

Rural communities lifted with access to microfinance and markets

After attending the Entrepreneurship Workshop Training provided by Enterprise Uganda, Mr. Davidson Madira, returned to Budongo, to expand a Microfinance enterprise and start a Marketing company. The two enterprises are set to economically empower and improve the livelihoods of the communities living around Budongo Forest Reserve in Masindi District and steer them away from engaging in activities destructive to the forest. The Development Microfinance Network Limited (DEMNET) located in Kabango trading centre is already assisting the women youth and farmers access micro-credit to engage in commercial farming, access agro-inputs and high yielding seeds. The marketing company, Community Marketing Linkages (ComLis) was formed to assist in identifying markets for the produce and guaranteeing better prices and markets for the farmers' produce.

Before Davidson Madira, the Executive Director of Budongo Forest Community Development Organisation (BUCODO) attended Enterprise Uganda's entrepreneurship skills training in October 2004, he was not the innovative entrepreneur he now is.

He ran an NGO that was involved in environmental conservation and social projects from the time it was established 1998. In 2001, BUCODO decided to change strategy by engaging in forestry-based enterprises, and succeeded in convincing peasant farmers living around Budongo Forest Reserve in Masindi District to plant medicinal plants for money. The fortunes of those attempts will be a separate story you will read in the coming editions. It will suffice to say here that Madira and BUCODO made mistakes that the trained Madira of 2005 would never have made.

Even Madira himself acknowledges the entrepreneurship training was a turning point in his life as a businessman. He now sees a business opportunity at every turn, and takes up whichever of them he's interested in like a seasoned entrepreneur, taking calculated risks and starting, like a professional, with a feasibility analysis and a business plan, and succeeding with admirable ease – ease probably helped by his selflessness and determination to engage fellow farmers in the community for collective benefit.

Take the case of the microfinance business he reorganised shortly after graduating as an *empreteco*, as those who have attended Enterprise Uganda's entrepreneurship training workshops are fondly referred to. The first thing Madira did was to take his colleagues in BUCODO through the most important modules he had studied, concentrating on business opportunity identification. Although the collective ambition went a notch higher, Madira's colleagues were sceptical about their ability to prepare a business plan to exploit the opportunity on their own.

Madira however, is a practical man. Using the knowledge he acquired during the *empreteco* training, they drafted a business plan, with details of what was to be done to expand the microfinance business. His doubting colleagues were later excited at their ability to prepare the business plan on their own something that should have cost them a fortune from a consultant.

The group raised initially Shs 10m to recapitalize the business by selling shares to 25 group members of the community for Shs.400,000/= each. The money was used to open an office, to employ two staff and to provide the initial round of loans to members who are farmers, cultivating commercial crops.

DEMNET is also encouraging and building savings culture among the community. Prospective borrowers had to save with the organisation at least 20% of the loan amount they needed. Borrowers were organised in groups of seven people, with the rest of the group guaranteeing the loan. First time borrowers were lent a maximum of Shs 100,000, repayable in monthly instalments over four months, at an interest rate of 2.5% per month. The maximum amount accessible goes up to Shs 250,000 once one repays the first loan.

DEMNET has made several innovations in its loan management style, which has made it more appealing to the rural community it is seeking to serve. Pressure has been eased on the borrowers by requiring them to repay in monthly instalments, rather than the traditional weekly basis; the interest rate of 2.5% per month, which translates into 30% per annum, is much lower than what other MFIs charge; and loan appraisals are done on site, with the analysts physically studying the borrower's project and its prospects. Besides, unlike other MFI's, BUCODO are lending for agricultural activities; and require every borrower to first write out a simple business plan for their project before any funds can be lent to them.

These innovations have had tremendous results. The microfinance has attracted a lot of interest from the community, and now has more than 700 registered members, who are engaged in productive activities in agriculture. The loan recovery sheet is clean, enabling DEMNET in a great feat, to increase their loanable fund from Shs 10m to over 70m in less than six months. The enterprise currently has 3 employees on permanent basis.

While the microfinance business is prospering in its own right, it has stimulated many other productive activities and opened up more business opportunities for Madira and his group.

Farmers will be turning out more produce, but without established marketing channels. In this, Mr Madira saw a separate business opportunity and quickly formed a marketing company, Community Linkages Ltd (ComLis). ComLis has started business and farmers are paying it a commission of Shs 20/= per kilo to market their maize. The company is also charging the buying companies a commission of Shs 20,000/= per acre of maize cultivated by its registered farmers. The company has also stocked farm inputs which it is selling to farmers, and has teamed up well with DEMNET Microfinance to provide the inputs on credit, financed by the sister microfinance organisation.

BUCODO is also networking for business. It has reached a deal with Nile Breweries to mobilise farmers to grow *epuripur* sorghum used in the brewing of Eagle Lager. At least 400 farmers have responded and committed a total of about 400 acres to the sorghum which Nile Breweries has to date sourced from the eastern region of Teso.

BUCODO has reached a similar deal with Uganda Seed Company for at least 100 farmers to grow millet seed on a total of 100 acres. The seed millet will be fetching the farmers a lot more money per kilo than the ordinary consumption millet would have.

While the microfinance business is on a growth path and ComLis is promising, Madira has identified a third business opportunity. The community is very interested in the training he began by giving his colleagues at BUCODO tips on business opportunity identification shortly after graduating as an *empreteco*, and is now given in bits to farmers seeking loans and both members and non-members of BUCODO are willing to pay to get more of it.

Unfortunately, BUCODO has no capacity to provide business development services on a commercial basis, as only Madira has attended training at Enterprise Uganda first hand. Besides, Madira has become such a busy man, involved in running BUCODO the NGO, DEMNET the microfinance and ComLis, as well as in advocacy work for support from reluctant government agencies, that he can't avail himself to train others on a massive scale. Besides, he has never trained as a trainer. He wants his colleagues to attend the *empreteco* training so the group can run its activities more sustainably. The new Davidson Madira is a polished entrepreneur – selfless, confident and dynamic.

To benefit from Enterprise Uganda's entrepreneurial skills training programme and other enterprise development services on offer, contact: Enterprise Uganda, Plot 38, Lumumba Avenue, Nakasero, P.O. Box 24581, Kampala, Tel: 041-251810, 041-343204, 031-261900/1, Fax: 041-2509698, E-mail: info@enterprise.co.ug