

Micro Finance Unit (MFU)

Annual Report for 2007 / 2008

The Micro Finance Unit (Department) is responsible for handling all microfinance operations of Uganda Co-operative Alliance. Specifically, the Unit performs the following major functions:

- i) Mobilizing, sensitizing and guiding rural communities to form SACCOs on a self-help basis
- ii) Building the technical capacities of SACCOs through training their members in how to own, use, control and benefit from their SACCOs, training leaders and management staff in governing and managing their SACCOs, providing them with SACCO governance, management, operating and reporting systems.
- iii) Providing some needful SACCOs with basic logistical support services like start up support kits to enable young SACCOs start their operations smoothly and quickly grow to become safe, sound and sustainable.
- iv) Assisting SACCOs establish and commence their operations of mainly extending saving and credit services. The emphasis is to build the savings culture of the communities based of self-help model as opposed to the credit driven approach.
- v) Carrying out internal audit and supervision of SACCOs to ensure that they are operating efficiently, effectively and professionally.
- vi) Assisting SACCOs to establish local networks to enable them share experiences and learn from each other.
- vii) Advocating and lobbying for the benefit of SACCOs as well as representing them at different fora.
- viii) Linking SACCO operations to other forms of cooperative business activities in their areas of operation so that their clients have access to the full range of support services.

The Capacity of the Micro Finance Unit to support SACCOs

The micro finance unit of UCA has over the years built the following capacities to enable it provide co-operative support services to SACCOs:

- i) Built a technical staff compliment of 33 people (4 Head Office and 29 Field/ Regional Offices) with adequate technical capacity to support SACCOs.
- ii) Established 9 sub-regional centres (Mbarara, Masaka, Mubende, Mukono, Jinja, Mbale, Lira, Nebbi and Arua) through which it delivers co-operative support services to SACCOs in the host and neighboring districts
- iii) Effective relationships with co-operative development partners through which resources have been mobilized to support SACCOs
- iv) Effective local networks (with other players e.g. Association of Micro Finance Institutions of Uganda, SACCOs, etc) through which support services are efficiently and effectively delivered to SACCOs.
- v) Methodologies for providing support to rural communities wishing to start SACCOs and the existing SACCOs that require strengthening..
- vi) Developed, tested and rolled out SACCO governance, management and reporting systems that are available for replication by other SACCOs in need.
- vii) Some basic logistical facilities both at head office and in the regional offices, which it uses to deliver support services to SACCOs and other cooperative organizations.
- viii) Track record in supporting SACCOs and as such, it has/attracted the confidence of many rural communities which it has supported to start new SACCOs. Its track record in efficiently and effectively delivering co-operative support services to SACCOs has also attracted continued support for its operations from many development partners.

Results of UCA's support for SACCOs

UCA is presently associated with operations of 260 SACCOs countrywide. 120 of these are still very young and receiving comprehensive support services, 80 are relatively well established and 60 are mature and have already been weaned off support. As at 30th June 2008, all UCA supported rural SACCOs had mobilized Sh. 7.2 billions in share capital, Sh. 17.6 billions in savings deposits and had Sh. 20 billions in outstanding loans to their members. The total number of members being served by the SACCOs was 185,600.

As at 30th June 2008, UCA was mainly providing co-operative support services to SACCOs through three main projects, Community Empowerment through Co-operative Financial Services (CECFIS), Integrated Financial and Agricultural Production Initiative (IFAPI) and Empowering Farmers Through Agribusiness and Financial Services (EFTAF). Our report therefore is based on the three projects and the performance of supported SACCOs there in during FY 2007/2008.

Community Empowerment Through Cooperative Financial Services (CECFIS)

Background

Community Empowerment through Cooperative Financial Services (CECFIS) project Phase II is a four-year project whose implementation started in January 2005 and is scheduled to end in December 2008. The Swedish Cooperative Centre – Vi Agroforestry (SCC-Vi) supports it. It is a successor of CECFIS Phase I project that ended in 2004. It is being implemented in the districts of Bushenyi, Kamuli, Masaka, Mukono, and Mbale, and the surrounding districts. The expected project results are that by December 2008, there should be at least 35 project-supported SACCOs serving 32,000 households and that these SACCOs should have mobilized Shs. 2.35 billions and Sh.3.2 billions in Share Capital and net Savings deposits respectively.

CECFIS Phase II Project Objectives

The Project's development objective is **"To contribute to improved livelihood and reduced vulnerability of the low income, small-scale entrepreneurs, including farmers through sustainable community based micro-finance services"**. The indicators for the realization of the development objective are the *percentage of the SACCO members with improved health, improved access to education and information, and improved shelter/housing.*

The project's immediate objective is **"Empowered communities with improved access to affordable and sustainable financial services in the targeted areas"**. The main indicators for the achievement of this objective are increased members' satisfaction with services rendered by their SACCOs, increased incomes and access to affordable and sustainable financial services.

Expected Project Outputs.

The project has four expected outputs namely:

- Output 1:** Co-operative Rural Finance Services (CRFS) Unit at UCA with financial and technical capacity to provide cooperative support services to the project-supported SACCOs.
- Output 2:** Demand Driven Co-operative Support Services to the project-supported SACCOs.
- Output 3:** SACCO Members with Stronger Democratic and Social Economic Capacity
- Output 4:** Enhanced Capacity for Project Monitoring and Evaluation at Member, SACCO and Microfinance Unit Levels.

Project Achievements During the Year 2007/2008.

During the year July 2007 – June 2008, the implementation of CECFIS Project continued to register impressive performance. The project activities substantially contributed to the strengthening of UCA's microfinance Unit operations which enabled it to provide high quality support services to the SACCOs, which in turn provided affordable financial services to their members. Specifically, the project realized the following achievements:

- Output 1: Co-operative Rural Financial Services Unit at UCA with financial and technical capacity to provide cooperative support services.**

Under the project, UCA established a Co-operative Financial Services Unit which has since been transformed into a fully-fledged Micro Finance Unit for UCA. The project core staff constitutes the core of the Unit.

The Unit assisted UCA Secretariat to prepare, supervise and monitor the implementation of the SACCO components in new projects like “Empowering Farmers Through Agribusiness and Financial Services” (whose field implementation started in July 2007) and Integrated Finance and Agricultural Production Initiative (which is in the process being revised to pave the way for a successor project).

Cost sharing.

All SACCOs under CECFIS Project contributed between Shs. 600,000 to 1,200,000 each per year towards the cost of providing internal audit and supervision services provided to them by the Unit staff. The SACCOs are also cost sharing in the provision of capacity building services. This is the meaning of being weaned off and being sustainable.

During the year, the Micro Finance Unit actively participated in the consultative meetings for the development of the SACCO -specific Bill as well as the Draft Micro Finance Policy Framework, which are being sponsored by the Department of Micro Finance, Ministry of Finance, Planning and Economic Development.

The Unit was instrumental in the preparations for the formation and registration of Uganda Central Cooperative Finance Services Union (UCCFS) whose operations are due to start in October 2008.

Throughout the year, the Unit continued to provide effective co-operative support services to SACCOs in the field of governance and management, reporting and, internal audit and supervision. The Unit also revised the SACCO Accounting and Operating Manual, which will be released for use in October 2008. The Unit also discussed and agreed with two professional auditing firms on the arrangements for providing SACCOs with external auditing services at affordable fees.

During the year, the Unit continued to play an active role in the shaping of the Micro Finance Industry in the Country. For example, in May 2008, UCA was re-elected the National Secretariat for the Association of the Micro Finance Institutions in Uganda. The Unit also continued to represent SACCO interests at both national and international levels.

Output 2: Demand Driven Cooperative Support Services

Under this output, the project provided support services to SACCOs to enable them become safe, sound and sustainable financial services institutions. By 30 June 2008, about 90% of the project supported SACCOs were operationally and financially self-sufficient.

SACCO leaders and management staff were trained in SACCO governance and management and these are now providing efficient and effective leadership and management to their SACCOs. This kind of training has been continuous because SACCO leadership changes with regular elections that often take place during the Annual General Meetings (AGMs). The training was mainly done through on-the-job training (or mentoring), exposure visits, conducting SACCO membership meetings, regional and national meetings, Pre-AGMs and AGMs.

The Unit provided internal audit and supervision services to SACCOs to ensure that they implement and comply with micro finance sound practices. This enabled them to improve the handling of operations; keeping records, preparation of financial and operating reports and general management of their affairs. The Auditors produced comprehensive quarterly internal audit reports for each SACCO and these together with the management letters guide management in handling their operations in a manner that complies with SACCO bylaws, policies and procedures as well as sound business practices.

The project supported SACCOs have graduated from using external auditing services of the Department of Co-operatives and use professional service providers.

Through these interventions, the SACCOs have built confidence and resource capacity that has enabled 8 of them to open 9 new branches to scale up their operations as well as outreach.

The following tables show a summary of the growth of the project supported SACCOs during the period July 2007 to June 2008

Summary of the Performance of the Project Supported SACCOs.

Table 1: Summary of CECFIS Project SACCOs' Performance as at 30th June 2008.

Indicator	July 2007	June 2008	Growth
No. of Project SACCOs	42	40	-5%
SACCO Members	32,099	38,517	24%
Share Capital	Sh. 1.599 Billions	2.078 billions	32%
Savings Deposits	Sh. 2.308 Billions	3.166 billions	38%
No. of Saving Accounts	23,198	29,375	27%
Loans (Outstanding Balance)	3.488 Billions	4.753 billions	38%
SACCO lending rates	2. 5% to 3% per month (on a reducing balance basis)	2. 5% to 3% per month Reducing balance	



The Vice Chairman of UCA, Rev. Fr. George Angala and the Treasurer Mrs. Mary Nabuyungo Kivumbi complementing an exemplary member of Kasawo SACCO for excelling in patronising his SACCO.



Member of Kangulumira SACCO exercising their democratic rights of voting the SACCO leadership into office.

Table 2: SACCOs and their membership growth during the Year July 2007 – June 2008

Region	No. of Project supported SACCOs		No. of SACCO Members		
	1 Jul 07	30 June 08	1 Jul 07	30 June 08	Growth (%)
Bushenyi	10	10	11,131	13,767	24%
Kamuli	9	6	4,901	4,276	-13%
Mukono	8	8	4,518	5,843	29%
Mbale	7	8	3,785	4,906	30%
Masaka	8	8	7,764	9,725	25%
Total	42	40	32,099	38,517	20%

Table 3: SACCOs' Share Capital Growth during the Year July 2007 – June 2008

Region	1 July-2007	30 June-2008	Growth
	(Million Ug. Shs)	(Million Ug. Shs)	%
Bushenyi	900	1,148	28%
Kamuli	125	135	8%
Mukono	147	186	27%
Mbale	96	131	36%

Masaka	331	478	44%
Total	1,599	2,078	30%

Table 4: Growth of the SACCOs' Savings Deposits during July 2007 – July 2008

Region	1 July-2007 (Million Ug. Shs)	30 June-2008 (Million Ug. Shs)	Growth (in %)
Bushenyi	1,044	1,440	38%
Kamuli	133	132	-1%
Mukono	408	473	16%
Mbale	123	139	13%
Masaka	600	982	64%
Total	2,308	3,166	38%

Table 5: Growth of Outstanding Loans during the Year July 2007 – June 2008

Region	1 July-2007 (Million Ug. Shs)	30 June-2008 (Million Ug. Shs)	Growth (in %)
Bushenyi	1,904	2,602	37%
Kamuli	211	186	-1%
Mukono	433	561	30%
Mbale	243	289	19%
Masaka	697	1,115	60%
Total	3,488	4,753	36%

Output 3: Strengthening Democratic and Social Economic Capacity of SACCO Members

Through membership mobilization and sensitization meetings, training programmes and facilitation of the project SACCOs' pre and annual general meetings (AGMs), the members' understanding of their SACCOs operations, and duties and responsibilities have been strengthened. The members are not only in position to use and benefit from their SACCOs but also to control them. For example, they now demand for holding of statutory members' meetings which are regular and on time, provision of operating and financial reports as well as high quality services and at affordable rates. The application of the Group Empowerment Tools for training purposes has complemented these initiatives and, enabled SACCO members to play their rightful roles.

Output 4: Enhanced Capacity for Project Monitoring and Evaluation at Member, SACCO and CRFS Unit Levels

During the mid-term review of CECFIS Project (early 2007), generation of qualitative information on the SACCOs' performance was identified as a critical success factor for the project. As a result, the Micro Finance Unit participated in the development and introduction of the UCA's reformed performance

monitoring tool for SACCOs. The Unit tested the tool on EFTAF-supported SACCOs and when it was found to be effective, it was applied to CECFIS SACCOs as well. Furthermore, the MF Unit spearheaded the process of developing a new SACCO specific monthly reporting tool that it is now being used in all SACCOs being supported by the SCC-Vi in the East African Region.

Social and Economic Effects of CECFIS Project

CECFIS Project is so far having many positive social and economic effects on its members, the community and the nation in general. For example, the project has helped in the creation of direct and indirect employment. Through UCA, the project is employing 18 people while the project supported SACCOs are directly employing 166 people as managers, loan officers, assistant accountants and cashiers. SACCO members who are accessing financial services to support their economic and social activities have also created many more jobs.

The project has promoted vibrancy in the co-operative movement by having many communities copying UCA CECFIS SACCO methodology to start new SACCOs. According to the Registrar of Cooperatives, the new SACCOs registered in 2007 alone were 790, which was an annual growth of 34%. This is a clear indication of how popular the SACCOs concept has become in the country.

All project supported SACCOs are now making surplus, and most of them are already paying dividends on their members' shares capital in addition to paying interest on the saving deposits. As SACCOs become better established and accumulate their own resources, they have been able to reduce their lending rates to between 2.0 – 3% (declining balance). This coupled with the rising loan sizes has made it possible for members to borrow, invest in bigger economic activities and therefore earn more income to improve their livelihoods. By June 2008, CECFIS SACCOs in the project had an average share capital per member of Sh. 53,972/=, saving deposit of Shs. 95,234/= and outstanding loan balance of sh. 392,312/=. The SACCOs have also increased financial linkages between the rural and urban centers through link bank account arrangements, transfer and payment opportunities, among other.

More and more people have been brought into formalized financial services system which also benefits the country as a whole. The saving culture, and financial planning and management are improving among the SACCO members due to having easy access to financial services and training.

Access to affordable financial services has liberated many rural people who now do not have to worry about routine issues of raising school fees for their children's education, health and economic emergencies, basic household items, etc. Many have even improved their shelter through building better houses. As a result, the majority of SACCO members are now pre-occupied with bigger issues of economic development.

Challenges Encountered in Implementing the Project.

The success of UCA's rural SACCO methodology and the SACCOs following it have attracted the interest of many parties including the government, politicians, development partners as well as the rural communities themselves. Unfortunately, some of these interventions are distorting the core values of co-operatives notably the self-help spirit and being independent organizations. These interventions have led to the mushrooming of dependent SACCOs started by community leaders as well as influential people for the purposes of trapping resources from the Government. These interventions emphasize access to credit as opposed to mobilizing members' savings deposits and providing credit services later on. This is contrary to the foundation on which CECFIS supported SACCOs are premised.

Furthermore, the failure to generate consensus on a number of important issues like freedom of affiliation, domicile of SACCOs, licensing and supervision of SACCOs, etc in the proposed SACCOs specific legislation during the consultation stage is causing uncertainty in the operations of SACCOs. This is not a healthy development for institutions, which need to instill confidence among their members.

Integrated Finance and Agricultural Production Initiative Project (IFAPI)-SACCO Component

Background

Integrated Finance and Agricultural Production Initiative (IFAPI) is a project supported by the Canadian Cooperative Association (CCA) and UCA operating in the Northern part of the Country. It aims at improving the livelihoods of producers in parts of West Nile (Nebbi, Arua & Koboko) and Apac in Northern Uganda through an integrated approach. A total of 12 SACCOs are being supported by the project. The implementation of the project started in 2005 and ended March 2008 but has been extended up to August 2008 pending the commencement of a successor project.

Project Goal

The overall goal of the project is to contribute towards the country's efforts to alleviate rural poverty. Its objective is to provide a holistic suite of community-controlled co-operative services that improves people's well being by increasing food production, income and provide financial services.

Project outputs

The project has four expected output namely:

- i) Increased equitable opportunities of poor households through Co-operatives
- ii) Increased viability and Institutional effectiveness of co-operative institutions
- iii) Improved participation in democratic and decision making roles in co-operative institutions
- iv) Increased understanding of the poor households on the issues that affect them.

Output 1: Increased equitable opportunities of poor households through SACCOs.

Although the initial target was 150 members for each SACCO by the end of the project, the achievement was much higher due to intensive mobilization, committed field staff and more importantly, the interest of the people themselves in the initiative. For the year 2007/08, the project had planned to increase its membership by 477 (from 5,062 to 5,539). The project however, registered an increase of 1,608 making a total SACCO membership of 6,670. This gives an average of 559 members per SACCO, which is much higher than the initial project target.

The members have benefited from their SACCOs by having a safe place for keeping their money, access to credit, general education, forum for meeting and a forum for articulating matters that affect them. Some of these benefits have attracted more people to join SACCOs and thus enabled them to exceed their membership targets.

Table 1 below shows a summary of the IFAPI supported SACCOs performance on some key indicators while Tables 2 – 3 show the performance of SACCOs on a district basis during the year.

Table 1. Summary of Performance of the 12 IFAPI Project Supported SACCOs during the year 2007/2008

Items	July.07	June.08	Increase	% Increase
SACCO Membership	5,062	6,670	1,620	31.8
SACCOs' Share capital in Shillings	117,830,000	182,073,700	64,243,700	54.5

SACCOs' Savings deposits in Shillings	405,925,300	590,503,937	184,578,637	45.5
SACCOs' outstanding Loans in Shillings	479,401,300	679,537,272	200,135,972	41.7

Table 2: Membership growth of the 12 IFAPI supported SACCOs from July 2007 to June 2008

District	No of SACCOs	Jul. 2007	June. 2008	Increase	
				Number	Percentage (%)
Nebbi	3	890	1,338	448	50.3
Arua	2	1,906	2,293	387	20.3
Apac	6	2,266	3,039	785	34.6
Total	12	5,062	6670	1608	31.8

Output 2: Increased viability and Institutional effectiveness of co-operative institutions.

In order to serve the members effectively, SACCOs must mobilize more resources, provide services that meet the members' needs as well as managing the institutions on sustainable basis. To that effect, the SACCOs had planned to increase their share capital, savings deposits and loans by at least 20% within the year.

During the year, the SACCOs achieved and surpassed this target. For example, share capital increased by 54.45% while savings deposits increased by 45.5%. The increase in share capital and savings deposits made it possible for most of them to adjust their lending rates, loan sizes and period accordingly. For example, by June 2007, the loan period was ranging from four to six months. This was adjusted upwards to between 6 – 12 months.

Furthermore, some SACCOs were able to increase their loan ceiling from 3 (three) million to 5 (five) million. The increase in loan portfolio led to increased incomes and as a result, most project SACCOs were able to make some modest surpluses on their operations.

Table 3: Growth of Share Capital of IFAPI supported SACCOs from July 2007 to June 2008

District	Jul. 2007 (Shs)	June. 2008 (Shs)	Increase	
			Amount (Shs)	Percentage (%)
Nebbi	14,653,900	21,037,000	6,383,100	43.6
Apac	38,492,100	49,999,200	11,507,100	30
Arua	64,684,000	111,037,500	46,353,500	72
Total	117,830000	182,073,700	64,243,700	54.5

Table 4: Growth of Savings Deposit of IFAPI supported SACCOs from July 2007-June 2008

District	July. 2007 (Shs)	June. 2008 (Shs)	Increase	
			Amount (Shs)	Percentage (%)
Nebbi	34,343,750	57,710,912	23,367,162	68.0

Apac	52,728,450	82,828,625	30,100,175	57.1
Arua	318,853,100	449,964,400	131,111,300	41.1
Total	405,925,300	590,503,937	184,578,637	45.5

Output 3: Improved participation in democratic and decision-making roles in co-operative institutions.

For proper operation of SACCOs, all the members need to understand their roles and responsibility and actively participate. To promote democratic participation and decision making, leaders, management as well as the general membership of the 12 SACCOs were trained in various aspects of the SACCO operations, governance and management. The areas covered during the training included the rights, roles and obligations of members, management and the board, members empowerment, rules and procedures governing the operation of the SACCOs, team building and participatory approach to decision making. The training has enabled a number of members to gain confidence and they are now able to discuss issues openly without fear or favor. A number of members have also been elected to leadership positions both at local council and in different community based organizations.

Output 4: Increased understanding of the poor households on the issues that affect them.

IFAPI project uses a holistic approach in contributing to poverty reduction. As such, training and sensitization was also conducted to enable members critically reflect on their situation and develop strategies that can be used to overcome challenges they face. In this regard, members were encouraged to reflect on why some of them have remained poor while others are progressing.

The impact of sensitivity and HIV/ Aids were also handled. This enabled the members reflect on their individual situations and a number of them developed strategies to address the challenges being faced and reduce their poverty level. The desire and determination by some of the members made them double both their shares and savings deposits within last one-year.

Challenges

Despite achievements registered by the project during last year, there were challenges that impacted negatively on the project's performance. The challenges include conflict of interest among some leaders, involvement of some leaders in many programs as well as the high and unrealistic expectations by some members.

However, empowering members has mitigated the extent of this problem. Members now demand for quality services as well as accountability from their leaders. Leaders are being challenged especially when they act contrary to the co-operative principles. There are high hopes that with more membership empowerment, this problem will be overcome.

Empowering Farmers Through Agribusiness and Financial Services Project (EFTAF)- SACCO Component

Background

Empowering Farmers Through Agribusiness and Financial Services (EFTAF) Project is a four-year project whose implementation started in July 2007 and scheduled to end in December 2010. The Norwegian Society for Development (Norges Vel) and Swedish Cooperative Centre-Vi Agroforestry (SCC-Vi) and UCA support

it. It is a successor of PACE and FETAS projects that ended in December 2006. It is being implemented in the regions of Mbarara (Kanungu, Kabale, Rukungiri, Ntungamo, Bushenyi and Isingiro), Kyenjonjo region (Kamwenge, Kyenjojo, Mubende, Kasese and Kibaale), Mukono region (Mukono and Kayunga), Jinja region (Jinja, Kamuli, Iganga and Kaliro) Mbale region (Mbale, Manafwa, Sironko, Kapchorwa, Bukedea and Kumi). The project targets are that by December 2010, there should be 45 project-supported SACCOs serving 28,000 households and that these SACCOs should have mobilized Shs.1.389 billions in share capital, Shs.1.565 billions in Savings deposits and have outstanding loans of Shs 2.619 billions. 80% of the SACCOs should be able to cover their operating costs by the end of the project.

The project's overall development objective is ***"To contribute to improved livelihoods of small holder farmers in Uganda"***. The main indicators for realization of the development objective are the percentages of participating farmers with improved health, shelter and increase in enrolment of children in school and reduced school dropouts.

The project's specific objective is: "60% of the target farmers to have increased their incomes by 30% in 4 years in the project area". The main indicator for realization of the project objective in respect to SACCOs is that 60% of targeted farmers should have improved their savings culture and investment levels.

Expected Results

The project's main output for the financial services component is establishing 45 safe, sound and sustainable SACCOs. The indicators for the realization of this output are 60% of SACCO's to have recorded at least 40% increase in membership and 60% in share capital; 60% of SACCOs to have registered at least 40% growth in business volume and 80% of SACCOs to be able to cover their operating cost by the end of the project (2010).

Project Achievements During the Year 2007/2008.

Implementation work started in October 2007 with baseline survey that paved way for fieldwork activities during the latter months of the year. The project realized the following achievements during the year:

Output IV: Safe, Sound and Sustainable SACCOs established

- UCA's Micro Finance Unit beefed up its capacity to implement the project activities by recruiting, inducting and assigning 7 technical staff to the project.
- All project SACCOs were assisted to recruit, induct and engage qualified management staff. The project subsidized management staff salaries for 21 SACCOs.
- All SACCOs institutionalized the monthly monitoring reporting framework.
- Twenty two (22) SACCOs were equipped with money safes and are now able to keep their members money and other valuables more safely.
- All project supported SACCOs have secure operating premises.
- All project SACCOs were assisted to adapt and adopt relevant accounting and operating policies and guidelines and presently able to conduct their businesses in a more professional manner.
- Forty three (43) SACCOs conducted their annual general meetings within the statutory time.
- SACCO leaders have improved their leadership capacities through exchange visits to other well-performing SACCOs while others have improved it through different training programmes.

The following tables give a summary of the growth of the SACCOs during the year based on basic indicators.

Summary of the Performance of the Project Supported SACCOs.

Table 1: Summary of EFTAF Project SACCOs' Performance 1st Oct 2007 to 30th June 2008.

Main Indicator	1st Oct 07	30 June 08	Growth
No. of Project SACCOs	45	45	
SACCO Members	19,134	23,720	24%
Share Capital	Shs. 0.862 Billions	1.055 billions	22%
Savings Deposits	Shs.1.103 Billions	1.385 billions	26%

Loans (Outstanding Balance)	Shs.1.859 Billions	2.207 billions	19%
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Table 2: SACCOS and their membership growth during the period 1st Oct 2007 to 30th June 2008.

Region	No. of Project supported SACCOS	No. of SACCO Members		
		1 st Oct 07	30 Jun 08	Growth (%)
Jinja	7	1,879	2,678	43%
Kyenjojo	12	4,372	5,444	25%
Mbale	9	2,189	2,646	21%
Mbarara	12	9,717	11,172	15%
Mukono	5	977	1,780	82%
Total	45	19,134	23,720	24%

Table 3: SACCOS' Share Capital Growth during the period 1st Oct 2007 to 30th June 2008.

Region	1 st Oct 2007	30 June-2008	Growth
	(Million Ug. Shs)	(Million Ug. Shs)	%
Jinja	29	42	46%
Kyenjojo	144	183	27%
Mbale	66	73	11%
Mbarara	598	713	19%
Mukono	25	43	71%
Total	862	1,054	22%

Table 4: Growth of the SACCOS' Savings Deposits during period 1st Oct 2007 to 30th June 2008.

Region	1 st Oct 2007	30 June-2008	Growth (in %)
	(Million Ug. Shs)	(Million Ug. Shs)	
Jinja	48	59	22%
Kyenjojo	219	412	88%
Mbale	92	81	-12%
Mbarara	696	776	11%
Mukono	47	58	24%
Total	1,102	1,385	26%

Table 5: Growth of Outstanding Loans during the period 1st Oct 2007 to 30th June 2008.

Region	1 st Oct 2007	30 June-2008	Growth (in %)
	(Million Ug. Shs)	(Million Ug. Shs)	
Jinja	54	89	66%
Kyenjojo	352	449	27%
Mbale	97	111	11%
Mbarara	1,304	1,482	14%
Mukono	49	75	54%
Total	1,859	2,206	19%

Social and Economic Effects of EFTAF Project

During the year the Project also registered some social and economic effects on its target participants; the SACCO members, the communities and the nation in general. First, the project helped in the creation of direct and indirect employment. Through UCA, the project employed 7 people while the project supported SACCOS

are directly employing 101 people as managers, loan officers and cashiers. The members who are accessing financial services have also created jobs for themselves as well as other people.

Forty two(42) percent of project supported SACCOs are now making profits and most of them are already paying dividends on their members' share capital in addition to paying interest on the saving deposits. As SACCOs become better established and accumulate their own resources, they have been able to reduce their lending rates to between 2.5 – 3% (declining balance). This coupled with the rising loan sizes has made it possible for members to borrow, invest in bigger economic activities and therefore earn more income to improve their livelihoods. By June 2008, EFTAF project SACCOs had an average share capital per member of Sh. 44,465, saving deposit of Sh. 64,892 and outstanding loans of Sh. 310,101.

Challenges Encountered in Implementing the Project.

Audit and supervision committees of SACCOs are still not fully effective at doing their work. This is mainly due to their low commitment, lack of adequate skills and the voluntary nature of their work. EFTAF project officers therefore will continue to fill the gap until the audit and supervision committees fully take charge.

As SACCOs go into full-scale lending, quality portfolio management has become a crucial factor in order to forestall delinquency. Training in this area will have to be intensified and rules and procedures strictly enforced in order to ensure that SACCO operations are safe and sound. SACCOs with big portfolios are being advised to employ fulltime credit officers so as to cope with the volume of work.

During the year, the project concentrated a lot of effort on mobilizing more people to join the SACCOs while existing members were to increase their shares and savings deposits. Extra effort is still required to get the critical mass of membership for the small SACCOs. However, these efforts are being hampered by the interventions (for SACCO development) that promise potential members access to financial services without membership requirements like share capital contributions, saving deposits, etc.

Whenever SACCO AGMs are held, some new committee members are elected to positions of responsibility. Such leaders have to be trained almost from the basics as many of them quite often, know very little about the professional governance, management and operations of SACCOs. Training, therefore, will for some time remain a continuous activity because of regular and democratic change in governance. This poses a training resource challenge to the project as well as the SACCOs themselves.