



MATCHING GRANT FACILITY

**COMPETITIVE AND ENTERPRISE
DEVELOPMENT PROJECT**

Uganda

**MATCHING GRANT FACILITY
(MGF)**

Operations Manual

2015

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1.0 Objective and Essential Concepts

1.1 Project Component

The Productivity Enhancement Competitiveness- Matching Grant Facility Uganda (PEC-MGFU) is one of the sub-component activities under of the Competitive and Enterprise Development Project (CEDP) for Uganda. The CEDP is a project of the Government of Uganda co-financed by the International Development Association of the World Bank Group (IDA).

1.2 CEDP overall Objective

The overall objective of the CEDP is to support enterprise capacity development and investment climate reforms as prerequisites for the acceleration of economic growth in Uganda. The MGF is in direct support of this project objective, within component four of the project ("Enhancing Enterprise Competitiveness, by providing a matching grants facility for MSMEs in non-traditional exports and coffee which are part of the high potential sub-sectors including tourism, coffee, grains and pulses, horticulture, edible oils, fisheries, IT services/Business Process Outsourcing).

1.3 Specific Objective of the PEC Competitiveness Matching Grant Facility

The specific objective of the PEC MGF is to enhance enterprise competitiveness by enabling MSMEs access matching grants of up to 50% towards use of sub-sector specific Business Development Services (BDS), skills development and increasing productivity through raising standards at the firm level.

Under the MGF, individual firms will be assisted to access business development services in order to address critical challenges from introduction of international standards such as ISO and HACCP to consumption. The funds will be used towards accessing technical assistance to provide training in management, business plan preparation, marketing, record keeping and finance and production techniques and technologies in order to improve quality in the sub-sector. To this end, the MGF will support innovation, managerial and technologies and knowledge upgrade, enhancement of market intelligence and access, and strengthening of backward and forward linkages. The MGF will also encourage both the adoption and the implementation of world class industry standards, norms and ratings.

Support to sub-sector business associations will also be provided. Smaller firms may access it through their business associations. It will also target women owned businesses. The MGF will also support the development of local support services,

by extending similar cost-sharing grants to service providers to support trainings and new service development costs

1.4 The Status of this Manual

This Operations Manual is an integral part within the overall CEDP Project Implementation Manual. This manual seeks to define exactly how the matching grant facility should operate; it seeks to broadly define eligibility criteria and other rules applying to the use of resources.

2.0 Basic Structure of the Matching Grant Facility

2.1 Administrative Arrangement

The MGF shall be operated as a Unit under the CEDP. The Unit shall report administratively to the Private Sector Foundation Uganda and technically to CEDP Steering Committee through the Matching Grant Facility-Review Committee (MGF-RC) composed of: the CEDP Manager, a representative from Ministry of Finance, PSFU Board member, the Executive Director PSFU, the MGF Manager and one private sector representative.

The role of this Committee will be:

- (i) To review the grant approval mechanism and set grant approval thresholds;
- (ii) To approve grant proposals above USD 50,000;
- (iii) To review complaints from clients.
- (iv) Successful cases and unique interventions
- (v) Receive periodical project status presented by the MGF Manager

2.2 MGF-Staff

This unit will consist of professionals, working full-time, under specific term contracts. The unit will be headed by the Manager assisted by a team of professionals who shall be referred to Business Advisors. The Business Advisors shall be locally-recruited consultants, with wide knowledge of the Ugandan private sector and with experience in providing consulting advice to SME's and more specifically in the selected sub-sectors. At least three of these Advisors will be expected to have experience in the sub sectors. The total number of MGF Team is 11 members of staff.

2.3 Location of the MGF

The Unit will be located at the Private Sector Foundation Uganda office located at plot 43, Nakasero Road, P.O Box 7683 Kampala. The unit will be housed in dedicated office space, to be located by the CED Project. The Unit will work in collaboration with other private sector offices in the following regions: Northern - Gulu, Western - Hoima, Southern- Mbarara and Eastern- Mbale.

3.0 Resources and Level of Support

3.1 Resources

The MGF will have available to it a total initial funding for grant support of US\$ 8 million. A total of US\$ 7 million shall be for grants and a total of US\$ 1 million for operations. An additional US\$ 1 million for operations will be provided by the Government of Uganda. Grants are to be committed within the five-year period of the CEDP. Once it becomes clear that the available funding will be fully committed before the project close a decision will be taken as to possible further funding for the Facility. A review of this issue will in any case be conducted as part of the CEDP Mid-term Review.

3.2 Level of support

Each individual grant to a recipient firm must be matched 50/50 by an equal contribution from the firm itself. No preferential rates of support will be given to particular sub sectors, types of service, firm size, firm category or region. However, special consideration will be made for associations that lack capacity to raise the 50% contribution. The 50% level will therefore be reviewed regularly and may be revised subject to IDA approval.

3.3 Grant Limit per Firm

Each eligible firm may obtain grants up to a cumulative value of US \$100,000. Within this total, each firm may return for multiple grants, so long as each application satisfies all qualification criteria and is in accordance with the firm's growth, expansion plan. This implies that each application must make sense on its own merits as contributing to a significant development of the business and, or increased sales revenue or competitiveness. This cumulative figure will be reviewed regularly and may be modified on its recommendation, subject to IDA endorsement.

Any grant application above US\$ 50,000 will be approved by the MGF-RC.

3.4 Allocating Unit Resources

The MGF will be free to allocate its available resources and professional time, as it sees fit, so as to meet its agreed targets. However, each new firm making contact with the Unit will be visited on a first-come first-serve basis. The intensity with which each firm is then given follow-up assistance, however, will depend on how the Unit evaluates each, as likely to contribute to agreed targets, primarily increased sales.

3.5 MGF Activities

- a) Marketing of the MGF amongst Ugandan Private Sector including areas outside Uganda.
- b) Direct assistance to individual firms, with the Unit itself providing the direct business advice;
- c) The provision of matching grants to of up to US\$ 100,000 to firms, for the use of specialized services
- d) Regular Monitoring of Progress.

Each of these activities will be dealt with, in turn, in the following sections of this manual.

4.0 Operation of the Matching Grant

The grants will follow "a call for proposal cycle" with three (3) cycles per year. However the number of cycles in a year may be varied based on interest generated and in consideration of the general economic trends.

4.1 Media Campaign

Every call for proposal cycle shall be preceded by a 2 months publicity campaign calling for interested firms in the different sectors to express interest, pick/acquire application forms. The publicity campaign shall seek to be as detailed as possible giving the prospective clients clear information on time frames, eligible activities, eligible firms and all other details concerning the grant. The publicity shall use possible major media channels.

4.2 Handholding support and Submission of grant application forms and proposal

The MGF shall continue to provide handholding support to prospective clients. Since this is not like a competition that the best proposal/application gets the grant, the Facility will be available to prospective clients seeking information on issues regarding eligibility issues, sourcing of BDS providers, preparation of application forms and other handholding needs. The objective of this is to ensure that the applicants submit a well thought through applications and one that shall be useful in raising competitiveness of their firm. The handholding support will be provided by the Business Advisor and in line with those activities deemed as beneficial and in line with the Firms competitive activities.

Once the call for proposals time expires, all applications received after that date shall only be considered in the next round.

4.3 Sorting and initial review of application

Once the period for call for proposals expires, the MGF Unit will embark on sorting of the applications and undertake first level review of the submissions. At this stage the sorting and other activities to be carried out will include:

- Grading per sector
- Grading per sector and grant amount being requested
- Eligibility of the firm
- Eligibility of the activities being requested for
- Sorting of proposals that will need to be presented to the MGF-RC
- Planning for client visits for verification
- Respond in writing to applicants whose submissions will not be considered clearly indicating the reasons for non-consideration and alternative advice they could consider before the next round

4.4 Client verification and visits

The Unit will undertake to visit 100% of all applicants to ascertain

- Their existence and that of their businesses
- Clarification on their submissions if need be and how the proposed activities will benefit their businesses or establishments or how they address particular needs in the value chain or in the subsector;

- The MGF Unit will undertake this opportunity to further understand the clients' business and possible future activities and support;

4.5 Approval Process

On completion of the verification exercise all proposals shall be presented to the MGF-RC for approval. Presentation to the RC shall include the original client submission, the verification report and accompanied by internal memo prepared by the Manager clearly indicating why the application should be considered and its expected outcome.

The MGF-RC will be convened after the initial review and after the verification exercise. The objective of the approval process at this level should be considered as a step to basically enrich the whole grant process. The RC is expected to tap into their experience and with input from other sub sector players and experienced persons enable the Unit achieve even greater impact and focus in addressing the pertinent issues in the sub-sectors or in the value chain. The MGF-RC will also be a safeguard against having a one-man approval level, the possible subjectivity, personal responsibility and allow for group responsibility.

On approval of the grant request(s) by the MGF-RC ;

- a) Grants request of USD 10,000 and below can be signed by the MGF Manager in order to have the activity start immediately;
- b) Grant requests of above USD 10,000 and below USD 50,000 shall be signed by the CEDP Project Manager;
- c) Grant requests of above USD 50,000 shall be specially presented for approval by the MGF-RC and signed by the MGF-RC Chairperson.

Applicant clients shall be informed of the outcome of the MGF-RC which may include review of proposals, clarifications, more information required or approval.

All eligible firms, activities verified, recommended and approved shall sign a letters of agreement, a sample letter is Annex 3.

4.6 Once satisfactory clients sign client letter of agreements

All eligible firms, activities verified and approved by the MGF-RC shall then sign letters of agreement. Clients with proposals that have not been approved shall be informed in writing clearly indicating reasons for and with advice for the next steps, alternatives and next course of action.

4.7 Follow up for all activities

All approved requests shall be implemented as agreed upon and in accordance with the signed letter of agreement and its annexes. The Unit shall at this time undertake to follow up activities with the clients and give handholding support where necessary. It is also proposed that during this period, the Unit shall undertake periodical visits to ascertain progress. Owing to the nature of the activities being implemented the Unit may find it necessary to review the grant amounts or make consideration for activities not earlier envisaged but deemed essential for the successful completion of the approved activities. This however is expected to be on very special cases and shall have to be approved by the MGF-RC.

4.8 Grant Disbursement

Essentially, the grant disbursement shall be 50% of the total allocated grant amount. However, in order to support implementation of the approved activities, the Unit may (on a case to case basis) consider disbursement of the first half of the grant contribution upon receipt and verification of proof of the beneficiary client's commitment of his 50% to the service provider and against very clear deliverables.

On completion of the approved activity, the beneficiary client shall submit deliverables as proof of undertaking the activity upon which the Unit will disburse the final half of the grant contribution. Deliverables shall be clearly defined in the letter of agreement and its annexes.

5.0 Assistance offered by the MGF

5.1 Direct Assistance to individual Firms

The dominant activity within the MGF is capacity-building assistance to the individual firm and business associations in the selected sub sectors. This assistance will consist of a mix of interventions. The MGF Unit itself will provide;

1. **direct expert business assistance**, to assist each firm with the process of building its competitiveness, and thus its total sales. Each firm being assisted is to be assigned to one of the Business advisor. The Advisors' essential task is to provide support, guidance and advice, so as to assist the firm to achieve a significant improvement in competitiveness and sales growth;
2. **the business diagnostic/verification** -assistance to each firm will include a formal firm visit. This will seek to evaluate all key elements of the business, which contribute towards achieving firm competitiveness and increased sales. The intention is to identify, in order of priority, the weaknesses or gaps that, when remedied, will lead to the highest possible impact in terms of increased sales growth. The diagnostic will be an essential component on plotting out the course of action. It is not intended to be a comprehensive diagnostic, covering all aspects of a business but what needs to be done, in order to achieve the business growth being planned for. Aspect to review will range from the availability of a business plan, financial systems and management systems, marketing information and other issues. A sample diagnostic tool is appended in Annex 4.

Agreeing the Plan of Action - Following the visit, the Advisor dealing with a particular firm will present to that firm the results, and a proposal for how the MGF intends to assist the firm in addressing the priority weaknesses or gaps identified, and thus assist in achieving improved sales and firm growth. The intention is to reach agreement on a plan of action, to be undertaken by the firm, but with support provided by the Advisor. Activities agreed upon may be applied for at once if they are of a short term nature (under one cycle) or be spread of a number of cycles.

5.2 Matching grant of up to 50% -

Matching grants shall be extended to approved firms where specialist help is needed for preparation of business plan, market research; in-factory improvement

in quality; product re-design, assisting the firm to break into a new market, helping the firm to achieve new breakthrough transactions. A list of potential activities eligible is in Annex 1.

5.3 Other available support available at the MGF shall include:

- **Help with locating BDS (consultants) providers** - Where appropriate, the Unit will help eligible firms with the process of locating potential BDS service providers either within Uganda or beyond. However, this shall in most cases be by request from the applicant firm and the unit will use its best efforts to locate suitably qualified specialist service suppliers and advise the client accordingly.
- **Use of the BDS providers list** - The Unit will be expected to compile a list of pre-approved consultants in each sector and to avail this list to any interested applicants as needed.
- **Financial and other strategic linkages** - The Unit may recommend clients for further support to financial and other strategic institutions especially where the client is in need of more services/support which is outside its mandate. Such cases may include need for long term capital financing, licenses, permits and other related needs.
- **Handholding support** - applicant firms will be assisted with filling up of application forms and reimbursement requirement;
- **Using External Consultants to undertake Diagnostics**- If the MGF Manager finds that the demand for these diagnostics has reached a level beyond what the Unit itself can undertake, then, subject to the prior approval, he/she may engage pre-qualified external consultants to support firms to undertake standard diagnostics.

6.0 Eligibility Criteria

This section defines what sectors, firms qualify for support; what is meant by a qualifying firm-level plan within which support can be given; it defines what is meant by a qualifying activity and within such an activity what qualifying expenditures can be supported.

6.1 The Eligible sectors

This MGF will strictly be available a number of selected subsectors characterized as those in the non-traditional exports and coffee as identified in the Country Assistance Strategy (CAS) and are also part of the high potential sub-sectors in the Uganda Competitive and Investment Climate Strategy 2011-2015. These are;

1. Tourism
2. Grains and pulses,
3. Horticulture,
4. Edible oils
5. Fisheries, and
6. Information Technology/Business Process Outsourcing
7. Coffee

Firms in the manufacturing not directly linked with the above sectors and other sectors shall not be eligible.

6.2 The Eligible Firm

Any private business entity, legally established in Uganda and with established business interests in the selected subsectors, will be eligible for support. The MGF will also be able to support the informal firms operating in the eligible sectors through their respective associations and to recognize that the vast majority of such firms are not yet officially registered with the appropriate business registration authorities. They too will be helped to grow, but will be encouraged to register, once they reach the level of turnover where income tax, either individual or corporate, becomes payable. In the case of a business entity not formally registered, all contracts entered into between the MGF and the small firm or entity must be made either with an individual firm or a representative business association. It will also target women owned enterprises and or a financing institution involved in financing micro, small and medium enterprise businesses.

No restrictions will apply as to whether a firm is locally or foreign owned. Firms may apply for support either singly, or as groups. Parastatals, government entities and government-controlled firms will not qualify. Specifically, firms where the government or a parastatal is the largest shareholder, or has a majority on the board, will not qualify.

6.2.1 Start-up Operations

It is expected that most firms assisted will already be operational. However, the Unit will be at liberty to assist start-up operations, with substantial initial investment in the respective business and, as the MGF Manager sees fit, bearing in mind that start-up's are inherently more risky, in terms of contributing to overall sales growth targets.

6.2.2 General Exclusions

In accordance with the general exclusions applying to all World Bank-funded projects, the MGF will not extend grants in support of activities that support the production of the following: alcoholic beverages, weapons, tobacco and gambling.

6.3 Eligible activities/services

The MGF shall offer matching grants for the purchases of services eligible for support. Support shall be for the use of any specialized service, considered by the MGF as likely to make a significant contribution to addressing identified key weaknesses, critical challenges from input supply, production, processing or gaps at firm level. Payments for services may be for service fees and, where appropriate, for associated travel and subsistence costs, incurred directly and exclusively in connection with the delivery of eligible services. A sample list is here below:

- i. procurement of patents or manufacturing rights,
- ii. procurement of prototypes
- iii. technology transfer to facilitate the physical development of new products
- iv. purchase of new quality control equipment
- v. Installation of standards and specific sector standards including ISO and HACCP Accessing technical assistance

- vi. Branding
- vii. staff training,
- viii. business plan preparation,
- ix. marketing and market access (local and international markets)
- x. record keeping and improving financial management
- xi. Improving production techniques
- xii. Improving post harvesting techniques
- xiii. Introduction of techniques in order to improve quality along the sub-sector value chain.
- xiv. compensate large firms for part of the cost of providing on-the-job training to workers from MSMEs in their export supply chains to improve the quality of the final product

- xv. support the development of local support services, by extending similar cost-sharing grants to service providers to support trainings and new service development costs
- xvi. Support to sub-sector business associations

6.3.1 Exclusion of Goods, Civil Works, Materials for Production and Internal Operating Costs

Purchases of goods, heavy production equipment and civil works, even if exclusively required for the activity being assisted, will not be eligible for grant support. Similarly, expenditures on internal costs, such as salaries for permanent staff, are not eligible. A sample list of ineligible activities is appended in Annex 2).

6.3.2 Pre-investment Studies

In the particular case of support for pre-investment work the requirement that the plan be realistic will mean that the applicant should demonstrate a capacity to raise the level of funding likely to be required. So, for instance, a promoter of a multi-million investment proposal, only himself having actually mobilized financial resources for equity capital of just a few thousand would not normally be worth supporting with a grant,

6.3.3 Group Activities

Group activities covering more than one firm, for instance those sponsored by trade associations or suppliers of services, will be supported. Applications will be evaluated separately for each individual firm purchasing services with grant support. In particular, so as to ensure commitment by each supported firm, grant support will have to be matched by a direct 50% contribution by each participating firm to the costs of providing group-based services to that particular firm. Grants could not be provided to match contributions from association funds or public funds.

6.3.4 Longer Term Experts

The length of time for which an outside expert or consultant could be supported would depend on the task agreed but shall not exceed 12 months. The principle to be applied is that an outside expert can be supported for the time reasonably required to introduce the improvements agreed with his client. He/she cannot be supported if merely maintaining or managing a steady-state situation.

6.3.5 Small Firms

In the case of small firms it is likely that the usage of outside support services within this process will be limited. In general, the simpler the business the less proportionally it can benefit economically from purchasing external support services. So, for instance, a large firm might use a market research agency for the first stage, a quality assurance expert for the second and a marketing consultant to plan the third. In contrast a small firm might use attendance at a one-day course on modern agricultural techniques as the only usage of outside support services within a Sales Expansion Plan. However, irrespective of service usage, this will only be supported by the grants where this usage can be expected to contribute to a qualifying Sales Expansion Plan.

6.3.6 Travel Cost Guidelines

Air travel will normally be supported on the basis of Economy travel. If per-diem expense allowances are used, as an alternative to actuals, these should be at a level no higher than the published UNDP per-diem rates for the locations concerned.

7.0 Rules applying to Firm-level Grants

7.1 Rejections

It is expected that outright rejections of applications for grant support will be rare. In most cases, client firms will be helped by their respective Advisor to ensure that applications are in accordance with the rules set out in this manual. However, any case of a rejection must be communicated directly in person by the Unit staff responsible, giving clear reasons for the rejection, and where appropriate, agreeing next steps with the firm concerned.

7.2 Selection of Suppliers for Services

The firm itself will agree and sign the contract for supply of services with the supplier who will be required to register on the MGF portal. The firm will as part of its application, propose how it hopes to contract the supplier of services. The MGF Manager and his/her team will as part of the review of the application by firms, approve or reject the proposed mode of selection of the supplier of services. In the event of a rejection of the mode of selection, the MGF Manager will convey this in

writing. In normal circumstances, the recipient firm will be free to use its usual commercial practices in how it selects its service supplier. However, the unit will need to be satisfied that the supplier selected is competent to supply the service required, and that a genuine arms'-length commercial relationship exists between the supported firm and the service supplier.

7.2.1 Rejections of Mode of Selection

Reasons for rejections of the mode of selection of a supplier may include the following:

- a) unsuitability of the selected service supplier proposed on the basis of information provided;
- b) previous unethical practices, previous poor performance, failure to disclose information Where the mode of rejection initially proposed by the recipient firm has been rejected, the MGF Manager may, by exception, require the recipient firm to undertake a new selection process, using an acceptable competitive selection process such as (i) obtaining proposals from at least 3 technically qualified service suppliers; or (ii) using one of the selection methods from those outlined in the World Banks Consultants Guidelines of October 2006.

7.3 Basis of Payment

7.3.1 Pre-approved activities

Each purchase of a service for which the MGF grant is to be provided must be approved by the unit, in advance of the service delivery. The MGF shall require an application to be received within the call for proposal period. The MGF shall endeavor to respond to the applicant within three weeks once the call for proposal period closes. For each approved grant, a letter of agreement shall be signed by the unit and the firm, confirming the basis for grant payment.

7.3.2 Letter of Agreement

On receiving approval for grant support each recipient will be required to sign a Letter of Agreement, which will define the contractual obligations, financial commitment and rights of both parties. This letter will bind the recipient to present defined deliverables for reviewing by the management unit, to provide information to the Unit on improved performance, and to collaborate in impact surveys. It further binds the firm to comply with the World Bank Guidelines on preventing and combating fraud and corruption.

7.3.3 Deliverables

The unit will have the right to get copies of the deliverables, photographs and other items that will be useful in confirming that the agreed upon activity did indeed take place and on the pre-approved criteria. All submitted deliverable will remain the exclusive property of MGF. All MGF staff will respect the commercial confidentiality of all deliverables, outputs and information supplied during contact with the firm.

7.3.4 Supporting Documentation

The Letter of Agreement will bind the recipient to substantiate all claims for grant reimbursement for eligible expenditures with receipted invoices/vouchers for all fees and incidental expenses covered, certified by a legal representative of the firm, so as to enable the management unit to verify that the expenditures have indeed been made. This documentation, plus the agreed deliverables must be retained for later inspection by auditors or Bank supervision missions for three years after receipt of grant. The Letter of Agreement will also bind the recipient to insist, within his contract agreement with his supplier, that the supplier in turn must allow MGF auditors access to his records. Each recipient will be obliged to complete, after each supported activity, a brief, one-page 'feedback form', indicating the level of client satisfaction achieved by the service supplier.

7.4 Speed of Grant Payment

For the MGF support to achieve the incentive impact intended, it is imperative that claims for re-imburement are handled speedily, and without unnecessary complications affecting clients. The target shall be that every claim is either paid within ten working days of receipt, or, within that time, the claim is dealt with, and the client informed what further information or changes are required, in order for the claim to be paid.

7.5 Use it or Lose it

If a firm that does not commence service delivery within three months of approval, the MGF Manager, at his/her discretion, may cancel the approval and use the allocated funds for other eligible firms unless prior consent of the Unit is secured.

7.6 Confidentiality

The MGF team, and the unit as a whole, will be bound by their contracts to maintain confidentiality. In order to make the MGF assistance meaningful, the applicant firm will inevitably share information that could be commercially sensitive and confidentiality of such information must be assured. This binds the firm, inter alia, (Note that a separate Letter of Agreement is required if and when a firm goes on to make use of MGF grants, as described below in the section dealing with such grants

7.7 Avoiding Double Subsidies

Usage of non-commercial service suppliers will be on the basis that double subsidizing of activities is to be avoided. In such cases the grants will be calculated so that the total subsidy element from all sources external to the firm does not exceed 50%.

8.0 Performance Targets for the MGF

8.1 Targets

The evaluation of the MGF performance will be primarily on the basis of the overall CEDP objective and set targets and targets set within annual activity plans for each of the operational year. A strong focus will be on number of cycles organized, achieving increased competitiveness, turnover (sales) within individual firms assisted. The unit will be expected to demonstrate, year by year, real progress towards the primary monitoring indicators of increased competitiveness and sales.

8.2 Regional Balance

Although the primary focus of the MGF is to achieve business growth, wherever the potential appears greatest, the Unit will make particular efforts to ensure that the potential of each of Uganda's regions is tapped. As an approximate indicator for the potential of each region, the following could be useful in evaluating performance; the number of promotional activities undertaken in each region, number of applications received, the nature of and type of activities supported.

8.3 A Balance between Larger and Smaller Firms

It must be recognized that, normally, dealing with larger, professionally-managed firms is easier and less time-consuming than dealing with less sophisticated owner-managed smaller firms. The management of the MGF will be expected to maintain

a balance between support to larger professionally-managed firms and smaller, owner-managed firms.

9.0 Reporting, Management and Contracting Arrangements

9.1 Reporting Lines

Once MGF is operational, the Manager will report formally to the CEDP Steering Committee through the CEDP Project Manager. The MGF Manager will be responsible for the effective operation and management of all aspects of the MGF. He/she will be responsible for ensuring that the program is run in strict accordance with the terms of this manual, and also in accordance with the Project Implementation Manual. The staff of the unit will report to the MGF Manager for the whole period of the Program.

9.2 Quarterly and Annual Work Plans

Management of the MGF will be required to develop and submit for approval an Annual Work Programme, four months before the start of the year. This will specify in detail the activities to be carried out in order to launch and promote the MGF and to manage it under the terms of this manual. The work plan will specify the man-day inputs for each activity and the individual responsibilities within the MGF team. Progress made in achieving this plan, plus modifications proposed to the plan, will be reported to for each operational quarter in the form of a Quarterly Progress Report, to be submitted within 10 days of the end of each operational quarter. Modifications will then have to be agreed upon by Project Steering Committee.

9.3 Annual Renewable Contracts for Staff

All MGF staff will be on individual contracts, annually renewable. The intention is that staff members will stay in place for the full term of the project. However, staff members will be clearly on notice that they must perform, year by year, or they will be quickly replaced.

9.4 Achievement of Targets

Each year, the performance of individual staff members and the unit itself will be evaluated. In most years, this will be on the basis of the activity targets agreed within the Annual Activity Plans. However, at the times of the Mid-term Review and the Implementation Completion Report, it will be possible also to evaluate the unit in terms of the achievement of the impact indicators set for the program.

10.0 Monitoring and Evaluating Performance and Impact

Indicators; The MGF performance during the period will be evaluated primarily with respect to activities carried out and the impact the activities shall have on the subsectors in terms of new products/services introduced, increased sales, increased ability by the Ugandan firms to compete more on the global scale. The impact will also be evaluated with respect to eventual confirmation by survey of 'persuasive influences' from firms supported, and of eventual incremental annual sales revenue per unit of grant.

The indicators to be measured are as follows, based on a survey of at least 30% random sample of all MGF clients:

- 1) At least 50% of activities result in clients reporting, within two years of activity completion, a significant increase in annual sales resulting from a process originally triggered by Facility support. (The definition of 'significant' should be left to the reporting client and it can include both quantitative and qualitative dimensions. At least half of the clients surveyed should report that the initial activity supported by the MGF and the process it triggered would probably not have happened, or would have been substantially delayed, or undertaken at a lower level, had the firm not had access to matching grant support);
- 2) At least two thirds of clients surveyed report that the firm; a) had an increase in new employment opportunities created or b)its employees were introduced to knowledge or expertise they had not experienced before and which will have a lasting effect upon their activities;
- 3) At least two thirds of clients surveyed, including those for whom expenditures did not pay off in terms of output and sales, declare themselves satisfied with their experience of the MGF.
- 4) Export growth, number of new export items introduced and quantitative financial benefits that can be attributed to the MGF support.
- 5) Number of Business Outsourcing activities acquired and can be directly be related to the MGF Support

The Monitoring and Evaluation role shall be handled by the M&E Officer.

10.1 Annual Activity Plans

The MGF Manager will prepare Annual Work Plans and Budgets for each twelve-month period of operation of the program. This will detail how the unit intends to utilize the resources available to it, so as to achieve its targets. Each Annual Work Plan is to be submitted to the Project Manager, for consolidation and then for submission to the PSC. Each Annual Activity Plan is to be approved, in advance of the period concerned, by the Private Sector Development Steering Committee. Each plan will specify the core activities in clear terms, such that performance against these targets can be verified.

10.2 Quarterly Progress Reports

At the end of each three-month period of operation, the MGF Manager will prepare and submit to the CED Project Manager a Quarterly Progress Report, showing in detail how actual activities have compared with what was planned. This report will also detail progress being made towards agreed targets. Each Quarterly Progress Report will be circulated as part of the overall Project progress report, to the members of the Project Steering Committee, and to the World Bank/IDA, for comment. This regular reporting cycle will link into the reporting cycle specified at project level within the Project Implementation Manual. The report shall also be submitted to the MGF-RC.

10.3 World Bank/IDA Supervision.

The World Bank/IDA will conduct regular implementation support missions, of which there will be at least two each year. These will include detailed regular supervision of the operations of the Unit. These supervision missions will make full use of the Annual Activity Plans and the Quarterly Progress Reports, to assist in their evaluation of progress being achieved.

10.4 Mid-term Review

Ahead of the Project Mid-term Review by the World Bank/IDA, the MGF shall conduct an independent sample survey covering firms assisted by the MGF and a

small sample of firms within the sub sectors that have not been assisted. The survey will enable the review team to evaluate whether the MGF is on course to achieve the specified primary outcome indicators for the program

10.5 Final Impact Survey

The comprehensive evaluation of the impact of the scheme will be carried out by means of a survey of recipient firms, in the final year and not later than three months after Project Closing. The timing will enable the results to be incorporated into an Implementation Completion Report for the project. The survey will be contracted out to an independent specialist, this choice to be approved in advance by the IDA. The survey will include comprehensive site visits to a minimum of 30% recipients. It will seek not only to evaluate direct incremental impact in terms of 'persuasive experience' and incremental sales but also to gather information on "additionalities," indirect impact, such as on customer orientation, quality assurance, continuing product/service development, growth in employment and company image among others.

11.0 Accounting and Audit Procedures

11.1 Special Account

There will be a Special Account for the MGF. This will receive an initial deposit of US\$300,000 immediately after effectiveness. Applications for replenishments will be submitted at least once each month, on the joint signatures of the MGF Manager and the CED Project Manager. Procedures for withdrawals from the account for grant payments are dealt with in 4.11.

11.2 Auditing

The MGF will require an annual financial audit by independent auditors acceptable to IDA, with certified copies of audited accounts to be submitted within six months of each fiscal year. The MGF will also require an annual operational audit to assess whether objectives are being met and procedures respected. Appointment of contractors for these operational audits, plus the form and Terms of Reference are again to be satisfactory and approved by IDA.

11.3 Management Accounts and Records

Administration of the MGF by the management unit will require detailed internal record keeping for management purposes. However internal record keeping arrangements will need to be approved as acceptable to the appointed financial and operational audit contractors. To allow the management unit to function effectively, these arrangements will be submitted to the audit contractors at the latest three months after MGF start-up, with agreement on acceptable arrangements to be concluded at the latest one month after submission. In the event of delays, or failure to agree, the PSF board will have the authority to approve record keeping arrangements as being acceptable for audit purposes.

12.0 Communication

12.1 Launch of the MGF

Once the MGF is launched, the Unit will undertake promotional activities in all regions of Uganda. The aim is to ensure that as many firms as possible, that could make use of the Facility, are aware of what it offers. The Unit will make use of local workshops, radio interviews, or whatever other means it deems cost-effective, in order to promote the MGF widely. The Unit will also promote its services to financial institutions, public SME support agencies, and other similar agencies, that deal regularly with private firms as clients. These are likely to be useful sources of referrals for the MGF.

12.2 Standard information packs shall be prepared to meet the needs of inquiries from potential applicants of the MGF windows. The MGF shall obtain wide publicity for the windows and the benefits they offer, through a combination of some or all of the following:

- Distribution of printed material to identified potential applicants;

- Presentations to appropriate private sector, association and institutions;
- Media coverage (press and television interviews);
- Mail shots
- Personal presentations to potentially eligible private
- sector and associations identified by market research;
- Establishment and development of a web-site on project benefits, beneficiaries, non-confidential results and impact.

12.3 Communication Strategy

A proposed communication strategy for the MGF has been developed and is appended as Annex 5.

13.0 Amendment of this Manual

Procedure; This manual may be amended as required, so as to achieve the objectives of the MGF. However, it can only be amended on the recommendation of the CEDP Steering Committee, with subsequent "No Objection" by the World Bank/IDA. The manual should seek to preserve a balance between achieving the objectives of the MGF and minimizing leakage on the one hand, and preserving simplicity, automaticity and transparency in the approvals and supervision process on the other.

