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Final Report

**UGANDAN WOMEN
CREDIT
PROGRAMS**

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A Report to USAID/Uganda and AID/S&T/WID

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EXECUTIVE SUMMARY

The principal objective of the trip was to work with the Women's Credit Desk at the Bank of Uganda to establish an apex financing mechanism to provide access to credit for women-owned businesses through the commercial banking system. The head of the Women's Credit Desk had prepared a preliminary draft of a proposal to USAID for financing of the project through local currency funds generated from an ongoing USAID project, also administered through the Development Finance Department of the Bank of Uganda. As it was evident that the Women's Credit Desk needed help to structure the project and to write the final proposal to USAID, the Women in Development Officer of USAID/Kampala requested technical assistance for the Bank of Uganda under the GENESYS project.

Upon my arrival, I discovered that Mary Amajo, the head of the Women's Credit Desk, was leaving the following day for a one year leave of absence from the Bank. Although I had a briefing with her, I worked principally with Clare Wavamunno, the assistant to the Desk, and with Shirley Erves, the WID officer at USAID. During the activity, I met with the managers of all commercial banks and several credit institutions of Uganda, with NGO's involved in credit programs, with USAID personnel, with Bank of Uganda staff, and with government entities involved in women's issues. Please refer to Annex VII of the attached Bank of Uganda proposal to USAID, as well as to the schedule of meetings during the trip, attached to the present report.

After having met with all of the above relevant organizations, reviewed the performance of the commercial banking sector, designed a workable program, and worked extensively with Bank of Uganda staff, it became apparent that it would not be desirable to put the "Access to Credit for Women" program into place at the present time. Please refer to my attached memo to USAID in which I made recommendations about the Bank of Uganda proposal, and suggested alternative measures which USAID could consider funding to provide other types of assistance to women business owners.

There are no further steps foreseen for the near future in relation to the Bank of Uganda proposal. However, should USAID decide to act on my suggestions regarding alternative measures they should consider conducting a survey of women in business in Uganda, establishing a small business development center, and providing technical assistance to the Women's Credit Desk at the Bank of Uganda.

I. BACKGROUND/INTRODUCTION

Attached to the present report, please find the scope of work proposed by USAID prior to my arrival in Uganda. The principal task was to work with the Women's Credit Desk at the Bank of Uganda (BOU) to design an apex financing, mechanism to be administered through the BOU, to provide access to credit for women business-owners through the commercial banking system. The scope of work also included a review of the technical merits of a proposal made to USAID by the Uganda Women's Finance and Credit Trust, and recommendations to USAID regarding possible funding of this NGO. Finally, the scope of work entailed writing a report to USAID outlining my overall impressions of the financial markets in Uganda with respect to women and credit.

Attached to the present report, please find the following documents: Proposal of Bank of Uganda to USAID with 5 annexes; memo to Uganda Women's Finance and Credit Trust and USAID; and memo to USAID with recommendations concerning Bank of Uganda proposal. The first document outlines the background and justification for the "Access to Credit for Women" program, and provides in detail the parameters and procedures to be followed by the Bank of Uganda in administering the program. It also gives substantial background information on Ugandan women's business activities and their access to credit. The second document provides a review of the UWFCT's current operations, and recommendations to UWFCT and USAID on the most appropriate funding at this time. The third document details reasons for recommending that USAID not finance the Bank of Uganda proposal at this time, a brief review of the commercial banking sector, and alternative measures USAID could consider funding to provide assistance to women business owners. The third document was substituted, with USAID consent, for the report reviewing financial markets in Uganda. (The USAID mission had just received a copy of a recent World Bank financial sector review, which provided a thorough and detailed review of the banking sector. It was therefore agreed that the review of the banking system provided in the Bank of Uganda proposal and the final memo would suffice to fulfill the last element of the scope of work.)

II. STATUS OF PROJECT/TRIP FINDINGS

All three elements of the scope of work centered around the issue of access to credit for women in Uganda. The Bank of Uganda proposal attached provides a complete review of women's access to credit both through the existing commercial banking sector, and through other credit programs.

Although women's access to credit through the commercial banking sector is virtually non-existent, and the proposed Bank of Uganda program could theoretically increase their access, it was recommended that USAID not finance the program at this time. These recommendations are outlined in the attached memo to USAID. The

principal reason for recommending that USAID not finance the proposal is lack of capacity within the Bank of Uganda to effectively administer the program. Secondary reasons are the weakness, even crisis, within the commercial banking sector, and lack of adequate management skills of the women business owners themselves.

I did recommend that USAID provide funding to the Uganda Women's Finance and Credit Trust. The UWFCT had requested that USAID finance its lending resources and overhead costs. I recommended both to UWFCT and USAID that the request be changed to short-term immediate technical assistance intended to strengthen the organization. Details of these recommendations are found in my attached memo to UWFCT and USAID. Both UWFCT and USAID were receptive to my recommendations, and it seems that funding of the request is likely.

III. ISSUES IN FUTURE PROJECT DEVELOPMENT/NEXT STEPS

At present, as explained above, there are no clear future project developments. Should USAID accept my suggestions in relation to the BOU proposal, they will need assistance in the following areas: conducting a survey of women in business in Uganda; conducting a feasibility study and establishing a small business development center; providing technical assistance to the Women's Credit Desk at the Bank of Uganda. The recommendations made concerning the Uganda Women's Finance and Credit Trust also require outside technical assistance. Specifically, one of the recommendations is that USAID finance a technical advisor for a period of two months to assist UWFCT to prepare a medium-term strategic development plan and a feasibility study on expanding its services to clients into a mini business development center. MSI should keep in touch with the Women in Development Officer at USAID/Kampala to see if there will be a need to provide further technical assistance.

APPENDICES

- A. Scope of Work**
- B. BOU Proposal to USAID**
- C. List of Annexes**
- D. Memo to UWFCT & USAID**
- E. Memo to USAID with recommendations**
- F. Schedule of Visits**
- G. Glossary of Acronyms**

APPENDIX A

SCOPE OF WORK FOR THE CREDIT SPECIALIST:

I: Background and Work Required

The Mission has received two proposals requesting support for loan schemes which will be utilised mainly by women borrowers.

A: The Bank of Uganda Proposal

Utilizing the local currency generated from an ongoing USSAID Project, the Women's Credit Desk within the Bank of Uganda (Central Bank) would like to establish a credit and savings scheme which would be operated as follows:

1. The Bank of Uganda would establish a discount window wherein funds would be made available to other lending banks and credit institutions based upon their willingness and capacity to comply with the regulations or lending norms of the scheme.
2. The Training Program for potential women borrowers which is currently conducted by the Women's Credit Desk at the Bank of Uganda would be expanded.
3. Mobilization of rural savings would be developed as an important component in the scheme.
4. Borrowers will be either group or individual women entrepreneurs. The groups may be all women or in cases where the groups are mixed, at least fifty percent of the members must be women.

In addition to reviewing the technical merits of the proposal from BOU, the specialist will be expected to work in conjunction with the BOU staff in finalizing the document.

SPECIFIC AREAS WHERE ASSISTANCE IS NEEDED INCLUDE:

1. The development of regulations for the scheme, including the selection, appraisal, disbursement, monitoring, recovery and accounting procedures.
2. Identifying appropriate criteria to appraise the lending institutions which will participate in the scheme;
3. Reviewing the interest rates and spreads to assure that there are adequate margins to cover the operational costs for lending institutions and cover riskier borrowers.
4. Identify mechanism for providing necessary technical assistance to borrowers under the program.
5. Establishing a monitoring and evaluation system for the scheme. Some members of the Bank of Uganda staff have participated in a research report entitled "Women Participation in the Existing Credit Schemes in Uganda". Hopefully, the statistics in this report can serve as part of

the baseline information for the proposed credit activity.
6. Reviewing the lending procedures of the institutions which will participate in this program to identify changes needed to assure that graduates from this program can become regular borrowers under other ongoing credit programs to which women have traditionally experienced difficulty gaining access.

B: The Ugandan Women's Finance and Credit Trust Ltd. (UWFCT) Proposal:

UWFCT, which initiated its lending in 1987, extends a special credit package to low-income and generally disadvantaged women. This package consists of credit and relevant technical assistance.

UWFCT works to: (1). Helps women improve their small enterprises as a means of employing themselves and the people around them. (2). Encourage upgrading of traditional technologies and applications of appropriate technology using better management technologies. (3). Encourage the development and provision of facilities for operational credit, surveys and planning for investment.

UWFCT has mobilised over 60 million Ugandan Shillings as a revolving capital under which women use for their income generating activity. According to their records the funds have benefited approximately 600 women and their families. UWFCT has mobilized over 1,600 women to join their savings scheme.

UWFCT has requested USAID to provide support for their institutional development and their revolving capital fund.

SPECIFIC AREAS WHERE ASSISTANCE IS NEEDED:

The Credit Specialist will be expected to review the technical merits of the UWFCT proposal, and make specific recommendations of the nature and level of USAID support to this organization. (Given the outline of the Proposal from the Bank of Uganda, it is conceivable that UWFCT could be an institution participating in the BOU scheme).

II. LEVEL OF EFFORT:

A. The priority assignment under this order is the proposal from the Bank of Uganda. When completed the proposal should be ready for approval. (An experienced project writer will be critical in this undertaking).

B. The specialist will provide in writing his technical impressions of the proposal from the Ugandan women's Finance and Credit Trust Ltd. including recommendations on how USAID should proceed with it.

C. In addition, the specialist should prepare a report (minimum 25 pages) outlining his/her overall impressions of the financial markets in Uganda with respect to women and credit and identify legal constraints which could be addressed as part of the mission's overall policy dialogue with the Government.

D. It is expected that the total time involved will be four to six weeks. A six day work week should be authorized. The individual selected should be computer literate and if possible should travel with a laptop computer.

Appendix B

BANK OF UGANDA, DEVELOPMENT FINANCE DEPARTMENT ACCESS TO CREDIT FOR WOMEN PROPOSAL TO USAID

1. OBJECTIVE

The Development Finance Department of the Bank of Uganda would like to utilize a portion of the local currency funds available from the USAID-supported Rehabilitation of Productive Enterprises (RPE) project, to establish and test a pilot credit scheme for women. The primary objective of the proposed pilot scheme, Access to Credit for Women, is to promote the integration of women-owned businesses into the existing commercial banking sector.

Briefly summarized, the Bank of Uganda would offer an incentive package, quite similar to existing DFD schemes, to the commercial banks and credit institutions, to induce their willingness to seek out and support women-owned businesses as borrowers. This package will include a refinance mechanism designed to encourage banks to increase their lending to the targetted businesses, by expanding the banks' medium-term lending resources. In addition, a guarantee mechanism will reduce banks' risks associated with the proposed lending.

It is expected that by encouraging the banking sector to lend to small and medium businesses owned and operated by women, the latter's growth will be fostered in terms of both profitability and diversification. As a wide range of businesses will be eligible to access loans, the scheme should provide a test ground for assessing the comparative impact of financing women-owned businesses in various sectors, and of varying sizes.

2. NEED FOR SERVICES

a. WOMEN IN BUSINESS IN UGANDA

(i). Income Generation by Rural Women

More than 50% of Uganda's estimated population of 16 million are women. The majority of the population, 91%, lives in rural areas. Reflecting this distribution, agriculture is the mainstay of the economy, accounting for 44% of GDP and 95% of export earnings. Most of the agricultural labour is supplied by women, and subsistence farming is the daily burden of the great majority of the women in Uganda.

As most women in rural areas are involved primarily in subsistence farming, it is probably more appropriate to refer to non-farming activities as additional income-generating opportunities, rather than as true businesses. While women in rural areas learn skills which can be used to generate additional income, few apply them. These traditional skills include basket/mat weaving, embroidery and needlework, brewing beer, and selling garden produce or cooked foods. A Survey on Women's Problems and Needs conducted by ACDODE in 1988 showed that the income generated by women from these types of activities was very small, ranging from less than U.Sh.500 (87%) to U.Sh.2,000 (3%) per month.

(a). Potential for growth

Income-generating activities other than the traditional ones listed above are increasingly being introduced to rural women. For example, 11 of the 41 women's organizations listed in the Foundation for African Development book Ugandan Women in Development are actively promoting the creation of real income-generating activities for women. Activities being introduced as potential rural-based enterprises are largely agriculturally based, including such activities as raising livestock, processing edible oils or maize meal, smoking fish, and running small dairy or bakery operations. Some non-agriculture-based activities are also promoted, such as brick and tile making and tailoring. Projects promoting these activities have concentrated on identifying income-generating opportunities for women, training in project design and management, and providing credit. A common concept in most of these projects is the formation of women's groups in order to undertake these income-generating activities. Promotion of these various activities, with requisite

training and access to credit, may actually enable some women to develop full-fledged small enterprises over time.

(b). Other Obstacles

Unfortunately, there are a number of obstacles to the development of viable businesses for rural women, who are mostly subsistence farmers, which seem to be largely overlooked by the many programs promoting their development. These obstacles include the following:

The rural women's work day in Uganda is 12 to 18 hours, 41% of which is spent fetching water and 40% collecting firewood. Unless appropriate technologies are introduced to help reduce the existing work load, it is doubtful that most of these women can find the extra time or energy necessary for the creation and management of a business.

Although women do a large proportion of the work both for cash and food crop production, men usually control cash crop marketing and the generated income. Traditional attitudes denying women control of the income they generate need to be addressed before promoting increased income-generation on a wide scale.

Women do tend to control the additional income they generate from extra-farm activities, but the amounts involved are very small, as indicated previously. Care needs to be taken that the extra-farm activities being promoted for rural women are capable of generating income sufficient to justify their resulting increased responsibilities.

As UNICEF concluded in its 1989 analysis,

"it seems that the present potential for increasing women's access to income lies in supporting strategies to increase agricultural production rather than in supporting low-profit, traditional income-generating activities".

(ii). Other Women-Owned Businesses

Information on women-owned businesses operating in both the rural and urban environments is limited. However, it is apparent that women are active in small and medium enterprises, as distinct from income-generating projects operated by rural women. It is noted in the 1989 UNICEF document Children and Women in Uganda: A Situation Analysis that women account for at least 50% of all traders, and that they own many of the small businesses in urban areas. This view is upheld by the Uganda Commercial Bank (UCB), which has more experience than many commercial banks in lending to women-owned businesses, having financed 51 such enterprises in its corporate lending and 28 through its Development Finance Group. The UCB expressed the belief that women control a large share of businesses in Uganda, and that the demand for loans under a women-specific program would be high.

Certain NGO's and credit institutions, such as the Uganda Women's Credit and Finance Trust (UWFCT) and the Centenary Rural Development Trust (CERUDET), have also identified numerous women-owned businesses operating in both rural and urban areas, such as tailoring, pottery, schools and nurseries, hair salons, dairies, jam and juice production, livestock (especially poultry), and small scale bakeries.

A tangible indication of the growing importance of women-owned businesses in Uganda was the creation in 1988 of the Uganda Women Entrepreneurs Association, which counts 50 women-owned businesses as members. The types of businesses represented in the Association include manufacturing of garment and other textile products, non-traditional crop production for potential export, florists, restaurants, jewelry production,

pharmaceuticals, leather goods, foundry for spare parts, midwife clinics, wine production and secretarial services. While most of these businesses operate in or around Kampala, some of the members' businesses are located up-country.

(a). Potential for Growth

As noted previously, women appear to be active in the small and medium enterprise sector. Obstacles to growth for these existing businesses probably include: limited access to information on sources of equipment and other technical input; inability to prepare adequate feasibility studies for expansion; limited capacity to manage business expansion; and, lack of access to credit due in part to limited access to forms of collateral acceptable to banks. If these constraints were addressed, it is believed the potential for growth exists within these businesses.

A great potential exists for an increase in women's business activities, particularly in terms of diversification of existing businesses. As noted previously, women probably represent half of all traders in Uganda. These women traders have been very successful, and many have amassed appreciable amounts of capital through their trading activities. Many of these women are currently investing their accumulated capital in real estate development, although a number have expressed an interest in channelling this capital into other business opportunities. There are a number of potential business areas which women could easily enter. These include: tourism-related industries such as guest houses and hotels, hotel services (laundry, dry-cleaning and food preparation), services to tourists (car rentals and tour agencies), and handicrafts;

larger-scale agriculture such as horticulture and non-traditional crops for export; transport and in-country marketing of rural produce to urban areas; agro-processing import-substitution enterprises; and, high-quality handicrafts for export.

The current government policy to stimulate economic growth includes revitalization of the agro-processing and industry sectors. As women are currently active in many productive businesses, and have the potential to expand into new areas, it is clear that they will have a major role to play in the economic development of the country.

b. EXISTING CREDIT FACILITIES

(i). Rural Credit

Many rural credit programs exist in Uganda. Most are carried out by international and indigenous NGO's and by financial institutions with donor funds. These programs address crop production, marketing of agricultural produce and agriculture-related enterprises as well as small-scale industries operating in rural areas. Some rural and/or agricultural credit schemes include those operated by: Ugadev Bank with backing from the Fredrich Ebert Foundation (small-scale industries); Lutheran World Federation (small-scale industries in West Nile); World Vision; ACCORD; CERUDET; Experiment in International Living (new \$1.1 million scheme financed through PAPSCA for small-scale agricultural processing); Bank of Uganda schemes, including the USAID-financed Rehabilitation of Productive Enterprises (RPE) project, refinancing available through the Development Finance Fund, the Credit Guarantee Scheme, and the crop finance (produce) program; USAID's CAAS project, supporting agricultural cooperatives through the Cooperative Bank; and, about 20 indigenous NGO's identified by DENIVA including such organizations as the Eyeterekera Friendly Society (6,000 members) and the Arua Farmers

Association.

Women's participation in these schemes has for the most part not been tracked, although from available figures, it seems that it is limited in most of them. For example, the UCB noted that only 28 of 300 development finance group loans (9%) have been made to women. Similarly, the Centenary Rural Development Trust has made only 4% of its loans to women. Women's participation in the existing Bank of Uganda schemes has also been limited: 1% of all credit approvals under the RPE project, 4% of projects financed through the DFF, and 6% of disbursements under the crop finance (produce) program, have been to women.

In addition to the general rural and/or agricultural credit schemes listed above, there are a number of existing and proposed schemes targetted, at least in part, to rural women.

Several local NGO's operate credit schemes for women only. Most notable is the Uganda Women's Finance and Credit Trust, a company limited by guarantee founded in 1984 as an affiliate of Women's World Banking. UWFCT serves low-income and disadvantaged women who presently cannot access existing financial institutions. Its services include savings mobilisation, small scale business management training, on-site technical assistance, and loans up to U.Sh.3.0 million. UWFCT's capital is currently U.Sh. 126 million, and it operates with a full-time staff of 11, supplemented by 2 technical experts. Much of UWFCT's activity is concentrated in the rural areas of Kamuli, Mbale, Kapchorwa, Masindi, Masaka, and Mbarara. UWFCT is also contemplating a joint project with UNCDF to open a branch in West Nile.

The Uganda Women Foundation Fund, established officially in 1987, works for improved standards of living for women and their families. The UWFF membership is composed of constituent societies, associate societies, and corresponding societies, as well as individual members. Among the services provided by UWFF is a small loan fund for its member societies, to finance such activities

as poultry projects, piggeries, fisheries and mat weaving. The UWFF operates in Masaka, Mpigi, Kyagwe and Kampala districts.

Several of the indigenous organizations identified by DENIVA are women's credit and savings societies operating in rural areas. For example, the Akiika Women's Self-Help Association counts 700 members.

In addition to these individual local NGO's, the National Council of Women has started a small revolving loan fund to provide loans for women's groups registered with its branches. The NCW was established in 1978, pre-dating the Ministry of Women in Development, with the mandate to coordinate women's programs in the country. It is a semi-parastatal organization operating under the auspices of the Ministry of Community Development, although it is currently undergoing a restructuration. All women's organizations are required to register with the NCW, and it has volunteer committees manning branches in every district of the country.

Other credit programs have attempted to target women specifically, although not exclusively. The largest such program is the Rural Farmers Scheme (RFS) administered by the Uganda Commercial Bank. The UCB targetted 70% participation by women in this scheme, although they have fallen well short of this target, with about 30% of the loans made to date having been to women. Many problems with the RFS were identified in the 1989 study carried out by M. Musoke and M. Amajo under contract to UNIFEM, although many of the problems cited are not gender-specific. Problems cited include lack of publicity, late disbursements and disbursing amounts less than those approved, slow processing of applications, and inadequacy of procurement methods. To date, this scheme has not been effective. The Uganda Cooperative Savings and Credit Union has established a women's desk, and is making an attempt to target a portion of its loans to women. The UCSCU operates 21 zonal offices covering the entire country, and counts 721 local societies as members.

Other donors are now interested in establishing credit schemes geared toward rural women. For example, UNIFEM has carried out a study and proposed a project entitled "Bank Goes to the People", which is under consideration by the

Ministry of Women in Development. The initial concept foresees using UWFCT, CERUDET, UCB and Coop Bank as intermediaries in extending credit to rural women. Although not confirmed, we have learned that the German government is also considering a DM 1.0 million contribution to establish a rural credit scheme for women.

While not completely saturated, the level of effort going into credit for rural women is impressive for a country the size of Uganda. What is needed, however, is an institutional mechanism to track and monitor the effectiveness of these schemes.

(ii). Urban credit

Some of the small credit organizations listed above, such as Ugadev Bank, UWFCT and CERUDET do offer limited credit facilities to urban-based business (especially Kampala). These institutions offer only small loans, up to approximately U.Sh.3.0 million, and except for the UWFCT, few of their loans have been to women. Women who have been able to expand their businesses through loans from such institutions and need access to increasingly larger loans quickly outgrow these facilities. Having established no track record with larger banks, these women business owners find themselves with no recourse to new and larger funding sources.

In addition to these small institutions, the Uganda Commercial Bank's Development Finance Group and the Uganda Development Bank administer various donor funds targeting small and medium enterprises. While both banks offer medium-term loans to SME's in the US\$50,000 - 300,000 range, both admit that very few of their loans have been made to women-owned businesses.

The BOU is therefore of the opinion that the private commercial banking and credit institution sector should be called upon to provide loans to women-owned businesses needing between US\$3,500 and US\$50,000. However, a recent informal survey of the commercial banks conducted through interviews with bank managers, brought several problems to light. First, as of March 1991, commercial bank lending is concentrated in trade, commerce, and other services (39.7%) and agriculture (31.7%), and manufacturing follows with only 12.3%. Second, commercial banks are doing almost exclusively

short-term lending for working capital, due in part to their deposit base which is composed primarily of demand deposits. Finally, banks admit that although women represent an appreciable proportion of depositors, few loans have been made to women-owned businesses. The few loans which have been made to women fall mostly within the trading sector.

c. Constraints Faced in Access to Credit

It is difficult to determine precisely why women-owned businesses have not had greater access to loans from the banking sector. Banks claim that women simply do not approach them for loans, and they are generally unaware of the many businesses in which women are active. On the other hand, women business owners claim that they have approached banks for loans, but rather than having been denied access, they simply never receive a response to their application. It is probably safe to say that constraints exist both at the client and bank level that contribute to the demonstrated existing lack of access by women-owned businesses to bank credit. Some of these constraints are identified below.

(i). Client Level

Lack of knowledge about banking procedures. Women in Uganda have not, by tradition and culture, been encouraged to become financially independent and to own businesses. Being relatively new to entrepreneurship, they have had limited opportunities to deal with banks.

Lack of self-confidence in approaching banks. In direct relation to the above, women's relative newness to business management and inexperience in dealing with banks can lead to a reluctance to approach banks at all.

Lack of ability to prepare adequate applications for bank financing. Again linked to their lack of knowledge of banking procedures, women often are not able to supply the documentation and information requested by banks, and are easily frustrated by the banks' demands.

Limited access to modern management techniques. Women in Uganda have not had, and still do not have, access to the same level of education as men. Consequently, women

business-owners have often not been exposed to necessary management tools, such as accounting procedures and financial management systems, to which their male counterparts have more ready access.

Inadequacy of existing services to assist small and medium enterprises to prepare feasibility studies for business expansion and bank financing. Banks have made it clear that such services currently provided by local private companies are not of adequate quality. The cost of these services are also often out of reach of the small enterprise.

Lack of access to information on sources of equipment, raw materials, and other technical inputs. Communication between Ugandan entrepreneurs and outside suppliers has been extremely difficult over the last years, and women have been denied access to even the limited information sources available.

(ii). Bank Level

Bias against lending to small business, and resulting lack of experience in lending to them. Commercial banks generally resist lending the small amounts of money needed by small and medium enterprises, citing the high cost of transactions vs. potential profits. Banks' perception of high risks in lending to small businesses also contributes to their reluctance to lend to this sector. Women-owned businesses tend to be small, and therefore they are at a distinct disadvantage when approaching banks for loans.

Attitudes of banks towards women clients. The banking system in Uganda is male-dominated, from the credit officers up to top management. In spite of banks' protestations that they would never discriminate against a loan applicant on the basis of gender, male bankers display a reluctance to accept women business owners as borrowers. Often, they insist on obtaining the husband's consent even when the business is owned by the woman, and question whether a loan to her, increasing her financial independence, would not contribute to dissension within the family.

General lack of lending funds, especially for term lending. Many banks are presently facing liquidity constraints, and are unable to take on new clients. The most pressing liquidity constraint is, however, the lack of term lending resources, given that the bulk of their deposits are demand deposits. Thus, women face the same difficulties as their male counterparts in attempting to obtain the term loans necessary for the development of their businesses.

Inability to provide the close supervision and monitoring needed in medium-term lending to small and medium enterprises. Because banks' current lending is concentrated in short-term working capital facilities, many have not developed the staff capacity to carry out the type of loan follow-up needed to successfully lend to the targetted clientele. Again, in this area, the problem is not gender-specific.

Strict collateral requirements. The only collateral currently acceptable to commercial banks is a mortgage on titled property, preferably residential. Although more women in urban areas probably own land in their own names than might be expected, it is assumed that many women business-owners do not. Women do possess other collateral which could serve to secure bank loans, such as machinery and equipment, but banks are reluctant to accept these as collateral.

3. JUSTIFICATION FOR THE BOU SCHEME

In designing the proposed Access to Credit for Women scheme, the Bank of Uganda has taken into consideration the following factors:

- Although most women in Uganda live in rural areas, they are for the most part engaged in subsistence farming, it is not clear that the primary solution to their problems is access to credit for income-generating schemes (see Section 1b);

- For those women living in rural areas who have the capability of mounting viable micro and small-scale businesses, many rural credit programs are currently being operated by a host of institutions. Although the effectiveness of some of the programs and the level of participation of women cannot be verified, the structural and institutional problems facing these schemes cannot be

solved by a separate women's credit window at the Bank of Uganda;

- Only commercial banks and registered credit institutions fall under Bank of Uganda supervision, and it is through these institutions that any Bank of Uganda scheme would operate.

- The commercial banks, due to their short-term deposit base and perceptions of risk associated with term lending, are making available only short-term working capital loans to small businesses, and are generally not making loans to women-owned businesses;

- Resources appear to be the least available for small and medium businesses owned and operated by women in urban areas, wishing to borrow from between US\$3,500 and US\$50,000;

Taking into account the discussion above, the Bank of Uganda has decided to initiate a scheme entitled "Access to Credit for Women" designed to encourage commercial banks and credit institutions to expand their medium-term lending to small and medium scale women-owned businesses. Refinance and guarantee mechanisms have been designed to offer banks a source of term lending funds, and to share the risks associated with lending to small and medium enterprises. The following section provides a detailed description of the proposed mechanisms.

4. BOU ACCESS TO CREDIT FOR WOMEN PROGRAM

The Access to Credit for Women program has been designed to attempt to alleviate as many of the constraints outlined in Section II.C as possible. Following is a description of the key elements of the program.

a. Pre-loan services to clients

One of the constraints identified in women-owned businesses' access to credit is their lack of ability to prepare adequate applications for bank financing, coupled with the inadequacy of existing services to assist them to prepare business plans and feasibility studies for business expansion. Providing services in these areas will be a key factor in preparing women-owned businesses to be "bankable" when they first approach banks for a loan.

b. Financial Mechanisms

(i). Description

As described previously, refinance and guarantee mechanisms have been chosen as the means to encourage banks to provide term lending to small and medium enterprises owned and managed by women. A detailed description of these mechanisms, including parameters and procedures, is found in Annex II. The terms include an 80% refinance facility, a 24% spread for participating financial institutions based on current interest rates, and 60% risk coverage. Based on conversations with commercial banks and credit institutions, the proposed terms are believed to be attractive enough to induce them to participate in the program.

(ii). Amount and Sources of Funds Needed

The Access to Credit for Women program will be launched on a pilot basis to test its viability. Therefore, projections have been made only for the first year of operations. Target figures for the first year of operations are:

- At least 3 financial institutions participating, each making 10 loans;
- Average loan size of \$27,000, for a

total of \$810,000 lent by participating financial institutions;

- Total refinancing by BOU of \$648,000, or 80% of loans made by banks.

It is assumed that 50% of the loans made will be for short-term working capital purposes, with an average repayment term of 9 months. The remaining 50% would be made for fixed asset financing, averaging 2 years repayment, with a 6 month average grace period. Based on these assumptions, principal reflows to the refinance fund, available for relending, should be \$202,500 by the end of the first year of operations. Nearing the end of the first year, an evaluation will be carried out to determine to what extent program objectives have been met. If the program proves to be successful, the evaluation process will determine what additional funds need to be allocated to the program.

As indicated above, the amount needed to ensure adequate funding for potential refinance operations in the first year of operations is the U.Sh. equivalent of US\$648,000. The Bank of Uganda is requesting that this amount of the Local Currency Fund (LCF) generated under the USAID Rehabilitation of Productive Enterprises (RPE) scheme be allocated to capitalize the refinance fund needed for the Access to Credit for Women program.

In assessing the amount needed to capitalize the associated guarantee fund, it has been assumed that 50% of the loans made (corresponding with expected fixed asset loans), for a total of \$405,000, will be eligible for guarantee. Assuming full utilization of the facility at 60% of each eligible loan, the total potential guarantee liability for the Bank of Uganda would be \$243,000. The Bank of Uganda accepts to allocate the accumulated profits under its Development Finance Fund to cover potential losses not covered by the 3% guarantee fees to be charged on the operations.

(iii). Criteria for participation of financial institutions

The success of this type of program depends on a strong financial sector. It is therefore necessary to enforce stringent participation conditions for the financial institutions eligible to participate. Application of these conditions will restrict the participation of the weaker banks with poor collection rates.

Participation conditions for the proposed program will include:

- sustained compliance for at least 6 months with the prudential statutory requirements set by the Bank of Uganda, specifically:
- maintenance of at least a 10% cash reserve in the form of deposits at the BOU;
- maintenance of a liquidity ratio of 17.5% and a loan to deposit ratio of 82.5%;
- demonstrated collection rates of at least 70% on term lending operations.

Other criteria may be determined after further consultation with the Bank Supervision Department of the Bank of Uganda.

Participation agreements will be signed only with those financial institutions meeting the above conditions. BOU Bank Supervision will also continue to monitor participating financial institutions' compliance with these conditions on a regular basis.

In addition to the ratios identified above, banks will be expected to agree to other conditions in order to participate in the Access to Credit for Women program. These include:

- acceptance of training for credit officers deemed necessary in the area of small business loan appraisal and in the sensitization of these officers to specific needs of women entrepreneurs;

- appointment of a liaison person within the bank, responsible for supervision and coordination of the bank's participation in the program;

- provision of adequate supervision and monitoring of all loans refinanced under the program, and cooperation with BOU staff in joint loan appraisals, supervision, and data collection;

- participation in periodic meetings, both individually with BOU staff and with all participating institutions, to compare results, discuss problems and refine systems;

- submission of quarterly reports to the BOU detailing loan disbursements, client repayments, and a time analysis of arrears on loans refinanced and guaranteed under the scheme.

(iv). Participation Agreements

A participation agreement will be signed with each financial institution determined to be eligible to participate in the program. The participation agreement will outline the rights and responsibilities of the Bank of Uganda and the financial institution, continuing obligations of the financial institution to meet participation conditions, the parameters and procedures of the refinance and guarantee mechanisms, and types of businesses eligible to receive funding under the program.

c. Training and Technical Assistance

In order for the program to achieve maximum effectiveness, training and technical assistance will need to be provided for the various participants in the program, including the Bank of Uganda staff, the credit officers of the participating financial institutions, and the clients themselves.

(i). Bank of Uganda

It is felt that outside technical assistance will need to be provided to the Women's Credit Desk of the Development Finance Department. This assistance would be of a short-term

nature, to provide guidance in initial program implementation and a transfer of management skills to the person recruited to head the program. It is also believed that the technical staff assigned to the Women's Credit Desk would benefit from participation in the training programs designed for bank credit officers described below.

(ii). Participating Financial Institutions

An important element of success in apex financing mechanisms of the kind proposed is sufficient expertise within the participating financial institutions to appraise term loans to small and medium enterprises. Currently, few banks in Uganda seem to have experience in this type of lending, and it is presumed that the skills of their credit officers will need to be upgraded in this area through a specialized training program.

In addition, because of the negative attitudes of the predominately male credit officers towards women business owners noted previously, it is deemed necessary to conduct gender-sensitization seminars for these officers. Gender issues could be addressed separately or through the loan appraisal training program.

(iii). Clients

Among the identified potential constraints faced by women-owned businesses in accessing bank loans are limited access to modern management techniques, especially in the area of accounting and financial management, and to sources of technical information. In order to strengthen women-owned businesses' performance and enhance their ability to repay their loans, hence to ensure the success of the program, it is necessary to assist women to increase their access to this type of information.

5. ENTITIES RESPONSIBLE FOR IMPLEMENTATION

a. Pre-loan services to clients

Two organizations have been identified which currently provide project preparation services and limited

technical information to small scale businesses. The Uganda Women's Finance and Credit Trust works closely with its potential clients to develop project proposals. However, the businesses financed by UWFCT are very small, and the women it works with are often new to formal business management. The quality of UWFCT services in this area need to be examined more closely to determine if they are adequate for larger businesses wishing to access commercial bank loans. If UWFCT's technical capacity is determined to be sufficient to provide services to the potential clients of the program, its services could be available on a fee basis.

Ugadev Bank, in cooperation with the Fredrich Ebert Foundation, has recently established the Small Enterprise Development Company (SEDCO), which offers free consultant services to small enterprises. Currently, the services are targetted to Ugadev clients, and are available only for rural micro-enterprises. Again, it remains to be determined whether the services provided would be adequate for larger urban businesses wishing to access commercial bank loans. If so, a collaboration with SEDCO could be envisaged under the program.

A survey of existing private companies providing feasibility and business plan preparation has not been conducted. However, banks do not seem to consider the services available by these companies to be of high quality. Additionally, these companies are reported by women business owners to charge high fees.

Given the expected level of first year operations, only 2 to 3 businesses each month would need pre-loan services, and it is hoped that the Women's Credit Desk will be able to identify existing organizations such as those listed above to provide these services. If the program proves successful in its pilot phase, it may be useful in a medium-term strategy to encourage the creation of an independent small enterprise development center which could provide information on technical inputs and business opportunities, as well as conducting feasibility studies and assisting businesses to formulate business plans at a reasonable cost. In any case, the Women's Credit Desk will not attempt to provide these services directly to clients.

Any costs associated with pre-loan services to small and medium women-owned businesses under the proposed program would be borne by the clients. It is possible to explore two options in relieving clients of excessive costs associated with these services. First, the cost of any feasibility studies prepared could be financed under the

loans made available under the program. Second, it may be possible to negotiate, with participating financial institutions, a reduction in interest rates for businesses which present adequate feasibility studies and business plans. The margin of reduction could then be available to the businesses to pay for the services provided by other organizations.

b. Financial

The principal responsibilities for implementing the core of the program, the loans made to women-owned businesses, will lie with the participating financial institutions. They will be responsible for client selection, loan appraisal, loan disbursement and collection, and supervision and monitoring of loans.

Responsibility for administration of the program will lie with the Women's Credit Desk within the Development Finance Department of the Bank of Uganda. The principal role of the Women's Credit Desk will be to promote the program both to clients and to the participating financial institutions, and to work with them to ensure adequate client selection, loan appraisal, and loan supervision and follow-up. This will entail establishing close working relationships with women's organizations, such as the Uganda Women Entrepreneurs Association, and with the commercial banking sector. The Women's Credit Desk will not substitute itself for the banks in assuming their responsibilities outlined above, but may work with them when necessary.

Given the expected volume of lending under the initial pilot phase of the program, a minimal staff should be necessary. Their professional qualifications, previous banking experience, and personal attributes will, however, be of utmost importance in ensuring effective implementation of the program. A description of the primary responsibilities of each of the two main staff positions, with an outline of the qualifications necessary, is presented in Annex III. In order to ensure sufficient authority and autonomy to effectively implement the program, the Women's Credit Desk will be elevated to a separate unit within the Development Finance Division of the DFD, and the head of the Women's Credit Desk will consequently have Assistant Director status. It is anticipated that the Assistant Director in charge of the Women's Credit Desk will be need to be recruited from outside the Bank of Uganda.

c. Training and Technical Assistance

(i). BOU

As noted in the previous section, it is felt that outside technical assistance will need to be provided to the Women's Credit Desk. The Bank of Uganda requests that USAID provide a short-term technical advisor to the Desk to help put into place the components needed to implement the program, such as participation agreements with financial institutions, operating procedures and accounting systems, and monitoring and evaluation systems. It is expected that an advisor would be needed for at least 6 months. During this time period, the advisor would also be responsible for on-site training of the person responsible for the Women's Credit Desk, to ensure effective on-going management after the advisor's departure. This technical advisor would need to be well-versed in the establishment and operation of apex financing mechanisms for small and medium enterprises, and have specific experience in credit programs for women-owned businesses.

In order to effectively implement the monitoring and evaluation systems described in Section VIII, the technical staff of the Women's Credit Desk will also need additional training in computerized data base programs. It is hoped that trainers in this area can be identified locally.

(ii). Participating Financial Institutions

Outside assistance will also be necessary in designing and carrying out the training seminars foreseen for the credit officers of the participating financial institutions. The Bank of Uganda has not yet determined whether sufficient expertise exists in-country to carry out this task, although the Bank of Uganda itself can organize these training seminars. A responsibility of the new Assistant Director of the Women's Credit Desk will be to identify persons or organizations capable of undertaking the requisite training in both small scale lending and gender sensitization. If such resources cannot be identified locally, USAID would be requested to assist in the identification and financing of outside assistance in this area. The

trainers identified will, in addition to providing direct training to credit officers of the participating financial institutions, train the technical staff of the Women's Credit Desk to be able to continue to provide these services in the future.

(iii). Clients

As noted previously, it is assumed that potential clients of the program would benefit greatly from on-going management training and access to technical information. Although the Women's Credit Desk has been providing some of this training directly to women, it will not continue in this role. Instead, local organizations will be identified which can provide these services to clients of the program. Both the UWFCT and Ugadev Bank's SEDCO may be able to provide these services to program clients, with the same caveats mentioned in relation to pre-loan services. A principal task of the Women's Credit Desk will be to identify the local organizations capable of providing these services and establishing working relationships with them on behalf of potential clients. As in the case of assistance in the preparation of business plans and feasibility studies, the clients will be expected to bear the costs of the on-going training and technical assistance. Again, a medium-term strategy of establishing a small business development center could help to address the problem of shortage of adequate and appropriate training facilities available.

6. EXPECTED PROFILE OF BUSINESSES TO BE FINANCED

As the Access to Credit for Women scheme is designed to integrate women-owned businesses into the mainstream financial sector, the Bank of Uganda will not attempt to direct the participating banks to lend to businesses which do not fall within their own selection criteria. The selection of businesses to be financed under the scheme will therefore be market-driven, and left principally to the discretion of the participating financial institutions. The BOU's role would be limited to advocacy on behalf of identified viable women-owned businesses seeking financial assistance.

However, given the Bank of Uganda's knowledge of commercial banks' preferences and capabilities, and of the existing small and medium businesses owned and operated by women, it is possible to draw an

expected profile of businesses which will be financed under the scheme, within the following parameters:

a. Geographical Areas

Most private commercial banks and credit institutions have a limited branch network, and the banks which have a wide geographical coverage would probably not be eligible to participate in the proposed program in the start-up phase (see participation conditions). While rural-based businesses will not be excluded from the program, it is therefore expected that most businesses accessing loans under the program will be based in urban areas, principally in Kampala. Given the branch distribution of the private commercial banks and credit institutions, loans may also be made in Jinja, Mbale, Masaka, Mbarara, Luwero, and Mityana. As CERUDET hopes to open branches soon in Gulu, Arua and Lira, businesses operating in these areas would also be able to access loans through the program.

b. Sectors

Despite the banks' reluctance to lend to businesses operating in sectors other than trade and commerce, and agricultural marketing, it is expected that the term lending resources and guarantees to be made available will induce banks to lend to other sectors. Given the sectors in which women-owned businesses are currently operating and their potential growth sectors, it is expected that loans will be made to:

- non-traditional export ventures;
- small to medium agro-processing industries, such as dairies, wineries, bakeries, jam and juice production, and fish smoking;
- small to medium scale manufacturing enterprises, such as garments and other textile products, leather goods, pharmaceuticals, jewelry, pottery, and tile and brick making;
- service businesses, such as restaurants, florists, secretarial services, schools and nurseries, and midwife clinics.

Sectors not eligible for financing under the scheme include:

- crop and livestock production for local consumption, operated as additional income-generating activities;

- trade and commerce;
- real estate development.

c. Existing vs. Start-Up Businesses

Generally, start-up businesses will not be encouraged under the scheme because of the high risk associated with these ventures. However, an exception will be made for traders who have been in business for at least 3 years, and who are able to provide at least a 50% equity participation in the proposed new venture. Further, financing of these new businesses will be limited to 20% of the refinance portfolio.

d. Individual vs. Group Businesses

Both individual and group businesses would be eligible for financing under the program. Commercial banks and credit institutions are restricted, however, to lend only to legally registered entities. Groups having formed a joint business, or those having formed a group to collectively access individual loans, would have to be legally registered to receive a loan from these financial institutions. Given that there are few legally registered existing women's groups, it is expected that most loans will be made to individual businesses.

e. Size of Businesses

No reliable data exists on existing women-owned businesses to be able to determine the expected size of businesses in terms of sales, assets, or number of employees. It is anticipated that such data will begin to be collected on the businesses financed under the scheme. However, it is expected, as explained previously, that loan amounts will vary from between the equivalent of US\$3,500 and US\$50,000.

7. MONITORING AND EVALUATION SYSTEMS

Monitoring and evaluation systems will be put into place to measure the impact of the program on the businesses financed, and to assess the effectiveness of the overall program. Parameters will be established to enable the Bank of Uganda and USAID to suspend the program if the level of participation is not high enough to justify the costs, or if the repayment performance threatens overall program viability.

a. Client Level

One of the important aspects of the scheme will be the opportunity to collect information on the impact of loans made to small and medium women-owned businesses. In

order to collect the information necessary for an impact assessment, data collection will be standardized. A special loan application form will be designed for use by all participating financial institutions. This form will be based as closely as possible on forms actually in use in commercial banks. In addition to other information necessary to appraise the loan, however, the application will include pre-loan information on such indicators as total business assets, sales, net profits and number of employees.

A second form will be designed for use in loan supervision. The bank officers carrying out supervision visits (principally participating financial institution officers, assisted by the Women's Credit Desk technical staff when necessary) will be required to use this reporting form to record changes in the business performance indicators noted on the initial loan application.

The Women's Credit Desk will be responsible for installing a computerized data base system to record and track pre- and post-loan performance indicators on the businesses financed. Program impact reports will be generated every 6 months by the Desk, and circulated to interested Bank of Uganda staff, the participating financial institutions, and USAID.

b. Bank Level

In order to ensure program effectiveness, the participating banks will be closely monitored, with particular attention paid to the repayment performance of the businesses financed. The banks will be required to submit quarterly reports to the Bank of Uganda on disbursements, repayments, and arrears on loans refinanced and guaranteed under the program. The Women's Credit Desk will compile, review, and analyse these reports on a quarterly basis. In addition, the BOU Bank Supervision Department will independently verify the banks' collection rates on refinanced loans through on-site visits every 6 months.

Suspension triggers based on financial performance and collection rates will be instituted at the individual participating bank level.

A bank will no longer have access to the refinance and guarantee if:

- the overall performance indicators fall below those specified in the eligibility criteria to participate in

program;

- it has claimed guarantee payments equal to 30% of guarantee amounts approved by BOU to that bank;
- its collection rate on refinanced and/or guaranteed loans falls below 80%;
- 25% of the outstanding refinance and guarantee portfolio is affected by arrears of 90 days or more.

c. Program level

Parameters will be formulated so that if the program proves to be ineffective, it can be suspended until weaknesses are identified and corrected.

The program itself will be suspended if:

- 30% of the fund set aside for guarantee purposes has been paid out by the BOU;
- aggregate collection rate on refinanced and guaranteed loans falls below 80%;
- 25% of the outstanding refinance and guarantee portfolios is affected by arrears of 90 days or more.

The BOU Bank Supervision Department and the Women's Credit Desk will jointly monitor participating financial institutions' performance under the program.

In addition to supervising banks' performance, the Women's Credit Desk will schedule regular meetings with the participating financial institutions. The purpose of these meetings will be to compare results, review overall performance, assess the success of credit officer training, discuss problems and successes encountered with individual businesses, and refine systems. Meetings will be held both on an individual bank basis, and collectively with all participating financial institutions.

Finally, at 10 months of operations, a comprehensive assessment of program viability will be conducted. The assessment will review the program's cost effectiveness, the performance of businesses and the program's impact on them, the performance of the banks in loan appraisal, collection and supervision, and the effectiveness of the Women's Credit Desk in administration of the program. If the program is determined to be successful, an analysis will be made of additional resources to be allocated to

the program. It would be expected that USAID would continue to support a successful program.

If program objectives have not been met, the program will be suspended until the factors contributing to lack of success have been identified. The Bank of Uganda and USAID would then determine what measures could be taken, if any, to correct program weaknesses, and jointly decide whether to continue the program.

APPENDIX C.

LIST OF ANNEXES

1. Description of Refinance and Guarantee mechanisms
2. Job Description and Qualifications for Women's Credit Desk Personnel
3. Program Budget
4. Source Documents Used
5. People Interviewed

BANK OF UGANDA, WOMEN CREDIT DESK
PROPOSED FINANCIAL MECHANISMS

REFINANCE

Parameters

- Amount: - Up to 80% of loan made by commercial bank
- Maximum amount U.Sh. equiv of US\$40,000
- Purpose: - Working Capital loans
- Fixed Asset loans
 - purchase & renovation of equipment
 - rehabilitation of existing structures
- Terms: - WC loans, up to 1 year, no grace period
- FA loans, up to 5 years, up to 1 yr grace
- Interest: - BOU to banks at demand deposit rate plus 3%
- Banks to customers at commercial rates
fixed by BOU from time to time

Procedure

- Bank appraises and disburses loan from own funds, on basis of merits of project, following sound principles of term lending to small enterprises. Special application form will be designed for use in program, following as closely as possible forms actually in use by commercial banks.
- Bank submits application form, proof of disbursement to client, client repayment schedule and request for disbursement to BOU.
- BOU credits account of bank at BOU, provides repayment schedule for refinanced portion of loan, based on client repayment schedule.
- According to client repayment schedule, BOU automatically debits account of bank at BOU, with a notice sent to bank 10 days prior to scheduled debit.
- Bank's account automatically debited according to repayment schedule, whether or not client has repaid bank.

NOTE: Credit institutions currently under BOU supervision not required to hold accounts at BOU will be allowed to open accounts to participate in scheme.

GUARANTEE

Parameters

- Amount:**
- Up to 75% of refinanced amount, or up to 60% of loan amount
 - Maximum amount U.Sh. equiv of US\$30,000
- Purpose:**
- Covers losses of principal only
 - Only available for fixed asset lending
 - Only to cover "gap" between value of collateral provided by client and 100% security coverage for bank*
- Fees:**
- 3% of outstanding guarantee balance
 - paid pari-passu with interest
 - may be passed on to client

* Banks must consider partial collateral requirements to be met by equipment or structures financed by loan

Procedures

- Bank submits complete project proposal and application to BOU, with request for guarantee coverage
- BOU reserves right to review bank appraisal and to visit client for its own appraisal
- However, time limit for BOU to respond to bank's request will be 15 working days
- BOU provides written response to bank's request
- In case of approval, letter of acceptance from BOU will indicate loan amount, refinance amount (if applicable), percentage and absolute value of guarantee, schedule of amortization of guarantee, and fee to be charged to bank
- Fees will be deducted automatically from bank's account at BOU, at time of debit to bank's account for refinance repayment, or according to amortization schedule of guarantee if loan not refinanced
- Guarantee can be activated when no payment has been made on a scheduled loan payment for 120 days

- After 120 days of non-payment of a scheduled loan payment, the guarantee will be applied to the entire outstanding balance of the loan
- Bank submits client repayment report to BOU, with request for guarantee payment
- BOU pays guarantee on outstanding loan amount within 10 working days, by automatically crediting the bank's account at BOU
- Repayments of the refinanced loan amount (if applicable) will continue to be automatically debited to the bank's account at BOU, according to repayment schedule
- Bank will continue best collection efforts on loan for 6 months, and report on same to BOU
- Any amounts recovered on loan subsequent to guarantee payment will be split between BOU and bank in proportion to guarantee coverage on loan, after deduction of bank's legal costs incurred in recovery procedures

ANNEX 2.

STAFFING REQUIREMENTS FOR WOMEN'S CREDIT DESK

Director of Women's Credit Desk

The person in charge of the Women's Credit Desk should have full responsibility and authority for management of the program. The position will be given Assistant Director status within the Development Finance Department. Primary elements of the job description include responsibility for:

- Putting in place all components needed to implement the program, including participation agreements with financial institutions, operating procedures, and monitoring and evaluation systems;
- Identifying appropriate means to publicize the program to potential clients;
- Establishing and maintaining good working relations with the participating financial institutions to promote their use of the mechanisms provided;
- Monitoring participating financial institutions' performance under the program,
- Designing and establishing appropriate training programs for credit officers of participating financial institutions;
- Identifying organizations capable of providing pre-loan services, training and technical assistance to clients, and establishing working relations with them;
- Acting as liaison with USAID and other potential donors.

The person recruited for this position should have:

- a minimum of five years experience in credit management, preferably with a commercial bank;
- a demonstrated ability to work effectively with commercial banks at management level, and an aptitude for public relations;

- an understanding of, and commitment to, the promotion of women's businesses in Uganda.

Technical Officer

The Director of the Women's Credit Desk should be assisted by one full-time technical officer, whose primary responsibilities would include:

- Working with financial institutions' credit staff to carry out loan appraisals when necessary;
- Performing periodic site visits to businesses financed under program, in conjunction with credit staff of participating financial institutions;
- Implementing program evaluation and monitoring mechanisms;
- Fulfilling all necessary reporting requirements;
- Assisting the Director of the Women's Credit Desk in any other areas as requested.

The Technical Officer should have:

- at least three years experience in small business loan appraisal and demonstrated ability to work with credit officers from participating financial institutions;
- necessary computer skills to implement evaluation and monitoring systems, and to produce required reports;
- an understanding of, and commitment to, the promotion of women's businesses in Uganda.

ANNEX 3.

SOURCE DOCUMENTS USED

Uganda Financial Sector Review, Volumes I and II
The World Bank, November 1990

Children and Women in Uganda: A Situation Analysis
UNICEF, 1989

Uganda Women's Needs Assessment Survey
ACFODE, 1988

Women's Participation in the Existing Credit Schemes in Uganda
M.G.N. Musoke and M. Amajo, September 1989

Ugandan Women in Development
Foundation for African Development, 1990

Project Document Umbrella Project for Women in Development
United Nations Development Programme, 1989

Synopsis & Recommendations of UNIFEM's Mission to Uganda
United Nations Development Fund for Women (UNIFEM), 1988

Project Document Planning and Preparatory Assistance of Ministry of Women in Development
UNIFEM, 1990

Terms of Reference, Design "Bank Goes to the People" Project
UNIFEM, 1990

A Study of Women Involvement/Participation in the Cooperative Movement in Uganda
Uganda Co-operative Alliance Limited, December 1989

Documentation on operations and loan portfolios provided by:

Uganda Women's Finance and Credit Trust
Centenary Rural Development Trust
Uganda Women Foundation Fund
Uganda Cooperative Savings & Credit Union

ANNEX 4.

**18 MONTH PROGRAM BUDGET
ACCESS TO CREDIT FOR WOMEN**

	BOU	USAID	TOTAL
LENDING:			
Refinance Fund			
Guarantee Fund			
Sub-Total			
OPERATIONS:			
BOU Staff			
Transport			
Public Relations			
Reporting			
Sub-Total			
TRAINING/TA:			
Bank officers			
BOU tech. staff			
Tech. Advisor			
Sub-Total			
EVALUATION:			
10 mo. review			
Sub-Total			
TOTAL			

ANNEX 5.

PEOPLE INTERVIEWED/ACCESS TO CREDIT FOR WOMEN SCHEME

Bank of Uganda

Development Finance Department:

Mary Amajo, Women's Credit Desk
Clare Wavamunno, Women's Credit Desk
A.M.K. Okema-Akena, Director
Boniface Kisambira, Asst. Dir./Dev. Fin. Op.
Jasper Sekitoleko, Development Finance Fund
Joseph Walusimbi
Enid Kiiza

Office of the Governor:

Sarah Odong, Director Special Duties

Bank Supervision Department:

Margaret Matovu

USAID

Shirley Erves, Program Evaluation and WID Officer
Rhemie Kiggundu, Assistant Project Officer
Keith Sherper, Director
Stephen Ryner, Deputy Director
Ed Smith, Program Development Officer
David Edding, Technical Advisor to BOU/RPE Project

Barclays Bank of Uganda

G.L. Thomas, Managing Director

Bank of Baroda

A.N. Nair, Chairman and Managing Director

The Cooperative Bank Ltd.

Lennart Berring, General Manager
Mr. Sebunya, Deputy Manager

Nile Bank

John E. Sekaggya, General Manager

Standard Chartered Bank

Anton Bentley, General Manager
Peter Dowse, Manager, Internal Control
Francis Kakurugusi, Credit Control Manager

Teefe Bank

Mr. Kabenge, Chairman

Uganda Development Bank

F.J. Kasujja, Asst. General Manager of Operations
Cissy Kwoba-Abungu, Manager Accounts
Christine Lubwama, Senior Administration Officer

Uganda Commercial Bank

Mr. Maseembe, G.M. Develop. Finance Group
Joyce Achigwa, Rural Farmers Scheme
Charles Ecum-Ochok, Asst. Chief Manager, DFG

International Credit Bank

Thomas Katto, Chairman
Patrick Katto, Director
Fred Bitwire

Gold Trust Bank, Ltd.

S. Visvanathan, General Manager

Grindlays Bank

D.J. Thorne, Assistant General Manager

Ugadev Bank

John B. Kiggundu, General Manager
More Norman Muganzi, Projects & Research
Twaha Lukwanzi, P.R. Officer

Centenary Rural Development Trust, Ltd.

Francis Kasule, General Manager
W.R. Makuza, Assistant General Manager/Operations

The World Bank

Mr. Ablo, Resident Representative

European Economic Community (EEC)

Mr. Higham, Resident Representative

PAPSCA

Joseph Okume, Coordinator

Experiment in International Living

William Salmond, Country Director
Stephen Kadaali, Manager, PVO Development
Initiatives

Cooperative Agriculture & Agribusiness Support (CAAS)

Thomas H. Carr, Project Manager
Dennis Fredrickson

DENIVA

Henry Kizito-Musoke, Program Officer

Uganda Women's Finance and Credit Trust

Sara Mangali, General Manager
Violet Mulyana, Project Coordinator
Cissy Kwoba-Abungu, Chairperson
Christine Lubwama, Secretary of Board
Mary Okwakol, Director

Uganda Cooperative Savings & Credit Union Ltd.

Willington S.K. Makumbi, General Secretary
Margaret Nansubuga, Women Affairs Project

Uganda Women Foundation Fund

Dolores Nabiinja, National Secretary General

UNICEF

Sally Fegan Wiles, Resident Representative

UNDP Umbrella Project for Women in Development

Bernice Perry, Chief Technical Advisor

Ministry of Women in Development

Mrs. Byekwaso-Luboga, Minister
Maggy Mabweijano, WID officer
Elizabeth Kyasiimire, Senior Economist

Directorate of Women's Affairs, NRM Secretariat

Mrs. Janet Mukwaya, Director

National Council of Women

Florence Nekyon, Secretary General
Ruth Suwika, Assistant

External Aid Coordination Secretariat, Office of P.M.

Sarah Ntiro

Ministry of Planning and Economic Development

Mrs. Bwanga-Bugonzi

Ministry of Foreign Affairs, Africa & Middle East Region

Bart Katureebe, Deputy Minister

Uganda Women Entrepreneurs Association

meeting with 10 members, and 4 site visits

APPENDIX D

BOU "Access to Credit for Women" Project

MEMO: Shirley Erves
Women in Development Officer/USAID
FROM: Ann Duval
Consultant/MSI
DATE: April 4, 1991
SUBJ: Bank of Uganda "Access to Credit for Women"
Project

1. RECOMMENDATIONS

Attached please find the final proposal to USAID, for funding of the project "Access to Credit for Women", which I have prepared on behalf of the Bank of Uganda. Although I have designed and written up the full project, I have real concerns about whether the project can be effectively implemented at this time. Following is a discussion of my major concerns.

a. Capacity of BOU to carry out project

(i). Development Finance Department

The Development Finance Department (DFD) of the BOU currently administers a number of apex financing mechanisms, including a Refinance Scheme, funded by the Development Finance Fund (DFF), a Credit Guarantee Scheme, the Rehabilitation of Productive Enterprises (RPE) project funded by USAID, and a crop financing scheme. The DFD is also instituting a major new effort to promote exports, through a separate refinance and guarantee scheme. The four existing schemes have not proved to be very effective. The commercial banks are not interested in using the current Refinance Scheme because the terms are not attractive to them, and are not aware of how the Credit Guarantee Scheme is supposed to operate or skeptical of its real applicability. The RPE project is facing serious repayment problems due in large part to the poor

performance of banks chosen to participate in the program, particularly in relation to loan appraisal and supervision.

The performance of the DFD in administering existing schemes raises several areas of concern in relation to the proposed "Access to Credit for Women" program. Given that existing schemes are only minimally effective, and that the DFD is in the process of establishing another major new refinance and guarantee program for export promotion, it is doubtful the DFD has the capacity to administer yet another program. One can in fact question why the DFD would want to institute a program which is designed to be far more attractive to commercial banks than existing schemes. Also, for the proposed scheme to be effective, it is necessary to establish a strong working relationship with the commercial banking sector. From conversations with commercial bank managers, and judging by the underuse of existing DFD schemes, it is apparent that the DFD has not to date been able to establish such a relationship.

(ii). Women's Credit Desk

The unit within the DFD designated to administer the program is the Women's Credit Desk (WCD). To date, WCD activities have consisted mainly of training programs for women in rural areas and research on women's access to existing credit schemes, not in the administration of any type of lending programs. Additionally, the head of the WCD has recently left the Bank for a one year leave of absence, leaving a serious void in leadership of the Desk. The current WCD personnel (the previous assistant to the head of the WCD) does not have the

requisite experience and seniority to administer the proposed program.

It has therefore been clearly stated in the proposal that a new person would have to be recruited to staff the WCD, probably from outside the BOU. Qualifications listed for the position include at least 5 years experience in credit management, preferably with a commercial bank. Resistance to recruiting someone from outside of the BCU will probably be high, and it is doubtful that current salary levels would enable the BOU to attract a competent manager from the private banking sector.

(iii). Bank Supervision

A key element in assuring an effective program will be the ability of the BOU, through the Bank Supervision Department, to continually monitor the performance of the commercial banks participating in the program. Although the expertise necessary to monitor commercial banks' performance does seem to exist within the Bank Supervision Department of the BOU, its resources are severely stretched, and on-site bank supervision does not take place with the desired frequency. It would probably not be possible for Bank Supervision to carry out the frequent verification of collection rates foreseen in the proposed program.

(iv). Overall performance

The performance of the Bank of Uganda has been thoroughly reviewed in the World Bank Financial Sector Review (November 1990). A number of shortcomings have been outlined in that report, including lack of the level of authority usually exercised by a central bank, involvement in

activities inconsistent with monetary and supervisory policy, and ineffectiveness of its regulation and supervision function evidenced by present distress in the banking system. Until the BOU begins to address some of these shortcomings, it may not be desirable for donors to support the BOU in the expansion of its development finance activities.

b. Strength of Financial Sector

(i). Overall performance

Essential to the success of any apex financing mechanism is a strong financial sector. The banking system in Uganda is, however, weak overall, with a crisis in the Uganda Commercial Bank and Coop Bank threatening the stability of the entire system. At 12/30/90, the UCB, which was considered by the World Bank to be technically insolvent, held the lion's share of the commercial bank market, with 54.6% of total assets, 45.8% of all deposits, 49.4% of total advances, and 69.9% of net worth.

Information provided by the Bank Supervision Department in March 1991 shows that many of the concerns raised by the World Bank in March 1990 have not yet been addressed. Collection rates, for example, are exceptionally low in most banks here. In the BSD's opinion, only the foreign banks are performing well, with many local banks commonly experiencing collection rates of only 50-60%. Collection rates on administered loans - both those financed by the BOU and funded by donors directly through commercial banks - are even lower. In view of the low collection rates, provisions for loan losses are inadequate. Provisions taken by UCB and Coop Bank at 12/30/90 were 18% and 11%

respectively, although non-performing loans probably constitute more than 50% of their portfolios. Aggregate provisions taken by the remaining banks at the same date equal less than 2% of their outstanding advances.

Most banks are under-capitalized, with much of their reported capital represented by a revaluation of their premises. When these revaluations are excluded from capital, the resulting shareholder funds are generally inadequate. The ratio of shareholder funds, excluding fixed assets, to total assets was calculated for each of the commercial banks by the BSD. With the exception of one local private bank, which shows a 7.7% ratio, and Coop Bank, with a negative 13.1% ratio, the average ratio is only 1.6%. The World Bank notes that international standards call for capital to risk asset ratio of 8%.

Liquidity remains a problem in the banking system, and has in fact deteriorated since December 1990 according to verbal information provided by Bank Supervision. At December 1990, total deposits in the commercial banks were 72,8 billion shillings, of which 10%, or 7.28 billion, was required to be deposited at the BOU. Actual balances at the BOU were 5.1 billion, leaving a deficit of more than 2 billion shillings. Since December 1990, Coop Bank has remained in an overdraft situation with BOU, UCB again shows negative balances with BOU, and another local bank is also now in overdraft. In addition these overdrafts, at least one other local bank's deposits at the BOU fall short of the 10% requirement. This is directly related to several of these banks exceeding the legal 82.5% maximum

lending ratio.

(ii). Bank interest in participation

Although financial sector performance in Uganda is low, participation criteria would be instituted under the program to screen out the weaker financial institutions. This screening would probably result in the eligibility of mainly the foreign banks. It should be noted that there will probably be serious resistance within the BOU to applying the necessary participation criteria, which would have the effect of excluding the government banks usually used to implement this type of program.

The foreign banks are generally not facing the liquidity problems of some of the local banks, although their largely short-term deposit base does prevent them from doing any significant term lending. In spite of generous operating spreads foreseen, the proposed refinance mechanism may not be sufficient to induce these banks to enter into term lending operations, with which they have had little experience, to women-owned businesses, which represent a totally new client base for these banks. The proposed guarantee mechanism should help to alleviate this constraint, and would probably in the end be more attractive to foreign banks than the refinance mechanism.

c. Clients

One of the problems cited by most commercial banks in their lending operations is their clients' lack of management skills, especially in the areas of accounting and financial management. This is coupled with a generally lax attitude on the part of bank customers towards loan repayment.

Although bank managers recognize that women are much more likely to repay loans regularly than men, the women-owned businesses in Uganda have even less access than men to modern management techniques. An organization or private company capable of providing the necessary level of assistance to the clients of the program has not been identified, although the provision of pre-loan services and on-going management assistance will be key to the success of the program.

For several of the reasons mentioned above, it is not clear that the proposal as designed will be approved at top management level within the Bank of Uganda. There is the possibility that the proposal may never be presented to USAID for funding. Should the proposal be presented, it is not recommended, in light of the preceding discussion, that USAID approve the project at this time. If USAID were to consider and approve the proposal, it should insist that certain stringent conditions be met. For example, USAID should play a role in the selection, and require joint USAID/BOU approval of, the person chosen to head the Women's Credit Desk. Identification of a strong technical advisor to the WCD by USAID would also be crucial to the program's success. Finally, USAID should insist on strict adherence by the BOU to the participation conditions for financial institutions outlined in the proposal.

2. ALTERNATIVE MEASURES

Although it is not recommended that USAID support the proposed project design at this time, there are other measures that USAID could support which would provide much-needed assistance to small-scale women business owners in Uganda. Following is a brief description of several identified alternatives.

a. Support of UWFCT

My scope of work included an assessment of the technical merits of the proposal made to USAID by the Uganda Women's Finance and Credit Trust (UWFCT), and recommendations to USAID regarding potential funding of this organization. I have made these recommendations both to you and to UWFCT in a separate memo. As you know, I have recommended USAID support of intensive short-term technical assistance and training to

UWFCT, intended to strengthen the organization. Support of UWFCT could be a significant means of providing access to credit for micro and small-scale women business-owners, as it is the only local institution concentrating solely on savings mobilisation and lending for women. The UWFCT is performing quite well, and it is believed that with short-term technical support, designed to address some of the weaknesses identified, UWFCT will be able to improve and expand its operations.

Among the types of support recommended is providing a short-term technical advisor to assist UWFCT in developing a medium-term strategic development plan. Included in this plan will be a feasibility study on the potential for UWFCT to develop and expand its non-loan services to clients into a full-fledged business development center for women-owned businesses. UWFCT is already providing many services to its clients, including help in drafting business plans, a good management training program, and occasional bookkeeping services. These services are currently only provided to UWFCT clients applying for a loan from the organization. The study will assist UWFCT to determine the feasibility of strengthening its capacity to provide these services, and ultimately to establish a separate center to provide services to a wider client base on a fee basis.

b. Survey of women in business

One of the difficulties in designing the "Access to Credit for Women" scheme for the Bank of Uganda was the almost total lack of information on women actually doing business in Uganda. It seems fairly certain, from the little information available, that women are in fact very active in small business here, both in urban and rural areas. However, before any large-scale project can be designed to provide financial and other types of services to them, it is recommended that a formal survey be carried out, which will help to ascertain the kind of businesses women are in, the sizes of businesses they are operating, in which geographical areas they are most prevalent, and to determine in a more

systematic manner the type of assistance they need to develop their businesses.

c. Support the creation of small business development center

Although it is quite clear from interviews with bank managers that women-owned businesses do not currently have access to loans from the commercial banks, lack of access to credit is only one of the problems women business owners face. Credit may not, in fact, be the most crucial constraint.

From discussions both with banks and women entrepreneurs themselves, it is apparent that women lack access to sources of information on technical inputs such as suppliers of equipment and raw materials, and access to modern management techniques, particularly in the areas of accounting and financial planning and management. In addition, there appear to be many women traders interested in diversifying into more productive enterprises who lack the ability, and access to information necessary, to carry out the required feasibility studies.

As mentioned previously, it is recommended that USAID support UWFCT efforts to determine the feasibility of developing a mini business center for micro and small-scale businesses. Even if this should prove feasible, it is doubtful whether UWFCT could provide a complete range of services to all levels of women-owned businesses. Therefore, USAID could consider the possibility of supporting the creation of a business development center for small to medium businesses, which would provide a range of services, including: entrepreneurship screening and training programs; a "project bank" of new ventures for potential women-owned businesses; feasibility studies for new projects; sector-specific technical training seminars; a technical resource library; communication with suppliers of technical inputs outside of Uganda; on-going management training programs; legal advice; and, bookkeeping services.

d. Reinforce BOU Women's Credit Desk

Even in the absence of a specific women's credit window at the BOU, the Women's Credit Desk could be active in promoting women's businesses in other ways. A reinforcement of the Desk in the short term could lay the groundwork necessary for establishing a program like the "Access to Credit for Women" in the future.

USAID could consider providing training and possible technical support to the existing staff of the Women's Credit Desk, so that it begins to provide some concrete assistance to women business owners. For instance, the Desk should begin to develop professional relationships with organizations such as the Uganda Women Entrepreneurs Association and the Uganda Women's Finance and Credit Trust to identify viable women-owned businesses capable of accessing commercial bank credit. The Desk should also begin to develop working relationships with the commercial banks themselves in order to act as a liaison between these banks and the identified women-owned businesses. It is probable that if the Desk could effectively advocate for viable women's projects, many banks would accept to finance them, even without specific financial incentives. Finally, the Desk should be more active within the Development Finance Department itself, and push the DFD to make sure that more women are financed under the existing schemes.

APPENDIX E

UWFCT's Proposal to USAID

MEMO: Sara Mangali, General Manager
Uganda Women's Finance and Credit Trust
FROM: Ann Duval, Consultant to USAID
DATE: March 31, 1991
SUBJ: UWFCT's proposal to USAID

1. REVIEW OF UWFCT OPERATIONS

I have reviewed the various UWFCT documents provided to me by USAID and UWFCT itself in relation to the proposal that UWFCT has made to USAID. From these documents, and from discussions with you, other staff members, and several UWFCT Directors, I have identified what I believe to be UWFCT's principal strengths and weaknesses as follows:

a. Strengths

The savings mobilisation program has continued to grow in strength and importance, which reinforces the lending program and is beginning to generate significant income for UWFCT. The client savings mobilised by UWFCT more than doubled between July 1990 and February 1991, from U.Sh.4.8 million to 11.0 million, and net interest to UWFCT for this period was close to U.Sh. 2.0 million.

The lending program has continued to expand, with disbursements for the first 8 months of the current fiscal year (July 1990 - February 1991) exceeding the cumulative disbursements from 1987 through June 1990. At June 30, 1990, UWFCT had disbursed a total of 121 loans totalling U.Sh.26,389,215, while 40 loans were disbursed from July 1990 to February 1991 totalling U.Sh. 35,149,490, for cumulative disbursement figures at 2/91 of 161 loans totalling U.Sh.61,538,705.

In addition to the steady increase in lending activities, UWFCT has learned from its initial mistakes, and has changed the profile of its borrowers. In the current fiscal year, UWFCT has disbursed no loans for crop production, which had proved in the past to be high risk loans (virtually all of the agricultural loans

have experienced serious problems with arrears and/or default). Also, the average loan size has increased from U.Sh. 218,000 at 6/30/90 to U.Sh.382,000 at 2/15/91, indicating UWFCT's move toward larger business loans, instead of the small amounts initially lent for additional income-generating projects.

UWFCT has developed a well-defined internal organizational structure, and full-time staff now numbers 11. Of particular importance are the recent hiring of Project Officer for Accounts who is keeping better track of the loan recovery rate. The UWFCT's increased use of part-time locally-based extension officers to monitor loans in outlying areas is also important to keeping down the costs associated with loan follow-up.

The restraint UWFCT has shown in the geographical expansion of its activities is to be commended (although there are current discussions of opening a branch in West Nile with UNCDF funding). It is strongly recommended that UWFCT continue its apparent decision to limit expansion until current operations have been strengthened, in the face of many pressures to initiate operations in other areas.

The training program developed by UWFCT seems to be very effective and appropriate to the needs of its clients. The recent move towards offering the training program on a fee basis to other organizations is strongly encouraged.

b. Weaknesses

Most of the weaknesses identified relate to the areas of financial management and strategic planning.

Although the savings mobilisation program is growing steadily, there is no real financial link between the savings and lending programs. Clients are required to save for a certain period of time before being able to access a loan, but loans are made exclusively from donor funds and not from savings deposits.

Current lending operations are not cost-effective. For the July 1, 1990 through

February 15, 1991 period, loan disbursements totalled U.Sh. 35,149,490, while total expenses were U.Sh. 76,279,430. It is costing UWFCT more than 2 shillings for every 1 shilling lent. Interest earned on loans for this same period, U.Sh. 12,464,450, covered only 16% of the total expenses.

The repayment rate of approximately 70-75%, although high in comparison to many lending programs in Uganda (including those administered by commercial banks for donors), is much too low to ensure sustainability of the UWFCT lending program. A continuation of this low repayment rate, coupled with high inflation rates, would wipe out the current value of the portfolio within about 5 years. The actual collection rate on the active portfolio may well be higher than 75%, if the non-performing loans were written off. It is recommended that these non-performing loans (primarily the first loans made in 1987/88 and the agricultural loans) be written off as losses now, and the repayment rate calculated on the remaining current portfolio.

Although the new Project Officer/Accounts is charged with producing reports on portfolio quality, the methods used are cumbersome (all manual), inadequate (do not show aggregate portfolio analysis and aging of arrears), and usually not up to date.

As discussed, the financial accounting system used by UWFCT and apparently approved by the auditors has some major flaws. Specifically, donor funds granted for lending purposes and principal reflows on loans are shown as operating income. As a result, the UWFCT shows a false operating surplus, and Accumulated Funds shown on the balance sheet represent a mixture of capital lending funds and a cumulated deficit in operating funds. The consequence of this accounting practice can be disastrous, as the system does not allow UWFCT to distinguish between real operating income and funds available only for lending, which leads to the use of loan principal repayments to cover operating costs.

There is no indication of any medium-term planning by UWFCT, particularly in relation to

financial sustainability, although UWFCT is operating as a quasi-bank. The 3-year budget prepared for submission to donors shows UWFCT to still be completely dependent on grants from donors three years from now. The budget does not show income generated by the savings and training programs, and grossly underestimates the revenues to be realized in the lending program. (In relation to the latter, loan principal repayments and interest earned are again combined in the budget.) Apart from this 3-year budget no other financial projections have been made to determine the additional resources, and possible program diversification, needed to achieve sustainability.

Finally, there seems to be the need to upgrade the skills of existing credit staff in loan appraisal and other services offered to clients. None of the staff had lending experience prior to joining UWFCT.

2. EXISTING PROPOSAL TO USAID

I understand that the \$200,000 proposal submitted to USAID in October 1990 was intended to provide bridge financing to UWFCT for the period January through June 1991. I was asked by USAID, as part of my scope of work here in Uganda, to review the technical merits of the UWFCT proposal, and to make recommendations regarding the extent and type of assistance that USAID could provide to UWFCT. However, because my visit to Uganda was delayed until March 1991, it was no longer useful to look at the January to June period.

A separate 3-year proposal for the period beginning July 1991 had also been prepared by UWFCT, and submitted to NOVIB, Christian Aid and GTZ. UWFCT gave me a copy of this 3-year proposal and asked that I review it, instead of the initial proposal, for the potential of USAID funding.

The 3-year proposal is actually under consideration by the above-mentioned donors, and it appears likely that NOVIB and Christian Aid will continue their overall support to UWFCT. Therefore, I recommend that UWFCT essentially formulate a new proposal to USAID, designed to address some of the weaknesses identified above, and at a later date, to contribute to the UWFCT capital lending base.

3. NEW PROPOSAL TO USAID

As you and I have already discussed, I recommend a two-phase proposal to USAID. The first phase would consist of immediate assistance in the areas of financial management, strategic planning and staff training. In a second phase, USAID would be asked to fund an increase in UWFCT's lending capital, through a debt for development mechanism.

a. PHASE 1

This first, and immediate, phase of USAID assistance would be in the computerization of UWFCT operations, staff training through the Women's World Banking (WWB) Affiliate Exchange Program and formal courses, and on-site technical assistance in developing a 3-5 year strategic development plan for UWFCT.

(i). Computerization

UWFCT urgently needs to computerize its operations, especially in the areas of its financial accounting system, loan portfolio management, management of the savings mobilisation program, and developing a data base on its clients. Basic word-processing capabilities should also be introduced.

The computerization package would consist of the following components:

- a professional assessment of UWFCT's needs in the above-mentioned areas;
- design and/or purchase of the necessary software systems;
- purchase and installation of the necessary hardware (estimated to be 2 personal computers, one strictly for the various financial management systems, and one for word-processing);
- installation and testing of the software systems, and on-site training of appropriate staff in their use.

I have no way of assessing whether the expertise necessary for carrying out the above tasks, particularly an assessment of needs, and possible design of systems, is available locally in Uganda. The cost of this component will vary greatly depending on the source of technical assistance. For the purposes of this memo, this component is roughly estimated at \$20,000, but you have agreed to try to refine these costs based on a survey of local computer companies.

(ii). Staff Training

Staff training is most urgently needed in the areas of financial management of a small full-service credit institution, and loan appraisal. Two ways of providing this training are outlined below:

(a). WWB Affiliate Exchange Program

As you know, WWB offers an Affiliate Exchange Program which provides the opportunity to visit other WWB affiliates and learn from their experiences. WWB covers 50% of the costs associated with exchange visits. It is therefore recommended that USAID be asked to fund the remaining 50% for two exchange visits, with 2 UWFCT staff members participating in each visit.

The first visit recommended would be to SEWA Bank in India, for the General Manager (yourself) and the Project Coordinator (Violet). The purpose of this visit would be to learn methods of managing a savings program, appropriate lending techniques, and the overall financial management of a credit institution.

The second visit recommended would be to one of the affiliates in the Latin America and Caribbean region, to experience small-scale lending done on a large-scale, cost-effective basis. This visit would be carried out by 2 of the UWFCT credit officers. A visit could be made either to the Dominican Republic, Honduras, or one of the Columbian affiliates. As all of these affiliates are primarily Spanish-speaking, it will be necessary to ask WWB/New York for guidance in which affiliate

has enough English-speaking staff to provide effective on-site training to UWFCT staff.

A rough estimate of the full cost of these visits is:

SEWA

Airfare for 2	\$3,000
Per diem for 2, for 2 weeks	2,800
Fee to SEWA	<u>500</u>
Total	\$6,300

LA/C Affiliate

Airfare for 2	\$4,000
Per diem for 2, for 2 weeks	4,200
Fee to affiliate	<u>500</u>
Total	\$8,700

It would probably be most appropriate to request that USAID fund the cost of the airfare (\$7,000), and WWB to cover the in-country costs and fees to affiliates (\$8,000). Again, these costs are only estimates, and you have agreed to refine costs, especially in relation to locally-available prices for airfare. UWFCT will also need to make a formal application to WWB for approval and financing of the requested visits.

(b). Formal Training in Loan Appraisal

In addition to participation in the WWB Affiliate Exchange Program, it is recommended that 2 loan officers participate in more formal classroom training in the appraisal of loans to small and medium businesses. You have indicated that such training is available in Nairobi, although the organizations providing the training and the associated costs are not known at present. For purposes of estimating a budget, it is assumed that the cost of a 3-week training program for one person would be \$1,500, plus \$2,100 for per diems and \$150 for airfare. The cost of sending 2 credit officers for 2 separate training courses would therefore be \$7,500. You will need to obtain precise information on the training facilities available in Nairobi

and their cost to present the final request to USAID.

(iii). Strategic Development Plan

As mentioned previously, and as we have discussed, one of the most immediate areas which needs attention is the development of UWFCT's short and medium term planning capabilities. I recommend that USAID be requested to finance a technical advisor to UWFCT for a period of 2 months, to assist UWFCT in creating a 3-5 year strategic development plan, and at the same time strengthening UWFCT's capabilities of continuing the planning process after the advisor's departure.

The plan should focus on two areas of primary importance:

First, financial projections should be formulated for both the savings and lending programs, to determine the amount of resources and level of activities needed to achieve a certain degree of sustainability over time. Special attention should be given to possible means of reducing lending costs, and to the rates of interest needed to develop a more cost-effective program.

Second, the plan should include a feasibility study for spinning off the training and other non-lending services provided to clients, with a view to establishing a separate small business development center as a for-profit operation. The development of such a center would have two important effects on UWFCT operations, if found feasible. First, it would allow UWFCT to separate the costs of training, pre-loan services to clients, and continuing management assistance from its costs directly associated with lending. This would most likely permit UWFCT to demonstrate sustainability in its savings and lending programs at a much faster rate. Second, by expanding the existing services to non-UWFCT clients on a fee basis, UWFCT would begin to generate profits which may be able to cross-subsidize services provided to borrowers.

The cost of the services of a technical advisor for 2 months is estimated at \$37,250, including fees of \$24,000, airfare of \$4,000, and per diems of \$9,250.

b. PHASE 2

Once UWFCT has prepared a 3-5 year strategic development plan, it will be in a position to estimate more accurately the amount of capital needed to increase its lending pool to a level needed to achieve sustainability. When this amount has been determined, it is recommended that UWFCT return to USAID for funding of the additional lending capital needed, through a debt for development mechanism.

It should be noted here that WWB is prepared to offer substantial assistance to UWFCT in arranging a debt for development deal. Specifically, one of WWB's Trustees currently manages Morgan Guaranty's debt swap services in London. Because of this connection, Morgan Guaranty is prepared to offer its services in handling the transaction free of charge. The cost of these transactions usually runs at about \$20,000/deal.

In order to prepare for this second phase of the proposal, USAID's agreement to the principal of funding a debt for development deal should be sought at the time the first phase of the proposal is submitted. In addition, you have agreed to request the following information from the WWB Trustee at Morgan Guaranty in London:

- list of banks holding restructured debt to Uganda;
- names of other organizations that have completed successful debt for development deals here;
- the minimum amount of such transactions;
- the current rates for Ugandan debt available on the secondary market (probably 20 cents on the dollar), and the probable rate the Central Bank would be willing to negotiate for purchase of the debt locally (probably between 50 and 80 cents on the dollar).

With this information in hand, UWFCT will have to identify the persons within the Central Bank responsible for this type of transaction, and approach them to obtain preliminary agreement to pursue negotiations.

cc: Shirley Erves, Women in Development Officer
USAID mission, Kampala

APPENDIX F

UGANDA TRIP, RECORD OF VISITS

Monday, March 4

5:30 Meeting at Sheraton with:

Shirley Erves, Program Eval./WID
Officer
USAID, Kampala
P.O. Box 7007
25 Nakasero Road
Phone: 242-896, 241-521
Fax: 233-417

Rhemie Kiggundu, Assistant Program Officer
USAID, Kampala

Mary Amajo
Head of Women Credit Desk
Development Finance Department
Bank of Uganda
P.O. Box 7120
Phone: 258-441/5

Tuesday, March 5

8:30 Meeting at Sheraton with:

Shirley Erves

Rhemie Kiggundu

Mary Amajo

Clare Wavamunno
Women Credit Desk
Bank of Uganda
Phone: extension 2536/7

12:00

USAID
42 Nakasero Road
Shirley Erves

Keith W. Sherper
Director

Stephen C. Ryner
Deputy Director, USAID mission to Uganda

- 1:00 USAID
Ed Smith
Project Development Officer
- 3:30 USIS
Wrap-up of FIDA-Uganda seminar
(association of women lawyers)
- 5:00 Home of Dudley Sims, USIS Director
Reception for participants of FIDA seminar

Wednesday, March 6

- 9:30 Bank of Uganda
Development Finance Department
Mr. A.M.K. Okema-Akena, Director
6 staff members
- 10:30 Bank of Uganda
Clare Wavamunno, Women Credit Desk
Review of Schedules
- 11:30 Bank of Uganda
Jasper Sekitoleko
Responsible for Development Finance Fund
- 1:00 Lunch at BOU with:
Boniface Kisambira, Ass.Dir.
Dev.Finance/Operations
Joseph Walusimbi, DFD
- 2:00 Office of the Prime Minister
External Aid Coordination Secretariat
Mrs. Sarah N. iro

Thursday, March 7

- 9:00 Bank of Uganda
Office of the Governor
Sarah Odong, Director Special Duties
- 10:30 Uganda Women Credit & Finance Trust
Sarah Mangali, Executive Director
Violet Mulyanga, Project Coordinator
P.O. Box 6972
South Street, Shell Building
Phone: 241-275
- 2:00 Cooperative Agriculture & Agribusiness Support
(CAAS) Project, USAID-sponsored
Thomas H. Carr
Cooperative Management Specialist

Friday, March 8

- 9:00 Experiment in International Living
William Salmond, Country Director
Stephen J. Kadaali, Project Manager,
PVO Development Initiatives Project
P.O. Box 9007
IPS Building, 2nd Floor
Phone: 242-429, 221-403
Fax: 231-743
- 10:30 Bank of Uganda
Clare Wavamunno
- 12:00 Lunch with Shirley Erves and:

Sheila Agonzibwa, Owner
Kibirashire 'U' Ltd. (household appliances)
Plot 4, Johnstone Street
Phone: 243-873 (shop), 220-920 (residence)
- 2:00 Barclays Bank
Mr. G.L. Thomas, Managing Director
Kampala Road
- 3:30 Bank of Baroda
Mr. A.N. Nair, Chairman & Managing Director
P.O. Box 7197
Phone: 233-680/3 (Gen), 254-101 (Personal)
Fax: 258-263
- 5:30 Meeting at Sheraton with:

Catherine Kisumba
Vice-Chairperson, Uganda Women Entrepreneurs
Assoc.

Owner, Equator Pharmacy Ltd.
Plot 4, Johnston St.
P.O. Box 1618
Phone: 242-487, 257-425 (bus), 268-466 (res)

Saturday, March 9

- 10:30 Meeting at Sheraton with:

Catherine Kisumba
Mrs. T.K. Mbire
Founder, Uganda Women Entrepreneurs
Association
P.O. Box 10002
Phone: 234-595, 267-407
Owner, Pop In Industries U Ltd. (garment

manuf)

Plot 6, Entebbe Road
P.O. Box 1304
Phone: 234-595, 242-078
Fax: 244-566

Monday, March 11

- 8:30 Uganda Women Foundation Fund
Dolores Nabinja, National Secretary Gen'l
P.O. Box 4531
Phone: 258-138
- 10:00 The Cooperative Bank Ltd.
Lennart Berring, General Manager
Mr. Sebunya, Deputy Manager
P.O. Box 6863
Phone: 258-323/6 Ext 15 (gen'l), 259-687
- (direct)
- 11:30 Uganda Cooperative Savings and Credit Union
Ltd.
Willington S.K. Makumbi, General Secretary
Margaret Nansubuga, Women Affairs Projects
P.O. Box 6203
Phone: 231-280
- 3:00 USAID office

Tuesday, March 12

- 8:30 Nile Bank
John E. Sekaggya, General Manager
P.O. Box 2834
Plot 22 Jinja Road
Phone: 231-904, 245-571/72
Fax: 257-779
- 12:00 UNICEF
Sally Fegan Wiles, Res. Rep.
- 2:30 Ministry of Planning & Econ. Develop.
Mrs. Bwanga-Bugonzi
Coordination of External Aid/UN Agencies
P.O. Box 7086
- 4:00 UNDP Umbrella Project for Women in Develop.
Bernice A. Perry
Chief Technical Advisor
President's Office
Parliamentary Buildings
P.O. Box 7184

Phone: 254-881/8

Maggy Mabweijano, WID Officer
Ministry of Women in Development

Elizabeth Kyasiimire, Senior Economist
Counterpart to B. Perry
Ministry of Women in Development

Wednesday, March 13

- 9:00 Meeting with Shirley Erves, Rhemie Kiggundu,
Clare Wavamunno to review proposal outline
- 12:00 Visit to Mityana, UWCFT training of women
leaders
- 6:00 Meeting at Sheraton with Cissy Kwoba-Abungu
Chairperson of Uganda Women Credit & Finance
Trust
Manager Accounts, Uganda Development Bank

Thursday, March 14

- 9:00 Standard Chartered Bank
Anton Bentley, General Manager
Peter Dowse, Manager, Internal Control
Francis Kakurugusi, Credit Control Manager
5 Speke Road
P.O. Box 7111
Phone: 258-211/7
- 11:00 Teefe Bank
Mr. Kabenge, Chairperson (?)
Andrew Mulindwe, Accountant
Mathias Kyeyue (?)
- 12:00 Uganda Development Bank
Mr. F.J. Kasujja, Asst. G.M. of Operations
Cissy Kwoba-Abungu, Manager Accounts
Christine Lubwama, Senior Admin. Officer
(and Secretary of UWCFT)
3 officers, responsible for RPE and SSI
IPS Building 14 Parliament Avenue
P.O. Box 7210
Phone: 230-740/6 (Cissy, ext. 24)

Friday, March 15

- 11:00 Uganda Commercial Bank
Mr. Masembe, General Manager, Development
Finance

Joyce Achigwa, Rural Farmers' Scheme
Charles Ecum-Ochok, Asst Chief Manager, DFG
P.O. Box 973
Phone: 234-710, ext 251, Masembe: 242-330
Fax: 242-694

12:30 Ministry of Women in Development
Mrs. Byekwaso-Luboga, Minister
Office of the President
Parliamentary Buildings
P.O. Bix 7168

4:00 Centenary Rural Development Trust Ltd.
Mr. Francis Kasule, General Manager
Mr. W.R. Makuza, Asst G M/Operations
57 Nkrumah Road
P.O. Box 1892
Phone: 244-035, 232-393
Fax: 268-104

Monday, March 18

8:30 International Credit Bank
Mr. Thomas Katto, Chairman
Mr. Patrick Katto, Director
Mr. Fred Bitwire
Plot 8/10 Uganda House
Kampala Road
P.O. Box 30961
Phone: 242-291, 231-975, 242-269
Fax: 256-972

11:00 National Council of Women
Mrs. Florence Nekyon, Secretary General
Ruth Suwika, Assistant
Uganda House
P.O. Box 1663
Phone: 258-463

2:30 European Economic Community (EEC)
Mr. Higham, Res. Rep.
Uganda Commercial Bank Bldg.
Fifth Floor

4:30 Gold Trust Bank
Mr. S. Visvanathan, General Manager
P.O. Box 70
Phone: 231-784

Tuesday, March 19

10:00 PAPSCA
Mr. Joseph Okune, Coordinator
Mr. Robert Bagonda, Accountant
Mr. Frances ?, Economist

11:30 BOU
Margaret Matovu, Senior Officer
Bank Supervision Department

2:30 Uganda Women's Credit & Finance Trust
Sarah Mangali, Executive Director

Wednesday, March 20

- 10:00 BOU
Sarah Odong, Advisor to Governor
Clare Wavamunno, Women Credit Desk
Boniface Kisambira, Asst. Dir. DFD/Operations
- 11:00 Shirley Erves
- 3:00 Directorate of Women's Affairs
NRM Secretariat
Mrs. Janet Mukwaya, Director
NRM Secretariat Building
- 4:00 World Bank
Mr. Ablo, Res. Rep.
East Africa Development Bank Bldg
Fifth Floor

Thursday, March 21

- 2:00 USAID Briefing
Mr. Stephen Ryner, Deputy Director
- 3:00 UWCFT
Sara Mangali, Executive Director

Friday, March 22

- 9:00 Grindlays Bank
Mr. D.J. Thorne, Assistant Gen Manager
45 Kampala Road
P.O. Box 7131
Phone: 231-151, 230-811, Thorne: 230-608
- 11:00 Ministry of Foreign Affairs
Africa & Middle East Region
Mr. Bart Katureebe, Deputy Minister
Finance Building
P.O. Box 7084
- 12:30 BOU
Boniface Kisambira
Joseph Walusimbi
Clare Wavamunno
Enid Kiiza
- 3:00 DENIVA
Mr. Henry Kizito-Musoke
Programme Officer
P. ot 274, Wandegeya
P.O. Box 11224

Phone: 531-395
Fax: same

Saturday, March 23

10:00 Meeting with Uganda Women Entrepreneurs
Assoc.
at Pop-In Industries (Mrs. Mbire)
10 members present

12:00-
3:30 Visits to 4 businesses:

Uganda Plastic Industries
Margaret Kayemba, Managing Director
12 Buvuma Road, Port Bell
P.O. Box 11203
Phoeg: 221-172

future restaurant site

Equator Pharmacy
Mrs. Catherine Kisumba (see above)

Restaurant

Monday, March 25

9:00 Bank of Uganda, Dev. Finance Dept.
Joseph Walusimbi
Boniface Kisambira
Clare Wavamunno
Enid Kiiza

10:00 Bank of Uganda, Bank Supervision
Margaret Matovu

11:00 Ugadev Bank
More Norman Muganzi, Projects & Research
John B. Kiggundu, General Manager
Twaha Lukwanzi, P.R. Officer
Parliamentary Avenue, Development House
P.O. Box 7019
Phone: 244-568

3:00 USAID
Ed Smith, Program Officer
Shirley Erves
David Edding, Technical Support to BOU

Thursday, March 28

6:00 UWFCT
Sara Mangali, General Manager
Cissy Kwoba-Abungu, Chairperson
Christine Lubwama, Secretary
Mary Okwakol, Director

Saturday, March 30

11:00 UWFCT
Sara Mangali, General Manager

APPENDIX G

GLOSSARY OF ACRONYMS

BOU	:	Bank of Uganda
CERUDET	:	Centenary Rural Development Trust
DFD	:	Development Finance Department
DFE	:	Development Finance Fund
LCF	:	Local Currency Fund
NCW	:	National Council of Women\
RFS	:	Rural Farmers Scheme
RPE	:	Rehabilitation of Productive Enterprise
SEDCO	:	Small Enterprise Development Corporation
SEWA	:	Self Employed Women's Association
SME	:	Small/Medium Size Enterprise
UCB	:	Uganda Commercial Bank
UCSCU	:	Uganda Cooperative Savings and Credit Union
UNICEF	:	United Nations International Children's Education Fund
UNIFEM	:	United Nations Development Fund for Women
USAID	:	United States Agency for International Development
UWFCT	:	Uganda Women's Finance and Credit Trust
UWFF	:	Uganda Women's Foundation Fund
WCD	:	Women's Credit Desk
WID	:	Women in Development
WWB	:	Women's World Bank