

TRENDS AND ISSUES IN MICROFINANCE INFORMAL INFORMATION EXCHANGE MEETING

HELD ON MONDAY 31ST July, 2006 AT FAIRWAY HOTEL

The theme of this quarter's Information Exchange was "***Institutional Structures that respond to the bottom 80% of Ugandans***". Mr. David Baguma, Executive Director, Association of Microfinance Institutions of Uganda, chaired the meeting which was attended by 63 participants.

Highlights:

Presentation:

"VSLAs, Microfinance Services for the Poor"

By: Mrs. Grace Majara Kibombo, VSLA Coordinator, CARE Uganda

Mrs. Kibombo made a presentation on the Village Savings & Loans Associations project being rolled out by CARE through its Implementing Partners in the 21 Districts in Uganda. In her presentation, she gave the rationale for the programme, its features and services, its coverage in Uganda, results already realized experiences and core principals.

A copy of the presentation and further details can be obtained from our website: www.fsdu.or.ug and AMFIU's website www.amfiu.org.ug

Questions and Comments:

Q. 1. How are the VSLAs different from ASCAs?

Response: There is no difference between them except for the standardization of the methodology by using a training manual, lockable boxes and having a periodic "action audit".

Q. 2. How safe is the money box?

Response: The three key keepers are members who are not on the Executive committee. The box normally has small amounts of money left as the savings are borrowed as soon as they are made. It is on the day of the action audit when the box has large sums of money.

Q. 3. Could these informal groups be registered and perhaps transformed into cooperatives?

Response: VSLAs serve clients in remote areas where there is very little economic activity with small savings and credit transactions and hardly any costs. SACCOS on the other hand have several external costs including, premises, management, equipment, audit and governance. They would not be sustainable offering services with such small transactions. VSLAs Members may graduate to SACCOS when their needs are no longer met but it would be rare for a VSLA group to transform into a SACCO. Examples where this has happened in West Nile show that such SACCOs have failed.

Q. 4., Why is the portfolio greater than savings in Western Uganda in the table that was displayed?

Response: It is an error; the figures should be the other way around.

Q. 5. How do the groups deal with defaulters?

Response: Groups set their own rules and regulations and defaulters are always catered for in these rules.

Q. 6. Are the loan repayment periods of 1- 3 months adequate for investment?

Response: The loan repayment period is set by the members; they feel that a longer period would tie up funds and not give others a chance to borrow. Secondly the more times the funds are turned around the more interest is generated.

Q. 7. Sharing out all the money in the action audit seems to prohibit continuity of savings!

Response: It is up to the group to decide whether to share all the money or leave an amount in the box.

Q. 9. *How do you handle the challenge of decongestion (resettlement) in the Internally Displaced People's camps?*

Response: The group members in the camps are encouraged to select those that come from the same village. During the decongestion process (returning home) these people will continue their savings and credit activities as they return to the same village. Alternatively, they can perform an action audit at the time of decongestion and restart.

Q. 10. *What has been the impact of the VSLAs?*

Response: No impact study has been done yet but Hugh Allen in his review of FSDU's pilot project in West Nile attributed some benefits to accruing to group members through participation in VSLAs. Hugh Allen's review is available on: www.fsdu.or.ug

Q. 11. *What form of grants are you giving to the groups?*

Response: No grants are given to the groups. Grants are given only to the implementing partners.

Presentation:

"Preliminary results of the Census of Tier 4 MFIs in Uganda"

By: Mr. Luke Okumu, Research Coordinator, DFID FSDU

Mr. Okumu made a presentation elaborating the objectives of the census, the implementation framework, the methodology, structure of the questionnaires and the preliminary results giving the number and distribution of MFIs and their outlets.

A copy of the presentation and further details can be obtained from our website: www.fsdu.or.ug and AMFIU's website www.amfiu.org.ug

Questions and Comments:

Q.1. *Will the questionnaires for tiers 1-3 be directed to the outlets of the institutions?*

Response: These will be directed to BOU and where necessary to the headquarters of these organizations.

Q. 2. *How do you relate the number of outlets of MFIs with the government's rural financial strategy?*

Response: The distribution of MFI outlets will help the government to identify where there are no outlets and why.

Q. 3. *Is the current type of registration under the NGO, Cooperative and Company Acts enough or is there a need to have a better one? Would there have been more institutions if different registration criteria had been used?*

Response: Registration and Supervision of Tier 4 institutions is an on going debate and we hope it can be resolved soon. Yes, there would have been a larger number of institutions included such as VSLAs, ROSCAs and other financial associations if different registration criteria had been used.

Announcements:

AMFIU and the Citigroup are organizing a micro entrepreneurship award in 26th November 2006. Everyone is encouraged to participate.

Ms. Agnes Mugwanya of SUFFICE informed the meeting about the Rating Fund and Rating Service.

The formal meeting ended at 5pm and participants continued the discussions and networking over cocktails.

The next Trends and Issues in Microfinance – Informal Information Exchange meeting will take place on **Monday 30th October 2006 at 2.30 pm at the Fairway Hotel**. This quarter's meeting was organised jointly by AMFIU and FSDU. Ms. Carol Tuhwezeine and Ms. Betty Tukei of AMFIU took the minutes.

The organizers wish to satisfy the desires of the microfinance community for information and therefore invite suggestions for the theme for the next meeting. People with ideas for future presentations should communicate them to AMFIU (tcaryl@amfiu.org.ug) or to FSDU (chris@fsdu.or.ug).

Best Regards



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