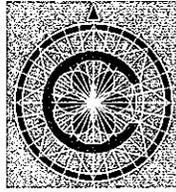


PD-ABT-961



CHEMONICS INTERNATIONAL INC.



**SUPPORT FOR ECONOMIC GROWTH AND INSTITUTIONAL REFORM
FINANCIAL SERVICES**

Contract No.PCE-I-00-99-000077-00

Quarterly Performance Report #10
April 1 – June 30, 2001

Submitted to:
John Crihfield G/EGAD/EM CTO
U.S. Agency for International Development
Washington. D.C.

Submitted by:
Chemonics International Inc.

in collaboration with

Bankworld, Inc., Crimson Capital Corporation, Inc.,
Georgia State University, Hill & Knowlton, Inc., Ingress Associates, Inc.,
Institute for Global Finance and Technology,
International Development Professionals, J.E. Austin Associates Inc.,
Parker, Whitfield & Co., Shorebank Advisory Services, Taylor-DeJongh Inc.,
The Intradoss Consulting Group, Inc., The Ohio State University,
The Urban Institute, World Council of Credit Unions

March 31, 2001

Quarterly Performance Report #10 to USAID/G/EGAD/EM
April 1 – June 30, 2001

I. Active Delivery Orders

A. Madagascar CEM - Contract No. PCE-I-00-99-00007-00 Task Order 801

- *Start Date* - April 12, 2000
- *Completion Date* - October 11, 2001
- *Amount of Task Order*- \$506,975
- *Task Order Objective* - To support the *Caisse d'Epargne de Madagascar* (CEM) in completing its transformation to an independent institution and provide limited institutional strengthening work to lay the groundwork for developing and expanding the CEM's microfinance services.
- *CTO* – Mr. Robert Dean
- *Consortium Team Members* - Warren Chase, Chief Technical Adviser (Chemonics), Frederick Dulles, Legal Expert (Taylor-DeJongh), Khai Nguyen, Financial Management Expert (Chemonics), Ali Rammal, Electronic Information Management Specialist (Chemonics), Abraham Elison, Local Professional.
- *Applicable Internet Links* – http://www.fs.chemonics.com/taskorder_details.asp?pid=41
- *Project Summary:*

The institutional strengthening component of the project is proceeding well. At the team's suggestion, an external audit was performed for FY 99 and an unqualified opinion was obtained. On the heels of an intensive strategic planning session held by the team with CEM management, a first draft of a business plan with projections has been completed. The business plan can be adapted and used as a fund-raising tool and core document for application for a banking license. A consensus with counterparts has been achieved about the overall structure of the CEM --- the general composition of its shares and private shareholder group, equity valuation, the type of financial institution to be licensed and potential legal and regulatory means that relate to the institution to be created. Tax issues have also been discussed and various avenues explored with counterparts for resolution.

The team continues to work on follow-up items to enhance the institutional soundness that emanated both from the 1999 audit and from its own observations and recommendations. There remain significant issues of internal control in the absence of an integrated computer software system and in view of CEM's recent expansion of its branch network. CEM also can benefit from a more commercial and modern approach to management, which would be one of the by-products of its conversion to a *societe anonyme* (corporation) and the introduction of the influence of private capital.

In late May, a new law abrogating the current one and allowing conversion of the CEM to a private corporation passed both chambers of the legislature. This opens the door for the CEM to complete the privatization process, which has been the focus of this task order.

In an effort to realign the task order to meet the changing demands of the CEM, Chemonics requested and received a fourth Modification to the contract on July 18, 2001 which:

- Replaced the previous Asset Restructuring/Privatization Expert with Mr. Ali Rammal, an Electronic Information Management Specialist. This change was desirable for two reasons: (a) the necessary groundwork for the CEM's privatization has already been established so there was no longer a need for the workdays assigned to the Asset Restructuring/Privatization Expert, and (2) assigning these workdays to an Electronic Information Management Specialist will enable him to follow up on the Delta Deloitte & Touche recommendations in the audit report, which included recommendations about systems enhancements.
- Added thirteen (13) workdays for Local Professional, Abraham Elison. This was important for executing the remaining work needed to prepare the CEM for private ownership and to assist with the institutional strengthening component, including the preparation of a business plan, prospectus, and other required documents.

Chemonics is presently scheduling the final two missions to Madagascar. The first will occur in August with Mr. Rammal and Mr. Nguyen. During this visit, Mr. Nguyen will work with the CEM management to resolve certain accounting issues that pertain to the institution's conversion from an EPIC to a *societe anonyme*. Meanwhile, Mr. Rammal will collaborate with the CEM's information technology specialists to continue the design and development of a new management information system (MIS) and electronic money transfer system. Substantial interaction between Mr. Rammal and Mr. Nguyen is required to ensure that the new MIS adheres to the CEM's accounting system.

During the final mission in September-October, Mr. Chase and Mr. Dulles will provide drafts of necessary ancillary legal texts and advice relating thereto, materials necessary for the processes of licensing and the mobilization of private capital, as well as provide a list of potential institutional investors. Mr. Chase will also deliver a credit seminar to the CEM staff during this time.

At the completion of the final mission, Mr. Chase will prepare the final project document and Chemonics' project management unit will oversee the closeout process.

- Contact Information

Warren Chase
 Chief of Party
 11 Penn Plaza 5th Floor
 New York, New York 10001
 Tel: (212) 692-0794
 Email: mitancapital@aol.com

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
801	\$506,975	\$313,291	\$193,684	Oct. 11, 2001	N/A	117.5

B. Building a Microfinance Industry for the West Bank & Gaza -Contract No. PCE-I-00-99-00007-00 Task Order 802

- *Start Date – September 21, 2000*
- *Completion Date – September 20, 2003*
- *Amount of Task Order- \$5,554,547*
- *Task Order Objective*

The project will establish a sustainable microenterprise industry in the West Bank & Gaza in order to enhance the potential for rapid growth of micro lending, and to make the availability of this product and other related financial services a permanent and sustainable feature.

- *Key Tasks to Meet Objective-*
 - Technical and/or possible financial assistance to a Microcredit Forum in West Bank & Gaza
 - Identify and provide the necessary training to create a pool of microfinance trainers.
 - Information campaign and public awareness to promote the values and practice of sustainable microfinance.
 - Build and encourage linkages within the microcredit bureau.
 - Conduct studies, seminars and analysis.
 - Support the development of commercially viable financial services.
- *CTO – Mr. Johnny Zeidan*
- *Consortium Team Members – Charles W. Taylor (Chief of Party), Imad Hamze (Senior Microfinance Specialist), Amr Khilfeh (Microfinance Specialist/Financial Analyst).*

- *Applicable Internet Links* -- http://www.fs.chemonics.com/taskorder_details.asp?pid=42
- *Specific Tools Used* – N/A
- *Project Summary*

Through this task order, USAID is supporting a program of technical assistance and training to develop a sustainable microlending industry in the West Bank and Gaza, targeting its Strategic Objective "*expanded private sector economic opportunities.*" Chemonics International, MASSAR Associates, and Shorebank Advisory Services are implementing the project to enhance the potential for rapid growth of microlending and to make the availability of this product and other related financial services a permanent and sustainable feature in the region. The goals of the project are illustrated in the following seven components:

- *To improve cooperation between microfinance practitioners* by establishing an industry association that promotes best practice principles and entry into the market by commercial banks.
- *To strengthen microfinance skills* in the region through the establishment of a viable training institution and the training of at least 30 professional trainers capable of meeting the needs of the industry.
- *To increase the demand for microfinance services* by expanding public awareness of the benefits and values of microfinance and to advocate for public policy and banking reforms.
- *To create operational linkages between microfinance programs* through the merger of NGO programs and their cooperation with commercial banks.
- *To develop credit advisory services* through a sustainable privately-owned credit bureau that maintains accurate credit backgrounds of existing and potential clients.
- *To improve the understanding of microfinance programs in WB/G* through studies, seminars and applied research.
- *To improve the efficiency and appropriateness of financial services* by helping microfinance programs develop new products and reorganize themselves into formal microfinance institutions (MFIs) capable of mobilizing local capital.

April

The first meeting of the microfinance forum is planned for May. Invitations were sent to the managers of microfinance programs and banks that might be interested in microlending. This meeting will be held in Ramallah on May 9th. The Deputy Chief of Party visited the AMIR project in Amman, Jordan. During the visit, he met with key AMIR staff to learn from their experiences regarding the formation of a credit bureau and credit association, as well as to gather studies and research that could be used in the West Bank and Gaza. Also, he investigated the possibility of having the Institute of Banking Studies (IBS) trainers come to the West Bank to deliver their advanced microlending course. The Chemonics Home Office prepared an initial communication plan, which was reviewed by the field office. The plan provides the project with recommendations of certain communication tasks to be taken while

the Intifada continues. ISAMI has brokered two meetings between banks and NGOs working in microfinance. One meeting was held between Arab Committee for Agricultural Development (ACAD) and the Jordan National Bank, and another meeting was held between UNRWA and the Palestinian Banking Corporation (PDF initially). Both meetings were informative to the parties and results of such attempts for possible linkages still remain to be seen. The project has started a microfinance library where publications and studies from various microlending bodies around the world will be purchased to be available for researchers, microfinance practitioners, and others. Lastly, contacts have been made with the Arab Bank and the Bank of Jordan to plan for new financial services.

May

The first microfinance forum meeting took place on May 9, 2001. All MFPs were invited. Besides the MFPs, other banks were also invited in order for them to be exposed to the forum. A second forum meeting took place at the offices of FATEN on May 23, 2001. A steering committee was elected and several subjects were discussed. On May 28th, the first meeting of the steering committee took place at the offices of the Palestine Banking Corporation. The mission statement, goals, and membership of the forum were discussed and suggested. Another meeting for the committee will take place on June 5th to finalize objectives, methodologies, and bylaws.

Advanced Microfinance Course & Human Resource Development was postponed. Although the Institute of Banking Studies (IBS) and ISAMI had agreed to have the advanced course in microlending delivered in June, the trainers were unwilling to come to Palestine under current conditions. ISAMI will examine all options in order to give this course as soon as possible. A Managing People Seminar was planned to begin on July 10th in Ramallah. Contacts were made during this month with two expatriate trainers, now working in Amman. The target audience is the middle management of MFPs. The development of a seminar on microfinance in times of trouble was begun during this month. The objective is to examine the critical issues of microfinance operations in unstable environments. A seminar and panel discussion would take place in late summer. The panel will be composed of practitioners and experts in microlending from different regions in the world.

In a similar visit, the Deputy Chief of Party met the Deputy Director of both GES and of DEG, Mr. Nabil Abu Diab. These organizations are providing training in the fields of finance and banking, and are supporting start-up projects and have provided loans to small and medium enterprises. They offered their offices and meeting hall for any future training. The GES coordinates its training activities with the Arab Academy for Banking and Financial Studies, an organization started by the Arab League. Mr. Abu Diab gave us their 2001 training program. Mr. Abu Diab mentioned that GTZ is coming to the West Bank with a technical assistance project for the microfinance industry.

June

The general assembly of the Forum discussed the by-laws suggested by the steering committee. Another meeting for the Forum will take place in July to finalize the discussions

based on legal advice regarding the nature of the Forum. The concept paper for the Forum, which has been drafted by project management, will be distributed to the Forum members at the July meeting.

To finalize the training plan for the ISAMI project, Shorebank Advisory Services (SAS) president Ms. Helen Dunlap, arrived as scheduled on the 7th of June. Ms. Dunlap held meetings with bankers, microfinance practitioners, and potential training partners (BirZeit Center for Continuing Education, Massar, and the Palestine Institute for Banking Studies) to assess the needs of all stakeholders involved with the project. Ms. Dunlap will report her findings and suggestions regarding the ISAMI training program. The report is expected to cover the training of trainers (TOT), managing microfinance in times of change (or managing change), and basic microfinance courses.

The ISAMI project has its website domain name reserved as www.isami.org. The site will be put under construction soon.

The Microfinance Forum meetings have paved the way for several linkages between microfinance institutions. Besides the talks about cooperation and joint projects, some are talking about mergers.

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
802	\$5,554,547	\$524,181.61	\$5,030,365.39	September 20, 2003	N/A	N/A

C. Uganda Support Private Enterprise Expansion and Development (SPEED) - Contract No. PCE-I-00-99-00007-00 Task Order 805

- *Start Date – October 6, 2000*
- *Completion Date – December 31, 2003*
- *Amount of Task Order- \$17,490,211*
- *Task Order Objective – The purpose of this task order is to design and implement a new, aggressive intervention that will address the needs of micro, small and medium sized enterprises and make systematic changes. This new activity will focus on access to finance and business skills development.*
- *Applicable Internet Link – http://www.fs.chemonics.com/taskorder_details.asp?pid=40*
- *CTO – Patrick Rader*

- *Key Tasks to Meet Objective*

Phase I – Assessment

The *Assessment Report of Micro-, Small- and Medium-Enterprise Sector in Uganda* was submitted on November 17, 2000. These findings were presented in written form to USAID/Kampala and questions answered in follow-up sessions.

Phase II – Design

The draft design document was submitted to USAID/Kampala on December 20, 2000 and was finalized and a contract modification was signed in March 2001.

Phase III – Implementation

The design document was finalized and approved by USAID on March 1, 2001. Initial start-up activities have been completed, the entire team is in the field, and activities are underway in all project component areas.

- *Project Summary - Implementation.*

SPEED works with SMEs, microfinance institutions (MFIs), and commercial banks to strengthen their capacities so MFIs can expand and move up market while commercial banks move down market to meet the financial needs of the “missing middle.” The project works with BDS providers to offer quality and demand-driven services that address the business needs of microenterprises, SMEs, and agricultural enterprises. Finally, SPEED works in the policy arena to address constraints to microenterprise and SME development.

During the work planning process, SPEED staff used these guiding principles to identify Key Results Areas (KRAs) in each of its three technical components (Business Capacity, Financial Services, and Business Environment) as well as in Program Management.

- *Quarterly Performance by Component*

Through the assessment and design phases of the project, the SPEED team had identified four guiding principles to implementation:

- A sector focus;
- Targeting market-linked business opportunities;
- The project as the marketplace; and
- Collaborating and adding value.

During the workplanning process, SPEED staff used these guiding principles to identify Key Results Areas (KRAs) in each of its three technical components (Business Capacity, Financial Services, and Business Environment) as well as in Program Management. A manager was designated for each KRA, to work with long-term staff and short-term consultants to accomplish a detailed and challenging series of activities and tasks. Quarterly performance within each component is discussed in the following pages, by KRA.

A. Business Capacity

The goal of the Business Capacity Component is to increase the demand for BDS among MSMEs and MFIs, while increasing the flow of financial services to these same organizations. To achieve this goal, SPEED works to build opportunities and strengthen organizational and institutional capacities of businesses and BDS providers. Through its workplanning process, SPEED identified the following three KRAs within this component:

- KRA 1: BDS Providers Strengthened
- KRA 2: Agribusiness Capacity Strengthened
- KRA 3: Capacity in Non-Agricultural Sectors Strengthened

Quarterly progress made in each Business Capacity KRA is discussed below.

KRA 1: BDS Providers Strengthened

SPEED seeks to increase effective demand for business development consulting services by working with selected BDS providers to improve the quality and customer value of services, and with SPEED clients to raise awareness that these services can increase their profitability. To this end, SPEED began work on the development of a roster of local BDS providers by identifying the core areas in which consultancy services are most likely to be needed to achieve project goals. These are: agribusiness, enterprise development, SME finance, microfinance, Information and Communication Technology (ICT), quality assurance, research and development, and training. To solicit proposals from qualified Ugandan consulting firms who wished to be included on the roster, SPEED developed a request for proposal (RFP), which it advertised in two leading newspapers during the last week of June. In preparation for the task of shortlisting firms in each area, SPEED also established selection criteria. The next phase of this activity, to include ranking the proposals and developing the final roster, will continue into the next quarter.

KRA 2: Agribusiness Capacity Strengthened

SPEED's work in agriculture focuses on the expansion of business capacity. Using the sector approach discussed above, SPEED works closely with COMPETE in activities related to coffee, cotton, and fish. As SPEED will work with additional sectors as well, considerable effort in this reporting period was placed on sector evaluations and assessments. Through this process, SPEED selected dairy as an additional focus, because of its export potential and the involvement of many small farmers.

SPEED was instrumental in establishing a sector working group for dairy, which includes representatives from Land O' Lakes, Heifer Project International, private enterprise, and the financial community. Using a local consultant, SPEED conducted a dairy marketing study in June, to provide the industry with a basis for determining processing requirements and plant location, potential for product expansion, and profit potential for a variety of dairy sizes and types. Additional work in the dairy sector included the formulation of a potential financial facilitation scheme with a local processor, wherein SPEED would guarantee payment on dairy packaging material.

In collaboration with ACDI/VOCA, SPEED prepared a scope of work for a coffee business analysis, and identified an appropriate consultant. This business analysis will lay the foundation for a nucleus farm/outgrower extension program, which SPEED anticipates supporting on a cost-shared basis. In addition, as a result of an evaluation of the poultry sector, SPEED began negotiations with a poultry grower/processor regarding a technical assistance program that will improve production capacity and may lead to increased processing of poultry for regional export markets. SPEED also focused on opening lines of communication with potential suppliers of processing equipment, packaging materials, and long term financing to the agribusiness sector.

Working to develop and implement market-linked fisheries pilot projects, SPEED prepared a Business Development Plan for this sector. This document presented an extensive outline of the activities to be undertaken, including:

- Developing support programs to improve production value, quality, and market opportunities for the existing fisheries harvest;
- Increasing business opportunities for MSMEs;
- Developing a model landing site appropriate for remote island fishing areas;
- Facilitating access to financing for producers, collectors, and processors; and
- Providing support to strengthen sector intermediaries, as necessary.

KRA 3: Capacity in Non-Agricultural Sectors Strengthened

SPEED's strategy in non-agricultural sectors focuses on providing support to develop market-linked, bankable business opportunities for MSMEs. In its efforts, SPEED works closely with other organization, most notably COMPETE, Chemonics' IDEA project, ACDI/VOCA, the United Nations Development Program, and Uganda Investment Authority.

B. Financial Services

The objective of the Financial Services Component is to increase access to financial services by MSMEs. Targeted within this component are commercial banks, MFIs planning to transform to microdeposit taking institutions (MDIs), MFIs seeking to reach financial self-sufficiency (FSS), SMEs, and financial sector associations.

The two KRAs within this component are:

KRA 1: MSME Financing Increased
KRA 2: MFIs Commercialized

Quarterly progress made in each KRA is discussed below.

KRA 1: MSME Financing Increased

SPEED works in the MSME sector to encourage financial institutions to increase their lending to MSMEs and MFIs. To begin this work, a short-term consultant conducted an assessment of local banks during the month of May, to determine their SME lending practices. The information gathered formed initial baseline data on the status of current SME financing activities in Uganda. An additional focus of this consultancy was an assessment of bank training needs and the capacity of bank training institutions. The consultant met with 13 commercial banks, the Bank of Uganda, UIB, and local training institutions to discuss the training needs of banks and the capacity of local institutions to meet them.

An important task for the Financial Services Component is to assist banks with the development and delivery of innovative services packages for SMEs. To this end, SPEED entered into a provisional agreement with DFCU Leasing in June. Under this agreement, SPEED will assist DFCU to expand its leasing operations into rural areas, thereby creating access for rural SMEs.

SPEED was instrumental in establishing a working group on MSME financing. Under SPEED's guidance, this group agreed to work towards an improved tax structure, in coordination with the Commercial Justice Law Reform program through the Task Force Relating to Secure Transactions. As a result of SPEED's efforts, the Task Force has added leasing to its schedule.

Working in coordination with COMPETE, SPEED drafted a strategy for its intervention in the cotton sector. Planned interventions will initially focus on the cotton ginners, with work with textile millers and garment manufacturers to follow. To this end, SPEED met with ginners, millers, and garment manufacturers, and will continue to do so in order to select the most suitable clients for the project. Within the cotton sector, SPEED's innovative market-led approach provides a client focus that compliments COMPETE's work.

KRA 2: MFIs Commercialized

The goal of SPEED's work with MFIs is to assist those with high potential to increase self-sufficiency, and possible transformation to MDI status through increased technical assistance and training. SPEED engaged a local consultant in April to complete a baseline survey of 15 leading MFIs, to gather background data, assess each MFI's interest in transformation to MDI status, and determine potential linkages with commercial banks, new product development, and training that would support public outreach. The survey also included an assessment of the MFIs' financial positions by recording baseline data and calculating various financial ratios. In addition to collecting the above information, the consultant identified the following as key areas for technical assistance: treasury, product development, general financial management, prospectus development, identification and attraction of new investors, assets, MIS, governance, and compliance with upcoming regulations.

SPEED also established selection criteria for MDI and FSS candidates during this reporting period. By the beginning of June, selection criteria were developed and documented for MDI candidates, and were drafted for FSS candidates.

Moving towards its goal of commercializing MFIs, SPEED issued an RFP for potential MDI candidates on June 1. Nine of ten MFIs invited to submit proposals and business plans did so. The proposals were screened, using the established selection criteria, and SPEED chose the following three MFIs to work with as MDI candidates: UWFT, FINCA-Uganda, and UMU.

C. Business Environment

The overall objective of the Business Environment component is to create a more business friendly environment that enhances the ability of MSMEs to obtain financing and become engines of growth in Uganda. Within this objective, SPEED has identified one KRA:

KRA 1: Public and Private Sector Capacity Enhanced

Through work in this KRA, SPEED seeks to improve the efficiency and operations of the Center for Arbitration and Dispute Resolution (CADER), the Commercial Court, the Land Registry, Companies Registry, and MOFPED. Quarterly progress made in these efforts is discussed below.

KRA 1: Public and Private Sector Capacity Enhanced

SPEED's key Business Environment activities during this quarter focused on building strong relationships of trust and confidence with GOU counterparts, conducting assessments of the Land and Companies Registries, developing work and action plans as a result of these assessments, and creating a viable business plan for CADER.

Since May, SPEED has held a series of meetings and discussions with the Chief Justice of the High Court, the USAID Mission Director, CADER, and the President of the Commercial Court regarding the swift and efficient transfer of cases from the Commercial Court to CADER. During the month of June, SPEED developed an action plan for cooperation between CADER and the Commercial Court, which included the actual steps required for the movement of cases, and the need for a survey of the current cases to determine whether they are suitable for Alternative Dispute Resolution (ADR). It also set forth the need for a practice directive to judges with respect to ADR, and the need for legal documents authorizing the transfer of cases. SPEED then drafted a letter of understanding between the two organizations, and completed a draft action plan for the movement of cases to CADER. In addition, working through the Commercial Justice Advisor, SPEED ensured that CADER will receive the financial support guaranteed by the GOU.

In cooperation with the Executive Director of CADER, SPEED drafted the CADER Business Plan in June, and presented it to the Board of Directors. The Business Plan included a program to allow CADER to move cases from the Commercial Court through incentive payments for filing fees. This would streamline a process that is currently at a standstill. Further, the Business Plan sets forth an ambitious two-year plan, which will result in CADER's self-sufficiency. The Board of Directors provided comments on the Business Plan, which will be finalized during the upcoming quarter.

SPEED engaged short-term consultants to conduct an assessment of the land registration system in Uganda. These consultants also worked with representatives of the Department of Land Registration, the Department of Mapping and Surveying, and the Land Act Implementation Unit to identify key activities and areas of cooperation between SPEED and the GOU. To support the GOU's proposed pilot program to demarcate and map customary land holdings, SPEED provided preliminary feedback regarding surveying and mapping techniques and other methodology to be used to ensure efficient use of resources, and to maximize citizen support for titling of customary lands.

SPEED also conducted an assessment and evaluation of the Registrar General's office, interviewing the professional staff of the registries and developing a model relating to the current management and operation of the Registrar General's office. A preliminary action plan with respect to utilization of information technology within this office was developed and included in the work plan.

To coordinate efforts with other donors, SPEED held numerous meetings regarding the support of the Private Sector Development Unit of MOFPED. Further, SPEED worked with a GOU-engaged short-term consultant to draft a joint plan to assist the unit improve its data flows and quality of information.

D. Program Management

Program Management, in effect SPEED's fourth component, is integral to every aspect of the project and every component and activity. To achieve project goals, well-defined policies and procedures, transparent information-sharing mechanisms, and effective monitoring and reporting systems are necessary. The KRAs established for the Program Management area are:

- KRA 1: Coordination Mechanisms Established
- KRA 2: Efficient Administrative Support Provided
- KRA 3: Information Transparency Achieved
- KRA 4: Program Monitoring and Reporting Needs Met

Quarterly progress made in each KRA is discussed below.

KRA 1: Coordination Mechanisms Established

As discussed previously, the SPEED staff conducted an intensive workplanning retreat, to define project goals, determine activities and tasks, and measures of progress. Led by Laurel Druben, this workplanning was critical to give the staff a clear and common understanding of expectations, goals, and results. All SPEED staff participated in this interactive retreat, through which the various components first devised their strategies and goals, and the entire team then discussed each activity and result area. As a result, the team worked jointly to determine the goals and activities for the first year workplan, with a view toward end of project results as well, and returned to Kampala with a shared understanding of goals and project activities.

SPEED established its Steering Committee during this reporting period, which includes representatives of the GOU, USAID, COMPETE, and the private sector. SPEED provided each member with a copy of its first-year workplan, and the Committee met in early June to provide comments. The Committee, which will meet on a regular basis, will evaluate SPEED progress against the approved workplan.

KRA 2: Efficient Administrative Support Provided

The SPEED Policies and Procedures Manual was finalized by the end of June, and distributed to staff. This is a critical document in the project management area, as it informs staff members of the administrative and management rules and standards that must be followed, both for USAID and for Chemonics. Policies were put into effect by the end of June, and appropriate forms and templates published on the SPEED Intranet.

During this intense first quarter of SPEED, staffing needs were monitored closely, particularly in terms of ensuring that the team would be provided with adequate support. Although all staff members were hired and start dates established by early June, SPEED management will continue to evaluate staffing and hire support staff as appropriate throughout the lifetime of the project.

KRA 3: Information Transparency Achieved

Beginning in April, the SPEED IT specialist worked to set up and stabilize the technical aspects of the SPEED Intranet. As a result, the foundation for the sharing of Information is in place and in use. A network drive where all project-related information is stored was created, and Internet access for support of email and researching information was established.

Coordination and communication between the Chemonics Home Office and field staff are critical to the successful management of the project. To this end, several key measures have been put in place. First, the SPEED Field Office sends one project management email to and receives one from the Chemonics Home Office each day. Second, scheduled teleconferences take place between SPEED staff in Uganda and the Home Office. Finally, Chemonics Home Office support service departments, including procurement, IT, and accounting, maintain regular contact with their counterparts in the SPEED office, providing assistance and advice as needed.

KRA 4: Program Monitoring and Reporting Needs Met

The major activity carried out during the reporting period was the finalization of the Project Results Framework. This involved incorporating modifications from the workplan to update the Results Framework, clarifying questions and issues with the SPEED technical team, and producing the final workplan. The final workplan was submitted to USAID on June 1.

Monitoring progress in SPEED technical tasks and activities is critical to SPEED's ability to report accurately and effectively on its work. This includes monitoring the actual start and

completion dates of activities and assignments, percentage of completion, and actual work conducted on tasks. To address this need, the seven-month project planned activities (June 1, 2001 through December 31, 2001 Workplan) were put into Microsoft Project Management System, and SPEED staff utilize this tool to analyze and evaluate progress toward project goals.

- *Expected Results*

- Increased use of financial services by SMEs, agricultural enterprises
- Accelerated commercialization of the MFI industry
- Increased use of BDS by microenterprises and SMEs
- Improved policy environment for microenterprises and SMEs

- *Beneficiaries*

SMEs and agricultural enterprises, MFIs, commercial banks, BDS providers, and associations

- *Ugandan Partners*

Uganda Institute of Bankers, Centre for Arbitration and Dispute Resolution, Commercial Registries Services Bureau, Land Registry, and Ministry of Finance, Planning and Economic Development

- *Geographic Scope*

National

- *Next deliverable:* Semi-annual report, due December 2001

- *Contact Information*

Phil Broughton
 Chief of Party, SPEED Project
 Shimoni Office Village, Unit 3
 18 Clement Hill Road
 Kampala, Uganda
 Telephone: (256-41) 346 864
 E-mail: speed@infocom.co.ug

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date
805	\$17,490,211	\$2,504,936	\$14,984,274	December 31, 2003	N/A

D. Implementation of USAID/Mexico Microenterprise Strategy - Contract No. PCE-I-00-99-00007-00 - Task Order 804

- *Start Date* – September 30, 2000
- *Completion Date* - September 30, 2003
- *Amount of Task Order*- \$1,393,539
- *Task Order Objective* - This project will provide a high caliber technical advisor and training to partner microfinance institutions and to other microenterprise support organizations, so they can address their institutional weaknesses and create the institutional base needed to serve the microfinance sector.
- *Key Tasks to Meet Objectives*
 1. Technical assistance to partner institutions.
 2. Monitoring/coordinating with other donors.
 3. Implementation of Development Credit Authority credit guarantee.
 4. Administration and Management
 5. Training of microenterprise finance institutions management and staff.
- *CTO* – Ann McDonald
- *Consortium Team Members* - Miguel Rivarola (Microfinance Long-term Advisor)
- *Applicable Internet Links* - http://www.fs.chemonics.com/taskorder_details.asp?pid=43
- *Specific Tools Used* - N/A
- *Project Summary*

During this quarter significant administrative issues included the change in CTO for the project from Anne McDonald to Chuck Schnell. As well, the Microenterprise Long-term Technical Advisor (MLTA) produced a comprehensive work plan detailing the various activities that will be carried out through the remainder of the year. Given substantive microenterprise policy changes with the new GOM, the work plan reflects the MLTA's involvement in formulation of the Popular Savings and Credit Law (*Ley de Ahorro y Credito Popular*), which was fully approved on June 4, 2001. The MLTA helped the Mexican government to avoid some of the pitfalls of similar legislation in Bolivia and was credited with ensuring that the law would serve a broader purpose than just regulation of microfinance cooperatives. Given the changes that will be taking place among Mexican MFIs, the MLTA has also begun sessions with Fincomún and Unión de Crédito Progreso to assist them in their organizational restructuring to comply with the new law.

At the beginning of June, the MLTA accompanied a group of four USAID-funded representatives from various Mexican organizations, such as the Comisión Nacional Bancaria, Secretary of Housing and PAHNAL, on an observational study tour in Peru. The group spent a week meeting with several Peruvian MFIs and organizations to observe their experience with different forms of supervision models. This training resulted in the participants gaining a significant body of knowledge on how to regulate and supervise microfinance institutions and helped them to see that Mexico has much to learn about microfinance from international best practices and experience. These lessons will serve to assist in the development of the local regulatory bodies (*federaciones*) in Mexico that will serve to regulate and supervise local MFIs.

Activities also carried out during this quarter included the short-term technical assistance by Miguel Cabal. Mr. Cabal reviewed and provided comments on the Universidad Ibero Americana and the Colegio de la Frontera Norte's report entitled "Contribución del Sector de la Microempresa a la Economía Mexicana" (Contribution of the Microenterprise Sector to the Mexican Economy). He also assisted in the development of terms of reference for the further development of the report based on his review.

The MLTA has continued during this quarter to assist in the strengthening of the Grupo Mexicano de Trabajo and ProDesarrollo's development and analysis of a vision for the sector. While the Grupo Mexicano de Trabajo is still continuing to evolve, significant progress has been made by ProDesarrollo in their revisions of pre-feasibility studies analyzing the development of credit bureaus, products, markets and clients. The MLTA also continued his work monitoring and supervising the DCA guarantees made to Fincomún and Unión Progreso and contributing to organizational strengthening and development of these MFIs as well as Crédito Familiar and Admic Nacional.

- *Contact Information*

Miguel Angel Rivarola
 Long Term Technical Advisor
 Avda. Luis Cabrera No. 516 - Casa 23
 Colonia San Jerónimo Lidice
 10200 Mexico, DF
 Mexico
 Tel: 52-5033-8764
 Email: mrivarola@chemonics.net

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
804	\$1,393,539	\$234,903.99	\$1,158,635.01	September 30, 2003	N/A	712

E. Madagascar CEM - Contract No. PCE-I-00-99-00007-00 Task Order 806

- *Start Date* – May 7, 2001
- *Completion Date* – May 6, 2002
- *Amount of Task Order* - \$224,761
- *Task Order Objective*

Chemonics is helping the Caisse d'Epargne de Madagascar (CEM), the foremost provider of savings services in Madagascar, to expand access to and enhance the quality of its services to the poor while strengthening its long-term sustainability. Chemonics is helping improve the CEM's savings and money transfer services, including strengthening the CEM's information systems to support assessment of profitability and performance, improve internal control systems, and better inform business strategy development.

- *CTO* – Robert Dean
- *Consortium Team Members* - Warren Chase, Chief Technical Adviser (Chemonics), Ali Rammal, Financial Institution MIS Specialist, Njara Ramdriamisata, Local Professional.
- *Applicable Internet Links* – http://www.fs.chemonics.com/taskorder_details.asp?pid=47
- *Project Summary:*

USAID awarded the CEM II task order to Chemonics International on May 7, 2001. By the end of May, Chemonics had negotiated contracts for the team members and commenced the first mission to Madagascar. Mr. Chase & Mr. Rammal arrived in Antananarivo on May 25th where they met Mr. Ramdriamisata. Their task during the initial assessment visit was to define the work necessary to complete the contract and ultimately develop a project Work Plan. The draft Work Plan, submitted to Mr. Robert Dean, CTO, on June 11th was approved June 14th.

The Work Plan laid out the tasks necessary to meet the project objectives. Four tasks were identified as critical to the success of the task order:

1. Specify requirements for an integrated banking software package suitable for a thrift institution to replace the system currently in use.
2. Design and implement a pilot project for real-time transfer and transaction management for two pilot agencies and the CEM office.
3. Strengthen and design an MIS capable of generating quarterly reports to assist business and strategic planning.
4. Training for CEM staff on the new systems.

To this end, our team contracted with Delta Audit of Antananarivo to perform a complete evaluation of the CEM's current system. Mr. Rammal has worked closely with the CEM management to outline the requirements for an integrated banking software package and has specified the hardware and software needed. Using these specifications, we have ordered necessary equipment, which we expect to be ready for delivery and installation by the vendor in August.

In preparation for the new system, Chemonics funded a training session for one of the CEM's key information technology employee's with the local Microsoft vendor on server and database management. Finally, Mr. Rammal is nearly finished drafting a system abstract report, documenting current business operations, CEM organization and responsibilities, workflow, automated system functionality, issues and problems, and a high-level description of the required additional services, new system functionality, and reporting requirements. The next mission is schedule for October, when Mr. Rammal plans to test a prototype system. The final mission with Mr. Chase and Mr. Rammal is tentatively scheduled for April 2002.

- *Next Deliverable*

The first Progress Report is due on August 31, 2001 and is being prepared by Mr. Warren Chase with input from Mr. Rammal.

- *Contact Information*

Warren Chase
Chief of Party
11 Penn Plaza 5th Floor
New York, New York 10001
Tel: (212) 692-0794
Email: mitancapital@aol.com

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
806	\$224,761	\$58,168	\$166,593	May 6, 2002	NA	143

II. Completed Delivery Orders

F. Honduras Economic Principles Course - Contract No. PCE-I-00-99-00007-00 - Task Order 800

- *Start Date* - June 25, 1999

- *Completion Date* - September 30, 1999
- *Amount of Task Order*- \$176,284
- *Task Order Objective* - To assist the USAID Mission in Honduras to replicate courses designed to educate the public about the fundamentals of a market economy. One component of the task order was directed at young professionals and focused on economic theory and its application to the analysis and solutions of economic problems of Honduras. The other component was directed at university teachers of economics and was focused on upgrading their economics skills in light of the globalization of markets.
- *Key Tasks to Meet Objective* - 1) The organization of a seminar for a selected group of thirty young professionals recently graduated from local universities in public management, economics, or agricultural economics and young professionals that are presently working in different public service and private sector financial institutions; 2) The organization and presentation of a seminar for a group of fifteen current teachers of economics at the university level; 3) Recruit and screen the applicants for the first component; 4) Develop a course plan that includes topics on macro and micro economic theory and practice; 5) Handle all administrative arrangements for organizing and presenting the seminars.
- *COTR* - Dennis Sharma, Danilo Alvarado
- *Consortium Team Members* - Chemonics
- *Applicable Internet Links* - N/A
- *Specific Tools Used* - 1) *Young Professionals*. Classes in: Economic Principles: Calculus and Linear Algebra; Computer Applications; Macroeconomics; Microeconomics. Economic Applications: International Commerce; Project Analysis; Agricultural Economics; Public Finance; and Statistics. 2) *University Professors*: Seminars and conferences on: Regional Economic Integration; Political Economy; International Commerce; The Economic Role of Microenterprises; Competitiveness.
- *Project Summary*. The courses for young professionals were carried out from June 25 to August 13, 1999. Thirty students were selected out of 100 that took an entrance exam. Diplomas were distributed to 27 students; however, student performance was limited due to the lack of prior education in these topics and the intensity and pace of the courses given. Recommendations were made to institute these diploma courses on a regular basis through the "Universidad Nacional Autónoma de Honduras." However, in order for the course to be successful the academic director would require independence to develop the curriculum and entrance requirements.

60 professors from throughout Honduras participated in seven conferences on current topics. Participants were enthusiastic about the program and evaluations were positive. However, results were limited due to the heterogeneity of the group and limitations on time. Recommendations were made to concentrate future efforts on the courses for young

professionals and incorporate the seminar program into the regular academic curriculum of the University. In this manner, both professors and students could participate and benefit from the seminars.

Task Order #	Authorized Expenditure	Actual Expenditure	Balance	Estimated Completion Date	Actual Completion Date	Balance in Days
800	\$176,284	\$162,621	\$13,662	09/30/99	09/30/99	N/A

III. Pending Work, Mission Inquires

Active Inquiries

A. Peru. On April 5, 2001, Chemonics submitted an unsolicited proposal titled Developing Rural Finance Markets in Peru. The purpose of this project is to conduct a study tour to Indonesia and the Philippines to expose senior officials of the Peruvian Government and private bankers to best practices in rural finance. USAID/Lima expressed initial willingness to fund technical assistance activities in this area through the SEGIR Financial Services IQC mechanism. However, political turmoil caused the project to be placed on hold.

A. B. Sri Lanka. On May 15, 2000, Chemonics submitted a Tier I proposal to provide Technical Assistance on Tax Policy to the Sri Lankan Fiscal Policy Unit as a follow-on to work Georgia State is performing in Sri Lanka. This proposal was submitted in conjunction with our subcontractor, Georgia State.

IV. Outstanding Issues and Questions

Web site. On July 17, 2001, Chemonics launched the Financial Services Consortium Web site. The Web site has been designed to:

- Highlight our consortium's combined wealth of experience of almost 200 activities by country, region, and technical area
- Supply updated details of current and past task orders
- Broadcast recent consortium successes and news
- Present our consortium's core competencies and details about individual partners.

We will continue to update the website regularly throughout the life of the FS IQC contract.