



USAID | **UGANDA**
FROM THE AMERICAN PEOPLE

FARMERS EMPOWERING THEMSELVES.SAVING TOGETHER

FINAL REPORT



January 2007

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Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

FARMERS EMPOWERING THEMSELVES-SAVING TOGETHER

FINAL REPORT

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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EXECUTIVE SUMMARY

In recent years, in developing countries the potential of peoples' self owned and managed Saving and Credit Cooperatives (SACCOs) as a tool for poverty alleviation has been increasingly recognized.

Evidence on poverty eradication strategies shows that without empowering the poor by teaching them to utilize their limited resource in a wise manner and further by focusing on provision of credit leads to excessive debt burdens and depressed growth. In fact credit only clients are often left below the economic level from where they started.

To change this condition Rural SPEED introduced a unique model SACCO development strategy with full field technical assistance/capacity building support to realize sound, member focused, democratically governed, member capitalized and financially well managed SACCOs. These SACCOs emphasize members saving mobilization as a main source of financial sustainability and building members active participation in decision making and controlling SACCO affairs.

USAID/Rural SPEED's broad objective is to deepen and strengthen Uganda's financial sector in response to this sector demand for financial services by supporting: institutional capacity building and new product development and service delivery. The purpose of this scope of work governing this consultancy was:

- To promote SACCOs by mobilizing and sensitizing potential members;
- To build their members awareness and knowledge of SACCO objectives, function, benefits, member responsibilities and member rights;
- To build their elected leaders capacity in member promotion, saving mobilization and management, as well as, loan service management of the Lira area sunflower growers; and
- Deliver the SACCOs to the Cooperative Registrar for legal registration.

These objectives were realized in the Lira area through the promotion, training and registration of four new SACCOs. These are: ICEME FARMERS SACCO Society, BAAMO FARMERS SACCO Society, ITAAAO FARMERS SACCO Society and AMACH FARMERS SACCO Society. The total current membership of these SACCO is 1,840; their total assets are UGX 15.2M.

Farmers are clearly convinced and have decided to have their own financial institution to empower themselves. They show their readiness and commitment to help themselves by good contributions of shares, continuous member and savings mobilization, as well as, service fee contribution to cover their expenses.

SECTION I

BACKGROUND:

While the government of Uganda has opened opportunities for investors in the finance sector and that sector has become increasingly efficient, only 10% of Uganda's rural population has access to financial services. In fact, MFIs, MDIs and banks are largely confined to the urban and peri-urban markets. SACCOs would seem to offer a welcome alternative to this urban centered development. However, SACCOs, where they exist, are often weakly promoted and supervised. The models found in rural Uganda often miss the critical elements of assuring members control, ownership, rights and responsibilities to the institution.

As a result of this reality, USAID/Rural SPEED endeavored to promote a better SACCO model. The model promoted stresses active democracy, self-capitalization, savings mobilization, good governance and sound financial management. The model relies on effective, hands on promotion and mentoring so that the rural memberships can be guided to wisely manage their own limited resources so that those resources will grow and the members will empower themselves.

OBJECTIVE:

The objectives of the Scope of Work governing this consultancy were to:

- Encourage, promote and sensitize rural people (potential members) to mobilize them to establish their own financial Institution (SACCO) on voluntary basis,
- To build their members awareness & knowledge of SACCO Objectives, Functions, Benefits, Members Responsibilities and Rights.
- To build their Elected Leaders Capacity on Members Promotion, Saving Mobilization and Management, as well as Loan service Management of the SACCOs,
- Deliver the proper registration documents to the cooperative Registrar.

METHODOLOGY:

In order to attain the above objectives several steps were undertaken. These are outlined below:

- The promotion and sensitization began by reviewing the findings of the feasibility study, meeting with Rural Speed to understand the task clearly, collaborating with Mukwano Industries and APEP representatives to foster good communication between the consultant, them and the beneficiaries during the first two months.
- The potential members were mobilized to attend sensitization programs using sunflower growers' site coordinators and lead farmers.
- One parish based *mobilizer* was identified from each parish in the new SACCOs' catchment areas and empowered to present the concept at all

community gatherings. Follow up of these mobilizers was done by cell phone.

- Each of the sensitizing areas, Iceme, Barapwo, Ayer and Amach Sub-counties, showed positive growth in members week-on-week.
- Following the establishment of the four SACCOs (at each sub-county), parish level promotional committees were established with the objective of conducting weekly education/sensitization programs at the village level.
- At each SACCO outreach targets are set on a weekly basis and parish level promotional committees are evaluated against their targets. There is no punishment for falling short of outreach targets but public recognition is given to those individuals who reach their targets.
- For the first six months, members meetings are held every two weeks to continue education about the function of the SACCO, members' rights and responsibilities, and to set goals and review progress. Committees are elected and trained.
- Aggressive member mobilization in combination with savings mobilization led to the four SACCOs quickly achieving their minimum registration targets and receiving legal registration from the Commissioner of Cooperatives.

SECTION II

ACTIVITY SUMMARY:

Following review of feasibility study conducted by Rural SPEED, discussions were held with Mukwano Industries' and APEP's field level coordinators. Four sites, based on their volumes of business and the dynamism of farmer-site coordinators and member farmers, were chosen for the initial SACCO promotional activities. These sites were Iceme Farmers in Iceme, Sub-County, Oyam District; Barapwo Farmers in Lira Sub-County, Lira District; Amach farmers in Amach Sub-County, Lira District; and, Ayer Farmers in Ayer Sub-County, Apac District.

Sensitization programs were carried out at each of these sites. Following these programs participants were invited to ask questions, express support or disagreement, and advise on the next steps. In all cases, participants were eager to support the idea of having their own SACCO, promised to promote the idea to their communities and committed to bring more potential members to the next meetings.

The following sensitization sessions focused on:

- Defining SACCO objectives, function and purpose
- Defining cooperative and SACCO principles
- Defining SACCO management structures, checks and balances
- Defining SACCO governance structures, checks and balances, including:
 - Members rights and responsibilities
 - Board of Directors rights and responsibilities
 - Elected Committees rights and responsibilities
 - Hired employees rights and responsibilities
- Describing and agreeing on members' values
- Describing and agreeing on factors for success of the SACCO
- Defining who should be eligible for SACCO membership
- Defining and understanding aspects of the financial intermediation business such as savings, shares, loans and the relationship of these with respect to risk
- Describing and agreeing on criteria for lending and saving; and describing and understanding the strategy for financial products to cover their real costs
- Defining what are the overall role of members, families, communities and government in building a successful SACCO

These training events were so well appreciated that sessions schedules for 2 hours lasted full days with numbers of farmers in attendance rapidly increasing from each session to the next. The largest appeal seemed to be the promise of self-management and transparent governance for a self-helping organization to meet the communities expressed needs.

The ultimate results of these meetings were:

1. The Iceme – Oyam District farmers established their SACCO society on 24 June 2006 by the name of ICEME FARMERS SACCO Society (IFS) with 54 male and 12 female registered members holding 66,000/= Total Assets. The SACCO was registered by the Ugandan Cooperative Registrar Commission on 7 September 2006. Within the last six months the membership increased to

1,152 of which 317 are women. The SACCO has mobilized total Assets of UGX 8,220,171. The SACCO has elected a 7 member Board of Directors and reporting representatives from 20 parishes in its catchment area. The bylaws were ratified by members' full participation.

2. The Barapwo – Lira District farmers established their SACCO society on 27 June 2006 by the name of LIRA FARMERS SACCO Society (LFS) with 75 male and 17 female registered members holding 184,000/= Total Assets. The SACCO was registered by the by Ugandan Cooperative Registrar Commission on 7 September 2006. Within the last six months their membership has increased to 337 of which 106 are women. The SACCO has mobilized total Assets of 4,496,475/=. The SACCO elected a 5 member Board of Directors and 20 representatives (one from each parish in their catchment area). The bylaws were ratified by members' full participation.
3. The Ayer – Apac District farmers established their SACCO society on 4 October 2006 by the name of ITAAAO FARMERS SACCO Society with 40 male and 7 female registered members holding 94,000/= Total Assets. The SACCO was registered by Ugandan Cooperative Registrar Commission on 24 January 2007. Within the last four months their membership increased to 283 of which 77 are women. The SACCO has mobilized Total Assets of 2,491,436/=. The SACCO elected seven members to the Board of Directors and also elected 20 representatives (one per parish) from each of the parishes in its catchment area.
4. The Amach – Lira District farmers established their SACCO society on 15 December 2006 by the name AMACH FARMERS SACCO Society with 19 male and 5 female members holding 48,000/= Total Assets. Within the last two months their membership number to 67 of which 9 are women. The SACCO has mobilize Total Assets of 211,000/=. Registration is pending.

In summary, the four SACCOs mobilized 1,839 members of which 509 are women. The aggregate assets of the four equaled over UGX 15.4M. The memberships, month on month, are growing at 22% monthly and the asset base is growing at 9% monthly. The promotional strategy is similar for all of the SACCOs and that is to mobilize members at weekly parish level meetings. Progress is monitored by the members themselves on a biweekly basis.

There are key areas where meaningful progress has been made since start up of the individual SACCOs. These key areas include: Governance & Management, Financial Management and Controls, Democracy & Sense of Ownership, Transparency, Strategic Planning and Outreach. These are handled, in turn, in the coming paragraphs.

Governance & Management:

Each SACCO has held its first General Assembly meeting where participation was over 95% of the members. Board members and members of key committees were elected through democratic process. In Iceme SACCO, after six months, they called their first Annual General Meeting (AGM) in December where the members evaluated the performance during the past six months of start up. Shortcomings were

identified among some of the elected leaders and as a result, the Vice Chairperson, the Board Secretary and some members of the Education, Loans and Savings committees were replaced.

Financial Management and Controls:

Each SACCO has elected its Controlling Committee. The Controlling Committees has actively reviewed all accounting documents on a weekly basis to ensure that the procedures are precisely in line with the policies ratified by the General Assembly. The savings ledger, members' passbooks, cash book and financial statements are up to date. Transactions are posted daily and weekly and monthly financial reports are accurately produced.

Democracy & Sense of Ownership:

Participation in meeting is always above 95%. The memberships are passionate, understand their rights and obligations and exercise their member privileges. The growth rate in the memberships is exponential. This is owing to the strong sense of ownership among the existing members attracting others outside the SACCOs to join in. Members have actively contributed their own funds to cover expenses such as rent, during the start up period.

Transparency:

There is a weekly financial report produced at each of the SACCOs by the various committees and this report is presented to the Board. The Control Committee ensures that this is always done. On a monthly basis, a status report is provided to the members. Again, the Control Committee ensures that this is done. In Iceme SACCO, the weekly financial report is produced on flip chart paper and posted on the SACCO wall. As the other SACCOs acquire premises, the same procedure will be followed.

Strategic Planning:

The SACCOs have clearly stated Vision, Mission, Objectives and Development Strategies. They have set aggressive targets for membership and savings mobilization, loans and services provisions to their members. They monitor their actual progress toward the planned goals regularly. Iceme SACCO will be providing credit to their members beginning in April 2007 to cover investments in weeding, harvesting and chemical inputs.

Outreach:

The SACCOs are growing rapidly and penetrating their districts on a parish by parish basis. Members are drawn particularly from sunflower farmers but also include local business people and teachers. The SACCOs embrace all members regardless of gender, religion, race or marital status as is appropriate according to the International

Cooperative Principles. The goal for 2007 is 15,000 members, 5,000 in Iceme SACCO alone. Given current growth rates, this goal is very achievable.

SECTION III

CONCLUSIONS AND RECOMMENDATIONS

Conclusions:

Both the local economy and the local peoples' enthusiasm for a better economic life create an enabling environment for SACCOs to be established and to thrive. SACCOs are progressively mobilizing more savings which will translate into more sunflower and, ultimately, more income for savings. The intensive technical support to date has been very effective and prolonging and deepening this support in the short term will be necessary. The model used is strictly based on promoting members' education and active democracy. 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.

In order to fully realize the potential of this SACCO movement in the short term, as is in the interest of both the SACCOs and USAID/Rural SPEED, an intensification of the member mobilization campaign should be undertaken. Mukwano Industries has successfully used radio programs to increase their sunflower production in the region. It is therefore likely that radio might likewise provide a powerful tool to rapidly increase community education around the SACCOs and encourage more membership and savings.

Beyond member mobilization, support for office equipment and computerized accounting systems will be necessary in the short term. Unlike other SACCOs which take years to develop and, as a result, stock pile adequate cash reserves to slowly acquire these things, the USAID/Rural SPEED SACCOs have been rapidly promoted and without some underpinning investment will not be able to sustain their growth.

Recommendations:

1. The feasibility study which was the foundation of this consultancy sought to meet the potential demand of 21,000 members. To achieve this ambitious goal, promotional efforts should be extended beyond the current aggressive practices to include media presentations via the radio and posters. This strategy has functioned well for Mukwano Industries in the same areas in terms of increased numbers of outgrowers and increased sunflower deliveries.
2. The SACCOs can and should begin to diversify their membership base to include members engaged in activities that yield a daily income and/or a regular income. This is critical to minimize the risk to the loan portfolio and savings mobilization by diversifying the cash flow sources. Dairy farmers could be included and salary earners should also be recruited more aggressively.
3. In order to supply working capital to the members, aggressive savings must be encouraged. These liabilities can be either saved up by the members or on-loaned for opportunities. The weakness impeding saver confidence is the lack

- of a safe, computerized accounting and other banking hall structures. These should be provided.
4. Credit seems to be a motivating incentive to new members. This misperception should be changed as the SACCOs are primarily saving up institutions. The SACCOs must be careful to provide credit only for low risk activities toward the end of the sunflower growing season. Implementation of rational loan products will require close mentoring in the coming quarter.
 5. Introducing the technique for saving to Children by providing saving box for each kid at home like the Kenyan saving system for children can change the saving culture of the society radically. Further, the money collected from this system can be used as source of lending. Therefore, USAID/Rural SPEED should provide the technique and the saving box for each member and promote the members to encourage their kids to save.
 6. It would be helpful to train the Lira USAID/APEP agents to ensure that they correctly understand the SACCO formation process and its objectives. They are well respected by the producer groups and sunflower farmers. As such, they can serve as a trusted source of information to respond to community member questions, when they are in the field, and provide valuable support to the SACCO trainer/promoter. Therefore, it is advisable to think on arranging training programs to these Lira & Apac USAID/APEP agents for the sustainable existence of the SACCOs.

SECTION IV

APPENDICES

Appendix A. List of Persons met During the Consultancy

USAID/APEP

Kenneth Otima

PO Trainer – Lira

Mukwano Group of Companies, Uganda

David Opwonya

Regional coordinator – Lira District

Richard Ogwal

Regional coordinator – Apac District

Appendix B. List of Materials used in preparation of Consultancy

1. The group savings resource book, FAO, 2002.
2. Cooperative Promotion & Management manual, RBCDS-Cooperative services, USDA, 1998.
3. SACCO Promotion & Management, by Richard John Perline, Addis Ababa, Ethiopia 2001.
4. 21 Essays on Cooperation & Developments in Kenya, by Sylvester J.Ouma, 1990.
5. SACCO a new Conceptual approach for Poverty eradication, 2005
6. SACCO design study for Sunflower Producers, Lira Region, by Thomas K. Shaw February 2006.
7. *Cooperatives and the Millennium Development Goals*, Dr. Birchall Johnston, Geneva, ILO, 2004.
8. Rural finance from unsustainable projects to sustainable institutions for the poor, IFAD, October 2000.
9. Agricultural lending- self-study guide for loan officers, Rural Finance Learning Centre © 2006, FAO.
10. Interest rate and self-sufficiency- self-study guide for loan officers, Rural Finance Learning Centre © 2006, FAO.

Appendix C. Monthly Performance of the 4 SACCOs in terms of Income & Expenses

Ser.No	Description	August 31/06	September 30/06	October 31/06	November 30/06	December 31/06	January 27/07
A	Revenue						
	Registration fee	603,000	655,000	958,000	1,591,000	2,184,000	2,526,000
	pass book sales		184,000	420,000	677,000	804,500	1,503,000
	Office Rent fee collected		24,000	43,200	70,800	240,300	407,500
	Bank interest income			13,960	13,960	44,960	83,496
	Other income				1,400	1,900	1,900
	Total Revenue	603,000	863,000	1,435,160	2,354,160	3,275,660	4,521,896
B	Expenses						
	Stationary Expenses	118,700	542,700	621,200	831,550	1,430,400	1,426,314
	Transport Expenses	48,000	61,000	77,000	121,000	228,000	280,000
	Registration of SACCO		100,000	100,000	100,000	100,000	150,000
	Radio announcement		105,000	105,000	10,500	47,500	60,500
	Office Rent			500	205,000	520,000	520,000
	Bank Service Charge				4,000	4,000	10,100
	Other Expense				12,500	12,500	191,200
	Total Expenses	166,700	808,700	903,700	1,284,550	2,335,400	2,615,114
C	Gross Profit	436,300	54,300	531,460	1,069,610	940,260	1,906,782

Appendix C. Monthly Performance of the SACCOs in terms of Asset & Members Growth

Ser.No	Description	August 31/06	September 30/06	October 31/06	November 30/06	December 31/06	January 27/07
A	Asset						
	Cash at hand	639,200	31,100	531,900	479,051	983,900	927,987
	Cash in Bank	2,704,500	3,599,100	4,403,460	7,064,060	9,058,060	14,491,096
	Total Asset	3,343,700	3,630,200	4,935,360	7,543,111	10,041,960	15,419,083
B	Liability						
	Compulsory Savings	297,400	442,900	750,900	1,669,300	2,967,100	5,285,400
	Voluntary Savings				284,000	454,100	1,037,400
	Total Liability	297,400	442,900	750,900	1,953,300	3,421,200	6,322,800
C	Capital						
	Members Share Capital	2,610,000	3,133,000	3,548,000	4,520,001	5,687,500	7,212,500
	Gross Profit	436,300	54,300	531,460	1,069,810	933,260	1,883,783
	Total Capital	3,046,300	3,187,300	4,079,460	5,589,811	6,620,760	9,096,283
	Total Liability + Total Capital	3,343,700	3,630,200	4,935,360	7,543,111	10,041,960	15,419,083

Ser.No	Description	August 31/06	September 30/06	October 31/06	November 30/06	December 31/06	January 27/07
	Total Members	438	478	665	1,144	1,593	1,839
	Total Female members	107	115	169	348	433	509

Appendix D: Review of SACCO Development History.

Savings and credit cooperatives (SACCO) Societies or Credit unions have been developed to meet the fundamental human need to find a way of saving and borrowing methods without taking risks and without handing over too much power to a moneylender. They were invented in south Germany in 1846 at the time of agricultural crisis and continued heavy drought in Europe, by two community business leaders: Freidrich W. Reifeisen and Herman schultze- Delitsche, who are considered as the founding fathers of the saving and credit cooperatives (SACCO) movement: Herman schultze- Delitsche, who established a saving and credit cooperatives for minor artisans and the urban middle classes, and Freidrich Reifeisen, the founder of the rural saving and credit cooperatives. In Italy, Luigi Luzzatti established saving and credit cooperatives, which combined the principles established by his two German predecessors. Both forms spread rapidly to all of Europe, north America, Latin America, Asia from 1900 up to 1930th and in Africa by one catholic Bishop for the first time introduced in western Africa Ghana. Today SACCO societies have significant role in empowering their members Socio-Economic Statutes all over the world. To mention some, in Western Europe there are around 11,000 local and regional saving and credit cooperatives banks, with over 56,000 outlets, a 33 million strong membership and a staff of more than 400,000. Their market share is 17 percent of savings, ranking third after the commercial and savings banks.¹

The French Savings and credit cooperatives (SACCO) Societies or Credit unions Agricole is the largest bank in the world outside of Japan, the German people's banks have over 28 percent of the savings market share, Rabobank Netherlands 25 percent. Ireland has a strong Savings and credit cooperatives (SACCO) Societies or Credit unions movement, with 1.6 million people (44 percent of the population) in membership.²

Even if the history of SACCO Societies shows that they were formed initially for the relief of the poverty & transform the poorer economic classes into economically active classes, through which to build self-help society, they were not that much promoted in rural area of Developing countries, or Though in some countries of Africa they were promoted between 1965 and 1989 they were promoted to fulfill the Government quota, with out members understanding on the objective, function, ownership of the SACCO Societies, with out any capacity building & they were more depended on Government fund and highly insulated by politicians, characterized by miss management, corruption, lack of transparency & lack of members internal control, due to this fact the SACCO Societies lost their nature of democratic organizations, controlled by few active members, members lost their right of setting their policies and making decisions on issues, this condition collapses the SACCO development in Africa.

In recent years, in developing countries the potential of peoples owned saving and credit cooperative (SACCOs) as a tool for poverty alleviation has been increasingly recognized.

Evidence on poverty eradication strategies shows that without empowering the poor by teaching them to utilize their limited resource in a wise manner & further too

¹ *Cooperatives and the Millennium Development Goals*, Dr.Birchall Johnston, Geneva, ILO, 2004.

² *Cooperatives and the Millennium Development Goals*, Dr.Birchall Johnston, Geneva, ILO, 2004.

much focuses on provision of credit led to excessive debt burdens & depressed their growth even left borrowers below the level where they before.

To change this condition Rural SPEED introduce unique Model SACCO development strategy with full field technical assistance & capacity Building support to realize sound, members focused governance & financial management, emphasizing on members saving mobilization as a main source of financial sustainability & building members active participation in decision making & controlling their affairs.