

A central image shows a hand holding a glowing lightbulb, symbolizing an idea or innovation. The background is a blurred image of a person's face, and the entire scene is framed by a large, stylized blue and yellow shape that resembles a drop or a wave.

**MID-TERM EVALUATION OF
FRANCISCAN INVESTMENT
COOPERATIVE SOCIETY (FIC)
STRATEGIC PLAN 2022-2026
FINAL REPORT**

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RADIX MANAGEMENTCONSULTING (U) LTD, KAMPALA -NTINDA -UGANDA

Contents

LIST OF FIGURES.....	2
LIST OF TABLES.....	2
LIST OF ACRONYMS.....	3
EXECUTIVE SUMMARY	4
1. 1 Introduction.....	7
1.2. Objectives and Key Results areas of SP.....	7
1.3. Objectives of the MTR.....	9
1.4. Scope of the MTR.....	9
CHAPTER TWO: APPROACH AND METHODOLOGY	10
2.1. Approach.....	10
2.2. Evaluation Phases.....	10
2.3. Data Collection Methods.....	10
2.4. Sampling Strategy.....	11
2.5. Data analysis.....	11
2.6. Limitations of the study.....	11
CHAPTER THREE: EVALUATION FINDINGS.	12
3.1. Progress on KRA 1: Growing quality membership.....	12
3.2. Progress on KRA 2: Savings portfolio performance.....	14
3.3. Progress on KRA 3: Loan Portfolio Performance.....	17
3.5. Progress on KRA 4: Business growth.....	21
3.6. Progress on KRA 5: Equity performance.....	24
3.7. Progress on KRA6: Leadership and management systems performance.....	26
3.7. Overall financial performance at the mid-term level of SP.....	29
3.8. Emerging trends.....	30
3.9. Analysis of FIC's adherence to the SWOT matrix.....	32
CHAPTER FOUR: CHALLENGES, LESSONS AND BEST PRACTICES	33
4.1. Key Challenges.....	33
4.2. Key Lessons.....	34
4.3 Best Practices	35
5. RECOMMENDATIONS.....	35
5.1. Strategic and Growth Recommendations for FIC	35
5.2. Action -Oriented Operational Recommendations for FIC.....	36

LIST OF FIGURES

Figure 1: Performance on Membership Growth 12
 Figure 2: Membership Growth (2022 -Q2 2024) 13
 Figure 3: Overall performance of FIC on Savings Growth 15
 Figure 4: Performance on planned activities for savings by FIC 16
 Figure 5: Performance of FIC on Loan Portfolio Growth 18
 Figure 6: Growing Quality Loan Portfolio 20
 Figure 7: FIC’s Performance on Business Growth and Investments 21
 Figure 8: Aggregate activity implementation on business growth..... 22
 Figure 9: FIC’s performance on Equity Growth 25
 Figure 10: Equity Growth Initiatives 26
 Figure 11: Human Resources 28

LIST OF TABLES

Table 1: FIC’s status of membership activity performance 13
 Table 2: Status of implementation on savings growth..... 16
 Table 4: Status of planned activities for SO4..... 22
 Table 3: FIC per formance on loan portfolio activities..... 19
 Table 5: FIC activity performance on equity performance growth..... 25
 Table 6: FICs performance on activities for human resource 27



LIST OF ACRONYMS

AGM	Annual General Meeting
BDO	Business Development Officer
BoD	Bord of Directors
DAC	Development Assistance Committee
FGDs	Focus Group Discussions
FIC	Franciscan Investment Cooperative
GM	General Manager
ICT	Information Communication Technology
IU	Investment Unit
KIIs	Key Informant Interview
KRAs	Key Results Areas
MTR	Mid-Term Review
MVP	Member Value Proposition
SACCOS	Savings and Cooperative Societies
SO	Strategic Objective
SP	Strategic Plan
SUPCO	Supervisory Committee
TORs	Terms of Reference
ROI	Return on Investment



EXECUTIVE SUMMARY

The Franciscan Investment Cooperative Society (FIC) has made notable progress in implementing its 2022-2026 Strategic Plan, emphasizing financial empowerment and ethical stewardship in Uganda's cooperative sector. However, the mid-term evaluation highlights areas for improvement, particularly in strategies for ensuring future financial sustainability, improved governance, member engagement, and operational efficiency. Conducted between 2022 and mid-2024, the review used diverse methods, including document analysis, stakeholder consultations, and financial data reviews, to assess progress and align strategies with the evolving operational landscape.

Financial and Business Growth Performance

FIC achieved steady growth in income, investments, and equity, with income increasing by 25.8% in 2023 alone. Key performance areas, such as the loan portfolio and savings, showed gradual improvement, but savings targets were consistently underachieved. Investment targets generally performed well, with positive variances in 2022 and 2023 but a slightly light underperforming in early 2024. The performance for 2024 is likely to change because the mid-term review scope ended with the May 2024 status performance. Equity growth saw minor variances, though capitalization policy implementation remained incomplete.

Governance and Member Engagement

Challenges in governance included the persistence of a "working board" structure, blurring strategic and operational roles. Member engagement efforts lacked accurate data on needs and preferences, hindering tailored service delivery. Policy development and implementation were inconsistent, with decision-making sometimes slowed by bureaucracy. Additionally, FIC's investment activities required more robust structures, including subsidiary entities to handle specific ventures like real estate effectively.

Operational and Technological Capacity

Human resource development efforts, such as staff training, were inconsistent, and ICT system implementation remained incomplete. Monitoring and evaluation processes lacked structure, reducing FIC's ability to track and assess key performance indicators comprehensively. While some progress was made in HR and ICT audits, gaps in reporting and execution persisted.

Emerging Challenges

Key challenges identified during the mid-term evaluation include balancing professionalization with member affordability, navigating investment volatility, improving decision-making efficiency, and addressing the cooperative's traditional but restrictive operational model.

Regulatory compliance and limited member inclusivity outside the St. Francis community further constrained growth.

Recommendations

Governance and Member-Centric Reforms

- i Board Evolution: Transition the board from a working to a governance-focused structure, enhancing leadership training and separating strategic oversight from operational duties.
- ii Enhanced Member Engagement: Implement member profiling, satisfaction surveys, and targeted educational campaigns to improve participation and tailor services.
- iii Strategic Decision-Making: Streamline decision processes for investments and address the potential of mission drift by establishing specialized subsidiaries for distinct ventures.

Financial Sustainability and Innovation

- i. Diversify Investments: Expand into stable and high-growth sectors like technology, renewable energy, and microfinance, aligning with members' interests and ensuring economic resilience. Optimize lending rates to balance affordability with sustainable revenue and regularly assess market trends for adaptive strategies.
- ii. Introduce Innovative Products: Leverage the cooperative's decade of experience to design member-centric, technology-driven solutions.
- iii. Launch digital savings tools such as mobile apps and online platforms, enabling members to save conveniently and access real-time account updates. Diversify loan offerings by introducing tailored products. Engage members through surveys and focus groups to identify specific needs, ensuring the new products address diverse priorities.
- iv. Build Financial Resilience: Optimize operational efficiency, reduce costs, and develop innovative financial products to reduce reliance on traditional savings and loans. Financial resilience could be promoted through:
 - (a) Streamline Operations: Conduct an operational audit to identify inefficiencies and implement cost-saving measures such as automating routine processes, and reducing overhead expenses.
 - (b) Enhance Risk Management: Establish a robust risk assessment framework to mitigate financial vulnerabilities, ensuring the cooperative can adapt to economic fluctuations.
 - (c) Invest in Capacity Building: Train staff on financial innovation and cost management to ensure they can implement and sustain these initiatives effectively.

Operational Efficiency and Technology

- i. Strengthen Monitoring and Evaluation: Establish a dedicated monitoring system to track progress and inform strategic decisions.
- ii. Expand ICT and HR Development: Complete ICT system upgrades, conduct regular audits, and invest in staff training to enhance operational capacity.

- iii. **Data-Driven Insights:** Utilize improved data collection systems to support strategic initiatives, such as reactivating dormant accounts and designing member-focused services.

Addressing Emerging Risks

- i. **Risk Management Framework:** Develop a comprehensive framework to mitigate financial, operational, and regulatory risks.
- ii. **Regulatory Compliance:** Ensure adherence to Uganda’s cooperative laws while pursuing opportunities to attract external members and investments.

Conclusion

FIC has made commendable progress in advancing its strategic goals; however, addressing persistent challenges is vital to achieving its full potential. As the strategic plan enters its final phase (2024–2026), a decisive focus on governance reforms, financial diversification, operational efficiency, and member-driven innovation is imperative. By prioritizing these areas, FIC will not only solidify its capacity to meet its 2026 objectives but also reinforce its commitment to ethical stewardship, financial resilience, and empowering its members. The next two years offer a pivotal opportunity to cement FIC’s legacy as a transformative and sustainable cooperative model.



CHAPTER ONE: BACKGROUND AND CONTEXT

1.1 Introduction

This Mid-Term Evaluation (MTR) report reviews the progress of FIC's five-year strategic plan. Founded on October 4, 2010, as the Franciscan Investment Group and formally registered in January 2011 as a Savings and Credit Society, FIC transitioned in April 2014 to the Franciscan Investment Co-operative Society Ltd. Based in Uganda, FIC serves primarily Christians from St. Francis Makerere University, with a mission centered on promoting economic empowerment and financial inclusivity among its members.

FIC's governance structure includes an Annual General Meeting (AGM), a Board of Directors (BOD) working through committees, a Supervisory Committee (SUPC), and a management team led by the General Manager overseeing three departments with 11 staff members. Launched in 2022, the strategic plan focuses on membership growth, savings expansion, loan services, equity growth, financial sustainability, governance reforms, and operational efficiency. FIC aims to become a leading cooperative with a diversified investment portfolio that enhances members' financial well-being by 2026.

The mid-term review highlights notable achievements in expanding the financial portfolio and membership. However, challenges remain in improving membership quality, enhancing marketing and branding, conducting timely member profiling, and ensuring financial sustainability and governance improvements. The evaluation emphasizes the importance of adapting to evolving conditions and recommends measures to align FIC's operations with its long-term vision, ensuring the successful completion of the strategic plan by 2026.

1.2 Objectives and Key Results areas of SP

The Franciscan Investment Cooperative Society (FIC) structured its 2022-2026 strategic plan around six Key Result Areas (KRAs), focusing on core objectives for growth and sustainability.

1. Membership Growth

- Goal: To increase membership while aligning with cooperative principles.
- Targets:
 - Expand membership from 2,215 in 2021 to 3,700 by 2026.
 - Raise active member accounts from 45% (2021) to 90% by 2026.

2. Savings Portfolio Development

- Goal: Achieve sustainable growth through enhanced member savings.

■ **Targets:**

- Boost the proportion of members saving according to policy from 64% (2021) to 80% by 2026.
- Grow savings from UGX 5.7 billion (2021) to UGX 15.6 billion by 2026.
- Provide cash deposit and withdrawal services to members.

3. Loan Portfolio Expansion

■ **Goal:** Position FIC as the preferred lender for members.

■ **Targets:**

- Increase loan portfolio from UGX 8.2 billion (2021) to UGX 20.4 billion by 2026 .
- Keep loan quality with PAR below 5%.
- Grow the number of loans from 212 (2021) to 592 by 2026.

4. Business Growth and Investments

■ **Goal:** Undertake member-centric investments and ensure liquidity.

■ **Targets:**

- Expand investment unit finances from UGX 5.0 billion (2021) to UGX 13.8 billion by 2026.
- Maintain sufficient liquidity levels.

5. Equity Growth

■ **Goal:** Strengthen the cooperative's financial base.

■ **Targets:**

- Achieve a robust capital structure.
- Grow equity from UGX 2.5 billion (2021) to UGX 6.0 billion by 2026 .

6. Leadership and Management Systems

■ **Goal:** Ensure sustainable operations through strong governance and systems.

■ **Targets:**

- Develop an effective human resource team capable of meeting strategic plan objectives.
- Enhance ICT systems to meet both current and future operational demands.

1.3. Objectives of the MTR

The mid-term evaluation of the FIC strategic plan serves as a critical checkpoint to assess the progress made in achieving the set goals and objectives during the first half of the strategic period (2022-2024). The evaluation seeks to:

- 1) Evaluate progress: Assess how effectively FIC has implemented the strategic objectives and achieved key milestones.
- 2) Identify strengths and challenges: Highlight the areas where the cooperative is performing well and identify barriers affecting the success of the strategic initiatives.
- 3) Provide corrective actions: Offer recommendations to improve performance and ensure the successful completion of the strategic plan by 2026.

1.4. Scope of the MTR

The evaluation reviewed achievements, challenges, and areas for improvement in FIC's strategic plan implementation. Key focus areas included:

1. Membership Growth : Progress in increasing membership, enhancing satisfaction, and boosting active member accounts.
2. Savings Performance: Growth of the savings portfolio and adherence to the savings policy by members.
3. Loan Portfolio Quality : Expansion of the loan portfolio and establishing FIC as the preferred lender.
4. Business Growth : Performance in planning and implementing member-centric investments.
5. Financial Performance : Growth in the investment portfolio, profitability, and financial sustainability.
6. Equity Growth: Strengthening FIC's financial base through equity initiatives.
7. Governance and Leadership: Improvements in governance, transparency, and leadership effectiveness.



CHAPTER TWO: APPROACH AND METHODOLOGY

2.1. Approach

The mid-term evaluation of the Franciscan Investment Cooperative (FIC) Strategic Plan (2022-2026) adopted a mixed-methods approach, integrating qualitative and quantitative techniques. This ensured a comprehensive assessment of FIC's performance, covering financial health, governance, membership engagement, and investment or project outcomes. Key principles of transparency, inclusivity, and objectivity by the evaluation team were adhered to, aiming for actionable insights.

2.2. Evaluation Phases

The evaluation was carried out in three key phases. The first was the inception Phase which involved entry meetings, stakeholder mapping, initial reviewing of critical documents, and development data collection tools as well as sampling methodology, culminating in the finalization of an inception report and work plan. The second phase was the data collection and Management Phase which focused on stakeholder engagement, interviews with key informants, comprehensive document reviews, and follow-up interviews for clarification, with an emphasis on thorough data analysis to ensure accuracy. The Reporting Phase is where the findings were synthesized, lessons and best practices mapped, and a draft evaluation report is prepared. This draft was shared with the client for validation and further input. Revisions were made to incorporate client feedback before the final report was submitted.

2.3. Data Collection Methods

The evaluation utilized a comprehensive approach to ensure robustness and inclusivity. First, key documents such as the strategic plan, annual reports (2022-2024), policy documents, membership records, and financial analyses were reviewed to provide a solid foundation for the assessment. This document review informed subsequent stakeholder interviews. Semi-structured interviews were conducted with FIC leadership, program managers, operational staff, and cooperative members, through a select group of 52 eminent members. The engagement focused on the strategic plan priority result areas, governance, leadership effectiveness, and operational challenges. Additionally, financial and operational data were analyzed, assessing indicators like profitability, liquidity, ROI, and operational costs to evaluate financial sustainability, while operational efficiency metrics were used to measure resource utilization.

Through a systematic review of relevant documents, the team gained valuable insights into FIC's mid-term performance. These findings were enriched by primary data from interviews with staff, Board members, committee representatives, and distinguished FIC members, including some of

the largest savers sampled in the survey. This comprehensive approach provided a robust assessment of FIC's strategic plan performance at the mid-term stage.

2.4. Sampling Strategy

A purposive sampling strategy was applied to FIC leadership and staff, while random sampling was used for cooperative members. This ensured diverse representation, covering:

- Members: Long-term and new members from varied geographical areas as well as the biggest savers and eminent members.
- Staff and Leadership: Management, department heads, operational staff, and Board of Directors.

2.5. Data analysis

Quantitative data analysis involved using statistical techniques to examine financial and annual report data, generating insights on trends and key performance indicators, with descriptive statistics summarizing financial performance and membership growth compared against 2022 baselines. Qualitative data analysis employed thematic analysis to identify recurring patterns, challenges, and successes within the six Key Result Areas (KRAs), with findings triangulated with quantitative data to provide a comprehensive evaluation of the strategic plan's implementation and outcomes.

2.6. Limitations of the study

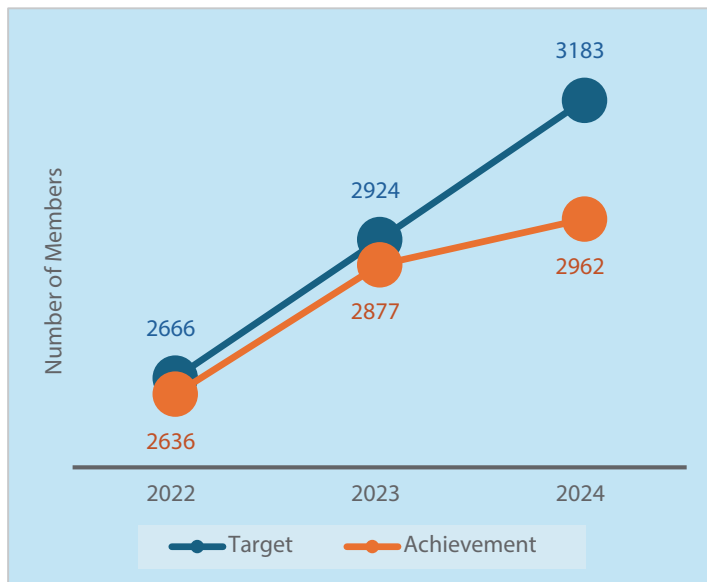
The evaluation of FIC strategic plan faced some limitations. First, the time was not adequate for the full engagement of a wider range of members. time constraints on the evaluation limited the depth of data collection, particularly in assessing long-term impacts. Second, the survey experienced non-response, particularly from some Board member segments, Patron, which may have affected the representativeness of the findings. This limited data availability of data from some of these key actors. Efforts to include external players were also unsuccessful, as the inception meeting clarified that FIC had no partners. Board resolutions were not provided for evaluation.

CHAPTER THREE: EVALUATION FINDINGS.

3.1. Progress on KRA 1: Growing quality membership.

As the Franciscan Investment Cooperative Society (FIC) moves past the halfway point of its strategic plan, the growth and sustainability of its membership base continue to be crucial for realizing its long-term vision. Expanding membership is not only a vital measure of the society's appeal and relevance, but it also plays a central role in establishing a solid foundation for future investment activities, in line with Franciscan values. This strategic goal includes specific targets and several strategic initiatives for implementation. The overall performance of FIC in terms of membership growth is shown in the figure below:

Figure1: Performance on Membership Growth



Under the key results area of membership, the strategic plan set the following specific targets:

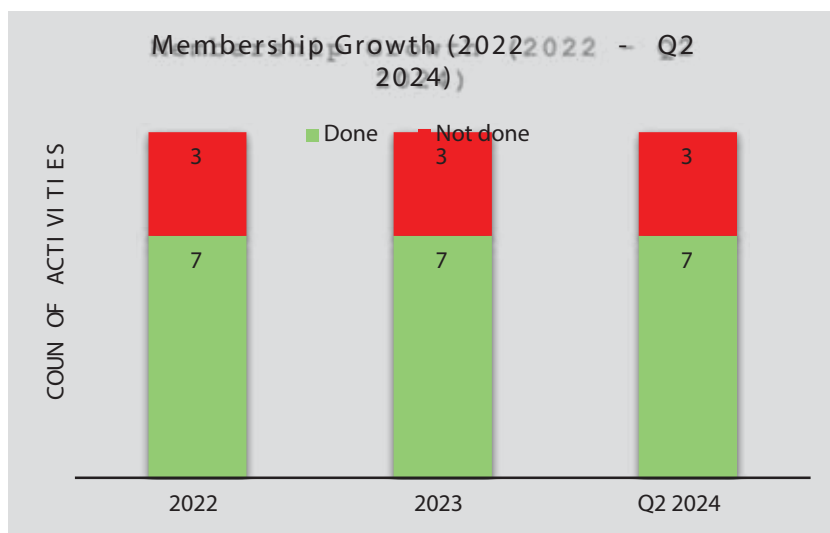
- I. To increase membership from 2,215 as at 2021 to 3,700 by 31st December 2026.
- II. To increase the proportion of active member accounts from 45% as at Dec 2021 to 90% by 31st December, 2026.

In 2022, FIC set itself a membership growth target of 2,666 members and achieved 2,636. There was a performance shortfall with of 30 members to reach the target which was a variance of -1.13%.

In 2023, the membership target was increased to 2,924, but the actual membership count reached was 2,877, maintaining a close variance of -1.61%. For 2024, the membership growth target was set at 3,183, but the achieved target was 2,962, resulting in a higher variance of -6.94%.

The proportion of active member accounts, as well as data for reactivating dormant and inactive accounts, was not tracked throughout the three years. The assessment team therefore could not determine the performance of FIC on this parameter. Member engagement initiatives such as educational outreach was planned but remained unreported. The number of membership drives conducted also remained untracked across all years.

Figure 2: Membership Growth (2022 Q2 2024)



Several planned activities on this KRA were implemented while others were not implemented. The figure indicates that seven out of ten activities were done across 2022, 2023, and part of the first quarter of 2024. FIC undertook some marketing initiatives to attract potential members from the St. Francis Community. This is seen in the performance of the growth in numbers. It was reported that collaboration efforts with the St.

Francis Chapel were also maintained, alongside key other initiatives to improve service delivery efficiency to members.

FIC implemented both physical and online marketing initiatives, including bi-monthly meetings, but attendance was generally low, with only about 50 members attending. Topics like debt management were discussed, often with expert input. FIC also participated in smaller forums, such as fellowship groups, and ran promotional campaigns at St. Francis Church and during events like freshers' orientation to attract new members. However, some members were found during the evaluation to be unaware that FIC offered land as a product, and this could have been caused by issues like outdated contact information and inactive WhatsApp groups that hampered engagement with some members. Updating the member register could improve member profiling.

The performance of FIC on membership is a function of the extent to which key initiatives that were planned had been implemented. We examined the specific activities as a checklist to determine which activities had been implemented and which had not been implemented. The findings are as follows: -

Table 1: FIC's status of membership activity performance

Membership growth		2022	2023	2024
1	Undertake marketing initiatives among potential members of St Francis Community	yes	yes	yes
2	FIC developed a marketing and branding policy	No	No	No
3	Collaboration efforts made by FIC with the St Francis Chapel in the last 2 years	yes	yes	yes

4	<i>Undertaken key initiatives made on having an efficient service delivery system to members</i>	yes	yes	yes
5	Undertaken member profiling	No	No	No
6	Used member profiling findings to guide decisionmaking	No	No	No
7	<i>Improved the status of active member accounts for the last 2 years</i>	Yes	Yes	Yes
8	<i>Undertaken initiatives to enhance mobilization of members</i>	Yes	yes	yes
9	<i>Made sensitization efforts for membership</i>	yes	yes	yes
10	<i>Undertaken initiatives to have a continuous understanding of FIC membership</i>	yes	yes	yes

Two key observations arise from the performance of membership-related initiatives. First, certain critical activities aimed at driving membership growth and investment progress were not executed as planned. Second, the activities that were implemented fell short of achieving their intended targets.

The evaluation of the Franciscan Investment Cooperative Society (FIC) on the first KRA highlights several performance challenges related to membership growth and engagement. While membership numbers showed growth, they did not meet the set targets for the past two and a half years. FIC undertook several initiatives, such as marketing efforts, collaborations with St. Francis Chapel, and service delivery improvements, but key activities like member profiling and developing a marketing and branding policy were not implemented as planned. The absence of these activities, particularly profiling, hindered the society's ability to understand member needs, tailor services, and innovate new products.

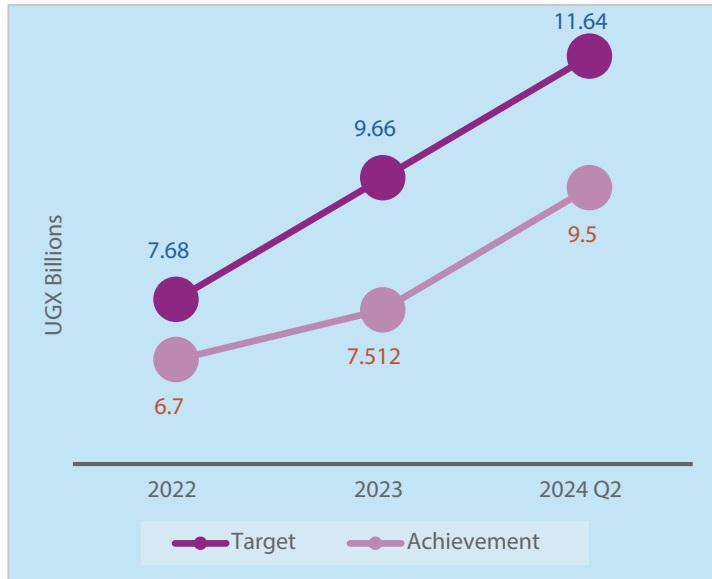
Additionally, issues like high staff turnover, workload burdens, and limited resources, especially in the member relations unit, further constrained the effective implementation of membership initiatives. The review also found that stakeholder engagement was inconsistent, with both management and the Board pointing to challenges in staffing, recruitment biases, and a lack of autonomy in decision-making. Despite these challenges, FIC's marketing efforts and collaborations with the chapel helped sustain some membership growth, although more targeted actions and a clearer strategy are needed to meet future goals.

3.2. Progress on KRA 2: Savings portfolio performance

The savings strategic objective within FIC's 2022-2026 Strategic Plan aimed to enhance the cooperative's financial stability by increasing member contributions, expanding savings products, and improving access to financial services, thereby fostering a strong savings culture to ensure liquidity, members' financial independence, and collective prosperity.

The 2024 mid-term review assessed progress on savings growth targets, the success of innovative savings products aimed at diverse member groups, efforts to raise awareness through education campaigns and workshops, and the identification of challenges and opportunities, such as economic pressures, internal inefficiencies, and potential partnerships with financial institutions or policy shifts. The performance data was gathered from document reviews and stakeholder engagement.

Figure 3: Overall performance of FIC on Savings Growth



Under the KRA of growing the saving portfolio for sustainable growth of the society, FIC’s strategic plan had set the following three targets which are the basis of performance assessment in this review: -

- a. To Increase the proportion of membership that saves as per saving policy from 64% as at Dec 2021 to 80% by Dec 2026.
- b. To increase savings from UGX 5.7 billion as at Dec 2021, to UGX

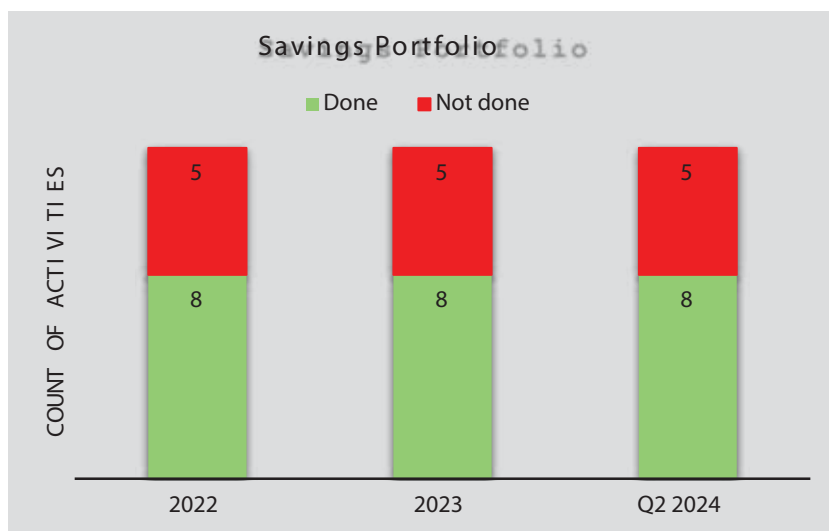
15.6 billion by 31st Dec 2026.

- c. To offer cash deposit and withdrawal services to FIC membership.

The data highlights a mixed performance in achieving savings growth targets under the strategic plan. In 2022, the target of 7.68 billion UGX was not met, with actual savings reaching 6.7 billion UGX, resulting in a variance of -12.43%. Similarly, in 2023, the target was set at 9.66 billion UGX, but actual savings totaled 7.51 billion UGX, reflecting a more significant shortfall of -22.24%. Encouragingly, for the first quarter of 2024, progress is evident with actual savings of 9.5 billion UGX against a target of 11.64 billion UGX, representing an -18.33% variance. With focused efforts, this variance could be further reduced by the end of the 2024 financial year, aligning closer to the strategic objectives.

FIC had several initiatives planned for this SO and the performance on these initiatives is summarized in the figure below: -

Figure 4: Performance on planned activities for savings by FIC



In the savings area, FIC completed eight out of thirteen initiatives. From 2022 to 2024, FIC consistently informed its members about the savings policy and made it easier for them to save and access their savings. They reinforced and promoted the savings policy framework to the members and learned from other SACCOS to avoid mistakes and identify best

practices. They also identified key risks in service provision and developed a risk register to manage these risks.

Within the strategic plan, several activities had been planned for implementation to achieve the key results area targets. The performance of FIC on this is as follows: -

Table 2: Status of implementation on savings growth

Savings portfolio				
1	FIC has not undertaken any review of the saving policy framework in the last 2 years	no	no	yes
2	Consistent sensitization of membership about the saving policy	yes	yes	yes
3	Undertake initiatives for easing channels through which members can save and access their savings	yes	yes	yes
4	Introduce new innovative member service options	no	no	no
5	FIC has strengthened and promoted the savings policy framework among membership	yes	yes	yes
6	Undertaken initiatives to promote the saving products of FIC	yes	yes	yes
7	Introduced new products in the last two years	No	yes	No
8	Introduced new member relations strategies in the last two years			
9	Developed new policies and guidelines in the last two years to guide the FIC service	no	no	no
10	Undertaken benchmarking visits or initiatives to other SACCOS to avoid obvious and costly mistakes	yes	yes	yes

11	Ensured the premises of FIC meet all compliance guidelines and are considered secure	no	no	no
12	Identified key risks in offering the service of FIC and how have these been mitigated	yea	yes	yes
13	Developed a risk register and assigned a person ft managie risks	yes	yes	yes

Staff interviews revealed a heavy workload, which sometimes diverted them from their core duties. Despite this, they reported progress in membership mobilization, though the quality of membership had not yet reached optimal levels, with improvements attributed to economic conditions. The staff emphasized ongoing efforts to sensitize members about the importance of saving despite economic challenges. Members, however, expressed frustration with the bureaucratic delays in withdrawing funds, particularly the need for Board approvals, which caused delays in emergency requests and affected the loan process. The review noted that actions were being taken to address these issues and improve service efficiency.

During the review period, FIC faced several challenges, including a lack of new member service options and delays in reviewing the savings policy framework until 2024. The premises remained non-compliant with security standards, and no new policies or guidelines were developed. Despite these issues, member engagement showed some improvement, with a slight overachievement of 101% in regular savings in 2023. However, new savings accounts opened were underperforming in 2022 and 2023, indicating the need for targeted initiatives. The absence of data on mobile savings app usage points to an opportunity for promoting digital savings solutions.

Innovation and creativity within FIC have been slow, and loan uptake remains poor, potentially due to high interest rates comparable to commercial banks. Member feedback highlights concern with slow savings withdrawal processes, long approval times, and the need for automation to enhance transaction speed and improve member satisfaction. These inefficiencies contribute to inactive and dormant accounts, hindering overall growth.

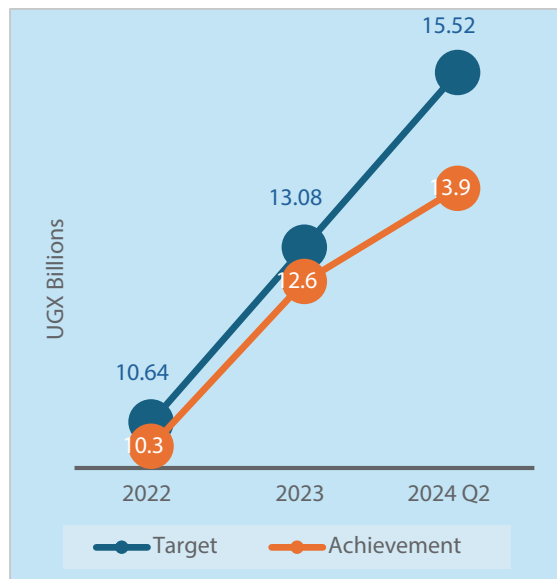
3.3. Progress on KRA 3: Loan Portfolio Performance

The loan portfolio performance Key Result Area (KRA) within FIC's strategic plan aimed at providing affordable, accessible, and sustainable credit services to members. This goal was pursued by offering well-structured loan products, aiming to balance loan disbursements and recoveries to mitigate risk and enhance profitability. The review of the loan portfolio performance concentrated on several critical areas, such as the growth of the loan portfolio, assessing the increase in the number of loans disbursed, the total value of loans, and the expansion of tailored loan products

for different member segments. It also examined loan repayment and default rates, evaluating the proportion of loans repaid on time versus those in default, which helped gauge the financial discipline of members and credit risk exposure.

The assessment further explored interest rates and financial viability, comparing FIC's rates to market trends and member satisfaction. Credit risk management was analyzed through mechanisms like collateral requirements, member credit evaluations, and financial education programs aimed at reducing defaults and delinquency. Finally, the impact on members and communities was assessed to evaluate the broader benefits of the loan portfolio, including business growth, job creation, and improved livelihoods. Challenges such as economic downturns, regulatory changes, and member difficulties in repayment were highlighted, alongside opportunities for growth such as new loan products or partnerships with financial institutions.

Figure 5: Performance of FIC on Loan Portfolio Growth



The KRA of growing quality loan portfolio within the strategic plan was aimed at specifically attaining the following results: -

- a. Enable FIC to be the lender of first preference to her membership.
- b. To increase Loan Portfolio from UGX 8.2 billion as at 2021 to UGX 20.4 billion by 31st Dec 2026.
- c. Maintain quality loans at less than 5% of PAR.
- d. Increase the number of loans from 212 at Dec 2021 to 592 by Dec 2026.

The analysis of loan portfolio growth reveals a steady performance with slight variances across the review period. In 2022, the target was 10.64 billion UGX, and the actual achievement was 10.3 billion UGX, resulting in a minor variance of -3.09%. In 2023, the target increased to 13.08 billion UGX, with FIC achieving 12.6 billion UGX, yielding a variance of -3.67%. For 2024, the target has been raised further to 15.52 billion UGX, and the first-quarter performance shows a current achievement of 13.9 billion UGX, representing a variance of -10.56%. Based on past trends, there is potential for the 2024 target to be marginally achieved by the end of the year, provided focused efforts are maintained.

The Portfolio at Risk (PAR) metric for FIC showed excellent management, staying below the 5% threshold, which reflects strong loan quality. However, a deeper analysis revealed that the number

of loans disbursed fell short of targets, with FIC achieving only 74% of its target in 2022 and further declining to 68% in 2023. The loan approval process has not been efficiently tracked, suggesting a need for streamlined operations. Additionally, the quality of loans is affected by members borrowing from multiple institutions, and there is low member loyalty to the SACCO compared to other countries like Kenya. About 13% of FIC members are borrowing, which creates a significant short-term investment gap and affects the performance of the portfolio.

Staffing in the credit unit was another issue, with only one staff member available at the time of the review due to a colleague being on leave. The ongoing recruitment process aims to address this staffing shortage, with staff indicating that an additional person would significantly improve operations. The credit unit is critical to FIC’s financial stability, and staff motivation is essential to ensure efficient management of the loan portfolio.

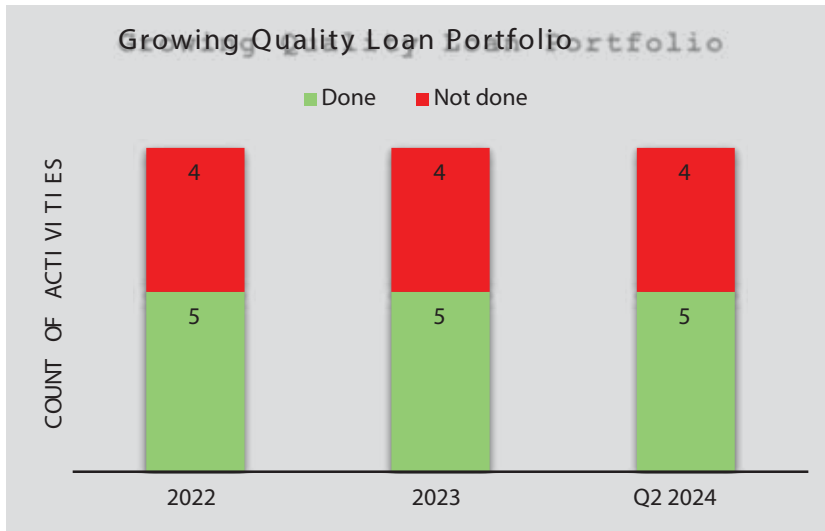
Several activities had been planned in the strategic plan to improve the performance of FIC on this KRA. The status of the performance over the assessment period is as follows: -

Table 3 : FIC performance on loan portfolio activities.

Growing quality loan portfolio				
1	Introduced new loan products by FIC to its members	Yes	no	no
2	Undertaken initiatives in the last two years to develop and promote loan products	yes	yes	yes
3	Ensured there is increased efficiency and effectiveness in credit management by FIC in the last two years	yes	yes	yes
4	Undertaken any continuous assessment of the satisfaction levels with service delivery from its members	no	no	no
5	Undertaken improvement underwriting standards in the last two years	yes	yes	yes
6	Developed new systems for monitoring loans	no	no	no
7	Ensure continuous understanding of membership credit needs for all its diverse categories	no	no	no
8	Ensure efficiency in loan processing time for FIC members	yes	yes	yes
9	Revised the lending interest rate to make it competitive but profitable	no	no	no

A graphical representation of the status of performance on the above is given in terms of the number of initiatives that have been undertaken and those which have not been undertaken.

Figure 6: Growing Quality Loan Portfolio



FIC made notable strides in growing its loan portfolio by undertaking five out of a possible nine initiatives to develop and promote loan products and ensure improved credit management efficiency from 2022 to 2024. Loan processing times improved, and underwriting standards were enhanced during these years. From the management side, an

application is submitted within 2 days of receiving the file. Some cases of delayed approvals from the Board. The review team found that management now could approve 10 million and up to 20 million of emergency loans.

The review revealed that during the assessment period, FIC did not introduce new loan products or consistently assess member satisfaction with service delivery. There was no new system developed for monitoring loan performance, and there was a lack of effort to understand the credit needs of diverse member categories, further compounded by inadequate membership profiling. Despite efficient loan processing, the lending interest rate remained unchanged and was not revised to be more competitive or profitable.

The review highlighted the benefits of developing a new loan monitoring system, which would improve accuracy, enhance efficiency, and enable real-time tracking of loan performance. Such a system would support better risk management, improve member communication, reduce costs, and enhance accountability. FIC is encouraged to invest in a robust system for loan performance measurement in the remaining period of its strategic plan. Staff also pointed out challenges with the current manual loan recovery process and the limited scope of ICT use within FIC.

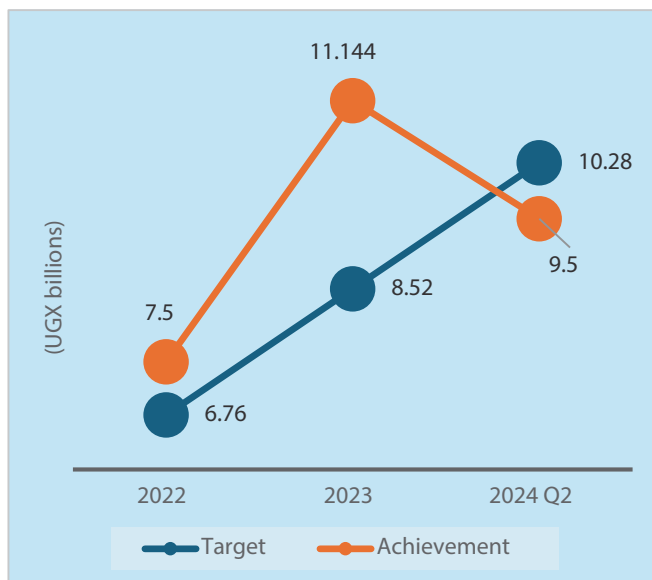
Additionally, members suggested that innovations, such as mobile-based loan inquiries and online savings withdrawals, be integrated into the system, and a member survey be conducted to gather feedback on system improvements.

3.5. Progress on KRA 4: Business growth

The business development objective in FIC's 2022-2026 Strategic Plan aimed to diversify income streams, enhance member services, and ensure long-term sustainability through new ventures and entrepreneurial activities. The mid-term review (2024) assessed progress in key areas, including the launch of new business ventures or partnerships, support for member enterprises through training and financing, and the diversification of income sources beyond traditional savings and loans. The evaluation also examined innovation in products and services, such as digital financial services or solutions for specific member groups, and how these initiatives contributed to the cooperative's sustainability by increasing profitability and improving member satisfaction.

The review also identified challenges and opportunities in business development, including regulatory constraints, market competition, and resource limitations, while recognizing emerging opportunities in digital financial services and other sectors. Performance reports from management were analyzed to gauge the effectiveness of these initiatives and their impact on the cooperative's growth and sustainability.

Figure 7 : FIC's Performance on Business Growth and Investments



This KRA concerned a desire to have a comprehensive planning and member-centric business investments with focus on two results as follows: -

- To increase investment unit finances from UGX 5.0 billion as at 2021 to UGX 13.8 billion by 31st Dec 2026.
- To consistently keep sufficient liquidity levels for the society.

The performance status at mid-term level of the strategic plan as seen from the above figure is that in 2022, the

investment unit finances target was 6.76 billion UGX, with an achievement of 7.5 billion, resulting in a significant +10.95% variance. The 2023 target increased to 8.52 billion UGX, and the actual achievement was 11.144 billion, reflecting an impressive +30.80% variance. However, the 2024 target of 10.28 billion UGX is currently underachieved at 9.5 billion, yielding a -7.59% variance. This could be because the assessment period covered only the first quarter of 2024. There is a positive performance on this key results area.

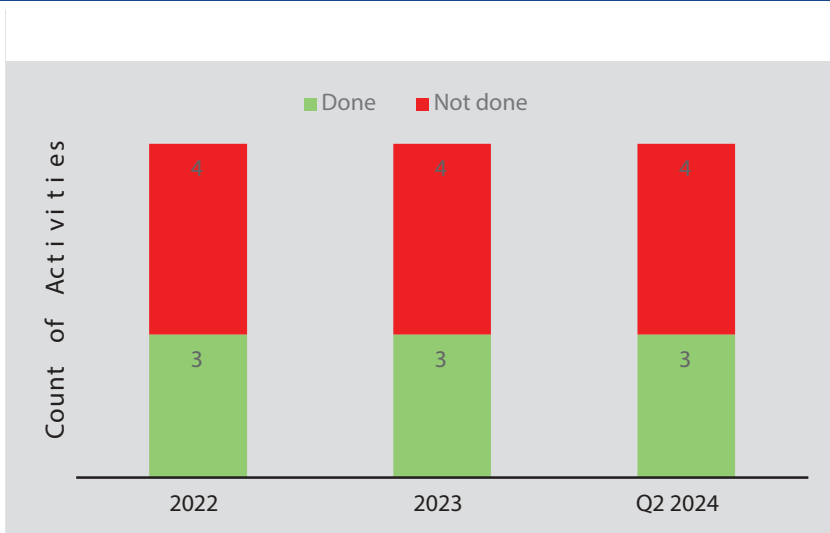
Several initiatives had been planned for implementation during the period. The status of performance on each of these was found to be as follows: -

Table 4: status of planned activities for SO4

Business Growth and Investments				
1	Undertaken continuous mobilization and sensitization strategies of membership about IU in the last two years	yes	yes	yes
2	Reviewed policy to make IU tradable/redeemable in the last two years	no	no	no
3	Made deliberate efforts aimed at promotion of IU from FIC governance and Management levels	yes	yes	yes
4	FIC has made only prudent investments	yes	yes	yes
5	Developed a well-guided business development and innovations at membership and FIC levels	no	no	no
6	Benchmarked and widened consultation on best practices on liquidity policy	no	no	no
7	Adherence to liquidity management policy guidelines	no	no	no

The aggregate performance on the above activities at a mid-term level was found to be as indicated in the figure below:

Figure 8: Aggregate activity implementation on business growth.



FIC prioritized continuous mobilization and sensitization strategies regarding Investment Units (IU) across 2022, 2023, and 2024, and deliberate efforts were made to promote IU at both governance and management levels. The organization also adhered to a prudent investment strategy

during this time. The performance would have been much higher if all the activities had been implemented.

The mid-term review of FIC's strategic plan highlights several critical activities that have not been implemented, with recommendations for improvement in the following areas:

1. **Review of IU Policy:** FIC has not reviewed its Investment Unit (IU) policy to make the investments tradable or redeemable, which could increase flexibility and appeal to members.
2. **Business Development and Innovation:** There is no clear strategy or system for business development and innovation at both membership and organizational levels, limiting opportunities for growth and diversification.
3. **Liquidity Policy Reforms:** FIC has failed to benchmark its liquidity policy against best practices and lacked consultations to ensure it follows the most effective strategies. Additionally, there has been poor adherence to existing liquidity management guidelines.

The review stresses the importance of developing an investment policy, which would guide financial growth, risk mitigation, and member confidence. Such a policy would help FIC manage its investments effectively, ensuring long-term sustainability and financial health. It is recommended that the policy be structured around clear objectives, governance mechanisms, risk management, and compliance with legal and tax regulations. Furthermore, the policy should address how returns will be reinvested, distributed to members, or used for cooperative development.

FIC has made progress in investment growth, meeting its return target of 18.5% in 2022, though data for subsequent years is unavailable. Partnerships and clinics have shown progress, but data on mentorship and the number of member businesses supported is lacking, making it difficult to measure impact fully.

The review also reflects concerns from members, particularly regarding the limited investment options, which are primarily focused on land. Members have suggested exploring new ventures, such as real estate, forestry, or other investment clusters, with a focus on empowering members through cheaper credit and more diverse opportunities. There is also a call for FIC to innovate its land-based offerings, such as building homes or offering smaller plots for farming, to better meet members' needs.

Members also voiced concerns about governance and management practices, emphasizing the need for proper board training, staff motivation, and better communication between management and members. To address these issues, FIC is urged to improve its systems, streamline operations, and engage in strategic discussions with members about innovation and future directions. The board's leadership and the adoption of manageable technology are also seen as key factors for FIC's continued success.

In summary, while FIC has made progress, there are significant opportunities for improvement, particularly in policy development, investment diversification, member engagement, and governance practices. The board is encouraged to adopt a proactive approach to addressing these challenges for long-term success and member satisfaction.

3.6. Progression KRA 5: Equity performance

The equity strategic objective is a key element of the Franciscan Investment Cooperative (FIC) Strategic Plan (2022-2026), focusing on financial and social equity. Financial equity ensures FIC maintains a strong capital base, while social equity promotes fairness, inclusion, and equal opportunities for all members. The 2024 mid-term review assessed the progress of this objective across four main areas:

1. **Financial Equity:** The review examined FIC's growth in capital reserves through member equity contributions and retained earnings, crucial for sustaining lending activities, funding business ventures, and ensuring long-term financial health.
2. **Social Equity and Inclusion:** This aspect focused on FIC's efforts to ensure all members have equal access to services, especially marginalized groups like women, youth, and disadvantaged individuals. It also reviewed policies that promote inclusion and increase member participation in decision-making.
3. **Member Contribution and Ownership:** The evaluation assessed member involvement in building the cooperative's financial equity through savings, contributions, and investments, highlighting the importance of fostering a sense of ownership and responsibility among members.
4. **Challenges and Opportunities:** The review identified challenges in achieving financial and social equity, such as limited member contributions and economic hardships faced by disadvantaged groups. It also explored opportunities for improvement, including potential partnerships and grants aimed at enhancing financial inclusion.

The review emphasizes FIC's progress in balancing financial sustainability with social equity while highlighting areas for improvement to further strengthen both aspects. The performance on the equity portfolio or key results area as per the strategic plan was evaluated to be as follows: _

Figure9: FIC’s performance on Equity Growth



In terms of the strategic plan, strengthening the institutional financial base through equity growth. Key targets were: -

- a. Secure adequate capital structure of the society as a going-concern and
- b. To grow FIC’s equity from UGX 2.5 billion as at 2021 to UGX 6.0 billion by 31st December 2026.

The mid-term review reveals mixed performance in the equity growth Key Result Area (KRA). In 2022, the target

was set at 4.4 billion UGX, with an overachievement of 4.7 billion UGX, resulting in a favorable variance of +6.82%. However, in 2023, the target was adjusted downward to 3.9 billion UGX, and the achievement of 3.83 billion UGX resulted in a slight variance of -1.8%. For 2024, the target increased to 4.6 billion UGX, with a current achievement of 4.5 billion UGX, yielding a -1.09% variance. Despite these relatively close performances, the capitalization policy development target has consistently fallen short, highlighting it as a critical area requiring attention. Furthermore, the equity growth strategy has been tracked less effectively, necessitating a more focused and structured approach to achieve long-term strategic objectives.

Three activities for the attainment of this KRA had been formulated in the strategic plan. Evaluation findings on the status of their implementation were found to be as follows: -

Table 5: FIC activity performance on equity performance growth.

FIC on Equity				
1	FIC has consistently built its equity as per the existing policy in the assessment period	ye	ye	ye
2	Undertaken key interventions to sustainably grow society’s business	s	s	s
3	FIC has generated any adequate surplus in the last two years	ye	ye	ye
		s	s	s

Figure10: Equity Growth Initiatives



In terms of equity, all three activities were done. FIC consistently built its equity as per the existing policy across all three years. Key interventions were made to sustainably grow the society’s business, and the organization generated adequate surpluses in 2022, 2023, and 2024. There were no major gaps or areas of concern in this category, as FIC met its

equity-building objectives consistently during this period.

The performance targets for the Key Result Area (KRA) have been achieved, but feedback from stakeholders highlights some issues. FIC’s investment in an insurance company from Kenya, which specializes in cooperative insurance, was initially seen as a way to diversify, based on the company’s success in Kenya and the assumption that all cooperatives in Uganda would join. However, uptake from other SACCOs has been slow, and the expected opportunities have not fully materialized. Despite this, the insurance company has helped FIC insure its loans, which remains a benefit.

Additionally, FIC is located near Makerere, a hub for talented human resources. These resources are seen as valuable for generating ideas, particularly in governance. There is a call for greater accountability within FIC to leverage these resources effectively.

3.7. Progress on KRA6: Leadership and management systems performance

The mid-term review of FIC's leadership and management systems focused on key areas critical to sustainable leadership, including governance, human resources, and ICT development. Governance structures were evaluated for their effectiveness in decision-making, adherence to ethical standards, and risk management practices. In terms of human resources and ICT, FIC conducted staff training sessions in 2022 and aimed for annual ICT audits, successfully meeting the target for 2023 and 2024. However, the execution of new ICT systems was not documented for previous years, revealing a gap in reporting. Additionally, HR capacity assessments lacked

comprehensive tracking, suggesting the need for better data collection and performance evaluation. Overall, while progress is being made, structured tracking and continuous improvement in training, systems, and HR development are essential for FIC's growth and operational efficiency.

Table 6: FICs performance on activities for human resource

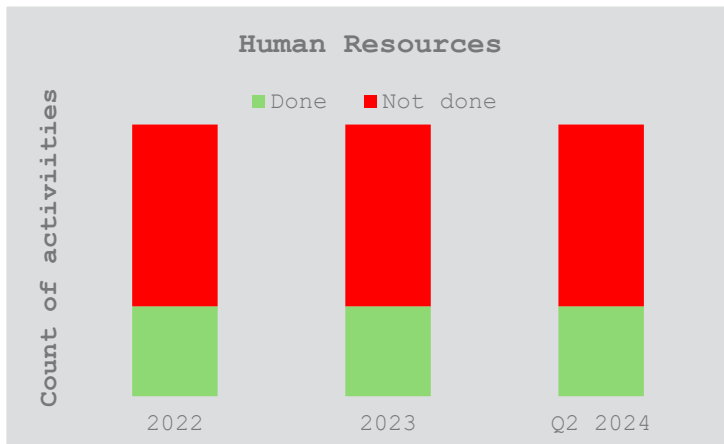
Human Resources				
1	FIC has enjoyed a conducive work environment and resources for staff to effectively deliver on SP targets	ye s	ye s	ye s
2	Made efforts to empower the staff, Board and SUPCO with skills and training required as per their mandate in the last 2 years	ye s	ye s	ye s
3	FIC has undertaken any detailed review of the job description of all staff to align human resources and identify capacity gaps	no	no	no
4	FIC has made key efforts to enhance the society's ICT capacity in relation to its current and future needs	no	no	no
5	Made efforts to ensure ICT capacity of FIC meets the current and future ICT needs of the society	no	no	no
6	Made initiatives to improve human resource capacity to utilize ICT systems for improved productivity and service delivery to members	no	no	no

Sustainable leadership and management systems was a key results area of the SP. Key targets included: -

- a. To build an effective and efficient human resource that delivers on SP targets.
- b. Enhance the society's ICT capacity in relation to the current and future needs of FIC.

Figure 11: Human resources





Throughout 2022, 2023, and 2024, FIC generally maintained a conducive work environment and provided the necessary resources for staff to meet strategic plan (SP) targets. The review also revealed that there were some efforts made to empower the staff, Board, and SUPCO with the required skills and training. However, the biggest percentage of activities under this key results area which are critical for

achieving the two results outcomes for this goal remained unimplemented.

The review of FIC highlighted key issues around remote working, staffing, job descriptions, ICT systems, and governance.

1. **Remote Working:** There is a consensus that remote working can be beneficial, especially for young employees, as long as productivity is maintained. However, FIC needs a motivated and well-equipped team to achieve the desired results.
2. **Job Descriptions and Staffing:** FIC had planned to complete detailed job descriptions by the end of 2024 to align human resources and identify gaps. Staff and Board members expressed concerns about the delayed process and the Board’s burnout, which affects staff performance. There was a call for better evaluation of staff performance and work-life balance, such as ensuring employees take leave.
3. **ICT Systems:** FIC’s ICT system remains underdeveloped, with members expressing dissatisfaction over communication, efficiency, and lack of digitization in services. There is a need for a modern, user-friendly system that allows members to easily access services online. Members feel that the system should be developed with their input, not just for management.
4. **Governance:** The Board is heavily involved in FIC's operations, sometimes to the point of micromanaging management. This includes taking control of procurement and setting high targets, which demotivates management. There’s a lack of autonomy for management, which affects decision-making and innovation. Additionally, there is no clear schedule for reviewing and updating policies, which is crucial for effective governance.

FIC needs to address these issues to improve staff efficiency, member satisfaction, and governance. This includes finalizing job descriptions, developing an ICT system that meets member needs, and revising the Board's role to allow more management autonomy while ensuring timely policy reviews.

3.7. Overall financial performance at the mid-term level of SP

The mid-term review of FIC focused on evaluating the cooperative's financial performance to assess its progress toward achieving its strategic financial goals. The financial performance assessment involved analyzing income, expenses, surpluses, liabilities, and key financial metrics.

FIC's primary revenue source, interest income, showed steady growth over the review period, with a 3.9% increase in 2022 and a more significant 25.8% increase in 2023. This growth suggests that FIC is strategically expanding its loan portfolio, improving interest rates, and enhancing credit risk management. In addition to interest income, fees and commissions also saw consistent growth. Fees grew by 14.5% from 2022 to 2023 and 15.8% from the base year to 2022. This indicates that FIC is diversifying its income streams beyond traditional lending services, including higher transaction volumes, account management fees, and insurance-related charges. The overall total operating income showed a significant 24.1% increase in 2023, driven by both higher interest income and better fee management.

The review of FIC's expenses revealed that interest expenses, a major cost item, rose by 4.1% in 2023, reflecting a more controlled borrowing environment compared to 2022, where interest expenses had surged by 22.2%. This improvement suggests better management of borrowing costs. Despite this, total expenditures, including personnel, administration, and governance costs, grew as FIC expanded its operations. Personnel and administration costs increased steadily, reflecting organizational growth, while governance costs spiked by 14.8% in 2023, driven by enhanced compliance and management oversight. Overall, while FIC faced higher operating costs, it demonstrated effective management of its interest expenses and other operational costs.

FIC's profitability showed volatility, with a decline in surplus of 21.8% in 2022 due to increased interest expenses and operational costs. However, in 2023, the cooperative recovered with a 17.5% growth in surplus, indicating improved financial management and profitability. The cooperative's total assets increased significantly by 18.9% in 2022, reaching UGX 22.158 billion, and by 17.5% in 2023, reflecting the growth in FIC's loan book and investments. The growth in loans and advances, which increased by 21.6% from 2022 to 2023, shows strong demand for credit and a well-managed loan portfolio. This expansion suggests that FIC is balancing asset growth with sound risk management.

Liabilities, particularly savings and members' investments, also grew, reflecting increased confidence from members. The growth in liabilities was 16.2% in 2022 and 28.1% in 2023, which indicates a strong membership base and growing capital inflows. Notably, members' investment funds nearly doubled from UGX 5.9 billion in 2021 to UGX 11.1 billion in 2023. However, FIC's

equity declined slightly in 2023, possibly due to the allocation of surplus to cover increased liabilities rather than retained earnings.

Several key performance indicators (KPIs) were assessed to measure FIC's operational efficiency and financial health:

- **Efficiency Ratio:** The efficiency ratio improved in 2023, indicating better cost control. A lower efficiency ratio suggests that FIC spent less to generate each unit of revenue, reflecting better operational efficiency.
- **Return on Assets (ROA):** ROA was stable at 2.7% in 2023 but lower than the base year's 4.2%. This decline suggests that maintaining profitability with a rapidly expanding asset base presents a challenge. However, with equity representing 14.5% of total assets in 2023, FIC maintains a strong capital base, which positions it well to absorb potential risks.

The financial performance of FIC from 2021 to 2023 demonstrates robust growth, despite facing challenges. Interest income, fees, and commissions have shown consistent growth, signaling a diversified revenue base. FIC's efforts to expand its loan portfolio and improve non-interest income streams have paid off, particularly in 2023, when the cooperative achieved substantial growth in both income and surplus. The cooperative's total assets and liabilities also grew, reflecting its increasing scale and member confidence. While operating expenses rose, FIC effectively managed costs, maintaining profitability. The recovery in surplus in 2023 suggests that FIC is improving its financial management, with a strong focus on achieving long-term financial sustainability. The slight decline in equity in 2023, however, warrants attention to ensure that FIC maintains its capital base in line with its growth and liability expansion. Overall, FIC's financial performance is on an upward trajectory, positioning the cooperative for future growth.

3.8. Emerging trends.

The dynamic external environment surrounding the Franciscan Investment Cooperative (FIC) presents both opportunities and challenges that will significantly shape its strategic direction during the remainder of its current strategic plan. Key factors influencing the cooperative's future include changes in regulatory frameworks, digital transformation, government reforms, environmental challenges, and increasing competition from other financial institutions.

Outlined below are several strategic challenges and opportunities that FIC faces within this evolving financial and regulatory landscape, and how these factors could impact its future trajectory:

1. **Regulatory Compliance:** Staying compliant with evolving regulations is crucial to avoid penalties. FIC will need to invest in training, recruitment of specialized staff, and possibly

- advanced technology for financial reporting and data management. This could also prompt the development of a more robust internal control and audit framework.
2. **Digital Transformation and Fintech Integration:** Embracing digital transformation is a key opportunity for FIC to expand its service reach and increase operational efficiency. By leveraging mobile banking and fintech, FIC can offer enhanced services, like digital wallets, that align with the evolving preferences of its members, especially the younger generation. This would also improve financial inclusion for underserved communities.
 3. **Government-Wide Regulatory Reforms:** The increased government scrutiny through regulatory reforms may be burdensome, especially for smaller cooperatives, but it presents an opportunity for FIC to build credibility and trust with its members. Adapting to these reforms can enhance FIC's governance standards and position it as a responsible and transparent organization in the financial sector.
 4. **Youth Involvement and Entrepreneurship:** There's significant potential in targeting the youth demographic. Tailored financial products and services that address entrepreneurship, alongside capacity-building initiatives such as training in financial literacy and digital skills, will make FIC more attractive to the younger generation. This approach could help retain members as they transition from students to professionals.
 5. **Climate Change and Environmental Sustainability:** With agriculture being a significant sector for FIC's members, integrating climate resilience into its services is vital. Offering products such as green loans or insurance for climate-related risks could mitigate potential negative impacts on loan repayments and strengthen FIC's environmental credentials. Sustainable financing options can help FIC diversify its portfolio and support environmentally friendly business practices.
 6. **Increased Competition from Microfinance Institutions (MFIs) and Commercial Banks:** To stay competitive, FIC must develop innovative financial products that cater to its members' changing needs. FIC could benefit from partnering with other institutions or fintech companies to access a broader range of products and services. For instance, offering flexible, tech-driven loans and savings products could help FIC remain appealing to younger, more digitally-savvy members.
 7. **Social and Economic Impact Focus:** As SACCOs are expected to contribute to broader societal goals, FIC can enhance its social impact by offering services that contribute to community development, such as educational loans or healthcare funding. However, it will require additional human resources, as well as partnerships with other organizations focused on social development, to implement these initiatives effectively.
 8. **Focus on Financial Literacy and Member Education:** A strong emphasis on financial education will lead to better-informed members, resulting in healthier financial behavior and stronger engagement with FIC. The investment in training programs is critical, and FIC could consider offering digital resources or workshops to engage a wider range of members, especially in rural areas.
 9. **Increased Focus on Women's Empowerment:** By focusing on women's empowerment, FIC can tap into an underserved market. Initiatives like micro-loans for women entrepreneurs or leadership training could help bridge gender gaps in financial access. Such programs not only contribute to gender equality but could also drive increased membership and strengthen FIC's reputation in community development.

Each of these factors suggests that FIC should prioritize innovation, adaptability, and social responsibility in its strategy moving forward. They could explore partnerships, enhance their digital infrastructure, and ensure they are equipped to meet the needs of a diverse and evolving membership base.

Overall, FIC's ability to navigate these emerging trends will significantly impact its future success. Regulatory compliance, digital transformation, youth engagement, environmental sustainability, and competition are all key factors influencing FIC's operations. By adapting to these changes, FIC can continue to offer valuable services to its members, expand its reach, and maintain its position as a leading cooperative. However, addressing these challenges will require strategic investments in technology, governance, staff training, and community engagement to remain competitive and impactful.

3.9. Analysis of FIC's adherence to SWOT matrix

This analysis evaluates FIC's alignment with its SWOT analysis over the past two years, highlighting key strengths, weaknesses, opportunities, and threats:

Strengths:

- FIC has maintained a solid organizational structure and strong member education, leveraging diversity in its membership for mobilization through social media. Its competitive product range and financial management have supported long-term growth.

Weaknesses:

- Persistent challenges in infrastructure, outdated MIS, staff management issues, and limited digital presence have hindered operational capacity. Low member participation in training and outdated product offerings also remains unresolved, as does the need for comprehensive succession planning.

Opportunities:

- FIC has underutilized opportunities such as expanding membership, enhancing financial literacy, and offering cash office functions, all of which could drive growth and improve services.

Threats:

- FIC faces increasing competition and regulatory uncertainty, technological risks, and external disruptions. However, no significant interventions have been made to address these threats.

Conclusion: While FIC has made progress in areas like organizational structure, product offerings, and member mobilization, weaknesses such as outdated infrastructure and staff management issues, as well as missed opportunities in membership expansion and digitalization, need urgent attention. To align fully with the SWOT analysis, FIC should modernize its infrastructure, improve staff management, enhance digital engagement, and address external risks through proactive strategies.

CHAPTER FOUR: CHALLENGES, LESSONS AND BEST PRACTICES

The mid-term review of FIC's Strategic Plan (2022–2026) offers an essential opportunity to evaluate the organization's progress and identify challenges that may hinder the achievement of its strategic goals. This assessment helps in identifying gaps and making necessary course corrections to ensure the effective execution of the remaining plan period.

4.1. Key Challenges

The review highlights several challenges at both governance and operational levels that need to be addressed for FIC to achieve its strategic objectives:

1. **Member Engagement:** FIC struggles with maintaining active member participation and ensuring equitable benefits for all members. The lack of detailed data on member needs and expectations complicates effective engagement and product development. The absence of member profiling and satisfaction surveys adds to this challenge.
2. **Policy Development and Implementation:** FIC faces difficulties in creating, reviewing, and implementing necessary policies. A lack of a clear schedule and approach to policy development has led to decisions being made without sufficient guiding regulations, affecting the organization's stability and success.
3. **Ambiguity of Activities:** While FIC's core activities involve saving and lending, it has expanded into real estate investments without robust planning or dedicated structures for this new venture. This investment requires its own processes and market-driven policies, potentially managed by a subsidiary or specialized unit.
4. **Democratic Decision-Making:** The cooperative's decision-making process, which requires consensus, can hinder business growth, especially in areas like investments that require more business-oriented, risk-taking decisions. Bureaucracy in decision-making processes slows down FIC's ability to move quickly in a competitive market.
5. **Professionalizing FIC:** The need for professional staff in various units is growing, but balancing competitive remuneration with member savings is a challenge. FIC faces difficulties attracting and retaining skilled professionals due to financial constraints.

6. **Investment Volatility:** FIC has experienced some volatility in its high-risk investment ventures, such as land and equity investments, leading to minor shortfalls in expected returns. The volatile business environment affects the stability of these investments.
7. **Monitoring and Evaluation:** FIC lacks a clear system for tracking performance indicators. The responsibility for monitoring has been placed on department heads, which has resulted in insufficient focus on strategic decision-making. Monitoring should be considered a core function of the organization.
8. **Regulatory and Compliance:** FIC faces common challenges that other cooperatives in Uganda encounter, such as difficulties in raising sufficient capital for large-scale investments and navigating the complex regulatory framework for cooperatives. Ongoing attention is required to ensure full legal compliance.
9. **Changing Business Model and Practices:** FIC struggles to expand its services beyond the St. Francis community, limiting its market reach. Additionally, products like land are only sold to members, which restricts potential business opportunities.
10. **Board Structure:** FIC's Board has evolved into a "working board," which takes on operational roles rather than focusing solely on governance. As FIC grows, the Board needs to shift toward a governance-focused structure, with a clearer separation of roles between strategic oversight and operational responsibilities.
11. **Role Confusion:** The dual role of governance and operations can lead to blurred responsibilities, creating potential governance issues. Board members may experience burnout as they juggle governance duties with operational tasks, making it difficult to transition to a more traditional governance structure as the organization expands.

4.2. Key Lessons

The review highlights some key areas where FIC has made progress, as well as challenges that need to be addressed:

- **Progress:** FIC has shown growth in membership, savings mobilization, loan portfolio expansion, investment growth, and equity enhancement. There is a need to improve the quality of membership and provide member-centric services.
- **Challenges:** Key challenges include tracking active membership, reactivating dormant accounts, and meeting certain savings and loan disbursement targets. Despite surpassing some targets like equity growth and investment returns, FIC struggles with data gaps in areas such as educational outreach, member mentorship, and HR capacity building, which hinder its ability to fully assess performance.
- **Inactive Membership:** A significant number of members are inactive, and while economic conditions play a role, the lack of member profiling and satisfaction studies makes it difficult to draw definitive conclusions.

- Land Product Portfolio: FIC's land product has not evolved for nearly 8 years, with some members citing a saturated market and others pointing to a lack of innovation. Market trend studies and member needs assessment could improve product performance.

4.3 Best Practices

The mid-term review identified the following best practices at FIC:

1. Reporting: FIC produces quality, comprehensive annual reports, which are distributed regularly (monthly, quarterly, or annually). Timely reporting ensures stakeholders receive up-to-date information, supporting effective decision-making and accountability.
2. Investment Products: Diversifying investments has been a key factor in ensuring financial stability, particularly in a volatile economy.
3. Youthful Staffing: FIC benefits from a youthful staff that brings energy and innovation. Although concerns about remuneration exist, the staff remains committed and dedicated, contributing to the society's growth and sustainability.

5. RECOMMENDATIONS

5.1. Strategic and Growth Recommendations

1. Engage Members Actively : Involve members in decision-making through regular consultations, educational campaigns, and digital tools to boost participation in savings, loan programs, and cooperative governance.
2. Leverage Data for Personalization: Implement regular member profiling to gather insights, tailor services, and enhance decision-making, ensuring offerings meet members' evolving needs.
3. Revise Lending Rates : Adjust lending interest rates to be more competitive, ensuring affordability for members while maintaining the profitability of FIC's loan portfolio. This can be done through undertaking a benchmarking study among selected cooperative societies.
4. Enhance Governance Structure Transition the board from a "working board" to a strategic governance model, defining clear roles between board oversight and staff operations, and investing in board training for stronger leadership. Appendix A provides a brief concept note for understanding the nature of working boards and the need for transition given FIC's maturity.
5. Diversify Investments : Explore new investment opportunities in stable sectors like technology to strengthen financial resilience and reduce dependency on traditional services.

6. **Improve Membership Quality:** Refine the member value proposition and conduct targeted outreach to attract and retain high-quality members, improving engagement and participation in cooperative activities.
7. **Invest in Technology:** Implement technology solutions to streamline operations, enhance the member experience, and expand digital engagement to attract younger, tech-savvy members.
8. **Create a Risk Management Framework:** Develop a robust risk management framework to identify and mitigate financial, operational, and legal risks, ensuring FIC is prepared for potential challenges.
9. **Open New Services to External Members:** Explore the potential to extend certain products (e.g., land and investment services) to members beyond St. Francis, adopting sustainable, business-oriented models.
10. **Focus on Financial Resilience:** Strengthen financial resilience by improving operational efficiency, reducing costs, and developing innovative financial products that diversify income sources and reduce reliance on traditional savings and loans.

5.2. Action Oriented Operational Recommendations

1. **Implement Staff Retention Initiatives for the Final Two Years:** In the remaining two years of the strategic plan, prioritize the implementation of a comprehensive staff retention program. This should include offering competitive salaries, structured career development plans, and fostering a supportive workplace culture. Clear retention goals should be set for each year, with a focus on improving employee satisfaction, engagement, and professional growth to ensure long-term stability and performance.
2. **Launch Data-Driven Performance Tracking:** Begin regular tracking of key metrics—such as member activity, dormant account reactivation, and educational outreach—through a dedicated team or system, ensuring monthly reporting and analysis.
3. **Optimize Loan Approval Process:** Streamline loan approval by reducing processing times, introducing digital loan applications, and developing new loan products, with a goal of increasing loan disbursements to meet 2024 targets.
4. **Expand Mentorship and Partnerships:** Activate a formal business mentorship program and seek at least 5 new external partners by the end of the SP period to support member businesses. Track the number of businesses benefiting from mentorship.
5. **Accelerate ICT and HR Development:** Complete the ICT audit within the next 3 months, implement necessary system upgrades, and launch a continuous professional development program for staff, focusing on skills relevant to operational efficiency.

6. **Adjust Targets Based on MTR Insights:** Review the Mid-Term Review (MTR) findings and adjust performance targets where needed, ensuring they remain realistic while still pushing for ambitious outcomes by the end of the year.
7. **Boost Member Engagement Through Data:** Implement a member engagement tracking system to monitor key activities like membership drives and account reactivation. Set up a monthly review of engagement data and adjust strategies accordingly.
8. **Introduce Digital Savings Options:** Roll out mobile savings apps or digital financial tools within the next 6 months to make saving more accessible and appealing, targeting a 20% increase in mobile engagement by year-end.
9. **Enhance Loan Monitoring Systems:** Develop and launch a new loan tracking system within the next 3 months. Continuously monitor loan performance, identify at-risk accounts, and implement tailored follow-ups to improve loan recovery rates.
10. **Drive Business Development and Innovation:** Launch a formal business development strategy, including exploring the tradability of Investment Units (IU) and refining liquidity management practices. Establish a goal of piloting at least one new business initiative in the next 6 months.
11. **Institute Regular Performance Reporting:** Set up a system for monthly tracking and reporting of key performance metrics—such as savings account growth, loan processing times, and member satisfaction—sharing updates with the team to enable timely decision-making.
12. **Forge Cooperative Partnerships:** Identify and engage with at least 3 cooperatives within the next two years of the remaining period of the strategic plan to share best practices, organize joint training sessions, and enhance governance standards across the sector.



APPENDICES

APPENDIX A: CONCEPT NOTE ON A WORKING BOARD

Concept note on a working Board in the context of a cooperative society

1. The Working Board Concept for Cooperative Societies

The working board concept for cooperative societies has its roots in the foundational principles and resource limitations of early cooperatives. It reflects the cooperative ethos of shared responsibility and active participation , wherein members directly engage in operational activities alongside governance. Historically, this model emerged out of necessity in the 19th-century cooperative movements, such as the Rochdale Pioneers, where members assumed dual roles due to limited resources and management structures.

A working board goes beyond traditional governance by taking on operational responsibilities, which may include budgeting, marketing, member recruitment, or service delivery. This approach is especially prevalent in small or start-up cooperatives, where the lack of professional staff necessitates active involvement by board members.

Key Characteristics

1. **Active Involvement:** Board members actively contribute to daily operations, filling gaps in management resources.
2. **Dual Roles:** Members serve as both policymakers and operational contributors, blending governance and management.
3. **Volunteer-Driven:** Most board members are volunteers who dedicate their time and expertise without direct monetary compensation.
4. **Member Representation :** The board ensures member voices are integrated into decision-making, promoting inclusivity and trust.
5. **Temporary Nature :** Over time, cooperatives transition from a working board to a governance board as they grow and hire professional staff.

Cooperative societies often encounter challenges associated with working boards as they evolve. Key issues include the overlap between governance and operational roles, which can result in inefficiencies; burnout among board members due to the demands of dual responsibilities; and the limited scalability of the working board model, which becomes unsustainable as the cooperative grows. To overcome these challenges, cooperatives typically transition to governance boards that focus on strategy and oversight. Operational responsibilities are

delegated to professional staff, supported by capacity building, the recruitment of specialized personnel, and a clear refinement of the board’s strategic role.

2. The Franciscan Investment Cooperative (FIC): Current Working Board Context

The Franciscan Investment Cooperative Society (FIC) currently operates with a working board model, where the board, through the Supervisory Committee (SUPCO), actively participates in both governance and operations. Key features include active involvement in tasks such as fundraising and member recruitment, balancing dual roles of governance and operations, representing member interests, and leveraging board expertise to address resource constraints.

However, challenges include role ambiguity, sustainability concerns as the cooperative grows, and skill gaps for specialized operational needs. To address these, FIC needs to plan to transition to a governance-focused board by hiring professional staff, refocusing on strategic oversight, and building board capacity. This transition aims to enhance sustainability while retaining FIC’s member-centered approach and scaling its impact effectively.

APPENDIX B: EVALUATION QUESTIONS

