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EVALUATION OF DCA GUARANTEE PROGRAMS & IMPACT: 2002-2007

FINAL REPORT

March, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Caroline E. Averch and Margueritte Harlow, Consultants for Chemonics International Inc.

Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

EVALUATION OF DCA GUARANTEE PROGRAMS & IMPACT: 2002-2007

FINAL REPORT

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A USAID funded project
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ACRONYM LIST

APEP	Agricultural Productivity Enhancement Program
ASPS	Agricultural Sector Program Support
CERUDEB	Centenary Rural Development Bank
CMS	Credit Management System
DCA	Development Credit Authority
EGAT	Economic Growth and Trade
EU	European Union
GOU	Government of Uganda
IR	Intermediate Result
LPG	Loan Portfolio Guarantee
MFI	Microfinance Institution
MDI	Micro- Institution
MSME	Micro, Small, and Medium-sized Enterprises
NGO	Non-Governmental Organization
ODC	Office of Development Credit
RIG	Regional Inspector General
Rural SPEED	Rural Savings Promotion and Enhancement of Enterprise Development
SACCO	Savings and Credit Cooperatives
SME	Small and Medium-sized Enterprises
SO	Strategic Objective
SPEED I	Support for Private Enterprise Expansion and Development I
SPEED II	Support for Private Enterprise Expansion and Development II
UMU	Uganda Microfinance Union
USAID	United States Agency for International Development
UGX	Ugandan Shilling
USD	United States Dollar

Executive Summary

Through USAID/Uganda's recently completed first multi-institutional DCA Loan Portfolio Guarantee (LPG) program for micro, small, and medium-enterprise (MSME) lending, USAID/Uganda was able to leverage its investment of SO7 funds almost 28:1 to encourage more than USD 24 million worth of lending to MSMEs. Additionally, this facility has contributed to the movement up or down market or consolidation of the partner commercial banks into SME retail lending and microfinance institution (MFI) wholesale lending. The average loan size of $89,005 met the Mission's targets for individual SME borrowers. From the sample of interviewed for this assessment, borrowers under the first facility had an average increase of 86% growth in annual sales. 70% of this sample received subsequent loans without requiring DCA coverage is indicative of the graduation of these borrowers from the DCA program and the likelihood of banks' future investment in not only these borrowers, but also these sector(s) at large. This sample also reflected an average increase of 8.3 full-time jobs for males and an average of 5 full-time jobs for females per borrower.

To date, USAID/Uganda's second multi-institutional LPG facility to support rural MSME lending, has been actively utilized, and if the entire portfolio ceiling of USD 11.7 million is extended in loans to rural and agricultural MSMEs, the Mission will have leveraged its investment of SO7 funds at 11.83:1. The facility is achieving its goal as evidenced by 362 loans worth USD 7.4m or 63% of the limit in only 50% of the program life, to date and the 78% of loans by volume across all the financial institutions going to rural and/or agricultural borrowers. The average loan size of USD 20,812 indicates that this facility is helping provide access for even smaller sized businesses than under the first program as targeted. From the sample of borrowers interviewed for this assessment, the average growth in annual sales per borrower was 50%. The average of the sample showed an increase of 3 full- time jobs for males and 8 full-time jobs for females, all of which contributes to USAID/Uganda SO7 goals.

Only one loan of $200,000 has been placed under coverage of USAID/Uganda's third multi-institutional Loan Portfolio Guarantee collateral management facility. It is expected that the Mission will terminate the legal agreements for this facility and deploy the subsidy funds more effectively through other guarantees supporting USAID/Uganda goals.

With its recaptured subsidy cost funds from guarantee terminations, the Mission might consider additional guarantees to support SO 7 goals, including a Loan Portfolio Guarantee (LPG) for agriculture lending, an LPG for wholesale lending to SACCOs, and/or an LPG to encourage lending in recently post-conflict rural areas of Uganda. For any future DCA programs, USAID/Uganda should consider its exit strategy options to effectively graduate both partner lenders and borrowers receiving loans under guarantee from the program. A number of recommendations are presented at the end of this assessment for DCA exit strategies and the need to document them for future DCA guarantee program designers.

SECTION I

Background

Introduction

Despite recent improvements in Uganda's financial sector, commercial banks still find it difficult to extend credit to MSMEs and the agriculture sector, and a gap between supply and demand for credit still exists, especially in the rural areas. Banks tend to look to marketable property as their main security for loans. Furthermore, banks in Uganda typically have only 5% to 15% of their loan portfolio in agriculture. The objective of USAID/Uganda's three DCA Loan Guarantee Programs is to encourage banks to make loans to commercially viable MSME projects especially where collateral is insufficient, to increase their lending to the agriculture sector, to encourage wholesale lending to the MFIs, and to encourage lending to the rural areas.

The Rural SPEED project is managing three DCA Loan Guarantee Programs with six banks and one microfinance depository institution (MDI) in Uganda:

- Multi-Institutional Program I, a USD 26.5 million, five year program (2002-2007) intended to encourage lending by seven commercial banks to SMEs and MFIs;

- Multi-Institutional Program II, a USD 11.7 million, four-year program (2005 – 2009) intended to encourage lending using smaller loan sizes to MSMEs especially in the rural areas; and

- Collateral Management Program, a USD 11.6 million, three-year program (2005 – 2008) intended to encourage lending to the grain industry to both improve the quality of grain and stabilize the season to season prices.

The Multi-Institutional Program I, herein referred to as "DCA I" has been widely viewed to be a success in helping participating banks increase their lending to SMEs and to the agriculture since the inception of the program and, creating positive impact for borrowers and auxiliary beneficiaries. An earlier mid-term assessment conducted in 2003 confirmed the above view. Additional reviews of the program were conducted by the USAID Office of the Inspector General and the Office of Development Credit which indicated that while there was significant development impact, improvements could be made in monitoring and reporting that impact.

Objective

DCA I closed in February 2007, and USAID/Uganda, through the Rural SPEED project has commissioned an assessment to evaluate the program's successes and failures, measure the impact on MSMEs and on participating lenders, document lessons learned, and to provide the Mission with recommendations for future programs. The assessment also included an interim evaluation of the Multi-

Institutional Program II, herein referred to as “DCA II” and the Collateral Management Program, herein referred to as “DCA III” both of which are approximately half way through their terms. DCA II and DCA III have specific target areas distinct from the first program and from each other. This assessment will examine whether the programs are achieving their defined objectives, identify any weaknesses that need addressing, and to map out an exit strategy.

Methodology

The emphasis of this assessment was to evaluate the impact of DCA I, with a secondary emphasis on the review of DCA II and DCA III. The consultants conducted interviews with participant lenders in the guarantee programs, borrowers receiving guaranteed loans, and key staff from USAID/Uganda and Rural SPEED. This assessment also corresponded with the visit of the USAID/EGAT/Office of Development Credit (ODC) Portfolio Manager which was useful in correlating lender performance information.

Financial Institutions

Interviews were conducted with each of the lenders participating in DCA I, II, and III. Interviews focused on changes within the institution during the guarantee period, including but not limited to: credit policies and procedures, risk appetite, terms of credit being offered to MSMEs and particular sectors, and the levels and types of collateral required. Additionally, the interviews provided the lenders an opportunity to discuss how support from USAID programs assisted them in utilizing their guarantee. Part of the interview process also collected information about other non-DCA guarantee or technical assistance programs in which the partner lender participates.

To complement the qualitative information, an analysis of the portfolio utilization statistics was undertaken to evaluate the impact of the guarantee from a quantitative perspective. This analysis reviews value and volume of loans provided by the banks to ascertain the level of development impact against the value of funds transferred by USAID for the guarantees’ subsidy cost. These figures are based on data collected continuously by Rural SPEED on behalf of the Mission and figures provided during the bank interviews.

Borrowers

Borrower interviews were conducted with a sample of 10 borrowers receiving loans under DCA I and 8 borrowers receiving loans under DCA II. The borrower sample used for the interviews was intended to be as representative as possible of the borrowers under DCA I and DCA II given time, travel, and other various scheduling constraints. In order to provide a representative sample, the borrowers vary by sector, loan value, loan tenor, disbursement date, and regional area.

Standardized interview questionnaires were used with each borrower for the purposes of comparison and trend identification among the sample. Employment and annual sales were identified as impact measurements at the design stage of both DCA I and DCA II as presented in the action packages, and served as the basis for monitoring and evaluating borrower level impact and results. During a 2003 mid-term review of

DCA I[1], changes in employment by gender and changes in sales were recorded to measure results of the program to date. Changes are measured by comparing baseline sales and employment figures to current figures. The variance between baseline and current figures is measured to reveal net change. Baseline figures are defined as the annual sales and employment figures prior to receiving the loan under guarantee and are compared to current figures, which are those figures reported on the date of the borrower interview.

The 10 DCA I interviews conducted are detailed in individual borrower narratives found in Annex I Table 2B , document results and other borrower level impact of DCA I. This data is combined with the data compiled from the 2003 program review for a more comprehensive illustration. The 8 DCA II interviews were completed as part of a revised ongoing monitoring plan for DCA II. DCA III has had only one borrower to date, and the consultants were unable to visit this borrower during the assignment period.

Monitoring and Reporting

This assessment also included a review of past and current monitoring and reporting processes, procedures, and systems. This review examined the detailed monitoring plan, including but not limited to: documentation maintained; reports produced; the schedule, process, and format for visits to participating lenders to review loan files and review annual accounts; and site visits to borrowers.

The Activity Summary section of this assessment report presents financial institution impact and borrower level impact, with subsections describing the data and interview analysis through an additionality and sustainability lens. Conclusions and recommendations follow.

[1] A 2003 Fiscal Year End Assessment with Recommendations, Paul Watson, 2003

SECTION II

Activity Summary

This section describes the impact of the DCA guarantees on lenders in terms of market expansion, institutional changes, and modifications to SME credit products, policies and procedures attributable to the guarantees. Additionally, this section examines borrower level impact on sales and employment growth, segmented by gender wherever possible. It also examines current implementation support for the guarantees and provides recommendations for improving monitoring and evaluation efforts to collect the most valuable data for USAID/Uganda.

Financial Institutions Impact – DCA I

Design. The first Multi-Institutional DCA Loan Portfolio Guarantee (LPG) facility was intended to address “missing middle” loans for SMEs that were smaller than corporate loans but larger than micro-loans. Both local and international banks had a cap on the maximum size of sub-loan under the guarantee of USD 1 million, with the Mission’s target for :missing middle” being loans between USD 1,500 – USD 212,500 or 3 million – 425 million Ugandan shillings (UGX). Qualifying Borrowers under the LPG included non-sovereign Ugandan micro-, small-, and medium-sized enterprises (MSMEs), Microfinance Institutions (MFIs), and Non-Governmental Organizations (NGOs) that are creditworthy private enterprises in sectors with potential for competitiveness. The multi-institution LPG was intended to support USAID/Uganda Strategic Objective 7 "Expanded Sustainable Economic Opportunities for Rural Sector Growth", and in particular Intermediate Results (IRs) for increased competitiveness of enterprises in selected sectors, and improved enabling environment for broad-based growth. Seven international and local financial institutions were selected as partners to make it as competitive as possible, and lender fees at, 0.25% origination fees and 0.25% per annum utilization fee, Were intentionally set low to promote utilization. An additional element of the design was that the Mission delegated the management and implementation of the guarantee to a technical assistance project, the SPEED program, which was working on capacity building initiatives with both SMEs and financial institutions.

Overall Utilization. Per Table 1 below, DCA I was very well utilized by the banks over the 5-year period. 272 loans were placed under coverage worth 91% of the original combined portfolio ceiling of $26.5 million. Nile Bank, CERUDEB, and Standard Chartered were the three most aggressive users of the guarantee for SME and MFI lending. Although the Mission’s qualifying borrower parameters were quite broad including the USD 1 million maximum individual loan ceiling, the average loan size across the program was USD 89,005, well within the USAID/Uganda range for its working definition for SME loan size at the time of USD 1,500 to USD 212,500. The one exception to the positive utilization trend was Citibank which only placed one loan under guarantee, and its guarantee was eventually cancelled as a result.

Table 1: DCA I Portfolio Utilization Trends (March 2, 2007)

Bank	Maximum Portfolio (Initial)	Loans placed under Guarantee		Average Size Guaranteed Loan	% Utilization
	USD	Vol	Value USD	USD	
Allied Bank International (U) Ltd	2,000,000	36	1,731,600	48,100	86.58%
Barclays Bank of Uganda Ltd	5,500,000	18	4,058,245	225,458	73.79%
Centenary Rural Development Bank Ltd	5,520,000	140	5,515,970	39,400	99.93%
Citibank Uganda Ltd	500,000	1	278,552	278,552	55.71%
Nile Bank Ltd	3,000,000	32	3,005,329	93,917	100.18%
Stanbic Bank Uganda Ltd	6,000,000	16	5,619,649	351,228	93.66%
Standard Chartered Bank Uganda Ltd	4,000,000	29	3,999,984	137,930	100.00%
Total	**26,520,000**	**272**	**24,209,329**	**89,005**	**91%**

Table 2: Utilization by Sector

Sectors	Value (USD)	% of Loans by Value
Agriculture	7,690,059	31.76%
Fisheries	1,742,200	7.20%
Industry	319,210	1.32%
Service	4,692,410	19.38%
MicroFinance	1,972,469	8.15%
Trade&Distribn	7,374,361	30.46%
Transport	418,625	1.73%

Utilization by Sector. Despite the broad parameters of the qualifying borrower definition, collectively the banks lent 39.06% by value to agriculture and fisheries which supported the Mission’s agricultural market development goals as well as goals for employment growth as described in the Impact & Results Section. Table 2 to the right presents the breakouts for loan values and percentages across all banks by sector.. The category “Microfinance” refers specifically to wholesale loans from partner banks to MFIs.

Table 3: Leverage

# of Loans	Value of Loans	Subsidy Cost Paid by Mission	Budget Leverage
272	$24.2 million	$869,530	27.84: 1 27.84 private sector dollars invested for each USAID dollar.

Leverage. USAID/Uganda was able to leverage its budget significantly with the DCA I guarantee program. As seen in Table 3, for each USD 1 the Mission paid in DCA subsidy cost, USD 27.84 was extended as loans by private sector financial institutions. This leverage figure complemented by the borrower level impact data for employment generation and sales summarized in Annex I Tables 3-9 represent a successful example of a tangible public-private alliance whereby private sector partners are making a real contribution to sales and employment growth.

Additionality

Access. Based on interviews with each of the participating lenders, DCA guarantees provided a direct collateral substitute, giving 272 MSMEs including 2 MFIs, credit access, and at larger values than they would have been able to borrow without the guarantee. Uganda's credit reference systems are not well developed even now at the end of DCA I, and at least two of the banks reported that some of their guaranteed loans were to customers with no prior formal credit history with them. At the onset of DCA I, the commercial banks were using solely collateral-based lending techniques, with SME loan sizes ranging from 50-80% of the value of the security package, thus the 50% coverage on net principal losses offered by the DCA guarantee directly impacted the amounts borrowers could access.

New clients. Although there was no clause in the DCA I legal agreement directly prohibiting banks from making multiple loans to one client, this assessment identified that there were only 12 instances of repeat loans in DCA I. Two of the 12 instances of repeat loans were to MFIs which were untraditional bank clients, and in the majority of the remaining 10, the loan size was greater on the repeat loan than the original loan, indicating that the lenders were using the guarantee to cover the additional risk of the larger loan. This supports the idea that the banks were using the guarantee to lend to new and different types of clients and that the guarantee provided additionality.

Loan terms. Some of the lenders attribute the more recent modifications of their credit products and credit criteria for SMEs and MFIs to the learning that occurred through the guarantee program. During DCA I loan tenors remained short – between 6-24 months on average - with the longest being 36 months due to a systemic shortage of term funds in the financial system and related Central Bank regulations. Under DCA I, loan sizes considered as "SME" varied on a bank-by-bank basis. Many of the banks have now reduced the percentage of collateral they require from borrowers, and some mentioned they will now accept different types of collateral including moveable property. Additionally, a number of banks including Standard Chartered and Nile Bank now offer unsecured lending to some of their proven DCA I clients.

Venturing into SME Lending

"The DCA facility helped us venture out more and we learned a lot - including …modify[ing] our credit policy to take less collateral [to loan value]. Now we have something to look at in retrospect and a track record in SME lending…" (Nile Bank)

Interest rates. Overall, DCA I did not significantly reduce interest rates for borrowers. Only Nile Bank stated that they would reduce their interest rates from prime + 6%, to prime + 4% with partial DCA coverage, which is close to the market rate for larger borrowers. Low commitment and utilization fees were built into the guarantee program's design intentionally to foster competition, but it is difficult to measure the impact of this feature. However, assuming the banks would directly pass the fee onto their borrowers, and given that borrower interest rates remained around the market rate with the presumed inclusion of the fee, this aspect of the guarantee design was successful.

Portfolio Quality. Claims paid by USAID on DCA I as of the closing date for placing loans under coverage were quite low at 1.6% of portfolio lent, below the regular average of 2.5% non-performing loans across all DCA partner banks. While the banks still have a 6-month period during which they can submit claims, this figure is not expected to increase substantially. The low claims rate on DCA I could indicate that the lenders were not taking on as much risk as they could have with the guarantee, but rather were still being so selective in their criteria that they were not effectively testing the market. The low claims rate can also be attributed to some lenders not wanting to “sully their name” by filing a claim, or it may be a sign that they tried diligently to recover losses on defaulted loans up front to avoid having to repay USAID later for its share of any recoveries.

Sustainability

Continuing Access. Banks report that a majority (more than 50%) of DCA borrowers were retained as clients, and an estimated half of these have ongoing credit relationships. As presented in the borrower impact analysis, many DCA I clients have also been able to access credit from other lenders by using their credit reference from a successfully repaid DCA I loan.

Institutional Growth. The timing of DCA I coincided with the establishment by two participating banks’of SME departments or business lines as they shifted from their micro or corporate lending business. This group included, Centenary Rural Development and Standard Chartered respectively. The guarantee complemented their strategies to expand into the MSME market either directly with retail loans or with wholesale loans to MFIs. Centenary bank moved up-market, Nile and Allied consolidated their position in the SME market, Stanchart moved down market, and Stanbic used the guarantee for agriculture related businesses mainly in the processing sector.

Graduating Institutions. DCA I made a significant contribution to the commercialization of the microfinance industry by helping two of the largest MFIs (now MDIs) access credit to expand their micro loan portfolios. Now both Uganda Microfinance Union (UMU) and Faulu Uganda can access commercial credit without a guarantee, with banks collateralizing their portfolios, and UMU has become a strong partner lender under DCA II taking on the risk of expanding further into rural areas. Additionally, Standard Chartered self-selected to “graduate” from the DCA II program and focus on MSMEs in rural areas since they felt sufficiently comfortable with this group of potential clients that they no longer needed the guarantee.

Lessons Learned

Follow market trends. When DCA I was conceptualized, the financial sector had just undergone a number of key reforms. Additionally, due to improved economic performance and government monetary policy, the GOU Treasury Bill rate was beginning to fall. The effective 1-year Treasury Bill rate at the inception of the guarantee in Feb 2001 was 30% but has at the time of this report and end of DCA I been reduced to 12.25%. This reduction in the potential Treasury returns has encouraged Uganda’s conservative bankers to explore other business opportunities including MSME lending. It is difficult to guess what the impact of the guarantee would have been if the environment had been different, but it is likely the guarantee would not have been as successful if the Treasury Bill rate had remained high, since the lenders would have been able to earn strong returns without dealing with higher risk business lending. USAID/Uganda accurately predicted the direction of the environment and contributed to supporting this market trend by helping lenders expand SME lending faster than they would have otherwise.

Selection of lenders. USAID/Uganda established DCA I with a diverse selection of seven foreign-owned and local commercial banks. The larger number and diversity of financial institutions hedged the Mission's risk that its subsidy cost money would not be effectively deployed towards the SO7 goals if one or even half of the banks did not utilize the guarantee. One of the bank agreements was cancelled due to lack of utilization, but the six active banks targeted sufficiently different markets that the average loan size came out to be $89,005 and loans were made in a number of different sectors.

Align with lender business strategy. DCA guarantee objectives must intersect with the core business strategy of the lender. DCA I corresponded to the establishment of SME departments in many lenders and the guarantees supported these financial institutions in moving down (or up) market into SME lending more quickly than they might have without the guarantee. Citibank did not have a keen interest or investment in expanding into the SME market, and their agreement was eventually cancelled after only one loan was made under the guarantee. DCA I's five year duration allowed lenders to use the tool to learn on an institutional level about this market.

Flexibility. Allowing lenders flexibility through a broad definition of qualifying borrowers and other terms for DCA sub-loans contributed to achieving USAID SO7 goals. Whereas the ceiling for DCA sub-loans was USD 1 million for both local and international banks, the average loan size, at $89,005, was at the lower end of the Mission's "missing middle" definition. The wide reach of sectors to which guaranteed loans were made is also somewhat attributable to the flexibility of the facility. DCA I allowed overdraft facilities, defined for the purposes of this report as revolving credit lines, which are important to all types of retail, trade and distribution businesses, as well as to agriculturally-linked firms where an overdraft better matches their business cycles and seasonal cash flows. It is probable that allowing partner lenders to place overdrafts under guarantee coverage contributed to achieving the facility's 91% utilization rate.

Technical Assistance. According to the lenders, USAID/Uganda's complementary technical support did facilitate utilization of the guarantee and built their understanding of SME lending and lending in sectors of particular USAID interest. Support ranged from intensive 2-week training for credit officers on SME lending, to a follow-on loan mentoring program, to specialized training in agricultural lending. From the interviews, the banks participating in the loan mentoring program gave the most positive remarks on complementary support activities, but all the banks also described the fact that they could call the DCA Portfolio Manager at any time for anything from a quick clarification question to more strategic advice as essential to their effective and rapid utilization of the guarantee program.

Monitoring for Impact. Since at the beginning of DCA I the partner lenders did not capture data on the number and value of SME loans as they defined it or as USAID defined it, a proxy of total loan portfolio was used to show growth. Additionally, the lenders were not providing detailed information on borrowers such as location (rural vs. urban), current number of employees at the firm, or the gender of the business owner, which would have been useful for the Mission in measuring its progress towards achieving SO7 goals. For DCA II, lenders are submitting a much more refined data sheet with their notification and transaction report that includes a sufficient level of detail to track key USAID/Uganda indicators, but is not considered an onerous reporting requirement by the lenders.

Financial Institutions Impact – DCA II

Design. The second multi-institutional DCA LPG program was designed to build on the successes to date of the DCA I program, but targeted towards expanding outreach in rural areas. USAID's definition of rural in Uganda includes any area outside of Kampala, Entebbe, and Jinja. A subset of the more active lenders under DCA I were selected in addition to UMU which was targeting rural areas and interested in expanding up-market into SME lending. Qualifying borrowers for DCA II were the same as those under DCA I: Non-sovereign Ugandan micro-, small-, and medium-sized enterprises (MSMEs), Microfinance Institutions (MFIs), and Non-Governmental Organizations (NGOs).

Rather than overtly restrict lending under the guarantee to rural areas, USAID capped the loan sizes at USD 250,000 for all the banks and USD 100,000 for UMU as a micro-deposit taking institution. The longest tenor that sub-loans may be is 24 months unless otherwise approved by USAID. This guarantee facility does not allow overdraft facilities, only term loans with a fixed repayment schedule. As already mentioned under the DCA I analysis, Standard Chartered was originally included in the design of DCA II, but it opted out, originally because of a time delay in establishing the new agreements, but later because they felt that they did not need the guarantee to lend to the target borrowers. The lender fees for DCA II were increased to a still low amount with a 0.5% origination fee but maintained a 0.25% per annum utilization fee.

Overall Utilization. Per Table 4 below, DCA II has been actively utilized by the participating banks to date and combined they have already lent more than 60% of the portfolio ceiling. Centenary Rural Development Bank in particular has been very active and has utilized its entire ceiling, Nile Bank utilization is at 72% and UMU at 62% but because of its smaller loan sizes, UMU has booked the largest number of loans. With another 15 months to go, the number of loans placed under DCA II has already exceeded those under DCA I by 82 loans, and the average loan size has come down more than 75% to USD 20,812.

Table 4: DCA II Portfolio Utilization Trends (March 2, 2007)

Bank	Maximum Portfolio Amount USD	Loans placed under Guarantee Volume	Loans placed under Guarantee Value USD	Average Guaranteed Loan Size USD	% Utilization
Centenary Rural Dev. Bank Ltd	3,000,000	132	3,000,897	22,734	100.03%
Nile Bank Ltd	4,000,000	55	2,872,852	52,234	71.82%
Stanbic Bank Uganda Ltd	2,700,000	10	391,122	39,112	14.49%
Uganda Micro Finance Union	2,000,000	165	1,239,886	7,514	61.99%
Total	**11,700,000**	**362**	**7,367,347**	**20,812**	**62.97%**

Utilization by Sector. For DCA II, USAID has been tracking numbers of SME loans, agriculture loans and those that are in rural areas regardless of the sector or industry. To date, more than 78% of loans by volume have been either agriculture-related or in rural areas, and more than 99% of loans by value have been SME. USAID, through the Rural SPEED program, is encouraging the lenders to expand into agriculture-related lending by providing partner lenders with capacity building assistance on new product development, understanding rural markets, and identification of potential clients.

Table 5: DCA II - Utilization by Sector as of March 2, 2007

	SME			
	Vol	Value	% Vol	% Value
Centenary Rural Dev. Bank Ltd	132	3,000,897	100%	100%
Nile Bank Ltd	54	2,614,988	98%	91%
Stanbic Bank Uganda Ltd	10	391,122	100%	100%
Uganda Micro Finance Union	165	1,239,886	100%	100%
	361	**7,246,894**	**99.72%**	**97%**

	Agro				Rural			
	Vol	Value	% Vol	% Value	Vol	Value	% Vol	% Value
Centenary Rural Dev. Bank Ltd	20	411,213	15%	14%	76	1,510,148	58%	50%
Nile Bank Ltd	6	124,229	11%	4%	3	76,040	5%	3%
Stanbic Bank Uganda Ltd	2	43,254	20%	11%	10	391,122	100%	100%
Uganda Micro Finance Union	32	224,907	19%	18%	121	813,405	73%	66%
	60	**803,603**	**17%**	**11%**	**210**	**2,790,714**	**58%**	**37%**

Leverage. USAID/Uganda paid more in subsidy cost for DCA II than DCA I, primarily because the country risk score of Uganda, along with many other countries, increased after 2001, and because of the inclusion of UMU, which had recently transformed into an MDI. However, the Mission has still been able to achieve significant leverage on its budget to achieve SO7 objectives. As seen in Table 6 below, for each USD 1 the Mission paid in DCA subsidy cost, USD 7.59 has been extended as loans by private sector financial institutions to date. If the entire USD 11.7 million is lent, USAID will achieve a leverage rate of 11.83:1. This is in addition to the amounts of increased sales and employment described in the borrower level impact section.

Table 6: DCA II Leverage (as of March 2, 2007)

Number of Loans	Value of Loans	Subsidy Cost Paid by Mission	Budget Leverage to date	Budget Leverage possible
362	Actual: $7,504,757 Portfolio Ceiling: $11,700,000	$989,073	7.59: 1 7.59 private sector dollars invested for each USAID dollar.	11.83:1 11.83 private sector dollars invested for each USAID dollar.

Additionality

Access. DCA II is still being used as a collateral substitute, but for substantially smaller loans than were seen under DCA I. It has provided access to larger loans for clients of UMU that have graduated from the standard micro-enterprise loans and UMU feels confident in giving larger loans due to the guarantee.

New clients. Although again there was no clause in the DCA II legal agreements directly prohibiting banks from making multiple loans to one client, this assessment identified only one instance of a repeat loan under DCA II. This supports the idea that the banks are using the guarantee to lend to new and different types of clients and that the guarantee provided additionality. Some of the areas that were mentioned include Centenary Bank's interest in the Northwestern part of the country now that the security situation has stabilized, and Stanbic's interest in expanding lending to the lower segment of the SME market, including rural areas with land tenure issues.

"DCA has given us the confidence to make larger loans to SMEs that are new to us." – UMU CEO.

Loan terms. Most of the banks noted that they disliked the 24-month limitation on loans since they have some customers for whom a 30-month or 36-month loan would be more appropriate. Most also mentioned that they have many potential customers whom they would like to place under guarantee coverage that prefer overdraft facilities in lieu of term loans, and who in fact will not take out term loans since they feel that the cycle or seasonality of their cash flows would not allow them to repay on time. In terms of testing differing loan sizes, UMU has been using the guarantee to hone its skills with loans as large as UGX 30 million, and Nile Bank's average loan size under the guarantee has been USD 52,000, which is smaller than their average loan size under DCA I, so there is evidence that lenders are using the guarantees to facilitate expansion of newer loan products.

Interest rates. The DCA II facility was not found to have any impact on the interest rates paid by borrowers with the exception of the borrowers absorbing the utilization fee and a portion of the commitment fee passed on through the interest rate.

Portfolio Quality. There have been no claims paid by USAID on DCA II as of the date of this report. Rural SPEED and USAID continue to encourage the lenders to use the guarantee to make what they consider riskier loans to enable them to learn about potential new client markets.

Sustainability

Continuing Access. For the loans that have already been repaid under DCA II, banks report that most of these borrowers are being retained as clients, and that they would lend to them again without the guarantee now that they have successfully repaid their first loan.

Institutional Growth. DCA II has been instrumental in assisting UMU move up market with a very new client base during a period of transition as it solidifies its status as an MDI. As described in the borrower impact section of this report, Stanbic has placed approximately 80% of its loans under coverage in Mukono district where a highly motivated business loan officer has been using the guarantee to test the market. It is hoped that Stanbic will be able to share this experience with other branches.

DCA Champions

When a bank branch loan officer truly understands DCA and establishes strong bank – client relationships, utilization is positively impacted and experiences significant increases. One business loan officer at Stanbic's Mukono branch has truly grasped the potential benefits of DCA and has promoted its utilization to assist his clients in obtaining loans they would otherwise not be eligible for. As a result, Stanbic's Mukono branch is responsible for 70% by value and 80% by volume of Stanbic's total utilization under the DCA II program.

Graduating Institutions. As mentioned above, Standard Chartered opted out of the DCA II guarantee, feeling that they were able to do SME lending on their own. Of the current DCA II lenders, both Centenary and UMU have already asked for a "top-up" to their existing facilities since they have been such active users. It was explained to them that there must be an additionality factor in any new funds being allocated from the Mission in subsidy cost for future guarantees and some ideas were discussed for new geographic areas and new products the lenders might be interested in, which are presented in the Conclusions and Recommendations section. Nile Bank has just been bought by Barclays Bank, in part due to their branch network but especially due to their SME portfolio, so it will be interesting to see what becomes of the DCA portfolio when it moves to a bank that has been less active under DCA I and DCA III (explained below).

Lessons Learned

Select the right lenders. For DCA II, USAID/Uganda carefully selected only those institutions that had been active under DCA I and showed a keen interest in moving further down market and further into rural areas. It also included an MDI that would target the very low end of the SME market, which allowed USAID to support private financing of a wide group of SMEs and has contributed to the lower average loan size under this facility. In addition to selecting the right lenders, in at least one case, successful utilization depended on individuals active within the lenders that were involved in the guarantee program. In the case of Stanbic, it was noted that one of their branch credit officer had made more than 80% of their DCA guaranteed loans from one of their branches in Mukono which is described in the textbox above and in the Borrower Impact section. This indicates that utilization also can depend on the level of understanding and motivation of key individuals within the partner lender.

Flexibility. Although the Mission's focus was to expand outreach in rural areas and in agriculture, it left the qualifying borrower definition broad as it had been under DCA I. This has kept the lenders interested, and utilization under DCA II to date has shown that they are currently more comfortable taking on risk with the guarantee on a diverse portfolio in rural areas, rather than concentrating only in agriculture.

Overdrafts. All of the banks, UMU excepted, mentioned that they would like to offer overdraft facilities to potential clients under the guarantee. This has already been discussed with the USAID/EGAT/DC Portfolio Manager, who has requested that three of the banks complete a survey to better inform USAID's decision on guaranteeting overdraft loans. It is possible that EGAT/DC may be able to have a risk model approved that would allow the DCA II banks to place overdrafts under coverage for at least a portion of the duration of their guarantee agreement.

Financial Institutions Impact – DCA III

Design. The third DCA multi-institutional LPG program was designed as a way to encourage lending to different entities in grain value chains by collateralizing the grain in a certified and professionally managed warehouse. The broader term of "collateral management" was used rather than warehouse receipts, to allow the banks to finance traders and others in the grain commodity chain, and not just the grain depositors (farmers). Three of the original DCA I banks were selected for this guarantee, including:

- Barclays Bank of Uganda, Ltd. ($4.17 million)
- Stanbic Bank of Uganda, Ltd. ($3.314 million)
- Standard Chartered Bank of Uganda ($4.17 million)

Qualifying Borrowers under this guarantee included creditworthy private non-sovereign Ugandan grain traders, exporters, millers, producer organizations, and farm-owned cooperatives, established under Ugandan law, with potential for competitiveness in Ugandan and international markets. To encourage lending to smaller borrowers, the maximum cumulative principal to one borrower was limited to 10% of the maximum portfolio amount and 20% of the maximum cumulative principal amount was required to be for loans under $160,000. Loan tenors were up to 24 months. Fees were set at 0.5% commitment and 0.5% utilization fee which were slightly higher than those under DCA I and II but still quite low, relative to other donor guarntee facilities and other guarantees in USAID's global portfolio.

Overall Utilization. Since the agreements were signed in 2005, only one loan has been made under DCA III to KACOFA, a farmers association in Kapchorwa, for $200,000 by Stanbic, which performed well and was paid off. However, the bank did not appear eager to make more loans in this size range to grain value chain participants. Both the APEP project and Rural SPEED have provided capacity building and guidance to the lenders to facilitate their entry into the market, including sending loan officers to a Structured Trade Finance training course in South Africa, but this has not improved utilization.

After discussing the guarantee with the other participating banks as well, it appears unlikely that this guarantee will be utilized before the end of the guarantee period. The banks cite a number of reasons for this, but in essence, the criteria for qualifying loans, particularly in the grain sector (which this guarantee is limited to), do not match the business strategies of the banks at this point in time. USAID/Uganda has discussed the lack of utilization of these guarantees with USAID/ODC, and it is expected that USAID/Uganda will terminate the three guarantees, and recover the remaining subsidy cost to more effectively deploy these resources toward other guarantee facilities. Some possible options for utilizing these funds for SO7 activities are presented in the Concusions and Recommendations section.

Reasons for Under-Utilization. Each of the partner banks cited some specific concerns about lending to the grain sector, but there were common themes across all three which included:

- *Transaction Size*. The lenders are used to doing deals of between USD 5-10 million for cotton and coffee collateral management, and the grain deals are significantly smaller due to the legal agreement caps on loan sizes.

- *Organization of the grain sector*. Grain is mostly grown by smallholders and is sold through associations which do not have strong management or financial management capacity. The associations have difficulty in aggregating a sufficient volume of grain to be able to achieve cost-efficiency on its storage in a warehouse. Additionally, it is difficult for the bankers to obtain credible business documentation from the associations on which they can conduct credit analysis.

- *Price uncertainty*. There is currently no forward market for pricing grain. Additionally, grain only has a domestic and regional market as opposed to other commodities under collateral management such as cotton or coffee, which command an international guaranteed price in mostly hard currency.

- *Collateral management fee structure*. The margins on grain are thin, particularly as compared to other commodities for which the banks are engaged in collateral management lending, such as cotton and coffee. Therefore grain associations are less able to afford the fees (estimated at USD 4,000-5,000) for storing grain in an appropriately managed warehouse.

Leverage. While the leverage potential on the DCA III facility could have reached more than 22:1, since only one loan has been extended to date and it is unlikely that the banks will issue more, USAID's leverage has been lower than expected. USAID/ODC is working with the Mission to redeploy these subsidy cost resources more effectively.

Table 7: DCA III Leverage

Number of Loans	Value of Loans	Subsidy Cost Paid by Mission	Actual Leverage to date	Budget Leverage possible
1	Actual: $200,000 Portfolio Ceiling: $11,654,000	$510,927	0.39: 1 0.39 private sector dollars invested for each USAID dollar.	22.81: 1 22.81 private sector dollars invested for each USAID dollar.

Lessons Learned

Business Strategy Alignment. During the design process for DCA III, the banks understood the facility would be limited to grains, and indicated strong demand from their clients, in fact strongly advocating for a separate guarantee facility from DCA II specifically for this purpose. There seems to have been a disconnect between the banks' communications and their actual business strategy and resources dedicated to developing collateral management lending or "structured trade finance" at this level as a business line.

Borrower Parameters. In comparison to DCA I and DCA II, the DCA III borrower parameters were quite narrow. This LPG limited not just the sector (agriculture), but also the specific commodities (grain). Additionally the loan size amount per client was quite low compared with the sizes of each of the banks' similar collateral management deals in other commodities such as coffee or cotton. It is possible that these criteria were simply too narrow to encourage the banks to experiment in lending to the grain value chains and thus restricted utilization of the guarantee.

Commodity-specific Risks. This DCA guarantee could not overcome real and perceived risks associated specifically with the grain commodity chain, including price risk, organizational risks of the farmers' associations and other value chain actors, and the risks related to the financial viability of the collateral management infrastructure for grain.

Impact of DCA Guarantees on Borrowers and Auxiliary Beneficiaries

The following sections detail the rationale, methodology, approach, and results of the borrower-level assessment performed during this assignment. All of the data gathered from borrower interviews is discussed and has been compiled into tables, which are included in this report in Annex 1 Tables 3-13.

Borrower Sample Defined

DCA I. The target borrowers for DCA I were defined as individuals and companies, which are creditworthy private small and medium enterprises (SMEs) or commercially viable microfinance institutions (MFIs). SMEs in Uganda were referred to as the “missing middle” because most Ugandan banks and other credit providers focused on large multinational companies as target customers and tended to avoid SME and agricultural business loan facilities due to the high delivery cost, assymetric information resulting from a lack of a credit reference system, poor past experience, and that the SMEs are generally too large to be served effectively by MFIs. Lenders relied almost entirely on the value of collateral to support SME loans, as most SMEs could not provide adequate financial information for lenders to perform proper cash flow analysis in the loan appraisal process. Due to a lack of sufficient security, most SMEs were precluded from qualifying for loans and those that did qualify were generally burdened with unreasonable repayment terms due to improperly structured loan facilities. Primary objectives of the DCA activity included promotion of cash flow based financing that would allow for increased productivity of Ugandan entrepreneurs and stimulation of the commercialization and sustainability of MFIs. The proposed loan sizes under DCA I were expected to range between USD 5,000 to a ceiling of USD 500,000.

DCA II. DCA II intended to expand upon the accomplishments of DCA I, but with an increased emphasis on rural areas. The ceiling for loans put under guarantee coverage for DCA II was USD 250,000 for CERUDEB and Nile Bank, USD 100,000 for UMU, 60% of Standard Chartered’s loans had a ceiling of USD 250,000 and 40% had a ceiling of USD 500,000 and 75% of Stanbic’s loans had a ceiling of USD 100,000 while 25% of the loans had a ceiling of USD 250,000.

Table 8: 2007 Borrower Sample

2007 Borrower Sample	
DCA I (10)	DCA II (8)
6 Rural	5 Rural
4 Urban	3 Urban
5 Agricultural	3 Trade & Distribution
3 Service	2 Agriculture
2 Trade & Distribution	1 Industry
	1 Service
	1 Microfinance

Sector breakdown. Table 8 to the right provides information on the 2007 borrower sample sector breakdown from DCA I and DCA II. Of the overall DCA I loans disbursed, Agriculture, Service, and Trade & Distribution represented the 3 largest sectors of loans by volume and value as Table 2 in the Activity Summary displays. Trade & Distribution has the largest percent by volume and the second largest percent by value. Agriculture had the second largest percent by volume and the largest percent by value. Service had the third largest percent by both volume and value. USAID’s definition of Rural or Urban was used to classify the borrowers, Rural being anything outside of Kampala, Entebbe, or Jinja.

As Table 9 below displays, of the overall loans disbursed under DCA II as of the end of February 2007 Trade & Distribution had the largest percentage of loans by volume and by value, Service had the second largest percentage of loans disbursed by volume and by value, Agriculture had the third largest percentage of loans disbursed by volume and by value, Building & Construction had the fifth largest percentage of loans disbursed by volume and by value, and Microfinance actually had the smallest percentage of loans disbursed by volume and by value.

Table 9: DCA II Utilization by Sector as of March 2, 2007

Sectors	Volume	Value	%age Vol	%age Value
Agriculture	60	803,603	16.57%	10.71%
Building & Const	31	457,988	8.56%	6.10%
Manufacturing	5	315,977	1.38%	4.21%
Service	64	1,877,901	17.68%	25.02%
MicroFinance	3	301,458	0.83%	4.02%
Trade&Distribn	163	3,161,007	45.03%	42.12%
Transport	36	586,823	9.94%	7.82%
	362	**7,504,757**	**100.00%**	

Borrower Interview Approach & Methodology

Sample Selection. Rural SPEED's DCA Portfolio Manager selected the borrowers to be interviewed out of the broader borrower portfolio. The selection was intended to be as representative as possible of the broader borrower group given time, travel, and other scheduling constraints. Once a borrower was selected, the DCA Portfolio Manager requested that the respective bank branch manager, relationship manager, or loan officer schedule an appointment with the borrower.

Borrower Questionnaire. In an effort to standardize the data collection for ease of analysis and comparison of data, a borrower questionnaire was created in advance of the interviews and was used in each interview. The questionnaire included questions about general business information and questions regarding the owner. Other questions inquired after the credit terms received under the guarantee, such as value, tenor, loan vs. overdraft, collateral requirements/security package, fees, interest rates, currency of credit provided, application information required, etc. Another section requested full time and seasonal (part time) employment and sales figures before the loan was received and then any changes in those figures from the time the loan was received to the interview date.

The questionnaire contained a section regarding other credit relationships that was aimed at gathering information about any other debt the borrower was servicing simultaneously at the time of the loan under guarantee and any credit serviced subsequent to the loan under guarantee. This section hoped to discern whether the credit record obtained through the credit relationship under the guarantee enhanced the success of subsequent credit applications, which would be indicative of sustainability and borrower "graduation" from the DCA program. Another section included questions about other general benefits for the borrower. Borrowers were also asked to identify auxiliary or indirect beneficiaries that were positively affected by the borrower's increased working capital. Identifying auxiliary beneficiaries was intended to provide an idea of the further-reaching effects of the guarantee and broader impacts of increased credit stimulated in the economy. The final section of the questionnaire inquired about the financing gaps remaining for the borrower. The borrower was asked to describe how they would use additional funds if they were able to access the extra credit desired.

Meeting with the bank representative. It was found to be extremely beneficial to have a short informal meeting with the bank representative, typically a credit officer, prior to visiting the borrower. During this meeting it was possible to collect information about sales and income figures prior to the loan under guarantee and current figures as of the interview date since the bank representative generally had this kind of information more readily available than did the borrowers. During this time other general questions about the borrower were asked, such as those included in the box to the right.

Questions for bank representative

- What was the borrower's annual sales figure prior to receiving the loan under guarantee?
- What are the borrower's most recent annual sales figures?
- How many male and female full time and seasonal (part time) staff did the borrower have before the loan under guarantee?
- How many male and female full time and seasonal (part time) staff does the borrower currently have guarantee?
- Why was the borrower put under guarantee coverage?
- What is the typical percentage of collateral required?
- Would the borrower have been approved for the loan without guarantee coverage?
- Would the loan have been for a lower value without guarantee coverage?
- Does the borrower make regular payments?
- Did the borrower apply for any loans after the loan under guarantee?
- Has the borrower received any loans subsequent to the guaranteed loan without requiring guarantee coverage?
- Does the bank feel comfortable lending to similar borrowers without the guarantee?

Borrower meeting presentation. Prior to meeting with the borrower, it was also reiterated and confirmed to the bank representative that nothing about the loan being "guaranteed" would be mentioned to the borrower. Generally, bank staff understood this approach and also explained that it was the bank's policy not to inform borrowers of the guarantee, as it might lead to loan defaults. At this time the interview approach was explained so that the bank staff would understand the presentation. At the beginning of each interview, an introduction was made explaining that the interviewer was a Rural SPEED consultant. Rural SPEED was described as a USAID-funded project working with banks in Uganda. The reason Rural SPEED wanted to meet with bank borrowers was because the project wanted to assess the kind of services that banks are providing to borrowers while also assessing the kind of services that are lacking for borrowers. By identifying the gaps in financial services, which are likely constraining borrower growth and expansion, Rural SPEED hoped to work with the banks to design lacking financial services to meet borrower demand. This approach seemed to create a comfortable environment for the borrower to share information.

Data Analysis

Borrower Narratives. Each borrower interviewed has been written up in a narrative format, included in Annex 2. The narratives are intended to provide more background and contextual information about each borrower. Annex 1 Table 2B provides a list of all the borrowers interviewed and includes the interviewer(s) and bank representative(s) present for each interview.

Indicators. DCA I activities were designed to support the USAID/Uganda SO 7, “Expanded Sustainable Economic Opportunities for Rural Sector Growth,” which places a priority on reducing rural-based poverty by expanding economic opportunities and incomes. Employment and annual sales were identified as indicators of change in expanding economic opportunities and incomes and were defined as result measurements during the initial design of both DCA I and DCA II, which guided the type of borrower data collected on this assignment. The employment and annual sales information gathered from each interview has been entered into tables, included as annexes to this report. Separate tables show annual sales, full time employment, and seasonal (part time) employment data for the 10 DCA I borrowers and the 8 DCA II borrowers.Annex 1 Tables 4-6 contain employment information for DCA I and II and Annex 1 Tables 7-9 contain sales information for DCA I and II.

Measuring Impact. Since this report is primarily required to provide a final assessment of DCA I, Annex 1 Tables 5 and 8 include analyses of employment and sales information from both the 2007 final impact assessment and mid-term review conducted in December 2003, which included 20 borrowers from the sectors listed in the text box to the right. The data from the 2003 mid-term review is included in order to provide a more comprehensive picture of the program’s impact.

2003 DCA I
Borrower Sample

9 Agriculture
3 Microfinance
3 Trade/Distribution
2 Fisheries
2 Service
1 Industry

Two of the borrowers interviewed for the 2003 review were interviewed again during the 2007 final impact assessment. The data from these 2 borrowers is only included under the 2007 impact assessment in order to not skew the data. However, the baseline data used for the analysis is the data collected during the 2003 mid-term review as it is more reflective of change over time. Baseline refers to the data collected prior to the issuance of credit under guarantee. The baseline data is compared to “current” data collected on the date of the interview. The variance between baseline and current data is measured to reveal the net change since the time the loan was disbursed, which is intended to show impact or change that can be correlated to the credit made available under the guarantee. Since the loan disbursement date differs for each borrower, the corresponding baseline data will also differ for each borrower. Additionally, the current dates are different as some interviews were conducted in 2003 and some in 2007. As there are different baseline and current data dates, the net changes cover varying lengths of time, so when interpreting the data it’s necessary to be aware that the time lapse between baseline to current data is a variable among borrowers and the data does not account for the length of time over which changes occurred.

The data collected for borrowers under DCA II will contribute to the revised ongoing monitoring and evaluation plan for DCA II and will also contribute to the program’s final impact assessment data analysis.

The data and analysis resulting from the 2003 and 2007 interviews should not be interpreted as true statistical representations of the entire DCA borrower groups, but rather are designed to display actual impact among a representative sample upon which broader impact assumptions can be based. Sales figures and loan size for Bankom, a borrower interviewed under DCA I, are not included in the data analysis as the loan size was significantly larger than any other loan and the baseline data is from the year Bankom was in start up, which is misleading as it actually only includes 6 months and the company did not really begin generating sales until its second year of operation.

Impact & Results

Employment. There is a strong correlation between loans received under DCA I and employement generation, indicating that the guarantee had a significant positive impact on job growth. The change in both full time and seasonal (part-time) employment was measured by comparing baseline employment figures to current employment figures. The employment statistics are disaggregated by gender.

There was a total increase of 83 full time jobs for males, or 8.3 jobs per borrower for the 10 DCA I borrowers interviewed during the 2007 final impact assessment, which translates into an average 225% increase per borrower. A total of 50 full time female jobs were created with an average of 5 per borrower, representing an average full time female employment growth of 120% per borrower. Part time employment is generally referred to as seasonal or casual labor and is more commonly utilized in the agriculture sector during harvesting seasons, when labor is more intensive. Male seasonal employment grew by a total of 195, or 19.5 new male seasonal jobs per borrower, representing an average 125% growth per borrower. Female seasonal employment grew by a total of 115 or 11.5 new female seasonal jobs per borrower, representing an average growth of 13% per borrower. See Annex 1 Table 4 for individual borrower statistics.

Average Job Growth per Borrower

DCA I (2003 & 2007)

3.36 full time male jobs
2.86 full time female jobs
19.5 seasonal male jobs
11.5 seasonal female jobs

DCA II

0.375 full time male jobs
1 full time female job
1.625 male seasonal jobs
0.25 female seasonal jobs

Combining the data collected for DCA I in the 2003 mid term review and 2007, the 28 borrowers interviewed experienced a total 2812% increase in full time male employment with an average 100% increase per borrower. 80 full time female jobs were created representing an overall 1578% increase and an average growth of 56% in full time female employment per borrower. Please see Annex 1 Table 5 for individual borrower statistics.

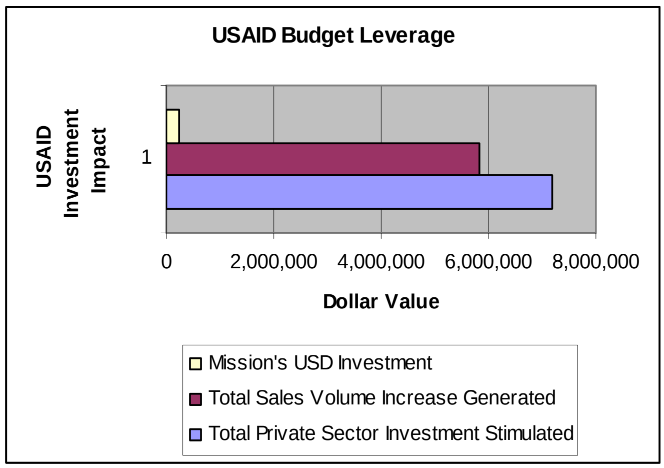
The 8 borrowers interviewed under DCA II experienced a total increase of 3 full-time male. Full time female employment increased by a total of 8 jobs. Seasonal male employment grew by a total of 13 jobs. Seasonal female employment grew by a total number of 2. See Annex 1 Table 6 for individual borrower statistics.

Sales. The 10 sample borrowers (9 not including Bankom) interviewed under DCA I in 2007 experienced a total sales growth of USD 556,369.18. The average annual sales growth per borrower was USD 61,818.80 or 86%. Annex 1 Table 7 presents individual borrower sales statistics.

Combining the data collected for DCA I in 2003 and 2007, the 28 sample borrowers interviewed experienced USD 5,840,369.18 total growth in annual sales representing an overall increase in sales of 1718%. The average annual sales growth per borrower was USD 208,584.61 or 61%. Annex 1 Table 8 presents individual borrower sales statistics.

The 8 sample borrowers interviewed under DCA II in 2007 experienced a total growth in annual sales of USD 1,387,685, which represents an overall annual sales increase of 353%. The average annual sales growth per borrower was USD 198,241 or 50% growth per borrower. Annex 1 Table 9 presents individual borrower sales statistics.

Table 10: USAID Budget Leverage



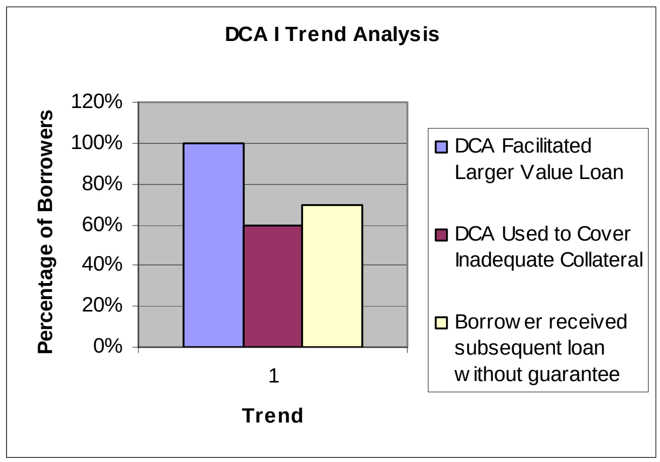
USAID Budget Leverage. The cumulative dollar loan value of the total 28 DCA I borrowers equals USD 7,174,997, which is 27.06% of the total DCA I portfolio of USD 26,520,000. The Uganda Mission paid a 6.38% subsidy cost of the total DCA I portfolio authorized amount, or USD 869,530. In addition to the method presented in the Financial Institutions Impact Section, one method of estimating the budget leverage for this particular sample is to take 27.06% of the total subsidy cost, which is USD 235,294.81 and interpret this portion of the Mission's investment as stimulating USD 7,174,997 in private sector lending within the Ugandan economy, representing a budget leverage of 30:1 for this sample. It is acknowledged that each bank had a separate risk rating and therefore contributed a different amount to the total subsidy cost, however, the estimation and deduction is based on the representative design of the sample, which includes all lenders.

It can also be understood that the USD 235,294.81 spent by the Uganda Mission created 94 full time male jobs, 80 full time female jobs, 195 seasonal male jobs, 115 seasonal female jobs, and a total increase in sales of USD 5,840,369.18.

Other Beneficiaries. The increased ability to access credit from DCA guarantees has far more widespread impacts than on just the individual borrower. For example, activities among the 18 borrowers interviewed in 2007, included the construction or completion of construction of 3 schools, improving facilities and various amenities and increasing the number of teachers for the 1,706 students enrolled in the 3 schools. The number of farmers and middlemen doing business with agriculture producers, processors, distributors, and suppliers has increased exponentially, contributing to increased incomes for those individual farmers and middlemen. Annex 1 Tables 10 and 11 provide a full summary of indirect beneficiaries of DCA I and II.

Trend Analysis: Additionality and Sustainability
Over the course of the 18 interviews conducted during this assessment, there were several common experiences borrowers and lenders shared, which revealed other guarantee impacts on access to credit and sustainability.

Table 11: DCA I Trend Analysis

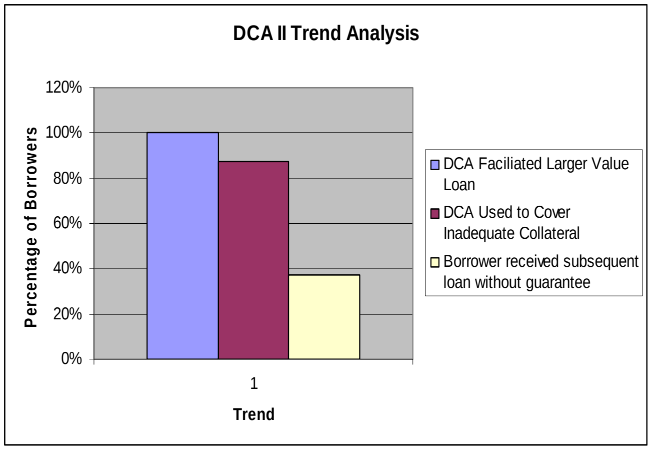


DCA I Additionality. As the DCA I Trend Analysis chart displays, for 60% of the 10 DCA I borrowers interviewed, DCA coverage helped to compensate for lacking collateral in a banking environment that relies heavily, if not entirely, on collateral based lending. Bank representatives indicated that without the additional security from DCA. 100% of the loans in this sample would not have been approved or would have been approved for a value significantly lower than what the borrower had originally applied for and could service. Considering the significant sales and employment growth the majority of the borrowers experienced from increased capital, it is clear that DCA contributed to the reduction of significant barriers to growth for borrowers.

DCA I Sustainability. With respect to sustainability, the fact that 70% of borrowers received subsequent loans without requiring DCA coverage is indicative of the graduation of these borrowers from the DCA program and the likelihood of banks' future investment in not only these borrowers, but also these sector(s) at large. For USAID, the graduation of borrowers from a DCA program can be considered as part of exit strategies for technical assistance programmed to end for specific borrowers or sectors.

DCA II Additionality. Of the 8 borrowers interviewed under DCA II, lenders again confirmed that 100% of the borrowers would have received loans for a significantly lower value if the DCA guarantee coverage had not been available. In 88% of the cases under DCA II, DCA was used to cover what the lenders would otherwise have considered to be an inadequate collateral package.

Table 12: DCA II Trend Analysis



DCA II Sustainability. 38% of the borrowers were able to receive a subsequent loan without guarantee coverage. While this figure seems significantly lower than the 70% of DCA I borrowers interviewed able to receive subsequent loans without guarantee coverage, it should be noted that the DCA I borrowers may have received the loan under guarantee up to 4 years ago, allowing for more time to build credit history, expand operations, and prove creditworthiness. In the case of the DCA II borrowers, 2 borrowers received the loan under guarantee in 2005, 5 in 2006, and 1 in 2007; therefore many borrowers may not have yet applied for subsequent loans without guarantees maybe have not even applied for subsequent loans yet because they are still servicing the loan under guarantee. This trend should continue to be monitored for DCA II in order to assess the level of sustainable access to credit that DCA II borrowers are experiencing and to ensure that borrowers are continuing to graduate from the DCA program. The sustainability and post-guarantee access to credit trends reveal impact and results over time, which is valuable to monitor for the DCA II program.

Value & Tenor Issues. Entrepreneurs are reinvesting their increased revenues into their businesses and are applying for even more financing, but are finding they are now limited by the value and tenor of loans they are able to access. 60% of DCA I borrowers and 25% of DCA II borrowers interviewed said they are still unable to access the larger value loans they need and which their business operations and cash flows are capable of supporting. Additionally, 20% of DCA I and 25% of DCA II borrowers interviewed indicated that they are unable to access loans with a long enough tenor to support their operations. Five borrowers interviewed indicated that they would be able to expand and grow even more if they were allowed a repayment grace period. Most of the tenor and grace period issues were brought up by borrowers involved in construction, which generally requires larger capital investments and typically experiences delayed revenue returns.

As evidenced through the analysis of the borrower samples from the 2003 mid term review and the 2007 final impact assessment, the DCA I Program has seen huge successes and had significant developmental impact on the growth of SMEs in Uganda. The monitoring and evaluation conducted under DCA I was sufficient to provide a snapshot sample of success and has provided a number of lessons learned, along with a foundation to build upon for DCA II to ensure an even more successful program with improved methods of measuring results and impact.

Monitoring and Reporting

This section of the assessment provides a review of the past and current status of core monitoring and reporting functions for the multiple Loan Portfolio Guarantees, and provides recommendations for strengthening data collection and systematic monitoring under the existing guarantees. Additionally, this section provides recommendations for USAID/Uganda's consideration for the support of future guarantees it may establish.

USAID/Uganda DCA Implementation Support

At the beginning of DCA I, USAID/Uganda recognized the need for intensive implementation support to facilitate utilization of the actual guarantee mechanism. Rather than dedicating resources out of the Mission's core staff, USAID/ Uganda requested that the SPEED I (2001-2003) program provide this implementation support in order to closely coordinate the technical assistance and capacity building each partner lender would receive, and to provide mentoring as each bank used the guarantee to move into new markets. Additionally, the development and financial monitoring and reporting functions required under all DCA guarantees, were assigned to SPEED I & II (2004) and were carried on through Rural SPEED (2005-2007) for additional DCA facilities as they were established.

Under SPEED II, the DCA Portfolio Manager collected portfolio data, assisted the Mission in reporting on financial and developmental indicators, and served as an ongoing relationship manager to the participating banks to administer the guarantee facility by responding to the banks' questions, and to identifying technical assistance and capacity building needs. Rural SPEED also has a full-time dedicated DCA Portfolio Manager with expanded responsibilities for more intensive monitoring of additional guarantee facilities DCA II and DCA III. These expanded responsibilities include working with partner lenders to develop interim utilization targets, measuring performance of the portfolio against additional USAID/Uganda indicators, and coordinating with USAID's Office of Development Credit as needed. According to the November 2005 ODC Draft Site Visit Report[2], "all partner banks active with DCA complimented SPEED on their responsiveness and dependable support. When asked, banks indicated that the support they most value is the ability to get in touch with SPEED quickly to ask questions. Likewise, when asked, the Mission indicated that it most values SPEED's role in monitoring and reporting." This assessment found the same to be true as documented in the Financial Institutions Impact section of this report.

During both SPEED II and Rural SPEED, the DCA Portfolio Manager was in weekly, if not more frequent, contact with the participating banks, and was available to

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[2] Office of Development Credit, Draft Site Visit Report: Uganda DCA Loan Portfolio Guarantees, November 2005.

respond to bank questions about any aspect of the guarantee. Through the DCA Portfolio Manager, SPEED II and Rural SPEED would also provide information that would be useful to the lenders in identifying potential market segments within the LPG Qualifying Borrowers definition that would maximize development impact. This model of intensive support has proven successful in helping USAID/Uganda achieve a very high utilization rate under DCA I (91%) and DCA II (64.14% at approximately half way through the program). Additionally, while difficult to substantiate quantitatively, this complementary pairing of technical assistance with the guarantee throughout the guarantee period seems to have contributed to institutional changes within the banks related to USAID/Uganda's development goals, as some of the examples in the Financial Institutions Impact section describe.

Efficiency and Effectiveness of M&E mechanisms

Monitoring and reporting of the utilization, portfolio quality, claims, and specific development indicators agreed to with USAID/Uganda was conducted by the DCA Portfolio Manager under SPEED II and Rural SPEED. However, findings from the Regional Inspector General (RIG) Audit[3], particularly recommendation No. 2, encouraged the Mission and Rural SPEED to formally document a systematic DCA monitoring plan, which is now in use. The objective of the formalized monitoring plan is to ensure that guaranteed loans are compliant with DCA procedures, and USAID objectives for the specific guarantee. The plan covers the following areas:

- Financial and Administrative Procedures
- Indicators and Utilization Targets
- Annual Site Visits to Partner Lenders and Borrowers (includes rolling schedule and documentation formats)
- Annual Assessment of Participating Banks
- Documentation Procedures

Interim Utilization Goals. Per the RIG Audit finalized in February 2006[4], USAID/Uganda was unable to determine whether DCA I Loan Portfolio Guarantees were being over- or under-utilized since it did not have interim utilization goals for the guarantees, but rather was focused on encouraging utilization of the total authorized amount by the end of the guarantee period. RIG determined that the lack of interim utilization goals was a key factor contributing to the delay in remedying an under-utilized guarantee with one bank under DCA I.

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[3] USAID Office of Inspector General, *Audit of USAID/Uganda's Development Credit Authority*, Audit Report No. 4-617-06-004-P, February 13, 2006, Pretoria, South Africa.
[4] Ibid.

The Mission concurred with the need to establish interim utilization goals and with Rural SPEED support, established these by March 2006 for the remainder of DCA I, DCA II, and DCA III. These interim utilization targets have assisted USAID/Uganda in diagnosing problems with DCA III utilization in time to take corrective action with each of the three participating banks and identify potential solutions to best direct Mission funds to achieve SO 7 goals.

Utilization targets were determined on a lender-by-lender basis through discussion with the lenders, projecting out on a semi-annual basis to correspond with the deadlines for each lender's submission of its Qualifying Loan Schedule through CMS. Tables 1,2, 4, and 5 in the Financial Institutions Impact Sections capture trends in utilization since these goals were established and began to be tracked. It is recommended that a summary spreadsheet similar to these three tables including all banks' utilization targets per program be added to be revisited on at least a semi-annual basis to facilitate proactive monitoring on a time, bank, and guarantee program basis.

Toolkit Compilation. To facilitate the ongoing monitoring and reporting of the current DCA facilities and to plan for future guarantees, it would be useful to elaborate on the summary monitoring plan to make it more of a toolkit. This could include adding slightly more explanation for each sub-category of the broader categories above; appending the DCA Portfolio Manager's position description, templates (which already exist) for loan file reviews, borrower and lender site visits; and including snapshots of the basic utilization tracking tables. Additionally, it may be useful to document responses to Frequently Asked Questions the Rural SPEED DCA Portfolio Manager responds to from the participating lenders, USAID/Uganda, and/or USAID/ EGAT ODC. All of this material exists, and it would be valuable and not that difficult to compile and further document these DCA processes and procedures as Rural SPEED winds down.

Indicator Definitions. It is recommended that the "toolkit" include definitions of the criteria that will be used to measure impact and results. Rural SPEED uses sales and employment indicators to measure impact and results, therefore it would be useful to describe in detail the standardized baseline data that needs to be collected for each borrower at the time of loan disbursement so that it can be effectively compared with data collected during site visits. For example it is important to track annual sales at the time of (or the year before) loan disbursement rather than turnover for the past six months for the purposes of comparison with prior / subsequent years.

Borrower information collection. Through Rural SPEED, USAID/Uganda has begun collecting more detailed information on each borrower including address and type and value of collateral through the notification letters sent by the bank to the DCA Portfolio Manager and through Transaction Reports submitted by the lender via USAID's Credit Managmenet System (CMS). This issue had been raised by Rural SPEED as related to CMS and by RIG Audit recommendation No. 3, with which the Mission concurred. This assessment concludes that this modification to data collection has improved USAID/Uganda's ability to track indicators for rural outreach and to concurrently monitor the status of any defaulted loans not yet submitted as claims. Collection of the borrower's address will also facilitate planning for annual borrower site visits.

Monitor trends. For DCA I, trends relevant to sustainable access to credit and borrower graduation were only measured in the 2007 impact assessment along with the fundamental sales and employment indicators of growth in support of SO7. By tracking the sales and employment information for borrowers over time, USAID can closely monitoring the returns on their investment and measure results for SO7. Given the significance of the additional information that the trend analysis provides to USAID, it is highly recommended that these same trends be continually assessed under the DCA II program. The same trend questions asked during the 2007 impact assessment should be asked as part of a standardized borrower monitoring plan over the life of DCA II. The continual flow of trend information will provide USAID an updated assessment of access to credit sustainability and borrower graduation from the DCA program, which USAID can consider using as part of an exit strategy for borrowers or groups receiving technical assistance. This recommendation is further developed in the Conclusions and Recommendations section.

Measure impact over time. Given that borrower growth trends are generally more revelatory over time, it would be ideal if some borrowers interviewed during the 2007 impact assessment for DCA II could be interviewed again in 2-3 years to discover how the credit received and history established as a result of the DCA program has contributed to subsequent access to credit and sales and employment growth. As with the 2007 impact assessment evaluation, loan disbursement dates should vary among the borrower sample in the design of future assessments, and like the DCA I sample, some of the included borrowers should have received loans at the beginning of the program to show impact over time. Generally, borrowers interviewed should have received their loan under guarantee at least one year prior to the interview date in order to allow enough lapse of time for changes to be measured. As previously described, the length of time it took changes to occur was not accounted for under DCA I. However, if USAID/Uganda desires this kind of information, it can be done under DCA II, measuring change in borrowers over the same time continuum, which will allow for more in depth impact analysis and data comparison.

Automate and standardize baseline data collection. The loan files at Rural SPEED are certainly useful to assist in the collection of baseline sales and employment data, especially since the borrowers and lenders do not always have this kind of historical information available if the interview is taking place years after the loan under guarantee was disbursed. Rural SPEED should continue to ensure that the borrower information provided in the notification letter is always included and standardized for DCA II to automate the collection of baseline data.

Conclusions and Recommendations

Through the now completed DCA I program, USAID/Uganda was able to leverage its investment of SO7 funds almost 28:1 to encourage more than USD 24 million worth of lending to MSMEs. Additionally, this facility has contributed to the movement down market of most of the seven partner commercial banks into SME retail lending and MFI wholesale lending. The average loan size of $89,005 met the Mission's targets for individual SME borrowers, and the majority of SME borrowers and all the MFI borrowers are able to access credit without a guarantee. If one were to extrapolate the findings of the analysis conducted on the sample used for this assessment across the entire borrower cohort, credit provided under the guarantee has fostered moderate levels of full-time employment growth and significant levels of seasonal employment growth, as well as more than 50% growth in annual sales for loan recipients. The success of this program was due in part to the multi-institutional and broad design of the facility, and complementary support received by the lenders, and can also be attributed at some level to positively moving market trends.

To date, DCA II has achieved a lower actual leverage ratio, but if the entire portfolio ceiling of USD 11.7 million is extended in loans to rural and agricultural MSMEs, the Mission will have leveraged its investment of SO7 funds at 11.83:1. The facility is achieving its goal of encouraging lenders to expand into rural areas and make agricultural loans as evidenced by 362 loans to date and the 78% of loans by volume across all the financial institutions going to rural and/or agricultural borrowers. The average loan size of USD 20,812 under DCA II indicates that this facility is helping provide access for even smaller sized businesses than under DCA I. To date DCA II loans have helped the borrowers under coverage in the assessment sample achieve 86% growth in annual sales and moderately increase full-time and seasonal employment. The expected full utilization and success of this facility can be attributed again to good design, selection of active lenders with business strategies corresponding to the objective of the guarantee, and ongoing support and linkages to USAID technical assistance programs.

It is anticipated that USAID/Uganda will terminate the DCA III deals with each of the partner lenders involved since they cannot demonstrate any prospects for utilization of the facility in the next two grain seasons.

Recommendations

USAID/Uganda has USD 352,000 in deobligated DCA funds from the withdrawl of Standard Chartered from the DCA II agreement, in addition to USD 353,000 from the expected termination of all three DCA III guarantees. There are a number of areas to which recovered subsidy cost could be directed toward new guarantees that would provide continuing support SO7 goals while consciously graduating financial institutions and borrowers from DCA. Some of these include:

- *Agriculture lending*. USAID/Uganda might consider an LPG with more broadly defined qualifying borrower parameters for agricultural lending at different points along the value chains of multiple commodities or leave the commodity selection open to the lender. This might also be designed to allow the loan size range and types of instruments that would facilitate larger flows of export financing to focus on those reaching the demand pull side of the value chain equation. Leaving the definition as "agriculturally-linked" would facilitate lending to processing, inputs, transport and other value chain target points whereby economic benefits would still flow down to the producer and producer association level. A broad LPG for "agriculturally-linked" business financing could also support leasing of agricultural equipment (including irrigation, small tractors, and processing lines), wherever that function does not overlap with the Agricultural Sector Program Support (ASPS)/DANIDA or other donor programs.

- *Wholesale lending to SACCOs*. Microfinance is relatively mature in Uganda, and a number of key USAID-supported MFIs have graduated to MDIs and are able to access commercial capital without the help of DCA guarantees. Savings and Credit Cooperatives (SACCOs) are the next frontier to expanding access to financial services to individuals and businesses, particularly in rural areas. USAID/Uganda could use a portion of its recovered DCA subsidy cost funds to establish an LPG for wholesale lending to SACCOs to increase their loan capital for on-lending, which would directly complement efforts currently being undertaken by Rural SPEED currently to support SO7. However the government Bona Bagagawale should be taken into account as it is already providing relatively cheap funds (below market rate) to SACCOs.

- *Post-conflict rural areas*. With peace and stability returning to the northern and western regions of Uganda, DCA guarantees could be useful in speeding the entry of financial institutions that had not been active there during the conflict period to engage in MSME lending. This type of LPG would need to be designed thoughtfully in order to leave the other qualifying borrower parameters relatively broad since the geographic area would already be somewhat narrowly defined. The program should also only be with partners that already have intentions to go in this part of the courntry.

Graduation and Exit Strategies

USAID/Uganda has successfully used DCA guarantees as a tool to further the Mission's development objectives while leveraging its investment. The Mission should consider carefully how future guarantees would continue to create additionality and fostering sustainability through its graduation and exit strategies. At a minimum, the following should be considered at the design phase of new guarantees, to ensure that through DCA, the USG is serving as a "guarantor of last resort" and not distorting the market.

- *Financial institution communication*. Even at the preliminary discussion phase and throughout the guarantee period, financial institution partners must understand that the guarantee is temporary and for a specific purpose – to share risk as they expand into a particular market. As mentioned in this assessment, two of the DCA II partner lenders have already indicated interest in having their current facilities "topped up." Rather than topping up their existing facilities under which they have successfully made significant numbers of performing loans, USAID should consider working with these willing and able partner financial institutions to expand lending to other underserved markets, and this should be communicated regularly during periodic site visits and other meetings.

- *New markets / new products*. For additional guarantees there must be a new and different borrower target market, new credit products, and/or a new type or purpose for the guarantee in order to demonstrate additionality. Changes to the credit products whereby risk sharing is truly needed, for instance capital investment loans of a much longer tenor than the lender normally provides will reinforce the concept of the DCA guarantee as a learning tool.

- Other modifications.

  - The Mission can consider working with new partner lenders or revisiting older partners as the market changes. For instance, Bank of Africa has taken over Allied Bank, and Barclays has bought Nile Bank. As each of these financial institutions settles down after their respective mergers, their new business strategies may intersect with SO7 goals for future guarantees, or even better, their new strategies may promote lending to the markets USAID is interested in supporting, without guarantees. In the latter situation it may be possible to link these lenders with SO7 technical assistance programs to further enhance development impact at no additional cost to USAID.

  - The commitment/origination fees as well as the utilization fees for DCA I and DCA II have been quite low, partially with the intent of keeping interest rates lower for borrowers. The Mission would be able to achieve greater leverage on its investment if the lenders paid even a slightly higher amount, i.e. 50 additional basis points, and this would enable USAID to increase the outreach and impact of each guarantee.

  - For partner lenders that have participated in DCA I and DCA II, the Mission can consider reducing the guarantee coverage percentage to less than 50% for any guarantees where there is overlap with the MSME borrower group to foster the graduation of lenders from the guarantee facilities.

  - The Mission might also consider adding a stipulation to new legal agreements to prevent repeat loans to borrowers under coverage, with the exception of wholesale lending to smaller financial institutions such as SACCOs and MDIs.

  - Should the opportunity present itself, USAID/Uganda might consider using some of the other DCA guarantee structures that could contribute to its development objectives, including single Loan Guarantees, Portable Guarantees, and Bond Guarantees.

- *Coordination*. This assessment supports the recommendation of the ODC Site Visit report of 2006 that USAID/Uganda should coordinate with other donor programs, particularly the DANIDA ASPS program and the EU SUFFICE program at the design stage for any future guarantees. These programs offer terms that overlap somewhat with potential agriculturally-linked MSME guarantees the Mission may consider in the future. A summary of the information found on non-DCA guarantee programs and facilities is found in Annex 1 Table 1.

- *Documentation*. Once USAID/Uganda has reviewed the lessons learned and recommendations presented in this assessment in combination with those of the 2006 RIG Audit and 2006 ODC Site Visit report, it would be worthwhile to document the Mission's final criteria and graduation/exit strategies for future DCA designers at the Uganda Mission and at other USAID Operating Units.

Support of DCA II and Future Guarantee Programs
USAID's Rural SPEED program expires in November 2007, and the Mission will need to evaluate options for continuing to support, monitor, and report on DCA II and any future DCA guarantee programs. USAID/Uganda has agreed to provide USAID/EGAT/DC with its exit strategy for monitoring and reporting on the remaining potential claims period under DCA I, the remainder of DCA II and any closeout responsibilities required for DCA III by April 19, 2007.

According to ODC Draft Site Visit Report[5], "[Rural] SPEED's involvement with the implementation of DCA is incorporated into the project's performance review. While the Mission provides overall guidance and supervision to [Rural] SPEED regarding the DCA deal, DCA is not incorporated into anyone's work objectives for performance review. In discussing this, the point was made that this would not be desirable from a Mission staff person's point of view, as they could conceivably be held accountable for things over which they cannot exert control (e.g. guarantee utilization, which is ultimately decided by the banks)". If the Mission wishes to continue to outsource the principal day-to-day activities related to implementation of the guarantee facilities, as is currently done with Rural SPEED, there are a number of possible options including but not limited to:

- Extending the portion of Rural SPEED that focuses on the core support functions related to implementation of the guarantee under a task-order type

[5] Office of Development Credit, Draft Site Visit Report: Uganda DCA Loan Portfolio Guarantees, November 2005.

mechanism, either with or without a scaled down version of complementary capacity building and technical assistance functions to facilitate utilization.

- Placing these functions under another existing or future USAID/Uganda project operating in SO 7 that has a lifespan extending through the end of the guarantee period of DCA II, and future SO 7-related guarantee facilities.

- Contracting a local firm or individual to conduct core monitoring and evaluation functions through an appropriate local support contracting vehicle.

- Requesting assistance from the closest Regional Office, combined with help from the Office of Development Credit, on financial monitoring.

Annex 1: Active Non-DCA Guarantee Programs and Facilities in Uganda

The ODC Site visit report of 2006 recommended that a more comprehensive analysis should be completed of other GOU and donor guarantee programs focused on similar groups of target clients and sectors as USAID/Uganda's SO7, to assist in evaluating the additionality of DCA II and future Mission guarantee programs. Annex 1 Table 1 presents the information collected during the assessment on other non-DCA guarantee programs.

Table 1: Non-DCA guarantee programs

Guarantee Program	Partner Lenders	Duration	Target Borrowers	% coverage	Comments
GOU Export Credit Guarantee Scheme (ECGS)	Crane Orient Barclays Stanchart		Exporting large and medium sized businesses		Crane has been most active since 2005 using scheme for exporters of fish, flowers, grain
DANIDA Agricultural Sector Programme Support (ASPS) Loan Guarantee	Centenary Bank of Africa Stanbic DFCU	2005-2009	SME agribusinesses	50-75%	Centenary has been most active.
DANIDA Agricultural Sector Programme Support (ASPS) Leasing Program	UML DFCU	2005-2009	MSME agribusinesses	50% loan matching fund	100 leases worth $1 million to date.
EU SUFFICE			SACCOs in Western Region. MFIs converting to MDIs.		Requested terms from Monica Mmukooza 236-554
Scandinavian donors ESTROME	Could not find information on this program	Check lender surveys for contact			
IFC	UML Possibly others	Single transaction guarantee	MDIs	100%	UML did not use because terms offered not competitive.

Table 2A: Interview List Financial Institutions

DCA Impact Evaluation - February 26 - March 8, 2007 Persons Interviewed for this Consultancy					
Last Name	**First Name**	**Title**	**Organization**	**Email**	**Telephone**
Wakhweya	Jacqueline	Development Finance Specialist	USAID/Uganda	jwakhweya@usaid.gov	256-41-306-001 - Ext. 6544
Owusu-Boakye	Kofi	Credit Portfolio Officer	USAID/EGAT/ODC	kboakye@usaid.gov	202-712-5582
Luswata	Paulo	DCA Portfolio Manager	Rural SPEED	pluswata@speeduganda.org	346-864/5, 346849
Chaffee	Ralph	Consultant	Rural SPEED		346-864/5, 346849
Pelrine	Richard	Rural Finance Advisor	Rural SPEED	rpelrine@speeduganda.org	346-864/5, 346849
Besigye	Asaph	Rural Finance Specialist	Rural SPEED	abesigye@speeduganda.org	346-864/5, 346849
Wood	Mark	Commercialisation Director	APEP	mark@apepuganda.org	256-031-350-700
Oyee	Patrick	Agribusiness Finance Specialist	APEP	patrick@apepuganda.org	256-031-350-700
Wangwe	Richard	Agricultural Finance Specialist	DANIDA - Agribusiness Sector Programme Support	richard.wangwe@asps.or.ug	312-351-610 / 264-885
Sseguya	Michael	Director, Head of Sales Client Relationships	Standard Chartered	Michael.Seguya@ug.standardchartered.com	256-312-294-121
Kainika	Dean Marvin	Credit Analyst, Client Relationships, Wholesale Bank	Standard Chartered	Dean.M.Kainika@ug.standardchartered.com	256-41-257-549
Nalyaali	Charles	Chief Executive Officer	Uganda Microfinance Limited	cnalyaali@uml.co.ug	041-531-377
Oketi	Robert	Head of Credit	Uganda Microfinance Limited	roketi@uml.co.ug	041-453-1377
Gidudu	Andrew	Credit Administrator	Uganda Microfinance Limited	agidudu@uml.co.ug	041-531-377
Buhamizo	Boaz	Head of Credit Support	Stanbic Bank	buhamizob@stanbic.com	031-224-323
Nuwagaba	Paul	Business Manager, City Branch	Stanbic Bank	nuwagabap@stanbic.com	041-345-748
Muhumuza	Kagaba	Structured Commodity Trade Finance, Corporate & Investment Banking	Stanbic Bank	kagabam@stanbic.com	312-224-600

DCA Impact Evaluation - February 26 - March 8, 2007
Persons Interviewed for this Consultancy

Last Name	First Name	Title	Organization	Email	Telephone
Agin	James	Corporate Director	Barclays	james.agin@barclays.com	031-2218-300/306
Edem-Maitum	Samuel	Business Support & Corporate Recoveries	Barclays	samuel.edem-maitum@barclays.com	031-2218-367
Amuge	Angela	Chief Manager, Commercial Credit	Centenary Rural Dev. Bank	angela.amuge@centenarybank.co.ug	41-251-276 / 251-276
Lutwama	Joseph	General Manager, Credit	Centenary Rural Dev. Bank	joseph.lutwama@centenarybank.co.ug	41-251-276/7
Gumira	Anthony	Manager, Commercial Credit	Centenary Rural Dev. Bank	anthony.gumira@centenarybank.co.ug	41-251-096
Miiro-Kwagala	Philip	Head of Corporate Banking	Nile Bank	pmiiro@nilebank.co.ug	041-433-5300 / 349-116
Babonereirwe	Daniel	Head of Credit Control	Nile Bank	dbabonereirwe@nilebank.co.ug	041-345-571/2
Kiweewa	Edward	Credit Administration Manager	Nile Bank	ekiweewa@nilebank.co.ug	041-345-571/2
Odelle	William	Chief Manager, SME	Bank of Africa (formerly Allied Bank)	william.odelle@boa-uganda.com	414-302-001 / 414-302-142
Kitumba	Farouk	Credit Manager	Bank of Africa (formerly Allied Bank)	farouk.kitumba@boa-uganda.com	414-302-001 / 302-143

Table 2B: Interview List Borrowers

	Borrower Interview Date	Borrower	Lender	Program	Location	Name/title of persons/s met [Interviewer/s, Bank Relationship Managers]
1	27-Feb-07	Grace Primary School	Standard Chartered	I	Mbale	George Ochwa & Christine Ochwa - owners [Marguerite Harlow, Harriet Atim - Standard Chartered, Mbale]
2	27-Feb-07	South Base Agro Limited	Standard Chartered	I	Busolwe, Tororo District	Mr. Viml (Accountant), Mr. Satish (Manager), Mr. Kalbesh (Supervisor), Mr. KK (phoned in - Managing Director) [Marguerite Harlow, Harriet Atim - Standard Chartered, Mbale]
3	27-Feb-07	Gidudu Tom	Centenary Rural Development Bank	II	Mbale	Tom Gidudu (Owner) [Marguerite Harlow, James Taliwaku (Nile Bank Branch Manager Mbale), Patrick Lukago (Loan Officer)]
4	27-Feb-07	Mbale Importers and Exporters	Nile Bank	I	Mbale	Stephen Wekomba (Owner) & Sinyoli F.G. (Accountant) [Marguerite Harlow, Sarah Wekomba - Nile Bank cashier]
5	28-Feb-07	Ignatius Lukanga	Allied Bank	I	Jinja	Ignatius Lukanga (Owner), Abas Gidima (Accountant/Business Advisor) [Marguerite Harlow, Patrick Munyena - Allied Bank Jinja Branch Manager]
6	28-Feb-07	Nankya, Margret	Nile Bank	II	Jinja	Nankya Margret (Owner) [Marguerite Harlow, Ezekiel Kate (Nile Bank Branch Manager, Jinja)]
7	1-Mar-07	Bankcom	Barclays	I	Kampala	Austin Bareme (Operations Manager) [Marguerite Harlow, Kofi Owusu-Boakye, John Kibirge Barclays Bank Kampala Corporate Manager]
8	1-Mar-07	Taimex Uganda Limited	Barclays	I	Kampala	Musoke Hamad Tamale (CEO) [Marguerite Harlow, Kofi Owusu-Boakye, John Kibirge Barclays Bank Kampala Corporate Manager]
9	1-Mar-07	Mulangwa Erias	Allied Bank	I	Kampala	Erias Mulangwa (sole proprietor) [Marguerite Harlow, Scholastica Manina Allied Bank Kampala SME Relationship Manager]
10	2-Mar-07	Kasibante D T/A Kilija Agro Supplies	Stanbic	II	Mukono	Steven Dumba Kasibante (Executive Director), Stuart Tamale (Projects Officer/Business Advisor), Richard Katugga (Sales Representative) [Marguerite Harlow, Leonard Richard Muzzaale, Stanbic Bank Mukono Branch Business Banker]
11	2-Mar-07	Mukono District Employees (SACCO)	Stanbic	II	Mukono	Paul Ssebunya (Manager) [Marguerite Harlow, Leonard Richard Muzzaale, Stanbic Bank Mukono Branch Business Banker]
12	2-Mar-07	St. Peter's Secondary School	Stanbic	II	Mukono	Annette Namulondo (Owner & Director) [Marguerite Harlow, Leonard Richard Muzzaale, Stanbic Bank Mukono Branch Business Banker]
13	2-Mar-07	Prossy, Kasiita and	UML	II	Kampala	Kasiita Prossy (Husband of Owner) [Marguerite Harlow, Andrew

	Borrower Interview Date	Borrower	Lender	Program	Location	Name/title of persons/s met [Interviewer/s, Bank Relationship Managers]
		Magembe				Gidudu UML Kampala Credit Administrator, Andrew Ochole UML Nakawa Branch Manager, Adad Iraguna, UML Field Officer Nakawa Branch]
14	2-Mar-07	Mwesigya, James	UML	II	Kampala	James Mwesigya (Owner) [Margueritte Harlow, Andrew Gidudu UML Kampala Credit Administrator, Andrew Ochole UML Nakawa Branch Manager, Adad Iraguna, UML Field Officer Nakawa Branch]
15	5-Mar-07	Jacinta Kebirungi John Warugaba	CERUDEB	I	Mbarara	John Warugaba (Owner) [Margueritte Harlow, Andrew Ssebirumbi, CERUDEB Mbarara Branch Commercial Loans Officer]
16	5-Mar-07	Asa Nakayima	CERUDEB	I	Mbarara	[Margueritte Harlow, Andrew Ssebirumbi, CERUDEB Mbarara Branch Commercial Loans Officer]
17	5-Mar-07	Alpha Dairy Products (U) Ltd.	Nile Bank	I	Mbarara	Mr. Kalanja (Operations Manager), Mr. Babu (phoned in - Owner) [Margueritte Harlow]
18	5-Mar-07	Kash General & Hardware Ltd. (Alex Muhangi)	Nile Bank	II	Mbarara	Alex Muhangi (Owner / Managing Director) [Margueritte Harlow]

Table 3: Borrower General Information Summary

2007 Borrower Sample						
	Interview Date	**Borrower**	**Lender**	**Program**	**R vs U**	**Sector**
1	27-Feb-07	Grace Primary School	Standard Chartered	I	R	Service
2	27-Feb-07	South Base Agro Limited	Standard Chartered	I	R	Agriculture
3	27-Feb-07	Gidudu, Tom	CERUDEB	II	R	Trade/ Distribution
4	27-Feb-07	Mbale Importers and Exporters	Nile Bank	I	R	Agriculture
5	28-Feb-07	Lukanga, Ignatius	Allied Bank	I	U	Agriculture
6	28-Feb-07	Nankya, Margret	Nile Bank	II	U	Agriculture
7	1-Mar-07	Bankcom	Barclays	I	U	Service
8	1-Mar-07	Taimex	Barclays	I	U	Agriculture
9	1-Mar-07	Mulangwa, Erias	Allied Bank	I	U	Trade/ Distribution
10	2-Mar-07	Kasibante Agro Supplies	Stanbic	II	R	Trade/ Distribution
11	2-Mar-07	Mukono District Employees Association	Stanbic	II	R	Microfinance
12	2-Mar-07	St. Peter's Secondary School	Stanbic	II	R	Service
13	2-Mar-07	Prossy, Kasiita and Magembe	UML	II	U	Agriculture
14	2-Mar-07	Mwesigya, James	UML	II	U	Industry
15	5-Mar-07	Warubaga, John	CERUDEB	I	R	Trade/ Distribution
16	5-Mar-07	Nakayima, Asa	CERUDEB	I	R	Service
17	5-Mar-07	Alpha Dairy Products (U) Ltd.	Nile Bank	I	R	Agriculture
18	5-Mar-07	Muhangi, Alex	Nile Bank	II	R	Trade/ Distribution

Table 4: DCA I 2007 Comparative Employment Analysis

DCA I Employment Impact: 2007 Borrower Sample								
Borrower	**Male FT Job Variance**	**Female FT Job Variance**	**% Change Male FT Jobs**	**% Change Female FT Jobs**	**Male PT Job Variance**	**Female PT Job Variance**	**% Change Male PT Jobs**	**% Change Female PT Jobs**
Grace Primary School	48	39	533%	244%	0	0	0%	0%
South Base Agro Limited	1	1	5%	33%	165	-8	1100%	-17%
Mbale Importers and Exporters	0	0	0%	0%	0	90	0%	29%
Ignatius Lukanga	5	1	125%	100%	4	8	50%	80%
Bankcom	0	0	0%	0%	0	0	0%	0%
Taimex	20	5	250%	250%	20	25	67%	33%
Mulangwa Erias	1	2	50%	100%	0	0	0%	0%
John Warugaba	4	3	200%	300%	0	0	0%	0%
Asa Nakayima	11	2	1100%	200%	0	0	0%	0%
Alpha Dairy Products (U) Ltd.	-7	-3	-12%	-30%	6	0	33%	0%
Total Sample Change	**83**	**50**	**2252%**	**1197%**	**195**	**115**	**1250%**	**126%**
Avg Change / Borrower	**8.3**	**5**	**225%**	**120%**	**19.5**	**11.5**	**125%**	**13%**

Table 5: DCA I 2003 & 2007 Comparative Employment Analysis

DCA I Employment Impact: 2003 & 2007 Borrower Samples								
Borrower	**Male FT Job Variance**	**Female FT Job Variance**	**% Change Male FT Jobs**	**% Change Female FT Jobs**	**Male PT Job Variance**	**Female PT Job Variance**	**% Change Male PT Jobs**	**% Change Female PT Jobs**
Grace Primary School	48	39	533%	244%	0	0	0%	0%
South Base Agro Limited	1	1	5%	33%	165	-8	1100%	-17%
Mbale Importers and Exporters	0	0	0%	0%	0	90	0%	29%
Ignatius Lukanga	5	1	125%	100%	4	8	50%	80%
Bankcom	0	0	0%	0%	0	0	0%	0%
Taimex	20	5	250%	250%	20	25	67%	33%
Mulangwa Erias	1	2	50%	100%	0	0	0%	0%
John Warugaba	4	3	200%	300%	0	0	0%	0%
Asa Nakayima	11	2	1100%	200%	0	0	0%	0%
Alpha Dairy Products (U) Ltd.	-7	-3	-12%	-30%	6	0	33%	0%
Begumisa Enterprises Ltd.	0	0	0%	0%				
Betuco Ltd.	0	0	0%	0%				
Biyinzika Enterprises Ltd	10	5	26%	19%				
Farm Inputs Care Centre (FICA) Ltd.	4	2	24%	25%				
Faulu Uganda Ltd.	5	6	21%	12%				
GM Turnpeco Ltd.	0	0	0%	0%				
JIDDECO	5	6	125%	200%				
Jiwa Enterprises Ltd	0	0	0%	0%				
Kenkom LTd	0	0	0%	0%				
Kiyembe Stores	1	-1	100%	-14%				
Let's Go Travel, Ltd.	4	1	400%	14%				

DCA I Employment Impact: 2003 & 2007 Borrower Samples								
Borrower	**Male FT Job Variance**	**Female FT Job Variance**	**% Change Male FT Jobs**	**% Change Female FT Jobs**	**Male PT Job Variance**	**Female PT Job Variance**	**% Change Male PT Jobs**	**% Change Female PT Jobs**
Linya Distributors Ltd	0	0	0%	0%				
Mbale Growers Tea Factor Ltd	0	0	0%	0%				
Maganjo Grain Millers Ltd	-15	10	-75%	100%				
Magnetic Enterprises Ltd.	0	0	0%	0%				
Mpanga Growers Tea Factory Ltd.	0	0	0%	0%				
Muddu Oils Refinery Ltd	0	0	0%	0%				
Regent Microfinance	-3	1	-60%	25%				
Total Sample Change	**94**	**80**	**2812%**	**1578%**	**195**	**115**	**1250%**	**126%**
Avg Change / Borrower	**3.357143**	**2.857143**	**100%**	**56%**	**19.5**	**11.5**	**125%**	**13%**

Table 6: DCA II Comparative Employment Analysis

Borrower	Male FT Job Variance	Female FT Job Variance	% Change Male FT Jobs	% Change Female FT Jobs	Male PT Job Variance	Female PT Job Variance	% Change Male PT Jobs	% Change Female PT Jobs
Gidudu, Tom	0	0	0%	0%	0	0	0%	0%
Nankya, Margret	1	0	50%	0%	6	2	200%	200%
Kasibante Agro Supplies	1	2	25%	200%	3	0	300%	0%
Mukono District Employees Association	0	0	0%	0%	0	0	0%	0%
St. Peter's Secondary School	0	3	0%	43%	0	0	0%	0%
Prossy, Kasiita and Magembe	1	2	50%	200%	0	0	0%	0%
Mwesigya, James	0	0	0%	0%	0	0	0%	0%
Muhangi, Alex	0	1	0%	100%	4	0	80%	0%
Total Sample Change	**3**	**8**	**125%**	**543%**	**13**	**2**	**580%**	**200%**
Avg Change / Borrower	**0.375**	**1**	**16%**	**68%**	**1.625**	**0.25**	**73%**	**25%**

Table 7: DCA I Comparative Sales Analysis

DCA I Sales Impact: 2007 Borrower Sample			
Borrower	**Sector**	**$ Sales Variance**	**% Change Sales**
Grace Primary School	Service	$104,707.03	48%
South Base Agro Limited	Agriculture	$56,000.00	9%
Mbale Importers and Exporters	Agriculture	-$294,587.03	-11%
Ignatius Lukanga	Agriculture	$357,405.41	177%
Taimex	Agriculture	$73,752.11	19%
Mulangwa Erias	Trade/ Distribution	$27,970.05	7%
John Warugaba	Trade/ Distribution	$20,540.54	6%
Asa Nakayima	Service	$97,600.00	509%
Alpha Dairy Products (U) Ltd.	Agriculture	$112,981.08	5%
Total Sample Change		**$556,369.18**	**770%**
Avg Change / Borrower		**$61,818.80**	**86%**

Table 8: DCA I 2003 & 2007 Comparative Sales Analysis

DCA I Sales Impact: 2003 & 2007 Borrower Samples			
Borrower	**Sector**	**$ Sales Variance**	**% Change Sales**
Grace Primary School	Service	$104,707.03	48%
South Base Agro Limited	Agriculture	$56,000.00	9%
Mbale Importers and Exporters	Agriculture	-$294,587.03	-11%
Ignatius Lukanga	Agriculture	$357,405.41	177%
Taimex	Agriculture	$73,752.11	19%
Mulangwa Erias	Trade/ Distribution	$27,970.05	7%
John Warugaba	Trade/ Distribution	$20,540.54	6%
Asa Nakayima	Service	$97,600.00	509%
Alpha Dairy Products (U) Ltd.	Agriculture	$112,981.08	5%
Begumisa Enterprises Ltd.	Fisheries	$500,000.00	6%
Betuco Ltd.	Trade/ Distribution	$100,000.00	11%
Biyinzika Enterprises Ltd	Agriculture	$637,000.00	124%
Farm Inputs Care Centre (FICA) Ltd.	Agriculture	$840,000.00	127%
Faulu Uganda Ltd.	Microfinance	$500,000.00	20%
GM Turnpeco Ltd.	Industry	$500,000.00	33%
JIDDECO	Agriculture	$0.00	0%
Jiwa Enterprises Ltd	Agriculture	$180,000.00	82%
Kenkom LTd	Service	$1,000,000.00	18%
Kiyembe Stores	Trade/ Distribution	-$6,000.00	0%
Let's Go Travel, Ltd.	Service	$50,000.00	11%
Linya Distributors Ltd	Trade/ Distribution	-$1,000,000.00	-20%

DCA I Sales Impact: 2003 & 2007 Borrower Samples			
Borrower	**Sector**	**$ Sales Variance**	**% Change Sales**
Mbale Growers Tea Factor Ltd	Agriculture	$543,000.00	22%
Maganjo Grain Millers Ltd	Agriculture	$100,000.00	8%
Magnetic Enterprises Ltd.	Agriculture	$540,000.00	82%
Mpanga Growers Tea Factory Ltd.	Agriculture	$400,000.00	24%
Muddu Oils Refinery Ltd	Agriculture	$0.00	0%
Regent Microfinance	Microfinance	$400,000.00	400%
Total Sample Change		**$5,840,369.18**	**1718%**
Avg Change / Borrower		**$208,584.61**	**61%**

Table 9: DCA II 2007 Comparative Sales Analysis

DCA II Sales Impact: 2007 Borrower Sample			
Borrower	**Sector**	**$ Sales Variance**	**% Change Sales**
Gidudu, Tom	Trade/ Distribution	$107,027	31%
*Nankya, Margret***	Agriculture	$0	0%
Kasibante Agro Supplies	Trade/ Distribution	$93,773	83%
Mukono District Employees Association	Microfinance	$18,326	40%
St. Peter's Secondary School	Service	$38,919	89%
Prossy, Kasiita and Magembe	Agriculture	$6,486	4%
Mwesigya, James	Industry	$42,072	64%
Muhangi, Alex	Trade/ Distribution	$1,081,081	42%
Total Sample Change		**$1,387,685**	**353%**
Avg Change / Borrower		**$198,241**	**50%**
**Nankya, Margret is not included in the Total Sample Change or Average Change per borrower calculations as her baseline data is from 2006 and there hasn't been enough lapse of time for a comparison to be made between baseline and current data.			

Table 10: DCA I 2003 & Other Beneficiaries Data

DCA I Impact on Other Beneficiaries: 2003 & 2007 Borrower Samples		
Borrower	**Sector**	**Other Beneficiaries**
Grace Primary School	Service	1036 students; higher salaries for school teachers
South Base Agro Limited	Agriculture	Buy from 3000 farmers; deal with 24 middlemen coordinating with the farmers & distributing pesticides, seeds, tractor plowing, etc.
Mbale Importers and Exporters	Agriculture	Dealing with several more middlemen and farmers than before; major buyers are Ugacof, Kawacom, Dreyfus, Drucafe
Lukanga, Ignatius	Agriculture	Buys from 4 middlemen representing farmers from Jinja, Iganga, Mauga, Kamuli
Bankcom	Service	0
Taimex	Agriculture	Employs a large number of seasonal female laborers; encourages seed distribution to females in villages so they can grow their own garden because he believes they'll help to build homes with the extra income
Mulangwa, Erias	Trade/ Distribution	Purchases from 5 local suppliers
Jacinta Kebirungi John Warugaba	Trade/ Distribution	Pays school fees for 2 children to go to best schools in Uganda; built a school which has about 400 pupils
Nakayima, Asa	Service	0
Alpha Dairy Products (U) Ltd.	Agriculture	0
Begumisa Enterprises Ltd.	Fisheries	Buys from 7,000 fishermen, 25 middlemen; 95% exported; received TA from SPEED through Uganda Fish Exporters Association
Betuco Ltd.	Trade/ Distribution	200 lessees
Biyinzika Enterprises Ltd	Agriculture	Buys from 5,000 farmers
Farm Inputs Care Centre (FICA) Ltd.	Agriculture	350 contract farmers; also employs 200 PT workers
Faulu Uganda Ltd.	Microfinance	Has 15,000 borrowers (12,000 group, 3,000 individual
GM Turnpeco Ltd.	Industry	0
JIDDECO	Agriculture	1200 farmers will use the plants and trees; first sales projected for December 2003

DCA I Impact on Other Beneficiaries: 2003 & 2007 Borrower Samples		
Borrower	**Sector**	**Other Beneficiaries**
Jiwa Enterprises Ltd	Agriculture	Buys from 2000 farmers; also employs 40 PT workers
Kenkom LTd	Service	130 cell phone dealers with 200 employees
Kiyembe Stores	Trade/ Distribution	Sells to 20 tailors
Let's Go Travel, Ltd.	Service	400 downstream jobs in tourism
Linya Distributors Ltd	Trade/ Distribution	Sells to 50 stores
Mbale Growers Tea Factor Ltd	Agriculture	Buys from 1400 farmers; 100% exported
Maganjo Grain Millers Ltd	Agriculture	Buys from 10 agents and 5000 farmers; also employs 50 PT workers; 12% exported
Magnetic Enterprises Ltd.	Agriculture	Buys from 5000 farmers; employs 80 PT workers
Mpanga Growers Tea Factory Ltd.	Agriculture	100% Exported
Muddu Oils Refinery Ltd	Agriculture	Sales of USD 21 million projected for 2004; will buy from 20,000 farmers
Regent Microfinance	Microfinance	Has 1500 clients
Uganda Marine Products	Fisheries	Buys from 1200 fishermen; 300 middlemen and other suppliers
Uganda Microfinance Union	Microfinance	Has 27,000 borrowers (19,000 group, 8,000 individual)

Table 11: DCA II 2007 Other Beneficiaries Data

DCA II Impact on Other Beneficiaries: 2007 Borrower Samples		
Borrower	**Sector**	**Other Beneficiaries**
Gidudu, Tom	Trade/ Distribution	Increased number of suppliers he buys from - approximately 20 suppliers; had 6 rooms to rent, now has 9 and is in the process of constructing 6 more; able to pay school fees for his 11 children
Nankya, Margret	Agriculture	Buys from 4 middlemen; supplies to 3
Kasibante Agro Supplies	Trade/ Distribution	Deals with about 50 farmers/suppliers, usually very small scale; Sales Representative was able to access his first personal loan with Owner's personal guarantee; provides fresh produce for Uganda Christian University's 5000 students
Mukono District Employees Association	Microfinance	Providing 178 Mukono district employees with affordable financial services in small denominations; and encourages savings and monetization of economy
St. Peter's Secondary School	Service	270 students; will be able to build dorms as students now sleeping in classrooms; constructing a library, computer lab, and medical center
Prossy, Kasiita and Magembe	Agriculture	Pays school fees for 5 children; Able to buy from several more middlemen and farmers
Mwesigya, James	Industry	Pays school fees for his 6 children and 7 relatives' children; deals with 10 suppliers; built 5 houses for rent
Muhangi, Alex	Trade/ Distribution	

Table 12: DCA I: Trend Analysis: 2007 Borrower Sample

Borrower	Sector	DCA Facilitated Larger Loan Value	DCA Used to Cover Inadequate Collateral	Borrower received subsequent loan without Guarantee	Still can't access larger value loans	Still can't access longer tenor loans
Grace Primary School	Service	Yes	No	Yes	Yes	Yes
South Base Agro Limited	Agriculture	Yes	No	Yes	No	No
Mbale Importers and Exporters	Agriculture	Yes	No	Yes	No	No
Lukanga, Ignatius	Agriculture	Yes	Yes	No	No	No
Bankcom	Service	Yes	No	No	Yes	No
Taimex	Agriculture	Yes	Yes	Yes	Yes	No
Mulangwa, Erias	Trade/ Distribution	Yes	Yes	Yes	No	No
Jacinta Kebirungi John Warugaba	Trade/ Distribution	Yes	Yes	No	Yes	No
Nakayima, Asa	Service	Yes	Yes	Yes	Yes	No
Alpha Dairy Products (U) Ltd.	Agriculture	Yes	Yes	Yes	Yes	Yes
% YES		**100%**	**60%**	**70%**	**60%**	**20%**

Table 13: DCA II Trend Analysis

DCA II Trend Analysis: 2007 Borrower Sample						
Borrower	**Sector**	**DCA Facilitated Larger Loan Value**	**DCA Used to Cover Inadequate Collateral**	**Borrower received subsequent loan without Guarantee**	**Still can't access larger value loans**	**Still can't access longer tenor loans**
Gidudu, Tom	Trade/ Distribution	Yes	No	Yes	Yes	Yes
Nankya, Margret	Agriculture	Yes	Yes	No	Yes	No
Kasibante Agro Supplies	Trade/ Distribution	Yes	Yes	No	No	No
Mukono District Employees Association	Microfinance	Yes	Yes	No	No	No
St. Peter's Secondary School	Service	Yes	Yes	No	No	No
Prossy, Kasiita and Magembe	Agriculture	Yes	Yes	No	No	No
Mwesigya, James	Industry	Yes	Yes	Yes	No	Yes
Muhangi, Alex	Trade/ Distribution	Yes	Yes	Yes	No	No
% YES		**100%**	**88%**	**38%**	**25%**	**25%**

Annex 2: narratives – meeting summaries

Borrower: **Grace Primary School**	
Lender: **Standard Chartered**	Program: **I**
Loan/OD value: **UGX 48.7 million OD**	Sector: **Service**
Sales: **UGX 600 million / year**	Employment: **FT 57 Male 55 Female** **PT Male Female**
Rural/Urban: **Rural**	Date: **27 February 2007**

Background:
George and Christine Ochwo own the Grace Primary School located in Mbale Town. They opened the school in 2001 and have been expanding the facilities ever since. Expansion has allowed student enrollment to grow from 300 to 1,036. The Ochwo's received a UGX 48.7 million loan under guarantee from Standard Chartered with a 12 month tenor from 10/2703-10/30/04. The UGX 48.7 million loan was being serviced simultaneously with a UGX 350 million loan from DFCU with a 6 year tenor from 2004-2010 with a 1 year grace period. DFCU issued them another loan for UGX 400 million from 2006-2012 with a 1 year grace period.

Loan impact:
The UGX 48.7 million loan under guarantee from Standard Chartered was used to support fundamental school operations, such as paying school teachers, purchasing books and other school supplies, and buying furniture while the UGX 350 million from DFCU was used for construction. George indicated that without the additional capital provided from Standard Chartered, the classroom construction would not have been possible as they would not have had sufficient funds to maintain school operations, which provided the sales income to repay all of the outstanding loans.

	2002	2006
Sales (UGX)	406,292,000	600,000,000
	2002	2007
Employment		
FT Males	9	57
FT Females	16	55

With the completion of the new classrooms, George and Christine have seen a significant increase in enrollment from 700 pupils in 2003 to 1,036 pupils in 2007, which has naturally generated higher sales. As the text box to the right displays, the Ochwo's experienced a 48% growth in sales from 2002 to 2006. In order to meet the demands of a growing student body, full time male staff increased by 533% and full time female staff increased by 244%. Full time staff salaries have increased as a result of the school's growth and the Ochwo's have found that students' test scores have been generally higher since the availability of more classroom space. The size and facilities of the school are rare for Mbale and the location allows Ugandans from the eastern part of the country to send their children to school closer to home instead of having to send children all the way to Kampala for a quality education.

DFCU required an audit report based on George and Christine's credit history with Standard Chartered before approving the UGX 350 and 400 million loans. George and Christine also received a subsequent UGX 100 million loan (twice the value received under guarantee) from Standard Chartered with a 2 year tenor from 2005-2007 (twice the tenor received under guarantee) without DCA guarantee coverage. As of 27 February 2007, George and Christine had an outstanding balance of UGX 26 million on their UGX 100 million loan. They applied to renew the loan at its original value to finish construction offices, filter toilets, and finish painting. Standard Chartered denied the application. George conveyed his surprise and frustration as they have never defaulted on a payment and all of their main banking has been with Standard Chartered since 2001. George indicated that if DFCU had a branch in Mbale, he would immediately move his banking to DFCU as he cannot access larger value loans from Standard Chartered.

Ideally George and Christine would like to replicate their present 24 classroom building to have 48 classrooms. They want to construct a boys lodging building and a girls lodging building as the majority of students currently have to sleep in the classroom building. George and Christine's plan is to pay off all of the current credit outstanding with DFCU and Standard Chartered and then apply for a UGX 2.5 – 3 billion loan with an 8 to 10 year tenor and a 2-3 year grace period so that all construction could be completed before loan repayments began.

Upon Standard Chartered's denial of the loan renewal application, George and Christine were told that there were some problems at the main branch, which lead to the denial. However, in a private conversation with the Standard Chartered Mbale branch Manager, Harriet Atim, she indicated that lending to schools / education facilities was not seen to be strategic for Standard Chartered and despite George and Christine's proven creditworthiness, she doubted that the application for another 74 million UGX loan would be approved.

Borrower: **South Base Agro Limited**	
Lender: **Standard Chartered**	Program: **I**
Loan/OD value: **USD 440,000 OD** **USD 140,000 OD**	Sector: **Agriculture**
Sales: **USD 700,000 – 720,000**	Employment: **FT 21 Male 4 Female** **PT 180 Male 40 Female**
Rural/Urban: **Rural**	Date: **27 February 2007**

Background:
South Base Agro Limited is a cotton ginnery located in Busolwe in the Tororo district. South Base's operations consist of distributing seed cotton to farmers. Farmers bring the cotton to South Base, who then buys and gins the cotton to prepare it for sale in cotton bins. All of the final product, cotton lint, is exported to Olam International in Singapore. South Base received 2 OD facilities under the guarantee facility from Standard Chartered from 9/27/02-6/30/03 in the value of USD 440,000 and from 10/17/03 to 7/30/04 in the value of USD 140,000.

Loan impact:
South Base used the money from the Standard Chartered OD facility as working capital to contribute to higher productivity. Increased productivity has lead to higher sales over time. Since the OD facility was received in 2003, South Base has experienced 9% sales growth as of 2007. Sales figures tend to fluctuate from year to year and have recently been decreasing due to a lower quality crops. Since the crop quality is lower, the final product quality has decreased almost by 50%, which leads to a lower sale price of the final product. Despite these setbacks, by increasing the amount of the final product for sale, South Base has slowly continued to grow and has seen a corresponding general increase in employment as a result. As the text box to the right shows, male full time employment has seen a 5% increase from 2002 to 2007 and full time female employment has grown by 33%. Likewise, casual or part time laborer employment for males has increased by 1100% from 2002 to 2007, however, casual female growth has actually decreased by 17%.

	2003	2006
Sales (UGX)	1,164,460,000	1,268,060,000
	2002	**2007**
Employment		
FT Males	20	21
FT Females	3	4
PT Males	15	180
PT Females	48	40

South Base buys cotton from approximately 3,000 farmers in the surrounding districts and deals with 24 middlemen. The middlemen coordinate with the farmers by distributing pesticides, seed, tractors, equipment, and identifying other needs South Base can help farmers address to enhance their harvest.

South Base has been working with Standard Chartered since 1996 when the Bank of Uganda became Standard Chartered. They received their first loan in 1998 or 1999. The Standard Chartered Mbale Branch Manager indicated that the reason Standard Chartered decided to put their OD facilities under guarantee was because Standard Chartered has very conservative banking approaches to agriculture enterprises as they are perceived as very high risk. Since South Base is a cotton ginnery, Standard Chartered considered the business to be a risky investment and therefore required the guarantee to approve their OD facilities in the larger values. South Base currently still receives OD facilities from Standard Chartered, which have not been placed under the guarantee. South Base also indicated that all of their financing needs are being met by Standard Chartered and they do not have any financing gaps at this time.

Borrower: **Gidudu, Tom**	
Lender: **CERUDEB**	Program: **II**
Loan/OD value: **UGX 35 million Loan**	Sector: **Trade & Distribution**
Sales: **UGX 450 million / year**	Employment: **FT 15 Male 3 Female** **PT NA Male Female**
Rural/Urban: **Rural**	Date: **27 February 2007**

Background:
Tom Gidudu is a sole proprietor who owns a small general trade merchandise wholesale store and a construction and furniture supply company called "The Green Contractors," which mainly builds school furniture. In addition to his two businesses, Tom builds rooms for rent and collects rental fees from tenants. Tom received a UGX 35 million loan under guarantee from CERUDEB with a 24 month tenor from 23 November 2005 to 23 November 2007.The purpose of the loan was to complete the construction of a 2 story building for inventory storage and lodging located at plot 22 Market Place in Mbale town.

Loan impact:
Store sales benefited from the increased working capital available used to purchase stock and expand inventory storage. Tom received the loan under guarantee in 2005 and saw annual sales grow by 31% from 2004 to 2006. Tom described the highly competitive environment of the general merchandise trade business in his neighborhood. His store was facing increased competition from neighboring stores offering similar products at comparable prices. The competition was also able to access the same type of financing which created a level and highly competitive playing field. Recognizing the potential vulnerability of the general merchandise trade business, Tom wanted to diversify his revenue sources by expanding his small lodging business.

	2004	2006
Sales (UGX)	540,000,000	828,000,000

Tom used a small portion of the loan for the store's working capital and used the sales revenue from store operations to repay the loan, which freed up the majority of the loan funds for construction projects. Tom finished the construction of an extension of his store to increase the amount of storage space for stock. He also completed the construction of 3 additional rooms to rent, which are located above his store property. Prior to the loan, he had only 6 rooms to rent and he now has 9, which should significantly increase his rental income. Tom is currently in the process of completing 6 more rooms to rent for a total of 18. Tom also finished the construction of 3 self-contained rooms for rent located behind his residential property, which represent an income of UGX 150 million/ month each. Without the loan from CERUDEB to support both his store and construction business, Tom expressed that he would not have been able to complete his construction projects to diversify and increase revenue sources while simultaneously maintaining an adequate level of working capital to sustain competitive store operations.

Prior to receiving the UGX 35 million loan under guarantee from CERUDEB, the largest value loan Tom was able to access was UGX 25 million. The loan officers from CERUDEB indicated that without the guarantee Tom wouldn't have been able to access the larger value loan. With the increased amount of inventory storage, Tom has increased the number of products available in his store and therefore increased the number of suppliers he deals with, which is now approximately 20. With the increase revenues that Tom has experienced, he is able to take care of his family and pay school fees for his 11 children.

After repaying a little over half of the UGX 35 million loan, Tom applied for a business loan for "The Green Contractors" and Nile Bank approved him for a UGX 5 million loan for 6 months on 2/5/07. Tom will use the loan money to buy supplies to complete a contract to build desks for schools in the area. Tom was able to use the same security package to cover the new loan.

Tom expressed that though he was very pleased to receive a larger value loan from CERUDEB in the amount of UGX 35 million, which allowed him to grow his business and expand significantly, he feels that his growth is still constrained by the lack of longer term money available. Given the nature of the construction business, longer term money is necessary for larger scale projects. Ideally, Tom would like a UGX 50 million loan for 5 years with a 1 year grace period to construct 3 more self contained rooms behind his residential property.

CERUDEB Mbale Branch Manager, James Taliwaku and Loan Officer, Patrick Lukago said the lack of longer term money available is the most frequent complaint the bank receives. 5 year loans have recently become available in Mbale and James indicated that banks are very conservative in their approval of such loans. He did indicate that Tom Gidudu would be a qualified candidate for a longer term loan upon the repayment of his current outstanding loan.

Borrower: **Mbale Importers & Exporters Ltd.**	
Lender: **Nile Bank**	Program: **I**
Loan/OD value: **UGX 300 million OD**	Sector: **Agriculture**
Sales: **UGX 4.5 billion**	Employment: **FT 7 Male 5 Female** **PT 28 Male 400 Female**
Rural/Urban: **Rural**	Date: **27 February 2007**

Background:
Mbale Importers & Exporters is primarily a coffee processing and exporting operation. The company specializes in high quality Arabica Coffee and its main buyers are Ugacof, Kawacom, Dreyfus, and Drucafe among others. Mbale Importers & Exporters received a UGX 300 million OD under guarantee from Nile Bank with a 6 month tenor from 8/11/03-2/11/04. The bank required title of machinery as collateral. The OD facility was used to provide working capital to purchase and build stock during the peak harvest season.

Loan impact:
Mr. Wekomba, the Owner, indicated that in the past the company had the working capital to sustain the coffee processing and exporting operations, however, the company was diversifying into maize milling and the extra funds available from the Nile Bank OD facility allowed Mbale Importers & Exporters expand into maize milling by buying a maize milling plant. In effect, this investment also served to decrease the overall risk and exposure of the company as they were not relying on one crop and one harvest for income.

Full time staff has not grown since the disbursement of the OD facility, however, part time or seasonal female employment has grown by 29% Mbale Importers & Exporters has been able to increase the number of middlemen and individual coffee farmers it purchases its supplies from, which provides coffee farmers with increased incomes. The ability to increase the amount of coffee purchased and exported has significant development impacts in the Mbale region as coffee farming is the main income earning activity in the area.

	2003	2004
Sales (UGX)	5,044,986,000	4,500,000,000
	2003	2007
Employment PT Females	310	400

Prior to the UGX 300 million OD facility from Nile Bank, sales from exports for 2003 were UGX 5,044,986,000. Due to a poor crop in 2004, sales from exports decreased by approximately 11%. However, despite the decreased value of sales in 2004, Mbale Importers & Exporters was able to maintain a profit and satisfactory levels of income from the combined coffee and wheat milling businesses.

Like most other banks in Uganda, Nile Bank perceives the agriculture industry to be very risky and would likely not have approved the OD facility or would have approved it for a significantly less amount. Therefore, the loan provided Mbale Importers and Exporters with the necessary working capital to maintain the coffee processing and exporting operations while expanding into the maize milling business.

Subsequent to the UGX 300 million OD facility in 2003, Nile approved Mbale Importers & Exporters for a UGX 600 million OD for 12 months from 10/06-9/07, twice the previous OD amount and twice as long as the previous facility without requiring guarantee coverage. However, Mr. Wekomba expressed serious concern about the continuation of the UGX 600 million OD facility with Nile as Barclays recently acquired the bank. He is afraid that the OD will be terminated because in his experience, Barclays has very little interest investing up country and only gives a minimal value of assets to the Mbale region. Mr. Wekomba has had unfavorable experiences with larger international banks in the past. He used to bank with Standard Chartered and applied for a loan with them, but his application was refused on the basis that Standard Chartered refused to invest in or fund the coffee industry as it was perceived as too risky.

Borrower: **Lukanga, Ignatius**	
Lender: **Allied Bank**	Program: **I**
Loan/OD value: **UGX 50 million OD** **UGX 75 million OD**	Sector: **Agriculture**
Sales: **UGX 1,035,600,000 / year**	Employment: **FT 9 Male 1 Female** **PT 12 Male 18 Female**
Rural/Urban: **Urban**	Date: **28 February 2007**

Background:
Ignatius Lukanga is a sole proprietor primarily dealing in maize storage and distribution. He purchases maize from farmers, cleans the maize for impurities, packages, stores, and then sells the maize to mainly to 1 buyer, Ugachick, a government parastatal that makes chicken feed. Mr. Lukanga also sells to some local farmers and millers. Mr. Lukanga received his first credit from Allied Bank in the form of a UGX 50 million OD facility under guarantee from Allied Bank with a 5 month tenor from 2/14/05-8/1/05 and was approved for a subsequent UGX 75 million OD facility under guarantee from Allied Bank with an 11.5 month tenor from 2/28/06-2/17/07. For collateral, Mr. Lukanga was required to give the bank certificate of title to his home and title to 2 properties located downtown that Mr. Lukanga rents out. The purpose of the loan was for working capital to be able to expand grain trade operations.

Loan impact:
Mr. Lukanga began his operations working out of 1 storehouse in Jinja. Mr. Lukanga was able to increase the amount of grain purchased from local suppliers as a result of the increased working capital from the UGX 50 million OD facility. To accommodate the increased quantity of maize, Mr. Lukanga added a second storehouse to his operations. With the new UGX 75 million OD facility, Mr. Lukanga continued to expand operations and now requires a 3rd storehouse to house all the grain. A delivery service was added to the business operation and now Mr. Lukanga offers transportation of his product to buyers.

	2004	2006
Sales (UGX)	374,400,000	1,035,600,000
	2005	2007
Employment		
FT Males	4	9
FT Females	0	1
PT Females	8	12
PT Males	10	18

Mr. Lukanga has seen significant sales growth of 177% from 2004 to 2006. With the increased working capital available, Mr. Lukanga is able to store the maize longer, which contributes to increased sales and revenues by allowing him to sell the maize when it's most valuable as opposed to being forced to sell the product immediately in order to access cash for working capital. Employment has also been increasing since the first OD facility from Allied Bank. Full time male staff has seen a 125% increase from 2005 to 2007 and full time female staff has seen a 100% increase. Growth in seasonal employment is also evident with a 50% increase in male seasonal employment along with an 80% growth of female seasonal employment from 2005 to 2007. The growth in seasonal employment is significant as seasonal workers are employed 11 months of the year. Mr. Lunkanga's growth in operations also increases rural incomes as he deals with and buys from several more middlemen and farmers from Jinja and surrounding Iganga, Mauga, Mubende, and Kamuli now that he has increased maize storage capacity.

Patrick Munyenya indicated that the OD facilities would likely have been provided to Mr. Lukanga without the guarantee but the amount would've been substantially less. Mr. Lukanga's collateral only amounts to UGX 75 million and it is Allied's policy to require over 100% collateral, especially when dealing with the agriculture sector. Mr. Lukanga plans to apply for a new UGX 100 million OD facility as his UGX 75 million facility expires in February 2007. Patrick indicated that the new loan will likely be put under guarantee again because Mr. Lukanga has insufficient collateral to qualify for a UGX 100 million OD facility, however, Patrick also indicated that if Mr. Lukanga were to reapply for a UGX 75 million OD, he would be approved without requiring guarantee coverage because he has proven to be a creditworthy customer capable of making regular payments.

Borrower: **Nankya, Margret**	
Lender: **Nile Bank**	Program: **II**
Loan/OD value: **UGX 18 million Loan**	Sector: **Agriculture**
Sales: **UGX 115,177,503 / year**	Employment: **FT 3 Male 1 Female** **PT 9 Male 3 Female**
Rural/Urban: **Urban**	Date: **28 February 2007**

Background:
Margret Nankya is a sole proprietor who owns and operates her own maize milling business. Ms. Nankya buys maize from local farmers, mills the maize into flour, packages the flour, and sells it. She also sells maize brand, a byproduct for animal feeds. Ms. Nankya was approved for a UGX 18 million loan from Nile Bank with a 12 month tenor from 1/22/07 to 1/30/08. 50% of the title to Ms. Nankya's home, or the equivalent of UGX 10 million, was required as collateral for the loan.

Loan impact:
As Ms. Nankya just received the UGX 18 million loan in January 2007, there has not been a sufficient lapse of time to analyze the impact the increased working capital from the loan may have had on sales. However, from the end of 2006 to 2/28/07, the business has already increased its demand for seasonal labor increase by 200% for both males and females and full time male employment has increased by 50%. Ms. Nankya anticipates the trend of increasing seasonal labor to continue and she also foresees being able to double her sales as a result of the ability to increase operations from the newly available working capital. Ms. Nankya supplies flour mainly to the army barracks and deals with approximately 4 middlemen who bring maize in from villages.

	2006	2007
	2007	
Employment		
FT Males	2	3
FT Females	1	1
PT Males	3	9
PT Females	1	3

The UGX 18 million loan from Nile Bank is Ms. Nankya's 2nd loan from Nile bank. Ms. Nankya previously applied for a UGX 18 million loan, but due to insufficient collateral, she was only approved for UGX 13 million. After demonstrating her creditworthiness, Ms. Nankya reapplied for a UGX 20 million loan and with the guarantee coverage, Nile Bank felt comfortable approving the larger value loan of UGX 18 million despite insufficient collateral. Ezekiel from Nile Bank indicated that the loan would have been made for substantially less, likely only UGX 13 million again, without the guarantee coverage. Ms. Nankya feels that her financing needs are still not being met entirely as she originally applied for a UGX 20 million loan, but was only approved for UGX 18 million. Ezekiel suggested that she focus on marketing her product to ensure a fast turnaround, which should help to address her working capital issues.

Ms. Nankya feels that although her business has already and will continue to experience growth from the newly available working capital, the full potential for growth is still being constrained by the inability to access larger value loans. If she were able to access more money, she would have the capacity to purchase and stock more maize when it's cheaper to buy and keep it stocked for longer periods of time to sell her flour when the prices have risen. However, at this time, the length of maize and flour storage time is curbed by the necessity to sell so that cash is available for working capital to maintain operations. Additionally, Ms. Nankya has been experiencing difficulty with selling her flour on credit allowing approximately 30 days for repayment. The business experiences a lack of working capital when large amounts of flour are sold on credit and the payments aren't received for up to 30 days. Eventually Ms. Nankya would like to be self-sufficient so that she will have her own working capital to purchase produce (primarily maize) and maintain operations without having to rely on the bank for working capital.

Borrower: **Bankom Ltd.**	
Lender: **Barclays**	Program: **I**
Loan/OD value: **USD 1 million Loan**	Sector: **Service**
Sales: **USD 1,003,152**	Employment: **FT 7 Male 7 Female** **PT NA Male Female**
Rural/Urban: **Urban**	Date: **1 March 2007**

Background:
Bankom Limited is the national financial switch operator. The Bank of Uganda nominated Bankom to set up the national switch and granted them an exclusive license for the switch operation from 2004 – 2009. Bankom currently has 5 banks on board to participate in the switch, being Nile Bank, DFCU, Orient Bank, Cairo Bank, and CMF. ATM cards will be accepted by all bank ATMs that participate in the switch. With the current bank participation, there are now 50 ATMs compatible across all bank ATM cards, 40 of which are in Kampala and 10 of which are up country. Bankom received a USD 2 million loan from Barclays, of which USD 1 million was placed under guarantee coverage. The loan has a 60 month tenor from 3/1/06- 2/28/12 with a 1 year grace period.

Loan impact:
Bankom used the loan from Barclays to refinance a USD 2 million loan from Orient Bank. Bankom needed more money, but couldn't service 2 loans at the same time, so they initially applied at Orient to refinance the loan. Orient denied the application as they are limited in the amount of capital they can lend to 1 borrower by the Bank of Uganda. As a result, Bankom applied to refinance the loan with Barclays.

The loan has provided working capital for Bankom to maintain business operations while investing in start-up projects. Bankom's largest expenses are the Euronet monthly fee of USD 13,000 and the Uganda Telecom monthly fee of USD 6,000. The loan money assisted Bankom tremendously in its ability to pay these monthly fees in a timely manner. Bankom uses Euronet as its visa gateway service provider. This means that all ATMs on the Bankom network will be able to accept visa debit cards, which serves as an incentive for banks to join the switch because signing up with Euronet as an individual entity costs USD 120,000 initially plus a monthly fee, but when signing up with Bankom, banks have access to the visa gateway for only USD 14,000 initially plus a monthly fee.

One of the start-up projects that Bankom has invested in is the point of sale (POS) project, which is actually "unofficially" live now with Orient and DFCU. Bankom purchased 500 airtime devices and is upgrading POS hardware with new applications. The POS project will allow stores to accept ATM/Visa cards at various vendor locations, which should increase business for stores with POS devices. Switch member bank ATM cards will also be able to be used at POS vendors, which should also increase bank transactions. Bankom believes the POS devices will have a significant impact on the ability of various vendors located in rural areas to increase levels of business by being able to accept bank ATM/debit cards and visa cards. Bankom is also exploring the possibilities of expanding into mobile & internet banking, which would further enhance the impact on rural areas.

	Jun-Dec 2005	2006
Sales (UGX)	113,125,650	1,855,831,211

Full time employment has not seen any changes since the loan was received. However, Bankom outsources the sale of air time and air time devices to a company that hires field personnel to visit stores and sell airtime devices. Sales have seen a significant increase of 1541% from 2005 to 2006, however, this growth is primarily attributed to the fact that Bankom was only in operation for half of the year in 2005 from June to December and they were performing start up operations for the majority of this time. However, the new loan has certainly contributed to Bankom's ability to transition from start-up into a fully operational company.

Borrower: **Taimex**	
Lender: **Barclays**	Program: **I**
Loan/OD value: **UGX 400 million Loan**	Sector: **Agriculture**
Sales: **UGX 136,441,400**	Employment: **FT 25 Male 7 Female** **PT 75 Male 100 Female**
Rural/Urban: **Urban**	Date: **1 March 2007**

Background:
Taimex is a vanilla curing plant that has been in business since 1986 and started exporting in 1998/1999. According to Mr. Musoke Hamad Tamale, the CEO of Taimex, as a country Uganda exports approximately 200 metric tons of vanilla per year and Taimex is responsible for exporting 50 metric tons per year. Taimex received a UGX 400 million loan under guarantee from Barclays with a 12 month tenor from 6/4/03 to 6/3/04. Mr. Tamale was required to give his personal guarantee and property title to the bank for loan collateral.

Loan impact:
Mr. Tamale used the working capital from the loan to set up a bigger curing facility to handle increased productivity. The extra working capital has also allowed Mr. Tamale to increase the number of farmers and suppliers that he buys vanilla beans from.

	2003	2006
Sales (UGX)	709,430,400	845,871,800
	2003	2007
Employment		
FT Males	8	28
FT Females	2	7
PT Females	30	50
PT Males	75	100

Taimex has experienced both growth in sales and employment since receiving the loan under guarantee from Barclays. From 2003 to 2006 annual sales grew by 19%. Full time male and full time female employment both grew by 250% from 2003 to 2007 and part time male employment grew by 67% while part time female employment grew by 33%. Uganda is the only country in the world with 2 dry seasons strong enough to support 2 vanilla harvests each year. Taimex cures its vanilla beans using the very labor intensive orthodox method. As a result, Taimex employs a significant amount of seasonal laborers, who are actually employed up to 11 months of the year. Since the beginning of his business, Mr. Tamale has encouraged female employment for full time and seasonal or part time laborers.

> "Since my business began, I've always encouraged the distribution of vanilla bean seeds to women living in villages in rural areas. They can grow the beans on small garden plots on their own land and can sell the beans for a large profit. This builds rural incomes and women tend to invest their money to build homes and provide support to their families."
>
> -*Mr. Tamale,* March 1, 2007

Although Taimex had been in business and banking with Barclays for a number of years prior to the June 2003 loan, Barclays felt they need the extra security from the guarantee to approve the Taimex loan, which was the first business loan Mr. Tamale had taken out from the bank. Aside from it being Barclays first business banking experience with Mr. Tamale, the bank has very conservative lending policies when it comes to the agriculture sector and they felt that Mr. Tamale had an insufficient security package for the value of the loan. Without the guarantee coverage, Barclays indicated that the loan would have been for a significantly smaller amount. Mr. Tamale has currently repaid his UGX 400 million loan and is now repaying a UGX 500 million loan from Barclays, which was not put under guarantee coverage.

Mr. Tamale currently has plans to move to a larger 20 acre curing facility around Kampala. The expansion of the curing facility is expected to double Taimex's production. Mr. Tamale raised his own capital to purchase the new facility, but plans to apply for a developmental loan for working capital funds to maintain business operations during construction and the completion of the new facility.

Borrower: **Mulangwa, Erias**	
Lender: **Allied**	Program: **I**
Loan/OD value: **UGX 14 million Loan**	Sector: **Trade**
Sales: **UGX 750,000,000 / year**	Employment: **FT 9 Male 1 Female** **PT 12 Male 18 Female**
Rural/Urban: **Urban**	Date: **1 March 2007**

Background:
Mulangwa Erias is a sole proprietor who owns an auto spares and parts shop. The shop is located in a market with a highly competitive auto trade environment with many neighboring competitor shops. Mr. Erias was approved for a UGX 14 million loan under guarantee from Allied Bank with a tenor of 6 months from 6/21/04-12/17/04. The land title to one of Mr. Erias' properties and the title to one of his vehicles was required as collateral.

Loan impact:
Mr. Erias used the working capital from the loan to buy more stock for his store and to pay import taxes. A lot of the merchandise in Mr. Erias' store needs to be imported as Uganda doesn't manufacture a lot of the necessary auto parts, which leads to high import tax expenses. By increasing his stock, Mr. Erias was also able to increase his competitiveness and differentiate himself from neighboring auto trade stores.

	2004	2006
Sales	698,255,413	750,000,000
Employment		
FT Males	2	3
FT Females	2	4

The text box to the right displays the growth in both sales and employment from before the loan was received in 2004 to 2006. Sales increased by 7%, which naturally increased income. The increased income is reinvested in Mr. Erias' businesses, as he also owns another shop, and his housing developments. Full time male employment increased by 50% and full time female employment increased by 100%.

Since the time Mr. Erias received the UGX 14 million loan from allied, he has been able to increase the number of local suppliers he deals with, which is now up to 5.

Prior to receiving the UGX 14 million loan from Allied, Mr. Erias was approved for a UGX 8 million loan in 2002. The value was capped at UGX 8 million because Mr. Erias was experiencing problems with his land title, which limited his security package. When Mr. Erias approved for the UGX 14 million loan, Allied Bank indicated that he would not have been approved for that value without the guarantee coverage, which helped to compensate for his security insufficiency. In October 2006, Mr. Erias was approved for another loan in the amount of UGX 15 million. At the time of his application for the UGX 15 million loan, Mr. Erias' land title issues had been cleared up and based on his previous credit history, cash flow projections, and business plan, Allied approved the loan without requiring guarantee coverage. Mr. Erias was also approved in April 2006 for a 12 month UGX 48 million loan from CERUDEB expiring in April 2007. These funds have been used for construction of a housing estate that Mr. Erias will eventually rent out to tenants. As collateral Mr. Erias gave CERUDEB title to 2 plots of land, separate from the land used as collateral for the Allied loan.

Mr. Erias indicated that for his business purposes, 12 months is a long enough loan tenor as it's easier to pay back a short term loan. However he complained of interest rates being too high.

Borrower: **Kasibante Agro Supplies**	
Lender: **Stanbic**	Program: **II**
Loan/OD value: **UGX 30 million Loan**	Sector: **Trade & Distribution**
Sales: **UGX 383,480,000 / year**	Employment: **FT 5 Male 2 Female** **PT 3 Male 0 Female**
Rural/Urban: **Rural**	Date: **2 March 2007**

Background:
Kasibante Agro Suppliers is a small buyer and distributor of produce (cassava, sweet potatoes, matooke, banana leaves, garlic, carrots, onions, tomatoes etc.) with operations located in Mukono Town, Buteebe Zone. The major buyer of the produce is Uganda Christian Univeristy (approximately 5,000 students) with whom the company has a contract and they are looking to expand to supply to other primary schools and various organizations. The Sales Representative is exploring new markets and is in the process of solidifying new contracts. Kasibante was approved for a UGX 30 million loan under guarantee from Stanbic Bank with a 12 month tenor from 8/10/06-8/10/07. Certificate of leasehold title to a plot of land with a UGX 14 million value was required as collateral for the loan.

Loan impact:
Kasibante used the loan for working capital to service a large contract the company received. Previously the company had generated enough revenues to sustain itself and provide its own working capital, but when a new larger contract came in, additional funds were necessary to meet the contract's demand.

	2005	2006
Sales (UGX)	210000,000	383,480,000
Employment		
FT Males	4	5
FT Females	0	2
PT Males	0	3
PT Females	0	0

As displayed in the text box on the right, both sales and employment have been positively impacted since the loan money from Stanbic. Sales have seen an 83% increase from 2005-2006. Full time male staff has seen a 25% increase, while full time female staff has seen a 200% increase. The company deals with approximately 50 small scale farmers and suppliers around Mukono and the surrounding villages and they also occasionally go to the market if farmers don't have the produce required. Kasibante's male seasonal employment increased by 300% as they now use approximately 3 men from the villages they supply from to help carry and load trucks, helping to increase rural incomes.

> "Before I started working with Kasibante Agro Limited, I had very little money, I had nothing. Now that the business is growing and expanding, I'm earning regular income and the owner has supported me in receiving my own tender from Stanbic to start my own small transport business on the side to support Agro Limited's operations. Without the help from the bank this would not be possible. We are very thankful for the bank and we are excited about continuing to expand our business with the bank's help."
>
> *-Sales Representative, Kasibante Agro Limited*
> March 2, 2007

The UGX 30 million loan from Stanbic was Kasibante's first business loan. Stanbic used their financial statements and letter of contract from the Uganda Christian University to analyze the loan application. The Stanbic Business Loan Officer explained they would not have been approved for the loan without the guarantee coverage due to an insufficient security package.

As shown in the text box above, Sales have increased by UGX 173,480,000. Income has also increased by 39,530,000, which has allowed the business to expand significantly. They recently moved to a new larger office space in Mukono town center and they are bidding on new contracts with government institutions, primary schools, and other universities, such as Kyamgogo University. As mentioned in the text box above to the left, the company is expanding to provide other services to clients through off-shoot sister companies, such as the transportation company the Sales Representative is currently investing in to provide a comprehensive produce supply & distribution service package. Kasibante plans to apply for a new working capital loan as soon as contracts are finalized.

Borrower: **Mukono District Employees (MDEA) SACCO**	
Lender: **Stanbic**	Program: **II**
Loan/OD value: **UGX 30 million Loan**	Sector: **Microfinance**
Sales: **UGX 118,000,000* / year**	Employment: **FT 9 Male 1 Female** **PT 12 Male 18 Female**
Rural/Urban: **Rural**	Date: **2 March 2007**

Background:
Mukono District Employees (MDEA) is a SACCO for Mukono district employees or civil servants. As of March 2006, the SACCO had 200 members, out of the 1006 Mukono district employees who qualify for membership. As of March 2007, the Mukono went through significant lay-offs and the SACCO's membership decreased to 178 members as 22 members lost their jobs. MDEA was approved for a UGX 30 million loan under guarantee from Stanbic with a 12 month tenor from 3/24/06-3/24/07. Stanbic reviewed the SACCO's financial statements in the analysis of the loan application and required the SACCO to give the bank title of a plot valued at UGX 27.5 million as collateral.

Loan impact:
MDEA used the loan funds as working capital to increase the volume of loans provided to the SACCO's members. MDEA used the funds to on-lend to members and used the deposits from members to repay the loan. Members' deposits collect 1% interest per annum. Loans are provided at a 30% interest rare, recently increased from 20% to serve the high interest rate charged by Stanbic.

	2005	2006
Loan Book (UGX)	84,096,464	118,000,000
Employment		
FT Males	1	1
FT Females	2	2

As is displayed in the textbox above, MDEA has seen a 40% increase in loans outstanding since they received the loan from Stanbic and the SACCO was experiencing continual revenue increases. The financial services and loan products provided to Mukono district employees by MDEA are affordable and available in small denominations, which is what the clientele demands most. MDEA also provides up to 1.5 year loans, which are hard to find elsewhere in the same smaller denominations. The MDEA also encourages savings among its members by accepting automatic deposits deducted from member's salaries. Due to the recent decline in membership as a result of layoffs, MDEA has recruitment efforts planned for after the annual member meeting, which is to take place at the end of March 2007. MDEA has made strides in maintaining proper record keeping and accounting. On February 22, 2007, a team from the District Officials assisted in improving MDEA's record-keeping and their books are now up to date as of December 31, 2006. MDEA's goal is to have the books updated every day to provide the most current information to stakeholders and also to allow for educated business decisions.

During the interview, it was brought up that MDEA has defaulted on its loan repayments for the last 3 months. The Mukono district failed to pay its employees and therefore the employees were incapable of repaying their loans to the SACCO. The bank relationship manager had already discussed the issue with MDEA's Manager and agreed to extend the loan's end date by 3 months to allow the SACCO to make up for the 3 month lapse in repayment.

Once the current outstanding UGX 30 million loan is repaid, MDEA plans to apply for a larger value loan to allow the SACCO to invest in other profit generating projects, such as district infrastructure and construction projects. The larger value loan would allow them to diversify revenue generating activities while maintaining and increasing their fundamental function of providing affordable loans in small denominations to SACCO members.

*In the case of MDEA since it is a microfinance institution, the loan book is used to represent the most recent annual sales figure.

Borrower: **St. Peter's Secondary School**	
Lender: **Stanbic**	Program: **II**
Loan/OD value: **UGX 50 million Loan**	Sector: **Service**
Sales: **UGX 153 million / year**	Employment: **FT 13 Male 10 Female** **PT Male Female**
Rural/Urban: **Rural**	Date: **2 March 2007**

Background:
St. Peter's Secondary School is a co-ed school located in a village in the Mukono District. Annette Namulondo applied for her first business loan with Stanbic Bank and was approved for a UGX 50 million loan under guarantee with a 24 month tenor from 8/30/06-8/30/08. The bank used the cash flows in the current account at Stanbic along with the school's income statement to analyze the loan application. Ms. Namulondo was required to give land title to her UGX 55 million market value residence as collateral for the loan.

Loan impact:

	2005	2006
Sales (UGX)	81,000,000	153,000,000
Employment		
FT Males	13	13
FT Females	7	10

The loan money was used to expand school facilities. Some construction projects were already underway when the loan was received and the money was used to complete the construction of a second classroom building and to purchase more land, which had a structure already on it that will be used as a medical center for the students. Before the loan, the school's capacity was 150 students and after using the loan to complete the classroom building construction, enrollment increased to 270 students. Evident in the textbox above, the higher student enrollment translated into higher sales for the school, representing an 89% increase in sales from 2005 to 2006. Female full time employment has also grown 43% as the money from the loan has provided working capital to pay more teacher salaries.

Ms. Namulondo said that she would have liked to receive a larger value loan, but she is operating comfortably with the amount of money available to her and thinks it's appropriate for her needs. When her current loan is paid off, she plans to reapply for another loan to buy another plot of land next to the school. Ms. Namulondo plans to finish construction of another halfway completed building to serve as a library and computer lab for the school. Eventually, Ms. Namulondo would like to build dormitories for the school, too. As of now, the school has approximately 260 boarders, but no dorms and the students are sleeping in classrooms. Additional loan money would be used to not only construct the buildings, but also to buy beds and other necessary furnishings for the dormitories.

Borrower: **Prossy, Kasiita and Magembe**	
Lender: **UML**	Program: **II**
Loan/OD value: **UGX 7 million Loan**	Sector: **Ag**
Sales: **UGX 300,000,000 million / year**	Employment: **FT 3 Male 2 Female** **PT 2 Male 0 Female**
Rural/Urban: **Urban**	Date: **2 March 2007**

Background:
Kasiita and Magembe Prossy are a husband and wife who own and run a small poultry feeds production business located in St. Balikuddembe in the Nakawa District of Kampala. The Prossy's were approved for a UGX 7 million loan under guarantee from UML with a 15 month tenor from 10/29/05-1/29/07. The UML Field Officer visited the Prossy's business operations, office, residence, and small farm before approving the loan.

Loan impact:
The Prossy's used the loan money for working capital for their poultry feeds production business in order to buy feed inputs (cotton cake, sunflower, snail shells, small fish, bones, and maize byproducts) in lump sums and to increase feeds production to keep a high level of stock on hand for sale. The loan money was also used to buy more chickens for the Prossy's small chicken farm at their residence. As the text box on the right shows, the Prossy's have seen a 4% increase in sales, a 50% increase in full time male employment and a 200% increase in full time female employment since their loan was issued in November 2005.

	2005	2006
Sales (UGX)	288,000,000	300,000,000
	2005	2007
Employment		
FT Males	2	3
FT Females	0	2

"The bank told me that I needed to keep receipts for my business. They taught me how to keep these records and how to keep the books for my business so I can have records of my credit history. My business would be in the same place it was 2 years ago if the bank had not taught me how to run my business and had not helped me understand how to manage my cashflow. I'm very thankful to the bank. They are my friends and I will stay banking with them."

-*Kasiita Prossy,* March 2, 2007

Prior to receiving the loan under guarantee, the Prossy's were only able to access loan values of UGX 2-4 million. UML realized that the Prossy's business operations were constrained by their inability to access larger value loans. The Prossy's were encouraged to apply for a larger value loan, which UML put under guarantee coverage due to very limited security and the vulnerability of the poultry feed market.

The Prossy's estimate that they've doubled the number of middlemen and farmers that they deal with now that they have increased working capital. Not only has the Prossy's business grown, but they are now able to pay school fees for their 5 children with help from the bank.

Borrower: **Mwesigwa, James**	
Lender: **UML**	Program: **II**
Loan/OD value: **UGX 13 million / Loan**	Sector: **Building & Construction**
Sales: **UGX 240 million / year**	Employment: **FT 8 Male 2 Female** **PT Male Female**
Rural/Urban: **Urban**	Date: **2 March 2007**

Background:
James Mwesigwa is the sole proprietor of a metal fabrication and furniture construction company located in Kampala. He was approved for a UGX 13 million loan under guarantee from UML with an 18 month tenor from 5/18/06-11/18/07. UML visited Mr. Mwesigwa's residence and business operations and reviewed products, local purchase orders, and bank statements during the loan approval process and required title of a car as collateral for the loan. Initially, Mr. Mwesigwa applied for a loan with Stanbic, but it took Stanbic too long to process the application when the working capital was needed as soon as possible.

Loan impact:

	2005	2006
Sales (UGX)	122,166,233	200,000,000

Mr. Mwesigwa used the loan money primarily to boost working capital in order to serve a large contract from the Government of Uganda's electoral commission to build and refurbish election boxes for the 2006 elections. While servicing the electoral commission's contract, Mr. Mwesigwa employed 50 casual laborers. Whenever Mr. Mwesigwa's company is fulfilling large contracts, his casual employment increases. Since the time of the loan under guarantee, Mr. Mwesigwa has experienced a 64% growth in sales, as is shown in the text box above to the right.

With the increased profits from higher sales, Mr. Mwesigwa purchased a truck to use for business transport and increased the number of suppliers he deals with to an average of 10 per year. He also bought a house in Muyenga for rent and was able to finish the construction of 5 other houses for rent near his residence. He also pays school fees for his 6 children and 7 children of relatives.

In December 2006, Mr. Mwesigwa received a UGX 10 million loan from Commercial Microfinance in order to service a contract with the Uganda Regulatory Authority (URA) for the construction of file cabinets. Mr. Mwesigwa has received a contract renewal with the URA for the last 3 years and supplies all steel fabrication for URA. Despite the increased business Mr. Mwesigwa receives from the URA, he has found the contracts at times make his business suffer as the government does not pay him on a regular basis. When the government does not pay the bill to Mr. Mwesigwa, his company is forced to pass up other contract opportunities because of insufficient working capital tied up in unpaid bills, usually from the government.

Mr. Mwesigwa would like to see new loan products from bank offering grace periods. For his business, which focuses on construction, there are large capital requirements and the return on investment takes longer as the construction needs to be completed before revenues are generated. A loan product with a grace period would allow his company to increase their volume of business and subsequently sales and profits. Mr. Mwesigwa also has had difficulty getting loans approved from various banks because he will his collateral is generally tied up elsewhere and he uses a local purchase order in his application, which sometimes is not enough for a loan to be approved.

Borrower: **Warugaba, John and Kebirungi, Jacinta**	
Lender: **CERUDEB**	Program: **I**
Loan/OD value: **UGX million / Loan**	Sector: **Trade/Distribution**
Sales: **UGX 650,000,000 / year**	Employment: **FT 6 Male 4 Female** **PT Male Female**
Rural/Urban: **Rural**	Date: **5 March 2007**

Background:
John Warugaba is a sole proprietor and entrepreneur running several businesses from his residence and has 1 shop in a downtown market in Mbarara with his wife, Jacinta Keburungi. Mr. Warugaba received a UGX 40 million loan under guarantee from CERUDEB with a 12 month tenor from 7/19/06-7/18/07. The bank required title to Mr. Warugaba's residence valued at UGX 30 million and another plot of land valued at UGX 35 million as collateral for the loan. CERUDEB used historical account information to process Mr. Warugaba's loan application as he was the CERUDEB Mukono Branch's very first client and he has been banking with them for over 10 years.

Loan impact:
Mr. Warugaba used the money from the loan as working capital for his businesses. He bought extra mattress foam and textiles in order to increase productivity and manufacturing of covered pillows and baby mattresses, which he sells in his store in the market in Mbarara.

	2004	2006
Sales	612,000,000	650,000,000
	2005	2007
Employment		
FT Males	2	6
FT Females	1	4

As the text box to the right shows, due to the increased working capital available and subsequent increased productivity, Mr. Warugaba increased female employment by 200% and female employment by 300%. Sales also increased by 6% from 2004 to 2006. Mr. Warugaba also runs a small cake baking operation from his home and provides decorations for parties. He was also able to take on more business and now uses about 4 workers every weekend to help with even decorating.

With his increase in profits, Mr. Warugaba built a school with 400 pupils in Mbarara. He is also working on expanding his residence by building a larger house, which he hopes will increase his collateral and security package to help him be approved for larger value loans. He is also able to pay school fees to send his 2 children to the best schools in Uganda.

Prior to receiving the UGX 40 million loan under guarantee, the largest value loan Mr. Warugaba was able to get approved was UGX 25 million. The CERUDEB bank representative said that Mr. Warugaba was put under guarantee coverage because of a weak security margin and CERUDEB usually requires up to 150% collateral, only allowing 100% collateral in special cases.

Ideally, Mr. Warugaba would like to access a loan for UGX 80-100 million so that he could build a bakery and expand his bakery business, however, he has been told he has insufficient collateral for a loan of this value.

Borrower: **Nakayima, Asa**	
Lender: **CERUDEB**	Program: **I**
Loan/OD value: **UGX 35 million / Loan**	Sector: **Trade/Distribution**
Sales: **UGX 216,000,000 / year**	Employment: **FT 12 Male 2 Female**
Rural/Urban: **Rural**	Date: **5 March 2007**

Background:
Asa Nakayima is a sole entrepreneur who owns 2 restaurants, a small store, and a small lodging business in Mbarara. Ms. Nakayima was unfortunately unable to attend the interview, but one of the restaurants owned by Ms. Nakayima was visited and the bank representative was able to answer the majority of the interview questions. Ms. Nakayima received a UGX 35 million loan under guarantee from CERUDEB with a 12 month tenor from 12/2104-12/21/05. CERUDEB required the title to 2 undeveloped commercial plots with a UGX 60 million market value and a forced sale value of UGX 40 million.

Loan impact:
Ms. Nakayima used the loan money for working capital to run her small store, which deals in general merchandise, selling goods like sugar, rice, cooking oil, etc. Some of the loan money was also invested in the expansion of 1 of her restaurant businesses, which moved into a larger property. Ms. Nakayima also used some of the money to purchase a new plot of commercial land along Mbarara's Masaka Road. She intends to eventually build her own restaurant on this land so she no longer has to rent.

	2003	2006
Sales	35,440,000	216,000,000
	2004	2007
Employment		
FT Males	1	12
FT Females	0	2

As displayed in the text box above, Ms. Nakayima has seen a significant amount of growth since the disbursement of her loan under guarantee. Sales increased by 509% from 2003 to 2006. Employment numbers include her lodging, store, and restaurant businesses, which have seen full time male employment grow by 1100% and female full time employment by 200%.

Ms. Nakayima informed the bank that she needs a larger loan. She originally applied for a larger loan when she received the UGX 35 million, but this was the largest value she was able to be approved for. Ideally Ms. Nakayima wants UGX 400 million over a long period of time, disbursed in increments of UGX 100-120 million to complete her expansion and construction plans.

Borrower: **Alpha Dairy Products (U) Ltd.**	
Lender: **Nile Bank**	Program: **I**
Loan/OD value: **UGX 50 million / Loan UGX 50 million/ OD**	Sector: **Agriculture**
Sales: **UGX 4,034,015,000/ year**	Employment: **FT 53 Male 7 Female PT 24 Male Female**
Rural/Urban: **Rural**	Date: **5 March 2007**

Background:
Alpha Dairy Products Limited is a dairy processing plant with normal fresh milk as its main product. Alpha Dairy received a UGX 50 million loan and UGX 50 million OD from Nile Bank with a 12 month tenor from 7/7/03-7/9/04. The plant was required to give Nile the title to a property on Entebbe Road as collateral for the loan.

Loan impact:
As the text box on the right shows, Alpha Dairy's sales have grown by 5% since the loan was disbursed. Full time employment has actually decreased for males by 12% and by 30% for females, while seasonal employment has seen a 33% increase. In a discussion with the plant Operations Manager, it was explained that the employment decrease was due to poor management. The company had initially hired an unnecessarily high number of workers for the jobs that needed to be completed. There wasn't enough work for everyone, so the company decided to let some of the employees go to decrease overhead costs and increase productivity per employee. Seasonal labor is highest when sterilized milk is being processed, however, Alpha Diary's boiler collapsed and all of the laborers involved in this process were laid off. The company recently bought a new boiler and expects to see another increase in seasonal labor.

	2004	2006
Sales	3,825,000,000	4,034,015,000
	2003	2007
Employment		
FT Males	60	53
FT Females	10	7
PT Males	18	24
PT Females	0	0

Alpha Dairy used the loan and OD money for working capital to help start up the business, which opened in 2003. They increased stock buying unprocessed milk and were working to diversify the product line into long life milk and other products. Alpha Dairy received a UGX 650 million (approximately) equipment leasing facility from DFCU with a 5 year tenor from 2003-2008. They were required to give DFCU pretty much every asset as collateral for the loan.

The owner, Mr. Babu indicated that the business is looking to expand into new products, but needs to purchase new equipment in order to do so. He complained that it's extremely difficult for him to receive approval for loans and he has been denied multiple times because so many banks consider dairy (ag in general) too high risk, which is seriously hindering the company's growth. Additionally, when the company is approved for a loan, the interest rates are grossly excessive.

Borrower: **Muhangi, Alex**	
Lender: **Nile Bank**	Program: **II**
Loan/OD value: **UGX 100 million / Loan**	Sector: **Trade/Distribution**
Sales: **UGX 6,750,000,000 / year**	Employment: **FT 4 Male 2 Female** **PT 9 Male Female**
Rural/Urban: **Rural**	Date: **5 March 2007**

Background:
Mr. Alex Muhangi and his wife jointly own the Kash General & Hardware Ltd. store and an inn in Mbarara town. Mr. Muhangi received a UGX 100 million loan from Nile Bank with a 36 month tenor from 4/21/05-4/30/08 and had already repaid the loan in its entirety as of 3/5/07. The bank required the title of the inn property and 2 other plots of land as collateral for the loan and analyzed Mr. Muhangi's account turnover, cash flow, and business projections to approve the loan.

Loan impact:
With the loan money from Nile Bank, Mr. Muhangi purchased a new store property for his store. He had previously been renting out a property on the main street in downtown Mbarara, but moved to a new extremely strategic location as it's at a busy intersection. Mr. Muhangi is able to carry and stock more merchandise and has seen a 42% increase in sales since the money from the loan was received and the store moved its location. Full time female employment has grown by 100% and seasonal male employment has grown by 80%. Mr. Muhangi indicated that he has also been experiencing much higher profits.

	2005	2006
Sales	4,750,000,000	6,750,000,000

	2005	2007
Employment		
FT Males	4	4
FT Females	1	2
PT Males	5	9
PT Females	0	0

Prior to the UGX 100 million loan under guarantee, the largest loan Mr. Muhangi was able to access was UGX 30 million. Mr. Muhangi was very happy to receive the UGX 100 million, but wanted and had actually applied for UGX 500 million. With UGX 500 million, Mr. Muhangi wanted to finish the construction of his inn to finish 3 more stories, which would help to increase his collateral. He also wants to develop a commercial plot of land to rent out to another business.