

## Uganda Trip Report: 9th December 2010

### Participants: Ruth and David



David and I are recent politics and economics graduates from Oxford and were travelling in Uganda on our gap year in December 2010. We both have a strong interest in microfinance and so wanted to learn more about the Five Talents Uganda programme. I was particularly interested in this branch of Five Talents as I helped organise a fundraising event for the Uganda programme in 2007 when I volunteered at Five Talents UK.

On the 9<sup>th</sup> December we braved the treacherous Kampala traffic to meet Esther Nakamatte, the General Manager; Reverend Jonathan Byamugisha, the Training and Mobilisation Advisor; and Tyler Day, a volunteer; at the Head Office of Five Talents Uganda. At our meeting we discussed a number of aspects of the microfinance projects they run but the following are the five key topics we focused on:

#### **1) Financial operations of the project**

Esther gave us an overview of the current financial position of the Uganda programme: it has been running since 2001 and now has an US\$ 371,991 portfolio, 3,100 clients and portfolio repayment rates above 90%. The Reverend stressed that high repayment rates are due in part to FTU's selection process for clients. They assess potential clients both on the basis of their business plans and their personality to determine whether they will pay back the loan. The reason for this is that some clients may run successful businesses but still do not pay back the loan because they enjoy spending their money. FTU's success is also undoubtedly attributable to the way it carefully monitors its financial operations. Tyler, for example, is producing a status report on current operations in addition to a strategic plan and performance targets for the future.

#### **2) Business training programme**

The philosophy behind FTU's business training programme is perhaps best summarised by Jonathan's words "development relies on the business mind of [the] people". As part of the loan service FTU is committed to providing a comprehensive business training programme. This programme teaches people how to assess whether they are making a profit or loss, how to set priorities and how to save and avoid extravagance. In particular, Jonathan highlighted the importance of teaching clients about product differentiation. Among entrepreneurs in Uganda there is a culture of copying which means that a single street may contain a large number of identical shops. Consequently, making sure that your product stands out is imperative.

#### **3) Relationship with the Church**

FTU's relationship with the Church necessitates a careful balancing act between utilising the connection and ensuring that this does not mislead clients as to the nature of the organisation. As Esther told us, a major problem they faced was that as a result of their connection with the Church people thought that the loans they offered were gifts of charity and were not expected to be paid back. However, she assured us that after 10 years people are now aware that FTU is a microfinance organisation and they have an extremely positive relationship with the Church. For example, they frequently use church buildings for mobilisation and training.

#### **4) Response to changing technology**

I was particularly interested to find out about the technology that FTU use to hold money. Currently they hold bank accounts with commercial banks and this is where clients transact. However, a new phenomenon, mobile money, which has recently started up in Uganda provides an alternative way to make transactions. Jonathan told us though that this has been taken up slowly in Uganda and before they consider using it FTU needs to investigate the costs and benefits associated with this means of transaction.

#### **5) Additional services: savings and insurance**

Another interesting feature of the loan programme is that it links clients with additional services. Firstly, the programme incorporates a compulsory savings element which provides collateral for the loan. Secondly, FTU connects clients with an insurance company which will insure their loans in case of accident or disaster. Furthermore, they are looking to add new services in the future such as training about HIV/AIDS.

The conclusion we drew from our visit is that this is a successful and popular programme which constantly looks forward and adapts to ensure it meets its clients' needs. We are extremely grateful that they took the time to meet us and learnt a great deal from the experience.