Donor Collaboration and Transparency: Standardized Donor Reporting in Uganda

by Ann Duval

This case study describes how 15 very different donor agencies worked in concert with local microfinance institutions (MFIs) to develop a joint reporting format in Uganda.

Overview

Between 2000 and 2003, microfinance donors in Uganda—including the African Development Bank (AfDB), the European Union (EU), the Norwegian Agency for Development Cooperation (NORAD), the U.K. Department of International Development (DFID), and the U.S. Agency for International Development (USAID)—created a reporting tool that is now used by all donors in the country. The Performance Monitoring Tool (PMT) went into official use in March 2003.

The purpose of the PMT is to reduce the administrative burden on MFIs created by multiple donor reporting formats. An additional purpose for donors is to apply good microfinance practice in tracking the performance of their MFI partners. The jointly developed tool is proof of the donor agencies’ commitment to improving the transparency and accountability of their microfinance operations. Their successful collaboration illustrates the benefits of in-country donor coordination and harmonization for all stakeholders in the sector.

Creating One Reporting Tool

A Collaborative Process. Initial steps to address the problem of multiple reporting requirements were undertaken by the Support to Feasible Financial Institutions and Capacity Building Efforts (SUFFICE) project, jointly funded by the EU and the government of Uganda. In June 2000, SUFFICE staff circulated a concept paper on uniform performance indicators and reporting standards for the microfinance sector. A collaborative track record these donors share. The abundance of donors in Uganda has, however, contributed to a major problem: onerous donor reporting requirements.

By early 2000, discussions throughout the industry produced a consensus that Ugandan MFIs were spending too much time providing similar information to different donors in different formats. As a result, institutional management suffered.

The Problem of Multiple Donor Report Formats

“This is a donor-rich country and many of the larger MFIs have multiple grants, loans, or guarantees. As a former implementer, I know it . . . becomes a burden to fill out multiple reports, with similar (but not identical) data.”

Paul Rippey, Grants Investment Manager, DFID Financial Sector Deepening Uganda Project

“The idea of developing a joint reporting tool came about after the realization that MFIs were spending inordinate amounts of time and effort reporting in many different formats to the various donors. Chiefly, we were trying to become better business partners to our MFIs.”

Lene Hansen, Programme Manager, SUFFICE Project (funded by the EU and the Ugandan government)
format, all parties agreed on a simple, democratic approach: any information or indicator required by at least three donors or other stakeholders would be included in the PMT. SUFFICE developed a standard narrative reporting format to accompany the financial report format finalized by SPEED.

**The Performance Monitoring Tool.** In August 2002, the majority of donors approved the draft spreadsheet for initial use. A final draft of the tool was then tested with a few MFIs in November 2002, and the results presented to donors for comments. After incorporating final donor and MFI input, SPEED contracted a local company, Infomatics Ltd., to package the tool on a CD-ROM.

The PMT focuses on institutional performance rather than project-specific tracking of donor funds. Its purpose is to produce a quarterly report that adheres to accepted good practice in microfinance, which can be submitted to all donors. The five-page report includes selected items from an MFI’s financial statements, detailed portfolio information, and 38 key strategic and performance indicators. The latter include indicators on profitability, liquidity, portfolio quality, operating efficiency, loan-officer productivity, capital ratios, and outreach. This quantitative data is supplemented by qualitative information in the narrative report.

The PMT is easy to install, use, and understand. It looks and operates like Microsoft Excel (making it user-friendly), but is written in Visual Basic to protect the integrity of the formulas. The tool is available on a CD which contains the setup files needed to install it on a computer, an extensive glossary, plus the narrative reporting guide and template. A written User’s Guide and a complete help function within the PMT provide clear instructions.

MFIs input their financial and operational data on either a monthly or quarterly basis, including a detailed balance sheet, income statement, and key portfolio and savings information. After inputting data, MFIs generate a report by clicking a tab. Advanced users can create their own customized reports.

A series of safeguards in the PMT ensures the integrity of the data entered by MFI staff. MFIs and donors alike can be confident that a PMT report reflects exactly the data that was entered; the report cannot be altered. At the data-input stage, the PMT allows an MFI to control and track when data was entered and by whom.

While an MFI can work with the input files as long as necessary, once the PMT generates a report, no further input is allowed. Of course, the process assumes that the information system and staff of an MFI are able to accurately generate and input the requisite numbers.

CD-ROM jacket cover for MFI Performance Monitoring Tool 2003, featuring the logos of all donors and donor-funded projects that use the tool.

**Testing and Deploying the PMT.** In February 2003, SPEED tested the new reporting tool with 18 MFIs of varying size and maturity. After some final adjustments, the PMT was distributed to all stakeholders in the Uganda microfinance sector. Two training workshops were subsequently held on the tool, one with 20 MFIs in March 2003 and another in April with all donor representatives. The latter workshop helped to build greater donor awareness of the financial management needs of MFIs and the importance of dovetailing donor and MFI requirements.

In order to provide ongoing technical support to MFIs, SPEED trained the staff of the Association of Micro Finance Institutions in Uganda (AMFIU) on the tool. The PMT now has a permanent local home, ensuring that the tool will continue to serve transparency in the microfinance industry at it grows and matures in the country.

As of March 31, 2003, MFIs started to use the PMT to report their first-quarter results. It is anticipated that all MFIs with an adequate information system will use the reporting tool at the end of June 2003.
Keys to Successful Donor Coordination

Supportive Environment. Donors operating in Uganda have consistently coordinated their efforts. In 2000, members of the Private Sector Donor Sub-Group on Microfinance (PSDSG) came together to reach consensus on a vision for the microfinance industry in the country. (The sub-group is part of the Private Sector Donor Group, a working group that enables donors to coordinate efforts, share information, and discuss strategies to improve the impact of their programs in Uganda.) One result of coordination in microfinance was the Principles for Donor Support to Uganda’s Microfinance Industry, published in October 2001 with the endorsement of 13 donors.

In addition to a high level of donor coordination, the Ugandan microfinance industry enjoys a supportive legal and regulatory environment. In 2002, the Ugandan parliament passed microfinance legislation instituting a framework for licensing, regulating, and supervising deposit-taking institutions. Not only has the government created a supportive policy framework, it has the political will to “do things right.” The government, in fact, chairs the Microfinance Forum, an industry group that regularly brings together government agencies, donors, and practitioners to share information and discuss current issues in microfinance. This history of cooperation and communication among informed stakeholders helped the reporting initiative to succeed.

Donor Coordination. Among donor staff in Uganda, several were microfinance specialists and several were specifically tasked with donor coordination. The reporting format was developed with their active joint participation.

“The PMT has simplified our work; you just feed in the raw data and it produces the profit and loss, balance sheet, ratios, and other summary reports. We are now using the tool for management and reporting to the board, since it is more elaborate than our previous reports. Also, we can [now] measure our position in the industry in Uganda, since it is easy to get comparable data from AMFIU on all our competitors.”

Lene Hansen, Programme Manager, SUFFICE

Consensus among Stakeholders. More than 30 industry stakeholders in Uganda actively participated in the initiative to create a standard performance reporting tool. The donor community ensured that individual MFIs, AMFIU, and the government participated in the process and continuously exchanged information. The donors themselves also met and exchanged comments regularly, taking the time to review the various drafts of both the concept paper and the tool itself.

Project Champion. The initiative moved quickly from the concept phase to a finished product due to the support of a project champion. Joanna Ledgerwood, the SPEED Microfinance Advisor, volunteered to coordinate the PMT development process. “To achieve agreement on something like this,” she notes, “you really need a champion who is able to communicate with and understand the needs of the donors, the practitioners, and other stakeholders.” She adds, “It is less important who did the work to make it happen—rather, [it was] the willingness of donors to see the value [in the PMT project] and seek approval that was key.”

Paul Rippey of DFID confirms the importance of the individual coordinating role. “The main factor was that Joanna took it over and made it happen. There was actually quite an investment in time on her part and [that of] SPEED in designing the [tool] and then training the MFIs in its use. This sort of thing absolutely needs a champion—it would have been impossible to do sitting around a table.”

Who Benefits from Donor Coordination?

Microfinance Institutions. Because the PMT will significantly reduce time spent on reporting to donors MFI managers are expected to have more time to focus on the strategic and operational direction of their organizations. The reports created by the PMT are also expected to help MFIs manage themselves better by tracking a comprehensive set of institutional results, trends, and indicators. Although the...
initial intent was to simplify donor reporting, the PMT can be used to answer internal MFI needs: many MFIs in Uganda are starting to use it for board reports, senior management meetings, and asset-liability management meetings.

The Microfinance Industry. Building understanding and acceptance of indicators was a critical part of the PMT development process.

The establishment of the standard donor reporting format coincided with an AMFIU initiative to develop a performance monitoring system for its MFI members, allowing AMFIU to use the PMT as the input for its central database. The organization will use this database to provide feedback to member MFIs on how they perform against peer-group averages. The new system has paved the way for AMFIU to set local standards and benchmarks for the industry. In addition to serving as the key input to a national database, the PMT is also expected to assist non-regulated MFIs to adhere to the self-regulation requirements of the Bank of Uganda.

Donors. Donors in Uganda will now receive more consistent information from MFIs. The reports generated by the PMT meet international reporting guidelines and provide the comprehensive institutional information that donors need to understand and evaluate MFI performance. Donors will be able to use the PMT to help improve MFI management through joint review of commonly understood trends and indicators. Finally, each donor will see the same complete picture of any funds received and spent by an MFI—data not always included in donor-specific reports.

Clients. Because the PMT will help MFIs become more efficient, the clients of Ugandan MFIs are expected to reap the rewards of MFIs that are more efficiently managed, and thus more secure.

Conclusion

The Performance Monitoring Tool solved an onerous operational problem for MFIs in Uganda while simultaneously applying good practice to donor monitoring. The involvement of key stakeholders in the development process ensured the tool’s rapid adoption, including by the national MFI association. Serious donor efforts to coordinate on strategy and policy in Uganda preceded the development of the joint reporting format, providing an example of the progressive benefits of in-country donor coordination.

The success of the collaborative effort on the PMT is one example of the growing movement to standardize MFI reporting. Such country-level initiatives are a natural input for the work of The MIX Market, which is seeking to standardize MFI reporting throughout the industry.

References


Contacts and Websites

Uganda Private Sector Donor Group: www.private-sector.org
SPEED contact on the PMT: Joanna Ledgerwood - jledgerwood@speeduganda.org
Infomatics, Ltd.: www.informaticsltd.com
The MIX Market: www.mixmarket.org

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