

Deepening
The Monthly eNewsletter of
DFID's Financial Sector Deepening Project in Uganda
FSDU
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Dear Friends and Colleagues,

Welcome to this issue of Deepening, the email newsletter of DFID's Financial Sector Deepening Project in Uganda - FSDU.

If you would like to be added to or removed from the mailing list, please let us know. Prior issues, and much more, are available on the FSDU website, www.fsd.u.or.ug.

Transformation Steering Committee

On 17th May, FSDU hosted the quarterly meeting of the Transformation Steering Committee, the first such meeting at which Godfrey Ssebukulu reported to the committee as Transformation and Consolidation Consultant. The well-attended meeting consisted of the usual members (MOP, World Bank, FSDU, DFID, SUFFICE, MCAP and BOU) joined by two new participants: the Private Sector Competitiveness Project II, which plans to make grants for transformation as well as performance-based matching grants for private sector financial institutions for capacity building, developing and piloting new products and services designed to expand their MSMEs portfolio, including into rural areas; and MicroSave, which provides extensive consulting services to several of the MDIs, and is particularly interested in helping their partners reinforce their client-orientation, efficiency, and ability to mobilize deposits.

The members discussed the state of outstanding assistance to the various MDIs and candidates, future transformation candidates, and the need to coordinate technical assistance given to MFIs by various donors and projects. The Committee also discussed the slower than desired growth in deposits among the MDIs, possible causes of this, and ways to encourage and assist them in collecting savings. It was noted that field staff of some of the MDIs still encourage their customers to save in order to get a loan, and not as an end in itself, and that MDIs as a group have not yet realised the full potential of savings to help them reach both halves of their “double bottom line” - development and profitability.

Local Rating Service

As planned, Planet Rating, the firm under contract to SUFFICE to put in place a local rating agency, was in Uganda on a mission from 9th to 19th May. During that time, they completed many of the logistical and institutional steps involved in creating a local office. They also carried out a rating of TERUDET, a prominent credit-only MFI in Soroti, and held a well-attended public meeting on 19th May to publicise the service, and answer questions from participants, who were mostly representatives of small MFIs, the potential market for the service.

SUFFICE also hosted a first meeting of the Local Rating Agency Steering Committee on 8th June, with representatives from SUFFICE and FSDU, Microfinance Support Centre Ltd,

AMFIU, Rural SPEED, and GTZ. The partners discussed roles and responsibilities of the Committee; application procedures; whether ratings should be conducted exclusively on a first-come-first-served basis, or taking other factors into account; and, how to publicise the service. Members are in the process of developing a flyer to explain the programme. A number of MFIs have already applied, or expressed interest in being rated.

Tiers 4 Census

The Tiers 4 Census Questionnaire and the Interviewers' Manual have cleared the hurdle of being approved by the Uganda Bureau of Statistics. Now the Census is moving into its next phase, administering detailed questionnaires to each of the 1246 outlets that were identified in the previous phase. FSDU has signed, or is about to sign, contracts with the twelve entities that will carry out the study. Careful readers will note that we are working with 12 contractors rather than 11; for various reasons, we decided it was more efficient to separate out Kalangala, the Islands in Lake Victoria.

To prepare for the up-coming field work, the MicroFinance Outreach plan hosted a two-day training of the Field Supervisors on 5th and 6th June, co-led by Uganda Bureau of Statistics; James Menya, a professional trainer; and Luke Okumu of FSDU. The Field Supervisors will in turn conduct regional trainings of interviewers around the country.

Study of the Effects of Wholesale Lending to SACCOs

This study, with a self-explanatory title, began formally on 31st May during a meeting at FSDU's offices attended by the partners in the study, AMFIU, Canadian Cooperative Association, FSDU, MicroFinance Support Centre Ltd. (MSC), Uganda Cooperative Alliance (UCA), Uganda Credit and Savings Cooperative Union (UCSCU), Rural SPEED, and SUFFICE.

Participants in the meeting drew on their knowledge of the SACCO sector to make useful suggestions to the study design especially concerning selection of participating SACCOs, the definition of successful and unsuccessful loans to SACCOs, and the differences in types of SACCOs based on their membership (rural communities v. employee based) and genesis (SACCOs formed as SACCOs, or SACCOs converted from companies). FSDU's intern, Alexandra Fiorillo, who will be working full-time on this study until 22nd August, has been following up on the recommendations of the meeting through a series of visits with partners and task forces on SACCO Selection and Data Collection Instruments. We are very pleased at the excellent team that the partners are making available, which is testimony to the importance of the study.

The latest draft of the study design is available at http://www.fsdug.or.ug/pdf/SACCO_Study_TOR_draft_6_screen.pdf.

FinScope Uganda

We are close (frustratingly close, in fact) to agreeing on a final questionnaire for this study, working to reconcile input from multiple sources, agree on wealth indicators, and see to what extent we can find a Ugandan version of the psychographic indicators used in Southern Africa. We made substantial progress on the last question by engaging an excellent local consultant, Isaac Galiwango, who conducted focus groups in three districts to test questions from the existing questionnaire, to determine whether and how they can be asked to local people, and how they are understood. He also sought local indicators to replace certain of the FinScope questionnaire indicators that are used to measure financial knowledge, control and

financial discipline, and connectedness and optimism. Isaac's report is available at http://www.fsdu.or.ug/pdf/Report_by_Isaac_Galiwango.pdf.

Consumer Education Expansion Project

We have received proposals from AMFIU, to carry out consumer education through its member MFIs, and from a consortium of Straight Talk Foundation and CDFU, to deliver messages through the mass media. As this is written, we are working with the partners to fine-tune the two proposals, make sure that everything we need to do is covered, that nothing appears twice, and that there are appropriate coordination, monitoring and evaluation elements in place.

We were pleased that 42 members of AMFIU signed on to the new Consumer Code of practice for MFIs at AMFIU's Annual General Meeting in Jinja in May. AMFIU realizes that the real challenge is moving from signatures on a document, to measurable changes in behaviour, and is developing a systematic road map to ensure that this happens. I continue to think that AMFIU's commitment to strengthening trust between consumers and MFIs is one of the great contributions that they make to their members.

Village Savings & Loan Association Expansion Project

As this is written, we are preparing for the next VSLA Steering Committee meeting on 19th June. Invitations are being extended to two new partners: USAID's PRIME West project, which is implementing VSLAs in two districts in the South West, and to the MicroFinance Outreach Plan, which supports all efforts to bring better financial services to the rural poor.

At the meeting, we will receive progress reports from CARE, which we will pass on in the next issue of this newsletter. We also will discuss proposals from Hugh Allen to simplify the group accounting system still further. These proposals are interesting because group record keeping is the hardest element for many groups to manage; they learn to run meetings, deal with disputes, and operate transparently and efficiently, while they are still struggling with getting the columns in their journals to add up correctly. This fact raises the question of the value added by the accounting systems we have worked to put in place.

Western Trip

On the 21st through the 24th, I travelled to Kasese and Kabarole for a series of visits. I accompanied Jackson Wabyona, the director of the Bunyoro Toro Development Organisation (BUTO) as he visited Kasese, attended a VSLA meeting, and held long conversations with Reuben Mbauta, the director of FURA, our partner in implementing VSLAs in Kasese. BUTO is restructuring and looking for ways to be more effective in reaching the poor, and sees VSLAs as a promising approach.

I also visited HOFOKAM's new headquarters in Fort Portal, an MFI which FSDU had assisted through the Consolidation Challenge Fund; I was pleased to see the progress made under the new director, Januariro Ntungwa, and, as much as possible from a very brief visit, came away finding their hopes of transformation into an MDI to be quite plausible, which is remarkable for an institution not based in Kampala and serving a very rural population.

Finally, I spent some time visiting the Kabarole Resource and Research Centre (KRC), its Chief Advisor Morris Barns, and Andrew Baluku, President of the Federation of Rwenzori MicroFinance Associations (FORMA). FORMA is the newly created tertiary institution,

having as its members 17 MicroFinance Associations (MFAs) which themselves have Groups as their members. The total membership of all the groups combined is 6413.

I visited a Mixed Farmers Group, and an MFA, deep inside of Kyenjojo district. It would take more than a short visit to understand the various financial and support relationships among the different entities, or to assess their real impact and prospects for sustainability, and more than a short paragraph to report on it. I did however come away convinced that they have a genuine interest in economic and human development of the working poor, and not simply in making loans and collecting interest. Their financial services are interspersed with other developmental services in a way that is appreciated by the members. They have a bottom up approach to development that is a refreshing contrast to the World of Workshops. They have made, and continue to make, significant investments in human resource strengthening, and they have an apparently competent and committed staff, and a reasonable cost structure, which gives hope for sustainability.

Martyrs University

From 29th May through 1st June, Chris Musoke and I taught successive two-day classes at Uganda Martyrs University. We were both impressed with the efforts that the microfinance programme there has made to structure the curriculum to include a more logical progression of learning objectives, as they expand to a four-year degree-granting programme. We are also happy that Martyrs is taking steps to give guest lecturers better orientation and guidance about the school's expectations for the courses. The distinctive feature of Martyrs remains the high percentage of students who pay their own way, and it is always a pleasure to spend time with these motivated students from a variety of countries and institutions.

With best wishes,

Paul Rippey
Manager