adjustment. To limit the contingent liability borne by JLGC with such a higher ceiling maximum, the JLGC guarantee proportion on shipments in excess of 100,000 JD should be lowered from the current 75% to 50% of shipment value.

Further, JLGC should consider using this higher pre-shipment guarantee maximum *only* for markets where either the exporter has not previously shipped or has *confirmed evidence* from his/her regular bank that such pre-shipment finance to a traditional market will not be available without a JLGC guarantee.

COMMENCE SPECIFIC TRANSACTION GUARANTEES

The post-shipment guarantee product must be diversified to include specific transaction (individual shipment) cover. Specific transaction payment guarantees should be priced to recognize the significantly increased likelihood of claims. Such specific transaction cover should be subject to a publicity campaign, including targeted marketing to business associations, banks and the local insurance trade. The marketing theme of such specific transaction cover should focus on the *specific risks in some export sales*, e.g., “IF EVEN SOME OF YOUR EXPORTS ARE A CONCERN, CONTACT JLGC “.

“SECTOR-WIDE” WHOLE TURNOVER GUARANTEES

To encourage wider exporter participation in the Whole Turnover product, JLGC should endeavor to sign up an entire sector on the basis of “group-wide policy” cover. Premium cost for such cover would be proportionately reduced, in recognition of this larger premium base (“Law of Large Numbers”). The modalities of such cover *may involve joint marketing in association with brokers of marine and freight insurance and common collection of premiums*

ECG COVER FOR SHIPMENTS VIA FOREIGN AGENTS

JLGC post-shipment cover should also be available for exports conducted through foreign sales agents, on a consignment basis. In practice, JLGC would cover a) refusal of a foreign agent or representative to remit sales revenue to the Jordanian exporter and b) third party credit non-

payment. As this would be a new area of cover for JLGC, and agency sales are *per se not* "third-party", a pilot project approach appears preferable in the preliminary stages.

SECTORAL CUSTOMIZATION OF CLAIMS PROCEDURES

JLGC should formally recognize, in its underwriting procedures, that payment terms in sectors like consulting engineering, design and construction are periodic i.e., staggered throughout the life of a contract of sale. JLGC buyer default cover and claims procedures should acknowledge such sector-specific underwriting concerns. This would mean establishing, case-by-case, relevant payment benchmark dates, realistic maximum overdue periods; and procedures for claims processing that are mutually agreeable to both JLGC and the Jordanian exporter.

ENCOURAGE REFERRALS FROM BANKS

To encourage client referral from participating banks, JLGC should consider cooperative or shared media advertising with banks and compensate participating banks with a share in the premium charged the borrower. Incentive payments of 25 basis points (0.25%) are reported to be the "going rate" in the market for cooperative programs involving banks and outside providers of services.

INCREASE BANK INVOLVEMENT IN GUARANTEE PROCESS

US Exim Bank and Canada's EDC both are using a designated lending authority concept, allocating a ceiling for smaller pre-export shipment finance for approval *at designated bank branches*. This should be studied for utility in Jordan with intention of reducing paper burden for smaller transactions. To ensure banks maintain sufficient loan guarantee prudence, the JLGC guarantee would be reduced, during a period of initial performance review, to 50%.

PREPARE A COMPREHENSIVE GUIDE ON ECG OPERATION RULES AND EXPORT CREDIT CONDITIONS AND TERMS

JLGC should prepare a comprehensive guide to the ECG program, focusing on detailed responses to questions that exporters might ask, including concerns that are sector-specific. This would constitute an in-house manual for JLGC staff involved with the program *and*, in a summary version, a promotional material for communicating with exporters. The guide would also highlight JLGC market research, obtained by means of intensive exporter surveys and similar techniques, regarding payment conditions on foreign sales, order-to-shipment production cycle lengths and associated themes.

TIME FRAME: 3 Months Product Development

3-6 Months- Publicity for Specific Transaction Guarantees

6 Months Bank-level Guarantee Approvals

6 Months ECG Program Guide 6 Months, 12 Months, 18 Months, 24 Months & 36 Months

Product development performance monitoring

COST: Subject to extensive actuarial analysis, per Part III Marketing Plan.

10. DOMESTIC LOAN GUARANTEES: REFINING THE BASIC PRODUCT

JLGC's original business was and continues to be provision of domestic loan guarantees to participating Jordanian banks. The principal objective is to enhance financial market access for smaller enterprises and owner/operator entrepreneurs. The current JLGC guarantee product is largely uniform, except that the degree of guarantee is diminished from 75% to 50% beyond 40,000 JD to the 100,000 JD threshold maximum. The number of sectors eligible for the JLGC guarantee has been broadened. Effective January 1, 1997, sectoral loan guarantee coverage has been increased to include the commercial/retail sector. The lifting of this previous restriction could represent a significant advance for JLGC, as there is a large and vibrant retail industry in Jordan.

In terms of basic underwriting parameters, the domestic loan guarantee product is largely uniform, irrespective of sector. Nevertheless, JLGC has been customizing its application format to address particular sectoral requirements; example: truck trailers. A widening of this embryonic pattern is to be encouraged.

Loans guaranteed by JLGC in 1996 averaged 21,000 JD in value. For very small-scale basic enterprises, including those, which are owner/operator, loans in this range may be adequate. Start-up or expansion of more technically-challenged small enterprises, under-represented in the current JLGC portfolio mix but critical if Jordan is to move its increasingly open economy "up-market", often require rather much larger financial infusions to achieve minimum scale. This would be especially so if JLGC targets growing company finance niches such as those associated with ISO certification.

In the Bank Questionnaire, a large majority of respondents indicated that even without a JLGC guarantee, management approved their loans (by their admission, with periodic revision). By implication, therefore, a large percentage of credits for smaller enterprises, to the extent that banks approve them, take place without a JLGC guarantee.

The fundamental *selling* challenge for JLGC is to encourage bank credit officers to more frequently consider the JLGC guarantee option in their regular flow of loans under consideration.

A separate issue *may* be that of JLGC's current method to assess commission from participating banks for JLGC guarantee cover. At present, this is on a before-use basis and regardless of degree of utilization. The intention is to encourage bank utilization of *purchased* JLGC guarantee cover. However, for banks less active with JLGC, this prior-purchase method could temper interest in higher exposure ceilings. A review of the overall and individual effect on banks seems advisable.

RECOMMENDATIONS

FURTHER CUSTOMIZATION OF DOMESTIC LOAN GUARANTEES

JLGC's domestic loan guarantee product should be further customized to address the funding needs of expanding and leading edge economic sectors in Jordan. This could require larger loan average sizes in these sectors to match minimum funding needs. Alternatively, repayment terms and conditions.

FLEXIBLE PERCENTAGES OF LOAN GUARANTEE

The current loan guarantee maxim is uniform, regardless of loan or sector requirements. Higher levels of percentage of guarantee should be studied for emerging and export sectors, in reflection of their greater net contribution to the Jordanian macro-economy. In practice, a sliding scale of percentage guarantee, depending on degree of product transformation, level of technology; and *potential* to export

REVIEW THE METHOD OF CHARGING BANKS FOR GUARANTEES

JLGC should review the advantages/disadvantages of levying the JLGC guarantee commission at the time a loan is actually guaranteed, in contrast with current practice. For example, the merits/drawbacks of adopting the World Bank-type practice of charging one-quarter of the total guarantee premium at time of initial commitment, remainder upon actual usage.

EXTENDING BRANCH LEVEL LOAN AUTHORIZATION AUTHORITY

JLGC should initiate a dialog with both bank head offices and branches to identify the *operational modalities* of leveraging and extending branch level loan recommendations using the JLGC guarantee. For example, providing a guarantee only on the value of a loan that exceeds a bank's notional ceiling per loan/borrower.

TIME FRAME: Immediate commencement of program review
Continuing for 2-3 years
COST: N/A

11. JLGC ORGANIZATION STRUCTURE AND THE WORK-FLOW PROCESS

JLGC is presently structured on the basis of product/function. By contrast, institutions within the financial community and providers of related specialized services are increasingly adopting organizational structures focused on sector, geography or client size. The objective has been to permit customers more immediate access, “one stop-shopping”, to the full range of the organization’s services.

The current JLGC organizational structure may have the tendency to encourage functional measures of performance. Individual department workload processing times, *often impressive and within one day*, are seen as the basic tool for monitoring overall JLGC performance.

The combined effect of customer interface with JLGC, from preliminary inquiry to final decision, *and as seen from the standpoint of the customer*, understandably becomes less apparent under the current JLGC structure. *Combined effect on the customer should be regularly monitored and incorporated as an integral component of a broadly defined marketing strategy.*

While preparation of a Human Resources (HR) plan is a task separate from the present Marketing Plan, the possible HR options that JLGC may wish to consider should be seen as having significant implications for the success of the present Marketing Plan, hence brief discussion in this Marketing Plan.

Among possible HR options:

- Organizing client/JLGC contact on the basis of discrete geographical units,
- Organizing JLGC around sectoral areas of concentration;
- Organizing client/JLGC contact on the basis of client size. All transactions greater than 40,000 JD, including domestic loans, handled by the current ECG division and all transactions below 40,000 JD concentrated on the current domestic loan guarantee department.

Regardless of choice, JLGC should review for its overall potential to assist in marketing success, and the continued efficiency in processing the increased business volume that should follow, the option of restructuring of JLGC into two broad divisions:

- Corporate Operations. This would include *both* the domestic loan and ECG programs and the Counseling Services Unit. As a basic *modus operandi*, all staff in Corporate Operations would be expected to concentrate the bulk of their time on business development, directly interfacing with banks and other potential customers. In essence, a full-service Marketing Department.
- Corporate Services. This would include all “back-office” activities, inter alia, financial control, technical analysis of guarantee applications, claims adjudication; internal audit, international relations; and research.

A basic objective of such reorganization would be to clearly separate operational/marketing from services functions within JLGC and develop associated scale economies. Separately, JLGC

should initiate an operating procedure dialog with banks in Jordan, to determine preferred “best practices” This dialog would be conducted as an integral part of the overall process of enhancing JLGC’s image with the banking community and, in discussions with the banking community, should be so described.

“Best practices” would include:

- Methods of client referral,
- Communication of JLGC program changes to branch levels;
- Centralization vs. decentralization of JLGC/bank contact,
- Jointly communicating with potential borrowers.

RECOMMENDATIONS

REVIEW CURRENT JLGC ORGANIZATIONAL STRUCTURE

JLGC should consider organizational restructuring as an integral component of marketing. There may be a number of JLGC/client interface organizational options; among them Geography; Sector; Borrower-Size

ASSESS RELATIONSHIP BETWEEN JLGC STRUCTURE AND MARKETING

JLGC should review the merits, *from a marketing standpoint*, of the option of structuring internally on the basis of two broad categories, Corporate Operations/Marketing and Corporate Services/Underwriting.

INFORMING BANKS OF PRELIMINARY JLGC GUARANTEE ATTITUDE

JLGC should establish targets for advising banks/clients of its preliminary position regarding guarantee requests. Elapsed time should be measured from the stage of initial/informal inquiry. A formal tracking system should be established to permit monthly performance monitoring by senior JLGC management.

“BEST PRACTICES” TO ENCOURAGE BANK USE OF JLGC SERVICES

JLGC should commence an active dialog with banks less active in JLGC activities with a view to determining the most efficient, “best practices” method of handling their JLGC-related loan guarantee and related inquiries Specifically, to determine what is the preferred method of applying the JLGC guarantee e.g., entire loan amount or only the proportion exceeding typical approval limits.

TIME FRAME: Immediate & Ongoing 2-3 Years

COST: N/A

12. JLGC INFORMATICS STRUCTURE

JLGC's current Management Information System (MIS) and Infomatics structure appear adequate for the present volume of JLGC domestic guarantee business.

If JLGC chooses to embrace the significantly more intensified marketing focus central to the present Marketing Plan, experience from other guarantee agencies who have undergone comparable marketing transitions points to a need to develop sophisticated borrower/buyer data bases. This pattern strongly argues for a corresponding Infomatics capacity upgrade at JLGC too.

Strengthening of JLGC's Infomatics structure would seek:

- To increase on-line contact with banks and other organizations in the financial community,
- To encourage more direct and ad hoc contact with JLGC's specialized outreach group, the Counseling Services Unit;
- To widen JLGC's real-time knowledge of foreign buyer and related credit conditions;
- To develop an easy-to-use "backward-chaining" Expert System or ES capable of generating a preliminary informal appraisal of guarantee applications *at bank branch level*. This Expert System (ES) would have imbedded, within its "rules" or logic structure, all key JLGC guarantee parameters.

A separate target of the overhaul of JLGC's Infomatics capacity would be a significant enhancement in the kinds of information captured on the basis of both actual guarantees approved and preliminary inquiries.

This information would routinely identify.

- Borrower sub-sector;
- End-use sub-sector;
- Number of years borrower has been in business;
- Degree of export orientation and principal markets;
- Use of loan proceeds (e.g., company start-up; equipment upgrade; physical plant; production inputs; computer hardware; computer software, training),
- City and sub-district (If Amman)

This information would be included as input to the individual "rules" in the Expert System (ES) to broaden case experience in the ES raw data base and enhance ES relevance to bank branch level end-users.

Over the longer-term, there may also be scope for JLGC information transmission via the World Wide Web, provided Internet access becomes more widespread in Jordan and electronic borrower/bank interface ("Virtual Branches") is proven viable. Over the shorter-term, JLGC would be well advised to largely monitor this process of "electronic banking" until, for example, suitable levels of low-cost encryption become the norm.

RECOMMENDATIONS

SIGNIFICANT SOFTWARE UPGRADE TO HANDLE INCREASE DATA BASE

UNIX server reinforced by software such as ORACLE, INGRESS or SYBASE. This would permit the efficient handling of significantly increased Client application volumes and ECG credit information data storage.

MODEMS TO FACILITATE DATA EXCHANGE WITH BANKS

Modems (Modulator/Demodulator), to permit data transmission between JLGC and banks using normal telephone line.

MANAGEMENT OF SIMULTANEOUS VOICE/DATA COMMUNICATIONS

Communications Manager for controlling voice/data flow over common communication lines
This is a tool for prioritizing or "managing" simultaneous in-coming voice and data messages

"HOT-LINE" TELEPHONE LINKS WITH HIGH USERS OF JLGC SERVICES

Dedicated 'hot-line' connections, to enhance on-line contact with high-use bank clients.

EXPERT SYSTEM (ES) TO EXPEDITE LOAN APPLICATION REVIEW

Expert System e.g., EXSYS, customized in backward-chaining rule structure to assist in preliminary analysis of loan guarantee applications at JLGC and banks and to help the latter to better understand what JLGC requires from a guarantee applicant.

"REAL-TIME" BUSINESS INFORMATION DATA BASES

Reuters or Lexis/Nexis + Dun and Bradstreet subscription to enhance real time knowledge of foreign trading conditions and buyers.

ENHANCED BORROWER DETAIL ON JLGC INTERNAL DATA BASE

Enhancement of coverage in JLGC portfolio database to strengthen borrower/inquiry sectoral, geographic and company information

TIME FRAME: Planning, immediate

Hardware/Software Acquisition,

Commencing 3 months & ongoing development over 12-24 months

COST: Database Management System - JD25,000, Modems - JD3,000, Communications Manager - JD6,000, Dedicated Phone Lines- JD1,400, Expert System (Shell) - JD5,000, Expert System (Development) JD10,000, Reuters, Lexis/Nexis, Dun & Bradstreet - JD10,000

TOTAL: JD 60,400

13. CHANGE MANAGEMENT

The recommendations detailed in the present Marketing Plan will present JLGC with a significant workload. Implementation of those recommendations which are felt to be of merit by JLGC senior management and approved by its Board of Directors are likely to demand regular performance monitoring, at minimum on a monthly basis.

As per practice in comparable change initiatives in other organizations, this performance monitoring or internal auditing should be conducted by JLGC senior managers *not directly involved* in the process of change itself. Use of an external, part-time consultant, to guide JLGC in the *administration* of the change process, may also be worthy of consideration.

RECOMMENDATIONS

REVIEW PROCESS FOR MONITORING MARKETING PLAN IMPLEMENTATION

JLGC should consider the establishment of a Change Management Council to steer and monitor the implementation of those Marketing Plan recommendations, which are accepted by JLGC. The Change Management Council should meet at least monthly or, more frequently, if circumstances warrant

JLGC should review the advisability of drawing membership in such a Change Management Council be drawn from senior management of JLGC less directly involved in the change process.

ASSESS MERITS OF PART-TIME EXTERNAL ADVISOR ON JLGC CHANGE

JLGC should study the merits of appointing a part-time, *external advisor whose scope of work would be to help JLGC senior management monitor the marketing change process* Such an external advisor would operate under a *highly specific terms of reference and mandate, limited time frame and not duplicate functions that existing JLGC senior management does and will continue to routinely perform*

COMPREHENSIVE SEMI-ANNUAL REVIEW AND UPDATE OF MARKETING PLAN

JLGC should subject the process of change to a semi-annual internal review. At the same time, a comprehensive review of Marketing Plan effectiveness should be conducted, with amendment as and where required.

TIME FRAME Commencing 2-3 months. Ongoing 2-3 Years

COST: Optional External Advisor – 10,000 JD per annum (part-time basis)

APPENDIX II

EXISTING CLIENT-BASE PROFILE

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NOTE:

The author and IBTCI greatly appreciate the assistance and help of JLGC management and staff in assembling and presenting in such a timely and diligent manner the raw data that were used to prepare this report. The cooperation in this first of the deliverables under US AID Contract No. 278-I-OO-96-90524-04, Delivery Order #2 confirms JLGC's interest in its client base and its eagerness to examine the potential for growth over the medium-term.

PREFACE

The first deliverable under this US AID Contract is described as follows in the Terms of Reference for the Marketing Advisor to the Jordan Loan Guarantee Corporation Limited (JLGC):

“A profile of JLGC’s existing client base, broken down by bank, company size, and business sector ”

The current report profiles the JLGC’s current client base, as reflected in the JLGC domestic guarantee programme. Key subjects reviewed include

- Average size of a borrower, as reflected in number of employees,
- Average size of loan guarantee and the impact of recent JLGC policy changes,
- JLGC guarantee activity per bank and per bank branch in Jordan;
- Banks most active vs banks less active in the JLGC guarantee programme;
- Repeat borrowing activity;
- Sectoral distribution of JLGC guarantees,
- Larger JLGC loan guarantees

This report is designed to catalyze the basic discussion of JLGC marketing priorities and form the data base upon which to commence a more operational data collection in regard to both bank procedures and the medium-term product priorities of JLGC current and future clients . The final report under this Contract will include a Three-Year Marketing Plan for JLGC that builds on JLGC’s impressive efforts and accomplishments to date and recognizes the wider potential market in Jordan for JLGC services

SUMMARY

OBSERVATIONS AND POLICY ISSUES

1 Average Employee Size of JLGC Domestic Loan Guarantee Client Base

Over one-quarter of JLGC's domestic loan guarantees have gone to enterprises with, at most, 1 employee. Including all enterprises with no more than 5 employees, these represent some two-thirds of JLGC's total domestic loan guarantees. Such indicators demonstrate JLGC's basic commitment to the Small Enterprise sector.

POLICY ISSUE

Given the basic financing and marketing resources implicit in successful exporting, this predominant JLGC domestic guarantee client base may not constitute an optimal group from which to generate business for JLGC's new Export Credit Guarantee (ECG) programme. As a consequence, a bifurcated research effort seems imperative. Specifically, to identify which of the JLGC's domestic guarantee clients may also require the ECG product. Also, from the operational standpoint, is there potential for jointly administering and focusing the domestic and ECG programmes, wherever and whenever possible, to best use JLGC's finite material and human resources.

2. Average Size of a JLGC Domestic Loan Guarantee

From August 28, 1994 to July 5, 1997, the average size of a JLGC domestic loan guarantee application has been 10675 Jordanian Dinars (JD). In three of the last four Quarterly reporting periods, average size has been increasing and in 2nd Quarter 1997 was 13950 JD. Domestic loan guarantee averages of this size underscore JLGC's continuing commitment to Small Enterprise finance needs.

POLICY ISSUE

Loan guarantees with this kind of average size argue for standardizing the application review process, to the extent possible, with a view to permitting the maximum benefits to be reaped from JLGC's continuing market development initiatives. At the same time, to work with those Jordanian banks most actively using the programme to facilitate the JLGC application process at branch level and minimize branch level turnaround time.

3 Recent Changes in JLGC Domestic Loan Guarantee Ceiling

As of January 1997, the JLGC ceiling was increased from 40000 JD to 100000 JD. The average size of these +40000 JD loan guarantees extended in the 1st Half of 1997 was 42800 JD and, thus, continues to be only slightly above the former 40000 JD maximum.

POLICY ISSUE

Does this relatively small size of average domestic loan guarantees mirror JLGC concern to maintain its public policy focus. Or, alternatively, are there fundamental differences in loan guarantee screening which JLGC will have to master before more aggressively testing its new maximum ceiling

In terms of product development strategy, what is the best and most commercially prudent JLGC programme to assist such larger borrowers – the essentially “ground-floor” domestic guarantee programme or the new ECG programme, designed to help enterprises once they have passed through the critical start-up start-up stage.

4 Domestic Loan Guarantee Activity per Bank.

Five Jordanian banks account for more than three-quarters (by number) of the JLGC domestic loan guarantee portfolio. This invites the question as to why other banks in Jordan have been less active in their use of JLGC services. Because of their principal focus, Jordanian subsidiaries of foreign banks have only sparingly used the domestic guarantee programme

POLICY ISSUE

Are there changes that can be introduced by JLGC which can preferably both encourage at least some of Jordan's other banks to more actively use the domestic loan guarantee programme and to stimulate wider branch participation from those banks most actively using JLGC services. In parallel, to study the merits and modalities of encouraging Jordanian subsidiaries of foreign banks to be more active in the new Export Credit Guarantee programme which seems a closer fit with these banks' main mission in Jordan

5 Domestic Loan Guarantee Activity per Bank Branch.

JLGC's total volume of 737 domestic loan guarantee applications in the period since August 28, 1994 is an impressive record by any conventional standard. Nevertheless, with more than 400 bank branches in Jordan, this averages to around 2 domestic loan guarantees per bank branch. Given credit approval centralization at certain banks, the typical number at many bank branches may actually be under 2.

POLICY ISSUE

Generally, there remains considerable scope for broadening the JLGC domestic loan guarantee target market reach. At the same time, there is evidence this will be constrained by modest local branch delegation of credit approval at a number of banks. An advisable first step appears a continuation of JLGC's current marketing initiatives outside the Amman region and involving banks most active to date in the JLGC domestic guarantee programme.

6 Average Domestic Loan Guarantee Size - - Major and Other Participating Banks.

JLGC data indicate major participants in the JLGC programme tend to have smaller average loan guarantees sizes vs. average loan guarantee value for banks less actively using the programme

POLICY ISSUE

Do these differences in average loan guarantee size reflect caution on the part of JLGC where relatively larger guarantees are involved Alternatively, are there significant client base differences between more active participants in the JLGC domestic guarantee programme vs those banks which are less active.

What refinements can be introduced to the basic domestic loan guarantee programme that would encourage a higher volume of applications from banks less active to date in the programme.

7 Repeat Borrowers.

JLGC data indicate that the number of repeat borrowers under the domestic guarantee programme is modest However, the guarantees tend to be larger than average and to enterprises and organizations with more employees than a typical JLGC domestic guarantee client.

POLICY ISSUE

Arguably, a fundamental purpose of a loan guarantee is to permit borrowers enhanced access to conventional credit markets. Once achieved, to cede the primary lending role to banks and similar institutions and under normal security and repayment conditions At a minimum, repeat borrowing appears to merit regular monitoring, especially when JLGC gets closer to its guarantee ceiling To the extent that repeat borrowing is accepted policy at JLGC, it seems advisable to study the benefits of directing such repeat client activity to the pre-shipment component of JLGC's parallel Export Credit Guarantee programme.

8. Sectoral Distribution of JLGC Domestic Loan Guarantees

The classification method employed to categorize, by sector, the domestic guarantee programme is in certain cases imprecise For example, guarantees extended to the bakery trade are included with "handicraft".

POLICY ISSUE

Understanding portfolio sectoral characteristics is an essential tool in both marketing development, not to mention achieving portfolio balance and limiting individual sector exposure Additional rigour in sectoral labelling and categorization seems a clear priority that JLGC should study in terms of modalities and time-line.

9 Domestic Loan Guarantees Greater than 40000 JD and the ECG Programme.

Since its policy change effective January 1997, JLGC has extended more than 20 domestic loan guarantees exceeding 40000 JD. Such loans involve a number of enterprises and sub-sectors whose export potential and possible use of the ECG programme seems at least open to preliminary study

POLICY ISSUE

Is the domestic guarantee programme or the pre-shipment ECG programme the better fit for larger borrowers. Can there be procedures devised by JLGC and its banking partners to ensure that such early stage product choice is standardized

10. Domestic Loan Guarantees to the Agriculture Sector

JLGC's exposure to the agriculture sector is modest, understandable given the existence of other institutions specialized in this sector of the Jordanian economy and the high degree of risk that is associated with a sector so dependent on nature and climatic conditions

POLICY ISSUE

In terms of public policy purpose, feasibility and basic banking prudence, is it advisable to expand JLGC's exposure in the agriculture. Given the strong pressure to encourage exports by this sector, is there a way of combining the JLGC's domestic loan guarantee and ECG products to better serve this public policy goal and offer JLGC's services to the more successful and well-positioned players in this sector

A PROFILE OF THE CURRENT CLIENT BASE JORDAN LOAN GUARANTEE CORPORATION

1.0 INTRODUCTION.

1.1 Share Capital.

The Jordan Loan Guarantee Corporation Limited (JLGC) is a public shareholding company, incorporated in March 26, 1994, with an initial share capital of 7,000,000 Jordanian Dinars (JD). The share capital has since been raised and now is 10,000,000 JD.

The single largest shareholder in JLGC, 47.75% of total, is the Central Bank of Jordan, its contribution including grants from the US Agency for International Development (AID), most recently a US\$2.5 Million grant to implement a new Export Credit Guarantee (ECG) programme. In addition, 24 commercial banks, insurers and commercial organizations, including the Amman Chamber of Industry and the Amman Chamber of Commerce hold shares in JLGC. Together, they represent the majority of Jordan's banking community and commercial support organizations.

1.2 Guarantee Agreements with Commercial Banks.

In total, JLGC has signed guarantee agreements with 20 commercial banks. These represent the largest share of the Jordanian banking community and local branches of major foreign financial institutions including Citibank; ANZ Grindlays; and British Bank of the Middle East (HSBC Group)

2.0 JLGC DOMESTIC GUARANTEE ACTIVITY - SELECTED INDICATORS

2.1 JLGC Public Policy Purpose and Operational Modalities.

“The Corporation’s goals include the provision of guarantees necessary to fully or partially cover loans of different types and tenors granted by banks and financial institutions for the establishment, expansion and raising the productive and marketing capacity of economic projects with the aim of creating job opportunities and securing possibilities for earning or saving foreign reserves. The Corporation’s goals also include extending guarantees required to cover the risks in the field in the Jordanian export sector” (Annual Report, JLGC, 1995)

The JLGC target market are Small Enterprises. The per loan guarantee ceiling was 40000 JD until January 1997. This ceiling was increased to 100000 JD effective January 1997. The maximum number of workers per enterprise has been and remains 50 employees.

2.2 Approved Domestic Loan Guarantees – Average Number of Employees per Enterprise

While the maximum employee number per enterprise eligible to receive a JLGC loan guarantee is 50, the average number of employees per executed loan guarantee, commencing August 1994 to the present, is 7.4. This approximates the generally accepted definition of Small Enterprises, with a staff maximum no greater than 50 employees even in economies with full industrialization.

During the period August 28, 1994 - July 3, 1997, the percentage distribution of domestic loan guarantees executed by JLGC, disaggregated in terms of sub-categories by number of employees per borrower was:

TABLE I

JLGC DOMESTIC LOAN GUARANTEES: BREAKDOWN BY BORROWER EMPLOYMENT SIZE

Number of Employees	Total No. of Loan Guarantees	Percentage of Total No. of Loans
0 - 1	137	26.2%
2 - 5	212	40.5%
6 - 10	84	16.1%
11 - 25	74	14.1%
26 - 50	16	3.0%

(Source: JLGC Data Base)

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These data reflect strong adherence to the public policy purpose of supporting the financing needs of Small Enterprises – two-thirds of guarantees have gone to enterprises with fewer than 5 employees.

At the same time, there is a clear imperative to monitor the financing independence of such Small Enterprises over the medium-term. Specifically, the potential for this category of enterprises to achieve threshold balance sheet strength to obtain more conventional forms of finance without repeated recourse to the JLGC domestic loan guarantee programme. This policy approach is fundamental to the net beneficial effect that JLGC should be expected to have in the wider Jordanian macro-economy. In short, maximizing the leverage provided to Small Enterprises over the medium-term by a JLGC credit guarantee.

2.3 Approved Domestic Loan Guarantees - Average Loan Guarantee Size

The following table details the average size of a JLGC loan guarantee:

TABLE II.

**AVERAGE SIZE OF THE GUARANTEE PORTION
JORDAN LOAN GUARANTEE CORPORATION***
(All Monetary Values in Jordanian Dinars)

PERIOD COVERED	AMOUNT
08/28/94 - 06/30/97	10,675
3 rd Quarter 1996	11,111
4 th Quarter 1996	13,765
1 st Quarter 1997	11,008
2 nd Quarter 1997	13,947

*Including Cancelled and Rejected Applications
(Source: JLGC Data Base)

While increasing in three of the four most recent Quarterly reporting periods, average JLGC loan guarantee size remains quite small. Moreover, even the average size of loan guarantees exceeding 40000 JD, under the new maximum of 100000 JD, was 42,800 JD and, thus, only slightly above the former guarantee cap. This suggests continued prudence in loan guaranteeing and, as well, evident adherence to JLGC basic public policy purpose – the support of Small Enterprise financing needs. At the same time, there remains the question as to methodology used to assess larger guarantee requests and the need for more sophisticated tools to screen such “bigger ticket” applications.

3.0 BANK PARTICIPATION IN THE DOMESTIC LOAN GUARANTEE PROGRAMME.

3.1 Guarantee Activity - Total per Bank and per Bank Branch..

From inception to June 30, 1997, a total of 1067 loan guarantee applications had been received. Of this total, it had approved 860. This is an impressive level of guarantee activity for such a young institution. Admittedly, the total number of JLGC loan guarantee applications should be measured against a total number of bank branches in Jordan reported to be 445 in 1996. The latter translates to an average of some 2 JLGC loan guarantees per bank branch in Jordan. There is evidence that many of these branches are basic operations and may not yet be in a position to consciously "sell" the JLGC domestic guarantee product.

A separate and important factor is the reported centralization of JLGC-related business at the main Amman branches of several Jordanian banks and their limited delegation of credit approval to local branch management. Nevertheless, it seems likely there remains additional and further business potential for the JLGC domestic loan guarantee product. All the more so, if JLGC's current aggressive marketing is sustained both at local bank branch levels and directly to enterprises in target sectors and regions.

3.2 Domestic Loan Guarantee Activity – Major Participating Banks.

The distribution of JLGC domestic guarantee activity is concentrated in five banks, as described below.

TABLE III

**DOMESTIC LOAN GUARANTEE ACTIVITY: BREAKDOWN BY BANKS.
JORDAN LOAN GUARANTEE CORPORATION
(From Programme Commencement to June 30, 1997)**

NAME OF BANK	NUMBER OF GUARANTEES
Housing Bank	284
Industrial Development Bank	115
Jordan-Kuwait Bank	113
Arab Bank Corporation	102
Jordan-Gulf Bank	62

(Source: JLGC Data Base)

Together, these five banks account for 666 (77.4%) of the 860 Guarantees extended by JLGC, as at June 30, 1997. By JD value of Guarantees, the five banks collectively represent 4,411,479 JD (72.6%) of the 6,078,568 JD total JLGC domestic loan guarantees.

Although a number of foreign financial institutions have signed Agreements with JLGC, their active participation in JLGC domestic guarantee business is slight to negligible ANZ Grindlays – 3 Guarantees, Citibank -- 0, and British Bank of the Middle East – 0. Typically, such institutions will focus on larger accounts and the banking needs of the expatriate community The fit with a domestic loan guarantee programme, such as that of JLGC, generally tends to be modest The same may not be true for JLGC's new Export Credit Guarantee programme and there seems no fundamental reason for these Jordanian subsidiaries of foreign banks to not participate in this new JLGC programme

3 3 . Major Participating Banks – Average Domestic Loan Guarantee Size

The following is a brief summary of the JLGC domestic loan guarantee business, broken down by the major users of the programme cited in 3 2 , by average guarantee size

TABLE IV

**DOMESTIC LOAN GUARANTEES: AVERAGE LOAN
GUARANTEE SIZE AMONG MAJOR PARTICIPATING BANKS**
(All Monetary Values in Jordanian Dinars)

NAME OF BANK	AVERAGE LOAN AMOUNT (Jordanian Dinars)
Housing Bank	6,262
Industrial Development Bank	7,882
Jordan-Kuwait Bank	7,076
Arab Bank Corporation	6,418
Jordan-Gulf Bank	4,392

(Source: JLGC Data Base)

These data underline the small average size of loan guarantees among banks most actively participating in the domestic guarantee programme Clearly, the public policy purpose of assisting Small Enterprise financing is being achieved. At the same time, there is a corollary – further refining and making most expeditious the format by which JLGC serves the finance needs of this particular borrowing niche To the extent there are application processing challenges at local bank branches, to work with local branch management and staff to enhance their understanding of the JLGC product and information requirements

3 4 Other Participating Banks – Average Domestic Loan Guarantee Size

Average domestic loan guarantee size for the remaining banks participating in the domestic loan guarantee programme is 9060 JD. This is significantly higher than the average for JLGC's most active participating banks

A related series of questions may be posed by the difference in average domestic loan guarantee size – major participating banks vs. other participating banks. Namely,

- Does the smaller average guarantee size among the most active participant banks suggest a tendency on the part of JLGC to more readily approve smaller loan guarantee requests, reflecting a combination of public policy purpose and banking prudence?
- Does the larger average guarantee size among less active participating banks reflect a cautious approach to approving larger per loan guarantees, given the usual challenges of adequate capitalization and borrower's security in what is largely a small to micro-sized client base?
- Does the difference in average loan guarantee size point out a fundamental divergence in approach among Jordanian banks to the Small and Micro Enterprise sector and the average size of loans they would normally see and subsequently present to JLGC for guarantee?

With the aim of expanding JLGC's domestic client guarantee base – of “growing the business” -- there is a clear need to review these issues and respond with effective policy and market development measures.

3.5 Repeat Borrowers - - JLGC Domestic Loan Guarantees.

Some 25 domestic loan guarantees were extended to repeat borrowers – enterprises or organizations that had already borrowed using the JLGC guarantee facility. This is quite modest but the fact (See Table V) that a number of these guarantees were extended to borrowers larger than the JLGC average (typically 5 employees or less, as per Table I) is a matter that could merit review. Specifically, the leitmotif of a domestic guarantee programme is to permit smaller enterprises access to main credit sources. Once this is achieved, market disciplines should normally prevail – with conventional institutions providing follow-up credits and under borrowing conditions.

TABLE V.

**REPEAT BORROWERS UNDER THE DOMESTIC
LOAN GUARANTEE PROGRAMME**
(All Monetary Values in Jordanian Dinars)

USE OF CREDIT	GUARANTEE AMOUNT	NUMBER OF EMPLOYEES
Working Capital	30,000	30
Working Capital	20,000	8
Printing Machine	30,000	10
Machines	6,000	13
Raw Materials	10,000	12
Raw Materials	5,000	10
Industrial Machines	5,000	6
Working Capital	4,000	10
Electrical Equipment	11,000	6
Raw Materials	5,200	9
Working Capital/Equip	5,000	7
Seeds	4,000	10
Clinics	15,000	2
Working Capital	10,000	60
Textiles	7,500	7
Equipment	5,000	4
Computer Programmes	20,000	6
Technical Services	40,000	10
Building Materials	40,000	26
Working Capital +		
Fixed Assets	17,000	5
Housing	50,000	0
Tomatoe Farm	15,492	6
Greenhouse	15,000	5
Fixed Assets	10,000	16
Working Capital	5,000	16
AVERAGE	15,408	12 (Approx.)

(Source: JLGC Data Base)

4.0 SECTORAL COMPOSITION OF JLGC DOMESTIC LOAN GUARANTEES

4.1 Sectoral Breakdown of Domestic Guarantee Portfolio

The reported sectoral distribution of JLGC domestic loan guarantees in 1995 and 1996 appears in Table V.

TABLE VI.

REPORTED SECTORAL DISTRIBUTION JLGC DOMESTIC LOAN GUARANTEES

1995:

SECTOR	NUMBER OF GUARANTEES	PERCENTAGE OF TOTAL
Industry & Handicraft	73	55.3%
Services	47	35.6%
Agriculture	12	9.1%

1996:

SECTOR	NUMBER OF GUARANTEES	PERCENTAGE OF TOTAL
Industry & Handicraft	75	34.6%
Services	131	60.4%
Agriculture	11	5.0%

(Source: JLGC Annual Report, 1995; 1996)

This sectoral distribution reflects a number of influences:

- Basic composition of the JLGC domestic guarantee applicant base
- Sectoral focus of the banks most actively involved in the JLGC programme.
- Underwriting perceptions regarding repayment risk and capacity to service debt.
- Alternative finance sources in a number of sectors of the Jordanian economy (e.g. agriculture).

It should be noted that the data are, in certain respects, general, and the definition of industry categories has a tendency to be quite broad. By way of illustration, a significant volume of loan guarantees to the bakery trade are included as "handicraft". Similarly categorized as "handicraft" are a number of loan guarantees extended to the wood and metal processing sectors

As industry classification represents a key tool in client base assessment, estimation of current levels of market penetration and the potential, within a sub-sector, for additional business development, a more rigorous application of industry category definitions seems strongly advisable

4.2 Sectoral Distribution of Loan Guarantees Exceeding 40,000 JD.

As pointed out earlier, JLGC took a decision, effective January 1997, to extend loan guarantees above the previous maximum of 40000 JD. The following are details of these JLGC loan guarantees 40000 JD or more in value

TABLE VII
PROJECT DESCRIPTION
JLGC LOAN GUARANTEES EXCEEDING 40,000 JD
(All Monetary Values in Jordanian Dinars)

Project	Loan Amount
Travel Agency	60,000
Housing	50,000
Ice Cream Factory	50,000
Print Shop	50,000
Trading/Storage	50,000
Housing	42,000
Bakery	40,000
Car Rental	40,000
Chicken Production	40,000
Hospital	40,000
Hotel Security System	40,000
Ice Factory	40,000
Jack Hammer	40,000
Kindergarten	40,000
Medicine Storage	40,000
Optics	40,000
Print Shop	40,000
Taxi Office	40,000
Textiles	40,000
Tour-Bus	40,000
Trading House (Advertising)	40,000
Wheels (Working Capital)	40,000

(Source: JLGC Data Base)

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While preliminary, these individual loan guarantee data suggest the decision to increase JLGC's per loan guarantee limit has allowed JLGC to begin serving the financing needs of a new category of Jordanian enterprises. Based on sectoral experience in other countries - - developing and developed - - a number of them may have the potential to expand sufficiently enough over the medium-term to enter -- albeit tentatively -- the export field, JLGC's other and newer field of product focus.

There is also a matter of JLGC product choice. Namely, which is the better vehicle to support such relatively larger finance requirements - - the early or start-up stage domestic guarantee programme or the ECG programme which addresses capital needs of enterprises which have already successfully passed through the critical and (not always successful) start-up stage

4.3 JLGC Domestic Loan Guarantees – Agriculture Sector.

Notwithstanding the earlier observation regarding industry classification methodology, and that the number of guarantees extended to a more broadly defined agricultural and agri-food sector would likely be greater (were on-farm and off-farm agri-food sector loan guarantees to be grouped together), JLGC guarantee activity in this sector of the Jordanian economy remains small. In 1995, JLGC guaranteed 12 loans to this sector; in 1996, a total of 11 JLGC loan guarantees were reported.

Highlights of these agricultural sector loan guarantees appear below.

TABLE VIII

**REPORTED JLGC DOMESTIC LOAN GUARANTEES
THE AGRICULTURAL SECTOR
(All Monetary Values in Jordanian Dinar)**

YEAR 1995	Value of Guarantee
Cow Farm	40,000
Equipment Upgrade	25,000
Chicken Farm	20,000
Working Capital	15,000
Production of Cow's Milk	11,200
Equipment, Barn	10,000
Purchase of Cows	10,000
Greenhouse	7,500
Raw Materials	5,000
Vegetable Farm	5,000
Fertilizers and Seeds	4,000

YEAR 1996	Value of Guarantee
Cow Farm Expansion	40,000
Palm Tree Purchase	40,000
Working Capital	40,000
Farm Production Support	30,000
Sheep	20,000
Sheep	20,000
Sheep	19,000
Chicken Farm and Sheep	16,000
Tobacco Farm Expansion	15,000
Greenhouse	15,000
Flowers	12,000

(Source JLGc Data Base)

There is a specialized credit institution in this sector, the Agriculture Credit Corporation, principally responsible for this component of the Jordanian economy. Moreover, this particular sector can be profoundly and adversely affected by sudden weather changes and natural phenomena e.g. fire blight and codling moth in the case of tree fruits. Nevertheless, World Bank/FAO have identified the agricultural field as one with significant potential for expansion, particularly in food categories with competitive export potential. There seems room for further JLGc expansion in this sector, especially on projects with an identified export focus and confirmed product acceptance by key accounts.

APPENDIX III

**LENDING AT BANK BRANCHES IN JORDAN:
BANK LOAN AND GUARANTEE PROCEDURES
(QUESTIONNAIRE)**

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APPENDIX: Arabic language questionnaire

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PREFACE

In every line of commercial activity, successful companies understand that enhancing knowledge of their market can rapidly translate to an increase and expansion in both business volume and quality.

The present report is designed to serve this fundamental objective.

The depth of respondent probing, which the present report summarizes, is a reflection of helpful prior comment and input from management of the Jordan Loan Guarantee Corporation (JLGC).

Equally critical has been the enthusiastic and sustained interest in the project demonstrated by the JLGC staff members who both selected the group of target respondents and participated in the actual respondent interviews

It is hoped that the present report will be no isolated initiative. Rather, one in a continuing series of focused research initiatives JLGC will pursue to further understand its market and how best to fulfill the role for which JLGC is mandated in the Jordanian economy.

HIGHLIGHTS

- All respondents reported they had authority to recommend loans for approval. The limit of this authority varied but was typically in the range of the average size of a JLGC loan guarantee i.e. four-to-five digit Jordanian Dinars. Respondents' volume of loans processed ranged to as high as one hundred applications per month.
- Generally this branch level authority to recommend loans for approval by senior bank management was not restricted to particular sectors or types of business. There was, however, a tendency on the part of respondents to not exceed repayment terms greater than thirty-six months.
- Certain forms of collateral were viewed with caution, especially land or similar forms of property.
- Respondents were largely permitted to make recommendations to senior management regarding loans for which a JLGC guarantee was required. Respondents did indicate that this authority, in the case of JLGC guaranteed loans, was subject to certain limits either as per normal practice at the respondent's bank or JLGC's own regulations.
- The majority of respondents had processed a JLGC guaranteed loan and this volume, per respondent, has been growing though still largely only one-three per year.
- A number of respondents were aware of other financial support programmes, but there was no clear sense from respondents whether they felt the process for applying to JLGC was any more or less complicated than these other programmes.
- Respondents typically felt that they "generally" knew JLGC's programmes but only twenty percent of respondents could correctly identify the maximum size of a JLGC loan guarantee (100,000 JD) or the maximum number of employees per enterprise (50 workers).
- Gathering of information on a borrower's collateral or repayment package was generally seen by respondents as "straight-forward".
- Respondents typically spoke of one to three hours time to prepare a business plan for a JLGC loan guarantee application.
- Respondents generally indicated that preparation of a JLGC loan guarantee application involved a total of one day to one week.
- A strong majority, 70 percent, of respondents responded either "very much so" or "somewhat helpful" when asked if JLGC should develop a computer-based "check-list" to assist branch level staff in understanding JLGC and its rules and procedures.

- Expansion of JLGC s Counseling Services Unit was supported, in some cases, quite strongly, by a large majority of respondents
- A number of respondents indicated that they would only consider JLGC guaranteed loans from established account holders. There was a general impression that respondents had to “feel comfortable” with a borrower before they would consider a loan request, with or without a JLGC guarantee. This procedure was as much a reflection of the respondent’s own decision as a head office directive
- As many as 90 percent of respondents indicated that even without a JLGC guarantee, senior management approved (with/without change) their loan recommendations
- In the case of loan requests supported by JLGC guarantee, rejected applications were most often because a borrower would not provide respondents and the JLGC with sufficient information on the business
- One-half of respondents believed that, in their area, there were “many” potential JLGC loan guarantee requests.
- The suggestion of branch-level information sessions with JLGC was enthusiastically supported by most respondents. Typically, for the new Export Credit Guarantee programme, respondents felt some interested exporters should also be invited to this JLGC information session
- Respondents encouraged JLGC to market itself more at branch level and better acquaint branch level staff with the operational modalities of JLGC programmes.

INTRODUCTION

An integral part of the Marketing Advisor's assignment with the Jordan Loan Guarantee Corporation (JLGC) is the assessment of the linkages with and relationship between JLGC and banks in Jordan.

In the Marketing Advisor's Terms of Reference pursuant to US AID Contract No 278-I-00-96-90524-04, the second of the deliverables is described as:

“A questionnaire for banks on JLGC loan procedures and guarantees that will help overcome obstacles that may deter banks from deriving benefits from JLGC services”

A questionnaire was prepared during July 1997, with input from JLGC senior management and staff, to address the following themes with bank personnel at branch level

- a Whether at branch level there was authority to approve or recommend loans;
- b The extent of this authority to approve or recommend loans and any limitations in terms of ceiling, sector or collateral,
- c Whether at branch level there was authority to approve or recommend loans that would require a JLGC loan guarantee and any related limitations;
- d Had the branch processed a loan guaranteed by JLGC during the years 1995, 1996, 1997;
- e What was bank branch management's impression of the JLGC application process;
- f Were basic JLGC loan guarantee parameters known at branch level;
- g Did branch management encounter challenges when gathering information on the collateral proposed by a potential JLGC-guaranteed borrower,
- h How long did it take to prepare a loan application an/or business plan for purposes of requesting a JLGC guarantee;
- i What was the general experience in obtaining management approval for loan recommendations without and with a JLGC loan guarantee;
- j Advisability of a computerized check-list, available at bank branch level, summarizing JLGC guarantee criteria and approval thresholds, examples of loans that could be supported/not supported by JLGC, guidelines for drafting a business plan, information gaps common to applications received by JLGC;

- k The merits of expanding JLG's counseling service;
- l Minimum time required to know an account holder before submitting a loan on their behalf for approval and the origin of this policy;
- m. Whether loan guarantee requests which they had submitted to JLG had been approved or rejected and, if rejected, why,
- n Whether in the area where the branch operated there were many, few or rarely loans that might require a JLG loan guarantee and, if few or rarely, why,
- o The advisability of holding a JLG information at branch level and the content, focus and attendees for such an information session

METHODOLOGY

The survey questionnaire was completed by twenty bank branch managers and credit officers during the period August 4, 1997 to August 25, 1997.

With the assistance of JLGC underwriting staff, a group of target respondents was identified with a view to ensuring responses from:

- a) A variety of banks;
- b) A range of levels of involvement with JLGC,
- c) A selection of geographically separate locations throughout the Greater Amman Municipality

The interviews were conducted in person on the basis of a set series of translated English/Arabic questions. In the case of two respondents, the questionnaire was completed following an initial in-person meeting with the interview team.

The Interview Team consisted of

- Morton Roodman USAID Marketing Advisor, JLGC,
- Ahmed S Al-Qaddoumi Loan Guarantee Division, JLGC;
- Hosam M. Jumma Export Credit Guarantee Division , JLGC

All interviews were conducted at a respondent's bank branch.

The questions were characteristically posed in Arabic. In a limited number of cases, respondents were sufficiently comfortable with both being questioned and replying in English that those interviews were conducted largely in English.

Time to complete each questionnaire ranged from as little as one-quarter hour to upwards of two hours. This difference was principally a function of the respondent's familiarity with survey research methods and willingness to expand on replies, share opinions and provide transaction-specific marketing input.

RESPONDENTS

All respondents were familiar and had substantial experience with the general process of loan application and assessment, as it related to their respective banks

At branch level, respondents indicated their volume of individual loan and guarantee requests (in general and characteristically without a JLGC guarantee) ranged as high as about one hundred per month. Such loan requests varied from as little as a few hundred JD per application to more typical figures in the four to five-digit JD range

The loan approval decision-making process at most of the banks, in which respondents were employed, is characteristically centralized. Nevertheless, the initial stages of loan application review, and of related business development, would appear to typically occur at respondent/branch level. This on-going transaction experience assisted in the gathering of survey opinion from respondents.

In only two cases, branches of Cairo-Amman Bank and Arab Land Bank, was the centralization of loan approvals so pronounced that branch management declined to participate in the survey.

Participating Bank	Survey Respondent	Position	Branch Location
Arab Bank Corporation	George Zwaideh	Assistant Manager	Al-Wihdat
Arab Bank	Ibrahim Hammad	Facilities Manager	Al-Abdali
Bank of Jordan	Amal Fakhouri	Branch Manager	As-Sweifieh
Export & Finance	Ahmad Al-Araj	Facilities	Head Office
	Modr Al-Kurdi	Facilities	Head Office
Grindlays	Youssef Saeed	Branch Manager	Al-Wihdat
	Al-Khatib	Branch Manager	1 st Circle Branch
	Katia Krekorian		
Housing Bank	Abass Al-Khalidi	Facilities Manager	As-Sweifieh
	Issa Abu-Arjoob	Assistant Manager	As-Sweifieh
	Abd Allah Al-Aboos	Facilities Manager	Gardens
	Hussein Fadallah	Branch Manager	Al-Wihdat
	Moh'd Awad	Facilities	Sh. Emir Moh'd
Jordan Gulf	Nabeel A. Ad-Deen	Branch Manager	Gardens
	Suhair Sweis	Asst. Branch Mgr.	Sh Emir Moh'd
Jordan Kuwait	Saad A A Kalimeh	Branch Manager	Al-Wihdat
	Aahed Saad	Branch Manager	Wadi Ar-Rimam
Jordan National	Salim Beirouty	Branch Manager	Gardens
Middle East Investment	Lina Zeidan	Facilities	Head Office
Union Bank	Faris Qaqiesh	Branch Manager	As-Sweifieh
Union Bank	Lina Haddad	Branch Manager	Gardens

SURVEY RESPONSES

AUTHORITY TO APPROVE OR RECOMMEND LOAN APPROVAL

QUESTION 1

“In general, do you have authority to approve or recommend loans ”

RESPONSES

Twenty (20) of the twenty (20), 100%, of respondents indicated that they had authority to recommend loans for approval by higher management in their respective banks.

Only one (1) or 5% of the twenty respondents had authority to themselves also approve loans.

COMMENT

Respondents typically play a direct role in the loan application review process. This suggests that banks, at branch level and particularly in the Greater Amman Municipality, represent a clear point of contact for business development by JLGC personnel.

QUESTION 2

“If YES in Question 1, up to what level JD is this authority.”

RESPONSES

Seven (7) of the twenty (20) or 35% of respondents indicated there was no limit on the size of loan on which they could make a recommendation.

Other respondents, who disclosed their limit to recommend loans for approval by higher bank management, provided replies that ranged from as low as 3000 JD to 40000 JD. In one case, the respondent indicated the limit was considerably higher than this latter figure but requested that the actual figure remain confidential.

COMMENT

The authority to recommend loan approval, among respondents, appears to not diverge from JLGC thresholds. Indeed, there appears to be, in the case of a number of survey respondents, an interest to use the JLGC guarantee for the portion of the requested loan that may exceed their authorized limit.

QUESTION 3

“Is this authority limited in terms of specific sectors and types of businesses.”

RESPONSES

Sixteen (16) of the twenty (20) or 80% of respondents indicated that this authority to recommend loans for approval was unrestricted by sector or type of business.

Four (4) of the twenty (20) or 20% of respondents indicated there were limitations on the kinds of sectors or businesses over which they had the authority to recommend loans for approval

Respondents frequently noted that those limits which did exist related to the maximum term of the loan, typically citing a limit of thirty-six (36) months

COMMENT

Respondents lending activity was generally not limited in terms of sector or business type. They were, however, generally reluctant to exceed a medium-term repayment time-frame. In this respect, some respondents noted that their lending term maximum and the longer time-frame for some JLGC guaranteed loan requests imposed a distinct challenge to expanding business with JLGC

QUESTION 4

“Is this authority limited in terms of types of collateral that you may approve before you have to refer to more senior management or Amman head office for approval ”

RESPONSES

Thirteen (13) of the twenty (20) or 65% of respondents indicated that there were limits on the kind of collateral that could be accepted

One (1) of the twenty (20) or 5% of respondents indicated that the only limits were those established by JLGC.

Six (6) of the twenty (20) or 30% of respondents stated that there were no limits as to the type of collateral that could be accepted

Typically, when citing restrictions on collateral, use of land was identified as an example. In this regard, many of the respondents spoke of discounting land to 60% of assessed value.

COMMENT

In general, respondents were cautious regarding the kinds of collateral they would and would not accept. In this respect, it is worth noting that pledge of land or real estate was seen as a less than optimal form of loan collateral.

JLGC/BANK BRANCH RELATIONS

QUESTION 5

“For loans guaranteed by the Jordan Loan Guarantee Corporation (JLGC), do you have authority to approve or recommend loans.”

RESPONSES

Eighteen (18) of the twenty (20) or 90% of respondents answered in the affirmative that they had such authority

Two (2) of the twenty (20) or 10% of respondents indicated that they did not have such authority

COMMENT

JLGC guaranteed loans were generally not perceived as “special cases”, in terms of respondents’ loan recommendaton powers. This tends to further reinforce the Comment regarding Question 1 concerning the utility of pursuing JLGC business development at bank branch level

QUESTION 6.

“If YES in Question 5, are there limitations on this authority in terms of

Maximum Size of JLGC Guarantee
Sector or Type of Business
Forms of Collateral.”

RESPONSES

Maximum Size of JLGC Guarantee.

Eleven (11) of the twenty (20) or 55% of respondents replied that there were limitations. The other nine (9) of the twenty or 45% of respondents did not provide replies.

Two of the eleven respondents who advised there were limitations indicated these limitations were imposed by JLGC’s own ceilings. One respondent indicated “normal procedures” and another stated the limitation was imposed by their own top management.

Sector or Type of Business.

Thirteen (13) of twenty (20) or 65% of respondents affirmed that there were limitations. The remaining seven (7) declined to reply.

As in the case of limitations in terms of maximum size of a JLGC loan guarantee which they could approve, two of the thirteen cited JLGC’s own ceilings; one respondent cited “normal procedures” and another respondent spoke of limitations established by their own top management.

Form of Collateral

Eleven (11) of the twenty (20) or 55% of respondents confirmed there were limits on the types of collateral that could be accepted. The remaining nine (9) did not reply.

Again, two of the eleven cited JLGC rules; one respondent cited "normal procedures" and another respondent, limits from their own "top management"

COMMENT

It seems strongly advisable that a pre-condition for effective business development at bank branch level would be the establishment by JLGC of a detailed catalogue of such lending limitations, *disaggregated by targeted bank branch, limit on loan approval amount, sector, type of collateral*

QUESTION 7

"Have you ever processed a loan to be guaranteed by the JLGC"

RESPONSES

Eleven (11) of the twenty (20) or 55% of respondents stated "YES" Eight (8) of the twenty (20) or 40% of respondents stated "NO" One respondent declined to reply

COMMENT

The principal remark is that the majority of respondents clearly had some operational familiarity with JLGC procedures, a clear advantage in providing "educated" responses to survey questions

QUESTION 8.

If YES to Question 7, how many during

1997

1996

1995

RESPONSES

1997 - Nine (9) of the twenty (20) or 45% of respondents confirmed that they had processed a loan requiring a JLGC loan guarantee in the current year.

Eight (8) of the twenty (20) or 40% of respondents replied that they had not processed a JLGC loan guarantee in 1997.

The largest number of JLGC guaranteed loans reported by an individual respondent was 7; another respondent confirmed processing 6 JLGC guaranteed loan requests The remainder in 1997 ranged, per respondent from 1 to 3. In total, respondents had processed 25 JLGC guaranteed loans in the current year

One respondent advised that the number could have been higher but the "quota" of JLGC loan guarantees had been reached The same respondent, explaining the level of JLGC guaranteed loan activity at his branch, cited encouragement by the respondent's head office

1996 - Six (6) of the twenty (20) or 30% of respondents affirmed processing JLGC guaranteed loans during 1996.

Fifteen (15) of the twenty (20) or 75% of respondents had not processed a JLGC guaranteed loan during 1996.

The largest number of JLGC guaranteed loans was 5. All other respondents who had processed a JLGC guaranteed loan in 1996 indicated that there had been only 1 such loan at their branch during 1996.

It is worth noting that four (4) of the six (6) respondents who had processed a JLGC loan guarantee in 1996 also reported activity in 1997. By contrast, respondents active with JLGC in 1997 included a number who had not been active in 1996.

1995 - Only one (1) respondent of the twenty (20) or 5% of respondents had processed JLGC guaranteed loans during 1995. One (1) other respondent or 5% reported involvement with a JLGC loan guarantee during 1994.

COMMENT

These replies confirm JLGC's growing volume of guarantee activity.

At the same time, the replies underline the scope for additional business development by JLGC at bank branch level. This would include branch level targets such as respondents who did not even report a single JLGC guaranteed loan application in the current year, notwithstanding an often impressive volume of loan applications (See Section 3 Respondents),

The indication of seven (7) JLGC guarantee requests at a single respondent bank branch and six (6) at another respondent bank branch during 1997 confirms the role that JLGC can play in the marketplace. The fact that most other respondents reported less or nil JLGC loan application activity highlights the need for JLGC to identify and follow-up branch level marketing "hot buttons".

QUESTION 9

"Are you familiar with other financial support or guarantee programmes in Jordan?"

RESPONSE

Twelve (12) of the twenty (20) or 60% of respondents confirmed that they were aware of other support or guarantee programmes active in Jordan.

Eight (8) of the twenty (20) or 40% of respondents indicated they were not familiar with other support or guarantee programmes active in Jordan.

COMMENT

Confirmation of familiarity with other support or guarantee programmes by a number of respondents implies they are likely in a position to make at least preliminary comparisons with these other programmes, and in the event of competing products, identify the easier option.

QUESTION 10

“If YES in Question 9, which financial support or guarantee programmes would they be ”

RESPONSES

Respondents varied widely in terms of other programmes with which they were familiar. By respondent count

Housing	4
Agricultural	3
IDB	2
Developing	2
Cars Exchange	2
Jordan Valley (JVA)	2

A number of respondents also spoke of “US AID”, “World Bank”, “French Equity Swap” (under discussion), VISA

COMMENT

Respondents demonstrated a certain knowledge of a number of other support or guarantee programmes. This underlines the need for JLGC to be conscientious in establishing a clear, distinct and competitive image for its range of guarantee products among banks at branch level.

QUESTION 11

“In general, compared to these other financial support programmes, do you find the application process for a JLGC loan guarantee:

RESPONSES

“About the same in terms of detail required and amount of information requested”

Three (3) of the twenty (20) or 15% of respondents answered in the affirmative or “YES”.

“Less detailed and complicated than many other programmes”.

Five (5) of the twenty (20) or 25% of respondents answered in the affirmative or “YES”

“More detailed and complicated than many other support programmes”

Four (4) of the twenty (20) or 20% of respondents answered in the affirmative or “YES”.

COMMENT

There would not appear to be a distinct pattern to respondent opinion, with answers regarding JLGC application procedure requirements divided between equal, less and more detailed than other financial support programmes

Nevertheless, the fact that a number of respondents found JLGC procedures more detailed, reinforced by the knowledge that one of those respondents had processed a total of as many as 9 JLGC loan applications since 1995, deserves study and appropriate follow-up.

BRANCH LEVEL KNOWLEDGE OF JLGC PRODUCTS AND OPERATIONAL PARAMETERS

QUESTION 12

“Would you say that you understand the kinds of guarantee products offered by the JLGC”

RESPONSES

Five(5) of the twenty (20) or 25% of respondents concurred with the reply “Very Much So”

Ten (10) of the twenty (20) or 50% of respondents indicated agreement with the reply “Generally”

Three (3) of the twenty (20) or 15% of respondents stated “Somewhat”

Two (2) of the twenty (20) or 10% of respondents declined to reply

COMMENT

In general, there was only basic knowledge about JLGC and its range of products Further, with two exceptions (both from the same bank), not a single respondent had anything more than nominal awareness of JLGC’s new Export Credit Guarantee programme. Noteworthy is that the respondent with the highest number of JLGC loan guarantee applications (and, all approved) was one of the four respondents to describe his knowledge of JLGC as “Somewhat”.

There is a critical need to broaden and deepen JLGC’s marketing message and acquaint bank branch management with the kinds of guarantees JLGC can and does offer More to the point, the role which JLGC will play in strengthening *their* business

QUESTION 13

“What is the maximum size of a JLGC loan guarantee”

RESPONSES

In general, most respondents were visibly uncertain about this JLGC ceiling.

No more than four (4) of the twenty or 20% of respondents were aware of the current JLGC ceiling maximum of 100000JD A somewhat more typical response, provided by five (5) of twenty (20) or 25% of respondents, was 40000JD i e the pre-1997 JLGC maximum. Most other respondents were reluctant to provide any specific figure. The one exception was a respondent who stated “5000JD”

COMMENT

Clearly, this weak knowledge of a basic component of JLGC’s loan guarantee conditions underlines the need for JLGC to directly address banks at branch level Dependence on communication through bank head office contacts would appear to be less than effective. Further, it seems advisable to clarify JLGC’s guarantee parameters with the broader aim of educating

bank branch management as to the full extent of JLGC's potential to offer support to their lending activity.

QUESTION 14

"What is the maximum number of employees in an enterprise or organization that would be eligible to obtain a JLGC loan guarantee?"

RESPONSES

As in the instance of Question 13, respondents were generally not clear on the maximum number of employees JLGC pre-condition. Four (4) of the twenty (20) or 20% of respondents were able to provide the correct reply of 50 employees. One respondent replied "4-5" while all others declined to respond.

When informed after that the maximum was 50 employees, the characteristic attitude on the part of respondents was that this was a higher figure than they would otherwise believed.

COMMENT

The remarks provided in Question 13 apply equally here too – there is a need to direct the JLGC message to branch level with a view to better informing this critical target group about JLGC's key pre-conditions to loan guarantees. By so doing, branch management will be more cognizant JLGC is not exclusively involved with the smallest of small enterprises and, thereby, permit JLGC to reap greater advantage of its loan guarantee potential.

QUESTION 15

"Like any prudent lender JLGC requires adequate repayment security before it approves a loan guarantee. How difficult is it to obtain information on the borrower's repayment security package or collateral?"

RESPONSE

Twelve (12) of the twenty (20) or 60% of respondents indicated "STRAIGHT FORWARD" i.e. not difficult. Six (6) of the twenty (20) or 30% of respondents confirmed "SOMEWHAT DIFFICULT". Only one (1) of the twenty (20) or (5%) of respondents replied "VERY DIFFICULT". One respondent declined to reply.

COMMENT

The general impression was that branch managers understood the imperatives of prudent lending and were not uncomfortable with the JLGC requirement to properly document a borrower's repayment security.

QUESTION 16

"If a JLGC loan guarantee applicant submits a feasibility study or business plan with the application, how much time do you spend with the applicant refining and improving the feasibility study or business plan?"

RESPONSES

Seven (7) of the twenty (20) or 35% respondents indicated under 1 hour.

Six (6) of the twenty (20) or 30% of respondents chose the response "2-3 Hours"

Three (3) of the twenty (20) or 15% of the respondents indicated "> 4 Hours".

Two (2) of the twenty (20) or 10% of respondents chose "1-2 Hours".

COMMENT

A total of thirteen of the respondents, provided answers ranging from 1-2 hours to upwards of 4 hours per applicant business plan

Respondents in practically all cases were based in active bank branches Interviews for this survey were frequently interrupted every few minutes, often every 2-3 minutes by staff requests for signing approval, authorization or information enquiries

The strategic question for JLGC is whether gauged in the context of these seemingly routine business-days at bank branch level, how much of a conscious or subliminal deterrent is the preparation of a business plan that may require a relatively significant amount of (uninterrupted) time This issue should be addressed with a view to minimizing any adverse effects on branch management's enthusiasm to use the JLGC loan guarantee product

ENHANCING BRANCH-LEVEL KNOWLEDGE OF JLGC OPERATING RULES

QUESTION 17

“Do you think it would be helpful if there was a standardized applicant ‘check-list’ available that could be installed on your computer and further help you complete a JLGC loan application ”

RESPONSES

Six (6) of the twenty (20) or 30% of respondents chose the reply “Very Much So”, Eight (8) of the twenty (20) or 40% of respondents responded “Somewhat Helpful”; Six (6) of the twenty (20) or 30% of respondents indicated “Not Very Helpful”

Two of the six respondents who indicated “Not Very Helpful” were, in combination, the source of more than one-half of the applications for JLGC loan guarantees indicated by all respondents in the current year.

COMMENT

The general attitude was enthusiasm for this proposal. In this regard, the comment “Not Very Helpful” from the two in the respondent sample most actively originating JLGC loan guarantees was to be expected i.e. they saw little incremental or “bottom-line” value in broadening their understanding.

For most other respondents, and some with obvious interest, additional knowledge about JLGC was seen as desirable

QUESTION 18

“If you think a standardized JLGC domestic guarantee ‘check-list’ that could be installed on your computer would be helpful, what subjects should such a ‘check-list’ cover.

“Basic Information Requirements”.

RESPONSES

Eighteen (18) of the twenty (20) or 90% of respondents responded “YES”; two (2) of the twenty (20) or 10% of respondents stated “NO” One of the two “NO” respondents was the source of the largest number of JLGC loan guarantee applications among the respondent sample.

“Detailed Examples of the Kinds of Collateral that are Acceptable to JLGC”.

RESPONSES

Fifteen (15) of the twenty (20) or 75% of respondents replied “YES”. One (1) respondent stated “NO” while four (4) respondents declined to answer

“Loan Repayment Conditions and Terms”

RESPONSES

Fifteen (15) of the twenty (20) or 75% of respondents replied "YES" One (1) respondent stated "NO" and four (4) respondents chose to offer no answer

"Maximum Size of a JLGC loan guarantee"

RESPONSES

Sixteen (16) of the twenty (20) or 80% of respondents replied "YES" Not a single "NO" reply was received while four (4) respondents declined to answer

"Business Plan Writing Guidelines"

RESPONSES

Twelve (12) of the twenty (20) or 60% of respondents replied "YES" Two (2) respondents stated "NO" and six (6) respondents did not declare an opinion.

"Key Issues that JLGC will consider when assessing an application"

RESPONSES

Fifteen (15) of the twenty (20) or 75% of respondents replied "YES" One respondent stated "NO" and four (4) respondents declined to answer.

"Examples of Business Proposals JLGC frequently is Asked to Consider"

RESPONSES

Thirteen (13) of the twenty (20) or 60% of respondents replied "YES" Three (3) respondents replied 'NO'; one of these latter respondents was the originator of the largest number of approved JLGC loan guarantee applications among respondents Four (4) respondents declined to answer

"Information Gaps in Business Proposals JLGC May be Asked to Consider"

RESPONSES

Thirteen (13) of the twenty (20) or 65% of respondents replied "YES". Only one (1) respondent stated "NO" while six (6) respondents declined to answer.

COMMENT

There was a general and often distinctly positive attitude among most respondents to the concept of a JLGC information "check-list" A number of respondents added "Jiddan" (Very) when confirming their "YES" replies.

To the extent there was variation among affirmative responses to particular information categories, the suggestion of an electronic "page" containing basic JLGC loan guarantee parameters was especially well received. It should be noted that a somewhat smaller number of respondents affirmed their interest in a section dealing with business plan writing Conversely, a

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larger number of respondents demonstrated an essentially not-committed attitude by declining to reply to this particular suggestion

The "check-list" emerges from the bank branch survey as a clear "winner" and its refining and trial launch represent priorities

QUESTION 19

"Would you like to see JLGC expand its counseling services and have someone deal exclusively with questions involving JLGC loan guarantee procedures "

RESPONSES

- Three (3) of the twenty (20) or 15% of respondents chose the reply "Very Much So".
- Eleven (11) of the twenty (20) or 55% of respondents opted for the response "Possibly a Good Idea"
- Six (6) of the twenty (20) or 30% of respondents chose the answer "Would Not Change the Process of Applying to the JLGC" Noteworthy, three of this lattermost group originated the majority of JLGC loan guarantees reported in 1997 from the whole respondent sample.

COMMENT

More active users of the JLGC loan guarantee programme, a distinct minority in the overall sample ,were often the respondents demonstrating little enthusiasm for the queried extension of JLGC's new counseling service

More typically, a number of the other respondents conceded they had not been aware of such a service at JLGC Upon learning of its existence, during the survey, respondents were often demonstrably pleased. They expressed their desire to have direct branch level contact with JLGC's counseling unit.

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INFORMATION-GATHERING ON BORROWERS' SECURITY / COLLATERAL; ASSOCIATED PAPER-BURDEN

QUESTION 20

“On average, how long does it take within your bank for a JLGC loan guarantee application to be prepared for submission.”

RESPONSES

- “A Few Hours”
Three (3) of the twenty (20) or 15% of respondents concurred this estimate.
- “1 Day”
Seven (7) of the twenty (20) or 35% of respondents concurred with this estimate.
- “A Few Days”
Four (4) of the twenty (20) or 20% of respondents concurred with this estimate
- “1 Week”
Three (3) of the twenty (20) or 15% of respondents concurred with this estimate.
- “1-2 Weeks”
One (1) of the twenty (20) or 5% of respondents concurred with this estimate.
- “2-4 Weeks”
- “More than 1 Month”
None of the respondents concurred with either of these estimates

Two respondents declined to answer.

COMMENT

As noted earlier, almost all of the respondents who participated in this survey were interviewed in the course of visibly full and frequently fast-paced business days. Since fourteen respondents or 70% of the twenty respondents provided estimates of time required to prepare a JLGC loan application ranging from 1 day to 1 week, and a fifteenth respondent estimated 1-2 weeks (this particular respondent had processed 3 JLGC loan guarantees in 1997), a basic question emerges.

Put succinctly, is 1 day to 1 week, or more, too long to complete the application process at branch level, given a myriad other tasks competing for a branch manager's or credit officer's attention during a standard work day? Moreover, is such a length of time a subliminal deterrent to increased guarantee application volume at branch level.

Consideration of these related issues, and rectification where possible using streamlined application process, at least for smaller JLGC loan guarantee requests, would appear to be strongly recommended.

THE CREDIT ACCESS LEVERAGE OF A JLGC LOAN GUARANTEE.

QUESTION 21

“When submitting a loan guarantee request to the JLGC, do you generally do so only on behalf of account holders you have known for some time

RESPONSES

Seven (7) of the twenty (20) or 35% of respondents stated “YES” Thirteen (13) of the twenty (20) or 65% of respondents replied “NO”.

COMMENT

Two important observations emerge from these replies The first is that one-third of respondents may be blunting the basic utility of a JLGC loan guarantee viz to enhance borrower access to the credit market Specifically, these respondents conceded they would only consider loans for account holders that they had know for some time

A number of respondents were especially emphatic, they had to be comfortable” with a borrower. As an illustration, one respondent conceded he would query a loan applicant as to why they had approached his bank, were the applicant not a regular account holder of his

A second remark is that the group of “YES” respondents—those who indicated they would only submit JLGC loan guarantee requests for account holders known to them for some time -- had originated a total of thirteen (13) JLGC loan guarantees in the current year. This does indicate minimum account holder familiarity is not, per se, a deterrent to employing JLGC products in their banking business. Nevertheless, the “incrementality” of such business must surely be questioned.

Put simply, do at least some of these particular loan guarantee requests merely involve credits that, as bankers, they might not themselves prudently recommend/approve. Hence, are they using JLGC as a “banker of last resort” Is this a proper role for JLGC. Are there procedures that JLGC can implement to minimize such off-loading of particularly risky credits – by obliging a bank to indicate the length of time they have known a borrower, the record established by such a borrower and why the bank *now needs* a JLGC guarantee.

QUESTION 22.

“If YES in Question 21, what is the amount of time you would have to know an account holder”

RESPONSES

Only one respondent provided a specific figure – “3-6 months”. The general comment was that there was no precise number; rather, achievement of a “comfort level” as a lender. Several respondents added that, as a result, the exact number varied.

COMMENT

In assessing the merits of a particular JLGC application, from the perspective of incrementality or leveraging a borrower's access to credit, these replies suggest that JLGC's loan underwriting should be seen as much "art" as it is "science".

In target marketing loan repayment guarantees, JLGC recognition that some bank branch officers are especially conservative seems crucial. Against this background, the JLGC repayment guarantee may be especially relevant in expediting the process of attaining such a bank branch's loan approval "comfort zone".

QUESTION 23

"Is this minimum amount of time a policy established by your

"Bank Head Office"

Ten (10) of the twenty (20) or 50% of respondents concurred with this explanation

"Regional Manager"

None of the respondents agreed with this explanation

"Yourself"

Six (6) of the twenty (20) or 30% of respondents agreed with this explanation. One of these six respondents had also concurred that the respondent's Head Office had also been involved.

Five respondents declined to reply.

COMMENT

The basic impression formed during the interviews was that the decision to slow the credit access was as much a reflection of initiatives at the branch level as it was the product of "top-down" policy from head office. This indicates that JLGC's marketing and education initiatives are as much relevant at branch level as they are to personnel at a bank's head office.

LOAN APPROVAL EXPERIENCE

QUESTION 24

"If you have submitted loan requests to your management without a guarantee from an organization like the JLGC, have they generally been

"Approved Without Change"

Eight (8) of the twenty (20) or 40% of respondents confirmed this basic experience

"Approved After Changes"

Ten(10) of the twenty (20) or 50% of respondents agreed with this reply

"Rejected"

Two (2) of the twenty (20) or 10% of respondents agreed with this reply

One of the respondents indicated there had been no general pattern to their JLGC loan guarantee experience. Another respondent termed the senior management approval as "conditional".

COMMENT

Most insightful is that only two of the respondents spoke of their loan requests having been rejected by bank management without a JLGC guarantee

A certain and understandable reticence to reveal internal bank experiences may have lead to such a high level -- 18 of 20 or 90% of respondents -- to report that their loan requests were either approved without or, at most, with change by higher management

All the same, such a basic pattern identifies a profound marketing challenge to JLGC. Namely, how to elicit wide target audience (bank branch) enthusiasm for a product (the JLGC loan guarantee) which may not radically alter the target audience's performance (rate of loan approval) with senior management

In this respect, it is additionally revealing that three of the respondent group most actively using the JLGC guarantee product were among the eight respondents who stated their loan application recommendations, even when not guaranteed by JLGC, had been approved without change by higher management. This suggests the loans they had been processing with a JLGC guarantee were somehow "special" i e in terms of size, type, collateral, sector .

From the perspective of preparing a medium-term business plan or scenario for JLGC, just how large are these "special" category of loans. Likewise, how can the JLGC "reach" bank branch management and more aggressively engage them in an active dialogue on their "special" loans, as and when they are being initially screened.

QUESTION 25

"If you have submitted loan guarantee requests to JLGC, have they generally been"

“Approved Without Change”

Six (6) of the twenty (20) or 30% of respondents agreed with this reply

“Approved With Change”

Nine (9) of the twenty (20) or 45% of respondents concurred with this reply

“Rejected”

None of the respondents reported this general experience

Six respondents declined to reply

COMMENT

With a combined figure of 15 of 20 or 75% respondents reporting approval without or with change by senior management in respect of their JLGC guaranteed loan applications, the basic pattern described in Question 24 applies here too. Reassuring for JLGC is that there is no significant divergence between responses re loan approval rates reported in Question 25 (with JLGC guarantee) vs Question 24 (without JLGC guarantee) In effect, JLGC’s future marketing development challenges do not appear to lie in “winning over” bank senior management to consider applications guaranteed by JLGC.

QUESTION 26

“If your loan guarantee applications to JLGC have had to be changed, why have they had to be changed.”

“Insufficient information on the borrower”

Seven (7) of the nine (9) respondents reporting changes to applications confirmed this information gap

“No business plan”

Three (3) of the nine (9) cited this information gap.

“Collateral insufficient”

Two (2) of the nine (9) cited this deficiency

“Did not follow JLGC loan guarantee application methodology”

Four (4) of the nine (9) identified this as the reason

“Some Other Reason”

The two respondents who opted for this reply spoke variously of final outcome resting with their bank’s head office or chose not to be specific

COMMENT

The reasons for change to JLGC applications should be seen as a varied and, likely, variable mixture. Inter alia, lack of specifics on a borrower, collateral deficiencies, the JLGC application requirements. Regarding the lattermost explanation, there was a sense from these respondents, and a number of the other respondents, that the JLGC application was relatively complicated and required specialized knowledge. In this respect, the reply from several of the Housing Bank respondents, when asked why their bank was more active than other banks in the JLGC programme, is helpful "Because our system [for loan applications] is like yours" JLGC's objective, in this light, should be to work with branch level personnel in other banks so that they too can feel more comfortable with the application process

QUESTION 27

"If your loan guarantee applications to JLGC were rejected, why have they been rejected "

"Borrower would not provide requested information on the basic business"

Six (6) respondents cited this factor

"The loans guaranteed by the JLGC were felt by the JLGC to be not in keeping with the JLGC loan programme"

Five (5) of the respondents cited this factor

"The business plan was inadequate and the applicant would not improve the business plan"

Four (4) respondents confirmed this factor as the explanation.

"Collateral offered was insufficient and that was the best that the applicant could offer"

Two (2) respondents confirmed this factor as the explanation

"JLGC had previously rejected an application by the same application and basic conditions had not changed"

Three (3) respondents concurred with this explanation.

COMMENT

"Many reasons why" summarizes the overall pattern of JLGC loan application rejection. Encouraging is that deficiencies, in terms of collateral, were not an especially important factor.

That a number of borrowers, according to several respondents, would not provide information on their basic business is not an issue about which JLGC ought to be overly concerned Borrower disclosure is standard international practice Nevertheless, a streamlining of application format seems advisable.

JLGC LOAN GUARANTEE VOLUME POTENTIAL

QUESTION 28

"In your region, do you see

"Many loan requests where the JLGC loan guarantee would be helpful"

Ten (10) of the twenty (20) or 50% of respondents agreed with this reply

"Few loan requests where the JLGC loan guarantee would be helpful"

Seven (7) of the twenty (20) or 35% of respondents agreed with this reply

"Rarely see loan requests where the JLGC loan guarantee would be helpful"

Four (4) of the twenty (20) or 20% of respondents agreed with this reply

COMMENT

The general direction of replies suggests an encouraging pattern re respondents' sense of potential JLGC business, with one-half of the sample concurring with the reply "many loan requests"

The issue for JLGC, given the often high volume of loan applications reported by respondents at bank branch level, is for business development staff of JLGC to have a branch-level marketing program sufficiently active that it meets such potential loan requests as and when they are occurring. In this respect, a JLGC/bank pilot programme initiative – involving banks/branches less active to date in the guarantee programme—appears advisable

QUESTION 29

"If you only see a few or rarely see loan requests where the JLGC loan guarantee would be helpful, why is that so

"Our clients tend to be bigger and their credit needs are larger than the JLGC loan guarantee"

Six (6) respondents provided this explanation

"Our clients tend to be basic deposit holders and would not need a loan that JLGC could guarantee"

Only one (1) respondent chose this explanation.

"Our clients largely do not understand the process of applying for a loan guarantee"

Ten (10) respondents chose this explanation or practically all respondents who had indicated, in Question 28, that they saw few or rarely saw loan requests relevant to the JLGC loan guarantee programme .

COMMENT

Two key observations emerge from the responses

One fact is that a number of the respondents most actively using the JLGC guarantee programme were included in the very group who cited the explanation “Our clients tend to be bigger. ” This suggests an imperative for JLGC to determine what are the credit needs of those bigger clients and whether they conform to JLGC’s newer Export Credit Guarantee programme

The second observation is the large number of respondents indicating “Our clients do not understand the process of applying for a loan guarantee” This was remarked upon, often with particular emphasis, by several respondents and deserves priority review by JLGC senior management

JLGC INFORMATION SESSIONS

QUESTION 30

“Would you like to attend a JLGC Information Meeting.

“Should this information session be focused on basic JLGC information requirements”

Eleven (11) of the twenty (20) or 55% of respondents supported this focus.

“Should this information session deal extensively with collateral and repayment security”.

Seven (7) of the twenty (20) or 35% of respondents requested that this issue should be covered.

“Should this information session provide brief examples of loans that JLGC has guaranteed and others which JLGC had rejected for guarantee”

Fifteen (15) of the twenty (20) or 75% of respondents requested this such examples should be provided

COMMENT

The general sense of replies was that a primer on JLGC products and, most especially, what JLGC would support and what JLGC would not support, was advisable

A number of respondents had attended general JLGC information sessions at their bank's head office but were clearly had in mind a more detailed and smaller gathering that would be more specific to their client base's needs

QUESTION 31

“The JLGC does have a new Export Credit Guarantee programme. Would you like to have and explanation of this new Export Credit Guarantee programme also included in the

“Same JLGC Information Meeting”

Six (6) of the twenty (20) or 30% of respondents replied “YES”

“A Separate JLGC Information Meeting”

Thirteen (13) of the twenty (20) or 65% of respondents replied “YES”

COMMENT

In the main, respondents felt that the Export Credit Guarantee (ECG) programme was new and quantitatively different from the JLGC domestic loan guarantee – for example, in terms of target audience, type of business, degree of transaction complexity Hence, preference for a separate session

At the same time, this begs a wider question. Should such sessions be focused on JLGC's main products – supply-driven – or is it more advisable for sessions to be focused on a commonly-shared theme in terms of a potential attendee's geographical market and/or industry sector – demand driven. From experience, the latter would send a message to attendees, in effect confidence-building, that JLGC knows *their market* and is not merely selling JLGC services.

QUESTION 32

“Would you like to invite a few potential borrowers to also attend such a JLGC Information Meeting”

RESPONSES

Eleven (11) of the twenty (20) or 55% of respondents replied “YES” Nine (9) of the twenty (20) or 45% of respondents replied “NO”

COMMENT

There was a certain caution on the part of some of the “NO” respondents with regard to this suggestion Some remarked they preferred not informing borrowers that a JLGC guarantee was involved – concerned that a borrower might be more likely not to repay A contrasting opinion was expressed by a somewhat larger number of the “YES” respondents – they felt borrower knowledge that JLGC was providing a loan guarantee would discourage a borrower’s temptation to not meet repayment obligations

The respondent “signal” concerning JLGC’s new ECG programme was, however, much clearer Exporters should be invited and the operational mechanics of how the ECG programme worked, what is covered and what is not covered, should be fully explored Paraphrasing one respondent “To advance from the theoretical”

QUESTION 33

“Have you any thoughts about how to increase interaction with JLGC”

RESPONSES

The most common remark concerned the need to deepen JLGC contacts at bank branch level Among the comments.

“Make meetings for branch managers to understand this programme [ECG],

“Continuous contact and visits to banks from period to period”,

“Increase promotional means”;

“Increase visibility”,

“Why not provide promotional items (cups, pens, for example);

“Marketing”.

COMMENT

The message from practically all respondents was consistent

JLGC needs to be seen at bank branch level, regularly and continuously JLGC must be perceived by bank branch personnel as their partner and persuade branch personnel that *they* will benefit from this association with JLGC

APPENDIX IV

SMALL AND MEDIUM ENTERPRISES SURVEY

BACKGROUND

A deliverable under the JLGC Marketing Advisor's assignment is a survey of exporters to determine need and modalities for the recently launched Export Credit Guarantee Program.

In fulfillment of this mandate, a series of in-person interviews were held during the August-October 1997 period with CEOs or senior management of ten Jordanian exporting companies

The respondent population was selected to permit representation from a number of Jordan's emerging export sectors: pharmaceuticals, finished garments; manufactured foods; beauty and health care products, paper production; tradable services

Individual interviews lasted from 1 hour to 2 hours and, with a single exception, were conducted in English.

This kind of systematic information gathering should be a pre-condition of product development initiatives at JLGC. It is hoped that the data gathering summarized in this report will serve as a useful contribution in pursuit of this objective.

INTERVIEW TEAM

Morton Roodman
Marketing Advisor
JLGC

Said Hammamı
ECG Consultant

Khaldoun Khalaf
ECG Department Head

Samir Arabiat
Director of Marketing
JLGC

RESPONDENTS

Pharmaceuticals

- Hikma Investments
- Arab Centre for Pharmaceutical and Chemical Industries

Veterinary Products

- Vapco

Medical Products

- Jordan Medical

Food Products

- National Establishment for Export Development (MED)

Garments

- El-Zay Ready Wear Manufacturing Co.

Paper

- National Industries Company

Beauty and Health Care Products

- Zara

Oscar Dead Sea Products Corporation

Tradable Services

- MMIS

EXECUTIVE SUMMARY

THE SURVEY OF TEN JORDANIAN EXPORTERS REVEALED THE PRIORITY NEED TO CUSTOMIZE AND REFINE BOTH TYPES OF COVER OFFERED UNDER THE EXPORT CREDIT GUARANTEE (ECG) PROGRAMME, RE-SHIPMENT AND POST-SHIPMENT PROGRAMME

IN PARALLEL, TO REFINE THE ACTUAL SOUNDNESS OF THESE TYPES OF COVER

RESPONDENTS,

- REGARDLESS OF SIZE, WERE STRONGLY FOCUSED ON EXPORTING THE HIGHEST PERCENTAGE REPORTED BY AN INDIVIDUAL RESPONDENT WAS 96% OF TOTAL ANNUAL TURNOVER.
- GENERALLY DID NOT SEE THEIR EXPORTING AS FUNDAMENTALLY RISKY ON THE WHOLE, THEY REPORTED THE VOLUME OF PROBLEM ACCOUNTS, AMONG FOREIGN BUYERS, AS BEING SLIGHT
- EXPRESSED INTEREST IN SPECIFIC TRANSACTION COVER FOR SHIPMENTS TO CERTAIN REGIONAL AND EMERGING MARKETS
- OFTEN REACTED FAVOURABLY TO A 90% GUARANTEE RATIO VS. THE PRESENT 85% BUT PRICING SENSITIVITY REMAINED A SIGNIFICANT CONSIDERATION
- SPOKE FREQUENTLY OF ORDER-TO-FINAL PAYMENT PERIODS IN THE RANGE OF 60 DAYS OR LESS. THIS WOULD RESULT IN THIN MARGINS ON PRE-SHIPMENT GUARANTEES AND MERITS URGENT JLGC REVIEW.
- MOSTLY INDICATED THAT MINIMUM PER SHIPMENT SIZES WERE AT LEAST AS LARGE AS JLGC'S CURRENT PRE-SHIPMENT GUARANTEE MAXIMUM VALUE, OWING TO MARINE TRANSPORT SCALE ECONOMIES (1 x 20 FT. CONTAINER)
- TYPICALLY HAD BEEN DEALING WITH THEIR FOREIGN ACCOUNTS FOR A NUMBER OF YEARS AND WERE LARGELY COMFORTABLE WITH PAYMENT ARRANGEMENTS OFTEN, THE LATTER INVOLVED A SUBSTANTIAL CASH DEPOSIT, CASH AT TIME OF ORDER OR AN L/C DRAWN AT AN ACCEPTABLE BANK

- SPOKE FREQUENTLY OF EXPORT ORDERS BEING CUSTOMIZED (PACKAGING, TECHNICAL SPECIFICATIONS), THUS REDUCING THE LIKELIHOOD OF HIGH CLAIMS RECOVERY, BY JLGC, IN THE EVENT OF BUYER PAYMENT DEFAULT
- WISHED TO LEARN MORE ABOUT HOW THE ECG PROGRAMME COULD HELP THEM BUT CLEARLY REQUIRED HIGHLY SPECIFIC INFORMATION ON HOW THE ECG PROGRAMME COULD ENHANCE THEIR COMPANY AND BETTER ITS OVERALL PERFORMANCE

Question 1

What percentage of your total sales during 1995-1996 were sold to non-Jordanian buyers?

REPLIES

Without exception and regardless of company size, respondents indicated that exports represented a large percentage of total sales. The highest figure cited, for one of the smallest of the respondents, was 96%. A number of other respondents indicated approximate proportions in the range of 80% or 90%

The explanation provided was straightforward – there was a limited internal market for respondent's products (type, volume) A number of respondents stated they had consciously expanded their volume of exports to limit exposure to domestic accounts within Jordan that they perceived as more risky, in terms of buyer non-payment, than their export accounts

COMMENT

In many respects, Jordan's exporters reflect an absence of the exporting "middle class" that may be seen in developed economies – where many companies engage in a modest level of exporting and relatively few would first consider themselves "exporters.

In the Jordanian case, a somewhat different pattern emerges from the replies of exporter respondents. They appear to have identified a niche and sought to expand on it, in some instances specifically because foreign business was seen as less risky than domestic sales. This is the near opposite of the pattern in North America, Europe and Japan/Oceania where exports are felt to be potentially lucrative but riskier than domestic sales.

The implication is that a "whole turnover" approach, suggesting the general risks in exporting, may not be widely effective as an ECG marketing concept More likely to elicit exporter interest appear to be themes connected with "specific transaction" cover, with challenges in more difficult export markets.

In terms of broad marketing themes:

"GROWTH = YOUR EXPORT SALES+JLGC"

"GUARANTEED EXPORT PAYMENTS = JLGC"

"IF YOUR EXPORTS ARE A CONCERN, CALL US

"YOUR EXPORTS – THAT'S OUR BUSINESS TOO"

QUESTION 1.1

Typically, are your sales to buyers outside of Jordan direct to foreign buyers, through import trade monopolies, through a network of contracted agents, through your own foreign sales representatives

REPLIES

A range of responses were provided and no typical pattern emerged Import trade monopolies, however, were seldom mentioned. More characteristic was direct sale to buyers or via sales

representatives or agents. A few respondents, owing to sectoral characteristics, did speak of sales to foreign government departments, e.g., Ministry of Health. It was in this latter type of context i.e., public sector sales that payment delays were, if at all, reported by respondents

COMMENT

The implication is that JLGC will have to refine its ECG product to factor in the intermediary of consignment-type sales via agents or comparable entities.

This is an issue that major export credit agencies have faced and have now acceded to cover. A separate issue are sales to public entities such as Health Ministries – to properly define what is a payment delay (period, payment reminders, etc) and consider accepting to cover such circumstances if it involves a new foreign buyer

QUESTION 2

How much of your exports went to ..

REPLIES

Respondents provided a range of answers. A number pointed to regional markets as continuing sources of export orders. Among the markets cited in this context. Egypt, Israel, Sudan, Saudi Arabia, UAE.

Others cited European Union member countries, in at least one case via a technology transfer/production buy-back arrangement

Only only a minority of respondents reported direct sales to the USA and South America; the same was true for exports to buyers in Asia. In this lattermost regard, one respondent explained that the recent downturn in S. E. Asia and the fall in local currencies there have not as yet curbed purchase order volume from that region.

Some respondents spoke of new orders being received from the Former Soviet Union (Russia), Vietnam, Albania.

COMMENT

If JLGC is to be fully “part of the picture,” it will have to consider cover for exports to countries in the immediate region and North Africa. Shipments to “non-traditional” destinations were often as slight a factor among respondents as they are in Jordan’s merchandise trade statistics. Moreover, to enhance ECG actuarial soundness, by building volume/income base, cover for regional markets will have to be offered – even if this involves a significantly higher premium reflective of attendant political risk and the like.

QUESTION 3

What is the average size of an export shipment made by your company?

REPLIES

Respondents most often cited transport scale economies (minimum – 1 x 20Ft. container) and spoke frequently of per shipment sizes of US\$ 100,000, or more (e.g., suppliers of basic

6/25

manufactures). The smallest per shipment size was from one of the larger exporters surveyed, US\$ 15,000-25,000; US\$ 40,000 per buyer, reflecting specific sectoral characteristics

COMMENT

These replies suggest that the current pre-shipment guarantee maximum of 100000JD (guarantee ratio: 75%) should be reviewed on a priority basis. At its present level, the pre-shipment guarantee maximum may not reflect typical exporter volumes, per shipment and likely needs to be revised upward to have a less restricted appeal within the Jordanian export community.

QUESTION 3 1

On average, do your shipments to non-Jordanian buyers involve special orders and customized specifications and packaging/sizing no different from the requirements of buyers in Jordan?

REPLIES

The demarcation was typically not between non-Jordanian and Jordanian sales, in accordance with the replies received in Question 1. Rather, between buyer specifications – which were end-use specific. In case of personal care products, local phyto-sanitary and packaging requirements were also important.

COMMENT

This question was posed, in part, to determine the potential for claims recovery – customized buyer specifications often translate to diminished likelihood of substantial claims recovery. As one respondent observed, “Each account’s specifications are different and it is not easy to dispose of such a product to another buyer.” The implication is that claims recovery is likely to be modest in many cases and this should be factored into ECG product pricing.

QUESTION 3 2

As a supplier to your foreign buyers, are you generally the only source or one of the few available sources, one of several possible foreign sources, an occasional supplier competing against dominant established suppliers?

REPLIES

The typical reply was “One of several possible foreign sources.” In one instance, because of increasing end-user concern re the extent of possible raw material contamination, the reply “The only source or one of the few available sources” was felt to be potentially appropriate.

COMMENT

Respondents were largely “price-takers”, competing against several suppliers and not “price-makers”, supply monopolists/duopolists. This would even be true for products in which Jordan (+ neighboring Israel) are the sole sources in the World i.e., health care products using Dead Sea salts. Such a competitive situation implies that the ECG product should be priced accordingly, to maintain a supplier’s overall edge in the end-use market.

QUESTION 4

Are your exports to Arab countries larger on average than those to non-Arab countries, smaller on average than those to non-Arab countries, about the same size as those to non-Arab countries?

REPLIES

While the pattern was not uniform, several respondents indicated that exports to Arab countries were larger on average than those to non-Arab countries. For those respondents where the reverse was true, with average exports to Arab countries smaller than to non-Arab countries, the explanation was product-specific. For example, overseas interest in the properties of products employing Dead Sea salts; a technology transfer/buy-back agreement.

COMMENT

The replies reinforce the need for the ECG program to cover exports to regional markets and, in light of potential claims incidence, to charge a commensurate premium.

QUESTION 4.1

Are your exports to Arab countries evenly spread throughout the year?

REPLIES

One respondent, a manufacturer of canned food, spoke of the Hajj period being a peak season. Another respondent identified winter as a peak period for sales – the company manufactured paper for use as input to converter/end-users for production of facial tissue. A supplier of specialized management consulting services indicated that the April-October period, following the regular season of corporate/organization Annual General Meetings, was a key time of business activity. In general, however, other respondents with more diversified product lines indicated that sales, overall, were typically even throughout the year.

COMMENT

The question was posed to determine optimum time for marketing the ECG product – the replies imply that for many exporters shipping to Arab countries, there would be no “best time”. Nevertheless, for suppliers catering to the Hajj season – e.g., prepared food products, an ECG selling campaign prior to this annual event may be appropriate.

QUESTION 4.2

Are your shipments to non-Arab countries evenly spread throughout the year?

REPLIES

To the extent that there were peaks, these were often sector-specific. For example, the twice-per-year merchandising cycle of Spring and Fall clothing lines, the August summer vacation period in the Northern Hemisphere. As in Question 4.1, there would not appear to be any uniform “best time” to market the ECG product.

QUESTION 5

When you sell to non-Jordanian buyers, are your sales typically FOB Jordan supply point,

CIF landed in the country of purchase, CIF landed in a third country other than the country of purchase?

REPLIES

Typically, exports were priced either FOB Jordan supply point or CIF landed in the country of purchase.

COMMENT

These replies, if representative of the wider Jordanian export picture, suggest that the ECG underwriting concerns will not be complicated as a result of export shipment through third countries (a growing pattern among many Western companies, owing to regional customs unions, multinationalization of plant investment, world product mandating)

QUESTION 5

How would you characterize your shipments to foreign buyers?

Open Account

Net 30 Days

Net 60 Days

Net 90 Days

Net 120 Days

Net 180 Days

Net 360 Days +

REPLIES

Each respondent provided a different reply – depending on sector and region of export. There was, as a result, no typical pattern.

COMMENT

The absence of any “typical pattern” implies that it would be unwise for JLGC to endeavor to standardize its underwriting procedures in terms of maximum payment that would be covered. Rather, the underwriting approach would have to be based on “industry standard.”

QUESTION 6

In what currency are most of your inputs denominated?

REPLIES

To the extent that respondents procured within Jordan, JD were used. However, for the bulk of respondents who made use (to varying extent) of foreign inputs, e.g., packaging, fabric, pulp/paper fiber, US\$ were the principal payment instrument with some use of D-Marks and, in one case, Italian Lira

COMMENT

These relies conform with the established belief that US\$ represent the “lingua franc” in international business. Clearly, to the degree that the JD might decline in value in future, there would be impact on the basic cost structure of these hitherto largely successful niche exporters.

QUESTION 7

In what currency are most of your exports paid?

REPLIES

The typical reply was US\$

COMMENT

See Comment under Question 6

QUESTION 8

How much more attractive to you is a foreign buyer payment guarantee that covers 90% of the value of an export transaction vs 85%?

Much more attractive

Somewhat more attractive

Not a great deal more.

REPLIES

The predominant reply was “Much more attractive” There was, predictably, an auxiliary discussion of cost for such additional guarantee coverage

COMMENT

The level of 90% is closer to the norm among more established export credit agencies – at 85% guarantee level, the insured party’s 15% “deductible” + the cost of a “whole turnover” premium can make the price of such an export guarantee seem expensive to those unfamiliar with an ECG-type product. There is a pressing need both for JLGC to decide on whether it will offer such a higher guarantee level and if so, pricing sensitivity; potential for claims; actuarial soundness`

QUESTION 9

Would you be more likely to an export buyer guarantee if you had the option of excluding sales to

Your largest buyer?

Your two largest buyers?

Your three largest buyers?

Sales to one region of countries?

REPLIES

To the extent that respondents were inclined to consider an ECG post-shipment guarantee, in its current “whole turnover” format, exclusion of largest (typically, most established) buyers was generally seen as preferable.

COMMENT

The replies identified the single biggest challenge of the ECG post-shipment program to building adequate volume – exporters do not perceive their major foreign customers as “risks” Respondents did concede shipments to certain markets contained a risk element and it is in regard to these particular export shipments that JLGC would be well advised to focus marketing efforts and development of guarantee products

QUESTION 10

What is the average length of time between when your company receives an order from a foreign buyer and is paid in full by a foreign buyer?

REPLIES

The longest reported was 180 days – often owing to the seasonality of the respondent’s particular business and the long lead-times e.g., Spring 1998 orders have already been placed More typical was a figure of 60 days and less so, 30 days and, in one instance, 15 days (selling from continuous production).

COMMENT

These replies provide a good “sense” for the kinds of pre-shipment guarantee terms that JLGC can expect to be asked to cover Given other key pre-shipment guarantee parameters, inter alia, maximum coverage, % of guarantee, premium rate, period of premium calculation, a JD100000 pre-shipment cover on such a 60 day basis would generate premium income of 188JD vs JLGC contingent liability of 75000JD. Unless a large volume of such pre-shipment guarantees develops, the current pricing seems underfunded to accommodate even a single claim of such contingent liability magnitude.

QUESTION 11

How much of your typical export sale is paid before final shipment?

REPLIES

Respondents provided a range of answers, these 10%, Irrevocable L/C; 50% up-front; Cash upon Order

COMMENT

These replies provide a further explanation why most respondents were inclined to increase their exporting activity, even without a buyer credit guarantee Through partial (or more) pre-shipment payment, respondents have lowered the potential for foreign buyer default. JLGC’s ECG pricing will have to factor in this element Alternatively, JLGC could consider varying the degree of cover, permitting exporters to guarantee the proportion of each shipment which has not been pre-paid or otherwise funded

QUESTION 12

During a typical year, what is the percentage of your export sales from which you encounter payment problems?

- 1% or less
- No more than 5%
- No more than 10%
- No more than 15%
- No more than 20%
- No more than 25%
- More than 25%

REPLIES

Most respondents chose 1%; one respondent stated 5% and one other respondent stated 10%

COMMENT

This again identifies the fundamental ECG marketing challenge – unlike export credit agencies in industrial countries, JLGC is selling a family of guarantee products to a community of exporters that would appear to see only minimal payment risk in their business. Respondent exporters do concede that there have been payment delays, e.g., when selling to public sector buyers and that certain markets may require the ECG product. The challenge to JLGC is, therefore, to develop a specific transaction or specific region guarantee and price it to achieve actuarial soundness.

QUESTION 13

Do you believe that an export payment guarantee would help you when negotiating for working capital with banks?

- Definitely
- Quite Likely
- Maybe
- Not At All.

REPLIES

Some respondents were clearly persuaded by the leverage that an export payment guarantee could provide when negotiating with banks. This included even certain larger exporter respondents. Other respondents were less sure – largely because they did not perceive significant working capital problems and were unclear as to the potential benefits of the ECG guarantee mechanism.

COMMENT

The ECG has a basic information challenge – to persuade exporters that an export credit guarantee is “money in the bank”. This will mean highly specific case examples of how the guarantee works; what is the effective price of the guarantee to the exporter (at various levels of

claims incidence), the impact of the 15% “deductible”; and quite possibly, direct involvement during any JLGC/exporter meeting from representative/s of banks who are signatories to the ECG arrangement

QUESTION 14

Does your bank provide you with information about foreign sales opportunities?

- Frequently
- Sometimes
- Occasionally
- No.

REPLIES

One respondent did confirm that their company’s bank was providing sales leads in export markets. Another respondent indicated that trade support organizations like JEDCO were directly involved. Other respondents were less clear about the extent of sales leads provided by non-company sources. Some respondents identified this particular niche as a “value-added” service that they felt could be part of the overall ECG process. In effect, “one-stop shopping”

COMMENT

There is a niche to be addressed and at least one respondents, one of the largest exporters in the sample, was emphatic that a joint approach with JLGC (and other players) in the area of new export market development could and would be mutually beneficial

QUESTION 15

What is the principal line of business of your company, your foreign buyers?

REPLIES

Respondents’ companies included: pharmaceutical manufacturers; makers of veterinary medicines; paper producer; garment factory; a food manufacturer, makers of consumer merchandise (health and beauty products); services suppliers

Foreign buyers included: sales agents; major retailers; small boutiques; manufacturers; the health services sector (human/animal)

COMMENT

The survey underlined the extent to which no two industries are alike and, indeed, how different they can often be. This further reinforces the urgent need to customize the ECG product to address sectoral features – production cycle, payment terms, perception of buyer payment risk; new market development and the role of the post-shipment guarantee

QUESTION 15.1

Are your foreign buyers generally Foreign Governments or Foreign Government Agents, Private Sector, Locally Owned, Local Subsidiaries of Foreign Companies, or International Organizations?

REPLIES

Typically, buyers appeared to be private sector, locally owned Health care product manufacturer respondents frequently were selling to Foreign Government entities Only one respondent indicated that sales were frequently to International Organizations (e.g , World Bank)

COMMENT

The replies indicate that buyer credit approvals are likely to involve sales to private sector groups and will demand a strong credit information base covering regional markets and supplementing the COFACE data set

QUESTION 16

How long have you been selling to most of your foreign buyers?

REPLIES

While often not generalizing, respondents did imply they had been selling to their larger foreign buyers for several years

COMMENT

Exporter respondents clearly “knew their market” and even how to finesse payment problems e.g , access to hard currency in Nigeria using an offshore arrangement with buyer credits drawn on an account held at a Lebanese bank. Here again, further reason for JLGC to refine its “sales pitch” – exporter respondents knew their buyers and were reasonably comfortable with them

QUESTION 17

Briefly, what does the term “export credit guarantee” mean to you?

REPLIES

Typically, respondents had a only a general sense of what an export credit guarantee was; how it worked, and how it might assist their company.

COMMENT

JLGC must significantly enhance its explanatory materials with respect explaining the mechanics and utility of the ECG product. This should be seen as a pre-condition to increasing interest and “salability” of the program.

QUESTION 19

When you are selling to non-Jordanian buyers, are your risks of buyer non-payment or default generally traceable to Commercial Factors or Political Factors?

REPLIES

Respondents, if they conceded there were payment problems, cited political factors – e g , local prohibition on confirming L/Cs, good buyer/high risk country, payment delays because of highly centralized political structure for payment approvals, Second Gulf War

COMMENT

JLGC must study ways and means of offering cover for politically related foreign payment risk
This would clearly be of interest to exporters

QUESTION 20

When you sell to non-Jordanian buyers, do you often go into a consortium with other companies to fill a foreign order?

REPLIES

In the main, the replies were “NO” One respondent did indicate that through offshore plant investments, his company had access to a wider internal or in-company procurement base

COMMENT

Jordanian exporters generally appear to still be “Lone Rangers” -- selling directly to foreign buyers and not engaging in an international division of labor with other companies to fill export orders This likely will constrain the amount of larger business that the ECG programs can hope to see, given the relative narrowness of the Jordanian production base and the minimum supply needed to quote on more substantial foreign orders

QUESTION 20 1

When you sell to non-Jordanian buyers, do you often make use of sub-suppliers?

REPLIES

Responses varied widely – some exporters confirmed that they did use sub-contractors, others indicated that legal regulations in their sector (pharmaceuticals) prevented this Still other respondents indicated there were only two local companies in their industry and the second company was a direct competitor

COMMENT

“Consortium guarantees” -- involving prime and subcontractors -- would not appear to be yet in significant demand in Jordan and the development of such a guarantee product does not appear to be an immediate JLGC priority

APPENDIX V

**INITIAL OVERSIGHT OF
MARKETING PLAN IMPLEMENTATION**



Jordan Loan Guarantee Corp . Ltd الشركة الاردنية لضمان القروض م.ع.م

TeleFax . Message

Number :
To :
Attn. : Mr. Morton Roodman
Fax. No : 001-202-265-5886
From : Walid Abuzeir

Our Fax No. (962-6) 617396
Date : January 22, 1998

Number of pages transmitted, including this cover , is (1)

Comments : Dear Mr. Roodman,

Reference to your fax dated Jan. 17, 1998, kindly note that the implementation of your recommendations is going exactly as we have agreed upon before your departure, note that everything is going according to the schedule, and the timing.

Also, please note that H.E. Dr. Ziad Fariz /the Chairman has instructed us to present all your recommendations to the board by its forthcoming meeting.

Currently, a sub-committee from the board has been asked to review the marketing plan in order to prepare a sufficient budget for implementation.

Please accept my best personal regards

Sincerely Yours

Walid Abuzeir

APPENDIX VI

RECOMMENDATIONS AND MARKETING MATERIALS

Date: December 22, 1997
To: Walid, JLGC
From: Morton Roodman,
Marketing Advisor
Re Strategic Marketing Plan –
Suggested Implementation
Actions during 1st and 2nd
Quarter, 1998

I have prepared the attached, further to your request and with a view to sustaining the significant progress that has been recorded during the period of early implementation i.e December 1997

Please review and discuss with Dr. Salah and your JLGC colleagues.

Morton Roodman

Attachment.

c.c. Jamal Al-Jaberi, US AID

RECOMMENDATION

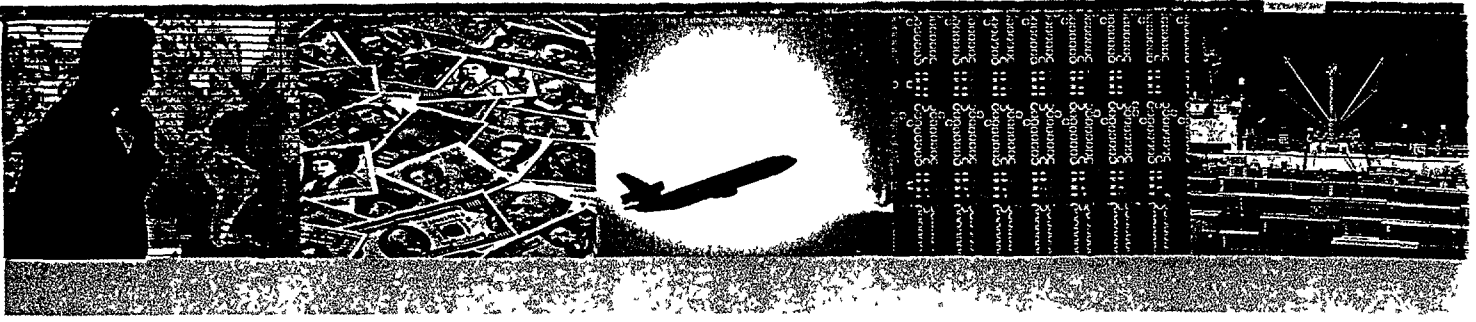
SUGGESTED IMPLEMENTATION STEPS

1. Mission Statement	Six-Monthly Internal JLGC Management/ Staff Review of Programme Activities "Suggestion Box"
2. Clarifying Image	"Success Stories"/Sector Specialized Flyers
3. Wider Understanding of Guarantees	See #2; Specialized seminars with bank <u>branch</u> management (one seminar/one bank, several branches)
4. Broader Knowledge of Sectoral Credit Needs	Systematic classifying of key loan guarantee issues for main target sectors (patterned on "check-list" selection of standard variables)
5. Pro-Active Portfolio Management	Review of existing portfolio sector exposure; establish sectoral notional ceilings and per loan notional guarantee maximum
6. Strengthening Ties with Growth/Niche Sectors	Expand dialogue with IDB re ISO 9000/9001 companies, outreach to start-up high technology SMEs.
7. Reinforcing Sectoral "Staying Power"	Discussion item at JLGC Board level re maximum permissible defaults <u>per sector</u> .
8. Increasing JLGC Visibility at Bank Branch level	Selection of @50 bank branch targets; schedule of visits, branch-level info. sessions (with/without potential borrowers).
9. Strengthening JLGC Bank Branch Information Data Base	Computerized and standardized subject data base system
10. Enhanced Tracking of JLGC Business Development at Bank Branch level	See #9 – to be integrated as a single data base.
11. Re-Initiating Sectoral Credit/Business Development Info Sessions	Formal approach to 2-3 banks to co-host such info. sessions -- target date for 1 st session – March 1998.
12. Reinforced Monitoring of Sectoral Trends/Credit Concerns	JLGC Research Dept to prepare briefing papers for discussion by JLGC senior management and/or Board.
13. Foreign Trade Fair Participation	Options include. Jordan Week/ Jedco events in <u>promising</u> markets where exports guarantees are likely to be needed; Financial Times of London conferences on "emerging market banking".
14. Previewing New Products	High priority, every quarter e.g. specific transaction cover
15. Participation with Industry in Planning at Early Stage	Part of ECG outreach, encourage businesses to go to markets where JLGC "on-cover" + allows JLGC to anticipate "off-cover" ECG requests.
16. Mandating that Insurers Sell JLGC Post-Shipment Guarantees.	Marketing Advisor repeated position that this would be <u>one</u> method of expanding JLGC's marketing "reach."
17. JLGC Product Familiarization for General Line Insurers.	See Comment under Recommendation 16
18. Monitoring Benefits of JLGC Insurers	See Comment under Recommendation 16.

19. Strengthening LGP Links with other Organizations involved in SME development	Concentrate on SME-type discussions, less on micro-enterprises
20 Increased JLGC Involvement with Foreign Trade Fair Mission Planning	See #13
21. Involvement in Specialized Export Credit and Finance Facilities	Correspondence to EDC, other export credit agencies proposing JLGC as guarantor for input (buyer) credits to Jordanian exporters
22 Selection of Core Business Areas for Higher JLGC Visibility	In-house "brainstorming session" re selection of locations and bank branch partners
23 JLGC Information Sessions at Branch Level	Should be more than basic information session on JLGC, should be initiated in 1 st Quarter 1998.
24 Review the Pre-Shipment Guarantee Ceiling	Requires <u>early</u> action and amendments as required.
25. Establish JLGC Street-Level Offices	This sort of <u>physical</u> presence in the business community is important.
26 Commence Specific Transaction Guarantees	See #25. Options include a standard fee for all specific transaction guarantees e.g. 5% of total shipment value, "cover" up to 90% based on supplementary premium (i e. 5% +?).
27. ECG Cover for Shipment via Foreign Agents	Requires early review and, as required, action
28 Sector-Wide Whole Turnover Guarantees	Expanding Guarantee offerings
29. Encourage Referrals from Banks	Priority review by JLGC to establish commission payment structure and procedures.
30. Prepare a Comprehensive Guide to the ECG Programme	Immediate priority, should be prepared in clear language with illustrating examples.
31. Further Customization of Domestic Loan Guarantees	For example, pharmacies -- requires full understanding of credit needs and typical debt-servicing patterns/cash-flow (see # 12).
32. Increase Bank Involvement in Guarantee Process	This is important for banks to see JLGC as their business partner.
33. Flexible Percentage of Loan Guarantee	Options should be prepared for consideration by JLGC Board, factors could include degree of value-added, level of technology, potential for export (examine existing loan guarantee portfolio and examine results).
34. Review the Method of Charging Banks for Guarantees	Options should be prepared for discussion/review by JLGC Board.
35. Sectoral Customization of ECG Claims Procedures.	Following discussion with Marketing Advisor JLGC accepted.

36. Informing Banks of Preliminary JLGC Guarantee Attitude	"Fuzzy Logic" Computerized Loan Review Check-List.
37. Extending Branch Level Loan Authorization Authority	The recommendation follows directly from comments of leading banks in Jordan whose branch-delegated loan recommendation/authorization powers are significant.
38. Review Current JLGC Organizational Structure	Marketing Advisor, during Implementation phase, secured willingness of JLGC to re-visit the issue
39. Assess Relationship Between JLGC Structure and Marketing	See Comments under Recommendation 37.
40 "Best Practices" to Encourage Bank Use of JLGC Services	Dialog should be initiated as priority with, e g Arab Bank, British Bank, ANZ Grindlays, etc.
41. Software Upgrade	Examine options and choose, as soon as possible
42. Modems	Will likely be required once # 39 is active and working.
43. Management of Simultaneous Voice/Data Communications	Likely needed once loan guarantee volume 2-3 times current level, examine ATM option (Asynchronous Transfer Mode) communications technology
44. "Hot-Line" Telephone	See #42 Link with High JLGC Use Banks.
45 "Expert System" for Expediting Loan Application Review	See #39, "Fuzzy Logic" checklist to be reviewed in mid-1998 for improvement (additional variables) and upgrade to "expert system" (ES) status.
46. "Real-Time" Business Information Data Bases	Dun & Bradstreet subscription, also Reuters (Internet version), <u>conditional</u> upon significant increase in ECG business volume
47. Enhanced Borrower Detail on JLGC Internal Data Base	Loans to be classified on the basis of supplier <u>and</u> buyer sector, using US Standard Industrial Classification (SIC) and/or UN SITC System, to be ready by end of 1 st Quarter, 1998.
48. Review Process for Monitoring Marketing Plan Implementation	Periodically re-visit the effectiveness of the present method of internally monitoring the implementation of the Marketing Plan
49. Assess Merits of Part-Time External Advisor on JLGC Change	See Comments under recommendation 48.
50. Comprehensive Semi-Annual Review and Update of Marketing Plan	Changing environment requires constant updating and adjustment on the part of JLGC.

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How To Export Without Risk ?

WHAT IS THE JLGC?

We are a specialized guarantee agency, the largest shareholder of which is the Central Bank of Jordan . We offer export credit guarantees and have a reinsurance and partnership agreements with COFACE

WHAT TYPES OF EXPORT CREDIT GUARANTEE DO WE OFFER?

Pre- Shipment,
Post-shipment

WHAT ARE THE TYPES OF EXPORTS THAT ARE ELIGIBLE FOR OUR EXPORT CREDIT GUARANTEES?

All goods and services with Jordanian content are eligible for consideration.

DO WE COVER SPECIFIC RISKS?

Yes, but our approach is whole turnover- based.

WHICH COUNTRIES DO WE COVER?

The list of countries we cover is extensive and JLGC plans to monitor the list on a regular basis to extend it further.

WE WELCOME AND ENCOURAGE YOUR ENQUIRIES.

TEL. +(962) (6) 617393

FAX. +(962) (6) 617396

E- Mail . JLGC @ go.com.jo



Name

Title

Company Name

Address

Tel

Fax

for all your further enquiries about export credit guarantee program please fill out this response card and mail it to us

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كيف تصدر بدون مخاطر؟

من هي الشركة الأردنية لضمان القروض ؟
نحن مؤسسة ضمان متخصصة يملك رأسمالها عدد من البنوك وشركات التأمين الأردنية ويقدم ضمان ائتمان الصادرات
ولدينا اتفاقية اعادة تأمين وشراكة مع شركة الكوفاس المرسية .

ماهي برامج ضمان ائتمان الصادرات التي تقدمها الشركة ؟
تقدم الشركة ضمان ماقبل الشحن و ضمان ما بعد الشحن .

ماهي انواع البضائع التي تغطيها ضماناتنا ؟
تعطي الشركة كافة البضائع والخدمات الأردنية المصدرة الى مشتريين في الخارج .

هل تقوم الشركة بتغطية مخاطر محددة ؟
نعم الا ان اسلوبا هو في تغطية احتمالي ايرادات المصدر

ماهي الدول التي تقوم الشركة بتغطية مخاطرها ؟
ان قائمة الدول التي تقوم بتغطية مخاطرها طويلة ، وتقوم الشركة بزيادتها باستمرار

نرحب باستفساراتكم

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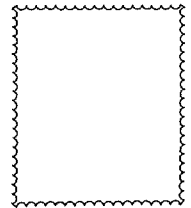
JLGC

الشركة الأردنية لضمان القروض

Jordan Loan Guarantee Corp. Ltd.

ص.ب ٨٣٠٧٠٣ عمان - ١١١٨٣ - الأردن

P.O.Box: 830703 Amman - 11183 - Jordan



APPENDIX VII

**STATUS REVIEW OF IMPLEMENTATION
(INTERNAL USAID/AMMAN)**

Date: December 24, 1997

To US AID, Amman

From: Morton Roodman,
JLGC Marketing Advisor

Re: Final Report of Marketing Advisor
Assignment with JLGC
Review of Marketing Plan Implementation

I am attaching a final draft Review of the implementation of the JLGC Strategic Marketing Plan As well, thematic observations re JLGC + a series of "next step" points, concerning the Marketing Plan implementation, that JLGC asked I prepare

In general, the prognosis is positive for implementation of the Strategic Marketing Plan by JLGC and for JLGC's evolution as a creative player in the Jordan financial sector.

In the case of some Strategic Marketing Plan recommendations, such as informatics and loan guarantee preliminary review at bank branch level, JLGC is moving very quickly and is to be commended for its efforts

In the case of the more policy oriented of the recommendations, and enhancing JLGC's promotional materials, US AID, Amman should maintain a close monitor of progress.

Implementation of certain of the recommendations, including customizing and enhancing the range of export guarantees offered by JLGC, will likely require specialist technical assistance to JLGC, both to expedite the basic process and build on international experience

On a final note, I would like to take this occasion to extend my fullest thanks to US AID, Amman for its continuing and strong interest in this project. The progress JLGC is demonstrating in regard to implementation of the Strategic Marketing Plan is closely related to this interest on your part.

Sincerely,

Morton Roodman

Attachment.
c c IBTCI, Vienna, VA

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Date: December 24, 1997

To: US AID, Amman

From: Morton Roodman,
Marketing Advisor, JLGC.

Re: Final Report on JLGC
Marketing Advisor Assignment

I am presenting a summary, in confidence, of my assessment of JLGC's status as a marketing organization, at the commencement of the present assignment, June, 1997 - currently and its related potential over the coming period of 2-3 years

BASIC STRUCTURE	
• Situation, 6/97	JLGC was highly pyramidal in shape, marketing was seen as a function of visits by the JLGC General Manager to, e.g., bank branches. The role of line managers within JLGC was primarily "functional". Their participation in longer range marketing planning was, at most, modest.
• Situation, 12/97	JLGC remains distinctly pyramidal in shape <u>but the pyramid is beginning to flatten</u> . The General Manager is partially devolving discussions of marketing to line managers.
• Situation, 2-3 Years	The prognosis is guardedly positive that evolving delegation of authority, within JLGC, will continue. The limits that this delegation of authority are likely to encounter are strongly related to the basic pattern of authority and control seen throughout much of the region and the tendency locally to make selective comparisons with often less developed regional economies, not more mature economies.
SENSE OF URGENCY	
• Situation 6/97	There was little evidence of understanding the urgency for JLGC to "get into high gear". The attitude was encapsulated in an oft-repeated comment (to the Marketing Advisor), "You don't think we know our problems"
• Situation, 12/7	After substantial dialog, review of the Strategic Marketing Plan and fact-finding trips to North America, JLGC senior management (but not all staff members) are now fully aware that JLGC has not been moving quickly enough, has been somewhat "self-satisfied" and must "get going".

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• Situation, 2-3 Years	There is adequate evidence that JLGC senior management understands its earlier shortcomings and will endeavor to take corrective action. However, US AID, Amman will have to closely monitor to ensure that there is no slippage to prior form.
CREATIVITY	
• Situation, 6/97	JLGC functioned like a classic government department, in the main. "We provide guarantees, why change" summarized its approach.
• Situation, 12/97	JLGC now understands it must be creative and flexible but, in general, it still does not find corporate "re-thinking" easy.
• Situation, 2-3 Years	US AID should monitor – there is a strong evidence that in a number of specialized technical and marketing areas, JLGC will require brief (1-2 month) outside assistance.
LATERAL THINKING	
• Situation, 6/97	JLGC had virtually no capacity to think laterally, programs were separated and the combining and re-structuring of activities was "not on the horizon".
• Situation, 12/97	JLGC senior management now fully understands the need to think in various directions, not just in a linear or program basis. However, this has only resulted after extensive dialog re the Strategic Marketing Plan.
• Situation, 2-3 Years	There remains a clear likelihood that JLGC could revert to a pattern of linear thinking. An effective check against this reversion would be quarterly monitoring by US AID, Amman and an annual comprehensive "check-up". In combination, such measures should ensure that the gains that have been recorded during the period June-December 1997 are sustained fully over the longer-term.
SELF-SUSTAINABILITY	
• Situation, 6/97	JLGC was recording significant losses, comparing <u>operating income vs. overhead +claims</u> .
• Situation, 12/97	Situation described as at 6/97 is continuing but JLGC senior management now understands the need to adjust premiums and the size of the guarantee business volume it needs to be operationally self-sustaining.
• Situation, 2-3 Years	US AID, Amman should review with JLGC overall performance on a <u>quarterly basis</u> .

RECOMMENDATION STATUS COMMENT

1. Mission Statement	Accepted	<p>JLGC to include Mission Statement, as per Marketing Plan, on all promotional materials, etc</p> <p>JLGC to be encouraged to conduct a regular in-house discussion of Mission Statement relevance to day-to-day JLGC activities, on a <u>quarterly basis</u>.</p>
2 Clarifying Image	Accepted	<p>JLGC understands the need to "sharpen" its image and is now preparing a new publication explaining JLGC services.</p> <p>One component of such image clarifying, to its target audiences, would be brief "success stories" There is some continuing caution within JLGC to write up such "success stories" out of concern that "success stories" may not be long-lived. JLGC resensitized to need by Marketing Advisor</p>
3 Wider Understanding of Guarantees	Accepted	<p>General agreement within JLGC re the merits of this recommendation</p> <p>There is an interest in further exploring this marketing "angle" but JLGC will need continuing support to ensure that this recommendation is fully implemented.</p>
4 Broader Knowledge of Sectoral Credit Needs	Accepted	<p>JLGC is preparing a sector profile (transport) for presentation to the December 1997 meeting of the JLGC Board of Directors.</p> <p>Marketing Advisor has encouraged JLGC to make such sectoral reviews a <u>regular</u> part of the JLGC's Board meetings</p>
5 Pro-Active Portfolio Management	Accepted	<p>JLGC will need outside advice to assist in portfolio balance that will combine public policy purpose, marketing, and prudence.</p>

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6. Strengthening Ties with Growth/Niche Sectors	Accepted	<p>Marketing Advisor has encouraged JLGC, during Implementation phase of assignment, to directly participate with IDB, Export & Finance bank in ISO 9000/9001 certification funding for Jordanian SMEs</p> <p>JLGC has commended such discussions with IDB. Actual implementation should be regularly reviewed by US AID, Amman.</p>
7. Reinforcing Sectoral "Staying Power"	Accepted	JLGC's senior management indicates conditional acceptance. JLGC will need outside assistance to ensure that this commitment is prudently carried out.
8. Increasing JLGC Visibility at Bank Branch level	Accepted	<p>JLGC Senior Management has strongly embraced this recommendation.</p> <p>At the same time,, the initial draft of the JLGC marketing/calling program for 1998 identified @ 450 branches to be visited. Marketing Advisor informed JLGC senior management that the proposed number of branches to be visited be reduced to @50 <u>but</u> frequency of visits to a minimum of once per month.</p>
9 Strengthening JLGC Bank Branch Information Data Base	Accepted	A form has been designed to <u>systematically</u> capture key data This will be implemented actively in early 1998
10. Enhanced Tracking of JLGC Business Development at Bank Branch level	Accepted	<p>JLGC senior management fully supportive and quickly implementing</p> <p>US AID should monitor implementation and JLGC senior management's appraisal of results.</p>
11. Re-Initiating Sectoral Credit/ Business Development Info Sessions	Accepted	US AID should monitor implementation
12. Reinforced Monitoring of Sectoral Trends/Credit Concerns	Accepted	<p>Following discussion with Marketing Advisor, during Implementation Phase, this Recommendation has now been accepted</p> <p>JLGC may need technical assistance re detailed information gathering from specialized databases.</p>

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13. Foreign Trade Fair Participation	Accepted	As this is a new activity area for JLGC, outside technical assistance may be required to ensure that such participation is well defined and not merely a "passive" trade fair presence. Marketing Advisor preparing possible event "target list "
14. Previewing New Products	Accepted	Marketing advisor reviewed practical "next steps," e.g., in the case of specialized post-shipment guarantees with engineering services sector. JLGC now appears more comfortable with the concept and implementation modalities.
15. Participation with Industry in Planning at Early Stage	Accepted	Following discussion with Marketing Advisor, during the Implementation Phase, this Recommendation has now been accepted US AID, Amman should monitor <u>actual results</u> .
16. Mandating that Insurers Sell JLGC Post-Shipment Guarantees	Not Accepted	JLGC indicate "too early" for such an initiative Marketing Advisor repeated position that this would be <u>one</u> method of expanding JLGC's marketing "reach " US AID, Amman should closely monitor JLGC selling performance for Post-Shipment Guarantees and, if still modest, encourage JLGC to reconsider its position
17. JLGC Product Familiarization for General Line Insurers.	Not Accepted	See Comment under Recommendation 16.
18. Monitoring Benefits of JLGC Insurers.	Not Accepted	See Comment under Recommendation 16.
19. Strengthening LGP Links with other Organizations involved in SME development	Accepted	US AID, Amman should monitor to ensure that such "outreach" is broadened and deepened
20. Increased JLGC Involvement with Foreign Trade Fair Mission Planning	Accepted	US AID, Amman should monitor JLGC <u>practical</u> steps.

21. Involvement in Specialized Export Credit and Finance Facilities	Accepted	<p>JLGC interested in such involvement with World Bank Group and bilateral agencies</p> <p>Marketing Advisor informed that earlier interest <u>from IFC side</u> had been by JLGC senior management.</p> <p>Marketing Advisor has strongly encouraged JLGC to renew dialogue with World Bank Group and actively follow up initial "get acquainted" meetings with bilateral agencies conducted during November 1997 JLGC North American familiarization visits.</p>
22. Selection of Core Business Areas for Higher JLGC Visibility	Accepted	<p>JLGC senior management strongly embraced this Recommendation.</p> <p>This will be reflected, inter alia, in the 1998 JLGC calling/marketing program Selection of, e g , target bank branch/areas to be reviewed with Marketing Advisor.</p>
23. JLGC Information Sessions at Branch Level	Accepted	<p>US AID, Amman should monitor type, focus of such sessions, and compare vis-à-vis earlier JLGC sessions at branch level</p>
24. Establish JLGC Street-Level Offices.	Not Accepted	<p>JLGC senior management appreciates merits, concerned re potential costs.</p> <p>This sort of <u>physical</u> presence in the business community is important. US AID, Amman to monitor.</p>
25. Review the Pre-shipment Guarantee Ceiling	Accepted	<p>JLGC indicate an actuary has been contacted to draw up a <u>proposal</u> for such a study</p> <p>ECG Division also preparing briefing to JLGC December 1997 Board meeting re 1998 projected volume vs. premium at current fee (JD 18,000 projected)</p> <p>Marketing Advisor has requested details re projected volume <u>clients</u>.</p>
26 Commence Specific Transaction Guarantees	Accepted	<p>JLGC ECG very interested.</p> <p>Outside technical assistance will likely be needed by JLGC (pricing, claims, country coverage, administration, procedures).</p>

27 Sector-Wide Whole Turnover Guarantees	Not Accepted	US AID, Amman should periodically monitor JLGC attitude
28. ECG Cover for Shipment via Foreign Agents	Accepted	Following discussion Shipments with Marketing Advisor during Implementation phase, JLGC has now accepted.
29. Sectoral Customization of ECG Claims Procedures	Accepted	Following discussion with Marketing Advisor JLGC has now accepted. US AID, Amman should monitor <u>actual</u> results Note. there is a strong requirement for JLGC to obtain outside technical assistance regarding implementation modalities.
30 Encourage Referrals from Banks	Accepted	The recommendation suggests providing banks with a 25 basis points share (finder's fee) to encourage referrals. There is a strong likelihood that JLGC will agree in principle but US AID, Amman should <u>regularly</u> monitor actual JLGC practice
31. Increase Bank Involvement in Guarantee Process.	Not Accepted	This is important for banks to see JLGC as their business partner. US AID, Amman should quarterly request from JLGC a review of this issue, <u>if JLGC business volumes do not significantly increase</u>
32 Prepare a Comprehensive Guide to the ECG Program	Accepted	JLGC have concurred this is important and indicate they are implementing immediately US AID, Amman should closely monitor and request copy at end of First Quarter, 1998.
33 Further Customization of Domestic Loan Guarantees	Accepted	US AID, Amman should quarterly request <u>status report</u>
34. Flexible Percentage of Loan Guarantee	Accepted	"No change for the time being" (JLGC memo to Marketing Advisor) This is central to JLGC's repositioning – the process will take several months and US AID, Amman should request <u>monthly updates</u> to prevent implementation schedule slippage
35 Review the Method of Charging Banks for Guarantees	Accepted	US AID, Amman should <u>regularly</u> request updates

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36 Extending Branch Level Loan Authorization Authority	Not Accepted	JLGC claims its board is strongly resistant. The recommendation follows directly from comments of leading banks in Jordan whose branch-delegated loan recommendation/authorization powers are significant. If JLGC does not moderate its stance, it will remain a marginalized player in the day-to-day activities of Jordan's leading banks. Change in JLGC attitude will require dialogue between US AID, Amman JLGC senior management and the JLGC Chairman.
37 Review Current JLGC Organizational Structure	Not Accepted	Marketing Advisor, during Implementation phase, secured willingness of JLGC to re-visit the issue. US AID, Amman should request quarterly status report from JLGC
38. Assess Relationship Between JLGC Structure and Marketing.	Not Accepted	See Comments under Recommendation 37
39. Informing Banks of Preliminary JLGC Guarantee Attitude	Accepted	Strongly supported by JLGC senior management and, inter alia, reflected in "fuzzy logic" loan guarantee review system being developed during Marketing Advisor Implementation phase.
40 "Best Practices" to Encourage Bank Use of JLGC Services	Accepted	US AID, Amman should monitor <u>actual</u> implementation, with quarterly reports from JLGC
41. Software Upgrade	Accepted	JLGC strongly supportive
42 Modems	Accepted	See Comment under Recommendation 41.
43 Management of Simultaneous Voice/Data Communications	Accepted	See Comment under Recommendation 41
44. "Hot-Line" Telephone	Accepted	See Comment under Recommendation 41.
45. "Expert System" for Expediting Loan Application Review	Accepted	See Comment under Recommendation 41. Being developed during Implementation phase, using "Fuzzy Logic" concept and @ 25 analytical variables + sub-variables proposed by Marketing Advisor

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46 "Real-Time" Business Information Data Bases	Accepted	See Comment under Recommendation 41
47 Enhanced Borrower Detail on JLGC Internal Data Base	Accepted	JLGC indicate they will use US SIC sectoral coding and are targeting implementation end of Quarter 1, 1998 US AID, Amman should monitor status, <u>monthly</u> , during the period January-March 1998.
48. Review Process for Monitoring Marketing Plan Implementation.	Not Accepted	Marketing Advisor has counseled JLGC senior management to periodically revisit the effectiveness of the present method of internally monitoring the implementation of the Marketing Plan
49 Assess Merits of Part-Time External Advisor on JLGC Change	Not Accepted	See Comments under recommendation 48
50 Comprehensive Semi-Annual Review and Update of Marketing Plan	Accepted	JLGC attitude now changing and appear to understand need to regularly and thoroughly review Marketing Plan US AID, Amman should insist that such a semi-annual review and, as required, modification of the Marketing Plan be a <u>condition for continuing support of JLGC.</u>

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APPENDIX VIII

“Fuzzy Logic” System for Preliminary Loan Guarantee Review

METHODOLOGY FOR A COMPUTERIZED LOAN GUARANTEE PRELIMINARY APPRAISAL SYSTEM

INTRODUCTION

A mid-1997 survey conducted among branch-level bank management and credit officers, as part of the Marketing Advisor's assignment with the Jordan Loan Guarantee Corporation (JLGC), identified a strong interest in making available, at branch level, a computerized "check-list" to provide information about both:

- JLGC's range of guarantee services;
- JLGC's underwriting concerns as a loan guarantee institution

Such a JLGC operational "check-list" can and would represent an integral component of enhanced marketing by JLGC and, specifically, a central feature of a strengthened JLGC presence at bank branches.

CONCEPTUAL APPROACH

The proposed "check-list" would be structured in the form of a simplified "Expert System" i.e., a computerized representation of JLGC's collective "expert" (practitioner) knowledge in this field. The "check-list", while fundamentally an outreach marketing tool on JLGC's part, could and should equally be of use in conducting preliminary loan guarantee appraisals by JLGC staff.

The "check-list," as noted above, would be divided into two separate parts viz., a basic description of JLGC's range of guarantee services (including Export Credit Guarantees) and an integrated review of JLGC's concerns as loan guarantee underwriter i.e., key issues in JLGC assessment of loan repayment guarantee risk.

The basic description of JLGC's range of guarantee services is largely straightforward. Following established practice at most financial institutions (for example, at their information sites on the World Wide Web), representation of JLGC's guarantee services and conditions should be structured on the basis of a series of Graphic User Interface (GUI) "Windows," permitting:

- A basic overview of JLGC as an institution providing a range of loan and credit guarantees.
- A more detailed review of specific loan guarantee issues and concerns
- A series of practical examples of how the loan guarantee process works, what it does/does not cover, how to reach JLGC, contacts within JLGC

The proposed “check-list” would also offer a framework for conducting a preliminary appraisal, at bank branch level, regarding the merits of and risks likely to be identified in a particular loan guarantee application. Hence, an approximation of JLGC’s own potential “attitude” or “thinking.”

This framework or reasoning system would employ the “Fuzzy Logic” method of determining a possible decision and of the underlying “logic ”

Central to “Fuzzy Logic” systems analysis is recognition that the largest number of decisions taken , for example, in industry or an economy, are arrived at on the basis of judgmental estimates regarding semantically absolute conditions (e g , *very* risky, *highly* indebted, *adequately* capitalized, *inexperienced*). Thus, the term “Fuzzy Logic” as to the “True/Truth” or “Right/Rightness” of such judgments.

This would appear to hold equally so for the task of underwriter of loan and credit guarantees, where a series of relative or comparative judgments regarding risk factors constitute the core of the underwriting process. The combination of these individual judgments or perceptions represent the foundation for deciding to either guarantee a particular loan (when the overall risk is seen as “acceptable”) or not guarantee a particular loan (when the overall risk is seen as not acceptable” or excessive)

The remainder of this paper proposes a basic framework for designing such a system of loan guarantee appraisal methodology.

As noted in the preceding section, the fundamental issue in loan guarantee review is risk assessment. Simply stated, how “True” is it that a particular loan guarantee request presents an “acceptable” level of overall repayment risk. This involves a series of individual judgments regarding factors deemed to be relevant to the basic concept of loan repayment risk.

The fundamental challenge, when representing in computerized form such a decision-making methodology or logic frame, is to capture and set out as best as possible in the computer model (“check-list”), the full range of individual risk judgments. In this regard, the methodology should not be seen, in any sense, as somehow “final.” On the contrary, the approach -- from inception – should allow sufficient flexibility to permit both subsequent additions to the computer model (“check-list”) and, if necessary, deletions.

Moreover, it should be understood that the decision-making framework must be understand as a support mechanism, and no more, in a process whose ultimate arbiter of acceptable risk is and will remain JLGC itself.

In quantifying JLGC’s concerns as a loan guarantee and credit underwriter, the methodology should assume, as a basic rule or system “building block”, that each individual area of risk concern will be assessed on the basis of a scoring system, minimum value of 0, maximum value of 1

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While individual scores may and should be represented as "exact," or in the terminology of systems analysis, "crisp" (e.g., 0.5, 0.7, etc.), this should be understood as being so only because of the basic i.e., numerical method by which approximate or relative judgments of risk are represented. In fact, such "crisp" scoring merely facilitates a systematic and commonly understood representation of perceptions of risk that are essentially "fuzzy", not "crisp" and will likely remain so for the foreseeable future

The exception to this basic rule could be such variables as "Type of Industry" or "Sector" or "Geographical Location" where the description, especially for the typically single industry SME, is largely "crisp" in nature. Nevertheless, the "loan repayment risk" associated with such "crisp" variables remains approximate or "fuzzy".

Risk assessment variables should be each presented individually in a separate chart. Along the horizontal axis, in such a chart, could be an initially quantifiable condition. For example, number of years since commencing business.

Along the vertical axis (on a 0 to 1 scale), the corresponding degree of "True" membership in such an identified condition, i.e., in this particular example, the judgment that the number of years since commencing business is adequate/inadequate in terms of achieving a threshold of significantly reducing/increasing the likelihood of loan repayment risk.

Continuing with this same example, and assuming that there is a generally inverse relationship between number of years in business and potential for loan repayment difficulties (albeit with predictable discontinuities i.e., the relationship is not linear or, representationally, a "straight-line"), the particular set of horizontal/vertical axis coordinates would seek to plot the "fuzzy" details of this relationship. Start-up or early stage businesses would be assigned a score closer to 1 (higher risk), more established businesses, a score closer to 0 (lower risk). The plotted relationship, reflected in a range of potential "scores," would be determined through prior review and determination by JLGC management and staff/advisors.

It should be noted that in this specific example, and in the case of a number of other variables, the relationship may involve more than a single "IF-THEN" condition, with other possible intervening factors (in effect, a logic "filter" or sub-set) reflecting, for example, industry sector/sub-sector. In terms of the actual computer model order, when such an intervening variable is "crisp", such as industry membership, (i.e., a loan applicant either is or is not a member of a particular industry; there is no "fuzziness" except in the case of a sectorally-diversified borrower), this "crisp" variable should appear first and act as the "filter" for subsequent judgments which are "fuzzy."

To reflect the "fuzzy" nature of this general relationship, the number of years in business would be disaggregated into a series of key benchmarks (as noted earlier, agreed following internal JLGC discussion and subsequent consensus), with partial scale overlap. Expressed simply, the relationship would not be plotted in a straight-line form, rather, a series of overlapping geometric "regions". Characteristically, these tend to be represented as triangles, with the decline of one plotted "region" overlapping with the ascent of a neighboring plotted "region".

In constructing this series of risk assessment variables, it is critical to understand that the impact or “weight” of some factors or risk assessment variables, e.g., basic business conditions, achievement of minimum capital requirements, etc., on the overall judgment of repayment risk may be greater than for other factors

This can be addressed by either (I) introducing a weighting system for individual factor impact; and/or (II) establishing a basic range of 0 to 1 scale “True” membership plateaus, where relatively less important risk factors have lower plateaus (i.e., maximum “True” score) vs relatively more important risk factors whose score plateaus (i.e., maximum “True” score) would be higher. The appropriateness of the scoring “plateaus” will emerge only following preliminary and repeated prior system testing.

The following represent a preliminary list of variables that the loan guarantee review “check-list” would propose to score, in total, as a combined measure of loan risk repayment potential

- NUMBER OF YEARS IN BUSINESS
- GEOGRAPHICAL LOCATION
- EXPERIENCE IN SECTOR
- PRODUCT LINE AGE
- EXPANSION OF EXISTING PRODUCT LINE
- SIZE OF POTENTIAL MARKET
- ALTERNATIVE SUPPLIERS
- COMPETING PRODUCTS
- MINIMUM CAPITAL REQUIREMENTS
- TARIFF AND NON-TARIFF BARRIERS
- DEPENDENCE ON PURCHASED INPUTS
- TRANSPORTATION REQUIREMENTS
- REQUIREMENT FOR ADVANCED MANAGEMENT SKILLS
- TYPE OF COLLATERAL
- DEBT-SERVICING LEVEL
- DEBT/EQUITY RATIO
- OVERALL COST OF CAPITAL
- LIKELIHOOD OF EARLY CASH-FLOW
- PRONENESS TO CYCLICAL BEHAVIOUR
- WORKING CAPITAL REQUIREMENTS
- NEED TO FREQUENTLY UPGRADE
- TRACK RECORD AS A BORROWER
- BUSINESS INTERRUPTION INSURANCE
- RISK OF ENVIRONMENTAL DAMAGE

Date: December 11, 1997
To: Dr. Salah/Walid/Ghassan
From: Morton Roodman
Re: Computerized Loan
Guarantee "Check-List"
Suggested Range of Variable Scores

I am outlining, for study and comment, the first draft of a comprehensive series of scores that would act as the numerical values or "foundation" for the proposed semantic range of values i.e. "low", "medium"; "high", that I have detailed in my note of 9/12/97

It should be stressed that these numerical values would serve as the initial "IF-THEN" condition in the loan review system that I am outlining for consideration by JLGC. The outcome of each "If-THEN" condition or "statement" would then translate to inclusion into one of the proposed semantic categories ("low", "medium", "high") and, subsequently, a second "If-THEN" condition or "statement" reflecting possible impact on risk of loan repayment. It will be recalled that, as a general proposition, the higher the score, the greater the possible risks to loan repayment.

Number of Years in Business

0-2 Years: High Score	= 0.8
2-4 Years: Medium Score	= 0.6
+ 4 Years: Low Score	= 0.4

Geographical Location

Greater Amman Municipality Score	= 0.7
Within One Hour Driving Distance of Amman Score	= 0.7
Greater than One Hour Driving Distance of Amman Score	= 0.7

Experience in Sector

0-2 Years: High Score	= 0.9
2-4 Years: Medium Score	= 0.6
+ 4 Years: Low Score	= 0.3

Product Line Age

0-2 Years: High Score	= 0.9
2-4 Years: Medium Score	= 0.6
+ 4 Years: High Score (Sub-Condition)	= 0.9

If High Technology, Then

0-2 Years	Low Score	= 0.6
2-4 Years:	Medium Score	= 0.8
+ 4 Years	High Score	= 0.9

Expansion of Existing Product Line

Significant:	High Score	= 0.6
Basic Upgrade:	Medium Score	= 0.4
Minor Change:	Low Score	= 0.2

Size of Potential Market

National/International:	Low Score	= 0.4
Regional:	Medium Score	= 0.6
Local:	High Score	= 0.8

Alternative Suppliers

Many (Four or more)	High Score	= 0.9
Some (Two-Three):	Medium Score	= 0.6
Few (Zero-One):	Low Score	= 0.2

Competing Products

Many: (Four or more):	High Score	= 0.9
Some: (Two-Three):	Medium Score	= 0.6
Few: (Zero-One):	Low Score	= 0.2

Minimum Capital Requirements

Significant (+ 50,000 JD):	High Score	= 0.9
Modest (10,000- 50,000 JD):	Medium Score	= 0.6
Slight (Up to 10,000 JD)	Low Score	= 0.3

Note: This particular variable may require additional score ranges, e.g. Very Significant, Significant, Modest, Very Modest, Slight.

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Tariff and Non-Tariff Barriers

Significant (Greater than 20% ad valorem):	Low Score	= 0.2
Modest (10%-20% ad valorem):	Medium Score	= 0.4
Low (Zero- 10%, early stage WTO):	High Score	= 0.9

Dependence on Purchased Inputs

High (Greater than 75% of final cost).	High Score	= 0.8
Medium (50%-75% of final cost).	Medium Score	= 0.6
Low (25%-50% of final cost):	Low Score	= 0.2

Transportation Requirements

High:	Medium Score	= 0.6
Medium	Low Score	= 0.4
Low:	Low Score	= 0.4

Note: This variable will require frequent review and, if required, "score" adjustment should petroleum prices, etc increase

Requirement for Advanced Management Skills

High.	High Score	= 0.9
Medium:	Medium Score	= 0.6
Low:	Low Score	= 0.3

Type of Collateral

High Discount (+ 50%):	High Score	= 0.9
Medium Discount (25%-50%).	Medium Score	= 0.6
Low Discount (Up to 25%):	Low Score	= 0.2

Debt-Servicing Level

High (??? %):	High Score	= 0.9
Medium (??? %):	Medium Score	= 0.6
Low (??? %).	Low Score	= 0.3

Debt/Equity Ratio

High (???%):	High Score	= 0.9
Medium (???%).	Medium Score	= 0.6
Low (???%):	Low Score	= 0.2

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Overall Cost of Capital

High (???) %.	High Score	= 0.9
Medium (???) %:	Medium Score	= 0.6
Low (???) %:	Low Score	= 0.3

Likelihood of Early Cash-Flow

High:	Low Score	= 0.2
Medium:	Medium Score	= 0.6
Low	High	= 0.9

Proneness to Cyclical Behavior

High:	High Score	= 0.8
Medium:	Medium Score	= 0.6
Low:	Low Score	= 0.2

Working Capital Requirements

High (???)% of Final Sale Price)	High Score	= 0.9
Medium (???)% of Final Sale Price):	Medium Score	= 0.6
Low (???)% of Final Sale Price)	Low Score	= 0.4

Need to Frequently Upgrade

High (Once every two years	High Score	= 0.9
Medium (Once every four years):	Medium Score	= 0.6
Low (Once every five years +)	Low Score	= 0.2

Track Record as Borrower

Excellent: (No defaults, no arrears):	Low Score	= 0.2
Good (No defaults, some arrears)	Medium Score	= 0.6
Fair/Poor (Defaults + arrears):	High Score	= 0.9

Business Interruption Insurance

Comprehensive:	Low Score	= 0.2
Partial	Medium Score	= 0.6
Little/None	High Score	= 0.9

Risk of Environmental Damage

High	(e.g. Chemical process)	High Score	= 0.9
Medium	(e.g. Light industry)	Medium Score	= 0.4
Low	(e.g. Professional services)	Low Score	= 0.2

Date: December 14, 1997
To: Dr. Salah/Walid
Re: Computerized Loan
Guarantee Review "Check-List"
A Note on the "Scoring" System

I refer to our discussion of yesterday and prior Notes by me of 7/12, 9/12, and 11/12, 1997

The strength of any review system --"check-list" -- of this sort lies in its capacity to accurately capture (to the extent possible) the real impact of the conditions the system proposes to assess. In short, how these conditions are "scored". In my most recent note (11/12/97), I presented a series of actual range of "scores" -- to initiate discussions and arrive at a preliminary consensus.

I propose, in this note, to identify the key issues in the range of "scores" that I have outlined.

Number of Years in Business

How significant is the difference between 0-2 years and + 4 years (the "score" plateau which, for discussion, I have suggested). Under the system which I am proposing, the difference between the lowest and highest score is double (0.8 vs 0.4) Should the difference be larger and should the progression, from highest (to recall, greater risk of repayment to lowest score) to lowest (less risk of repayment) be a "straight-line" or a "Curve".

Geographical Location

How important is this factor. The closer to a large market, the larger the business volume. Conversely, the larger the market, the more the competition. The conventional wisdom in marketing is "location, location, location" i.e. all other factors being equal, the closer to one's market, the better. My sense is that Jordan is no exception -- what is the appropriate "score" delineation.

Experience in Sector

This can be highly important. I am suggesting a maximum score (highest risk: least experience) of 0.9 and a minimum score (least score: most experience) of 0.3. Should the 0.3 be even lower -- more to the point, should a "no experience" response from a potential loan guarantee applicant act as a "filter" and "automatically" screen out a loan guarantee applicant i.e. the difference between guaranteeing loans to a "start-up" vs. an "early-stage" business.

Product Line Age

This can be critical – whether for a supplier of goods or services I am also proposing a sub-category – in the case of “high technology sector” borrowers.

Expansion of Existing Product Line

I am proposing a plateau “score” of 0.6 (significant expansion) vs. a low “score” (minor change -- least repayment risk) of 0.2 It will be important to establish an operational “dictionary” of what can be considered “significant expansion”, “basic upgrade”, “minor change” (the three broad categories I am proposing)

Typically, a “significant” expansion can involve changes that would make the product/service nearly “unrecognizable”, “basic upgrade” suggests. e.g. an increase in the quality of an existing product, “minor change” could mean an increase in the number of sizes a manufacturer may offer or the size of the floor space in a shop (to reduce crowding, etc)

Size of Potential Market

I am suggesting a plateau of 0.8 (for a borrower only serving a local market) and a lowest score of 0.4 (for a borrower who proposes to serve a wider, national /international market) Is the plateau high enough; is the low score, low enough. Also, which is riskier (given the early stage of many Jordanian companies) – a borrower who targets a national/international market vs. a borrower who targets the local market In this context, the survey that we conducted among Jordanian exporters earlier in this assignment is worth recalling – respondents often were expanding their export activity because the Jordanian market was either too small, too controlled or too prone to payment delays or buyer defaults.

Alternative Suppliers

The delineation points I am proposing have a “plateau” of four or more alternative suppliers and “lowest” score in the case of borrowers with zero to one competitors. The intermediate “score” would be assigned to borrowers facing two-three alternative suppliers How does this correspond to experience in Jordan

Competing Products

An identical series of “delineation” points is being suggested for this category as with “Alternative Suppliers”. How is “competing product” to be defined For example, a producer of orange juice may only consider other orange juice producers as suppliers of competing products In practice, there is any number of other competing products (“cross-elasticity”). This category should have its own “check-list” of “competing products” e.g. 1) Identical item; 2) Substitute Item; 3) Future Competing Product/Substitute. This will require a “sub-scoring” system, which should also be tentatively agreed and prior, tested (where possible).

Minimum Capital Requirements

The delineation points I have suggested are +50,000 JD; 10,000-50,000 JD; up to 10,000 JD. Is the 10,000-50,000 JD category too wide. In my note of December 11, I have proposed (alternatively) five “score” categories

Tariff and Non-Tariff Barriers

What is the most suitable delineation points – I have suggested + 20% ad valorem, 10%-20% ad valorem, 0%-10% ad valorem Non-tariff barriers, NTBs, such as specialized labeling requirements, halal certification, phyto-sanitary standards can also be relevant factors Assessing the potential impact of this latter group of NTBs is always an imperfect “science”, nevertheless, the “check-list” should provide a basic “scoring” range.

Dependence on Purchased Inputs

I am suggesting the following ranges – greater than 75% of final cost; 50%-75% of final cost, 25%-50% of final cost. As well, there is the wider and basic issue of scoring “Dependence on Purchased Inputs” – the motor vehicle industry long ago discovered that the less they themselves made and the more they bought i.e. the more dependent on purchased inputs, the better (auto part maker Magna International owes its profound success to this decision of twenty years ago).

Transportation Requirements

This involves some basic issues – price of petroleum, road use licenses, cross-border movement restrictions (e.g. the recent situation at the Turkish border involving Jordanian trucks/drivers). This will require frequent monitoring and, as required, adjustment of range of “scores”.

Requirement for Advanced Management Skills

This should operationally function on the basis of a standard classification of industries and “scoring” ranges. Judgment re this factor should be removed from the subjective arena of a loan applicant’s self-perception

Type of Collateral

This will require a regular monitor of conditions and attitudes of banks – similar to the forfaiting charts routinely published by the Financial Times of London (e.g. December 11, 1997).

Debt-Servicing Level

Here, the challenge will be to accurately capture what is the appropriate definition of what is “high”, “medium”, “low”.

Overall Cost of Capital

The remarks under “Debt-Servicing Level” apply equally here too

Likelihood of Early Cash Flow

This should be related to the term of the loan – by definition, it is less important for loans with a longer repayment period but how much less important

Proneness to Cyclical Behavior

Here, the issue is the length of the “cycle” – shorter than the term of a loan is, I would argue, at least a “medium” score, “high” would involve 2 or more cycles per loan repayment period.

Working Capital Requirements

The critical issue is to quantify working capital vs final sale price. There is a wealth of “quick ratio” information – the “check-list” should use this as input in parallel with existing JLGC experience and “rules of thumb”.

Need to Frequently Upgrade

Are the delineation points which I have proposed appropriate “High”- once every two years, “Medium” - once every four years; “Low” - once every five years

Track Record as Borrower

The basic issue is should this factor be “weighted” in the final combined score of the variables to stress its central importance

Business Interruption Insurance

This should be examined, though I anticipate the range of “scores” I have proposed is probably “right”.

Risk of Environmental Damage.

As jurisprudence and the economy evolve in Jordan, this factor will assume at least some of the importance it has now in industrialized economies. Moreover, within the context of possible involvement with international financing agencies (as credit enhancer for Jordanian SME borrowers), organizations such as World Bank make an Environmental Impact Assessment a routine and obligatory component of the loan approval process

The final issue is the range of combined scores i.e for all of the variables in combination. What will be "acceptable", what will be "unacceptable", and what will be "borderline" (neither clearly "acceptable" nor "unacceptable")