

**APPENDIX 1.1 - INSTITUTIONS/PERSONS INTERVIEWED FOR THE BUDS - DBDSP MISSION 2004**

<b>Organisation</b>	<b>Person contacted</b>
Private Sector Foundation Uganda	Mr. Gabriel Hatega
Medium Term Competitiveness Strategy (MTCS) Secretariat	Dr. Peter Ngategize Nelson Ophono
Min. of Finance	Lance Kashugyera
World Bank	William Steel
World Bank	Michael Wong
APDF	Moses Kiberige
BUDS-EDS	Robert Kyukyu
BUDS-ERT	Emmanuel Buringuriza
Ignition Fund – PSFU	Bill Farmer
<b>Donors</b>	
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SNV	Regina Kamuhanda Gerard Nieuwe Weme
EU Private Sector Unit	Alain Joares
EU – Suffice Programme	Henry Mutabazi
GTZ-PIVAT	Hans Schreuder
<b>Providers &amp; associations</b>	
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SCOPE	Laurel Druben
SPEED	Phil Broughton
APEP	Clive Drew
Uganda Manufacturers Association	Sarah Nalumansi
Uganda Export Promotion Board	Ms Ovia Katiti
Financial and HRM Consultants	Habib Tibrichu
FIT Uganda	
FIT SEMA	
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BMDS DFID	
UNIDO Integrated Programme	Ms Jane Mambule
Uganda Investment Authority	Lawrence Byensi
Uganda Small Scale Industries Association	Mr. Suubi, Chairman
Uganda Micro Entrepreneurs Association	Kakuba Adams
National Council of Uganda Small Business	Nampijja Esther

## Uganda: Development Of A Business Development Services Programme For MSMEs

<b>Organisations</b>	
Uganda Women Entrepreneurs Association	Ruth Kyobe
Uganda National Chamber of Commerce and Industry	Abdul Kasule Steve Kibagamba
<b>Financiers</b>	
Micro Enterprise Development Network	
Micro Finance Competence Centre	Steven Bongonzia
Barclays Bank	Julius Omoding
FINCA	
Uganda Microfinance Union	
PRIDE	
Faulu Uganda	
Uganda Women Finance Trust	Peter Okaulu
AMFIU	Mr. Kalibo Progr. Man.
Uganda Change Agents Assoc.	
<b>Accountancy/FM</b>	
ICPAU Executive Secretary	Mbaliire Kasanya -
Kaawaase and Co.	Twaha Kigongo Kaawaase -Partner, Sejjaaka,
Goldrock and Partners	Isaac Yiga - Partner,
Associate Consultant, Prime Solutions	Paul Bukenya -
Jim Roberts and Associates	Henry Ssempe Kayondo –
Winnie Bameka	Winnie Bameka
Data, Figure and Company	
Chris Evert Johnson and Company	
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## **APPENDIX 2.1 OVERVIEW OF MAJOR BDS DONOR PROGRAMMES IN UGANDA**

(Source: Donor Coordination Committee for BDS; updated by the consultants)

### **AMFIU**

AMFIU is a National Network and Umbrella Organisation for MFIs through out Uganda and its major activities are lobbying and advocacy, coordination of capacity building, performance monitoring and Information dissemination. All these lead to BDS. It seeks collaboration with others mainly for lobbying and advocacy.

### **APDF (IFC)**

The Africa Project Development Facility (IFC) To support the development of competitive SME's through Business Advisory Services, Enterprise Support Services and Skills Development (Training).

APDF aims to collaborate with those donors/projects that provide project finance for which APDFs services will be complemented. We also need to work with those donors who have funds for technical assistance but do not have the capacity to implement the program on the ground.

### **APEP (USAID)**

The Uganda Agricultural Productivity Enhancement Program (APEP) is a 5-year project that started November 2003. It aims at expanding economic opportunities in the agricultural sector, by catalysing transformation from subsistence to commercial agriculture. It identifies market driven opportunities in commodity chains, especially for the subsectors of coffee, cotton, bananas (matoke), spices (vanilla, cardamom), grains and oil seeds maize, rice, sesame, sunflower, soya) and floriculture.

The Uganda Agricultural Productivity Enhancement Program (APEP) is a five-year USAID-funded activity that commenced in December 2003. APEP aims to expand rural economic opportunities and increase household income in the agricultural sector by increasing food and cash crop productivity and marketing. The program builds on sector successes with added emphasis on creating economies of scale that catalyse transformation of agriculture from low input/low output, subsistence farming to commercially competitive agriculture.

### **COMMODITY SECTORS**

The design of APEP used a commodity and intervention selection system to identify market-driven opportunities, allocate resources, and guide its selection of commodity focus and interventions. Initially, APEP will focus on the following sectors:

- Coffee
- Cotton
- Bananas: matooke

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- Spices: vanilla, cardamom
- Grains and Oilseeds: maize, rice, sesame, sunflower, soya
- Floriculture

### **INTERVENTIONS**

- Technology generation and agricultural research
- Technology transfer, through farmer field demonstrations
- Post-harvest handling
- Producer organization strengthening
- Private sector input supply
- Training
- Market development and market intelligence
- Agricultural investment promotion
- Access to credit and agricultural finance
- Agro-processing
- Policy advocacy
- Biotechnology and biosafety

### **Strategic activities fund**

The APEP Strategic Activities Fund (SAF) is designed to fund activities that complement core APEP initiatives and help achieve the program's overall goal of increased commodity commercialisation. The SAF serves as a leveraging tool by providing funds for direct interventions to clients, maximizing resources available to Ugandan partners. Specifically, APEP identifies targets of opportunity to provide assistance and support to select activities in the following areas: training and extension, research, producer organization and commodity associations, technology transfer, and technical management assistance. Support is provided to public sector institutions, non-governmental organizations, associations, and businesses whose proposed activities meet APEP's eligibility and evaluation criteria, as well as contribute to program results. These activities consist primarily of cost-share ventures with APEP collaborators implementing innovative projects.

### **BSMD (DFID)**

Business Services Market Development Project Uganda (BSMD) aims to enhance the competitiveness of businesses in key sectors of the Ugandan economy where there are opportunities for pro-poor growth. These sectors will include the agro-business and tourist sectors amongst others. BSMD will facilitate the development of more effective markets for business services in terms of size, diversity, demand, access, etc. The activities to be undertaken are a series of strategically focused interventions that will pro- actively try to leverage market-based solutions to key business constraints, such as information, skills, technology, access to markets for inputs and outputs. This will be done at the micro- or

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sectoral level. The approach will be to support private sector actors to respond to specific constraints as service opportunities. These can be stand alone services but more importantly, services that are embedded in commercial business transactions.

Specific interest goes to those organisations and projects that are planning to develop new and innovative business services. BSMD would be eager to collaborate to develop private sector solutions that enable commercial providers to offer services on a profitable and sustainable basis.

BSMD is particularly concerned about those projects that operate under high pressure to achieve high numbers of services delivered in a relatively short time frame. These projects might be pushed towards the provision of highly subsidised business services while commercial alternative solutions might exist and could have provided a sustainable service and long term benefits to the MSE sector. Other negative aspects of high and long term subsidies are that (i) it will discourage private sector initiatives and (ii) service providers will view donors/ development organisations as their primary client instead of the small businesses.

### **SPEED**

The SPEED project implemented since March 2001 is designed to meet the needs of MSMEs and it focuses on access to finance and business skills development. It seeks to increase, create and expand agricultural and non – agricultural enterprises, and strengthen legal and regulatory frameworks for business development. SPEED implements activities focused on SME finance, micro finance, Business Development Services (BDS), and legal and institutional environment to support its goals.

In the area of BDS; SPEED's Business Capacity Component specifically works to increase effective demand for BDS by increasing number of business opportunities in selected sub sectors, and by strengthening the capacity of BDS providers to offer quality services that address the business needs of Micro finance, MSMEs, agricultural enterprises, MFIs, and Banks. SPEED's BDS work is specifically targeted first toward developing successful enterprises that provide market for services; second, toward developing the services needed to meet the demands of MSME clients who are willing /able to pay and; third, toward building the skills of service providers, Associations, consulting firms, individuals, to design and deliver needed services at market rates.

Potential areas of interest for collaboration with other projects/donors:

- Promote and develop market link business opportunities to expand the market for service providers identified and supported,
- Establish working relationships to support the development of market opportunities for BDS at regional level and through focused sub –sectors,
- Development and implementation of capacity building support to enhance the skills of service providers, business associations, consulting firms etc

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### **Small Scale Fish farming (DFID)**

The Project works with both service providers (SP) and farmers (F) in the aquaculture sub-sector. To date project has provided technical training to local government extension staff. Project has now revised strategy to target private sector service providers. These fall into two groups: specialist advisory service providers and fish fry producers who provide advice as a means of promoting sales. Project also produces and distributes messages to promote the sub-sector both by via mass media and more targeted methods such as posters and brochures. These are designed to promote awareness of opportunities in fish farming and to offer technical advice directly rather than to provide a forum for business-to-business linkages. The project was originally designed to promote fish farming rather than markets for fish farming services and this is still reflected in project outputs and activities although recent changes in strategy are bringing some activities more in line with good business development practice.

Potential areas of interest for collaboration with other projects/donors:

The project presents an opportunity for lesson learning for both NAADS and NARS through the experiences of the fish-farming sub-sector.

Concern for duplication; Current policy of 100% funding for training in various aspects of fish farming reflects traditional supply-push approach of projects designed to promote a particular sub-sector. Now recognised that it might be better to use voucher scheme or other demand-side approach to subsidising training and promoting the market for fish farming services. Also the Strategic Exports Initiative (nothing to do with the Project and wholly financed by government) is in part buying fish fry at inflated prices and distributing free of charge to fish farmers therefore risking damage to farmers willingness-to-pay for fish fry, raising unsustainable expectations about returns to fish fry production.

### **SUFFICE**

SUFFICE takes a financial system development approach whereby the main purpose is to assist sustainable financial intermediaries inter-link to offer high-quality and diversified financial products and services to a large and growing portion of the economically active poor population throughout Uganda. An important complementary objective is to promote the development of a commercially viable, accessible and demand-driven market for high-quality capacity building services responsive to the differing needs of Microfinance Institutions (MFIs) and their clients.

The Programme supports linkages to and interaction with cost-effective non-financial or business development services for micro-, small and medium scale entrepreneurs to meet their needs for capital, better market access, new technologies, input supply and appropriate training, as well as the development and diversification of the financial products on offer.

The Programme makes most of its capacity building support available through demand-led and declining matching grants to MFIs and other organisations seeking capacity building services from suppliers with good track records, selected by the grantee with Programme

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assistance if needed, and paid for by the MFI/grantee at market rates. Selection among applicants is based on a set of progressively strict criteria encouraging increasing self-financing of capacity building/BDS. The aim is to promote the development of a more demand-driven system of commercially viable service supply to an increasingly cost- and quality conscious market.

SUFFICE New Product Development Matching Grants aim to support the research into, development and field testing of new financial and non-financial products, services and delivery mechanisms for MFIs and SMEs to maintain a steep learning curve in the Ugandan industry, and actively encourage further diversification of products and of outreach, especially into the rural market. Grants are available to Ugandan registered Microfinance/Financial Institutions (MFIs), SME Trade Associations and other SME intermediaries, researchers and consultancy service providers within the following broad areas:

- Short term consulting services in demand-driven action- and market research;
- Refining and field testing of promising new products;
- Marketing of new products;
- Identification of feasible delivery mechanisms of new products especially for SMEs;
- Impact assessment of these new products

These grants are aimed at assisting providers of new products and services in meeting the costs of research, design and development. The goal is for financial and other commercially oriented providers of financial services to innovate, diversify and increase their product range to better meet their customer's needs. As a rule, SUFFICE does not extend grants to cover operational costs.

### **FIT Uganda (ILO)**

This project was planned in 1997 and aimed to test the approach of using venture capital to stimulate service delivery. This project has now changed to focus on testing models for stimulating service delivery without equity stake in the ventures. The project has focussed on supporting the development of newspaper supplements on small business in collaboration with the Monitor Newspaper Group and supporting an organic dried fruit exporter to develop a business start up package for small business organic fruit drying that will be licensed to companies that will act as suppliers to the exporter

Potential areas of interest for collaboration with other projects/donors: This project is a pilot activity and no specific linkages to other donors have been sought.

Concern for duplication: Potential danger if projects become directly involved in the two ventures and do not allow the ventures to develop commercially without external funding

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### **SCOPE**

Sustainable Business Services in Uganda

This project was planned in 1997 and aimed to test the approach of using venture capital to stimulate service delivery. This project has now changed to focus on testing models for stimulating service delivery without equity stake in the ventures. The project has focussed on supporting the development of newspaper supplements on small business in collaboration with the Monitor Newspaper Group and supporting an organic dried fruit exporter to develop a business start up package for small business organic fruit drying that will be licensed to companies that will act as suppliers to the exporter

Potential areas of interest for collaboration with other projects/donors: This project is a pilot activity and no specific linkages to other donors have been sought.

Concern for duplication and conflict with other projects: Potential danger if projects become directly involved in the two ventures and do not allow the ventures to develop commercially without external funding

### **Investment In Developing Export Agriculture (IDEA – USAID)**

To provide technical and/or management consultancies in various areas of production, post-harvest handling, management and marketing to individual producers/exporters in the area of Non-Traditional Agricultural Exports.

### **SEMA AND SIDA**

Small Enterprise Media in Africa – SEMA and Swedish International Development Agency (Sida)

This two year project will work with the Ugandan media to enhance access and exposure of micro and small enterprises (MSEs) to relevant and valuable information, platforms for public debate on business issues and forums for public dialogue on policy formulation for business. These services will be provided through the commercial media with a particular focus on the radio industry as a commercial service provider. The project will provide primarily technical support to media companies to establish and improve media focussed on the MSE sector. Subsidies and financial support to media companies to establish and run radio programmes and other media will be avoided and media companies will be expected to invest in developing the media and will be supported to identify and build advertising revenues for small business programmes. The radio will also be used as a channel through which advisory and other services can be delivered to large numbers of MSEs.

Potential areas of interest for collaboration with other projects/donors: Need to work with government, other donors, and projects to ensure that relevant information (research and data, new SED initiatives, policy etc.) is provided in useable formats to the Ugandan media. There is also potential for other projects to utilize this media as a way of reaching MSEs in Uganda.

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Concern for duplication and conflict with other projects: Real danger of donor distortion within the media market where donor projects buy radio airtime and create the perception that programmes for business are a public rather than private good. Also potential conflict of other projects taking over ownership of the radio programmes through sponsorship deals and undermining the ownership of the programmes by the radio stations.

### **Issia Business Development Training Programme**

(Stromme Foundation/Issia)

The training course is aimed at training change agents to become trainers of clients in various parts of the country in business skills. The Change Agents are located all over Uganda and would thus be a good network to bring new skills into the societies. The idea was that each individual agent should train others with the help of Best Game, charge a fee and thus earn a living. Bad planning of the training made it less successful than otherwise. But some of the change agents are using the game in accordance with the plan.

Potential areas of interest for collaboration with other projects/donors: The idea was that UCAA should be agent for the game in Uganda and provide training to institutions that wanted to start using it. It is still a good idea, but it seems that UCAA might have too much to do and might not have been able to identify individual entrepreneurs that wants to go for this opportunity to earn money.

## APPENDIX 2.2 UGANDA BDS MAPPING OVERVIEW

Source: Donor BDS Coordination Committee – Uganda (19<sup>th</sup> August 2003)

Primary Donor	Project or Programmes full name	Implementing Agency	Project Budget (in US\$)	Project start	Project end	Main services developed for MSEs <sup>1</sup>	MSE target size (employees)				Geographic focus		Sub Sector approach		BDS component of the project	
							1 - 20	20 - 50	50 - 200	> 200	National	Specific (list areas)	No	Yes (list)	100%	<100% (estimate)
<b>Swedish International Development Agency</b>	SEMA – Small Enterprise Media in Africa.	International Labour Organisation	800,000	01-09-03	31-8-05	1) Information through mass media 2) Advocacy 3) Business advisory	x				X		X		X	
<b>DFID</b>	Radio as a market development tool for business services	International Labour Organisation	150,000	01-10 -02	31-12-03	1) Management training 2) Business training 3) Tax advisory 4) Legal advisory 5) Technical Advisory 6) Information through print media. 7) Information through radio media	x					Central (broadcasting area of CBS radio) and West Nile (Broadcasting area of Radio Paidha)	X		X	
<b>DFID</b>	Business Services Market Development Project Uganda (BSMD)	International Labour Organisation	1.3 mil	10- 03	09-2005	1) Business linkages and opportunities 2) Access to markets 3) Access to commercial Business Services	x	x			X			Not restricted to any sectors but includes agro-business tourism	X	
<b>DFID</b>	Sustainable business services in Uganda	International Labour Organisation	250,000	01-01- 00	31-12-03	1) Newspaper supplements for MSEs 2) Start up support for organic fruit drying.	x				X		No sectoral focus for the newspaper	Organic fruit drying	X	
<b>DFID</b>	Small Scale Fish Farming for Food Security and Income Generation	NARO, MAAIF, DFID		01-03- 99	31-03-04	1) Technical training 2) Technical materials 3) Business training	x				x			X Fish farming		Originally 0% Now, 10%
<b>DFID / Government of Austria/ Care Austria and EU</b>	Joint Encouragement of new gainful activities (JENGA)	Care	1.65m	04- 1999	Dec 2003	1) Business Management Training						West Nile region- Arua, Yumbe, Moyo, Nebbi, Adjumani				

<sup>1</sup> This relates to the business services that will be enhanced or created for the target micro, small or medium enterprises (MSMEs), not services provided by the project to intermediaries (e.g. not services provided to associations by the project but those that the association would provide to its MSME members).

Primary Donor	Project or Programmes full name	Implementing Agency	Project Budget (in US\$)	Project start	Project end	Main services developed for MSEs <sup>1</sup>	MSE target size (employees)				Geographic focus		Sub Sector approach		BDS component of the project	
							1 - 20	20 - 50	50 - 200	> 200	National	Specific (list areas)	No	Yes (list)	100%	<100% (estimate)
<b>Stromme Foundation Cost share with individual Change agent</b>	TOT Best Game	UCAA	10000	15-07- 02	30-07-02	1) Business training 2) Management training	x					For small entrepreneurs all over Uganda	x		x	
<b>Stromme Foundation + ISSIA Cost sharing with the participants</b>	Issia Business Training Programme	Facilitator: Issia/SF Implementer: Namasuba Coll. of Commerce/ private sector providers	7000 (SF)	01-04 -02	01-08-04	1) Business training 2) Management training	x					For the people in and around Ibanda	x		x	
<b>USAID</b>	IDEA-Investment in Developing Export Agriculture	Africa Project Development Facility	400,000	13-3- 95	31-12- 03	Management assistance to hire consultants and project Managers	x	x	x	x	X			Non-Traditional Agriculture Exports (NTAE)		50
<b>USAID</b>	Support for Private Enterprise Expansion and Development – SPEED	Chemonics International Inc	?	01-03- 01	31-12 -03 (first Phase)	1. Information on BDS services / providers through SPEED data base 2. Sub sector specific Technical training and extension services, 3. Business development/ advisory services 4. Management skills through training by BDS providers and Associations, 5. Quality assurance, and ICT facilities through local BDS providers 6. Consultancy, counselling and Advisory services through BDS providers supported in the districts	x	x	x	x	X			Coffee , Cotton, Fisheries, Dairy,		30

Primary Donor	Project or Programmes full name	Implementing Agency	Project Budget (in US\$)	Project start	Project end	Main services developed for MSEs <sup>1</sup>	MSE target size (employees)				Geographic focus		Sub Sector approach		BDS component of the project	
							1 - 20	20 - 50	50 - 200	> 200	National	Specific (list areas)	No	Yes (list)	100%	<100% (estimate)
HIVOS/ GTZ	AMFIU		848,203	1/01/ 03	31/12/ 03	1) Standardisation of Services 2) Advocacy 3) Information dissemination through mass media	x	x			X				40	
IFC, AfDB, Sweden Switzer-land, Denmark, Nether-lands	APDF Work program in Uganda	Africa Project Development Facility		1986	2005	1) Business Advisory Services 2) Enterprise Support Services 3) Skills Development	x	x	x		X		X		X	
EU	SUFFICE - Support to Feasible Financial Institutions and Capacity building Efforts	U2: CB Unit for Outreach	400,000	01-08 -03	29-02- 05	1) Register of BDS providers 2) Register of Training courses available 3) Registry of new demand	x	x	x		X		X			60
		B7: MFIs	600,000	01-12 -99	31-07-07	1) Loan capital and savings services to MSEs 2) BDS/training by MFIs	x	x	x		X		X			15
		U5: CRBUg	200,000	15-08- 03	15-08-04	1) Micro CRB for MFI clients	x	x	x		X		X			75
EU	Business Uganda Development Scheme	PSFU	2.5 Million Euros	Oct 2000	2006	1) Cost share grants	x	x	x		X		X		X	
SNV	Private sector development programme (PSD)	11 District Private Sector Promotion Centres		Jan 2002	Dec 2003	TA-Reprofiling 1.Transformation into corporate entity. 2.Governance development 3.Strategic and business planning 4.Streamlining internal systems	x				X		X			30
	PSD	Kabarole, Nebbi and Moroto DPCs		01-08- 03		TA	x					W.Nile, Karamoja, Rwenzori				30%

Primary Donor	Project or Programmes full name	Implementing Agency	Project Budget (in US\$)	Project start	Project end	Main services developed for MSEs <sup>1</sup>	MSE target size (employees)				Geographic focus		Sub Sector approach		BDS component of the project	
							1 - 20	20 - 50	50 - 200	> 200	National	Specific (list areas)	No	Yes (list)	100%	<100% (estimate)
	PSD	AMFIU		01-01-01		TA – Business planning, organisational strengthening	x				X					10
	PSD	UCOTA		01-03- 01		TA- Organizational strengthening. Market Access and market linkages training	x				X					10
	PSD	CEEWA		Sept 2002		1) Business planning 2) Policy and Advocacy	x									10
	PSD	IMSECC		June 2002		1) Organisational Strengthening 2) Policy and advocacy	x									10
<b>NORWAY /UNIDO</b>	Enhanced competitiveness of Uganda Industries agro and MSEs.	UNIDO	1.38m	01-09- 99	31-12-02	Market access Post harvest Inspection systems	x	x	x		X		Food Textile			X 60
<b>Japan/ UNIDO</b>	Enhanced competitiveness of Uganda Industries agro and MSEs.	UNIDO	877,000	01-09- 99	31-12-02	Advisory/Training services to MSEs Entrepreneurship in schools	x					Mbale, Lira Masaka, Mbarara Kabarole Mubende	Food sector Metal, Textile, Leather Electrical	X		
<b>Austria/ UNIDO</b>	Enhanced competitiveness of Uganda Industries agro and MSEs.	UNIDO	708,850	01-09- 99	31-12-02	1) Technical skills to SMEs 2) Cleaner production	x		x		X		Leather Cleaner production	X		
<b>Italy/ UNIDO</b>	Enhanced competitiveness of Uganda Industries agro and MSEs.	UNIDO	1.554m	01-09- 99	31-12-02	Investment promotion		x	x		X		X			X 70

## APPENDIX 3.1 FRAMEWORK OF GOALS AND OBJECTIVES

Description of the objectives and goals	Indicators for achievement
<p><b>Objective</b></p> <p>Stimulate a process in the BDS market for MSMEs, of innovation (product development), cost-effective service delivery (provider capacity building) and increased outreach, to ensure that commercial market segments are served with products of adequate quality and that underserved market segments get access to appropriate and sustainable business services and training.</p>	
<p><b>Goal 1: Market development</b></p> <p>Increased outreach for BDS; i.e.</p> <ul style="list-style-type: none"> <li>○ Expanding the market for BDS to underserved clientele</li> <li>○ Development of the market in terms of maturity (stages)</li> <li>○ Developing a high quality, competitive market</li> <li>○ Deepening the market; reaching underserved populations</li> </ul>	<p><b>Market level indicators</b></p> <ul style="list-style-type: none"> <li>▪ The number of market segments effectively served</li> <li>▪ Number and value of BDS contracts</li> <li>▪ Market penetration; % of clients as % of total SE's</li> <li>▪ Reach; % of SEs</li> <li>▪ Stage of market maturity</li> <li>▪ Nr. of BDS suppliers</li> <li>▪ Nr. of service products offered</li> <li>▪ Nr. of repeat clients (retention %)</li> <li>▪ Absence of market distortion</li> <li>▪ Nr. of clients from underserved segments</li> </ul>
<p><b>Goal 2: Improved institutional performance on provider level</b></p> <ul style="list-style-type: none"> <li>○ Innovation; Appropriate product development for various market segments</li> <li>○ Cost effectiveness of BDS improved</li> <li>○ Supplier sustainability</li> <li>○ Quality and appropriateness of services provided</li> <li>○ Improve BUDS sustainability</li> </ul>	<ul style="list-style-type: none"> <li>▪ New products launched for specific market segments</li> <li>▪ Cost effectiveness ratio's per market segment</li> <li>▪ Cost per client served</li> <li>▪ BDS supplier profitability</li> <li>▪ Grant subsidy per client</li> <li>▪ Total subsidy cost per supplier</li> <li>▪ Transaction cost</li> </ul>
<p><b>Goal 3: BUDS cost-effectiveness</b></p> <ul style="list-style-type: none"> <li>○ Improve cost-effectiveness of BUDS operations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduction of retail-clients (%)</li> <li>▪ Transaction cost</li> <li>▪ Outsourcing %</li> <li>▪ % work done through associations</li> </ul>
<p><b>Goal 4: Client impact;</b></p> <ul style="list-style-type: none"> <li>○ Increased acquisition of BDS</li> <li>○ Increased application of BDS in business</li> </ul>	<p><b>Client impact</b></p> <ul style="list-style-type: none"> <li>▪ % of clients satisfied with the service</li> <li>▪ Repeat customers</li> <li>▪ % who applied advice</li> <li>▪ change in gross profit</li> </ul>

## **APPENDIX 3.2 CONCEPTUAL FRAMEWORK FOR INTERVENTIONS IN THE BDS MARKET IN UGANDA**

<b>Nature of BDS market failure in Uganda</b>	<b>Characteristics of the market segment concerned</b>	<b>Development strategy for PSFU – BUDS</b>
<p><b>Demand failure</b> MSE business may be vibrant but demand for BDS is virtually non-existent. No awareness of weaknesses in business practices, neither of the potential benefit of curing them.</p> <p><i>Example:</i> West Nile region, market segment of micro and small enterprises (Study SNV)</p>	<p><b>Embryonic market</b> Despite the proliferation of business activity, virtually no market for BDS exists. However, in view of the nature of business activity, a potential for BDS is identified.</p>	<p><b>Principal interventions</b></p> <ul style="list-style-type: none"> <li>• Priority for sensitisation, awareness and education</li> <li>• Pilot projects that demonstrate the attractiveness to users and their feasibility to potential providers</li> <li>• Collaborate with effective sensitisation agents: financial institutions, MFIs, lead-firms in commodity chain, governmental bodies.</li> </ul>
<p><b>Supply failure;</b> Despite the existence of demand, BDS services are not supplied, inadequately supplied (poor quality or not appropriate for the clientele), or not delivered in a cost-effective manner.</p> <p><i>Example:</i> BDS on production, processing and marketing of agricultural produce in a number of commodity chains (sub-sectors).</p>	<p><b>Underserved market-segment</b></p> <ul style="list-style-type: none"> <li>• Unsatisfied demand</li> <li>• Few (registered) BDS providers in the region</li> <li>• Import of services from other districts/regions</li> <li>• Client dissatisfaction with existing services</li> <li>• Services are not affordable for MSEs</li> </ul>	<p><b>Principal interventions</b></p> <ul style="list-style-type: none"> <li>• Need for development of BDS products that are appropriate for the type of SEs served and delivered in a cost-effective manner</li> <li>• Capacity development of providers or market intermediaries (e.g. associations) to facilitate effective delivery of new BDS products o hitherto underserved segments of the market.</li> <li>• Collaborate with parties that can build capacity (incl. donor programmes)</li> </ul>
<p><b>Information failure</b> Despite the existence of appropriate and affordable BDS, actual transaction levels are low because of:</p> <ul style="list-style-type: none"> <li>• clients doubts about the usefulness of BDS</li> <li>• provider doubts about the appreciation of their services by MSEs and willingness/ability to pay the fee.</li> </ul> <p><i>Example:</i> BUDS experience till now</p>	<p><b>Graduating market-segments</b></p> <ul style="list-style-type: none"> <li>• BDS services are offered</li> <li>• Appropriate BDS delivery mechanisms have been developed for MSE’s</li> <li>• Actual BDS transactions (sales) is low in comparison to the size of the market.</li> </ul>	<p><b>Principal interventions</b></p> <ul style="list-style-type: none"> <li>• Transaction based subsidies (like matching grants) to facilitate a learning process of both users and providers to overcome their doubts and prove that BDS can be mutually attractive.</li> <li>• Collaborate with intermediaries with sub-sector expertise (incl. donor programmes)</li> </ul>

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Nature of BDS market failure in Uganda	Characteristics of the market segment concerned	Development strategy for PSFU – BUDS
<p><b>Failure to meet competitive market standards</b></p> <ul style="list-style-type: none"> <li>• Local products fail the norms set by local legislation (Bureau of standards, health requirements, etc.)</li> <li>• Export products fail the quality standards needed to effectively compete on international markets.</li> <li>• Export producers fail to bring their production to the level of efficiency required to survive price competition trends on the world market</li> <li>• Local producers fail to serve the market efficiently because of lack of skilled manpower</li> </ul>	<p><b>Mature market with identified deficiencies</b></p> <ul style="list-style-type: none"> <li>• The market is mature in the sense that there is effective demand and supply of BDS in a competitive market</li> <li>• It is observed that national or international product standards are not met, and hence potential market share cannot be realised.</li> <li>• The BDS required to bring the industry to the required level needs to be developed, or to be perfected or to be facilitated.</li> <li>• Shortage of sufficiently trained skilled labour</li> </ul>	<p><b>Principal interventions</b></p> <ul style="list-style-type: none"> <li>• Development of the capacity of BDS providers and lead-producers (exporters) to effectively deal with quality standards and efficiency standards.</li> <li>• Interventions geared to facilitate skill training and on the job training (apprenticeship).</li> <li>• Collaborate with export promotion agencies and agro-industry programmes.</li> <li>• Collaborate with training institutions and related (donor) programmes</li> </ul>

Note on collaboration; BUDS to seek synergy in brokering BDS events in collaboration with others.

## **APPENDIX 7.1 CONTENTS OF NEW BUDS OPERATIONS MANUAL**

**Note:**

- All figures between brackets like [101] refer to the corresponding paragraph in the current BUDS operations manual.
- All indications like (p15) refer to forms currently used – on page 15 of the BUDS manual compilation (assuming pages are numbered single sided, i.e. the 15<sup>th</sup> sheet in that compilation)

	<b>Generic procedures</b>	<b>Specific procedures for retail BDS</b>	<b>Specific procedures for wholesale BDS</b>
<b>1. Objectives</b>	<ul style="list-style-type: none"> <li>• 101 – 103 – revised formulation</li> </ul>		
<b>2. Operating policies</b>	<ul style="list-style-type: none"> <li>• 104-201-202</li> <li>• MG % table</li> <li>• Policy direction through eligibility criteria</li> <li>• 700 – amendments to this manual</li> </ul>		
<b>3. Eligibility criteria</b>	<ul style="list-style-type: none"> <li>• 301-315</li> <li>• Eligibility criteria per funding component</li> <li>• Qualifying intermediaries</li> <li>• Cost effectiveness (check against benchmark data)</li> <li>• Exclusion</li> </ul>		
<b>4. Procedures for the process cycle</b>			
<b>4A. Intake/BDS preparation</b>	<b>A1. Generic procedures intake</b> <ul style="list-style-type: none"> <li>• For retail BUDS is demand led. For wholesale BUDS is proactive</li> <li>• Application requirements p50</li> <li>• Qualifying sales expansion plan (p12)</li> <li>• Development of Diagnostic Tool</li> <li>• [3.16]</li> </ul>	<b>A2. Intake procedure retail</b> <ul style="list-style-type: none"> <li>• Enquiry by clients</li> <li>• checklist client intake (p14)</li> <li>• Guidance of clients</li> <li>• Basic info for clients:                             <ul style="list-style-type: none"> <li>- User guide to the BUDS p3</li> <li>- Examples of services p5</li> <li>- BUDS-EDS General Regulations p8</li> <li>- Guidelines of proposal p3</li> </ul> </li> </ul>	<b>A3. Intake procedure wholesale</b> <ul style="list-style-type: none"> <li>• Identification of players</li> <li>• Active networking to generate ideas</li> <li>• Identification and guidance of intermediaries</li> <li>• Instructions for membership organizations (p15)</li> </ul>
<b>4B. Application</b>	<b>B1. Generic procedures for applications</b> <ul style="list-style-type: none"> <li>• Application process</li> <li>• Offer of provider</li> <li>• Response time</li> <li>• Application requirements form (p50)</li> </ul>	<b>B2. Application procedure retail</b> <ul style="list-style-type: none"> <li>• Submit application form</li> <li>• Sales expansion plan</li> <li>• Applicant questionnaire (p51)</li> <li>• Application form (p52)</li> </ul>	<b>B3. Application procedure wholesale</b> <ul style="list-style-type: none"> <li>• Application form</li> <li>• Applicant questionnaire</li> <li>• BDS event justification</li> <li>• Operational and financial arrangement</li> <li>• Visit BUDS office – interview 1</li> </ul>

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	Generic procedures	Specific procedures for retail BDS	Specific procedures for wholesale BDS
<b>4C. Screening / appraisal</b>	<b>C1. Generic procedures for pre-screening</b> <ul style="list-style-type: none"> <li>• Eligibility test</li> <li>• Rejection letter if not eligible</li> <li>• Appraisal if eligible</li> <li>• Method of appraisal</li> <li>• Fraud prevention</li> </ul>	<b>C2. Screening procedure retail</b> <ul style="list-style-type: none"> <li>• Appraisal procedure</li> <li>• Appraisal criteria</li> <li>• Appraisal cost-effectiveness</li> <li>• Appraisal note</li> </ul>	<b>C3. Screening procedure wholesale</b> <ul style="list-style-type: none"> <li>• Participant's screening by intermediary - note</li> <li>• Appraisal procedure</li> <li>• Appraisal criteria</li> <li>• Site visit intermediary</li> <li>• Appraisal note</li> </ul>
<b>4D. Approval</b>	<b>D1. Generic procedures for approval</b> <ul style="list-style-type: none"> <li>• Approval procedure</li> <li>• Letter of approval</li> <li>• Conditional approval</li> </ul>	<b>D2. Approval procedure retail</b> <ul style="list-style-type: none"> <li>• 404-406</li> </ul>	<b>D3. Approval procedure wholesale</b> <ul style="list-style-type: none"> <li>• 404-406</li> </ul>
<b>4E. Contract</b>	<b>E1. Generic procedures for contracting</b> <ul style="list-style-type: none"> <li>• Purposes, legal status <ul style="list-style-type: none"> <li>• [407-408]</li> </ul> </li> <li>• Client letter of agreement p17</li> <li>• Standard contract for non-consultant services p24</li> </ul>	<b>E2. Contracting procedure retail</b> <ul style="list-style-type: none"> <li>• Standardised contract retail</li> <li>• [407-408]</li> </ul>	<b>E3. Contracting procedure wholesale</b> <ul style="list-style-type: none"> <li>• Association-led</li> <li>• Lead-firm</li> <li>• Facilitator-led</li> <li>• Trainer-led</li> <li>• Financier-led</li> </ul>
<b>4F. Implementation</b>	<b>F1. Generic procedure for implementation</b> <ul style="list-style-type: none"> <li>• General</li> <li>• Monitoring of compliance p34, 45</li> <li>• Spot checks by BUDS</li> </ul>	<b>F2. Implementation procedure retail</b> <ul style="list-style-type: none"> <li>• Provider responsibility</li> <li>• Supervision by BUDS</li> </ul>	<b>F3. Implementation procedure wholesale</b> <ul style="list-style-type: none"> <li>• Supervision by intermediary</li> </ul>
<b>4G. Completion</b>	<b>G1. Generic procedure for completion reporting</b> <ul style="list-style-type: none"> <li>• Applicant writes completion report</li> </ul>	<b>G2. Completion reporting retail</b> <ul style="list-style-type: none"> <li>• Format completion report</li> </ul>	<b>G3. Completion reporting wholesale</b> <ul style="list-style-type: none"> <li>• Format completion report</li> </ul>
<b>4H. Payment</b>	<b>H1. Generic procedure for payment</b> <ul style="list-style-type: none"> <li>• [410-411]</li> <li>• payment modalities</li> <li>• Reimbursement claim form <ul style="list-style-type: none"> <li>• Monitoring compliance p34, 45</li> </ul> </li> <li>• Client letter of agreement p17</li> </ul>	<b>H2. Payment procedure retail</b> <ul style="list-style-type: none"> <li>• [410-411]</li> <li>• payment of client</li> <li>• payment of provider</li> </ul>	<b>H3. Payment procedure wholesale</b>
<b>4I. Monitoring and evaluation of transactions</b>	<b>I1. Generic procedures for M&amp;E</b> <ul style="list-style-type: none"> <li>• [501-505]</li> <li>• Performance indicators <ul style="list-style-type: none"> <li>• M&amp;E contractor performance p35</li> </ul> </li> <li>• Client satisfaction survey p22</li> </ul>	<b>I2. M&amp;E procedure retail</b> <ul style="list-style-type: none"> <li>• [409]</li> </ul>	<b>I3. M&amp;E procedure wholesale</b>

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	<b>Generic procedures</b>	<b>Specific procedures for retail BDS</b>	<b>Specific procedures for wholesale BDS</b>
<b>5. Management</b>	<ul style="list-style-type: none"><li>• Annual plan and budget</li><li>• Quarterly reports –</li><li>• Reporting formats</li></ul>		
<b>6. M&amp;E BUDS</b>	<ul style="list-style-type: none"><li>• Outline of new performance monitoring system and indicators</li><li>• Data collection and data base</li><li>• Data processing and reporting</li></ul>		
<b>7. Accounting &amp; Audit</b>	<ul style="list-style-type: none"><li>• 601-603</li></ul>		

## **APPENDIX 7.2 CONVERSION OF EXISTING BUDS MANUAL PARTS INTO THE NEW MODULAR FRAMEWORK**

<b>Paragraph BUDS manual</b>	<b>Content</b>	<b>Module new manual</b>	<b>Modifications</b>
	<b>Objective &amp; concepts</b>		
101	Project component	1.1	
102	BUDS grants	1.1	
103	BUDS Advice	1.1	
104	Status of this manual	2.1	
201	Resources	2.1	
202	Level	2.1	
	<b>Qualifying criteria</b>		
301	Intro	3.1	
302	Private firms	3.2	
303	Firms in agriculture	3.2	
304	Plan essentials	3.2	
305	Pre-investment studies	3.2	
306	Evaluation	3.2	
307	Limit per firm	3.2	
308	Group activities	3.2	
309	Avoiding double subsidies	3.2	
310	Service usage within plan	3.2	
311	Service examples	3.2	
312	Three stages	3.2	
312a	Longer term experts	3.1	
313	Small firms	3.1	
313a	Prior approval		
314	What constitutes a deliverable?	3.2	
314a	Client defines outputs	3.2	
315	Service usage costs	3.2	
316	Exclusion	4A2	
317	Supplier selection	5.1	
318	Supplier listing	5.1	
319	Over-charging	3.2	
400	<b>Management</b>		
401	PSF responsibility	5.1	
402	PSF Board responsibilities	5.1	
403	PSF Board supervision	5.1	PSFU Board or Steering committee?
404	Approval limit	5.1	

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405	Rejections	5.1	
406	PSF Board role	5.1	PSFU Board or Steering committee?
407	Letter of agreement	4E1/2	
408	Supporting documentation	4E1	
409	Impact data	4I1	
410	Basis of payment	4H1	
411	Authorisation	4H1	
500	<b>M&amp;E</b>	4I1	
501	Indicators	4I1	
502	Contractor performance	4I1	
503	Final impact survey	4I1	
504	Interim impact survey	4I1	
505	Publication	4I1	
600	<b>Accounting</b>		
601	Special account	7.1	
602	Auditing	7.1	
603	Management accounts	7.1	
700	Amendments to this manual	2.1	
801	Special procedures for supply-side	2.1	

## ANNEX 8.1 FRAMEWORK FOR PERFORMANCE MONITORING

Description of the objectives and goals	Indicators for achievement	Implications for the method of data collection and reporting
<i>Goal 1: Market development: Increased sustainable outreach for BDS</i>		
<b>Expanding the market for BDS to MSME clientele</b>	<ul style="list-style-type: none"> <li>a. Growth: Number and value of BDS contracts</li> <li>b. Regional distribution</li> <li>c. % Central Region</li> <li>d. The number of market segments effectively served</li> <li>e. Market penetration; % of clients as % of total SE's</li> </ul>	<ul style="list-style-type: none"> <li>a. Report growth in numbers and value per quarter, and compare to last year.</li> <li>b. Combined table for SE-size and region</li> <li>c. Central region as % of whole</li> <li>d. Record market segment in application - data entry form; report BDS value and no. per segment as % of whole</li> <li>e. Acquire statistical data of MSMEs per size category from various sources</li> </ul>
<b>Developing a high quality, competitive market</b>	<ul style="list-style-type: none"> <li>a. Number of BDS suppliers</li> <li>b. Number of service products offered</li> <li>c. Number of repeat clients (retention %)</li> <li>d. Absence of market distortion</li> <li>e. Stage of market maturity</li> </ul>	<ul style="list-style-type: none"> <li>a. Report growth no. of BDS suppliers</li> <li>b. Categorise type of services and record</li> <li>c. Record no. of repeat clients on application</li> <li>d. Introduce a 'fair competition' test</li> <li>e. On an annual basis BUDS is to review its assessment of various market segments. In critical cases the market segment may have to be subdivided according to sub-sector.</li> </ul>
<b>Deepening the market; reaching underserved populations</b>	<ul style="list-style-type: none"> <li>a. Reach; % of MSEs (&lt;20 empl.) as percentage of all MSMEs</li> <li>b. No. of clients from underserved segments</li> <li>c. No. a. / total beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>a. Report per size categories</li> <li>b. Record number of clients from underserved segments</li> <li>c. Report number / total beneficiaries</li> </ul>
<i>Goal 2: Improved institutional performance on provider level</i>		
<b>Innovation; Appropriate product development for various market segments</b>	<ul style="list-style-type: none"> <li>• New products launched for specific market segments</li> <li>• Improvements in cost-effectiveness due to new BDS products</li> </ul>	<ul style="list-style-type: none"> <li>• Record types of products per segment</li> <li>• Report number &amp; value BDS transaction/market segment – report changes/growth</li> <li>• Report cost-effectiveness ratios per segment and per BDS service</li> </ul>

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<b>Description of the objectives and goals</b>	<b>Indicators for achievement</b>	<b>Implications for the method of data collection and reporting</b>
<b>Cost effectiveness of BDS improved</b>	a. Cost effectiveness ratios per market segment <ul style="list-style-type: none"> <li>o Cost per client served</li> <li>o Cost per service</li> <li>o Cost per training/BDS day</li> <li>o Cost per training/BDS day/client</li> <li>o Cost as % of sales</li> </ul> b. Changes in average cost effectiveness ratio's over time	<ul style="list-style-type: none"> <li>• Categorise per type of service</li> <li>• Record number of BDS days</li> <li>• Record number of beneficiaries/ participants</li> <li>• Record the estimated sales level per ultimate beneficiary.</li> <li>• Make statistical analysis of cost effectiveness ratios per market segment with average and range.</li> <li>• Create benchmarks per indicator per market segment</li> </ul>
<b>Supplier sustainability</b>	a. BDS supplier's increased share of commercial BDS b. Grant subsidy as % of provider's sales c. Increasing share of smaller size SMEs	a. Ask provider for client profile eg <ul style="list-style-type: none"> <li>o What services provided</li> <li>o What % of clients are commercial</li> <li>o Are the same category of clients also served commercially?</li> <li>o What services provided commercially</li> </ul> b. Record provider's turnover
<b>Quality and appropriateness of services provided</b>	a. Client satisfaction score b. Affordability; BDS as % of sales c. Sector-programme assessments d. Cost-effectiveness level e. Total subsidy cost per supplier	a. Record client satisfaction score b. Record affordability score c. Identify / Collect sector-programme assessments d. Analyse cost-effectiveness level e. Total subsidy cost per supplier
<b>Goal 3. BUDS Cost Effectiveness</b>		
<b>Improve BUDS sustainability</b>	a. Reduction of retail-clients (%) b. Transaction cost c. Outsourcing % d. % work done through associations	a. Reduction of retail-clients (%) b. Analyse & Report transaction cost c. Record % outsourcing (no. & value) d. % work done through associations
<b>Goal 4. Client impact</b>		
<b>Increased acquisition of BDS</b>	<ul style="list-style-type: none"> <li>▪ % of clients satisfied with the service</li> <li>▪ Repeat customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Record client satisfaction score</li> <li>▪ Repeat customers</li> </ul>
<b>Increased application of BDS in business</b>	<ul style="list-style-type: none"> <li>▪ Increased demand per market segment</li> <li>▪ Change in gross profit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Report increased demand per market segment</li> </ul>
<b>Impact on business growth</b>	<ul style="list-style-type: none"> <li>▪ Increase in turnover</li> </ul>	<ul style="list-style-type: none"> <li>▪ BUDS satisfaction report</li> <li>▪ Impact survey</li> </ul>