

Private Sector Participation in Low Cost Water Well Drilling

Knowledge and Research (KAR) Project R7126

Information on Potential Sources of Credit

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DANIDA
Danish International Development Assistance

DFID

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CONTENTS

1	ACKNOWLEDGEMENTS	ii
2	BACKGROUND	ii
3	Introduction	1
4	Exchange Rates	1
5	Sources of Credit	2
5.1	ACCORD	2
5.2	Buso Development.....	2
5.3	Catholic Relief Services (CRS).....	3
5.4	European Development Fund (EDF)	3
5.5	Ecumenical Church Loan Fund (ECLOF)	4
5.6	Faulu Uganda	5
5.7	Finca Uganda	5
5.8	Foundation For Credit And Community Assistance (FOCCAS).....	6
5.9	Micro Credit Development Trust (MCDT).....	6
5.10	M/S Baks Money Lenders Ltd.	7
5.11	Pride Africa.....	7
5.12	Uganda Agency For Development Ltd. (UGAFODE).....	8
5.13	Uganda Women’s Effort To Save Orphans (UWESO).....	9
5.14	Voluntary Enterprise Development Company (VEDCO)	10
5.15	World Vision Uganda.....	11
6	Other Micro-Finance Institutions	12
6.1	Action on disability (AOD)	12
6.2	Agnes Kalibbala	12
6.3	Alliance Building Society.....	12
6.4	Centenary Rural Development Bank	12
6.5	Demobilised Women Civil Servants Association	12
6.6	Feed the Children – Uganda	12
6.7	Kampala Archdiocese – Social and Economic Development	12
6.8	Poverty Alleviation Project.....	12
6.9	Ringa Finance and Commercial Development Ltd.	12
6.10	Rub Systems Uganda / International Needs Uganda	13
6.11	Uganda Micro-finance Union.....	13
6.12	VRDT	13
6.13	Uganda Leasing (now under DFCU).....	13
6.14	UNFT	13
7	Other Organisations And Credit Schemes To Explore:	13

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It is our hope that the work which we have started in this short project can continue and build on the foundation provided by the many partners and stakeholders involved.

2 BACKGROUND

This report contributes to the findings, implications, and future plans of a project, initiated by Cranfield University (Silsoe, UK) entitled “Private Sector Participation in Low Cost Water Well Drilling”. The project was funded by DFID from July 1998 to June 2001, with additional funding partners (Government of Uganda, DANIDA, SIDA, UNICEF, Water Aid, and an anonymous donor) joining at various stages throughout this three-year period.

The three-year Project had two overall aims:

- to develop, and transfer to the private sector, technology suitable for affordable shallow well construction
- to research the process of technology transfer and the conditions necessary for its success, in the context of rural water source construction

The first aim of the project was addressed through three main objectives or outputs:

- ◆ the design, field testing, and evaluation of a new human-powered drilling rig (the “Pounder rig”)
- ◆ the uptake of the technology by a small number of contractors, and their use of the rig in commercial contracts
- ◆ the establishment of a sustainable means by which the rig and subsequent spare parts will be made available in country

The research aspect of the project used the technology transfer and uptake process as a gateway to action research. The process of developing the technology and introducing it into the private sector, and the concurrent investigation and learning process, were

intertwined in such a way that the project informed the research, and the research informed the project. Both benefited.

The overall research question was:

“what enabling conditions and external actions are necessary to stimulate and strengthen effective rural water supply service delivery by the private sector?”

3 Introduction

This directory provides information on potential sources of credit in Uganda. The data was collected as part of Cranfield Universities 'Low Cost Water Well Drilling Project' in July to September 1999 and is aimed primarily at recipients of business training facilitated by the project. However, the information should be of use to anyone interested in looking for credit in Uganda. If you would like to be included in the directory, or have any information which should be added or corrected, please contact the 'Low Cost Drilling Team' at the following address: P.O. Box 28482, Kampala, Uganda.

Note that the LCD project does not accept responsibility for inaccuracies in this document or any fraudulent activity of organisations listed.

4 Exchange Rates

The 1999 exchange rates from Ugandan Shillings to Stirling and US Dollars were:

1 Pound Stirling = 2274.4 Shillings
1 US Dollar = 1420.0 Shillings

5 Sources of Credit

5.1 ACCORD

ACCORD Credit Programme is intended to increase the capital base of micro and small enterprises.

Address: Credit Programme Manager, Gaba road, Kabalagala, P.O. Box 280,
Kampala

Telephone: 267667 / 8

Loan size and terms

Loans are advanced to village groups in the form of small-scale rotating savings and group peer pressure is used to enforce repayment of the loans.

Range: Loans are divided into the following categories:

- i. Production loans ranging from USh100,000 to USh500,000.
- ii. Small business loans range from USh100,000 to USh500,000.
- iii. Community-based organisation loans range from USh100,000 to USh1 million.

Interest: 4% per annum.

Repayment: Varies from group to group, but often between one and two years.

5.2 Buso Development

Buso Savings and Credit Scheme

Buso development operates a savings and credit scheme that mobilises savings for onward lending to groups of between five and ten people.

Address: Mr. Lugolobi, Managing Director, Buso Development, National Insurance Corporation Building, Kampala

Telephone: 232014

Loan size and terms:

Loans are advanced to groups and depend on the savings made by a group.

Range: USh50,000 – USh300,000 for short term loans
USh300,000 – USh1 million for medium term loans
Up to USh5 million for long term loans.

Interest: 25% per annum

Repayment: Within a period of six to twelve months.

5.3 *Catholic Relief Services (CRS)*

CRS is the official development agency of the United States Catholic Conference. The agency's mandate is to serve the poorest of the poor on the basis of need not creed. CRS Small Enterprise Development activities include village bank schemes, revolving funds, and other income-generating activities. This programme seeks to improve income and savings for those too poor to access loan capital through commercial banks.

Address: Country Representative/Project Manager CRS, P.O. Box 30086, Kampala
Telephone: 271693

Loan size and terms

Range: US\$50 per member are extended to core groups of 20 persons per group, making up a village bank.

Interest: To be determined.

Repayment: In small instalments

5.4 *European Development Fund (EDF)*

The EDF implements a small scale enterprise development project in urban areas. This is financed by the EU.

Address: Programme Manager, EDF Micro-projects, Office 24B, Lumumba Avenue,
P.O. Box 10790, Kampala
Telephone: 259871

Provision of credit facilities

Two sorts of credit facility are available:

1. Direct credit from the project
 - Entrepreneurs must contribute 25% of the value of the project
 - Projects exceeding US\$15 million require a complete feasibility study
 - Loans must be secured by a physical collateral, such as a land title or mutual guarantee
 - The project seeking funding should be an investment
 - Loan repayment period must not exceed three years
 - Interest is fixed on the 90 days Bank of Uganda Treasury Bills rate.
2. Credit through financial intermediary
 - Short term working capital support to traders and entrepreneurs
 - Loan period of up to 12 months
 - Interest rate is the market rate fixed by commercial banks

5.5 *Ecumenical Church Loan Fund (ECLOF)*

This is an international 'not for profit making organisation', originally founded in Switzerland, in 1946. It's credit facility is aimed at empowering and uplifting the social and economic standards of young persons, women and other grassroots associations by leading them to self-reliance.

Address: Behind the former old Kampala mosque on the road between Namirembe road and Martin road.

Telephone: 244249 / 254219 / 254522

Uses of ECLOF credit scheme

1. To empower economically active marginalised members of the community and the poor churches;
2. To promote socio-economic justice and self-reliance;
3. To improve access to credit facilities.

Loan size and maturity

Range: US\$2000 – US\$50,000

Interest: 13 – 17%

Repayment: Maximum payment period is two to four years, though shorter periods are preferred. Repayments are made in the form of monthly or quarterly instalments of the amount borrowed plus interest.

Application procedure

Any applicant must first visit the ECLOF offices for pre-assessment of his/her eligibility to receive the loan. The applicant must then submit a project proposal outlining the following:

- i. Borrower name
- ii. Physical location of project
- iii. Membership composition
- iv. Historical background, both social and economic
- v. Legal status
- vi. Number of members seeking loan from the group
- vii. Size of loan requested
- viii. Current and future objectives and goals
- ix. Project justification and description
- x. Involvement of youth and women in the project
- xi. Project costs
- xii. Sources of finance
- xiii. Project beneficiaries

5.6 *Faulu Uganda*

Faulu Uganda assists low income micro entrepreneurs in improving the future of their families and businesses. The Faulu micro-credit programme is aimed at ensuring an effective delivery of credit and financial services to low income business men and women.

Address: Faulu Credit Programme Manager, Mengo Hill, P.O. Box 12167, Kampala
Telephone: 250640 / 270800

Loan size and terms

Faulu Uganda makes working capital loans for non-agricultural businesses. Loans made are based on the business' capacity to pay the loan and the group's willingness to cross-guarantee the loan. A loan term is usually three to six months, and a simple interest rate of 27% per annum charged.

Range: Loan sizes vary with each cycle. First cycle loans range from US\$20,000 to US\$300,000. Subsequent loan sizes depend on the client's working capital and amount in the LSF savings. The normal range is US\$20,000 – US\$1.5 million. Client's businesses are assessed by a group loan review committee and a Faulu Loan Officer.

5.7 *Finca Uganda*

The FINCA Uganda Village Banking Programme advances credit to hardworking women entrepreneurs who are willing to organise themselves into village banks for economic development.

Address: 32 Kanjukya road, P.O. Box 24456, Kampala
Telephone: 534449

Loan size and terms

Range: US\$50,000 – US\$100,000 for initial loans. This depends on the location and economic activity of the group seeking the loan. Each member must save at least 20% of the loan amount.

Interest: 3% per month, or 12% per 16 week cycle, on the entire amount borrowed.

Repayment: This is paid in weekly instalments, as are savings. In order to receive any subsequent loans, each client must have repaid her loan plus interest, on a weekly basis, for 16 weeks (one cycle). Furthermore, she must have saved the required 20% of the loan total, and adhered to the FINCA programme.

5.8 *Foundation For Credit And Community Assistance (FOCCAS)*

FOCCAS implements credit with education programmes to provide rural poor with cash loans.

Address: Programme Manager, FOCCAS Programme Office, Plot 49, Republic Street,
P.O. Box 907, Mbale

Telephone: 045 33069

Regular small loans

Range: USh50,000 to USh300,000

Interest: 4% per month

Repayment: Six to twelve months

5.9 *Micro Credit Development Trust (MCDT)*

MCDT is an indigenous NGO whose activities are in the field of micro-credit enterprise schemes and stimulation of socio-economic development for the poor, country-wide.

Address: LABE House, P.O. Box 12018, Kampala

Telephone: 532116

Loan size and terms

Range: USh50,000 – USh100,000 per each loan cycle.

Interest: 48% per annum.

Repayment: This starts one week after disbursement, and continues on a weekly basis thereafter, for 52 weeks. Training of the potential MCDT beneficiaries is a prerequisite for securing the loans.

MCDT Credit Approach

The methodology used is the solidarity group approach, where small peer groups of five members per group are formed to apply for MCDT assistance. Members are encouraged to discuss and find solutions to their common problems and group pressure is used to ensure loan repayment.

5.10 M/S Baks Money Lenders Ltd.

M/S Baks Money Lenders Ltd. provide short-term credit to persons needing to clear debts immediately. This is a limited liability company, recognised by the Registrar of Companies.

Proprietor: Darlingtones Bakunda
Address: Plot 28, Jinja Rd., Kampala

Loan size and terms:

Range Individuals: US\$100,000 – US\$10 million
 Groups of people: can be greater than US\$10 million

Interest: Individuals: 25%.
 Groups of people: 10%

5.11 Pride Africa

This is a 'not for profit' international development agency, with its headquarters in Nairobi, Kenya. Its main objective is to create a financial and information services network for small scale entrepreneurs in order to increase income and employment and to stimulate business growth across Africa.

Address: P.O. Box 7566, Kampala
Telephone: 346936 / 346297

Loan size and terms

Loans are extended to solidarity groups of five persons, with guaranteed incomes.

Range: US\$150,000 – US\$1.5 million

Interest: 30% per annum.

Repayment: In weekly instalments of equal amounts, spread over 25 – 50 weeks.
 Each individual has to contribute loans advanced to the group (compulsory savings).

5.12 Uganda Agency For Development Ltd. (UGAFODE)

UGAFODE is an independent Christian NGO. It was created because of concern about the availability of credit to micro-entrepreneurs in the informal sector of the Ugandan economy.

Address: Director UGAFODE, Plot 8, Berkley Road, P.O. Box 30768, Kampala
Telephone: 257181

Criteria for credit eligibility

1. The borrower must be:
 - Of good character and recommended by local leader
 - Experienced in the enterprise for which credit is sought
 - Engaged in the enterprise on a full-time basis as an independent micro-business person
 - Aged between 18 and 60 years old

2. The enterprise must be:
 - Legal, environmentally friendly and socially acceptable
 - Able to enhance the borrower's income and create new jobs and incomes
 - Leading to sustainable development of the borrower, his family and community at large
 - Existing, on-going and viable in the long-run

Loan size and terms

Range: First loan up to USh300,000
Subsequent loans up to 50% of previous amount depending on repayment record and performance of business

Interest: Flat monthly rate of 4% charged on the initial loan and a late payment charge of 10% of any amount overdue by 14 + days, per month.

Loan period: Maximum period is four months with a grace period of 30 days

5.13 Uganda Women's Effort To Save Orphans (UWESO)

UWESO efforts are targeted at UWESO members and preferably women looking after orphans in the category of the poorest of the poor in rural areas.

Address: UWESO Headquarters, Kamwokya

Telephone: 532394 / 5

Loan size and terms

Range: USh20,000 – USh100,000 per member, depending on the business plan of the applicant group?? The loans are character loans where group savings are used as collateral to guarantee loan repayment. After repayment of the first loan, the second loan is three times the size of the first loan.

Interest: 3% per month

Repayment: Within 26 months

5.14 Voluntary Enterprise Development Company (VEDCO)

VEDCO is a grassroots development NGO founded in 1985. Its main purpose is to promote the sustainable economic development of smallholder farmers and micro enterprises.

Address: Mengo

Telephone: 270598

VEDCO Rural Finance Credit Scheme

This scheme is intended to provide smallholder farmers, small and micro entrepreneurs with access to financial capital. Loans are made in three areas – agriculture, business and education. There are two parts to the scheme:

- a) Strengthening saving capacity: Individual's and group's saving abilities are strengthened by ensuring that they save weekly and bank the funds with commercial banks;
- b) Credit disbursement: Loans are advanced to individuals or groups. See savings.

Loan size and terms

Range: USh20,000 – USh750,000.

Interest: This varies according to borrower categories:

- i. Agricultural loans. Interest rate is 2% on the monthly amount. Repayment must not exceed six months.
- ii. Commercial loans. Interest rate is 2.5% on the monthly amount. Repayment must be within four months.
- iii. Micro-enterprise groups. Loans are given out in cycles. A cycle lasts four months, and loans in each cycle are given out in a range of between USh50,000 and USh200,000 depending on loan absorption capacity of the group. The pre-saving requirement is 10% of the loan total and it is expected that each loan recipient will have saved at least 20% by the end of the loan period through voluntary savings.

Savings: Solidarity groups must save at least 30% of the loan sought, whilst micro-enterprises must save 10% of first cycle loans and 20% of subsequent cycle loans

5.15 World Vision Uganda

World Vision Uganda runs a micro-enterprise development network as a specialised micro-lending programme. This programme targets the productive poor by availing them with finances through revolving funds.

Address: Nakasero road, P.O. Box 5319, Kampala

Telephone:

Credit mechanisms

The network gives character loans through the combination of two loan mechanisms, the community bank and solidarity groups combination. A large group, averaging 30 members is formed. Within this group are smaller groups of 5-7 people. Members of the large group are responsible for ensuring repayment of each individual member's loan. The loan is made to the larger group, which gives it out to individuals. Repayment is achieved through individual monitoring, accountability and peer pressure. The community bank members (large group or small group) together take responsibility for repaying their own loans as well as any unpaid balance of other members.

Loan size and terms

Range: USh100,000 – USh1,000,000

Interest: 2% per month and up-front commission rate of 2% of the total loan sought.

Repayment: Four months, over seven cycles. The network uses a graduated lending approach whereby graduates who successfully repay their loans become eligible for the higher loan categories.

6 Other Micro-Finance Institutions

6.1 *Action on disability (AOD)*

Plot 32/36, Bombo Rd., K'la

6.2 *Agnes Kalibbala*

Tel: 343644 Fax: 250445

6.3 *Alliance Building Society*

Plot 4, Johnson St., K'la
May Lugega Mutagamba
Tel: 230803

6.4 *Centenary Rural Development Bank*

Plot 7, Entebbe Rd., K'la
Dick van Hook (Chief Exec.)
Dr. Wilibrord Okencho (Deputy Chief Exec.)
Tel: 251276 / 7, 232393 Fax: 251273
Requires business to have operated for some time

6.5 *Demobilised Women Civil Servants Association*

Plot 31, Kamjokya St., Kamwokya
Momo Masiko
Tel: 530632

6.6 *Feed the Children – Uganda*

Hoima Nakulabye House, K'la
Jolly Nyeko or David Baguma
Tel: 533147 / 8

6.7 *Kampala Archdiocese – Social and Economic Development*

K'la Archdiocese, Namirembe, K'la
Aloysius Muwanga
Tel: 268871

6.8 *Poverty Alleviation Project*

Kamwokya St., Kamwokya, K'la Tel: 531624

6.9 *Ringa Finance and Commercial Development Ltd.*

Plot 12/2-3, Jinja Rd., K'la

Patrick Okumu Ringa or Andrew Pimandu
Tel: 258278 Fax: 244822

6.10 Rub Systems Uganda / International Needs Uganda

Gaba Rd., Kansanga, K'la
Rev. Bernard Bogere
Tel: 268468 or 248259

6.11 Uganda Micro-finance Union

Gayaza Rd., Bussika, Gayaza
Rodney Schuster or Charles Nalyali
Tel: 342038 Fax: 255144

6.12 VRDT

Plot 56/60 Ambassador House, K'la Rd., K'la
Frederick Musisi
Tel: 256304

6.13 Uganda Leasing (now under DFCU)

Mr. Juma – Director or John Elford
Tel: 256125 or 232212

Requires business to have been operating for some time, and up to 15% up front. May be a god option, although there are many drawbacks to a company not having it's own equipment.

6.14 UNFT

urban, women only

7 Other Organisations And Credit Schemes To Explore:

Apex II loans – European Investment Bank (EIB). Available through Standard Chartered, Stanbic and other local banks.

USAID Microfinance Centre