

UGANDA



In Uganda, only 1 in 5 people have access to a financial institution. To save money formally, many face challenges accessing services, finding products that suit their needs, paying bank fees and/or trusting larger financial institutions.

The MicroLead project with UGAFODE aims to reduce the gap between informal and formal financial services by providing new opportunities for low-income clients to save, with a focus on women and underserved rural areas.



Creating business solutions to poverty

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QUICKFACTS

- Population 34.8 million
- 84% live in rural areas
- 1 in 4 below poverty line
- 73% literacy rate
- 14% inflation rate
- Life expectancy 54 years
- 80% rural population saved money in past year
- 62% not served by formal or informal banking sector

Background

Since the 1990s, major economic shifts have created a more stable and improved local marketplace in Uganda. But the high cost of living, along with political corruption, unreliable power sources and poor transportation prevent long-lasting economic development.

On average, only 38% of Ugandans have access to financial services – and it’s worse for women and those in rural areas. Strict regulations and licensing rules combined with competition from urban commercial

banks means many microfinance institutions (MFIs) choose not to take deposits because it’s easier and keeps operating costs low.

Ugandans show a strong demand for savings as a financial service – 71% of Ugandans save, but only 30% save at formal institutions. With few regulated microfinance deposit-taking institutions (MDIs) and low levels of financial literacy, most Ugandans don’t know the benefits of formal savings and think banks are only for the rich. Better access to

formal banking services would allow Ugandan families to better manage their money and build assets, along with increased opportunities for entrepreneurship, employment and education.



MEDA’s Assessment

MEDA (Mennonite Economic Development Associates) is determining the financial needs and aspirations of women and rural savers in Uganda to sustainably bridge the gap between informal and formal savings methods.

Through a new project, Microlead, MEDA is working with UGAFODE, one of only four financial institutions in Uganda regulated to accept savings. It will improve staff capacity, products and services,

technology and clients’ financial literacy. Working with human centered-design firm IDEO and Cambodia-based social marketing firm 17 Triggers, MEDA and UGAFODE will implement innovative new savings products.

With a formal savings account, customers have a safe, regulated environment to save their money, access their account through their mobile phone, and receive better rates on loans. Since UGAFODE can

use client savings to provide loans rather than borrowing money, they lower costs and therefore interest rates for clients.

While most financial institutions don’t operate in rural areas, 89% of UGAFODE’s clients are rural and 30% are women. UGAFODE strives to become a leader in providing savings services to rural populations and hopes to encourage other MFIs to develop similar products to serve client needs.

Outcome | 3.5-Year Project Budget

- Expand UGAFODE’s outreach so clients, particularly rural dwellers and women, can access innovative savings products
- 80,000 savings accounts opened
- 65% of UGAFODE clients will be women
- Establish UGAFODE as a market leader in financial services to the rural poor

