



USAID | **UGANDA**
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SACCO PROMOTION AND DEVELOPMENT-LIRA REGION

FINAL REPORT



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Rural SPEED

Rural Savings Promotion & Enhancement of Enterprise Development

SACCO PROMOTION AND DEVELOPMENT-LIRA REGION

FINAL REPORT

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

Rural SPEED

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EXECUTIVE SUMMARY

Even if the history of SACCO Societies shows that they were formed initially for the relief of poverty among the poorer economic classes in Europe, United States and India, they were not that much promoted in rural area of developing countries.

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

Evidence on poverty eradication strategies show that without empowering the poor by teaching him/her to utilize his/her limited resource in a wise manner and too much focusing on provision of credit led to excessive debt burdens and depressed his/her growth even lays down below the level where he/she was before.

USAID / Rural SPEED's objective is to deepen and strengthen Uganda's financial sector in response to this sector demand for financial services by supporting:

- Institutional capacity building
- New product development and service delivery.

Based on a USAID/Rural SPEED value chain assessment of the sunflower sector, and a further consultancy to review the plausibility and viability of establishing stand alone member based financial organizations from this sunflowers grower group, this consultancy emerged. The purpose of this consultancy was to promote and initiate the SACCO Society by mobilizing and sensitizing potential members of Lira area sunflower growers and deliver the SACCO Society to the cooperative Registrar for registration.

The objective of scope of work was successfully achieved in Lira. Farmers are convinced and decided to have their own financial institution to empower themselves. They showed their readiness and commitment to help themselves by good contribution of registration fees.

There is a strong economic and social motivation among the people of this area that needs a commitment to encourage them by supporting technically to build their capacity through intensive member and potential member training and promotion, management capacity building for leaders, and furnishing of office equipment.

Support must also be given to the SACCO to start computer based accounting and financial management system. Further technical training and monitoring support should be provided intensively at least for one year to empower them.

The promotion strategy should give due attention to sensitize potential members using radio program at least one hour per week from 8:30 – 9:30p.m in the evening. Promotion should follow the strategy of member to potential members' promotion and develop leaders at each parish as a lead farmer.

BACKGROUND:

Introduction

The government of Uganda opened the opportunity to investors and group of people to play their role in uplifting the economy by investing on the unutilized resource of the country. This encourages the financial sector to become increasingly efficient, productive and competitive. Even if the financial sector shows increment at increasing rate growth, only ten percent (10%) of the rural population has access to basic financial services. Commercial lending and the majority of MFI financial services remain confined to Urban and peri-urban areas due to some constraints.

Furthermore, in rural areas there is limited promotion, sensitization and supervision of SACCO Societies. USAID/Rural SPEED was designed to fill this gap, in part, by promoting SACCO Society establishment and deepen the knowledge of rural people to properly and wisely manage their limited resources that empower themselves.

Objective

The objective of this scope of work was to:-

- Encourage, promote and sensitize rural people (potential members) to mobilize them to establish their own financial Institution (SACCO) on voluntary basis
- Deliver the proper registration documents to the cooperative Registrar.

Methodology

The promotion and sensitization was done by reviewing the findings of the Lira sunflower growers feasibility study, meeting with USAID/Rural SPEED to understand the task clearly, and collaborating with Mukwano leadership and APEP staff to better communicate with beneficiaries. Mobilization was handled through the sunflower growers' site coordinators and lead farmers to the potential members.

Through word of mouth, the first attendant of the sensitization program brought further potential members for next sensitization program. Word was further circulated by cell phone and led to the numbers of participants increasing each time at each sensitizing areas of Iceme and Barapow.

ACTIVITY SUMMARY:

After reviewing the findings of the feasibility study based on the recommendation, discussion was held with Mukwano and APEP Regional Coordinators to get the Sunflower grower farmer site coordinators to organize the farmers at Iceme – Apac District and Barapwo – Lira District.

Based on this discussion the first sensitization meeting program was held at Apac district, Iceme and Barapwo Lira district on consecutive days with sunflower grower farmer site coordinators and invited farmers.

After the first sensitization program, the participants were invited to give their opinion on the program and on the issue of what will be next.

Participants showed a willingness to continue the program and understand the role of SACCO society and promised to encourage additional people to attend the next program. Based on their interest at each site, 5 days consecutive promotion and sensitization program were held with potential members by focusing on the issues of:

- What are SACCOs and their objectives, purposes?
- What are the principles the SACCO societies operate in?
- What is the management structure of the SACCO societies?
- Who runs the SACCO societies?
 - The Members?
 - The Elected Boards and other Committees?
 - The Hire employees?
- What are the Norms and Values accepted from Members?
- What are the important factors for the success of SACCO societies?
- Who may join the SACCO societies?
- What does Saving, and Share mean?
- What is Loan, and Criteria that qualify an applicant for a Loan?
- How is interest for lending calculated?
- What are the over all advantage of SACCO societies to members, family and the Nation?

During the sensitization and promotion program farmers were so attracted and stayed for the whole day with very interesting participation. The number of the participants increased every day. Good participation of women's was seen at each site.

At the end with full interest and voluntary base the potential members were so encouraged to establish their SACCO society.

Based on this:-

The Iceme – Apac District farmers established their SACCO society on 24 June, 2006 by the name of ICEME FARMERS SACCO Society (IFS) with 66 registered members and on 25 June 2006 they increased their number by 2 that makes their membership 68 and 12 of them are women members. From these 68 members 68,000.00 Shilling was collected as registration fee. The ICEME FARMERS SACCO Society (IFS) elected 7 Board of directors and 20 other committees by representing one from each parish. and the by law was ratified by members full participation.

The Barapwo – Lira District farmers established their SACCO society on 27 June, 2006 by the name of LIRA FARMERS SACCO Society (LFS) with 92 registered members and 17 of them are women members. From these 92 members 184,000.00 Shilling was collected as registration fee. The LIRA FARMERS SACCO Society (LFS) elected 5 Board of directors and 20 other committees by representing one from each parish. and the by law was ratified by members full participation.

Both the SACCO Societies were plan to promote more members by establishing sub committees at each parish and the plan will be evaluated per two weeks interval at the center of the SACCO Society and will make competition among the parishes performance. Based on this plan I have got a report on 28 June 2006 from the Chairperson of the ICEME FARMERS SACCO Society (IFS) that shows their membership increased to 100 members and able to Collect 100,000.00 Shilling.

CONCLUSIONS

The people in which the SACCO societies established have very strong economic motive to have their own financial institution that will enable them to promote and encourage for development of more saving culture and provide them with sustainable financial service flow for more investment in sunflower farming.

Therefore, it is very important that developing strategies to push them forward by intensive technical support of financial, and accounting management, SACCO management and members promotion, internal control system development to elected board, other committees and members.

Promotion of potential members and sensitization about the role and importance of SACCO societies should be supported using Radio Programs at least for one hour per week.

By considering the huge number of potential members and initiation of the existing members to promote potential members, it is very important to install computer based financial and accounting system immediately.

To assure the sustainability of the SACCO societies services in the future and strength them to depend on themselves, the formation of secondary level (union) at district or Region level should designed by Rural SPEED ahead.

RECOMMENDATIONS

A savings and credit cooperative system is already promoted in the Mukwano hybrid sunflower growing area of Lira and Apac districts and two SACCO societies were established, that is Iceme farmers SACCO society in Apac district and Lira farmers SACCO society in Lira district.

As per the feasibility study recommendation to meet the potential demand of 21,000 members it will be necessary to promote potential members and sensitizing the community about the role and importance of SACCO societies using radio programs with local language attractive drama and discussions as well as posters. Train volunteer promoters (similar to lead farmers) to promote more farmers.

While initial promotion will focus on sunflower producers, it is advisable to market the SACCO to other community members who have additional economic activities besides farming, and help the farmers to develop daily income generating activities such as diary farming to have a diversified pool of resources for both savings and lending.

Further technical training and monitoring support should be provided by a full time SACCO organizer/trainer, for a period of one to two years

The primary focus of the SACCO must be to mobilize savings to be used to provide loans to members. To attend this goal it is very important to supply the SACCO with full accounting materials such as pass book of members, savings, shares, and other fees collection sheets, controlling sheets and ledgers, as well as, it is advisable to provide the office furniture to create temporary safe place to the money which will be collected from members.

While credit is likely to be a strong motivating factor for joining a SACCO, it needs to be carefully implemented and deemphasized. The initial loan product for sunflower production should be a multi-stage disbursement product, since there are at least three discrete times at which finance is needed; i.e., plowing, planting with fertilizer, and weeding. Loans should be granted to better farmers first. Using yield and production data as criteria for lending amount would significantly reduce the agricultural risk.

Farmers must be encouraged to keep written records to be able to evaluate costs and calculate net profit or loss.

SACCOs should start their operations with a computer based system and not waste time and money converting from a manual system to a computerized one in one or two years.

Outsource the SACCO accounting and financial management system to a formal banking sector partner rather than creating and managing the entire financial system at each SACCO, given the high risk of their losing member savings before they become fully competent.

To assure the sustainability of the SACCO societies services in the future and strength them, the formation of secondary level (union of the SACCOs) at district or region level should designed by Rural SPEED ahead.

Introducing the technique for saving to children by putting saving box for each kid at home like the Kenyan Jumbo Saving System may be very important to change the saving culture of the society. As well as the money collected from this system can bring for the SACCO society good amount of money for lending. Therefore, USAID/Rural SPEED should provide the technique and the saving box for each member and promote the members to encourage their kids to use this saving box to save what every minimum coin they get.

USAID/Rural SPEED should issue a RFP to identify financial institutions capable of providing back office support in accounting and financial management.

It would be helpful to train the Lira USAID/APEP agents to ensure that they correctly understand the SACCO formation process and its objectives. They are well respected by the producer groups and sunflower farmers. As such, they can serve as a trusted source of information to respond to community member questions, when they are in the field, and provide valuable support to the SACCO trainer/promoter. Therefore, it is advisable to think on arranging training programs to these Lira and Apac USAID/APEP agents and the two Mukwano Regional Coordinators for the sustainable existence of the SACCOs.

Finally, given that areas were the SACCO in Lira and Apac showed positive signs of willingness to actively support promote and join a SACCO, USAID/Rural SPEED should move as quickly as possible to promote members to save this harvest season income in their SACCOs before they through their money away as usual.

APPENDIX A LIST OF MATERIALS USED IN PREPARATION OF CONSULTANCY

1. The group savings resource book, FAO, 2002.
2. Cooperative Promotion and Management manual, RBCDS-Cooperative services, USDA, 1998.
3. SACCO Promotion and Management, by Richard John Perline, 2001.
4. 21 Essays on Cooperation and Developments in Kenya, by Sylvester J.Ouma, 1990.
5. SACCO a new Conceptual approach for Poverty eradication, 2005
6. SACCO design study for Sunflower Producers, Lira Region, by Thomas K. Shaw February 2006.