

DFID Financial Sector Deepening Project – Uganda Annual Report 2005

Introduction and Summary

This report summarizes FSDU's activities during 2005. It is intended for a general audience of interested development practitioners, and we welcome comments, questions and suggestions.

During 2005, the FSDU project was extended until 31 December 2007, and we expect most of the existing technical team to remain together until at least September 2007. We were pleased to welcome Luke Okumu to the team in the important post of Research Coordinator, and note with regret that Lloyd Steven's contract expires in the middle of 2006.

This year marked a turning point between the first half of the project, a time of learning, experimentation and testing, to the mature project, in which we have defined with some precision what the portfolio of FSDU will be for the rest of the project.

While FSDU will not abandon its opportunistic and flexible nature and there may be a new initiative or two in response to unforeseen opportunities, essentially the project portfolio will concentrate on the five output areas of described below with projects that already exist, or are in the pipeline, and are described in the accompanying 2006 Work plan.

In planning the way forward, and while hearing the ticking of our funding clock in the background, FSDU is beginning to address the issue of institutionalisation of its activities. We are delighted to be entering into important partnerships with SUFFICE and CARE which will help guarantee the long-term return on our investments in the Local Rating Service and in promotion of Village Savings & Loans Associations. We look forward to much creative work with our other partners to find the best institutional homes and business plans for the pilot projects we have sponsored in consumer education and protection, in promoting Consolidation and Linkage Banking, and in gathering and disseminating more and better information for policy makers and other stakeholders through FinScope Uganda and the Census of Tier 4 institutions.

Output 1: Better Informed and Protected Consumers

FSDU has frequently evoked parallels with the health sector in pointing out that consumer education and protection are important to getting the most positive result from the use of financial services as they are in any other discipline. Just as antibiotics or other drugs can be useful in the hands of an educated consumer and harmful if misused, so financial services, particularly credit, can be useful or harmful depending on proper and prudent usage. FSDU is gratified at the interest and leadership in the area shown by AMFIU, MOP and other agencies, and the wide acceptance of the importance of consumer education by many stakeholders, including financial institutions.

Output 1 Projects and Activities:

Consumer Education

Two districts, Masaka and Mbale, were selected for a pilot project of consumer education, designed to deliver four themes through a variety of channels. The consumer education pilot project was officially launched in December 2004, but had additional, local launches in Masaka in February 2005, and the following month in Mbale. The pilot project ran for its projected six months, and a bit longer, as the

planned evaluation of the campaign's impact on consumer knowledge, attitudes and practices (KAP) took longer than anticipated.

The themes of the pilot project were, knowledge of consumer rights and responsibilities, and types of financial institution and product. The channels chosen for transmission of these messages were radio call-in shows, radio spots, handouts, flyers, posters, and presentations to groups given by MOP's Financial Extension Workers (FEWs), aided by flipcharts showing evocative pictures on one side, and notes to the trainer on the other.

In July and August, local consultants carried out the KAP study field work. They interviewed a sample of 655 people in the two districts, and, despite somewhat ambiguous survey results, found evidence of measurable impact on consumer attitudes (notably more confidence in their MFIs) and consumer behaviour (in particular, in asking more questions before they sign a contract). There were additional indications from the survey of quite positive changes in behaviour, but answers were not consistent enough to confirm exactly what changes occurred. Overall, the campaign had remarkable penetration and outreach, and the evaluation indicated that the FEWs were the channel of communication that reached the most people.

On the basis of the KAP study and other indicators, we feel confident in proposing an expansion of the programme, which we will undertake with other stakeholders in early 2006.

Also during the year, at the request of the Microfinance Outreach Plan, we launched lighter versions of the consumer education campaign in all the districts where there are FEWs, with local language translations of all the printed materials but without the radio spots or call-in shows.

Consumer Affairs Specialist at AMFIU

During the year, the FSDU-sponsored Consumer Affairs Specialist maintained a full schedule of activities in learning, dissemination, and monitoring. She launched the consumer education programme in Nebbi, Kabarole, Mbarara, Kabale, Mbale, Bugiri and Masaka districts, and in each site carried out a Training of Trainers session for the FEWs.

She also led or co-led Regional Workshops for AMFIU members and District Microfinance Committees in Kampala, Hoima, Soroti, Mbarara and Gulu. The regional workshops addressed consumer education. They were also fora for discussing the proposed Consumer Code of Practice for MFIs, and collecting ideas and suggestions from participants which have been included in the Code. In addition, she led a sensitisation workshop in Mbarara for AMFIA members on consumer issues.

In September, she undertook a study tour to the Microfinance Regulatory Council in South Africa. She saw and documented the link between consumer protection and consumer education. She was also inspired by the training guides prepared for MFIs.

Cooperation with Uganda Consumer Protection Association

One year ago, during the public presentation of the FSDU work plan on 28th January 2005, we announced our intention to assist the Uganda Consumer Protection Association (UCPA) in creating an "ombudsman" for microfinance, that is, a neutral mediator between financial institutions and customers in cases where the two parties were unable to resolve disputes amiably. The ombudsman would also be charged with recording and analysing complaints and trends, to help identify consistent patterns of abuse or misunderstanding. This information would serve to inform future consumer education campaigns.

Some participants at the January presentation expressed their concerns that the campaign would lead to a very great number of calls which UCPA would be unable to handle, or that it would become politicised in one way or another, or that it would serve to incite complaints from MFI customers who otherwise were reasonably satisfied with their financial institutions. At the suggestion of participants, UCPA circulated a description of the programme to participants for their comments and suggestions, and when none were received, launched the programme in Masaka and Mbale.

In fact the campaign to publicise the service was ineffective, as UCPA encountered challenges in the logistics of putting the programme, now renamed The Hub, in place. As this is written, UCPA seems to have resolved its internal problems, and by the second week of December had printed and distributed new posters, and aired radio spots publicising the project in three languages in the two districts. FSDU will evaluate the progress of this activity during the first quarter of 2006 to make a decision whether to expand it, cancel it, or conceivably continue with the assistance of a new implementing partner.

Output 2: Improved Monitoring, Supervision and Regulation of Tier 4 MFIs

Output 2 Projects and Activities

Promotion of Restructuring and Linkage Banking

FSDU views consolidation and restructuring as both inevitable and positive in the crowded Ugandan microfinance market. In order to facilitate this process in a pro-active, constructive manner, the project has reserved a £175,000 fund, the Consolidation and Restructuring Challenge Fund. This Fund provides matching grants (on an 80/20 basis) to institutions seeking to consolidate through merger, acquisition, or linkage banking, or to restructure their operations in anticipation of future consolidation.

In the second half of 2005, the Fund, originally the Consolidation Challenge Fund, was broadened to include institutional restructuring in response to market demand. Accordingly, the brochure introducing the Fund was modified and expanded from 4 pages to 6. The regional “road show” held in Mbale in October, 2005 (see Output 4) reflected these changes to the Fund.

During the year, the Fund made four grants in support of consolidation and restructuring. Each of these is discussed below. These activities are sometimes considered best under this output and sometimes under Output 4 dealing with supporting the consolidation of “top end” MFIs. We have placed most consolidation activities under this output, and another, dealing purely with the consolidation of larger entities, under Output 4.

BUTO

The Bunyoro-Tooro Rural Development Corporation (BUTO) serves as an apex organisation to a network of 63 sub-county integrated development associations (SIDAs). As its traditional source of donor support is coming to a close in mid-2006, BUTO and the SIDAs are pro-actively seeking to develop a strategic plan to ensure their sustainability in the medium- and long-term. The Fund has provided \$35,000 in matching grants to finance a financial review and an institutional assessment of BUTO and the SIDAs to inform strategic planning. The review and assessment are expected to be finalized in early 2006.

UWESO

The Uganda Women’s Effort to Save Orphans (UWESO) is spinning-off its microfinance activities into a standalone financial institution called Success Microfinance Services (SMS). The Fund provided \$25,000 in matching grants for a financial audit and an institutional assessment of the scheme to facilitate the creation of SMS. The assessment will also guide management in determining performance milestones to gauge SMS’s development and ultimately determine if it has a chance of becoming viable. The review and assessment are expected to be finalized in early 2006. In the interim, management is proceeding with the creation of SMS.

Assistance to PostBank-FOCCAS

PostBank Uganda is a government owned, licensed credit institution (Tier 2) with 20 branches nationwide and 19 billion shillings in savings deposits (June 30, 2005). FOCCAS is a non-profit, Tier 4 microfinance institution, offering credit and education services through five branches in eastern Uganda. Until recently, PostBank was not authorized to intermediate its deposits, and therefore has been essentially a savings-only institution. At the same time, as an unlicensed institution, FOCCAS is not able to offer savings products, and is therefore credit (and education) only. The two institutions have therefore sought to explore a linkage banking partnership, under which PostBank will provide savings services to FOCCAS' credit clients, while FOCCAS gains access to PostBank's systems and professional staff. Through the Consolidation and Restructuring Challenge Fund, FSDU provided \$11,252 to co-fund a feasibility study for the establishment of such a linkage. The study was completed in August, 2005, and the boards of the two institutions are currently developing plans to implement its findings.

FSDU thinks this project is important because, if successful, it would be a way to increase outreach of secure savings in regulated institutions that PostBank and other financial institutions can replicate in other regions in the country.

Developing the Audit market of Tier 4 Institutions

During the year, FSDU had a pilot training for accountants and auditors in Mbarara for 15 AMFIA Institutional members. The overall objective is to develop a market for audit services to Tier 4 Institutions by training institutions staff in preparing credible financial statements and training external auditors in auditing Tier 4 institutions at an affordable cost. The lessons learned in the pilot were used to design a roll out of training for accountants/bookkeepers of various Tier 4 institutions throughout Uganda. A Request for Proposals for Consultants to carry out the training of staff of institutions and of external auditors was circulated to a shortlist of consultants and a successful bidder selected to carry out training for the first 6 months in 2006. An evaluation of how far the market has been developed will be done before further training is carried out.

Decentralised Financial Systems

FSDU continued to support the development and testing of Group Empowerment tools being developed by Decentralised Financial Systems in Kenya. The tools have proved effective in Kenya in empowering members to be proactive in the running of their institutions. 2 staff from the UNDP initiated Private Sector Companies and I staff from UWESO were sponsored for a Training of Trainers course in the tools. They will form the core of trainers who FSDU will use to spread the use of these tools in Member based organisations in Uganda.

Rating Service for Small MFIs

FSDU worked with SUFFICE during the year to conceptualize the creation of a local rating service. We plan to work with an international rating agency, certified by the International Rating Fund, which would either set up a branch office in Uganda, or work closely with a local affiliate, so that, in either scenario, the local ratings would be backed by the credibility of the international firm. The local service would be able to carry out a large number of ratings, using a tool which is adapted from the standard tool used for rating larger MFIs, and which additionally includes some measures of the consumer friendliness and transparency.

When the idea was first vetted with stakeholders, they raised a number of questions about sustainability, market demand, and the product to be offered. To address these questions, we decided as an intermediate step to commission a scoping mission. After a limited request for proposals, we commissioned PlaNet Rating to carry out this mission, which they did from 8 to 26 August. The

consultant carried out a sample test rating of MAMIDECOT, a well-known SACCO in Masaka, and presented that assessment, and her general conclusions, at a public briefing on 25 August.

Simultaneously, FSDU and SUFFICE had a number of exchanges with the International Rating Fund, to profit from their experience and to make sure that the product we end up with is supportive of the International Fund's efforts to build a market for rating services. The Fund strongly encourages raters to diversify their products and to take steps to increase their market, both of which our initiative promises to do.

Following the Scoping Mission analysis, and incorporating the consultant's recommendations and those of the International Rating Fund managers, FSDU and SUFFICE prepared a request for proposals. After discussion of the best way administratively to contract for this activity in light of both agencies' procurement policies, we decided that SUFFICE will provide a subsidy for the international firm to establish its office in Uganda, while SUFFICE, FSDU and perhaps other agencies will contribute to a local rating fund. The local fund will add to the subsidy provided eventually by the International Rating Fund, so that local ratings can be carried out at a price affordable to local financial institutions.

SUFFICE issued an RFP in November, and expects to choose a firm to carry out the activity in early 2006. Meanwhile, FSDU and SUFFICE are working on developing a Memorandum of Understanding concerning the rating fund, and are discussing with other partners the possibility of using ratings to develop a common and consistent approach to capacity building.

Output 3: Products and Delivery Mechanisms that meet a wider range of clients and client financial needs

FSDU like other actors believes that offering people choices of products and financial institutions is important to helping pro-poor finance live up to its name. Our major efforts in this area are in promoting Savings & Loan Associations which serve the very poor. In future, we are examining the viability of mobile banking. Support to the institutional assessment of BUTO, which is described above, could also reasonably be considered under this output.

Output 3 Sub projects and Activities

Village Savings & Loan Associations – Moyo and Yumbe

DFID approved an accountable grant of GBP 30,000 to CREAM in early 2005 to enable the organisation to continue the implementation, in the districts of Moyo and Yumbe, of the VS&LA pilot project which had started in 2004 with support from CARE.

By the end of the year, about one third of the groups formed in 2004 had carried out action audits. Most remaining groups expect to carry out their action audits in late December or January to meet expenditure for Christmas and school fees for the first term. Usually failure to carry out an action audit within about 12 months is an indicator of problems within the group, so we are carefully monitoring the number that fail to perform the audit by the end of January.

The trainer from Zanzibar completed his 18-month contract in October and was replaced by Revealed Kataru, an experienced Ugandan expert who was named Supervisory & Quality Control Consultant.

In June, consultants arrived to carry out the mid-term review of the pilot project. Their report, available on the FSDU website, stated that the project "has recorded impressive growth and outreach and demonstrated a high level of financial efficiency. With more than 140 groups formed in the last 13 months at a cost per participant of just over \$15, performance is impressive by any standards... It has also achieved a positive impact on the lives of participants..." However, the report went on to

catalogue many recommended improvements to the approach used so far, which the consultants saw as a condition for expansion of the programme.

Quite fundamental changes have been made to the project to respond to the mid-term review's recommendations. In particular, about half the trainers have been replaced, and we have adopted and promulgated a new Record Keeping system.

The pilot will end in March 2006 but will be succeeded by further expansion of VS&LAs as described below.

Village Savings & Loan Associations – Expansion Project

The VS&LA project in Moyo and Yumbe was always seen as a first step towards a nationwide roll-out of these institutions. In this spirit, on 2nd June, FSDU hosted a workshop for agencies working to provide financial services to the vulnerable poor.

On the basis of the qualified success of the effort in Moyo and Yumbe, FSDU believes that the case can be made for a generalised expansion of VS&LAs into other regions of the country. Therefore, we conceptualised an expansion of the programme, based on selection of a group of implementing partners, that is, organisations with the ability and resources to train village groups in the VS&LA methodology, and meet minimum standards of transparency, contract administration, and reporting. Given the growing interest in VS&LAs in the world and in Uganda, FSDU and CARE envisioned the creation of a central support facility, modelled on the Transformation Steering Committee, to which various donors interested in supporting VS&LA expansion could meet around the same table, agree on a common approach respecting evolving best practices in the area, harmonize funding procedures, avoid overlap, and present a coordinated voice in publicising the VS&LA approach to government, development practitioners, media, and the public.

CARE International is FSDU's inescapable partner in VS&LA promotion; CARE has been the principal promoter of the VS&LA approach in Africa, can draw on international resources to assure the use of current best practices, and is a large, professional institution which projects a long term presence in Uganda and has experienced human resources used to administering sub-grants to local partners.

FSDU/DFID launched a request for Expressions of Interest to local firms at the end of October. CARE and FSDU held a potential partners workshop on 4th November to present the VS&LA approach, and review bidding procedures. FSDU also provided guidelines about what sorts of institution were likely to receive support to discourage small CBOs or other institutions with no realistic chance of being funded from wasting their time in preparing applications.

In response to the request for EoIs and the potential partners workshop, DFID received 25 applications, which as this is being written are proceeding through a series of reviews, rapid due diligence visits and oral presentations, to a team made up of representatives of CARE, DFID and FSDU. The selection of firms to be invited to sign contracts with DFID is expected in January 2006 with a possible second round of applications being solicited soon afterward.

Collaboration with MicroSave

Under our general support grant to MicroSave, we have supported MicroSave's ongoing technical assistance to Ugandan Action Research Partners CMFL, FINCA and UMU. We financed the participation of three Ugandans at the MicroSave School of Applied MicroFinance in Mombassa in September. We also worked with SUFFICE to support the participation of a half-dozen Ugandans in the "Senior Service Provider Light" programme. Finally, we are collaborating with MicroSave on a

study of the internal processes that MFIs go through as they move from primarily group to primarily individual loans.

Output 4: Development of a “Top end” sector characterised by a smaller number of large regulated FIs serving the needs of poor clients

FSDU continues to believe that the future of microfinance in Uganda will depend in large part, though certainly not exclusively, on a small number of regulated institutions. FSDU believes that larger institutions have clear economies of scale and should be able both to offer more and better products than smaller ones, and that they can in theory do so at a lower cost to customers. Furthermore, FSDU is convinced that Bank of Uganda supervision, permitting the mobilisation of deposits, is in the interests not only of capital hungry MFIs, but also of consumers, who need and want options among financial products. Finally, we believe that some consolidation is inevitable, as some of the market leaders will begin to take customers from other MFIs in the crowded markets of Uganda’s crowded cities and quasi-urban areas.

While any decision to merge, acquire or be acquired, or divest ones financial activities, should be taken voluntarily at the highest levels of a financial institution, FSDU has worked to promote and publicise the idea among institutions which might see consolidation as an option, and provides financial support on a cost-sharing basis with light application procedures to interested institutions under the Consolidation and Restructuring Challenge Fund.

In addition, we continue to work closely with other agencies through the Transformation Steering Committee to aid institutions transforming into MDIs.

Output 4 Sub projects and Activities

Transformation Steering Committee

The Transformation Steering Committee is comprised of donors and government interested in supporting transformation in Uganda. Its current core (funding) members are the Microfinance Outreach Plan Coordinating Unit (MOP), FSDU, GTZ/SIDA Financial System Development Programme Project (FSD), the World Bank, and the Rural SPEED Project. The purpose of the Committee is to coordinate the provision of funding for and to facilitate the successful transformation of a number of microfinance institutions into regulated, deposit-taking entities (banks or micro-finance deposit-taking institutions) by establishing common policies for this process. The Committee provides guidance to its members in their funding of transformation and post-transformation activities.

FSDU serves as the secretariat of the Committee, providing a part-time Transformation consultant who acts as the Committee secretary and coordinates the Committee activities. The Committee met five times in 2005, and issued two joint requests for proposal in 2004, which were still being administered in 2005), and another in 2005. In addition to providing direct support to transforming and transformed MFIs, the Committee communicates regularly with the Bank of Uganda either in written form or during meetings, which the BOU frequently attends as an observer. As part of this ongoing communication, the Committee worked with the Association of Microfinance Institutions in Uganda (AMFIU) to issue a joint letter to the BoU seeking to clarify which deposit-related activities were permissible to unlicensed MFIs. The response from BoU is being promulgated by AMFIU.

Assistance to UWFT

In 2004, FSDU awarded \$300,000 to Uganda Women's Finance Trust to assist in its transformation into a licensed deposit-taking institution through the creation of Uganda Finance Trust Ltd. (U-Trust). In October, 2005, U-Trust was awarded its MDI license, making it the 4th MDI in the country. To date, UWFT has received \$208,000 under this grant, which has been extended to mid-2006. The remaining \$92,000 has been allocated to tasks such as product development, governance training, and corporate change management.

Assistance to Faulu

In 2004, FSDU also awarded \$300,000 to Food for the Hungry International, the parent company of Faulu Uganda. These funds are being used to support the transformation of Faulu Uganda into a licensed deposit-taking institution. To date, Faulu has accessed \$175,000 of these funds, primarily to fund its transformation manager and related consultancies. It is expected that Faulu will have utilized the remaining \$125,000 by the end of March, 2006, by which time the term of the transformation manager will have ended and the request for an MDI license will have been submitted. We believe might be ready to receive its license during the 2nd half of 2006.

Assistance to Commercial Microfinance Ltd (CMFL)

FSDU continued to support CMFL with training grants. During the year, CMFL trained its Head Office staff in the use of the Equinox Banking software, trained its head office and branch staff in Sales and Customer service and sent its Marketing Manager and Chief Financial Officer to the School of Applied Microfinance course. CMFL contributed 20% towards all these courses.

"Consolidation Road Shows"

During the year, two road shows were conducted to introduce the concepts of consolidation and restructuring to the microfinance community, and in particular to non-transforming, Tier IV institutions, and to introduce the Consolidation and Restructuring Challenge Fund. The first of these was conducted in Mbarara in May, and the second took place in Mbale in October. The "road show" took the form of half-day workshops led by the Transformation and Consolidation Consultant, who presented the concepts of mergers, acquisitions, linkage banking, and institutional restructuring, and then led the group in exercises dealing with those concept; after this general information on consolidation, the consultant presented the CRCF itself, in particular its eligibility requirements and application procedures. Feedback from the participants was positive, though no new transactions have materialized to date. FSDU plans to follow-up with the participants in the first half of 2006 to determine if the concepts have taken hold, and if there is any interest in pursuing consolidation or restructuring. FSDU is aware that, despite the clear advantages of consolidation, many conditions need to be met before they occur in large numbers, among which will be the coordinated clear message by donors that they will reward the efficiency, scale, and professionalism that consolidation can bring.

Assistance to Merging MFIs

FSDU, through the Consolidation and Restructuring Challenge Fund, has provided \$35,050 in match funding to two MFIs seeking to merge their operations into a single entity, whose identity remains confidential at their request. FSDU's support paid for a feasibility study of the project and legal advice to effectuate the merger. The two companies' boards have approved the merger, and it is expected to be made public during 2006. FSDU found in this instance that the complementary nature of the organizations concerned results in wider product choice to consumers, without limiting competition or increasing prices.

Output 5: Increased dissemination of relevant information to Micro-finance Policy makers and Practitioners

FSDU along with its partners in other agencies continues to contribute to the gathering and dissemination of information about the state of the financial market in Uganda, trends, new ideas, and emerging best practices in the field of pro-poor finance. Reliable and timely information is particularly important in a financial market such as Uganda's, with tens of millions of dollars still in donor pipelines destined to the sector, and continuing gaps in available information about present outreach and market saturation, market segmentation, and the ability of various institutional types to meet the remaining needs. Providing information will be one of the most important outputs for FSDU's remaining two years.

Therefore, we are delighted that Luke Okumu joined the FSDU team on October 17, 2005 as the Research Coordinator; he arrived to take over a full portfolio of research initiatives that include FinScope Uganda and Census of Tier 4 MFIs in Uganda.

Output 5 Sub projects and Activities

FinScope Uganda

FinScope Uganda is a demand side study of Uganda's financial market. The study will produce detailed, nationally-representative information on demand, access and application of financial services with specific emphasis on credit, savings and insurance services. This information will help determine the nature of the market for these products, and the profiles of people who are served, as well as those yet unserved or underserved. It will help determine what kinds of institutions, in what locations, and with what products, are necessary to reach more people. This information will also be useful for financial institutions of all kinds, policy makers, donors, and consumers of financial services themselves.

FinScope Uganda will also gather other information that will be useful for the sector, including information on:

- Agricultural practices, to help determine the market for different sorts of agricultural finance products;
- Consumer understanding of rights and responsibilities, and their knowledge of different sorts of products and institution, to help design expanded consumer education programs; and
- Usage of informal structures such as Accumulating Savings and Credit Association (ASCAs).

Furthermore, FinScope will "segment" the financial market, using sophisticated data analysis techniques, to help understand the different kinds of users of financial services in Uganda, as well as the specific needs, and the best way to approach, each group.

The implementation framework of FinScope Uganda consists of:

- 1) An advisory Committee consisting of members drawn from Bank of Uganda, MOFPED, MOP, Microcare, GTZ, DFID and UBOS. The role of the Advisory Committee is to assure that the questionnaire for the study meets the needs of different stakeholders; endorse the approach and findings; and, determine an information dissemination strategy.
- 2) DFID/FSDU is responsible for: providing funding and serving as the Secretariat of the Advisory Committee; day-to-day management (trouble shooting) of process and contracting; and, coordination with other data gathering efforts, and quality control.

- 3) FinMark Trust is responsible for sharing lessons learned from experience elsewhere; trouble shooting where necessary; assuring comparability of data; and, quality assurance to justify use of “FinScope” brand.
- 4) Contractors are responsible for the implementation of the study and developing the segmentation model.

The launch of FinScope Uganda began with a consulting visit from FinMark Trust, consultations with key players including UBOS, and a stakeholders meeting in May. That meeting led to the selection of the Advisory Committee the study has now taken off with Steadman Group contracted in December, 2005 to implement field work. Steadman Group will work with Synovate, a South African based firm to develop the segmentation model.

A draft questionnaire has been prepared, based largely on similar work done in Southern Africa, and the adaptations made by our colleagues in Tanzania and Kenya. This will be widely circulated for comments during January, 2006; Translation and field testing and revision of the questionnaire will be in January-February, 2006; and field work will begin in March 2006.

The first results are expected to be published in June/July, 2006, and thereafter, will be further analysis and release of findings.

Census of Tier 4 MFIs in Uganda

The Census of Tier 4 MFIs can be equated to the supply side study of the financial sector in Uganda although the broader focus of the study is limited to MFIs of all types. The objectives of the census include: 1) Updating the outreach map; 2) Obtaining additional information about operating MFIs for tracking their growth and development; and 3) Providing information necessary to support the Government of Uganda Rural Development Strategy.

The census, which is already underway, is being implemented in three phases with phase one focusing on the listing of Tier 4 MFIs from available data at national level, the district headquarters and Sub-counties. Eleven Private Sector Development Companies have been contracted to implement this phase. Also in this phase, registered ASCAs at LC3, LC4 or LC5 shall be listed. This phase should be completed by 15 January, 2006.

Phase two will involve mapping all Tier 4 MFIs registered and/or licensed under the laws enacted by the Parliament of Uganda. In addition, information on the operational status of the Tier 4 MFIs listed shall also be collected. A private firm with a sound experience in mapping has been selected to implement this phase, and should complete its work by 31 January, 2006.

The third phase is collection of institution specific data from the Tier 4 MFIs that will be found operational during phase two. A questionnaire, which has already been designed and sent to UBOS for endorsement, shall be administered. This phase of the study is planned to be completed by about 21 February, 2006.

Data analysis shall be done in March/April, 2006 during which time information from BOU on MFIs under tiers 1-3 shall also be collected.

First report will be produced in May, 2006, and thereafter further analysis and release of final results in June/July, 2006.

Informal Information Exchange

FSDU continued to fund and arrange the Informal Information Exchange meeting every quarter as follows:

- January 31st, “The media and financial services: Getting the story straight, featuring speakers from the ILO FIT/SEMA programme and from TERP Consult.
- April 25th, “Regulation of Member-based Financial Institutions: A Panel discussion”, presented by Brian Branch, acting Director of the World Council of Credit Unions, and a panel of Ugandan stakeholders.
- July 25th, “Electronic Banking and MFIs: Recent Developments in East Africa”, featuring a presentation by David Cracknell of MicroSave Africa and Michael Kaggwa of Bankom.
- October 31st, “Establishing a Credit Reference Bureau in Uganda”, featuring a presentation by a representative of the Bank of Uganda.

Deepening

To provide information both on FSDU’s activities as well as some more general information about the sector, FSDU launched a monthly newsletter called *Deepening* in January 2005. The mailing list has steadily grown to nearly 400 recipients, about half of whom are outside of Uganda. Each issue produces a gratifying flurry of email responses, complementing the initiative, or asking for additional information.

Website

During the year FSDU launched a website at FSDU.or.ug, which, in the image of *Deepening*, contains information both about FSDU’s activities, and more general information and source documents about the Ugandan sector. During the year we had 2362 unique hits and 4325 total hits, and the number of visitors exhibited a steady increase, almost month-to-month.

Uganda Martyrs University MF course

Christopher Musoke and Paul Rippey both offered courses at the residential phase of Uganda Martyrs University’s microfinance programme. Chris spoke on 25th May on “Managing MFIs” and Paul on 28th May on “Market Segmentation”.

Outreach Map, Monitor Special Supplement, Flyers

At the request of the Transformation Steering Committee, FSDU commissioned and published a map showing the distribution of the micro deposit taking institutions (licensed and candidate) with indicators of their outreach, superimposed over a map showing the population density of Uganda. The map showed perhaps better outreach of MDIs than some might think, and graphically showed the unsurprising fact that institutions were largely situated where there were a lot of people (though it also pointed to some anomalously underserved areas with substantial population).

AMFIU organised a supplement on 8th December in *The Monitor* newspaper, in which FSDU sponsored full-page articles on the Tier 4 Outreach Map, VS&LAs, and Linkage Banking

In addition to the new Consolidation and Restructuring Challenge Fund flyer mentioned above, FSDU prepared a short flyer on Linkage Banking, as part of an on-going effort to popularize the concept among financial institutions.

Along with the other members of the Tier 4 Working Group, FSDU contributed to writing a source document on Tier 4 regulation and agreed to provide financial assistance to AMFIU for the document's publication, expected in January 2006.

Other presentations

As always, FSDU staff participated in various ways in a variety of information sharing activities:

- Paul Rippey of FSDU made a presentation and co-led a workshop on VS&LAs at the second annual African Microfinance Conference in Cape Town\ South Africa\ from 29th August to 1st September.
- Rippey made two presentations in Morocco: one on the Ugandan experience in consumer education at the Sanabel conference (Sanabel is the Apex organisation for microfinance institutions in North Africa and the Middle East) in Marrakech on 29th November, and a presentation on the evolution of microfinance two days later at the opening of the Moroccan microfinance association apex in the same location.
- FSDU helped organise a presentation by David Porteus and Andrew Obara on competition in Microfinance on 19th May.
- Rippey spoke to a group of American Philanthropists in Uganda on a fact-finding mission on 17th March, where he made a strong case that the cutting edge in pro-poor finance was moving beyond simply credit into a wider range of financial services, including insurance.
- Rippey was invited to speak on 16th March at the launch of the publication *Making Development Newsworthy* organised by the FIT/SEMA project. He spoke on the phenomenon that much reporting on microfinance errs by giving either extremely good, or extremely bad, news, while the truth is no doubt usually somewhere in between.
- FSDU senior staff met with a delegation of Namibian Bankers on 11th April, to exchange information about the regulatory environments in the two countries.
- FSDU received a delegation from the Kenyan Financial Apex organisation SAGA at the request of PLAN International on 23rd May. SAGA has a unique model of financial service delivery involving "virtual" SACCOs.
- Musoke and Rippey attended and spoke at a conference on member-based institutions organised by the World Bank in Bagamoyo Tanzania from 7th to 10th June.