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RURAL SPEED QUARTERLY PERFORMANCE REPORT

JANUARY 1 THROUGH MARCH 31, 2007



April 2007

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Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Rural SPEED

A USAID-funded project

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Rural SPEED Project Quarterly Report January 1, 2007 – March 31, 2007

Rural Savings Promotion & Enhancement of Enterprise Development (Rural SPEED) is a three-year USAID-financed program awarded to Chemonics International Inc. under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE) Indefinite Quantity Contract (IQC), Task Order Number 826, on November 11, 2004.

The objective of Rural SPEED under this Task Order is to deepen and strengthen Uganda's financial sector in response to rural demand for financial services. Increased provision of financial services will leverage existing economic activity and complement other USAID programs in rural areas. The resulting increase in economic activity is designed to help Uganda achieve the economic growth rates proposed in the country's Poverty Eradication Action Plan (PEAP).

AIR 1. Increased Access to Rural Financial Services.

KRA 1.1: Capacity of RFEs to Provide Ag and Non-ag Financial Services Increased.

Strategy. Demystify rural finance for financial institutions, promote venues for increased financial service delivery and provide incentives to deepen rural financial services.

Accomplishments this quarter:

Activity 1: Improve skills in agricultural finance for CERUDEB.

- CERUDEB under a SAF grant concluded a regional seminar for its agricultural loan officers. The seminar was primarily to assess the progress of implementation of the recommendations from a previous agricultural lending training SAF activity, and provide feedback and experience sharing forum for loan officers in order to broaden their skills.
- The study tour to the Philippines for CERUDEB senior managers that was scheduled to take place during the quarter was halted due to the death of the coordinating staff member from the host, One Network Bank. If there is a new possibility with One Network Bank or another institution this activity *may* be undertaken in one of the coming two quarters.



With USAID/Rural SPEED's support for agricultural lending, in the last six months Centenary Bank has increased its agricultural lending by:

- 5,832 borrowers and,
- 167B Shillings.

Activity 2: Improve capacity of FIs to promote agricultural lending.

- Mentoring in agricultural lending continued for two partner SACCOs (Kyamuhunga and Muhame) to consolidate their nascent agricultural loan products, including product portfolio tracking. Muhame expanded its implementation of the Rapid Sales ("Tunda

Juba”) loan product at its Rubindi branch. Though initially developed for rapid agricultural trade, it is now also being replicated for rapid non-agricultural transactions.

- The draft of the agricultural loan product development manual, developed in-house, was completed. After its review and final edits at the beginning of the next quarter, the manual will be published, disseminated and distributed to financial institutions to enable them to initiate and undertake new agricultural loan product development and review the effectiveness of the design of the existing agricultural loan products. This distribution will be done via workshops
- Pearl Microfinance, previously called Feed the Children Uganda, rolled out its generic agricultural production loan product in its two branches in Ntungamo and Rukungiri in March. SAF funding was used to support the loan product development, roll out and promotion.
- Dialogue was maintained with GTZ on its technical support for leasing of ox-plough equipment as a feasible option to facilitate term finance for agriculture.
- With USAID/APEP, negotiations to develop an invoice factoring facility by Bank of Africa between Uganda Breweries and KACOFA for barley trading were held.

Activity 3: Maintain support for warehouse receipts programs.

- Rural SPEED maintained contact and dialogue for support of a proposed coffee warehouse receipt system (WRS) in the Buganda kingdom. The project sponsor completed a business plan and cash flow projections which were favorably received by three international banks. The company to promote the coffee WRS and deal with the bank has been registered. If the financing for the proposed WRS facility is feasible, Rural SPEED will provide the collateral management support. The WRS for this commodity is expected to be operationalized initially for the April-July coffee marketing season with a target of at least 10,000 MT of coffee.
- Five banks – Stanbic, Nile, CERUDEB, Standard Chartered and Bank of Africa (formerly Allied Bank) – are still keen to provide bank facilities for collateral-managed warehouses. This has been a break through in demystifying the financing of low-cost/low-risk commodity transactions.
- Punctual consulting support continues to be provided to the EU/Uganda Commodity Exchange in developing the legislation governing warehouse receipts and commodity exchange bylaws, policies and procedures through a US based legal consultant. Given the strong history of these facilities in the US, the EU project and Ministry of Trade, Tourism and Industry has considered this support invaluable.



Kapchorwa lush maize ready for harvesting. The price insurance for maize was to help farmers manage any loss.

Activity 4: Establish pilot price insurance for maize borrowers.

- On a competitive basis, NIC was selected as a partner to develop a price insurance product during the previous quarter. After selection, however, NIC failed to assemble the product management team or to actively pursue the opportunity on a timely basis. The price insurance itself was meant to be piloted, before the planting season, in Kapchorwa. Unfortunately, given Rural

SPEED's pending closure in November, developing and piloting of the proposed product with another provider is no longer feasible.

- The proposal by NIC to develop and pilot two other agricultural insurance products, livestock insurance and insurance for lease equipment, was also abandoned due to the slow response by NIC.

Activity 5: Support establishment of hedging instrument for cotton.

- For the past two quarters significant progress was made collaboratively with USAID/APEP, the four largest cotton ginner and Standard Chartered Bank, to develop a hedge instrument to set a floor for Uganda's cotton price. The cotton industry has become disorganized, due to political influences, over the past two months which might spoil this arrangement. If the opportunity is pursued, it will be in the coming quarter.

Activity 6: Strengthen U-Trust's overall operations.

- As reported in the previous quarter, fundamental operational support to U-Trust has been suspended as the institution changed management and is now performing well.

Activity 7: Establish a SACCO to support Kayonza Tea Growers.

- After a sustained effort, CERUDEB has agreed to provide a wholesale tea inputs loan to be retailed by Kayonza SACCO. Now, Danida/ASPS has joined the collaboration and will provide a loan guarantee for this facility to CERUDEB. The loan is expected to be agreed early next quarter.
- Once CERUDEB is committed, Rural SPEED will provide support to Kayonza SACCO to strengthen its MIS, market the new product and mentor the management. In addition, tea growers will be trained in management of input credit and in improving productivity to realize maximum income (and loan repayment capacity).

Activity 8: Maintain ongoing support to sunflower producers SACCOS.

- Iceme SACCO, one of the three sunflower producers SACCOS established with technical assistance from Rural SPEED, realized substantial progress in terms of expanded membership (now with 1,152 members after six months). Consequently, a SAF grant has been extended to Iceme to support its MIS, savings and membership mobilization, and basic equipment for outreach.
- Iceme SACCO has recruited two permanent staff that will replace volunteers and further strengthen the SACCO.
- Work has continued in Lira with three additional sunflower producer SACCOS. These SACCOS have a combined membership of 850 bringing the total members engaged in this activity among the four SACCOS above 2,000.



With USAID/Rural SPEED's support for sunflower growers SACCOS in Lira and Apac, in the last six months:

- Four SACCO have been established;
- Over 2,000 members (of 25,000 potential members) have joined;
- Over 25M shillings of shares and savings have been mobilized; and
- Iceme, the regions first SACCO for sunflower growers, has hired permanent staff.

- In an effort to promote linkages between emerging SACCOs, USAID’s Deputy Mission Director and the Rural SPEED CTO lead a delegation from Busiro North SACCO to Lira to meet ICEME and other SACCOs to open supportive dialogs. Busiro North is a SACCO supported in part by the Vice President of Uganda, Professor Gilbert Bukenya.

Activity 9: Promote utilization of DCA in financial institutions.

➤ **1st Multi Institutional DCA Program**

- The program ended in February with a final utilization 273 loans worth USD 24.2m or 91% of the total facility amount of USD\$ 26.5m. Total claims to date were only \$386,000 on usage of \$24m (1.6% claims ratio) but claims of a minimum amount of \$150,000 are expected before the end of the claims period of August 2007.

Bank Name	DCA Portfolio Facility \$US	Number of loans	Value of loans \$US	% usage	% of Portfolio in Agric	Average size in \$US
Allied Bank International	2,000,000	36	1,731,600	87%	17%	48,100
Barclays Bank	5,500,000	19	4,058,245	74%	33%	213,592
Centenary Rural Devt Bank	5,520,000	140	5,515,970	100%	33%	39,400
Citibank	500,000	1	278,552	56%	0%	278,552
Nile Bank	3,000,000	32	3,005,329	100%	8%	93,917
Stanbic Bank Uganda	6,000,000	16	5,619,649	94%	87%	351,228
Standard Chartered Bank	4,000,000	29	3,999,984	100%	27%	137,930
Total	26,520,000	273	24,209,329	91%	39%	88,679

➤ **2nd Multi Institutional DCA Program**

- In the last quarter usage has gone up by 82 to 386 in volume and by \$0.93m to \$7.93m in value, a utilization of 68% of total portfolio (excluding the Standard Chartered US\$ 6m) in approximately 50% of the guarantee life and with no loans from Centenary bank who have already used up their entire limit.
- The average loan size has continued to go down (by \$3,000 to \$20,000) as most of the growth in usage (72 of 82 or 87%) has been by UML who make the smaller loans. Nile has continued its urban center usage strategy while Stanbic, with only 2 loans placed, has remained relatively inactive. The utilization trend also means that up to 60% of all the loans made in the quarter were to rural areas

Bank Name	DCA Portfolio Facility \$US	Number of Loans	Value of Loans \$	% usage	% Rural by Vol	Average Usage \$
Centenary Bank Ltd	3,000,000	132	3,000,897	100%	58%	22,734
Nile Bank Ltd	4,000,000	59	3,072,509	77%	5%	52,076
Stanbic Bank Uganda Ltd	2,700,000	11	505,212	19%	100%	45,928
Uganda Micro Finance Union	2,000,000	184	1,353,691	68%	73%	7,357
Total	11,700,000	386	7,932,310	68%	58%	20,550

➤ **Collateral Managed Guarantee Program**

- Utilization on this program has remained dismal and as such, after consultation with the participating banks, the program has been cancelled

Other DCA Activities

A full review of all 3 programs was carried out by external consultants during the quarter. Results of the examination are noted below:

DCA I: The program was considered a success in promoting bank lending to SME’s with USAID able to leverage their subsidy contribution 27.8 times and 85% of the loans by volume being made to the SME sector. The success of the program is attributable to

- Flexibility i.e. the program had few restrictions on how the bank could use it and had limited reporting requirements
- Large number of partner organizations with different business strategies to achieve the USAID goal
- The prevailing market conditions especially the falling interest rates encouraged banks to try and increase their loan book
- The program was promoted by technical support in form of its administration and complementary training

DCA II: The program has also been considered successful in promoting SME lending especially in the rural areas with USAID able to leverage their subsidy contribution 7.6 times, all the loans being made to the SME sector and 60% of the loans being made to the rural areas. The average loan size has also reduced from \$89k to \$21k mainly due to the introduction of a lower lending limit (\$250k from \$1m) and inclusion of UML in the program. The participation banks all mentioned the need to include overdrafts under cover as it is a popular form of lending to the SME sector.



Beef farmers among which is Namaliga Farm Limited under DCA I -Allied Bank-prepare for the cow market day in Nakasongola.

DCA III: With only one loan booked for cover and half of the program gone, performance of this program was dismal and after consultation with the banks it was decided that it is cancelled to enable USAID use the subsidy funds for another program. The major causes of the poor performance were;

- The design parameter proved too restrictive for the participating banks in terms of the maximum size of the loan, which was felt too small, and limitation to only maize and the non revolving nature of the facilities for a working capital lending product.
- The grain sector was perceived by the participating banks as disorganized with no sizeable off take market beyond WFP and therefore harder to determine a discount level

The review of the program coincided with a monitoring visit by the DCA Portfolio Management Specialist from the USAID/Washington office who was mainly concerned with a close out review of DCA I, utilization assessment of DCA II and III, and recommend strategy for management the DCA programs, post Rural SPEED.

- His view of DCA I concurred with that of the independent consultants and deemed the program very successful.
- The utilization of DCA II was also deemed good in spite of Standard chartered pulling out of the program as they felt that they had graduated from needing it to pursue the SME sector.
- The utilization of DCA III was deemed poor and recommended the termination of this program.
- A number of recommendations were made to USAID/Uganda on post Rural SPEED management of the remaining program

KRA 1.2: Strategic Partnerships between Financial Institutions Strengthened.

Strategy. Promote and support formalization of linkage banking between regulated and non-regulated financial institutions based on comparative advantage of the partnership arrangement, which provides reduced transaction costs for larger institutions and increased access to products and services for microfinance institutions.

Accomplishments this quarter:

Activity 1: Build capacity of partner SACCOs in cost accounting procedures.

- A one-day Savings Product training for the eight partner SACCOs was conducted to reinforce the Product Costing and Pricing workshop that was done in the last quarter. Eight managers, eight cashiers and one board member attended and they were given knowledge, skills and expertise to develop or refine their products and institute appropriate, demand-driven and sustainable products in their savings portfolios.
- A Consultant together with two Rural SPEED technical specialists conducted an initial assessment of each of the SACCOs' savings products followed by a mentoring session with each after the training. This training has helped in the evolution of consumer-focused products such as Youth Savings, Health Savings as well as clarifying for the partner SACCOs the distinction between ordinary and current savings accounts. This training/mentoring further strengthened the linkage between loan product costing and pricing and savings product development. Comprehensive policies and procedures for both loan and savings products have now been developed by each of the eight SACCOs. Prior to the two trainings, none of the SACCOs used to link the terms of their savings products with the terms of their loans which led them to be too restrictive in lending terms and amounts.
- A Product Costing and Pricing manual for SACCOs has been written and will be published and is due for distribution in April 2007.
- Sound management of savings and lending will certainly make these SACCOs more appropriate partners for regulated financial institutions.

Activity 2: Continue support to adoption of revised PMT.

- The PMT has been redesigned and reprogrammed meeting the vast majority of the user requirements. It has been tested and debugged and now includes both standard reports and a custom reporting system. A User's Manual and a CD-ROM have also been developed to make it easily understood and adoptable.
- One training in the use of the PMT was completed in February for 22 users who were all impressed with this latest release. Broader Kampala and field based trainings for at least 140 financial institutions will be done in the next quarter.

Activity 3: Introduce MIS program leading to linkages.

- Computer hardware and power systems that were procured in the last quarter have been installed at six SACCO branches and the migration of data from the old systems to the new MBWin system has been completed in three of the branches. Two have already gone “live” and are now operating fully using the software. In addition, in order to mitigate against the constant power outages, solar power has been installed at one of the SACCOs and the branches of other partner SACCOs will be converted to solar power in the coming two quarters.
- Consultants from MBWin were in country to upload the software, oversee data migration and train the SACCO staff on MBWin procedures.
- Two partner SACCOs now have reliable, low power consumption, self-sustaining world class MIS systems. These MIS systems are linked to the PMT for internal and external reporting. The total package should remarkably improve the service delivery, efficiency and effectiveness for rural financial services delivery in the SACCOs’ catchment areas.
- Linkage partnerships are expected to start evolving fully in the next quarter after completing the software and power systems installation.



A newly trained teller in MAMIDECOT's Lukaya branch transacts business using the new low powered thin client computers run under the MBWin software program all powered by solar energy; all procured by USAID.

Activity 4: Build linkage relationships between T1-3 and T4 institutions.

- As a precursor to the quarterly linkage banking meeting, Rural SPEED has actively been involved with the Micro Finance Outreach Plan in formulating guidelines and terms of reference for the Linkage Opportunities sub-committee for Uganda’s financial sector. The Linkage Banking meeting planned for next quarter is expected to draw from a wider spectrum of the industry’s stakeholders, policy makers and practitioners and result in fundamental strategies for making linkage banking theory, linkage banking practice.

Other Activities: Rationalizing products of SACCO partners.

- As in previous quarters, SAF grants were used to assist partner SACCOs to evaluate their savings and loan products. This is aimed at improving service delivery, ensuring demand driven products, increased customer satisfaction and introduction/promotion of highly viable products. Market responsiveness enhances good service delivery and sound systems which lead to potential linkages with upper tier institutions. This quarter Shuuku and Rubabo SACCOs evaluated their products and will refine them with SAF support in the coming quarter.

KRA 1.3: Savings Mobilization Increased.

Strategy. Continue active promotion and marketing of the benefits of savings at both general and institutional levels, stressing appropriate treasury management.

Accomplishments this quarter:

Activity 1: Expand savings mobilization campaign.

- Building on the successful savings mobilization campaign conducted in 2006, the final arrangements for a 2007 countrywide campaign were concluded during the quarter. An RFP was written and competed under which Pelican Publishers were selected to manage and “freshen” the campaign.



The 2007 savings campaign expanded billboard, street signage, radio and road show coverage into additional rural areas including Northern Uganda.

- The poster and billboard artwork was updated and stickers and t-shirt giveaways were added to the notebooks and coin purses that successfully communicated the savings messages in the 2006 campaign.
- Campaign materials and all radio programming was translated into eight local languages, including Swahili to meet the needs of the expanded audience,
- FIT-SEMA was recruited to work with USAID/Rural SPEED

and the Ministry of Finance to expand the campaign into interactive “live” talk show programs on savings. A series of radio programs were launched using seven radio stations countrywide. Ministry of Finance Financial Extension Workers (FEWs) were leveraged to act as the radio resource personnel for the talk shows. It is through the development of the partnership with the Ministry of Finance’s Microfinance Outreach Plan’s Business Culture that the campaign will continue after Rural SPEED has concluded.

Activity 2: Follow up on MDIs savings programs.

- U Trust revitalized their savings mobilization campaign under the SAF grant having overcome earlier management challenges within the organization. The activities to be funded under the grant were modified to include the procurement of tents to be used at the savings campaign road shows.
- Additional support in savings mobilization for UML, specifically targeting Rushere and Kazo agencies was ongoing during the quarter. A profitability and transfer pricing mechanisms study was conducted with the purpose of determining whether or not it was profitable for the institution to promote savings only mini branches. The outcome was that savings only branches were too costly to maintain and now the institution will incorporate lending in all of its expansions to rural areas.

Activity 3: Strengthen MDI treasury management functions.

- A workshop was conducted to review the treasury management activities for UML, U-TRUST and FINCA. Prior to the workshop review, meetings were conducted with each of the partner MDIs. Issues which were raised in the 2006 TM evaluation had been adequately addressed by the MDIs rendering them safer to depositors from the risk management and liquidity management perspective.
- Throughout the quarter, regular and ad-hoc meetings with treasury officers of the MDIs were held to strengthen their function based on evaluations from international consultants and by the USAID/Rural SPEED Technical Specialist.

Activity 4: Build SACCO treasury management functions.

- During the quarter, a two day treasury management workshop was conducted with eight partner SACCOs to review their treasury management functions. Three senior staff members attended from each SACCO. The workshop was conducted jointly by an international consultant, two USAID/Rural SPEED Technical Specialists and Treasury Managers from FINCA and UML. This format built a critical linkage between the MDIs and SACCOs in terms of understanding each other, sophisticated institutions supporting Tier IV institutions and creating space for deeper relationships. As a follow up of the workshop each SACCO is in the process of developing treasury policy management outlines.
- The international consultant will, next quarter, finalize a treasury management manual that will become part of the SACCO training manual package received from USAID/Rural SPEED.

Creating sustainable linkages

Treasury Managers from FINCA and UML participated as trainers in the Treasury Management training for partner SACCOs to build Tier III to Tier IV support linkages and pave the way for deepening relationships between the organizations.

Activity 5: Improve CMFL’s treasury management.

- It was agreed in advance of work planning in 2006 to provide CMFL a treasury management specialist for a period of a week to review and strengthen this critical and complex function within the institution. After much recruiting an appropriate consultant was identified. The consultant was rejected by the USAID contracts office and the project was advised to find a local consultant. This was not in line with CMFL’s original request and they therefore withdrew their request for support in this activity.

Other Savings Mobilization Activities: MAMIDECOT savings mobilization program

- With SAF support, MAMIDECOT SACCO conducted a savings mobilization campaign during the quarter. Initial results are encouraging as they projected recruiting 500 new savers and they have, thus far, recruited 720.

AIR 2. Increased Innovation to Products and Services Delivery Mechanisms.

KRA 2.1: Service Delivery Mechanisms Expanded.

Strategy. Launch with partner institutions; implementation of new technologies and cost reducing processes; encourage collaboration with SACCOs leading to cost effective transactional linkage banking arrangements.

Accomplishments this quarter:

Activity 1: Establish UML “mini-branch” access points for rural financial services.

- Rural SPEED contracted a UML identified consultant to carry out the branch profitability analysis assignment. The results of the study indicated that credit products and transfer pricing would enable savings only mini-branches improve profitability but that the business case for the establishment of a similar agency in Kazo at the moment could not be justified.

- UML decided to change its strategy in relation to establishing a presence in Kazo, based on its experience in Kayunga and Iganga. Instead of opening an agency, it will open a satellite liaison office, manned by one officer, with the intention of encouraging people to open savings accounts. As business volumes increases the model will be reanalyzed and may justify, at that point, the establishment of a fully fledged agency.
- In the next quarter, UML will submit a proposal to Rural SPEED based on these findings to utilize the remaining funds under the grant, for this purpose.



Activity 2: Deploy POS devices with Orient Bank.

- After a thorough technical and financial evaluation, Orient Bank selected the suppliers/vendors of the hardware and software that is VISA compliant. The equipment is expected in country in April with deployment expected in May.
- Internally, Orient is gearing up for the deployment by upgrading software, working on its card penetration strategy and has resolved connectivity issues.
- Recognition of Rural SPEED’s support was made by the Chairman of the Board of Directors of Orient Bank in his message for the bank’s 2006 annual report, in which he stated....”*Orient Bank is working very closely with USAID Rural SPEED and will be continuing the expansion of the Point of Sale network especially in locations outside of Kampala*”
- By the third month of the next quarter, Orient will have ordered an additional 250 devices and has projected to deploy a total of 500 by the end of the year.

Activity 3: Promote cost effectiveness in delivery of financial services.

- This activity still stands. A workshop promoting cost effectiveness in delivery of financial services will be held in the third quarter of the year after a number of interventions/innovations have been implemented and run.

Activity 4: Pilot Stanbic rural mini-ATMs.

- Internal issues within Stanbic Uganda and Stanbic South Africa delayed the signing of the agreement and start of the assignment during the quarter. Both Rural SPEED and Genesis Analytics, the consultants, were ready but have had to wait for Stanbic, as the client, to sign the agreement and put in place a project team.
- Cognizant of the fact that the delay has been mainly on their part, Stanbic reiterated their commitment to the activity and has promised the document will be signed immediately at the start of the next quarter.

Activity 5: Investigate the feasibility of linkages using “white labeled” cards.

- Considering that this activity is contingent on results of the study that Genesis Analytics is planning to do on behalf of Stanbic Bank to develop the value proposition of different delivery channels, it will not commence until the next quarter.

Activity 6: Pilot use of mobile telephone as a Stanbic SACCO linkage mechanism for rural finance.

- As with the point immediately above, this is one of the delivery channels that will be investigated through the Genesis study during the next quarter

Activity 7: Complete development of SIMBA funds transfer system.

"We are looking at tapping ICT and especially the telecommunications sector to take financial services to rural areas," Ms Wakhweya, USAID said as captured by Monitor Newspaper during the official launch of "Simba cash" money transfer services.

USAID Rural SPEED is promoting innovative delivery services and supporting expansion of the financial services sector in rural areas.

- On March 19th 2007, Simba Telecom officially launched its money transfer service dubbed "Simba Cash", which will initially be available in 19 Simba outlets, with 13 of these located in rural areas. Under the terms of the grant agreement an additional 20 devices were ordered which arrived on the launch date for further deployment in 20 upcountry locations. Indications from customers are that this service is extremely innovative and there is a steady client uptake.
- At the moment, the service provides person to person cash transactions but within the next month, "person to account cash transfers" and "account to account transfers" using CMFL's banking platform, will also be enabled.

Other ICT Innovations Activities

- During the quarter, CMFL commenced the deployment of its point of sale (POS) devices. The strategy is based on the deployment of a cluster of 8 POS devices, in its own agencies and in merchant outlets, in areas around its rural branch in Mbale. A team composed of one Rural SPEED staff member and the Operations and IT Managers of CMFL undertook a visit to assess CMFL's POS deployment strategy. The trip highlighted some challenges with CMFL's operations including its card penetration strategy, merchant relationships, training for customers, publicity for the service and the establishment of a designated POS desk at the head office. In order to increase its penetration strategy, CMFL requested further support for the acquisition of more devices. The request was rejected as CMFL has yet to appreciate and resolve any operational issues/challenges related to the e-banking solution. Rural SPEED will engage a consultant in the coming quarter to help CMFL execute this analysis and modify their business model accordingly.

KRA 2.2: New Products Development.

Strategy. Identify new rural product and service opportunities within partner institutions, confirm delivery cost reductions and sustainability through piloting activities, and roll out those products and services with confirmed sustainability potential.

Accomplishments this quarter:

Activity 1: Complete roll out of the micro-leasing product.

- During the quarter and after the conclusion of the six month pilot period, UML submitted its progress report and application to BoU, for the roll out the micro-leasing service. At the end of the pilot period the portfolio stood at 62 leases worth UGX 668M.
- In February BoU approved UML's request and plans are now being made to officially launch the product in the next month.
- UML submitted a request to Rural SPEED for support with the launch and rollout of the product. Rural SPEED is committed to supporting the radio public awareness campaign.

- In the next quarter Rural SPEED and the Agricultural Business Development Component (ABDC) of the Agricultural Sector Program Support (ASPS) of DANIDA will commence writing a technical document on the micro-leasing design process.

Activity 2: Develop new savings products.

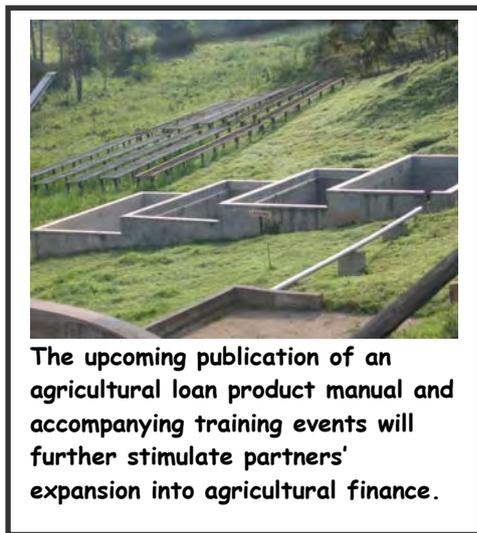
- As covered under KRA 1.3 above, training and mentoring was conducted for eight partner SACCOs for savings product development and refinement. With their new and refined products the SACCOs will participate in the nationwide savings mobilization campaign in the coming quarter.

Activity 3: Sensitize financial institutions in product development.

- This workshop was held in November of 2006. The manual developed under the consultancy will become part of the USAID Rural SPEED SACCO training manual.

Activity 4: Expand agricultural credit.

- As covered under KRA 1.1 above, two SACCOs, Kyamuhunga and Muhame were mentored in agricultural product delivery during the quarter. Also a manual on agricultural product development was completed. In the coming quarter all partners will be trained and mentored in developing and managing agricultural loan products.



The upcoming publication of an agricultural loan product manual and accompanying training events will further stimulate partners' expansion into agricultural finance.

- Through STTA, a animal husbandry loan product for UML, one of Rural SPEED MDI partners, was designed. The loan product will be piloted by UML in its three branches of Lyantonde, Rushere and Kiboga during the next quarter leading to eventual roll out in the subsequent quarters. Rural SPEED will further support the product roll out through promotion and skills enhancement for the loan officers who will be handling the loan product. Also Rural SPEED expects to replicate this loan product with other partners.

AIR 3. Program Management and Monitoring and Evaluation.

KRA 3.1: Efficient Program Administration

Strategy. Closely follow well-established Chemonics policies and procedures for managing USAID projects and promote the Strategic Activities Fund for highest program enhancement.

Accomplishments this quarter:

Activity 1: Effectively manage personnel.

- Annual evaluations for all long term personnel was completed during the quarter.
- An advertisement for a SAF manager and M&E specialist were gazetted and candidates short listed and interviewed.

- A very experienced Strategic Activities Fund manager, Isaac Kapalaga was recruited and joined Rural SPEED in March.
- John Ssempebwa, an experienced M&E consultant was identified and recruited in March for a short term M&E assignment to fill the intermittent M&E requirements until the program closes in November 2007.

Activity 2: Provide effective contract administration.

- Contract continues to be managed as agreed.
- Rural SPEED met with the newly assigned contracting officer and presented a summary of program activities. It is hoped the CO will join Rural SPEED on a upcountry visit next quarter.

Activity 3: Maintain smooth operational procedures.

- During the quarter, a general staff meeting was held to re-orient staff with specific areas in Rural SPEED policies and procedures manual, salient issues raised by staff where addressed for smooth operational procedures.
- Compliance with all USAID rules and regulations maintained.

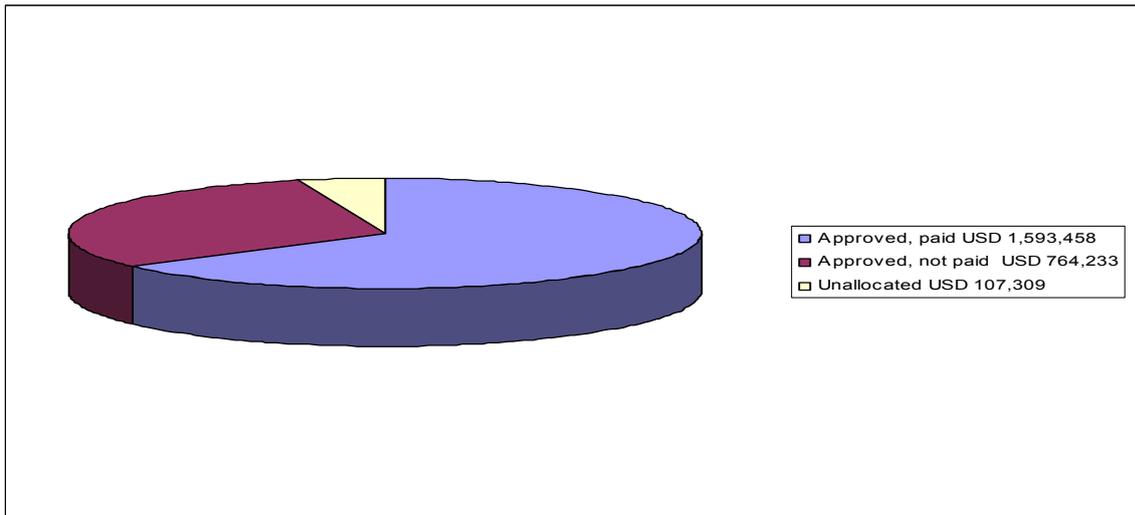
Activity 4: Efficiently manage project financials.

- Compliance with USAID and Chemonics accounting regulations and procedures is ongoing.
- Management systems for grants and subcontracts are in place and in line with USAID regulations.

Activity 5: Continue implementation of Strategic Activities Fund (SAF).

- During the period, new grants totaling \$207,647 were approved. The cumulative total of awards now is \$2,357,691. This exceeds our SAF contract requirement of a minimum of 20% of total budget spent on SAF (See Pie chart below).
- The former SAF Manager, Mr. Richard S. Muyinda left Rural SPEED early March, and Isaac Kapalaga was recruited to the position. Isaac who previously worked for Chemonics under the SPEED I project joined the Rural SPEED team at a crucial time of consolidating the SAF implementation momentum gained over the past year.
- By close of the quarter, the approved standard grant to Stanbic Bank remained unsigned, holding back implementation of by far the largest grant activity under the SAF. This resulted from continued procrastination on the part of Stanbic, who continue to promise full commitment to the signing and ultimate successful implementation of this grant.
- In spite of an initial slide in beneficiary grant implementation, the quarter witnessed unprecedented acceleration of activity implementation, with SAF expenditures for the period exceeding our expectations.
- During the quarter, six grant activities came to an end following their successful implementation. We received Grant Completion reports marking the closure of these activities.

SAF Budget Utilization – March 2007



KRA 3.2: Knowledge Management System.

Strategy. Continuously identify and capitalize on opportunities to present results of Rural SPEED via project partners and success stories, develop sound media relations and coordinate with other projects to maximize impact.

Accomplishments this quarter:

Activity 1: Continue communications strategy implementation.

- Press releases for the Simba Cash launch were distributed resulting in articles in the Red Pepper, the Monitor and the New Vision.
- A success story about the UML micro-leasing was posted on the Rural SPEED website to show our success and submitted to both Microlinks and USAID Telling Our Story.
- Success stories continue to be updated on the Rural SPEED website (www.speeduganda.org). To date, nine success stories are on line for review.
- Communication and events assistant daily reviews local newspapers and distribute to staff salient articles.

Activity 2: Continue management of project website.

- The website is populated regularly.

Activity 3: Maintain inter and intra project communication systems.

- Rural SPEED attended the USAID program partner meetings and expanded SO7 meeting.
- Staff meetings are regularly scheduled and well attended.

KRA 3.3: Program Monitoring and Reporting Needs Met.

Strategy. Effective use of project resources for collecting and reporting of results.

Accomplishments this quarter:

Activity 1: Maintain accurate monitoring and reporting system.

- During the period the Rural SPEED M&E professional resigned. Attempts to replace him were futile as qualified individuals were not interested in a short term (only 9 month) assignment. As such, it was decided to utilize local STTA for this M&E needs for the duration of the project.
- Consultant reviewed and assessed the partner data integrity and prepared the analysis contained in Appendix A of this report.
- As part of the new US Government regulations, all USAID funded microenterprise activities must now assess their beneficiary portfolio and determine what percentage of the beneficiaries fall under the poverty line. In that regard, USAID Rural SPEED provided logistics for and hosted the IRIS Training team to engage in the USAID Poverty Assessment Tool (PAT) training. Over twenty participants from USAID partner programs and consulting firms attended. Rural SPEED was able to build a link with Monitoring and Evaluation Management Services (MEMS) to agree that MEMS would perform the evaluation for Rural SPEED partner beneficiaries. It is anticipated that this evaluation will take place two quarters hence.



**Appendix A
PMP Review and Analysis**

Monitoring and Evaluation Narrative – March 31 2007

In the table below, the performance data as of March 31, 2007 is represented. As Rural SPEED is in the final year of operations, most indicators are compared to Life of Project (LOP) indicators as they mirror those of this, the final year. Several indicators are not cumulative targets and have annual targets as well, specifically indicators 4, 5, 9 and 11. The analysis for these indicators is reviewed for the year to date as well as overall life of project.

Table 1: Life-of-Project Indicator List with Year 3 Targets and Mid-Year Results as of March 31 2007

#	Indicator Name	Unit	Year 3 Target	LOP Target	For the 6 months ending March 31	Variance
1	Weighted Average of PAR (over 30 days)	%		<5%	4.18%	0.82%
2	Number of institutions using the adapted PMT	#		80	0	<<80>>
3	Number of private-public partnerships formed	#		25	22	<<3>>
4	Number of new borrowers	#	34,207	77,920	215,041	137,121
5	Value of new loans	UGX	36,987,454,867	69,284,274,904	393,874,106,878	324,589,831,974
6	Number of associations assisted	#		65	109	44
7	Number of agricultural firms assisted	#		33,403	38,844	5,441
8	Effectiveness of assisted financial institutions	index		Improved	Annual measure	
9	Value of new agricultural loans	UGX	4,787,712,032	9,288,406,898	48,071,624,426	38,783,217,528
10	Number of linkages established	#		10	27	17
11	Number of new savers	#	71,300	318,091	50,8231	190,140
12	Value of savings	UGX		279,702,305,046	736,371,622,212	456,669,317,166
13	Number of innovation roll-outs	#		3	10	7
14	Number of new agricultural technologies made available	#		5	10	5
15	Number of smallholders adopting new technologies	#		2,500	2904	404
16	Number of new rural financial services delivery points	#		50	33	<<17>>
17	Number of new service-delivery mechanisms piloted	#		3	3	0
18	Number of new products piloted	#		5	8	3
19	Number of mechanisms and products that have been R&D	#		10	13	3
20	Number of persons-attendance in training	#		750	1263	513
21	Amount of resources leverage by Rural SPEED	USD		1,000,000	1,488,145	488,145

Indicators with a negative variance are shown above in parentheses.

Note:

Indicators without shading are cumulative measures. A *cumulative measure* is one where the nominal number (quantity) is accumulated from the beginning of the project through all the years.

Shaded indicators are annual measures. An *annual measure* is one where the nominal number (quantity) of the indicator is measured and reported annually. The LOP for annual measure is the summation of annual targets.

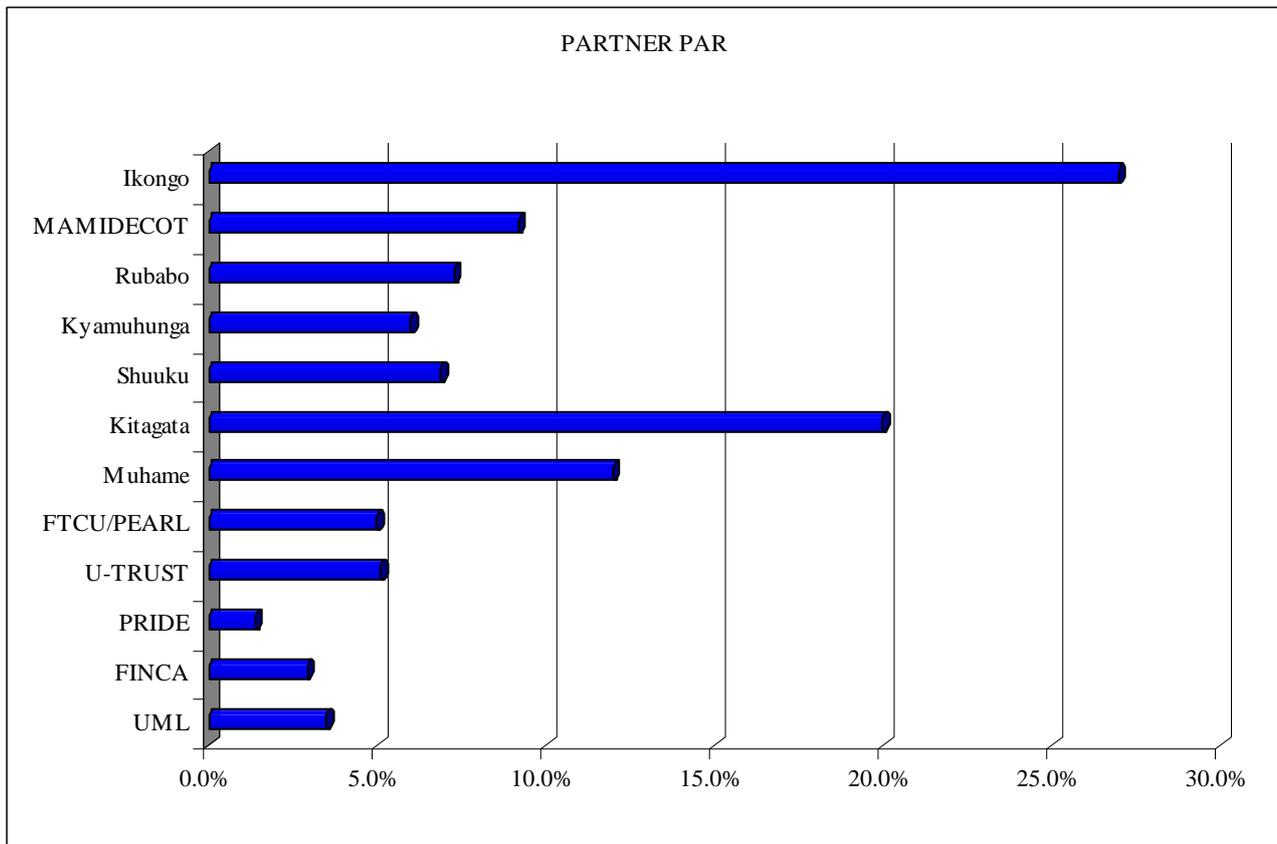
Highlights of performance data for the program as at 31st March 2007 in relation to annual and LOP indicators include the following:

Indicator 1: PAR.

The Weighted Average PAR for all partners is below the 5% target at 4.18%. The partners are positively responding to training provided to encourage appropriately designed products and manage collections. Significant progress has been achieved among the banks, MDIs and MFIs whose individual PARs are all below 4.8%. Notably good performance has been achieved at PEARL where the PAR is 1.4%.

Whereas the banks, MDIs and MFIs have PARs below 4.8%, the SACCOs have higher PARs, as shown in chart 1 below. The elevated SACCO PAR reflects management decisions to carry delinquent loans as active and engage in lenient collections given the challenges in the market for the small businessman. This is particularly true with Ikongo and Kitagata who are presently the poorest performers.

Chart 1: Comparing PARs of SACCOs and Banks/MDIs/MFIs as at 31st March 2007



Indicator 2: The PMT

The updated PMT has recently been completed. The adapted PMT will allow partners to critically evaluate and monitor their own performance, which is a key step towards improving

performance and strengthening their capabilities to provide financial services to their members. It is expected that the partners will start to use the PMT in the next quarter.

Indicator 3: Partnerships Formed

Rural SPEED has formed 22 public-private partnerships since the start of the program. These partnerships are formalized by MOUs or clear agreements with private partners to achieve a common objective. The partnerships are characterized by either a cash or in-kind significant contribution to the effort by both the public and the private entity.

Indicator 4: Number of New Borrowers

The LOP target for number of new borrowers for the program is 77,920. This figure was built upon the original baseline numbers and a rate of growth of 20% in the second program year, and 15% in this the final program year were projected.

Over the last year, program partners have been providing an ever increasing number of loans as well as loans with a shorter duration (Tunda Juba for example is a loan for a maximum of one week). As such, the number of “new” borrowers calculated and submitted by the partners each quarter includes the count for those borrowers who have taken successive loans. Reviewing these numbers and comparing to the goal, LOP targets have been exceeded by over 275%.

In this semi-annual period under review, Rural SPEED partners submitted data totaling 123,818 new borrowers, in six months exceeding the LOP project target of 77,920. Obviously this points to inconsistency in the current method of measurement. As such, in upcoming year/project end analysis, as in year two analysis, the review and numbers presented will not be a summation of the figures reflected by the partners as “new” but rationalized by netting the total numbers of borrowers at the fiscal year end to the three previous years. This will provide a more reasonable comparison with attainment of goals.

For this six month review, a many of partners experienced dramatic growth in lending activity. Centenary Bank posted an increase in new borrowers of 22,420, CMFL 11,474 and Pride Microfinance submitted a figure of 10,219. For the final review of the targets, this overextension of the numbers will be rationalized

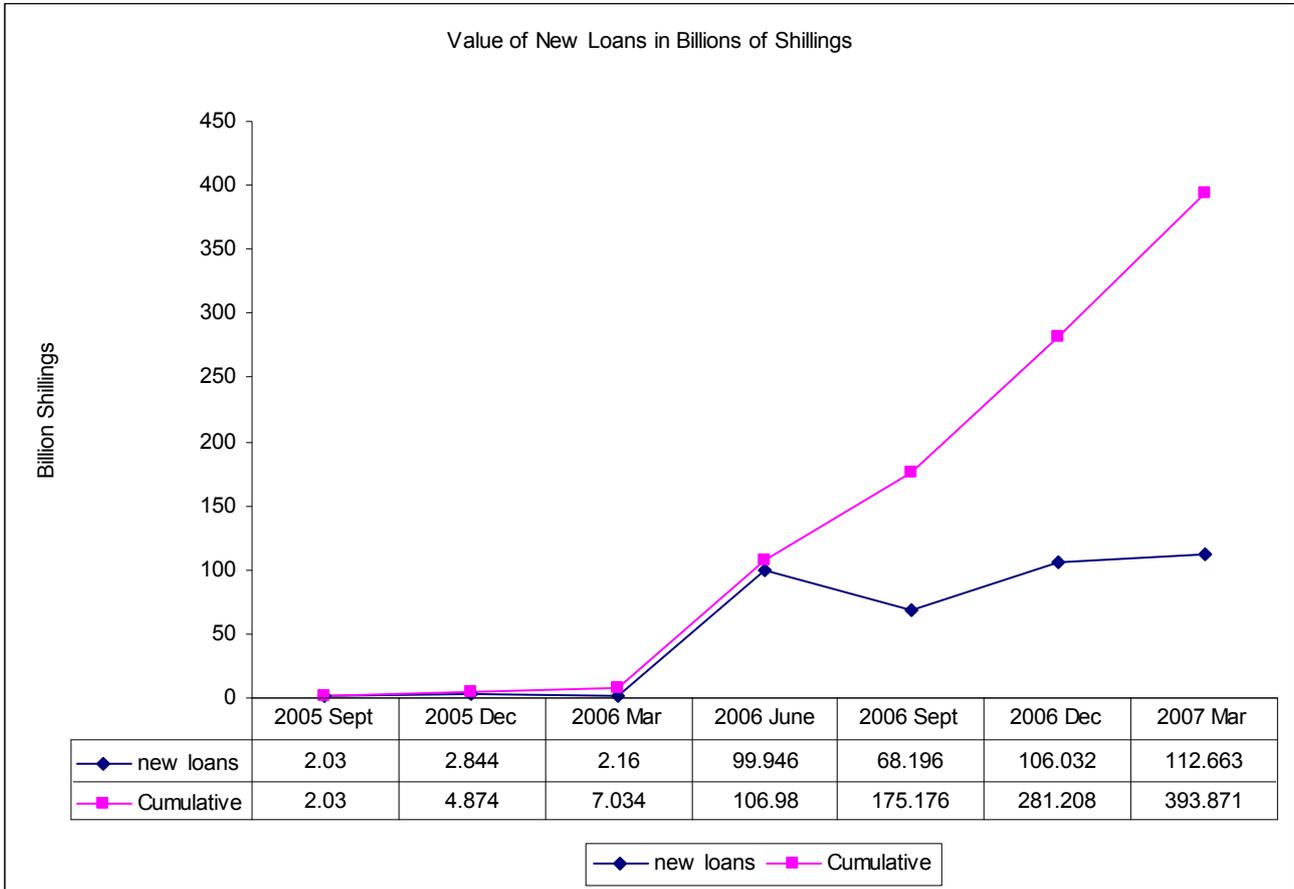
Indicator 5: Value of New Loans

As noted above, the numbers presented by the partners do not form the basis for proper comparison with annual and LOP targets. As such, the same reassessment for year/project end review will be performed.

In the interim however, it is worthwhile to note that the partners have responded favorably to new product development initiatives contributing to this cumulative reported growth of UGX 393,874,106,878 in new loan value.

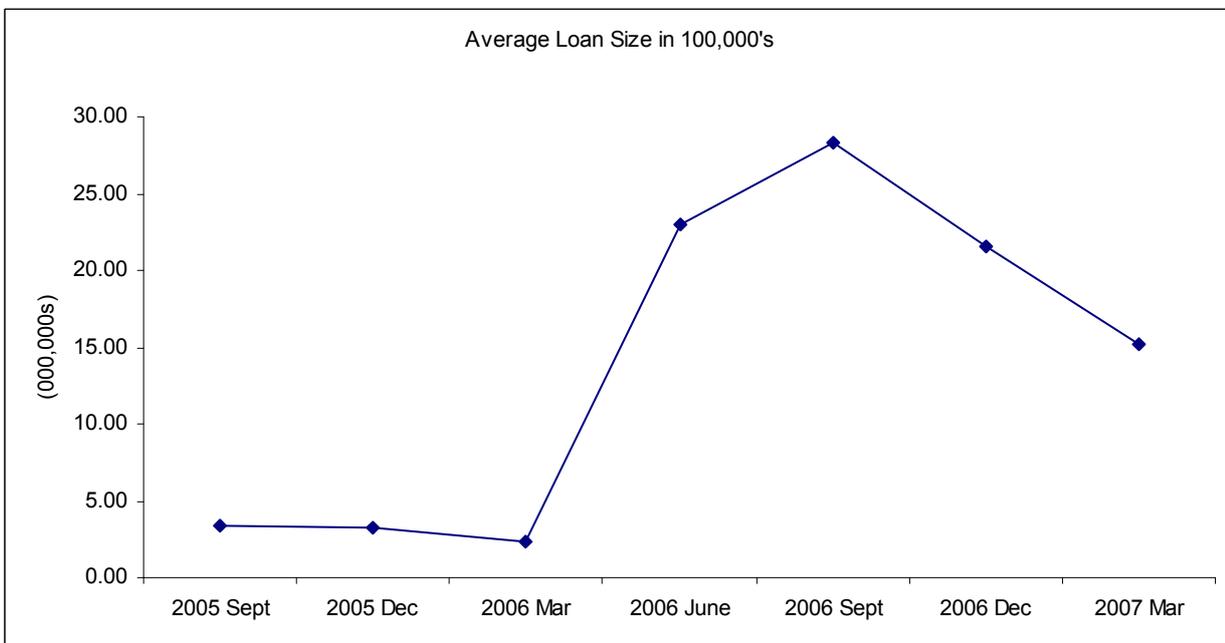
The charts below reflect the partners reported new loans and a calculation of average loan sizes. The large increase seen in June 2006 in part is attributable to the fact that both CMFL and Centenary banks signed MOU joining the Rural SPEED reporting partners, increasing the cumulative reported data.

Chart 2: Number of New Loans September 2005 – March 2007



Of particular interest is the average declining loan sizes shown in chart 3. Again the dramatic jump in June reflects the addition of Centenary and CFML to the reporting data, but after a slight increase in the September reporting numbers, a gradual decrease in loan size has been seen as partners move deeper in the rural areas meeting the smaller credit requirements of clients.

Chart 3: Average Loan Size of New Loans September 2005 –March 2007



Indicator 6: Number of Associations Assisted

Rural SPEED assists associations by proving technical skills through several interventions including training. Rural SPEED has assisted 109 associations exceeding the LOP target of 65 by 44 (67%). In the first and second quarter of 2007, Rural SPEED trained 24 associations including USAID who participated in the poverty assessment tool training from the 26th of February to the 2nd of March 2007.

Indicator 7: Number of Agricultural Firms Assisted

To date, Rural SPEED partners have disbursed loans to 38, 844 agricultural firms, surpassing the LOP target of 25,000 by 155%. Rural SPEED has enabled the mentoring of its partners to encourage them extend loans to agricultural firms. Kyamuhunga received support during this period to expand agricultural loans and of the 641 loans made during the period, nearly 50% were to agriculture concerns.

Indicator 8: Effectiveness of assisted financial institutions.

This is an annual assessment of SACCO partners using the light due diligence tool. Annual partner reviews will take place in July.

Indicator 9: Value of New Agricultural Loans

To date, Rural SPEED partners reported disbursing loans worth 48,071,624,426 Uganda Shillings, surpassing the LOP target of 9,288,406,898 Uganda shillings by 38,783,217,528 (417%). The assessment of this figure will be reworked as for new borrows stated above.

It is worthwhile to note that overall, all partners are reporting a dramatic increase in agriculture lending; lead by Centenary in absolute terms, lending at over 11 billion shillings in the six month period of review followed closely by Kyamuhunga who of the UGX 569,276,850 in total loans 35% or UGX 178,195,000 was in ag loans.

Indicator 10: Linkages

Rural SPEED works towards more formal agreements between financial institutions and other partner organizations, resulting in financial or consultative transactions taking place between the two organizations. Significant achievements have been realized in establishing linkages; 27 such efforts occurred exceeding the LOP target of 10 by 17 (170%).

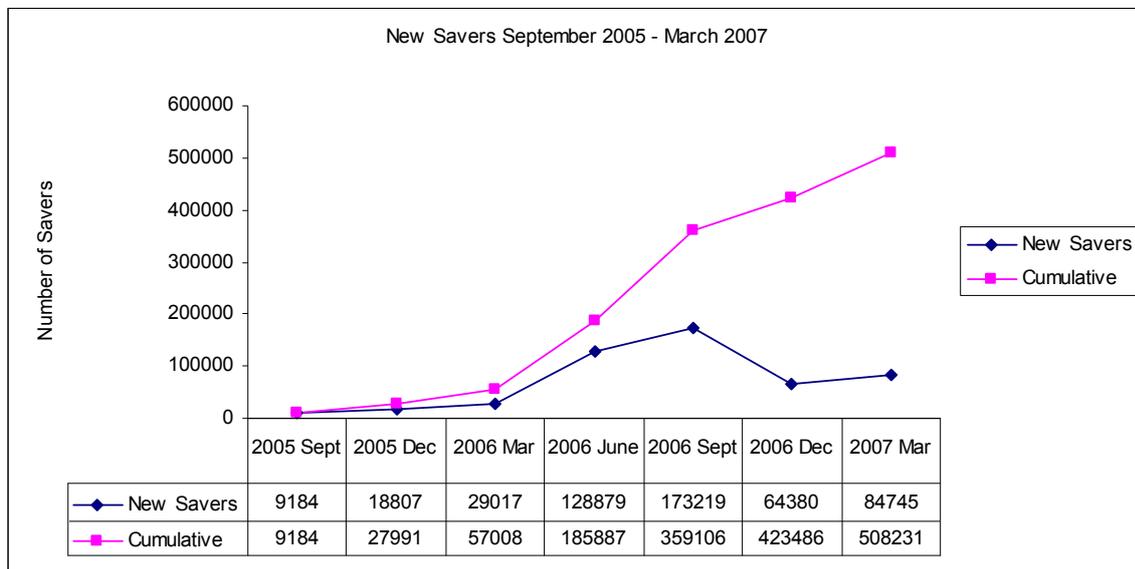
Beyond the typical financial relations such as wholesale funding, the banks have taken a more active interest in supporting the operations of SACCOs. For example, CERUDEB has not only provided training to SACCOs in appropriate methodologies of agriculture training but also has agreed to provide wholesale tea inputs loans to be retailed by Kayonza SACCO. Also, FINCA and UML joined as part of the training team to build capacity of the partner SACCOs in treasury management.

Indicator 11: Number of New Savers

To date, Rural SPEED partners have mobilized savings from 508,231 savers, surpassing the LOP target of 318,091 savers by 190,140 (59%). For example, the number of new savers at partner financial institutions for the period October 2006 to March 2007 was 84,745, surpassing the year 3 target of 71,300 by 13,445. This increment in number of new savers is due to SAF support such as for MAMIDECOT SACCO who conducted a savings mobilization campaign during the quarter adding 6,864 savers to their books. The Rural SPEED savings awareness campaign in 2006 contributed to the growth seen overall in the table below.

The trend in numbers of new savers has been upwards. Rural SPEED continued training and mentoring eight partner SACCOs in savings product development and refinement. With their new and refined products the SACCOs participated in savings mobilization. Chart 5 below shows the upward trend in number of new savers from September 2005 to March 2007. Again the large increase in June is in part to the addition of Centenary and CMFL figures.

Chart 4: Number of New Savers in (000's): September 2005 to March 2007



Indicator 12: Value of Savings

This indicator measures the total value of savings held by clients of financial institutions support by Rural SPEED. It is a measure of the depth of savings mobilization and it complements Indicator 11 to provide a full picture of savings.

To date, Rural SPEED partners have mobilized savings worth 736,371,622,212, surpassing the LOP target of 279,702,305,046 by 456,669,317,166 (163%). This growth is in part directly attributable to the numerous and broad based savings campaigns.

For example, the value of savings realized in the second quarter of 2007 was 278.8 Billion Uganda Shillings, 642% higher than the LOP target of 43.42 Billion. 78% of the savings have been realized from the partnership with Centenary Rural Development Bank, which mobilized a total of 427 Billion UGX in the first half of Fiscal 2007.

Table 2: Products and Mechanisms R&D, Piloted and Rolled Out

Service delivery mechanism/new product	R & D	Piloted	Rolled Out
Indicator Number	19	17 & 18	13
Muhame Tunda Juba loan product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Kyamuhunga ag product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Pearl (formerly Feed the Children) ag product	<input type="checkbox"/>	<input type="checkbox"/>	
UML micro leasing product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
U Trust Low cost housing product		<input type="checkbox"/>	
FINCA village group savings product	<input type="checkbox"/>		<input type="checkbox"/>
FINCA school fees savings product	<input type="checkbox"/>		<input type="checkbox"/>
FINCA "Save as you Earn" fixed deposit savings product	<input type="checkbox"/>		<input type="checkbox"/>
UML "UM-Save" savings product		<input type="checkbox"/>	<input type="checkbox"/>
U Trust "Easy Access" savings product		<input type="checkbox"/>	
U Trust fixed deposit savings product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SIMBA low cost funds transfer system	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Warehouse receipt system financial product		<input type="checkbox"/>	
CMFL Point Of Sale in Mbale Branch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
UML Rushere Agency	<input type="checkbox"/>	<input type="checkbox"/>	
UML Animal Husbandry Loan Product	<input type="checkbox"/>		
TOTALS	12	12	10

Indicator 13: Number of Innovation Roll-Outs

To-date, Rural SPEED has rolled out 10 service delivery innovations and new product developments, surpassing LOP target of 3 by 7. During this six month period, the UML micro-leasing product was rolled out, as was U Turst’s fixed saving product.

Two innovative technologies were also rolled out this six month period, namely, the Simba Cash funds transfer mechanism and the CMF Point of Sale devices. Both are experience a slow by steady consumer approval rating.

Indicator 14: Number of Technologies made Available

This measures the number of agricultural technologies that are made available to rural farmers through leasing operations support by Rural SPEED. For the purpose of Rural SPEED, agricultural technology is defined as any equipment or machinery used in planting, harvesting, sorting, processing/transforming, or packaging of agricultural commodities. This indicator captures the impact that the project has on productivity through the adoption of technology.

To date, Rural SPEED have made 10 technologies available, surpassing the LOP target of 5 by 5 (100%).

Indicator 15: Number of Small Holders Adopting New Technologies

This indicator measures the number of agricultural technologies that have been adopted by rural farmers through Rural Financial Entities supported by Rural SPEED. It captures the demand of agricultural technologies that have been researched and developed. Agricultural technology is defined as an equipment or machinery used in planting, harvesting, sorting, processing/transforming, or packaging of agricultural commodities.

To date, Rural SPEED partners have enabled 2,904 small holders to access new technologies, surpassing the LOP target by 404 (16%). Notable beneficiaries were 870 beneficiaries from UML micro-leasing scheme and the 2,037 members of KACOFA who participated in the wholesale receipt program.

Indicator 16: Number of New Rural Financial Services Delivery Points

This indicator refers to the number of new rural financial service delivery points such as commercial bank branches, MFIs, kiosks, outlet windows at exporters, processors, traders, etc. that are established with assistance from Rural SPEED. This indicator captures the physical extension of financial services.

To date, Rural SPEED has delivered a total of 33 delivery points. Key notables include the 13 Simba outlets for the money transfer service which was launched in March 2007.

Indicator 17: Number of New Service Delivery Mechanisms Piloted

To date, Rural SPEED has piloted three service delivery mechanisms, meeting the LOP. In this period of review, the Simba Cash Transfer system and the CMF Point of Sale mechanism were piloted.

Indicator 18: Number of New Products Piloted

To date, Rural SPEED has piloted nine new products, surpassing the LOP target of 5 by 4. In this period of review, the U Trust fixed savings account was piloted as was the Pearl agricultural loan product.

Indicator 19: Number of Mechanisms that have been R&D

To date, Rural SPEED has R&D 12 products and mechanisms, surpassing the LOP target of 10 by 3. In the period of review, the UML animal husbandry product was developed.

Indicator 20: Number of Persons in Training

To-date, Rural SPEED has trained 1263 people in 35 workshops and thus, has exceeded the LOP target of 750 persons by 513 (68.4%)

Indicator 21: Amount of Resources Leveraged

Rural SPEED has limited resources. It leverages resources of other organizations and partners to contribute to its goal. Therefore the project tracks the value of resources contributed by counterparts in partnerships that involve Rural SPEED or that are supported by Rural SPEED. This includes the market value of in-kind contributions.

To-date, Rural SPEED has leveraged 1,485,809 US\$, surpassing the LOP target of 1,000,000 US\$ by 485,809 US\$ (48.5%) Table 2 below shows the sources of the leveraged resources.

Table 2: Resources Leveraged in the Period October 2006 –March 2007

	UGX	USD
Institution		
CMF	63,965,760	37081.6
Kapchorwa Commercial Farmers' Association	59,938,900	34747.1
Mamidecot	11,088,000	6427.8
Mamidecot	7,675,000	4449.2
Orient Bank	607,423,304	352129.4
Simba Telecom	30,124,750	17463.6
Uganda Microfinance (Leasing)	39,719,000	23025.5
Uganda Microfinance	250,828,122	145407.6
Uganda Finance Trust	47,894,258	27764.7
SAF	658,695,000	365,942
DFID/FSDU	656,500	355
Danida/ASPS	840,000,000	459,016
Danida/ASPS (Leasing Expert Salary)		12,000
Total		1,485,809.8