

Dear Friends and Colleagues,

I am happy to send you the first monthly issue of Deepening, the email newsletter of DFID's Financial Sector Deepening Project in Uganda - FSDU.

First, though, I must give a bit of background.

FSDU is a five year effort to help bring more and better financial services to more Ugandans. The challenge of deepening the financial sector in Uganda has attracted great interest and attention, and it has been my pleasure to work in close and frequent collaboration with a host of colleagues from the Government of Uganda and from other projects here for the last two years.

The combined efforts of so many dedicated people are making a difference, and this sector is changing and growing at a rate quite beyond anything I have seen in other countries I have worked in. FSDU is deeply involved in the effort, and we thought it might be useful to share our own work, and perhaps some of what our colleagues are doing, more broadly, especially since dissemination of information about development of financial services is part of our mandate. Hence this newsletter. The first mailing will go to names chosen from our mailing list, about half within Uganda and half in other countries.

I am sensitive to the fact that this is an unsolicited mailing, so let me say quickly that we won't send attachments, and of course, anyone who does not want to receive this should simply send a note back to that effect, and their wish will be granted!

I suspect that anyone who does not know this project well may be surprised at the variety of its activities, which range from directly supporting Time-bound Distributing ASCAs for the very poor, to working with MFIs transforming into banks, and include work at the policy, institutional, and consumer levels.

To help understand what we are doing, and why, I am including links to four documents.

1) [Annual Report](http://projects.cfi.co.ug/fsdu/pdf/Annual_Report_2004.pdf): An overview of our activities over the past year can be found at [http://projects.cfi.co.ug/fsdu/pdf/Annual\\_Report\\_2004.pdf](http://projects.cfi.co.ug/fsdu/pdf/Annual_Report_2004.pdf).

2) [Gap Analysis](http://projects.cfi.co.ug/fsdu/pdf/Gap_analysis.pdf): We have the unusual liberty and mandate to identify and address gaps that restrain the growth of pro-poor finance. We are very aware that our analysis is but one view, and that others might come up with something notably different, and equally valid. Our analysis of gaps in the sector in Uganda is posted at [http://projects.cfi.co.ug/fsdu/pdf/Gap\\_analysis.pdf](http://projects.cfi.co.ug/fsdu/pdf/Gap_analysis.pdf) .

3) [2005 Workplan](http://projects.cfi.co.ug/fsdu/pdf/FSDU_workplan_2005.pdf) at [http://projects.cfi.co.ug/fsdu/pdf/FSDU\\_workplan\\_2005.pdf](http://projects.cfi.co.ug/fsdu/pdf/FSDU_workplan_2005.pdf).

4) [Concept Paper: Financial Markets Monitoring System](http://projects.cfi.co.ug/fsdu/pdf/Concept_Paper_Uganda_inancial_Markets_Monitoring_System.pdf). An important activity in 2005 will be to take part in a coalition intended to collect, centralise, analyse and disseminate information about the sector, as we propose in a concept note inspired by the FinScope projects of Southern Africa ( [http://projects.cfi.co.ug/fsdu/pdf/Concept\\_Paper\\_Uganda\\_inancial\\_Markets\\_Monitoring\\_System.pdf](http://projects.cfi.co.ug/fsdu/pdf/Concept_Paper_Uganda_inancial_Markets_Monitoring_System.pdf) ).

With all that said, it is time to move to the promised first issue. Given the length of preliminary remarks, this issue will be short indeed!

# Deepening

## The Monthly eNewsletter of DFID's Financial Sector Deepening Project Number 1 – 31st January 2005

This month, shortened by the lingering relaxation of the Festive Season, saw significant activities in four key areas of the project (Consumer Affairs, Transformation, Consolidation, and Services to the Poorest). In addition, we held a public meeting to present the FSDU annual report and workplan and garner comments and suggestions; we welcomed two new colleagues to Kampala; and we traveled to Dar Es Salaam to help recruit our new colleague, the manager of the FSDT project there.

### Consumer Issues

At a meeting of the Consumer Affairs SubCommittee on 21st January, we elected a new slate of officers. Zainabou Asiimwe, the new Consumer Affairs Specialist at AMFIU, replaced Paul Rippey as chair. At that meeting, we reviewed progress in the consumer education materials being developed for us by local consultants Communication for Development Foundation Uganda. These materials will be introduced in Masaka and Mbale at meetings with local authorities, District Microfinance Fora, MFIs, Financial Extension Workers and other stakeholders in mid February. The consumer education materials have two themes: "Consumer Rights and Responsibilities"; and, "Knowledge of Different Types of Financial Institutions and Products".

### Transformation

FSDU's new Transformation & Consolidation Consultant, Lloyd Stevens, began work at FSDU on 10th January. Among Lloyd's first tasks was to prepare for the next meeting of the Transformation Steering Committee. This inter-agency group consisting of donors supporting institutional transformation, and other interested parties, constitutes a voluntary decision to set common policies for assisting transformation, and serves as a platform for exchanging information and launching joint or collaborative activities. This Committee is a model for how donors can work together in a country like Uganda where many programs are working for similar goals. It avoids arbitrage and double funding, and at the same time simplifies the task of assisted institutions by creating "one-stop-shopping". At the 25th January meeting, we discussed membership and the details of a proposed Letter of Mutual Understanding, in addition to pending funding initiatives.

### Consolidation

FSDU has launched a Consolidation Challenge Fund to encourage institutions in Uganda's crowded market to investigate mergers and acquisitions, and close partnerships such as linkage banking arrangements. Enquiries to the fund are confidential. The Fund made one grant during the period, to two large MFIs investigating mergers. Two other enquiries, both involving linkage banking arrangements between banks and large MFIs, are advancing through the review and

revision process. Our document promoting the Consolidation Challenge Fund is available on request.

### Services to the Poorest

38% of Ugandans live below the poverty line of one US dollar per person per day. Most of these people want and need access to varied financial services, but with transaction amounts that are too small for financial institutions to serve them sustainably. For instance, rural people in West Nile where we work are able to save 100 to 200 shillings a week (1700 shillings = 1 USD) and request loans ranging from 5000 to 50,000 shillings.

FSDU has taken over a project started by the NGO CARE in the West Nile district, to help people form Time Bound Distributing Accumulating Savings and Loan Associations; despite the intimidating name, these village associations of 20 to 30 people are simple in concept. Based on the MMD model in Niger, as modified by CARE in Tanzania, they provide people with largely secure savings, very small loans, and even a form of insurance through a self-financed provident fund. On January 1st, after a period of jointly managing the project, FSDU and our local partner CREAM took over full responsibility for the effort. As of 31st December 2004, there were 2331 people participating in 108 groups.

### Meeting on FSDU Annual Report and Workplan

On 28th January, DFID and FSDU hosted a stakeholders meeting to discuss the FSDU Annual Report for 2004, and the 2005 Workplan. The 30 guests made a number of useful comments which we will take into consideration to improve the project.

### Informal Information Exchange

FSDU hosts a quarterly Informal Information Exchange on Trends and Issues in MicroFinance. On 31st January, the theme of the meeting was "The media and financial services providers: Getting the story straight" and featured two presentations, first from Gavin Anderson and Owen Kibenge on "Making development newsworthy: Improving coverage of financial issues in the Ugandan media." and the second from Helton Achaye of the MicroFinance Outreach Plan on "The results and experiences of the Microfinance Outreach Plan in developing a communications strategy".

### New Colleagues

During the month, FSDU held working sessions to discuss collaboration with two new colleagues: Henk van Oosterhout, the new director of the EU SUFFICE programme, and Terri Kristalsky, the Chief of Party of USAID's new Rural SPEED project. Both Henk and Terri are valuable additions to the microfinance community in Uganda and we are looking forward to working closely with them. Also in January, I traveled to Dar Es Salaam to take part in interviews for the new director of the Financial Sector Deepening Project in Tanzania. It was a pleasure to meet the knowledgeable and dedicated team in Tanzania. The official decision on the recruitment is expected momentarily.

On that note, and thankful for any readers who stayed with this long mail all the way to the end, I bid you a happy productive month and look forward to hearing any comments or suggestions you may have.

Kind regards,

Paul Rippey  
Manager