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# SACCO SAVINGS PRODUCT DEVELOPMENT

## FINAL REPORT



February, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Thomas K. Shaw, consultant for Chemonics International Inc.



# Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

## SACCO SAVINGS PRODUCT DEVELOPMENT

FINAL REPORT

The author's view 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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**ABBREVIATIONS**

AGM	Annual General Meeting
FD	Fixed Deposit Savings Accounts
GOU	Government of Uganda
LDD	Light Due Diligence
MDI	Micro-Deposit Taking Institutions
MF	Microfinance
MFI	Microfinance Institution
MoU	Memorandum of Understanding
N/A	Not Available/Not Applicable
P.A.	Per annum
PEAP	Poverty Eradication Action Plan
Rural SPEED	Rural Savings Promotion and Enhancement of Enterprise Development
SACCO	Savings and Credit Cooperative
SOW	Scope of Work
UGX	Uganda Shilling
USAID	United States Agency for International Development

## Executive Summary

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Since 1987, the Government of Uganda (GOU) has instituted major economic policy reforms to encourage the financial sector to become increasingly efficient, productive, and competitive. Uganda is well on its way to having a vibrant and reasonably deep financial services sector. Despite recent growth and liberalized economic policies, only ten percent of the rural population has access to basic financial services. In addition, both the formal and the informal financial sectors still require structural changes to be able to provide the range and depth of financial services that individuals and businesses require.

The Rural Savings Promotion & Enhancement of Enterprise Development's (USAID/Rural SPEED) objective is to deepen and strengthen Uganda's financial sector in response to the rural sector demand for financial services. The increased provision of financial services should leverage economic activity to complement other USAID/Mission programs in rural areas. The resulting increase in economic activity should aid the GOU in achieving the target economic growth rates proposed in Poverty Eradication Action Plan

The focus of the consultancy was the provision of support to eight USAID/Rural SPEED partner SACCOs to develop or refine their savings products enabling them to institute appropriate, demand-driven and sustainable products in their savings portfolios. The consultancy had three distinct phases, first an assessment of the current savings products, second a one-day workshop and then a one-day mentoring session with each SACCO.

During the assessment phase of this consultancy, the savings products currently offered by each of the eight USAID/Rural SPEED partner SACCOs were evaluate based on number of users, total amount in each product and the specific terms and conditions (fees for services). The most striking observation made during the assessment was that none of the SACCOs had formal written savings policies. Information was available verbally but a member must ask specific questions to learn more. Marketing is general and not focused on the individual needs of the members.

In addition, it was noted that:

- Terms and conditions for savings products are not clearly identified or available for consultation;
- It took considerable time and numerous questions before the full list of available services for a given savings product were identified;
- While many of the available savings services have set fees, the amount for each fee is not based on a full cost analysis. It is, at best, a reasonable guess;
- Five (5) SACCOs require that members open a savings account as a condition for joining, while three (3) do not;
- All eight (8) SACCOs offer at least one demand deposit account, which is ordinary savings;
- In all SACCOs the ordinary savings accounts is a mix of both current savings services and ordinary savings services.
- Two (2) SACCOs offer the equivalent of a current savings account; however, they do not track these accounts separately from the ordinary savings accounts;

- All eight (8) SACCOs have at least one commitment savings product.
- Three (3) SACCOs offer “Youth” savings accounts;
- One (1) SACCO offers a health savings account; however, the product is just being introduced and all of the terms and conditions have not yet been defined.
- Five (5) SACCOs pay interest on ordinary savings accounts, while the other three (3) pay no interest;
- The interest rate paid is not a function of amount of savings nor it a real reflection of costs or income earned from placement of savings in “good” loans;
- The interest rate paid on commitment savings accounts is higher than for ordinary savings accounts, although only one SACCO differentiates the rate by length of the term;
- None of the SACCOs had made the linkage between loan product costing and pricing and savings product development.
- None of the SACCOs link the terms of their savings products with the terms of their loans.
- SACCOs have not identified loan product demand before promoting savings and are thus reluctant to aggressively market savings products.

The overall assessment of the existing savings products in the eight SACCOs is that they offer all of the necessary services but the operations are not formalized (written) and the terms and conditions are all mixed together in one or two products. There are no incentives (higher interest rates) for savings larger amounts or for investing in longer term savings products (fixed deposits). What is needed is written policies and clearly identified terms and conditions for these distinct savings products. The information should be readily available to all members for consultation and selectively marketed to the most appropriate customers as determined by the cashiers (based on savings balances and frequency of deposits and withdrawals).

Based on the findings of the SACCO savings product assessment phase, a one-day savings product development workshop program was held in Mbarara on February 1, 2007. The participants consisted of a board member, the general manager or branch manager, and a cashier from each of the eight SACCOs. Additionally, one SACCO was invited to send a fourth participant who is responsible for their savings department. Twenty-five (25) SACCO representatives participated.

In general the contribution of the workshop participants was very active. While the workshop sessions were completed within the one-day timeframe, there was insufficient time to thoroughly review the implications of the suggested terms and conditions of the five savings products through a practical exercise. It would have ideal if an additional half-day had been available to permit each SACCO team put together part of its draft savings policy.

By the end of the training workshop, it was clear to all of the participants that each SACCO needs to have a formal written savings policy, with distinct products and clearly defined services and fees to attract members to use the most appropriate product or products for their individual savings and investment needs.

The savings product development mentoring sessions were then divided into two sessions (on the same day). The first session involved a meeting with the full board to establish the policy aspects of improving their savings products. This was then followed by a meeting with a working group of the SACCO's staff to work out the details of the savings policy and the product terms and conditions. Three topics were covered with the SACCO boards:

- 1) Understanding the linkage between the “Product (loan) Costing and Product Pricing” , the “Savings Product Development” and the upcoming “Treasury Management” workshop;
- 2) Review of the savings product development workshop;
- 3) Discussion of the way forward:

While some of the board meetings were much more active than others the conclusions were the same; i.e., that there was a need for each SACCO to have a formal written policy and a range of distinct savings products. The SACCOs further resolved to prepare for submission for funding to USAID/Rural SPEED, proposals for savings promotion campaigns.

Following the board sessions, the staff were walked through a general outline of a savings policy and then encouraged to ask questions as the framework was discussed in greater detail, savings product by savings product. The “active” participation of the staff members varied tremendously SACCO by SACCO. Where internal discussion was limited, more “lecturing” was required to ensure that everyone understood how to complete the draft savings policy as mandated by the boards. Each SACCO determined exactly what products it will offer and only those were discussed.

Finally, it was agreed that each SACCO would prepare a draft policy to be submitted to USAID/Rural SPEED for comments and suggestions. These draft policy will then be finalized, based on the recommendations from the USAID/Rural SPEED specialists, and submitted to their respective boards for amendment, approval and implementation.

**It is therefore recommended that:**

- 1) That USAID/Rural SPEED follows up with each of the eight partner SACCOs on the submission of the draft savings policy proposal, provides specific observations and suggestions to improve those drafts polices and then verifies that the final policies are approved by the boards of directors and implemented within the SACCOs.
- 2) Since it is unlikely that any of the SACCOs will do a thorough cost analysis of each of their savings products before completing their savings policies, USAID/Rural SPEED should insist that the SACCO start collecting cost data on the individual products. The pricing of services must be based on real costs and not just guesswork, if they want to best serve their members interests and encourage additional savings.

As such, a full review of the pricing of their savings services should be required from each SACCO, with assistance of USAID/Rural SPEED's savings and linkage banking specialists, 3 months after the new savings' policies are implemented. This should occur sometime in June or July 2007.

- 3) There should be some form of formal, focused, product marketing training for the SACCO cashiers. They have good basic knowledge of the products but lack the ability or skills to identify appropriate candidates for each savings product. This is a lost opportunity for the SACCOs since the cashiers are in daily contact with the members and see their savings habits each time they view a client's ledger card.
- 4) There is strong interest in promoting youth savings accounts; however, there are no support materials currently available that could be used as additional curriculum in the schools.

USAID/Rural SPEED should assist the SACCO in putting together a solid package of savings educational materials that could be used in the local schools.

SACCO management would still drive the youth savings promotion in partnership with individual teachers and head masters. Not only could accounts be offered to individual youth but there is an opportunity to involve the school clubs and sports teams in group savings activities.

- 5) Finally, USAID/Rural SPEED needs to get the new computer hardware and software systems set up in the SACCOs to take the fullest advantage of the redefined or new savings products.

## SECTION I

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### BACKGROUND

#### Introduction

Since 1987, the Government of Uganda has instituted major economic policy reforms to encourage the financial sector to become increasingly efficient, productive, and competitive. Uganda is well on its way to having a vibrant and reasonably deep financial services sector, with fifteen commercial banks, seven commercial credit institutions, four licensed and one potentially licensed micro-deposit taking institutions (MDIs), microfinance institutions (MFIs), and member-owned savings and credit cooperatives (SACCOs). Despite recent growth and liberalized economic policies, only ten percent of the rural population has access to basic financial services. In addition, both the formal and the informal financial sectors still require structural changes to be able to provide the range and depth of financial services that individuals and businesses require.

Commercial lending and the majority of microfinance activities remain confined to urban and peri-urban areas due to the high cost and low return of rural outreach. Interest rates on loans remain high and adequate forms of collateral do not exist due to continuing disorganization within the land registry system. Finally, there is little accountability of Tier 4 institutions such as SACCOs and savings associations. To stay true to goals set in the GOU's Poverty Eradication Action Plan (PEAP) to achieve an economic growth rate of seven percent to eight percent and reduce poverty to 10 percent by 2017, all citizens, especially the poorest, must benefit from economic growth and have access to financial services.

USAID/Uganda's 2002-2008 Strategy calls for expanded sustainable economic opportunities for rural sector growth, promoting a connection between productive strategies by the private sector in rural areas and expansion of financial services sector. USAID/Rural SPEED was designed to help meet this goal.

USAID/Rural SPEED's objective is to deepen and strengthen Uganda's financial sector in response to the rural sector's demand for financial services. The increased provision of financial services should leverage economic activity to complement other USAID/Mission programs in rural areas. The increase in economic activity should aid the GOU in achieving the target economic growth rates proposed in PEAP. The USAID/Rural SPEED project is supporting and executing activities in the following key areas:

1. Institutional Capacity Building, including:
  - a. Savings mobilization;
  - b. Agricultural Finance;
  - c. Non-agricultural finance; and
  - d. Bank/MDI/MFI/SACCO Linkages.
  
2. New Product Development and Service Delivery

As part of its mandate to encourage financial institutions to develop new products and extend their services to the rural areas, USAID/Rural SPEED has been helping them review, develop and test existing and new financial products. USAID/Rural SPEED is currently assisting

eight SACCO partners to develop savings products that meet the needs of their clients and have a positive impact on the institutions portfolios.

### Scope of Work

The objective under the scope of work (SOW) was to provide support to eight USAID/Rural SPEED partner SACCOs to develop or refine their savings products, thus enabling them to institute appropriate, demand-driven and sustainable products into their savings portfolios.

The specific tasks were to:

- Meet with USAID/Rural SPEED to comprehensively understand the tasks at hand;
- Carry out a field assessment of the partner SACCOs:
  - Review the savings products offered by the eight partner SACCOs evaluating:
    - Productivity,
    - Appropriateness to:
      - Institutional need for short, medium or long term liabilities;
      - Client need for access, return, security and convenience.
    - Product Features; and
    - Management burden.
- Prioritize five savings products broadly appropriate for the eight SACCOs surveyed.
  - If the product is existing, refine it;
  - If the product does not exist, outline it.
- Convene a workshop with USAID/Rural SPEED's partner SACCOs in Mbarara to present the features and benefits of the five products so that the SACCOs can further choose and prioritize two of the five products that would benefit all of the eight partners.
- Develop comprehensive policies and procedures for these two products underpinned by:
  - Realistic costing/pricing and projections for volumes that ensures viable returns to the financial institutions
  - Feasible savings strategies/methodologies that will ensure adequate and appropriate risk mitigation mechanisms;
  - Recommendations for the staff training strategies; and
  - Recommend strategies for the pilot-test, rollout, and marketing.
- Mentor, for one day each, the senior management and board of each of the eight SACCOs in these two products using the developed policies and procedures.
- Prepare and submit to USAID/Rural SPEED a brief activity completion report.

As such, the work plan dates for the assignment under the SOW are shown in Table 1. A more detailed daily work plan is shown in Appendix A

**Table 1      Consultancy Work Plan Calendar**

<b>FROM</b>	<b>TO</b>	<b>ACTIVITY</b>
January 14	January 15	Travel from Toledo to Entebbe
January 16	January 16	Meet with USAID Rural SPEED technical team
January 17	January 25	Savings product assessment of 8 USAID/Rural SPEED partner SACCOs
January 26	January 30	Development of Training Materials
January 31	January 31	Travel to Mbarara
February 1	February 1	Savings Product Development Workshop
February 2	February 10	Mentoring of 8 USAID/Rural SPEED partner SACCOs
February 11	February 13	Preparation of draft report.
February 14	February 16	Mentoring of Rural SPEED's Savings and Linkage Banking Specialists
February 16	February 17	Travel from Entebbe to Toledo

The total number of work days under this consultancy assignment was thirty-one (31), which includes international travel from and to the United States.

## SECTION II

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### SAVINGS PRODUCT DEVELOPMENT

In preparation for the SACCO savings product assessment and the subsequent savings product development workshop, a general review of USAID/Rural SPEED Light Due Diligence (LDD) reports was conducted on the eight partner SACCOs. In addition, the four marketing and product review studies, the “Savings Habits, Needs and Priorities in Rural Uganda” study, and international publication on savings products in East Africa were consulted to ensure that all materials would address the savings needs of rural Ugandans. The full list of documents consulted is shown in Appendix B .

#### Savings Products Assessment

During the assessment phase of this consultancy<sup>1</sup>, the savings products currently offered by each of the eight USAID/Rural SPEED partner SACCOs were evaluate based on number of users, total amount in each product and the specific terms and conditions (fees for services). Appendixes C through J present the detailed savings products for each SACCOs and identify their individual terms and conditions.

The most striking observation made during the assessment was that none of the SACCOs had formal written savings policies. Information was available verbally but a member must ask specific questions to learn more. Marketing is general and not focused on the individual needs of the members.

Cashiers indicated that it could take fifteen minutes or more to explain to a member or potential member the details of a savings product, thus slowing down the counter queue (customer waiting line) service. Having a formal policy could therefore provide information to members that can read (the material can be made available in multiple languages) more quickly. It was seen as a means of informing more members of the options available in less time. Cashier would then only need to answer more specific questions. Unfortunately, cashiers<sup>2</sup> have not been recognized for the key role that they can and should play in promoting the use of SACCO services (products), especially suggesting the most appropriate savings products for each member, based on knowledge of their savings habits and average savings balances.

In addition, it was noted that

- Terms and conditions for each savings product are not clearly identified and available for consultation;
- It took considerable time and numerous questions before the full list of available services for a given savings product were identified.

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<sup>1</sup> The assessment was conducted by a joint team consisting of the USAID/Rural SPEED Savings Specialist, Eldard Ssebbaale, and the consultant.

<sup>2</sup> It was pointed out to the SACCO management that the cashiers are the “face of the SACCO.” This is because all members know and trust the cashiers and are known in turn by the cashiers. Members may not know anyone else in the SACCO, so the cashiers play a vital trust linkage between the members and use of the SACCO services.

If a specific question was not asked then it is likely that we were not told that the service was available. This was especially true for transactions through the link banks (cash or check deposits to members account via link bank deposits);

- While many of the available savings services<sup>3</sup> have set fees, the amount for each fee is not based on a full cost analysis. It is, at best, a reasonable guess;
- Five (5) SACCOs require that members open a savings account as a condition for joining, while three (3) do not;

For two SACCOs this number is significant; i.e., 1,562 (Ikongo) and 501 (MAMIDECOT). It has also led to the existence in the balance sheet of a permanent “dividends payable” liability because few of those shareholders ever come to the SACCO to receive their dividends.

The dividends payable account is meant to be a temporary account, which lasts the short time it is needed between the declaration of the dividend and until it is paid into each member’s account. Since these members do not have accounts the SACCO continues to carry a dividends payable liability on a permanent basis. This issue should be addressed in each of these three SACCOs.

- All eight (8) SACCOs offer at least one demand deposit account, which is ordinary savings;
- In all SACCOs the ordinary savings accounts is a mix of both current savings services and ordinary savings services.

It is therefore important that these two product uses be split out from the current single, multi-purpose product and then offered to members as separate products.

- Two (2) SACCOs offer the equivalent of a current savings account; however, they do not track these accounts separately from the ordinary savings accounts;

The distinction is more in terms of extra fees or separate withdrawal slip booklets. The other SACCOs offer the equivalent of the current account services, without considering it as a separate product from ordinary savings.

- All eight (8) SACCOs have at least one commitment savings product.

For seven (7) of the SACCOs this is the fixed deposit account. For the 8<sup>th</sup> SACCO this is their school fees account;

- Three (3) SACCOs offer “Youth” savings accounts;

In one case, the SACCO requires the youth to purchase a “junior” share, which is 20% of the value of an ordinary member’s share capital. This share does not earn dividends or give the youth a right to voting but it does give a strong sense of SACCO ownership and participation.

Generally, fees for youth accounts are less than for ordinary savings accounts and withdrawals limited to once each quarter (generally at the beginning of each school term).

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<sup>3</sup> For example: counter (slip) deposits or withdrawals, transactions through the link-bank, new passbooks, new ledger cards, etc.

While the idea is excellent, none of these three SACCOs has effectively marketed the product to school children. The number of youth members is therefore very limited; however, potential is enormous given the number of schools that are already members of these SACCOs.

- One (1) SACCO offers a health savings account (Humura Savings Account at Kyamuhunga); however, the product is just being introduced and all of the terms and conditions have not yet been defined.

The SACCO expressed interest in completing the upcoming savings product workshop and mentoring session before finalizing the product's terms and conditions. This product is expected to be launched during the first quarter of 2007.

- Five (5) SACCOs pay interest on ordinary savings accounts, while the other three (3) pay no interest;

It was frequently stated that members only care about “funds” safety and not interest. This is likely to be more a function of lack of choice and a decision by the member that a SACCO account that pays no interest is still more attractive than no account at all. Choice is likely to increase average savings balances and not simply increase SACCO costs.

Without some form of interest incentive it is unlikely that members will place larger amounts of money for longer terms in the SACCO, thus forcing them to continue to offer only very short-term loan products.

No SACCOs offers tiered interest rate to encourage higher average savings balances. The rate paid on very small balances is the same as on very large balances.

- The interest rate paid is not a function of amount of savings nor it a real reflection of costs or income earned from placement of savings in “good” loans;
- The interest rate paid on commitment savings (fixed deposit, etc.) accounts is higher than for ordinary savings accounts, although only one (1) SACCO differentiates the rate by length of the term (Kyamuhunga);

There is one additional exception (MAMIDECOT) where the rate paid on fixed term deposits of 10,000,000 UGX or more is negotiable. Currently, they have one account for 25,000,000 UGX, which is earning a 15.5% annual interest rate. The rest of their fixed deposits accounts earn 12% p.a., no matter the term (3, 6, 9 or 12 months).

- None of the SACCOs had made the linkage between loan product costing and pricing and savings product development.
- None of the SACCOs link the terms of their savings products with the terms of their loans.

This has likely led the SACCOs to be much more restrictive in the lending terms and amounts.

- SACCOs have not identified loan product demand before promoting savings and are thus reluctant to aggressively market savings products.

Table 1 gives an overview the different products offered by the eight SACCOs and whether or not interest is paid on those accounts.

**Table 1 Type of Savings Products Offered by SACCOs**

<b>PRODUCT SACCO</b>	<b>Ordinary Savings</b>	<b>Collection Savings</b>	<b>Fixed Deposit</b>	<b>Minor Savings</b>	<b>School Fees Savings</b>	<b>Health Fees Savings</b>
<b>MAMIDECOT</b>	<b>Yes</b> Pays Interest	<b>Yes</b> Pays Interest	<b>Yes</b> Interest rate same for all terms but negotiable for amounts > 10, 000,000 UGX	No	No	No
<b>SHUUKU</b>	<b>Yes</b> Pays Interest	No	<b>Yes<sup>4</sup></b> Interest rate negotiable for all amounts and terms	No	No	No
<b>KITAGATA</b>	<b>Yes</b> Does Not Pay Interest	<b>Yes</b> Does Not Pay Interest	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>BUGONGI</b>	<b>Yes</b> Does Not Pay Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>IKONGO</b>	<b>Yes</b> Does Not Pay Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>KYAMUHUNGA</b>	<b>Yes</b> Pays Interest	No	<b>Yes</b> Interest rate variable (higher) depending upon term	<b>Yes</b>	No	<b>Yes</b>
<b>RUBABO</b>	<b>Yes</b> Pays Interest	No	No	<b>Yes</b>	<b>Yes</b>	No
<b>MUHAME</b>	<b>Yes</b> Pays Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	<b>Yes</b>	No	No
<b>TOTAL</b>	8	2	7	3	1	1

The overall assessment of the existing savings products in the eight SACCOs is that they offer all of the necessary services but the operations are not formalized (written) and the terms and conditions are all mixed together in one or two products. There are no incentives (higher interest rates) for savings larger amounts or for investing in longer term savings products (fixed deposits). What is needed is written policies and clearly identified terms and conditions for these distinct savings products.

The information should be readily available to all members for consultation and selectively marketed to the most appropriate customers as determined by the cashiers (based on savings balances and frequency of deposits and withdrawals).

<sup>4</sup> While this product exists there are currently no fixed deposit accounts because the SACCO is overly liquid from ordinary savings at this time.

### Savings Product Development Work Shop

Based on the findings of the SACCO savings product assessment phase, a one-day savings product development workshop program (Appendix K) was developed and a “Saving Product Development Workshop Training Guide (Appendix L)” prepared for distribution to the workshop participants. The participants consisted of a board member, the general manager or branch manager, and a cashier from each of the eight SACCOs. Additionally, one SACCO (Rubabo) was invited to send a fourth participant since they have a senior staff member who is directly responsible for their savings department. In all, twenty -five (25) SACCO representatives participated in the workshop.

The one-day workshop objectives were to:

- Define the objectives of a SACCO Savings Policy;
- Present a summary of the assessment of the current savings products available in the 8 USAID/Rural SPEED Partner SACCOs;
- Define the characteristics of five new/modified savings products;
- Discuss the different benefits of each of these five savings products;
- Discuss how to prioritize the introduction of the two most appropriate new/modified products for each individual partner SACCO.

To accomplish these objectives the workshop session were structured as follows:

- Session 1: Why Should Clients Save?
- Session 2: What is the Purpose of a Savings Policy?
- Session 3: What is a Savings Product?
  - a. What is Demand Savings?
  - b. What is Commitment Savings?
- Session 4: Review of the SACCO Savings Assessment Findings
- Session 5: What Income is Earned from a Savings Product?
- Session 6: What Costs are Incurred from Savings Product?
- Session 7: What are the Primary Characteristics of a Savings Product?
- Session 8: Establishing Savings Products’ Terms and Conditions
  - a. Demand Savings Product 1 – Current Savings Account
  - b. Demand Savings Product 2 – Ordinary Savings Account
  - c. Commitment Savings Product 1 – Fixed Deposit Account
  - d. Commitment Savings Product 2 – Savings for a Purpose Account
  - e. Commitment Savings Product 3 – Youth Account
- Session 9: Savings Product Marketing
- Session 10: Workshop Evaluation

In general the contribution of the workshop participants was very active; however, almost half of them arrived at the workshop around 10:30 A.M., one and a half hours after the workshop had started, due to transport delays. It was further revealed that the members present either were unaware of the previous “Product Costing and Product Pricing” workshop conducted in December 2006 or had no idea of its linkage with the development and promotion of savings products. No SACCO has yet conducted a thorough costing and pricing exercise for its loan products, which should have occurred after the last workshop and before this one.

This was unfortunate because the range and type of savings products offered by a SACCO should reflect the terms and types of viable loan products available. Lending opportunities should direct the SACCO to aggressively promote those savings products that most closely match the predetermined or expected volume and number of loans (by product).

In light of this lack of information, a short review of the linkage between loan product costing and pricing, savings product development and treasury management (the upcoming workshop in March 2007) was conducted. In addition, it was added as an agenda topic for the follow-up mentoring sessions so that it would be discussed with the Boards of Directors.

While each of the workshop sessions was completed within the one-day timeframe, there was insufficient time to thoroughly review the implications of the suggested terms and conditions of the five savings products through a practical exercise. It would have ideal if an additional half-day had been available to permit each SACCO team put together part of its draft savings policy before the mentoring sessions. This would have made the mentoring sessions more focused on specifics instead of a lot of general introduction to staff who were not present at the workshop.

The next to last session, on savings product promotion, made use of a “brain storming” approach to expand the “perceived” range of options that might be available for savings promotion and marketing, even if some of these suggestions are not the types of activities that can be funded through USAID/Rural SPEED. The SACCO can always use its own funds for additional promotion activities. The suggestions put forward by the participants (in no specific order of priority) were:

- Using the media to get out information on a product and its benefits, through newspapers and radio, especially local radio spots and “talk shows”;
- Community sensitization meetings;
- Membership needs assessments;
- Cashiers marketing the products across the counter;
- Member incentives (prizes, end of year recognition, etc.);
- Positive government programs;
- Brochures, posters and billboards;
- Promotion to students through schools (educational curriculum);
- Loan officer promotion of savings products (to borrowers and linked to loan repayments);

- Redesigning the savings products (to be more attractive and response to members needs);
- Widening of the range of savings products available;
- Motivating the staff to be smart (on promoting savings products);
- Train the staff, management and board members on the savings products' terms and conditions;
- Drama show presentations (about savings); and
- Client days (open house) at the SACCOs for members (savers).

Finally, during the oral part of the evaluation (the written form was already completed and submitted to the USAID/Rural SPEED Savings Specialist) the following additional suggestions were made:

- To use the same detailed approach used during the savings products development workshop to examine/discuss, in full detail, the advantages and disadvantages of the other products offered by the SACCOs;
- The organization of field trip (staff, board, members) to more developed areas, regions or countries;
- To organize/facilitate inter-SACCO management and board exchange visits to discuss products; and
- The delivery and installation of the computer hardware and software promised for October 2006, in the near future.<sup>5</sup>

By the end of the training workshop, it was clear to all of the participants that each SACCO needs to have a formal written savings policy, with distinct products and clearly defined services and fees to attract members to use the most appropriate product or products for their individual savings and investment needs.

### **Savings Product Development Mentoring**

Each of the savings product development mentoring sessions were divided into two sessions. The first session involved a meeting with the full board (or as many members as were present) to establish the policy aspects of improving their savings products. This was then followed by a meeting with a working group of the SACCO management/staff members to work out the details of the savings policy and the product terms and conditions. As such, three topics were covered with the SACCO boards of directors:

- 1) Understanding the linkage between the “Product (loan) Costing and Product Pricing” workshop (Dec. 2006), the current “Savings Product Development” workshop (Feb. 2007) and the upcoming “Treasury Management” Workshop (planned for early March 2007);

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<sup>5</sup> The SACCOs indicated that they had included the availability and full use of the new systems in their 2007 work plans. Thus the delay in deliver is delaying full implementation of the 2007 work plans.

- 2) Review of the savings product development workshop;
- 3) Discussion of the way forward on:
  - a. Developing a formal, written savings policy;
  - b. Breaking out the distinct savings products and determining their terms and conditions; and
  - c. Developing an outline for a savings promotion campaign proposal that will coincide with USAID/Rural SPEED's 2007 National Saving Promotion Campaign, which is expected to begin in late March. This includes the focused promotion of only one or two (maximum) savings products.

While some of the board meetings were much more active than others (stronger, more focused and well-informed board members) the conclusions were the same; i.e., that there was a need for each SACCO to have a formal written policy and a range of distinct savings products. The individual SACCO decisions will be discussed SACCO by SACCO. The SACCOs further resolved to prepare for submission for funding to USAID/Rural SPEED, proposals for savings promotion campaigns. The one exception is MAMIDECOT, which has just completed a very successful savings promotion campaign (financed by USAID/Rural SPEED) and was thus not invited to make an additional submission at this time.

Following the board sessions, the staff were walked through a general outline of a savings policy and then encouraged to ask questions as the framework was discussed in greater detail, savings product by savings product. The "active" participation of the staff members varied tremendously SACCO by SACCO. Where internal discussion was limited, more "lecturing" was required to ensure that everyone understood how to complete the draft savings policy as mandated by the boards. Each SACCO determined exactly what products it will offer and only those were discussed. It was pointed out that additional (reference) information was available in workshop's training guide and that this document could be distributed to staff and board members to create a better understanding of the possible savings products, their incomes and costs.

The recommended general saving policy format is as follows:

- Introduction:
  - a. One or two paragraphs describing the objectives of the savings policy for the members and the SACCO; and
  - b. A list of the saving products available at the SACCO.
- Description of each product (product by product):
  - a. Statement of the purpose of the product (for the member and then for the SACCO);
  - b. General description of the product and the requirement for access to the product;
  - c. Full list of services available under the product and the fees (or lack of fees) charged for each service;
  - d. Description of how the liquidity<sup>6</sup> from the product will be managed
    - i. How much can be invested in loans and what term (number of months) lengths are permissible; and

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<sup>6</sup> This knowledge is a precondition for the upcoming treasury management workshop. SACCO should be instructed to bring this information to that workshop in March 2007.

- ii. How much of the funds need to be kept as cash-on-hand or cash-in bank;
- e. Special conditions (depending upon the product) such as:
  - i. Account dormancy (current saving accounts and ordinary savings accounts);
  - ii. What happens with fixed deposit accounts at maturity if the members does not give advance instructions and does not show up on time; and
  - iii. What happens when a youth account holder turns 18 years of age (reaches legal majority);

It is intended that the savings policy will not exceed eight pages and thus be easily usable by management, board and members.

It was pointed out to the SACCOs that the current ordinary savings products lacked any incentive for members to increase average savings balances, even when they do pay some interest on the account. It was recommended that the ordinary savings account have a tiered interest structure to encourage members to increase their balances. This would help determine which members are the best candidates for fixed deposit account, based on their ability to increase saving balances to earn from the higher interest rates.

Four of the SACCOs indicated that they would offer the ordinary savings account as the basic account to be opened when a member joins. One indicated that it would offer the current saving product as the basic account, while two others will offer their members a choice when joining of either the current savings account or the ordinary savings account (as their base account). Only one SACCO was undecided as to what it would offer as its basic account. They indicted that they would decide once the chairman and the manager returned.

Finally, it was agreed that each SACCO would prepare a draft policy to be submitted to USAID/Rural SPEED for comments and suggestions. These draft policy will then be finalized, based on the recommendations from the USAID/Rural SPEED specialists, and submitted to their respective boards for amendment, approval and implementation. It would be advisable that each SACCO provides USAID/Rural SPEED with a copy of the approved policy, when the boards have made their decisions.

## **Kitagata**

The board meeting started an hour late because of the absence of most of the board members. In fact, four were actually in a budget meeting in Bushenyi (known in advance but not previously communicated to the mentoring team so that the date could have been modified). To address this issue, two members of the internal audit committee and the cashier were invited to participate in the meeting.

The mentoring team used the time delay to discuss the SACCOs current high delinquency rate. It was discovered that the majority of the delinquency was due to a small number of large non-performing loans, which by definition need to be written off. The board chairman had been reluctant to authorize the accounting procedure. The team clearly identified that writing off delinquent loans (past due > 360 days) was a generally accepted accounting standard and not an optional operation. It is believed that this message was fully understood

and that the SACCO will write off these loans in the near future; however, the Linkage Banking Specialist must follow up on this at the end of February 2007.

Once the meeting began the board members present were active, especially the internal auditors. The conclusion of the meeting was that the SACCO was in great need of having a written saving policy and detailed, distinct savings products. In addition, management was instructed to prepare a savings promotion campaign for submission to USAID/Rural SPEED.

After the board meeting, the team worked with the manager and the cashier to outline a draft the savings policy. The SACCOs savings products will include a current savings account, an ordinary savings account, a range of fixed deposit accounts, and a youth saving account. The draft policy will be submitted to USAID/Rural SPEED for comments, via e-mail, on February 16, 2007.

A general discussion for a savings promotion campaign proposal was also completed, with February 23, 2007 given for submission of the proposal. The proposal will include brochures, radio adverts, mobile promotion (vehicle and loud speaker), and participation in USAID/Rural SPEED's road show(s) in their area of operation. It was requested that the SACCO implement a short survey (at the cashier level) to find out how new members learned about the savings products and what brought them into the SACCO to request that product or products.

## **Muhame**

This SACCO's board was fully present and very active in the discussions on the savings policy and products. At the end of the two hour session, the board decided:

- To develop a clear, written savings policy;
- To break out (separate) the savings products and define their distinct terms and conditions; and with the assistance of USAID/Rural SPEED
- Prepare a saving promotion campaign to coincide with the national savings promotion campaign.

The board suggested that there should be some form of training organized to help cashiers understand their critical role in the promotion of savings products to members. They need to be able to identify the most appropriate members for each product, given that they are the front-line person for the SACCO and the members (customers) trust them. They further indicated that it is also important that the Youth savings product be promoted through the local schools, which implies that there should be some form of savings curriculum (materials) that could be used by the teachers and linked to SACCO "mentoring and promotion" visits to those classes (students). Even student groups (sports groups, clubs, etc.) could be targeted for this account.

Guidance was given to the SACCO board on how to pay the budgeted (but not implemented) interest on ordinary savings accounts for 2006. The SACCO had been waiting for the promised computer and software assistance before moving forward. Unfortunately, this delay sends the wrong message to members; i.e., that they will not get the interest (it was supposed to be paid on June 30, 2006 and December 31, 2006). It therefore discourages additional savings.

In addition, the new software system will not backdate savings information, since this could take months to enter into the database. Only verified savings balances will be transfer to the new system. Thus there is no justification for waiting on the new software. Once this was made clear, they were given the option of using a minimum monthly balance or minimum quarterly balance to make the calculation. The board promised to review the options and make a decision in the near future. Since they had hoped to use an average daily balance with the new system it is likely that they will follow an average monthly balance to make the calculation until the new software is installed and running. After that, they will opt to pay using an average daily balance methodology.

The SACCO has decided that it will offer a current savings account, an ordinary savings account, a range of fixed deposit accounts, a youth savings account, and a “Savings for a Purpose” product, which will be introduced at a later date. The terms and conditions for each of these products were discussed with management and it was agreed that the draft savings policy will be sent to USAID/Rural SPEED by February 25, 2007.

A savings promotion campaign proposal was also discussed with February 25, 2007 selected as the submission date as well. It was agreed that the documents would be sent via e-mail unless the system is not working at that time; however, an effort would be made to ensure that it was sent via e-mail.

One specific and non-saving related issue was also raised by the board; i.e., the “fairness” of paying dividends on a share that is purchased in December and that has not been available the entire year. Members purchase shares in December in anticipation of the payment of dividends after the Annual General Meeting (AGM) early the following year. It was agreed that the issue would be considered by the USAID/Rural SPEED rural finance team and an opinion sent to the SACCO board. It was pointed out that it would only be “an opinion” and that the board would still have to make its own decision on what to do.

## **Ikongo**

While board members were almost an hour late (transport difficulties), almost all were present for the meeting. This was a very active meeting; however, this board pointed out that they still need a lot of mentoring assistance. They recognized that there is a critical need for a savings policy with distinct products and clearly identified terms and conditions. However, they are not comfortable on being able to explain to their members all of the changes that will take place in separating out the current saving services from the ordinary savings services.

They have suggested that USAID/Rural SPEED assist them both financially and through the training support of the Linkage Banking specialist to conduct a one-day members’ training on savings products. This training is proposed to take place one week before their AGM. That way all of the available options and especially the fees associated with each option could be easily presented to members. This will allow them to better and informed choices on their basic savings products.

This is the weakest of the partner SACCOs and it needs additional mentoring to smooth the transition between their single multi-purpose savings product to a distinct range of products. To their advantage, the board is highly motivated and desires to implement all of the improvements suggested by USAID/Rural SPEED, including but not limited to the current

savings product development training. It lacks; however, the capacity to do it on their own at this time. Some form of assistance is recommended.

By the end of the meeting, the board agreed that they needed a clear, written savings policy and distinct savings products with clear-cut terms and conditions. They also agreed that a saving promotion campaign proposal should be prepared by management and submitted to USAID/Rural SPEED.

The SACCO will offer a current savings product, an ordinary savings product, a range of fixed deposit accounts, a youth savings product, and a savings for a purpose product, although it is not likely to implement all of them immediately. It wants to focus on the current and ordinary savings products first. The manager agreed to send the draft policy to USAID/Rural SPEED on February 13<sup>th</sup>, via e-mail for comments and then to take those comments into account for the final version that will be presented to the board.

The saving promotion campaign proposal was also discussed and a decision taken to send the proposal on February 22, 2007. The proposal will include both the one-day member training and a range of promotional activities (radio spots, poster, brochures, and some form of local road shows).

## **Shuuku**

Once again the full board was not present, even though a request had been made at the time of the assessment to meet with all of them. It appears that the invitation letter to the workshop and instructions on board participation only requested “key board” members. Since this letter arrived after the assessment visit they followed the instructions in the letter and not our initial verbal request. While a larger participation would have been ideal, the three finance committee members were very active and focused on the meetings outcomes. After a full presentation and large discussion of the issues, the board agreed that they need a written savings policy, with distinct saving products and defined terms and conditions. In addition, a savings promotion campaign is desirable to increase resources for expected increases in lending opportunities in 2007.

They did; however; point out that a lot of members still prefer savings in animals rather than in cash savings at the SACCO. They asked, “What can they do about it?” While there is no simple answer, they need to offer better interest returns on the savings products to attract members first and then work with members to get them to recognize that animals are not divisible and thus the entire animal must be sold to meet even a small emergency. If they also had savings, then only the amount needed would have to be withdrawn to satisfy the emergency. This will take time and should be focused on the best savers, as identified by cashiers through ledger card balances and transaction history.

The SACCO has decided that its savings policy will include a current savings product, an ordinary savings product and a range of fixed deposit accounts. Efforts will be put into promoting the current savings product first and explaining its advantages to business, schools, churches, and groups. They have proposed to have their draft savings policy submitted to USAID/Rural SPEED on February 23, 2007, again via e-mail, if it is possible.

Their saving promotion campaign proposal will also be submitted to USAID/Rural SPEED on February 23, 2007. They are looking at using the local newspapers and radio (spots and

radio talk shows) to promote savings, as well as, brochures, banners and some board members to do “walking” promotions.

The final issue raised during the discussion was the case of associate members. According to the board secretary, this was approved at the last AGM<sup>7</sup>; however, there is no written definition of what exactly an associate member is or what he or she can or cannot do. It seems that an associate member access the same basic ordinary savings account services (deposits/withdrawals) at the same service fee costs as a fully paid member. Normally, associate members pay slightly more so there is a monetary incentive to become a member.

While they cannot get loans, be paid dividend (no share) or attend meeting, there is no stated time limit on when they need to become full member, even though the purpose is supposed to be for “poorer” community members to save up the amount needed to pay for shares, fees and the minimum savings account deposit. USAID/Rural SPEED should follow up to ensure that there is a written policy on associate members and this amendment to their By-laws is submitted to the Commissioner of Cooperatives office for official approval.

## **Kyamuhunga**

The meeting with the Kyamuhunga board was conducted on Sunday, February 4, 2007 to coincide with the quarterly board meeting, while the session with the SACCO management team took place as originally scheduled on Wednesday, February 7, 2007. This permitted the mentoring team to have two full hours with entire board. Once our session was completed the board continued with the rest of its agenda. This was one of the two most productive board meetings.

The presentation led to a unanimous decision that the SACCO must develop a clear, written savings policy and re-examine its current savings products to separate out terms and conditions that apply to current savings accounts instead of ordinary savings accounts, as they exist now. This SACCO already has the most varied range of savings products, including a “Humura” or health savings product. The board indicated that it needed assistance from the mentoring team to better define the terms and conditions for all of its products. This occurred when the team met with management on the following Wednesday. It further mandated the manager to develop a savings promotion campaign proposal to be submitted for funding, such that it coincides with USAID/Rural SPEED’s national savings promotion campaign period.

During the management work session, the SACCO decided that it would offer a current savings product, an ordinary savings product, a range of fixed deposit accounts, a youth savings product, and a “Humura” or health savings product. A draft savings policy will be submitted to USAID/Rural SPEED for observations on February 21, 2007, via e-mail.

The format for the savings promotion campaign proposal was also discussed and February 21, 2007 was also given as the date for its submission. Here the management suggested poster, flyers, radio talk shows and spot messages, t-shirts, and renting a mobile van (with loud speaker system) for rural sensitizations.

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<sup>7</sup> The minutes note that it was approved by the AGM but say nothing more than that. If this is an amendment to the By-laws then a formal text must be prepared and submitted to the Registrar of Cooperatives before it is an official part of the SACCO’s By-laws

Two accounts issues were raised and resolved. This first was a complaint from the internal auditors that the “accumulated depreciation account” should have a counter part in the equity section of the balance so that there is money for future asset purchases. Their demand is incorrect since depreciation is simply a way of accounting for the cost of the asset over its useful life. It is not a pool of money for later asset replacement. The accountant, manager and board now fully understand and agree that the current treatment by the accountant is correct.

The second issue was related to the interest payable account. The internal auditors were uncomfortable that the income was being overstated. While the general principle is that interest should be accrued in the period in which it is earned, even if it is not received during that period, in this case the internal audit committee was correct to be concerned. Much of the interest payable accrued is from delinquent loans.

The general recommendation is that interest on delinquent loans may be accrued for 60 days. After that period, doubt becomes too important and all of the accrued interest should be removed from the interest payable account until the delinquent installments are paid. The account must accurately reflect expectations of payment, which are now in doubt. The accountant indicated the Planet Rating team had told her to accrue the interest up until 180 days, but that does not make sense since the delinquent loans are fully provisioned at 180 days. The accountant agreed to remove all accrued interest on loans delinquent more than 60 days and then the internal auditors should be satisfied that the interest payable account does not overstate income anymore.

## **Rubabo**

When we arrived at this SACCO there were no board members present. The manager just started calling them on his mobile phone once we arrived, so there was a 53 minute delay in starting the meeting. Fortunately, most of the board members did show up and actively participated in the discussions. There were a number of questions about the difference between a current savings product and an ordinary savings account; however, after receiving answers to all of their questions, the board decided that it wanted to have a written savings policy and that the policy should distinguish the products with specific terms and conditions.

They agreed that the current savings products and the ordinary savings products were both required. It was therefore approved that the savings policy will contain a current savings product, an ordinary savings product, a range of fixed deposit accounts, a youth savings product, and a savings for a purpose product.

Finally, they approved the idea of submitting a savings promotion campaign proposal to USAID/Rural SPEED, which will coincide with the national savings promotion campaign.

During the discussions with the staff on the detailed description of the different savings products, the manager raised the issue of what happens to a youth account if the parent dies. It seems that if the father opens the account for a child, then the other family members want to get their hands on the funds when he passes away. This led to an interesting discussion on how to include this eventually in the savings policy, which would be disclosed when a youth account is opened. It was resolved that since the initial objective of the account was to pay for the child’s education, the SACCO would try to convince the Mother to agree that only direct payments for school fees can be made from the account. This would then be applied until the funds are exhausted, whenever that may occur. Management clearly saw how a written

savings policy, with this condition disclosed in advance, would have avoided any misunderstanding and/or fighting over the funds by other family members after the original parent's death.

February 16, 2007 was given as the date by which the draft savings policy (e-mail) would be sent to USAID/Rural SPEED. With respect to the savings promotion campaign proposal, February 20<sup>th</sup> was given as the date for its submission. The local hospital has an e-mail system. The manager proposed that they would attempt to use it to send the documents. If this fails then he will find an alternative method to ensure that the electronic files are forwarded to USAID/Rural SPEED.

## **Bugongi**

When we arrived at this SACCO, neither the manager nor the board members were present. In fact, the new board members (elected at the recent AGM), especially the new treasurer, had not been notified of the meeting as requested. After waiting 75 minutes for a majority of the board members to arrive, the meeting was started. The manager was not present. He was in Kampala for personal reasons and thus did not participate. While the discussions with the board were productive, this is the weakest of the partner SACCOs boards and it is not clear how much of the comments and decisions will be passed on to the chairman and other absent board members.

The board indicated that the SACCO already has a lot of un-invested savings, held at the link bank. Paying higher interest rates to encourage additional savings might not help the institution. After responding to their concerns, they did recognize that having a clear, written savings policy, with distinct products and clear and comprehensible terms and conditions, would make it easier to focus marketing of specific savings products to specific members, rather than the broad and unfocused savings promotion that has occurred up until now.

At the end of the board meeting the decision was taken to develop a clear savings policy, to split out the current and ordinary savings products aspects from the actual ordinary savings product and to determine the appropriate terms and conditions for each product. In addition to the two demand savings products the SACCO will offer members a limited range of fixed term deposit accounts.

They further agreed that a focused saving promotion campaign would be a welcome opportunity to market the redesigned products. The staff members resolved that the campaign would use brochures, posters, radio talk shows and spots, banners, and the use of a van for roving around the catchment area to promote savings to members. It was underlined that the proposal must identify the performance targets in order to justify the promotion activities. February 16, 2007 was proposed as the date for submission of the draft savings policy and February 26, 2007 as the date for submission of the savings promotion campaign proposal.

## **MAMIDECOT**

The final SACCO visited for the mentoring sessions was MAMIDECOT. Unfortunately, only three board members were present, based on the letter that they had received from USAID/Rural SPEED to inform key board members only. The presentation and debate was very active, with a strong recognition that the SACCO really needs a written savings policy. While savings is good at the SACCO, there was a realization that having more clearly defined

products would provide better services to members and bring more income to the SACCO. The improvement in services could then bring in new members and convince more of the current members to invest in longer term fixed deposit accounts. This will provide more stable funds for longer-term lending, a definite need for the business oriented members.

The board gave a strong mandate to management to develop the written savings policy, which will include a current savings product, an ordinary savings product, a range of fixed deposits, a youth savings product, and finally a savings for a purpose product.

After two hours of discussions with the staff team, the manager indicated that their draft savings policy would be submitted to USAID/Rural SPEED by February 21, 2007. The manager named a three-person team, from among those present during the mentoring session to prepare the draft policy. Since this SACCO has just completed a very successful savings promotion, no discussion on a proposal for additional savings promotion was undertaken.

## SECTION III

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### CONCLUSIONS AND RECOMMENDATIONS

Both during the workshop and during the mentoring session, the SACCO management teams and boards recognized the need for a written savings policy, with distinct products, terms and conditions. They further agreed that this policy can then be used to identify members or groups of members who could benefit most from additional savings products. The key marketing agents therefore needs to be the cashiers because they have the most direct relationship with all of the members (clients) and are seen as trustworthy. SACCOs had not previously recognized how important it is to ensure that the cashiers are knowledgeable about all of their products, especially the savings products and how to this knowledge can be used to identify the most appropriate candidates for any given product.

#### **It is therefore recommended that:**

- 1) That USAID/Rural SPEED follows up with each of the eight partner SACCOs on the submission of the draft savings policy proposal, provides specific observations and suggestions to improve those drafts polices and then verifies that the final policies are approved by the boards of directors and implemented within the SACCOs.
- 2) Since it is unlikely that any of the SACCOs will do a thorough cost analysis of each of their savings products before completing their savings policies, USAID/Rural SPEED should insist that the SACCO start collecting cost data on the individual products. The pricing of services must be based on real costs and not just guesswork, if they want to best serve their members interests and encourage additional savings.

As such, a full review of the pricing of their savings services should be required from each SACCO, with assistance of USAID/Rural SPEED's savings and linkage banking specialists, 3 months after the new savings' polities are implemented. This should occur sometime in June or July 2007.

- 3) There should be some form of formal, focused, product marketing training for the SACCO cashiers. They have good basic knowledge of the products but lack the ability or skills to identify appropriate candidates for each savings product. This is a lost opportunity for the SACCOs since the cashiers are in daily contact with the members and see their savings habits each time they view a client's ledger card.
- 4) There is strong interest in promoting youth savings accounts; however, there are no support materials currently available that could be used as additional curriculum in the schools.

USAID/Rural SPEED should assist the SACCO in putting together a solid package of savings educational materials that could be used in the local schools.

SACCO management would still drive the youth savings promotion in partnership with individual teachers and head masters. Not only could accounts be offered to individual youth but there is an opportunity to involve the school clubs and sports teams in group savings activities.

- 5) Finally, USAID/Rural SPEED needs to get the new computer hardware and software systems set up in the SACCOs to take the fullest advantage of the redefined or new savings products.

**APPENDIX A: Detailed Daily Work Plan****Savings Product Development Consultancy Daily Work Plan**

<b>DAY</b>	<b>DATE</b>	<b>ACTIVITY/SACCO TO VISIT</b>
Sunday	14 Jan.	Travel to Detroit and Amsterdam
Monday	15 Jan.	Travel to Nairobi and Entebbe
Tuesday	16 Jan.	Meet with USAID/Rural SPEED technical team
Wednesday	17 Jan.	Assessment of MAMIDECOT
Thursday	18 Jan.	Assessment of Shuuku
Friday	19 Jan.	Assessment of Kitagata
Saturday	20 Jan.	Assessment of Bugongi
Sunday	21 Jan.	Rest Day
Monday	22 Jan.	Assessment of Ikongo
Tuesday	23 Jan.	Assessment of Kyamuhunga
Wednesday	24 Jan.	Assessment of Rubabo
Thursday	25 Jan.	Assessment of Muhame / Return to Kampala
Friday	26 Jan.	Development of Materials
Saturday	27 Jan.	Development of Materials
Sunday	28 Jan.	Rest Day
Monday	29 Jan.	Development of Materials
Tuesday	30 Jan.	Development of Materials
Wednesday	31 Jan.	Travel to Mbarara
Thursday	1 Feb.	Savings Product Workshop – Lake View Resort
Friday	2 Feb.	Mentoring – Kitagata
Saturday	3 Feb.	Mentoring – Muhame
Sunday	4 Feb.	Mentoring – Kyamuhunga Board Meeting
Monday	5 Feb.	Mentoring – Ikongo
Tuesday	6 Feb.	Mentoring – Shuuku
Wednesday	7 Feb.	Mentoring – Kyamuhunga – Staff session
Thursday	8 Feb.	Mentoring – Rubabo
Friday	9 Feb.	Mentoring – Bugongi
Saturday	10 Feb.	Mentoring – MAMIDECOT / Return to Kampala
Sunday	11 Feb.	Rest Day
Monday	12 Feb.	Report Writing
Tuesday	13 Feb.	Report Writing and Presentation of Final Report
Wednesday	14 Feb.	Mentoring of Savings and Linkage Banking Specialists
Thursday	15 Feb.	Mentoring of Savings and Linkage Banking Specialists
Friday	16 Feb.	Mentoring of Savings and Linkage Banking Specialists and Travel to Amsterdam
Saturday	17 Feb.	Travel to Detroit and Toledo

## **APPENDIX B      List of Documents Consulted**

### **USAID/Rural SPEED Documents**

- 1) Bugongi Due Diligence – Final Report, June 2006;
- 2) Cost Accounting Concepts for Ugandan SACCOs, December 2006
- 3) Ikongo Due Diligence – Final Report, July 2006;
- 4) Kitagata Due Diligence – Final Report, August 2006;
- 5) Kyamuhunga Due Diligence – Final Report, August 2006;
- 6) Loan Product Study Kyamuhunga SACCO – Final Report, April 2006;
- 7) MAMEDICOT Due Diligence – Final Report, July 2006;
- 8) Market and Product Development for Kitagata SACCO – Final Report, July 2006;
- 9) Market and Product Refinement for MAMEDICOT – Final Report, October 2006;
- 10) Marketing and Product Review for Bugongi SACCO – Final Report, December 2006;
- 11) Muhame Due Diligence – Final Report, August 2006;
- 12) Product Costing and Product Pricing SOW, Dec. 2006;
- 13) Rubabo Due Diligence – Final Report, June 2006;
- 14) Savings Habits, Needs and Priorities in Rural Uganda, September 2005; and
- 15) Shuuku Due Diligence – Final Report, July 2006;

### **Other Documents:**

- 16) A Review of Commitment Savings Products in Developing Countries, Asraf et al., Asian Development Bank, July 2003;
- 17) A Technical Guide to Savings Mobilization: Lesson from the Credit Union Experience, World Council of Credit Unions, 2002.
- 18) Beyond Basic Credit and Savings: Developing New Financial Service Products for the Poor, MicroSave, September 1997;
- 19) Market Research and Client-Responsive Product Development, MicroSave, 2003;
- 20) Savings and Needs in East Africa: An Infinite Variety, MicroSave, September 1999;

- 21) Savings Products and Services in the Informal Sector and Microfinance Institutions: The Case of Mali and Benin, MicroSave, September 2001;
- 22) Use and Impact of Savings Services for Poor People in Kenya, MicroSave, May 1999;
- 23) Use and Impact of Savings Services Among the Poor in Uganda, MicroSave 1998.

**APPENDIX C Current Savings Products – MAMIDECOT****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	Compulsory for all members
Purpose	To promote members' savings habit
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	2% per annum on balances of 10,000 UGX and above No interest paid on portion of balance above 1,000,000 UGX
Method of calculation	2%/12 months accrued monthly on a flat rate, posted once a year
Balance determination	Minimum monthly balance
Minimum balance for interest	10,000 UGX
Maximum balance for interest	1,000,000 UGX
<b>Fees</b>	
Account Opening	Included at the time of joining in the 5,000 UGX stationery fee
Use	<ul style="list-style-type: none"> <li>- Counter slip deposits No fee</li> <li>- Counter slip withdrawals No fee</li> <li>- New/replacement passbook: 3,000 UGX</li> <li>- New/replacement ledger card 2,000 UGX</li> <li>- Cash deposits directly to link bank account N.A.</li> <li>- Check deposits directly to link bank account N.A.</li> <li>- Check withdrawals directly from link bank account N.A.</li> </ul>
Account Closing	None
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	Three passport sized photos
<b>As of 31 December 2006</b>	
Total ordinary savings	495,202,891 UGX
Total ordinary savings accounts <sup>8</sup>	7,112
Average balance	69,629 UGX
<b>Observations</b>	There are 501 members that have only purchased shares and do not have savings accounts. These members are eligible to receive dividends on their shares but cannot borrow from the SACCO. A number of these members are due dividends from previous financial years but have not shown up at the SACCO to receive their payments. This had led to a "permanent" dividends payable suspense account in the balance sheet. This needs to be corrected, either through payment to the members or by using the dividends to open "restricted use" savings accounts in the name of those members.

<sup>8</sup> This number includes the 302 Institution and Groups accounts.

## Product 2 Demand Savings Account

<b>Product Features</b>	
Type	<b>Collection Savings Account – For Schools and other Institutions/Groups</b>
Requirement	In lieu of an ordinary savings account for the institution (client)
Purpose	To serve institutions
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	2% per annum on balances of 10,000 UGX to 1,000, 000 UGX No interest paid on the amount above 1,000,000 UGX
Interest rate	2%/12 months accrued monthly on a flat rate, posted once a year
Method of calculation	Minimum monthly balance
Balance determination	5,000 UGX
Minimum balance for interest	1,000,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	- In addition to the initial stationery fee of 5,000 UGX, there is a 10,000 UGX fee for a withdrawal voucher booklet (50 slips)
Use	- School fees deposits (for each term) Fee paid by depositor (parent/guardian) 1,000 UGX - New/replacement withdrawal voucher booklet (50 slips/booklet) 10,000 UGX - Counter (slip) deposits No fee - Counter (slip) withdrawals No fee - New/replacement passbook: 3,000 UGX - New/replacement ledger card 2,000 UGX - Cash deposits directly to link bank account N.A. - Check deposits directly to link bank account N.A. - Check withdrawals directly from link bank account N.A.
Account Closing	None
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	Three passport sized photos
<b>As of 31 December 2006</b>	
Total collection account savings	Included in ordinary savings total
Total collection savings accounts	302
Average balance	N.A.
Observations	While the SACCO considers this type of savings account to be a different product, it does not separate these accounts from ordinary savings accounts. The primary difference is the use of (and payment for) deposit and withdrawal voucher booklets and in the case of schools the 1,000 UGX fee for each school fees payment. Not all of the Institutions or Groups accounts actually have/use the withdrawal voucher booklets. Only schools are obliged to use them. No disaggregated information was available on the actual usage.

**Product 3 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member and have an ordinary savings account
Purpose	To earn a higher return on savings
Minimum to open account	100,000 UGX
Maximum balance	10,000,000 UGX, exceptions possible through negotiation
Term	3, 6, 9, and 12 months
Interest rate	12% per annum for all amounts and terms but the rate is negotiable for amounts > 10,000,000 UGX
Method of calculation	Flat rate
Period paid	At maturity
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Certificate (member) and Ledger card (SACCO)
Additional requirements	None
<b>As of 31 December 2006</b>	
Total value fixed deposits	34,720,125 UGX
Total fixed deposit accounts	3
Average balance	11,573,375 UGX
<b>Observation</b>	One of the 3 FD accounts is for 23,000,000 UGX with a 6-month term. A 15.5% per annum interest rate has been negotiated for this amount. The other 2 FD accounts carry 12% p.a. interest rates.

**APPENDIX D Current Savings products – Shuuku****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	- Compulsory for all members when joining the SACCO - Available to all associate members
Purpose	To promote members' savings habit
Minimum to open account	10,000 UGX
Minimum balance	10,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	4% per annum
Method of calculation	Simple interest paid annually
Balance determination	Simple average, using 1 January as beginning balance and 31 December as ending balance. The sum is then divided by 2.
Minimum balance for interest	10,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	Included at the time of joining in the 6,500 UGX stationery fee
Use	<ul style="list-style-type: none"> <li>- New deposit voucher book (50 vouchers): 1,500 UGX</li> <li>- New withdrawal voucher book (50 vouchers): 1,500 UGX</li> <li>- New/replacement passbook: 1,500 UGX</li> <li>- New ledger card: 1,500 UGX</li> <li>- Counter (slip) deposit 200 UGX</li> <li>- Counter (slip) withdrawal 200 UGX</li> <li>- Cash deposits directly to link bank account 500 UGX</li> <li>- Check deposits directly to link bank account 2% of check</li> <li>- Check withdrawals from link bank account Not allowed</li> <li>- Electronic Funds Transfer Not yet allowed</li> </ul> Additional Fees For School and Dairy Farmer Accounts <ul style="list-style-type: none"> <li>- Salary payments for employees (per payment) 1,000 UGX</li> <li>- Milk payments (per payment) 500 UGX</li> </ul>
Account Closing	2,000 UGX
Proof of account	Passbook (member) and Ledger card (SACCO)
Additional requirements	3 passport sized photos
<b>As of 31 December 2006</b>	
Total ordinary savings	138,458,168 UGX
Total ordinary savings accounts	2,777
Average balance	49,859 UGX
<b>Observations</b>	<ul style="list-style-type: none"> <li>- The method used to calculate interest has led to members to deposit (large) amounts near the end of December of each year and then to withdraw most of them after the first couple of weeks of January the following year. Thus the average balance calculation does not represent a real “net” savings balance for each member. This appears to lead the SACCO to over compensate members.</li> <li>- Associate members do not purchase shares and thus do not vote or receive dividends. Associate member status is intended to attract “poorer” community members to gradually accumulate enough savings to become full members; however, there is no clear definition of the process and the time allowed. The actual wording of the associate member status does not exist. There is simply a note in the minutes that it was approved in the last AGM. This needs to be clarified and sent to the Commissioner of Cooperatives as an amendment to their by-laws</li> </ul>

**Product 2      Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member and have an ordinary savings account
Purpose	To earn a higher return on savings
Minimum to open account	500,000 UGX
Maximum balance	5,000,000 UGX
Term	6 to 24 months to be negotiated at the time the FD account is opened
Interest rate	To be negotiated at the time the FD account is opened
Method of calculation	Flat rate
Period paid	At maturity
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Certificate (member) and Ledger card (SACCO)
Additional requirements	None
<b>As of 31 December 2006</b>	
Total value fixed deposits	0 UGX
Total fixed deposit accounts	0
Average balance	N.A.
<b>Observation</b>	There are (as yet) no fixed deposit accounts. The fact that the interest rate is unknown (to be negotiated for each FD) discourages members. However, the SACCO is currently overly liquid and does not need FD accounts. There is an expectation that loan demand will increase in 2007 such that the SACCO may then decide to promote FD accounts.

**APPENDIX E Current Savings products – Kitagata****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	Compulsory for all members when joining the SACCO
Purpose	To promote members' savings habit
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	Zero – No interest is paid at this time.
Method of calculation	N/A
Balance determination	N/A
Minimum balance for interest	N/A
Maximum balance for interest	N/A
Fees	
Account Opening	Included at the time of joining in the 5,000 UGX stationery fee
Use	<ul style="list-style-type: none"> <li>- Counter (slip) cash deposits No fee</li> <li>- Counter (slip) cash withdrawals No fee</li> <li>- New/replacement ledger card 2,000 UGX</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- Cash deposits directly to link bank account 2,000 UGX</li> <li>- Check deposits directly to link bank account 2,000 UGX</li> <li>- Check withdrawal directly from link bank account 5,000 UGX</li> <li>- Posting of batch payments to individual accounts 1,000 UGX</li> </ul>
Account Closing	None
Proof of account	Passbook (member) and Ledger card (SACCO)
Additional requirements	3 passport sized photos
<b>As of 31 December 2006</b>	
Total ordinary savings	218,215,644 UGX
Total ordinary savings accounts	1,799
Average balance	121,298 UGX
Observations	The 11 “collection” savings accounts have been removed from the above number and amount of savings, even though those accounts are not considered separate from the ordinary savings accounts.

**Product 2 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Collection Savings Account – For Schools and other Institutions/Groups</b>
Requirement	In lieu of an ordinary savings account for the institution (client)
Purpose	To serve institutions such as schools and dairy farmers
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	Zero – No interest is paid at this time.
Method of calculation	N/A
Balance determination	N/A
Minimum balance for interest	N/A
Maximum balance for interest	N/A
<b>Fees</b>	
Account Opening	Included at the time of joining in the 5,000 UGX stationery fee
Use	<ul style="list-style-type: none"> <li>- School fees deposits (for each term) Fee paid by depositor (parent/guardian) 1,000 UGX</li> <li>- Counter (slip) cash deposits 1,000 UGX</li> <li>- Counter (slip) cash withdrawals No fee</li> <li>- New/replacement ledger card 2,000 UGX</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- Cash deposits directly to link bank account 2,000 UGX</li> <li>- Check deposits directly to link bank account 2,000 UGX</li> <li>- Check withdrawal directly from link bank account 5,000 UGX</li> <li>- Posting of batch payments to individual accounts<sup>9</sup> (per transaction) 1,000 UGX</li> <li>- Posting of batch payments from ICOBI to individual accounts<sup>10</sup> (per transaction) 2,000 UGX</li> </ul>
Account Closing	None
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	3 passport sized photos
<b>As of 31 December 2006</b>	
Total collection account savings	5,742,187
Total collection savings accounts	11
Average balance	522,017 UGX
Observations	While the SACCO does not consider this type of savings account to be a different product, we were able to get disaggregated information on the number of users and amounts. Given that these are predominantly schools, their account balances are currently at their lowest level and will remain low until the 2007 school terms begin in February.

<sup>9</sup> This fee applies primarily to payments for milk sales by dairy farmers, which occurs twice a month.

<sup>10</sup> ICOBI is the Integrated Community Based Initiatives (ICOBI) program.

**Product 3 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member and have an ordinary savings account
Purpose	To earn a higher return on savings
Minimum to open account	100,000 UGX
Maximum balance	No limit but current largest account is 2,000,000 UGX
Term	6 to 12 months, negotiable but usually either 6 or 12 months
Interest rate	6% per annum on all amounts and terms
Method of calculation	Flat rate
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Passbook (member) and Ledger card (SACCO)
Additional requirements	None
<b>As of 31 December 2006</b>	
Total value fixed deposits	12,400,000 UGX
Total fixed deposit accounts	18
Average balance	688,889 UGX
Observations	The former minimum deposit to open a FD account was 300,000 UGX but it was recently reduced to 100,000 UGX to encourage members to open FD accounts. The largest single FD account is for 2,000,000 UGX.

**APPENDIX F Current Savings products – Bugongi****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	Compulsory for all members when joining the SACCO
Purpose	To promote members' savings habit
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	None paid
Method of calculation	N/A
Balance determination	N/A
Minimum balance for interest	N/A
Maximum balance for interest	N/A
<b>Fees</b>	
Account Opening	Included at the time of joining in the 6,400 UGX stationery fee
Use	<ul style="list-style-type: none"> <li>- Monthly (ledger) service fee 200 UGX</li> <li>- New/replacement ledger card 1,000 UGX</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- New deposit voucher book (50 vouchers): 1,200 UGX</li> <li>- New withdrawal voucher book (50 vouchers): 1,200 UGX</li> <li>- Counter (slip) cash deposit 100 UGX</li> <li>- Counter (slip) cash withdrawal 100 UGX</li> <li>- Deposit without passbook 500 UGX</li> <li>- Withdrawal without passbook 500 UGX</li> <li>- Posting of batch payments to individual accounts 1,000 UGX</li> <li>- Cash deposit directly in link bank account No fee</li> <li>- Check deposit directly in link bank account No fee</li> </ul>
Account Closing	5,000 UGX
Proof of account	Passbook (client) and ledger card (SACCO)
Additional requirements	Two passport size photos when opening the account
<b>As of 31 December 2006</b>	
Total ordinary savings	145,020,340 UGX
Total ordinary savings accounts	1,760
Average balance	82,807 UGX

**Product 2 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member in good standing and have an ordinary savings account
Purpose	To earn a higher return on savings
Minimum to open account	500,000 UGX
Maximum balance	No limit
Term	3, 6, 9 or 12 months
Interest rate	8% per annum on all amounts and terms
Method of calculation	Flat rate
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Certificate (member) and Ledger card (SACCO)
Additional requirements	None
<b>As of 31 December 2006</b>	
Total value fixed deposits	18,080,000 UGX
Total fixed deposit accounts	15
Average balance	1,205,333 UGX
Observations	The FD is held in the FD portfolio at maturity until the member comes to instruct the SACCO on the funds; however, it no longer accrues interest. This is incorrect. Since the amount is no longer a FD it should either be paid out to the member or deposited into the member's ordinary savings account after a reasonable delay of one week after maturity.

**APPENDIX G Current Savings products – Ikongo****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	Must be a members of the SACCO
Purpose	To promote members' savings habit
Minimum to open account	10,000 UGX
Minimum balance	10,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	Zero – No interest is paid at this time.
Method of calculation	N/A
Balance determination	N/A
Minimum balance for interest	N/A
Maximum balance for interest	N/A
<b>Fees</b>	
Account Opening	Included at the time of joining in the 5,000 UGX stationery fee and 1 <sup>st</sup> year's 1,000 UGX annual subscription fee.
Use	<ul style="list-style-type: none"> <li>- Counter (slip) cash deposits No fee</li> <li>- Counter (slip) cash withdrawal No fee</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- New/replacement ledger card 2,000 UGX</li> <li>- Annual subscription fee 1,000 UGX</li> <li>- Cash deposits directly in link bank account</li> <li>Depositor pays up-front at link bank Bank charge</li> <li>- Check deposits directly in link bank account No fee</li> <li>- Check withdrawal from link bank account Not allowed</li> <li>- Posting of batch payments to individual Accounts TBD by Board</li> </ul>
Account Closing	Closing fee exists in board (not written) policy but amount has not been determined. No member has yet asked to withdraw from the SACCO.
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	Three passport sized photos.
<b>As of 30 November 2006</b>	
Total ordinary savings	1,370
Total ordinary savings accounts	96,663,904
Average balance	70,558 UGX
<b>Observation</b>	The SACCO has 1,562 members (fees and share capital paid in full) that do not have savings accounts. These members cannot borrower or receive money but they are paid dividends on their shares.

**Product 2 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member in good standing and have an ordinary savings account
Purpose	To earn a higher return on savings
Minimum to open account	100,000 UGX
Maximum balance	5,000,000 UGX; however the SACCO indicated that it would consider larger deposits on a case by case basis.
Term	3, 6, 9, and 12 month terms
Interest rate	12% per annum irrespective of amount and term
Method of calculation	Flat rate to be paid at maturity
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Certificate (member) and Ledger card (SACCO)
Additional requirements	None
<b>As of 22 January 2007</b>	
Total value fixed deposits	5,900,000 UGX
Total fixed deposit accounts	8
Average balance	737,500 UGX
<b>Observation</b>	<ul style="list-style-type: none"> <li>• This is a new product introduced in January 2007.</li> <li>• One of the FD account is for 5,000,000 UGX with a 6 month term. The other 7 make up the remaining 900,000 UGX.</li> <li>• The interest is expected to accrue (in the accounting records) monthly; however, since the first fixed deposit accounts were opened in January 2007 the accounts are less than one month old. This should be verified in February that the operation is passed in the journal as an FD interest payable account.</li> <li>• The SACCO uses a separate A4 size deposit slip to open FD accounts.</li> </ul>

**APPENDIX H Current Savings products – Kyamuhunga****Product 1 Demand Savings Account**

Product Features	
Type	<b>Ordinary Savings</b>
Requirement	Compulsory for all members
Purpose	To promote members' savings habit and bring together resources for the SACCO
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	2% per annum paid every 6-months (30 June and 31 December)
Method of calculation	Average daily balance
Balance determination	The MIS system calculates and posts it on the day it is due so that there is no interest payable account (accrued).
Minimum balance for interest	5,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	Included at the time of joining in the 5,000 UGX stationery fee.
Use	<ul style="list-style-type: none"> <li>- Quarterly (ledger) service fee 1,500 UGX</li> <li>- New/replacement ledger card 1,000 UGX</li> <li>- New/replacement passbook 1,500 UGX</li> <li>- New/replacement withdrawal slip book (25 slips) 2,000 UGX</li> <li>- Counter (slip) cash deposit No fee</li> <li>- Counter (slip) cash withdrawal 400 UGX</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook No fee</li> <li>- Posting of batch payments to individual accounts 1,000 UGX</li> <li>- Cash deposit directly in link bank account No fee</li> <li>- Check deposit directly in link bank account Not allowed</li> <li>- Third party payments from Factory's account Deducted from the payment to the 3<sup>rd</sup> party 4,000 UGX</li> <li>- School fees deposits (for each term) Fee paid by depositor (parent/guardian) 1,000 UGX</li> <li>- Check withdrawals from link bank account<sup>11</sup> 10,000 UGX</li> </ul>
Account Closing	5,000 UGX
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	2 passport sized photos
<b>As of 31 December 2006</b>	
Total ordinary savings	291,066,940 UGX
Total ordinary savings accounts	6,539
Average balance	44,512 UGX
Observations	The minor account savings have been removed from the ordinary savings account numbers and value since disaggregated information was available; however they are not currently separated at the SACCO level.

<sup>11</sup> This is limited to amounts less than 10,000,000 UGX; however, members no longer use this service. They prefer to take cash because it takes at least 3 days for the cheque to clear at the link bank and be paid out.

**Product 2 Commitment Savings Account**

Product Features	
Type	<b>Minors Savings</b>
Requirement	Must be under 18 years of age and parent or guardian must be a SACCO member
Purpose	To encourage parents to educate their children on savings
Minimum to open account	5,000 UGX
Maximum balance	No limit
Term	No limit; however, the account must be converted into an ordinary saving account when the minor reaches 18 years of age.
Interest rate	2% per annum paid every 6-months (30 June and 31 December)
Method of calculation	Average daily balance
Balance determination	The MIS system calculates and posts it on the day it is due so that there is no interest payable account (accrued).
Minimum balance for interest	5,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	Passport and ledger card fee of 2,500 UGX. The first withdrawal slips book is free.
Use	<ul style="list-style-type: none"> <li>- Quarterly (ledger) service fee 1,500 UGX</li> <li>- New/replacement ledger card 1,000 UGX</li> <li>- New/replacement passbook 1,500 UGX</li> <li>- New/replacement withdrawal slip book (25 slips) 2,000 UGX</li> <li>- Counter (slip) cash deposit No fee</li> <li>- Counter (slip) cash withdrawal 400 UGX</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook No fee</li> </ul>
Account Closing	No fee
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	<ul style="list-style-type: none"> <li>- 2 passport sized photos of the minor and 2 passport sized photos of the parent or guardian.</li> <li>- Only one withdrawal per quarter.</li> </ul>
<b>As of 31 December 2006</b>	
Total minor savings	28,605,540 UGX
Total minor savings accounts	60
Average balance	476,759 UGX
Observations	There is no policy for what should happen with the account once the minor reaches 18 years of age. There is a need to specify the options available; i.e., transformation into an ordinary savings account if the minor becomes a SACCO member or withdrawal by the parent/guardian or child at that moment.

**Product 3 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member in good standing and have an ordinary savings account
Purpose	To encourage members to save more and earn a higher return on the savings
Minimum to open account	100,000 UGX
Maximum balance	No limit
Term	3, 6, 9, and 12 month terms
Interest rate	<ul style="list-style-type: none"> <li>- 4% per annum for 3 months;</li> <li>- 7% per annum for 6 months;</li> <li>- 8 % per annum for 9 months;</li> <li>- 13% per annum for 12 months; and</li> <li>- The rate on terms above 12 months is negotiable.</li> </ul>
Method of calculation	Flat rate to be paid at maturity
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Passbook (member) and Ledger card (SACCO)
Additional requirements	None
<b>As of 31 December 2006</b>	
Total value fixed deposits	149,157,950 UGX
Total fixed deposit accounts	195
Average balance	764,913 UGX
<b>Observation</b>	<ul style="list-style-type: none"> <li>- There is no FD certificate given to the member.</li> <li>- The FD is held in the FD portfolio at maturity until the member comes to instruct the SACCO on the funds; however, it no longer accrues interest. This is incorrect. Since the amount is no longer a FD it should either be paid out to the member or deposited into the member's ordinary savings account after a reasonable delay of one week after maturity.</li> </ul>

**Product 4 Commitment Savings Account**

<b>Product Features</b>	
<b>Type</b>	<b>Humura Savings Account – Health Fees Savings Account</b>
Requirement	Must already be a member of the SACCO and have an ordinary savings account.
Purpose	To save money in case of sickness or injury
Minimum to open account	5,000 UGX
Minimum balance	5,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	No yet determined
Method of calculation	N/A
Balance determination	N/A
Minimum balance for interest	N/A
Maximum balance for interest	N/A
<b>Fees</b>	
Account Opening	N/A
Use	<ul style="list-style-type: none"> <li>- Quarterly (ledger) service fee 1,500 UGX</li> <li>- New/replacement ledger card 1,000 UGX</li> <li>- New/replacement passbook 1,500 UGX</li> <li>- New/replacement withdrawal slip book (25 slips) 2,000 UGX</li> <li>- Counter (slip) cash deposit No fee</li> <li>- Counter (slip) cash withdrawal 400 UGX</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook No fee</li> <li>- Cash deposit directly in link bank account No fee</li> <li>- Check deposit directly in link bank account Not allowed</li> </ul>
Account Closing	5,000 UGX
Proof of account	N/A
Additional requirements	None
<b>As of 31 December 2006</b>	
Total ordinary savings	N/A
Total ordinary savings accounts	N/A
Average balance	N/A
Observation	This is a new product that is being introduced in 2007 so there are not yet any Humura accounts.

**APPENDIX I Current Savings products – Rubabo****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	Must be a members of the SACCO
Purpose	To promote members' savings habit
Minimum to open account	10,000 UGX
Minimum balance	10,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	4% par annum flat rate posted annually on 30 June; however, once the new MIS is in place (from USAID/Rural SPEED) interest will be posted quarterly.
Method of calculation	Minimum monthly balance
Balance determination	Lowest balance in each month period times [4%/12]
Minimum balance for interest	50,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	Included at the time of joining in the 10,000 UGX stationery fee and 2,000 UGX passbook fee.
Use	<ul style="list-style-type: none"> <li>- Annual (ledger) service fee (30 June) 400 UGX</li> <li>- Annual (ledger) service fee for school accounts<sup>12</sup> 20,000 UGX</li> <li>- New/replacement ledger card No fee</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- Counter (slip) cash deposit No fee</li> <li>- Counter (slip) cash withdrawal No fee</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook Not allowed</li> <li>- Cash deposit directly in link bank account - Fee deducted after receiving bank statement Link bank fee</li> <li>- Check deposit directly in link bank account - Fee deducted after receiving bank statement Link bank fee</li> <li>- Check withdrawals from link bank account - Fee deducted after receiving bank statement Twice Link bank fee</li> <li>- School fees deposits (for each term) No fee</li> <li>- Posting of batch payments to individual accounts No fee</li> </ul>
Account Closing	2,000 UGX
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	3 passport sized photos
<b>As of 31 December 2006<sup>13</sup></b>	
Total ordinary savings	211,898,422 UGX
Total ordinary savings accounts	2,384
Average balance	88,884 UGX
Observations	<ul style="list-style-type: none"> <li>- There is no interest payable account. The interest is calculated and paid to members account at the same time (currently once a year but expected to be paid quarterly in 2007).</li> <li>- There are 47 members that have only purchased shares and do not have savings accounts. This occurred when the SACCO was first founded. These members are eligible to receive dividends on their shares but cannot borrower from the SACCO. These members are due 898,147 UGX in dividends from previous financial years but have not shown up at the SACCO to receive their payments. This had led to a “permanent” dividends payable suspense account in the balance sheet. This needs to be corrected.</li> </ul>

<sup>12</sup> The schools provide the SACCO with pre-printed deposit slips for student fees payments.

<sup>13</sup> Includes minor savings account values and number since disaggregated information was not available

**Product 2 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Minor Savings</b>
Requirement	- Must be under 18 years of age - Must purchase one share
Purpose	To encourage parents to educate their children on savings
Minimum to open account	10,000 UGX
Maximum balance	No limit
Term	No limit; however, the account must be converted into an ordinary saving account or withdrawn when the minor reaches 18 years of age.
Interest rate	4% par annum flat rate posted annually on 30 June; however, once the new MIS is in place (from USAID/Rural SPEED) interest will be posted quarterly.
Method of calculation	Minimum monthly balance
Balance determination	The MIS system calculates and posts it on the day it is due so that there is no interest payable account (accrued)
Minimum balance for interest	10,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	Included at the time of joining in the 10,000 UGX stationery fee and 2,000 UGX passbook fee.
Use	<ul style="list-style-type: none"> <li>- Annual (ledger) service fee (30 June) 400 UGX</li> <li>- New/replacement ledger card No fee</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- Counter (slip) cash deposit No fee</li> <li>- Counter (slip) cash withdrawal No fee</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook Not allowed</li> </ul>
Account Closing	2,000 UGX
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	3 passport sized photos
<b>As of 31 December 2006</b>	
Total minor savings	4,523,672 UGX
Total minor savings accounts	3 <sup>14</sup>
Average balance	1,507,891 UGX
Observations	<ul style="list-style-type: none"> <li>- Only allow one withdrawal per month.</li> <li>- The SACCO has promised to locate the 3<sup>rd</sup> ledger card and provide the balance information on 1 Feb. 2007. The other two account balances are 214,588 UGX and 201,576 UGX respectively.</li> </ul>

<sup>14</sup> One of the minor savings accounts has 4,107,508 UGX, while the other two accounts have 214,588 UGX and 201,576 UGX respectfully.

**Product 3 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>School Fees Savings</b>
Requirement	Must be a members of the SACCO
Purpose	To save at least 10% of the cost of school fees in advance and is “topped” with a school fees loan at the beginning of each term.
Minimum to open account	10,000 UGX
Minimum balance	10,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	4% par annum flat rate posted annually on 30 June; however; once the new MIS is in place (from USAID/Rural SPEED) interest will be posted quarterly.
Method of calculation	Minimum monthly balance
Balance determination	Lowest balance in each month period times [4%/12]
Minimum balance for interest	10,000 UGX
Maximum balance for interest	No limit
<b>Fees</b>	
Account Opening	Not clear
Use	<ul style="list-style-type: none"> <li>- Annual (ledger) service fee (30 June) 400 UGX</li> <li>- New/replacement ledger card No fee</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- Counter (slip) cash deposit No fee</li> <li>- Transfer (withdrawal) to pay school fees No fee</li> </ul>
Account Closing	2,000 UGX
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	<ul style="list-style-type: none"> <li>- 3 passport sized photos</li> <li>- No withdrawals except as transfers to pay school fees either quarterly or each semester, depending upon the length of the school terms.</li> </ul>
<b>As of 31 December 2006</b>	
Total ordinary savings	N/A
Total ordinary savings accounts	N/A
Average balance	N/A
Observations	While the SACCO stated that this is a separate product there is no disaggregated data available on use. Any accounts of this type are included in the total for ordinary savings accounts.

**APPENDIX J Current Savings products – Muhame****Product 1 Demand Savings Account**

<b>Product Features</b>	
Type	<b>Ordinary Savings</b>
Requirement	Must be a members of the SACCO
Purpose	To create a savings culture and to demonstrate a clients ability to save for loan repayment (active account with regular deposits).
Minimum to open account	10,000 UGX
Minimum balance	10,000 UGX
Maximum balance	No limit
Term	No limit
Interest rate	6% par annum to be paid quarterly
Method of calculation	Average daily balance
Balance determination	To be done by the new (USAID/Rural SPEED) MIS when it is installed.
Minimum balance for interest	10,000 UGX
Maximum balance for interest	No limit
Fees	
Account Opening	Included at the time of joining in the 10,500 UGX stationery fee.
Use	<ul style="list-style-type: none"> <li>- Monthly (ledger) service fee 500 UGX</li> <li>- New/replacement ledger card 2,000 UGX</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- New/replacement withdrawal slip book 2,000 UGX</li> <li>- New/replacement deposit slip book 2,000 UGX</li> <li>- Counter (slip) cash deposit 200 UGX</li> <li>- Counter (slip) cash withdrawal 500 UGX</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook No fee</li> <li>- Cash deposit directly in link bank account No fee</li> <li>- Check deposit directly in link bank account - Fee is paid by the depositor and is equal to the: Link bank fee</li> <li>- School fees deposits (for each term) Fee deducted from school account 0.65% of amount</li> <li>- Check withdrawals from link bank account No fee</li> <li>- Salary payments to member accounts (per payment) 1,000 UGX</li> </ul>
Account Closing	10,000 UGX
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	3 passport sized photos
<b>As of 31 December 2006</b>	
Total ordinary savings	421,560,066 UGX
Total ordinary savings accounts	4,696
Average balance	89,770 UGX
Observations	The SACCO has budgeted 19,000,000 for savings interest for 2006 but has still not paid because it is waiting for the new MIS system to become functional to calculate the amount per member. The SACCO has no clear idea of the actual amount of interest that should be paid based on an average daily basis.

**Product 2 Commitment Savings Account**

Product Features	
Type	Junior Savings
Requirement	Must purchase a “Junior Share” for 5,000 UGX
Purpose	To encourage parents to educate their children on savings
Minimum to open account	10,000 UGX
Maximum balance	10,000 UGX
Term	No limit; however, the account must be converted into an ordinary saving account or withdrawn when the minor reaches 18 years of age.
Interest rate	6% par annum to be paid quarterly
Method of calculation	Average daily balance
Balance determination	To be done by the new (USAID/Rural SPEED) MIS when it is installed.
Minimum balance for interest	10,000 UGX; however, the account forfeits the quarterly interest payment if more than one withdrawal has occurred during the period.
Maximum balance for interest	No limit
Fees	
Account Opening	A total of 4,000 UGX is paid for the passbook, junior share certificate and one deposit (slips) book.
Use	<ul style="list-style-type: none"> <li>- Monthly (ledger) service fee No fee</li> <li>- New/replacement ledger card 2,000 UGX</li> <li>- New/replacement passbook 2,000 UGX</li> <li>- New/replacement withdrawal slip book 2,000 UGX</li> <li>- New/replacement deposit slip book 2,000 UGX</li> <li>- Counter (slip) cash deposit 200 UGX</li> <li>- Counter (slip) cash withdrawal 500 UGX</li> <li>- Deposit without passbook No fee</li> <li>- Withdrawal without passbook No fee</li> </ul>
Account Closing	10,000 UGX
Proof of account	Passbook (client) and Ledger card (SACCO)
Additional requirements	3 passport photos for the junior member and 3 passport photos for the parent or guardian.
<b>As of 31 December 2006</b>	
Total junior savings	1,745,847 UGX
Total junior savings accounts	60
Average balance	29,097 UGX
Observations	<ul style="list-style-type: none"> <li>- The parent or guardian does not have to be a member of the SACCO; however, if they are not then they are encouraged to join as soon as possible.</li> <li>- When the minor turns 18 years of age he/she is required to become a full member (by paying the rest of the share price and fees) or to withdraw the savings.</li> </ul>

**Product 3 Commitment Savings Account**

<b>Product Features</b>	
Type	<b>Fixed Deposit</b>
Requirement	Must be a SACCO member in good standing and have an ordinary savings account
Purpose	To encourage members to save more and earn a higher return on the savings
Minimum to open account	400,000 UGX
Maximum balance	No limit
Term	4 month minimum and no maximum (negotiable)
Interest rate	<ul style="list-style-type: none"> <li>- Currently 12% par annum independent of term or amount;</li> <li>- Proposing to lower the rate for shorter terms and smaller amounts – no rates yet proposed;</li> <li>- Under new proposal only FD of 12 months or more and in 10,000,000 UGX or more would receive the 12% p.a. return.</li> </ul>
Method of calculation	Flat rate to be paid at maturity
Fees	
Account Opening	None
Use	Forfeit interest for early withdrawal
Proof of account	Certificate (member) and Ledger card and FD Register (SACCO)
Additional requirements	None
<b>As of 31 December 2006</b>	
Total value fixed deposits	50,150,000 UGX
Total fixed deposit accounts	20
Average balance	2,507,500 UGX
<b>Observation</b>	<ul style="list-style-type: none"> <li>- They would like to modify the early withdrawal penalty to take into account early withdrawals which occur less than 5 days before maturity. This has occurred several times and is seen as unfair to clients.</li> <li>- At maturity the interest is transferred to the ordinary savings account. The principal is held for one week to see if the member wishes to renew the FD. If no instructions are given in 7 days then the principal is transferred into the ordinary savings account.</li> </ul>

**APPENDIX K Savings Product Development Workshop Program****USAID/UGANDA RURAL SPEED – SACCO SAVINGS PRODUCT DEVELOPMENT WORKSHOP PROGRAMME – MBARARA – 1 FEBRUARY 2007**

<b>From</b>	<b>To</b>	<b>Description</b>	<b>Time</b>
09:00	09:30	Introduction of Participants & Presentation of Program Training Objectives/Questions & Concerns	
09:30	10:00	Session 1: Why Should Clients Save?	
10:00	10:15	Session 2: What is the Purpose of a Savings Policy?	
10:15	10:45	Session 3: What is a Savings Product? What is Demand Savings? What is Commitment Savings?	
10:45	11:00	Break Tea	
11:00	11:30	Session 4: Review of the SACCO Savings Assessment Findings	
11:30	11:45	Session 5: What Income is Earned from a Savings Product?	
11:45	12:30	Session 6: What Costs are Incurred from Savings Product?	
12:30	1:00	Session 7: What are the Primary Characteristics of a Savings Product?	
1:00	2:00	Lunch	
2:00	3:30	Session 8: Establishing Savings Products' Terms and Conditions Demand Savings Product 1 Demand Savings Product 2 Commitment Savings Product 1 Commitment Savings Product 2 Commitment Savings Product 3	
3:30	4:15	Session 9: Savings Product Marketing	
4:15	4:45	Session 10: Evaluation and End of Program	





# SACCO SAVINGS PRODUCT DEVELOPMENT WORKSHOP TRAINING GUIDE

1 February 2007  
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Rural Finance Specialist  
USAID/Rural SPEED Consultant  
Mbarara, Uganda

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**Training Objectives:**

Define the objectives of a SACCO Savings Policy;

Present a summary of the current savings products available in the 8 USAID/Rural SPEED Partner SACCOs;

Define the characteristics of five new/modified savings products;

Discuss the different benefits of each of these five savings products;

Discuss how to prioritize the introduction of the two most appropriate new/modified products for each individual partner SACCO.

**1. Why Should Clients Save?**

Savings is critical to both individuals and households, especially in developing countries like Uganda where incomes are often extremely volatile and generally seasonal; i.e., most households depend upon some form of agricultural production to meet the majority of their yearly financial needs. Therefore, the existence of savings provides these individuals and households with the means to meet both expected and unexpected future financial obligations, as well as providing funds for investment opportunities.

Research findings indicate that individuals generally desire to save for one or more of the following objectives:

- To accumulate wealth to finance the household’s long-term goals, such as social and family obligations, religious purposes, inheritance for the children, and the purchase of consumer durable goods;
- As insurance against illness, disease, retirement, sudden income losses, and other emergencies and contingencies that may occur in the future;
- To safeguard (smooth consumption) the household against uneven income streams due to seasonal variations in rainfall and/or other climatic conditions that affect the annual agricultural production cycles;
- To safeguard the household against uneven income streams due to cyclical variations in the business cycle and the demand for the business’s products or services;
- To save for future investments in their own or a family members’ education; and
- To save for future investment in their business activities.

It is important to distinguish between financial obligations (household expenses, school fees, medical expenses; etc.) and investment opportunities (agricultural inputs, trade stock, tools and machinery, etc.) because each requires a different type of savings product.

Individual SACCO members need to distinguish between “**savings to resolve a problem**” and “**borrowing for an opportunity.**” This provides the SACCO with an

opportunity to design formal savings products to assist members reach both their short-term and long-term financial goals.

## 2. What is the Purpose of a Savings Policy?

The purpose of a savings policy is to establish and formalize the savings products that the SACCO offers to its members. The savings policy outlines the terms and conditions for each savings product and the procedures by which the liquidity, pricing and transactions for each product are managed.

## 3. What is a Savings Product?

A savings product is an account maintained by a client with the SACCO for the purpose of accumulating funds over a period of time. Funds deposited in the savings account may be withdrawn only by the account owner or by his/her (formally) designated representative. The account may be owned by one or more persons. Some accounts require funds to be kept on deposit for a minimum length of time, while others permit unlimited access to the funds.

Generally speaking there are two broad types of savings products that a SACCO can offer to its members. The first type is *Demand Savings* and the second type is *Commitment Savings*. The existence of a product or products from each of these broad savings' product types allows the SACCOs to provide valuable savings assistance to their members.

### 3.1 What is Demand Savings?

*Demand savings* is exactly what the name indicates, savings that can be accessed on demand; i.e., at any point in time and for any amount up to the required minimum account balance. Demand savings accounts are therefore highly liquid, easy to deposit into and easy to withdraw from; however, they are not especially stable resources for a SACCO's long term investment strategy.

The two most common variants of the demand savings products are the current savings account and the ordinary savings account. The main difference between the two is that the former pays no interest on the savings, has no minimum balance and generally has higher maintenance fees (often referred to as monthly, quarterly, bi-annual, or annual ledger fees), while the latter provides a (small) interest return on the savings but has a minimum balance and limits withdrawals to a pre-determined number per period (weekly, monthly or quarterly). The "Collection" savings account offered by many of the USAID/Rural SPEED SACCO partners is a variation of the current savings account.

Demand savings accounts, especially the current savings accounts, use the largest percentage of the SACCO's resources (stationery, staff time, office security, cash/liquidity requirements, etc.) and have the lowest investment coefficient<sup>15</sup> of any savings products as sources of capital for SACCO loan products. While demand savings products are essential to each client's individual savings and consumption strategies,

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<sup>15</sup> The investment coefficient is the percentage of the resources mobilized, in this case from savings products, that can be reinvested in productive investments (loans) without having a negative effect on the SACCOs liquidity or be in violation of prudential regulations.

these savings products need to be combined with other, more stable, products within each SACCO, in order to prudently fund its lending.

### 3.2 What is Commitment Savings?

Commitment savings, unlike demand savings, is a product which has a built-in illiquidity component that deters withdrawals. Commitment savings products allow for ease in the making of deposits but limit the number and/or size of withdrawals that an account holder may make within a specified (contract) period of time.

In developed countries commitment savings products, such as pension plans, education savings accounts, medical savings accounts, automatic debits from check accounts to investment accounts, and direct debits from salaries to all forms of savings commitment products, are readily available to everyone.

In developing countries such as Uganda, this is not the case. The most common form of commitment savings product is therefore a time or *fixed deposit* account. Here the member agrees to leave a set amount of funds for a pre-determined period in return for a guaranteed (higher) return on that deposit. Another example of this would be the minor or junior account offered by some SACCOs.

## 4. SACCO Savings Assessment

During the assessment stage of this consultancy, it was found that none of the SACCOs have formal written savings policies. Five SACCOs require that members open a savings account as a condition for joining but three<sup>16</sup> do not. Even then we did not see this condition written as part of a savings policy. The terms and conditions of each savings products are not clearly identified and available for consultation by members. In general, the information is given to clients verbally and then followed up by answers to specific questions.

All 8 SACCOs offer at least one demand deposit account (ordinary savings account) as well as at least one commitment savings product. The detailed breakdown of SACCO savings products is shown in Table 1.

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<sup>16</sup> MAMIDECOT, Ikongo and Rubabo permit members to own share without having a savings account. These members cannot borrow or conduct other financial transaction with the SACCO but they are paid dividends on their shares.

**Table 1 Type of Savings Products Offered by SACCOs**

<b>PRODUCT SACCO</b>	<b>Ordinary Savings</b>	<b>Collection Savings</b>	<b>Fixed Deposit</b>	<b>Minor Savings</b>	<b>School Fees Savings</b>	<b>Health Fees Savings</b>
<b>MAMIDECOT</b>	<b>Yes</b> With Interest	<b>Yes</b> With Interest	<b>Yes</b> Interest rate same for all terms but negotiable for amounts > 10,000,000 UGX	No	No	No
<b>SHUUKU</b>	<b>Yes</b> With Interest	No	<b>Yes</b> <sup>17</sup> Interest rate negotiable for all amounts and terms	No	No	No
<b>KITAGATA</b>	<b>Yes</b> Without Interest	<b>Yes</b> Without Interest	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>BUGONGI</b>	<b>Yes</b> Without Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>IKONGO</b>	<b>Yes</b> Without Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	No	No	No
<b>KYAMUHUNGA</b>	<b>Yes</b> With Interest	No	<b>Yes</b> Interest rate variable (higher) depending upon term	<b>Yes</b>	No	<b>Yes</b>
<b>RUBABO</b>	<b>Yes</b> With Interest	No	No	<b>Yes</b>	<b>Yes</b>	No
<b>MUHAME</b>	<b>Yes</b> With Interest	No	<b>Yes</b> Interest rate same for all amounts and terms	<b>Yes</b>	No	No
<b>TOTAL</b>	8	2	7	3	1	1

Two SACCOs officially stated that they offer a current savings products, generally called a “collections account”, although these accounts are not tracked separately from their ordinary savings accounts. The distinction is more in terms of extra fees or separate withdrawal slip books. The other SACCOs offer the equivalent of the current account services, without considering it as a separate product from ordinary savings.

In some cases it was possible to get the value of “collection account” savings and the number of accounts where this variation is only offered to institutions or groups (and thus these accounts can be tracked separately in the computer systems); however, this was not something that can or is systematically done for the SACCOs.

Interest is paid on ordinary savings accounts at five of the SACCOs, while no interest is given at the other three. The lack of interest seems to be more of an inability to calculate the cost than a lack of desire of the SACCO to remunerate savings. The interest rate paid is not a function of amount of savings. Therefore, there is no direct incentive for members to maintain higher average balances.

The most common commitment savings product offered by SACCOs is a fixed deposit account, although some SACCOs do offer minor accounts, school fees accounts or a

<sup>17</sup> While this product exists there are currently no fixed deposit accounts because the SACCO is overly liquid from ordinary savings at this time.

health savings product<sup>18</sup>. In most cases the interest rate paid on these commitment accounts is higher than for ordinary savings accounts, but there is still no differentiation by term or amount. Thus there is little or no incentive for members to place larger amounts and for longer terms. Only one SACCO had attempted to promote longer term deposits. Even then they had not really evaluated the cost before setting the interest rate.

## 5. What Income is Earned from a Savings Product?

While one usually considers savings products to be sources of funds for lending, they are also sources of income. The direct income earned from offering savings products comes from:

- Stationary fees (initial fees paid when joining and replacement fees during use);
- Counter (slip) deposit or withdrawal fees;
- Service fees (ledger) on a monthly, quarterly or yearly basis; and
- Interest from placement in other institutions (link bank)

In addition to the direct income, there is the indirect income gained by placing some or all of the mobilized resources into product loans. It is therefore important to estimate the amount of expected earning from an increase in savings with respect to a particular product. This can be done fairly simply using the “contribution margin” principle that was covered during the “Cost Accounting and Product Pricing Workshop” in December 2006. The contribution margin principle is as follows<sup>19</sup>:

### “The Contribution Margin

*The Contribution Margin is an important concept to understand when considering new transactions that will be added to the SACCO's existing operations. For example, if the SACCO has the opportunity to take in a new fixed deposit account at a 10% annual interest rate, and then lend the funds to members at an effective interest rate of 25%, one question that the SACCO's management should ask is: “What impact will this have on our profitability?” The answer is that revenues will increase by the 25% yield, minus any losses on those new loans and any increase in loan management expenses, minus the interest expense on the new funds, and also minus any increase in the operating costs of the savings operations.*

*It must be emphasized that the calculation of the Contribution Margin on the above hypothetical transaction is not the only consideration. Additional issues include the issue of whether the SACCO has an adequate backlog of good candidates to take loans, and whether the new funds and the new loans will not affect the SACCO's other loans and savings accounts. Regarding the matter of the need to successfully place the funds into new loans: the SACCO in this situation should consider placing at least part of the new funds into a Bank Account until they can be successfully put into good*

<sup>18</sup> Only Kyamuhunga SACCO offers a health savings product (Humura), which has still not been officially launched. The SACCO must determine all of the terms and conditions, especially the interest rate that will be paid, before it can be launched. This is expected to occur in the near future.

<sup>19</sup> This is an excerpt taken from the “Cost Accounting Concepts for Ugandan SACCOs” manual developed by Jeff Young of Prime International for USAID/Rural SPEED.

*new loans, rather than racing to get the money into new loans (and therefore earning interest) as quickly as possible. Hurrying to make a lot of new loans increases the likelihood of making mistakes, and should be avoided”.*

## 6. What Costs are Incurred from Savings Product?

Before looking at how to design savings products, it is important to evaluate the “cost” of a product. This goes for both existing products as well as newly proposed products. The cost to offer and manage a savings product is more than just the amount of interest paid on that accounts. In fact, interest is a relatively small portion of the real cost. Most of the costs are actually management related costs, such as stationery costs, salaries for the cashiers who handle the clients’ deposits and withdrawals, the guards who protect the SACCO’s cash, the accountant’s time, the office space required to handle savings transactions, the managers’ time spent dealing with management issues related to savings accounts, and other miscellaneous costs.

A more detailed list of costs related to savings product operations are:

- Interest costs;  
This is the percentage return paid to each savings products, based upon the stated period and minimum amounts.
- Stationery fees;  
This includes the cost of producing any stationery needed for savings transactions, such as passbooks, ledger cards, counter slips (deposits and withdrawals), deposit voucher books, withdrawal voucher slips, monthly statements, registers, etc. The actual number and cost will vary from SACCO to SACCO.
- Salaries for the cashiers, as a percentage of the time involved in savings deposits and withdrawals (on a daily basis);  
In most SACCOs, the majority of a cashier’s daily transactions are directly related to savings deposits and withdrawals. Operations relating to loans are rarely more than once a month for installment repayments and once off for the initial loan disbursement.
- Cash security;  
Most SACCO security costs are directly related to its savings operations. While the armed guards do give all clients a strong sense of security, which is an important characteristic of a savings products, their real purpose is to ensure the security of the SACCO’s cash handling operations, which include storing (cash-on-hand), receiving (deposits), transferring to and from the link bank, and paying out of cash to clients who wish to withdraw from their savings.
- Salary for the Accountant’s time involved in savings;  
A significant portion of a SACCO accountant’s time is used to deal with the verification of balances for savings deposits and withdrawals. It is therefore advisable to analyze his/her time usage, with respect to the both the savings and other financial activities to estimate the percentage of his/her time that can be directly attributed to savings.

- Salary for the Manager time involved in savings operations;

While a SACCO manager's responsibilities may be closely tied to the savings operations, he/she also has significant responsibilities for managing loan operations, especially in analysis and loan approval, and delinquency management. It is therefore advisable to analyze his/her time usage, with respect to the both the savings and loan products, to accurately estimate the percentage of time that can be directly attributed to savings operations.

- Cash in-transit costs (to link bank, from link bank);

These are all of the costs involved in moving excess liquidity to the link bank and withdrawing resources for withdrawals. It should be noted that a significant portion of the link bank withdrawals may be for loans. As such, an analysis of the relative value of (cash) loan disbursements to total cash withdrawals should be done to estimate the percentage of link bank withdrawal costs that are directly related to savings operations.

- Office rent and general expenses;

This implies that a portion of the general overhead, specifically rent, electricity, water, etc. can be directly linked to the savings operations as a percentage of time and space used to provide those services. While it may be difficult to directly allocate these costs to a specific savings product, it is always possible to allocate the costs to a savings product based on its relative importance within the savings portfolio; i.e., percentage of total savings.

- Cost of savings product development and marketing;

These costs are easily identifiable and include posters, printed materials and other forms of advertising.

- Miscellaneous costs;

Depending upon the individual SACCO, there may be other costs that can be directly or indirectly allocated to the cost of offering a specific savings product.

Ideally, the savings products, which have the highest management costs and the lowest investment coefficient, should also charge the highest fees for their services. Moreover, if the SACCO's management were to analyze their existing members' savings accounts, they are likely to discover that the accounts that have small average balances take much more of their staff's time to manage than those accounts with larger balances. This implies that there is a greater relative cost to managing accounts, which have smaller average savings balances. This is especially true for current savings accounts (collection accounts), which can be extremely costly for the SACCO and cannot be used for lending.

This implies that any interest return that should be paid on smaller average balances should be less than that which is paid to clients' savings accounts with higher average balances. Currently, all SACCO "reward" poor savers and good savers at the same rate; i.e., a flat interest rate is paid regardless of average balances. This actually discourages those that would be willing to save more and for longer periods, if given a higher return. In fact, it encourages most members to manage their savings like current accounts, thus increasing the SACCO's management costs.

## 7. What are the Primary Characteristics of a Savings Product?

First of all, studies on saving motives and preferences for individual and households, especially in rural areas, have identified four primary characteristics that a savings product must include to be attractive to clients. These characteristics are:

- 1) The safety and security of the funds.  
The perceived security is as important as the real security of funds at a particular institution.
- 2) The convenience of the access to the institution by the clients.  
This includes office location (in a specific area or community), traveling distance from home or business, the cost and availability of transport to and from the office location, days of the week and daily hours of operations, and the ease of use of documents and procedures for deposits and withdrawals.
- 3) The liquidity of the funds.  
This includes the average frequency and amounts that the clients need to access based on his/her long-term financial expectations; and
- 4) A positive return on the savings.  
The rate paid needs to take into account both the time the savings is held at the institution and the amount of the deposits.

While the fourth characteristic may seem to be the least important, this “attitude” may be more closely related to the non-existence of longer-term and higher return products at the SACCOs or a convenient alternative institution than a lack of awareness, that the indifference of a client to achieve positive (and higher) returns on his or her investments.

In light of these characteristics, the SACCO needs to offer savings products that provide members with incentives to deposit and disincentives to withdraw. This is typically accomplished by having only a small fee (or no fee) for deposits and a higher fee for withdrawals. The SACCO must, however, make sure that the withdrawal fee does not simply provide an incentive to members to withdraw less frequently but in larger amounts. This will leave the client with more cash in his/her pocket, which earns no interest and leads to spending the cash on unneeded or unintended items or activities.

Savings products need to provide positive incentives for clients to commit to saving more by having deposit-side mechanisms that encourage the client to make regular deposits and withdrawal-side mechanisms that discourage the client from using their funds, except for well-planned uses and real emergencies.

The savings products must further be designed to respond to the client’s capacity to save in small amounts, of varied values, and as frequently as possible. The savings products must not unnecessarily burden the clients with paper work and other transactions costs. Finally, they must be transparent so that they are easy for even illiterate people to grasp and use.

## 8. Establishing Savings Products' Terms and Conditions

Five savings products are discussed in this section. Two of the products are demand savings products, while the other three are commitment savings products. The fees and interest rates presented in these examples are for demonstration purposes only. They do not represent a general recommendation for a specific SACCOs. The actual fees charged and interest rates paid on savings must take into account the cost and income components discussed in sections 5 and 6 of this training guide.

### Demand Savings Product 1

The first demand savings product is the Current Savings Account<sup>20</sup>. This is a product that should be available to all institutional, group and business clients that require frequent deposits and withdrawals; i.e., on a daily, weekly or monthly basis. This is a non-interest bearing account that charges fees to cover the actual maintenance cost of handling the account transactions. Account service fees can be charged monthly or quarterly.

### Terms and Conditions

Target Market	Institutions, Groups and Businesses	
Requirement	Must join the SACCO and have an ordinary saving account.	
Purpose	To provide cash management services for those clients, which make frequent deposits and withdrawal on an almost daily basis.	
Term	No limit	
Minimum to open account	50,000 UGX	
Minimum balance	None	
Maximum balance	No limit	
Interest rate paid on savings	None	
Number of deposits	Unlimited	
Number of withdrawals	Unlimited	
Fees		
To Open Account	Higher initial stationery fee	
During Use	<b>Operation</b>	<b>Cost</b>
	Monthly service fee	
	Replacement ledger card	
	Replacement passbook	
	Deposit voucher book	
	Withdrawal voucher book	
	Cash deposit using counter slip	
	Cash withdrawal using counter slip	
	Cash deposits directly to link bank	
	Check deposits directly to link bank	
	Check withdrawal directly from link bank	
	Payment of school fees (paid by depositor)	
	Posting of batch payment to individual's account	
To Close Account	10,000 UGX	
Proof of account	Passbook (client) and Ledger card (SACCO)	
Additional requirements	2 or 3 passport sized photos	
<b>SACCO Targets for 2007</b>		
Value current savings accounts	TBD	
Number of current savings accounts	This is the number of existing and expected new business, institutional and group members for the year.	

<sup>20</sup> The name has been changed from that used by the SACCO (collection account) to better reflect the real object of the savings product, which is to a high frequency of both deposits and withdrawals. The term "collection" puts an accent on the frequent deposit nature of the account but the not the just as frequent withdrawal side.

## Demand Savings Product 2

The second demand savings product is the Ordinary Savings Account. This is the basic savings products that all members receive when they join the SACCO. The product is designed for a large number of small deposits and infrequent withdrawals. It is an interest bearing product that pays interest on a “Tiered Percentage” basis. This means that the interest rate paid to the savings account depends upon the average or minimum balance that is maintained over the period (monthly, quarterly, bi-annually, yearly). The greater the average or minimum balance, the higher the interest rate paid. As a general convention, interest is posted quarterly to this type of saving product (every 3 months); however, this may not be possible at this time, at least until the SACCO’s management information system (MIS) can handle the quarterly calculations.

### Terms and Conditions

Target Market	All SACCO members			
Requirement	To be member			
Purpose	To provide cash management services for those clients, which make frequent deposits and have limited withdrawals.			
Term	No limit			
Minimum to open account	5,000 UGX			
Minimum balance	5,000 UGX			
Maximum balance	No limit			
Interest rate paid on savings	Tiered			
	≤ 25,000	> 25,000 ≤ 100,000	> 100,000 ≤ 500,000	> 500,000
	None	2% p.a.	3% p.a.	4% p.a.
Method of calculation	Based on minimum monthly balance			
Payment frequency	Quarterly, paid on the 1 <sup>st</sup> working day of the following quarter			
Number of deposits	Unlimited			
Number of withdrawals	3 per quarter			
Fees				
To Open Account	UGX stationery fee			
During Use	<b>Operation</b>			<b>Cost</b>
	Monthly service fee			
	Replacement ledger card			
	Replacement passbook			
	Deposit voucher book			
	Withdrawal voucher book			
	Cash deposit using counter slip			
	Cash withdrawal using counter slip			
	Cash deposits directly to link bank			
	Check deposits directly to link bank			
	Check withdrawal directly from link bank			
Posting of batch payment to individual’s account				
To Close Account	Value of minimum deposit (5,000 UGX)			
Proof of account	Passbook (client) and Ledger card (SACCO)			
Additional requirements	2 or 3 passport sized photos			
<b>SACCO Targets for 2007</b>				
Value current savings accounts	TBD			
Number current savings accounts	Number of current and expected future members during 2007			

The tiered interest structure will encourage many members to maintain higher balances. While not all members will begin keeping higher savings balances because they do not have the resources to do so, some members will raise their account balances as a result of the higher interest rates. The net result will be an increase in the amount of interest paid on savings and a **decrease** in the average total cost of each Shilling of savings because of the growth in savings balances.

### Commitment Savings Product 1

The first commitment savings product is the Fixed Deposit Account (FD). The key modification to the existing SACCO product is the introduction of a tiered system of interest rates as a function of the length of the FD's term. The longer the term the higher that interest rate that will be paid on the FD.

The minimum interest rate to be paid on FD accounts should be approximately 2% above the ordinary saving account's rate for the same amount and period. The maximum rate should be 2% less than the cost of commercial (bank) borrowing to the SACCO.

### Terms and Conditions

Target Market	Net savers who seek to maximize their returns		
Requirement	Must be a SACCO member and have an current or ordinary savings account		
Purpose	To earn a higher return on savings for the client		
	To provide the SACCO with stable funds to finance longer term loans.		
Term	3 months	6 months	12 months
Minimum to open account	100,000 UGX	500,000 UGX	500,000 UGX
Maximum to open account	400,000 UGX	No limit	No limit
Interest Rate			
Method of calculation	Flat rate	Flat rate	Flat rate
Interest Rate	4% p.a.	6% p.a.	10% p.a.
Account Fees			
Account Opening	None		
Early Withdrawal	Forfeit interest		
Proof of account	Certificate (member) and FD Register (SACCO)		
Additional requirements	None		
<b>SACCO Targets for 2007</b>			
Total value FD	Equal to the expected value of loans with 1 – 2 month terms.	Equal to the expected value of loans with 3 to 6 months terms.	Equal to the expected value of all loans with 7 to 12 month terms.
Total number of FD accounts	TBD based on the estimated value for 1-2 months term loans divided by 100,000 UGX	TBD based on the estimated value for 3-6 months term loans divided by 500,000 UGX	TBD based on the estimated value for 7-12 months term loans divided by 500,000 UGX

## Commitment Savings Product 2

The second commitment savings product is “Savings for a Purpose (SFAP)” account. These savings accounts are intended to mobilize longer term savings for a fixed purpose that is stated at the time the account is opened. They resemble FD accounts in terms of withdrawals but allow for multiple deposits over time, with a tied interest rate structure to promote larger and longer term deposits. An example of this is a “School Fee Savings” account, which is opened before the child reaches school age (1-2 years old) with the intention of financing primary, secondary and potentially tertiary education costs. Withdrawals only begin once the child reaches a certain age and are generally directly transferred to the educational institution’s account. Another example is a health savings account. This too would allow the member to save on a regular basis and only withdraw to pay medical fees.

In some instances the purpose may be tied to a future loan request, which might require a 40 – 60 % client savings participation before the delinquency risk is low enough for the SACCO to be able to offer the loan. An example of this would be a transport loan, be it bicycle, motorcycle or motor vehicle.

Terms and Conditions

Target Market	Net savers who seek to maximize returns for long-term planning and who expect to have one or more large future financial obligation (school fees, health costs, travel, transportation, retirement, etc.)			
Requirement	Must be a SACCO member and have a current or ordinary savings account.			
Purpose	To put aside a large amount of funds for a specific future purpose and still earn a higher return on those savings until the funds are actually required.			
	To provide the SACCO with stable funds to finance longer than 12-month term loans.			
Term	Unlimited			
Minimum to open	50,000 UGX			
Minimum balance	50,000 UGX			
Maximum in account	No limit			
Deposit Frequency	Predetermined when the account is opened (generally monthly)			
	Can be done by automatic deduction from ordinary savings account <sup>21</sup>			
Number of deposits	Unlimited			
Number of withdrawals	No withdrawal during the first 3 months			
	Withdrawals only allowed for stated purpose			
	Withdrawals for other purposes result in forfeit of interest for current period			
Interest Rate	The interest rate on this account is greater than for ordinary savings and less than for fixed deposits.			
Method of calculation	Based on minimum monthly balance			
Payment Frequency	Quarterly, paid on the 1 <sup>st</sup> working day of the following quarter			
Method	Tiered, increased based on level of savings			
Interest Rate	≤ 400,000	> 400,000 ≤ 800,000	> 800,000 ≤ 1,000,000	> 1,000,000
	3%	5%	7%	9%
Account Fees				
Account Opening	TBD (should include fees for special passbook, ledger card, etc.)			
During Use	<b>Operation</b>			<b>Cost</b>
	Monthly internal transfer fee			
	Excessive quarterly withdrawal penalty			
	Replacement ledger card			
	Replacement passbook			
	Deposit voucher book			
	Withdrawal voucher book			
	Cash deposit using counter slip			
Cash withdrawal using counter slip				
Proof of account	Special Passbook (member) - Ledger card/Register (SACCO)			
Additional requirements	None			
<b>Targets for 2007</b>				
Total value SFAP savings	TBD based on the expected number of accounts and an average monthly deposit per account and time 12 months <sup>22</sup> .			
Number of SFAP accounts	Generally based on a percentage of total members that have average savings above a certain minimum level.			

<sup>21</sup> This will require a signed standing debit authorization by the client, which has a specific fee.

<sup>22</sup> The number of months should be adjusted to reflect the expected number of months that the product will be available during the calendar or financial year, whichever is used by the SACCO for budgeting purposes.

### Commitment Savings Product 3

The third and final commitment savings product is the “Youth Savings Account.” This account is used to attract young members of the community to build up a savings relationship with the SACCO and therefore create a strong savings culture within the community. In order to encourage the young people in the community, the interest return paid on savings is higher than for an ordinary savings account and less than for a FD. In addition, most fees related to deposits or maintenance are waived or reduced. Withdrawals are discouraged through the forfeiture of interest for the respective quarter.

Terms and Conditions

Target Market	Local population under 18 years of age			
	Children of current members			
Requirement	Option A: Parent/guardian is a member & child is < 18 years old			
	Option B: Open to anyone < 18 years old			
Purpose	To teach the young people to save for their future			
	Establish early client relationship			
	Attract parents of youths to become members			
	Encourage parents to open accounts for their children			
Term	Unlimited			
Minimum to open	1,000 UGX			
Minimum balance	1,000 UGX			
Maximum in account	No limit			
Interest rate paid on savings	Tiered			
	≤ 25,000	> 25,000 ≤ 100,000	> 100,000 ≤ 500,000	> 500,000
	None	3% p.a.	4% p.a.	6% p.a.
Method of calculation	Based on minimum monthly balance			
Payment frequency	Quarterly, paid on the 1 <sup>st</sup> working day of the following quarter			
Number of deposits	Unlimited			
Number of withdrawals	No withdrawal for first 6 months			
	1 per quarter thereafter			
	If more than one w/d per quarter then forfeit interest			
Fees				
To Open Account	50% of normal stationery fee			
During Use	<b>Operation</b>		<b>Cost</b>	
	Monthly service fee		None	
	Replacement ledger card		None	
	Replacement passbook		TBD	
	Deposit voucher book		50% of normal	
	Withdrawal voucher book		Not available	
	Cash deposit using counter slip		None	
	Cash W/D using counter slip – 1 per quarter		Free	
	Additional W/D		Normal fee	
	Other operations		Not available	
To Close Account	None before age 18			
Proof of account	Passbook (client) and Ledger card (SACCO)			
Procedure at age 18	Option 1: Youth joins the SACCO and pays all of the normal membership costs (fees, shares, minimum deposit, 2 new photos)			
	Option 2: Youth withdraws the savings balance			
	The Youth Account holder has a grace period of one month to choose one of the above options. If no option is chosen within that period then Option 1 is applied.			
Additional requirements	2 passport sized photos for youth and 2 passport sized photos for parent or guardian.			
<b>SACCO Targets for 2007</b>				
Value current savings accounts	TBD			
Number current savings accounts	TBD			

## 9. Savings Product Marketing

The primary objectives for markets savings products are to identify and expand the local market of net savers, improve the competitiveness of the saving services offered by the SACCO and improve the public image of the SACCO. A successful marketing plan has clearly identified objectives, distinct activities and ambitious yet realistic targets as indicators for evaluation. Savings product marketing is a dynamic process, whereby frequent internal evaluations are conducted to assess product performance. Sample questions that need to be answered are:

- Are our clients satisfied with the current product?
- Is my clientele the right clientele for this products; i.e., who do I really want to reach for this product?
- What is the growth rate (last month, last quarter and last year) of this product?
- If the growth rate is lower than expected, then why am I not getting the expected number of clients and volume of savings?
- Has my unit cost decreased for this product? If not, what needs to be done?
- What is my competition (commercial banks, other SACCOs, MDIs, MFIs, local money guardians/lenders) doing?
- How can I improve this product?
- Am I successfully (profitably) investing the savings in other SACCO products?