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IMPROVING ACCESS TO FINANCIAL SERVICES IN RURAL UGANDA

Rural SPEED Final Report

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IMPROVING ACCESS TO FINANCIAL SERVICES IN RURAL UGANDA

RURAL SPEED FINAL REPORT

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CONTENTS

Executive Summary 1

Chapter One: The Need for Rural SPEED 4

Chapter Two: Mobilizing Savings 7

Chapter Three: Supporting New Opportunities in Agricultural Finance 16

Chapter Four: Increasing Sacco Institutional Capacity 26

Chapter Five: Promoting Rural Lending through Loan Guarantees 33

Chapter Six: Expanding Services Delivery Mechanisms 38

Chapter Seven: Looking Forward 43

EXECUTIVE SUMMARY

Uganda's economy has expanded substantially in the last 20 years following major economic reforms that paved the way for market-based development and growth. Private investment has increased, new export-oriented industries such as tourism and floriculture have emerged, and the poverty rate has dropped from 56 percent in 1992 to 31 in 2006.

However, the country's economic expansion has been uneven. While modern factories and hotels rise in the capital and other urban centers, prosperity has been slow to arrive in rural areas, where most of the population lives — despite the fact that rural agricultural production is the backbone of Uganda's economy. Four out of five people earn at least part of their income from agriculture. The sector accounts for more than one-third of the gross domestic product (GDP) and most of the country's export earnings, which are a fraction of their potential. Yet the vast majority of Ugandans still struggle to survive as subsistence farmers or small-scale traders.

This urban/rural economic disparity is reflected in the financial services sector. In the capital city of Kampala and major towns, financial institutions and automated teller machines are commonplace. International and local commercial banks compete for customers. Billboards advertise better customer service and a wide range of financial options. Home mortgages, car loans, and other relatively new products aimed at the expanding middle class are increasingly available to the urban population.

By contrast, financial services are relatively scarce in rural Uganda, where people also lack information about how financial institutions can help them improve their lives. Many rural Ugandans live far from the nearest financial services provider, which often is a small, member-owned savings and credit cooperative (SACCO) with limited operations and products. Those who try to save often keep their money at home, hiding it in mattresses or burying it in their gardens. Most feel they have no hope of qualifying for a loan. They either do not own property that can be used as collateral, or they find the credit options too limited for their needs.

USAID launched the Rural Savings Promotion and Enhancement of Enterprise Development (Rural SPEED) program in 2004 to stimulate economic growth and increase wealth by expanding access to financial services in Uganda's rural areas. Rural SPEED has been a vital link in USAID's integrated, private sector-driven approach to economic development, connecting market-oriented farmers and rural businesses to financial institutions prepared to meet their needs. Rural SPEED provided technical assistance and grant funding to partner financial institutions, including large commercial banks, microfinance providers, and village-level SACCOs. The program supported training and mentoring, development of new products and service delivery mechanisms, and public awareness efforts.

Rural SPEED's priorities were:

- Mobilizing rural Ugandans to save money and deposit it in recognized financial institutions
- Demystifying and supporting lending to the agricultural sector to create new opportunities for farmers, traders, and other rural business people to expand their operations and increase their incomes
- Expanding the range of savings and credit products available to rural Ugandans
- Strengthening the internal operations of small rural financial institutions
- Using technology to expand the outreach of financial services in remote areas

After three years, USAID's Rural SPEED has been successful. (See Project Impact box on the next page.) The project's partner financial institutions have stronger operations and offer an expanded range of products and services in rural communities. Rural Ugandans have new options for savings accounts and agriculture-oriented loans, as well as innovative ways to access and transfer their money. They have opened more than 300,000 new savings accounts and borrowed billions of Uganda shillings (UGX)[1] to expand farming operations and other small businesses.

Rural SPEED's *Tunda Juba* loan makes it possible for this member of the Muhame SACCO to purchase her matooke from farmers.

[1] The exchange rate as of October 31, 2007, was UGX 1,737 = $1

Project Impact Highlights

Mobilizing Savings

- The number of new savers in rural Uganda grew by 321,000 due to Rural SPEED's savings activities, exceeding the program target by 7 percent. These new depositors brought UGX 279 billion into the formal savings sector, falling slightly short of expectations. However, the higher-than-anticipated number of new savers indicates that those who opened accounts did so with smaller amounts of money. This suggests that Rural SPEED successfully mobilized savers with very limited resources.
- Rural SPEED supported the introduction of 33 new or improved savings products into the rural marketplace, which dramatically exceeded expectations. Partner financial institutions launched 11 new savings products and refined 22 with program assistance.

Expanding Agricultural Finance and Other Credit Opportunities

- Rural SPEED supported development, refinement, piloting, and/or rollout of nine new credit products in rural Uganda, eight of which are tailored specifically for agriculture.
- Rural SPEED's support for expanding rural credit opportunities led to an increase of 55,000 in the number of agricultural borrowers served by partner institutions, exceeding targets by 65 percent. While the program missed its target to increase total borrowers by 34 percent, the value of new loans of UGX 155 billion exceeded the target by 131 percent, and new agricultural loans of UGX 31 billion exceeded the target by 259 percent, signifying a program partner shift in lending philosophies toward agricultural businesses.
- Rural SPEED program partners introduced 15 new agricultural technologies adopted by 3,202 smallholders, exceeding targets by 200 percent and 20 percent, respectively.

Strengthening Financial Institutions

- Training and mentoring supported by the project helped improve the effectiveness and financial status of partner financial institutions. This was reflected in the weighted average of their portfolio at risk (over 30 days), which was 3.93 percent, meeting the program target of less than 5 percent.
- Rural SPEED redesigned the multidonor supported Performance Monitoring Tool (PMT) for SACCOs as well as MFIs. The project supported PMT training for 223 institutions, exceeding target by 178 percent.

Encouraging Private Sector Investment through Public-Private Partnerships

Rural SPEED formed 26 public-private partnerships that successfully leveraged USAID funds to encourage private sector investment in the expansion of rural financial services. Grantees spent $1.28 in private matching funds for every $1 of grant funding under Rural SPEED's Strategic Activities Fund, and DCA I leveraged $28 for every $1 of USAID investment.

Expanding Services Delivery Mechanisms

Rural SPEED supported the use of innovative technology to increase the number of financial services access points in rural Uganda. Four new service delivery mechanisms were introduced, exceeding the target by 33 percent and resulting in 51 new access points.

Access to financial services that meets rural needs is vital to economic development in low-income countries such as Uganda. The rural poor cannot hope to lift themselves out of poverty if they are always one failed crop or an illness away from financial disaster. But expanding access does not mean simply opening new bank branches and SACCOs in remote villages. Governments and donors must work together to ensure that available services are appropriate and affordable for the rural market, both for individuals and enterprises, and that the financial institutions offering them are capable and accountable. This report provides examples and recommendations based on practical results.[2]

[2] Unless otherwise indicated, all program partner results quantified in this report are as of June 30, 2007, although Rural SPEED did not close until November 7, 2007. The program's partners' performance information of September 30, 2007, was not available for review and analysis in time to be included in this report.

CHAPTER ONE: THE NEED FOR RURAL SPEED

Uganda's financial services sector has become increasingly efficient, productive, and competitive since major economic policy reforms were instituted in 1987. The process began shortly after Uganda's current government took power, ending years of violent dictatorship and beginning the transition to a market-based economy and democratic rule. The financial sector's growing vibrancy is apparent in Kampala. The capital city is home to two dozen regulated financial institutions, including 15 commercial banks, plus numerous smaller microfinance organizations and SACCOs. The head offices of major banks are prominent in the downtown skyline. Financial billboards line the main streets, competing for millions of potential customers who live and work in the crowded metropolitan area. But the banking boom is primarily an urban phenomenon.

Rural Uganda — home to 86 percent of the country's 31 million people — remains severely underserved by the financial sector.[3] When Rural SPEED started in 2004, only 10 percent of the rural population was able to access basic financial services. Uganda also has one of the developing world's lowest gross domestic savings rates. From 2000 to 2004, Uganda averaged a savings rate of 7.3 percent of GDP compared to 11.8 percent with neighboring Kenya, 9.5 percent for neighboring Tanzania, and 19.4 percent for all of Africa.[4]

Although agriculture is the primary source of income for rural residents and a dominant force in the economy, financial institutions of all types and sizes are reluctant to lend to the sector, believing it to be not worth the risk. As a result, commercial lending and most microfinance activities have been confined largely to urban and peri-urban areas. The geographic distribution of financial institutions also is uneven. The high cost of reaching customers in areas without paved roads, electricity, and other basic infrastructure is another major barrier to rural financial access.

With 88 percent of Ugandans living in rural areas, Rural SPEED's agricultural loan development initiatives have proven effective for agribusiness expansion.

Many rural communities are served by village-based

[3] Financial markets in Uganda are narrow in two senses. First, the regulated participants are few, holding most of the financial instruments, such as treasury bills, in the market. Second, the range of financial instruments in the markets is small: the majority of the financial transactions in the economy are conducted using only a few instruments such as cash and demand deposits. With few participants and a limited range of instruments, the markets are far from competitive.

[4] *Africa Development Indicators 2006*, The World Bank, p. 37

SACCOs, member-owned institutions that, unlike banks, are not regulated by the Bank of Uganda. As a result, SACCOS vary widely in quality and accountability. Most operate at very poor levels of financial management, transparency, and governance; offer few products; and do not pay interest on savings accounts. In this context, USAID decided to launch a program aimed at increasing access to financial services in rural Uganda.

USAID Assistance

Rural SPEED grew out of a 2004 USAID workshop on rural financial services attended by public and private stakeholders. USAID identified four key activity areas: savings mobilization, new products, agricultural finance, and service delivery mechanisms. Rural SPEED was designed to deepen and strengthen financial services in Uganda's rural communities in response to the rural market's needs and demands. Chemonics was selected to implement the three-year project.

The overall goal of the USAID program in Uganda is to assist the country in reducing mass poverty and its effects on household incomes, human capacity, and governance. Economic development and wealth creation are a major focus of the mission's portfolio. USAID/Uganda takes an integrated, market-based approach to its economic development activities, supporting multiple, complementary programs that expand sustainable economic opportunities for rural growth while addressing the barriers that constrain it.

During Rural SPEED, USAID also funded private sector-based programs designed to increase crop productivity and marketing; create livelihoods through protecting Uganda's unique biodiversity; improve the country's global competitiveness; and strengthen the dairy industry. Part of the intended goal was to link USAID's clients in these productive agricultural subsectors to expanded rural financial services, leverage resources, and build on the success of existing programs to create new economic opportunities.

The Rural SPEED Approach

Rural SPEED provided technical assistance, training, and public awareness initiatives, combined with grants made through a Strategic Activities Fund and commercial bank loan guarantees. Activities involving agricultural subsectors were a major focus, given both farming's importance to rural livelihoods and the project's link to other USAID economic growth programs. Savings promotion also played a central role in Rural SPEED, with the project team identifying savings as a foundational building block of rural wealth creation. Rural SPEED also emphasized the innovative use of technology to overcome cost and logistical barriers to serving remote areas.

With a three-year timeframe and limited resources with which to systematically reform the financial sector across the board, the project team took a "deeper not broader" approach that focused on creating specific, demand-driven, innovative, and effective models for delivering rural financial services that could later be replicated on a larger scale. Rather than develop general products for widespread use, the team worked with individual partner financial institutions to research, develop, pilot, and roll out appropriate new products targeted to the identified needs of their potential rural customers.

The project formed public-private partnerships with a diverse range of financial institutions, including commercial banks, commercial credit institutions, microdeposit taking institutions (MDIs), microfinance institutions (MFIs), and SACCOs. Private partners had to contribute a minimum of 10 percent of the total project cost, scaling up based on the partner's capacity to share costs. Rural SPEED leveraged $1.28 for each dollar spent on a grant project. The program's public partners included the Government of Uganda, other USAID-funded programs, financial and private sector donors, and donor-funded projects.

The project viewed SACCOs — with their local business focus and democratic structure — as a potentially powerful tool for reaching the target population and stimulating sustainable economic development. The team saw the potential to build links between unregulated financial institutions like SACCOs and their larger, more sophisticated counterparts like banks to bring a new range of services to rural communities. The project's "deeper not broader" approach also extended to its selection of SACCO partners. Although it ultimately provided some training and training materials to nearly 200 of Uganda's estimated 1,000 SACCOs, the bulk of its technical assistance focused primarily on in-depth work with 10 partners. To narrow the field, the project team designed a process to identify viable SACCOs likely to benefit from assistance and adopt new methods in their day-to-day operations.

With input from a broad range of industry organizations, Rural SPEED identified 100 leading SACCOs as potential partners. The project team narrowed the field to 25 candidates in western Uganda, which has a high SACCO concentration, to reduce travel time and expense. Two rural finance specialists collected key performance data on assets, loan portfolio and liabilities (value, volume, and performance of loans; level of concentration on agricultural finance; value and volume of savings); external debt and equity financing (loans and investments from donors); portfolio quality; and outreach (members, borrowers, savers, employees, and loan officers, disaggregated by gender). They selected the top 10 as partners. Each signed a memorandum of understanding with Rural SPEED. Three of the SACCOs failed to meet their obligations during the life of the project and were replaced with others selected using Rural SPEED's Light Due Diligence Tool, discussed in Chapter Four.

For this report, activities are divided into five areas:

- Mobilizing the rural poor to save and expanding the range of available savings products
- Creating new opportunities in agricultural finance, including new credit products tailored to farmers and agriculture-related small businesses
- Strengthening the institutional capacity of SACCOs
- Promoting bank lending to rural enterprises and the agriculture sector through Development Credit Authority loan guarantees
- Expanding service delivery mechanism through use of innovative technology

Although USAID has achieved its short-term goals with Rural SPEED, much remains to be done if the majority of rural Ugandans are to have access to appropriate, affordable financial services. Models developed and successfully launched can be replicated on a larger scale. Training based on developed materials should be expanded to a larger group of financial institutions. In-depth, hands-on support to build the operational capacity of SACCOs must continue if these small rural institutions are to play a leading role in eliminating poverty through private sector growth.

CHAPTER TWO: MOBILIZING SAVINGS

> "People had a negative attitude towards savings. Minimum saving per week was limited to 500 shillings. They used to say that they are poor, therefore not able to save more. The radio sensitization message that *even the poor can save* has changed the potential savers' attitude. Now we see a change from 500 shillings minimum to 5,000 shillings per week."
>
> *–Omar Abdullay, branch office manager/program officer, West Nile Private Sector Development Promotion Center, Arua*

Like many rural Ugandans, 24-year-old Grace Ndagire has a small business selling potatoes from cardboard boxes in a trading center. Although she tries to save, Grace struggles to survive. She never attempted to open a savings account, believing that such things were for educated, successful business people. This attitude is common in Uganda, which has one of the world's lowest savings rates and lags behind other East African countries.

A low savings rate is a major barrier to economic growth, which is fueled in part by investment. For the rural poor, savings can help buffer seasonal swings in agriculture-related incomes and provide the lowest-cost source of cash for achieving long-term goals. Saving money is also the least expensive way to obtain cash to cover family emergencies and unexpected income shortfalls. Overall, savings is the surest path to increased financial security for most people, regardless of income.

To examine the reasons behind Uganda's low rate, Rural SPEED conducted a national rural savings study. It had two components: a survey of 852 rural Ugandans, including current financial institution clients and those who had never used financial service, and qualitative research based on focus groups and interviews with rural residents and savings practitioners.

The study found that 80 percent of rural Ugandans saved in some fashion: with an account in a recognized financial institution; through participation in an informal savings group or on their own in cash at home; or by making purchases that served as investments. However, the use of formal savings institutions was low. Of those who saved, only 13 percent had an account at a bank, MDI/MFI, or SACCO. Even people who had accounts kept more of their savings outside the formal system than in it, either by hiding money at home or investing it in property or livestock.

The most common reasons for saving were to pay for medical emergencies, school fees, and unforeseen problems. The study also found that many people lacked information

Savings Study Results: Understanding Uganda's Low Savings Rate

Uganda's low formal savings rate was a well-known fact at the start of Rural SPEED, but little research had been done to understand the reasons behind it. One of the project team's first priorities was to conduct an in-depth national study, *Savings Habits, Needs, and Priorities in Rural Uganda*. Among the study's key findings:

- Eighty percent of rural Ugandans had an income-generating activity, most often farming, livestock-rearing, or trading.
- Eighty percent of rural Ugandans were active savers, meaning they saved in some fashion, either with a financial institution, with an informal savings group, by keeping cash at home, or by buying property or livestock.
- Of those, only 13 percent had a savings account in a recognized financial institution. But even people with accounts kept the majority of their saved money outside of institutions.
- The most common reasons for saving were planning for medical emergencies, school fees, and unforeseen problems.
- Security of funds, accessibility of saved money, and ease of withdrawal were high priorities when choosing a financial institution.
- Counter to common beliefs, men saved as much as or more than women.
- Limited information and lack of understanding were barriers to increasing the savings rate. Twenty percent of all respondents lacked information on how or why to save, 14 percent did not see the benefits of saving, and 27 percent said they were not personally interested in saving.
- Most respondents also perceived their low incomes as a hindrance to accessing formal savings services. The vast majority earned less than UGX 200,000 per month, the equivalent of $110, with a significant portion below UGX 50,000 per month.
- High fees charged by financial institutions were another major impediment to saving in the formal system. Low interest rates were a relatively insignificant factor.
- The highest un-banked saving capacity was in northern Uganda, an area with a high percentage of active savers, that is slowly coming out of 20 years of armed rebel conflict.

The study gave the project team real-world information that allowed it to tailor savings mobilization activities for maximum impact. In addition, the study results were used by other organizations. For example, the Consultative Group to Assist the Poor (CGAP) used the results as the basis for its 2006 country evaluation of Uganda, which was published and distributed worldwide.

about saving and its benefits. Twenty percent of respondents said they did not know how or why to save, 14 percent did not see the benefits of saving, and 27 percent said they were not interested in saving (see Savings Study Results box above).

Based on the savings study results, the project team implemented a savings mobilization strategy built around two major types of activities: public awareness initiatives and new product development. The project also provided long-term capacity building to help partner financial institutions improve their savings-related operations.

The results were dramatic. A national public awareness campaign with the theme "Save Today for a Better Tomorrow" led hundreds of thousands of rural Ugandans to open savings accounts at Rural SPEED partner financial institutions. One of them was Grace Ndagire, the young businesswoman mentioned at the beginning of this chapter. She chose an Easy Access account with Uganda Finance Trust (U-Trust), one of 33 new savings products developed or refined with Rural SPEED support. Her story is on page 14.

Public Awareness

The project team knew from the study that Uganda's rural poor would benefit from accurate information on how saving money safely and wisely could help improve their lives. But the question was how to most effectively reach members of this target audience. As a group, they had limited education, spoke many different tribal languages, were spread throughout the country in villages with no electricity and little outside contact, and were engaged in a variety of economic activities.

Through a competitive process, Rural SPEED hired a local advertising and public relations firm to assist in developing an innovative, national public awareness campaign.[5] The savings campaign was built around a simple logo and the tagline "Save Today/Better Tomorrow, Wise Saving/Better Living," selected after field testing in rural focus groups. All of the campaign materials used the same theme and color (green), which has positive associations with money, agriculture, and Uganda's lush countryside.

Radio was a key medium for delivering the savings message. As is true in many developing countries, radio is Uganda's most popular medium. An estimated 48 percent[6] of Ugandans own radios — a major source of news, information and entertainment — and many more listen to radios owned by their relatives and neighbors.

In addition to radio, the multimedia campaign used a mix of live entertainment, billboards, and smaller outdoor advertising, posters, and functional giveaway items such as coin purses, notepads, and stickers to spread the savings message. Eight commonly spoken languages — Luganda, Japadhola, Alur, 4Rs (Runyankore, Rukiga, Rutoro, and Runyoro), Swahili, Ateso, Lugbara, and Luo — were used in the campaign, which ultimately reached millions of rural Ugandans. The campaign highlighted the benefits of saving money, the advantages of keeping it in recognized financial institutions, and how to select a safe institution at which to open an account.

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[5] A 12-minute video documentary about the campaign is attached on a CD.

[6] Uganda Bureau of Statistics, 2002 Census

A major innovation was the use of road shows, live entertainment events staged from a large branded truck. In Uganda, road shows are popular for promoting soft drinks, beer, laundry detergent, and other consumer products. Major attractions in rural areas, these shows draw thousands of people to enjoy an afternoon of music, comedy, interactive games, and free promotional items. Rural SPEED successfully adapted the medium to promote a service with social and economic benefits. The campaign was implemented in two three-month phases in collaboration with the government's Ministry of Finance, Planning, and Economic Development. The project's partner financial institutions also participated by setting up information tables to explain and market their services at the road shows. As Ezra Balihamwe, manager of Iganga branch of the Foundation for International Community Assistance (FINCA), explained, "This event has helped us to clear up misconceptions of what our institution does. People now know that we are more than just a credit institution. I expect to get many new saving clients."

More than 46,000 people attended Rural SPEED's savings mobilization road shows, increasing the number of savers in partner financial institutions by 320,000 in only two years.

The initial phase was conducted in eastern, western, and parts of central Uganda in 2006. The radio campaign with 10-minute comedy skits, 30-second advertisements, disc jockey mentions, and a jingle aired on seven stations with a listening audience of 22 million. Nine road shows — featuring a comedy skit, music, dancing, interactive games, and giveaways — drew 9,800 people. Forty-one branches of partner banks, MDIs, MFIs, and SACCOS took part. Partners reported that their number of savers increased by an average of 22 percent as a result.

Based on the success of Phase One, the project took the campaign nationwide for three months in 2007. This expanded the message to Northern Ugandan, where a tentative peace agreement had recently ended 20 years of armed rebel conflict. The savings study had found that the North has more active savers (although fewer using organized methods) than other regions, despite the fact that many people had been forced into internally displaced camps after the destruction of their farms and livelihoods.

Savings Awareness Activities Continue

Rural SPEED's savings awareness campaign demonstrated that targeted communications activities are highly effective tools for mobilizing rural populations to save their money in recognized financial institutions. This proved to be true despite a perception that poor people cannot save and the relatively low incomes of the rural poor, which they themselves viewed as a barrier to accessing savings services.

Building on the success of Rural SPEED's national campaign, several partners developed plans to carry out their own savings awareness activities. They included the Government of Uganda and two of the MDIs that were newly licensed to accept savings from the public.

The Ministry of Finance, Planning, and Economic Development expressed an interest in continuing to promote rural savings through Business Culture, a program under its Microfinance Outreach Plan that collaborated with Rural SPEED on community-based radio programs to supplement the national campaign. The ministry was considering sponsoring additional radio programming and savings awareness road shows after Rural SPEED.

UML purchased a van dedicated specifically to savings outreach activities. UML takes the van to marketplaces and highly/densely populated activity centers, per the planned schedule of clients' days, where it uses a mix of "edutainment" and marketing techniques to educate people on the benefits of saving and encourage them to open savings accounts, which can be done on the spot.

FINCA enlisted the help of actress Natalie Portman, an Ambassador of Hope for the organization, to reach out to audiences working together to upgrade the standard of living in many communities and increase savings.

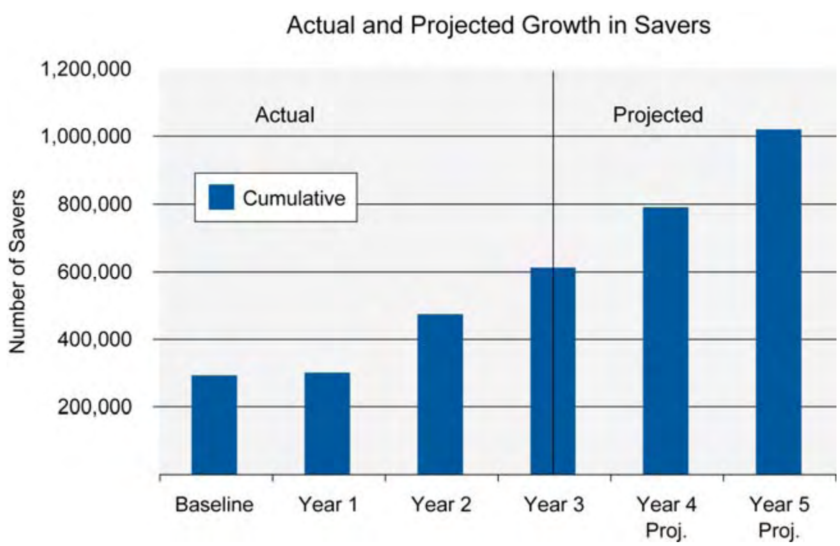
The project team worked more actively with partner financial institutions to maximize their participation at the 2007 road shows. Grant funding to partner SACCOs provided professional marketing materials, including tents, banners, posters, and brochures. This was a valuable and welcome branding boost to these rural partners, given that some small partners had been unable to afford to participate in the first round, and others had arrived with nothing more than hand-lettered signs. Another second-round innovation was the opportunity for audience members to open savings accounts at the road shows, rather than having to wait until regular business hours. Two hundred people, including Grace Ndagire, opened accounts on the spot. The impact of the second phase far exceeded expectations. The 13 road shows staged in 2007 drew 36,000 rural Ugandans, more than triple the live audience reached by the 2006 campaign. Sixty-three branches of financial institutions participated. The number of new savers motivated by the campaign continued to grow, with partners reporting an average increase of 46 percent from their second-phase participation.

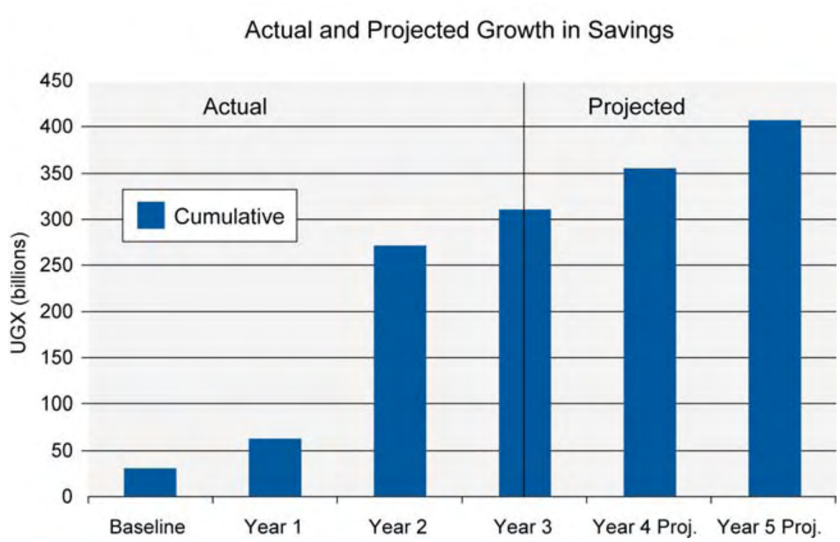
Esther Anonyayo, interviewed for a radio program in Paida, said: "I have accumulated savings in our village bank. I drew money from my own savings to solve problems such as paying school fees."

The radio campaign was also expanded to 10 stations that covered the entire country. The project collaborated with the Ministry of Finance and the International Labor Organization's Small Enterprise Media in Africa (Fit-SEMA) program on a radio initiative featuring a series of 30-minute, community-based programs that aired on seven stations. The shows had an interactive, call-in format with ministry financial extension workers as technical resources.

New Products

Bringing appropriate new savings products to the rural market was the second major part of Rural SPEED's savings mobilization strategy. The savings study had helped to clarify what rural Ugandans wanted generally in savings products: accessibility, security, low minimum balances, and low fees. Rural SPEED worked with partner MDIs and SACCOs to develop specific products responsive to local needs.





MDIs were logical partners because they were a new type of savings entity (formerly credit-only microfinance organizations) with little prior experience in the area. The Bank of Uganda had only started licensing MDIs in 2004, after making clear that traditional microfinance organizations were not authorized to mobilize voluntary savings. MFIs were taking compulsory savings deposits from the public as loan collateral. They were allowed to transform into credit and savings institutions to meet market demand for additional savings services. Four MDIs have been licensed to date: Uganda

Microfinance Limited (UML), U-Trust, FINCA, and PRIDE Microfinance, the last wholly owned by the government.

Rural SPEED provided grants and technical assistance to all three private sector MDIs not only to develop products, but also to help them rebrand themselves in the public's mind as full service financial institutions rather than microcredit providers. The savings study indicated that perception of an institution as providing a secure place in which to save was important in attracting new clients. The project supported:

- Piloting, rollout, and marketing of the UM-Save account for UML as part of its broader strategy to reposition itself after becoming an MDI. UML's 10 rural branches were rebranded with a new logo, colors, and signage to improve the corporate image. The UM-Save product features a low minimum deposit (UGX 10,000), low minimum balance for earning interest (UGX 10,000), and unlimited withdrawals. UML increased its number of new savers by 38 percent and savings volume by 151 percent.
- Refinement and/or promotion of three new savings products (Village Group Account, School Fees Savings Account, and Save as You Earn Account) for FINCA. The village account allows a group of people to pool their money in one account with relatively high interest and low fees, and access the account through any FINCA branch or outlet. The school fees account, which can be opened jointly with a minor student, allows withdrawals three times a year to coincide with school terms, provides direct payment into school accounts, and qualifies the holder for short-term loans payable within a single school term (four months). The "Save as You Earn" account provides for set monthly deposits, including automatic direct deposit, with limited withdrawals. This product was targeted in part to younger customers saving for a specific purpose. FINCA also improved its signs and simplified its saver recruitment procedures, registering a 32 percent increase in new savers and 73 percent increase in savings volume.
- Design, development, rollout, and marketing of a fixed deposit savings account and rollout and marketing of an easy access account for U-Trust. The easy access account features low opening and minimum balances (UGX 10,000) and can be accessed from any of U-Trust's 21 branches. The Fixed Deposit account is similar to a certificate of deposit, earning interest for a set period of time. U-Trust increased its number of savers by 41 percent and savings volume by 11 percent, results that suggest the institution succeeded in attracting smaller savers.

In addition to the MDIs, eight partner SACCOs received assistance to help them improve their savings products. Rural SPEED conducted an initial assessment of the group's current products, which included a range of offerings, although some were quite rudimentary. For example, the ordinary savings accounts of three partners paid no interest. In general, product features, including interest rates, were somewhat arbitrary and not based on market needs or financial management considerations.

Another key finding was that none of the SACCOs had formal, written savings policies, which made it difficult to understand the terms and conditions of the savings accounts they offered. All information had to be conveyed orally by SACCO employees, a time-consuming and inefficient process that left many people confused.

> **Tool Kit: SACCO Savings Product Development Training Guide**
>
> This guide was developed to help SACCOs undertake a scientific approach to the design, development, and pricing of savings products. It answers a series of questions starting with: "Why should clients save?" and continuing through the characteristics, costs, and income of savings products. The guide also stresses the importance and objectives of savings policies, discusses benefits of savings products, and provides sample savings products that can be a starting point for developing specific products to meet the needs of SACCO members.*
>
> * This and all other Rural SPEED tool kits and resource documents can be found at www.speeduganda.org and in the CD-ROM at the back of this report.

The assessment was followed by a two-day product development workshop and individual SACCO mentoring. The training materials included a how-to guide produced by Rural SPEED, *SACCO Savings Product Development Manual* (see Tool Kit box).

Rural SPEED helped partner SACCOs redesign their savings offerings, leading to two to four new or refined products for each. These included ordinary savings, collection savings, fixed deposit, minor/youth savings, and health fee savings accounts.

Long-Term Capacity Building

The MDIs also faced an array of operational issues related to their new roles. They needed to manage the additional fiduciary responsibilities that came with savings deposits, as well as report regularly to the Bank of Uganda. Rural SPEED provided the MDIs with treasury management training and follow-up mentoring. As a result, they adopted new strategies such as gap analysis, an established way of assessing risk.

To bolster SACCOs' treasury management, Rural SPEED produced a manual, *Treasury Management for SACCOs* (see Tool Kit box) and held a workshop attended by representatives of partner SACCOs. To reinforce treasury management training for both MDIs and SACCOs, MDI staff later helped provide training and mentoring for the SACCOs. This was another step toward building beneficial links between Bank of Uganda-regulated financial institutions and SACCOs to pave the way for future collaborative ventures.

> **Tool Kit: Treasury Management for SACCOs Procedure Guidelines and Training Manual**
>
> This manual was designed as a practical tool to assist SACCOs in learning about instruments that help measure and manage the risks associated with increased savings volumes. It was designed for managers and board members to use in reviewing the basic element of asset/liability management in a SACCO environment. The manual is designed to help SACCOs measure, control, diversify, and hedge risk, and it can be used as the basis for a formal treasury management policy.

Success Story: Grace Ndagire, Saving for a Better Future

Grace Ndagire opened her first savings account at the Rural SPEED-sponsored road show in Masaka.

Grace Ndagire, 24, took a big step toward a better future when she attended a Rural SPEED savings awareness road show near the Nyendo trading center where she sells potatoes. Grace found the show, featuring music, dancing, and comedy, entertaining and informative.

Grace had always kept her money at home in a piggy bank, but she had trouble leaving it there to build up. Although the weekly profit from her potato business was as high as UGX 50,000, Grace found it difficult to get ahead financially. Some of her money regularly went to pay school fees for three of her nephews. In addition, as Grace explained, “I had problems. I couldn’t keep money at home. Whenever I did, my people would come and borrow it from me.”

At the road show, she learned that financial institutions in her area wanted to help people like her to save their money safely and securely. Grace visited tents set up by Rural SPEED’s partner financial institutions to market their products and services. What she saw encouraged her to open a saving account for the first time in her life. Grace took advantage of the chance to open an account on the spot, an innovative feature of the Rural SPEED road shows. More than 200 other people did the same.

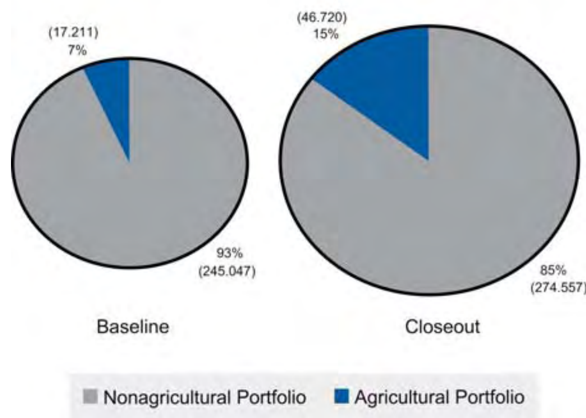
Grace chose an Easy Access Savings account offered by Uganda Finance Trust (U-Trust), one of Uganda’s newly licensed MDIs. She liked the account’s low opening and minimum balances (UGX 10,000) and the fact that it could be accessed from any of U-Trust’s 21 branches. Easy Access Savings was a new product marketed with support from Rural SPEED as part of its savings activities.

Keeping her money in a recognized financial institution rather than a piggy bank at home is giving Grace the opportunity to save for a better future. As she explained: “I am happy about the campaign because I was able to open a savings account….When I put my money in the bank, it is not easy for me to lend it out. With my savings, I want to buy land and build a house and also have a better life than what I have now. I want to improve my business because I don’t want to remain like this.”

CHAPTER THREE: SUPPORTING NEW OPPORTUNITIES IN AGRICULTURAL FINANCE

For maize farmer Sam Arapsatya, agriculture's cyclical nature and his lack of access to credit made it hard to get ahead financially. Bills piled up during the growing season, when he had no income. At harvest time, he was forced to sell his crop immediately to small traders for cash, even though prices were always at a low point. Local banks were no help and unwilling to extend him credit while he waited for the market to improve. His 20 acres had good yields, but Sam could never qualify for a loan because he rented the land and could not use it for collateral.

Partner Institutions' Agricultural Portfolio at Baseline and Closeout (Billions of Shillings), Percentages



On the other side of the country, Tusiime Mabiiho also had no hope of obtaining credit to expand his business and increase his income. Tusiime is an independent trader of matooke, a cooking banana that is a Ugandan staple food. He transports bunches of matooke by bicycle, four at a time, from farms to a trading center where he sells them to larger traders who arrange truck shipments to urban markets.

Both Sam and Tusiime struggled due to the financial sector's long-standing reluctance to lend to farmers and agriculture-related small businesses. Although 75 percent of rural household income comes from agriculture in Uganda, only 10 percent of loans go to the sector, mostly for large export operations. Financial institutions of all types and sizes lack accurate information about the risks and rewards of agricultural lending, which limits their capacity to effectively serve rural populations.

Rural SPEED's warehouse program gave farmers like Sam Arapsatya access to finance, giving him the ability to use his crop harvest as collateral to secure finance and delay the sale of his crop until market prices peaked.

The project team knew that it would have to demystify agricultural finance, "selling" it to partner financial institutions just as the nationwide public awareness campaign had promoted savings to the rural poor. Its strategy was built around an innovative value-chain approach to identifying financing opportunities and support for new credit product development.

Together, they led to exciting new choices for Sam, Tusiime, and many others. As this chapter outlines, the impact was far-reaching. The increase in partners' agricultural lending volumes substantially exceeded original expectations, with both Sam Arapsatya and Tusiime Mabiiho among those who obtained loans for the first time. Sam benefited from a bank loan offered as part of a collaborative warehouse receipts system — a result of the value-chain approach. Tusiime took advantage of a SACCO's new super-short-term loan product designed especially for small-scale traders.

Success Story: A Big Boost from an Instant Loan

Bicycle trader Tusiime Mabiiho, one of 782 *Tunda Juba* loan recipients, has tripled his business by taking advantage of the opportunities available to him as a Muhame SACCO member.

Tusiime Mabiiho is an independent trader whose business is buying large bunches of cooking bananas called matooke — a staple food in Uganda — from remote farms and delivering them by bicycle to a trading center where he sells them to agents for bigger traders who ship it by truck to urban markets.

He often travels as many as 10 miles, up and down hills, in search of farmers with matooke for sale. His bicycle can carry four bunches at a time, and for seven years he averaged only one trip a day.

He wanted to buy and sell more, but farmers demand up-front payment, and he never had enough cash to finance a bigger operation. Even a flat tire presented a major setback due to lack of money for repairs.

Muhame Financial Services Cooperative, a Rural SPEED partner SACCO in Bushenyi, saw an opportunity to help Tusiime and the many other matooke traders like him in the community. The result was the *Tunda Juba* loan product, which translates to "rapid sales." The loan takes only a few minutes to obtain and requires no collateral, but it must be guaranteed by an existing Muhame member's savings balance. *Tunda Juba* provides instant access to credit up to $50 for people who otherwise have no hope of obtaining it. The terms of repayment are up to five days, with interest set at one percent per week, to encourage rapid repayment. This “service charge” is dramatically less than existing alternative funding sources.

Another feature of the loan is a requirement that borrowers join this 2,500-member SACCO, which will expand its member base. “Though the loan was designed for matooke bicycle traders, it actually is so successful that it has motivated us to consider marketing it to other types of small-scale rural traders,” said Hope Komujuni, Muhame’s manager. With the instant loan, his business has more than tripled. He is a frequent borrower, having taken out loans ranging from $17 to $35. Now he can make four or five trips a day, rather than just one. With this steady source of working capital, Tusiime has been able to establish business relationships with farmers and matooke truck operators. He can place and take orders in advance, making his operation more efficient and cutting the time he spends searching for matooke to buy.

With the extra money, Tusiime has improved his mud house, which he plastered so it now appears to be brick and provides added protection against inclement weather. He also can pay school fees for his son who recently entered high school. Tusiime fulfilled a long-time goal of buying a young bull, something he was not able to achieve in his first seven years as a matooke trader. “The profits I am making from the business, I keep some, because in the future, I want to be able to work without the help of the loan,” he explained. “I know that I will do it. I just needed a little cash to boost me.”

Laying the Groundwork

When Rural SPEED began, agriculture finance was a poorly understood concept within even the largest financial institutions. Many viewed it as simply making loans to help farmers grow crops, ignoring areas such as marketing, processing, and livestock production. This was true despite major improvements resulting in increased yields in many of Uganda’s productive subsectors including grains, oil seeds, and dairy during the past decade. Much of the progress was due to technical assistance funded by USAID and other donors, which led to adoption of new farm technologies, improved market linkages, better infrastructure, and increased access to inputs.

Partner financial institutions were limited in their capacity to lend to agriculture by a mix of factors. They included a mindset that unfairly viewed the sector as uniformly too risky; a lack of tools for assessing, mitigating, and managing the actual risks; and the absence of trained personnel. In response, Rural SPEED initiated a series of agricultural credit workshops for partners and other financial institutions, including banks, MFIs, and SACCOs.

The training focused on helping partners understand that, although agriculture presents real and unique risks for lenders, those risks can be managed with proper credit delivery methods. For example, most business loans require repayment in equal installments to begin after 30 days, but it is unrealistic to expect farmers who receive payment only twice a year to follow the standard schedule. Instead, agriculture loans must be structured to match the cash flow and other realities of farming.

During the life of the Rural SPEED program, 90 loan officers and credit administrators from three banks were trained in collaboration with the Danish International Development Agency (DANIDA). One of them, Centenary Rural Development Bank, already was ahead of most other financial institutions when it came to rural lending. Since 2000, the bank had worked with several USAID and DANIDA agriculture development projects to diversify its portfolio to include some commercial crop farming clients. But the bank had not kept up in terms of staffing levels, leaving a lack of adequately trained employees to handle the new business.

Centenary Bank received grant funding to improve its operational efficiencies, as well as additional in-depth training for staff. Senior managers were trained first to support buy-in, followed by loan officers. Centenary substantially expanded and improved its operations, revising its agricultural loan procedures, expanding agricultural lending to 10 additional branches, recruiting additional loan officers, and, for the first time, designating a manager to oversee the agricultural portfolio. The portfolio's quality improved, as did its size. Agricultural loan volume increased 116 percent by UGX 27 billion, and the number of new agricultural borrowers served in less than two years exceeded 20,000, raising the agricultural concentration of the portfolio to 11 percent from 8 percent during the life of the project.

As a follow up, Centenary staff from its main rural agriculture branch in Mbale who earlier received training collaborated with Rural SPEED staff to provide intensive, practical mentoring to 10 partner SACCOs. The mentoring, which included hands-on experience at Centenary rural branches, not only improved the skills of SACCO employees, but also created a linkage between the two levels of financial institutions.

Rural SPEED's activities in this area culminated in publication of a practical manual — *A Comprehensive Guide to Agricultural Loan Product Design for Uganda's Rural Financial Intermediaries* — that covered all aspects of agricultural loan product development and marketing (see Tool Kit box). Twenty-four financial institutions received training based on the manual. It also was distributed to more than 400 additional financial institutions through Apex organizations that will continue to support good agricultural lending practices.

Tool Kit: A Comprehensive Guide to Agricultural Loan Product Design for Uganda's Rural Financial Intermediaries

This comprehensive guide covers all elements of agricultural credit product development and marketing. It walks the user through basic financial theory underpinning lending operations, theories of selecting bankable enterprises, and how to analyze capacity to supply a loan. It also reviews cash flows, risk mitigation, and variable costs. The manual concludes with a discussion of loan procedures, costs, and interest rate determination, as well as promotion and marketing strategies for agricultural lending in the rural marketplace.

Innovations through Value Chain Mapping

As a key part of its efforts to demystify the agricultural finance sector, Rural SPEED developed and marketed a series of commodity value chain maps. The project team designed the maps as a tool to help partner financial institutions and rural agricultural businesses identify viable, low-risk financing opportunities in maize, cotton, sunflower, tea, and upland rice.

The first step was collecting cost and revenue data for all transactions from input supply to terminal marketing for the five commodities. The team used a combination of production cost data from its own field surveys, which was cross-checked with other organizations active in the subsectors, and current loan costs. The transactions were mapped along each step of the value chain, with the associated risks and costs quantified at each point. The project team then identified possible financing opportunities along the chain, overlaying them onto the transactions.

Rural SPEED then marketed the maps, working with a wide variety of partners, including financial institutions, agriculture development projects, and donors, to structure and implement collaborative new financing initiatives in the maize, tea, and sunflower subsectors. The value chain approach increased the capacity not only of financial institutions, but also of farmers and agribusinesses to deliver financial services that meet rural needs, ensuring future growth and sustainability of the sector. In addition, Rural SPEED's work demonstrated that value chain maps are an effective tool that can be applied to other subsectors in the future.

Maize Warehouse Receipts Program

The maize value chain map resulted in a multipartner collaboration that gave Sam Arapsatya and others in eastern Uganda's maize belt the opportunity to store their crop safely after harvest, get a loan based on its value, and sell the maize later when prices rise. Under the system, farmers deposit their grain in a designated secure warehouse. They then receive a certified receipt that qualifies them for a loan worth up to 80 percent of the crop's value. The stored crop serves as collateral, and the farmer pays the money back after selling the maize.

"This system rescues us," explained Arapsatya. "With it, I was able to get a loan using my grain as security. With the money, I bought more seeds and fertilizer. Now I can develop my farm."

The warehouse receipts system was piloted through the 2,100-member Kapchorwa Commercial Farmers Association (KACOFA), which received a grant and technical assistance. The organization already was benefiting from technical assistance on crop quality and competitiveness from two other USAID-funded programs, including the Uganda Agricultural Productivity Enhancement Program (APEP). This integrated approach positioned KACOFA's members to benefit from appropriate financing options, as well as increased yields. Rural SPEED also provided grassroots training on warehouse receipts for the farmers.

Stanbic Bank was the lender, extending $200,000 in credit to KACOFA, which then made loans to its member farmers. Lending to KACOFA rather than to individuals reduced Stanbic's costs, administrative burden, and risk of default. The bank's risk was further reduced by a loan guarantee provided through USAID's Development Credit Authority (DCA), which is managed by Rural SPEED. The DCA is discussed further in Chapter Five.

The UN's World Food Programme also participated, agreeing to buy the warehoused maize at a premium price — up to double what they got from local traders — due to its high quality and the fact that it was already consolidated, cleaned, bagged in large lots, and ready for transport. Rural SPEED initially subsidized the collateral manager at the warehouse, but KACOFA soon produced enough grain to render the subsidy unnecessary. KACOFA's warehouse receipts system became self-sustaining at the end of 2006.

Warehouse receipts have helped Ugandan farmers overcome two challenges — the cyclical nature of farm income and lack of access to credit — that kept many of them operating not far above subsistence level. On average, KACOFA farmers received UGX 1.2 million against the future sale of their maize under the system. KACOFA paid off the entire $200,000 loan with interest and on time.

Based on the success of the KACOFA pilot, planning is underway for two other grain-based warehouse receipt projects in Uganda, which are being led by the private sector and are expected to begin operating after Rural SPEED closes.

Tea Grower Loans

The tea value chain map revealed that tea growers around Kayonza in southwestern Uganda had sufficient incomes to utilize commercial input loans, which could be used to improve tea quality and expand production. At the time, inputs were provided on credit at a subsidized price by the Kayonza Growers Tea Factory, a former parastatal business that had been purchased in 2003 by a group of 4,000 out-grower tea farmers who supplied the factory with green tea.

Subsidizing inputs was a holdover from the days of government control. The new farmer-owners wanted to discontinue the subsidy, which would allow them to pay a higher price for the commodity.

Rural SPEED facilitated a private-private partnership that linked Centenary Bank with an existing SACCO, Kayonza Microfinance Ltd., to provide a new loan product for the tea growers.

Funds for the loan were wholesaled by the bank and retailed by the SACCO, which received ongoing technical assistance and mentoring from Rural SPEED staff. A Rural SPEED consultant conducted a feasibility study for the loan product and designed it in collaboration with the SACCO's management.

As with Stanbic in the KACOFA pilot, Centenary Bank reduced its costs and risk by loaning to a group of farmers through the local SACCO — rather than to individuals — in an innovative way that took into account the realities of the industry. In Kayonza, the SACCO pays for the inputs, which are distributed to growers through the factory as they were in the past. When the crop is delivered, the factory pays the growers through the SACCO, which deducts the input costs before distributing the balance. Unlike previously, however, all transactions are done on a fully commercial basis. The arrangement leveraged a substantial amount of private funding from Centenary with minimal donor investment. By the end of Rural SPEED, 88 tea growers had accessed unsubsidized loans worth UGX 107 million.

Rural SPEED designed an input loan for tea farmers funded commercially by Centenary Bank and disbursed via the Kayonza Microfinance SACCO.

Sunflower SACCOs

The sunflower value chain map identified a viable financing opportunity involving sunflower growers in northern Uganda, a region that only recently had started to emerge from 20 years of armed rebel conflict. The farmers had stable incomes as contract out-growers for Mukwano Industries, a major vegetable oil manufacturer. They also were clients of USAID's APEP, which had helped them increase their productivity.

Mukwano provided a guaranteed market for the farmers' crop, paying in cash on delivery, and offered other support, including access to hybrid seed at cost, other inputs, product transport, and its own extension agents. All of these factors contributed to a relatively low-risk context for lending to farmers.

Based on the value chain map, Rural SPEED collaborated with Mukwano and APEP to support development of farmer-owned SACCOs to provide financial services in the area. The strategy called for creation of model SACCOs that would stress active democracy, self-capitalization, savings mobilization, good governance, transparency, and sound financial management and could be replicated in other settings. Among their priorities would be encouraging farmers to save during the crop marketing period to finance inputs for subsequent seasons.

After conducting a feasibility study, Rural SPEED assigned Getachew Mergia Tache, a full-time field consultant to the northern Uganda town of Lira. His role was to provide ongoing technical assistance, including educating the farmers about SACCOs, promoting the model SACCO concept, mobilizing potential members, helping organize and register new SACCOs, and providing training and mentoring to the new entities. With support from Mukwano and APEP, a series of meetings was held in Lira and Apac. Turnout and enthusiasm were high, with many women farmers expressing interest in becoming SACCO members. The sunflower growers decided to go ahead with the concept, forming four new SACCOs with an original total membership of 1,067, more than 25 percent of which are women.

By the end of Rural SPEED, the four new SACCOs had more than 3,000 members and deposits of UGX 26 million, and they were still growing. This represented 15 percent of the Mukwano out-growers. Membership also had expanded beyond the sunflower growers to support other farming activities. In the words of Mr. Tache, “Members understand their rights, responsibilities, and roles; they actively exercise these. In seeing this new way of doing business, many others are encouraged to join them.”

One of the SACCOs progressed to the point where it recruited two permanent staff members and obtained a grant to mobilize savings and upgrade its management information system and equipment. All four are operating on the model cooperative principles on which they were founded, with a high degree of member participation and high levels of transparency. The sunflower SACCOs also have benefited from the enthusiasm and commitment of their members, who even contributed their own money to cover expenses such as office rent during the start-up period.

New Credit Products

In total, Rural SPEED supported the development of 10 new credit products.[7] In addition to collaborating on the warehouse receipts and tea loans, the project team worked directly with partner financial institutions, providing grants and technical assistance to help them develop and launch eight other new credit products. All of the products were tailored to mitigate the risk of lending to agriculture-related businesses by taking into account the realities of farming and related activities. The new products substantially increased opportunities for rural Ugandans to improve and expand their small businesses. They included microleasing, super-short-term loans, crop and livestock loans, and cattle fattening loans.

Microleasing. Rural SPEED helped UML research, develop, pilot, and roll out an innovative microleasing product that allows small business operators without traditional loan collateral to acquire equipment or machinery. The customer owns the equipment at the end of the lease term after making a series of installment payments. DANIDA

[7] In an attempt to overcome the limitation for housing finance, U-Trust entered into an agreement with Gatsby Trust, which had designed innovative low-cost housing materials, to try to market their low-cost houses to the market. Although the loan product may have worked, the housing product was determined to be unsuitable to market needs, and the pilot for the product was cancelled.

provided additional support by financing the product on a matching basis with UML. The average interest rate is 2.5 percent a month, which makes microleasing one of the most highly competitive products available in the microfinance sector in Uganda. After a successful six-month pilot, UML sought and received permission from the Bank of Uganda to market the product. As of the end of September 2007, UML had written 183 leases worth UGX 1.433 billion, half of which have benefited agriculture-related businesses. The story of Dinah Epedu, one such small business owner who dreamed of opening a bakery, is on page 25.

Tunda Juba super-short-term loan. Muhame Financial Services Cooperative saw many matooke traders like Tusiime Mabiiho struggling to stay in business. With grant funding for market research and promotion, along with technical design assistance, the SACCO developed a one-of-a-kind loan product tailored to small-scale traders with no hope of obtaining a traditional loan. *Tunda Juba*, which means “rapid sales,” provides instant credit of up to $50. The loan must be repaid in five days. Since its inception, more than 782 matooke and other traders have used the product, borrowing UGX 328 million. Details about how *Tunda Juba* works and how it helped Tusiime Mabiiho triple his business are on page 17.

Crop and livestock loans. Kyamuhunga Peoples Savings and Credit Cooperative Society Ltd. and PEARL Microfinance Ltd. developed, tested, and launched new agricultural loan products with Rural SPEED support. The loans were designed to take the cyclical nature of farming into account, with payments tailored to the cash flow of the activity being funded. Kyamuhunga originally targeted rice and vegetables, but extended the product to tea and other commercial crops. It made 1,361 loans worth UGX 888.5 million, primarily for input purchases. PEARL rolled out two products, one for groups and one for individual farmers, appropriate for multiple crops, including rice, tea, millet, ground nuts, bananas, and coffee, as well as poultry and cattle. More than 5,000 loans worth UGX 932 million were made from two branches. Additionally, Rural SPEED designed and rolled out specialty agricultural products at three of the model SACCOs in the north, meeting the borrowing needs of the growing membership.

Cattle fattening loan. With design help from Rural SPEED, UML also developed a short-term product targeted at cattle farmers who wanted to earn additional money by buying, fattening, and reselling cattle within a four- to six-month period. The loan is both made and repaid in a lump sum. UML has asked the Bank of Uganda for permission to pilot the product in two branches in western Uganda’s cattle belt.

Success Story: Making Dreams Come True

“I have always wanted to have my own business,” Dinah Epedu said. “You know, we were taught to be job makers and not depend on anyone. Microleasing has helped me to achieve that by making me independent.”

Dinah Epedu found it difficult to find a job that would allow her to save enough money to fulfill her dream of opening a bakery. So with her husband’s support, she quit her job at a supermarket and started a small cake business with the little money she had.

Dinah baked cakes at home, selling them to friends and neighbors. She managed to increase her production to 100 medium-sized cakes a week, which she sold to four supermarkets in the capital city of Kampala for about 60 cents each. She needed a bigger oven to expand her business, but did not have the money to buy one. She also feared she would not qualify for a bank loan.

Then Dinah heard about UML’s microleasing program, which started in June 2006 with support from Rural SPEED. Microleasing fills a gap in financial products in Uganda, where small businesses operators like Dinah lack the collateral necessary to obtain loans to acquire equipment or machinery to expand their businesses.

In September 2006, Dinah used her savings of $300 as a down payment to lease a gas oven worth about $860. She paid $100 in monthly installments and owned the oven at the end of the 12-month lease period after paying a token amount.

Today, Dinah supplies an average of 600 cakes per week to 14 supermarkets in and around Kampala and recently signed a contract with 10 more. Working out of her garage, she bakes and sells decorated wedding and birthday cakes, as well as smaller individual ones. Dinah also produces icing roses, which she supplies to bakeries around town. She also has acquired a charcoal oven and package sealer, and she has hired an employee to help mix ingredients.

With Rural SPEED’s help, Dinah’s dream of owning her own bakery is taking shape. She also wants to lease a mixer worth $1,435 through the program and hire another employee. She is a satisfied customer, encouraging her neighbors to take advantage of the opportunity that microleasing offers to expand their small businesses. “I recommend microleasing to anyone who doesn’t have money to buy expensive equipment.”

CHAPTER FOUR: INCREASING SACCO INSTITUTIONAL CAPACITY

“Rural SPEED has taken us an extra mile more. It has left us far beyond where it found us.”
–Supervisory Committee Chairperson, Muhame

It was clear from the start of Rural SPEED that most of Uganda’s SACCOs were extremely weak, lacking even the basic skills and systems necessary to effectively provide financial services. SACCOs, which are not regulated by the Bank of Uganda, have a poorly defined legal status as financial institutions in Uganda. Legally, they are treated like all other cooperatives that fall under the supervision of the commissioner of cooperatives in the Ministry of Trade, Tourism, and Industry, while in fact as financial institutions their operations should require specialized supervision. In practice, SACCOs are allowed to function from year to year with little independent oversight of their operations and financial status due to budget and staffing limitations in the commissioner’s office.

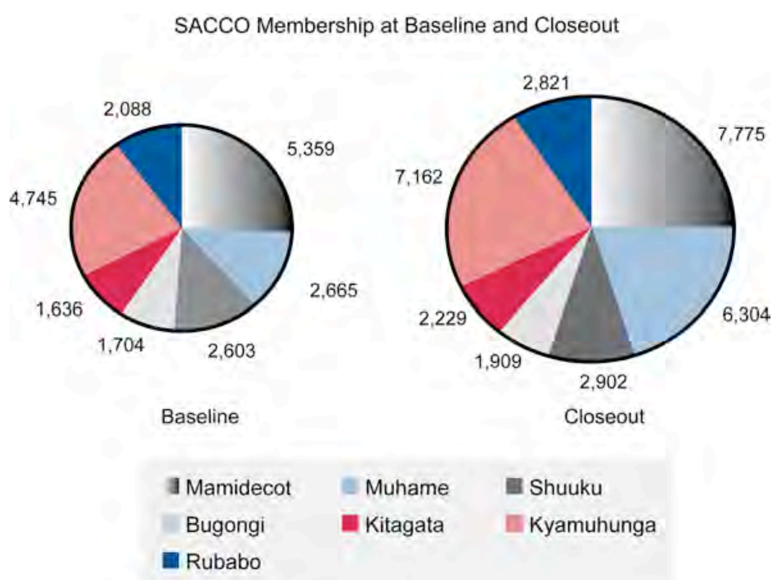
Many are poorly governed and operate in a manner far removed from the International Cooperative Alliance principles on which SACCOs normally are based. They often are run with little transparency by small groups of self-interested leaders — despite the fact that democratic control by members is basic to the structure of all cooperatives.

Because these small, community-based organizations are vital to reaching the rural population, the project team made strengthening them a top priority. One approach was to develop replicable model SACCOs from the ground up, an activity discussed in Chapter Three. In addition, Rural SPEED provided training and hands-on mentoring for its 10 partner SACCOs in all facets of their operations and helped them access appropriate computer technology. The partners had been chosen through a broad-based process, outlined in Chapter One, designed to select SACCOs that were likely to be quick adopters of new methods and eventually serve as market models.

As this chapter details, Rural SPEED's partner SACCOs emerged stronger by the program's conclusion, with improved organizational structures, governance, operations, and financial management. They also were providing a wider array of products and services that made them better able to serve their rural communities. The story of one such SACCO, Kyamuhunga Peoples Savings and Credit Cooperative Society Ltd., is on page 31.

Strengthening SACCO Operations

Uganda's estimated 1,000 SACCOs have widely disparate structures, management, policies, procedures, and financial systems. They generally lack computer technology and are plagued by untrained leadership, inefficient management, low portfolio quality, poor planning, weak asset/liability management, and other problems. At the same time, the operations of individual SACCOs are difficult to evaluate simply and accurately due to the many differences among them.



At the outset, the project team envisioned devoting a substantial amount of time working to link SACCOs with banks and other higher-level institutions to make use of the comparative advantages of each to expand rural financial services.[8] But the team soon came to understand that even its partners were not prepared to be effective linkage banking partners. In addressing this lack of skills, knowledge, and systems, Rural SPEED turned its focus to training and mentoring SACCO staff and leadership, with the goal of bringing the SACCOs' operations to professional standards. Training was provided to both partner and non-partner SACCOs — a total of 166 institutions — with the 10 partners also benefiting from hands-on follow-up mentoring from Rural SPEED technical specialists. More than 494 SACCO employees and board members were trained during the project period.

For example, Rural SPEED provided credit product training covering both agricultural and nonagricultural finance for 60 general managers and loan officers from 30 SACCOs and 5 MFIs. Topics included understanding production and marketing, identifying risks, costing risk-mitigation strategies, scientifically developing interest rates, and strategies

[8] This is based on the fact that SACCOs operate deep in rural areas at cost levels that banks can never achieve, while banks can mobilize urban deposits that could go a long way toward capitalizing SACCO loan portfolios.

for disbursing and recovering agricultural loans. A how-to manual, *Product Costing and Pricing Manual for SACCOs*, supplemented the training (see Tool Kit box).

> **Tool Kit: Product Costing and Pricing Manual for SACCOs**
>
> This manual was developed to assist SACCOs in using sound financial principles in the design of financial products of all types. It addresses the elements of cost accounting, reviews revenue and cost centers, compares cost accounting systems, analyzes external financing, and explains how to determine profitability of product lines.

SACCOs also received training in some or all of the following topics: strategic planning; governance; portfolio management and financial analysis; cost accounting; mission and vision statements; delinquency management; risk management and internal controls; and member mobilization, sensitization, and education.

Light Due-Diligence Tool

Collaborating with other donor programs[9] also supporting SACCO capacity building, Rural SPEED developed an innovative, relatively simple method of evaluating the status of SACCO operations and finances. The Light Due-Diligence (LDD) tool provides a fast and accurate estimate of the governance, financial management, and operational management capacity of a SACCO (see Tool Kit box). It can be executed in half a day and can cost as little as $250, depending on availability of a local auditor and the size of the institution. A full audit can cost $3,000 and take more than a week to complete.

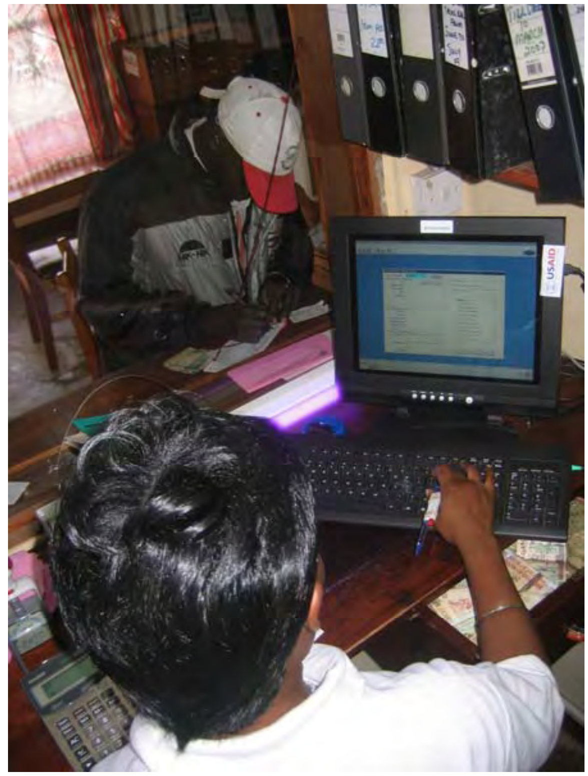
> **Tool Kit: Light Due-Diligence Tool**
>
> This tool was developed as an alternative to a full audit, providing a quick and accurate way to assess the financial and operational health of a SACCO. It was designed for use by auditors and finance professionals and can be used by SACCOs for self-evaluation. Structured as a checklist, the tool walks the user through a series of questions covering topics that include governance effectiveness and strategy, asset and liability management, financial sustainability, and outreach, allocating points based on the answers. The maximum total score is 100, with a breakdown of a range of scores to determine if a SACCO was fairly promising for partnership, average in institutional heath and performance, or in poor operational health.

The LDD tool can be used to evaluate SACCOs in a variety of contexts, including assessing an institution for potential linkage banking. Seven banks, MDIs, and MFIs were trained in how to use the tool, and at least two banks have adopted it in their search for new partners. Rural SPEED also used the tool in evaluating the progress of its SACCO partners during the program's three years. Four of the seven partners remaining at the end of Rural SPEED improved their overall performance, according to the LDD.

[9] The donors included the British Department for International Development (DFID), the German Development Program (GTZ), and the Swedish International Development Cooperation Agency (SIDA). Additional input was provided by the Uganda Institute of Bankers, Nile Bank, and FINCA.

SACCO Computerization

Part of the general weakness of Ugandan SACCOs was lack of computer-based bookkeeping, which is a major barrier to high-quality, timely accounting and effective financial management. Without computers, which are not common in Uganda's rural areas, all transactions are done manually, leading to errors and making it difficult to generate accurate and timely reports. This limits transparency of operations, opens the door to fraud, and prevents SACCOs from linking to higher-level financial institutions.



Low-power computers, alternative power systems, and state-of-the-art financial management information systems were piloted in four partner SACCOs.

In many cases, SACCOs that had moved toward computerized management information systems (MIS) had seen disappointing results. This was due in part to lack of reliable electricity in many parts of Uganda, inappropriate hardware choices, and poorly designed software. Rural SPEED aimed to help its partners avoid these pitfalls with energy-efficient systems that would function 24 hours a day at relatively low cost.

Rural SPEED conducted extensive research on the range of options for both hardware and software. A power needs study was conducted to determine the availability, reliability, and consumption of electricity at five partner SACCOs in western Uganda. Four of the five were computerized. Of those, three were on the national power grid, but were frequently forced to rely on expensive generator power to run their computer equipment due to regular power outages. The fourth had no grid service and ran its generator three hours a day on a regular basis. Based on the findings, Rural SPEED supported acquisition and installation of software, hardware, and power systems.

MIS selection. After extensive research, Micro Banker for Windows software was selected as most suitable to upgrade SACCOs' information management and provide them with capacity for future linkages to higher-level institutions. The software was piloted in four partner SACCOs.

Computers and power systems. New low-power computers were piloted in four SACCOs, along with solar and/or inverter power systems. All were designed for areas without adequate electricity. The Inveneo 12-volt computers, which use a fraction of the power of a conventional desktop, were new to the Ugandan market. The alternative power systems allowed the SACCOs to run their equipment from batteries even without grid electricity at a far lower cost than using a fuel-powered generator. "The greatest thing we have is that we are 24 hours on power, unlike previously where we could go for a week without power," said Joseph Zabasajja, manager of Masaka Microfinance Development Trust Ltd. (MAMEDICOT), a partner that received the new equipment. The German Development Program (GTZ) and the Swedish International Development Cooperation Agency (SIDA) have agreed to continue Rural SPEED's work on SACCO computerization. The agencies will provide technical support to the pilot SACCOs, as well as help 12 additional SACCOs obtain appropriate, low-cost computer systems to improve their information management capacity.

The process of getting the new systems up and running was lengthy and challenging. The project team encountered unforeseen problems, including lack of reliable technical support and after-sales service. The following text box offers lessons learned from the experience.

Wiring the Village: Hurdles to Rural Computerization

SACCOs and other rural financial institutions must rely increasingly on computer-based technology to serve their customers effectively. Computer systems can be tricky to maintain even under the best circumstances, when high levels of technical expertise and support are readily available. Bringing computer technology to developing countries presents even bigger challenges, particularly in remote areas without adequate electricity, roads, and telecommunications infrastructure.

Rural SPEED and its partners faced hurdles to piloting innovative new low-power computers, alternative power systems, and state-of-the-art financial management software in four SACCOs. The challenges fell into three general categories:

- *Limited number of suppliers and limited technical expertise*. Uganda lacks a wide array of suppliers of power systems, computer hardware and software, and relevant technical experts. Despite efforts to choose the best suppliers, Rural SPEED encountered repeated problems with installation of the new systems. In one case, computer hardware was misassembled and had to be brought back to Kampala – a round trip of four hours – four times before the problem was solved. Among other issues, there was a lack of communication and collaboration between the providers of the hardware and the power systems. The project lacked the resources to oversee and monitor the suppliers' progress directly, relying instead on local technical support that was not always responsive or effective. The lesson learned is that appropriate technical expertise must be available, whether in-house or on a consulting basis, to oversee the installation process.

- *Limited after-sales support*. What happens when a computer breaks down or a software program malfunctions, especially after the close of a donor-funded program? As with suppliers, the availability of after sales support is limited in Uganda, even in the capital city. This became a major problem with Micro Banker for Windows, the financial management software that Rural SPEED had determined was the best product to upgrade SACCO's management information systems. A company to provide after-sales support for Micro Banker, which was new in Uganda, was in the process of being formed when the selection was made. But the plan fell apart, leaving no technical support. The lesson learned is that technical support to deal with problems must be available. Rural SPEED resolved the issue by entering into an agreement with GTZ/SIDA to provide the software support to the pilot SACCOs after Rural SPEED concluded. GTZ sent several Ugandan IT students to a Micro Banker training program overseas as part of the arrangement. Another lesson learned is that it must be clear who will be financially responsible for service and repairs after the end of a donor-funded program. In the case of Rural SPEED, the SACCOs will cover their own costs in the future after the one-year warranty period expires.

- *Lack of partner capacity*. Despite assurances that at least some staff members at the four SACCOs were computer literate, that did not turn out to be entirely true. This caused delays and necessitated additional training in basic computer skills, which had not been anticipated in the original pilot timeframe. Lack of computer knowledge also may have contributed to an initial lack of ownership of the new equipment by the SACCOs, which was overcome by training and mentoring. As one team member explained, "At first they would call and say, 'Your things have broken down.' But now they say, 'Our computer is not working."

Performance Management Tool

Rural SPEED worked to upgrade a computer-based Performance Management Tool (PMT) that had been developed by Rural SPEED's predecessor program to generate financial information on MFIs and MDIs using standardized performance indicators, primarily to harmonize donor reporting. The software was revised to be more useful for financial institutions, assisting them in assessing their own performance to improve internal operations.

In collaboration with GTZ-SIDA/FSD and the Association of Microfinance Institutions of Uganda (AMFIU), Rural SPEED redesigned the prototype software to make it more relevant as a management tool for a range of financial institutions, as well as donors and policy makers. The user-friendly 2007 version was adapted to link to Micro Banker, providing capacity to generate virtually any type of financial report, and customized to fit the needs of MFIs, MDIs, and SACCOs.

Amendment to Foreign Assistance Act

In 2004, an amendment to the Foreign Assistance Act of 1961 was passed to improve results and accountability of U.S. microenterprise programs. This Microenterprise for Self Reliance Act requires that USAID-supported programs receiving more than $100,000 annually determine the percentage of its beneficiaries who are the very poor (those who live on under $1 a day). The Poverty Assessment Tool (PAT) was designed and tailored to several pilot countries, including Uganda. Rural SPEED hosted a training event to teach users how to undertake the household surveys and employ the software to determine the poverty level of program beneficiaries. Rural SPEED in collaboration with USAID's MEMS program surveyed its program partners and determined that 5.93 percent of partner beneficiaries were considered to be very poor.

In collaboration with AMFIU and the Uganda Cooperative Alliance (UCA), 223 SACCOs were trained in the use and benefits of using the PMT, thereby improving internal efficiency, transparency, and financial management capacity. AMFIU received a grant to survey SACCOs on their needs regarding the PMT, as well as test the software, develop a comprehensive user manual, and provide training.

The Consultative Group to Assist the Poor (CGAP) has adopted the PMT as a model for the microfinance industry. In addition, the Bank of Uganda has utilized the PMT for off-site supervision.

Success Story: Kyamuhunga SACCO

Like other project partners, Kyamuhunga Peoples Savings and Credit Cooperative Society Ltd. was a relatively sound SACCO when Rural SPEED selected it in 2005. Kyamuhunga had been serving a largely agricultural area of western Uganda near Bushenyi since 1999, with many tea growers, traders, and other smallholder farmers as members. Although Kyamuhunga was not exclusively tea-oriented, the SACCO's strong base was due in part to its location near several processing facilities. Growers who supplied the tea factories had regular incomes, and the facilities kept accounts at the SACCO and paid the farmers through the institution.

Kyamuhunga, founded by a trusted local clergyman, also had deep community roots and went beyond merely providing financial services. The SACCO helped support orphaned children, paying to send high-performing primary students to secondary school. Bob Baragye, a rural finance specialist for the project who worked with Kyamuhunga, explained, “The institution is part of the community, and the community is part of the institution.”

Yet there was room for improvement in operations. Savings deposit levels began stagnating in 2002, members were dropping out over misunderstandings with staff, and a founding member departed. Kyamuhunga had only one loan officer, delaying loan processing; it offered a poorly conceived mix of financial products; and it was hampered by the perception that interest rates were too high. When Rural SPEED began, Kyamuhunga’s board and management took full advantage of the opportunities presented. They received the complete range of available training, which covered governance, accounting and financial management, strategic planning, delinquency management, marketing, member mobilization, agricultural finance, and product costing and pricing.

Board members included farmers, business people, clergy, teachers, and the SACCO’s hired staff. All were eager to learn and willing to listen to outside advice. This paved the way for adopting and implementing new practices. In addition to training and mentoring, the SACCO was one of three partners to receive support for developing both a new agricultural loan product and new savings products. Kyamuhunga also obtained new equipment as part of Rural SPEED’s computerization pilot project, but the project concluded before software installation, which left this task in the capable hands of the revitalized SACCO leadership. Kyamuhunga’s board treasurer said, “Training by Rural SPEED has contributed immensely to what has been done by [Kyamuhunga SACCO]. We are a model SACCO now.”

The SACCO emerged a stronger institution by the close of Rural SPEED. It opened a second branch in 2006 in a neighboring district that was also heavily agricultural. Kyamuhunga’s loan portfolio and savings volume grew dramatically. In 2007, it was the highest scoring Rural SPEED partner on the Light Due-Diligence tool, scoring 81 out of 100 points. “Strong member confidence in the institution comes from the leadership and service delivery,” said Barigye. “The rural community itself can see the results. They can send their children to school. They can build better houses.”

Kyamuhunga received grant funding for market research to understand the agriculture lending needs of its members. There was a gap in this area: only five percent of the loan portfolio was invested in agriculture, although 90 percent of the SACCO’s members had farming-related livelihoods. The SACCO had been offering only generic loans that required borrowers to begin making payments in equal installments after 30 days. With Rural SPEED’s help, Kyamuhunga developed a tailored agricultural loan product structured to match the cash flow of the borrower, whose income is based on the farming cycle, and with payments scheduled to account for other sources of household income. The response to this new and appropriately structured product was dramatic, with the number of borrowers increasing by 3,222, or 316 percent, during the two years of Rural SPEED assistance. By the close of Rural SPEED, Kyamuhunga had increased its agricultural loan portfolio by UGX 281 million, or 92 percent.

Kyamuhunga's grant also covered a review of its savings products and development of a savings mobilization strategy. The SACCO conducted focus groups and interviews to better understand the savings needs of its members and potential clients. The research found that its products were not well known or clearly differentiated. Respondents did not like the fact that the SACCO paid no interest on its basic account and had high fees and high minimum balances. Research also showed that saving for illness and education were major priorities in the community.

With Rural SPEED support, Kyamuhunga developed four new savings products: ordinary, minor (youth savings), fixed deposit, and health fee accounts to meet local needs. The SACCO also participated in Rural SPEED's national savings campaign, setting up tents to market its services at the Ishaka and Mbarara road shows. All of these savings mobilization efforts paid off, with the institution's savings volume increasing by 124 percent from UGX 304 million to 682 million, while the number of savers increased by 41 percent. Kyamuhunga also was poised to upgrade its computer system as a result of Rural SPEED. The SACCO received new computers and a power system. The software and data migration will be managed after the program by the SACCO itself, reflecting its graduation from donor support.

CHAPTER FIVE: PROMOTING RURAL LENDING THROUGH LOAN GUARANTEES

> "UML believes in creating products that meet customer demands and change peoples lives positively."
> *–Emma Mwanja, CFO, UML*

When Sam Arapsatya and his fellow maize farmers received their first bank loans using harvested grain as collateral, the money came from a local branch of Stanbic Bank in eastern Uganda. Although they knew that USAID had played a major role in creating the warehouse receipts system that provided the loans, they almost certainly did not know that the money they received was backed by a U.S. government loan guarantee.

The Stanbic loan was just one of hundreds that USAID supported in Uganda through three DCA[10] guarantees managed by Rural SPEED. The programs were designed to encourage mainly commercial banks to explore new areas of business and expand their client base, particularly by lending to smaller, rural, and agriculture-related businesses.

[10] The DCA is a U.S. Treasury Department facility used by USAID to leverage private sector investment and stimulate economic development by providing partial loan guarantees to financial institutions. The guarantees reduce risk for lenders, supporting them in extending credit to new sectors and higher-risk borrowers. Under the guarantees, USAID provides a maximum 50 percent guarantee of the loan principal. The lending institution is responsible for its own credit decisions and shares the risk.

Although some DCA programs are managed directly by USAID, the Uganda mission chose Rural SPEED (and earlier, its predecessor program) to implement the programs. This guaranteed maximum impact by pairing Rural SPEED's core activities aimed at increasing access to financial services in rural areas to an incentive for banks to take the risk of entering the rural marketplace. In addition, the Uganda programs were innovative in that they supported lending by more than one bank, along with one MDI that started out as a DCA borrower.

The three Uganda DCA programs created new opportunities for Arapsatya and other rural borrowers, many with no formal credit history who would not have qualified for a traditional bank loan requiring either property as collateral or a longer operating history.


A loan from DCA participant Bank of Africa (formerly Allied Bank) enabled this beef farmer to buy more cattle and supplies.

DCA loan guarantees helped build confidence for financial institutions such as Stanbic to expand into new types of lending. The DCA programs leveraged substantial private investment in Uganda — as much as $28 for every dollar spent by USAID under the first and largest of the three programs. Many lenders and borrowers also went on to make and receive new loans without donor support.

As this chapter details, Uganda's DCA programs had a substantial impact on availability of credit for rural small and medium enterprises (SMEs), especially those related to agriculture. Among the direct beneficiaries were a dairy processor, a cotton ginnery, a maize miller, a vanilla curing plant, and a produce distributor. Their growth created more business for suppliers, traders, and others in the value chain, along with increased employment opportunities for rural Ugandans.

One successful DCA borrower was Mabale Growers Tea Factory Ltd., a tea-growing processing and export company owned by 2,000 out-grower tea farmers. Mabale's loan proceeds were used to overhaul the existing production line, install a second one, and buy trucks to transport tea from the plantations to the factory. The result was improved capacity and efficiency, with production growing by 20 percent and sales by 22 percent.

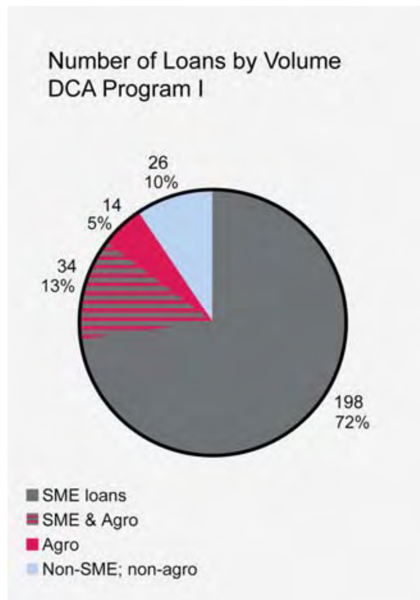
Following is a brief summary of the DCA programs' impact.

Multi-Institutional Program I

Rural SPEED inherited management and implementation of the five-year (2002-2007) Multi-Institutional Program I (DCA I) from its predecessor programs, SPEED I and II. DCA I was designed to encourage banks to lend to SMEs and MFIs. Seven banks participated, making a total of 273 loans worth more than $24 million — 91 percent of the program's loan ceiling of $26.5 million. This high utilization rate was credited to intensive, hands-on management and support for lenders. By the end, DCA I had leveraged $28 for every dollar of USAID investment.

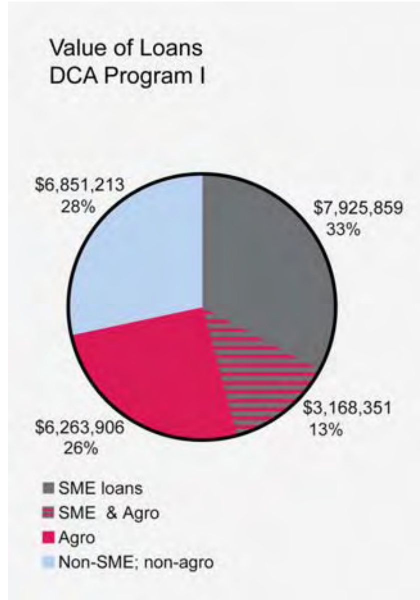
DCA I was widely viewed as a success in helping participating banks increase their lending to SMEs and the agriculture sector, although it was less specifically targeted to agricultural subsectors than USAID/Uganda's later DCA programs. Nearly 40 percent of the loans went to agriculture-related enterprises, including fisheries. Eight percent went to the microfinance subsector in the form of wholesale loans.

Below is a list of other DCA I highlights:



- The average loan size was $89,005, which met USAID/Uganda's target for individual SME borrowers.
- A sample of borrowers showed they registered average annual sales increases of 86 percent.
- Seventy percent of the sample "graduated" from the program, meaning they received subsequent loans without a guarantee.
- Borrowers added a significant number of new jobs, an average of 8.3 full-time jobs for men and 5 for women, as well as additional seasonal work.
- Claims paid by USAID were 4.3 percent, slightly higher than the average of 2.5 percent non-performing loans across all DCA partner banks. However, as two large loans comprised 90 percent of the total claims, the profitability and viability of SME lending was still effectively demonstrated to the participating banks.

In addition, participating banks modified their credit products and criteria for lending to SMEs and MFIs due to their experiences under DCA I. Some reduced the percentage of required collateral, and some also allow new forms of collateral/securities instead of only property in the form of real estate.

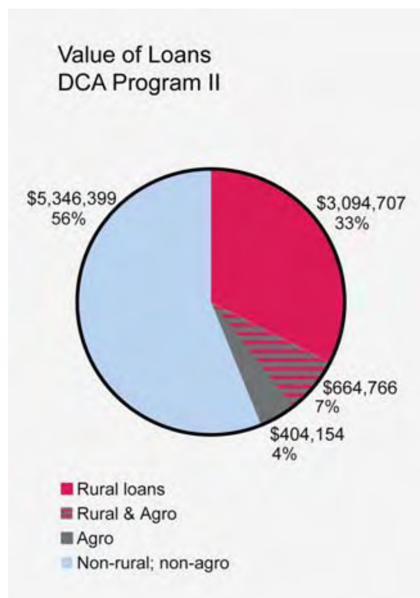


One partner bank, Standard Chartered, chose not to participate in the next DCA, stating that it was sufficiently comfortable with rural SME clients to proceed on its own. This met a core goal of the DCA program, which is graduating banks from loan guarantee dependence.

DCA I also made a significant contribution to commercialization of the microfinance industry by helping two of the largest MFIs (which became MDIs) access credit to expand their microloan portfolios. Both UML and FAULU Uganda now can access commercial credit without a guarantee. UML also went on to become the first non-bank to participate as a DCA lender under DCA II.

Multi-Institutional Program II

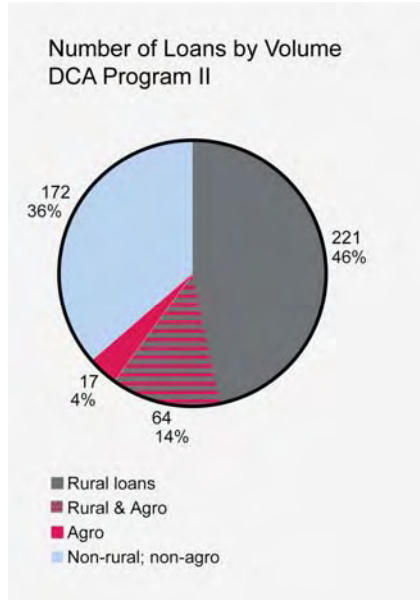
The Multi-Institutional Program II (DCA II) built on the successes of DCA I, but was designed more specifically to expand rural outreach, targeting rural and agricultural micro-, small, and medium enterprises (MSMEs). Three banks and one microfinance institution, the first to be approved, participated as lenders in the four-year (2005-2009) program, which continues after the close of Rural SPEED.



By the end of Rural SPEED, DCA II had made 472 loans worth $9.4 million against a portfolio limit of $11.7 million. This represented an interim leverage ratio of private funds to USAID investment of 15:1. Seventy-seven percent of loan volume was devoted to agriculture or other rural businesses. As with DCA I, the utilization rate was high — 81 percent as of Oct. 31, 2007, with 1.75 years remaining in the program.

On the following page is a list of other preliminary highlights of DCA II at the close or Rural SPEED:

- The average loan size was $19,957, indicating that smaller businesses were benefiting compared to DCA I.
- Borrowers' average growth in annual sales was 50 percent.
- Thirty-eight percent of borrowers already had "graduated" and were able to obtain subsequent loans without guarantees even before the program ended.
- The average per-borrower increase in full-time jobs was three for men and eight for women, indicating that a considerably larger number of smaller, female-owned enterprises were benefiting compared to DCA I.



Collateral Management Program

The Collateral Management Program (DCA III) was designed specifically to support warehouse receipts programs in grain value chains like the one piloted by the Kapchorwa Commercial Farmers Association with Rural SPEED's help (see Chapter Three). Three banks were selected for the three-year (2005-2008) program, which had a portfolio ceiling of $11.7 million.

Stanbic Bank successfully loaned $200,000, secured by harvested maize and partially backed by the guarantee, to the Kapchorwa farmers under DCA III. The entire amount was paid back, and the warehouse receipts program went on to become self-sufficient. But despite this success, no other loans were made under DCA III, and it was terminated prematurely in 2007. The remaining funds were to be reallocated.

Bricklayers build a hospital in Kabhowe that will serve more than 200 patients.

The precise reasons for extremely low utilization of DCA III varied. The banks complained that the criteria for the grain sector, including small loan limits, did not match their current business strategies. Additionally, the nature of trade finance requires rapid and multiple transactions per borrowers. The structure of the DCA III, however, required each individual transaction to be booked as an individual loan as opposed to under a line of credit which was the preferred arrangement by the banks. Finally, the banks believed the grain sector to be so disorganized that even with a 50 percent guarantee on principal, the loans remain too risky.

The overall success of DCA I and II were in part attributed to the fact that the banks were given flexibility in how to use the program, but parameters within which they were working and encouragement from the DCA manager helped to meet USAID goals. For example, the fact that DCA II loan sizes were reduced encouraged the banks to expand beyond larger urban clientele.

CHAPTER SIX: EXPANDING SERVICES DELIVERY MECHANISMS

Sending money between rural and urban areas is an everyday and often time-consuming practice in Uganda. People with jobs in the city regularly remit funds to help their village relatives. Rural parents like William Basula, whose daughter goes to college in Kampala, must find a way to get tuition and other money to their children at boarding school or university.

The choices are limited, especially for those without bank accounts. Western Union and similar money transfer services are expensive. Some people trust their money to a bus driver or other informal courier, but this method is risky. Many resort to delivering the money themselves or having their family member come for it in person. Either way, the trip often involves up to a day in a crowded bus, consuming precious time and financial resources.

To make life easier for people like William and others, the project team worked to expand the range of financial services delivery mechanisms available in rural areas. Activities focused on exploring innovative uses of technology to reach customers — both existing and new — through points other than traditional financial institution branches. With both technical assistance and grants, Rural SPEED supported development of new ways to access and move money.

The project team developed a five-step process to identify, research, develop, roll out, monitor, and replicate successful innovations that could overcome Uganda’s lack of basic infrastructure, such as roads, electricity, telephone lines, and Internet access. Part of the challenge also was changing the mindset of financial institutions, which favored the status quo, and consumers, who were most familiar with the traditional branch concept. A key criterion for assessing innovation was the cost of service delivery.

As this chapter details, the results were far-reaching. By the end of Rural SPEED, four new services delivery mechanisms were operating at 51 new access points across

Uganda, including mobile phone retail shops, gas stations, and agency offices of financial institutions.

Rural SPEED first conducted a study to determine to what extent card-based and other lower-cost technology could be used to provide banking services to a larger rural population. The study found that the high cost of branch infrastructure was a major limitation on the availability of rural financial services. Also, although some banks had upcountry ATMs, they were not making a profit on them and were subsidizing the cost in rural locations. Most financial institutions, however, did not use card-based technology.

The study estimated that the potential new customer base for lower-cost banking services was 2.3 million rural Ugandans. The study identified so-called point-of-sale (POS) devices and mini-ATMs as potential services delivery mechanisms to reach the target group. Although the study also identified phone-based services as an option, they were found to be not viable in Uganda given the nascent state of telecommunications technology. However, it is only a matter of time before competition in the telecommunications sector drives innovation and leads to the provision of a variety of services. With the licensing of two new telecommunication providers, the industry is bound to witness developments in the next couple of years.

The search for new technology expanded Rural SPEED's partners beyond traditional financial institutions. One such partner was Simba Telecom, a Ugandan-owned company that operates an extensive retail network selling mobile phones and prepaid airtime for MTN, one of the country's three cellular providers. Simba has 43 company-owned stores and 1,600 sub-dealer outlets spread throughout Uganda.

The project team worked with Simba, which received a grant, to develop and pilot a Web-based funds transfer system that allows people to send and receive money at relatively low cost through Simba outlets. After a successful pilot, the Simba Cash service was rolled out to 30 locations. Simba received Bank of Uganda approval under a foreign currency exchange license. Advantages of Simba Cash include real-time processing, accessibility, affordability, simplicity, security, and availability to customers without bank accounts. These "unbanked" rural Ugandans are

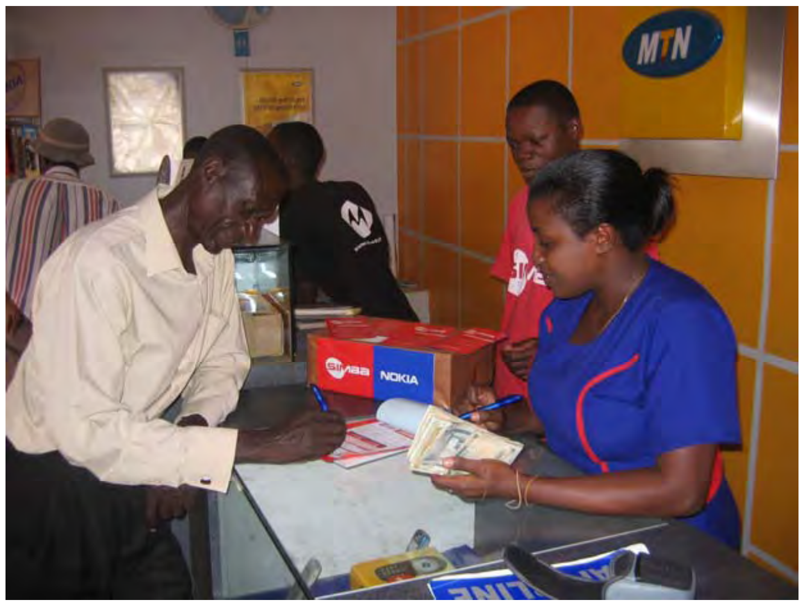
Simba Cash Transactions

Month	# of Transactions	Volume
December	4	275,000
January	13	2,084,000
February	29	3,096,000
March	80	7,643,000
April	220	23,382,100
May	473	56,522,500
June	575	60,913,000
July	679	81,609,900
August	696	76,474,500
September	1319	86,000,000
TOTAL	**4088**	**398,000,000**

the primary target audience, with the intention of beginning to familiarize them with more formal banking transactions. Simba Cash transactions have experienced steady growth, as indicated by the table on the previous page.

To further increase the volume of its business, Simba plans to enter into partnerships with franchisees and deploy the devices in high consumer/client service areas at border posts, where cash is accumulated and demand for cash transfers is high. This service offers Ugandans an attractive, affordable alternative to the other fund transfer mechanisms in the country.

Success Story: Speeding Cash Transfers with Simba Cash



William Basula, 59, is an agriculture extension worker in his village of Bubinga, 18 kilometers from the nearest town. In addition to his own three children, he is financially responsible for 11 people, including three young orphans, three of his brother's children, and other relatives. He helps support his daughter who attends university in Kampala. Sending money to her has always been a challenge. He tried bank transfers and money wiring services, but they were very expensive. His best option was taking a mini-bus to ride to the city to give the money to his daughter in person, a tiring three-hour trip.

William was happy to learn about a new way of transferring money called Simba Cash. He saw an advertisement and decided to try it, first sending 15,000 shillings to his daughter as a test, then an additional 50,000 shillings for her school fees. The service, developed with the project's support, allows people to send money from one Simba outlet to another without requiring either party to have a bank account. Money is available to the recipient almost immediately after it has been sent. The concept is similar to the services offered by Western Union or Money Gram, except that the target market is strictly inside Uganda and the service is less costly.

William and his family have used Simba Cash repeatedly to send money safely and inexpensively. He pays UGX 4,000 to transfer UGX 50,000. Taking a taxi from the nearest town to Kampala costs UGX 10,000, and sending the same amount via Money Gram costs UGX 12,000. William is such a satisfied client that many people in his village, where he is acting sub-county chief, have started using Simba Cash.

Card-Based Technology

As a result of the study, Rural SPEED issued a request for proposals seeking licensed financial institutions interested in grants to pioneer the use of low-cost, card-based technology in Uganda. The project team hoped that a major industry player would take the lead. This would ease the way for acceptance of new technology by both financial institutions and customers and increase the likelihood of developing systems that were interoperable among financial institutions.

Through the use of POS devices, Mbabazi Jean of CMFL helps a customer in rural Nankulabye.

Unfortunately, the project team determined that six of the eight institutions that responded did not have the capacity to deploy new technology within the limited timeframe of Rural SPEED. Of the remaining two, one was Stanbic Bank, an industry leader with a large of number of customers already comfortable with card-based banking through ATMs. However, Stanbic ultimately withdrew, citing management changes and shifting priorities as causing the delay in proceeding.

Orient Bank, the remaining participant, decided to proceed with POS devices, which use the same technology as mini-ATMs but provide different services. Both allow users to perform financial transactions through computer technology based on swiping a card, similar to a debit card transaction. Card members can make purchases and pay bills through POS devices, as well as access their accounts, but they cannot make deposits. For Orient Bank, introduction of this type of electronic banking raised issues about who its target customers were and how they most effectively could be encouraged to use the service. The bank had focused on perfecting and procuring the technology to the exclusion of a marketing strategy.

These challenges slowed the pace of deployment of the devices and acquisition of new customers and prevented the grant from being fully funded. By the end of Rural SPEED, the technology had been perfected, and only 11 devices had been installed.

Near the end of Rural SPEED, Orient hired a marketing strategist to determine how to educate consumers and market the use of POS devices to both merchants and consumers. However, given the unforeseen delays in grant implementation, the projected results will be attained only after the conclusion of Rural SPEED.

The bank’s plans include deployment in Kobil gas stations and Fast Moving Consumer Goods locations in and around its Jinja, Arua, and Mblae branches, as well as exploration of join efforts with MDIs to boost rural utilization of POS banking.

Under a separate grant, Rural SPEED supported a cluster of eight POS devices in CMFL agency offices around Mbale in eastern Uganda. The devices allowed CMFL customers access to their accounts in locations that could not support a branch. The premise was that the devices would be deployed in eight towns proving an attractive value proposition to its existing and potential clients who had to travel distances to access basic banking services. The results of the pilot were mixed with full deployment of all eight devices not occurring, and of the four deployed, results varied. Lessons learned from this and the Orient experience are in the POS text box below.

Technology as a Tool: Lessons from the Point-of-Sale Experience

Orient Bank is a small urban financial institution that has focused primarily on corporate banking. Part of Orient’s motivation in partnering with Rural SPEED to deploy POS devices was to broaden its customer base to include the mass market and expand into rural areas, where it was virtually unknown. The bank had few ATMs, few clients accustomed to card-based banking, and virtually no rural customers when the project began. As a result, the bank faced a wide range of issues in connection with POS devices. In addition to the challenges of deploying computer-based technology in remote rural areas, Orient needed a strategy for moving into rural areas with a delivery system unfamiliar to the local population. Exactly where would the POS devices be installed? How would Orient market itself and the new technology to rural Ugandans? How would the bank provide cards to new customers who did not live near a branch? Would they accept banking at a gas station or other retail outlet?

The grant to Orient envisioned that these questions would be answered, providing funding for marketing and consumer education activities to run parallel with development of the technology. Yet as time passed, Orient continued to focus on perfecting the devices to the exclusion of developing and implementing a comprehensive strategy for deployment, card distribution, merchant and consumer education, and marketing.

Late in the process, as the technological issues were sorted out, the bank was left scrambling to address the bigger picture. At Rural SPEED’s urging, Orient looked at the feasibility of providing banking services via POS devices to rice farmers who were out-growers for a processing factory owned by one of Orient’s corporate clients, Tilda Uganda Ltd. The farmers showed low acceptance of the idea of branch-less banking with an unknown institution, highlighting the need for consumer education and marketing.

Near the close of Rural SPEED, Orient hired a marketing strategist to work on the issues related to educating consumers and marketing the POS devices to both potential customers and retail merchants. However, due to time constraints, Orient was unable to use the portion of its grant earmarked for these activities. At the close of Rural SPEED, the bank had deployed only a few POS devices and attracted no new customers based on the technology.

CMFL, which also received a Rural SPEED grant to deploy POS devices, faced similar issues. It installed eight of the devices around its Mbale branch in eastern Uganda without spending the consumer awareness and marketing portion of the grant. Four of the devices later were returned to outlets in Kampala due in part to limited use.

The POS experience showed that technology cannot be developed or deployed in a vacuum. Technological innovations are tools that are valuable only as part of a broader strategy to meet the financial services needs of rural populations.

Satellite Mini-Branch

A partnership with UML and a USAID-funded dairy development project led to creation of a satellite mini-branch to serve dairy farmers and other rural residents around Rushere in western Uganda. The farmers belong to Ankole Dairy Producers, a 1,500-member cooperative that provides milk to Uganda's largest dairy processor. Previously, co-op members had to travel 80 kilometers to the nearest UML branch.

The mini-branch allows UML to serve a community that is too small to justify the cost of a full branch. ATMs were explored as an option, but they also proved to be too expensive. A mini-branch operates like a branch but does not require a generator, strong room, or management overhead. Cash is delivered in the morning in a guarded truck and removed at the end of the day. The mini-branch, located in a rented building, is open five days a week.

One additional benefit for co-op members is that the dairy processor can make milk payments into the co-op's account in Kampala and farmers can access their money in their own community. The mini-branch has had a major impact on savings, which almost doubled in the last quarter of 2006 alone. As of September 30, 2007, the branch has 813 new savers with UGX 452 million and 151 borrowers with UGX 362 million. Only 12 percent of the savings was compulsory to support the lending.

Although UML had plans to replicate the mini-branch concept in another location during Rural SPEED, the institution decided to focus on building the Rushere operation before expanding.

CHAPTER SEVEN: LOOKING FORWARD

Rural SPEED made a substantial contribution to expanding access to financial services in rural Uganda. People like Grace Ndagire, Sam Arapsatya, Tusiime Mabiiho, Dinah Epedu, and William Basula represent those who benefited from public awareness initiatives, new products and services, increased opportunities for farmers and agriculture-related small businesses, innovative uses of technology, and improved capacity of SACCOs and other financial institutions.

A recent study financed by DFID on access to financial services in Uganda found that 17 percent of the rural population was served by banks, MDIs, MFIs, or SACCOs as of late 2006. This represents an increase from 10 percent when Rural SPEED began. Although Rural SPEED's activities clearly do not account for all of the improvement, the DFID study provides objective data to confirm that the financial sector is heading in the right direction when it comes to serving rural communities and that rural financial services initiatives are a successful development tool.

Nevertheless, barriers to continued expansion remain. This report concludes with lessons learned from the Rural SPEED experience, an analysis of remaining challenges, and recommendations for targeting future assistance.

Lessons Learned

Billboards line the highways to remind Ugandans that saving in accredited financial institutions leads to better business opportunities, education, and housing.

In many respects, Rural SPEED's efforts had the desired impact and expected results. In particular, the project's efforts in public awareness and value chains were very successful. Rural SPEED showed that consumer demand should be the determining factor when deciding which credit products are appropriate.

Furthermore, the team concluded that the project could have focused on how to apply technology while concurrently considering the demands of the market.

Public awareness efforts work. Rural SPEED's saving awareness activities were successful far beyond initial expectations. Both the national campaign and partners' smaller individual outreach activities resulted in substantial gains in the number of savers and volume of savings deposits throughout rural Uganda. These activities demonstrated that appropriate messages delivered in a relevant, entertaining, and educational way through the right media can positively influence the behavior of even relatively isolated and uneducated populations. Financial institutions need to embrace the philosophy that an informed consumer is their best asset.

Poor people can and should save. As Rural SPEED's savings study showed, Uganda's rural poor are inclined toward saving despite the country's low formal savings rate. The vast majority make at least some effort to set aside money, often hiding it in mattresses or burying it in the garden. The public awareness campaign showed that rural residents can be motivated to move their savings into the formal sector. Saving is the best method for meeting daily needs and achieving future goals. The recent DFID study indicated that many rural Ugandans are borrowing money, mainly from informal sources, for household consumption purposes, emergencies, and school fees. Saving is a far more cost-effective way to finance these day-to-day needs.

Value chains are vital. Value chain mapping proved to be a highly effective platform for engaging farmers, agribusinesses, and a range of financial institutions in creative, collaborative financing efforts to the benefit of all parties. Working within value chains where USAID already was active in supporting production and marketing provided a built-in structure that facilitated moving financing opportunities from paper to reality. USAID's client farmers came to the table with a commercial orientation that helped change the perception of financial institutions. The mapping project shows that providing specific, accurate information to financial institutions and facilitating private-private linkages is an effective way to promote agricultural lending on the ground.

The right products ensure sustainability. When Rural SPEED began, many of its partner institutions were offering savings and credit products based essentially on a "best guess" approach to market demand and pricing. There was little market research and no scientific method for determining costs and setting prices in many cases. As a result, there was a substantial gap between what rural Ugandans wanted and what they could find at their local financial institution, especially when it came to financing agriculture-related activities. The enthusiastic market response to the range of innovative and appropriate new products launched with Rural SPEED support suggests that development of demand-driven products based on sound financial analysis is a successful approach to assuring financial institution sustainability.

Technology is only a vehicle. As detailed in the "Wiring the Village" and "Point of Sale: Lessons Learned" text boxes, computers and other high technology are merely a means to an end — delivering rural financial services — and not the end itself. At times, Rural SPEED project staff, partner financial institutions, and even consultants became overly focused on making technology function from a technical perspective in the difficult environment that Uganda presented. As a result, they lost sight of the real goal — and real challenges — of making technology work for people in their daily lives. Market needs must remain the driver of efforts to harness new technology to deliver rural financial services.

Remaining Challenges

Uganda faces many challenges on its potholed road to continued economic development. Economic growth has slowed in recent years, failing to match the impressive gains made in the 1990s. While Kampala experiences a building boom, the government continues to struggle to provide basic services — including education and health care — to the majority of the population, especially in rural areas. The rebel conflict in the North remains unresolved, although tentative peace has returned to the region. Corruption, a longstanding problem, continues to siphon significant amounts of funding away from development efforts.

In regard to expanding rural access to financial services, four specific challenges are likely to hamper further progress:

The weak state of SACCOs. SACCOs technically are cooperatives rather than financial institutions, and are not regulated by the Bank of Uganda or any other entity. No codified law defines what a SACCO is or should be, or specifies how they should function. In reality, SACCOs operate with few constraints and a wide variety of structures, missions, motives, skills, capacity, services, and products. With little accountability and no pressure to adopt better or best practices, incentives to improve are few, especially for some

SACCO leaders who use the institutions to their own advantage. The 2003 legislation that provided for conversion of MFIs to MDIs said that an additional regulatory law for SACCOs would follow within six months, but none has been passed. Until this situation changes, SACCOs as a group are unlikely to play a reliable role in transforming delivery of rural financial services.

The Government of Uganda's massive new *Prosperity for All* program, announced during Rural SPEED, is unlikely to have the intended impact on rural poverty because it is not driven by market needs. The program, known as *Bonna Bagaggawale*, aims to reduce poverty by expanding rural access to business development and financial services, specifically microfinance. It calls for providing government loans in rural areas and adding 1,000 new SACCOs at the sub-county level to help deliver them. Yet, effective expansion of rural financial access is more complicated than setting up a large number of new SACCOs through which to funnel government loans. Given the weak state of Uganda's existing SACCOs, which also can participate in the program, how will the government assure that both the old and new financial institutions have the capacity to deliver services effectively? In addition, generic loans that fail to take into account the real needs and circumstances of the rural population are unlikely to successfully generate significant economic growth.

Absence of competitive pressure in finance, particularly agricultural finance. Although Uganda's financial sector has become more competitive in recent years, serious competitive pressure in lending has failed to materialize. Interest rates remain high. Many banks appear satisfied with the status quo, especially when it comes to the agriculture sector. As a result, only financial institutions with a specific mission or commitment to lend to farmers and agribusinesses are actively involved in rural areas. Centenary Bank is one successful example. The bank has a lower-than-average portfolio at risk even with comparatively heavy involvement in agricultural finance. Hopefully this demonstration effect will continue to challenge other financial intermediaries to continue to lend to the sector, increasing competition wherein the consumer wins.

Poor rural infrastructure. Uganda's weak basic infrastructure — roads, power, and communications — is a major barrier to economic development. Only a small percentage of the roads are paved, and many of those are poorly maintained. Most rural areas are reachable only by dirt roads, which become impassable in the rainy season. Recent floods have destroyed many roads and major bridges in the North, cutting off a major section of the country. Few rural areas are on the national electricity grid. Telephone service, especially fixed line, is extremely limited in rural areas, as is Internet access.

Recommendations

The project team concludes that donor-funded rural finance programs need to place more emphasis on savings as a building block to personal wealth. Too often, programs successfully promote lending without teaching people the importance of saving money. Rural SPEED demonstrated that the value chain approach works and recommended it be applied to agriculture-only loan guarantee programs for the best results. The Government of Uganda's *Prosperity for All* program has great potential to expand access to rural financial services in Uganda, but there must be more collaboration between the government and donors and the private sector. To continue capacity building after the project's end, Rural SPEED recommends that an organization be identified to take over the training of trainers work. Keeping pace with technological advances and applying them to rural finance operations is also key to sustainability.

Stress savings, a fundamental building block of rural economic growth. Savings generally have not received equal billing with credit in donor-funded rural finance programs, many of which promote lending to the rural poor through microfinance institutions. Yet, saving by individuals is a simple, effective way to help people lift themselves above a subsistence level of existence and build rural wealth. Donors should put more emphasis on promoting savings and savings-related products and services when structuring rural finance programs.

Work within value chains and create an agriculture-only loan guarantee program to expand agricultural finance opportunities. Linking donor lending activities to the real-world needs of farmers and others businesses along value chains is a practical, effective approach to expanding rural access to financial services. Value chains provide concrete opportunities to show financial institutions exactly where and how they can benefit from the rural market. The value chain approach requires two building blocks — sufficient production and reliable markets — both of which USAID already is working to achieve in Uganda and other developing countries. Donors can take full advantage of this approach to achieve their economic growth objectives by consolidating production and marketing support to farmers with rural finance activities in one program. Although ideally agricultural finance would be purely market-based, that is not the case even in the developed world. For that reason, a guarantee facility similar to the DCA loan program targeted specifically to agriculture and designed for financial institutions with a demonstrated commitment to serving rural areas should be created.

Develop a network of model SACCOs through a cadre of trained Ugandan organizers. Despite the lack of a SACCO regulatory structure and the weak state of existing institutions, SACCOs still represent a vital conduit for delivering financial services in rural areas. Rural SPEED recommends expanding its successful model SACCO pilot project to build a network of SACCOs operating on international principles and best practices. This "build your own" approach offers a way to identify and support groups that are willing to meet high standards to benefit their own communities. As in the northern Uganda pilot, it can be done in conjunction with value chain finance activities. Ideally, a cadre of Ugandan organizers would be trained to carry out the grassroots work. At the same time, no additional support is required for MDIs, which are well on their way to moving up to the next level by becoming banks.

Work collaboratively with the government to make its Prosperity for All program — which calls for increasing the number of rural SACCOs by 1,000 — responsive to the needs of the rural marketplace. The government's *Prosperity for All* program provides a timely opportunity to substantially expand access to rural financial services in Uganda. However, the program is unlikely to have a widespread positive impact unless refined to meet market needs. Donors and the private financial services sector should seek to collaborate with the government. In addition to microfinance and SACCO creation, *Prosperity for All* should support related business development services, market access improvements, and financial institution capacity-building. The question of how to best deliver these services also should be addressed to determine whether adding 1,000 new SACCOs is the best route.

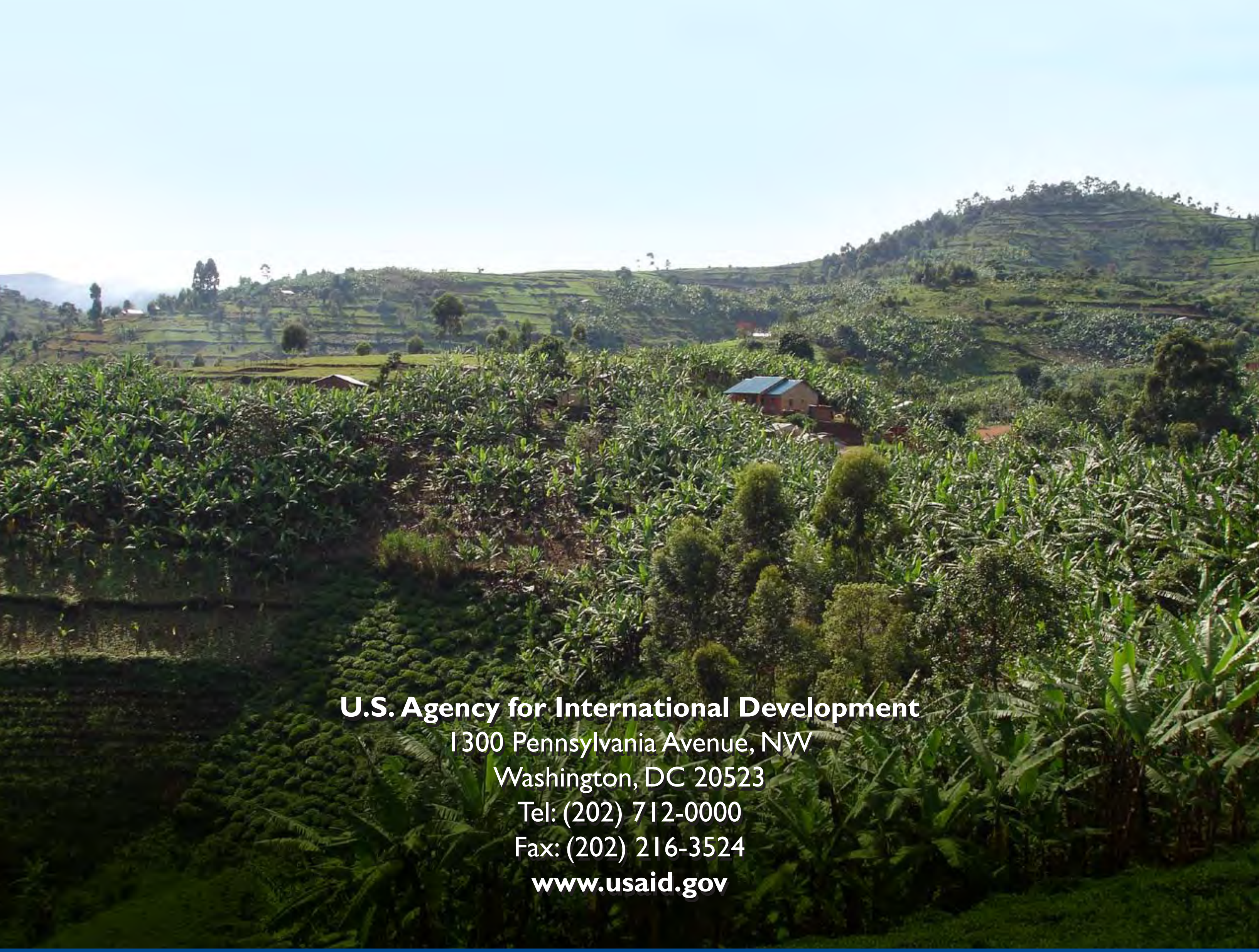
Conduct training of trainers using Rural SPEED's existing training and how-to materials to expand local capacity to support institutional strengthening (www.speeduganda.org). As illustrated in the Tool Kit text boxes throughout this report, Rural SPEED left behind an extensive series of practical how-to guides and training materials designed to improve the capacity of a variety of financial institutions to deliver rural financial services. Unfortunately, due to the short window within which Rural SPEED operated, the program was unable to conduct training of trainers, making it unlikely the materials will reach a broader audience without additional assistance. Rural SPEED recommends identifying an Apex body willing to provide further training. This could be done in conjunction with training of model SACCO organizers.

Target resources to harness technology to expand rural financial services. High technology is the future of rural finance. Expanding access to financial services in remote areas can best be accomplished by adapting computer and telecommunications technology to deliver services flexibly without costly investment in branches and other infrastructure. Designing and delivering these innovations effectively is a complex task that requires technological and marketing expertise, as well as knowledge of financial services. A long-term commitment to advances in this area should be undertaken. For this technology to succeed, consumers must be sensitized, financial intermediaries must be better positioned to offer broader services, and a cadre of technologically savvy professionals must be available to support the initiatives.

In three years, Rural SPEED has helped change the face of rural financial services in Uganda. Today, rural Ugandans have access to an exciting new range of products and services designed specifically to meet their personal and business needs. Financial institutions of all types are stronger and better equipped to serve rural customers.

Rural SPEED demonstrated that a private sector-led approach that delivers appropriate products and services tailored to the rural marketplace is a highly effective way to expand financial services access, build sustainable institutions, and stimulate economic growth and wealth creation.

Yet challenges and opportunities remain. The work done by Rural SPEED paved the way for continuing collaboration between the private and public sectors — financial institutions, agribusiness, donors, and Uganda's government — to ensure continued progress on the road to full economic development and the end of mass poverty.



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