TWO YEARS LATER
A Survey of FSAs after the end of FSAIU support

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FSA International Uganda Ltd (FSAIU) was contracted by DFID's Financial Sector Deepening Project (FSDU) along with Plan Uganda, The European Union's SUFFICE Programme, and the Austrian Development Cooperation (ADC) in 2001 to implement a network of Financial Services Associations (FSAs) and create a central structure that would provide capacity building and support services to the FSAs. Thirty-two FSAs were started: six in the Kampala region; fifteen in the Masaka region; and eleven in the Kabale region.

Current Status of FSAs					
Status	Description	Number	Number and % by region		
			Kampala	Masaka	Kabaale
Closed	No activity whatever.	3	0 (0%)	2 (13%)	1 (9%)
Almost closed	Open irregularly. No significant financial transactions. Staff not paid or laid off.	7	1 (17%)	2 (13%)	4 (36%)
Functioning but weak	Some financial transactions, poor loan recovery, all income immediately spent for recurring costs.	11	2 (33%)	6 (40%)	3 (27%)
Strong	Growing, profitable, no major management problems	11	3 (50%)	5 (33%)	3 (27%)

Donor funding ended in 2004 and FSAIU closed its offices soon after. In mid 2006, FSDU contracted with JKB Finance and Management Consultants (JKBFMC) to visit the FSAs to ascertain their present status and determine what happened after the end of FSAIU support.

JKBFMC carried out a field study between 14 September and 23 October 2006. It was known that all of the FSAs had changed their names, and a number were thought to have closed. In the case of FSAs that are functioning under a new identity, the consultants visited their premises and carried out Focus Group Discussions with members, and one-on-one interviews with board members and staff. For the FSAs which had closed, the consultants contacted former FSAIU staff and enquired in the local communities and trading centres to locate some of the former managers and Management Committee members. They were thus able to gather information about all of the former FSAs.

The FSAs traditionally were grouped in three regional categories. Six in Kampala were supported by Plan International, and are in dense urban locations. Fifteen in the Masaka region were formed first, and had more consistent support from FSAIU. A group of eleven in the Kabale Region were formed later, and include a few extremely rural locations. The performance of the Kampala FSAs is clearly the best, while the Kabale FSAs have the worst performance.

Apart from those that were closed, all the FSAs registered as SACCOs in late 2004 and early 2005. The Masaka region SACCOs use the international cooperative logo while the rest have created their own identity including statements of SACCO mission, mottos, vision and objectives.

While one third of the FSAs have closed, and one third are weak, the remaining third have shown strong growth since the closure of FSAIU, to such an extent that the total loans outstanding and the total savings from the entire network have increased substantially. There are three reasons for this. First, the FSAs in many cases effectively discouraged the collection of savings by charging fees on deposits, while the new SACCOs actively encourage their members to save. Second, at least seven of the well-performing SACCOs have received loans from the Microfinance Support Centre Ltd, which they have lent out to members. Finally, several of the remaining SACCOs have been receiving technical assistance through Plan International, UCSCU, and the District Promotion Centres, which is leading to improved performance.

Kisoro FSA at Opening
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In two regions, the membership of the ex-FSAs has become markedly more masculine, as women have left and men have joined the new SACCOs. In Kampala, the international partner, Plan International, deliberately promotes female membership and Kampala is the only region with more women members than men.

In most cases, the SACCOs kept the physical assets that were made available to the FSA by FSAIU, such as computers and motorcycles. In other cases the computers and motorcycles were withdrawn and sold by FSAIU. In almost all cases, there was no formal transfer of assets and equipment is still registered in the name of FSAIU. The premises of Ntungamo SACCO in Kabale region and Kyotera SACCO in Masaka were sold by FSAIU, but the SACCOs remain in the same location and pay the rent to new landlords. Sembabule, Kiseka, and Micerere SACCOs are still operating in buildings that were constructed by and still belong to FSAIU. The Micerere Board and management report that they are still paying rent to FSAIU through its local bank account. Both Kisseka and Sembabule SACCOs feel the premises belong to them despite registration in FSAIU's name. The remaining SACCOs are in premises where they pay rent.

There has been growth in membership and savings among both the strong and weak SACCOs. The end of the 10% franchise fees and obligatory stationery purchases has helped the SACCOs' financial performance. Most SACCOs still use the FSAMaster computer program for loan tracking and accounting although lack of continuing power has made it difficult to run the computers. On the other hand, expenditure, sometimes apparently unjustified by proper documentation, has increased in many of the SACCOs due to the discontinuation of supervision and monitoring by FSAIU. In the Kampala SACCOs, supervision was halted when FSAIU closed, but was resumed from a different source in June 2006, and expenditure is showing a downward trend.

Governance has changed to comply with the Cooperative Statute requirements. FSAs had management committees of only three people; the SACCOs now have full boards, committees, and the AGM is now perceived as the supreme organ, rather than FSAIU.

According to focus groups and interviews, the achievements of FSAIU were: generally effective supervision; provision of a MIS; training (appreciated though considered inadequate); and expenditure control. Elements that were criticised were: high board and staff turnover; one-man decision making; erratic changes of policies and procedures; operating of unregistered associations; discouragement of savings; unreasonable and double charges; discouraging affiliations with other support institutions; and excessive dependence on FSAIU, which left them feeling like "orphans" when FSAIU closed.

The SACCOs did not inherit a savings culture from FSAIU, and most of them express difficulties in having enough funds to loan; some are counting on *bona bagaggawale* to help them. The performance indicators show that the SACCOs classified as good ones stand a chance of becoming stronger having survived the transition from FSAs to SACCOs. Support in terms of effective supervision and audit are essential for their growth and sustainability.

The full report of this study is available at www.FSDU.or.ug .

JKB FINANCE AND MANAGEMENT CONSULTANTS

FSDU DFID Financial Sector Deepening Project Uganda