SUPPORT FOR PRIVATE ENTERPRISE EXPANSION AND DEVELOPMENT IN UGANDA (SPEED)

TRANSFORMING UGANDAN BUSINESS

December 17, 2004

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Uganda SPEED Final Report
A USAID-funded Project
Contract No. PCE-I-10-99-00007-00, TO No. 805 (SPEED I)
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Contents

Acronyms

AMFIU	Association of Microfinance Institutions of Uganda
APEP	Agriculture Productivity Enhancement Program
BDS	Business Development Services
BOU	Bank of Uganda
CADER	Centre for Arbitration and Dispute Resolution
CGAP	Consultative Group to Assist the Poor
COMPETE	Competitive Private Enterprise and Trade Expansion
DCA	Development Credit Authority
DFCU	Development Finance Company of Uganda
DfID	Department for International Development (UK)
ELEP	Enterprise Linked Extension Program
FSS	Financial Self-Sufficiency
FTCU	Feed The Children Uganda
GTZ	German Development Organization
IDEA	Investment in Developing Export Agriculture
KRA	Key Results Area
MDI	Micro Deposit-taking Institution
MFI	Microfinance Institution
MSME	Micro, Small, or Medium Enterprise
NBCC	North Bukedi Cotton Company
NGCU	Nyakatonzi Growers Cooperative Union
NUCAFE	National Union of Coffee Agribusiness and Farm Enterprises
PIR	Project Intermediate Result
PMT	Performance Monitoring Tool
PRIME-west	Productive Resource Investments for Managing the Environment
PSFU	Private Sector Foundation of Uganda
SIF	Special Initiatives Fund
SCOPE	Strengthening Competitiveness of Private Enterprises
SME	Small or Medium Enterprise
SPEED	Support for Private Enterprise Expansion and Development
UCFA	Uganda Coffee Farmers Association
UFPEA	Uganda Fish Processors and Exporters Association
UFT	Uganda Financial Trust
UIB	Uganda Institute of Bankers
UMU	Uganda Microfinance Union
USAID	United States Agency for International Development
Ushs.	Uganda Shillings
UWFT	Uganda Women's Financial Trust

About this Report

With a mandate from USAID/Uganda to design a "new, aggressive intervention that will address the needs of micro, small, and medium-sized enterprises," the Support for Private Enterprise Expansion and Development (SPEED) project focused on improving access to finance and building business capacity to develop and expand enterprises. Recently completed, the SPEED project received great acclaim for achieving impressive results from a series of fast-paced, innovative interventions in the private and public sectors of Uganda. These successes resulted from a remarkable collaboration among USAID, Government of Uganda agencies, other donor projects, and private and nongovernmental organizations.

This final report is designed to serve three purposes:

1) Capture the results and impact of the SPEED activities;
2) Consolidate the "SPEED approach" into one document to provide a foundation for design of future complementary and supplementary interventions in Uganda; and
3) Provide lessons learned from our experience that may lend themselves to other similarly designed activities.

To accomplish these objectives in a relatively brief document, we have chosen to divide the text into the following sections: we begin with an overview of the SPEED approach and description of the project organization, which is followed by descriptions of the four components of the original SPEED project — small or medium enterprise (SME) finance, microfinance, business capacity, and business environment. Within the component descriptions we present quantitative and qualitative results achieved, a description of the situation on the ground when the project began, the methodology pursued to achieve these results, and the lessons learned in the process. We conclude with a description of future activities. Throughout the report, we have sought to put a human face on the project by highlighting project success stories — client profiles — real stories from people whose lives have directly benefited from project interventions.

From the Mission Director

During a recent trip to Uganda, Emmy B. Simmons, USAID/W Assistant Administrator for Economic Growth, Agriculture and Trade, and Vicki L. Moore, USAID/Uganda Mission Director spent a full day visiting SPEED project interventions implemented by various economic beneficiary groups. They particpated in a round table discussion on the financial sector facilitated by SPEED Chief of Party Phil Broughton. With the intense day at an end, the mission director commented on the project "Now that is how a contractor is supposed to run a program!"

For the business development services (BDS) and policy components, all results are tallied as of December 31, 2003. For the SME finance and microfinance components, all results are compiled as of June 31, 2004 to include impact~~s~~ from SPEED II activities, but disaggregated to define the results for the two separate contracts. Final 2004 results will not be available until January 2005 due to banking reporting cycles. Progressive charts of results reported are presented in full in Annex A. ■

Chapter I: The SPEED Approach

SPEED aimed to support economic growth of micro, small, and medium enterprises (MSMEs) by filling gaps in the existing support system through project interventions. SPEED targeted four gap areas:

- The gap between SMEs and their access to financial services;
- The gap separating microfinance institutions (MFIs) from the commercial banking system;
- The gap between the business development requirements of target clients (MSMEs, MFIs, and financial institutions) and the quality and range of existing services; and
- The gaps in the policy, legal, and regulatory environment.

SPEED's structure and approach are unique in the project environment. While other projects and programs are constrained to strictly defined subsectors and/or with strictly defined methodologies, SPEED's ability to adjust its modalities and support — within a framework of results that can be calculated in terms of financial flows and enterprise growth — positioned the project as a unique resource in the realm of development activities underway within Uganda.

SPEED as a Development Services Catalyst. From the outset, project planners determined that SPEED would function as an effective intermediary and catalyst — finding ways to use its resources to add value to work underway and/or planned by others in the project marketplace. SPEED's cross-cutting focus on financial services, business capacity, and business environment supported the project's ability to enter the marketplace by finding ways to locate and add value to the more narrowly/sectorally focused initiatives of others, whether businesses, associations, donors, or USAID.

SPEED became skilled at bundling and packaging development services and working with key marketplace players — private firms, sector leaders, bank directors — to develop and implement market-driven responses to effective subsector development. And while SPEED was largely driven by and focused on the private sector, its approach was successful at building and implementing effective public and private sector partnerships. Through successful operation as an intermediary — between financial institutions and their SME clients, between existing projects and their access to needed resources, between MFIs and their ability to increase their market share, between rural producers and the buyers of their products – SPEED matured into an effective development catalyst.

SPEED as a Series of Supportive Strategic Interventions. The choices of targeted intervention were strategic decisions: to identify and work at points in the market chain to relieve constraints so others could then participate and/or so that activities could proceed on their own. By working across subsectors, packaging different types of enterprise initiatives, and collaborating with a wide range of partners, SPEED identified opportunities for entry into programs and projects at the points where support was most needed and critical to successful impact. It also helped the project leverage its resources to the best effect.

SPEED as a Financial Sector Leader. The core challenge of the SPEED project was to increase financial flows to MSMEs. While Uganda had built a vibrant microfinance industry, the traditional solidarity group lending model did not address the demands of microenterprise graduates who were growing into small or medium businesses with more complex financial needs; Commercial banks showed no interest in MSME lending. A key challenge became meeting the needs of "missing middle clients" (enterprises requiring access to finance in the range between US$1,500 and US$250,000) — a largely underserved market.

To address this phenomenon, SPEED identified ways to facilitate the ability of financial leaders and institutions to play expanded roles in the development marketplace. SPEED established mechanisms and activities through which the financial community could access and develop innovative financing mechanisms and approaches to work.

Rather than strictly focusing on a series of microfinance and SME finance interventions, SPEED acted as a broker or facilitator to bring together important players in the financial sector as a whole, including Government of Uganda ministries, other donors, and key private sector institutions and companies.

SPEED as Promoter of an Integrated Enterprise Development Growth Support Model. To ensure that SPEED interventions truly "filled gaps," the project developed a project framework to organize and target different enterprise development and financial service activities. The SPEED Integrated Enterprise Development Growth Model presented at the end of this chapter illustrates how SPEED's financial sector and business capacity programs worked with clients operating at various points in the commodity chain to drive the use of financial and enterprise development services. This synergy allowed a single "umbrella-type" project to control and sequence both the financial and non-financial interventions in a timely manner. It also allowed a means of coordinating with other stakeholders and projects to avoid duplication of efforts.

Operating Guidelines/Pillars

SPEED put into place a set of operating guidelines that drove project implementation. Together, the guidelines formed a set of criteria that aided the project's decisions as to which activities received project support.

- **Continue to decrease gaps between clients and access to resources.** SPEED placed priority on working with projects and activities that provided a direct opportunity for SPEED to have further impact on the reduction of critical gaps within the economic growth framework;

- **Maintain focus on private sector subsector initiatives.** SPEED targeted work in all of its project components — financial services, business capacity, finance, and business environment — to support private sector subsector initiatives that resulted in establishment and development of competitive positions for Uganda within regional and other international target markets;

- **Expand and replicate successful market-driven models.** SPEED sought opportunities to introduce and implement the Enterprise Growth Support model in critical subsectors and in ways that expanded the further use and replication of the model, such as subsequent USAID projects, Agricultural Productivity Enhancement Program (APEP), Strengthening Competitiveness of Private Enterprises (SCOPE) and Productive Resource Investments for Managing the Environment (PRIME);

- **Maximize opportunity for leveraging additional resources.** SPEED focused its involvement in ways that leveraged access to and encouraged participation of other resource providers. ■

Leveraging an Innovative Strategic Initiatives Fund

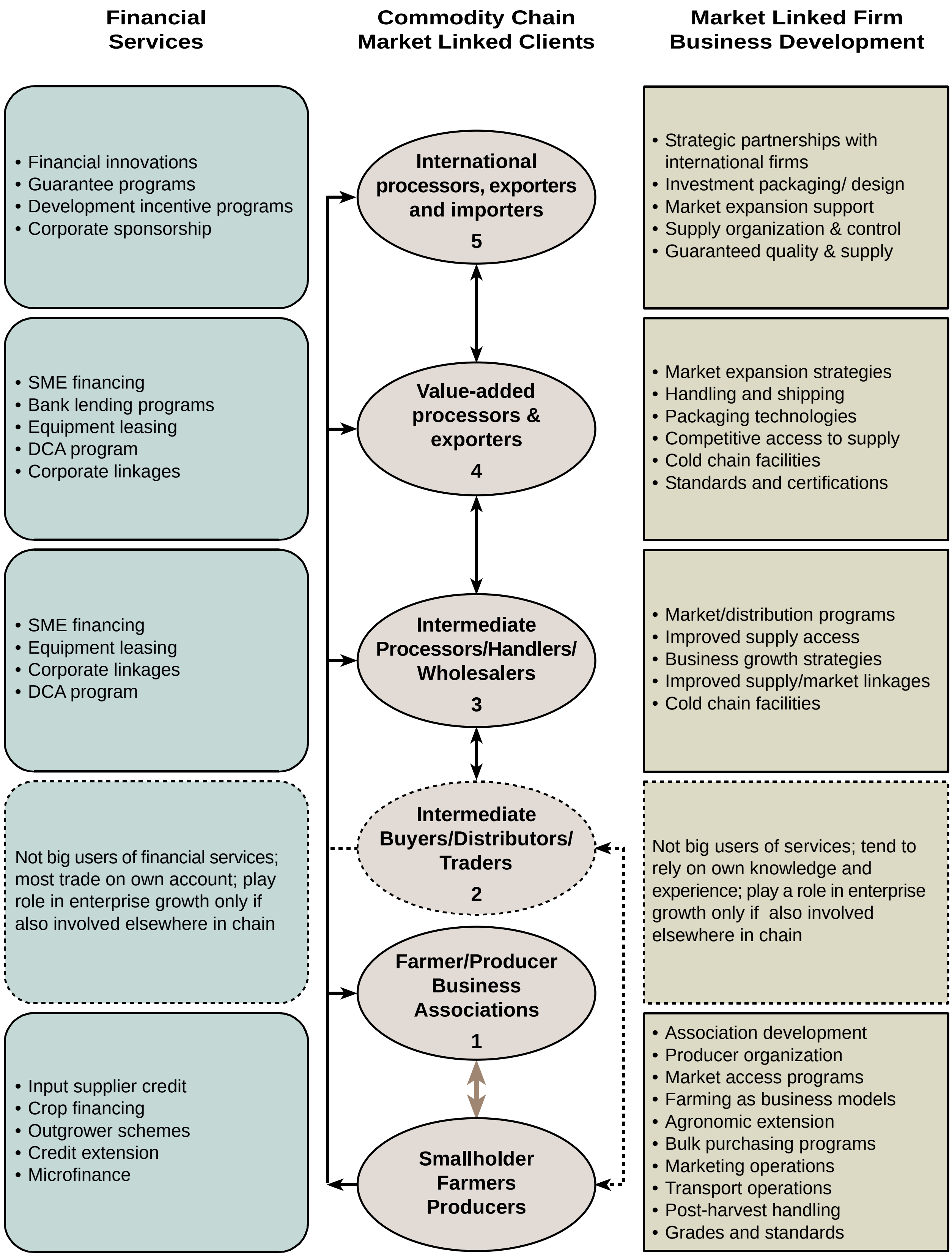
A substantial Strategic Initiatives Fund (SIF), designed to build lasting local capacity for delivery of microfinance services, business support services, and policy efforts, and complement core project activities, became an integral part of our approach to effectively use Ugandan entities. With built-in flexibility to react to changing conditions and client requests or with multiple partners, it allowed the project to access services from Uganda's private and NGO sectors and support key innovations in local commodity associations and apex organizations while building local capacity and contributing to project results. Firms and NGOs competed to obtain subcontracts or grants, thus improving their capacity to be market- and results-driven.

Results-oriented activities. SPEED's experience demonstrates that an effective fund demands applications that clearly demonstrate how proposed funding and activities will lead to well-defined results. This includes proposed benchmarks and end-of-award results that are measurable and attributable to the awardee's effort. This is a true performance-based approach.

Financial and technical accountability. The Strategic Initiatives Fund manager was responsible for ensuring that awardees and their funded activities were properly monitored and tied to a performance-based management system. In addition to monitoring technical results, our fund manager also ensured sound financial management of grants and subcontracts. Grantees were required to provide cost-sharing proposals.

Capacity strengthening of awardees. The fund also supported target nascent agribusinesses and BDS providers to get them actively involved in market chain activities. With such awards, our technical team worked closely with the awardees to provide guidance, and the SIF manager and project accountant worked with them to improve their ability to manage funds and to report results accurately.

SPEED Integrated Enterprise Development Growth Model



CLIENT PROFILE

Poultry Production Begins to Lay Golden Eggs

For Samuel Mukasa, the results of the project's interventions can be measured through his plans for the day after project staff interviewed him. "Tomorrow I'm traveling to the United States to attend my daughter's graduation ceremony. She studied pharmacy."

Above: Mukasa's new chicken houses. Below: Mukasa's chickens.

And she's just one of three children Mukasa has sent to the United States to study. To him, that's the best part of being able to grow his business. Mukasa, a small entrepreneur who previously had difficulties financing his business, accessed finance through a commercial bank participating under the USAID-sponsored DCA Loan Portfolio Guarantee Program to build his poultry breeding and grain processing business, Biyinzika Enterprises Ltd., at Seeta in the Mukono district outside of Kampala. He initially secured Ushs.950 million[1] and has since paid back and renewed the bulk of it.

Mukasa's grain processing business involves buying unprocessed maize and beans from farmers and middlemen, refining the grain and selling to the World Food Program for distribution in the war-torn region of northern Uganda, and for export in the East Africa region. With his loan, Mukasa bought larger volumes of grain to the direct benefit of local grain farmers. When demand is high, Mukasa eliminates the middlemen and buys directly from local farmers, boosting the price farmers get for their produce. The company occasionally buys from farmers as far as 300 kilometers outside the district of Mukono.

Access to the DCA loan guarantee program also enabled him to increase his poultry production. Mukasa's poultry business produced 34,615 day-old chicks per week in September 2003. Today it produces 70,000 chicks per week, which – along with eggs – are sold locally and exported to Kenya and Tanzania. An additional incubator and the construction of two new poultry houses have boosted production. Current production fetches Ushs.56 million per week in contrast to Ushs.34.6 million per week in September 2003. The company has grown from 64 employees to 70, of which 12 percent are women.

Mukasa plans to continue his growth by expanding his poultry business into rearing chicken for meat (broilers) and eggs (layers) to supply supermarkets. He has already secured the land to expand and will be relying on the loan guarantee program to help with the rest. ■

[1] The average exchange rate during the SPEED project was Ushs.1700/US$1

Chapter II: Project Summary

During the past four years, SPEED helped to:

- Integrate the commercial financial sector and the previously informal microfinance sector;
- Transform one nongovernmental microlending organization (FINCA) into a licensed deposit-taking institution and prepare four other microfinance institutions for license application (UMU, UFT, PRIDE, and FAULU);
- Demonstrate to seven commercial banks the value of looking down-market and to begin lending to medium-sized businesses;
- Introduce a successful integrated enterprise development growth model and institutionalize embedded private sector-led extension efforts, and business development services;
- Launch reform efforts in the land and companies registries;
- Build the capacity of numerous private enterprises, business associations, and public sector institutions; and
- Promote donor collaboration and project coordination as a way to implement a successful development program.

"Exceptional Quality"

"Chemonics complied with contract requirements and completed tasks assigned with excellence. All deliverables were of exceptional quality. The contractor was able to integrate a complex, three-component program and delivered remarkable results earlier than planned in the design."

— USAID/Uganda Contractor Performance Report, December 2004

USAID/Uganda conceived the SPEED project in 2000 and completed the procurement as a design and implement task order under the Support for Economic Growth and Institutional Reform (SEGIR) Financial Services Indefinite Quantity Contract. The Chemonics International Inc. Consortium received the contract and an assessment and design period began in October 2000. Examining the existing environment and potential advancements in microfinance, SME finance, business development, and legal and policy reform, the assessment framed the context for the design document, which, in turn, developed into the scope of work for SPEED project implementation in March 2001. This phase ended December 31, 2003, and a separate one-year contract, dubbed "SPEED II," continued the SPEED financial services activities until December 31, 2004.

Impact

Over four years, SPEED activities and support for our partner organizations and firms led to an increase of:

- 254,840 new microenterprises and outgrowers
- 349,251 microfinance jobs
- US$116,572,806 in new sales

SPEED I project activities addressed four components of enterprise expansion and development: SME finance, microfinance, business development services, and policy and institutional environment. This component approach is reflected in the results framework, which is linked to the mission-level strategic objectives and intermediate results. The SPEED II project focused solely on the financial services components. Results frameworks for both projects are presented at the end of this chapter.

Linkages

Effectiveness in these efforts relied on building productive, respectful relationships with implementing partners. Commercial and public sector institutions and donor agencies all have their own agendas and are not required to work with a relatively short-term development project, such as SPEED. SPEED's results are closely tied to its ability to leverage resources from all these entities. Anthony Opio, director, Non-Banking Financial Institutions for the Bank of Uganda (BOU), praised SPEED staff's ability to engage the donors, government, and microfinance practitioners, "It has been a consultative process involving all stakeholders. Coordination has really improved among practitioners, donors, and BOU."

A Wealth of Experience

In addition to Chemonics long-term staff and short-term consultants, the SPEED project benefited from the expertise provided by our subcontractors. International subcontractors included:

- ACCION International
- Bankworld
- Crimson Capital
- FINCA International
- IGFT
- J.E. Austin
- Shorebank Advisory Services

They were complemented by 65 Ugandan firms.

SPEED built on the successes of USAID and other donor's foundational work, partnered with ongoing government initiatives, and cost shared development activities with private sector partners. In fact, during the life of the SPEED project, private sector cost-share arrangements leveraged an additional *US$2.2 million* for project activities (a 2:1 leverage).

Each component is described briefly below. More expanded descriptions are provided in subsequent chapters.

SME Finance

To encourage the financing of SMEs, SPEED effectively worked with lender institutions, as well as borrower enterprises — both sides of the lending transaction. Through technical assistance, loan officer mentoring, and specialized training, SPEED built the capacity of commercial banks to develop SME financial products. To address the issue of perceived risk with SME lending, SPEED facilitated usage of the USAID Development Credit Authority (DCA) portfolio guarantee program implemented through seven partner banks. To further expand outreach to SMEs in rural locations, SPEED aided the major Ugandan leasing company, DFCU Leasing Ltd, with its successful expansion to three new up-country locations.

Overall lessons learned in this component include: 1) the SME Finance component demonstrated that properly structured guarantee programs such as the USAID DCA can work; 2) a Special Activities Fund is an invaluable tool as demonstrated by the DFCU Leasing partnership that leveraged rural leasing activities; and 3) developing and instituting an SME lending model with the Uganda Institute of Banker's based on a full-cost cover basis proved a key component to expanding access to finance.

Key results included:

- Introduction of effective financial sector interventions, such as DCA Guarantee program and SME lending training and mentoring, which have led to increased lending to SMEs and increased financial sector interest in working with SPEED to identify and carry out other financial reform and expansion initiatives. DCA guaranteed 199 loans valued at more than $20 million, including loans in key subsectors such as fish, cotton, and oil seed processing.

- Increased flow of financing to the "missing middle." The volume of missing middle loans made by SPEED partner institutions increased by 245 percent by the end of SPEED I and 219 percent by June 2004.

- Heightened focus on expansion of leasing activities as critical support to growth of SMEs and supportive growth of the leasing sector, particularly to rural areas. The portfolio of SPEED partner, DFCU Leasing, has grown 61 percent — from $10.3 million to $16.6 million.

- Development, introduction, and transfer of the module for an SME lending training program to the Uganda Institute of Bankers (UIB). That institution has continued to deliver the module on a full-cost basis, without cost-sharing subsidy from SPEED.

Microfinance

When SPEED arrived, most donors were focused on the health and outreach of the more than 100 MFIs in Uganda. Instead of a broad provision of services to such a wide-ranging clientele, SPEED offered a comprehensive program to accelerate the commercialization of the microfinance industry in Uganda. Sustained business growth among microenterprises in Uganda required self-sustaining — and growing — microfinance intermediaries. The Government of Uganda recognized and supported this by introducing and passing the micro deposit-taking institution (MDI) legislation that created a new tier of financial institution regulated and licensed by the Bank of Uganda. These MDIs are then permitted to mobilize and on-lend client savings, which provides a much-needed service to clients and contributes to the institutions' level of financial self-sufficiency. SPEED partnered with nine MFIs to provide tailored packages of technical assistance to assist their transformations into MDIs or further their progress toward financial self-sufficiency.

Overall lessons learned in this component include: 1) by providing transformation and commercialization technical support to five leading MFIs and coordinating the institution of an industry performance monitoring tool, SPEED's Microfinance component demonstrated that collaboration with donor agencies and the industry on legislation and regulation strengthened and supported the passing of the MDI legislation; and 2) because of SPEED's commercialization technical assistance to five MFIs, they had better business strategies, identified private investment capital, and were able to diversify their finance products and grow their loan portfolios.

Key results included:

- Critical support and facilitation assistance to passage of MDI legislation. Readied six (target was three) microfinance institutions to apply for MDI status under the newly passed legislation. Four submitted applications at the time of this report of which one had received its license to operate as an MDI.

- Aid to six of SPEED's nine partner MFIs to become profitable (remaining three were already profitable).

- Partner MFI loans outstanding have increased by 229 percent — from $9.9 million to $37 million by the end of SPEED I and a total of 345 percent by the end of SPEED II in December 2004 to $44 million.

- Establishment of SPEED credibility with financial sector and effective use of position to encourage commercial lending to MFIs. Seven commercial banks have advanced nearly $8 million to MFIs.

- Industry-wide project collaboration with more than 30 donor organization to design and launch the performance monitoring tool that consolidated all donor reporting information from all MFIs into one tool to be used by individual MFIs and the Association of Microfinance Institutions of Uganda (AMFIU).

Enterprise Development

Access to finance is only one side of the enterprise development coin. More important is the creation and sustainability of viable enterprises responsive to the market and worthy of financing. SPEED worked with BDS providers, intermediaries, and business associations throughout Uganda, as well as key individual enterprises, to build capacity to assess potential markets and produce in a cost-effective manner the quality goods and services requested. However, SPEED did not deliver BDS services directly to microenterprises and SMEs. Rather it directed efforts toward private sector Ugandan BDS providers.

Overall lessons learned in this component included: 1) all interventions are in response to market forces — demand driven; 2) all clients had to contribute to the cost of the BDS intervention — no free services were provided; and 3) integration with both the financial services component and other donor agribusiness interventions multiplied the results achieved.

Key results included:

- Development of a market-driven model for enterprise growth that used private sector initiative and buy-in to drive agricultural expansion and build demand for financial and business development services. The model was implemented in the cotton, maize, and coffee subsectors and impacted 98,430 farmers.

- Re-positioning the Private Sector Foundation of Uganda, through ratification of the SPEED-supported Strategic Growth Initiative and Declaration of Private Sector Principles to transform from a project to an organization that operates as the driving force for private sector development on a national and international scale. The foundation is positioned to provide capacity-building services to member subsector associations. It has trained more than 40 subsector associations in association governance, management, advocacy, marketing, and member services. As a result of SPEED-supported interactions, the foundation produces and publishes a Private Sector Platform, which is the primary submission by the private sector to the government budget process. Organization membership has increased by approximately 20 percent.

- Supported 65 Uganda private BDS firms through technical asisstance and cost-sharing arrangements to provide targeted assistance to key enterprises and associations in the cotton, coffee, fisheries, maize, dairy, and packaging subsectors.

Business Environment

SPEED worked with a variety of Government of Uganda partners to create a more business-friendly environment that enhances the ability of microenterprises and SMEs to develop, expand, obtain financing, and become engines of growth in the Ugandan economy. Primary activities focused on expedited access to commercial justice, reform and rehabilitation of the land and companies registries, and the establishment of a long-term debt working group of senior ministry and private sector partners to propel the financial sector toward further growth. In addition to these specific activities, this component maintained the flexibility to respond and address policy issues as the various SPEED components confront obstacles.

Overall lessons learned in this component included: 1) alternative dispute resolution is important for SMEs; 2) establishing a long-term debt working group facilitated the discussion with high-powered financial sector leaders of the needs and interests particular to SMEs, and caused the introduction of appropriate debt instruments that diversified finance products available to the SME market; 3) rehabilitation of the companies and land registries must be technologically appropriate to both improve the efficiency of these public sector organizations that impact on SMEs productivity and to achieve sustainability.

Key results included:

- Development of the Centre for Arbitration and Dispute Resolution into a professional business services organization linked to the commercial court system by supporting implementation of a corporate charter and business plan, training the roster of neutrals, and training the staff in case management, accounting, marketing, and promotion. The number of cases completed increased 250 percent between 2001 and 2003.[2]

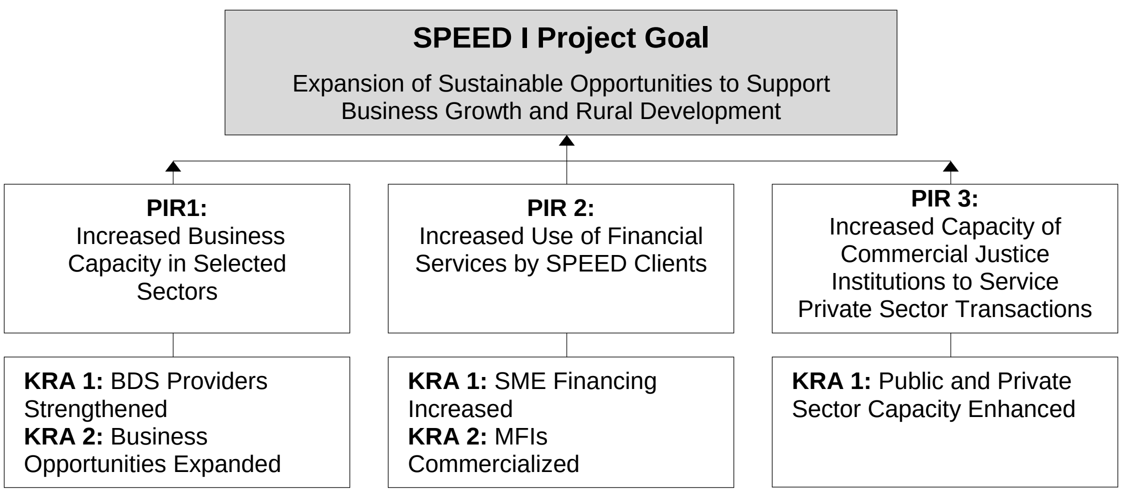
[2] Project target was 50 percent increase per year.

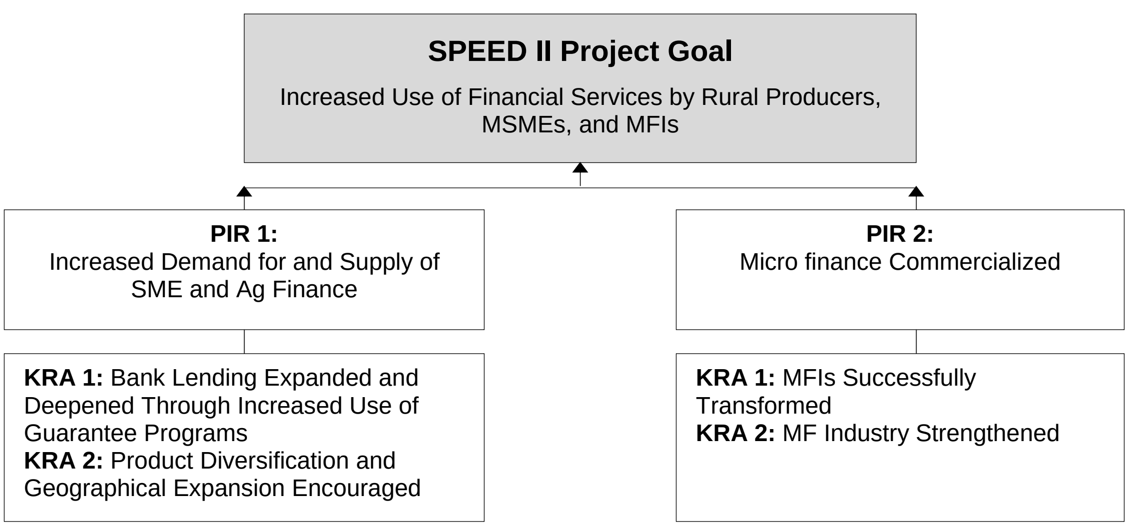
- Realization of substantial progress rehabilitating and reorganizing the commercial registries, with completely new records handling systems in place in both the land and companies registries.

- Establishment of the Long-Term Debt Working Group, a gathering of high-powered financial leaders from private and public sectors, to address approaches to identifying and introducing appropriate debt mechanisms to support private sector growth.

Project Results Framework

Below are the two SPEED project results frameworks, reflecting the change in the SPEED II objectives that focused solely on financial services interventions. Project key results areas (KRAs) lead to into project intermediate results (PIRs), which feed directly into the USAID Mission Strategic Objective 7 results framework and monitoring and evaluation system. ■





CLIENT PROFILE

Grace School Provides Quality Education Close to Home

Adults aren't the only ones who benefit from USAID DCA loan guarantees. Students in the Mbale district are learning better and in a more comfortable environment thanks to construction of their new school. The students at Grace Primary School have moved from rented facilities to the first two stories of their new school and as a result test scores and enrollment are already up.

Above: Grace School's new home.
Below: Young school girl.

School owners George and Christine Ochwo started the school in 2001 and have seen enrollment grow from 300 students to more than 900 students. Enrollment demand is so high that the Ochwos have increased their target class size to 50 students. The increased enrollment has boosted the school's gross income from Ushs.156 million per term to Ushs.180 million. As a result, teachers are also benefiting from higher salaries, which are averaging Ushs.400,000, compared to industry average closer to Ushs.100,000.

The Ochwos repaid their first USAID DCA guarantee loan of Ushs.150 million and are working on a second loan worth Ushs.48 million. The Ochwos are eager to secure larger loans so that they can complete construction on the rest of the school. Long-term plans include building free-standing dormatories.

More students, happier teachers, and more classroom spaces aren't the only positive effects. Test scores have improved, too. For George Ochwo the school's improvement is monumental. He reports, "We managed to send nine students to Uganda's top five secondary schools and this is a tremendous achievement."

And the school serves as a reminder to the local community that quality education isn't only available in Kampala. While the surrounding communities can educate their children closer to home, some students are coming to the school from as far away as Kenya.

Previously commercial banks would not seek out smaller clients like Grace Primary School. The DCA guarantee program mitigated perceived risks allowing commercial banks to "test the waters" and expand their client base to SMEs. ■

Chapter III: SME Finance Development

SPEED addressed two overriding goals in this component:

1) To increase access to financial services to the "missing middle" — those clients seeking loans between US$1,500 and US$250,000 mainly to procure assets for their enterprises — that encompass the vast majority of small and medium-sized enterprises. These clients are not interested in group loan methodologies. They seek credit beyond the scope of most microlending organizations, yet they do not qualify for the larger commercial loans that come burdened with substantial collateral requirements.
2) To increase the flow of financial services to rural areas outside Kampala.

Impact and Results

During the life of SPEED:

- SPEED-assisted financial institutions increased the number of missing middle loans by more than 30,000 (from 6,109 to 36,568).

- SPEED-assisted financial institutions increased the volume of missing middle loans by more than US$122 million — a 300 percent increase (from $40 million to $162 million).

- Clientele of rural bank branches increased by more than 580,000 (from 199,160 to 783,302).

In the Beginning

When SPEED started in 2000, access to financial services challenged SMEs because Uganda's 16 private banks focused on large corporate clients. Commercial credit facilities at these banks often began with loans starting at $100,000 and going as high as $1 million, and profitability was high. Banks had limited interest in SME loans and generally no interest in agricultural loans. Both Barclays and Standard Chartered developed new SME-sized products, but these salary-based loans served to disqualify independent business people. With the exception of Centenary Rural Development Bank, microfinance was generally an unregulated mass of microlending organizations not servicing the SME market. Overall, long-term debt was extremely rare, making capital investments by SMEs challenging and restricting the ability of firms to take advantage of market opportunities. Leasing services were primarily the domain of DFCU Leasing and concentrated in Kampala.

Key Interventions and Lessons Learned

To reach these "missing middle" SME clients the SPEED project approached the problem from several angles, including a guarantee program, improved packages of services, down-market services from commercial banks, up-market attention from MFIs, and expanded leasing services.

Development Credit Authority Loan Guarantee Program. As part of its strategic plan to improve economic development in rural areas, USAID/Uganda also began implementation of a US$30 million USAID Development Credit Authority (DCA) loan guarantee program whereby seven participating banks received a 50 percent guarantee for loans to SMEs and MFIs. DCA was designed to ease the collateral requirement for medium-sized businesses impacting rural development and USAID/Uganda charged SPEED with managing and promoting its use. The program became operational between March and July 2002. While USAID's DCA is a popular program around the world, different missions have varying degrees of success in promoting commercial bank usage of the mechanism.

Leveraging DCA to Increase SME Lending

"As you know, the Uganda Development Credit Authority (DCA) seven-bank program to assist SME agro-business lending, very ably supported by Chemonics' financial sector SPEED Program, is judged to be the most successful of its type in our worldwide system. John Wasielewski and the rest of the DCA staff regularly present this program in our DCA literature and through our presentations."

— Jeremy Hagger , USAID/W Office of Development Credit

Before the DCA program was introduced in Uganda, commercial lending to the agriculture and fisheries sector (combined) rarely exceeded 10 percent of the value of bank's portfolio and loans to MFIs were nearly unheard of. The impact of this change is remarkable. The agriculture-related loans were primarily to processors who relied on small-scale farmer outgrower schemes to supply the raw product. With commercial credit extended to growth sectors, the processors upgraded their facilities and required increased production to supply the demand. Farming families benefited from increased incomes for their needed goods. With assistance from the SPEED enterprise development component and other projects such as USAID Investment in Developing Export Agriculture (IDEA), farmers also improved their farming practices to increase production to meet a new need. This rural household impact is key to success of the SPEED project.

Ugandan commercial banks embraced the program to differing degrees, but the end result increased financing to previously underserved sectors and regions. Overall, as of December 2004, 199 loans totaling US$20,612,988 were placed under this facility.

Distribution by sector of DCA facility at the end of SPEED II (Dec 04)

Sectors	Number of Loans	Value	% of total DCA portfolio
Agriculture	30	$ 7,206,922	35%
Trade & Distribution	113	$ 6,125,604	30%
Service	27	$ 2,969,105	14%
Microfinance	10	$ 1,972,469	10%
Fisheries	9	$ 1,742,200	8%
Transport	6	$ 410,383	2%
Industry	4	$ 186,305	1%
Total	**199**	**$ 20,612,988**	**100%**

Distribution by sector of DCA facility at the end of SPEED I (Dec 03)

Sectors	Number of Loans	Value	% of total DCA portfolio
Agriculture	24	$ 6,454,253	45%
Trade & Distribution	46	$ 3,055,244	21%
Service	12	$ 1,893,461	13%
Microfinance	8	$ 1,727,403	12%
Fisheries	4	$ 716,086	5%
Transport	4	$ 371,421	3%
Industry	3	$ 165,362	1%
Total	**101**	**$ 14,383,232**	**100%**

DCA is designed to reduce the risk exposure of banks while they enter new markets. By making the guarantee only 50 percent it helps financial institutions stretch their sound lending criteria, not abandon it. This is clearly the case in Uganda. Of course, risk is inherent in any loan guarantee program and this is no exception. While a few defaults have been declared, most loans have been fully recovered. Outstanding are portions of 14 loans with expected claims anticipated to be no more than US$383,230. Given the size of the facility ($30 million) this is excellent performance. USAID is pleased with the performance of the program and has applied for and received a new multi-lender DCA facility to catalyze lending for up to $15 million of lending targeted for rural lending for a more targeted set of banks and one recently transformed microfinance institution. An assessment of the Uganda DCA program at the end of SPEED I concluded, "This overall project success is a heartening example to other Missions and to USAID in Washington."

A sampling of businesses receiving DCA guaranteed loans found that, on average, borrower sales increased by 20 percent in just one year, and a recent program evaluation found that 75 percent of the loans would either not have been made at all or would have been substantially smaller without the guarantee.

Lessons learned: A comprehensive package of SPEED activities facilitated the use of the DCA in Uganda and together removed some of the common obstacles to promoting SME finance and using guarantees. Many bankers are wary of donor efforts, worried that the objectives of development projects conflict with the profit motive of commercial institutions. SPEED addressed this trepidation by placing seasoned banking experts in our long-term positions for both the SME and microfinance components. Able to "talk the talk" and understand the motivations and interests of the bankers, SPEED gained entrée into the banking community more quickly than previous efforts. Humphrey Mukwereza, executive director of Corporate and Institutional Banking at Standard Chartered agreed, "SPEED's staff of banking professionals was key. If someone knows banking, it makes life a lot easier to understand each other — makes communication easier."

SPEED also invested a great deal of up-front time with bank officials at both senior and mid levels to explain the program objectives, required obligations of the banks, and assistance the institutions could expect during the implementation of the program.

A comprehensive package of services. The loan guarantee program obviates some of the risk for commercial banks to pursue new clients in new sectors, but guiding the banks down-market to a new type of client requires further intervention at the credit officer and management levels. Decisions on how to intervene were established through interviews with bank staff at various levels. SPEED provided training and technical assistance to the credit officers of commercial banks on the vagaries of evaluating loan application from SME clients. This assistance focused on training and mentoring.

Training. The project built the capacity of the Uganda Institute of Bankers to provide training and technical assistance to commercial lenders on how to develop SME loan products, evaluate SME loan applications, and realize a profit from a previously ignored client base. SPEED designed a series of SME loan officer trainings to build the capacity of the managers and credit officers to better evaluate an SME loan. The institute continues to deliver this popular training on a fee-for-service basis.

Lessons learned: Jacqueline Kasiiku, programs manager, credits the SPEED project with helping to brand the institute with a reputation for service and quality. "The SME lending program was a superb product — trainers were excellent, training manuals left a sustainable product we use today…As a result, our name and recognition among banks went up. It was a true partnership. Together we drew a map of where we are going and went down that path." Yet the training program was successful not just because of the content or delivery. "The partnership among the three main partners — banks, UIB, and SPEED — was essential. If UIB had proposed the loan officer training or mentoring program it would not have taken off. If SPEED had tried it alone, it would have probably failed. But together the synergy worked."

Mentoring. No matter how good the training, skills are often not fully utilized upon return to the workplace. To follow up with the trained employees, SPEED designed a post-approval loan mentoring program to provide subsequent advice as the trainees exercised their new skills. After an SME loan was approved by the bank's own committee, based on the loan officer's assessment, the assessment would be sent electronically to a consultant in the United States. The consultant, in turn, would evaluate the assessment and provide feedback. In this manner, the loan officer received feedback on his or her work from a seasoned SME loan officer with developing country experience. One participant from Allied Bank commented, "I just received the critique… it accurately pointed out weaknesses in my appraisal that I need to work on. Thanks a lot for the time and effort you put into this. I surely did not expect such a lengthy document. I will be forever grateful. I look forward to sending my next 'improved' loan analysis."

Lessons learned: Follow up to training is essential for greater impact. Additionally, with increasingly more robust Internet/e-mail services available in Uganda, this "distance mentoring" approach can be a cost-effective method for providing first-rate technical assistance remotely. While banks changed their practices, bankers cited the comprehensive package of services from SPEED as being the key: training + mentoring + DCA loan guarantee program.

MFIs go up-market. Microfinance by its nature targets the underserved poor as the bulk of its client base, but as institutions evolve they tend to expand their range of products and services to appeal to an ever-growing clientele. Uganda enjoys a dynamic and extensive microfinance industry. SPEED's microfinance component worked with nine successful and innovative MFIs to improve their levels of sustainability, including the development of new individual loan products for their successful clients and the expansion of their client base beyond microenterprises to small businesses. By SPEED I's conclusion in December 2003, missing middle loans extended by MFIs increased from zero to 810. By the end of SPEED II in December 2004, this had increased to 2,697.

Lessons learned: Focused training and follow-up technical assistance in the design and delivery of individual loan products, as well as market research skill development to establish the demand, proved key to this success.

Expanding leasing to reach the missing middle. With almost no access to medium-long term financing for capital improvements, SMEs are restricted in their abilities to expand and take advantage of market opportunities. This is particularly acute in rural areas. Leasing is a viable option and more available than in many other parts of the world. In Uganda, DFCU Leasing was the main provider of leasing services, but focused primarily on the Kampala-Jinja-Entebbe triangle when SPEED arrived. The company had established a pilot branch in Lira, which gave it exposure to rural clients. DFCU recognized the potential for rural expansion, but to overcome the trepidation of expanding its rural presence SPEED chose to share the establishment costs for three up-country leasing centers with the balance of support contingent upon DFCU meeting business targets for each of the three centers. Nearly all the leases dispersed from these new facilities fell within the "missing middle" range of financing targeted by SPEED. The table below shows the impact of SPEED's support for these three rural leasing centers. To date, SPEED's support has been leveraged 13 times over as measured by the ratio of the Value of Leases Disbursed to the amount of SPEED's Cost-Sharing Contribution.

Leasing expansion to rural clients (Dec 03)

Leasing Center	SPEED cost-sharing contracted	No. of Leases Disbursed	Value of Leases Disbursed
	US$		US$
Mbarara	$ 100,000	69	$ 3,061,149
Mbale	$ 100,000	36	$ 742,233
Hoima	$ 100,000	15	$ 135,147
Total	**$ 300,000**	**120**	**$ 3,938,529**

SPEED further supported the leasing industry by co-sponsoring regional leasing conferences in Uganda and addressing leasing tax policy restrictions through our business environment component (See Chapter VI).

Lessons learned: Leasing had already been successful for DFCU in urban and peri-urban areas in Uganda. It was an ideal financial product for the MSMEs in Uganda because it addressed the obstacles faced by both collateral-conscious banks and collateral-challenged borrowers (equipment is collateral), as well as working well within the existing legal environment (ability to legally repossess leased equipment). As SPEED came to a close, two commercial banks — Barclay's and Stanbic — announced they would be establishing leasing operations in Uganda. ■

Leasing Client Improving Health in Rural Uganda

The majority of leasing transactions are for buses, trucks, and other mobile equipment. But leasing, which is almost entirely directed at financing SMEs in Uganda, is not limited to this area. An increasing amount of leasing in Uganda is now focusing on the service sector.

One example is the Born Medical Center (BMC), which is located at Lyantonde mid-way between Masaka and Mbarara towns, approximately 180 kilometers from Kampala. Dr. Isaiah Kiiza started the clinic in July 1999 to provide a range of medical services to the people of rural Rakai, Masaka, Mbarara, and Sembabule districts. The clinic operates from rented premises on the old Masaka-Mbarara road. In addition to Dr. Kiiza, there are seven other employees: two nurses, one nursing assistant, a laboratory technician, a radiographer, a cleaner, and a watchman. The radiographer has been hired to operate the new equipment. The clinic is open seven days a week.

Above: Dr. Kiiza with one of his leased machines. Below: Born Medical Center.

Dr. Kiiza wanted to upgrade his equipment and services. But as a small-scale business with limited collateral, it was impossible for him to access financing from commercial banks to acquire the modern medical equipment he needed. He had no collateral to offer the banks, and the banks were unwilling to provide the medium-term financing he needed. But when he contacted DFCU Leasing through its rural branch in Mbarara, lease financing was approved within one month. In December 2002, BMC took delivery of an X-ray machine and ultrasound scanner at a cost of USH 23 million (US$ 12,400 equivalent.) The lease term is for three years.

BMC is one of three clinics in Lyantonde town, but it is the only clinic that offers x-ray and ultrasound scanning services. More than 20 percent of its patients are now using these new services. Without these services, patients in Lyantonde would need to travel more than 65 kilometers to Mbarara or one of the other big towns in the area. More than 75,000 people live within his catchment area, with one million people living in the immediate surrounding districts.

Dr. Kiiza's use of leasing to finance equipment demonstrates the flexible way in which leasing can assist SMEs. And the rapid approval from DFCU Leasing and the lack of insistence on collateral are typical of leasing companies around the world. These advantages make leasing an excellent way of providing medium-term financing to SMEs. ■

CLIENT PROFILE

Woman Building Empire Out of Spare Parts

When she started her business in 1992, Siama Wabulo had little savings and limited stocks of spare car parts to offer potential customers. Since participating in FOCCAS Uganda's group loan program, Wabulo has borrowed and repaid loans 11 times, ranging from Ushs.50,000 to Ushs.500,000. Her business has grown accordingly, slowly but surely.

Wabulo and her spare parts store.

But Wabulo is happy her business is growing even faster now, thanks to an individual FOCCAS loan of Ushs.4 million. She's shifted from a small retail outlet to a wholesale shop with contracts to supply parts to local governments and the right to sell "National Oil," a local motor oil. Wabulo's daily sales have increased on average from Ushs.100,000 to Ushs.540,000. She has added a repair shop, transports supplies in bulk, and acquired land to expand.

Wabulo is just one of many clients taking advantage of the improved menu of services offered by FOCCAS. Operating about 200 kilometers from Kampala, FOCCAS received SPEED help during both project phases. Assistance included reviewing and improving product delivery processes and building staff capacity in various technical activities. But clients like Wabulowere drove FOCCAS to expand into individual loans.

Since opening its doors in 1996, FOCCAS offered just one group loan product to its clients. Sensing clients were ready for something more, and through the intervention of the SPEED project, FOCCAS conducted market research, developed a product prototype, and began the first test pilot in March 2004.

Wabulo is one of the first clients of FOCCAS to graduate from the group loan product to the individual loan product. She appreciates the encouragement she has received from FOCCAS staff and she's benefited from the education component of the loan product. She says she has learned a lot about health care that has helped her care for her four children.

Wabulo looks forward to building profits by stepping out into the world. "I have been traveling just to Kampala and Nairobi to stock my shop," she says. "With bigger loans under the individual lending product, I can now see myself getting on a plane for the first time to fly to Dubai to import directly and this will increase my profits even more." ■

Chapter IV: Microfinance Development

Microfinance has flourished in Uganda. Thanks to savvy, innovative, and motivated individuals, well-organized institutions, and a plethora of donor assistance, there are more than 100 microlending organizations in Uganda of varying degrees of sophistication and potential for sustainability. Upon entering this environment, the SPEED project chose its role carefully and in coordination with numerous other donor projects. USAID and SPEED chose to focus on the high-potential microfinance institutions to:

- Help transform three to five mature MFIs into licensed MDIs;
- Move four to six other MFIs into financial self-sufficiency and increase their outreach; and
- Further strengthen the microfinance industry infrastructure to guide the industry forward.

Impact and Results

Over the past four years, SPEED-assisted MFIs have demonstrated:

- A 345 percent increase in the volume of microfinance loans (from $9.9 million to $44 million);
- A 183 percent increase in the volume of microfinance savings (from $6 million to $17.1 million);
- A 167 percent increase in the number of microfinance savers (from 132,133 to 352,333);
- A 97 percent increase in the number of microfinance borrowers (from 140,262 to 276,639); and
- More than $8 million in "missing middle" loans to SMEs (from $0 to $8,527,059).

In addition, one MFI has transformed to a licensed, regulated microdeposit taking institution and three other MFIs have applied to do so.

In the Beginning

In the late 1990s, USAID's Private Enterprise Support, Training, and Organizational Development project successfully institutionalized the concept and application of microfinance "best practices" within 10 to 12 of the largest MFIs, in 16 of the 60 Poverty Alleviation Project-supported intermediaries, and indirectly in the microfinance industry at large. Despite these efforts, an African Development Bank study estimated that only 1.5 percent of the population categorized as poor were being served. Building on this foundation, the SPEED project was designed to establish and implement a comprehensive program to accelerate the commercialization of the microfinance industry in Uganda to ensure continued growth and sustainability of microfinance services throughout Uganda.

Key Interventions and Lessons Learned

Following a baseline study of the leading MFIs, SPEED conducted a competitive tender to decide which institutions to assist based on interest, potential for success, and current financial assessment ratios, with an aim to identify institutions in two categories: those ready to achieve financial self-sufficiency and those with a likelihood of transforming into licensed and regulated institutions by the end of the project. Three were selected for assistance in achieving MDI status by

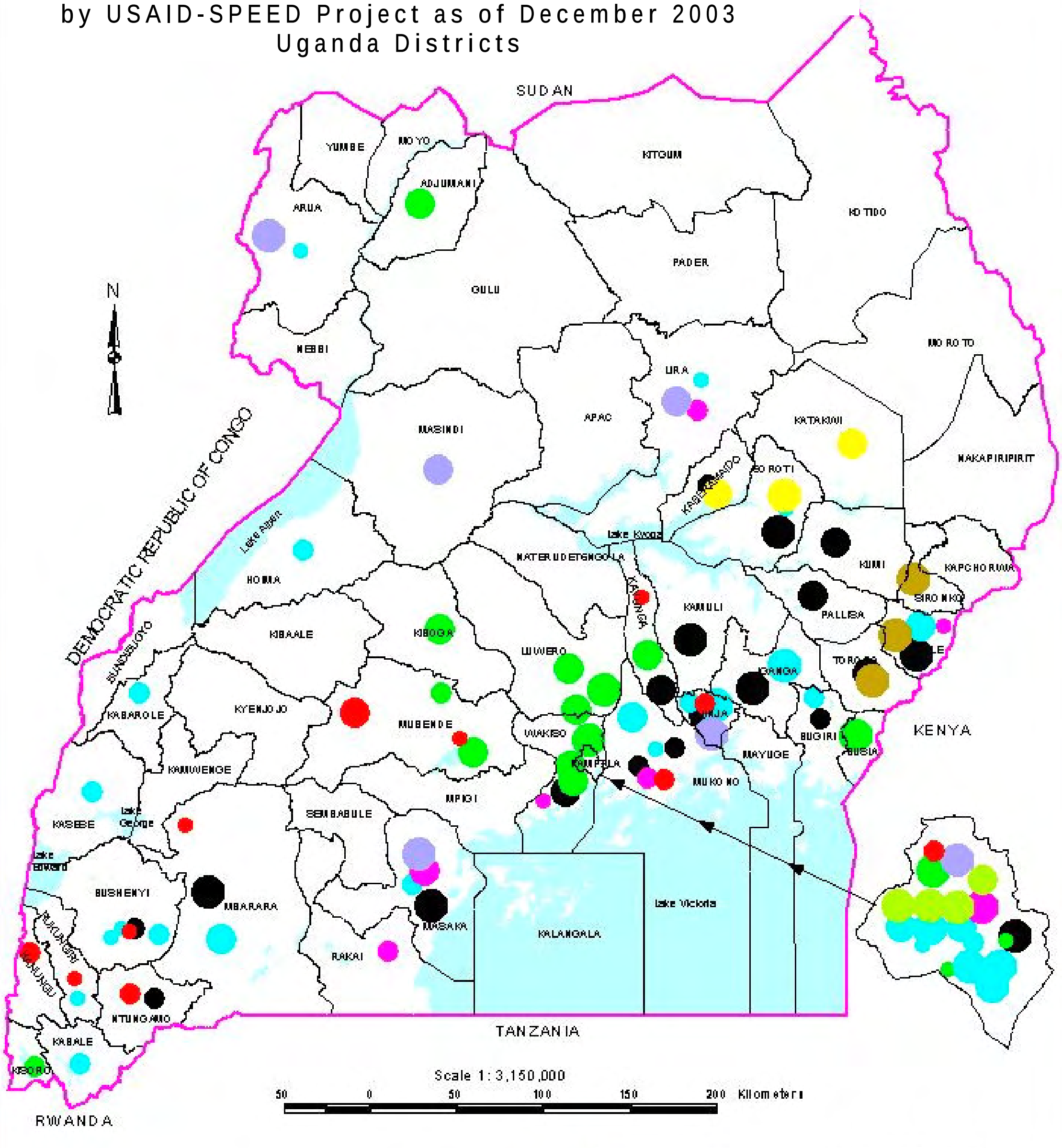
SPEED Partner MFIs

Uganda Microfinance Union
FINCA Uganda
Uganda Women's Financial Trust
PRIDE Uganda
FAULU
FOCCAS
Feed the Children Uganda
KASO/TERUDET
MED-Net

the end of the project (MDI candidates) and six were selected for assistance in achieving financial self-sufficiency (FSS candidates) making a total of nine partner MFIs. During the course of SPEED, two of the FSS candidates moved into MDI candidacy and one of the MDI candidates moved temporarily to FSS candidacy. By the end of SPEED II, four MDI candidates had submitted their license applications, with one receiving its license before the end of the year to operate as an MDI (FINCA Uganda), and the three others expected to receive their licenses by summer 2005 (Uganda Microfinance Union, PRIDE Uganda, Uganda Finance Trust). Of the five remaining FSS candidates, one is in the process of putting together its license application for the Bank of Uganda (Faulu Uganda), while the other four have decided not to pursue transformation. Three of these four have not yet achieved financial self-sufficiency either due to insurgency in the North (Terudet), increased rural outreach (FOCCAS), or management issues (Med-Net). Feed the Children Uganda (FTCU) achieved operational self-sufficiency but is unlikely to transform in the near future. All nine partner MFIs improved their levels of sustainability and ability to innovate and respond to the market such that the majority are no longer donor-dependent.

Unprecedented collaboration with other donors. Uganda's stability and macroeconomic environment have attracted a plethora of donors seeking to improve and expand microfinance in this country. Such an embarrassment of riches can propel the industry forward or result in duplicative efforts and non-sustainable institutions. SPEED began its design phase with multiple meetings with other project staff and donor representatives culminating in a series of stakeholder workshops to ensure that SPEED's interventions were complementing and supplementing the ongoing microfinance activities. This created a welcoming and non-threatening environment as the project began. SPEED staff continued the collaborative approach by fully participating in industry-wide coordination, including participation in Association of Microfinance Institutions of Uganda, Microfinance Forum, Apex subcommittee, Outreach subcommittee, and Plan for Modernization of Agriculture committee. As SPEED closes, handover of post-transformation activities have already been absorbed by DfID's FSDU project and GTZ/SIDA's FSD project for a seamless transition, with advisory support ongoing from the new USAID Rural SPEED project.

Outreach of Microfinance Institutions Supported by USAID-SPEED Project as of December 2003
Uganda Districts



	Name of MFI	Clients	Branches
	FAULU Uganda Ltd	18,248	4
	Feed The Children Uganda (FTCU)	12,842	11
	FINCA Uganda	33,248	8
	FOCCAS Uganda	14,781	3
	Teso Rural Development Trust Ltd (TERUDET)	13,284	3
	MED-NET	14,887	8
	PRIDE Uganda	80,873	23
	Uganda Microfinance Union (UMU)	47,628	16
	Uganda Women's Finance Trust (UWFT)	32,220	18
	TOTAL	301,083	98

Transformation assistance. With the MDI law creating a new category of licensed financial institutions — the micro deposit-taking institution — SPEED's focus on transformation-related activities was a perfect fit. The competitive process described above led to memoranda of understanding with five MDI candidates over the life of SPEED: Uganda Microfinance Union (UMU), FINCA Uganda, Uganda Women's Financial Trust (UWFT), PRIDE and FAULU. As a diagnostic tool, SPEED staff focused on "gap analysis" to determine the differences between each MFI's existing systems and operational and financial management structures and those required by the new MDI legislation. This analysis consistently identified the following needs across the field:

- Introduce a treasury management function;
- Hire and train a transformation compliance officer;
- Adjust current MIS reports to meet new BOU requirements including installing new software to manage savings services;
- Develop savings products and systems;
- Identify and link the MFI to equity investors; and
- Meet ownership and corporate structure requirements.

A combination of long-term and short-term technical assistance addressed highly technical tasks, such as assistance with corporate or legal transformation, as well as specialized tasks (savings product and systems development, MIS gap analysis, and upgrading treasury management training).

Kudos on SPEED Transformation Activities

"It is unanimously recognized that SPEED has had a very positive effect in the commercialization of the MFI industry in Uganda, which includes providing assistance in passing new MDI legislation. *So* successful and diversified is the work on the transformations that USAID and SPEED should document the process and experience to provide other practitioners concrete examples of the challenges faced, and best practices used, to transform these institutions."

— Mid-term USAID evaluation of SPEED

Lessons learned: Most important, in retrospect, was the installation of a long-term transformation consultant in each MDI-candidate institution for at least one year. As Charles Nalyaali, CEO of Uganda Microfinance Union, stated "The long-term nature of transformation manager was essential. They needed to see the day-to-day business and identify problems and observe our problem-solving methods to provide appropriate solutions." UWFT Board President, Ida Wanendeya, seconded this opinion. "Each institution was examined and assisted in its own way. [The transformation manager] definitely helped us meet the challenges of the MDI law." In fact a BOU official commented, "Some of these [transforming] MFIs are more strategic and have better prepared business plans and procedures manuals than some of our commercial banks!…A better prepared institution makes our work easier."

Increasing capacity and integrity of systems: the road to self-sufficiency. SPEED negotiated packages of assistance to address the specific needs of our nine partner MFIs. For common weaknesses, such as improvement of internal controls or liquidity management, a joint workshop featured representatives from several MFIs. In other cases, specific technical assistance was provided, such as development of an institutional transformation plan or establishing a borrowing relationship with a commercial bank.

Specific courses, seminars and workshops conducted included:

Product costing	Delinquency management
Transformation planning	Business planning
Tax and legal implications for transformation	Savings mobilization
Internal controls and auditing	Liquidity management
Board and governance training	Performance monitoring
Asset and liability management/treasury management	Attracting equity investment and accessing commercial credit
New loan product development	

Lessons learned: While many microfinance projects concentrate on training, SPEED's success stemmed from three unique features. First, rather than aim for an all-inclusive, diverse audience or a general "best practices" session, SPEED targeted trainings to the more sophisticated needs of transforming or operationally self-sufficient MFIs and use specific institutional Ugandan case studies. Individual MFI needs assessments conducted during selection of the nine partners provided a guide to the gaps to be addressed through training and technical assistance.

Second, the provision of assistance did not end with the conclusion of the training session. Following a workshop, the trainer was retained for a few days to follow up the session with tailored technical assistance at the appropriate skill level to address the specific situation at an institution. Follow-up technical assistance to the MFIs as they implemented new skills allowed for further honing and adaptation for specific circumstances. This was provided by SPEED staff and local consultants who acted as co-trainers with international consultants, as well as SPEED-funded transformation managers.

Third, SPEED was blessed with a wealth of expertise. Not only was the long-term microfinance component team led by Joanna Ledgerwood, but the team partnered with some of the best local talent, including Andrew Obara and Olive Kabatalya. Ms. Ledgerwood's rolodex allowed us to bring the "best of best" in the microfinance field to Uganda to provide technical assistance, including Marguerite Robinson, Beth Rhyne, Monica Brand, Tony Sheldon, Joyce Lehman, Joachim Bald, Craig Churchill, Cheryl Frankiewicz, Juliet Munro, and Deb Burand, among others. Most of these individuals are instructors at the annual Boulder Microfinance Training Program at Naropa University, allowing Ugandan practitioners to benefit from their expertise without traveling to the U.S. While this required sufficient funds, these specialists brought experience from a multitude of MFIs of varying degrees of sustainability throughout the world. They were able to quickly identify obstacles within individual institutions and provide possible solutions to the "Uganda Nine."

Commercial credit flows to MFIs. Previously, non-licensed Ugandan MFIs relied on their own profits and the generosity of donor agencies to expand their loanable funds. Access to commercial credit was seen as unlikely at best and unattainable at worst. However, by the end of the SPEED project, six MFIs had changed banks' perceptions of MFIs as development projects to business-oriented, private sector players worthy of commercial credit from Ugandan Banks.

Lessons learned: Demystifying the preconceptions of both microfinance institutions and commercial banks took time, but SPEED staff helped introduce commercial banks to the business model for a sustainable and self-sufficient approach for a MFI. The SPEED long-term team included no less than seven former commercial bankers, which was integral in gaining the confidence of the stakeholders.

Streamlining reporting with a new performance monitoring tool. The collaborative approach is truly embodied in the development of the Performance Monitoring Tool (PMT). MFIs in Uganda have long been faced with having to report similar information to different donors in different formats creating a management resource log-jam that impinged on streamlining administrative structures within the MFIs. Obviously, the ideal would be ever-reducing donor support to ensure sustainability, but the reality is only a handful of major MFIs have reached that level of self-sufficiency. The more donors an MFI worked with, the more reports it had to produce each quarter. On behalf of the donors, SPEED developed the PMT. With support, cooperation, and/or input from more than 30 donors and other industry stakeholders, SPEED finalized the approach and engaged two local computer consultants to format and protect the new tool. They created a "help" function and glossary and packaged it on CD-ROMs with all participating donor and donor project logos on the back, which was accompanied by the written PMT "User Guide."

More than a report generator, the PMT is a management tool also providing financial management information based on internationally recognized formulas and ratios. During this period, SPEED ran three workshops providing training on how to use the PMT to donors representatives and practitioners from 44 MFIs. Currently, all SPEED partner institutions are conveniently reporting their quarterly performance to donors using the tool. A revised version is near completion under the Rural SPEED project to address specific needs of Tier IV or small-scale microlending organizations and SACCOs and should be launched in late 2005.

Locally, AMFIU's Performance Monitoring System is using the PMT as the input format to its databases. The system will provide benchmarks for the industry and be the basis for self-regulation to monitor Tier 4 institutions, which are not catered for by the Micro Deposit-Taking Institutions Act.

Globally, the SEEP Network has decided to adapt the Ugandan PMT as its tool for its "Standards" paper to promote standardized performance analysis in the industry. They will take the PMT and adapt it to reflect the ratios and performance data it is recommending for all its networks (Opportunity International, Catholic Relief Services, Accion, CGAP, etc.) This will ensure worldwide usage of the PMT and contribute significantly to the standardization initiative in the industry. When the MicroBanking Bulletin staff saw the PMT, they then hired the same programmers to create a similar tool for the bulletin. The Consultative Group to Assist the Poor (CGAP) has written a case study using the PMT as an example of excellent donor coordination providing enhanced collaboration and transparency within the industry. CGAP is also committed to publicize the tool via the CGAP DIRECT site so that others can be inspired by it and adapt it for their needs. The tool will also promote utilization by being placed on AMFIU and Infomatics Limited Web sites, which are familiar to local institutions.

Finally, the Bank of Uganda expressed interest in using the PMT for off-sight supervision of MDIs. SPEED met with bank representatives to work together to accommodate the needs of the bank for supervising MDIs.

Lessons learned: All donors and projects seek opportunities to collaborate and complement each other's efforts. Despite good intentions success can often come down to the drive, personalities, and working styles of the people involved. The SPEED team recognized the importance of collaboration and made it a priority, devoting staff time and recognized experts in their field to spearhead these efforts. Paul Rippey, team leader of the DfID-sponsored Financial Sector Deepening Project, credits SPEED staff for this focus. "Great cooperation and collaboration with SPEED is due to two outstanding personnel: Phil [Broughton] and Joanna [Ledgerwood]."■

What is a Micro Deposit-Taking Institution?

Realizing the need for a user-friendly legal and regulatory framework for financial institutions and organizations specializing in provision of financial services to small and micro-enterprises and households (microfinance business), the Bank of Uganda in 1999 issued a Policy Statement on Microfinance Regulation and Supervision.

As a result of this policy statement, financial institutions are categorized in four 'tiers':

Tier 1: Commercial Banks, licensed under the Financial Institutions Statute 1993;
Tier 2: Credit Institutions, licensed under the Financial Institutions Statute 1993;
Tier 3: Microfinance Deposit-Taking Institutions (MDIs), to be licensed under the new Micro Deposit-Taking Institutions Act, 2002 (MDI Bill); and
Tier 4: Institutions involved in microfinance that do not qualify for Tier 1, 2, or 3, e.g. membership-based savings and credit associations and community-based organizations. These organizations will ***not*** be regulated or supervised by the Bank of Uganda.

The Micro Deposit-Taking Institutions Law (enacted in 2004) deals with the following issues concerning Micro Deposit-Taking Institutions:

- Licensing and restrictions on certain transactions and dealings of MDIs;
- Ownership, corporate governance; and
- Supervision, receivership, and liquidation.

A Micro Deposit-Taking Institution is licensed, supervised, and regulated by the Bank of Uganda, under the MDI Law. An MDI license allows the institution to conduct the following microfinance business:

- Accept deposits from the public;
- Use such deposits to make loans or extend credit, including short-term loans to small or microenterprises and low-income households, usually characterized by the use of collateral substitutes, such as group guarantees or compulsory savings; and
- Transact such other activities as may be prescribed by the bank.

CLIENT PROFILE

(More) Cotton Comes to Kasese

Adam Bwambale manages one of the largest cotton ginneries in Western Uganda. For more than 30 years, Nyakatonzi Growers Cooperative Union has weathered many a storm — both weather-related and the tumult of fluctuating world commodity prices.

To take advantage of a growing demand for cotton and intensifying competitiveness within the Ugandan cotton industry Bwambale and the members of Nyalatonzi searched for a competitive advantage and sought technical assistance from the SPEED project. The Union launched the project's first Enterprise Linked Extension Program (ELEP) to embed extension services into the price paid to outgrowers. "When SPEED arrived we were producing 10,000 bales per year. After two years of assistance, our production reached 35,000 bales," Bwambale explained.

Demonstration plots, like the one above used for corn, helped encourage cotton farmers to improve the quantity and quality of their crops.

In SPEED's ELEP model each ginnery hires an ELEP extension supervisor who manages provision of extension services to farmers. A cadre of local lead farmers act as agents and are paid a small stipend to assist the extension manager. The cost of the extension service is not charged directly to the farmers receiving the advice, but is instead absorbed by the enterprise. In the case of cotton, nearly, 3,000 cotton demonstration plots were established at strategic locations within the production areas of the four ginners. Nearly 100,000 farmers visited the demonstration plots and receive training on modern cotton production techniques, enabling them to substantially increase their production and income. The ELEP supervisors oversee operation of demonstration plots, coordinate field trips, ensure information access to farmers, and supervise extension agents.

"In only two years," said Bwambale, "the results exceeded our expectations. At the production level, farmers experienced greater yields using the new technologies (increasing 90 percent to 300 percent), increased incomes from sales, reduced labor costs from less weeding due to herbicide use, and developed new attitudes, now viewing farming as a business. At the Union [company] level, we increased the bond among members, promoted modern farming methods, and attracted nearly 500 new members."

Enterprise-linked extension services forge market-driven linkages between producers and enterprises that result in increased profitability for the producer, and increased profitability through customer loyalty for the enterprise providing the extension services. This win-win situation creates strong business-driven incentives for enterprises to build results-oriented extension programs. The USAID APEP project was designed to continue these activities as SPEED I and IDEA concluded. ■

Chapter V: Business Capacity Development

SPEED's business capacity development activities pursued an overall goal to develop comprehensive, market-focused programs that create employment opportunities, increase export potential, improve outgrower production and incomes, promote value addition, and enhance economic development. To this end, the project focused on two subcomponents: individual enterprise development within selected subsectors and development of indigenous business development services providers. Our approach was strongly market-driven. SPEED strived to be responsive to the needs of its clients — whether a business or BDS provider — by finding practical solutions to business problems, and to expand their ability to recognize and take advantage of business opportunities. When working with a key enterprise, the assistance package integrated local BDS providers to conduct the majority of work.

Impact and Results

- SPEED's Enterprise Linked Extension Programs (ELEPs) impacted 98,430 producers in cotton and coffee sectors, increasing production and incomes.
- Restructured processing technologies and capacity in the coffee sector whereby price paid for improved varieties doubled farmer income.
- Built capacity of selected local BDS providers through training and on-the-job mentoring to improve business performance and offer services for a fee.
- Improved performance and built capacity of the Private Sector Foundation of Uganda, and subsector associations in coffee, fish processing, and fish farming.

In the Beginning

A few months before the launch of the SPEED project, USAID initiated an 18-month competitiveness assessment project called Competitive Private Enterprise and Trade Expansion (COMPETE) project, which identified three commodities where Uganda potentially enjoyed a comparative and competitive advantage. These included cotton, coffee, and fish. When COMPETE ended, SPEED and later SCOPE in 2003 were designed to further develop these subsectors to their potential.

The Ugandan BDS market was and still is in the early stages of development. When SPEED began, the fee-for-service concept was just being introduced for the majority of providers, all others subsidized by donor initiatives. While most consulting firms began by trying to do consulting for the private sector, they quickly made smart business decisions and went to where the money is, namely the donors. In fact, consulting firms generated up to 70 percent of their revenues from the donor market.

Key Interventions and Lessons Learned

Enterprise Development

Implementing an enterprise-linked extension methodology in the cotton sector. The SPEED project's cotton program sought to increase the capacity of Ugandan cotton sector enterprises and enhance cotton farmers' yields and household incomes. Ginners had capacity but not enough production. SPEED (complementing existing agronomic and marketing interventions by the IDEA project) helped four enterprises develop a private sector-based extension service (Enterprise Linked Extension Program) that would not only be able to provide technical assistance and training to the farmers who supply them but also assist them in improving cotton yields. Extension service operating costs were embedded in the overhead expense of the enterprises. The market for these services was established through the demonstration plots conducted by SPEED and IDEA. Because of the remarkable results achieved through this program, the Uganda Cotton Development Organization, the governing body for cotton production and ginning in the country, mandated the lead ginners in designated districts of Uganda adopt ELEP as a means to increasing cotton production in the country. One company's managing director said, "I've tried to increase production for eight years with provision of credit and inputs and this is the only thing that has worked for us." This company recently hired a senior international manager whose sole responsibility will be managing ELEP. Another ginner said, "I have always stayed away from donor-supported programs — but I saw the results in Kasese and Palissa last season, and I want to take part."

Characteristics of SPEED Target Enterprises

Involve large numbers as producers, customers, or employees

Play specific value chain roles

Operate in subsectors critical to local development in areas outside of Kampala

Contribute to export potential

Agree to leverage SPEED input

Have capacity for sustainable operation

SPEED's business intervention, coupled with the agronomic input from the USAID IDEA project, resulted in the establishment of ELEP in four leading cotton enterprises: Nyakatonzi Growers Cooperative Union (NGCU) operating in Kasese, Bushenyi, and Kamwenge districts; North Bukedi Cotton Company (NBCC) in Pallisa, Mbale, and Sironko; Dunavant Uganda Ltd in Apac, Lira, Nakasangola, Gulu, and Pader; and Bon Holdings in Iganga, Bugiri, Mayuge, and Kamuli districts. By establishing 2,850 cotton trial plots at strategic locations adjacent to the distribution centers, small-scale farmers could receive training in new agronomic practices and buy inputs immediately upon seeing the impact of using the proper inputs. Our aim was to prove to cotton ginners that it makes sense for them to invest in the farmers that supply them and over time decrease the percentage of cost-sharing support from the project to zero. In terms of farmer access to inputs (a related issue), the goal was to introduce rural finance services to cotton farmers to reduce dependence on cotton ginners

SPEED devoted great effort to collaborating with other USAID activities.

— most importantly, a savings led strategy whereby farmers would save from the harvest of one year for the inputs of the next.

SPEED also helped NGCU introduce maize as an alternative crop during the cotton off-season and established 600 maize trial plots. Through ELEP, SPEED has also focused its support on the construction of maize storage facilities for the NGCU farmers. SPEED supported the construction of 99 maize storage cribs. The storage cribs provide proper storage facilities enabling farmers to supply the market with high-quality maize.

SPEED trained 315 extension supervisors and more than 250,000 farmers in an effort that has impacted more than 70 percent of cotton farmers with improved technologies. The impact of these interventions was staggering with yields increasing as much as three times the previous harvest rates. Specifically, ELEP resulted in:

- Increased production and profits for farmers — higher cotton yields achieved (ranging from 90 percent to 300 percent) and farmers earned Ushs. 34 billion ($17 million) from cotton production.
- Increased throughput of cotton for the gin with a resulting improvement in operating efficiency. Lint exports amounted to Ushs. 47 billion ($23 million) from 105,000 bales produced in Uganda.
- Development of loyalty to the gin among farmers who can now access reliable extension services. More than 70 percent of farmers in the operational areas were exposed to improved technologies.
- Establishment of contacts with established input stockists to supply agricultural inputs proven to be effective in increasing yields. This has resulted in increased availability and demand for inputs — fertilizers, pesticides, herbicides, and most importantly, financial services. Continued asisstance in this area is conducted by the USAID APEP project.
- Establishment of a fully sustainable extension service that is paid for by the users of the service through ginning fees.
- A double cropping opportunity provided to NGCU members with an alternative cash crop to cotton because maize can be grown in the cotton off-season.

Transforming Ugandan coffee. Working in partnership with the Uganda Coffee Development Authority, SPEED expanded market opportunities for the Ugandan coffee sector through improved quality by offering technical and financial support to private sector investors engaged in modern and efficient processing methods. While Uganda grows Arabica, Robusta is the main crop. In fact, Ugandan Robusta coffee can command a premium on world market. SPEED supported the introduction of wet processing methods to improve quality in selected pilot locations and improve harvest and post-harvest methods in traditional, or Kiboko coffee-growing regions.

- **Introducing washed Robusta.** SPEED helped five coffee processing plants with cost-shared purchase of equipment, training in its use and maintenance, completion of environmental impact assessments, distribution of new plant material, and training of outgrowers in modern harvest and post-harvest methods. Coffee firms engaged included Mountainview Farm, Fourways, Savannah, Esco, Busaanyi, West Nile Women's Association, and Ibero. For each site, an outgrower scheme was established or solidified and 9,560 farmers were registered and trained. After implementation, the manager of one plant described the change. "Previously, using traditional dry methods, coffee farmers received about 120 Ushs./kg. [for parchment coffee]. With wet processing and improved harvesting techniques, farmers receive double the previous amount: about 240 Ushs./kg. [for coffee cherry alone]." These results are comparable to similar interventions for quality coffee in Rwanda.

- **Modernizing traditional Kiboko coffee**. The Kiboko activities, known as the Sustainable Quality Improvement Program, were an Ibero coffee company/SPEED partnership to improve the quality of Uganda's natural sun-dried coffee (Kiboko) in a sustainable manner by focusing on harvesting and post-harvest handling. Almost all Ugandan Robusta coffee is Kiboko. The program worked with 4,150 farmers in two subcounties, one in each of the coffee-growing districts of Masaka and Kamuli. Farmers were trained in proper tree care and how to pick only red cherry, which is properly ripe. Improved quality also resulted from drying the coffee off the ground mainly using tarpaulins and raised platforms (drying trays).

  As a result, farmers received a 25 percent premium for their high-quality coffee. The project recruited and trained 100 extension staff and 4,150 farmers. The improved quality of Kiboko resulted in a higher out-turn in the factory (55 percent, representing a 7 percent increase) due to fewer defects and black beans, along with an improvement in cup quality. Farmers' incomes per tree increased as a result of improved yields and the higher premium paid for the coffee. Finally, farmers were organized into producer groups to receive this training. This level of organization continues and allows them to receive extension services efficiently and the same organizational structures can be used to deliver social programs.

Lessons learned: Again collaboration, flexibility, and coordination with other development activities were key in this intervention. The long-standing USAID IDEA project laid the groundwork for success of these BDS interventions by SPEED. By combining demonstration plots with follow-up technical assistance provided by private sector extension workers and access to inputs, the project won the confidence of key players in vital subsectors by showing the results and the potential for further growth.

Business Development Services

The term "business development services" in a donor context is too often restricted to training and business plan development — worthy activities, but limiting when compared to the private sector reality. SPEED approached business development services in its broadest sense, including associations, NGOs, and private support services. These included both operational services — such as transport, accounting, packaging, input supply, and maintenance — and strategic services — such as consulting services that address medium- and long-term growth issues — to improve the enterprise's ability to compete. The linkage of these providers within market frameworks shifted their focus from pursuing donor-driven opportunities to building market share for services.

Association-level Activities

Establishing a revitalized coffee association. Concerned farmers established the Uganda Coffee Farmers Association (UCFA) to provide an action response to challenges facing the coffee industry and coffee farmers in particular. The organization sought to:

- Provide coffee farmers with a common voice and point of action;
- Provide training services and market information;
- Assist farmers to develop and reinstate a viable extension system; and
- Serve as a catalyst to help members organize and operate sustainable business operations, for example, in the areas of savings mobilization, inputs purchase and delivery, and marketing.

The UCFA became aware, however, that while the ideas and directions set forth in its current master plan are needed, the challenges of building a sustainable system for smallholder directed growth required a more dynamic and market-driven approach. The group, in turn, sought out assistance from the SPEED project. To this end, SPEED consultants in partnership with the Private Sector Foundation of Uganda worked together in a number of key areas to transform UCFA into business-focused coffee producer organizations, whose membership produces coffee that meets market demands. Activities included:

- Training UCFA staff on member assessment surveying and reporting;
- Developing a data analysis framework for reporting results of the member assessment survey;
- Conducting a market survey on coffee exporters in Uganda; and
- Collaborating on development of a new strategic development plan, which led to a new association branding, *National Union of Coffee Agribusiness and Farm Enterprises (NUCAFE)*, and included core programs focusing on product quality improvement, association support systems development, marketing and business development, and institutional strengthening.

NUCAFE is leading the effort to disseminate results of the wet processing pilot sites, including increased incomes for farmers from "washed" Robusta and improved harvesting and post-harvest techniques. The SCOPE project continues to assist NUCAFE with its subsector strategy, accessing export markets, and association development and advocacy activities.

Lessons learned: Jack Bijirwa, President of NUCAFE, stated, "I was impressed by the [SPEED] approach. Even during the design they involved the coffee sector — all stakeholders from the bottom up. So when the project began we were all on board. Expectations were set and clear…It was a partnership, not a handout."

The coffee sector work is a good example of the diverse SPEED components working together for an integrated approach. The Business Capacity component addressed both the organizational issues at the trade association level, as well as firm-level assistance through private sector BDS providers. The SME Finance component helped facilitate leasing arrangements for new wet processing equipment and the Strategic Activities Fund provided added support to make it all come together. All of this transitioned to the USAID APEP project for producer organization and agronomic assistance and the USAID SCOPE project to continue the competitive strategy development with NUCAFE.

Helping fish processors to increase quality and exports. With increases in sales of more than US$69 million, SPEED assistance to the fisheries sector changed the way firms did business — how they marketed their fish and how they improved the quality of their product. Marketing assistance and strategies for improving quality standards were both in demand by the Uganda Fish Processors and Exporters Association (UFPEA) when SPEED arrived. Using the Internet as an export marketing tool is new to Uganda — new until SPEED assisted the UFPEA to design, develop, and implement an association Web site, and eight member company Web sites. Registering up to 800 hits per day, UFPEA member companies have established new contacts in Eastern Europe and the Mediterranean and increase sales by 163 percent. Association staff were trained in how to update and maintain the Web sites, and local BDS providers can adapt the sites as needed.

Supporting their quest for improved quality controls and achieving international product grades and standards, SPEED cost-shared training workshops to certify the member companies in ISO 9001-2000 environmental management systems. This is the first time in East Africa that a sector association has led its members through ISO certification. The companies that benefited from SPEED support through UFPEA are: Byansi Fish Industries Ltd., Gomba Fish Industries Ltd., Greenfields Uganda Ltd., Hwan Sung Ltd., Marine and Agro Industries Ltd., Masses Fish Packers Uganda Ltd., Ngege Fishing Industries Ltd., Tropical Fish Industries Ltd., Uganda Fish Packers Industries Ltd., and Uganda Marine Products Ltd.

Lessons learned: Key to the success of this activity was industry ownership in achieving the certifications. Previous interventions had concentrated much more on the individual firms.

Transforming the Fisheries Industry

SPEED consulted with the USAID COMPETE project and conducted a detailed study of the fisheries sector and identified appropriate, important areas of interventions required to increase the export competitiveness. The key areas of interventions identified included:

- Improving quality standards at supply level as well as processing level;
- Developing infrastructure facilities such as landing sites in remote fish catchments areas;
- Encouraging alternative sources of fish supply such as fish farming;
- Improving input supplies;
- Reducing post-harvest losses;
- Developing value-added products; and
- Researching new market opportunities.

Using this assessment as a guide, SPEED designed activities to address these weaknesses.

Commercializing fish farming. Given the declining catch in Lake Victoria, SPEED worked with interested entrepreneurs to establish a more robust and commercially oriented fish farming subsector. Previously most fish farming was on a subsistence level, with very limited marketable surpluses. Working with the Private Sector Foundation of Uganda, the project conducted a subsector awareness workshop, led a study tour to examine Kenyan successes with fish farming, and offered follow-up technical assistance from a SPEED aquaculture consultant to interested farmers. This led to establishment of the Uganda Commercial Fish Farmers Association in 2002 and SPEED helped the nascent association identify a number of interventions required to launch a viable industry, including the introduction of scientific fish farming methods, development of model fish farming demonstration sites, expansion commercial fry production farms for tilapia and catfish, and development of high-value fish species, such as ornamental fish and crayfish.

Key members of the association include: B. K. Farm, Buiga Home Farm, Industrial Inputs (Greenfields Uganda) Ltd., Kasekende Martin, Kitezi Mixed Farm, Nakaima Estates Ltd., Namusera Fish Farming Ltd., Sentongo Farm Ltd., and Sunfish Farm Ltd.

Lessons learned: Unfortunately, despite progress and establishment of commercial fish farms, the subsector requires additional technical assistance to become a truly competitive industry. More demonstration efforts and targeted firm-level assistance as follow-up to the industry-wide interventions might further develop this subsector. The USAID SCOPE project is continuing assistance to the association.

Building capacity of main apex association — Private Sector Foundation of Uganda (PSFU). With an established stable of member organizations, the foundation represents almost all the major economic sectors of the country at a national level through its 60 Ugandan sector and subsector member associations. SPEED concentrated on building the foundation to design and implement a three-year strategic plan and to transfer these skills to at least three member organizations. The project staff designed and developed an eight-module Association Governance and Management Course: Governance, Strategic Planning, Membership Development, Policy and Advocacy, Member Services Program, Fundraising and Sustainability, Financial Management, and Marketing. Project staff trained the trainers who delivered the courses. Interest ran high with 273 representatives from 118 associations, 10 BDS providers, 16 NGOs, and 13 other institutions benefiting from this training on a fee-for-service basis. Eight of the PSFU member associations completed all of the courses and instituted major changes. At least one participating organization, the National Council of Ugandan Small Business Organizations, a federation that reaches more than 4,000 member groups, has based its own services and training programs directly upon the PSFU-provided material.

Lessons learned: While these interventions proved the value of an umbrella private sector organization, the interventions were labor intensive and very dependent on stability of PSFU staff and funding.

BDS Provider Development

Developing a database of providers. SPEED identified, evaluated, selected, and short-listed 213 appropriate BDS providers under seven categories of specialization: market access, input supply, infrastructure development, training/technical assistance, product and technology development, organization development, and alternative financing mechanisms. This database was periodically updated and printed as a directory for distribution to firms. SPEED staff utilized the database to identify more than 65 BDS providers for cost-sharing project activities and advised firms on quality service providers. The providers themselves received training and technical assistance to improve their own business practices, quality of services delivered, marketing expertise, and pricing strategies. SPEED supplemented the capacity-building initiatives by providing opportunities for service providers to work directly with SPEED technical staff and international experts to receive "on-the-job" training.

In promising firms along the value chain in targeted subsectors, SPEED staff helped diagnose business weaknesses, advise the firm on recommended corrective action, and cost shared the hiring of local BDS providers. For more sophisticated BDS interventions, SPEED provided a consultant to assist, and the local BDS provider received on-the-job training and mentoring from an expert in the specific management or technical field.

Lessons learned: This helped to quickly understanding who the key BDS consultants and firms were and to facilitate linking services with private sector clients. In retrospect, Web site access to and updating of such a list may have increased its utility further.

Regional MSME-focused BDS support programs. Halfway through the SPEED project, SPEED introduced an innovative approach to promote the market for MSME consulting practices in the rural markets of Lira and Mbarara districts. Dubbed the "Grow Your Business" program, these two pilot efforts targeted the development of the market for MSME consultancy services through the support of two consultancy firms, Sunshine Projects Ltd., which established the Mbarara Business Growth Center in Mbarara, and Kulakula Management Consultants, which established the KUMCO Business Center in Lira. These BDS providers experimented with full fee-for-service BDS provision in a rural and peri-urban settings. Provided with training and guidance, these groups generated a number of fee-based contracts in the regions. Attempts were made to link local banks, such as Centenary, with providers to develop a "referral" system from the loan officers sending promising, but not-yet-qualified MSMEs, to utilize the services of these groups to improve their businesses. They continue to be involved in specific subsector development work, such as supporting associations and groups engaged in agriculture products, beekeeping, dairy products, and commercialization of cereals and oil seeds.

Lessons learned: Unfortunately, the pull of steady government- and donor-funded work proved too much and both are now providing services to donor projects and the government extension services. The Lira effort suffered from the instability in northern Uganda. In retrospect, the Mbarara activity might have been more successful with more concentrated efforts to demonstrate the benefits of BDS to both the small enterprises and banks and MFIs over a longer period of time. ■

CLIENT PROFILE

Pump It Up: Larger Loans Fuel Business Expansion

Swaibu Mukasa has come a long way from selling fuel out of 20-liter jerricans in 2000. Today he relies on his eight employees (four are women) to dispense fuel from real pumps at three stations outside of Kampala.

Before, he had three cows wandering the homestead. Now, 20 local chickens and 1,000 hybrid poultry birds inhabit a fenced area on his farm.

Mukasa shows off his core business – fuel pumps are just the start.

He also owns two commercial buildings, is a sales outlet for a mobile phone company, and boasts of owning a car.

Mukasa has been using Uganda Microfinance Union loans to build his business since 2000. Thanks to SPEED interventions, the UMU has been able to identify weaknesses of existing savings and loan products and refine and improve them, to the benefit of clients such as Mukasa. He began with the group loan product and quickly graduated to individual loans. He has repaid loans of increasing value to the Ushs.27 million loan he currently services.

Mukasa reports feeling respected by UMU staff and appreciates the quick loan disbursement and privacy for clients borrowing large amounts. Mukasa credits not just the loan products, but also the training as key to his success. He has learned how to get the most benefit from his loans and training in saving has helped him repay his loans on time.

A growing business isn't the only thing making Mukasa smile these days. "My family is also enjoying the benefits of UMU services. I have transferred my children from the cheap day schools to the more expensive boarding schools which I could not afford to do before accessing bigger loans as an individual borrower. My children are now performing better academically."

To meet his future business goals, Mukasa would like to see larger loans and longer terms. He pledges to remain a client and intends to keep growing right along with UMU. ■

Chapter VI. Improving the Business Environment

SPEED provided direct assistance, advocacy, and capacity building to government counterpart agencies to create a more business-friendly environment that enhances the ability of microenterprises and SMEs to develop, expand, obtain financing, and become engines of growth in the Ugandan economy. Business environment component staff members also facilitated and coordinated efforts by the government and other donors while maintaining flexibility in their ability to intervene and directly address policy issues.

Impact and Results

- Through partnership with the chief judge of Uganda, SPEED facilitated the launch of the Mediation Pilot Project whereby the Commercial Court referred qualified disputes to the Centre for Arbitration and Dispute Resolution (CADER). SPEED increased the capacity of CADER to provide efficient and fair alternative dispute resolution to commercial interests in Uganda, thus lightening the overburdened load of the Ugandan Commercial Court.
- SPEED designed, introduced, and oversaw implementation of an electronic filing system and document rehabilitation effort that now allows access to company registration documents in seconds, rather than days, dramatically increasing the capability of this previously inefficient system.
- SPEED launched a similar rehabilitation effort in Uganda's land registry system by overhauling the system and providing the tools necessary to operate the system in an orderly and efficient manner. This work continues to this day.

In the Beginning

The Government of Uganda recognized the central role that a viable and competitive private sector plays in securing a prosperous future for Uganda's people. The aim of the government's *Medium-Term Competitive Strategy for the Private Sector* (2000-2005) is to achieve higher GDP growth by increasing private investment. The guiding principle of the strategy — Making Institutions Support Private Sector Growth — put the priority where it belongs. It is not enough to have the "right" laws, policies, and regulations on the books. The institutions must actively help investors, managers, and entrepreneurs start and run businesses efficiently and profitably. In 2000, the key agencies tasked to SPEED for intervention were in serious need of help. The commercial courts had a case backlog that approached gridlock. The companies and land registries were little more than dank, decrepit storerooms with an an antiquated filing system for rapidly deteriorating files.

Key Interventions and Lessons Learned

Commercial justice reform. Under the energetic and innovative leadership of Judge James Ogoola, the Ministry of Justice, Commercial Courts, agreed to implement the Commercial Court Mediation Pilot Project — the first of its kind in East Africa. The pilot project was a collaborative partnership between Centre for Arbitration and Dispute Resolution (CADER) and Commercial Court, through which appropriate cases filed with the Commercial Court are referred to CADER for mediation or arbitration as a first step to resolving the dispute. By the end of 2004, CADER will have processed more than 400 cases per year. To launch this initiative SPEED also oversaw the implementation of an alternative dispute resolution training program for the judiciary, legal professionals, the business community, and other users in conjunction with the Ugandan Commercial Court. In this, SPEED created a six-day, state-of-the-art training program in partnership with the International Law Institute in Kampala. The program uses text, computer graphics, and video, as well as intensive "role playing" to transfer alternative dispute resolution skills. As Judge Ogoola commented, "We all gave our intellectual best for something that was brand new [CADER]."

Effecting change within a respected and traditionally conservative group of professionals in the courts can be a daunting task. The amount of awareness development, sensitization, and buy-in needed by both the judges and the potential litigants for this to work cannot be underestimated. After giving CADER a chance, the judges witnessed the benefits of the program.

Lessons learned: An upfront investment in building trust and relationships with key officials within the Courts and Ministry of Justice was vital to the launch and implementation of this activity. Numerous orientations were held and specialized training was provided on ADR for all those interested.

Radio Mini-dramas Promote Alternative Dispute Resolution

SPEED and CADER completed four radio spots for the SPEED-financed marketing and public awareness campaign. Below is a transcript from the first ad. SPEED finalized an arrangement with radio stations in Kampala, and the spots were broadcast on Radio 1 (90.0 FM) and two local language stations. The second local language station will air two talk shows per month on alternative dispute resolution (ADR).

Scene:	Kitchen breakfast table
Tendo.	Finish your breakfast; you'll be late for work.
Thomas.	How can I eat, when your brother owes us so much money? Even though he signed a loan agreement, he hasn't paid us any of the money back, and we need it for when the baby comes. I don't want to go to court, it's too expensive, takes too long and nobody from your family will ever speak to us again!
Tendo.	I know what we can do. I heard about this process in Uganda called Alternative Dispute Resolution. It's faster and less expensive than filing a court case.
Thomas.	But I hate going to court.
Tendo.	But that's the great thing about ADR; a Judge in court does not hear your dispute. We can use a process called mediation. In mediation, you and my brother can sit together with a neutral mediator who will work with both of you to find a way he can pay us back the money that he owes.
Thomas.	But he didn't pay before, what happens if he does not pay again?
Tendo.	Don't worry honey; we can register the mediation agreement with the court. If my brother still doesn't pay, the court will enforce the agreement and make him pay. The Center for Arbitration and Dispute Resolution was established by the Government and is supported by the courts.
Thomas.	Then that's what we will do, Tendo, you know everything. But how do we do this mediation?
Tendo.	All we need to do is go to the Center for Arbitration and Dispute Resolution. It is located at the Commercial Court. You can also call the CADER on telephone number 349515.

The use of newly trained mediators by CADER in the beginning created a hiccup that was quickly resolved. As Judge Ogoola pointed out, "Instead of taking existing mediators and asking CADER to pay them commercial rates, mediators were recruited internally and trained." While cost effective, it produced an inordinately young and inexperienced pool of mediators for a new project — "they did not inspire confidence or have the appropriate stature" for corporate mediation. Fortunately, the program staff quickly developed a two-tier system and people who can (corporations) pay CADER commercial rates for seasoned mediators who are recruited as needed. Those who cannot pay still receive services from the CADER permanent mediation staff, who are rapidly becoming the seasoned mediators through workload alone. If a dispute is not resolved, it goes back on the court docket.

Reform and rehabilitation of companies and land registries. Key to any business transaction and contract is knowing that the business is legitimate. The same can apply to land titling. Ownership of a parcel of land can dictate whether it can be used as collateral or is worthy of investment to improve its condition. Simply identifying the documents involved and cataloguing them are the first steps to a longer reform process. In both cases, significant cost-sharing arrangement helped to ensure government buy-in to all aspects of the process, as well as subsequent maintenance.


Companies registry before SPEED intervention.

Companies registry. Faced with a jumble of nearly 65,000 files inaccessible in any timely manner, SPEED began working with the Companies Registry of Uganda to increase efficiency of staff and organization of documents. SPEED brought an internationally recognized archiving specialist to Uganda to develop a plan in partnership with the government, which included assessing the condition and arrangement of records, developing a computerized database or indexing program, designing a rehabilitation plan for the deteriorating documents, overseeing the actual refilling process, and developing a training manual and program for all staff to transfer archiving and rehabilitation skills. In the end all company files and company names files (an additional 34,000 files) are re-catalogued, rehabilitated, and re-shelved in a new facility.

SPEED also introduced an IT-based work control system named "Work Tracker" that will provide management with accurate and current information relating to registry workflow and levels of service. Work Tracker uses the "Trim" database software purchased for the registry by SPEED and automatically issues a customer receipt with a unique instrument number that can be used to follow processing of customer requests. The Work Tracker also notifies the public of the officers assigned to a work request and a return advice date when work will be completed. As a result, the work process has been made transparent and the customer perception of service should increase positively. The Work Tracker allocates work automatically on a random basis eliminating the personal contact basis upon which work is currently being received by registry staff.

Land registry. Robert Opio, registrar of titles, said it best, "The beauty of this program…most important was the project finally started." Any aspect of "land reform" is fraught with challenges. With a much larger World Bank initiative looming in the near future, the USAID contribution was focused, like the companies registry effort, on cataloguing and rehabilitating files, but in the case of land documents the team faced tens of thousands of files in numerous storage rooms. Unfortunately, the land registry rehabilitation program was plagued by significant delays due to issues surrounding the cost-sharing arrangement and commitment by the senior government counterparts. Activities began in Year 3. Like the companies registry, a computerized index was designed and staff were trained in the cataloguing and rehabilitation process. The good news is that cataloguing has continued in the face of threatened staff strikes and the realization that simply purchasing enough file folders might break the budget for an under-funded ministry. As this report goes to print, the data input to the index continues after more than one year. As the World Bank prepares to launch its land titling program, project staff have informed the registrar that they are pleased with the first steps taken under the USAID project and any additional activities can build on the foundation laid by SPEED.

Lessons learned: Government counterpart buy-in to any public sector intervention is key to any level of success and sustainability. It took months to achieve this during the SPEED project and delays were common when government contributions were required from the registries' scare resources. The sustainability of the intervention can also be attributed to the use of appropriate technology. While similar projects in other parts of the world catapult paper archives into a digitized, computer-driven database system, SPEED's archiving consultants advised us to concentrate on preserving and indexing the existing paper files first. In a venue with erratic electricity and lack of air-conditioning and a staff inexperienced with computers, it is doubtful that a high-tech response to the problem would have worked as well.

Land registry after SPEED intervention.

Support for other SPEED components. On an as-needed basis, the Business Environment component geared up to assist with policy-based obstacles to success in the other components of business development or financial services. Examples of interventions include:

Leaders in the field. To bring the "real" decision-makers to the table at the financial sector level, SPEED created the Long-Term Debt Working Group, comprised of Uganda Capital Markets Authority, the Bank of Uganda, Uganda Stock Exchange, and National Social Security Fund. The U.S. treasury advisor, GTZ, and other stakeholders also participated. Discussions focused on the creation of a national debt market and commercial finance fund, coordination of a training for securities trader, and strengthened activities for the Capital Markets Authority. The group was credited with keeping issuance of a long-term government bond "on track." Recent activities related to improving the interest rate environment in Uganda have led to the planning of a half-day seminar with senior decision makers representing the public financial sector, private sector, executive branch, legislative branch, international donors, and others, to develop an action plan to reduce interest rates.

Lessons learned: Several things meshed in this activity. First of all, important people need to believe that other important people (decision makers) will be at a meeting. Gaining interest from a few key people helped launch the working group. Providing breakfast added an element of putting participants at ease and establishing topics for discussion in advance made each meeting feel productive at brainstorming sessions for further elucidation of complex issues.

Tax relief for leasing companies. SPEED prepared an assessment of the tax burden on leasing companies as a constraint to further expansion of this SME financial service. The report and subsequent advocacy by industry and the Ministry of Finance, Planning, and Economic Development led to a change in the law that transfers the capital allowances on finance leases from lessees to lessors. The study aimed to determine the costs and benefits of this transfer and to demonstrate that Uganda should follow the international best practice of allowing leasing companies to claim the capital allowances. Since leasing is virtually the only source of medium-term finance for SMEs in Uganda, a rapid expansion of leasing would be good for the economy.

Lesson learned: An integrated project approach provides numerous opportunities for staff from different disciplines to interact and add value to activities in other components. Most often this took the form of advice and contributions to an activity, such as strategies for passing the MDI law, but other times such as in the case described above, the policy staff conducted a complete complementary activity to assist the SME finance component expand leasing activities.

Innovation in data collection. In consultation with SPEED, the Ministry of Finance, Planning, and Economic Development championed a proposal to include a module of questions about the nature of Ugandan microenterprises in the 2002 national census. SPEED garnered support for the proposal from other stakeholders, such as the World Bank and FAO. In collaboration with the Uganda Bureau of Statistics, SPEED designed and tested a brief module of questions on household enterprise development. After a successful pilot effort, the questions were adopted and included in the census packet. Data collected included gender of ownership, type of microenterprise, training received and success of the business. SPEED trained the enumerators to use the instrument. The lack of accurate economic and other data is a significant impediment to the development and analysis of policies related to the SME sector and the Ugandan economy as a whole. The improved data could have a great impact on potential beneficiaries ranging from the government to the international donor community and the numerous NGOs operating in the country. Unfortunately, data from the census is still being compiled at the time of this report. When completed this will provide the government and donor agencies with a national baseline set of data — number of microenterprises, disaggregated by subsector, gender, and location. This will permit all stakeholders to better target resources and services.

Lesson learned: Interventions of this nature generally require a long lead time in planning and obtaining buy-in from a variety of interested parties. While too expensive for SPEED, support of the compilation and analysis of the data would have expedited its release. When completed, this data will provide a national baseline for planning — number of microenterprises disaggregated by gender, sector, and geographic area. ■

CLIENT PROFILE

Widow Finds Security, Peace of Mind Through Borrowing

Damalie Nalubwama's small grocery store has been a fixture in her neighborhood in Luzira since 1994. She has borrowed from FINCA Uganda 12 times and credits the microfinance institution's loan program with improving her business enough to renovate her family's home, pay school fees, and afford good medical care in times of need. For this widowed mother of seven that's all the peace of mind she needs.

Through the assistance of the SPEED project, FINCA Uganda upgraded its management information system to meet central bank reporting requirements, refined its individual lending products, and developed products to encourage clients to save more. Nalubwama is just one client taking advantage of the improved lending programs.

Nalubwama (right) chats with SPEED Microfinance Specialist Olive Kabatalya.

Nalubwama borrows under the village banking groups arrangement. Her loans have ranged from Ushs.50,000 to Ushs.800,000. She has resisted larger loans to avoid making big loan payments. This "little-by-little" approach has helped her build her savings slowly and avoid the higher interest charges that accompany larger loans.

Nalubwama acknowledges that she's not a great saver on her own. And in fact, she didn't really focus on saving until FINCA introduced incentives on savings, which include prizes for clients who save every week of the loan cycle.

The loans are the key to her success. "I have peace of mind because FINCA is a sure source of working capital as long as I repay my loans on time. It has helped me see my children through school and enabled me to feed them well."

Nalubwama would like to add a hardware shop and sees loans from FINCA as the way to do it. She'll stay a one-woman operation for now because she doesn't trust anyone else to do it better. She says knowing she's using someone else's money motivates her to work harder to improve her business. ■

Chapter VII: Next Steps

During the relatively short project lifespan of the SPEED project, successes were many with several financial institutions dramatically increasing their financial flows to previously underserved populations. In fact, the Government of Uganda, financial sector institutions, and donor agencies have collaborated to change the face of the financial sector in Uganda in the past few years — maturing and expanding at all levels from microcredit to SME finance to agricultural lending and onward to a more robust capital market. As Ugandan enterprises grow and financial institutions evolve, new challenges arise and all the stakeholders working for Uganda's economic growth are poised to assist.

Follow-on activities to SPEED initiatives undertaken by USAID and other donors include:

Rural finance. The USAID-funded Rural SPEED project will continue support to financial institutions interested in expanding their outreach to rural areas. Key activity areas are savings mobilization, agricultural finance, linkage banking, service delivery mechanisms, and new product development. Additional activities include continued financial self-sufficiency progress for Tier 4 MFIs expanding services to rural populations and adaptation of the performance monitoring tool for use in smaller Tier 4 MFIs and Savings and Credit Cooperative Organizations. Rural SPEED will work closely with GTZ to finalize the development of the Performance Monitoring System, a database and benchmarking tool for AMFIU to monitor overall performance in the microfinance industry in Uganda.

DCA portfolio loan guarantee program. The USAID-funded Rural SPEED project will continue facilitation and support to participating financial institutions under the new DCA facilities.

Financial sector regulation. GTZ will take the lead in continuing assistance to the Bank of Uganda and efforts at financial services regulatory reform. Rural SPEED will provide assistance as well.

MDI post-transformation assistance. GTZ will begin this in 2005.

Further MFI transformation assistance. Support to transformation in Uganda has long involved much collaboration among government bodies, apex organizations, and donor agencies and projects. While the lead donor in this effort will be the Microfinance Outreach Plan, DfID will fund a transformation and consolidation consultant to work under the management of the Financial Sector Deepening Project through an 18-month contract to support transformation activities in Uganda taking over the role previously played by SPEED.

Subsector assistance at the production level. The USAID APEP project is a five-year effort to expand agricultural economic opportunities through increased productivity and better marketing of key crops. Interventions will focus on the entire market chain for selected commodities.

Subsector assistance at the cluster/association level. USAID's SCOPE project is a three-year effort to increase the competitiveness of local Ugandan industries and products by working through private sector organizations and associations and public sector agencies.

Land registry. The World Bank is planning a major intervention to address next steps in reforming the land registry. ■

Annex A: Progressive Results by Year

SPEED I & II - Financial Flows M&E data

PIR 2.1: Number of MFIs reaching MDI status

		SPEED I						% increase over baseline	SPEED II		% increase over baseline
	Unit	**Baseline**	**Dec-01**	**Jun-02**	**Dec-02**	**Jun-03**	**Dec-03**	**Dec-03**	**Jun-04**	**Dec-04**	**Jun-04**
Number of MFIs reaching MDI status	No. of MDIs	0	0	0	0	0	0		0	1	
Number of MFIs applying for MDI status	No. of MDIs	0	0	0	0	0	0		0	4	

PIR 2.2: Number of clients of SPEED-assisted banks in rural areas

	Unit	**Baseline**	**Dec-01**	**Jun-02**	**Dec-02**	**Jun-03**	**Dec-03**	**Dec-03**	**Jun-04**	**Dec-04**	**Dec-05**
Number of clients of SPEED-assisted MFIs in rural areas	No. of clients	126,232	167,188	170,242	183,424	196,388	202,612	61%	225,486	235,666	87%
Number of clients of SPEED-assisted banks in rural areas	No. of clients	199,160	222,978	232,657	257,588	280,646	320,361	61%	660,933	783,302	293%
Total		**325,392**	**390,166**	**402,899**	**441,012**	**477,666**	**522,973**	61%	**886,419**	**1,018,968**	213%

PIR 2.3: Increase in number of microenterprise savers

Branch Location	**Unit**	**Baseline**	**Dec-01**	**Jun-02**	**Dec-02**	**Jun-03**	**Dec-03**		**Jun-04**	**Dec-04**	
In Urban areas	No. of accts	49,860	55,219	64,946	77,335	83,680	99,598	100%	109,617	116,667	134%
In Rural areas	No. of accts	82,273	119,058	128,629	183,424	196,388	202,612	146%	225,486	235,666	186%
Total number of microenterprise savers		**132,133**	**174,277**	**193,575**	**260,759**	280,068	**302,210**	129%	**335,103**	**352,333**	167%

PIR 2.4: Increase in number of microenterprise borrowers

Branch Location	**Unit**	**Baseline**	**Dec-01**	**Jun-02**	**Dec-02**	**Jun-03**	**Dec-03**		**Jun-04**	**Dec-04**	
In Urban areas	No. of loans	37,087	44,546	47,885	54,438	59,220	65,324	76%	68,500	198,314	435%
In Rural areas	No. of loans	103,175	130,881	129,449	129,178	133,709	137,655	33%	144,157	217,126	110%
Total number of borrowers (women+men)		**140,262**	**175,427**	**177,334**	**183,616**	**192,929**	**202,979**	45%	**212,657**	**276,639**	97%

PIR 2.5: Increase in number of Missing Middle

Number of MM Loans	**Unit**	**Baseline**	**Dec-01**	**Jun-02**	**Dec-02**	**Jun-03**	**Dec-03**		**Jun-04**	**Dec-04**	
SME Finance	No. of loans	6,109	6,156	7,836	13,745	13,600	21,740	256%	34,658	26,438	333%
MFI	No. of loans	N/A	N/A	N/A	655	731	810		1,910	2,697	
Total		**6,109**	**6,156**	**7,836**	**14,400**	**14,331**	**22,550**	269%	**36,568**	**29,132***	377%

PIR 2.6: Increase in volume of microenterprise savings

Branch Location	**Unit**	**Baseline**	**Dec-01**	**Jun-02**	**Dec-02**	**Jun-03**	**Dec-03**		**Jun-04**	**Dec-04**	
In Urban areas	Ushs.	5,221,715,877	6,226,434,296	5,460,300,506	8,242,694,687	7,948,777,847	9,633,778,405	84%	12,384,568,589	12,888,662,524	147%
In Rural areas	Ushs.	5,034,104,191	7,101,458,451	9,790,751,515	9,600,024,493	13,578,039,935	15,003,388,641	198%	15,860,815,943	16,147,772,769	221%
Increase in volume of microenterprise savings		**10,255,820,068**	**13,327,892,747**	**15,251,052,021**	**17,842,719,180**	**21,526,817,782**	**24,637,167,046**	140%	**28,245,384,532**	**29,036,435,293**	183%

PIR 2.7: Increase in outstanding loan balance of microenterprise loans

Branch Location	Unit	Baseline	Dec-01	Jun-02	Dec-02	Jun-03	Dec-03		Jun-04	Dec-04	
In Urban areas	Ushs.	7,167,769,862	11,712,467,235	13,805,626,781	16,502,346,466	16,051,093,352	21,800,520,876	204%	24,518,006,525	29,687,322,678	314%
In Rural areas	Ushs.	9,677,703,845	14,993,916,942	17,148,898,605	22,260,959,000	26,595,793,071	33,664,169,500	248%	38,341,525,879	45,219,841,907	367%
Increase in volume of loans secured by microenterprises		**16,845,473,707**	**26,706,384,177**	**30,954,525,386**	**38,763,305,466**	**42,646,886,423**	**55,464,690,376**	229%	**62,859,532,404**	**74,907,164,585**	345%

PIR 2.8: Increase in volume of Missing Middle loans

Volume of MM Loans	Unit	Baseline	Dec-01	Jun-02	Dec-02	Jun-03	Dec-03		Jun-04	Dec-04	
SME Finance	Ushs.	69,000,000,000	70,429,593,738	86,195,628,530	166,095,767,637	183,484,293,794	238,468,406,953	246%	220,150,419,895	261,050,000,000	278%
MFI	Ushs.	N/A	N/A	N/A	3,087,339,051	4,540,550,600	7,183,399,543		9,280,198,384	14,487,499,630	
Total		**69,000,000,000**	**70,429,593,738**	**86,195,628,530**	**169,183,106,688**	**188,024,844,394**	**245,651,806,496**	256%	**229,430,618,279**	**275,537,499,630**	299%

* incomplete MFI data collection in Dec. 04

Detailed Tables of Indicators

SO 1: Increased number of enterprises

Number of enterprises	Baseline	Dec-01	Dec-02	Dec-03	Increase (from Baseline)
Number of BDS providers	235	244	280	289	54
Number of non-agricultural enterprises	3	4	3	2	-1
Number of agribusiness enterprises	14	14	20	21	7
Number of microenterprises	140,262	175,427	183,616	202,979	62,717
Number of other enterprises (outgrowers)	50,000	50,000	148,134	242,063	192,063
Total	**190,514**	**225,689**	**332,053**	**445,354**	**254,840**

SO 2: Increased employment generated as a result of SPEED interventions

	Baseline			Dec 2001			Dec 2002		
Number of Individuals by Gender	**# Women**	**# Men**	**Total**	**# Women**	**# Men**	**Total**	**#Women**	**#Men**	**Total**
Number of jobs in SPEED-assisted BDS providers	152	186	338	75	157	232	189	231	**420**
Number of jobs in SPEED-assisted FIs	374	552	926	384	543	927	622	775	**1,397**
Number of microenterprise jobs added	210,393	201,977	412,370	263,138	252,617	515,755	345,255	343,305	688,560
Number of jobs in DCA loan recipient enterprises	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of jobs in SPEED-assisted MFIs	387	409	796	443	427	870	521	510	1,031
Number of jobs in SPEED-assisted non-agricultural enterprises	358	812	1,170	358	812	1,170	372	700	1,072
Number of jobs in SPEED-assisted agribusiness enterprises	890	2,287	3,177	890	2,287	3,177	892	2,218	3,110
Total	**212,554**	**206,223**	**418,777**	**265,288**	**256,843**	**522,131**	**347,851**	**347,739**	**695,590**

Number of Individuals by Gender	Dec 2003			Increase (From Baseline)		
	# Women	# Men	Total	# Women	# Men	Total
Number of jobs in SPEED-assisted BDS providers	**237**	**363**	**600**	85	177	262
Number of jobs in SPEED-assisted FIs	726	856	1,582	352	304	656
Number of microenterprise jobs added	381,663	379,508	761,171	171,270	177,531	349,251
Number of jobs in DCA loan recipient enterprises	998	1,407	2,405	998	1,407	2,405
Number of jobs in SPEED-assisted MFIs	494	498	992	107	89	196
Number of jobs in SPEED-assisted non-agricultural enterprises	262	955	1,217	-96	143	47
Number of jobs in SPEED-assisted agribusiness enterprises	1,171	2,828	3,999	281	541	822
Total	**385,551**	**386,415**	**771,966**	**172,997**	**180,192**	**353,639**

PIR 1.1: Increased sales in enterprises assisted

	Baseline			Jan -Dec 2002		
	Domestic	**Export**	**Total**	**Domestic**	**Export**	**Total**
Volume of sales in SPEED-assisted non-agricultural enterprises	12,831,215,167	813,830,220	13,645,045,387	15,367,397,923	1,095,419,804	16,462,817,727
Volume of sales in SPEED-assisted agribusiness enterprises	7,278,831,605	160,494,200,370	167,773,031,975	11,310,258,005	204,285,630,983	215,595,888,988
Total	**20,110,046,772**	**161,308,030,590**	**181,418,077,362**	**26,677,655,928**	**205,381,050,787**	**232,058,706,715**

	Jan -Dec 2003			Increase (From Baseline		
	Domestic	**Export**	**Total**	**Domestic**	**Export**	**Total**
Volume of sales in SPEED-assisted non-agricultural enterprises	28,219,469,868	15,421,699,000	43,641,168,868	15,388,254,701	14,607,868,780	29,996,123,481
Volume of sales in SPEED-assisted agribusiness enterprises	27,077,270,333	314,702,049,962	341,779,320,295	19,798,438,728	154,207,849,592	174,006,288,320
Total	**55,296,740,201**	**330,123,748,962**	**385,420,489,163**	**35,186,693,429**	**168,815,718,372**	**204,002,411,640**

PIR 1.2: Number of Individuals with Enhanced Management Skills

Number of Individuals by Gender	Jan-Dec 2001			Jan-Dec 2002			Jan-Dec 2003			Project Total		
	# Women	# Men	Total	# Women	# Men	Total	# Women	# Men	Total	# Women	# Men	Total
Total	65	246	**311**	46,406	31,659	**78,065**	107,882	73,559	**181,441**	154,353	105,464	**259,817**

PIR 1.3: Number of business development consulting services purchased

Number of BDS purchased	Jan-Dec 2001	Jan-Dec 2002	Jan-Dec 2003	Project Total
Services purchased from BDS Providers by non-SPEED clients	38	103	336	477
Services purchased by SPEED-assisted non-agricultural enterprises	3	9	5	15
Services purchased by SPEED-assisted agribusiness enterprises	5	27	19	51
Total	**46**	**139**	**360**	**543**

PIR 2.2: Number of clients of SPEED-assisted banks in rural areas

Number of Clients	Baseline	Dec-01	*Dec-02*	*Dec-03*	Increase (From baseline)
Number of clients of SPEED-assisted MFIs in rural areas	126,232	167,188	183,424	202,612	76,380
Number of clients of SPEED-assisted banks in rural areas	199,160	222,978	257,588	320,361	121,201
Total	**325,392**	**390,166**	**441,012**	**522,973**	**197,581**

PIR 2.3: Increase in number of microenterprise savers

Branch Location	Baseline	Dec-01	Dec-02	Dec-03	Increase (From baseline)
In Urban areas	49,860	55,219	77,335	99,598	49,738
In Rural areas	82,273	119,058	183,424	202,612	120,339
Total number of microenterprise savers	**132,133**	**174,277**	**260,759**	**302,210**	**170,077**

PIR 2.4: Increase in number of microenterprise borrowers

Branch Location	Baseline	Dec - 01	*Dec - 02*	Dec - 03	Increase (From baseline)
In Urban areas	37,087	44,546	54,438	65,324	28,237
In Rural areas	103,175	130,881	129,178	137,655	34,480
Total number of borrowers (women+men)	**140,262**	**175,427**	**183,616**	**202,979**	**62,717**

PIR 2.5: Increase in number of MM

Number of MM Loans	Baseline	Dec - 01	Dec - 02	Dec - 03	Increase (From baseline)
SME Finance	6,109	6,156	13,745	21,740	15,631
MFI	0	N/A	655	810	810
Total	**6,109**	**6,156**	**14,400**	**22,550**	**16,441**

PIR 2.6: Increase in volume of microenterprise savings

Branch Location	Baseline	Dec - 01	Dec – 02	Dec - 03	Increase (From baseline)
In Urban areas	5,221,715,877	6,226,434,296	8,242,694,687	9,633,778,405	4,412,062,528
In Rural areas	5,034,104,191	7,101,458,451	9,600,024,493	15,003,388,641	9,969,284,450
Increase in volume of microenterprise savings	**10,255,820,068**	**13,327,892,747**	**17,842,719,180**	**24,637,167,046**	**14,381,346,978**

PIR 2.7: Increase in outstanding loan balance of microenterprise loans

Branch Location	Baseline	Dec - 01	Dec – 02	Dec - 03	Increase (from baseline)
In Urban areas	7,167,769,862	11,712,467,235	16,502,346,466	21,800,520,876	14,632,751,014
In Rural areas	9,677,703,845	14,993,916,942	22,260,959,000	33,664,169,500	23,986,465,655
Increase in volume of microenterprise loans	**16,845,473,707**	**26,706,384,177**	**38,763,305,466**	**55,464,690,376**	**38,619,216,669**

PIR 2.8: Increase in volume of MM loans

Volume of MM Loans	Baseline	Dec - 01	Dec - 02	Dec - 03	Increase (from baseline)
SME Finance	69,000,000,000	70,429,593,738	166,095,767,637	238,468,406,953	169,468,403,953
MFI	0	N/A	3,087,339,051	7,183,399,543	7,183,399,543
Total	**69,000,000,000**	**70,429,593,738**	**169,183,106,688**	**252,551,426,638**	**176,651,803,496**

PIR 3.3: Increase in number of disputes/cases resolved

Enterprise Development Sales (Uganda Shillings)

NON-AGRI BUSINESS	Start of SPEED Intervention	Baseline			Jan-Dec 2002			Jan-Dec 2003		
		Domestic	Export	Total	Domestic	Export	Total	Domestic	Export	Total
NON-AG #1	March 02	12,730,511,202	640,985,220	13,371,496,422	13,500,000,000	600,000,000	14,100,000,000	9,689,531,000	15,281,699,000	24,971,230,000
Non-ag #2	Jan. 02	100,703,965	172,845,000	273,548,965	1,515,197,923	322,619,804	1,837,817,727	18,529,937,868	140,000,000	18,669,937,868
Total		**12,831,215,167**	**813,830,220**	**13,645,045,387**	**15,015,197,923**	**922,619,804**	**15,937,817,727**	**28,219,468,868**	**15,421,699,000**	**43,641,167,868**

Enterprise Development Sales (Uganda Shillings)

AGRI- BUSINESS	Start of SPEED Intervention	Baseline (JANUARY-DECEMBER 2001)			Jan-Dec 2002			Jan - Dec 2003		
		Domestic	Export	Total	Domestic	Export	Total	Domestic	Export	Total
AGRI- BUSINESS										
Cotton Co. #1	March 02	294,273,690	2,401,921,596	2,696,195,286	3,256,116,666	7,113,525,095	10,369,641,761	998,005,440	5,889,562,848	**6,887,568,288**
Cotton Co. #2	May 02	184,670,331	56,016,876	240,687,207	800,000,000	7,000,000,000	7,800,000,000	1,038,732,000	10,780,327,000	**11,819,059,000**
Cotton Co. #3	April 03	652,165,879	2,334,451,144	2,986,617,023	525,312,800	3,229,942,176	3,755,254,976	1,278,312,800	8,281,942,176	**9,560,254,976**
Cotton Co. #4	April 03	15,709,554	2,440,247,976	2,455,957,530	15,709,554	2,440,247,976	2,455,957,530	33,164,614	5,031,435,436	**5,064,600,050**
Total		**1,131,109,900**	**4,792,389,616**	**5,923,499,516**	**5,064,974,342**	**14,113,525,095**	**19,178,499,437**	**3,348,214,854**	**29,983,267,460**	**33,331,482,314**

ENTERPRISE DEVELOPMENT EMPLOYMENT FIGURES (By Gender)

NON AGRI-BUSINESS	Start of SPEED Intervention	Baseline			Dec-02			Dec-03		
		Female	Male	Total	Female	Male	Total	Female	Male	Total
Non-ag #1	Mar-02	408	600	1,008	335	635	970	200	850	1,050
Non-ag #2	Jan. 02	28	42	70	37	65	102	62	105	167
Total		**436**	**642**	**1,078**	**386**	**708**	**1,094**	**262**	**955**	**1,217**

ENTERPRISE DEVELOPMENT EMPLOYMENT FIGURES (By Gender)

AGRI-BUSINESS	Start of SPEED Intervention	Baseline - Dec 2001			Dec - 02			Dec - 03		
		Female	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Cotton Co. #1	Mar-02	3	27	30	15	105	120	4	30	**34**
Cotton Co. #2	May-02	110	290	400	110	380	490	85	305	**390**
Cotton Co. #3	April 03	0	0	0	0	0	0	30	110	**140**
Cotton Co. #4	April 03	0	0	0	0	0	0	5	30	**35**
Total		**113**	**317**	**430**	**125**	**485**	**610**	**124**	**475**	**599**

EMPLOYMENT FIGURES FOR WET MILLING COFFEE ENTERPRISES (By Gender)

AGRI-BUSINESS	Start of SPEED Intervention	Baseline			Dec 03		
		Female	**Male**	**Total**	**Female**	**Male**	**Total**
Coffee Co. #1	March 03	0	0	0	10	50	60
Coffee Co. #2	May 03	0	0	0	7	19	26
Coffee Co. #3	April 03	0	0	0	55	20	75
Coffee Co. #4	May 03	0	0	0	3	10	13
Coffee Co. #5	July 02	0	0	0	20	30	50
Coffee Co. #6	May 03	0	0	0	7	11	18
Coffee Co. #7	July 02	0	0	0	7	5	12
Total		**0**	**0**	**0**	**109**	**145**	**254**

EMPLOYMENT FIGURES FOR FISH PROCESSORS AND EXPORTERS (By Gender)

	2001			2002			2003		
	JAN-DEC 2001			JAN-DEC 2002			JUL-DEC 2003		
Enterprise	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**	**Female**	**Male**	**Total**
Fish processor #1	50	70	120	130	150	280	61	115	176
Fish processor #2	40	130	170	40	180	220	62	140	202
Fish processor #3	75	275	350	100	224	324	90	210	300
Fish processor #4	28	69	97	46	102	148	64	92	156
Fish processor #5	43	168	211	37	166	203	48	269	317
Fish processor #6	66	268	334	80	110	190	90	120	210
Fish processor #7	88	486	574	88	377	465	330	391	721
Fish processor #8	100	250	350	116	254	370	125	355	480
Fish processor #9	58	166	224	70	160	230	68	187	255
Fish processor #10	142	88	230	60	160	220	311	329	640
Total	**690**	**1,970**	**2,660**	**767**	**1,883**	**2,650**	**938**	**2,208**	**3,457**

Gross Annual Sales Revenue For Fish Processors And Exporters (Uganda Shillings)

	JAN-DEC 2000	JANUARY- DECEMBER 2001			JANUARY – DECEMBER 2002			JANUARY-DEC 2003		
	Total	Domestic	Export	Annual Total	Domestic	Export	Annual Total	Domestic	Export	Annual Total
Fish processor #1	2,315,181,405	201,287,225	6,359,660,390	6,560,947,615	278,883,525	7,033,870,803	7,312,754,328	485,929,500	5,915,282,000	6,401,211,500
Fish processor #2	0	197,344,981	1,775,440,313	1,972,785,294	0	3,160,000,000	3,160,000,000	1,146,000,000	9,900,000,000	11,046,000,000
Fish processor #3	13,337,388,448	2,466,356,762	33,599,665,653	36,066,022,415	2,448,482,483	30,481,436,779	32,929,919,262	3,650,000,000	27,899,000,000	31,549,000,000
Fish processor #4	1,332,144,554	258,612,253	2,513,855,225	2,772,467,478	708,354,796	8,315,543,679	9,023,898,475	880,307,975	8,950,610,260	9,830,918,235
Fish processor #5	6,715,297,988	1,027,345,674	10,628,837,835	11,656,183,509	900,000,000	11,000,000,000	11,900,000,000	1,400,000,000	10,200,000,000	11,600,000,000
Fish processor #6	9,200,000,000	0	15,000,000,000	15,000,000,000	53,000,000	15,923,000,000	15,976,000,000	51,900,000	17,040,000,000	17,091,900,000
Fish processor #7	9,342,500,000	151,079,000	27,800,000,000	27,951,079,000	178,424,167	35,252,130,521	35,430,554,688	400,321,300	36,590,291,270	36,990,612,570
Fish processor #8	9,035,305,861	0	21,700,830,322	21,700,830,322	979,500,000	45,750,000,000	46,729,500,000	980,225,000	27,983,335,000	28,963,560,000
Fish processor #9	16,484,412,000	659,997,000	15,528,805,000	16,188,802,000	698,638,692	16,413,124,106	17,111,762,798	860,248,906	18,568,174,661	19,428,423,567
Fish processor #10	6,516,000,000	905,000,000	7,059,000,000	7,964,000,000	0	16,800,000,000	16,800,000,000	1,800,000,000	21,000,000,000	22,800,000,000
Total	**74,278,230,256**	**5,867,022,895**	**141,966,094,738**	**147,833,117,633**	**6,245,283,663**	**190,129,105,888**	**196,374,389,551**	**11,654,932,681**	**184,046,693,191**	**195,701,625,872**

	Unit	**Baseline**	**Jan – Dec 02**	**Jan-Dec-03**	**Increase (From Baseline)**
CADER	No.	27	33	94	67

Annex B: Staff Lists

SPEED I
Phil Broughton, Chief of Party
Emmanuel Acuc, M&E Specialist
Maura Brazill, Project Administrator
Ralph Chaffee, Enterprise Development Advisor
Olive Kabatalya, Microfinance Specialist
Isaac Kapalanga, Operations/Grants Manager
Joanna Ledgerwood, Microfinance Advisor
Paulo Luswata, Finance Specialist
James Menya, Monitoring & Evaluation Specialist
Ricky Mugabi, Information Technology and M&E Specialist
Alice Mukasa, Office Manager
Catherine Mulumbi, Accountant
Samuel Mutebi, Microfinance Management Information Systems (MIS) Specialist
Jimmy Muyanja, Policy Advocacy Specialist
Taibu Nakueira, Agricultural Finance Specialist
Patrick Nugawela, Business Development Services Advisor
Andrew Obara, Senior Microfinance Specialist
Frank Olok-Asobasi, Marketing Specialist
Peter Oluput, Marketing Specialist
Goretti Omute, Agricultural Finance Specialist
Godfrey Ssebukulu, Financial Specialist
Jack Thompson, SME Finance Advisor
Habib Tibrichu, Business Practices Specialist
Daryl Veal, Legal and Business Environment Advisor

SPEED II
Phil Broughton, Chief of Party
Asaph Besigye, Agricultural Finance Specialist
Joanna Ledgerwood, Deputy Chief of Party/Microfinance Advisor
Paulo Luswata, Finance Specialist
Abubaker Mabuya, Accountant
Ricky Mugabi, Information Technology and M&E Specialist
Tendo Mulindwa, Office Manager
Robert Ocaya, Finance Specialist

Annex C: Selected SPEED I and SPEED II Reports

SPEED I Reports	
Folder Name	**Document Name**
SPEED I Quarterly Reports (2001)	1.SPEED Quarterly Performance Monitoring Report QTR.2
	2.SPEED Quarterly Performance Monitoring Report QTR.3
	3.SPEED Quarterly Performance Monitoring Report QTR.4
SPEED I Quarterly Reports (2002)	1.SPEED Quarterly Performance Monitoring Report QTR.1
	2.SPEED Quarterly Performance Monitoring Report QTR.2
	3.SPEED Quarterly Performance Monitoring Report QTR.3
	4.SPEED Quarterly Performance Monitoring Report QTR.4
SPEED I Quarterly Reports (2003)	1.SPEED Quarterly Performance Monitoring Report QTR.1
	2.SPEED Quarterly Performance Monitoring Report QTR.2
	3.SPEED Quarterly Performance Monitoring Report QTR.3
	4.SPEED Quarterly Performance Monitoring Report QTR.4
SPEED I M&E Reports	1.Monitoring and Evaluation Report July-December 2001
	2.Monitoring and Evaluation Report January-June 2002
	3.Monitoring and Evaluation Report July-December 2002
	4.Monitoring and Evaluation Report January-June 2003
Selected SPEED I Technical Reports (SME Reports)	1.Export Credit Guarantee Scheme Review 2003
	2.Transferring Capital Allowances on Finance Leases From Lessees to Lessors in Uganda 2003
Selected SPEED I Technical Reports (BDS&ED Reports)	1.Impact Analysis of Enterprise-Linked Extension Program 2003
	2.Fisheries Consultancy Interim Report 2001
	3.Web Development Plan for the Uganda Fish Processors and Exporters Industry 2001
	4.Uganda Fish Exporters Industry Web Site Program 2002
	5.Fish Farmers - Intelligence Initiatives 2003
	6.Fish Market Survey 2003
	7.Report for a Market Survey on the Dairy Industry in Kenya and Rwanda
Selected SPEED I Technical Reports (Enabling Environments Reports)	1.Alternative Dispute Resolution Seminar Report (ILI) 2001
	2.Alternative Dispute Resolution Training Judiciary (ILI) 2002
	3.Rehabilitating Records in the Land Registry 2001
	4.Land Registry Report - Progress Report 2002
	5.Rehabilitating Records in the Companies Registry - Progress Report 2002
	6. MSME Data Collection in 2002 Census - Report

For more information on the reports referenced here, please contact Jackie Wakhweya at USAID/Uganda at 256-31-387-387.

SPEED II Reports	
Folder Name	**Document Name**
SPEED II Quarterly Reports (2004)	1.SPEED II Quarterly Performance Monitoring Report QTR.1
	2.SPEED II Quarterly Performance Monitoring Report QTR.2
	3.SPEED II Quarterly Performance Monitoring Report QTR.3
	4.SPEED II Quarterly Performance Monitoring Report QTR.4
Selected SPEED II Technical Reports	1.Mobilizing Savings from the Public Paper
	2.Roll Out of Agriculture Lending Centenary Bank Uganda
	3.Transforming MFIs – Management Information Systems Paper
	4. Transforming from an NGO to a Regulated Deposit Taking Institution

For more information on the reports referenced here, please contact Jackie Wakhweya at USAID/Uganda at 256-31-387-387.