

Local Economic Development in Uganda

'Organizing the demand side conditions of a Microfinance project.'



Baking a difference in Uganda

A MASTER THESIS BY:

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Double Degree Msc International Financial Management



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ABSTRACT – This dissertation makes use of the framework for local economic development to organize the demand side conditions of a new microfinance project. The project entails the collaboration between stakeholders as to set up a network of small bakeries in Uganda on the principles of microfinance. By semi-structured interviews, focus group discussions and questionnaires is examined how the microfinance project should be organized from a client perspective. Also, market research to bakery products is conducted. It turns out that microfinance clients prefer individual loans, monthly repayment rates and necessary training. Furthermore, it becomes clear that village people prefer to buy mandazi’s and chapatti’s instead of bread loafs and cookies. Together with specific data about important stakeholders and effective demand of village people, a concept for a micro baking project is presented.

KEYWORDS: UGANDA, LOCAL ECONOMIC DEVELOPMENT, MICROFINANCE

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“Munno Mukabi”

This saying is a very well known one throughout Uganda. It means as much as; “a friend in need, is a friend indeed”. Especially the people in rural area’s use this saying to express their gratitude. I want to make use of this opportunity to thank all the people that have encouraged me to realize this research. From the initial idea that took place in the classrooms of the RijksUniversity in Groningen, until the final delivery of my thesis. I could not have succeeded without the continuous support of all people around me. Special thanks to Bartjan, Luchien, Geert, Pap, Mam, & Anne.

*“I have a dream that one day all people eat bread together
in a world without resentment, bitterness, and suffering.”*

Renee Pater



THE PROMISE TO FIGHT POVERTY

Introduction

Whereas many developing countries have been able to reap the opportunities that globalization and localization are offering, most Sub-Saharan African countries have experienced exceptionally slow economic growth and poverty reduction rates (Rodríguez-Pose and Tijmstra; 2005). Especially Uganda is, due to chronic political instability and inconsistent economic management, currently among the world's poorest and least developed countries (www.state.gov).

In this dissertation I want to take you on a journey through Africa. Through Uganda in particular. Because when I put my feet on Ugandan territory for the first time, it was the 2nd of January 2007, I was immediately caught by the smell, the sounds and the temperature that surrounded me. The purpose of this January journey was to organise a 'calamash' (a kermis in Dutch) for more than 200 orphans in a little village called Nkokonjeru. I went with my mother, sister, uncle and niece.

During this week we gathered our guts and travelled to the very North of Uganda. After 23 years of fights, murdering, abductions, fires and other disasters, visitors were allowed again since September 2006. It took us exactly 11 hours and 20 minutes before we arrived in Gulu, the major city of Northern Uganda. From there on, we were escorted to several refugee camps around the city. To talk, sing and dance with the people. And to give the people a piece of bread.

Imagine these people, of whom family members have been murdered, raped or abducted. People who had to leave their homes because they didn't dare to stay or because their house was set on fire. People who travelled for days and days until they finally arrived at a refugee camp, where they needed to fight again, for a small piece of territory to live. To live for more than 20 years. No electricity and almost no water.

It is hard to imagine, and even imaginations are far from reality. But when I was there, I was amazed by peoples delight in life. Numerous people sold all kinds of products, others were farming, praying or teaching children. Again others possessed a mobile phone or other equipment which they hired to other people in favour of a small compensation. Whereas the overall poverty was obviously present, people tried their best to undertake entrepreneurship in every meaning of this word. The secret behind this? Microfinance..

The mechanism of microfinance promises to fight poverty by finding ways to cost-effectively lend money to poor households (Morduch; 2002). For example; by providing a loan to a refugee in Uganda, this person is able to buy a mobile phone which can be used as a way to create cashflows. Without this



loan there would be nothing to start with. Microfinance services exploded in the last 20 years to support financial services for the previously marginalized (Arch; 2005).

As a result of the recently increased attention to microfinance, a large number of development economists and scholars studying economic development and finance (Arch; 2005, Morduch; 1999, Morduch; 2000, Otero; 2000, Wright and Rippey; 2003, Littlefield, Morduch and Hashemi; 2003) have studied microfinance at great length. However, relatively less research has been done to the meaning of 'market research' as to recognize the financial needs and preferences of clients (and potential clients) (Gobezie; 2005). Initially, practitioners and policy makers assumed that the lack of access to capital was the main barrier for the people to start-up, sustain and let grow their businesses. Current experience, however, indicates that lack of demand and not supply is the principal challenge facing the microfinance field (Glackin; 2002).

Initial Motive

Every day, almost 16,000 children die from hunger-related causes, this means; one child every five seconds (Black, Morris and Bryce, 2003). In essence, hunger is the most extreme form of poverty, where individuals or families cannot afford to meet their most basic need for food (Bread for the World Institute, 2004).

Bake for Life is a Dutch foundation that aims to fight poverty and hunger in developing countries by giving a chance to handicapped children. They do so by providing them or their family with an opportunity to work as a baker. The organization was founded in 1999 by several bakers women in The Netherlands. Nowadays, a medium size bakery is operating in Ghana and two medium sized bakeries are completed in Uganda.

Within these bakeries handicapped people produce bakery products which are sold to local supermarkets and surrounding schools. The amount of money that is needed to construct these bakeries is collected by Bake for Life through various charity activities that are organized. Each bakery costs circa €60.000 to €150.000 and is entirely donated by Bake for Life.

Since I have been involved with this organization from its initial start in 1999 and after my first visit to Uganda in 2007, I regarded it a challenge as well as an honour to assist this organization in their wish to establish a widespread network of small-scale bakeries throughout the whole of Uganda.

Together with my fellow student Niek Jansma we initiated a research that attempts to encourage local economic development in rural parts of Uganda. Instead of projects that are dependent upon donations,



we aim to provide Bake for Life with a sustainable micro-baking project that is based upon microfinance principles. We both believe that this mechanism is indeed a promise to fight poverty.

From the introduction it results that both the supply side as well as the demand side of microfinance should get attention. Therefore, the overall research is split up into two dissertations. Whereas Niek explores the research from a supply side perspective, my own dissertation is focused upon the demand side of microfinance. More specific, the aim of this dissertation is to organize the demand side project conditions as to assure that the proposed project adequately fits the demand of the chosen target group. For this purpose, I conducted local research in Uganda for 2,5 months.

During this research, I used the framework of local economic development (LED) to structure my investigations. This framework is proposed by the World Bank as being an effective tool for strategic planning that ensures priority issues to be addressed and limited resources to be well targeted. The link to the local environment and its stakeholders is critical and necessary for the design of a project that aims to encourage local development in a sustainable way.



I. LED AND LOANING LITERATURE

This chapter presents the contextual background which serves as a starting point for the research. First a short history of economic development is provided. Subsequently, the local economic development (LED) framework is described in World Bank terms. Thereafter, important concepts of the demand side of microfinance are highlighted. From this contextual background, the main research question and several sub questions were derived.

Economic Development

It was in 1912 that Schumpeter wrote the first article about economic development. He starts in the theory of economic development with a circular flow of income which, excluding any innovations and innovative activities, leads to a stationary state. The stationary state is, according to Schumpeter, described by an equilibrium. Next, this equilibrium is disturbed by the entrepreneur who, according to Schumpeter, is the cause of economic development.

This basic idea of Schumpeter, that it is the entrepreneur who causes economic development, is investigated to a great extent during the years after. Early discussions of economic development in the postwar period attributed considerable importance to the problem of entrepreneurship in the underdeveloped countries. Due to deficiencies in factor and product markets of such countries, the importance of an entrepreneur would be higher. However, Leff concludes that 'economic development in most underdeveloped countries can be analyzed and promoted with the economist's standard tools' and 'more exotic perspectives are not needed' (1979: 60).

Next, we arrive in the 1980s. During these years various multilateral institutions, that were the main advocates of the Washington Consensus, discouraged discretionary, targeted approaches to promote economic development, such as industrial policy. Instead, they emphasized upon the importance of steady macroeconomic frameworks and functioning markets (Cunningham, S. and J. Meyer-Stamer, 2005).

However according to several researchers, the establishment of steady macroeconomic frameworks was not enough to loosen entrepreneurial verve to the amount that was needed to generate a reasonable level of local employment. Edward Blakely wrote a book about the planning of local economic development in 1989. His standpoint about economic development is 'to increase the number and variety of job opportunities available to local people' (1989: 59). He describes the planning process that should be used in order to achieve this. The focus of Blakely is on local action.



Now it seems that there are actually two clusters that engage in local economic thinking. There are theories that concern micro-level thinking and theories that concern meso/macro-level thinking. Whereas the first cluster comprises the evolution, emergence and behavior of enterprises and entrepreneurs, the second cluster comprises more social theories about the evolution and interventions of regions and local communities (Laukkanen and Niittykangas, 2003).

Nowadays, attention for economic development is present in many aspects of life. Besides the distinction between micro-level and meso/macro level thinking, economic development takes place at different levels of aggregation; household, community, regional, national, international etc. Furthermore it takes place on cultural, governmental, environmental, housing and urban health levels.

Local Economic Development

In this dissertation, the framework of local economic development (LED) that is developed by the Worldbank is used. LED is defined as “an approach towards economic development which encourages local people to work together to achieve sustainable economic growth, bringing economic benefits and improved quality of life for all residents in a local municipal area” (World Bank, 2003). It is not enough when the number and variety of job opportunities are increased. Furthermore, it is not only the entrepreneur who is able to cause economic development. Instead it is the collaboration between different stakeholders that presents sustainable economic development. In this sense, the LED theory can be put into macro-level thinking on a local level. The attention of LED is centered at a local level and the fundamental idea of the approach is the focus upon stakeholder involvement at different levels.

The World Bank identifies 5 steps when designing a LED strategy. Each of these steps is shortly described below.

Stage 1: Organizing the effort

Successful LED depends on the collective efforts of the public, private and community sectors. Therefore, before beginning a process of LED strategy planning, all groups with interests in the local economy should be identified. All stakeholders bring in specialist knowledge, skills and resources that are essential for success.

Stage 2: Conducting a local economy assessment

This stage entails the collection and analysis of strategically important information of the areas in which the microfinance project is supposed to take place. This is necessary as to identify the community's strengths, weaknesses, opportunities and threats and in turn to draw attention to the basis of its competitive and comparative advantage.



Stage 3: Developing the LED strategy

The aim of stage 3 is to achieve an integrated approach to the LED strategy. In this stage, LED goals, objectives, programs, projects and action plans will be developed. All of this needs to be founded within the realism and capacity of the local economy. Furthermore, the projects should include agreed actions for all stakeholders.

Stage 4: Implementing the strategy

Strategy implementation is determined by action plans. The stakeholders that are identified in stage 1 need to provide ongoing monitoring. To make sure that the LED vision, goals and objectives are achieved, evaluation of the project outcomes is very important in this stage.

Stage 5: Reviewing the LED strategy

In this stage monitoring and evaluation techniques are crucial to calculate the project outcomes. Feedback is necessary to review the implemented strategy. In the case of microfinance programs, a impact study on individual, household or economic level might be useful.

The Demand Perspective Of Microfinance and Microleasing

This paragraph presents the context and conditions of microfinance in general and micro leasing specifically. In this research, microfinance is viewed from a demand side perspective, therefore, the theoretical background that is presented deals with issues that arise when organizing microfinance from a demand side perspective.

General microfinance context

Microfinance is the provision of financial services to low-income, poor and very poor self-employed people (Otero; 2000). One of the various financial services that can be delivered, and overcomes the constraint of the poor not having collaterals, is micro leasing. In leasing, the provider (lessor) owns the equipment and permits the client (lessee) to use the equipment in exchange for periodic lease payments. This provides the lessees access to a source of finance and gives the lessor a stronger security position (Gobezie, 2005).

Demand for microfinance services can be separated in two groups (Wright and Rippey; 2003). The first group exists of people who act in opportunity driven borrowing. These people try to obtain loans with the purpose of starting or increasing a business. The second group exists of people who act in distress driven borrowing. In this case, people try to obtain loans in face of emergencies such as medication. Ofcourse it is the first group of people that microfinance providers want to attract.



Operational context

Stage two of the LED framework entailed a local economy assessment. This local economy assessment can be divided into different aspects. The first aspect is to define a target group and to assess the conditions they live in. “The poor” is not a homogeneous group of people with broadly similar needs (Cohen; 2002). Therefore, according to Ledgerwood (1999: 37), “successful microfinance projects begin with a narrowly defined group of clients to establish a market niche and develop a thorough understanding of this client base”.

Additionally, microfinance providers can choose for specific business sectors to engage in. The benefit of a specific sector focus is that microfinance providers are better able to offer technical assistance and skills training as they focus their learning on one sector only (Ledgerwood, 1999). In order to establish accurate conditions, the microfinance provider should also consider the production cycle of its customer. The client should generate enough revenue to make the loan payments. Production cycles differ amongst business sectors and seasonality is likely to affect it.

Furthermore, a microfinance provider should decide whether it wants to deliver loans only or several other services, such as training, as well. In the case of start-up enterprises, however, it should be kept in mind that skills training or other contributions are a necessary condition for potential entrepreneurs to make their enterprise a success. It is therefore important to distinguish between the financing of start-up enterprises or existing ones and to decide upon one of these.

Once the operational context has been identified, the microfinance provider needs to design its products and services to meet the needs of the chosen market. This involves establishing appropriate loan amounts, loan terms, collateral requirements etc. In the following of this paragraph, the financial context of microfinance issues will be explained from the demand side perspective.

Financial context

It is important to understand that there exists a difference between credit need and effective demand. The fact that poor people say they need credit does not equal what economists call effective demand (Dichter, 1999). Therefore, a credit need assessment might yield unreliable. To guarantee repayment, it is necessary for the microfinance provider to make a reasonable assessment of the debt capacity and cash flow conditions as to find out effective demand (Bosch; 2002). Demand is called effective when the clients that desire a loan are backed up by a willingness and ability to pay the interest plus fees (www.tutor2u.net). Also Ledgerwood (1999) mentions determination of effective demand to be one of the most important steps when designing a microfinance program.



To determine the debt capacity of potential clients, the first concern is their cash flow. A comparison of cash inflows and outflows should be made as to understand the cash pattern of the borrower. After that, the debt capacity should be adjusted for the degree of risk that is associated with these cash flows. When the debt capacity is determined, the microfinance provider should design the loan terms and amounts according to meet this capacity as to enable the client to repay without unnecessary suffering (Ledgerwood, 1999).

The loan term is one of the main variables in microfinance. It refers to ‘the period of time during which the entire loan must be repaid’ (Ledgerwood, 1999). Although different microfinance providers regard different loan terms as best (Bosch; 2002, Meyer; 2001), it is very important that the microfinance provider matches its loan terms to their client’s needs. In this way it becomes easier for the client to repay and in turn it will be more likely that repayments are made on time.

Clients of microfinance institutions are sometimes provided with a period of time in which they are not required to make payments on the debt (www.nolo.com). This period of time is called a grace period. During this period new businesses can settle in the market. The availability and the length of a grace period varies amongst institutions.

Chapter Conclusion

In short, whereas prior research focused mainly on the supply side issues of microfinance, current experience points out that demand side issues increase in significance. Therefore, when a new microfinance project needs to be designed, proper research to the demand side conditions are necessary. Multiple issues, both operational as well as financial, should be considered before a project takes off. If no research is conducted, the project might yield completely unexpected results.

Problem Statement

The problem statement results from both the literature review as well as the aim of this research. As discussed earlier in the report, the aim of this research is to organize the demand side conditions of the proposed microfinance project through the use of the LED Framework. Resulting from the above information, the following of this dissertation explores the next research question:

Using the LED framework, how should Bake for Life organize their microfinance initiative from a demand-side perspective?

By answering this question, it should be kept in mind that the intention of Bake for Life is to set up a network of small bakeries in three local districts of Uganda so that employment will be increased and hunger reduced in a sustainable way.



To obtain an answer to the above research question, I make use of the following sub questions:

1. *What is the stakeholder context of the setting in which the project is assumed to take place?*
 - a. In terms of stakeholder knowledge;
 - b. In terms of stakeholder skills and resources;
 - c. In terms of stakeholder interest.
2. *What is the operational context of the setting in which the project is assumed to take place?*
 - a. In terms of the district economy;
 - b. In terms of the market for bread;
 - c. In terms of the recipe for bakery products.
3. *What is the financial context of the setting in which the project is assumed to take place?*
 - a. In terms of the effective demand;
 - b. In terms of the loan amount;
 - c. In terms of the appropriate loan repayment conditions from a client view.

The figure below shows the conceptual model. This model has been developed with help of the LED framework as well as literature issues concerning microfinance. Each of the sub questions is interweaved in the model. The orange box on the utter right side of the model is actually the main research question of this research. An answer to this question is obtained by answering all of the above sub questions. Each chapter deals with a separate question and concludes with a summary of the strengths, weaknesses, opportunities and treats that relate to the particular discussion in that chapter. By discussing the importance of each strength, weakness, opportunity and treat in the conclusion, recommendations for a project design are given to Bake for Life. By doing so, the aim of this dissertation will be fulfilled.



Conceptual Model

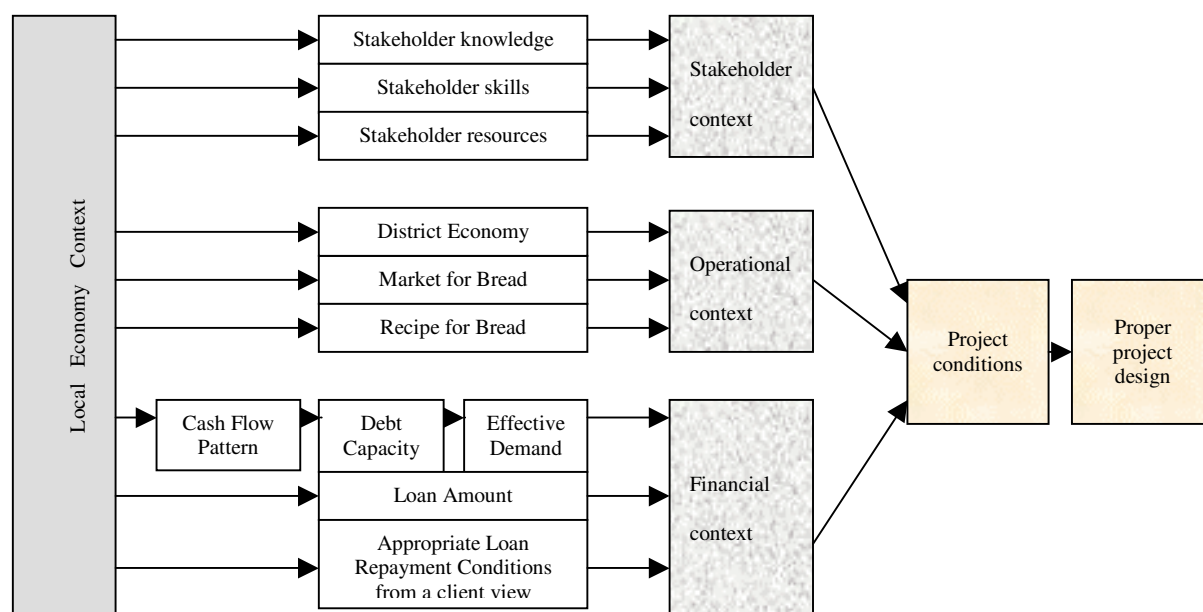


Figure 1: Conceptual Model

Preview Of The Dissertation

This dissertation is organized according to the sub questions that have been used. The first chapter shortly presents the research methodology. After that, chapter III describes the stakeholder context. Four potential stakeholders are mentioned. Then, there are three chapters that focus on the operational context. Each of these chapters deals with a distinctive topic; chapter IV focuses on the district economies, chapter V upon the market for bread and chapter VI presents the various recipes for bakery products. This latter chapter also deals with the production cycle of micro bakeries. Thereafter, there are three chapters that deal with the financial context. Chapter VII determines effective demand, which is followed by calculation of the loan amount in chapter VIII. Subsequently, the appropriate loan repayment conditions from a demand perspective are presented in chapter IX. When the data for all sub questions have been presented, interpretation of all the answers occurs in chapter X. The next chapter furthermore presents a concept for collaboration and several recommendations to Bake for Life. Finally, chapter XII discusses the used methodology and presents suggestions for further research.



II. ABOUT ANALYSIS IN AFRICA

Data Collection & Sample Design

The contextual background was primarily based upon findings and writings of previous studies in the field of LED and microfinance. This chapter provides a synopsis of the research methods that have been used to obtain answers to the sub questions. Conducting research in rural area's of Uganda is far from easy and cooperation of people is not always guaranteed. I occasionally experienced difficulties as a result of local languages and cultural differences. In order to reduce these problems and to stimulate participation of the people, I made use of translators for some research methods.

Stakeholder Context

By using internet and ear to mouth connections, a selection of promising stakeholders was made. To get to know which knowledge, skills and resources the various stakeholders possessed, I completed multiple interviews, conversations and discussions with potential stakeholders. By doing so, the initial degree of reciprocal interest between each party and Bake for Life could be determined as well.

Operational Context

The operational context is divided into three parts; the district economy, the market for bread and the recipes for bakery products. In order to describe the district economies of this research, data was drawn from two sources. Census data of 2002 from the Uganda Bureau Of Statistics (UBOS) was used to provide a broad context of analysis for each of the districts. This data was published in 2005 and is nowadays the most up to date information concerning household statistics in Uganda.

Second, information was obtained from interviews and conversations with local village people as to attain more local specific information. For example, with help of 'simple wealth ranking', a tool that is used extensively by MicroSave, socio-economic characteristics of each district were examined. By doing so, the different cash flows within low-income earners households were recognized and quantified.

In order to achieve information about the market for bread within the chosen districts, I developed a questionnaire which I distributed amongst 153 at random selected potential buyers of the bakery products. This questionnaire can be found in appendix A.

The different recipes for bread products have been developed with help of numerous bakers. I asked each baker that I met during the research towards his/her production recipe. Finally, I proposed, tested and approved the recipes together with local bakers.



Financial Context

Financial context research started with exploratory fieldwork. I interviewed seven local experts in demand side microfinance in a semi-structured way as to acquire more knowledge in this field. The advantage of semi-structure interviewing is the open structure of the interview which enabled me to identify relevant topics and possible relationships between these topics that initially went beyond my traditional and perhaps Western thoughts. All of the experts were formerly trained by Micro-Save Africa. This organization is further explicated in the next chapter.

The unstructured topics that evolved from these interviews became the basis for a detailed and in-depth questionnaire. The purpose of this questionnaire was to explore appropriate loan repayment conditions from a client perspective. Dichotomous yes-no answer scales were used. After I developed the questionnaire, I exposed it to the experts. Together we discussed the order and content of the questions and made a few minor adjustments. Next, I performed a pilot session with 5 respondents to see whether they understood the questions. Hereafter some final modifications were done. The final questionnaire can be found in appendix B.

To be able to determine effective demand, I used another qualitative research tool from the MicroSave toolkit. Together with one of their experts, I selected 'Seasonality Analysis' for this purpose. This tool measures monthly household income, expenditures, savings and demand for credit so that information about cash flow patterns of the target group can be obtained.

The loan amount exists of a variable and fixed component. Necessary items and prices came forth from market research and interviews with local bakers. I questioned both large as well as small bakeries for this purpose so that possible differences between both parties could be discovered and clarified. Several loan calculations have been done according to the products that are to be produced.



III. STAKEHOLDER CONTEXT

In this chapter the first stage of the LED framework is elaborated upon. A supportive environment is critical for the design of a sustainable project. Therefore, stakeholders that are of importance for the microfinance initiative of Bake for Life should be identified previous to project design. This is done in this chapter. First the general research environment is outlined, thereafter the knowledge, skills, resources and interest of the various stakeholders are presented.

General Research Environment

The general research environment of this dissertation is Uganda. This East African country is bordered by Sudan, Congo, Rwanda, Kenya and Tanzania. The majority of these countries has been or still is involved in civil wars and as I wrote before, also Uganda (especially the Northern part) has been engaged into a brutal civil war for more than 20 years. Altogether circa 27,6 million people live in Uganda. The majority of these people, especially the younger generation, is able to speak English. Furthermore, a variety of local languages is spoken by different tribes. Bake for Life is present in Uganda since 2003. Their initial target groups are handicapped and low income earning people.

Although the tensions in Uganda recently reduced, the population is still dissatisfied by the current political situation. As a result, political demonstrations are regularly carried out. For example it was April the 12th when I got stuck into one of these demonstrations myself. People were fighting, screaming and crying. Blood, shootings and teargas were all that I saw, heard and smelled at that moment. But despite the tribulations of the past and present, Ugandans are far from bitter and angry. Rather they are smiling and friendly with an openness to tourists and researchers. This latter truly enabled my research to come to pass. Wherever I arrived, people were willing to assist me with my research. By participating in discussions, by answering my questionnaires or by providing me relevant information. Bake for Life operates from The Netherlands and needs to be in touch with local partners in Uganda. It is therefore important to identify potential stakeholders who are able to facilitate the realization of this new project.

MicroSave

MicroSave is an organization that is founded after a donors conference in 1998. The donor conference was set up to evaluate the output of donor institutions. The various donors, such as US-AID, UNDP, DFID and NORAD, concluded upon the foundation of a separate organization that would study saving systems in Africa; MicroSave. When the research was finished, MicroSave got a mandate for another 3 years to work with microfinance institutions in order to let them become more client responsive. Several MFI's and commercial banks were identified and called 'action research partners'. MicroSave



was training their staff to conduct market research and to develop products that were suitable to client needs. During these years the organization focused on methods to make financial deliveries more client-led. Then, in 2003, MicroSave was given another mandate to continue their work. Up to now, they conduct research to demand side microfinance and they provide information and training to numerous people.

MicroSave has done research in the field of microfinance for almost 10 years. During these years they developed a toolkit with various innovative and participatory research tools as to build capacity within microfinance institutions to improve the understanding of the demand side of microfinance.

Knowledge/Skills

MicroSave has collected and analysed a lot of data in the field of demand side microfinance. Throughout the years, MicroSave performed research in this field again and again. By doing so, they gained a lot of knowledge. This knowledge is made explicit into the toolkit that has been developed. Various tools for multiple purposes have been exploited. With help of MicroSave, each of these tools can be customized for specific purposes. Furthermore, MicroSave is very well able to act as a interpreter between local people and Bake for Life.

Resources

The main resources of MicroSave are the people that have been trained. Distribution of knowledge is spread out into a variety of organizations in Uganda. They possess research tool materials and a variety of documents and books about microfinance. Also, the organization has good connections with multiple donor institutions around the world.

Interest

MicroSave has a mission to conduct research and to distribute this information through internet or by direct contact. Their knowledge enables future research for Bake for Life to take place. They are at all times willing to do so. However, whereas their public information and initial conversation are free of charge, they ask commercial fees for their research work and analysis.

The Little Sisters of St. Francis

The Little Sisters are local religious congregations of nuns. The parish started when Sister Kevin from Ireland came to Uganda in 1903. She created the Little Sisters in 1923. After 84 years there are now more than 700 sisters located throughout East Africa; Uganda, Kenya and Tanzania. Every sister has specific duties such as social, spiritual, educational and health duties. Their main task is to take care and improve the situation of poor, sick and handicapped people. The Little Sisters are already



collaborating with Bake for Life. Medium-large bakeries have been build in Nkokonjeru, Lira en Tororo. Furthermore, current plans are to build bakeries in Soroti and Budaka.

Knowledge/Skills

The Little Sisters have knowledge about almost all villages and cities throughout Uganda and the various local people in place. They are known and trusted by the majority of people. Besides, every sister is able to speak both local languages as well as English. Due to the duties they perform, most sisters have leadership skills and great knowledge of humanitarian work. Furthermore, a select number of Sisters has extensive knowledge of production and sales of bread. Finally, they have experience with Bake for Life. Both parties work together for more than 5 years. Together they created 2 medium sized bakeries in Uganda.

Resources

As has been written above, the Little Sisters have 2 medium sized bakeries in place. Within these bakeries, production, product development and training can take place. Connections with local schools and hospitals may bring sales opportunities for future baking. Furthermore, other facilities in and around the compounds of the Little Sisters, such as accommodation, transportation etc. facilitate the cooperation.

Interest

The Little Sisters parish is set up from a humanitarian viewpoint and is not focused on profit. However, the nuns are less professional than many profit focused organizations. Lack of electricity results in failure of communication, awareness of time is often low and clear communication is difficult due to the low skills of English writing. However, the current relationship with Bake for Life is of high value. The Little Sisters are willing to put in lots of energy without any compensation.

Caritas Uganda

Caritas Uganda is a social services and development centre headquartered in Kampala with 19 local offices spread all over Uganda. The first national Caritas office was founded in Germany in 1897. In Uganda, Caritas was first established in 1958. Caritas International is now one of the world's largest humanitarian networks with 162 Catholic relief organizations working in more than 200 countries and territories. Caritas supports regional and continental initiatives within priority areas, especially for the poor and oppressed.



Knowledge/Skills

Caritas has extensive knowledge of Uganda. Since the organization has local offices everywhere in the country, local specific information is available at any time. Caritas works together with multiple organizations all over the world and they have knowledge of humanitarian work.

Resources

Caritas possesses a strong network and a professional way of working. They have representative offices, office facilities including generators and several company cars. Employees are educated people from local and international cities. The awareness of time is high and communication is clear. Their network embraces offices and employees around the whole world.

Interest

Caritas is a strong local as well as international player. Their network en resources are of high value. Furthermore, their professional way of working simplifies the communication and enables close collaboration. They are organized from a humanitarian viewpoint and are very much interested to work together with Bake for Life. Nevertheless, they require a compensation for the direct costs that are made.

The Breadshop

The Breadshop is a commercial bakery in Kampala with 5 branch shops around the city. The organization started 10 years ago with 1 shop and has now increased both their production as well as the number of shops. There is a large production facility where bread is produced on a 24 hour basis. Around 6 people are producing per eight hours. The variety of bakery products that is for sale is relatively high. Numerous cookies, cakes and other sweet bakery products are sold as well as croissants, bread and buns of different types of dough. Circa 2-3 people work in each shop. The bakery sells to supermarkets as well.

Knowledge/Skills

Due to the commercial nature of the Breadshop, they have high knowledge of efficient production. They produce plenty of products, consequently, they have the recipes and production methods for all of these specialty items. They know which products are good to sell and which products are less likely to be sold.

Resources

The Breadshop is already known by raw material suppliers. Due to their high level of production, they purchase high amounts of raw materials at a time. Consequently, purchase prices of raw materials are lower. They have a large production facility that could serve as a back up for production or as a place



to train people. Their large production facility functions on electrical machines. Additionally, they have a widespread distribution channel due to their sales to supermarkets.

Interest

The Breadshop is interesting to work together with due to their high knowledge and relevant resources within the specific business sector of baking. Their commercial character, however, differs a lot from the charitable viewpoint that Bake for Life applies. They have little knowledge of production without electrical machines. Furthermore, the Breadshop seemed to be especially interested in free equipment from Holland when collaboration with Bake for Life occurs.

Chapter SWOT Conclusion

Four potential stakeholders have been described in this chapter. Each one possesses different knowledge, skills and resources which in turns causes strengths, weaknesses, opportunities and treats to Bake for Life.

Strengths of MicroSave are the knowledge it owns. But whereas their general information is free of charge, a weakness is the price they charge for specific market research activities. Market research is essential for the exploration of a new project environment. It is a treat when proper market research is not conducted given that the chance of project failure will increase. In turn, it is an opportunity when proper research is conducted.

A strength of the Little Sisters is the existing relationship with Bake for Life and their strong enthusiasm to continue and deepen the collaboration. Furthermore, they are already engaged into bakery business which is a strength as well. A weakness is their low level of professionalism. However, it is an opportunity to improve this low level of professionalism by providing them with tools to do so. Such as a generator for electricity problems and English writing lessons for communication improvement. A threat is the possibility that the attention for the medium size bakeries decreases when projects on a microfinance mechanism are initiated.

A strength of Caritas is their strong network and high level of professionalism. A weakness is the compensation that they require. Caritas requires compensation for direct costs only, therefore, an opportunity is to negotiate about this compensation and to reduce this as much as possible. A threat is the possibility that compensation costs increase over time without control of Bake for Life.

A strength of both the Little Sisters as well as Caritas is the fact that both organizations work from a humanitarian viewpoint. This is a viewpoint that lies close to that of Bake for Life.



A strength of the Breadshop is the high knowledge about bakery related issues and the relevant resources they possess. Also the cost advantages that can be gained from their connections with suppliers is a strength. Furthermore, their access to distribution networks is a plus. A weakness is their commercial nature which results in a cool empathy for humanitarian help. An opportunity is to convince the bakery of the need for this kind of help in Uganda so that their mentality changes. A threat is the fact that the expectations of the Breadshop are not at all interested focused on social aspects, but instead on obtaining knowledge and equipment for their own good.



IV. OPERATIONAL; DISTRICT ECONOMY

In addition to a supportive environment, pressure from environmental factors influence the conditions for success or failure of an intended microfinance project. The following 3 chapters deal with the operational context of the intended project. This first chapter provides a brief description of each of the three chosen districts in Uganda. This is necessary as to identify the district's strengths, weaknesses, opportunities and threats and in turn to draw attention to the basis of its competitive and comparative advantage for the proposed project of Bake for Life. The other two chapters that belong to the operational context deal with the market for bread and recipes for bakery products respectively.

Sample Design

The reasons for choosing the three particular districts are multiple. First of all the three districts form an interesting representative of South Eastern Uganda. Whereas Jinja is both rural and industrial, Mbale is mainly agricultural with a focus on coffee and Mukono is, being located close to Kampala, a mix of everything. Furthermore, both Little Sisters as well as Caritas offices are present in all of these area's which enabled the research to take place.

Data Gathering

As has been written earlier, data from the Ugandan Bureau of Statistics as well as the Simple Wealth Ranking tool have been used to gain insight into the local economy environment of low income earning people. This latter tool needs some more explanation as it sounds rather vague. The purpose of simple wealth ranking is to examine socio-economic characteristics of households and communities. Therefore, I visited multiple communities in each of the three districts. When I arrived in the village, often far into the forest, I first introduced myself and explained the reason of my visit with help of a translator from MicroSave. Then, I bought a soft drink for each participant. After the names and professions of the people were noted down, the research began.

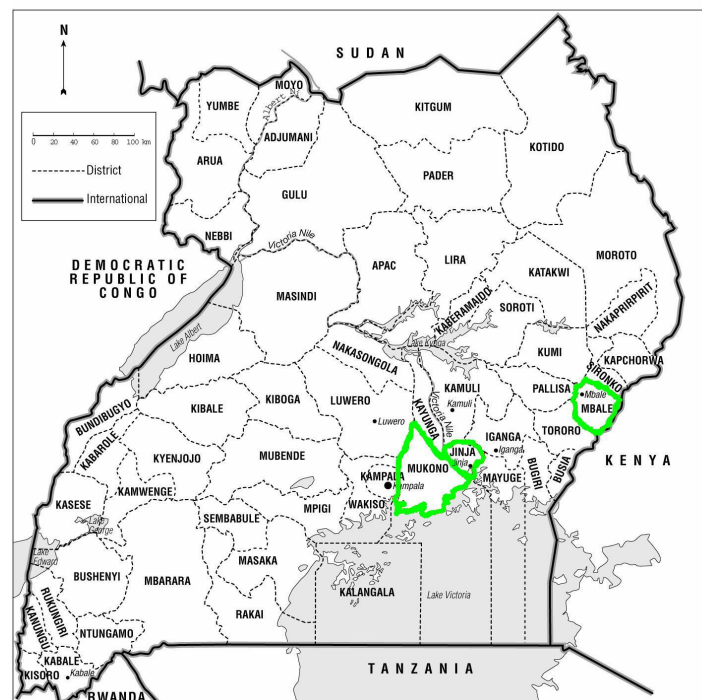
Participants were asked to write down all their life needs on separate pieces of paper. Thereafter, they had to rank these needs from most important to least important. Next, they were asked to disclose the monthly expenditures of this life need (in case of possession). By doing so, the different cash flows within low-income earners households were recognized and quantified. Since I made use of a translator, the people could participate in the discussions in their local language. This resulted in a high level of participation. To further clarify this tool, some pictures are presented at the next page.



Local Economy Assessments

As has been written before, circa 27,6 million people live in Uganda. The country is divided into 56 districts that are stretched over four regions; Central (27%), West (26%), East (25%) and North (22%). A map of Uganda is presented below and the concerning districts are highlighted.

UGANDA DISTRICTS



Mukono

Demographic Information

The total population within the Mukono district according to the 2002 census was 795,393; 339,482 males and 455,911 females, of which 83% was living in rural area's. The population density is 256 persons per square kilometer. The main source of household livelihood, 49.2% is subsistence farming. Primarily, products such as bananas, tea and millet are being raised. Earned income is the main source of household income for 35.9% of the population.



Economic Information

Circa 88.6% of the population 6-12 is enrolled in primary school. This means that 22.4% of the total population is currently engaged in primary school (178,409). About 45.7% completes primary school. Circa 16.2% of the total population is currently engaged in secondary school (129,074) whereby circa 7.7% generally completes higher secondary education. The literacy rate of people of 10 years and above is 78.8%. Handicapped people account for 3% of Mukono population.

Infrastructure Information

In Mukono only 10.3% of the households has access to electricity and 96% of the households uses firewood or charcoal for cooking. The main source of household information is the radio (60.1%), secondly that is word-of-mouth (37.2%). In rural areas of Mukono, 68.3% of the people are supplied with water. Available modes of transport are cars, matatu's motorcycles, boda-boda's and bicycles. In rural areas most people use the matatu's and boda-boda's as mode of transport.

Simple Wealth Ranking Results

Low income earners in Mukono consider residence their first life need. According to the people, residence is important to live in, to raise their children and to bury dead bodies. Without a residence, people are not considered citizens of the village. Buying a house costs roughly 7,000,000 Shs. Rent costs are 30,000 Shs monthly.

Second important is food. Costs to obtain food and other small groceries amount to 130,000 Shs per month for the entire household. Land is considered third important. It is essential to cultivate vegetables for food and sales. Farming inputs cost circa 20,000 Shs per month. When a house, food and land are in place, education of children becomes next important. Although low-income earners from Mukono regularly need to take loans as to get enough finance for school fees, they attempt to send all of their children to school. An average household in Mukono has 5 children. Education costs are 75,000 Shs per term per child.

Clothes and beddings are bought twice a year. These items are ranked as fifth important life need. Approximately 300,000 Shs per year is spent for the entire household. Then it is important to have the possibility to borrow money. If there is no possibility to get loans, people get into crises during the year. Saving enables households to smooth their finances during the year. Average low-income earner households save roughly 50,000 Shs per month. Savings are used for unexpected expenses such as medical treatments or lump-sum expenditures (such as a radio or fridge). Transport is less important; low income earners are rarely able to buy private vehicles. Instead, households spend circa 55,000 Shs per month to use other ways of transport. The majority of people in Mukono uses the matatu as main



mode of transport. Finally, water and electricity are ranked. Circa 16,000 Shs is spend for commodity purposes. Average monthly household income is 350,000 Shs.

Jinja

Demographic Information

The total population within the Jinja district according to the 2002 census was 387,573; 190,329 males and 197,244 females, of which 78% was living in rural area's. The population density is 587 persons per square kilometer. The main source of household livelihood, for 54.6% of the people, is earned income. Large companies such as the Kakira sugar factory, and newly opened soap and cooking oil factories provide large part of the formal business employment. Other formal jobs are for example the teachers, who get salaries from the government. However, businesses in Jinja exists mainly of informal business. Many people, especially women are selling clothes, have kiosks, run video libraries or market stalls and do hairdressing. Subsistence farming is the main source of household income for 43.3% of the population.

Economic Information

Circa 90.6% of the population 6-12 is enrolled in school. This means that 21.9% of the total population is currently engaged in primary school (85,027). About 50.7% completes primary school. Circa 16.1% of the total population is currently engaged in secondary school (63,480) whereby circa 11.7% generally completes higher secondary education. The literacy rate of people of 10 years and above is 78.3%. Handicapped people account for 2.7% of Jinja population.

Infrastructure Information

In Jinja 15% of the households has access to electricity and 96% of the households uses firewood and charcoal for cooking. The main source of household information is the radio (54.9%), secondly that is worth-of-mouth (41%). In rural area's of Jinja, 58,1% of the people are supplied with water. Available modes of transport are cars, motorcycles, boda-boda's and bicycles. In rural area's most people use bicycles and boda-boda's as mode of transport since there are no buses available.

Simple Wealth Ranking

The most important life need for people in Jinja is food. They all regard it tremendously important to be able to afford daily food. Households spend circa 150,000 per month on food expenses. Second important is to have at least a one roomed accommodation. At least 30,000 Shs is being spend on residence per month. Next important are clothes and beddings. Around 250,000 Shs is yearly spend per household. Medical care is forth essential. This costs a household circa 25,000 Shs per month.



For people in Jinja, the capability to pay schoolfees for their children is very important. It is one of their highest financial burdens. As in other districts too, government schools are regarded very bad. They don't provide teachers and have very bad facilities. Therefore, children are sent to day or boarding schools. This costs 75,000 Shs per term per child. Transport is sixth important. Monthly expenses amount to 40,000 Shs. Finally, although they consider it their least important life need, charcoal, paraffin and candles are still essential. Circa 20,000 Shs are spent per month on energy costs. Additionally, they try to save 10,000 Shs per month. An average household in Jinja has 4 children. Average monthly household income is 355,000 Shs.

Mbale

Demographic Information

The total population within the Mbale district according to the 2002 census was 718,240; 352,554 males and 365,686 females, of which 90% was living in rural areas. The population density is 534 persons per square kilometer. The main source of household livelihood, 71.7% is subsistence farming. Almost all of this belongs to coffee plantations. The economy in the Mbale district is completely focused and dependent on coffee production.

Economic Information

Circa 90.9% of the population 6-12 is enrolled in school. This means that 21.3% of the total population is currently engaged in primary school (153,021). About 90.9% completes primary school. This high percentage is due to the fact that regional institutions provide finance for primary education of all children. Circa 15.8% of the total population is currently engaged in secondary school (113,397) whereby circa 6.5% generally completes higher secondary education. The literacy rate of people of 10 years and above is 67.4%. For people of 18 years and above this rate is 63.3%. Handicapped people account for 3% of Mbale population.

Infrastructure Information

Only 5.3% of the households has access to electricity and almost all of the households, 97%, uses firewood or charcoal for cooking. The main source of household information is word-of-mouth (51.5%), secondly that is the radio (46.4%). In rural areas of Mbale, 57.9% of the people are supplied with water. Most available modes of transport are cars, matatu's, motorcycles, boda-boda's and bicycles. In rural areas most people use bicycles as mode of transport.

Simple Wealth Ranking

For people in Mbale, food is their most important life need. They argue that food and water are needed in order to stay alive. Monthly, circa 60,000 Shs is spent on food expenses per household. Second important are health services. They spend a minimum of 10,000 Shs on medical expenses. Residence



is ranked third. The people see their residence as a place of contact with other people. Rental costs are 5,000 Shs for a household per month. Next is energy. Firewood, paraffin and charcoal are necessary to cook and to have light. This costs around 15,000 per month. Land, being the source of their income and the place to build their residence, is fifth important. They need to pay 30,000 Shs rent per month. Sixth important is coffee. This is the main source of income for the majority of people in Mbale. By selling coffee people are able to pay money for their life needs and investments in animals. The average yearly coffee harvest per household is 300 kg. This can be sold for 750,000 Shs.

When the above issues are accounted for, people from Mbale attempt to invest in animals. An average household in Mbale possesses 1 cow, 2 goats and 10 chickens. Animals are a way of insurance and saving. They buy a little goat for 15,000 Shs and are able to sell it for 50,000 when it is fully grown. Clothes, shoes and beddings are bought once a year in December. They spend circa 200,000 Shs per household for this purpose.

Transport is regarded less important, most distances are done by foot. Still, households spend an average of 60,000 Shs per month for transportation. This includes transport to Mbale city to purchase farming inputs and daily transport to market places. Finally they have to pay for schoolfees. Although people consider this their least important life need, they try to send all of their children to school. This costs 50,000 Shs per child per school term. An average household in Mbale has 4 children. Average monthly income per household from other business than coffee is 220,000 Shs. Together with average monthly income from coffee (62,500) and average monthly income from animals (15,000) the total average monthly income of people in Mbale is 297,500 Shs.

Chapter SWOT Conclusion

Since the aim of Bake for Life is to establish a widespread network of micro-scale bakeries in Uganda, a SWOT analysis of the districts is made in line with this aim.

When people want to start a business, it is imperative that they are able to read, write and perform basis calculations. Literacy rates are highest in Mukono and Jinja. This is a strength for these districts. But although the literacy rate is lower in Mbale, it is still acceptable. The percentage of people that completes primary school is highest in Mbale, these percentages are twice as low in Mukono and Jinja which is a current weakness. These rates can increase as well as decrease in the future. The percentage of people that completes higher secondary education is very low amongst all three districts. Most households are not able to finance another 4-6 years of education. This is no barrier since basic knowledge is enough for people to function as a baker.



Another important condition for a bakery to succeed is the availability to bake of fry. To be able to do so, access to electricity or other means of energy is necessary. Although access to electricity varies between the districts, it is given that 96-97% of all people use firewood en charcoal as source of energy. The latter is a strength as well as a threat for the project. Firewood and charcoal are readily available at very low prices. As a result, the cost price of bakery products is hardly influenced by electricity costs. However, use of firewood is bad for the environment and the quantity might become scarce in the future. In that sense use of firewood and charcoal is a weakness.

Water is one of the most essential ingredients for the production of bakery products. Luckily, access to water sources is available for the majority of people in all districts. Non-availability of water sources is a weakness for the project.

Another issue appears between the use of transport modes per district. Whereas people in Mukono use matatu's and boda-boda's as main mode of transportation, the bicycle is the most used mode of transportation in Jinja and Mbale. When products of the micro bakery are going to be distributed to other villages, transportation per bicycle is cheapest, this is a strength of Jinja and Mbale.

When comparing in- and outgoing cashflows of households, it can be seen that these cashflows lie close to each other. People in Mbale have the lowest expenses. In fact, they are able to save circa 50,000 Shs. monthly. Households in Jinja have the highest expenditures. According to the data, they loose circa 5,000 Shs every month. Households in Mukono break even. Whereas average monthly expenditures are 350,000 Shs, their monthly income is 350,000 Shs. as well. Although they are not able to save money in this sense, they do not loose money either. Concluding from this information, Mbale has the strongest debt capacity position. Whereas the cashflows in Jinja show a weak pattern.



V. OPERATIONAL; MARKET FOR BREAD

Whereas the previous chapter dealt with the district economy of Mukono, Jinja and Mbale, this chapter discusses the second aspect of the operational context; the market for bread in each of the districts. In order to start a micro baking project, it is essential that local people buy the products that are produced. If this is not the case, the project might fail. Consequently, it is important to know which products are liked, which products are not liked and which products are actually bought by the people. This chapter presents the data that resulted from research to the market for bread.

Sample Design

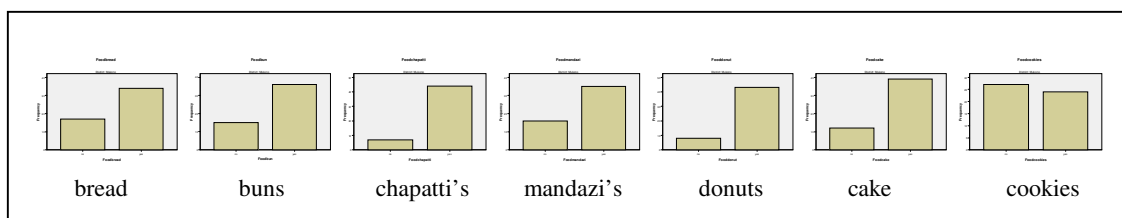
In order to get a picture of the market for bread, I have interviewed 51 people in each district. As a result, a sample of 153 people has been reached. The respondents that were used for this part of the research were totally at random selected. There was no initial connection with Bake for Life or bakery business. By driving through various rural villages in each of the districts, I randomly asked people for participation.

Data Gathering

All of the respondents were questioned to the fact whether the products were already for sale in their village, whether they liked the products, how much they weekly bought of each product, where they bought these products, how much they need to pay for it and finally they were asked which product would be the best to sell within their village. All the data that is presented below results from the questionnaires that have been completed amongst the districts. Since the questions of this questionnaire were easy to understand for the respondents, no use of a translator was needed.

Mukono

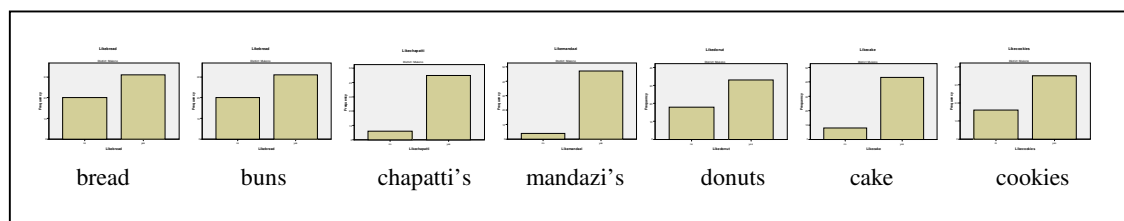
The graphs underneath show for respectively bread, buns, chapatti's, mandazi's, donuts, cake and cookies whether the product is currently for sale in their village. The left bar = product is currently not for sale, the right bar = product is currently for sale.



Graph 1-7: The availability per product in Mukono

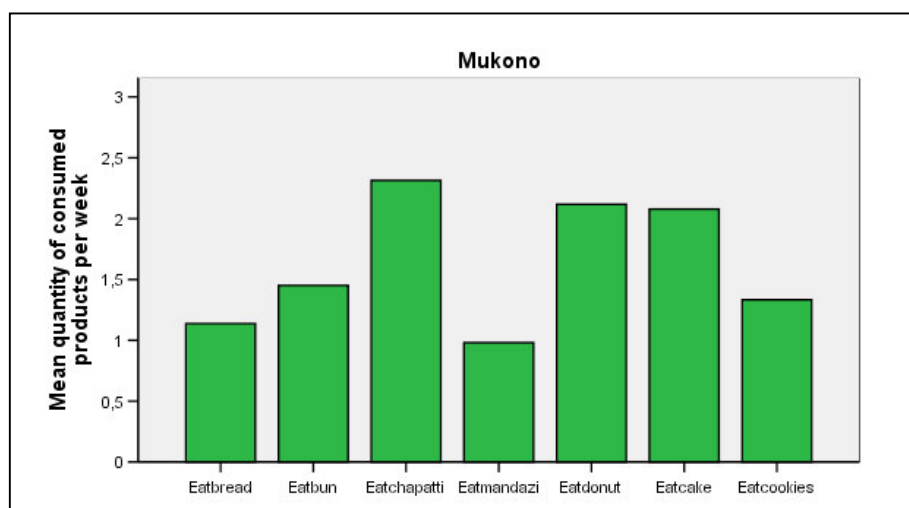


As can be seen, it are especially the chapatti's, mandazi's, donuts and cakes that are currently for sale. The graphs below show for the same products whether the respondent does not or does like it. The left bar = product is not liked, the right bar = product is liked.



Graphs 8-14: The liking per product in Mukono

These graphs show that especially chapatti's and mandazi's are very much liked by the village people. Besides the knowledge of people like the product, is it also essential to know how much of these products is actually eaten. The graph below shows the mean quantity that is consumed per week.



Graph 15: The mean quantity of consumed products per week in Mukono

It can be seen that especially chapatti's, donuts and cakes are consumed by the people. Bread and mandazi's are least eaten. The table below shows the results from the last questions in the research; which of the products above do you think would be best to sell in your village, and why? The majority of people assumes mandazi's to be the best product to sell, followed by buns. Mandazi's are regarded as cheap, sweet and durable. Buns are also cheap and furthermore nutritious.

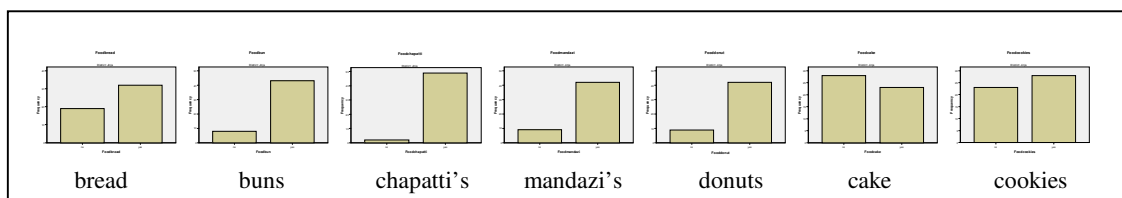
	Best product to sell within the village according to respondent							Total
	Bread	Bun	Chapatti	Mandazi	Donut	Cake	Cookies	
District Mukono	3	11	6	17	6	4	4	51
Jinja	2	18	9	16	5	0	1	51
Mbale	7	13	13	13	2	0	3	51
Total	12	42	28	46	13	4	8	N=153

Table 1: The best product to sell in Mukono according to respondents



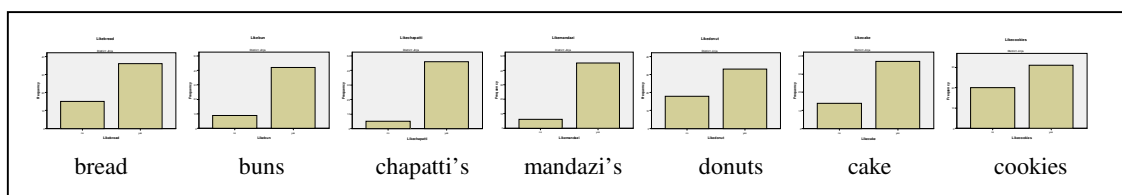
Jinja

The graphs underneath show again whether the product is currently for sale in their village. The left bar = product is currently not for sale, the right bar = product is currently for sale.



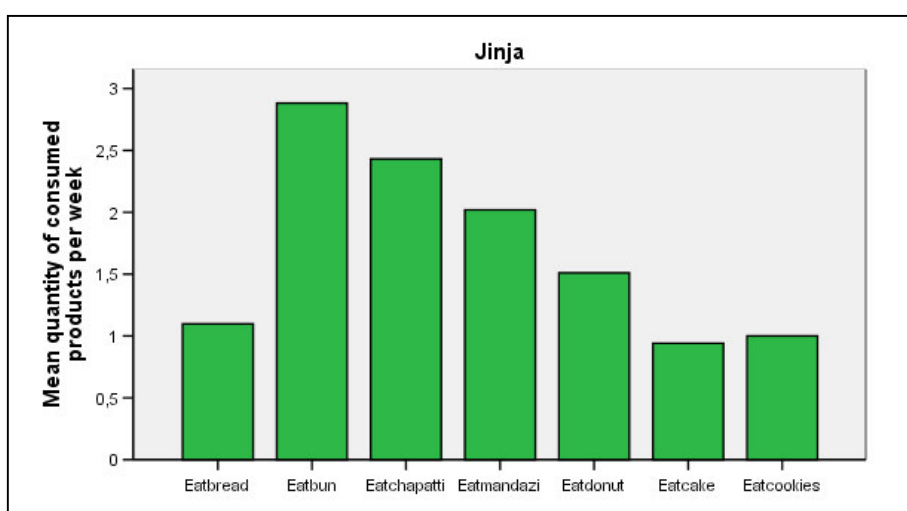
Graphs 16-23: The availability per product in Jinja

Especially cakes and cookies are not readily available in rural communities within the Jinja district. Bread is also difficult to get. The graphs below show for the same products whether the respondent does not or does like it. The left bar = product is not liked, the right bar = product is liked.



Graphs 24-31: The liking per product in Jinja

It can be seen that especially buns, chapatti's and mandazi's are liked by the people. Cookies are not very much favoured. The graph below shows the mean quantity that is consumed per week.



Graph 32: The mean quantity of consumed products per week in Jinja

It this graph it can be seen that especially buns and chapatti's are eaten. This is closely followed by mandazi's. Bread, cake and cookies are least eaten per week. The table below shows the results from



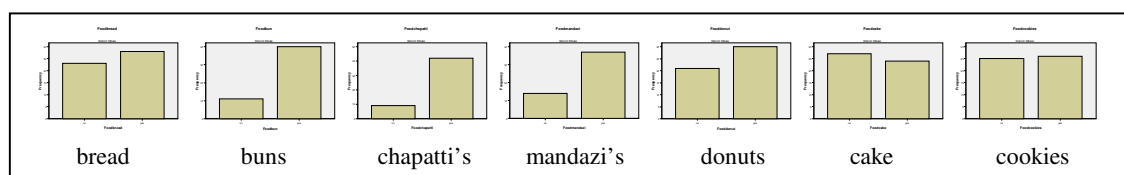
the questionnaires that have been distributed amongst communities in Jinja. It again concerns the last question of the questionnaire. The results show that the majority of people assumes buns to be the best product to sell, followed by mandazi's. Buns are regarded as cheap and good to take as a complete meal. Furthermore, buns are not sufficient available yet. Mandazi's are affordable, sweet and durable.

		Best product to sell within the village according to respondent							Total
		Bread	Bun	Chapatti	Mandazi	Donut	Cake	Cookies	
District	Mukono	3	11	6	17	6	4	4	51
	Jinja	2	18	9	16	5	0	1	51
	Mbale	7	13	13	13	2	0	3	51
Total		12	42	28	46	13	4	8	N=153

Table 2: The best product to sell in Jinja according to respondents

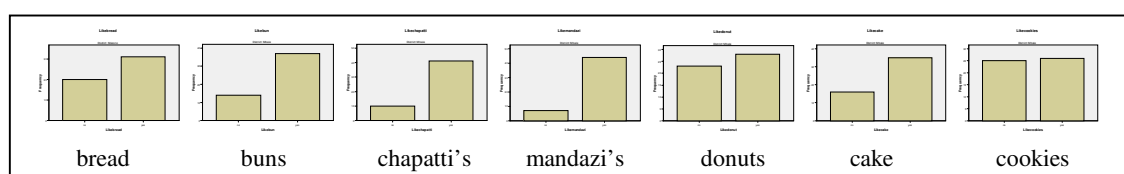
Mbale

The graphs underneath show again whether the product is currently for sale in their village. The left bar = product is currently not for sale, the right bar = product is currently for sale.



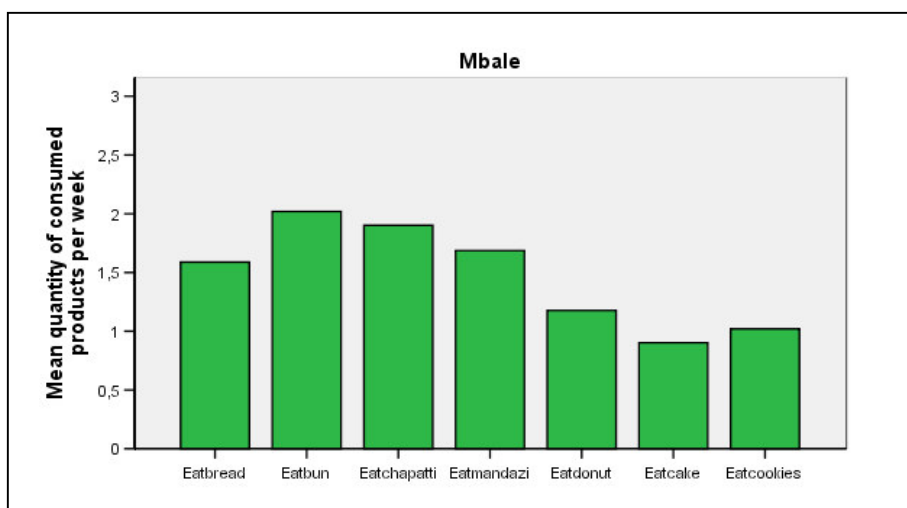
Graphs 33-40: The availability per product in Mbale

In this district is are again buns, chapatti's and mandazi's that are generally available. In contrast, bread, donuts, cakes and cookies are difficult to get. The graphs below show again whether the respondent does not or does like the products. The left bar = product is not liked, the right bar = product is liked.



Graphs 41-48: The liking per product in Mbale

Donuts and cookies are least liked by the people. Mandazi's are favored most. The graph below shows the mean quantity that is eaten per week.



Graph 49: The mean quantity of consumed products per week in Mbale

In this graph the mean quantities are positioned close together. Buns mostly eaten. Finally, the table below shows the results from the last question of the Mbale questionnaire. It can be seen that people expect buns, mandazi's and chapatti's to be the best products to sell. All three products are generally liked by the people. Buns are cheap and often bought by families. Mandazi's are also cheap and consumed by many people accompanied with tea. Chapattis is eaten as lunch together with beans.

		Best product to sell within the village according to respondent							Total
		Bread	Bun	Chapatti	Mandazi	Donut	Cake	Cookies	
District	Mukono	3	11	6	17	6	4	4	51
	Jinja	2	18	9	16	5	0	1	51
	Mbale	7	13	13	13	2	0	3	51
Total		12	42	28	46	13	4	8	N=153

Table 3: The best product to sell in Mbale according to respondents

The average price of a bread in each district varies between 700 and 800 Shs. Buns, mandazi's and donuts are sold for 100 Shs and chapatti's for 200 Shs. Cakes for 200 Shs and prices for cookies vary between 100 and 300 Shs.

Chapter SWOT Conclusion

The market for bakery products is part of the overall SWOT analysis that is conducted in this research. Based on the 153 questionnaires that have been distributed throughout the three districts, strengths, weaknesses, opportunities and threats for sales of different products become visible. First of all, it becomes clear that there are villages where people do like the product, such as the donut, but are not able to buy them since the products are currently not for sale. This offers an interesting opportunity to produce these goods. In turn, areas where chapatti sellers are amply present offer a threat to yet another salesman of the same product.



Results from the last question, ‘Which of the above products do you think would be best to sell in your village?’, vary slightly amongst the districts. People in Mukono argue that mandazi’s would be best to sell, followed by buns. People in Jinja argue that buns are the best products to sell, followed by mandazi’s. And people in Mbale agree on buns, chapatti’s and mandazi’s to be equally best to sell.

Interesting is, that few people perceive bread or donuts to be good products to sell. And even less people value cake or cookies. The latter might be the case due to high sales prices. Respondents often argued the high sales price of the product to be the reason for not buying it. Buns, mandazi’s and chapatti’s are all praised for their cheap price. This is an obvious strength. Cakes and cookies are sold at higher prices and therefore regarded luxury products. Most village people do not have the ability to buy them and therefore do not regard these products as ‘good to sell’. Apparently, high prices turn out to be a weakness for sales of the product.



V1. OPERATIONAL; RECIPE FOR BREAD

This chapter is the third and final chapter that deals with the operational context. Three recipes for different bakery products are presented. As has been written earlier; numerous bakers have participated in the recipe discussion. The chapter ends with information about the production cycle of micro bakeries which is another important variable for the market of bread.

Sample Design

To obtain an answer to the question which recipes should be used in order to produce buns, mandazi's and chapatti's, both small-scale bakers as well as bakers from medium to large scale bakeries were interviewed. During my stay in Uganda I met numerous small scale bakers who were positioned along the road or somewhere in the middle of nowhere. Furthermore I visited the Little Sisters Bakery in Nkokonjeru and the Breadshop bakery in Kampala. The pictures below show some of the bakers that have been interviewed.



Data Gathering

Every time I saw a baker, I asked him/her towards the recipes and production methods that he/she used. Sometimes this short interview could be done in English, often I needed a translator to clarify the purpose of my questions. After various conversations and discussions with both small and large scale bakers, I composed the various recipes. These final recipes were tested together with some of the bakers that work for the Bake for Life bakery in Nkokonjeru. Together them I prepared the dough by hands according to the quantities that are mentioned above. After this, we produced the products in a rural way. The latter means that no use of electrical machines was made. Instead, we used a local stove with a frying pan and cooking oil.

Data Presentation

Ingredients for basic bakery products are; flour, water, salt, sugar, yeast, and preservatives. Additionally, when donuts and mandazi's are made, eggs, margarine and baking powder are necessary.



According to all of the bakers, when the dough is mixed by hands, dough with a maximum of 10 kg of flour is doable. However, dough is often prepared on a flour base of 2 kg. This is due to the fact that flour is being sold in packages of 2 kg which makes measurement of it very easy.

'The basis of production is the 2kg package of flour.'

'Production with 2kg of flour is easiest since it can be mixed in a small basin.'

Whereas large bakeries use yeast for preparation of donuts and mandazi's, the small bakers explained that use of yeast was not necessary per se for production of donuts and mandazi's. Since yeast is difficult to obtain, especially in rural villages, they simply increase the quantity of baking powder.

'In our village it is not possible to get yeast, therefore, we put in extra baking powder.'

'Because we don't use yeast, our production time is faster, however, we get smaller mandazi's.'

'My uncle taught me to use extra baking powder instead of yeast. This is easier for production.'

When combining the ingredient quantities from the various bakers and after test baking of the products, the following recipes for making buns, mandazi's and chapatti's arose.

Buns making process

	2000 g	flour	100%
	8 g	yeast	0,4%
	23 g	salt	1,2%
	92 g	fat	4,6%
	280 g	sugar	14,0%
	5 g	preservative	0,3%
	1000 g	water	50,0%
	3408 g	dough	
less:	34 g	fermentation loss	1%
	34 g	waste	1%
	3340 g		

Total dough weight/dough weight one bun = yield

$$3340/60,5 = 55$$

Yield = 55 buns of 55 grams

Table 4: The recipe of buns

Recipes for mandazi's and chapatti's are placed on the next page.

**Mandazi making process**

	2000 g	flour	100%
	10 g	salt	0,5%
	100 g	fat	5,0%
	300 g	sugar	15,0%
	6 g	preservative	0,3%
	20 g	baking powder	1,0%
	1000 g	water	50,0%
	<hr/>		
	3436 g	dough	
less:	34,4 g	waste	1%
	<hr/>		
	3401,6 g		

Total dough weight/dough weight one mandazi = yield

$$3401,6/55 = 61$$

Yield = 61 mandazi's of 55 grams

Table 5: The recipe of mandazi's

Chapatti making process

	2000 g	flour	100%
	50 g	salt	2,5%
	50 g	sugar	2,5%
	1000 g	water	50,0%
	<hr/>		
	3100 g	dough	
less:	310 g	waste	1%
	<hr/>		
	2790 g		

Total dough weight/dough weight one chapatti = yield

$$2790/55 = 50$$

Yield = 50 chapatti's of 55 grams

Table 6: The recipe of donuts

Now the recipes are presented, there is one more aspect that is of importance when organizing the operational conditions of the microfinance project for Bake for Life. This aspect is the production cycle of the products that are going to be produced in the micro scale bakery. The reason that understanding of the production cycle is important, is that it directly influences the sales possibilities. Sales of a product is possible only after production.



Production Cycle

The usual production cycle of large and medium sized bakeries can be split into different phases. The dough needs to be prepared, to raise, to rest, to raise, to heat etc. However, the production cycle for micro scale Ugandan bakeries is relatively short. This is due to the fact that production quantity is low and use of yeast is avoided.

The majority of bakers exposed that they produced circa 5 days a week with an approximate use of 6 kg of flour per day. The bakers prepare the dough during (early) morning hours, produce the products shortly thereafter and sell the products during the rest of the day.

Some bakers sell along road sides, others on market places or close to their home. When their products are sold out, they go home. Bread and buns have a durability of a few days only. When the products are not sold within 3 days, the family of the baker eats it their selves. However, this is only seldom the case. Mandazi's and chapatti's can be stored for circa one week. Finally, cakes and cookies have the longest shelf life. These products can be sold up to two weeks after production.

Chapter SWOT Conclusion

Also for this chapter a short overview of strengths, weaknesses, opportunities and treats can be made. According to baker from rural area's, availability of yeast is not a given fact. This presents a treat to bakers who operate in rural areas. However, according to the same bakers, use of yeast is no necessary condition for the production of mandazi's. Instead, additional baking powder can be used. This provides an opportunity to bakers who produce mandazi's. However, this advantage does not count for production of buns.

The strength of cakes and cookies is their relative long durability. Whereas especially buns and bread turn bad after a few days, cakes and cookies can be stored up to two weeks. This means that there is a lot of time between the moment of production and the moment of sales. Donuts and mandazi's can be stocked for approximately one week.



VII. FINANCIAL; EFFECTIVE DEMAND

Now that the operational conditions are presented in the previous three chapters, it is time to have a look at financial issues. The next three chapters deal with the financial context of the setting in which the project of Bake for Life is assumed to take place. The first of these three chapters presents the data that has been collected for the determination of effective demand. According to literature, determination of effective demand is of great importance for the design of a microfinance project (Ledgerwood, 1999; Bosch, 2002). As has been explained before, effective demand refers to the idea that it is not enough to want something, one must also have the money or ability in order to make that demand effective (Dichter, 1999). It are in- and outgoing cash flows that influence the debt capacity which in turn influences the effective demand for a loan.

Sample Design

For determination of effective demand, two groups of 15-20 potential clients (low income earners) were questioned in each of the three areas. As a result, a total of circa 100 potential clients was reached. The selection of people was done with help of the Little Sisters and MicroSave experts. Both parties arranged group meetings that I could visit. The selection of groups was as well based upon the target group criteria of Bake for Life: low income earners in the rural parts of the chosen districts in Uganda. Sometimes, a journey of almost 8 hours was necessary to reach the people.

Data Gathering

To determine effective demand, I used the research tool ‘Seasonality Analysis’. As has been written earlier, this tool is used to obtain information about cash flow patterns. The participants were asked to disclose their monthly financial situation by positioning 1-5 beans for each of the following categories: income, expenditures, savings and demand for credit. By discussing the amount of beans that they positioned, I gained insight into the impacts of seasonal effects on the debt capacity of low income earners in rural area’s. However, it is important to keep in mind that one bean does not account for a fixed amount of money, instead it is a subjective feeling of the people about their financial situation during that specific month. To achieve a high level of participation by the local people, it was again necessary that a local translator attended the sessions. Some pictures are presented below as to illuminate the tool some more.

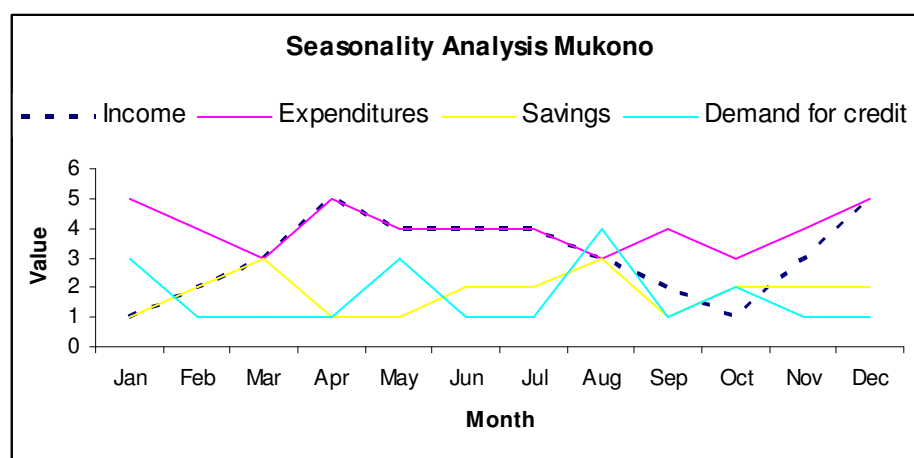




Mukono

The majority of household cashflows in Mukono depend on the agriculture sector. Most people work in agriculture business and therefore depend on income from this sector. In turn, they heavily influence the economic activities of other business sectors. For example: when the majority of people has high cash inflows due to harvesting, they positively influence other business sectors by an increase of their spending pattern.

Graph 50 shows how the village people from Mukono perceive their situation when it concerns income, expenditure, savings and demand for credit.



Graph 50: Results of seasonality analysis in Mukono

Income

The first three months of the year offer little income for the majority of the people. After that, harvest time starts which results in relative high levels of income. This relative high level of income continues up to July after which the income level starts declining. In October the income level declines to a very low level due to the fact that people start saving the little income they have for Christmas purposes. Farmers are in the planting season and their income is generally low. As a result, other people don't sell their products either and are settled with low income. When people start preparing for Christmas days in November, they release some money. Increasing sales bring higher income for everyone. Preparations for Christmas continue in December. A big amount of income in this month stems from previous savings. People bring out all of their savings (by selling their animals and releasing their cash money) to get extra money in this month.

Regina Nganjo: 'Food is very costly in October. This results in low sales and thus low income.'

Leonard Basinga: "After some months of difficult selling, I can finally sell matoke in November.'

All people: 'Everything becomes magic during December since people both spend and sell a lot.'



Expenditures

January brings along very high expenditures given that schoolfees need to be paid. Furthermore, people need to spend on farm inputs as to prepare their fields. The latter continues in February as well. The people try to keep expenses low in March in order to save for Easter. In turn, due to Easter festives, April brings high expenditures as people buy plenty food, go to the hairdresser, and buy presents for family. Schoolfees need to be paid again in May. However, expenditures are not as high as in January since uniforms and books have already been bought in the first term. During June and July people primarily spend on food. Nevertheless, this accounts for high expenditures since food in this months is expensive, due to the hot and dry weather. When the rain starts in August, food becomes less expensive. Then, the third amount of schoolfees need to be paid in September. All the income of people go to schoolfees. It is a difficult month. October is a better month with normal expenditures and in November the people start buying clothes for Christmas. The people who work in the city come back to the villages to start shopping. In December the spending pattern increases. Everybody is spending on food, presents and clothes for Christmas festives.

Jane Okyong: 'January is a difficult month since we need to pay schoolfees and seeds for farming.'

Francis Amoza: 'April is the time to go to the hairdresser, in this month everybody is very busy.'

Topista Nakisato: 'September is a difficult month since our expenses are much higher than our income.'

Tao Kakaire: 'In December everybody has to bring something new into the house such as cupboards, chairs or a new girlfriend. These girlfriends need to take presents with them as well, as a gesture of thanks.'

Savings

There is no saving in January due to the reason that people have spend everything in December and need to pay for schoolfees. When income starts coming in February, a little bit of it can be saved. And when it is March, the people start saving for Easter. Consequently, there are no savings in April due to Easter expenditures. There are no savings in May as well since all income is spend on schoolfees. When the children are back at school in June and July, there is some room for saving. Savings in August increase due to the anticipated payment of schoolfees. In September savings decrease again due to high expenditures. In October people start saving for Christmas purposes. And although expenditures in November are high, people still try to save their money so that more can be spend in December. Due to the excessive high income in December, people are capable to save some money for school fee payment in January.

Simon Namotos: 'We can not save anything in January, instead, we have to pay our expenses by savings that are made in December.'

Margareth Niwuru: 'Besides the high expenditures we don't sell much due to the dry season. Therefore, we are not able to save money in September.'



Florence Badu: 'The prices for animals are highest in December. Therefore, I sell my cow in this month so that I can save money for the expenditures in January. I know in advance that January will be a difficult month.'

Demand for credit

Although demand for credit is high in January, informal supply of credit is very low. Therefore, people go to MFI's in groups to borrow loans of 500,000 – 1,000,000 Shs. The major purpose of this money is to pay schoolfees. Another way for people to obtain money is to win contracts. People who possess money deposit this for people against a promise to do deliver products or services in the course of the year. For the one party this guarantees cheap products or labor in the future, for the other party this assures money to pay schoolfees at the right moment. Although there is still demand for credit in February and March, supply is even fewer. People who went to MFI's in January are not able to go again. Instead they need to pay off their loans. There is no need for credit in April since everybody is using cash to do Easter shopping. Since schoolfees need to be paid again in May, demand for credit increases. Many people go to a MFI to borrow again. June and July brings high income and therefore little demand for credit. In August, on the other hand, demand for credit is very high. People borrow heavily in order to invest for Christmas. Investing happens by increasing their stock or working capital or by buying animals. Furthermore, the loans are used to pay off schoolfees in September. Therefore, demand for credit is low in that month. In October there is a little increase of demand for credit because people need to restock. People who have to go to a MFI are going to another MFI than before which results in multiple borrowing. There is no demand for credit in November and December because there is enough income.

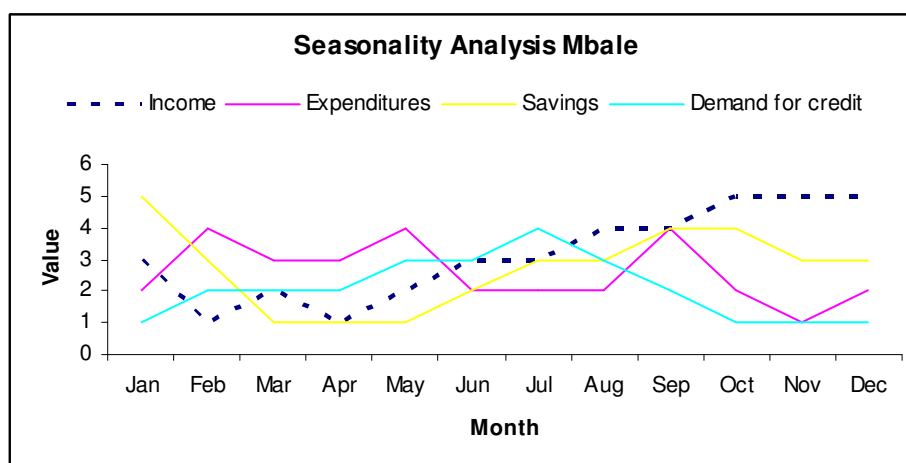
Wilson Rhawanga: 'I'm willing to do big jobs in January because my family needs the money to pay schoolfees.'

Lucy Bwanga: 'I have to start repaying my second loan in June. This is ok since my income is fine now.'

Mohammed Nsubuga: 'Since I'm still busy repaying the loan I took in May, it is impossible to go to the same institution to get money. Therefore, I go to another MFI in October.'

Mbale

Graph 51 shows how the village people from Mbale perceive their situation when it concerns income, expenditure, savings and demand for credit.



Graph 51: Results of seasonality analysis in Mbale

Income

Income in January is average since the people are able to sell some products that they haven't sold before. There is almost no income in February because cash inflows result from the products that still haven't been sold during earlier months only, such as stocked coffee and grown banana's. There is no income from harvesting up to May. As a result, the purchasing power of people is still low in March. The only people who earn money are those who sell items for planting. Harvesting starts in May which enables people to sell some beans and other products in order to generate income. The majority of people starts harvesting in June and July. As a result, income increases to an average level. The harvest period extends up to August. In this month the income is very high due to high sales of coffee and maize. The coffee season really sets off in September and income in October is even better due to very high sales of coffee beans. This increases the purchasing power of almost each and every person. November and December are very good months as well.

Shakira Naya: 'I have stored the products that I didn't sell before so that I could sell them in January.'

Wilson Basawa: 'Since I am selling equipment for planting, I am one of the few people who earns money in March.'

Olivia Naganja: 'We sell the coffee to coffee factories and co-operative unions in Mbale. It doesn't bring in much money, but it is okay to live from.'

Expenditures

Expenditures in January are low since people have food left from earlier months. Besides, they start preparing schoolfee payments. Since schoolfees need to be paid in February, the expenditures are high in that month. Furthermore, people need to buy farming inputs and equipment to start planting. Also, they start renting the land. Expenditures in March are a little lower since schoolfees are accounted for. However, expenditures for farming preparation continues. Fertilizers are needed in April as to boost



the coffee plants. Weeding of products such as maize and beans starts but does not bring in cashflows up to May. In May there is no food left in household stocks so people have to spend on food. In addition, May is the month in which malaria is very prevalent. This causes high average spending on medical expenses. Besides, schoolfees need to be paid. People have already accounted for that during previous months. In June and July the people still spend on food. There is however a lot of food available, such as banana's and maize, thus food prices are relatively low. People eat from their stocks in August and the harvest of coffees starts to increase. Expenditures in this month are still low. In September the schoolfees need to be paid again which accounts for high expenditures. Thereafter, in October, November and December expenditures decrease as people spend on food and coffee related business only. Christmas is not being celebrated much in this district.

Betty Nakayma: 'In January people have a lot of income left from earlier months so this is the best month to meet for lovers. That's where they spend quite some money on.'

Mary Owadu: 'Since there is no food left in the house, families need to spend on buying food in May.'

Philip Ikeba: 'We don't celebrate Christmas very much, Easter is not even thought about.'

Savings

Savings are very high in January since the climate in Mbale provides one harvest season only. People know that there will be little income during the coming months and therefore save heavily. Although there is little money left and schoolfees need to be paid, people still attempt to save as much as possible in February. All the money in March and April is being spend on preparations for farming and there is no saving at all. When schoolfees need to be paid in May there is again no room to save. When harvesting starts in June, people are able to save a little. Savings increase in July and August when income comes in. In September and October there is high accumulated savings from earlier months but the propensity to save is still high. People realize that high savings are necessary in order to avoid crisis in low income months. This thought is still prevalent in November in December.

Robert Basawa: 'In March, I need to spend all the money that I have on my gardens.'

Bridget Ogadu: 'Since we can start harvesting more and more products such as beans and maize in August, we are better able to save some money.'

Simon Woldu: 'If your propensity to save is not high in October, you will have a crisis during low income months.'



Demand for credit

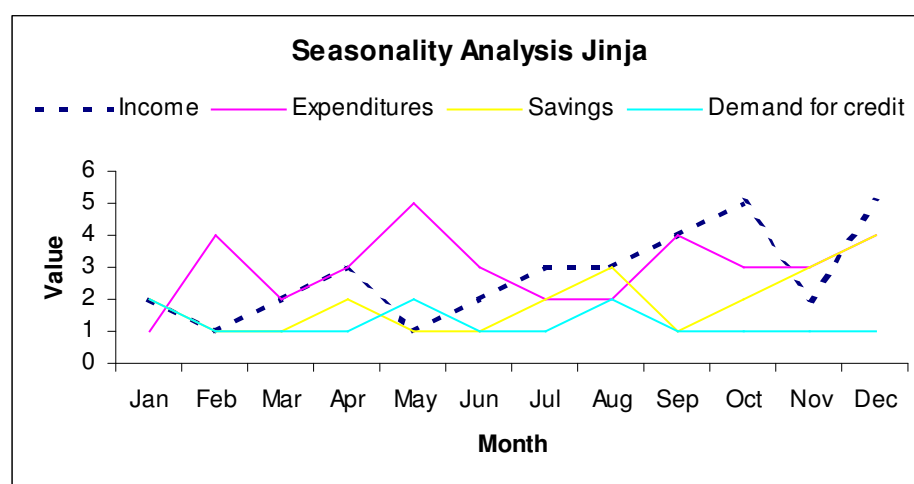
Most people don't borrow in January because of their relatively high savings from earlier months and the average level of income in this month. Demand for credit increases a little in February when people try to keep their products in stock so that higher prices asked for the items in March. Business people purposely sell little and borrow in order to pay for schoolfees. March and April bring a little higher demand for credit since people need to pay for labor. They borrow from MFI's since relatives charge to high interest rates. The reason for people to borrow in May and June is to account for harvest input. People who are in production need to borrow money in one of these months. The demand for credit increases even more in July and August. One and all need working capital to start the harvest period. Very few borrow in September. Some people borrow in order to send their children back to school, however most people have enough income to account for all of their expenses. During October, November and December there is almost no demand for credit because there is a lot of income and the people try to keep their expenses quite low. They save all the money that is left.

Maninda Abba: Business people know that food becomes more scarce in March and April. Therefore, they want to keep their products in stock as to sell it when prices are increased.'

Philip Ikeba: 'If people fail to get credit in July, they try again in August.'

Jinja

Graph 52 shows how the village people from Jinja perceive their situation when it concerns income, expenditure, savings and demand for credit.



Graph 52: Results of seasonality analysis in Jinja

Income

The little income that is earned in January results from the small businesses that people manage. Income in February is very low since no one spends money due to the reason that schoolfees need to



be paid. When the children go back to school in March people start slowly improving their income. Although the purchasing power of the majority of people is still low, spending increases a little. People continue their spending pattern in April and income increases a little more. However, when schoolfees need to be paid again in May income decreases to a minimum again. The entire economy is affected when people spend little on average. In June there is slightly more room to spend, however the crops that have been planted are thus far not ready to harvest. The harvest period starts in July. People have now the propensity to buy because the price of food decreases. Sales of harvest products really sets off in September. Sales are very good during this month and there is a lot of food available. Other products, such as millet are now dry enough to sell. Furthermore, chickens have grown and can be sold now. In October people sell greens and beans. There are national holidays which people celebrate so they sell and spend a lot. Food starts reducing so people begin stocking fruits etc. Since most people start saving for Christmas festivities, income goes down. However, in December people heavily increase their spending. As a result, everyone has high incomes during this month.

Jane Alapu: 'January is a very difficult month because children are at home and Christmas just passed.'

Veronica Budowa: 'Since people have more income that they can spend, sales of bread and sugar are good in July.'

Luka Nakivubo: 'The months before Christmas are average, but in December it is crazy, everybody is spending.'

Expenditures

In January, only little money is left from earlier months and almost no income is earned. As a result, there is nothing left to spend. The little income that is earned, is saved so that schoolfees can be paid in February. Especially due to the schoolfee payments, expenditures are high in February. March is an average month and people try to keep their expenditures low. Kids are brought back from school in April and Easter celebrations take place. Relatively much money is spent on food expenses. When children stay at school during this month, expenditures are lower. Due to the rain season, May brings sickness such as fever and malaria. Furthermore, children go back to school and people need to pay schoolfees for the second term. This accounts for very high expenditures during the month May. June is still a period of malaria which amounts to high medical expenses. Furthermore, people have to spend on food since the harvest is not yet ready. When the harvest period starts in July there is enough food and expenditures stay low. The same happens in August. Expenses in September increase due to the schoolfee payments for the third term. Then, independence is being celebrated in October. Consequently expenses increase. When people start spending for Christmas preparations in November, expenditures stay high and expenditures in December highest due to Christmas celebrations.



Justine Agut: 'February brings high expenditures; besides payment for schoolfees, children also need to be transported to their schools, this costs money as well.'

Petronella Namakenia: 'In November I start to keep some sugars at home, in December I send gifts to friends.'

Savings

People try to save as much as possible in January in order to pay schoolfees in February. Then, there is zero saving in February and March. Instead people pay off debts with all money that is left. In April people start saving again for schoolfees. When schoolfees are to be paid in May there is no room for saving again. Due to debts, high medical expenses and high food prices there is still no saving in June. However, when people get more relaxed in July because schoolfees are paid and income starts showing off, there is some little saving. Saving in August increases some more. People consume cheap food in order to save more so that schoolfees in September can be paid. Then, there is nihil saving in September since all income is being spend. When business do well, people have a little bit to save in October, though the majority of people spend their money on independence festives. Savings increase in November when people start preparing for Christmas. And although expenditures in December are extremely high, people try to save as well as to account for schoolfees in February.

Wilson Atim: 'In February and March the next rule applies: what you get, you spend it all.'

Peter Angulia: 'In order to save money for September, we eat less expensive food in August.'

Demand for credit

People borrow products such as millet, tea and sugar in January in order to generate income by selling these products. They pay back these products bit by bit after they earned some money. They furthermore borrow money to stock products and prepare for schoolfees payment. And although demand for credit is present in February, March and April, people do not borrow during these months. In May, however, loans are necessary to pay schoolfees. Nearly all people obtain loans from MFI's since relatives don't like to provide finance. In June and July there is no borrowing. Demand for credit increases again in August due to the anticipated payment of schoolfees in September. Since people are not allowed to borrow again before they repaid the money, there is no borrowing in September and October. Some people borrow money in November as to prepare stocks for Christmas. Whether they do so depends on the business they're engaged in. There is no demand for credit in December since the income off people is high during this month.

Ruth Nabidye: 'I borrow millet in January and pay back this amount when I have earned some income.'

Rubina Nibagonja: 'I generally obtain money from credit associations. Friends charge to much interest.'



Chapter SWOT Conclusion

With help of the Seasonality Analysis, cashflows have been described above. It is reasonable that climate has an influence on the local economy. Each district relies on different harvest products. Cashflows in Mukono depend on the harvest of banana's, millet and tea. These cashflows start coming in April and continue up to September. Throughout the year, people in Mukono perceive their expenditures to be higher than income. This results in a difficult situation, especially when unexpected expenses occur.

Cashflows of people in Mbale start coming in June and increase in August. Village people rely heavily on coffee harvest and coffee beans can not be harvested up to these months. The first half of the year is therefore critical. People in Mbale are aware of their critical position during the first half of the year, therefore they save heavily during the second half of the year. By doing so, the people turn their weak point into a strength. They know very well how to manage their cashflows.

Income in Jinja is also low during the first half of the year. This is mainly due to the fact that expenditures are high. As a result of the high expenditures, people spend as little as possible in these months. Consequently, average income is low. People in Jinja save the least, which is a weakness. However, demand for credit is relatively low all through the year. The latter is a strength since it protects Bake for Life against multiple borrowing of the people.

The most difficult months are those in which schoolfees need to be paid. This is the similar for the all districts; schoolfee payments put high burdens on households everywhere. This is a threat for the repayments of the lessees.

It is furthermore worth mentioning that almost nobody borrows money from relatives or friends. Instead, all people go to MFI's to obtain loans. Some people even engage in multiple borrowing. This is a threat for monthly repayments. If people with multiple loan arrangements engage in the micro baking project, monthly repayments might not return to Bake for Life but to other institutions whom they owe money to.

Another threat arises from unexpected expenses. In most cases, these unexpected expenses are caused by medical costs. This is an important reason why village people save. Since there are no banks within close distance to their residence, village people save by other means. Generally used saving methods are investments in animals or the piggy-bank. This money is released in times of financial needs, such as Christmas festives or schoolfee payments. However, high unexpected expenses are a threat for repayments as well.



VIII. FINANCIAL; LOAN AMOUNT

This chapter presents an assessment of all necessary expenditures to start a micro bakery and the costs that this brings with it. The expenditures are divided into fixed and variable assets. All prices that have been used are based on actual prices in Uganda. Recipe data and market for bread data are used from earlier chapters. Since the majority of people within the districts considered buns, mandazi's and chapatti's the best products to sell within their village, loans for production of bread, cakes and cookies are not taken into account.

Data Gathering

To gather data about the prices of fixed and variable assets, I questioned the same bakers who were questioned about the recipe they used. Furthermore, I visited several supermarkets and marketplaces in each of the districts to write down the prices of the various assets.

Fixed assets

According to the respondents, regular fixed assets for a bakery are: an oven, a proofer, a mixer, a working table, a weighing scale or something that can be used to measure the ingredients with, enough trays, mixing bowls and cleaning material. When local specialities such as donuts and mandazi's are made, rollers and cutters are needed. Additionally for donuts and mandazi's is a frying pan. All of these assets can be locally bought.

However, according to the bakers who operate on a micro scale basis, small bakeries can very well function without official proofer.

'I use plastic material to cover the dough and let this raise in the sun.'

'I put the dough in a wet towel and let this raise for a while in a hot place.'

'I put the prepared dough in the oven when the oven is not yet hot, but warm enough to raise the dough.'

In addition, mixing the dough is often done with hands. A mechanic mixer is therefore unnecessary.

'Mechanic mixers don't make sense since there is often lack of electricity.'

'Preparing the dough by hands is just as fast and cheaper than using a mechanic mixer.'

Prices to obtain the remaining necessary fixed assets are:

An oven	> 600.000 – 1.500.000 Shs (depending on its size)
Frying pan + stove	> 130.000 Shs



A working table	> 70.000 Shs
A weighing scale	> 35.000 Shs
Measuring cups	> 1 cup = 300 Shs
Several trays	> 1 tray = 12.000 Shs
Mixing bowls	> 1 bowl = 25.000 Shs
Small mixing bowls	> 1 small mixing bowl = 5.000 Shs
Rollers	> 1 roller = 5.000 Shs
Cooking spoons	> 1 spoon = 5.000 Shs
Forks	> 1 fork = 5.000 Shs
Carrying baskets	> 1 carrying basket = 8.000 Shs
Cleaning material	> 10.000 Shs

Variable assets

Ingredients for production provide the major component of the variable assets. Recipes have been discussed earlier in this dissertation. Another variable asset is the necessary material to burn the oven or frying pan. There are several alternatives for burning an oven in Uganda; electricity, bricks, charcoal and firewood. According to all interviewees, firewood is most appropriate for micro bakeries in rural areas due to high availability and the low cost of it.

'In our villages, everybody uses firewood for cooking. It is readily available and it doesn't cost anything'.

'I have been taught to use firewood by my mother who is taught by her mother and so forth. It's a generation

Yet another variable assets is packing material. The cost of packing material is included in the schedules below. These schedules show cost price calculations per product including ingredients, packing material and energy costs.

Buns		Price kg Shs	Total Shs
2 kg	flour	\$U 1.040,00	\$U 2080
0,008 kg	yeast	\$U 9.300,00	\$U 74,4
0,023 kg	salt	\$U 1.000,00	\$U 23
0,092 kg	fat	\$U 1.900,00	\$U 174,8
0,28 kg	sugar	\$U 1.800,00	\$U 504
0,005 kg	preservative	\$U 6.400,00	\$U 32
1 kg	water	-	
			\$U 2888,2
10 plastic bags 0,22 Shs			\$U 2,2
energy costs			\$U 1200
			\$U 4090,4

**Table 7: Production costs of buns**

From this quantity of ingredients circa 55 buns of 55 grams can be made. This means 9 packets of 6 buns. Material costs for 1 bun is circa 74 Shs. Each bun can be sold for 100 Shs.

Mandazi's		Price kg Shs	Total Shs
2 kg	flour	\$U 1.040,00	\$U 2080,00
0,01 kg	salt	\$U 1.000,00	\$U 10,00
0,01 kg	fat	\$U 2.150,00	\$U 215,00
0,3 kg	sugar	\$U 1.800,00	\$U 540,00
0,006 kg	preservative	\$U 6.400,00	\$U 38,40
0,02 kg	baking powder	\$U 3.000,00	\$U 60,00
1 kg	water	-	
			<hr/>
			\$U 2943,40
11 plastic bags without logo @ 0,22 Shs			\$U 2,42
Cooking oil			\$U 600,00
energy costs			<hr/>
			\$U 600,00
			<hr/>
			\$U 4145,82

Table 8: Production costs of buns

From this quantity of ingredients circa 61 mandazi's of 55 grams can be made. This means 10 packets of 6 mandazi's. Material costs for 1 mandazi is circa 67,1 Shs. Each mandazi sells for 100 Shs.

Chapatti's: 50 chapatti's of 55 grams		Price kg Shs	Total Shs
2 kg	flour	\$U 1.040,00	\$U 2.080,00
0,05 kg	salt	\$U 1.000,00	\$U 50,00
0,05 kg	sugar	\$U 1.800,00	\$U 90,00
5 kg	water	-	
			<hr/>
			\$U 2.220,00
50 Polyethenes without logo @ 0,10 Shs			\$U 5,30
Cooking oil			\$U 700,00
energy costs			<hr/>
			\$U 1.500,00
			<hr/>
			\$U 4.425,30

Table 9: Production costs of chapatti's

From this quantity of ingredients circa 50 chapatti's of 55 grams can be made. Material costs of 1 chapatti is circa 88,5 Shs. Each chapatti sells for 200 Shs.



Loan Amount

Prices of fixed and variable assets are described above. In this paragraph, the loan amount for making buns, making mandazi's, and making chapatti's are exposed. In these calculations, variable assets are provided for 1 month of production, assuming 30kg flour is used weekly. This assumption is made with help of the conversations, interviews and discussions with bakers.

<i>To make buns</i>	
Fixed assets	
1 Oven	\$U 1.000.000
12 Trays	\$U 144.000
1 Working table	\$U 60.000
1 Weighing scale	\$U 35.000
2 Mix bowls	\$U 50.000
2 Carrying Baskets	\$U 16.000
	<hr/>
	\$U 1.305.000
Variable ingredients	
120 kg Flour	\$U 124.800
1 kg Yeast	\$U 9.300
2 kg Salt	\$U 2.000
6 kg Fat	\$U 11.400
20 kg Sugar	\$U 36.000
400 gr Preservative	\$U 2.560
	<hr/>
	\$U 186.060
Other variable assets	
Cleaning material	\$U 10.000
Plastic bags	\$U 2.000
Charcoal	\$U 36.000
	<hr/>
	\$U 48.000
	<hr/>
	\$U 1.539.060
	<hr/>
	€ 684

Table 10: Loan amount in case of bun production

<i>To make mandazi's</i>	
Fixed assets	
1 Frying pan + local stove	\$U 110.000
1 Working table	\$U 60.000
2 Small mixing bowls	\$U 10.000
3 Measuring cups	\$U 900
1 Roller	\$U 5.000
2 Cooking forks	\$U 10.000
2 Carrying baskets	\$U 16.000
	<hr/>



		\$U	211.900
Variable ingredients			
120 kg Flour	\$U	124.800	
2 kg Salt	\$U	2.000	
6 litres Fat	\$U	12.900	
20 kg Sugar	\$U	36.000	
400 gr Preservative	\$U	2.560	
2 kg Baking powder	\$U	6.000	
		\$U	184.260
Other variable assets			
Cleaning material	\$U	10.000	
Plastic bags	\$U	1.000	
Cooking oil	\$U	15.000	
Charcoal	\$U	18.000	
		\$U	44.000
		\$U	440.160
		€	196

Table 11: Loan amount in case of mandazi production

<i>To make chapatti's</i>			
Fixed assets			
1 Frying pan + local stove	\$U	110.000	
1 Working table	\$U	60.000	
2 Small mixing bowls	\$U	10.000	
3 Measuring cups	\$U	900	
2 Carrying baskets	\$U	16.000	
		\$U	196.900
Variable ingredients			
120 kg Flour	\$U	124.800	
2 kg Salt	\$U	2.000	
2 kg Sugar	\$U	3.600	
		\$U	130.400
Other variable assets			
Cleaning material	\$U	10.000	
Plastic bags	\$U	200	
Charcoal	\$U	10.000	
		\$U	20.200
		\$U	347.500
		€	154

Table 12: Loan amount in case of chapatti production



Additionally, I calculated a loan amount for the situation in which two products are produced together. Production of mandazi's and chapatti's could easily go together since both products use the same method of frying.

<i>To make 72 kg mandazi's & 56 kg chapatti's</i>		
Fixed assets		
1 Frying pan + local stove	\$U	110.000
1 Working table	\$U	60.000
2 Small mixing bowls	\$U	10.000
3 Measuring cups	\$U	900
1 Roller	\$U	5.000
2 Cooking forks	\$U	10.000
2 Carrying baskets	\$U	16.000
		<hr/>
	\$U	211.900
Variable ingredients		
120 kg Flour	\$U	124.800
2 kg Salt	\$U	2.000
4 litres Fat	\$U	8.063
13 kg Sugar	\$U	23.400
250 gr Preservative	\$U	1.600
1,25 kg Baking powder	\$U	3.750
		<hr/>
	\$U	163.613
Other variable assets		
Cleaning material	\$U	10.000
Plastic bags	\$U	1.000
Cooking oil	\$U	15.000
Charcoal	\$U	18.000
		<hr/>
	\$U	44.000
		<hr/>
	\$U	419.513
		<hr/>
		<hr/>
	€	186

Table 13: Loan amount in case of mandazi/chapatti production

Chapter SWOT Conclusion

Several fixed and variable assets are needed to start a micro bakery. However, necessary assets differ according to the products that will be produced in the bakery. The loan amount is highest, €684, when buns are being made. The most expensive asset in this loan is the oven. The price of an oven accounts for 65% of the total loan. Since electrical or gas ovens do not function in rural area's, the oven needs to be locally made and placed. As a result, it is very difficult to repossess the oven in case of default. Which makes the oven besides expensive also a threat.



In case of mandazi/donut/chapatti making, an oven is not needed. Instead, a local stove + frying pan is enough. This results in remarkably lower loan amounts. Besides, these assets are easy to repossess in case of default. This is a strength of these loans.

When looking at the variable ingredients, it appears that buns need yeast to raise. Officially, mandazi's and donuts need yeast as well, but since this ingredient is hard to get in rural area's, local bakers add additional baking powder instead. This is another weakness for the buns loan whereas it is an strength for the other products.

A strength for the loan that includes production of mandazi's and chapatti's together, is the diversity in supply that can be provided to potential clients. In this way, the baker is not reliant on one product only. Earlier in the research it turned out that both products were highly favored. Since it is easy to produce both products at a day, this is an opportunity.

Two repayment schemes are presented below. The loan amount is based upon the loan calculation for mandazi's and chapatti's together. In the first scheme, repayments are equal throughout the time. No room is offered for financially difficult months or a grace period. The second scheme presents a repayment scheme which indeed considers the effective demand of people in Mbale. A same repayment scheme can be made for people in Mukono and Jinja.

1st month (installment)	35000
2nd month (installment)	35000
3rd month (installment)	35000
4th month (installment)	35000
5th month (installment)	35000
6th month (installment)	35000
7th month (installment)	35000
8th month (installment)	35000
9th month (installment)	35000
10th month (installment)	35000
11th month (installment)	35000
12th month (installment)	35000
Total repayment	420000

Table 14: General repayment schedule

January (installment)	20000
February (installment)	10000
March (installment)	15000
April (installment)	10000



May (installment)	15000
June (installment)	20000
July (installment)	20000
August (installment)	50000
September (installment)	50000
October (installment)	70000
November (installment)	70000
December (installment)	70000
Total repayment	420000

Table 15: Repayment schedule Mbale



IX. FINANCIAL; APPROPRIATE LOAN REPAYMENT CONDITIONS

Whereas much literature about loan repayment conditions is available, most of it focuses on the microfinance institution perspective. In this research, it is the client that is the centre of attention. To finish the financial context with, this final chapter therefore deals with the appropriate loan repayment conditions from a demand side perspective.

Sample Design

In order to test appropriate repayment conditions from a client viewpoint, three geographical groups of 40 microfinance clients were used. Besides, I divided each group into 20 experienced and 20 inexperienced clients. The criterion for experienced clients was that they were dealing with loans and/or loan cycles for over 4 years. Inexperienced clients were those who were involved with loans and/or loan cycles for less than 4 year. By using and comparing these two groups, a possible bias was eliminated. With help of the Centenary Bank, respondents could be individually questioned inside their local offices. In this way, it was possible to reach respondents from a wide range of different villages.

Data Gathering

As has been written in the research methodology, I developed an in-depth questionnaire as to explore appropriate loan repayment conditions from a client perspective. In line with the initial interviews results with MicroSave experts as well as microfinance issues that arose from the contextual background, the following topics have been covered in the questionnaire: the frequency of repayment, the availability of a grace period, the structure of the loan (group or individual) and training. First of all I asked the respondents to fill in their names themselves. Thereafter, I continued to fill in the questionnaire by asking and explaining the questions to the respondent. After the interview was completed, I gave a pen to the respondent. The pictures below show the setting in which the interviews took place.





Frequency of Repayment

One important repayment condition is the frequency of repayment. According to the experts, the majority of people favors monthly repayments. For example Solomon Winky says:

‘Weekly repayments has been the most used system for a long time. However, people find it difficult to pay weekly. When people need to pay weekly, the money hasn’t been in the business long enough to generate money.’

Respondents have been questioned to their current frequency of repayment and their favourite frequency of repayments. The tables below show the results.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	weekly	3	2,5	2,5
	monthly	112	93,3	95,8
	quarterly	3	2,5	98,3
	other	2	1,7	100,0
	Total	120	100,0	N=120

Table 16: Current frequency of repayment

		Experience of client		Total
		experienced	inexperienced	
Favourite frequency of repayment	weekly	4	4	8
	monthly	52	53	105
	quarterly	1	1	2
	other	3	2	5
Total		60	60	N=120

Table 17: Favourite frequency of repayment

The majority of the respondents (93,3%) currently repays in monthly instalments. Besides, this is as well the favourite frequency of repayment for the majority of respondents. Hereby no difference arise between experienced and inexperienced respondents. Arguments that were given in favour of monthly repayments are multiple. Various people sell products or services on credit and receive money during the last week of the month. In addition, several people are dependent on monthly paid salaries. For these people it is impossible to repay weekly. Others argue that monthly repayments are best to account for. When cashflows are below expectation in week 1, there are 3 weeks left to work towards a better cash position. Weekly repayments give pressure and are undoable for the majority of people.

From the 8 people who favour weekly repayments, two borrow for construction purposes and six borrow for business purposes. Due to their high cash inflows they prefer to repay the loan as fast as possible so that new loans can be obtained.



Grace Period

Both respondents and experts recognize the importance of a grace period for a start up loan. A grace period enables the borrowers to organize the new business and to earn and reinvest some money before repayments start. Without grace period, the start of a new business becomes very hard. This is also in accordance with the view of experts. For example Peter Mukwana says:

'When people start up a new business they need some time to look at the market and time to market their product.'

The table below shows the proper length of a grace period according to the respondents.

Experience of respondent	Mean	N	Std. Deviation	Median
experienced	8,93	60	2,667	8,00
inexperienced	9,97	60	4,318	8,00
Total	9,45	120	3,611	8,00

Table 18: Proper grace period length in weeks according to respondent

There is a difference of roughly 1 week in the mean between experienced and inexperienced respondents. However, the median is equal. Of all respondents, 55% assumes a proper grace period to be 8 weeks. The minimum number of weeks reported was 4 and maximum was 24 weeks.

Loan Structure

A third important discussion is about the structure of the loan. According to the experts, MFI's favour group structure loans. This is due to the fact that this brings more security with it. The other people of the group in fact serve as a kind of collateral. The tables below show the results from the questionnaires.

		Experience of client		Total
		experienced	inexperienced	
Like group loan to start business	no	44	37	81
	yes	16	23	39
Total		60	60	N=120

Table 19: Liking of a group loan to start business

		Experience of client		Total
		experienced	inexperienced	
Like individual loan to start business	no	2	6	8
	yes	58	54	112
Total		60	60	N=120

**Table 20: Liking of an individual loan to start business**

		Experience of client		Total
		experienced	inexperienced	
Loan preference	individual	54	50	104
	group	6	9	15
	other	0	1	1
Total		60	60	N=120

Table 21: Loan structure preference to start business

Apparently, this data shows conflicting results with the opinion of MFI's. Only 32,5% of the respondents likes a group loan. Furthermore, only 12,5% of the respondents favors a group loan above an individual loan. Some reasons that were given in favor of an individual loan are:

'A group loan is bad since others might not be willing to pay back the loan.'

'The advantage of an individual loan is that you are not pressured by the rest, you time yourself.'

'In groups you don't understand other people's character, you become responsible for other peoples weaknesses.'

'I don't like group loans because when somebody defaults, you are immediately affected.'

Reasons that were given in favor of a group loan are:

'When you get in difficulties, it is necessary to be helped.'

'People should not have loans alone, it is always better to do it together.'

It is furthermore interesting to examine whether the geographical area has an influence on the results of this question. Especially because one of the experts stated the following:

Edward Kijaga: 'In rural area's people work more in groups whereas urban people prefer to work individually.'

		Respondent district			Total
		Mukono	Jinja	Mbale	
Like group loan to start business	no	31	30	20	81
	yes	9	10	20	39
Total		40	40	40	N=120

Table 21: Liking of a group loan to start business per district



		Respondent district			Total
		Mukono	Jinja	Mbale	
Like individual loan to start business	no	1	5	2	8
	yes	39	35	38	112
Total		40	40	40	N=120

Table 22: Liking of an individual loan to start business per district

It is interesting to see that there seems to be a relationship between the district where the respondent lives and the answers to this question. In Mukono, the district most close to Kampala, only 9 people liked a group loan. In Jinja, a more industrial focused district, only 10 people liked a group loan. But in Mbale, a district almost completely centered at agriculture, half of the people liked group loans.

Training

Another important subject in the questionnaires was training. According to literature, training is important when start-up loans are provided. Also the experts were convinced of the importance of training.

Peter Mukwana: 'Training people is key for succession of the program.'

For this research a distinction between two types of training was made. This distinction was clarified in the questionnaire by the following definitions:

'Training in the business subject means that you are trained how to operate your new business. For example, you'll be trained which raw materials you need in order to produce bread, how to produce bread and how to market your products'.

'Training in loan management means that you are trained how to account for your income and expenditures and how to manage your financial situation.'

Each of the respondents was asked whether they considered this kind of training to be important and whether they would be interested to get this kind of training. The tables below show the results.

		Is business subject training important?		Total
		no	yes	
Respondent district	Mukono	1	39	40
	Jinja	0	40	40
	Mbale	0	40	40
Total		1	119	N=120

Table 23: Importance of business subject training



		Is loan management training important?		Total
		no	yes	
Respondent district	Mukono	2	38	40
	Jinja	0	40	40
	Mbale	0	40	40
Total		2	118	N=120

Table 24: Importance of loan management training

Almost all respondents agreed upon the importance of training in both subjects. However, a difference between the importance of training and the interest in training originated. Not all respondents were actually interested in training. Still 90% would be interested in business subject training. But no more than 77,5% would be interested in loan management. The table below shows that it are especially experienced people that have less interest in loan training.

		Experience of client		Total
		experienced	inexperienced	
Would you be interested in business subject training?	no	6	6	12
	yes	54	54	108
Total		60	60	N=120

Table 25: Interest in business subject training * Experience of client Cross tabulation

		Experience of client		Total
		experienced	inexperienced	
Would you be interested in loan management training?	no	20	7	27
	yes	40	53	93
Total		60	60	N=120

Table 26: Interest in loan management training * Experience of client Cross tabulation

Chapter SWOT Conclusion

The majority of respondents currently repays in monthly instalments. Besides, it appears that monthly repayments are favoured by the large majority of respondents as well. Furthermore, this frequency of repayment is in line with the opinion of experts as well. Monthly repayments are therefore a strength.

Both the experts as well as the respondents agreed upon the fact that a grace period of circa two months is needed to get used to the market and vice versa. Although a grace period with a proper length is important, this period presents a threat to Bake for Life. When a test period of 2 months is given to the participants, it might be possible that people assume that the loan is instead a gift.



The fact that only 12,5% of the respondents favors a group loan above an individual loan is striking. The arguments that are presented by the respondents are multiple, but individual loans are a threat for Bake for Life. The chance of non-payment is bigger since there is no back-up from other people in the case of default.

It is good as well as important to see that training is highly valued. It is obvious that people want training in business subject knowledge as well as loan management issues. This is an opportunity for Bake for Life. When participants are engaged into a training program, they probably present better results later. Training as part of the project would be a strength.

Another repayment scheme is presented for the loan calculation of mandazi's and chapatti's together. However, in this scheme, a grace period of two months is included.

1st month (grace period)	5000
2nd month (grace period)	5000
3rd month (installment)	41000
4th month (installment)	41000
5th month (installment)	41000
6th month (installment)	41000
7th month (installment)	41000
8th month (installment)	41000
9th month (installment)	41000
10th month (installment)	41000
11th month (installment)	41000
12th month (installment)	41000
Total repayment	420000

Table 27: General repayment schedule including a grace period

January (installment)	5000
February (installment)	5000
March (installment)	15000
April (installment)	10000
May (installment)	15000
June (installment)	20000
July (installment)	20000
August (installment)	50000
September (installment)	50000
October (installment)	70000
November (installment)	75000
December (installment)	85000
Total repayment	420000

Table 28: Repayment schedule Mbale including a grace period



X. CONCLUSIONS

This chapter adds together all information that is presented throughout the dissertation. During the research I made use of three sub questions and multiple sub sub questions in order to acquire sufficient data. Throughout the dissertation I presented several chapter SWOT conclusions to summarize the data. In this chapter I interpret all of these data as to arrive at a conclusion to the main research question. First of all, the main research question is repeated:

Using the LED framework, how should Bake for Life organize their microfinance initiative from a demand-side perspective?

Stakeholder Context

Four important stakeholders have been mentioned in chapter III. When organizing a project from far away, I believe it is of utmost importance that trust between two parties is in place. According to the various conversations that I had with the management of The Breadshop, it seemed to me that they were mainly interested in collaboration for their own benefit. Therefore, they do not fulfil the important condition of trust.

In contrast, the Little Sisters is a party that collaborates with Bake for Life for almost 4 years. Both parties have knowledge about each other. Although they generally show a low level of professionalism, they are very reliable and they work hard. Furthermore, their affinity with bakeries is a plus. The Little Sisters is a good stakeholder to continue collaborating with. However, to protect their attention to current projects, at least one other stakeholder should be involved as well.

An ideal stakeholder for the realization of this project would be Caritas. Their strong network and high level of professionalism provide significant strengths. The compensation they require is reasonable as it is based upon direct costs that are made. Furthermore, Caritas works from a humanitarian viewpoint which illustrates trust. When Bake for Life wants to implement the project throughout rural areas in Uganda, it is necessary to have a partner who takes care of evaluation and monitoring activities. Since the Little Sisters have less resources to do so, Caritas would be the perfect partner for this purpose.

A stakeholder that is of less importance to Bake for Life is MicroSave. Their strength is the knowledge they possess and their possibility to conduct future research. However, they charge commercial fees and there is no direct task that can be fulfilled by this party. I believe that continuous collaboration with a knowledge centre like MicroSave is no necessary condition for succession of the intended project. Whenever future research is necessary, Bake for Life can get in touch with MicroSave.



Operational Context

District economy data shows that demographic, economic and hard infrastructure conditions are quite similar amongst the three districts. The use of firewood as main mode of electricity is just right since firewood is very well available in rural areas. This facilitates the bakers in their production process. I believe that the strength of firewood use exceeds the future threat of low availability and environmental problems. Electrical ovens are more expensive to buy and their functionality is less due to the low availability of electricity in rural areas.

One of the conditions that is more than indispensable for the bakers is availability of water. Water is needed to prepare the dough as well for cleaning purposes. For succession of the project care should be taken that micro bakeries are initiated only within reach of water sources.

Results from the market for bread data show that especially buns, mandazi's and chapatti's are regarded as good products to sell. The high price of cake and cookies was a disadvantage for people to buy these products. Bread loafs and donuts were simply disliked. When the data from this chapter is combined with recipe data and data from the loan amount chapter, interesting conclusions can be drawn. This is done in the following paragraph.

Financial Context

When comparing in- and outgoing cashflows of households, it can be seen that these cashflows lie close to each other in each of the districts. People in Mbale have the lowest expenses. In fact, they are able to save circa 50,000 Shs. monthly. Households in Jinja have the highest expenditures. According to the data, they lose circa 5,000 Shs every month. Households in Mukono break even. Whereas average monthly expenditures are 350,000 Shs, their monthly income is at the same level. Although they are not able to save money, they do not lose money either. Concluding from this information, Mbale has the strongest debt capacity position which is a strong strength for Bake for Life since it reduces the risk of non-payment. In turn, cashflows in Jinja show the weakest pattern.

From this information it results that especially people in Mbale show the most realistic effective demand. This is due to their good cash position. However, they also show the highest demand for credit over time. The latter is lowest for households in Jinja. But in turn these households show the worst cash position. Households in Mukono are average in both respects. When a repayment schedule is designed and monthly debt capacity is taken into account, each district will end up with a different schedule.

People who start the project just before or during financially difficult months such as January, May and September might face difficulties in paying back. This provides a threat to Bake for Life. That is



why I think that it should be avoided that people start with the project during one of these months. Appropriate months to start with the project are March, April, May and June for Mukono, March, April, July and August for Jinja, and June, October and November for Mbale.

Next, I believe that production of buns should be avoided in this project. This is due to the high loan amount and the impossibility to repossess the equipment in case of default. Although buns are valued by the people as well, the loan amount for production of buns is both high and risky. As has been said earlier in the report, the loan of bun making involves a fixed oven. This asset is both expensive as difficult to repossess in case of default. This is a strong disadvantage of the loan for bun production.

In addition, the low availability of yeast might bring difficulties for the production of buns. This is a weakness that is difficult to improve. Mandazi's were considered good products to sell and they are easy to make without yeast. And although chapatti's are yet readily available, people still consider chapatti's a good product to sell, moreover, chapatti's provide the highest profit margin. These are all strengths that are very important.

According to me, joint production of mandazi's and chapatti's is best to start with so that production becomes a little more diversified. Besides, the loan amount turns out to be fairly lower than is the case of mandazi production only.

Results from the questionnaires with microfinance clients show that monthly repayments are favored by the large majority of people. Furthermore, a grace period of 8 weeks was regarded essential for succession of the business. According to me, these two conditions can be applied by Bake for Life without difficulty. However, results from the supply side need to be taken into account as well. Since the production cycle of the proposed bakery products for this project is several hours only, this matter does not have a big influence on the proper length of a grace period.

Another issue that needs further elaboration from the supply side research is the loan structure that is chosen for the project. From the questionnaire data it results that individual loans are favored by clients, however, I believe it is difficult to organize the conditions that enable a successful individual loan structure. Individual loans present a high threat to Bake for Life since the chance of non-payment increases.

A final important aspect of the project is training. Training was regarded important by all respondents. And although experienced people were a little less interested in loan management training, I believe that Bake for life should provide training in both subjects to all participants of the project. It is highly important that all bakers know how to perform basic calculations.



RECOMMENDATIONS TO BAKE FOR LIFE

Based on findings and conclusions of previous chapters, I developed a proposal for the micro baking project. The name of it is; Baking a Difference. This proposal contains numerous recommendations to Bake for Life and seeks to address all important issues that relate to the LED framework; stakeholder collaboration, environmental influences, and continuous evaluation and monitoring. In fact this chapter entails the third and fourth stage of the LED framework. I translated the answers to all sub questions into a solution for Bake for Life. This proposal is ready to be implemented.

First of all, I believe that the Little Sisters and Caritas are the two stakeholders that should be involved in this project. However, whereas the Little Sisters have been the main partner during earlier projects of Bake for Life, I believe that it is important that they continue their focus on the construction of medium to large-scale bakeries. This is their strength and this is where they have gained a lot of knowledge during the past 4 years. Currently, Bake for Life is again undertaking new plans for construction of large-scale bakeries in collaboration with the Little Sisters. It is important that the Little Sisters are able to pay enough attention to these projects and that is why I want to recommend to involve another stakeholder for 'Baking a Difference'.

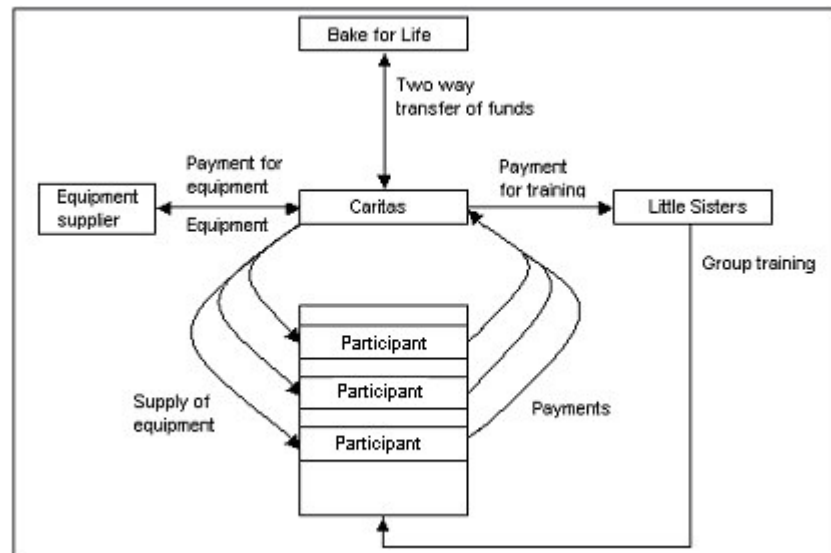
The reasons to choose Caritas as a partner are multiple. First of all, their humanitarian viewpoint and professional way of working are of high value. When Bake for Life wants to implement 'Baking a Difference' throughout rural areas in Uganda, it is necessary to have a partnership with a trustful organization that is able to take care of evaluation and monitoring activities. Caritas is spread throughout the whole of Uganda which is an important strength. Furthermore, I believe that the amount of money that Caritas charges to Bake for Life is very reasonable. Only direct costs such as petrol are taken into account.

Again, I believe that together with these two stakeholders, 'Baking a Difference' can be brought to a success. Next, it is important that expectations between all parties are equal. Therefore, Caritas and I developed a memorandum of understanding between Bake for Life and Caritas for this project. This memorandum can be found in Appendix C. A memorandum of understanding between the Little Sisters and Bake for Life was already in place due to former collaboration.

In the following of this chapter I present a concept plan for collaboration between the different stakeholders. Besides thorough analyses of all conditions, stakeholders work together in a way that ensures their strengths to be optimally used and their weaknesses to be reduced. As I wrote above, it is important that the Little Sisters have enough time to focus upon the construction of medium to large-



scale bakeries. After multiple interviews between all stakeholders, the following figure has been agreed upon but is still subject to change.



As can be noticed in the figure above, Caritas is in the centre of the plan. For this project, I advise that direct transfer of funds takes place between Bake for Life and Caritas in favour of ‘Baking a Difference’. Bake for Life collects money in The Netherlands and in turn transfers it to their private account at Caritas. Transfer of money between The Netherlands and Uganda costs circa €10. The advantage of a private account at Caritas is that transfer of money by Bake for Life (which are relatively large sums of money) can occur whenever money is needed by Caritas. In turn, deposits by Caritas (which are relatively small amounts of money) can occur at any time. Since no costs appear for the deposits when this is within the borders of Uganda this presents a cost efficient situation.

Caritas selects the participants and communicates their personal characteristics to Bake for Life. Whenever appropriate participants are found, they should be send to the Little Sisters in Nkokonjeru where training can be provided. The Little Sisters are the best party to provide training since they possess all necessary knowledge and resources. I recommend to send more participants for training at a time so that costs can be reduced. This was also a preference of the Little Sisters.

For this first project I advice Bake for Life to start with production of mandazi’s and chapatti’s since these products are profitable, wanted by people and easy to make. Together with the Little Sisters I developed a 5-day-training program where participants learn how to manufacture mandazi’s and chapatti’s in a local way. That means by using firewood instead of electricity and using measuring cups instead of weighing scales. Furthermore, during the training days in Nkokonjeru, the participants



receive food and a place to sleep. In favour of this training Caritas should transfer 150,000 Shs per participant to the bank account of the Little Sisters. It is again cost efficient when Caritas transfers this money from the private account of 'Baking a Difference' to the account of the Little Sisters.

After the participants are trained, it is advisable to require all participants to take part in a loan management training. Since knowledge of basis accountancy calculations can not be assumed to be present, I believe it is important that a loan management training is also part of the project. This training can be provided by Caritas. Together with Caritas I developed a accountancy program that has a duration of 5 weeks, one day per week. After completion of this second training, the loan period starts. I recommend that Caritas purchases and distributes the needed equipment and ingredients.

The participant can now start producing. I advice that Caritas employees visit the lessee every two weeks for the duration of two months as to keep informed about problems and progress. These two months account as a grace period in which the lessee does not have to start his or her installment repayments. However, I recommend that a small fee during this grace period is requested from the participant as to ensure that the he or she does not consider the equipment as a gift. These fees will be relatively low compared to later months, but this formalization of the loan repayment period plays a symbolic role for both the lessee and Bake for Life. After the grace period, official repayment of instalments begin. I think that it is best to arrange this repayments on a monthly equal basis as can be seen in table 27. If the cashflows of each participant are taken into account, a new schedule needs to be made for every participants. According to the debt capacity research that I performed, I believe that almost all people have enough ability to pay equal instalments per month. The majority of people is very well able to anticipate on financially difficult months by saving money during previous months.

After the grace period, the participant should be monthly visited by the monitor of the project. This monitor discusses the difficulties and progress of project and communicates this to the other stakeholders if necessary. Furthermore he/she needs to collect the repayments which in turn will be deposited on the private account of Bake for Life. Throughout the year, it is important that Caritas, Bake for Life and the Little Sisters are involved in continuous communication so that strengths, weaknesses, opportunities and treats are openly discussed with each other. I believe that communication is one of the key words for successful stakeholder collaboration.



XIII. DISCUSSION

In this last chapter, the results and methodology of this study will be discussed and some suggestions for further research will be given. In this dissertation, the LED framework was used to provide structure to the research. First of all I present several comments on the use of this framework.

The LED framework starts with the identification of important stakeholders. To my opinion this is a good starting point for a research. However, in a completely unknown environment, identification of important stakeholders is difficult. Especially in a country that is quite corrupt. For example, some potential stakeholders were definitely not interested in working together for the purpose of improving quality of life for all. Instead, they were focusing on their own good. This brought quite some difficulties with it. This opinion is shared by several other scholars as well. For example Pritchett and Woolcock (in Cunningham and Meyer-Stamer, 2005) point out that ‘the implementation of development programmes in developing countries has for decades been based on the assumption that government consists of highly professional, competent and ethical Weberian bureaucracies, which much more often than not is an unrealistic assumption’.

The second step of the framework was to identify and analyse the local economy. I found this step a very useful one. Before going to Uganda, I already had some thoughts about the results that I would find during my research. Since I had been in African countries some times before, I thought that I could envision somehow what would be the best design of this microfinance project. However, it turned out that exploring the environment was of utmost importance! Whereas the initial idea was based upon the production of bread in small bakeries with an oven, it turned out that chapatti’s and mandazi’s were better products to start with. Furthermore, the determination of effective demand made clear that people have different kinds of survival mechanisms.

By making use of the LED framework I was focused on the environment all the time. In fact, I find the LED framework quite transaction intensive. The research involved continuous communication and negotiation between various stakeholders and the environment. However, I do believe that this approach is one that finally delivers a sustainable result. And I am very proud to tell that stage 4 of the framework; implementing the strategy, is already begun. Two weeks ago the first two participants were given a training in Nkokonjeru. These two women will function as a pilot for Bake for Life to see whether the proposed project design is a good one. Stage 5 of the frame work, the reviewing of the developed LED strategy could not be included in this research due to the short timeframe.

All together, I really enjoyed my research in Uganda. Although it was far from easy, I truly learned a lot and I met amazing people who showed me a way of life that I had not experienced before. I hope that you, the reader, also enjoyed this journey through my dissertation.



Limitations

As with all research, there are limitations to the interpretation of the results. The following is a discussion of these issues. Since the case study is explorative and to some extent subjective, generalizability is quite low. Doing research in rural areas of Uganda is far from easy and cooperation of people is not always guaranteed. Furthermore, local languages and cultural differences occasionally provide difficulties. By using multiple translators, people from different local tribes have been reached. However, purposive sampling was used to select units of research and a big amount of people has not been reached. This makes generalization difficult. However, according to the microfinance experts as well as the Little Sisters, the three chosen districts form a relatively good representation for Southern Uganda.

Although the questionnaires were pilot tested prior to usage, contradictory understanding of questions could have influenced the response to some questions. This has been limited by as much as possible by making use of two interviewers. However, in certain circumstances the presence of a translator was necessary. This was especially the case when participatory research methods were used.

Suggestions for Further Research

Resulting from this study that took place in Uganda, multiple ideas developed for further research. Some of these ideas will be presented in this paragraph. Since this research took place in three districts of Uganda only, it would be interesting to see how the results would differ for the same research in other geographic settings. Such as other districts in Uganda or other countries in Africa.

Then, there is something else which is very interesting for further exploration. Since this study concluded upon mandazi's and chapatti's to be the products to start with, further research could be done to see how the project should be designed in case of a second phase. When the lessees have satisfied the requirements of repayment, they might be willing to engage in another loan as to produce buns. This involves another research to the optimal design of this second phase. What kind of oven is best to use? How and where should the training take place? Etc.

What would be very important to research too, are possibilities for hedging. Since Bake for Life transfers the loan amount at the beginning of the period and lessees pay back a fixed amount of money every month, a risk exists that Bake for Life loses money. The exchange rate of Ugandan Shillings is far from stable and although the project starts small, in the future there might be huge amounts of money involved.



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