



Rural SPEED First Annual Report



October 2005

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Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

FIRST ANNUAL REPORT

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ACRONYMS AND ABBREVIATIONS

ABDC Danida	Agro-Business Development Component
ACDI/VOCA	Agricultural Cooperative Development International/ Volunteers in Overseas Cooperative Assistance
ADP	Ankoli Dairy Producers
AIM	The AIDS/HIV Integrated Model District Programme
AIRs	Activity Intermediate Results
AMFIA	Ankore Microfinance Institutions Association
AMFIU	Association of Microfinance Institution of Uganda
APEP	Agricultural Productivity Enhancement Program
ASPS	Agricultural Sector Programme Support (Danida)
ASCAs	Accumulating Savings and Credit Associations
BoU	Bank of Uganda
CERUDEB	Centenary Rural Development Bank
CGAP	Consultative Group to Assist the Poor
CMF	Commercial Microfinance Limited
Danida	Danish International Development Agency
DCA	Development Credit Authority
DFID	Department for International Development (UK)
FEWSNET	Famine Early Warning Systems Network
FI	Financial Intermediary
FINCA	Foundation for International Community Assistance
FSDU	Financial Services Deepening Project
GIS	Geographic Imaging Systems
GOU	Government of Uganda
GTZ	German Development Program (Deutsche Gesellschaft für Technische Zusammenarbeit)
IDEA	Investment in Developing Export Agriculture
IR	Intermediate Results
IT	Information Technology
KRA	Key Result Areas
LOL	Land 'O Lakes

MDIs	Micro-Deposit taking Institutions
M&E	Monitoring and Evaluation
MEDNET	Micro Enterprise Development Network
MFI	Microfinance Institutions
MIS	Management Information System
MOP	Microfinance Outreach Plan
MOFPED	Ministry of Finance, Planning and Economic Development
MOU	Memorandum of Understanding
MSMEs	Micro, Small- and Medium-sized Enterprises
PMT	Performance Monitoring Tool
POs	Producer Organizations
PEAP	Poverty Eradication Action Plan
PMP	Performance Monitoring Plan
PRIME	Productive Resource Investments for Managing the Environment project
PSDP	Private Sector Development Programme
R&D	Research & Development
RATES	Regional Agriculture Trade Expansion Support Program
RFEs	Rural Financial Entities
Rural SPEED	Rural Savings Promotion & Enhancement of Enterprise Development
SACCOs	Savings and Credit Cooperative Organizations
SAF	Strategic Activities Fund
SCOPE	Strengthening Competitiveness of Private Enterprise project
SO	Strategic Objective
SPEED	Support Private Enterprise Expansion and Development
STTA	Short-Term Technical Assistance
SUFFICE	Support to Feasible Financial Institutions and Capacity Building Efforts
TERUDET	Teso Rural Development Trust
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Cooperatives and Savings Credit Union
UFT	Uganda Finance Trust
UGAFODE	Uganda Agency for Development
UGT	Uganda Gatsby Trust

UML	Uganda Microfinance Ltd. (formerly UMU)
UNDP	United Nations Development Program
U-TRUST	Uganda Finance Trust
WFP	World Food Program

INTRODUCTION

Rural Savings Promotion & Enhancement of Enterprise Development (Rural SPEED) is a three year USAID funded program whose objective is to deepen and strengthen Uganda's financial sector in response to rural sector demand for financial services. Beginning operations in January of 2005, Rural SPEED committed the first nine program months to identifying the strategies, laying the ground work and identifying and strengthening partners for implementation. Based on the analyses performed and partners identified, Rural SPEED focuses on increasing and strengthening access to financial services for the rural communities of Uganda by adopting an integrated approach that will promote synergies with other donor programs and program partners to leverage more meaningful impacts. Program approaches are demand driven and systematized to yield sustainability.

This first annual report covers the period January 3-September 30, 2005.

PROGRESS BY ACTIVITY INTERMEDIATE RESULT (AIR)

1 AIR 1 Increased Access to Rural Financial Services

Within this AIR, Rural SPEED is tasked with facilitating and enabling the expansion of saving, credit and agricultural finance products and services into Uganda's rural areas. During this operating year, key tasks were completed which serve as foundation blocks for the subsequent years. While the profile of Uganda's financial intermediaries has grown admirably in recent history, rural finance as a part of the larger profile has not grown appreciably. In achieving AIR 1, Rural SPEED addressed this deficit in growth by implementing activities in three key results areas.

KRA 1.1—Capacities of RFEs to Provide Agricultural and Non-Agricultural Financial Services Increased

KRA 1.2—Strategic Partnerships between Financial Institutions Strengthened

KRA 1.3—Savings Mobilization Increased.

1.1 Capacities of RFEs to Provide Agricultural and Non-Agricultural Financial Services Increased

Strategy. Activities in this KRA focused on demystifying rural finance for regulated (mostly urban focused) financial institutions, promoting venues for increasing financial service delivery and providing positive incentives to deepen financial services in rural areas. By designing and launching innovative tool kits to assess and manage risks while complementary workshops promote the viability of rural finance opportunities, financial institutions are beginning to see the opportunities for rural, specifically agricultural finance. Great strides were also made in improving financial management skills and governance competencies of Tier 4 member-based organizations.

1.1.1 Promote a better understanding of the risks and benefits of agricultural finance:

Under this activity, Rural SPEED executed multiple interventions including the mapping all of the financial transactions along the value chain for three major agricultural commodities; a major intervention in training rural SACCOs in agricultural loan product design; and other smaller activities including training agricultural loan officer recruits for Centenary Bank; conducting a roundtable

discussion addressing financing opportunities in agricultural finance for banks and MDIs; and participation with both governmental and donor actors in drafting the *Improving Financial Services for Agriculture* report sponsored by SIDA, GTZ and the Bank of Uganda.

The commodity mapping exercise collected cost and revenue data for all transactions from input supply to terminal marketing for cotton, maize and sunflower. On the basis of these maps, diverse financial services opportunities were identified. Rural SPEED is currently working with financial intermediaries to promote business opportunities in these sectors wherein the risks can be mitigated and profit opportunities maximized. Such opportunities include: 1) development of a price insurance product for maize producers; 2) development of a warehouse receipts system for maize purchasing for World Food Program (WFP); 3) structured credit for sunflower producers growing under contract for Mukwano Industries; 4) promotion of lending to input suppliers and transporters of cotton by local SACCOs.

However, it is clear that certain low risk agricultural lending opportunities remain uninteresting to banks and MDIs, in spite of their high return/low risk profile. This is particularly true in considering the structured finance for Mukwano outgrowers where banks and MDIs seem too risk averse to or unfamiliar with, the opportunity. In year two, Rural SPEED will pursue the possibility of putting in place a SACCO to service outgrowers' saving and borrowing needs. Further, efforts to link DCA approved lenders who, by the inherent operations of the DCA program have their exposure reduced by half, will be explored.

The agricultural training program for SACCOs, for the first time in their existence, brought the managers and loan officers through a structured exercise in identifying risks in lending, costing strategies for managing those risks, developing a loan product with adequate interest and proper structure to cover the costs of managing the risk, comparing the interest rate of their loan product to the return on investment for farmers, and determining if such lending made sense and under what conditions. Prior to this, interest rates on loans were being set to be competitive with other lenders but *were not* in anyway scientifically determined. Through this training, it is expected that agricultural lending by SACCOs will expand.

Rural SPEED actively participated on the Agricultural Finance Sub-Committee at the Plan for the Modernization of Agriculture and as such has influenced the policy agenda of the GoU with a preference toward private sector solutions, practical and achievable ideas, and prudent regulation.

In addition, Rural SPEED, with other donors, has been actively engaged in multiple policy discussions including: influencing prudent regulation of Tier IV institutions; critiquing and mitigating the negative impact of promotion of government sponsored rural financial institutions; and assisting AMFIU's lobby effort to dissuade the Ministry of Finance, Planning and Economic Development from imposing interest rate caps on MFIs, MDIs and SACCOs.

Benchmarks 1.1.1	Actual	Progress
Three financial maps for commodity supply chain completed	Commodity Maps for Cotton, Maize and Oil Seeds completed	100% achieved
Two training workshops with financial institutions completed	Workshop held in May for Centenary Bank loan officers. Two workshops held in Kabale and Mbarara in September for SACCO loan officers	150% achieved

1.1.2 Improve governance and financial management skills:

The Bank of Uganda recently made clear that traditional MFIs (as opposed to SACCOs and MDIs) are not authorized to mobilize and/or intermediate savings. This effectively meant that many existing rural saving services would be eliminated. Rural SPEED had, even before these policy revelations, been forging an active relationship with the Commissioner of Cooperatives. When the BOU released its statement forbidding MFIs from engaging in savings, Rural SPEED immediately went to work collaboratively with the Commissioner to develop a brochure explaining in precise detail the implications of this policy shift and the necessary steps an MFI must take if it wants to convert to a SACCO. This brochure was published and widely distributed by Rural SPEED on the behalf of the Cooperative Commissioner and has helped many rural MFIs to refocus and apply for registration as SACCOs in complete compliance with current policy.

More recently, the Ministry of Finance, Planning and Economic Development has taken a very active stance in promoting the development of rural SACCOs and bolstering the importance of the office of the Commissioner of Cooperatives. Rural SPEED has used its key relationship with the Commissioner to bring the rationale of market driven SACCOs (versus government driven SACCOs) to the attention of the Ministry and to keep a dialogue open.

At the inception of the program, the level of sophistication of Ugandan SACCOs was unknown. Following a comprehensive analysis of potential SACCO partners and their eventual selection, Rural SPEED conducted an informal survey identifying their training needs; Governance and further development of financial management skills were identified as top priorities.

Led by an array of international experts, multiple workshops, trainings and mentoring sessions were held with Tier IV institutions to build their institutional capacities. In addition, Rural SPEED developed, with donor and banking sector partners, a low cost due diligence tool to quickly assess the financial management and governance strength of Tier IV institutions.

Rural SPEED hosted two series of workshops for 37 SACCOs, each covering topics of appropriate governance as well as accounting, portfolio management and financial analysis. For Rural SPEED's ten partner organizations, these workshops were

followed by comprehensive mentoring on these topics. The management and boards of these SACCOs participated in the mentoring session.

In addition, Rural SPEED supported rural MFIs with in depth training in individual lending for Feed the Children and delinquency management for FOCCAS (please refer to summary on page 21).

With an ad hoc committee of accountants, auditors and representatives from various donor projects and financial institutions, Rural SPEED contracted the development of a *Light Due Diligence* tool. This tool quickly assesses and localizes strengths and weaknesses in a Tier IV institution's financial management systems and governance structure. The tool can be executed in half a day and costs about \$250 to administer. It compared closely and favorably with a full audit performed on one institution as a test case, which required one week and \$2,000 to complete. The impact of this tool is far reaching. SACCO members will benefit from low cost independent opinions of their management, banks will benefit from a low cost first opinion of potential linkage partners and donors will benefit from a low cost assessment of Tier IV institutions' capacities. In fact, all of these actors have embraced and committed to use this tool.

Rural SPEED used this tool to assess its potential Tier IV partners to insure that those organizations were the appropriate recipients of Rural SPEED's in-depth capacity building activities. With only one exception, each was found to be an appropriate choice. The SACCO that did not qualify was found to have been registered inappropriately and further support was suspended until this incongruity remedied.

Benchmark 1.1.2	Actual	Progress
100 Tier IV representatives having attended governance and financial management workshops	Through two series of workshops covering governance in July and financial management in September 130 Tier IV representatives were trained.	130% achieved
10 Tier IV institutions audited	In August ten Tier IV institutions underwent a <i>due diligence</i> audit designed by Rural SPEED.	100% achieved

1.1.3 Adapt and disseminate the Performance Monitoring Tool (PMT):

The Performance Monitoring Tool is a spreadsheet-like program developed under the SPEED Project to generate ratios, statements and facts to assist MFI managers, and donors who support them, to better understand the financial position of the institution. Initially, the PMT was viewed as a donor-reporting tool but consensus has shown that it can be adapted to better meet the specific needs of MFI managers. During this reporting period, a technical working group between AMFIU, GTZ and Rural SPEED was formed with terms of reference to interview all PMT consumers, develop a design based on their needs and preferences (with a strong bias towards improving user friendliness), design the new PMT version, review the design with users and then program the prototype.

Consensus building among consumers of this tool proved more onerous than expected. While all key users have had their preferences catalogued, the prototype

design was delayed to November 2005. Following this the other key tasks of reviewing the design, programming and roll out of the tool will take place immediately.

Benchmark 1.1.3	Actual	Progress
Design of the adaptation of the PMT validated	A technical working group was formed; 24 users and all donor consumers were surveyed; adapted design outlined.	85% achieved

1.1.4 Promote Access to Development Credit Authority (DCA) programs:

Presently Rural SPEED is overseeing the promotion of the three Development Credit Authority programs: Multi Institutional Program I, Multi Institutional Program II, and the Collateral Management Program.

1.1.4.1 Multi Institutional Program I

The seven bank program was launched in early 2002 and intended to strengthen the ability of the banks to finance loans to businesses in targeted sectors in the Uganda economy, thereby stimulating economic growth. Specifically, the objective of the program is to encourage banks to lend to new clients and sectors, particularly clients in the SME and agriculture sector. MFIs are also targeted since traditionally MFIs have found it difficult to access finance from the commercial banks. Launched under the SPEED project it was inherited by the Rural SPEED project.

To date \$22.5million of the available \$26.5million has been utilized in 256 loans to different sectors of the economy. Four claims from three banks have been made with payouts amounting to \$193,000 made. Three of the participating banks (CERUDEB, Nile and Standard Chartered) have exhausted their allowance, and the fourth (Stanbic) is almost at its limit (refer to the table below for specifics).

Multi Institutional DCA Program I Summary

Bank Name	Portfolio Facility in \$US	Number of loans	Value of loans in \$US	% Usage	Portfolio to Agriculture by value	Portfolio to SME by volume	Average size in \$US
Allied Bank International	2,000,000	23	1,491,296	74.56%	291,040	12	64,839
Barclays Bank	5,500,000	16	2,613,919	47.53%	1,325,176	4	163,370
Centenary Rural Dev't Bank	5,520,000	140	5,515,970	99.93%	1,832,524	104	39,400
Citibank Uganda	500,000	1	278,552	55.71%	-	-	278,552
Nile Bank	3,000,000	32	3,005,329	100.18%	227,081	19	93,917
Stanbic Bank	6,000,000	15	5,597,261	93.29%	4,597,261	-	373,151
Standard Chartered Bank	4,000,000	29	3,999,984	100.00%	1,089,833	18	137,930
Total	26,520,000	256	22,502,311	85%	9,362,916	157	87,900

The success of the program has been a result of the flexibility in the program design and the different strategies the banks have applied in its implementation. While some

have used it to go up market from their traditional micro clients (Centenary Bank), or to go down market from the tradition corporate clientele (Standard Chartered), or to agriculture processing (Stanbic), others used it to consolidate their position in the SME sector by using the program to design more innovative products (Allied and Nile). The program was also used by Standard Chartered and Nile to venture into wholesale lending to micro finance, which has now become a growing component of their portfolios.

While agriculture processing has remained the single biggest beneficiary of this program by value, with over \$9million (constituting 41% of total usage), trade and commerce has been the biggest beneficiary by volume with 157 loans (constituting 61% of total usage). The average size of trade and commerce loans is less than \$50,000 indicating it has been mainly benefited the SME sector as originally intended.

1.1.4.2 Multi Institutional Program II

The second multi institutional five bank program was launched in May 2005. It is intended to strengthen the financial institution's ability to finance loans to businesses in Uganda's commercial and agricultural sectors, by increasing access to finance for rural micro-, small-, and medium commercial and agricultural enterprises (MSMEs), thereby stimulating economic growth.

The facility is being used, with the Strategic Activities Fund (SAF), to enhance access to financial services in rural areas. This is specifically achieved by encouraging the partner banks to design new and innovative initiatives targeting the rural areas with the support of the SAF, and using the DCA to give them the added level of comfort in the roll out of the products.

All five financial institutions taking part in this program signed their agreements. Two (Centenary and Nile) have already started using the facility with a current total usage of \$1.74million by value and 55 loans by volume. A delay in signing the agreements and a change in staffing has delayed usage by both Stanbic and Standard Chartered.

New to the program was the first DCA approved MFI in the region, Uganda Microfinance Limited (UML). A training seminar was carried out at UML, who are expected to commence utilization soon.

Multi Institutional DCA Program I Summary

Bank Name	Portfolio Facility in \$US	Number of loans	Value of loans in \$US	% Usage	Portfolio to Rural by value	Rural Portfolio by volume	Average size in \$US
Centenary Bank	3,000,000	48	993,304	33.11%	291,040	12	20,694
Nile Bank	4,000,000	7	742,013	18.55%	1,325,176	4	106,002
Stanbic Bank	2,750,000	0	0	0.00%	1,832,524	104	-
Standard Chartered Bank	4,000,000	0	0	0.00%	-	-	-
Uganda Micro Finance Ltd	2,000,000	0	0	0.00%	227,081	19	-
Total	15,750,000	55	1,735,317	11%	3,675,821	139	31,551

As can be seen in the table above, already almost 50% of the facility both by value and volume is being utilized in rural areas by the active banks and average loan size

has reduced to \$31,000 compared to \$89,000 in the first program as the banks target smaller MSME's in rural areas.

1.1.4.3 Collateral Management Program

The third program is a three bank program launched in late September 2005 and is intended to strengthen the bank's ability to finance loans to business in Uganda's commercial and agricultural sectors, by increasing access to working capital finance by grain traders, exporters, millers, producer organizations and farmers through the short term financing of commodities that are backed by warehouse receipts issued by third party, internationally recognized collateral managers, thereby improving liquidity in the grain trade and stimulating economic growth

The program was designed in collaboration with the APEP program and will be managed by Rural SPEED. It will also support the Rural SPEED activities with World Food Program specifically intended for the maize traders to help stabilize the farm gate prices, improve the quality and consequently increase the quantity that will then be marketable beyond the Uganda borders in an organized form

A seminar was held at the Rural SPEED offices for officers of the participating banks and all the three participating banks (Barclays, Stanbic and Standard Chartered) have since signed and are awaiting the season to start usage.

Benchmark 1.1.4	Actual	Progress
Collateral Management DCA Program Approved	Collateral Management DCA Program Approved	100% achieved

1.2 Strategic Partnerships between Financial Institutions Strengthened

Strategy. The strategy to promote and support formalization of the linkage-banking concept among regulated and non-regulated financial institutions is based on the comparative advantage of the different partners each benefiting from the partnership arrangement. Initially, it was believed that a top down approach would be taken by working with the regulated institutions to promote the benefits of downward linkages. However, it quickly became apparent that, due to the limited sophistication of the downstream partner, particularly SACCOs, a bottom up approach was adopted. This change in strategy particularly affects the benchmarks and indicators for linkages (see section 1.2.1).

1.2.1 Establish Demand for Linkages:

During this reporting period several banks and MDI's directly expressed their interest in partnering with Tier IV institutions. In order to build on this interest, it was essential to better understand the regulatory environment and the Tier IVs themselves. Through consultation with the Bank of Uganda (BoU), Rural SPEED clarified what types of linkage relationships the BoU would forbid, those it would allow and those it would consider case-by-case. Rural SPEED learned that any relationship with any MFI where the MFI is managing savings in any capacity (i.e. for a bank, SACCO or

MFI) is strictly forbidden. Any relationship where SACCOs or MFIs retail MDI or Bank financial products through co-branding is also strictly forbidden. Bank of Uganda permits linkage relationships between SACCOs and MDIs and/or banks where SACCOs mobilize members' savings and deposit with regulated institutions and also borrow from regulated institutions. Other relationships, such as mobile banking, opening of mini-branches within other businesses, etc., BoU will consider case-by-case within the framework of the existing laws. Rural SPEED, and other projects, is now equipped with knowledge to make informed decisions vis-à-vis regulators when promoting linkages.

Through direct research on Tier IVs it was discovered that although many are profitable, they are not sound. This is due, in part, to the fact that there is neither competition to drive the weak institutions from the market, nor is there enforced regulation to guarantee the safety of depositors' and lenders' assets.

Given this reality, Rural SPEED did not want to encourage or appear to endorse linkages that were not based on sound institutions. Therefore, a strategic shift was undertaken to work closely with the best Tier IVs to elevate them to a bankable standard and then work with both the Tier IVs and the banks to understand one-another's business and, finally to facilitate logical and sound linkages. This change in strategy impacts the benchmarks associated with this activity. The benchmarks have been carried forward into the 2006 operational year.

Benchmark 1.2.1	Actual	Progress
One Study Tour for regulated financial institutions and Tier IV partners completed		0% - Activity postponed
Four Site Visits with regulated institutions and Tier IV partners conducted		0% - Activity postponed

1.2.2 Support Financial Institution Partners with Comparative Advantages for Linkages:

During this reporting period, Rural SPEED developed a selection tool for choosing partner institutions. This tool analyzed key criteria such as outreach, financial strength and management capacity. Forty SACCOs, ten MFIs and three MDIs were evaluated using these criteria. From these results, Rural SPEED decided to partner with ten strong SACCOs, five MFIs and two MDIs based on their strength and appropriateness for linkage relationships. Memorandums of Understanding (MOUs) were executed with each institution specifying the roles and responsibilities of each partner.

In June of this period, Bank of Uganda issued an edict stating that MFIs could no longer mobilize or intermediate deposits. This statement was brief and broad and needed clarification which was sought collaboratively with other donors such as the EU, the World Bank and DFID. After clarification, it became obvious that MFIs can

not mobilize voluntary saving on any level which rendered our five MFI partners inappropriate for both linkage banking and savings activities.

Benchmark 1.2.2	Actual	Progress
Ten Tier IV Partners Selected	Ten Tier IV Partners Selected and MOUs signed	100% achieved

1.2.3 Promote Wholesale Lending:

As explained above under section 1.2.1, implicit weaknesses were discovered within the Tier IV sector. This led to a revised strategy to first build the strength of selected Tier IVs and then partner them with regulated banks and MDIs. As such, activities to actively promote wholesale lending to Tier IVs were scaled back. However, under the DCA program, Rural SPEED did manage to find a unique opportunity to facilitate a wholesale loan between Nile Bank and Commercial Micro Finance, a strong Tier II financial intermediary.

Benchmark 1.2.3	Actual	Progress
Four new wholesale loans extended	One wholesale loan extended from Nile Bank to CMF under the DCA program.	25% achieved

1.3 Savings Mobilization Increased

Strategy. Uganda has one of the lowest savings rates in East Africa. To improve the savings rate, Rural SPEED initially approached the demand side of the equation completing a comprehensive market assessment of the habits, needs and priorities of rural Ugandans. This broad study has formed the basis for future interventions of the program with regard to increased savings mobilization.

1.3.1 Facilitate Development of Savings Services:

To leverage and build on local and regional experience, a strategic relationship with MicroSave, a recognized leader in technical assistance for savings mobilization was established. Rural SPEED, collaboratively with MicroSave, developed a survey questionnaire to assess Rural Ugandans' needs, priorities and saving habits. This questionnaire became a foundation block in the Rural SPEED sponsored nationwide survey of rural savers.

As a result of the saving study and its subsequent workshops presenting the findings and opportunities for savings outreach, Rural SPEED is currently working with four separate partners (UML, FINCA, Kyamuhunga SACCO, and Ikongo SACCO) on the development of new savings products.

Benchmark 1.3.1	Actual	Progress
Strategic Partnership with MicroSave established	Partnership is in place	100% achieved
One Savings Product developed or refined	Four new savings products currently under development	75% achieved

1.3.2 Promote Savings Mobilization Strategies:

Promoting the results of the rural savings market assessment to establish rural savers' needs, priorities and habits (see section 1.3.3) assessment, savings expert Madeline Hirshland lead workshops in Mbarara and Kampala to present the results of the study, relate it to global experiences and challenge participants to consider and report out on appropriate savings strategies in the following areas: promotion, accessibility, security and product development. Over 75 participants from SACCOs, MFIs, MDIs, banks, donor programs, and the government (including Bank of Uganda) worked together to design Uganda specific approaches to help increase savings mobilization. Rural SPEED and its program partners will build on the knowledge gained to tailor its activities to meet the needs of the market as identified by those who are working to develop the market. Ms. Hirschland also mentored four Rural SPEED partners vis-à-vis their savings approaches and paved the way for future Strategic Activities Fund (SAF) interventions (see section 3.2.4 SAF).

In addition to facilitating workshops, and mentoring partners, the consultant further assisted Rural SPEED in developing its strategy for the coming project year. Based on in depth discussions with the MDIs, and given their relative novice status in mobilizing and managing savings, Rural SPEED will be focusing efforts beyond simple product development toward treasury and asset-liability management within the MDIs. Rural SPEED will continue its fundamental work with SACCOs in this area.

Benchmark 1.3.2	Actual	Progress
Two roundtable/seminars held	Two roundtables for rural focused savings institutions were held in Mbarara and Kampala in September disseminating the savings study findings.	100% achieved

1.3.3 Incentivize Savings Products:

Given Uganda's status of having one of the lowest savings rates in the world, a country wide market study identifying habits, needs and priorities of current and potential savers was undertaken. This study covered a quantitative review of rural clients' and non-clients' responses; a qualitative (focus group) review of savers' priorities; and, interviews of rural financial intermediaries to assess their current product mix and their understanding of their existing and potential clients.

The saving study revealed the following key facts:

- 80% of rural Ugandans save in cash or in kind.
- The most common reasons for saving are planning for medical emergencies, school fees and unforeseen problems.
- 80% of rural Ugandans have an income generating activity.
- Accessibility to saving and security for saving were very high priorities for rural savers.
- Access to credit and positive interest rates were not priorities for rural savers.
- Men save as much or more than women.
- There are significant numbers of un-banked large savers.
- There are huge numbers of un-banked small savers.
- Many people don't save as a result of not understanding or valuing saving and this can be corrected with simple promotion and education.
- The highest un-banked saving capacity is in northern Uganda.
- The major impediment to saving was fees imposed by financial institutions.

Not only is this study the foundation upon which Rural SPEED will be building its future partner interventions, but the Consultative Group to Assist the Poorest (CGAP) not only published this on their savings website but are using it as the basis for a country wide study on savings.

Benchmark 1.3.3	Actual	Progress
One report on strengths and weaknesses of existing savings products and possible remedies completed	The savings study report was completed in July. Workshops presenting the finding were held in September.	100% achieved.

2 AIR 2 Increased Innovation to Products and Service Delivery Mechanisms

Rural SPEED is charged with increasing access to and usage of financial services by Uganda's rural population and has explored methodologies to combine innovative service delivery mechanisms with improved products that leverage these new delivery mechanisms. Employing a five stage process to manage innovations with its partners, Rural SPEED has paved the way for many innovative service delivery mechanisms going forward. Addressing the need for products and service delivery innovations, Rural SPEED implemented activities in three key results areas.

KRA 2.1 Service Delivery Mechanisms Expanded

KRA 2.2 New Products Developed

2.1 Service Delivery Mechanism Expanded

Strategy: Rural SPEED, in searching for suitable implementation partners willing to consider innovative delivery of financial services, has had to challenge the status quo mindset of Ugandan financial institutions. The program's strategy to this end has been to:

- Establish a favorable reputation of the project in the minds of potential collaborators, and then to:
- Use established goodwill to gain entry and follow up with institutionally specific discussions of options for expanded reach into the rural areas.

The intended result of this strategy is to cause the institutions to shift their focus off the conventional branch model for just long enough to complete an innovation oriented concept note requesting funding from Rural SPEED's Strategic Activities Fund.

Results are starting to emerge, though they have been somewhat longer in the making than had originally been envisioned. There are several reasons for this, of which two are worth noting:

1] Presently the licensed retail banking institutions (particularly those with head offices outside of Uganda) have limited incentive to do anything other than accept deposits and on-lend them to the Government of Uganda (in the form of T-bills) and have limited interest in exploring the vast rural market; and

2] The only licensed institutions, it seems, with a strong incentive to creatively approach rural service delivery are the MDIs aggressively looking to tap new markets for deposits in order to lower their cost of on-lending capital. However, their very recent receipt of BOU licenses has meant their managerial focus has been on post transformation compliance and beginning to implement savings strategies within their existing network outlets.

However, in light of these challenges, Rural SPEED continues to encourage financial intermediaries to consider the benefits of innovative and rurally focused delivery mechanisms. For it is only with the adoption of such ideas that the regulated financial institutions can reach new rural markets in a profitable and sustainable way.

Following is a summary of the activities within KRA 2.1 and the identified benchmarks followed by a brief of the activities with each of Rural SPEED's partner institution.

2.1.1 Assess Needs and Identify Innovative Product- and/or Service-Delivery Mechanisms (PSDM) with R&D Potential

In the project's nascent stage, Rural SPEED was able to relatively quickly find a way to promote development of innovative approaches and cost effective solutions to increase access to rural finance. Taking advantage of the presence in Uganda of Dr. Sandeep Chatterjee in early March of this year (Dr. Chatterjee is an MIT PhD and a world authority on the building of wireless networks for financial transactions – and the architect of the RTS solution piloted in Uganda by Hewlett Packard with USAID support), Rural SPEED organized a seminar titled: “**The Role of Telecommunications in Enabling Rural Financial Services-The Ugandan Perspective**”. Invitations were sent to senior management from all commercial banks, MDIs and MFIs with any potential for a partner opportunity. Turnout was very good with over eighty senior banking and industry people attending.

Building on this technical seminar, a high level presentation of innovative ideas was developed including: mini-branch access points, electronic funds transfers via SMS,

cashless wholesale markets, linking of Tier 4 institutions with commercial banks' MISs for product and service delivery mechanisms and began meeting with the potential partner institutions to present these ideas and to solicit feedback, all with a view towards developing MOU relationships supporting the Rural SPEED mandate. A summary of the activities current underway begins on page 14.

Benchmark 2.1.1	Actual	Progress
Three partner institutions with strong opportunities for innovate product- and or service deliver mechanism identified	UML FINCA CMF DFCU SIMBA Telecom	166%

2.1.2 Research and Develop Innovative PSDM with Pilot Potential

Following the identification of partner institutions with an interest in developing innovative delivery mechanisms for products and services, Rural SPEED began the necessary and important step to articulate an institutionally specific business case for developing a new product and service delivery mechanism.

The first step was to develop an extended version of the initial concept sketch, typically in the form of a flow chart style diagram showing with arrows and boxes the flows of funds and services amongst the stakeholders in the process.

The flow chart was then used to communicate the novel idea to the various levels of managers within the organization to create awareness for the idea but also to identify possible road blocks. Following this initial and often times lengthy communications step, a more detailed financial model is prepared, both to understand the implementation cost structure as well as to better gage the operating costs, revenue potential, margins and break even volume of business.

Implementation of the above structured approach ensures that ideas for new delivery mechanisms have proper executive sponsorship and also that Rural SPEED's technical staff does not spend needless time trying to understand the details of the institution's cost structure until and unless the overall concept has been accepted by the institution.

Benchmark 2.1.2	Actual	Progress
3 implementation business cases prepared	UML – Mini branch access point for dairy farmers in Rushere areas SIMBA Telecom – Funds Transfer System	66%
GIS conceptual architecture prepared	MOPFED – Rural finance reporting system	100%

For details regarding PSDM developments, please refer to partner details on page 14.

2.1.3 Pilot new product and service delivery mechanisms

Though implementation partners have been successfully identified for development of innovative product and service delivery mechanisms the pilots of these have yet to begin,

It is expected that in the coming period pilots will start for SIMBA Telecom's funds transfer system as well as for UML's low cost access point serving the dairy farmers and others in the Rushere area.

The benchmark for R-SURF data collection activity (for the Ministry of Finance GIS system) was never started as the activity was abandoned at the concept stage.

Benchmark 2.1.3	Actual	Progress
Two pilots initiated	(2 pending)	0%
R-SURF configured with data entry initiated.	Activity abandoned for lack of sustainable support from MOPFED	0% (terminated)

The following table summarizes the stage of development with each of our identified implementing partners:

<i>Institution</i>	<i>Status</i>
SIMBA Telecom	MOU, Business Case, SAF approved
UML	MOU, Business Case, SAF approved
FINCA	Initial discussions
CMF	Initial discussions
DFCU	Initial discussions
MOPFED	Terminated

Following is a brief update on partner specific activities:

SIMBA Telecom - Receiving monies via funds transfers from relatives in Kampala and other larger communities is a common type of transaction for people living in the rural areas of Uganda. Present solutions, such as Western Union or putting monies in an envelope to be delivered via a regional bus service, are either expensive or perceived to be risky.

SIMBA Telecom owns and operates a retail network with 43 company owned stores and over 1600 sub dealer outlets which sell and distribute prepaid mobile phone airtime for MTN. This close association with MTN also gives them a good and well trusted branch alliance. SIMBA has requested that Rural SPEED, through its Strategic Activities Fund, develop a small database driven transaction system that will allow secure, convenient and rapid funds transfer between SIMBA's retail outlets for relatively low cost.

A business case was prepared for implementation of a funds transfer system covering 20 rural outlets. Assumptions of average transfer amount of UGX 25,000.00 with a commission charge of 4.5% show a break-even of 28 transfers per outlet per day. An informal request from Rural SPEED's contacts at BOU has indicated that no license is required to conduct funds transfers inside of Uganda. A legal opinion has been sought through SIMBA's corporate counsel to identify all applicable statutes and to inform SIMBA as to all compliance issues associated with operating a funds transfer business.

Once the initial pilot of outlet to outlet transfers has been successfully completed, phase 2 of this innovation will see the solution expanded to allow commercial bank account holders to forward funds for pick up at SIMBA outlets via SMS messaging on their mobile phones, further increasing the convenience and security of the solution.

Uganda Microfinance Limited (UML) - Rural SPEED, together with Land O'Lakes have identified several dairy cooperatives that are in a good position to benefit from access to financial services in their community. One of these, Ankole Dairy Producers (ADP) is located in Rushere where there is presently no financial institution branch. ADP has 1500 members, many of whom receive payment in cash for milk delivered to the cooler (payment is made once every two weeks). Rural SPEED has conducted a demand survey (through the Strategic Activities Fund to a local research firm A&A Create) with ADP members and confirmed that there is significant effective demand for services in the area. Rural SPEED, together with UML started out exploring the possible use of ATMs in Rushere area as a way to provide convenient access to deposits and withdrawals. ATMs however proved to be too expensive compared to alternative solutions.

The ATM business case was prepared (based on consultation with NCR) and it showed that the cost of establishing reliable ATM services in the rural areas is currently not affordable; each ATM costs approx. \$60k to install and \$5k/yr/unit to service, plus monthly communications charges, power, and security. Add to this, that in order to offer a reasonable service level, two machines would need to be installed; this makes it cost prohibitive to pursue.

As an alternative approach, a mini-branch is under consideration. A mini-branch is like a branch but does not require a generator, strong-room or management overhead which is the responsibility of a nearby branch. Cash is driven in by Cash in Transit (CIT) in the morning and then removed at the end of the day. The branch operates only one or two days a week. Designs for such a branch has been prepared and costed by UML as part of the business case for the Rushere location. Initial estimates are for a mini branch costing less than \$50k to construct and equip. UML is preparing a follow up on SAF request to launch this service.

FINCA - One of the major expenses in opening a branch is setting up the MIS for the branch, which includes not only computers and servers, but also the generators and inverters as well as the communications lines to support daily consolidation of transaction information. FINCA has proposed an innovative

approach that will allow expanded operations without the need for extensive investment in MIS infrastructure.

FINCA's approach is to develop off-line functionality for their MIS, which will then permit staff to travel to small sub-branches, open up a laptop and begin transacting. At the end of the day the laptop is brought back to the main branch and synchronized with the MIS server to update all the client records. FINCA and Rural SPEED are working together to develop the scope of work for the MIS modifications necessary for off-line operation, as well as a deployment plan that will allow FINCA to pilot test the sub-branch concept with the laptop MIS solution in smaller communities that would not otherwise justify the expenses associated with building a full service branch.

Due to longer than expected time to organize a request for funding, a formal business case for FINCA's PSDM idea has yet to be prepared. However it is believed that the apparent cost savings – from generators, inverters, branch server, strong room and branch manager salary will more than offset costs for CIT to deposit daily collections as well as transport cost for the teller staff and supervisor.

Commercial Microfinance Limited (CMF) and DFCU are both small commercial banks who have indicated interest in working with Rural SPEED to promote linkage banking arrangements to allow them to expand services into the rural areas by partnering with successful SACCOs. Rural SPEED is working with both of these banks to better understand their requirements and is hoping to promote one or more linkage relationships with SACCOs (Please refer to AIR 1 for discussion on Linkage Banking initiative within Rural SPEED).

Ministry of Finance, Planning and Economic Development (MOPFED)/Geographic Imaging System (GIS) Program - Consultations were held with representatives of MOPFED, who are responsible for the Private Sector Development Centers in the districts and have used these for conducting surveys of microfinance activities in each district, to gauge need, benefit and capacity to generate sustaining revenues from the production of GIS data on rural finance.

A conceptual architecture of the business model was prepared and shared with MOPFED. The model identifies clearly the program activities that would be required by MOPFED to continue producing GIS reports. After reviewing the model with MOPFED it was agreed that they currently lack program funding to pay for GIS data gathering, analysis and publishing, nor do they believe there to exist an opportunity to generate sustainable revenues from publication of GIS information on rural finance and would therefore not be able to carry on any such activities beyond and involvement from Rural SPEED. On this basis, keeping in mind Rural SPEED's focus on sustainable activities, it was decided to not further pursue this intervention.

2.2 New Products Developed

Strategy: An early observation by Rural SPEED’s technical staff was that Tier 4 institutions and MDIs are frequently unable to provide quantitative information on the profitability of a specific product it offers. At the same time, institutions often ask for donor assistance to ‘assess’ how their products are doing, indicating that their ability to manage is being limited by their ability to measure performance. This realization coupled with Rural SPEED’s focus on a demand driven approach led to the following strategy for product development;

- Understand the target segments’ financial needs
- Understand the institution’s ability to meet the clients’ needs and the cost structure that goes with it
- Assuming a potential fit exists between clients needs and the institutions’ ability to service that need in a sustainable manner; start small (pilot) to confirm assumptions about costs and effective demand
- Only roll out products that successfully pass the pilot stage of deployment.

This strategy is very similar to what a commercial bank might use in a first world market, with the important difference that customer ‘needs’ in the first world are often expressed in terms of patterns of behavior as statistically modeled from CRM (customer relationship management) systems based on small sample test marketing hypotheses. The commercial banks, MDIs and Tier IV institutions in Uganda lack the necessary resources and systems to implement a CRM solution, but the objective of the Rural SPEED product development strategy is essentially the same.

2.2.1 Assess needs and identify new products with R&D potential

As noted above, the initial step in this process is to assess target market needs and help partner institutions identify new products needed or modify existing products to meet market demands. It has been a pleasant surprise to learn that many of the partner institutions identified have had extensive training in product development and require support primarily for product testing and feasibility analysis. The benchmarking for this activity focused on the identification of priority partners who see the need for new product evolution to meet their organization’s rural growth strategy. The products under consideration include low cost housing products, micro-leasing product, individual loan products, sector based loan product, savings products and agricultural loan products.

Benchmark 2.2.1	Actual	Progress
1 Savings study completed (captured in section 1.1.3)	Study commissioned and completed (published on CGAP’s web-site)	100%
3 new product development partners identified	UML – Leasing product UFT – Housing loan product Muhamme – Quick access working capital loan SIMBA Telecom – Funds transfer product	133%

For a discussion of the investigations underway with regard to product development please refer to page 19.

2.2.2 Research and develop new products with pilot potential

As indicated in the strategy section above, product design activities sponsored by Rural SPEED emphasize the need for the institution to understand its cost of delivery, in order to give it a chance to manage its product portfolio in an objective (number's based) approach.

Once the cost structure is understood the institution is left with a relatively simple break-even analysis to decide if the required business volumes represent a realistic (and worthy) goal to pursue. Managerial targeting can then readily be performed to assign expected levels of staff performance over time.

In addition to the agricultural lending workshops held, Rural SPEED also presented a session addressing loan product development and the importance of being able to do individual product profitability analysis at AMFIU's regional workshops. The theme of analyzing product profitability is one that has developed into a presentation topic in response to numerous requests from institutions for 'product review' assistance. The goal is to empower the institutions to better understand their own product offerings rather than to keep relying on outside assistance to tell them if a particular activity can be improved, or is even worth continuing.

A case in point are Strategic Activities Fund applications received from three microfinance institutions namely; Teso Rural Development Trust (TERUDET) Limited, Uganda Agency for Development (UGAFODE) Limited and the Micro Enterprise Development Network (MED-Net). Rather than crafting individual technical assistance engagements for these MFIs, Rural SPEED has included them in a repeat of the presentations already developed with a view toward improving their own internal capacity to perform product reviews.

Due to the nature of the applications, Rural SPEED will work with them to refine their activities, identifying areas where general activities can be done together and present them for consideration during the first quarter of the next fiscal year.

Benchmark 2.2.3	Actual	Progress
3 new product designs started	UML – Leasing product UFT - Low cost housing loan Muhamme – Quick access working capital loan SIMBA Telecom – Funds transfer product	133%
Workshop on successful agricultural lending held	Centenary Officer Training SACCO training (in Kibale and Mbarara)	300%

For a detailed discussion of the evolution of the leasing product, the low cost housing product, the quick access working capital loan and the funds transfer product, refer to page 19.

2.2.3 Pilot new products

Rural SPEED's innovation model allows for a flexible start point for any of the five steps in the innovation model. In the case of the three products for which pilots have begun during 2005, all three were designed prior to the start of Rural SPEED, but the institutions, perhaps lacking the quantitative framework to allow them to proceed with confidence on their own, requested assistance from Rural SPEED to conduct pilot tests of new products. Rural SPEED has agreed to do so, and has begun leading the institutions through an analytical exercise that will allow them to see for themselves if the pilot is indeed bringing the kind of results that warrant a full deployment.

Benchmark 2.2.5	Actual	Progress
3 new products piloted	FOCCAS – Individual loan product Feed The Children – Individual loan product UFT – Low cost housing loan	100%

Following is a brief update on partner specific activities:

Uganda Microfinance Limited - Micro leasing. Inadequate financing for productive capital assets is often one of the reasons given for slow economic development especially in rural Uganda. Financial Institutions are typically hesitant to lend for capital assets unless the borrower can pledge sufficient security to guarantee the loan. This affects the majority of people in the rural areas who have insufficient or non-existent collateral. In view of the fact that Financial Institutions are always looking to mitigate their risks when lending, there is need to look for alternative financial services that can best address these constraints.

Rural SPEED has been investigating opportunities for adapting leasing products for expansion, especially for lower income earners in the rural areas. At the same time, the Agro Business Development Component (ABDC) of Agricultural Sector Program Support of DANIDA was also exploring the possibility of providing leases to the rural areas.

Through a letter of understanding outlining the areas of support Rural SPEED and ABDC agreed to collaborate on the development of a micro leasing product for Uganda Microfinance Limited.

Under the terms of the agreement, Rural SPEED will provide the technical assistance for the development, pilot and roll out of the product while ABDC will provide the medium term capital.

It is envisaged that by leveraging resources both Rural SPEED and ABDC will be able to have a greater investment in leasing than if the two programs had pursued separate activities.

Due to the fact that Uganda Microfinance Limited required board approval before taking on the venture and the micro leasing fund was still being established by ABDC, this activity will roll over into the first quarter of fiscal year 2006.

Uganda Finance Trust (UFT) - Low cost housing. There is a serious shortage of proper housing in Uganda, particularly in the rural areas. As rural dwellings are also the primary work location for many MSE business activities, the lack of appropriate structures can have adverse impact on the dweller's economic results.

Through the Strategic Activities Fund, Uganda Finance Trust (UFT) is piloting an innovative low cost housing loan product based on an innovative adaptation of low cost construction practices, as developed by the Makerere University Department of Civil Engineering and promoted by Uganda Gatsby Trust (UGT), a local non-governmental organization operating in 30 districts whose mission is to assist in developing technological base of the small enterprise sector in Uganda and enabling the growth of such enterprises.

UGT has developed new stabilized soil blocks (SSB) which require no firing and are made on the construction site, hence eliminating several costs while reducing environmental impact. UGT ensures that all SSB houses are built according to their plans and material specifications. Using SSB and new construction techniques, a basic house is constructed at a cost not exceeding four million shillings. Money is lent to low income earners through UFT, and these beneficiaries make their own SSB and provide labor, insuring commitment and appropriate cost share for the project.

UFT will initially make the product available only to their existing clients with proven repayment records. However, with a successful pilot, it will be offered more broadly and is expected to have widespread appeal to the rural population.

Muhamme Financial Services - Quick access working capital loan. Muhamme, together with their district private sector development center submitted a Strategic Activities Fund request to develop a loan product targeted at matooke traders in their local market. Rural SPEED has so far worked with the institution to understand the process flows and value chain of the matooke as it goes from farmgate to the markets in Kampala. The development of a product is under consideration.

SIMBA Telecom - Low cost funds transfer. The new product and services delivery mechanism being developed with SIMBA Telecom will be used to offer a low cost funds transfer product (refer to summary section 2.1 above). The existing options for funds transfer available within Uganda have been reviewed and the cost structures analyzed with the convenience elements of each solution taken into account. The product that SIMBA is developing is to be targeted at small funds transfers (as little as 10,000 UGX) and the pricing

will be a percentage of the transferred amount; nominally between 4 and 5 percent.

FOCCAS – Individual Loan Product Due to a shortage of loanable funds, FOCCAS only managed to pilot their individual loan product in April 2004, and had, at the start of Rural SPEED, only piloted with twenty clients. Part of FOCCAS’ hesitation to proceed was based on lack of internal capacity of staff to assess and manage individual loans. Rural SPEED provided FOCCAS’ staff with training on individual lending, after which the institution proceeded to expand the pilot and it is now up to 99 clients. In addition, FOCCAS has, as a result of its experience with the SPEED funded individual loan product developed another loan product geared towards a smaller solidarity group of up to 4 members, positioning it between their new individual loan product and the original group loan product (for 20-30 members).

Feed The Children Uganda (FTCU) – Individual Loan Product. FTCU had also received support from SPEED to develop an individual loan product, however they perceived themselves to be lacking in internal capacity to deal with possible issues of delinquency and had therefore refrained from piloting the product. Rural SPEED provided FTCU’s staff with training on delinquency management to encourage their piloting of the product, which they are now undertaking.

3 AIR 3 Quality Program Management and Monitoring and Evaluation Provided

Rural SPEED is an ambitious program, with two technical AIRs, inter-related activities, and far-reaching goals. Program Management, in effect the third AIR of Rural SPEED, is integral to every aspect of the program, and therefore is cross cutting through every component and activity. To achieve program goals, Rural SPEED has defined policies and procedures, information-sharing mechanisms, and monitoring and reporting systems in place.

The key results areas established within the Program Management Results Framework are integrated and mutually supporting. Together, they will result in a streamlined Program Management component that creates a service-oriented and transparent culture to support the technical components and goals of the program.

The Program Management Results Framework consists of four Key Result Areas (KRAs):

- KRA 3.1: Coordination Mechanisms Established
- KRA 3.2: Efficient Program Administration Managed
- KRA 3.3: Information Transparency Achieved
- KRA 3.4: Program Monitoring and Reporting Needs Met

3.1 Coordination Mechanisms Established

Strategy. To ensure that Rural SPEED functions in a streamlined manner, and to establish mechanisms for efficient coordination, the program put dual strategies into place: to define roles and responsibilities and inter-relationships between components, and establish and maintain clear program management procedures.

3.1.1 Work Planning and Reporting

An extensive participatory process was undertaken in the development of the first year work plan. Over forty complementary programs were interviewed to help crystallize the focus for Rural SPEEDs interventions. The first annual work plan was delivered per the contract timeframe, approved by the mission and was the roadmap for first year activities.

Benchmark 3.1.1	Actual	Progress
Work plan Approved	Work Plan Submitted and Approved	100%

3.1.2 Maintain inter/intra project communications systems

In order to maintain regular communications with other program to disseminate Rural SPEED information, numerous meetings were hosted and attended. Further, regular technical staff meetings were held along with full program meetings to communicate news, stimulate enthusiasm and build the team spirit.

Benchmark 3.1.2	Actual	Progress
Monthly SO7 COP meeting held	Attended Monthly COP Meetings	100%

3.2 Project Efficiently Managed

Strategy. To enable Rural SPEED to provide quality and timely service to external and internal clients, efficient administrative support was considered paramount. Streamlined accounting, financial, administrative, and personnel procedures were established at the beginning of the program. The over all goal, to create a service oriented environment internally as well as with external partners was achieved.

3.2.1 Design policies and procedure manual

Chemonics field office policies and procedures manuals were be reviewed and revised to update policies and procedures that best fit Rural SPEED. Publication of the manual and orientations for all staff created a transparent management that minimized inefficiencies and ensured compliance with all appropriate USAID regulations, Chemonics policies and Ugandan labor laws. Each employee signed for the receipt of their personal copy.

Benchmark 3.2.1	Actual	Progress
Policy and Procedure Manual Distributed	Policy and Procedure Manual developed and distributed	100%

3.2.2 Personnel Management Systems Designed

Staff job descriptions were developed, long-term personnel and staffing needs were monitored and modified as needed, and a qualitative and quantitative transparent employee evaluation system to include individual standards of performance tied to program results was developed.

Benchmark 3.2.2	Actual	Progress
Job descriptions and standards of performance completed	Job descriptions and standards of performance completed	100%

3.2.3 Efficient Financial Management of Project

Staff ensured compliance with USAID and Chemonics home office accounting regulations and procedures, ensured effective petty cash management, established monitoring and tracking systems for managing grants and subcontracting funds, and instituted internal audit procedures. Liaising with the USAID Contracting Officer and Controller was properly handled and all communications with Chemonics home office regarding contractual, financial, and administrative issues were properly addressed.

Benchmark 3.2.3	Actual	Progress
Invoicing completed monthly	Monthly invoices submitted on a timely basis	100%

3.2.4 Launch of Strategic Activities Fund (SAF)

Strategy The Rural SPEED Strategic Activities Fund (SAF) is designed to complement core project activities and contribute to achieving the project objective of increased availability of financial services in rural communities. The \$2 million SAF serves as a leveraging tool by providing funds to awardees for targeted direct interventions to increase access to rural finance. Support through SAF awards of grants, subcontracts, training and procurement is provided primarily to financial intermediaries whose proposed activities meet Rural SPEED's eligibility and evaluation criteria, as well as contribute to project results.

During the reporting period the SAF manual was designed and vetted by a consultant who also completed training of the relevant staff, made a presentation to all the other staff and

held a public workshop in Mbarara for potential users of the facility. The Manual was approved by USAID and the Annual Program Statement (APS) advertised in the press in May to invite interested eligible recipients to apply for its use. Since original approval, many changes have been made to expedite the approval processes.

As reflected in the following table, public response to the APS was immediate and as indicated below, many concept papers were received but on review, it was discovered that the vast majority did not meet the Rural SPEED goals.

Concept/Application letters received	Rejections at concept paper	Rejection at application	Applications under review	Awards
136	109	7	9	11
	Total SAF Value	\$2,000,000	<i>usage</i>	
	Approvals	\$238,726	12%	
	Pipeline	\$860,324	43%	
	Unallocated	\$900,950	45%	

Rural SPEED has to date approved assistance for varied uses supporting access to finance in rural areas and these include design and role out of new agro lending product (Kyamuhunga), role out of an innovative low cost mortgage product targeting rural areas (UFT), design and role out of an innovative technology based low cost money transfer system (Simba Telecom), market surveys to assess the need for financial services in Rushere (UML) and another to assess the need for better usage of the PMT.

Benchmark 3.2.4	Actual	Progress
SAF launched	The SAF was launched on May 2, 2005	100%

3.3 **Knowledge Management Systems in Place**

Strategy. In order for the Rural SPEED program to be implemented in a manner that is beneficial to all partners, collaboration and information sharing mechanisms were instituted. The implementation of this strategy led to the establishment and maintenance of an information sharing culture within Rural SPEED and its partners

3.3.1 **Development of a Communications Strategy**

During the reporting period, a program communications strategy was developed in line with USAID requirements and communications/branding protocols to locally disseminate information on successes and opportunities for program beneficiaries and clients. The strategy ensures appropriate information dissemination with USAID, GoU, the donor community, partner institutions and other stakeholders, as appropriate. To further this effort, during the reporting period, an employee was promoted to ‘Communications Assistant’ to ensure that the communications strategy of Rural

SPEED was fulfilled and program success stories were identified, written and published as appropriate.

Benchmark 3.3.1	Actual	Progress
Communications Strategy Developed	Communications Strategy developed and communications assistant position created	100%

3.3.2 Development and Management of Program Website

A fair and open competitive RFP was released for the selection of the development firm to design the Rural SPEED website. This website links interested parties to Rural SPEED overall objectives, program goals, event and trainings as well as provides a portal for success stories and technical papers.

Benchmark 3.3.2	Actual	Progress
Website Launched	Website designed, populated and launched	100%

3.4 Program Monitoring and Reporting Needs Met

Strategy: A Monitoring and Evaluation (M&E) system was implemented to track Rural SPEED's planned activities, delivery of expected outputs, and quantitative and qualitative impacts. The data put into the M&E system was obtained from three sources: data collected from the Rural SPEED administrative and operation records; data collected from Rural SPEED partners; and data collected from external surveys. The M&E system is used as a management tool for systematically reviewing program progress and troubleshooting problems and issues during program implementation. It employs a combination of database, program management, spreadsheet, word processor, and accounting packages. Program staff and partners were trained on how to operate the system and the special nuances in the reporting program.

3.4.1 Finalize Results Framework

A project results framework was developed to feed results into USAID/SO7 results framework. The framework divides the program into logical key results areas which are detailed in this report.

Benchmark 3.4.1	Actual	Progress
Results Framework Finalized	Performance Monitoring Plan (PMP) drafted and approved by USAID	100%

3.4.2 Develop Performance Monitoring Plan

Based on the results framework, each Rural SPEED component defined the indicators to be used for monitoring and evaluation. Tasks included precise definition of each input, impact indicators, baseline and targets for indicators; identification of baseline data needs; preparation of the program performance monitoring plan and submission of the plan to USAID; collection of baseline data; implementation of M&E databases for Rural SPEED and partners; and training of Rural SPEED staff and partners in M&E database operations. The Performance Monitoring Plan (PMP) was drafted and approved by USAID. The baselines for partner data were established as of June 30, 2005 with the first reporting period concluding with this report. Detail contained on page 28.

Benchmark 3.4.2	Actual	Progress
PMP developed and approved	PMP drafted and approved by USAID	100%

3.4.3 Operationalize Monitoring and Reporting System

The development of the system for the PMP updates was completed. Rural SPEED partners, particularly the SACCOs required intensive training on the reporting standards and said training was provided by the M&E specialist. The first round of data collection from partner organizations was for the preparation of this report.

Benchmark 3.4.3	Actual	Progress
PMP updates prepared	PMP updates contained in this report	100%

PERFORMANCE MONITORING PLAN

Rural Savings Promotion & Enhancement of Enterprise Development completed its first nine months of activities with work plan benchmarks met and a reasonable amount of results achieved.

When the program started, efforts focused on identifying viable and impact oriented partners who are targeting rural communities as part of their mission. A partner selection tool was developed for assessing and identifying potential SACCO partners based on financial strength and outreach. During this time several capacity building trainings/workshops geared at improving institutional capacity and management skills were conducted.

During the period the technical staff established strong and solid working relations with financial institutions – SACCOs, MFIs, MDIs and Banks as well as industry organizations e.g. AMFIU, AMFIA, donors and other implementing partners. This will see Rural SPEED move forward during 2006 and increase program impacts that will contribute to the growth of the national economy in the areas of (but not limited to) service delivery mechanisms, increased savings and easy access to financial services especially in the rural areas.

From the Monitoring and Evaluation (M&E) point of view, the first six months saw the creation of the work plan followed by the development of the Performance Monitoring Plan (PMP); a document that outlines Rural SPEED's reporting and data collection methodology which provides input to USAID/Uganda's M& E system through SO7 and associated Intermediate Result (IR) indicators. For more information see Rural SPEED's PMP Revised August 2005.

Further was the development and design of the Monitoring and Evaluation System, data collection tools as well as baseline and life of project targets construction; with June 30th as the baseline date.

While the project achieved most of its benchmarks, the indicator achievements were somewhat less grand considering it was only a three month period of technical provision and resultant measurement. Nonetheless, the program has moved forward in its technical programming and worked with partners to improve their management skills, governance and rural outreach capacities. Key results include:

- 17 private-public partnerships were formed during the period thus surpassing the year 1 target of 15.
- The indicator reporting the value of new loans shows an improvement of over 15% from the previous figure of UGX 2 billion to UGX 2.03 billion while number of borrowers dropped indicating an increase of loan sizes. We expect to see a significant growth in both borrowers and loan volume the coming reporting periods.
- An outstanding total number of 61 business associations were registered for having received support from Rural SPEED in the areas of governance, capacity building, mentoring, etc. These include industry organizations and SACCOs.
- A 12% increase in value of savings was reported by our partners due in part to Rural SPEED's efforts in the area of savings mobilization. Rural SPEED will continue to work with the partners to see the numbers increase in the coming year; 2006.

- A series of interactive workshops / seminars were conducted during the period where 510 persons were trained indicating a 48% female attendance. They include; financial management, governance models and introduction to SAF, etc.

Complete details of the indicators are contained in the table below:

September 2005 Figures with Year 1 Targets

Ind.	Indicator Name	Unit	Year 1 Target	Actual	Variance
1	Weighted Average of PAR (over 30 days)	%	<8%	<4.72%	
2	Number of institutions using the adapted PMT	#	0	0	0
3	Number of private-public partnerships formed	#	15	17	2
4	Number of new borrowers*	#	10,000	5,956	(4,044)
5	Value of new loans*	UGX	2,000,000,000	2,030,526,286	30,526,286
6	Number of associations assisted	#	25	61	36
7	Number of agricultural firms assisted	#	15,600	9,940	(5,660)
8	Effectiveness of assisted financial institutions	index	Improved	Under review	Under review
9	Value of new agricultural loans*	UGX	400,000,000	301,011,384	(98,988,616)
10	Number of linkages established	#	3	1	(2)
11	Number of new savers*	#	17,000	9,184	(7,816)
12	Value of savings*	UGX	31,500,000,000	31,911,854,373	411,854,373
13	Number of innovation roll-outs	#	0	0	0
14	Number of new agricultural technologies made available	#	0	0	0
15	Number of smallholders adopting new technologies	#	0	0	0
16	Number of new rural financial services delivery points	#	0	0	0
17	Number of new service-delivery mechanisms piloted	#	0	0	0
18	Number of new products piloted	#	0	0	0
19	Number of mechanisms and products that have been R&D	#	3	1	(2)
20	Number of persons-attendance in training	#	400	510	110
21	Amount of resources leverage by Rural SPEED	USD	250,000	76,784	(173,216)

Note: Figures indicated with a negative (-) sign reflect a negative variance

* These targets were set against baseline established as of June 30, 2005 and therefore a conclusive analysis at this time is premature