



S P E E D

Support for Private Enterprise Expansion & Development

SPEED Quarterly Performance Monitoring Report

January 1 through March 31, 2002

Submitted by:

Chemonics International Inc.

In collaboration with:

**Crimson Capital Corporation, Inc.
J.E. Austin Associates, Inc.**

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SPEED Project Quarterly Highlights

The USAID Support for Private Enterprise Expansion and Development (SPEED) project supports economic growth in Uganda through the development and expansion of sustainable business opportunities for micro, small, and medium enterprises (MSMEs), with special emphasis on rural areas. The project has three main technical goals: building business capacity, expanding financial services, and improving the business environment.

During the period from January 1 through March 31, 2002, the SPEED project:

- Formally launched USAID's DCA Loan Guarantee Program, under which seven participating banks will receive a 50% guarantee on loans advanced to SMEs and MFIs. SPEED manages and promotes the use of the program.
- Opened a leasing center in Mbale, the second of three new DFCU Leasing Limited upcountry leasing centers to be established with SPEED support. As of the end of March, 37 leases valued at \$1.1 million had been approved at the two leasing centers.
- Continued to support the capacity building of the Uganda Fish Processors and Exporters Association (UFPEA), furthering the website development program for the association and eight member companies, and beginning a quality assurance program that will result in ISO 9001-2000 certification for seven of UFPEA's members by January 2003.
- Launched a program with Nyakatonzi Cooperative Union to establish a self-sufficient business development services system to provide technical support that could triple yields for the union's 15,000 member cotton farmers.
- Selected BDS providers who will launch SME consulting practice areas in Mbarara and Lira and deliver a pilot Grow Your Business (GYB) workshop to small business clients of Centenary Rural Development Bank.
- Continued its support to the project's three Micro Deposit-taking Institution (MDI) candidates and six Financial Self-Sufficiency (FSS) candidates. SPEED finalized Grant Agreements and signed Fixed Price Contracts with all MDI candidates, and concluded full activity planning and signed Grant Agreements with the FSS candidates.
- Signed a performance oriented grant agreement with the Center for Alternative Dispute Resolution (CADER) and trained an additional 20 members of CADER's roster of independent mediators and arbitrators in Alternate Dispute Resolution (ADR) practices. To date, 42 members of CADER's roster have been trained.
- Developed a proposal, with the Ministry of Finance, Planning, and Economic Development (MOFPED), to gather data on the MSME sector as part of Uganda's 2002 population census. The Uganda Bureau of Statistics agreed to pre-test the SPEED-developed module in April 2002.

SECTION I

Introduction

The USAID-financed SPEED project is a three-year activity managed by Chemonics International Inc., in collaboration with Crimson Capital Corporation, Inc. and J. E. Austin Associates, Inc., under SEGIR Financial Services Task Order #805. SPEED's mission is to support the economic growth of Uganda, through the development and expansion of sustainable business opportunities in the MSME sectors.

Specifically, SPEED works with SMEs, MFIs, and commercial banks to strengthen their capacities so MFIs expand and move up-market while commercial banks move down 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.

The expected results of SPEED are:

- Increased use of financial services by SMEs and agricultural enterprises;
- Accelerated commercialization of the MFI industry;
- Increased use of Business Development Services (BDS) by microenterprises and SMEs; and
- Improved policy environment for microenterprises and SMEs.

The SPEED project falls under USAID's Strategic Objective 7 (SO7), Expansion of Suitable Economic Opportunities for Rural Sector Growth. USAID's SO7 strategy places priority on assisting the Government of Uganda (GOU) reduce rural-based poverty by expanding economic opportunities. The expected outcomes of SO7 are: increased enterprise incomes for farm enterprises, community and producer organizations, MSMEs, and industry-scale export sectors; and policy and institutional capacity that improves the enabling environment and allows Ugandans to pursue sustainable economic activities.

SPEED contributes directly to the expected outcomes of SO7 through its three technical components:

- Business Capacity
- Financial Services
- Business Environment

This report details the progress and accomplishments made by SPEED in the KRAs defined for each of its three technical components, and program management, during the reporting period of January 1 through March 31, 2002.

SECTION II

Business Capacity

The goal of SPEED's 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, the project works to build opportunities and strengthen the organizational and institutional capacities of businesses and BDS providers. SPEED has identified the following two KRAs within this component:

- KRA 1: BDS Providers Strengthened
- KRA 2: Business Opportunities Expanded

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

A. KRA 1: BDS Providers Strengthened

SPEED's strategy to strengthen BDS providers is to increase the effective demand for business development consulting services by:

- Integrating BDS providers into SPEED-supported activities;
- Upgrading the quality and range of service providers and customer value of services;
- Increasing price competition in the BDS marketplace; and
- Raising awareness among SPEED clients that BDS can effectively increase their profitability, productivity and competitiveness in the marketplace.

This approach also benefits the sector intermediaries through which SPEED reaches some of the targeted MSMEs.

A1. Key Activity 1: Maximize Opportunities for SPEED-Registered Consultants

Accomplishments this quarter. During the first quarter of the year 2002:

- SPEED regularly updated its BDS roster, which now contains approximately 130 individuals and consulting firms, systematically collected baseline data on all SPEED-registered BDS providers, created new application forms for those interested in being included on the roster, and began the preparation of a directory of Ugandan BDS providers.
- SPEED and the Private Sector Foundation (PSF) selected eight core BDS providers to deliver training courses on Association Governance and Management. These providers will work with two international consultants throughout 2002. They will serve as resource persons to support PSF in the implementation of its capacity building program, and eventually in the establishment of a training unit within PSF.
- Eleven SPEED BDS providers worked in partnership with international consultants as follows:

- Two consultants provided technical assistance on the merger program of UIA, UTB and UEPB;
 - One firm developed a web strategy program for the Uganda Fish Processors and Exporters Association (UFPEA); and
 - Eight consultants were initiated into the PSF Association Governance and Management Course Series.
- Four BDS consultants participated in a fish farming workshop conducted by SPEED, in collaboration with UFPEA and PSF, during February 2002.
- Initial discussions were held with Uganda Management Institute to explore the possibility of organizing and conducting joint BDS training programs.
- SPEED signed subcontracts with 22 providers from the BDS roster, as follows:
 - Training and Technical Assistance - 6
 - ICT - 1
 - Quality Assurance - 1
 - Policy/Advocacy - 1
 - Fisheries Sector Web Development Strategy - 1
 - Association Governance and Management - 8
 - SME Best Consultancy Practices - 2
 - Grow Your Business Training - 1
 - Alternative Dispute Resolution - 1
- SPEED initiated the following new products, which will be delivered by local consultants in conjunction with international consultants:
 - Sensitization on Grow Your Business for small business clients;
 - SME best practices in Mbarara and Lira Districts; and
 - PSF Association Governance and Management Course Series.

Task and target adjustments for the quarter. SPEED met all targets for the quarter.

Tasks for next quarter. SPEED will continue to accept applications for its BDS roster and add qualified providers to the list on a rolling basis. In addition, the project will finalize its directory of Ugandan BDS providers during the second quarter of 2002. SPEED will also begin the PSF Association Governance and Management Course Series and the Grow Your Business program, and will work to promote SME best practices in Mbarara and Lira.

A2. Key Activity 2: Expand Market for BDS Involvement in all SPEED Activities

Accomplishments this quarter. SPEED generated 21 business opportunities for BDS providers during the first quarter of 2002.

- SPEED engaged a local BDS provider to conduct a feasibility study of the rehabilitation of Namayama Estate and establishment of a tea-processing factory in Mukono District. Further, the project provided information, advice, tea

samples, and packaging information to Rwenzori Commodities Ltd., which is interested in constructing new production facilities and producing orthodox tea in Kabarole District.

- Two BDS providers, one specializing in finance and the other in human resource development, worked with international consultants for a period of approximately two months on the merger program of UIA, UTB, and UEPB.
- One consultancy firm specializing in web development was selected to work with UFPEA to develop an association web site and eight member company sites, following a web strategy designed by an international consultant. The program is being implemented under a cost-sharing arrangement with UFPEA. The local firm will train approximately 10 to 15 persons affiliated with the association and its member companies to maintain and update the web sites.
- One consulting firm was selected in the area of quality assurance, to prepare seven fish processors and one flower exporter for ISO 9001-2000 certification. All work is being conducted on a cost-share basis, with the exception of the flower exporter, which is paying all costs associated with its participation in the program. Launched at the end of March 2002, this activity will be implemented over the next ten months. In total, between 700 and 1,000 people will benefit from training as part of this program.
- SPEED and Centenary Rural Development Bank selected one BDS provider to implement pilot Grow Your Business programs for SME clients of the bank in Mbarara District. Implementation of the program is planned for May 2002.
- Two BDS providers were selected to introduce SME consulting practices in Mbarara and Lira Districts. These programs are due to be launched in May 2002.
- One BDS provider was subcontracted to carry out a diagnostic study review of Kinyara Sugarcane Growers Ltd.
- SPEED subcontracted with one consultant to prepare a feasibility study for six wet mill coffee processing facilities, which will be established in Mukono, Masaka, Arua, Bushenyi, and Mubende Districts.
- One BDS provider was subcontract to refine and finalize a business plan for Bobbie's Leathers, Ltd.
- SPEED finalized the SOW to develop a project document for a pilot fish landing site in the remote islands of Lake Victoria. The implementation of this activity has been suspended, however, pending further clarification on the participation of the stakeholders in financing the preparation of the project document and the construction and maintenance of the site.
- SPEED, in collaboration with the International Law Institute – Uganda (ILI) and the Center for Arbitration and Dispute Resolution (CADER), trained an additional 20 members of CADER's roster of independent arbitrators and mediators in

Alternate Dispute Resolution (ADR) practices, bringing the total number trained to 42.

- The Uganda Institute of Bankers (UIB) and SPEED sponsored the second in a series of three SME Lending Training Programs, bringing the total number of loan officers trained to date to 40.

Uganda Fish Processors and Exporters Association (UFPEA) Support Program

SPEED has initiated a comprehensive support program designed to build the capacity of UFPEA. With nine members and two associate members, UFPEA is the voice of Uganda's fish processing industry.

SPEED, through local consulting firm Total Quality Management (TQM), is supporting six of UFPEA's member enterprises in a quality assurance program that will lead to ISO 9001–2000 certification. The program will be implemented over a period of ten months, with one daylong formal session conducted by TQM each month, and a series of individual sessions and staff training at each company. Although very comprehensive and stringent, this program is flexible enough to allow TQM to work with each company on an individual basis. Conducted on a cost-share basis by SPEED and UFPEA, this activity will assist UFPEA in meetings its goals of building Uganda's fish processing industry and increasing exports. The expected results include:

- Seven UFPEA members will be ISO 9001-2000 certified.
- UFPEA's role to support its members will be strengthened.
- Staff from the participating companies will be trained in the latest quality practices.
- The image of Uganda's export processors will be strengthened in the international market.

SPEED is also supporting a website development program for UFPEA and eight of its member companies. Designed by an international consultant, the strategy is being implemented with the assistance of Metrocomia East Africa Ltd., a local web developer. It includes separate sites for UFPEA and for each member company, which emphasize the quality of Uganda's fish products, and provide detailed and current information on the fisheries sector. UFPEA and SPEED are sharing the costs of this activity as well, which is expected to have the following results:

- UFPEA strengthened.
- Completed sector specific website model replicable to other sectors.
- Web related training provided to eight to 15 selected staff within the sector.
- Sector specific database established with UFPEA to guide existing and new investors and provide information to key sector players.
- New market inquiries and increasing export orders received.
- Updated export promotion material and information available to all exporters through the member websites.

The local web developer will train company and association members to update and maintain the sites, to ensure continuous improvements and sustainability of the activity.

UFPEA members also participated in SPEED's commercial fish farming workshop. Following the workshop, two member company representatives were among the group that visited Sagana Fish Farm in Kenya. Since their return, these two individuals have begun the preparation of feasibility studies to establish large-scale fish farming at their sites that will be linked with their processing facilities.

Two association staff members are being trained to follow up on all capacity building activities conducted with SPEED, to ensure their sustainability.

Task and target adjustments for the quarter. SPEED completed all activities and tasks planned for the quarter.

Tasks for next quarter. SPEED will continue its Quality Assurance program with UFPEA and the flower exporter. In addition, the project will launch the UFPEA websites, and the local BDS provider will train the association and companies to maintain and update the sites.

The project will initiate the Grow Your Business program in Mbarara, and launch SME consulting practice programs in Lira and Mbarara. Further, SPEED will continue to follow-up the rehabilitation and expansion of Namayama Tea estate, and to identify new business opportunities for BDS providers. Finally, SPEED will determine its course of action regarding the pilot fish landing site in Lake Victoria.

A3. Key Activity 3: Support the ability of targeted intermediaries to facilitate provision of BDS to membership

Accomplishments this quarter. Continuing to support the institutional capacity building of UFPEA, the Uganda Coffee Farmers Association (UCFA), and PSF, SPEED:

- Furthered the web development program with UFPEA and eight of its member enterprises, and provided support to members on quality assurance certification program for ISO 9001-2000. Two association staff members are being trained to follow up these programs.
- Provided support to UCFA related to its participation in a program to implement six wet mill coffee processing facilities. An international consultant developed a concept paper on the best practices to expand private sector technical fee based services to coffee farmers. The consultant identified Kibinge Coffee Farmers Association as a model within UCFA, and carried out an institutional assessment of that association.
- Continued the capacity building support program for PSF and its members. Through the technical assistance of two international consultants, SPEED:
 - Developed an MOU and entered into a strategic alliance with PSF. SPEED will support: Membership Development, Member Capacity Building, and PSF Capacity Building.
 - Conducted four workshops/training programs in the following areas:
 - Capacity Building for Association Leaders, for 22 participants, including eight women.
 - Leadership Training Course, for 45 participants, including 15 women.
 - Training in PSF Fund Raising Program, for 12 participants, included five women.
 - Initiated the design of a series of eight training courses, which will be delivered jointly with local consultants. Twenty to 30

associations will benefit, and at least 50 people will be trained in Association Governance and Management.

- Assisted PSF review its one-year workplan, including its vision, mission statement, publicity materials, and information services.

Task and target adjustments for the quarter. The project met all quarterly targets.

Tasks for next quarter. SPEED and PSF will initiate the Association Governance and Management Course Series. The project will continue to support UFPEA in the areas of quality assurance and web development, and will support other selected associations to develop their capacity.

A4. Key Activity 4: Provide Sector Decision-Making Frameworks as a Basis for Design of SPEED interventions

Task and target adjustments for the quarter. As SPEED concentrated on interventions in its major sectors of coffee, cotton, fisheries, and dairy during the quarter, the BDS unit did not carry out any specific work related to new sector decision-making frameworks. This activity will be reviewed and rescheduled.

Tasks for next quarter. SPEED will review the need to position all its on-going and planned activities in different sectors within sector specific strategic frameworks, and will reschedule the work to be carried out during the next quarter.

B. KRA 2: Business Opportunities Expanded

The strategy for this KRA is to develop comprehensive, market focused programs for enterprise development that will create employment opportunities, increase export potential, improve outgrower/supply side performance, promote value addition, support financial potential, and enhance economic development.

To expand business opportunities, SPEED identifies enterprises that operate within the critical sectors identified by USAID, and then works with those enterprises that:

- Involve large numbers of producers, customers, or employees;
- Are clearly responsive to market demands;
- Have significant export potential; and
- Have the capacity to move forward successfully once SPEED assistance is no longer available.

SPEED's approach is market driven. The project strives to be responsive to the needs of its clients in finding practical solutions to business problems, and to expand their ability to recognize and take advantage of business opportunities. During the quarter under review, SPEED supported programs for 15 enterprises in key USAID/GOU sectors with 1616 employees, sales of US\$19,014,692 and, 53,449 linked producer businesses. The support provided by SPEED is enterprise linked, and the enterprises with which the project works provide BDS to producers/suppliers.

B1. Key Activity 1: Set Up and Maintain Mechanisms for Ongoing Opportunity Identification and Facilitation

Accomplishments this quarter. Much of the current KRA activity is the result of referrals from other components in the project. Most significantly, the SME Finance component's work with DFCU Leasing has resulted in referrals from the leasing company of customers needing assistance in management and marketing. Other referrals have come from GOU agencies, industry stakeholders, and donor projects. SPEED publications, including the SPEED bulletin and SPEED brochure, also advise potential clients of project activities and opportunities, as do presentations and training programs. As an example, SPEED's commercial fish farming generated much interest in this important sector, and led to a SPEED-supported site visit to a model fish farm in Kenya by processors and current and prospective fish farmers.

Task and target adjustments for the quarter. SPEED met all targets for the quarter.

Tasks for the next quarter. The primary goal for the next quarter is to ensure that programs move forward as planned. This will require constant monitoring on SPEED's part. Additionally, the project will explore opportunities to continue support programs, and to identify ways in which the business activities of clients can be expanded.

B2. Key Activity 2: Operate Effective BDWGs in Target Sectors

Accomplishments this quarter. SPEED continued to play an active role in the Business Development Working Group (BDWG) it established for dairy, which is now led by Land O' Lakes. The project also formed BDWGs for coffee, cotton, and fish farming. In addition, the project has been active in the development of the World Bank Coffee strategy for Uganda. It is important to note that SPEED's approach in formulating its coffee and cotton strategies has been to conduct one-on-one conversations with major stakeholders and small group meetings with people with common interests and goals. This informal approach encourages frankness in discussions, and leads to the forging of personal business relationships involving trust and confidence.

Task and target adjustments for the quarter. SPEED met all targets for the quarter, and completed all activities.

Tasks for next quarter. Coffee wilt and OTA, a fungus developed through improper drying techniques, are serious threats to Uganda's coffee industry. SPEED has initiated a dialogue with the GOU and major stakeholders that will result in the formation of a working group to address these two threats. This will be the first time a cooperative effort between the GOU and major coffee exporters has been directed towards dealing with these problems, and it is anticipated that market driven solutions will arise from the discussions. SPEED will also work with other projects in the cotton and dairy sectors to assist them in formulating programs for enterprise linked extension services.

B3. Key Activity 3: Develop and Implement Market-Linked Pilot Projects in Selected Sectors

Accomplishments this quarter. SPEED believes that markets ultimately determine the success or failure of any enterprise, and it is therefore necessary for the project to

tie its assistance programs to the market demand for the services it supports. Particular programs that fit this criteria at the present time include activities in coffee, cotton, dairy, maize processing, and, potentially, fish farming. The SPEED approach targets enterprises that deal with large numbers of people and that have the capacity to deliver BDS to customers/members in a form that is easily afforded by the recipients.

Nyakatonzi Growers Cooperative Union (NGCU)

NGCU is one of the few unions that survived the turbulence that followed the liberalization of the cotton and coffee sectors. In collaboration with the USAID-funded IDEA project, SPEED is supporting the establishment of a total of 600 trial demonstration plots of maize at NGCU's 62 farmer society locations. These plots will utilize improved agronomic practices and minimal additions of fertilizers and insecticides and, will strictly follow correct seasonal timing for planting. Local farmers will provide extension services at these locations, and Nyakatonzi will supervise the operation through an extension manager.

Uganda Meat Industries Ltd. (UMIL)

UMIL, with an abattoir on site, processes meat and sells it on the local market. The company buys cattle, sells fresh beef, produces fresh cooked and smoked processed beef products, and distributes meat products to hotels, restaurants, and supermarkets. UMIL deals with over 700 farmers, cattle traders, butchers, wholesalers, and retailers. The company has 130 employees, slaughters on average 100 cattle per day, and processes approximately 50 head of cattle into value added products per week.

SPEED is supporting UMIL in the implementation of a product development and marketing drive, designed to increase sales in the local and export markets. UMIL intends to increase its production capacity, modernize its facility, and diversify its operations. In addition, the company plans to establish new butchereries in and around Kampala to meet the anticipated increase in demand.

Pure Perfect Foods (PPF) Distributors Ltd.

PPF Distributors Ltd. was established as a result of SPEED intervention in the Dairy sector. PPF will co-pack its own brand of UHT milk at Dairy Corporation for distribution locally and in regional markets. In, addition PPF will distribute 300,000 liters monthly of *Tuzo* UHT milk, a brand of Spin Knit Kenya currently processed by Dairy Corporation for distribution in Uganda, Rwanda, Democratic Republic of Congo, Burundi and northern Tanzania.

SPEED worked with PPF to develop and implement a marketing program for milk distribution in the local and regional markets. This intervention will impact 14,000 farmers who supply raw milk to Dairy Corporation, and 420 people employed at the factory on a permanent basis.

Nyakatonzi Farmers Cooperative (NGCU)

NGCU is comprised of 62 farmer societies, each with an average membership of 240, for a total of approximately 15,000 farmers. NGCU's ginnery processes 10,000 bales annually, or 10% of Uganda's cotton production. The ginnery has a capacity of at least 20,000 bales, and there is a market, albeit low compared to previous years, for Ugandan cotton. NGCU employs 27 men and 3 women on a permanent basis, and another 100 men and 50 women on a temporary basis during the ginning season.

The typical farmer/customer of the ginnery is a small holder who produces food crops to sustain his family, and one or two acres of cotton as a cash crop. Although production is very low, approximately 200kg per acre, trials have shown that this can be increased by as much as four times through the use of very basic improved agronomic practices and minimal additions of fertilizer and insecticides, and by planting with correct seasonal timing. SPEED and IDEA have worked together to set up a program through which trial plots will be established at every society location. At these locations, local society farmers will provide extension service to members. NGCU will supervise the operation through an extension manager who will coordinate field trips and assure access to information for all members.

The program has been "kick started" with donor funds, but the stipend paid to society extension agents and the management of the program will quickly be transitioned to the ginnery. All of the agents and all information provided to farmers will bear the Nyakatonzi label, and the cost of the program will be part of the general operating expenses of the ginnery. Anticipated benefits of the program include:

- Increased production and profits for farmers;
- Increased throughput of cotton for the gin with a resulting improvement in operating efficiency;
- A more reliable source of raw material for the gin;
- Development of loyalty to the gin amongst farmers who can now access reliable extension services; and
- A fully sustainable extension service that is paid for by the users of the service.

When fully operational it is expected that the cost of the extension service will be no more than US\$1.00 per bale ginned or farmer served.

Ishasha Basin Development Scheme (IBDS)

IBDS is a grain milling plant located in Kasese that produces maize flour. Formerly known as Nchokwa Estates Ltd., IBDS purchased the plant in October 2001 with the assistance of DFCU Leasing. At full capacity, the plant can produce 60 tons per 24-hour shift, but the practical operating capacity is rated at 48 tons per 24 hours. In high demand locally, IBDS' products are sold in bulk to schools, relief agencies, and government.

SPEED is supporting IBDS, which is seeking to implement a strong management system, enter the regional export market, introduce new packaging, and establish a local distribution network. The Mbarara office of DFCU, which was established with SPEED assistance, requested that SPEED provide support wherever possible to this new venture. SPEED is also cooperating with the IDEA project to support an increase in production of maize through assistance programs with NGCU, and IBDS will certainly provide an alternative market for the added volume. The increased market potential will benefit a large number of small farmers in the area, and generate export earnings through regional sales.

Alpha Dairies

Alpha Dairy Products (U) Ltd. is a diversification and expansion program of the Alpha Group of companies, whose Ugandan operations include Uganda Fish Packers Ltd. and Masese Fish Processors Ltd. Alpha purchased the assets, plant and machinery of the former Western Highland Creameries Limited, which was under receivership, and completely refurbished the buildings and grounds from its own funds. Alpha has also partially financed the purchase of new equipment with a US\$700,000 plus facility from DFCU leasing. DFCU, which is strongly supported by USAID through the SPEED project, asked SPEED to determine appropriate programs of assistance that could be provided in this activity.

Alpha intends to package and distribute mainly pasteurized and UHT milk, generally available from Mbarara processors. Alpha Group's long experience in processing and distributing highly perishable fish will serve the company well in milk handling, and there is strong local and regional demand for high quality milk.

In conjunction with Land O' Lakes, SPEED has worked with Alpha Dairies to provide assistance in marketing and establishing milk bulking and collecting centers in Mbarara and Bushenyi Districts. This will impact more than 100 people and provide a new market for more than 4000 local dairy farmers. Alpha has strong management and financial capacity, and has a proven track record in handling and distributing perishable food items. This revitalization of what was a defunct dairy processing facility is expected to create a financial boom for the town of Mbarara and area dairy farmers.

Uganda Coffee Development Authority (UCDA)

At the request of UCDA, SPEED conducted a feasibility study for the establishment of six strategically placed wet mill processing centers owned and operated by private sector investors. The resulting program will bring on more than 1600 new out growers who will be supplied with planting material, technical support and, market opportunities, which will have the potential to significantly increase farm income. After implementation, the six processing facilities will be used as models for replication throughout the country.

Kabarole Beekeepers Association (KBA) and Bunyangabu Beekeeping Community (BBC)

KBA and BBC are beekeeping groups based in Fort Portal that collect and process honey for sale locally. The groups also produce wax, candles, and propolis. SPEED worked with KBA and BBC to develop a plan for market expansion. The implementation of this marketing plan will increase sales of honey and widen the market share of both organizations, thereby providing a steady source of income to the 500 members of KBA and 250 of BBC.

Africa Polysack Industries Ltd. (API)

API manufactures woven polypropylene bags with printed customer logos for coffee processors and exporters, tea processors and exporters, sugar manufacturers, grain millers and exporters, cement manufacturers, and ginners. During the quarter SPEED worked with API to help the firm meet growing demand for its products by increasing

production quantity and improving quality. The project facilitated the hiring of international factory technicians from Sunny Way Bop (Pty) Ltd. to assess the plant conditions and requirements, provide on job training, and develop a Productivity Improvement Plan.

Commercial Fish Farming

With the assistance of a world-renowned aquaculture expert, SPEED conducted a workshop on commercial fish farming. Forty-six individuals, including potential investors, consultants from SPEED's BDS roster, and successful local and regional fish farmers, participated in the event. Following the workshop, eight of the attendees participated in a site visit to Sagana fish farm in Kenya, led by the consultant. Two individuals who participated in both activities have already begun preparation of feasibility studies on large-scale fish farming.

Namayama Estate (Tea)

SPEED supported a feasibility study for Saran Agro Investments Ltd., on the rehabilitation and expansion of Namayama Tea estate and the establishment of a tea factory in Mukono District. The study report has been submitted to three banks for consideration. Through this project, which should be completed within three to four years, Saran Agro Investments Ltd. will expand the plantation to include approximately 550 acres of tea and 400 acres of forest, and construct a tea-processing factory. This activity will provide employment for more than 550 people, of whom 30% will be women.

Kinyara Sugarcane Growers Ltd

SPEED is working with Kinyara Sugarcane Growers Ltd (KSGL), a commercial company owned by 650 outgrowers who supply the Kinyara sugar factory with 30% of its sugarcane requirements. The farmers sought SPEED assistance to accelerate their transition to a more commercial organization that takes management responsibility for contracting and extension services to their members.

SPEED recruited a local consultant in January 2002 to review the governance structure and services of KSGL and the farming practices of the out growers, to determine the financing needs of a typical out grower. SPEED's intervention is aimed at enhancing yields and attaining cost efficiency in cane production, and strengthening the bond between the farmers and the factory.

Southern Range Nyanza

SPEED is carrying out a local and regional market survey for Southern Range Nyanza, a textile firm 1100 employees, including 320 involved in producing garments. SPEED's international consultant, working with the company's marketing manager, visited actual and potential clients in Kenya, Uganda and Tanzania in March 2002.

Saran Agro investments Ltd.

The tea sector is the third largest export sector in Uganda, and has grown significantly in recent years. Tea production increased from 12,000 tons in 1993 to 29,000 tons in 2000, while export earnings increased from US \$10.5 million to US\$ 42 million during

that same time period. SPEED supported Saran Agro Investments Ltd., which had already invested US\$ 700,000 in its efforts to rehabilitate its tea plantation and enter into tea processing.

SPEED's support to Saran Agro Investment, Ltd. includes the provision of technical assistance, on a cost sharing basis, for structuring proposals to obtain additional funding from commercial banks; sourcing new planting materials, machinery and equipment; developing out-growers and extension services; establishing the processing factory; developing marketing strategies for launching of value added products other than exports of bulk tea; and establishing a nursery for seedlings.

Bobbie Leathers Ltd.

SPEED provided technical assistance to Bobbie's Leathers Ltd a small company manufacturing safety and security footwear and hand gloves for use in industry. The company employs ten people. The owner approached SPEED for assistance to purchase machinery to enhance his production capacity and meet increasing orders for his products. Much as his bankers, Stanbic Bank, were impressed with the turnover on the company's account they could only lend money to Bobbie Leathers against confirmed orders. This was because the company did not have accounts or established systems, and the company finances were not separable from those of the promoter.

While Bobbie is a very small enterprise, SPEED was intrigued with the business success of the owner in a niche market. His customers include the major employers in the private sector in Uganda, he uses local raw material, and has excellent prospects for exports. In addition, Bobbie is a client of Stanbic Bank, one of the seven banks selected to participate in the DCA Loan Guarantee Program. Stanbic Bank did not have a significant SME loan program and SPEED saw an opportunity to demonstrate the benefits of developing such a program through its assistance to Bobbie.

SPEED identified a consultant from its BDS roster, who has assisted Bobbie to write accounts, institute systems, and develop a business plan with clear cash flow projections. Arising from this, Stanbic Bank is processing a working capital facility of Ush.15 million for Bobbie Leathers. This will lower financing costs and generate savings, which will allow Bobbie to buy the equipment to enhance production capacity.

Task and target adjustments for the quarter. The project met all targets set and completed all activities planned for the quarter.

Tasks for next quarter. Activities during the next quarter will include:

- Implementation of SPEED's coffee program with UCDA, to include oversight of civil works construction and wet mill installation, training of PSP in management, finance, and accounting, implementation of extension service programs, training outgrowers and nursery operators, training wet mill operators and support staff, and selection and capacity building of BDS partners and stakeholder associations.
- Review the final report on KSGI and determine the technical assistance to be provided by SPEED.
- The consultant working with Southern Range Nyanza will submit his final report for the first phase of his assignment, and return to Uganda for the second

phase, which will focus on defining and explaining the changes needed in the factory to meet export standards.

- Continued support to KBA and BBC in the implementation of the marketing plan.
- Provide further marketing support and advice to Alpha Dairies as it expands its operations in Mbarara.

UCDA Coffee Program

In cooperation with UCDA, six wet mill processing units are being established in major coffee producing areas in the country. Through UCDA, the GOU has made a commitment to regain Uganda's reputation in the market by offering strong technical and financial support to the private sector engaged in modern and efficient processing methods. As an initial step, SPEED conducted a feasibility study for the establishment of six strategically placed wet mill processing centers owned and operated by private sector investors. The resulting program will bring on more than 1,600 new outgrowers who will be supplied with planting material, technical support and, finally, market opportunities, which will have the potential of significantly increasing farm income. After implementation, the six pilot processing facilities will be used as models for replication throughout the country.

The feasibility study conducted by SPEED has identified the major coffee producing catchment areas in Uganda for both Arabica and Robusta varieties. The study addressed issues such as:

- Requirements for improved processing of coffee to meet current market demands;
- Assessment of agronomic demands for commercially viable plant operation;
- Budgets for capital expenditures and operating costs for effective management of wet milling plants;
- Fully developed business plans for wet milling stations; and
- Detailed plans for extension service programs.

A selection process for private sector partners has been completed through a competitive program that assured fairness and transparency. SPEED assistance to UCDA included:

- Establishment of quantitative and qualitative selection criteria;
- Development of a weighting mechanism for criteria;
- Formation of a selection committee representative of major stakeholders;
- Issuance of a Request For Proposal; and
- Participation in the selection of Private Sector Partners.

B4. Key Activity 4: Promote Replication of Successful Projects in Other Areas of the Country and/or Sectors

Accomplishments this quarter. SPEED conducted initial planning activities for programs involving enterprise linked extension services for a three-gin operation in the eastern part of the country with 33,000 producers, and for six new coffee factories being set up in major coffee producing areas. In each case, extension agents will be employed by the provider of goods or services, and will assist member/customer farmers at no cost, to build customer relationships.

Task and target adjustments for the quarter. The project completed all activities planned for the quarter, and made no adjustments.

Tasks for next Quarter. The groundwork has been laid for replication of the Nyakatonzi program in a major cotton growing region in the eastern region of Uganda. Implementation of this program, which will be conducted in cooperation with the IDEA

project, is expected to proceed within the next several weeks. UCDA hopes to replicate the wet mill processing concept in several other areas in the country and SPEED is working closely with UCDA representatives to identify market forces that will help determine location, variety of coffee to be grown, and processing plant capacity.

B5. Key Activity 5: Monitor and Control Flow of SPEED Project Activities

Accomplishments this quarter. SPEED has designed and put into effect a “deal tracker” that provides details of all clients being assisted by the project. The deal tracker is built on Microsoft Access and generates reports that provide information according to sector, region, sales, and number of employees/outgrowers. The system is fully operational, and includes data on all KRA 2 clients. Additional KRA activities will be added and the system will be reviewed and fine-tuned on a regular basis.

Task and target adjustments for the quarter. SPEED met all targets established for the quarter.

Tasks for next quarter. The deal tracker system requires further refinement, and SPEED is fortunate that Michael Gold of Crimson Capital Inc., who was instrumental in the development of the program, has offered assistance in expanding report-generating procedures when he visits Kampala in May 2002. Mr. Gold has broad experience in creating and working with deal trackers and his guidance will be invaluable.

SECTION III

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 MDIs, MFIs seeking to reach FSS, SMEs, and financial sector associations.

The two KRAs within this component are:

- KRA 1: MFI and SME Financing Increased
- KRA 2: MFIs Commercialized

Quarterly progress made in each KRA is discussed below.

A. KRA 1: MFI and SME Financing Increased

Traditionally, the financial practices of the banking sector and the business practices of the SME sector have worked against an easy marriage between the two and have led to a gap in financing available to this market segment. A major goal of the SPEED project is to address this gap and to expand the flow of financial resources from the commercial banking sector to SMEs and MFIs.

The strategy for this KRA is to build on the rapport and dialog established with the financial sector and to put in place a Financial Sector Working Group (FSWG) that will serve SPEED as the engine for the identification and implementation of sector innovations.

A1. Key Activity One: Develop and implement an integrated financial sector strategy

Accomplishments this quarter. The FSWG, which includes senior managers from the seven banks in the DCA Loan Guarantee Program, DFCU, and SPEED, held its first meeting on February 8, 2002. During this meeting, SPEED presented its draft Financial Sector Strategy for discussion. There was considerable interest in the DCA Loan Guarantee Program, including its use to guarantee loans to MFIs.

During the second meeting of the FSWG, on March 22, 2002, the members formally approved the Financial Sector Strategy. In addition, to provide concrete examples of the challenges being faced by MSMEs, SPEED discussed the difficulties being faced by six coffee processors being assisted by the project. Several of the bankers responded with positive suggestions, and contributed a number of ideas that will add value to the implementation of this activity.

The FSWG held its first Roundtable on March 13, 2002, to formally launch the DCA Loan Guarantee Agreement. Thirty key sector stakeholders attended the meeting, including the chief executives of the seven banks participating in the guarantee program, DFCU, and senior officials from the Bank of Uganda (including Mr. Emmanuel Mutebile, Governor) and MOFPED.

Task and Target Adjustments for this Quarter. All tasks were accomplished as planned during the quarter.

Tasks for Next Quarter. The FSWG will continue to meet regularly. The group has discussed the possibility of holding roundtables on a number of topics, including a seminar on microfinance for bankers.

A2: Key Activity Two: Establish a sustainable SME Lending Training Program

Accomplishments this quarter. The Uganda Institute of Bankers (UIB) and SPEED sponsored a five-day SME Lending Training program in January 2002. Eighteen loan officers from five commercial banks and three financial institutions attended this program, which was designed and conducted by Shorebank Advisory Services. The loan officers in attendance were trained in the techniques of evaluating loan proposals from small businesses. This course, which was the second in a series of three, brought the total number of loan officers trained to date to 40.

A key feature of this activity is building capacity within UIB to deliver this program as an integral part of its own curriculum. Therefore, a second Training of Trainers (TOT) Program was held as well, bringing the total number of local trainers trained to six.

As part of its follow-up, Shorebank has designed a Post-Approval Loan Mentorship Program for trained loan officers in selected banks. Under this program, the loan officers will provide examples of their approved loan proposals to review whether the lessons of SME Lending Training programs are being used in the workplace. Initially, Shorebank will carry out this review. Within 12 to 15 months, however, this responsibility will shift to a senior loan officer. Two banks, Allied Bank International and Centenary Rural Development Bank, have expressed interest in this program.

Task and Target Adjustments for this Quarter. SPEED met all targets for the quarter.

Tasks for Next Quarter. The main task in the next quarter will be to deliver the third SME Lending Training Program. To assist in the building of the required capacity in UIB, local trainers will replace one of the two Shorebank trainers. SPEED also plans to deliver a half-day version of the SME Lending Training Program for bank credit managers who supervise the loan officers, to further strengthen the impact of the training on the banks.

A3: Key Activity 3: Assist banks to develop and offer outreach programs and innovative SME services

Accomplishments this quarter. Quarterly progress in this activity focused on two main areas: Leasing and the Grow Your Business Program.

Leasing

In February 9, 2002, U.S. Ambassador Martin Brennan opened a new regional leasing center for DFCU Leasing Limited in Mbale. The new center covers the region of eastern Uganda, and DFCU is projecting 20 new leases in 2002 with a total value of US\$300,000. This will be a significant increase over the current leases from that

region, which numbered only two as of the date the new center opened. With a local presence, DFCU's cost of originating and monitoring leases will decrease significantly.

This Mbale leasing center is the second center in rural Uganda being supported by SPEED. The first was opened in Mbarara in September 2001, and a third will be opened in an as-yet-to-be-determined rural area by the end of 2002. SPEED is assisting DFCU by sharing the establishment and operating costs for the first two years, with SPEED's support contingent upon DFCU meeting business targets for each of the three offices.

SPEED has formed a working group to consider issues related to leasing with the purpose of improving the tax and legal environment. Members of the working group come from MOFPED's Deregulation Project, DFCU Leasing and the East African Development Bank (the two main players in the leasing business), and SPEED.

SPEED is also working with DFCU to explore ways to raise local currency through the local bond market to finance further expansion of its leasing operations. SPEED arranged and attended a joint meeting between DFCU and William Cotter (the USAID-funded Capital Markets Advisor) on March 19, 2002. Mr. Cotter's advice was well received and DFCU will arrange further meetings as required.

Grow Your Business (GYB)

To impact the flow of finance from FIs to SMEs, SPEED will work with Centenary to hold awareness workshops in Mbarara for existing bank clients who need loan finance in excess of Ush 3 million to expand their current businesses. The workshops, which will begin in May 2002, will focus on managing banking relationships and the key factors in running a small business. Centenary clients who attend these workshops and have potentially viable projects will be introduced to SPEED's regional BDS provider in Mbarara. This provider will prepare the loan application and provide other assistance to the client to satisfy the bank's requirements. The client and SPEED will share the cost of this service.

Centenary was selected as a partner for the GYM program because of its strong orientation toward SMEs and rural development. The bank has already sent seven loan officers to participate in SPEED's SME Lending Training Program, is participating in the DCA Loan Guarantee, and is a member of SPEED's FSWG.

During the quarter, SPEED issued an RFP to 11 local consultants listed on SPEED's BDS roster to design and deliver pilot workshops. By the end of the quarter, a short-list of consultants was finalized.

Task and Target Adjustments for this Quarter. All tasks were completed as planned for the support of DFCU Leasing. The recruitment process for the pilot workshops in Mbarara and the local BDS provider were delayed, but will be completed early in the next quarter.

Tasks for Next Quarter. SPEED will continue its support of DFCU Leasing, and will complete the procurement process for the pilot GYB workshops.

DFCU Leasing

On February 9, 2002, U.S. Ambassador Martin Brennan opened DFCU Leasing's new center in Mbale. During his visit to Mbale, Ambassador Brennan also attended a seminar organized by DFCU Leasing for more than 170 business people interested in making use of the facility. Ambassador Brennan commended DFCU for extending its services to Uganda's eastern region saying "leasing is an innovative tool for the business community."

This new leasing center in Mbale is the second of three such centers in rural areas of Uganda being supported by SPEED. The first was opened in Mbarara in September 2001. A third will be opened in another rural location (yet to be decided) before the end of 2002.

SMEs face problems in raising medium-term finance for purchasing equipment. This is due to their lack of real estate collateral required by banks, difficulties experienced by the banks in recovering collateral, and reluctance by banks to lend for longer than 12 months. Leasing offers solutions to these problems. Leased equipment – which remains the property of the leasing company during the lease term - provides the security for financing. The leasing company can easily recover the asset in the event of default by the customer, and lease periods are usually between two to four years, facilitating the customer's ability to make payments to the leasing company.

DFCU Leasing has more than 85% of the Ugandan leasing market. DFCU's niche market is SPEED's target market – the SME sector. DFCU has developed innovative ways of reducing its risk in leasing to SME clients, such as making frequent visits to clients to ensure that equipment is properly maintained and the business is doing well. Leased vehicles with a value in excess of US\$10,000 are being fitted with satellite tracking devices. In addition, post-dated checks from clients are often used as a payment mechanism, as bouncing a check in Uganda is a criminal offence.

The Mbarara and Mbale centers have surpassed all expectations on performance. Through the Mbarara center, DFCU has approved a total of 25 leases, worth a total of \$861,865. Through the Mbale center, DFCU has approved 12 leases, with a total value of \$256,447. All of these leases fall into SPEED's "missing middle" category. DFCU is projecting that the Mbarara office will conclude 50 lease deals valued at least US\$1 million and the Mbale center will result in 20 new leases in 2002 with a total value of US\$300,000 by the end of 2002.

A4: Key Activity 4: Assist banks to develop and implement collateral support programs

Accomplishments this quarter. SPEED manages and promotes the use of a US\$30 million USAID DCA Loan Guarantee Program. Under the program, which became operational in March 2002, seven participating banks receive a 50% guarantee on loans advanced to SMEs and MFIs. SPEED is working with the banks to promote the program and is providing training in program responsibilities. Additionally, SPEED is promoting the use of the USAID Export Credit Guarantee Scheme and examining ways to increase the understanding and use of warehouse receipt programs to facilitate lending to agricultural enterprises.

During the quarter, six of the seven participating banks signed the USAID DCA Loan Guarantee Agreement. The seventh, Standard Chartered Bank, is still determining the size of its involvement. SPEED has provided training to Standard Chartered and Nile Bank regarding responsibilities.

Task and Target Adjustments for this Quarter. All tasks were completed as planned.

Tasks for Next Quarter. SPEED will continue to promote and manage the DCA program and promote its use, and will provide training to the remaining banks.

A5: Key Activity: Maximize ability of other SPEED components to increase financial flows

Accomplishments this quarter. Support to other SPEED components is a continuous activity. Specific support was given to the Enterprise Development component through the identification of potential clients for SPEED's technical assistance. DFCU Leasing was invited to join the appraisal committee examining proposals to allocate coffee processing equipment and was approached to lend expertise to the proposed leasing of the equipment. The SME Finance component worked closely with the BDS component in the recruitment of the consultants for the GYB program and the appointment of a regional BDS provider in Mbarara. The component also assisted BDS in the appraisal of a feasibility study on the rehabilitation of a tea estate, and recommended changes before the presentation of the study to a financial institution.

The SME Finance component facilitated meetings for the microfinance component with Barclays Bank to discuss possible loans to two specific MFIs, which have since resulted in two loan offers to the MFIs outside the DCA Loan Guarantee Program. At the first meeting of the FSWG, there was a detailed discussion on the use of the DCA Program to guarantee loans to MFIs. Specific briefings on the use of the program were given to two other MFIs on the use of the Program.

Task and Target Adjustments for this Quarter. All tasks were completed as planned this quarter.

Tasks for Next Quarter. SPEED will continue its regular contacts with banks and meetings of the FSWG. This will position the SME Finance component to assist with the implementation of SPEED activities, and to promote financial flows to SMEs and MFIs.

B. KRA2: MFIs Commercialized

The overall strategy to achieve this KRA is to assist high potential MFIs to increase outreach and self-sufficiency, leading to the transformation of at least three MFIs to MDIs. SPEED's two main objectives for its microfinance component are to work with:

- Mature MFIs to prepare them for transformation to MDIs when the new MDI legislation is passed; and
- Highly promising MFIs to enhance their levels of financial self-sufficiency (FSS) with an ultimate aim to transform into MDIs.

In both areas, SPEED's focus is to address the critical needs of the MFIs to help them accelerate their growth and increase outreach. This will be done through the provision of technical assistance, training, limited fixed assets, and in some cases, operational support.

B1. Key Activity One: Provide Assistance to MDI Candidates to Achieve Transformation.

Accomplishments this quarter. SPEED sponsored a seminar on tax issues, including an analysis of legal options for transformation and international tax regulations, which was facilitated by a tax expert from PriceWaterhouse Coopers. The main objectives of the workshop were to identify issues likely to come up with transformation and to identify questions for tax advisors.

In February, SPEED sponsored a roundtable discussion on accessing capital for MFIs. The main speakers were representatives from AfriCap, an African based equity fund pursuing investments in the transformation candidates here in Uganda. The seminar was widely attended by members of the microfinance community including MFIs, commercial banks, the Bank of Uganda, and private sector investors. Topics included equity investments, the provision of commercial debt to MFIs, the regulation of MFIs to on-lend savings and the MFIs' view on accessing capital. This seminar provided a forum for MFIs to discuss commercial sources of capital and their implications, and gave investors and debt providers an opportunity to hear the perspective of the MFIs. The proceedings of the workshop will be published jointly with GTZ and distributed to industry stakeholders.

SPEED supported the improvement of financial management and planning through a three-day Treasury Management workshop, which was a follow-on to the Liquidity Management workshop held last quarter. Based on the success of the Liquidity Management Workshop, the Bank of Uganda sent seven of its key staff to the Treasury Management Workshop. Short-term technical assistance was provided to FINCA after the workshop, on the liquidity management tool and the treasury management policy process. The training book from the workshop will be published, with Bankakademie.

SPEED continued to provide technical assistance to coordinate the overall transformation process of UWFT, hiring consultants to support the establishment and improvement of auditing and internal controls, and to carry out a comprehensive human resource audit. To assist UMU, the project provided advice on the selection of a banking software. Support during the installation and training phases will be ongoing, and SPEED and UMU finalized the selection of a transformation coordinator who will arrive in Kampala during April for a 12-month period.

Continuing the process begun last quarter with the signing of MOUs with the MFIs, SPEED finalized Grant Agreements and signed Fixed Price Contracts with the MDI candidates this quarter. This has availed finances to the MDI candidates to enable them to carry out transformation activities.

Task and Target Adjustments for this Quarter. There have been delays in the signing of the FINCA Grant Agreement and Fixed Price Contract. These documents are in draft version, awaiting final comments, and will be completed and signed during the next quarter.

Tasks for Next Quarter. During all of 2002, SPEED will complete the tasks agreed to in the MOUs with the MDI candidates. Specifically, the project will ensure the purchase and installation of various items requested by the MDI candidates, and provide training in various areas that will aid the pre-transformation and post-transformation processes.

B2: Key Activity Two: Provide Assistance to FSS candidates to Achieve FSS

Accomplishments this quarter. The microfinance component concluded full activity plan scheduling for all FSS candidates during this quarter. These MFIs received training in Treasury Management and participated in the Roundtable Discussion on Accessing Capital and the Tax Implications of Transformation. Short-term technical assistance was also provided to Faulu after the Treasury Management workshop on the liquidity management tool and the treasury management policy process.

Grant Agreements were drafted and signed, and funds have been disbursed to several FSS candidates, and SPEED procured a number of fixed assets stipulated in these various agreements. Faulu received funding for and is in the process of upgrading its Management Information System. KASO received a generator, photocopier, and fax machine to support its operations. SPEED assisted Feed the Children in the hiring of an internal control and audit staff member, and supported the identification and hiring of a control and efficiency manager for Faulu.

Task and Target Adjustments for this Quarter. Support for the development of new products for the MFIs will occur take place pending the delivery of a product development workshop. Consultants to deliver the workshop are being identified.

Tasks for Next Quarter. During the next quarter, the project will focus on providing support for a number of FSS candidates, strengthening the training departments and supporting the development of individual loan products. Research will be carried out on client retention and the withdrawal of savings for PRIDE. SPEED will also facilitate the establishment of internal controls for Faulu, and the training of FOCASS on basic banking, branch management, and risk management through UIB and MCC.

B3: Key Activity 3: Develop Linkages with Financial Institutions

Accomplishments this quarter. SPEED co-sponsored a roundtable discussion on 'Accessing Capital' with GTZ and SUFFICE. This seminar brought together MFIs and representatives from commercial banks, development banks, and the Bank of Uganda. Included in the discussion were bank constraints as well as MFI constraints in accessing alternative sources of capital. Industry stakeholders also had the opportunity to discuss the MDI bill with regulators from the Bank of Uganda.

SPEED met with various commercial banks to ascertain their interest in providing loans to MFIs, and, as a result, two banks have agreed to provide unsecured loans to MFIs. This is an enormous accomplishment, given the reluctance of banks to consider this even one year ago. SPEED's microfinance component actively participated in the FSWG, and SPEED convened meetings with representatives from the Bank of Uganda to keep them abreast of the project's work with its MDI candidates.

Task and Target Adjustments for this Quarter. All tasks were completed as planned.

Tasks for Next Quarter. The next quarter will see continued participation of the microfinance component in the FSWG. SPEED will also support the development and delivery of a seminar for bankers to provide information about microfinance, and continue to actively engage Bank of Uganda officials in the passing of the MDI bill.

Accessing Capital Roundtable

On February 14, 2002, SPEED, GTZ, and SUFFICE co-sponsored a roundtable discussion on 'Accessing Capital.' Attended by MFIs, commercial banks, development banks, the Bank of Uganda, donors, the Ministry of Finance, and MFI umbrella organizations, the discussion focused on:

- Challenges and opportunities of debt and equity finance in East Africa
- Conditions, risks and opportunities for commercial funding of microfinance
- Current international trends in accessing commercial capital

Martin Connell and Stefan Harpe of the AFRICAP Microfinance Fund, a fund that provides equity capital to emerging commercial MFIs in Africa, led the roundtable. Highlighting the flexibility of investors, the meeting clearly showed that they want to be closer to the market. The MFIs stated the need for investors to be complementary, in terms of areas of expertise, experience, and support. This is especially important when looking at technical assistance and support to senior management in business planning, strategic decisions and implementation. In addition, there is a difficult balance to strike between a social mission and profitability, although the emphasis is certainly laid on the former.

Regarding investment, initiatives like AFRICAP can provide a broad range of services, including the provision of technical assistance. This approach shows that additional input beyond the capital injection, in the form of technical assistance and support to management, is very important to the MFIs.

The aspect of governance and competition was also discussed, as participants were concerned that AFRICAP might invest in more than one institution in the Ugandan market, bringing about a conflict of interest. AFRICAP ensured participants, however, that risks of such a scenario are minimal. It was suggested that investors consider serving on the board of directors of an MRI, to ensure that they are in a good position to guide and support activities.

An exit strategy is crucial and should be clearly defined at the initial negotiation stages. AFRICAP is still in the process of defining this themselves, but it is essential that the MFIs understand that more dialogue is needed on this issue. An exit strategy is essential, and the roles and responsibilities of investors must be transparent and clear.

Finally, it was noted that investment should be sought at the local level as well as internationally, and more collaborative alliances should be encouraged. Importantly, commercial banks in Uganda have shown their willingness to invest in the microfinance industry, and contribute in areas in which they are not able to work.

The roundtable was very successful, and the proceedings have been published jointly by SPEED and the Bank of Uganda - German Technical Co-operation, Financial System Development (FSD) Project.

B4: Key Activity 4: Maintain SPEED's Active Presence and Profile in Various Industry Forums.

Accomplishments this quarter. In addition to working with its MDI and FSS candidates, SPEED also supports the Association of Microfinance Institutions of Uganda (AMFIU) in its efforts to move the MDI Bill forward. In this regard, SPEED agreed to support AMFIU in holding a two-day workshop for members of Parliament to learn more about the bill.

As an active player in microfinance in Uganda, SPEED participates in various industry-wide discussions, the most relevant of which is the Uganda Capacity Building (UCAP) framework and the Outreach Plan. SPEED focused its efforts this quarter on positioning itself with regard to UCAP and the Outreach Plan, and influencing the structure and components of the overall framework and plan. In particular SPEED provided edits to the draft documents to ensure that activities identified under UCAP are maintained

outside of the Outreach Plan and are implemented by existing institutions rather than resulting in the creation of a new institution for UCAP.

Task and Target Adjustments for this Quarter. All tasks were completed as planned this quarter.

Tasks for Next Quarter. SPEED will continue to maintain an active presence and profile in the microfinance industry.

SECTION IV

Business Environment

The overall objective of the Business Environment component is to create a more business friendly commercial environment that enhances the ability of MSMEs to obtain financing and become engines of growth in Uganda. The goals and deliverables related to activities in the commercial registries and with CADER were determined by the GOU and set forth in the Strategic Objective Implementation Letter agreement between the GOU and the United States. SPEED has identified one KRA in this area.

KRA 1: Public and Private Sector Capacity Enhanced

Within this KRA, SPEED seeks to improve the efficiency and operations of CADER, the Land Registry, the Company's Registry, and the Ministry of Finance, Planning, and Economic Development (MOFPED).

A.1. Activity 1: Strengthen the Institutional Capacity of CADER

Accomplishments this quarter. SPEED and CADER entered into a Grant Agreement in March 2002, under which SPEED committed to provide financial support to CADER in the amount of approximately US \$154,000 through December 1, 2003. Directly tied to CADER's business plan, this grant was designed to assist CADER achieve financial self-sufficiency by its end. The grant also supports the transfer of appropriate cases from the Commercial Court Division of the High Court (Commercial Court) through the ADR Pilot Project by providing subsidies to CADER for matters resolved during the grant period.

SPEED and CADER initiated development of a marketing and public awareness campaign, which will make significant use of radio outlets and is designed to "piggy-back" on the public awareness activities of the Uganda Commercial Justice Reform Program. Scripts are being drafted and radio spots are schedule to air in May 2002.

SPEED, CADER and the International Law Institute (ILI) trained an additional 20 members of CADER's roster of independent arbitrators and mediators in ADR practices, during a six-day training program in February 2002. To date, SPEED has trained 42 members of CADER's roster. Recognizing the high quality of this training program, the GOU has sent senior professionals to attend the sessions, and CADER is currently negotiating with the Inspector General regarding training for 20 representatives from this office.

Task and target adjustments for the quarter. All targets for the quarter were met.

Tasks for next quarter. CADER and SPEED will continue to implement the newly adopted business plan, with specific emphasis placed on marketing and long-term planning. To this end, SPEED has engaged an international consultant who will provide short-term technical assistance in May 2002. The public awareness and marketing messages developed by SPEED and CADER will be aired during the upcoming quarter as well.

SPEED, CADER and ILI have scheduled the third and final six-day training session for the remaining members of CADER's roster. Following completion of this training, all of CADER's arbitrators and mediators will have been trained, which will ensure the long-term sustainability of the project. CADER personnel, led by Executive Director Dr. Samson Sempasa, will deliver the final training session.

A.2 Key Activity 2: Develop Linkages Between CADER and Key Partners

Accomplishments this quarter. SPEED continued to make progress with regard to the transfer of cases from the Commercial Court to CADER. Having completed approximately 80% of the design of the ADR Pilot Project, SPEED and the Bar Bench Committee on Court Management will implement the project in the near future.

Future progress with the implementation of both the ADR Pilot Project and the CADER business plan may be adversely affected by delays related to judicial approval and funding. While SPEED has invested significant financial and technical resources into the concept and design of the Pilot Project, the Ugandan judiciary needs to fund and implement it.

Currently the judiciary is itself under-funded and poorly resourced. Moreover, it is still burdened with a slow bureaucracy that may delay approval of the Pilot Project. SPEED is investigating the possibility of using donor and GOU funds to finance the inception stage of the project, and will work with the judicial bureaucracy to secure more permanent support on a parallel track.

SPEED completed an extremely successful two-day training session for Ugandan judges and magistrates on February 4 and 5, 2002. The training was attended by 13 judicial officers and received outstanding evaluations from participants. SPEED has completed its general judicial training activities, and any additional training of judicial officers will be specifically targeted at implementation of the ADR Pilot Project.

Task and target adjustments for the quarter. SPEED met all quarterly targets.

Tasks for next quarter. SPEED will continue to work with its judicial counterparts and other stakeholders to facilitate implementation of the ADR Pilot Project. Further, the joint public awareness program designed by the Commercial Justice Reform Program, SPEED and CADER is scheduled to move into "high gear."

SPEED and CADER have planned a one-day follow-up roundtable to bring together all stakeholders to discuss the ADR Pilot Project. SPEED has also scheduled a short-term consultancy to assist CADER market its services within Uganda and the East African community.

Land Registry

B.1. Key Activity 1: Create Kampala District Land Office

Accomplishments this quarter. Substantial work was performed on the procedures manual for KZLO personnel, which includes a "disaster plan" for the office. SPEED continued to work with Ministry of Public Service on the record keeping requirements of

recent legislation and training of KZLO personnel in the document and record handling procedures to be implemented in the office.

SPEED finalized the procurement plan for the KZLO, and the commodities and consumables should be ordered early in the next quarter. Additionally, the project completed a tender for its purchase of 225,000 file covers for the KZLO, and procured the file indexing and document control software package for the KZLO. The file index system is scheduled for beta testing during the first weeks of the upcoming quarter, and SPEED will obtain the computer hardware necessary to complete the testing.

Task and target adjustments for the quarter. Progress in this activity was delayed because of limitations in the capacity of GOU stakeholders to fulfill their partnership obligations in a timely manner. For example, procurement of essential commodities for activities in the Land and Company Registries was delayed by more than four months because of the inability of the Ministry of Lands, Water, and the Environment and the Kampala City Council to find funding for their respective procurement obligations.

Implementation has also been negatively impacted by the inability of the GOU to manage procurement efficiently. For example, although tenders for computer hardware were issued, no supplier has been selected and the computers will not be available to beta test the file indexing software in April. Further, as of the date of this report, the Ministry of Water, Lands, and the Environment has not made the necessary renovations to the space where file rehabilitation activities will take place, nor has it obtained the commodities it undertook to provide.

In addition, the GOU has failed to finalize the Land Sector Strategic Plan (LSSP), pursuant to which the KZLO is to be created. Although GOU counterparts uniformly support project activities, there is no GOU “ownership” nor is there one single GOU official who is responsible for the overall success. SPEED is working with GOU counterparts to meet the above challenges and move the implementation of the program back on track.

Tasks for next quarter. During the next quarter, SPEED will:

- Confirm configuration of shelving installation;
- Procure the shelving and file folders;
- Initiate installation the shelving;
- Finalize the rehabilitation procedures methodology and production of materials for use by contract workers who will perform the reindexing and refiling activities;
- Complete the procedures manual for the KZLO;
- Complete beta testing of the file index software;
- Assist the Ministry prepare new registration regulations;
- Facilitate renovation of necessary space at the Ministry of Water, Lands, and the Environment, and the Kampala City Council;
- Initiate training of contract staff in refiling, rehousing, and reindexing activities; and
- Initiate file rehabilitation, refiling, rehousing, and indexing.

Considering the importance of swift resolution of counterpart capacity issues, SPEED will:

- Advise the Commercial Justice Reform Program Advisor of issues related to GOU and Ugandan stakeholder capacity to implement the workplan and seek his intervention to the extent possible and appropriate;
- Engage a policy/contract analyst to assist in following up on procurement and other issues with stakeholders;
- Improve communications with senior management within the Ministry of Water, Lands, and the Environment, including obtaining a meeting with the Permanent Secretary;
- Investigate innovative ways to encourage participation and ownership among GOU counterparts; and
- Schedule an immediate trip by the records manager/archivist to resolve any outstanding procurement issues.

SPEED believes that a visit by the records manager/archivist will focus the stakeholders, and result in recovery of some of the time lost during the last quarter. The project cannot afford to allow counterpart lack of capacity to hold up implementation of the intervention.

B.2. Assist Drafting of Required Amendments to Laws and Regulations Relating to Impeding Implementation of the Work Plan or LSSP

Accomplishments this quarter. Recent events, including the sudden dismissal of the GOU chief real estate appraiser, prevented the GOU from finalizing the LSSP. Despite numerous requests by SPEED to be included in meetings related to the LSSP, the project was not asked to attend any meetings during the quarter. Therefore, SPEED focused on the implementation of document rehabilitation and indexing activities.

Task and target adjustments for the quarter. Sub-tasks under this activity are “ongoing” through the life of the intervention, rather than targeted for specific timeframes.

Tasks for next quarter. The project’s land registration expert will return to Kampala in April to assist the GOU identify the legal impediments to the implementation of the LSSP. The land registration expert will also draft the necessary procedures for the operation of the KZLO. SPEED also plans to meet with stakeholders to finalize identification of provisions in the various laws that require amendment or repeal, and to develop a schedule for these activities. It should be noted that SPEED is not authorized to draft or propose amendments without the consent of the GOU.

Company’s Registry

C.1. Key Activity: Improve the Operations and Efficiency of the Registration Services Bureau

Accomplishments this quarter. SPEED completed a tender process to purchase 80,000 file covers for the Registration Services Bureau (RSB), procured the computerized file indexing software, and funded the modification of the software. In addition, SPEED engaged an experienced internationally recognized expert on company registration to work with the Uganda Law Reform Commission and the RSB

on the proposed changes in the Company Bill. The expert reviewed the registration and corporate governance provisions of bill, and met with RSB staff to determine the changes the bill would require in the agency's registration procedures.

SPEED continued to work with the Ministry of Public Service to train staff responsible for records management and filing RSB documents, to ensure that they are prepared to operate and maintain the computerized file indexing system. In addition, SPEED and ministry representatives discussed the staffing requirements of the reorganized RSB.

Task and target adjustments for the quarter. Progress during the quarter was hampered by GOU capacity issues similar to those faced at the Land Registry. For example, the RSB has not had a permanent Registrar General since the project began, and the Acting Registrar General has been on leave since early January 2002. The need for leadership at the RSB and the lack of ownership of project results has adversely effected implementation of the workplan. Further, the decision to move the RSB to new premises in December 2001, against the advice of SPEED, has made the project's activities with respect to installation of new shelving significantly more difficult.

An additional challenge is the severe shortfall in RSB funding, which has made it impossible for the RSB to contribute any resources to implementation of SPEED's activities. Related to this, SPEED has been unable to get budget or other financial information regarding the operations of the RSB from the Uganda Revenue Authority. Accordingly, activities associated with transforming the RSB to Executive Agency status were not performed. It is important to note that another consideration in this regard is that the GOU has yet to determine exactly what it means by Executive Agency status, and whether it will be funded by a line item in the national budget or through a ministry.

Tasks for next quarter. During the next quarter, the project will:

- Confirm configuration of shelving installation;
- Procure the shelving and file folders;
- Initiate installation of the shelving;
- Finalize the rehabilitation procedures methodology and production of materials for use by contract workers who will perform the reindexing and refiling activities;
- Complete the procedures manual;
- Complete beta testing of file index software;
- Assist the RSB prepare new registration regulations;
- Initiate training of contract staff in refiling, rehousing, and reindexing activities; and
- Initiate file rehabilitation, refiling, rehousing, and indexing.

Considering the importance of swift resolution of counterpart capacity issues, SPEED will also:

- Request swift appointment of a new Registrar General for the RSB with the Commercial Justice Reform Program Advisor;
- Schedule a meeting with the Solicitor General to discuss resolution of capacity issues in the RSB, including financial issues;
- Engage a policy/contract analyst to assist in following up on procurement and other issues with the RSB;

- Improve communications with senior management within the RSB;
- Investigate innovative ways to encourage participation and ownership by the RSB; and
- Schedule an immediate trip by the records manager/archivist to resolve any outstanding procurement issues.

SPEED will also continue to work with the Registrar General, Ministry of Justice, and Constitutional Affairs, and Ministry of Public Service to implement the proposed changes in the organizational chart and to evaluate the benefits of Executive Agency status. Implementation of records management training for RSB staff will also begin.

Other Policy Support

D.1. Key Activity 1: Support MOFPED Private Sector Development Unit to Improve Data Collection and Analysis for Economic Policy Evaluation.

Accomplishments this quarter. SPEED engaged a statistician to assess the needs of the PSD and find and develop sources of data relating to MSME sector. The expert's assessment indicated that the current regulatory and reporting infrastructure is too immature to provide accurate periodic data on the sector. Further, MSME sector participants are reluctant to report such information.

Accordingly, the emphasis of the consultancy was shifted to the development of an accurate statistical framework. As a result, SPEED and MOFPED developed a joint proposal that information necessary to develop a statistical framework for the sector be included in the 2002 population census of Uganda, scheduled for September.

Due to the time sensitivity of data on the informal MSME sector, the framework was designed for the MSME information to be collected separately from the overall census. This will provide MOFPED with the ability to tabulate the data quickly. The estimated cost of tabulating, processing and distributing the data has been set at \$US 250,000 - 300,000. When told SPEED was unable to cover the cost, a senior official in MOFPED said the Ministry would find the resources.

Task and target adjustment for the quarter. SPEED met all quarterly targets.

Tasks for next quarter. SPEED's statistical expert will return to Kampala in early April to design and implement the pre-testing of the module. Further, he will design and deliver training in the enumeration of the module for those implementing the pre-testing, and will work with MOFPED to assure a fair and complete evaluation of the results.

D.2. Key Activity 2: Provide Other Policy Support to Other Public Sector Institutions Within the SPEED Mandate

Accomplishments this quarter. SPEED activities in this area focused on several key initiatives.

Merger of Uganda Export Promotion Board (UEPB), Uganda Investment Authority (UIA) and Uganda Tourist Board (UTB)

The GOU is in the process of merging three key public sector agencies that are responsible for facilitating private sector development: UEPB, UIA, and UTB. The purpose of SPEED's support for this activity is to assist the GOU with the institutional arrangements for the effective implementation of the merger, to strengthen operational efficiency and coordination in support of the Medium-Term Competitiveness Strategy. After six months of intensive activity, the consulting team completed a draft of its final report for the implementation of the merger.

This implementation plan includes the recommended:

- Priorities and core services;
- Organization structure;
- Staffing plan;
- Workplan;
- Budget;
- Transition plan; and
- Other details.

The merger of the UEPB, UTB and UIA has been discussed for several years. The need for the new agency to provide “value for money” – i.e. a high return on the country's investment – is paramount. While some cost savings and synergies should be achieved, the primary expectation is that the new organization will be cost efficient and effective.

In the context of Uganda's aggressive mission to become globally competitive and to increase incomes, services need to be targeted and of the highest quality and effectiveness. In the context of the national emphasis on the capacity of the private sector to be competitive and take charge of its own responsibilities, this organization needs to be able to plan and collaborate effectively with its business constituents. Finally, in the context of severe national budget constraints, this organization must be cost-effective, must concentrate on priorities/core services, must achieve results, and must demonstrate those results. Such an organization is possible with the implementation of the plan developed by SPEED consultants and stakeholders including the existing agencies themselves.

Except for incorporating modifications that may be requested, SPEED's work on the merger is completed. It is now up to the Ministry of Finance and other public and private sector stakeholders to proceed with implementation. As needed, SPEED and the consultants who worked on this project, will be available for consultation on implementation issues.

Justice Law and Order Sector (JLOS) Reform Program

SPEED continued to provide support to the JLOS Reform Program. This included close consultation with the GOU Commercial Justice Advisor, the JLOS Donor Group, and the GOU Deregulation Project. Notwithstanding the issues noted in this quarterly report, the business component has enjoyed good overall progress since inception of the

Project. As a result of SPEED's overall progress, the activities of the Business Environment component will be highlighted at the JLOS Donor Assessment in June 2002. This will include visits by donors to the commercial registries and CADER.

MSME Sector Data

Notwithstanding a commitment by both the GOU and donor community to support continued vitality and expansion of the MSME sector, efforts have been hampered by a lack of data relating to, among other things, the composition, location, and size of the sector. Past efforts at obtaining such data through statistical sampling techniques have provided fragmentary and disputed information. In partnership with the MOFPED Private Sector Development Unit (PSD), SPEED engaged a statistician experienced in both population and business census implementation to assess the needs of the PSD and find and develop sources of data relating to MSE sector. The expert's assessment indicated that the current regulatory and reporting infrastructure was too immature to provide accurate periodic data on the sector. Further, MSME sector participants are reluctant to report such information.

Accordingly, SPEED shifted the emphasis of the consultancy to the development of an accurate statistical framework. Such a framework has never been developed for the Ugandan private sector, let alone the informal MSME sector. Prior attempts to develop such information were made through the use of inadequate and now criticized sampling techniques in 1992 and 1995. Importantly, neither of these efforts focused on the rural areas, where it is now believed the bulk of MSME sector activity and growth occur.

As a result, SPEED and MOFPED developed a joint proposal that information necessary to develop a statistical framework for the sector be included in the 2002 population census of Uganda, scheduled for September. SPEED discussed the proposal with donors and other stakeholders, and MOFPED and SPEED held discussions with the Uganda Bureau of Statistics (UBOS) to include a SPEED-developed MSME module in the census. Although initially reluctant to do so, UBOS was eventually persuaded to "pre-test" the module during April 2002.

The data obtained through the module will provide Uganda with a deep and accurate snapshot of the MSME sector. Not only will this data form an accurate statistical framework from which accurate sampling techniques can flow, but it will also provide a database of over a million records. Moreover, for the first time, both donors and the GOU will have access to accurate baseline information from which to create and evaluate economic policv.

Cooperation with the Donor Community

SPEED continued to build positive relationships within the donor community. The project is in close consultation with GTZ regarding to the creation of a national debt market for Uganda. Other stakeholders in this activity include SIDA, the U.S. Treasury, Uganda Capital Markets Authority, Bank of Uganda, and the Uganda Stock Exchange.

Task and target adjustments for the quarter. All targets for this quarter were met.

Tasks for next quarter. SPEED will continue its work on the JLOS program, and will maintain close ties to the Uganda Law Reform Commission and the donor community. Activities supporting the creation of national debt market have been identified as priorities because of their connection to project objectives.

D.3. Key Activity 3: Assist Private Sector Organizations Develop Policy Analysis and Advocacy Capability Within the SPEED Mandate

Accomplishments this quarter. SPEED staff and the international expert in company registration and corporate governance met with members of the private sector to discuss potential improvements in corporate governance.

Task and target adjustments for the quarter. All targets for this quarter were met.

Tasks for next quarter. SPEED will continue to identify key policy and regulatory issues relevant to continued expansion of the private sector in general, and the MSME sector specifically. Further, the project will assist private sector institutions develop policy platforms, and has scheduled meetings with PSF in this regard.

SECTION V

Program Management

Program Management is integral to every SPEED component and activity. To achieve project goals, well-defined and effective administrative and financial procedures must be in place, and operations must be coordinated, reviewed, and improved as needed. During its 2002 workplanning session, SPEED reconfigured the previous four Program Management KRAs into two, to streamline activities and maximize results:

- KRA 1: Program Operations Coordinated and Enhanced
- KRA 2: Effective Project Management and Financial Administration Maintained

Quarterly progress made in each KRA is discussed below.

A. KRA 1: Program Operations Coordinated and Enhanced

SPEED consists of a wide array of program implementation activities under three components that all work together to accomplish them. The project has established efficient operational mechanisms and procedures that ensure timely delivery of key program results, and operational efficiency is assured by clearly defined roles and responsibilities and inter-relationships among components.

A1. Key Activity 1: Maintain Program Operations in Support of Project Activities

Accomplishments this quarter. SPEED implemented a rolling approval process of new activities through the application of operational mechanisms that include a sector framework outline, enterprise intake selection criteria, and a new format for SPEED package or activity proposals. These instruments enable careful evaluation of potential activities, and ensure that SPEED interventions are conducted in focus areas with the highest potential for impact.

Task and target adjustments for the quarter. SPEED completed all activities planned for the quarter.

Tasks for next quarter. During the coming quarter, SPEED staff will continue the rolling approval process of new program activities, and will review results.

A2. Key Activity 2: Maintain Regular Communications Internally and With Other Projects to Disseminate SPEED Information

Accomplishments this quarter. SPEED continued to participate in meetings with the COMPETE, IDEA, and Trade Capacity projects, and with partner organizations, clients, and counterparts. In addition, SPEED developed simple communication tools and strategies to help the project become an effective agent of change. The communication tools include a monthly bulletin, a regularly updated brochure, and success stories. Additionally, the project has developed core SPEED messages that provide an overview of project goals, objectives, and activities.

SPEED Messages:

- SPEED encourages financial institutions to increase lending to SMEs and MFIs.
- SPEED helps SMEs access quality BDS to make their businesses stronger and more bankable.
- SPEED supports market-linked business opportunities that involve and impact large numbers of producers, microenterprises, and SMEs, and processors, and lead to sector growth.
- The project works with top-performing MFIs to help them become financially self-sufficient and transform to microdeposit-taking institutions, which provides the Ugandan poor with greater access to finance.
- Finally, SPEED works with the Government of Uganda and private sector partners to strengthen the regulatory framework for enterprise growth.

The project produced two issues of the SPEED Bulletin, highlighting program activities in the microfinance component and the opening of the DFCU Leasing Center in Mbale. These bulletins were published in January and March 2002, respectively. Additionally, SPEED finalized the text of the second version of the project brochure, which provides a project overview, describes activities, and is made readily available to clients and partners. The brochure is updated regularly, to ensure that information is always timely.

Task and target adjustments for the quarter. All planned tasks were completed.

Tasks for next quarter. SPEED will continue to communicate regularly both internally and with other projects, to share information. The fifth issue of the SPEED Bulletin, which will highlight the project's financial sector strategy, will be released in April, and the second issue of the SPEED brochure will be produced as well.

A3. Key Activity 3: Maintain Information Sharing, Performance Monitoring, and Reporting Systems

Accomplishments this quarter: Information sharing activities focused on protecting the SPEED information network against security threats, and handling uptime and bandwidth inefficiencies. Working with its internet service provider, SPEED performed bandwidth measurements and latency tests and performed corrective actions to achieve optimum information flow. In addition, SPEED's Information Technology Specialist continued to sensitize project staff on new software and hardware technologies.

The goal of SPEED's monitoring and evaluation (M&E) system is to track planned activities, delivery of expected outputs, and quantitative impacts. The basis for semi-annual reports to USAID, the M&E system employs a combination of database, project management, spreadsheet, word processing, and accounting packages. During this quarter, SPEED's M&E Specialist continued to coordinate M&E data collection and entry into the system, and reviewed and made improvements on the design of baseline data collection forms/formats and database spreadsheets. SPEED completed its first M&E report, for the period ending December 31, 2001, and submitted it to USAID.

Design of the project-wide computerized deal tracker system was reviewed and improved to incorporate comments and suggestions raised by project staff. The system is fully operational and is used to track the following information:

- General client information
- Baseline data
- Periodic operational data
- Client/transaction documents
- Planned activities/deliverables and timelines
- Upcoming costs for planned activities/deliverables
- Approved activities/deliverables and timelines
- Transaction values
- Business Development Services Provided
- Client Success stories

Task and target adjustments for the quarter. SPEED completed all planned tasks.

Tasks for next quarter. SPEED will continue to review and improve the M&E system, data collection forms/formats, database spreadsheets, and deal tracker system during the next quarter. Staff training on the M&E system and the deal tracker will be ongoing, and the project will continue with its monitoring and reporting activities.

A4. Key Activity 4: Ensure Subcontract, Grant, and Financial Support Agreement compliance with USAID Regulations

Accomplishment for the quarter: SPEED issued eight subcontracts to various entities to assist with implementation of key project activities. SPEED finalized its Grants Manual, and obtained CO approval thereof. Following this, SPEED's grants selection committee considered and approved a total of ten grants: eight to microfinance institutions, and one each to CADER and Nyakatonzi Growers Cooperative Union.

Task and target adjustments for the quarter. All planned tasks were completed.

Tasks for next quarter. SPEED will continue to consider grant applications, and award and manage grants in accordance its approved Grants Manual.

KRA 2: Effective Project Management and Financial Administration Maintained

SPEED's project management staff have established financial and administrative procedures that follow all USAID and Chemonics regulations, function smoothly, and allow the technical team to focus on its goals. Following an intense start-up period, the project management staff will now focus on maintaining the procedures already in place and refining them as needed.

Key Activity 1: Ensure USAID Contractual Accountability

Accomplishments this quarter. SPEED places very high priority on ensuring USAID contractual accountability. To this end, the project focused on managing human resource allocations, liaising with the USAID Contracting Officer and Controller on a regular basis regarding questions and issues, and submitting the Quarterly FS IQC

performance and financial reports on a timely basis. SPEED also maintained regular communications with the Chemonics home office regarding contractual, financial, and administrative concerns.

Task and target adjustments for the quarter. All planned activities were completed.

Tasks for next quarter. SPEED staff will continue to maintain fiduciary responsibility for SPEED, liaise with USAID on contractual, administrative, and financial matters, communicate with the Chemonics office in Washington, D.C. on a regular basis, and submit all contractually obligated reports in a timely manner.

Key Activity 2: Maintain Financial Systems

Accomplishments this quarter. SPEED staff continued to ensure the project's high standards and strong performance in accounting and finance, following systems that comply with USAID and Chemonics regulations. The project also focused on continuing to ensure effective petty cash management, and established monitoring and tracking systems for managing grants and subcontracting funds. This included visiting the various grant recipients and verifying that their accounting systems and procedures meet SPEED's requirements.

Task and target adjustments for the quarter. SPEED staff met all quarterly targets.

Tasks for next quarter. The project will continue to maintain its strict financial systems, and ensure compliance with USAID and Chemonics regulations. SPEED will also continue to monitor the accounting systems of all grant recipients and update and refine tracking systems for grants and subcontracting funds.

Key Activity 3: Maintain Administrative Systems

Accomplishments this quarter. SPEED staff continued to update the project's policies and procedures, creating an additional form for administrative tracking, and revising several others. The project's performance review system was finalized, and the review process is underway. An evaluation of each employee's performance, beginning with a self-evaluation, takes place on the anniversary of the date the employee was hired to join SPEED. The project also continued to monitor staffing needs, and hired one additional support staff member to support the Enterprise Development component.

Task and target adjustments for the quarter. All tasks set for the quarter were accomplished, and all tasks met.

Tasks for next quarter. SPEED will continue to review project policies and procedures, and revise as needed. Throughout the lifetime of the project, personnel and staffing needs will be monitored, to ensure that the technical team has the support necessary to meet project goals. The project will continue with the performance review process as well, during the next quarter and beyond, and will maintain the integrity of SPEED's administrative procedures.

SECTION VI

Fixed Price Contracts

To achieve the desired results during this reporting period, Chemonics' SPEED project conducted the following activities under fixed price contract mechanisms:

Development Management and Training Consultancy

Kinyara Sugarcane Growers Ltd. (KSGL) is a private company owned by 650 small farmers who supply sugarcane to Kinyara Sugar Works Ltd. (KSWL), a government owned company that produces 50,000 tons of milled white sugar per year. KSGL, which supplies 30% of the cane needs of the factory, requested SPEED assistance to improve sugarcane yields, reduce cost of cane production, and to strengthen its partnership with KSWL. SPEED subcontracted Development Management and Training Consultancy to conduct a diagnostic review and produce a business plan template for KSGL.

International Law Institute (ILI)-Uganda

SPEED hired ILI-Uganda to provide training to 20 additional arbitrators and mediators on CADER's roster. This training follows ILI's highly successful arbitration and mediation training program conducted last quarter. The assignment also involved training of judges involved in implementation of the Commercial Court ADR Pilot Project. ILI-Uganda designed, prepared, and conducted the roundtables, which represented the highest standards in ADR and training. All of the sessions were well-attended and received significant media coverage, and course evaluations submitted by participants were overwhelmingly positive.

Network Limited

Among SPEED's MDI candidates, UWFT has experienced very rapid operational growth and expansion of its staffing levels. As a result, SPEED and UWFT determined that a human resources audit was necessary to define operational systems and a staffing structure to support the growth and status of the MFI. SPEED subcontracted Network Limited to conduct an institution-wide human resources audit for UWFT.

Metrocomia East Africa Limited

UFPEA requested SPEED assistance with the development of a web strategy to strengthen the association's capacity to deliver services, better manage supplies, promote exports, develop electronic promotional materials, develop sector information base, and provide information to key stakeholders. SPEED subcontracted Metrocomia East Africa Limited to design, implement, and deliver websites for UFPEA and its members.

Africa Polysack Industries Ltd.

Africa Polysack Industries Ltd. (API) is a private enterprise involved in the manufacture of woven polypropylene bags with printed customer logos. SPEED subcontracted API to implement a productivity improvement program aimed at increasing production quantity

and improving the quality of products in order to meet increasing local demand. Through this intervention, API expects to realize more sales and produce quality products for agro-processing sectors.

Kisaka & Company

SPEED is providing technical assistance, training, limited fixed assets, and operational support to its MDI and FSS candidates. To meet a defined need on the part of these MFIs, SPEED subcontracted Kisaka & Company to design and deliver a three-day workshop on developing a treasury function within the proposed MDI structure. The subcontractor conducted the training with Joachim Bald of Bankakademie.

Total Quality Management

UFPEA requested SPEED assistance in the area of quality assurance. As a result, SPEED subcontracted Total Quality Management to train seven fish processing and exporting companies for ISO 9001-2000 development and certification, on a cost-share basis with UFPEA. Compliance with the latest international quality standards will boost the image of Ugandan fish products, and the country will be able to fully take advantage of international market opportunities. Further, the program will strengthen SPEED's ongoing support to UFPEA to implement a website development strategy that will place the sector in much stronger position to achieve sustainability in the export market.

KPMG Peat Marwick

SPEED engaged KPMG to conduct a limited due-diligence and pre-evaluation of merger of the UMU and Commercial Microfinance Limited (CMFL). UMU is one of SPEED's MDI candidates, while CMFL is a tier 2 institution under Bank of Uganda supervision. Tasks conducted by KPMG included a limited financial due-diligence, a strategic evaluation, and a review of the legal implications of the potential integration of the two entities' operations, transaction structure and other pertinent issues. This activity is expected to result in an indicative value of each of the two companies, an analysis of the strategic issues and risks associated with the possible merger, and recommendations for a deal structure.

Bankakademie

Bankakademie was hired to develop, deliver and conduct treasury management training for SPEED-assisted MFIs. The workshops developed include materials that are relevant to the Ugandan context. Bankakademie consultant Joachim Bald conducted this workshop in conjunction with Kisaka & Company.

SECTION VII

Grants

During the period under review, SPEED implemented the following grants:

1. Transformation of MFIs to MDIs

FINCA Uganda, UMU, and UWFT were awarded grants to implement their transformation activities. The specific activities funded through these grants were determined through mutual discussions between SPEED and the MFIs.

2. Improving FSS of promising MFIs

The following MFIs were awarded grants to implement their FSS programs:

- KASO Rural Development Trust
- MED-Net Uganda
- FOCCAS Uganda
- Feed The Children Uganda
- PRIDE Uganda
- Faulu Uganda

3. CADER

CADER was awarded a grant to support implementation of the commercial Justice Reform Program that facilitates the increased use of Alternate Dispute Resolution to resolve commercial disputes, encourages the transfer of appropriate cases in the commercial Court to CADER, and will assist CADER to achieve self-sufficiency.

4. Nyakatonzi Growers Cooperative Union

Nyakatonzi Growers Cooperative Union was awarded a grant to establish an extension service program and to set up 600 demonstration plots of cotton and 600 demonstration plots of maize to illustrate the potential of alternative crops for union members.

The extension service so established is enterprise linked, with the following benefits:

- Capture extension service costs through sales of goods and services to users;
- Development of farmer loyalty to providers; and
- Establishment of a larger, more dependable, supply of raw material to the ginnery through increased production.

Other features of the extension program are:

- Establishment of a demonstration plot and recruitment of an extension worker at *each* of the member primary societies; and
- A fully developed program operated by the union through *market linkages* with its members.