

INSIDE: URSB, UMRA partner to ease credit access for MSMEs

The Microfinance journal

Uganda's Essential Financial Market Outlook

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ONE-ON-ONE

'Emyooga' set to Mitigate Poverty effects amongst Communities

Interview with the Minister of State for Micro Finance, Hon. Haruna Kyeyune Kasolo

EXECUTIVE WATCH

Veronicah Gladys Namagembe

Managing Director, Pride Microfinance Limited

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INTERVIEW

'Emyooga' set to Mitigate Poverty effects amongst Communities - Hajji Haruna Kasolo

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Editorial

Microfinance is a financial saving institution for investments

Welcome to the second edition of *Microfinance Journal*. This is the inspirational resource established to increase awareness and education about the microfinance sector.

Publisher



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The Microfinance Journal is a Uganda Microfinance Regulatory Authority (UMRA) supported publication whose goal is to create a forum for exchange of information on all aspects positivity and inspiration. Also discuss issues pertaining to the growth, expansion and challenges facing the sector.

Microfinance institutions started in Uganda in the Late 1980s through foreign funded Non-Governmental Organizations (NGOs). The government actively participated in credit delivery through a number of programmes such as Entandikwa Credit Scheme (ECS). These programmes had an objective of providing seed money to the beneficiaries for purposes of undertaking sustainable development activities.

Microfinance in Uganda has since the mid-1990s gained wide recognition for the role it plays in providing financial services to the low income households and the rural poor in particular. Improved access to microfinance is measured by the increased number of institutions providing affordable credit to the rural poor or low income earners in all product segments.

The Ministry of Finance, Planning and Economic development (MoFPED) subsequently developed the Rural Financial Services Strategy (RFSS) as a guiding document to implement the 4th pillar of the prosperity for all programme. The programme was to ensure the continued role of government in provision of a conducive environment for increasing access to affordable financial services in the underserved rural areas.

The strategy emphasized the establish-

ment of a SACCO at every sub country as the most cost effective option for savings mobilization and credit loans as a source of capital to rural enterprises.

In this edition, the call to all Ugandans is to prioritize savings which will lead them to start investments. All Ugandans are potential creators of wealth, but we need to do more mobilization and more capacity building through such media like 'The Microfinance Journal'.

Hence, this journal serves to expand the space for such interaction. We are committed to continuously share on different issues through this journal on Agri financing, gender empowerment, Boda Boda motorcycle taxi loan, MFI loans improve boda Boda families wellbeing, financial inclusion, gender empowerment and insurance solid stand on COVID19 and business damages.

This journal will provide a voice for key sector players, and a place for them to showcase their products and services in an engaging format. They will be able to highlight their success stories, contribute to broader sector learning and onboard new sector entrants. On the whole, this journal is intended to be a reliable source of information about the Microfinance sector.

Our Team's foremost commitment is to reach out to you, to share information, knowledge and experience that are considered useful and impactful to the sector. Our appeal is that you embrace this journal as you book space to share and inform fellow sector actors.

Editorial@bankersjournalug.com



‘Emyooga’ set to Mitigate Poverty effects amongst Communities - Hajji Haruna Kasolo

‘Emyooga’ is a Runyankole word meaning a group of people doing the same thing. The Emyooga programme is currently part of the presidential initiative on wealth and job creation, aimed at transforming Ugandan households from subsistence to market-oriented production. Government has allocated approximately sh260b for the program, and so far, more than sh150b has been released.



Previously, similar schemes such as the National Agricultural Advisory Services (NAADS) in 2001 have been used to improve livelihoods of people in rural areas by increasing agricultural productivity and thereby taking them out of poverty. Though successful to a certain extent, NAADS was faulted, especially by civil society groups, for targeting individuals instead of groups. In February 2007, President Museveni launched the Prosperity For All programme dubbed 'Bona Bagagawale' through

Ideally, Emyooga is a Runyankole word simply meaning a group of people doing the same thing in an organised way.

which government was to establish savings and credit organisations in at least 1,000 sub-counties in the country.

Later, the Operation Wealth Creation (OWC) project was created purposely to improve people's household incomes. In 2013, government through the Ministry of Gender, Labour and Social Development initiated another program, the Youth Livelihood Fund (YLF), which by mid last year had generated about 100,000 jobs

However, Minister of State for Micro Finance, Hon. Haruna Kyeyune Kasolo, says some schemes failed because leaders directed the funds for private initiatives. The Microfinance Journal caught up with the Hon. Minister for a chat on a spectrum of Emyooga issues.

QN: Honorable, what is this Emyooga?

ANS: Ideally, Emyooga is a Runyankole word simply meaning a group of people doing the same thing in an organised way. However, in his wisdom, HE President Yoweri Museveni adopted it for the current presidential initiative on wealth and job creation, seeing that it fits perfectly with the current drive by the NRM government to bring Ugandans out of poverty.

QN: When was this initiative launched?

ANS: Well, the initiative was launched in August 2019, by President Yoweri Museveni, as part of the broader NRM social economic transformation agenda, aimed at bringing more than 68% of Ugandans out of poverty. Under this initiative, a number of people operating as Bodabodas, women entrepreneurs, produce dealers, Journalists and many others can benefit from the Emyooga initiative, as long as they form SACCOs recognised from Sub County to district level.

QN: Lifting people out of poverty is a broad agenda, but, what are the specific objectives of the Emyooga initiative?

ANS: The specific objective of this scheme is to lift Ugandans out of poverty. The scheme will create jobs through specialised categories at constituency levels where each Sacco is entitled to between sh5m to sh30m as seed capital. Remember, we are giving money to people in these SACCOs who are already doing something, to boost their capital, because in most cases, they don't have enough collateral to access bank financing. We expect to see a proliferation of small jobs, increased access to specialized financial services to rural areas, particularly to women, youth and people with disabilities. We also expect to see improved household income of the project beneficiaries. This will boost the entrepreneurial capacity of our people, even as we enhance sensitization, skilling and tooling among others.

QN: Which specialized skills enterprises or groups does the initiative target?

ANS: Well, the program is for all Ugandans above the legally recognised age of 18. These include Bodaboda riders, taxi drivers,

restaurants owners, welders, market vendors, women entrepreneurs, youth, people with disabilities, journalists, performing artistes, veterans, fishermen and elected leaders. I have been receiving complaints that there are some groups that were left out, but let us first deal with these and see how it works out and then we shall add on more groups later.

To benefit, one must be registered under a SACCOS at constituency or parish level. However, in Kampala, given the nature of businesses, the SACCOS will be within the place of work, for example, taxi parks, Bodaboda stages, markets and offices. The members must be involved in one of the Emyooga targeted categories. The minimum number of members in each association is seven and maximum is 30.

QN: What is the target area of operation?

ANS: The target area of operation is the entire country, because this country belongs to all of us. Even the president, who is the author of this initiative, is the president of the entire country. However, for the sake of effective service delivery and accountability, SACCOS will be registered at constituency level, although their operations are expected to center at the parish, recognised under the parish associations. However, although registration of the Emyooga SACCOS or association is free, each member will be required to pay a subscription fee of about sh10,000.

QN: Who can benefit from this initiative?

ANS: All economically active Ugandans aged 18 and above can benefit from this initiative. However, members under the youth category should not exceed 35 years of age

QN: How will identification of

eligible members be done?

ANS: We know that where there is money, a number of people might want to take advantage to get what they don't qualify for. Therefore, identification of individuals subscribing to a given category or enterprise will be done at the village level with support from the LC1 leadership. I believe that it is impossible to stay, work or both in an area without the LC1 knowing who you are. These will help us to weed out the opportunists.

QN: How does one subscribe to a category?

ANS: For someone to be considered, they must first be involved in one of the 19 enterprises targeted in this program. After that, contact your area LC1 leader for subscription to a Parish level association in line with your area of specialization. Then ensure that the group you are subscribed to is registered by the District. The process is as simple as that.

QN: How many members form an association?

ANS: Each parish association should have at least 7-30 members enlisted for a particular specialized enterprise. But if the members exceed that number, another group of the same specialized enterprise shall be formed. For example, if Kakoba Ward Bodaboda Association has 90 members, it will be split into three groups of 30 members each and named Kakoba Ward Bodaboda Association A, B and C.

QN: Are members required to pay any fees?

ANS: Registration of the groups is free of charge, and no one should be asked any money to have the groups registered. Anyone who asks for money will be dealt with in accordance with the law. However, since management of the group is done



internally- within the group, each member shall pay membership and subscription fee as agreed upon by the group. Both membership and annual subscription fees payable by each parish association to the constituency SACCO shall not exceed sh10,000/- per member.

QN: What is the delivery model of Emyooga initiative?

ANS: Since this is entirely a government of Uganda initiative, the Emyooga initiative is financed by the Ministry of Finance Planning and Economic Development through the Department of Microfinance.

The Microfinance Support Centre Ltd (MSC) is responsible for the planning, management, budgeting, reporting and accountability of all funds disbursed for the program. This includes funds disbursements



to the groups and training of members and leaders.

The District Task Forces headed by the Resident District Commissioners (RDCs) and comprised of District Commercial Officers (DCOs), District Community Development Officers (DCDOs), Local Council V Chairpersons (LCV) and District NRM Chairpersons (DNRMC), are charged with mobilizing communities to participate in the program

QN: What strategies are in place to administer loan recoveries, considering that there have been cases of defaults especially when it comes to Government poverty alleviation initiatives?

ANS: It is true that in the past, there have been cases of default registered with the other poverty eradication

initiatives. However, unlike the previous efforts, this fund will be disbursed directly to SACCOs. The aim is to benefit the members of these SACCOs. It will therefore be the mandate of the SACCO administrators, under supervision by a team from the district administration, to follow up their members for payment. Remember, the fund is not to be paid back to Microfinance support centre, but will remain with the SACCOs, on a revolving fund basis, as seed capital. The leadership of the Sacco will be well vetted from parish level, and trained on governance. If a manager steals people's money, government will compensate that Sacco and deal with the fraudster. In addition, the statutory body, UMRA (Uganda Microfinance Regulatory Authority) that regulates all Saccos in Uganda shall use the law to handle

all those who will mismanage the money.

QN: what is your last word?

Anything you would love to add

ANS: I think it is important to appreciate what the Government is doing because SACCOs encourage members to save as a way of building a resource base for credit. SACCOs educate their members in financial matters by teaching prudent handling of money, how to keep track of finances and how to budget. SACCOs pay dividends on shares to their members once the SACCO is established and profitable. So this opportunity that has been given to us by the NRM government, should be appreciated, and not politicized. We should all seize it and get ourselves out of poverty, because if we don't, we shall only have ourselves to blame.



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EXECUTIVE WATCH

Veronica Gladys Namagembe

(FUIB, Hon), MBA, MSFA, BBA

Veronica is an Honorary Fellow, Paul Harris Fellow, a seasoned microfinance specialist with 21 years' hands on experience.

She has made significant contribution to the financial sector in a unique way, to the advancement of financial inclusion in Uganda, 20 of them in microfinance; with focus on effective governance & leadership, managing institutions, risks, operations, people, product development and training.

Veronica is a mentor to the young women in the area of leadership development. She is Rotarian and a Life member of the Bible Society of Uganda.

Veronica Gladys as she loves being addressed holds a Master's Degree in Business Administration from the University of Durham in the United Kingdom, a Master's of Science in Accounting and Finance from Makerere University Business School and a Bachelor's Degree in Business Administration from Makerere University.

She has attended various Executive Leadership, Risk Management, Governance and Strategic Trainings from Harvard Kennedy School, Frankfurt School of Finance, Harvard Business School, London School of Economics, Boulder Microfinance Training and School of Applied Microfinance in Mombasa.

Achievements

- Currently Veronica Gladys Namagembe is working as the Managing Director (MD) of Pride Microfinance Limited (MDI), the largest and most profitable MDI in Uganda, with a footprint of 34 networked branches and 10 contact offices across the country as at 31st December 2020.



- She has served in Pride Microfinance Limited for 14 years, prior to which she was Acting Deputy Managing Director for 1 year, as well as the Head of Operations for 4 years.
- She worked with Diamond Trust Bank Uganda for 1 year and Uganda Women's Finance Trust, (currently Finance Trust Bank) for 6 years.
- Additionally, she has served as the National President of the Association of Microfinance Institutions in Uganda (AMFIU).
- She is a Board Member of Lubiri High School,
- Board member of The Uganda Institute of Banking & Financial Services (UIBFS) where she seats as the chairperson of the Finance and Human Resource Committee.
- She is currently an EXCO member of Uganda Bankers Association representing all supervised Financial institutions under Tier 2 & Tier 3
- She is Board Vice

Chairperson for Majestic Brands Ltd.

- Veronica is a Board Member at Pride Microfinance where she sits on the board committees for: Risk, Assets & Liabilities; Compensation, Human Resource, Administration & Procurement; as well as Strategy and Compliance.

Under her stewardship at Pride Microfinance Limited, Veronica has made the MDI grow the customer base from good to great, to over 700,000 customers with impeccable performance results. Under her leadership, Pride Microfinance Limited has grown total equity from Ugx 6BN (equivalent to \$1.6MN) to Ugx 141.7BN (equivalent to \$38.8MN) as at end of December 2020

Veronica Gladys Namagembe has steered Pride Microfinance Limited to scoop the Platinum winner accolade 2020/2021 of the Consumers' Choice AWARDS contest in the category of Uganda's best Microfinance Institution as chosen by the Consumers



Wish you the best in all your endeavors From; The Microfinance Journal Team

Low Income Entrepreneurs in Rural Areas with a key focus on women, Are Our Target for Livelihood Improvement - VISIONFUND UGANDA'S CEO

Twenty - four years down the road, VISIONFUND Uganda has been supporting the low income entrepreneurs living in vulnerable and rural communities including refugees by offering them financial and livelihood solutions. Microfinance Journal got in touch with the Chief Executive Officer Ms. Mercy Sande Ainomugisha in an exclusive interview where she expounded on her organizations success story. Below were the excerpts:



QN: Briefly tell us about VisionFund Uganda

ANS: VisionFund Uganda Ltd (VFU) is a Christian Microfinance Institution (MFI), affiliated to VisionFund International and World Vision Uganda. The MFI started operations in Uganda in 1996 as World Vision Uganda's Micro-Enterprise Development Network (MED-NET) before its incorporation as a company limited by shares in 2012. VFU is regulated by Uganda Microfinance Regulatory Authority (UMRA) to offer credit services to Ugandans.

QN: VisionFund is known to be one of the long time credit institutions targeting the vulnerable and rural communities of Uganda. Has your status in the Microfinance sector changed now?

ANS: Indeed, VisionFund Uganda serves the low-income entrepreneurs living in vulnerable and rural communities by offering financial and livelihood solutions. These services are delivered through a network of 24 branches and 3 field offices that are spread countrywide, use of mobile technology, and by working with World Vision Uganda through the Area Programs approach.

For the last one and a half years, we have been engaged with the refugees especially in the West Nile region in a bid to further scale up our impact. We designed a special product – The Savings Group Loan, which is tailored specifically to meet the financial needs of this unique clientele. We have since served over 12,000 clients and impacted more than 20,000 children for both the refugees and their host communities.

Additionally, in line with our mission of creating brighter futures for children by empowering families to create income and jobs and unlocking their economic potential for communities to thrive, we currently serve over 35,000 clients, 91% of whom live and work in rural communities while 46% of them are women. Through our services, we have been able to impact more than 200,000 children.

QN: How have you supported the sector in terms of empowering individuals and groups with enhanced financial capabilities?

ANS: In addition to offering credit facilities to our customers, we, alongside other partners such as World Vision offer embedded education/financial literacy training to all our clients starting from on boarding until the loan is fully paid. The content is simply designed to help clients avoid over indebtedness and to instill a culture of proper business and financial management. Our topics include; budgeting, saving and borrowing wisely/managing the loan. We also provide resilience and livelihood services, water sanitation and health, through the provision of Eco loans and WASH loans respectively.

QN: How does VisionFund envisage its future?

ANS: As we look to the future, we remain committed to pursuing our mission to achieve our ultimate goal of improving the lives of children. We shall deliberately keep our efforts focused on delivering our services to the most vulnerable and rural communities; through digitization, engaging in partnerships and by aligning our footprint to the World Vision Area Programs in the country. Our financial services empower underprivileged households to increase their incomes, create jobs hence enabling communities to thrive. God is there—and we are there too. So, our mission continues.

QN: What is your message to the sector?

ANS: The microfinance sector in Uganda is one of the most vibrant and successful industries in Africa with hundreds of regulated and non-regulated MFIs, money lenders and SACCOs, some of which are serving over 35,000 clients. The creation of Uganda Microfinance Regulatory Authority (UMRA) which commenced operations in 2017, has particularly streamlined and strengthened the operations of Tier4 MFIs and money lenders.

nance. Additionally, the outbreak of the COVID-19 pandemic and its impact on business is the new phenomenon that the MFIs are yet to contend with. Faced with these challenges, the MFIs need to think innovatively and act proactively to remain relevant and sustainable.

As VisionFund Uganda, we remain committed to executing flawlessly through pursuing digitization to improve customer experience, reduce the cost to serve and deepen financial inclusion. We



CEO VisionFund Uganda with some of the Refugee clients that have benefited from the Savings Group Loan in Palorinya Settlement Camp, Moyo District.

VisionFund Uganda serves the low-income entrepreneurs living in vulnerable and rural communities by offering financial and livelihood solutions.

However, like any other industry, microfinance is faced with financial, operational, compliance and strategic risks. Given the nature of the markets in which MFIs operate, there are some risks, such as over-indebtedness and lack of financial discipline that are more prevalent and inherent to microfi-

shall continue to put our clients first with a key focus on women in rural and vulnerable communities and to invest in our people/staff who are our greatest resource. We believe that all these initiatives will help us deliver both the impact and sustainability for our business.



Microfinance and Agri-Financing

Unlocking the dilemma of financing the Agriculture sector

While agriculture forms the backbone of the Uganda's economy and provides employment to the majority of Ugandans, there is little evidence that credit is churned into this sector in adequate proportions.

It is vital to note that exclusion of agriculture in lending is indeed exclusion of many people especially in Uganda where the Agriculture sector continues to play a vital role in the development of the Ugandan economy by employing over 70 percent of the labour force (UBOS, 2017), accounting for 23 percent of GDP and contributing to nearly 50 percent of total export earnings (UBOS, 2017).

The call for the need to de-risk financing & investment in agriculture to promote youth

employment and inclusive growth, farmers say will be endless unless financial players, like microfinances and Banks invest in the understanding of the agriculture sector's needs and how it works.

Kamoga Ivan is a farmer of coffee, bananas, and he rears some goats and bees. He says, "It is we farmers that understand problems in the sector more than anyone else. My quarrel with lending institutions today is 'when was the last time you spent a whole day in a banana plantation and know how this plant is produced? And if you don't understand farmers' problems then there is no way you can claim to offer us good products that are aligned to our real challenges in this sector.' If you don't do that you

will keep complaining of how risky financing agriculture is and this will continuously affect the whole Economy as Uganda survives on Agriculture majorly.”

Just like most microfinance institutions hold educational campaigns and training to their borrowers in different sectors i.e. Agriculture and transport to help bridge the information gap on the culture of savings, book keeping and loan servicing among others, even banks should invest in teaching farmers about economics because bankers have this information so that they can know how to mitigate these risks to do with financing.

He added, “Invest in the right people to understand challenges in the sector, not in those that sit in your nice buildings. The weather does not have to wait while you swing around farmers when they come for loans. Look for ways to calibrate the financial system with the agriculture sector.”

Additionally, Kamoga says the bank of Uganda should underwrite some financial products for the farmers so that they are easily affordable. If the interest rate is say 4%, let the government pay half to subsidize on the farmers costs.

4.8 million Of Uganda’s 7.6 million households (63%) report subsistence farming as their primary source of income (UBOS 2014). These are predominantly smallholder farmers for whom agriculture growth has been sluggish.

Productivity remains well below potential which undermines economic growth, export earnings, livelihoods and nutrition. Agricultural labour productivity measured by agricultural GDP per worker is just \$125 per year compared to total productivity per worker of \$687 economy-wide (UBOS 2018).

According to Mathias Katamba, CEO DFCU Bank Uganda, partnerships are a great enabler for creating opportunities in the agriculture sector. “I think the journey ahead for agriculture is optimistic and a viable bankable business”, he said.

Katamba added, “It is important we increase leveraging on technology as an enabler to provide all manner of support information (be it weather, agronomic, market information or payment services) to unlock the potential of Uganda’s Agriculture sector for increased productivity.”

Mrs. Josephine Mukumbya, Agriculture Business Initiative (aBi) Group Chief Executive Officer commended the financial institutions for what they are doing in the agriculture sector. She said there is statistical evidence that financial institutions are supporting the sector to foster economic development.

“We need to holistically look at this sector as an entire supply chain and partnerships are key because the task ahead of us is huge.”

Jaired Osoro, the Director, Kenya Bankers Association Centre for Research on Financial Markets and Policy noted that productivity issues

like lack of quality inputs like seeds, minimum adaption of modern farming methods and poor delivery of extension services among others calls for appropriate commercial funding in the sector.

“Financial institutions should understand that the structure of our agriculture is dominated by the small holder farmers which make it hard to access credit if you are not at the level of commercial farming.”

“Usually, the inadequacy in the level of investments is accompanied by a budget absorption challenge and implementation among others. The assumption that need for a resource is need for demand is a killer assumption which is the reason for costly credit access”, added Osoro.

According to the 2016 African Agriculture status report, the region’s rapid population growth is due to rising life expectancy and declines in death rates. Youth unemployment is at all time high meaning it must become a critical policy priority in most countries.

This must be the focus for greater economic development. Economic transformation can only happen if productivity in the sector that employs & feeds the biggest proportion of the population is sustainably promoted as a business unusual.

According to the 2016 African Agriculture status report, the region’s rapid population growth is due to rising life expectancy and declines in death rates.

According to the Netherlands Ambassador to Uganda, H.E. Henk Jan Bakker, Limited access to the financial services is due to a number of factors including the high cost of delivering financial services in rural areas due to infrastructural deficits, poorly designed financial services and products that don’t meet the requirements of agriculture especially smallholder farming, low levels financial literacy amongst sector actors and a reluctance of financial

institutions to extend services to the sector due to the perceived and actual risks of agricultural activities.

She says that limited access to information in the agriculture sector such as price, post-harvest product handling and limited technology options, quantity needs, quality standards, locations, and timing of production deters the actors from fully engaging and participating in agriculture value and supply chains.

Today, technological innovations are however tearing down these barriers of access and use of financial services as well as access to information and are becoming a means of offering faster, more convenient, and more cost-effective financial services and market information.

Nathan Kasendwa a farmer from Masaka District said he uses Master-Card Farmers Network to market and sell his agricultural goods. "I teach my fellow farmers also how to leverage technology to make more money from the sector."

4.8 million Of Uganda's 7.6 million households (63%) report subsistence farming as their primary source of income (UBOS 2014).

The rapid growth of digital infrastructure and the advent of agent/branch-less banking (which offers the ability to transact outside of a traditional bank branch) offers an opportunity to expand access of the formal financial services to a wider proportion of the rural population.

The growth of ICT industry and mobile telecom revolution in Uganda has provided immense opportunities for targeting various nodes in the ag-

ricultural value chain; and in linking smallholder farmers to markets.

By leveraging on the available technology, payment systems such as mobile based and card-based, digital finance can extend the convenience and revolutionize the transaction environment within the agricultural value chains.

If the technological innovations and digital finance developments are managed effectively, they will continue to bring enormous benefits to agriculture and the economy at large.

It is therefore crucial that service providers should design financial products suited for the agricultural sector, i.e. reasonable priced credit facilities and agriculture insurance.

Innovation allows financial products and services to be customized to those who need it and it is crucial for creating a diversity of solutions to financial inclusion.





UMRA Executive Director Mrs. Edith Namugga Tusuubira with former Registrar General URSB, Mr. Bemanya Twebaze, exchange copies of the MOU signed.

URSB, UMRA partner to ease credit access for MSMEs

By Our Reporter

The Uganda Registration Services Bureau (URSB) and Uganda Microfinance Regulatory Authority (UMRA) signed a Memorandum of Understanding (MoU) to further ease access to finance for small businesses.

The purpose of the MoU is to establish a working relationship between the two government agencies in areas of financial data verification, easy sharing of business registration information, facilitating sharing of licensed business entities under UMRA among others.

This working partnership will help us promote the usage of our Security Interest in Movable Property Registry (SIMPO) while enabling access to credit for business and personal growth through safer lending and easier borrowing according to Bemanya Twebaze, URSB Registrar General.

"The SIMPO Act came into force in 2019. This law helps micro, small

and medium enterprises (MSMEs) or individuals with limited credit to use their movable assets as collateral for loans. SIMPO was developed in fulfillment of the Government of Uganda's objectives in the Second National Development Plan (NDP) 2015/16 – 2019/20 of reducing interest rates, decreasing default rates and increasing the pool of new borrowers", he added.

Edith Namugga Tusuubira, the Executive Director UMRA said the enactment of SIMPO Act 2019 and the introduction of electronic chattels securities registry at URSB establishes a legal and regulatory environment that facilitates the use of movable assets effectively as collateral by borrowers.

"This is a critical step towards responsible and inclusive access to finance," she remarked

The tier 4 Microfinance Institution and Money Lenders Act 2016 establishes UMRA as an autonomous body with the mandate to regulate, license and supervise money lenders and tier 4 microfinance institutions such as SACCOs, non-deposit taking microfinance institutions among others.

"I see a window of opportunity for tier 4 Microfinance Institutions and money lenders to be equipped with appropriate legal instruments, sufficient capacity and regulatory incentives," she added.



Pride Microfinance Ltd (MDI)

Statement From Pride Customer

We have continuously tailored our products and services to address customers' needs and challenges which has enabled us to serve them better. Below is a testimony from one of our customers.



Tamale Baker Ssalongo (Mr Pride) Nateete Branch

I am the chairman of Kyengera Stage in Nateete Taxi Park. My wife is Nalongo Asiat Nanoze, and together we have 8 children, 4 boys and 4 girls. The oldest is 18 years, in S.6, and the youngest is in Primary Five.

Twenty two years ago, I was introduced to Pride Microfinance by my friend, Mr. Segirinya, I was a taxi

conductor at the time. My first loan was Ugx 150,000 under the group arrangement.

I graduated to Ugx 300,000, 500,000, then 700,000. These loans helped me purchase a plot of land in Kyengera and some materials to start construction. With a loan of 2million, I was able to roof, finish the house and move in.

With better collateral, I was able to access a bigger loan of Ugx 15million which I used to purchase 6 hectares of land in Butambala. I grow coffee, sweet potatoes, cassava and beans on this land and the yields have been impressive.

From my subsequent loans and savings, I have been able to acquire 4



taxis from which I earn over 4 million shillings monthly. I also bought a car for my personal use! I have referred over 150 colleagues (business and family) to Pride and it gives me great joy to see them benefiting from Pride's loans.

Pride has other products that I have benefited from, one being the school fees loan; I have been able to pay school fees for all my 8 children on time courtesy of this provision. The loans officers are helpful, friendly and respectful. Being so attached to Pride, I was nicknamed "Mr. Pride", at the taxi stage and I tell everyone about Pride's goodness, whenever I get the opportunity.



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Improving rural households credit access through MFI

Access to financial services by farmers is mainly affected by weak linkages of financial institutions from farmers up to formal financial institutions, their visibility and the distribution network. This is according to findings of the study carried out by Association of Microfinance Institutions of Uganda (AMFIU) in 2011 that focused on supply side factors affecting the access to financial services by rural households along the key commodity value chains of coffee, apiary (bees), poultry, dairy, maize and pineapple in all regions of Uganda.

The study recommended strengthening farmers groups to enhance access to financial services and accountability to the providers of credit. The research suggests that to increase access and use of agricultural credit financing, new approaches to find financially excluded rural poor in Uganda should be developed.

These would largely focus on access constraints such as lack of collateral, weak farmers groups, financial literacy and improving the regulatory framework of the Microfinance. Despite several interventions in agricultural financing by government, access to credit by smallholder farmers has remained very low and stagnating over the years.

To understand the extent of the problem, there is need to benchmark from the various agricultural financing ini-

tiatives, government has implemented over the years including Prosperity For All (PFA) of 2008, the National Agricultural Advisory Services (NAADS) of 2001, Entandikwa scheme of 1996, and the recent Agricultural Credit Facility (ACF) and Microfinance Support Centre (MSC), among others.

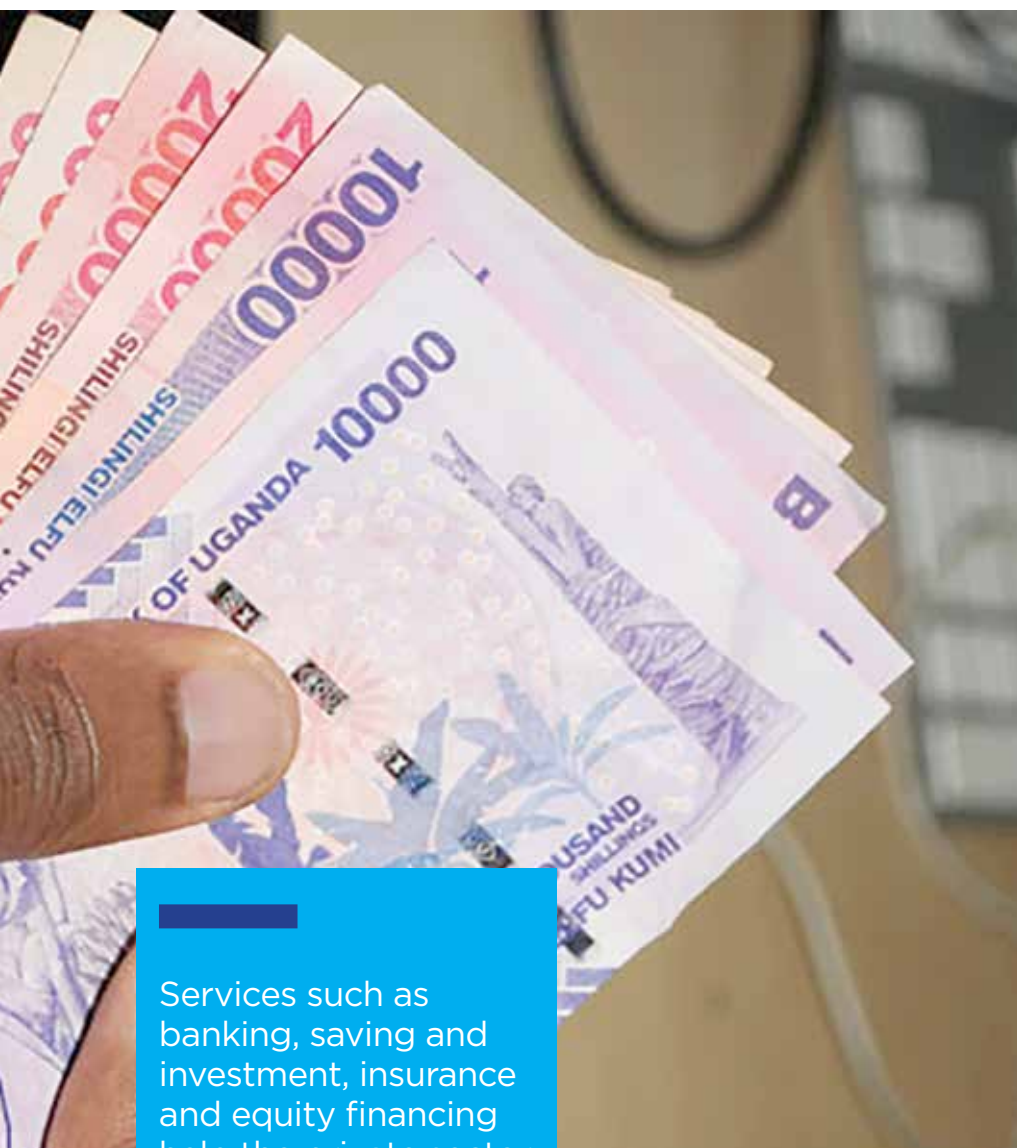
Commenting on the earlier interventions by government in agricultural financing, Ezra Munyambonera of Economic Policy Research Centre (EPRC) observes that weak institutional framework for co-ordination, financing and implementation continue to affect their impact.

Data show that access to credit by agricultural households still remains at a very low percentage. This could be blamed on the policy failures of the various agricultural financing initiatives that government has implemented over the years, poor response of



formal commercial banks to agricultural lending and weak regulation of the Microfinance institutions at (Tier-4) to effectively deliver credit to small holder farmers.

Some small holder farmers suggest that if government is to succeed in promoting access to financial services by small holder farmers, there would need to have strong institutional framework for agricultural financing. Financial markets in developing countries and particularly in Sub-Saharan Africa (SSA) are largely under-developed characterized by lacking depth, highly inefficient, concentrated in urban areas and dominated by a



Services such as banking, saving and investment, insurance and equity financing help the private sector to guard against credit risk and uncertainty, among others.

few, often foreign-owned commercial banks.

Credit, savings and insurance markets in the rural areas are generally non-existent, and those that do, many work imperfectly. On the other hand, given the agricultural dependence of the rural economies, the importance of financial markets that meet the peculiar requirements of the rural population cannot be emphasized.

For example, agricultural production exhibits a great deal of correlations across farms such that bad weather may leave an entire village or a group of villages clamouring for insurance out.

According to Munyambonera, Financial services are fundamental to the economic growth of a country. Services such as banking, saving and investment, insurance and equity financing help the private sector to guard against credit risk and uncertainty, among others.

On the other hand, financial credit enables businesses to start-up, expand, improve efficiency and compete

favourably on the market. Among the poor segment of society, financial services not only reduce vulnerability, but also increase the ability of the poor to manage assets available to them hence leading to increased income levels.

The importance of rural credit services can be best understood by examining their potential contribution to the development of the agricultural sector. Despite the significant improvements in financial sector in Uganda, accesses to financial services by the rural households, who in case of Uganda constitute about 80 percent, remain very poor according to statistics.

This could be attributed to many factors ranging from policy, institutional, supply and demand factors. In Uganda access to credit for farming remain very limited through the formal commercial banks.

Examining Uganda's agricultural credit market is premised on the structure-conduct-performance paradigm (S-C-P) that has been employed to evaluate efficiency of credit markets in general in developing countries among others.

This analyses the structure, conduct and the actual performance of the financial credit market in relation to delivery of and access to financial services by clients in this case Uganda farmers.

At macro level, the government of Uganda has implemented financial sector reforms that allow bank and non-bank financial institutions to supply credit that is market determined

At market conduct level, the nature of loans, type of borrowers and type of activity that these financial institutions lend money are defined. At market performance level, both supply side and demand side factors that influence

access and use credit at client level are examined. These include; loan recovery period, interest on loans, collateral required among others.

Participation in microfinance programs contributes to reduced vulnerability to economic risks. The poor are very vulnerable to risks (such as illness or death of a household member, medical expenses, funeral costs, crop failure, the loss or theft of a key asset, or a dramatic change in prices), and microfinance services in Uganda have proven to help the poor to protect against these risks.

Individuals and households pursue strategies to protect against risks ahead of time. As MFIs provide loans for working capital and to purchase productive assets, clients are able make their enterprises more competitive and increase profits (although in most cases only to a limited extent), diversify their income sources and broaden their asset base.

Participation in microfinance programs also appears to enable clients to build the households' human assets, for example by investing into children's education or household members' health. Even when loans are used for business, the household's own capital is thus freed for other investments, particularly in school fees and health care.

Group-based lending schemes provide clients with an opportunity to build their social assets by reinforcing reciprocal relationships and social networks. Membership of microfinance groups links individuals, households and enterprises into a vital web of business and personal relationships that enables members to better cope with the challenges of life.

However, in some cases membership



Ezra Munyambonera

Micro-insurance products aim at protecting people from the risks most commonly faced by poor people. Premiums tend to be low yet proportionate to the likelihood and cost of the risk involved.

savings services, only few clients were able to use these as source of liquidity in times of emergencies. Participation in microfinance programs results in strengthening linkages of clients and their households to the agricultural sector.

MFI clients are actively involved in the agricultural and natural resource-based marketing chain. Loans to micro entrepreneurs strengthen their position in the agricultural sector. Microfinance program participation results in clients expanding the amount of land they cultivate and diversifying the crops they grow for sale and domestic consumption.

Clients of MFIs are more likely than non-clients to increase their remit-

tances to rural dwellers. Participation in microfinance programs enables clients to acquire valued skills in self-assessments; clients tend to mention acquisition of business-related knowledge and savings skills among the most important positive results of participation in their microfinance program.

Many clients also testified that they had learnt leadership and public speaking skills from participation in MFI groups. Numerous clients gave proof of this by joining wider institutions and standing for election in local councils.

Participation in a credit with education program results in clients trying new health and nutrition practices and informing others about these practices. The lending strategies of MFIs appear to be more of a deterrent to continued participation than factors within the client's households and enterprise. Reasons clients give for departing an MFI program tend to relate more to the lending methodology than problems with loan repayment.

Most drop-outs complain about inadequate loan amounts and terms, mandatory weekly meetings and having to pay for group members who default. Participation in MFIs does not help the poor to meet their savings needs. Most MFIs only offer loan-linked, compulsory, locked-in savings system and no poor-friendly savings products.

Also, for legal reasons, Ugandan MFIs are not providing facilities that allow the poor to save in a way that would help them to meet their current needs and opportunities and to save for the future. As a consequence, the poor are often forced to use high-risk (and often high-loss) informal savings mechanisms.

Uganda Microfinance Regulatory Authority Licensees Hit 819 Institutions in 2020

QN: The Microfinance Sector and in Particular UMRA IS a key driver for social Economic Growth, thus for transforming a middle income country, good lending Practices, protecting savings of the depositors and building confidence in the system to promote financial inclusion is a pre- requisite, what role is UMRA playing in this Regard?

ANS: Uganda Microfinance Regulatory Authority (UMRA) was established by the section 6 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 to license, regulate and supervise Tier 4 Microfinance Institutions and Money Lenders in Uganda.

The objective of this regulation is to protect consumers of microfinance services against predatory lending and unethical practices aimed at restoring confidence in the microfinance system to promote financial inclusion.

UMRA is expected to promote a sound and sustainable non-bank financial institution's sector (savings and credit cooperatives, village saving and loan associations, non-deposit taking microfinance institutions and moneylenders) to enhance financial inclusion, financial stability, and financial consumer protection among the clients.

UMRA also seeks to protect interests of members and beneficiaries of tier 4 microfinance institutions including the promotion of transparency and accountability by applying both prudential and non-prudential stan-



Edith Tusubira, the Executive Director of the Uganda Microfinance Regulatory Authority

dards, promote stability and integrity of the financial sector through ensuring stability and security of Tier 4 microfinance institutions and other functions.

Since 2018, UMRA has been implementing the mandate of licensing and supervising Non deposit taking microfinance institutions and money lenders.

In March this year, regulations for Savings and Credit Cooperatives –SACCOs were published in the Gazette giving Uganda Microfinance Regulatory Authority guidance to implement section 36 of the Tier 4 Microfinance institutions and money lenders Act, 2016. This means as

money lenders, non-deposit taking microfinance institutions prepare to renew their licenses starting 1st October, SACCOs should also submit their applications for the licenses for 2021.

QN: How many institutions have been licensed since Uganda Microfinance Regulatory Authority started implementing its mandate? Has the number increased since 2018? And what are the requirements for an institution to get a license?

ANS: As at 30th June, the Authority issued 634 licenses for FY:2018/2019 and 819 licenses for FY:2019/2020 after fulfilling the licensing requirements.

Category/Sector	Licensed FY: 2018/2019	Licensed FY: 2019/2020
Moneylenders	539	691
NDMFIs	95	128
SACCOs	00	00
Total	634	819

Basing on the table above, there is an increase in the number of institutions that UMRA has licensed. In the financial year 2018/2019, the Authority licensed 634 institutions compared to the 2019/2020 financial year when 819 institutions were licensed. There was an increase of 185 money lending institutions in the financial year 2019/2020.

The Regulatory Do's for Moneylending;

1. An individual or Company incorporated in Uganda and carrying out moneylending business can apply for a license.
2. The entity seeking a moneylending license from the Authority must be a legal entity with an established office.
- A licensee shall display the license at all the premises where moneylending is transacted.
3. A license shall expire on the 31st of December in every year and may be renewed annually upon application to the authority.
4. Furnish the borrower with a copy of the loan agreement including all fees.
5. Display interest charges at all times at the premises where moneylending business is conducted.
- Keep and maintain records including proper books of accounts, a cash book, ledger, register of securities register of debtors in a form that the Authority may require.

The Regulatory Don'ts for Moneylending?

1. A company shall not operate a moneylending business without a license.

2. A money Lender shall not take National ID, passport, warrant card, or other documents establishing the identity or nationality of the holder,

Bank savings, ATM Cards and security codes for the ATM cards as collateral for money borrowed.

- Charging exorbitant and compound interest rates on loans.
- 1. Borrowers should not sign sale's agreements for accessing credit facilities instead of loans agreements.
- 2. Borrowers should not sign transfer documents in favour of the lender as part of the security for accessing credit.
- 3. A moneylender is not authorized to carry on business under more than one name.
- A moneylender shall not take client deposits.
- A license issued is not transferable or assignable.

QN: What should borrowers look out for when they need to borrow money?

ANS: The borrower should find out the right Money lender to borrow from i.e. the Money lender should be licensed by Uganda microfinance regulatory Authority (UMRA).

The borrower should know on the computation of interest rates charged on a loan by a money lender and also disclose the method of calculating the interest rates.

The borrower will need the money-lender to publish and disclose the charges and transaction fees in conspicuous manner prior to entering the money lending agreements.

1. The borrower needs to sign money lending contract which contains the following.
- The date on which the interest on the principle is payable.
- The interest computed on the monthly outstanding balance of the principal.
- The frequency of instalments to be paid.
- The right to redeem the collateral before it is disposed off.
- The chargeable fees for the loan transaction.
- The charges for late repayment.
- The conditions under which collateral for the loan may be sold.



Licensing Requirements for Money Lending

- Incorporate a company under the Companies Act 2012 (if not yet incorporated)
- Apply to the Uganda Microfinance Regulatory Authority for a license
- Attach certified copy of certificate of incorporation
- Certified copy of memorandum and articles of association
- Forms of particulars of directors and secretary
- Postal and physical address of the company
- Copies of national identity cards for directors and secretary

- Certificate of good conduct for directors and secretary
- Evidence of payment of 50000 Shillings application fees

QN: Money Lenders seem to be very hard to regulate and license given the way they operate. For instance, operating without a physical office, making agreements that press the clients etc, how are you working upon this vice?

ANS: The Tier 4 Act prohibited briefcase money lending where any individual would operate money lending business without an office. Now, a money lender must be a

company which must have an office with all known directors. It is now very easy to regulate them because the directors are known and their offices are known.

Before a money lending company is given a license, our team of inspectors carries out premises inspection to confirm availability of office space and suitability before they are approved to get a license. No money lending company is allowed to transact business unless it has an office.

A money lending company is mandated to sign a loan agreement



Staff of Uganda Microfinance Regulatory Authority during an exhibition.

with a borrower not a sales agreement. The Authority has carried out several sensitization activities using media platforms to warn the public against signing sales agreements when entering into money lending transactions.

UMRA also continues to sensitize lenders to share copies of loan agreements and the key fact documents with borrowers as part of transparency. The sensitization campaigns have helped to create public awareness and empowered borrowers with information.

QN: Association of Microfinance Institutions of Uganda (AMFIU), is an umbrella body that brings together all Microfinance Institutions in Uganda, how are you different from this entity? In terms of roles and duties?

ANS: Uganda Microfinance Regulatory Authority derives its mandate from the Tier 4 Microfinance Institutions and Moneylenders Act, 2016 which provides for functions of the Authority including licensing, regulating and supervising Tier 4 Microfinance Institutions and Moneylenders in Uganda. UMRA is a Government regulatory agency established by an act of parliament.

Objectives Of UMRA

The objectives of the UMRA are specified in the Tier 4 Microfinance Institutions and Money Lenders Act 2016 as below;

This Act was enacted to promote the growth of the sustainable Microfinance Industry, economic and social Development

1. Promoting Legitimacy and building the confidence of members, customers and investors in the microfinance business.
2. Establishing prudential standards

Uganda Microfinance Regulatory Authority is steadily restoring sanity in the microfinance system ever since it started regulating the sector. With the Authority now launching regulation of SACCOs, the future looks bright.

for microfinance institutions in order to safeguard the Deposits of Members and prevent financial system instability of the funds the depositors and ensure stability of the financial sector.

3. Manage savings protection scheme and a stabilization fund for Tier 4 Microfinance institutions,
4. Advise the Minister on matters relating to the development and operation of tier 4 microfinance institutions
5. Prescribe performance indicators for tier 4 microfinance institutions
6. Conduct periodic reviews of the activities of tier 4 microfinance institutions
7. Establish a mechanism for reporting by tier 4 Microfinance institutions
8. Prescribe, control and administer the assets of authority
9. Regulate and supervise commodity based microfinance institutions

10. Any other activity necessary to facilitate the discharge of its functions and for giving full effect of this Act.

On the other hand Association of Microfinance Institution of Uganda -AMFIU is an umbrella organisation of microfinance institutions (MFIs) in Uganda. AMFIU was founded in November 1996, through the collaboration of several organisations with interest in microfinance. The main reasons for its establishment were the felt need for MFIs to have a common voice; to lobby government for favourable policies; to share information and experiences; and to link up and network with both local and international actors.

AMFIU is a member-founded and member-owned institution. Membership as of December 2019 stands at 125 members.

The public also needs to know that UMRA has a complaint handling unit which resolves concerns of borrowers who feel cheated. It does not mean though that borrowers should run to UMRA whenever they fail to pay. No. Borrowers must pay their loan obligations. However, if you feel you were cheated for example, you have serviced your loan but the payroll lenders have failed to drop the code off your account, you are free to come to our offices located on Wing B Rwenzori Towers and file your complaint.

We however encourage borrowers to deal with only licensed microfinance institutions. For more information, visit our website www.umra.go.ug or call 0417799700.

In conclusion, Uganda Microfinance Regulatory Authority is steadily restoring sanity in the microfinance system ever since it started regulating the sector. With the Authority now launching regulation of SACCOs, the future looks bright.



Members of a Village Savings and Loan Association in Moroto.

Financial inclusion is a key enabler to reducing poverty in Uganda

Financial Inclusion in Uganda remains a challenge in spite of the many gains and successes we have achieved in the financial sector in the last 20 years; according to the 2013 FinScope report on Financial Inclusion by Economic Policy Research Centre (EPRC) reports.

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible way.

Financial services such as savings products, credit and loans, payment and money transfer services provide the population with greater capacity to stabilize and increase their incomes.

In addition, financial services help individuals and communities to build assets and cope with shocks like the obvious Covid-19 situation.

Financial products have proven to

be great tools that mitigate the effects of low, irregular and unreliable incomes which keep many people below the poverty line.

According to the survey findings, about 20 percent of adults in Uganda had access to a formal bank account and only 12 percent borrowed formally in a year additionally, only about 2% of adults had any form of formal insurance.

The small numbers suggest a critical need for a further push to the financial inclusion agenda to ensure that the people at the bottom of the pyramid join the formal financial system, reap benefits and improve their financial well-being.

Financial inclusion is a central theme for all of us because most of those in poverty do not have access to financial services.

Poverty alleviation is a top priority for the Ugandan Government and financial inclusion is an essential component of the country's poverty alleviation strategy with hope that it will ultimately reduce poverty and inequality.

The lack of such assurance that is mostly pronounced among the many semi-formal and informal service providers like SACCOs and Community Groups can be a great source of suffering to savers whenever there is collapse of any service provider.



The challenge in the microfinance is majorly informal operations which can be solved through proper regulation and encourages creating awareness on the importance of formalization among SACCOs.

Digital Financial expert Asher Namanya holds that with over 74 percent of Ugandans chronically informal, prudential regulation and other safety nets for service providers should always be in place to reduce on this risk.

That way, the country will be able to attract more savers into formal institutions while reducing lending risk and risk perceptions inherent in lending to key productive sectors particularly Agriculture and SMEs.

Expanding outreach through technological advancement is viewed as a game changer by many microfinance experts more so in such times off the Pandemic.

"The cost of locating a financial institution branch in a rural set up where the road network is poor, electricity is

non-existent, and the population is so dispersed is enormous."

"It is also expensive for savers who travel long distances to go and deposit small savings in their accounts", Namanya adds.

With this, the cost of credit administration and borrowing becomes very dire in such situations. It is therefore important to explore the use of agents and the new technology such as mobile phone banking and points of sale as tools for financial inclusion but more importantly revive the SACCOs that reach the most financially inaccessible.

Harnessing the advantages that new technology offers may reduce the cost of opening outlets especially in hard-to-bank areas that may initially not be profitable for financial service providers.

Technology will continue to offer low-cost solutions and opportunities that were never thought about in the past and service providers need to harness these opportunities.

Methodologies such as group lending in microfinance and Islamic Banking & Finance which use collateral substitutes and other risk-sharing mechanisms that are not used by conventional bankers provide viable alternatives that should be critically assessed.

This opportunity should be supported by a flexible (different laws and regulations for different sectors) and strong regulatory and supervisory framework that guarantees safety and soundness of institutions.

According to Cathy Mbabazi, the Managing Director of Rica Microfinance, innovative financial inclusion works better when a strong legitimate framework balances International Standards and national conditions.

"One of the issues limiting financial inclusion is paucity of information provided to clients and the lack of a good understanding or interpretation of that information."

"We need a national framework to address financial literacy and financial consumer protection. This framework should assign roles to different stakeholders within the financial sector plus providing for coordination among financial service regulators," She added.

Sylvia Kawe, the Programme Manager women and youth financial inclusion programme at CARE Uganda, says over 6000 groups have been linked to the formal financial sector by CARE Uganda through working with development partners and government.

Kawe says low network coverage as well as low branch coverage for banks, especially in rural areas affects knowledge sharing and adoption of formal financial systems.



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Uganda's Insurance Industry is very Solid to withstand Covid-19 shocks — IRA's CEO Alhaj Kaddunabbi

Alhaj Kaddunabbi Ibrahim Lubega is the Chief Executive Officer of Uganda's Insurance Regulatory Authority (IRA) who has occupied this position since 2011. Under him, the insurance sector has flourished with double-digit growth year in year out.

The number of licensed players has more than doubled from 62 in 2010 to 128 as of January 2020. Total industry premiums, including HMOs and micro insurance, have grown by fourfold, from UGX296 billion to UGX974 billion.

In the following interview, he shares about the insurance sector's performance, the impact of Covid-19, and the bright future that sector holds.

QN: Uganda's Insurance Industry has grown quite significantly, nearly touching the UGX1 trillion in premiums mark in 2019- what are some of the key highlights of this growth?

ANS: First of all, in general, I must say, for the period I have been at the helm of the Insurance Regulatory Authority (IRA), the insurance industry has continued to register a two-digit positive growth year in, year out and 2019 was no exception. In 2019, the insurance industry registered a growth of 13.22 percent in gross written premiums- from UGX860 billion in 2018 to UGX974 billion. Broken down into classes, general or non-life insurance contributed UGX622 billion, up from UGX572 billion in 2018. Life insurance also grew by 27 percent, from UGX218 billion to UGX276 billion.

The Health Membership Orga-



nizations (HMOs) class or medical insurance, grew by 9 percent, from UGX75 billion from about UGX69 billion. Micro-insurance, an area of very much interest to IRA, because it addresses the insurance needs of the everyday person, grew from UGX24 million in 2018 to UGX300 million in 2019.

Micro insurance figures for 2020 are already encouraging and we are excited about that.

We also realised good growth in claims paid- because insurance exists to pay claims, from UGX327 billion to UGX375 billion. Overall, as a regulator, we find this very encouraging.

QN: Does the industry have some form of metrics for tracking efficiency in claims payment? If yes, would you say there has been an improvement in the efficiency of claims payment as well?

ANS: Yes, IRA has in the recent past come up with claims payment guidelines. Sometime back, we had a candid discussion, with insurance players, and we agreed on what should be the minimum benchmark when a client makes a

take up to 20 working days and a maximum of a month.

By and large, the industry has respected these claims guidelines. Going forward and when our regulatory software is up and running, later this year, we will be tracking the number of days individual insurance players take to clear claims in real time and we believe this should further enhance claims efficiency.

We have continued to encourage players to observe these guidelines and good enough many of them are responding through instant claim processing and payment. **Ideally, when a vehicle gets an accident on the road, an insurer should be able to send an assessor to the scene of the accident and make a decision there and then and pay.** The next day someone should walk out with a cheque or a cash payment whatever the case may be. That is the golden standard we are working towards.

QN: Life insurance, for the last couple of years, has grown faster than general insurance. What would you say are some of the facts on which this faster-than-industry grows this premised?

ANS: Actually, in the developed world, life insurance forms the biggest percentage of premiums underwritten. However in Uganda, because of our past, where we had very high inflation coupled with tough political times, the life business was affected and most players either quit the life arm of insurance business. By the time I took over as the CEO of IRA, life was contributing about 5 percent, but today, life stretches up to 30 percent.

Life is indeed reclaiming its rightful position mainly because it is about people's lives. When one buys an endowment policy; a life assur-

ance product, it is protecting that person and the family.

So, people have that sentimental attachment to what life products are and do offer, and that explains why many people want to buy life products. In economies where people have a stable income, you will realize that people even issue monthly standing orders and that explains why life insurance is growing faster.

Before 2011, we also realized that we had companies that were offering both life and non-life, and were putting less emphasis on life business. They had found it easy to sell the normal insurance policies like fire policy. The regulatory framework since changed allowing separation and demerger of life and non-life insurance companies. This has since helped to create specialised focus and skills thus the faster growth.

In a nutshell, I can say that our regulatory changes have greatly helped. You may also notice that we are moving from compliance-based supervision to Risk-Based supervision which will create more confidence among the insuring public. We are happy to note that the public is becoming aware that in case anything happens, there is a regulator to go to.

We have also encouraged the use of technology to reach more people with less effort and ultimately at a reduced cost. Even as a regulator, we are adopting more and more technological capabilities for example the real-time regulatory software. This software is going to be embedded within the systems of each licensed player so that we can monitor whatever goes on in their operations. For example, we will be able to develop daily balance sheets for the entire industry and be able to tell which insurance company is running into

The government committed a subsidy for agriculture insurance every year since 2017, making it affordable for farmers to access and get protection against weather related risks which would result into financial losses.

claim. It was generally agreed that claims up to UGX10 million should be settled within ten (10) working days and those between UGX 10 and UGX 50 million should take 15 working days after receipt of a discharge voucher. It is only claims above UGX50 million that should

problems, and therefore be in position to intervene quickly.

Insurance companies are also embracing innovation, focusing on developing products that meet the needs of people. For example, you may be aware that we have the agriculture insurance consortium, where insurance companies came together to offer agriculture insurance to farmers. Whereas companies realized that there may not be a lot of profit to make, it is a service which ought to be given, to the public. Well aware of the percentage of Ugandans who are in agriculture, we had a candid discussion with insurance operators in Uganda and we agreed to support it.

Luckily, government committed a subsidy for agriculture insurance every year since 2017, making it affordable for farmers to access and get protection against weather related risks which would result into financial losses. Under the subsidy, Government contributes 50 percent of the premiums for small-scale farmers and 30 percent for large-scale farmers. By the end of 2019, about 82,000 farmers had enrolled for agricultural insurance which is a good performance.

There has also been significant innovation in product distribution through mobile money purchasing of especially micro insurance products as well as bancassurance. This has enabled the public to conveniently access insurance services through their banks. You will be interested to know that in 2019 alone, premiums underwritten through bancassurance, moved from UGX26 billion in 2018 to UGX54 billion and we expect 2020 to be even better, even with the effects of Covid-19.

Generally, we have also wit-

nessed increased consumer confidence as a result of increased public awareness and public education. Consumers getting to appreciate their rights and obligations and many have learnt of the existence of the Complaints Bureau at IRA, where amicable solutions are offered.

QN: With all the above fundamentals looking up, how is the industry performing in terms of profitability?

ANS: The industry is profitable for many players depending on the volume and or size of the premiums underwritten. When the volumes are not up to the breakeven levels, definitely it gets loss-making, but when companies finally reach that critical mass of premiums underwritten, then they start being profitable. When profitability sets in, given the trends we have seen, it is unlikely that they will go back to loss-making.

QN: Regardless of sustained double-digit industry growth for over a decade, it appears Uganda is still below the regional averages in terms of insurance penetration. What needs to be done-reforms, incentives, etc. to make sure insurance uptake as a portion of the population and GDP grows significantly?

ANS: Yes, there are many reforms which are required, but as I have already said, the Insurance Act, 2017, ushered in several reforms, some of which we have not even started implementing because the regulations to operationalize these reforms have delayed. We expect them to come out, hopefully by the end of this month. When we enhance and implement those reforms, we expect a turn around, on the penetration levels.

We are also hopeful that if other

existing laws are fully enforced like the Worker's Compensation Policy which is mandatory by employers to provide for all employees, then the penetration levels will improve. The law gives the mandate to the Ministry of Gender, Labour & Social Development and we are in discussion with stakeholders in and under the ministry to ensure that we have full implementation and enforcement.

We also have the Motor Third Party Insurance which has had a number of limitations that have been recognized and we have started on fixing them by overhauling the responsible Act. We are still in discussions with the Ministry of Finance, Planning and Economic Development to the Motor Third Party Act amended and address the challenges it is currently presenting to the general public.

However, we also require other new laws like the proposed National Health Insurance Scheme. In those countries where penetration levels are at one percent and above, there is a compulsory health insurance schemes operating and enabling people access health services.

So in our context, if the National Health Insurance Scheme which is currently in Parliament is passed, insurance penetration levels in Uganda will be 2.5 percent and above. The benefits the scheme comes with will definitely help to improve the penetration levels in the country.

Lastly, we are still lobbying Government to support the National Insurance Policy which will inform the need to have government properties and assets insured. When this is done, the insurance penetration levels will still go up to between 3-5 percent.

QN: What does it mean for insurance penetration levels

to go up as high as 5 percent? Why is it important? Maybe if the other authorities in powers don't understand it and if they did, probably we would see the legislation process improves.

ANS: Insurance penetration means the contribution of the insurance industry to a country's Gross Domestic Product (GDP).

To get this, you get gross written premiums, divided by the GDP base, multiplied by 100. The higher the penetration means the contribution of the industry to an economy is vital if the penetration levels are high it means that the government is getting a lot more revenue in taxes, there are more jobs, improved household incomes and higher standards of living. It would therefore mean that the industry can be relied upon more in terms of domestic revenue mobilization and sustainability.

Specifically, for life insurance, you are also looking at long term savings mobilization, making Uganda more self-reliant in terms of domestic savings. The higher the domestic savings are the more impact that is created on the cost of money vs the availability of a big pool of domestically mobilized savings in our financial system. This further means that businesses can borrow at substantially lower rates thus becoming more competitive. In short, a thriving insurance services industry is an indispensable engine of economic growth for every economy.

QN: Uganda's financial services sector, insurance inclusive is largely dominated by foreign-owned companies. As you seek to grow the depth and breadth of insurance penetration, what are you doing to ensure that more and more Ugandans benefit from this growth?

ANS: Our understanding of lo-

cal content is ensuring that more and more of the benefits coming from the insurance industry are enjoyed by residents or citizens of Uganda. There are many deliberate efforts we are undertaking to ensure that Ugandans benefit from the growth in the insurance sector.

For example, in 2013, we issued guidance on skills transfer especially for top positions within the industry. We guided that where the top executive is a non-Ugandan, there should be deliberate efforts to ensure that those below, especially the number

We are still lobbying Government to support the National Insurance Policy which will inform the need to have government properties and assets insured. When this is done, the insurance penetration levels will still go up to between 3-5 percent.

two, is a Ugandan to be able to learn and study the company's operations. I am happy to note that since we started this conversation, there has been registered success stories. We have witnessed big foreign insurance companies giving the mantle to Ugandans as Chief Executives and the companies are doing well amidst stiff competition.

Secondly, we also look at local content in the context of what portion of underwritten premiums is retained locally. In the past, some

insurance companies would just offload whatever came to them back to their mother companies outside Uganda, but we stopped that.

Today, an insurance company has to exhaust the local capacity before anything is taken to a foreign insurer. In such cases, written authorization and clearance must be provided by the Regulator. This was a deliberate move aimed at reducing capital flight. In addition, because of the requirement to exhaust local capacity companies are now considering starting operations in Uganda. This is helping create jobs, increase domestic revenue thus contributing to the economic development of the country.

Previously, Ugandan traders have been buying marine insurance from the countries of origin of their imports. We have worked with various stakeholders like Uganda Revenue Authority (URA) to ensure that all imported goods, are insured by a locally registered and licensed insurance company as required by law. There is, therefore, no more reason for insurance companies to quote for goods on a C.I.F (Cost Insurance and Freight) basis. We are discarding CIF.

This will therefore mean that the premiums which Ugandan importers are going to be paying will substantially reduce but also the process of claims will become easier. This is going to increase the volumes of business underwritten in Uganda thereby improving the premiums underwritten and penetration levels increasing too.

QN: Some of these laws have been around for some time, like the one on compulsory insurance of all risks resident in Uganda by Ugandan companies. How are you going to enforce them, this time round? What has or will change?

ANS: With the Electronic Single Window at the Uganda Revenue Authority, importers shall be able to buy insurance from Uganda, monitor their imports locally and will then be automatically cleared by URA. Currently, importers with goods insured outside Uganda were receiving a surcharge of 1.5 percent yet marine insurance is about 0.6 percent.

We will have continuous engagement with importers to show them what they are missing and the impact on tax mobilization as well. We will make them understand that it is not only easier but cheaper as well. We are mobilizing all the relevant stakeholders - URA, Uganda Insurers Association, the Shippers Council, the Uganda Clearing and Forwarding Association, Uganda Manufacturers Association (UMA), Kampala City Traders Association and Ministry of Finance, etc.

This was supposed to be rolled out by the 1st of July 2020 but was delayed by COVID-19. We have now agreed with URA that implementation shouldn't go beyond October 2020. We are using this period to ensure that we do the test runs.

For oil and gas, the regulations are ready and we are hoping that by the end of this month we should be sending them to the Ministry of Finance, Planning and Economic Development. That process should take a maximum of three months from September 2020. Hopefully, by the end of this year, we should have these regulations out.

QN: COVID-19, has not spared any sector of the economy. We are told services sectors have been most hurt. How has the insurance sector been impacted?

ANS: COVID-19 has impacted us in many ways but starting with the

positive ones, this has been a lesson to us that business can be done remotely and not necessarily from offices.

So we are encouraging insurance players and all businessmen to think of different ways of doing business away from the traditional ways. We need new and up to date methods to survive. Secondly, COVID-19 has taught us that without technology, without proper investment in the digital platforms, businesses may not survive.

The insurance industry is solid enough. We had already started monitoring Capital Adequacy Ratios as part of the transition from compliance based to Risk-Based supervision. Many of the companies are above 200 percent which is the statutory level of Capital Adequacy Ratios.

However, COVID-19 has affected people's disposable incomes and with low disposable incomes, buying insurance will also be affected. Because of COVID-19, government has realigned its priorities and this has affected infrastructure projects, donor funding projects too have been affected; all which contribute greatly to the sector performance.

Definitely, the extended lockdown of borders and airports has affected premiums generated from travel insurance. The closure of schools is

also bound to affect the performance of education policies.

QN: Given that some players, especially the new ones that are yet to get profitable and then the projected negative impact of COVID-19, would you say the sector is well-capitalized to withstand these shocks?

ANS: The industry is solid enough. Very, very solid. I told you we had already started monitoring Capital Adequacy Ratios as part of the transition from compliance based to Risk-Based supervision. Many of the companies are above 200 percent which is the statutory level of Capital Adequacy Ratios. Even those which are about 150 percent, we have given them higher targets for 2020 & 2021. However, we shall not be surprised if there are some mergers and takeovers but these should be to a limited extent.

QN: IRA is developing a multi-storied home in the city center, yet some critics say this may be wasteful expenditure and may starve the private sector of rental income. What was the justification behind this huge investment?

ANS: You may be aware that government, about 3 years ago, advised agencies to consider options of building their own homes. As strategic thinkers, we started mobilizing resources to put up our own home, because, without a home, sustainability becomes a problem, and also without your home, even visibility is an issue. So to address all those challenges, we started developing our home at Plot 6 Lumumba Avenue, near Rwenzori Courts. It is a 14-storeyed building with two parking levels and 12 floors to let. We are hopeful that it will be ready by January 2021. We are excited and looking forward to seeing that project come to conclusion.

BUSINESS INSURANCE: The 'Safety Net' for post COVID -19 Business damages

No matter the size or nature of business is, the outbreak of the novel corona virus pandemic has in one way or another affected the flow of revenue in all business operations. COVID-19 has disrupted all forms of business supply chains causing significant concerns among business owners.

Whereas, there has been ease of restrictions, many business owners may not know whether they will survive the post COVID19 effects given the unforeseen circumstances. Many business operations have different challenges ranging from settling rent dues with their landlords, clearing tax obligations with Uganda Revenue Authority, Kampala Capital City Authority and other respective Local Authorities, to offsetting business loans and employees wages among others.

Other business operations suffer from the effects of the current rise in water levels of Lakes Victoria, Kioga and the River Nile. Business developments and settlements near these lakes like hotels, sand beaches, mansions, schools, health centers and places of worship have been affected. Government has identified these institutions as flood risk areas.

This period has undoubtedly put a financial strain on everyone. It is in such times that any business owner ought to consider business insurance as a safety net to protect any business against any financial loss incurred as a result of the temporarily closure of businesses. For entrepreneurs with existing business insurance policies, it is advisable to engage your insurer and find out whether the existing policy protects your business from any form of disruption or interruption. If it doesn't, consider having the existing



Mariam Nalunkuuma,
Senior Communications
Officer, IRA

business insurance policy enhanced to fully cover and protect your business against any risks.

The lessons picked from the COVID-19 crisis should be used to shape business survival and resilience plans in future if a similar crisis hits again.

Meanwhile, recognizing the increased levels of anxiety, panic, uncertainty and financial challenges many businesses are facing now, the Insurance Regulatory Authority of Uganda (IRA) is working closely with all insurance providers to support the public during this uncertain period.

For purposes of enhancing operational resilience within the insurance sector and to make sure there is continued fair treatment of insurance customers, the IRA has issued guidance to the players encouraging them to meet their obligations to policyholders and beneficiaries.

In order to manage the cash flow of insurance companies the Authority has tasked players to keep their business capital positions by ensuring that adequate capital resources are maintained and that they are not exposed to liquidity risks. The Authority has guided the players not to issue bonuses or engage in any distribution including payment of dividends save for Deposit Administration Plans and for profit policies.

In addition, due to the restrictions of movement of individuals and there being a likelihood of policyholders finding it hard to intimate and or provide claims documentation within the stipulated reporting timelines, the IRA has guided the industry to extend the claim notification period for not less than 30 days; exercise utmost good faith and flexibility in accepting proof of claims as well as offer due consideration in determining claims and settle claims promptly.

The COVID-19 pandemic has amplified the need for their insurance sector to maladaptive the resilience of businesses and individuals. The increasing hardship to businesses and economies has also opened eyes to have a more sound, stable and developed insurance market.

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Agriculture Insurance

a Risk – Management Tool against agricultural losses

Agriculture is one of the key sectors contributing to the growth of Uganda's economy; it remains a source of livelihood for most households with a large percentage of the population engaged in subsistence farming. It has played a vital role in ensuring steady food supply in the country especially during the nationwide lockdown.

Despite the disruptions caused by the COVID19 lockdown, resulting into low purchasing power, arising from reduced disposable incomes and cut backs in household consumption, more people like teachers, boda-boda riders and others from all walks of life who have been rendered jobless have ventured into farming to make ends meet. This was the alternative source of earning to sustain their livelihoods.

The planting season has begun but the climatic conditions have become erratic that; whoever is involved in farming is exposed to numerous climate risks. Every farmer needs to prepare strategic measures to protect their crops and livestock from any eventualities. But most importantly put in place risk mitigation measures in case there is a financial loss incurred.

As such it will be important for the farmer to secure agriculture insurance now. The government has lessened the negative impact of adverse natural events like heavy rains, floods and drought that has been affecting farmers nowadays. Agriculture insurance has great poten-



Sheeba Ddunga

Market Development
Officer, IRA

tial to provide value to low-income farmers and their communities by protecting them when shocks occur. Any farmer who insures their crops or livestock prepares themselves to rebuild shortly after a disaster hits.

Through the Agriculture insurance consortium, comprising of ten insurance companies, the government has extended protection to all farmers by providing an agriculture insurance premium subsidy where small-scale farmers can benefit especially through organized groups while large-scale farmers can also benefit individually.

This initiative is a Public Private Partnership (PPP) and works in a way



that government contributes 50% of the basic insurance premium for a small-scale farmer and 30% for a large scale farm. Government has earmarked UGX 5 billion Agriculture insurance subsidy since 2017/2018 financial year. For farmers from disaster-prone areas like Isingiro, Teso, parts of Mt. Elgon, West Nile, Karamoja, Bundibugyo, Mbale, Kasese, Bulambuli, Sironko and Bududa, government contributes 80% to their insurance premiums thus making it affordable for all.

Under this initiative, farmers engaged in fish farming/aquaculture can also access the subsidy to cover death of fish on both offshore and onshore farms. There is also area yield index insurance where the cover is based on the realized harvested average yield of the area. And weather based index insurance where payments are based on an index rather than measurement of crop loss in the field. Multi-peril livestock insurance is common for farmers engaged in livestock farm-

ing and covers the death of animals.

As a farmer, can also take interest in multi-peril crop insurance where yields exceeding UGX 30 million are covered and handled on case by case basis with premium rates advised depending on the insurance risk assessment of the client. There is also poultry insurance where cover to the insured for claims is made in respect of death of birds occurring due to accidents and diseases.

According to the consortium report as at 31st December 2019, the number of farmers insured has increased from 45,701 in 2017 to 81,794 in 2019. The initiative is also combining insurance with other forms of risk management including; access to credit where agriculture loans disbursed by financial institutions are insured from the effects of agriculture risks.

In case of drought especially in remote and vast areas where it is not possible to count the losses, insurers are using state of the art satellite technology to quantify the loss of foliage and to decide who should be compensated and by how much. Such technologies are simplifying farmer's compensation process.

So, as we start this farming season, it is clear that the threats and risks farmers are exposed to, will continue to happen thus the need to consider taking out agriculture insurance as the best mitigation mechanism that will shield them from the inevitable shocks and any financial losses likely to happen.

By Sheeba Ddungu
Market Development Officer
Insurance Regulatory Authority of
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About UCCFS

Uganda Central Cooperative Financial Services (UCCFS) Ltd is a national financial Co-operative providing financial services to all types of co-operatives in Uganda. These include Savings and Credit Co-operative Organizations (SACCOs), Rural Producer Organizations (RPOs), Area Co-operative Enterprises (ACEs), Unions, Apexes, etc who own, use, control and benefit from UCCFS.



It was registered by the Registrar of Co-operatives, Reg. No. 8736/RCS on 28th July 2008, under the Co-operative Societies Act (1991) CAP 112 and the Co-operative Societies Regulations 1992. Its head office is located in Kampala Uganda with regional offices in Mbarara, Mubende and Central.

UCCFS also manages a Central Finance Fund (CFF) attracting Shares, Savings deposits for members and offers subsidized loans to SACCOs and other types of cooperatives.

Vision

To be “a catalyst for a financially strong and competitive cooperative movement”

Mission

Creating opportunities for Co-operative growth and services to co-operators through efficiency and economies of scale

UCCFS is the Central Finance Fund (CFF) attracting Shares, Savings deposits for members at interest rates of 8%-12% per annum and offers subsidized loans to SACCOs and other types of cooperatives in amounts between Ugx 5M and 500M at an interest rate of 15%-18% per annum payable in 3-48 months.

Digital Financing through Co-operatives (DIFICO) Project Background

This was a three year (2018-2020) project implemented by UCCFS in partnership with aBi 2020 Ltd for 201 SACCO Units/branches across the Country. The project aimed at enhancing digital financing and expanding delivery of basic financial services to the financially excluded through innovative technologies like mobile-phone-enabled solutions and digital payment platforms through SACCOs.

DIFICO Project has greatly contributed to the survival of the SACCO industry in Uganda. This is explained using Key Performance Indicators (KPIs) of participating SACCOs by comparing at start of the project to end of project.

This is further exhibited in the performance trends of connected project SACCOs versus non automated SACCOs during the Covid-19 Pandemic especially during the Lock down where automated SACCOs resorted more



UCCFS staff reconciling Loan ledgers with the system reports after full SACCO Automation at Friend in Need SACCO

Left: Official Launch of Digital Financial Services at SAO Zirowe SACCO in Luwero District.

on promoting use of MSACCO so as to keep social distance whereas some of the non-automated SACCOs closed down during the Lock down.

Project Objectives

1. To improve financial management and service delivery to members through digital finance
2. To train Cooperatives in leadership skills, group dynamics, savings growth, management of credit, business management, risk management to achieve business Growth and eventually improve household incomes.
3. To guide Cooperatives to identify, measure and control Risks.
4. To provide capacity building to the co-operatives so as to streamline roles and guidelines to effectively implement policies and procedures for sustainability and profitability of both UCCFS and the co-operatives.

Project Interventions / Activities

1. Conducted Regional Sensitization Meetings
2. Conducted a Baseline Survey
3. Set up a Data Centre that links all participating SACCOs to UCCFS.
4. Conducted customized Trainings to participating SACCOs
5. Provided logistical support including a Management Information System (MIS) Computers, Multipurpose Printers and Solar System
6. Conducted Monitoring and Evaluation
7. Developed ICT Manual for participating SACCOs
8. Provided software (Savings Plus), a core banking system that enables inter-branch connectivity and a Mobile banking platform (MSACCO)

Project Achievements

1. Inter-branch management made easy. Big SACCOs with more than one branches are now able to monitor and supervise their respective branches from one point.
2. Improved reporting and loan management. Connected SACCOs are now able to report on their performance adequately and also monitor their loans on time.
3. The data centre (secondary server and dash board) is already set up at UCCFS Head office enabling us to have timely data and backup
4. UCCFS earns average commission of Three Million Shillings monthly from MSACCO transactions
5. We also developed operational policies to guide the project SACCOs in their operations thus reducing the associated risks. These policies included ICT Policy, Risk Management Policy, Governance Policy and Credit Management Policy

6. 140 SACCOs (188 units out of 201) have been connected to the Savings-Plus core banking software. By end of December 2020, 2,055 SACCO personnel from the connected SACCOs received training in MIS and are now able to use Savings Plus. Reporting and monitoring have both greatly improved at the SACCO level.

7. 87 SACCOs (213,055 individual members) have started transacting with the mobile banking platform M-SACCO on both MTN and Airtel networks. M-SACCO mobile banking platform has enabled customers to make deposits and withdrawals conveniently on their phone sets without physical movements to the SACCO premises hence enhancing financial inclusion. This has also proved to be very helpful during the Covid-19 pandemic

Impacts realized

1. SACCO managers can monitor transactions and performance of their respective SACCOs remotely without necessarily travelling to the SACCO offices. Reporting in SACCOs has greatly improved and made easy.
2. SACCO Members can transact with their respective SACCOs without physically visiting the SACCO premises
3. SACCO Managers can now communicate to members easily through use of the SMS Platform connected to Savings plus system. This has helped in sending reminders to members about their obligations including loan repayments and savings.

SACCOs are now receiving good revenues from MSACCO commissions.

4. UCCFS Management can now monitor performance of all connected SACCOs from one point by use of the dash board that was installed at UCCFS head office. This has improved reporting on SACCO performance and provision of real time technical support in case of identified gaps.

5. UCCFS now receives an average of UGX.3M monthly as commissions from MSACCO transactions. This is expected to increase with increase in MSACCO up take.

Lessons Learnt

1. Increasing MSACCO up take (Digital Financing Services) requires continuous sensitization and awareness campaigns for both SACCO Leaders and targeted members.
2. The Project Kit; that is, Computer set and Solar System were key enablers towards the successful implementation of the Project.
3. People adopt to changes mainly due to situations. This has been mainly observed in the increase in the number of SACCO Members using MSACCO since the social distancing campaign started during the Covid-19 pandemic.

Success Story

Mr. Hamidu Kalema (42), a member of Kalwana Rural Development SACCO, resident of Lwangiri Sub County Kassanda District noted that he acquired an Agricultural Loan from the SACCO and always used his phone to make loan repayments conveniently from his home and even in the garden. He also uses MSACCO to save and withdraw since access to his SACCO Account is through his small phone.



Ugandans have Embraced Emyooga

Now that political campaigns are over, it's time for business. State Minister in charge of Microfinance Haruna Kasolo Kyeyune believes no one can get rich without engaging in business. However, starting a business can sometimes be challenging for some people due to lack of capital.

So to enable people access cheap capital, Kasolo says the government and President Museveni in particular has initiated Emyooga Programme to enable Ugandans access seed capital and begin their own businesses.

Kasolo says, he is certain that the program will eradicate poverty since it has been embraced by most Ugandans.

"Emyooga Programme is intended to encourage people to save because it's not true that people don't earn money. They do but they are not guided on how to save and invest. This Programme emphasizes savings and providing cheap money.

So once people have saved and have capital, they will be able to start their own income generating activities. They will save more and fight poverty because they will be getting money through their own business activities," he says.

Launched in August 2019 by President Yoweri Museveni as a presidential initiative on wealth and job creation, the targets Ugandans especially in the informal sector who come together in form of SACCOs under 18 clusters.

Each of the first eighteen (18) Myooga-specific SACCOs receives Shs 30



Minister of state for microfinance Haruna Kasolo at the official launch of Emyooga in Karamoja region in March 2020

million per Constituency per SACCO as seed capital while the Elected Local Leaders' Constituency SACCOs receive Shs 50 million per Constituency per SACCO to catalyze the creation of revolving funds for on-lending to the members in the parish groups.

The communities through establishment of various specialized funds/Myooga-specific Apex SACCOs at constituency level but with operations or branches at parish level. However, in Kampala, given the nature of businesses, the area of operation or SACCOs will be within the place of work for example Taxi Parks, Boda

stages, markets, Offices etc.

The members must be involved in one of the emyooga targeted category. The minimum number of members in each association is 7 members and a maximum of 30.

According to Kasolo, in case members exceed 30; the same myooga shall split into other groups of 30 members until all members are fully absorbed in groups of 30.

Although registration of the Myooga Sacco or Association is free, each member however will be required to pay annual subscription of 10,000

and membership fee of 10,000. Making a total of 20,000.

Kasolo says the Government through the Microfinance Support Center availed about sh260b into over 6000 SACCOs.

The programme aims at transforming the 68% of Ugandans who are currently in subsistence to commercial orientation through savings.

The programme targets 18 categories of Ugandans who include Boda boda riders, taxi drivers, restaurants, welders, market vendors, women entrepreneurs, youth leaders, people with disabilities, journalists, performing artists, carpenters, salon operators, tailors, Mechanics, produce dealers, veterans, fishermen and elected leaders.

Kasolo says that although the money may not be adequate to cater for all Ugandans, priorities have to be made.

"Money will never be enough. Among the qualities of good money, is scarcity. So we don't have all the money at ago but we have to come up with priorities. That is why we were guided by the President and government to start with 18 categories (Emyoogas). They are so many groups that were left out. So every financial year, we plan to get more money and increase on the score," he says.

"The other categories, I believe will be included on the list next year because the president is encouraging and directing the Ministry of Finance to put more money in Emyooga. So I suspect that we shall get more money for the other categories. This financial year we got sh210b and later we got Sh50b for Kampala and Wakiso districts so the budget released is sh260b in the entire country," he says.

Kasolo says that since the project has

just started, it's still too early to assess full impact. Never the less we have already seen a lot enthusiasm to form associations and SACCOs. We have also seen increased savings.

Kasolo says as government, the Ministry has advised the beneficiaries not to share this money but rather grow it and develop themselves.

"They must be able to use it as cheap capital, the beneficiaries must receive it as a seed, grow it and pay back in form of a revolving fund," Kasolo says.

Asked why the Programme was first implanted in a few selected districts, Kasolo says as leaders we are expected to promote universal development.

So we aimed at the most financially excluded first of all.

"So why begin with Masaka for instance and leave out Karamoja? All people are the same and they are all Ugandans. So we instead first concentrated on a few categories as a pilot. So even selecting a few categories per constituency, is a pilot because they are so many that were left out.

However after we have succeeded on these, we shall expand the program.

So we decided to get people who are doing the same things together. After the success of this pilot project, we shall myoogalise the whole country," he says.

He says in selecting these groups, the teams we were guided by the president after his countrywide tour, where he accessed the need to help these people.

"He guided that we first begin with these few ones that needed urgent attention then bring on board the rest," he says.

On the question of misuse of the funds, Kasolo says the implementers have brought on board different stakeholders to help monitor the progress of the programme.

" So we are working with RDCs, Commercial officers we created taskforces in every districts chaired by RDC, the LCV chairpersons, MPs, technical team, commercial, community development officers. Am also engaging the operation wealth creation team because these people are everywhere, in every constituency, there's an operation wealth creation commander.

Because we are fighting poverty, these operations must also be involved to monitor and ensure proper progress of the project," he says. We have focused on ensuring the leaders of SACCOs are well selected.

I guided that every SACCO be given sh30m. I guided that the money be wired directly to the beneficiaries' SACCO account, the signatories are clear, not even a single coin will be taken by any other person. So we shall monitor everything and ensure that there's no misuse. But we are also here to guide them on how they can properly manage this fund. Sometimes, misuse can also begin with the persons implementing the project," Kasolo says.

Kasolo noted that they were some areas where there were reports of people shunning the program.

"Yes this programme came at a time when campaigns were at climax. People thought that this Programme was political.

So some short sighted leaders tried to decamping the Program but now am optimistic that this Programme will continue and many will support it," he says

He dismissed reports that the money was campaign money. He says those who thought it was campaign money, the campaigns have ended and the program is continuing.

“Campaigns have ended and the Program is continuing. So who was wrong or right? People talk about all sorts of things but it’s us to disprove them by ensuring that the programme continues without any hindrance,” he says.

To ensure that the project is not hijacked by the rich, Kasolo explains that the leaders must keep close

monitoring and do a lot of talking, supervision and ensure that this Program benefits the intended beneficiaries.

Kasolo advises all Ugandans to embrace the Program and start their own businesses. “We are all under one government with one President but why is it that some are rich and you are not?”

I think we need to embrace all these programs. Government is in charge of collecting taxes for all of us, and give us services. So if it comes up with a program like this, please, even

if you are not NRM, please support and embrace the program,” he says.

He says that while we all have different problems, different ambitions, when you are interacting with people, don’t think you are the same.

“Think about your individual problems and think about how you can get out of them. So this business of band wagon, you are alone, make individual programs and see how to benefit from them. Politics has ended, go back to our business,” he says.

Ugandans have Embraced Emyooga

District	Constituency	No. Of Saccos	Amount (UGX)
ZONE: KAMPALA			
Kampala	Lubaga Division	39	1,170,000,000
	Kawempe Division	43	1,290,000,000
	Central Division	54	1,640,000,000
	Nakawa Division	29	870,000,000
	Makindye Division	25	790,000,000
Wakiso	Kajjansi TC	14	460,000,000
	Kakiri Sub-County & TC	17	550,000,000
	Katabi TC	4	120,000,000
	Kasangati TC	7	210,000,000
	Kyengeru TC	11	350,000,000
	Masulita Sub-County TC	12	400,000,000
	Gombe Division	1	30,000,000
	Mende	7	230,000,000
	Namayumba Sub-County	9	290,000,000
	Wakiso Sub-County	8	240,000,000
	Kiira Municipality	50	1,560,000,000
	Wakiso TC	7	230,000,000
	Makindye Sabagabo	25	770,000,000
	Kasanje Tc	8	240,000,000
	Bussi Sub-County	3	90,000,000
	Nansana Muinicipality	25	750,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Mityana	Mityana Municipality	14	440,000,000
	Mityana North	16	500,000,000
	Mityana South	17	530,000,000
	Busujju Constituency	16	500,000,000
Butambala	Butambala	18	560,000,000
Nakaseke	Nakaseke Central	18	560,000,000
	Nakaseke North	17	530,000,000
	Nakaseke South	18	560,000,000
Mpigi	Mawokota North	17	530,000,000
	Mawokota South	15	470,000,000
Nakasongola	Nakasongola	18	560,000,000
	Budyabo	17	530,000,000
Gomba	Gomba West	18	560,000,000
	Gomba East	18	560,000,000
Luwero	Katikamu South	14	420,000,000
	Katikamu North	17	530,000,000
	Bamunanika	13	410,000,000
Kayunga	Ntenjeru North	17	530,000,000
	Ntenjeru South	17	530,000,000
Entebbe	Bbale	17	530,000,000
	Division A	17	530,000,000
Buikwe	Division B	15	470,000,000
	Lugazi Municipality	18	560,000,000
	Buikwe South	16	500,000,000
	Njeru Municipality	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Buvuma	Buvuma	16	500,000,000
	Mukono North	17	530,000,000
	Mukono South	17	530,000,000
	Mukono Municipality	18	560,000,000
	Nakifuma	17	530,000,000
ZONE: ARUA			
Adjumani	Adjumani West	18	560,000,000
	Adjumani East	18	560,000,000
Arua District	Vurra	18	560,000,000
	Terego West	14	440,000,000
Arua City	Arua Central	18	560,000,000
	Ayivu East	11	370,000,000
	Ayivu West	17	530,000,000
Koboko	Koboko North	15	470,000,000
	Koboko Municipality	17	530,000,000
	Koboko Constituency	18	560,000,000
Madi Okollo	Lower Madi Okolo	18	560,000,000
	Upper Madi	18	560,000,000
Maracha	Maracha	18	560,000,000
	Maracha East	17	530,000,000
Moyo	West Moyo	18	560,000,000
Nebbi	Nebbi Municipality	18	560,000,000
	Padyere Constituency	17	530,000,000
Obongi	Obongi	18	560,000,000
Pakwach	Jonam	18	560,000,000
Yumbe	Aringa Constituency	9	270,000,000
	Aringa North	10	300,000,000
	Aringa South	6	200,000,000
	Aringa East	6	180,000,000
Zombo	Ora	18	560,000,000
	Okoro	17	530,000,000
ZONE: HOIMA			
Buliisa	Buliisa	17	530,000,000
Hoima City	Hoima West	18	560,000,000
	Hoima East	18	560,000,000
Hoima District	Kigorobya	18	560,000,000
	Bughaya	18	560,000,000
Kagadi	Buyaga East	18	560,000,000
	Buyaga West	18	560,000,000
Kakumiro	Bugangaizi East	18	560,000,000
	Bugangaizi West	18	560,000,000
	Bugangaizi South	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Kibale	Buyanja	18	560,000,000
	Buyanja East	18	560,000,000
Kiboga	Kiboga East	18	560,000,000
	Kiboga West	18	560,000,000
Kikuube	Buhaguzi	18	560,000,000
	Buhaguzi East	18	560,000,000
Kiryandongo	Kibanda South	17	530,000,000
	Kibanda North	18	560,000,000
Kyankwazi	Butemba	18	560,000,000
	Ntwetwe	18	560,000,000
Masindi	Bujenje	16	560,000,000
	Buruli	18	560,000,000
	Masindi Municipality	18	560,000,000
ZONE: JINJA			
Bugiri	Bukooli North	18	560,000,000
	Bugiri Municipality	18	560,000,000
	Bukooli Central	18	560,000,000
Bugweri	Bugweri Constituency	18	560,000,000
Buyende	Budiope East	18	560,000,000
	Budiope West	18	560,000,000
Iganga	Kigulu North	18	560,000,000
	Kigulu South	18	560,000,000
	Iganga Municipal	18	560,000,000
Jinja City	Jinja Southern Division East	18	560,000,000
	Jinja Southern Division West	19	590,000,000
	Jinja Northern Division	18	560,000,000
Jinja Rural	Kagoma North	16	480,000,000
	Kagoma South	17	530,000,000
	Butembe	18	560,000,000
Kaliro	Bulamogi	18	560,000,000
	Bulamogi North West	18	560,000,000
Kamuli	Kamuli Municipality	17	510,000,000
	Buzaaya County	18	560,000,000
	Bugabula South	16	500,000,000
Luuka	Bugabula North	15	470,000,000
	Luuka South	18	560,000,000
Mayuge	Luuka North	18	560,000,000
	Bunya West	18	560,000,000
Namayingo	Bunya East	18	560,000,000
	Bunya South	18	560,000,000
	Bukooli South	18	560,000,000
Namayingo	Bukooli Island	18	560,000,000
	Namayingo South	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Namutumba	Bukono	18	560,000,000
	Busiki Constituency	18	560,000,000
	Busiki North	18	560,000,000
ZONE: KABALE			
Kabale	Kabale Municipality	18	560,000,000
	Ndorwa East	17	530,000,000
	Ndorwa West	17	530,000,000
Kanungu	Kinkizi West	18	560,000,000
	Kinkizi East	18	560,000,000
Kisoro	Kisoro Municipality	18	560,000,000
	Bukimbiri	15	470,000,000
	Bufumbira East	15	470,000,000
	Bufumbira North	14	440,000,000
	Bufumbira South	16	500,000,000
Rubanda	Rubanda East	15	470,000,000
	Rubanda West	17	530,000,000
Rukiga	Rukiga	18	560,000,000
Rukungiri	Rukungiri Municipality	18	560,000,000
	Rujumbura County	18	560,000,000
	Rubabo	18	560,000,000
ZONE: KABAROLE			
Bundibugyo	Bwamba	18	560,000,000
	Bughendera	17	530,000,000
Bunyangabu	Bunyangabu	18	560,000,000
Kabarole	Burahya	17	530,000,000
Fortportal City	Nothern Division	18	560,000,000
	Central Division	18	560,000,000
Kamwenge	Kibale East	18	560,000,000
	Kamwenge West	18	560,000,000
Kasese	Busongora South	18	560,000,000
	Busongora North	18	560,000,000
	Bukonzo West	18	560,000,000
	Bukonzo East	18	560,000,000
	Kasese Municipality	16	500,000,000
Kassanda	Bukuya	18	560,000,000
	Kassanda North	18	560,000,000
	Kassanda South	18	560,000,000
Kitagwenda	Kitagwenda	17	530,000,000
Kyegegwa	Kyaka Central	18	560,000,000
	Kyaka North	18	560,000,000
	Kyaka South	18	560,000,000
Kyenjojo	Mwenge North	18	560,000,000
	Mwenge South	18	560,000,000
	Mwenge Central	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Mubende	Buwekula	11	330,000,000
	Mubende Municipality	17	530,000,000
	Buwekula South	9	270,000,000
	Kasambya	13	410,000,000
ZONE: LIRA			
Agago	Agago County	18	560,000,000
	Agago West	18	560,000,000
	Agago North	18	560,000,000
Alebtong	Ajuri	18	560,000,000
	Moroto	18	560,000,000
Amolatar	Kioga	18	560,000,000
	Kioga North	13	410,000,000
Amuru	Kilak South	15	450,000,000
	Kilak North	15	450,000,000
Apac	Apac Municipal	18	560,000,000
	Maruzi North	16	500,000,000
	Maruzi South	16	500,000,000
Dokolo	Dokolo South	16	480,000,000
	Dokolo North	18	560,000,000
Gulu City	Laaro	18	560,000,000
	Bardege	18	560,000,000
Gulu District	Aswa	18	560,000,000
Kitgum	Chua West	18	560,000,000
	Chua East	18	560,000,000
	Kitgum Municipality	18	560,000,000
Kole	Kole South	17	530,000,000
	Kole North	16	500,000,000
Kwania	Kwania	18	560,000,000
	Kwania North	18	560,000,000
Lira District	Erute North	16	500,000,000
	Erute South	17	530,000,000
Lira City	Lira Municipality	18	560,000,000
Nwoya	Nwoya East	16	500,000,000
	Nwoya	16	500,000,000
Omoro	Omoro County	12	330,000,000
	Touchi Constituency	7	210,000,000
Otukey	Otukey East	18	560,000,000
	Otukey County	18	560,000,000
Oyam	Oyam South	18	560,000,000
	Oyam North	18	560,000,000
ZONE: MASAKA			
Bukomansimbi	Bukomansimbi South	18	560,000,000
	Bukomansimbi North	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Kalangala	Bujumba County	18	560,000,000
	Kyamuswa	16	500,000,000
Kalungu	Kalungu West	18	560,000,000
	Kalungu East	18	560,000,000
Kyotera	Kyotera County	18	560,000,000
	Kakuuto County	17	530,000,000
Lwengo	Bukoto Mid West	18	560,000,000
	Bukoto South	18	560,000,000
	Bukoto West	18	560,000,000
Lyantonde	Kabula East	18	560,000,000
Masaka City	Kimanyakabonera	18	560,000,000
	Nyendomukungwe	18	560,000,000
Masaka Rural	Bukoto Central	18	560,000,000
	Bukoto East County	18	560,000,000
Rakai	Buyamba	18	560,000,000
	Kooki	17	510,000,000
Sembabule	Lwemiyaga	12	330,000,000
	Mawogola County	15	470,000,000
	Mawogola North	13	390,000,000
	Mawogola West	9	270,000,000
ZONE: MBALE			
Budaka	Budaka Constituency	18	560,000,000
	Iki- Iki Constituency	18	560,000,000
Bududa	Bushighayi	17	530,000,000
	Manjiya	18	560,000,000
	Lutsheshe	17	510,000,000
Bukedea	Bukedea County	18	560,000,000
	Kachumbala County	17	530,000,000
Bukwo	Too Constituency	18	560,000,000
Bulambuli	Elgon North	13	410,000,000
	Elgon	15	470,000,000
Busia	Bulambuli	16	500,000,000
	Samia Bugwe South	16	500,000,000
	Samia Bugwe Central	15	470,000,000
	Samia Bugwe North	15	470,000,000
	Busia Municipality	18	560,000,000
Butaleja	Bunyole West	17	510,000,000
	Bunyole East	18	560,000,000
Butebo	Butebo	18	560,000,000
Kapchorwa	Kongasis County	18	560,000,000
	Kween	18	560,000,000
	Kapchorwa Municipality	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Kibuku	Tingey	18	560,000,000
	Kabweri	18	560,000,000
	Kibuku	18	560,000,000
Kween	Soi Constituency	18	560,000,000
Manafwa	Bubulo West	18	560,000,000
	Butiru	16	500,000,000
Mbale City	Industrial City Division	18	560,000,000
	Northern City Division	16	500,000,000
Mbale Rural	Bungokho Central Division	18	560,000,000
Namisindwa	Namisindwa Constituency	15	470,000,000
	Bubulo East	16	500,000,000
Pallisa	Kibaale	18	560,000,000
	Gogonyo	18	560,000,000
	Agule	18	560,000,000
	Pallisa	18	560,000,000
Sironko	Budadiri West	6	180,000,000
	Budadiri East	16	480,000,000
Tororo	West Budama South	14	440,000,000
	West Budama North East	17	530,000,000
	West Budama North	16	500,000,000
	Tororo County	16	500,000,000
ZONE: MBARARA			
Buhweju	Buhweju	18	560,000,000
	Buhweju West	18	560,000,000
Bushenyi	Bushenyi Municipality	17	530,000,000
	Igara East	13	410,000,000
	Igara West	14	440,000,000
Ibanda	Ibanda Municipality	18	560,000,000
	Ibanda North	18	560,000,000
	Ibanda South	17	530,000,000
Isingiro	Isingiro West	6	180,000,000
	Isingiro South	9	290,000,000
	Bukanga North	17	530,000,000
	Isingiro North	4	90,000,000
Kazo	Kazo Constituency	18	560,000,000
Kiruhura	Kashyongi	15	470,000,000
	Nyabushozi	16	500,000,000
Mbarara	Kashari North	18	560,000,000
	Kashari South	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Mbarara City	Mbarara City North	17	530,000,000
	Mbarara City South	18	560,000,000
Mitooma	Ruhinda North	18	560,000,000
	Ruhinda South	17	530,000,000
	Ruhinda	18	560,000,000
Ntungamo	Ntungamo Municipal	17	530,000,000
	Ruhama Main	17	530,000,000
	Ruhama East	18	560,000,000
	Rushenyi	17	530,000,000
	Kajara	18	560,000,000
Rubirizi	Bunyaruguru	18	560,000,000
	Katerere	18	560,000,000
Rukiga	Rukiga	18	560,000,000
Rwampara	Rwampara East	10	320,000,000
	Rwampara	18	560,000,000
Sheema	Sheema North	18	560,000,000
	Sheema South	18	560,000,000
	Sheema Municipality	18	560,000,000
ZONE: SOROTI			
Amuria	Amuria	18	560,000,000
	Orungo	17	530,000,000
Kaberamaido	Kaberamaido County	18	560,000,000
	Ochero County	15	470,000,000
Kapelebyong	Kapelebyong County	18	560,000,000
Katakwi	Ngariam	18	560,000,000
	Toroma	18	560,000,000
	Toroma	18	560,000,000
Kumi	Kumi Municipality	18	560,000,000
	Kumi County	18	560,000,000
	Kanyum County	18	560,000,000

District	Constituency	No. Of Saccos	Amount (UGX)
Ngora	Kapir County	18	540,000,000
	Ngora County	18	560,000,000
Serere	Serere County	18	560,000,000
	Kasilo County	18	560,000,000
	Pingire County	18	560,000,000
Soroti City	Western Division	18	560,000,000
	Eastern Division	18	560,000,000
Soroti District	Gweri County	17	510,000,000
	Soroti County	16	480,000,000
	Dakabela	16	500,000,000
Kalaki	Kalaki County	18	560,000,000
ZONE: MOROTO			
Abim	Labwor	16	500,000,000
Amudat	Pokot	18	560,000,000
Kaabong	Dodoth East	18	560,000,000
	Iki Constituency	18	560,000,000
Karenga	Napere West	17	530,000,000
	Dodoth West	16	500,000,000
Kotido	Jie	18	560,000,000
	Kotido Municipality	18	560,000,000
Moroto	Matheniko County	17	530,000,000
	Moroto Municipality	17	530,000,000
	Teperth County	16	500,000,000
Nabiatuk	Pian County	12	380,000,000
Nakapiripirit	Chikwii	15	470,000,000
	Chikwii East	18	560,000,000
Napak	Bokora East	14	420,000,000
Nebbi	Nebbi Municipality	18	560,000,000
	Padyere Constituency	17	530,000,000
	Inter Religious Council	67	2,000,000,000
	Over All Total	5,955	184,950,000,000

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Microfinance in a general perspective

By Our Research Team

Is Microfinance a Sustainable Solution to Poverty?

Microfinance refers to the provision of financial services, generally microloans, to the poor with the purpose of income generation and poverty reduction. It originated in the 1970s in Bangladesh and by the 1990s it became the world's most highly funded poverty alleviation policy. Its popularity is based on its intuitive appeal and the success of its business model. Today, microfinance is one of the key tools in the fight against poverty.

But has it really fought poverty?

Given the wide international support it has received, it could be assumed that microfinance has worked in poor people's favor. With the poor now being able to obtain loans in order to set up or expand profit-generating businesses, poverty should have been eradicated around the world.

But research has shown otherwise: with the exception of some success stories, Economists Bateman and Chan note, the overall effect on the poor has been "nothing short of catastrophic".

This misconception about the effects of microfinance has taken the focus away from other, more efficient, pro-poor policies. So general awareness of the limitations of microfinance is vital, as it can lead to the implementation of better-performing, more sustainable alternatives. While acknowledging that microfinance can have some moderate benefits, such as providing poor households

with a small income helping them meet basic needs, these effects are outweighed by the policy's adverse impacts, which operate at three levels.

Microfinance works as barrier to sustainable economic and social development because it is focused on short-term gains based on a small income, which is not self-sustaining. Poor people have become worse-off than they were before taking out a loan. Instead of lifting people out of poverty, microfinance has led to deprivation, inequality and backwardness, functioning as an overall "anti-development intervention".

Microfinance has adverse effects at three levels: individual, local, and national

At the individual level, microfinance leads to what we call "poverty traps".[3] While proponents like Dambisa Moyo – global Economist and Microfinance Advocate – argue that microfinance helps the poor by bringing them "into the economy for

the first time", it does so by indebting them.[4] This indebtedness comes as a result of the inability of microfinance customers to repay loans, which is in turn caused by high interest rates. Microcredit interest rates are higher than traditional ones and in some cases interest rates are high a.[5] For many microfinance customers who work as subsistence farmers, any marginal increase in their output cannot cover the high interest rates.[6] When a person cannot repay one credit, they are required to take out new loans to repay the existing ones. This leaves them unable to move out of a loan-subsistence cycle and stuck in a poverty trap.

Another problem is that many borrowers use microloans for consumption spending and not for the initial purpose of microfinance to help them establish small enterprises. This practice is highly unsustainable because, as already poor individuals take out a loan in order to fulfill their consumption needs, they are forced to redirect their incomes to micro-



loan repayment, causing further indebtedness.

At the local level, the negative effects of microfinance are twofold. First, it can result in the erosion of solidarity within the local community. With many loans being given as group loans, repayment is guaranteed by social collateral (peer pressure). But in case of one group member's inability to pay, this can lead to social humiliation and the weakening of the community's sense of unity.[7]

Second, it can infantilize the local economy and encourage de-industrialization. It does so by preventing the flow of credit to Small and Medium Enterprises (SMEs). For a local economy, these are preferable to microenterprises because they are long-term oriented and use more sophisticated technology, being able to achieve a minimum efficiency of scale.

Since microfinance focuses on pov-

erty reduction at the smallest level, it leads to an over-supply of inefficient micro-businesses, eroding the functioning of SMEs and overlooking the crucial role of scale economies.[8]

Microfinance also has negative economic effects at the national level. With the spread of microfinance, small-scale entrepreneurs and microenterprises have proliferated and the informal sector has occupied a growing share of the economy. The proliferation of microbusinesses has caused already small profit margins to shrink even further, leading to client failure (when the microbusiness fails, resulting in no more income generation).

The problem in distressed economies is not a lack of supply but rather demand, and policy-makers'. The idea that supply creates its own demand – is misguided. Local economies do not have the elasticity to absorb the high number of unemployed persons through expanding the enterprise sector. So the newly created enter-

prises do not expand the volume of demand, but rather redistribute the existing one. Microfinance creates markets oversaturated by micro-entrepreneurs.

Microfinance has fallen short of reaching out to poor people and lifting them out of poverty. On the contrary, it has contributed to their entrapment in a vicious cycle of loan-dependency. This calls for more attention to be brought to the detrimental effects of microfinance and for a shift of focus towards other poverty alleviation tools.

Microfinance works as barrier to sustainable economic and social development because it is focused on short-term gains based on a small income, which is not self-sustaining.

Microfinance

A springboard for Women Financial Empowerment

By Staff Writer

The majority of clients of Ugandan Micro Finance Institutions (MFIs) are women. Loans to female clients constitute around 75% of the loan portfolio and 80% of the savings portfolio according to a Ministry of Finance, planning and Economic Development Report.

FINCA is one of the Microfinance providers that target female clients. Most MFIs focus on women for two reasons.

(a) Lending to women is thought to benefit the whole family and strengthen the role of women in society. An outstanding example of gender-responsive products is FINCA's female-only bank branch in Afghanistan. Due to the cultural and societal norms in Afghanistan, many people feel it is inappropriate for women to discuss their finances with unfamiliar men. This results in a high rate of financial exclusion among women.

In respect of this cultural norm, FINCA Afghanistan opened a single sex (women-only) branch in 2018. It recruited female staff and allowing only female clients to open bank accounts at the branch, the goal was to remove the traditional barriers for women in receiving access to financial services.

(b) Women, like in most other parts of the world, have proven to be better in terms of repayment.

However, in unwarranted circumstances, women groups MFIs accept men on condition of the death of their wives, if they are interested to keep servicing the account.

According to findings, most MFIs targeting women, engage the majority of the workforce to be female right from the cleaner to senior management. Men in such establishments constitute a third of the workforce.

Although most MFIs in Uganda specifically target women like Brac; which upgraded into a commercial bank, only few have altered their operation methodology of prioritizing women. Most microfinance providers feel that women's empowerment is an important aspect in financial service provision, because they are first of all obliged to seek efficiency and sustainability in order to guarantee a durable access to financial services to the greatest possible number of poor clients.

The impact studies conducted in Uganda by Barnes, Morris and Gayle mainly evaluated MFIs with exclusive or at least large female clientele, the impact results presented above mainly concern women.

MFI participation helps women to protect themselves and their households against risks by rendering their enterprises more competitive, diversifying their income sources, broadening their asset base, re-stocking their business and smoothing consumption.



The study found that women clients have significantly greater positive economic impacts relative to female non-clients than do male clients over comparable non-clients. Most Female loan clients according to the report express greater satisfaction with the credit and savings services provided by the bank than do their male counterparts.

Maria Mutola is a member of a FINCA village bank in South-eastern Uganda. She has had few problems with re-

payment or any other aspect of being a borrower. Her business is vending dried small fish, known as **mukene** (*silver fish*).

Twice a month, she travels for one and a half days to the island of Chisugu, found on Lake Victoria, 30 miles away from the Katosi landing site. On average, she purchases 500kgs of Mukene at 8,000/= per Kg from the local fishermen. She hires a boat to ferry her purchase to the mainland before loading it on the lorry to Kampala where she sells it to various customers, mainly to



animal feeds industrial companies.

When she finds the demand is on high side, she charges Ushs10,000/=, making a substantial profit margin of her effort worthy Ushs 9 0,000. If the demand is low, she discounts her price to USHS 5,000/=. Given these price fluctuations, she is still able to make a comparatively good living out of her business, according to her own words.

Belonging to MFI groups, provides women with status and prestige in

the community, makes them less dependent on their spouses for money, increases their influence and bargaining power within the household and improves their self-confidence.

Some researchers have suggested that microfinance programs make women even more vulnerable to gender-based conflict since they sometimes pass their loans to their husbands, although this practice of giving loans to the husband to use seems to be less common in Uganda, and when done, it is usually economically rational

Although most MFIs in Uganda specifically target women like Brac; which upgraded into a commercial bank, only few have altered their operation methodology of prioritizing women. Most microfinance providers feel that **women's empowerment is an important aspect in financial service provision**

So, without a doubt, parts of the Ugandan microfinance industry are moving towards sustainability and commercialization at an impressive speed. Most donors and a considerable number of practitioners are committed towards turning the provision of microfinance services profitable and independent from donor money.

While it is hardly debated in the Ugandan microfinance industry, this trend might lead to less attention to empowerment issues. For example, some MFIs are considering or are already

experimenting with individual loan products, which have less potential to strengthen women networks and female solidarity than group loans.

Also, some female-only MFIs are planning to open their doors to men, mainly because where some urban markets might be close to saturation men are seen as an untapped client group.

Although these developments might have some negative impact on women's empowerment, it could be argued that an expanding and sustainable microfinance industry has probably more overall positive gender effects than a smaller industry that concentrates primarily on empowerment.

Moreover, even if an increasing number of MFIs also promote individual lending, in a growing industry group lending will expand, too.

At FINCA, John Hatch the Founders says they recognize the importance of women empowerment in their mission to alleviate poverty.

"We understand that when women have access to financial services and life-enhancing goods, the benefits not only flow to the women who receive them but also to their families and communities. When women are empowered to fully participate in society, to work and to create their own businesses—through access to finance, education and jobs—families improve their quality of life."

It has been proven time after time that increasing the incomes of poor mothers' results in an almost immediate improvement in their children's diet, and an increased likelihood that they can send their children to school. And when a child is educated, he or she has better opportunities to live outside of poverty

Surviving Mechanisms for microfinance Institutions and SACCOs during and Post Covid-19

Microfinance is undeniably recognized as being the vehicle to achieve the country's financial inclusion goal. However, with experts predicting that the effects of the COVID-19 pandemic may stay until the year 2023, the microfinance practitioners must devise efficient, effective and innovative ways to continue providing the financial services support to achieve financial inclusion.

It's critical to help the clients cope with the financial effects of the pandemic while ensuring that their clients, agents and staff are kept safe from the effects of the pandemic.

In other words, greater efforts and innovations by microfinance institutions are required to effectively respond to the emerging community needs to support people to remain resilient and be adaptable to the effects of the pandemic.

Accordingly, The Microfinance Support Centre Ltd (MSC), a government agency mandated to manage micro-credit funds and offer business development services on behalf of the Government, agrees with the fact that using a climatic and pandemics' perspective in its programming is not only essential but critical and urgent to the future growth of the Microfinance Industry.

As such, the company has targeted green enterprises and green projects among other initiatives and has embarked on developing innovative green finance products for effective implementation of green finance; a third wave of the microfinance revolution (Lia 2020).



Cathy Mbabazi,
Executive Director, RICA
Microfinance Limited

The green microfinance is the alliance between microfinance and issues related to the environment and refers to all microfinance activities (micro-credits, etc.,) that take into account the impact of the activity and the institution on the environment.

The first wave of the micro finance revolution was on poverty alleviation as pioneered by the Grameen Bank of Bangladesh while the second was characterized by a series of social technological innovations in form of new microfinance products and services for pro-poor growth through village-based inclusive growth for accelerated poverty reduction.

The Microfinance Support Centre has ably developed the tools that will be used to address community financing needs in the most innovative and most environmentally friendly ways and is encouraging partnerships in financing and building the necessary institutional capacities and capabilities of the SACCOs, SMEs and VSLAs to jointly embrace green financing in a bid to weather the effects of pandemics and climate change.

By devising ways of identifying their business and policy needs/ recommendations and the best strategies and practices for addressing the identified the current challenges, Microfinance Institutions act as true development agents for climate change mitigation and adaption and the microfinance sector in general becomes an invaluable partner with the Government in discharging its obligations in line with its Vision 2040, the successive National Development Plans (NDPs), the nationally determined contributions (NDCs) and climate change policies.

The Uganda Ministry of Finance and Economic Development (MoFPED) estimates that restrictions on the movement and gathering of people

and closure of borders, economic growth for FY2019/20 would decline to between 4.6 percent and 5.1 percent from 6.0 percent and over 3.3 million Ugandans would be pushed into poverty.

Therefore, beyond the response phase of the COVID19 pandemic, the most important phase for the microfinance space is recovery of the microfinance institutions (MFIs) and SACCOs from the effects of the pandemic, and the social and economic rehabilitation of microfinance clients as well as building their resilience to withstand future shocks.

The economic impacts of the pandemic on the MFIs and clients will depend on the severity of the crisis and the duration of Government's interventions to contain the spread of the epidemic.

In response, AMFIU recently held a webinar to discuss Post Covid-19 Coping Mechanisms for microfinance Institutions and SACCOs. The discussions focused on revamping microfinance businesses, case for digital transformation and available support from development partners towards microfinance services.

The several control containments measures to put in place to save lives since the arrival of the novel COVID 19 including closure of the national border, suspension of domestic travel, cancellation of public gatherings, closure of educational institutions, places of worship and lockdown negatively impacted businesses especially micro, small and medium scale enterprises in which most Ugandans obtain their livelihoods.

The former has since posed a threat to microfinance institutions which provide easy access to finances to

low income earners, who are the majority of Ugandans. Nevertheless, digital financial services hold tremendous promise to deliver financial services to the underbanked and excluded population in Uganda.

Mobile money has driven financial inclusion in Uganda with impressive growth and a competitive market. The 2018 FINSCOPE study report indicated a 78% surge in the country's financial inclusion rate majorly supported by mobile money services.

The same report also indicated that 23% of Ugandans save money on mobile money platforms, compared to only 11% who save with commercial banks.

Also, a study conducted by AMFIU in 2019 on consumer attitudes among non-users of digital financial services, found out that a majority of the respondents feel that digital transactions are difficult to understand and hence offline sources are more convenient.

According to a certain group of respondents, such platforms are not safe, and they do not trust the digital service providers with their money.

The economic impacts of the pandemic on the MFIs and clients will depend on the severity of the crisis and the duration of Government's interventions to contain the spread of the epidemic.

However, 75% of the non-users were willing to try and use digitized methods for conducting their financial transactions, if the obstacles they face are taken care of.

Therefore, critical to the adoption of digital financial services in Uganda are awareness on DFS and financial literacy, empowerment and consumer protection. End-users should be involved from the start of developing digital financial services to witness faster and meaningful financial adoption as well as inclusion.

Involving the target audiences at an early stage ensures the introduction of the right digital financial products that meet people's needs which ensures quicker adoption.

With effects of covid-19 on microfinance sector such as decline in revenues/profitability hence losses, reduction in customers and collapsed borrower incomes and their ability to repay among others needs approved grace periods to borrowers, lending to clients dealing in crucial sectors, rescheduling and restructuring of loans and essentially digitization of MFIs among others.

Otherwise, on a positive note, the sector has seen increased demand for borrowing from clients in need of recapitalization, digital transformation of the microfinance sector by using mobile banking platform for installment collection, saving and disbursement and groups to send collections using mobile money which is a positive sign of progress towards financial inclusion through digitization of financial services.

The writer is a business and financial consultant and CEO RICA Financial solutions

Meeting today's financial service needs while regulating for tomorrow's market

Insights from the 2018 Finscope report, an important barometer on the demand-side of Uganda's financial sector, might have been predictable. However, they gave emphasis to the importance of strengthening regulation and coordination for lower tier financial institutions - which most adult Ugandan rely on.

Findings indicated that only 10% of adults in the country had access to formal banking services, with 60% meeting their financial needs through semi-formal and informal financial institutions.

Building awareness and improving oversight of these semi-formal and informal financial institutions will help protect lower-income earners from poor market conduct, and potentially open new economic opportunities for them. Access to relevant financial products and services that meet the people 'where they are' is key to helping them improve their wellbeing and recover faster from financial shocks such as the COVID-19 pandemic.

A Financial Sector Deepening (FSD) Uganda assessment on the economic resilience of Ugandan households prior to COVID, and a suite of reports that have been released since the first case was reported in the country, highlight the need for deliberate strategies to support informal and semi-formal financial institutions in the wake of such crises. This will ensure economic response measures benefit the most vulnerable. They form a key part of the solution for economic recovery and are a critical jigsaw piece in the country's growth ambitions.



By Diana Ngaira

Financial Sector Deepening (FSD) Uganda - Communications Specialist

How technology is redefining the rules of the game

Technology is redefining how entire financial systems operate - how businesses are modelled, how products are developed, how consumers interact with them and how efficiency gains are distributed along the value chain. In Uganda, mobile money has served as the biggest pull/ push factor in driving financial inclusion. A similar story has played out across Sub-Saharan Africa, with mobile money and agent banking redefining how unserved and underserved people interact with financial products and services. At the time of the Finscope survey, seven out of ten adults had access to mobile money.

Expertise such a mobile telephony

will continue to impact how the finance industry and supplementary market players operate, and open financial inclusion opportunities for billions of individuals and millions of small businesses. While studies have shown that there is room for improvement in the adoption of FinTech solutions to meet some challenges within the sector to help it realize its full potential, the pace of adoption is only expected to go up and regulators need to prepare themselves for a future where technology sets the rules of the game.

The regulator of the future

A consultative review of the 2016 Tier 4 Microfinance Institutions and Money Lenders by key stakeholders, including FSD Uganda, led to the establishment of the Uganda Microfinance Regulatory Authority (UMRA), a milestone in the governance Tier 4 financial institutions and money lenders. The Authority created a structure through which the savings of depositors could be protected, predatory lending and unethical practices could be addressed, and overall trust in the system could be promoted.

Potential actors subject to licensing by the Authority number more than 30,000. A traditional approach to market supervision would limit the



operational efficiency of any organization with such a broad mandate. New solutions, driven by technology, are required to remove supervisory blind spots, manage operational risks, and drive proactive regulation.

Additionally, these market actors, who include Savings and Credit Cooperatives (SACCOs), Non-Deposit taking Micro finance institutions and community-based and informal financial groups, such as Village Savings and Loan Associations (VSLAs) are themselves operating in a fast-changing landscape driven by disruptive advancements in technology.

The existing standards of policy and regulation in the financial sector are being challenged with each advancement, and proactive rather than reactive engagement of regulators and policy makers with emerging technologies will help them keep up with these changes.

Promoting innovation among lower-tier financial institutions will support the development of

a more inclusive financial service market that meets the needs of the 60% adult population that relies on semi-formal and informal financial institutions. Furthermore, opening digital channels where FinTechs can pilot and scale innovative pay-as-you-go models will enable access to basic services such as water and energy.

Building a culture of innovation

FSD Uganda supports transformative regulatory reforms that will ensure excluded or underserved customer segments gain access to financial services including payments, credit, savings, insurance, and investment. Our Digital Transformation Project builds the capacity of financial sector regulators (including telecommunications) by providing phased support to identify opportunities to embed innovation within organizations' structures and the market before moving to create strategies, including sandboxes, that are piloted using live cases.

Technical assistance from FSD Uganda is being provided to review

the digital readiness of UMRA and a sample of tier 4 financial service providers that report to the Authority. Existing regulatory and supervision processes will be appraised to see how accommodative they are to digital financial services, what changes need to be made, and innovative regulatory tools that promote innovation will be developed.

Our partnership with UMRA under the Digital Transformation Project is expected to demonstrate the value of an innovation-led approach to regulation and market development. Learnings from financial service providers who participate in the pilot phase of the project are expected to provide a demonstration effect to similar market actors, driving adoption of technology and enhancing financial inclusion.

Uganda's National Financial Inclusion Strategy has clear targets for financial inclusion. Deliberately including the market segment that UMRA oversees to bridge financial inclusion gaps will be key to achieving these ambitious objectives.

You do not need to be an economist to understand micro financing. The idea is to provide extremely poor people with small loans so they can start and operate a business.

The borrowers are able to save money and pay back the loan over time. Microfinance helps support financial security because it is not just a donation.

The idea behind microfinance is to empower borrowers by to build businesses where they can generate income and grow.

Poor people in rural areas often cannot get banking services. Also, commercial banks generally do not provide very small loans because of administrative costs which are too high, according to Tumubweine Twinemanzi, Executive Director-Supervision Bank of Uganda.

However, Microfinance provides poor people with a way to build savings and work toward becoming part of a country's official financial system.

People's lives financially changed

Aidah Asimwe a mother of three in Masaka, She lost her income from her job as a school Teacher as soon as COVID-19 pandemic lockdown was declared. When the President ordered a nationwide lockdown, teachers like her had to rely on their savings and other income sources, to keep food on the table for their families.

As an astute money manager, Aidah had already been supplementing



MFI target marginalized communities to work their way out of poverty

her meager Teacher's earning with income from a banana farm. She had planned to count on her farm income should she run out of her teaching job. Unfortunately, the lockdown was instituted before her banana crops were ready for sale. This put Aidah in a dilemma.

Minting money become tight, she desperately needed however little her hands could lay hands on, to feed her family. She also needed to get her product to market and up-to-date information on the market price for bananas to figure out when to

harvest her crop.

To do these things, Aidah had to make her regular FINCA Bright Life solar home system payments so she could power her cell phone and radio. The cell phone would allow Aidah to coordinate with the buyer who would get her bananas to market. In normal circumstances, she would meet the buyers in person.

However, an in-person meeting would put her at risk of getting infected with COVID-19 or, perhaps even worse, being caught by the



police for violating the stay-at-home Presidential orders.

Because she also needed to listen to her radio to track market prices for her banana crop and sell when the price was high, Aidah had to go for the FINCA Bright Life through the institution's agent.

Aidah was ecstatic when she learned that she no longer had to decide between buying food and having access to crucial information. And sure enough, when she turned on her radio, she heard the President warning farmers like herself that market traders were manipulating prices—information that empowered her to make better decisions about how and when to sell her bananas.

For too many families like Aidah's, hard times lead to hard trade-offs that impact their wellbeing and progress out of poverty.

David Kulabako, a 55-year-old Businessman in Nakasero market

According to Kulabako, he got to know about Pride Microfinance, through a friend that works there. He opened an account and started saving. With time he acquired a loan of Ugx 5million, taking my motor vehicle as collateral.

"To add to my working capital, I have acquired many loans from Pride subsequently and built my assets portfolio to include real estate. I have also educated my children in good institutions here and overseas, thanks to Pride", he says.

Kulabako also says borrowers are always advised regarding my business needs and where they need more working capital, they are quick to get support as far as acquiring funding is concerned.

"The other services I enjoy at Pride include mobile banking and SMS alerts." These according to Kulabako keep him updated with the mobile banking services, and that he can easily and conveniently pull and push money to his account from the comfort of his shop, without necessarily going to the branch.

Farmer Kijjambu Abdallah, a resident of Namasinda, Nakibano Parish in Nakifuma

13 years ago, the 57 years old farmer joined Pride after a recommendation by one of his customers; who was banking with Pride.

Kijjambu says he used to sell my bananas to this Pride Customer, for her restaurant. "In one of our conversations, I intimated to her that I was having hardships paying my children's school fees, as my business wasn't generating the revenue I wanted."

"When I Joined Pride, I started by saving Ugx 2,200 weekly. When my savings accumulated to Ugx 100,000, I was given a loan of Ugx 300,000. I invested this money in my business. After paying back fully, I progressively took more loans and currently qualify for Ugx 20 million."

The later, clearly indicates that

demand for microfinance continues to grow in Uganda, prompting the need to ensure that the microfinance sector is able to grow in a sustainable, pro-poor way.

Nevertheless, there is even more need in form of skilling the sector, creating awareness on marketing opportunities for the poor. Credit alone is not enough to boost productivity, sustain rising incomes and reduce poverty in addition to better market networks to expand their non-farm activities into more lucrative sectors.

Lower interest rates are equally desirable. Even though MFI interest rates are said to be much lower than those charged by informal moneylenders, they still have room to reduce rates further while realizing sufficient returns.

But because of microfinance players like FINCA that offer many low-end products, the likes Aidah's will always know better the importance

of Microfinance institutions' role in alleviating financial challenges at lower levels.

Cost of capital: the factor influencing interest rates on microfinance loans

By Staff Writer

Economic observers and policy makers have time and time again expressed concern about the effects of the seemingly high interest rates typically charged by Microfinance Institutions (MFI), that lend money to Micro, Small and Medium Enterprises (SMEs) in Uganda.

Presently, rates range from between 20 % to 30% per annum, which observers say isolates a number of people from participating in the formal economy.

Lower interest rates, they argue, enable the people to borrow money for investment and capital expansion, which can create a ripple effect of increased spending throughout the economy.

Through the MFIs, the financial services sector can harness the untapped potential of individuals and businesses currently excluded from the formal financial sector, and enable them to develop their capacity to engage in income generating activities.

Broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families.

However, access to and use of finance remains a big strategic bottleneck in Uganda and forms part of the ten strategic bottlenecks identified by the government that are affecting the formal and semi-formal banking sector.

Although it (the banking sector) has experienced significant transformation over the past years, statistics indicate that approximately 62% of Ugandans still have no access to formal financial services.

While Uganda has a well-developed and diversified microfinance industry, it nonetheless suffers low capitalization and legal restrictions.

These handicaps limit the industry's ability to meet the development finance needs of the rural and micro enterprise sector that forms the bulk of Uganda's productive enterprises and account for more than 50 % of GDP.

Because of low savings- capital, microfinance institutions in Uganda normally resort to borrowing money both locally from commercial banks and the Microfinance Support Center (MSC), and abroad to meet demand derived from the supply side.

Ideally, micro institutions, especially SACCOs are supposed to get resources from members and lend back to them at lower interest rates. However, as they grow, members' contributions may not be enough to serve the purpose, hence forcing them to borrow.

The economic impacts of the pandemic on the MFIs and clients will depend on the severity of the crisis and the duration of Government's interventions to contain the spread of the epidemic.

In the last 10 years, MSC has disbursed loans at an interest rate of 13% per annum for SMEs and 9% for SAC-COS in the agricultural value chains, against the commercial banks rate of 25% on average.

In the financial year 2019/20, MSC was allocated sh54.72b for lending at the lowest interest rates of 9% per annum for SACCOS, agricultural loans at 13%, commercial loans at 17%, and 11% for the Teachers' SACCO.

About 544 loans were disbursed. Growth in disbursements was partly attributed to intensified initiatives by MSC to reach out to the youth and women through rural mobilization, sensitization and training projects in the regional offices.

Determinants of interest

In determining interest for their customers, micro institutions, like any

other include their overhead costs such as rent, salaries for workers, security, the cost of transport, especially for small group clients and SACCOS that make outreach visits, stationery and printing costs, as well as water and electricity bills in the overall cost of the loan.

“Also, the cost of capital is included in the loan calculations, because this money is borrowed and has to be paid back to its owners. Interest is therefore determined according to the source and cost of capital. If the money was borrowed from government institutions, the interest may be low compared to if it was got from banks at a commercial rate,” says Dr. Fred Muhumuza, an Economist.

He says provisioning for bad debts, especially for bank-led microfinance institutions is another tool engaged in determining the interest, because it (provisioning) is used to provide a cushion against the risk of loan defaults. The risk is measured and included in the pricing of the loan product.

The MFIs also include taxes and insurance costs as additional ingredients in the final price of the loan, in

accordance with set regulations in the microfinance Act.

Dr. Muhumuza says, the amount that a borrower pays to a lending institution in interest is determined not only by the stated interest rate but also by the method used to calculate the interest. Ordinarily, microfinance institutions use two methods, popularly known as the declining balance method and the flat method in calculating interest in Uganda.

“When the declining balance method is used, interest is computed based on the balances that remain in the borrower’s hands. As successive installments of principal are repaid, these balances decline. In this case, interest is not charged on the amount of the loan principal that the borrower has already repaid.”

“When the flat method is employed, interest is computed based on the original face amount of the loan rather than on the declining balances. Computing interest using the flat method instead of the declining balance method has the effect of raising the payment made each period.” Dr. Muhumuza explained in detailed.

Due to a strong market enabling environment, macroeconomic stability and sound international donor commitment, the microfinance sector in Uganda has seen growth and stability.

Microfinance institutions generate savings capital, mobilise local resources and in doing so promote development processes.

Uganda is generally seen as the country with the most vibrant and successful microfinance industry in Africa. Some MFIs have experienced strong growth and are now reaching a considerable number of clients.

The World Bank report on Uganda’s economic update for 2017 indicates that the challenge and gaps facing financial inclusion in Uganda includes the high cost of credit as a major constraint and that only a very small proportion of Ugandan businesses and households have access to a bank loan.

The report adds that the Interest rates often range between 22 and 25% of the total value of the borrowed amount which its states will cause many people to shy away from loan products.



MFIs Loans improve Boda Boda families wellbeing

By Staff Writer

Microfinance is an important tool for improving the standard of living of the poor. Microfinance market in Uganda is at rapid growth, supported by government of Uganda's initiatives to achieve greater financial inclusion, and growth in the country's unorganized but priority sector. The microfinance industry has seen tremendous response from the marginalized populace engaged in small scale businesses, unskilled labours and self-employed home trades.



Market vendors, Carpenters, Mechanics, plumbers and welders are some of the clusters of people benefitted from Microfinance. Boda Boda motorcycle transport business is another small-scale business line growing steadfast with support from Microfinance. It's a cover trade for the unemployed youth and terminated males from employment due to Covid 19 pandemic or other words.

Talking about his experience, Freddie Ssewankambo wakes up very early in the morning, sip a cup of tea, then, jumps on the back of his Boda Boda (motorcycle taxi), to join thousands of Boda-boda riders, who are now a solid part of Kampala's workforce. By 8:00 am, Ssewankambo has made Shs 20, 000, picking passengers from Mukono to Kampala, which he sends his wife, to buy the day's basic home needs, and then concentrates on the day's routine undisturbed.

Wandegeya trading centre stage, is Sewanambo's boda boda terminal. This former bank teller deposits shs10, 000, as daily savings into an account he opened with a microfinance institution, and then proceeds with his daily work. At the stage, a group of 30 riders formed a Boda Boda SACCO to which he was voted as chairperson, and each member contributes a mandatory shs 5, 000 each day.

On a good day, Sewankambo says, he makes up to Shs 100, 000, while on a bad day goes at home with approximately Shs. 30,000.

"I have used my savings over the years, to pay for my children in good schools, and build for my mother a decent house in my home village, which I count to be a remarkable achievement," he says.

Notably, nearly on every street in Kampala, the number of Boda Boda motorcycle taxis has grown over the years, and the sector is estimated to employ around 1.2million youths, with total incomes nearly reaching shs.15.6 trillion annually.

According to the Kampala Capital City Authority (KCCA), the number of riders in the city is presently estimated at about 200,000 operating from approximately 5,000 stages.

With the unemployment rate in Kampala hovering around 11 per cent, according to the Ugandan Bureau of Statistics, and youth unemployment even higher, hundreds of riders enter the Boda -boda business every day. Ssewankambo reveals that members daily shs 5, 000 savings is kept on the SACCO account, and members can borrow from it- interest free, in case of emergencies such as sickness or when one has lost a loved one.

"The same savings have now given us four stage motorcycles whose income is kept on the SACCO account. The money derived from the motorbikes is shared at the end of the year, to enable each member rehabilitate himself through purchase of domestic assets, or celebrate with their families a worthy Christmas festive season," he said.

Andrew Byabakama, a Boda-boda cyclist from Kinoni, Lwengo district says from the Boda SACCO, they are able to borrow money from a micro-finance institution to acquire other motorbikes, in a move meant to expand their incomes and create employment for other unemployed youths.

"We normally get loans of up to Shs 4million, and stand in for each other as guarantors. The old motor bike logbook acts as collateral. It is through such arrangements that I have been able to own 3 bikes now," he said.

At the stage, he says, if a member forgets to leave money for home use (Kameza) and is unreachable; the chairman can draw from the SACCO savings and send the basic amount to the member's home, and later recover it from the member upon his return at the stage.

"This is humanitarian, because we are guaranteed that our children cannot go hungry no matter what happens to us. At home, our wives are also contented because there are less causes to spark quarrels," he said.

Through the microfinance loans, the boda operators have been able to acquire other basics such as live stocks (cattle, chicken, goats, sheep), plots of land, decent houses and omnibus taxis, while others have started small businesses for their housewives. Aloysius Mwebaze, whose experience spans sixteen years at the Kyambogo stage, says he owns an omnibus taxi, which he purchased partly from his savings and a loan from a microfinance institution.

"I paid shs 45 million for the taxi in a car bond. Shs 25million of this was given to me from the microfinance, because I had used it for ten years. I had a clean microfinance saving record, I had bought six motorbikes on loans and paid back in a specified time, therefore my profile was good. When the manager encouraged me to take a bigger loan for a Minibus, I saw sense in it and now I don't regret taking the decision," he said.

From his humble beginnings, Moses Kyamagero was able to venture into commercial farming, from which he has now built a permanent home in Lugazi, and started a wholesale shop for his wife in the town.

"I recall vividly in 2,000 when I started riding the Boda Boda taxi on loan. It meant that I would save and pay weekly installments until it became mine. Shortly after completing the loan, I was able to save and rent land to grow tomatoes, the yields were great and I sold for a substantial profit. Over the years, I was able to get my own acre of land and a plot in Lugazi town where I built a home. Now, I am eternally grateful to my friend who advised me to join the Boda Boda taxi business, when I was

fired from my job," he testifies.

Bodaboda origins can be traced way back from the 1960s when people moving between Kenya and Uganda used bicycles to transport goods between the two borders.

With the collapse of the East African Community (EAC), due to political tensions, the Boda Boda took a slumber only to re-emerged in the 1990s. However, with the influx sales of motorbikes from Indiana and China, the Boda Boda bicycle taxi was quickly replaced with the motorbike.

Its popularity, on the other hand, can be linked to the lack of good road infrastructure, deregulation of transport services, increased congestion in cities which motorcycles taxis can navigate much more easily than larger vehicles.

Since 2002, the population of Kampala has grown from 1.2 million to 1.7 million residents, according to the Ugandan Bureau of Statistics, but there have only been a handful of new roads constructed in the past decade.

passengers are forced to use Boda -boda because of a lack of quick and convenient alternative means of transport. Many riders have joined the industry because they do not have other options.

Tens of thousands, the Boda -boda business could be a ticket to achieving their dreams, but it is also a difficult and dangerous occupation. To operate legally, boda riders need a driver's permit, third-party insurance, a Passenger Service Vehicle license (PSV), and a stage.

Safety, accidents, lack of regulation, and corruption by traffic police are some of the biggest concerns for Boda -boda riders across the country.

Boda Boda Motorcycle Taxi loans: a vibrant Microfinance product

By Staff Writer

Andrew Musisi ended his academic journey in senior four, after his parents' death in an accident, along the Kampala-Masaka highway in 2008.

Stranded, with three siblings to look after, Musisi tried several unskilled jobs at construction sites, but the wage was never commensurate to the hard labor employed in finishing the tasks. Disappointed, he chose to try the Boda boda taxi riding, in a quest of meeting home expenses.

"I leased a Boda Boda (motorcycle taxi) from our local council chairman, at a cumulative total of shs7.2million payable in installments for two years. I consented to the arrangement because I did not have enough money to buy a new one at the time. With this agreement, I had to pay a lessor shs70,000 per week until the amount was fully paid, thereafter own it for good," he said.

According to the Kampala Capital City Authority (KCCA), there are at least 100,000 Boda Bodas in Kampala, majority leased or rented from registered owners. The trend is because the riders cannot afford the cost of buying their own.

After two years, Musisi discovered that; he could have obtained a motorcycle loan from a Microfinance Institution for much less, had he learned of it, or had the required collateral for the loan.

"I took my Boda Boda log book to the Microfinance bank and the management agreed to lend me. Since then I have acquired four other motorcycles from the microfinance, and life has never been the same since," he reveals.

Musisi's testimony is not in isolation. Over the years, financial institutions and none government organizations have invested in the motorbike taxis, as a way of creating employment, especially for the youths.

The demand for the motorcycles is on rise because every financial institution in both rural and urban centres in Uganda offer Motorcycle loan schemes for youth empowerment.

According to Musisi, the boda boda business in Kampala is so lucrative since it is seen as a solution to the gridlock traffic jam around the city.

He says leasing is the way to go because the money earned by a rider is sufficient for them to pay back the loan. It is estimated that Boda boda taxi cyclists on average earn about Shs 60,000 per day.

Over the years, microfinance institutions have also taken up the Boda Boda as a product, thus helping to



alleviate poverty in a number of Ugandan households, but also widen their product range.

"The Boda Boda loan is one of the best performing products serviced today. It's on high demand; and the clients pay well," says primrose Kobusingye, Head of marketing at FINCA Uganda.

Leasing companies now look forward to working with Kampala Metropolitan Boda Boda Association (KAMBA), Century Riders Association, and Smart Boda Boda. These are organised and recognized.

Tugende, Mamidecot, Finca, Finance Trust bank and Centenary Rural Development bank are some of the financial institutions that currently provide motor bike loans to hundreds of Ugandan youths.

At Tugende for instance, Boda Boda motorcycle taxi drivers are given a chance to own their motorbikes in 18 months or less instead of renting



indefinitely.

The drivers are given the opportunity to reinforce their financial stability, through saving money they would normally have spent on renting the bike.

Payments are comparable to what drivers would otherwise pay in rent, and ownership significantly increases income and job security for drivers.

To manage their clients, Tugende uses the Musoni system, which is integrated with Payway, a local digital payment channel that enables drivers to repay their loans and deposit their savings from any authorised agent.

Owing to the budding success of the industry, Finca also launched a partnership with motorcycle rideshare platform SafeBoda to offer digital financial services to motorcycle taxi riders.

Using fintech innovation, the ar-

rangement enables SafeBoda riders to deposit a portion of their weekly earnings directly into a FINCA Uganda savings account via the SafeBoda driver app.

Riders can use the app directly to apply for a loan, with their SafeBoda driving history used to establish credit worthiness even in the absence of significant collateral or savings.

In addition to digital savings and credit products, SafeBoda riders also have access to medical and accident insurance products provided by a third-party company as well as financial literacy training.

The collaboration with Boda Boda associations is one of the many fintech innovations that microfinance institutions have established to better serve their clients with responsible financial products and services.

With a high number of companies offering boda Boda loans in Uganda,

securing a motorcycle loan has continued to become easy with affordable terms.

Boda Boda transport services have grown from small beginnings in the 1960s to approximately 100,000 in Kampala's central business district over the years.

To join the business, one needs a motorcycle and a riding permit obtained from Face technologies, a private entity licensed by the government to issue driving and riding permits in Uganda.

With transport fares in the Kamunye now through the roof, most Ugandans have turned to the motorbike taxi to quickly, easily and safely commute to places work and returning home.

Already, the industry has attracted players in the financial services sector, and is now also attracting investors including Egypt's Al Mansour who has opened an assembly plant in Ntinda.

According to the Uganda Revenue Authority, there is a 10% growth in the number of Boda Boda's sold in Uganda every year.

In Kampala city, there are over 54 Boda Associations; but they are fragmented and not recognised by the government. They operate stages throughout the city authorities, and each stage comprises of 30 members, contributing about Shs1, 000,000 to Shs 3,000,000 to join.

According to the transport licensing board, there are approximately half a million motorcycle taxis in Uganda, with only about 10,000 of these registered with the entity.

The motor Boda Boda taxis are used by tour operators for city maneuvers and it is one of the exciting tour packages for visitors and tourists in Kampala.



Weak linkages of MFIs affect rural households' access to financial services

Access to financial services by the farmers in Uganda is affected by weak linkages of financial institutions from farmers' up to formal financial institutions, the availability of the financial institution and the distribution network.

These were some of the findings of a study by Association of Microfinance Institutions of Uganda (AMIFU) in 2011. It focused on supply side factors affecting the access to financial services by rural

households along the key commodity value chains of coffee, apiary (bees), poultry, dairy, maize, pineapple in all regions of Uganda.

The study recommended strengthen-

ing farmers groups to enhance access to financial services and accountability to the providers of credit. The research suggests that in order to increase access and use of agricultural credit financing, new approaches to identify financially excluded rural poor in Uganda should be developed.

These would largely focus on access constraints such as lack collateral, weak farmer groups, financial literacy and improving the regulatory framework of the microfinance.

Despite several interventions in agricultural financing by government, access to credit by smallholder farmers has remained very low and stagnating over the years.

To understand the extent of the prob-

lem, there is need to benchmark from the various agricultural financing initiatives government has implemented over the years including prosperity for all (PSA) of 2008, the national agricultural advisory services (NAADS) of 2001, Entandikwa scheme of 1996, and the recent agricultural credit facility (ACF) and microfinance support centre (MSCL), among others.

On the previous interventions by government in agricultural financing, Ezra Munyambonera of Economic Policy Research Centre observes that weak institutional framework for co-ordination, financing and implementation continue to affect their impact.

Data show that access to credit by agricultural households still remains at a very low percentage. This could be blamed on the policy failures of the various agricultural financing initiatives that government has implemented over the years, poor response of formal commercial banks to agricultural lending and weak regulation of the microfinance institutions at (Tier-4) to effectively deliver credit to small holder farmers.

Some small holder farmers suggest that if government is to succeed in promoting access to financial services by small holder farmers, there would need to have strong institutional framework for agricultural financing.

Financial markets in developing countries and particularly in Sub-Saharan Africa (SSA) are largely underdeveloped characterized by lacking depth, highly inefficient, concentrated in urban areas and dominated by a few, often foreign owned commercial banks.

Credit, savings and insurance markets in the rural areas are generally non-existent, and those that do, many work imperfectly. On the other hand, given the agricultural dependence of the rural economies, the importance of fi-

nancial markets that meet the peculiar requirements of the rural population cannot be emphasized.

For example, agricultural production exhibits a great deal of correlations across farms such that bad weather may leave an entire village or a group of villages clamouring for insurance out.

According to Munyambonera, Financial services are fundamental to the economic growth of a country. Services such as banking, saving and investment, insurance and equity financing

The economic impacts of the pandemic on the MFIs and clients will depend on the severity of the crisis and the duration of Government's interventions to contain the spread of the epidemic.

help the private sector to guard against credit risk and uncertainty, among others.

On the other hand, financial credit enables businesses to start-up, expand, improve efficiency and compete favourably on the market. Among the poor segment of society, financial services not only reduce vulnerability, but also increase the ability of the poor to manage assets available to them hence leading to increased income levels.

The importance of rural credit services can be best understood by examining their potential contribution to the development of the agricultural sector.

Despite the significant improvements in financial sector in Uganda, access to financial services by the rural households, who in case of Uganda constitute about 80 percent; remain very poor according to statistics.

This could be attributed to many factors ranging from policy, institutional, supply and demand factors. In Uganda access to credit for farming remain very limited through the formal commercial banks.

Examining Uganda's agricultural credit market is premised on the structure-conduct-performance paradigm (S-C-P) that has been employed to evaluate efficiency of credit markets in general in developing countries among others.

This analyses the structure, conduct and the actual performance of the financial credit market in relation to delivery of and access to financial services by clients in this case Uganda farmers.

At macro level, the government of Uganda has implemented financial sector reforms that allow bank and non-bank financial institutions to supply credit that is market determined.

At market conduct level, the nature of loans, type of borrowers and type of activity that these financial institutions lend money are defined. At market performance level, both supply side and demand side factors that influence access and use credit at client level are examined

These include; loan recovery period, interest on loans, collateral required among others.

Participation in microfinance programs contributes to reduced vulnerability to economic risks. The poor are very vulnerable to risks (such as illness or death of a household member, medical expenses, funeral costs, crop failure, the

loss or theft of a key asset, or a dramatic change in prices), and microfinance services in Uganda have proven to help the poor to protect against these risks.

Individuals and households pursue strategies to protect against risks ahead of time. As MFIs provide loans for working capital and to purchase productive assets, clients are able to make their enterprises more competitive and increase profits (although in most cases only to a limited extent), diversify their

challenges of life.

However, in some cases membership to groups can also become a social liability, especially where there is a consistent pattern of non-payment and mounting peer pressure. Access to financial services also allows the poor to cope with shocks or economic stress events once these take place. Clients use MFI loans to re-stock their businesses and to smooth consumption.

non-clients to increase their remittances to rural dwellers. Participation in microfinance programs enables clients to acquire valued skills in self-assessments; clients tend to mention acquisition of business-related knowledge and savings skills among the most important positive results of participation in their microfinance program.

Many clients also testified that they had learnt leadership and public speaking skills from participation in MFI groups. Numerous clients gave proof of this by joining wider institutions and standing for election in local councils.

Participation in a credit with education program results in clients trying new health and nutrition practices and informing others about these practices. The lending strategies of MFIs appear to be more of a deterrent to continued participation than factors within the client's households and enterprise. Reasons clients give for departing an MFI program tend to relate more to the lending methodology than problems with loan repayment.

Most drop-outs complain about inadequate loan amounts and terms, mandatory weekly meetings and having to pay for group members who default. Participation in MFIs does not help the poor to meet their savings needs. Most MFIs only offer loan-linked, compulsory, locked-in savings system and no poor-friendly savings products.

Also, for legal reasons, Ugandan MFIs are not providing facilities that allow the poor to save in a way that would help them to meet their current needs and opportunities and to save for the future. As a consequence, the poor are often forced to use high-risk (and often high-loss) informal savings mechanisms.



The importance of rural credit services can be best understood by examining their potential contribution to the development of the agricultural sector.

income sources and broaden their asset base.

Participation in microfinance programs also appears to enable clients to build the households' human assets, for example by investing into children's education or household members' health. Even when loans are used for business, the household's own capital is thus freed for other investments, particularly in school fees and health care.

Group-based lending schemes provide clients with an opportunity to build their social assets by reinforcing reciprocal relationships and social networks. Membership of microfinance groups links individuals, households and enterprises into a vital web of business and personal relationships that enables members to better cope with the chal-

As most MFIs offer only inadequate savings services, only few clients were able to use these as source of liquidity in times of emergencies. Participation in microfinance programs results in strengthening linkages of clients and their households to the agricultural sector.

MFI clients are actively involved in the agricultural and natural resource-based marketing chain. Loans to microentrepreneurs strengthen their position in the agricultural sector. Microfinance program participation results in clients expanding the amount of land they cultivate and diversifying the crops they grow for sale and domestic consumption.

Clients of MFIs are more likely than

Domestic savings build capacity to start business

By Staff Writer

Mohammed Al-Rashid, the Tech entrepreneur urged government to place more emphasis on growing domestic savings as another alternative to foreign debt that is being used to finance development expenditure.

He said reliance on foreign debt alone could slow down Uganda's ambition of achieving a middle income status, yet this country has potential in mobilizing domestic savings.

He said although Uganda's circulation of money is ranked among the highest in the world, this does not reflect in savings, and called upon the government to increase awareness, especially in the hard to reach areas.

Al-Rashid said harnessing a saving culture could avail access to alternative cheap resources for investment expenditure, reduce national debt and fuel self-sustained economic growth and development.

It should be noted that Uganda is currently facing an infrastructure deficit challenge, which according to the IMF is affecting long-term economic development, and government is now borrowing to close budget deficits for infrastructure projects.

According to statistics, Uganda's saving to GDP ratio currently stands at 16%, behind Kenya's 25% and Tanzania's 17%.

The low savings rate has been largely attributed to inadequate financial services, financial illiteracy, and physical distance from banking institutions, and high minimum deposit and balance requirements charged by financial institutions.



Experts have repeatedly argued that micro entrepreneurs, who form a large percentage of Uganda's informal sector, should be helped to save, seeing that the informal sector forms 80% of the country's total output.

Most of these on the other hand, primarily access funding from micro-finance service providers, and it is in these that emphasis should be put to fight household poverty and grow the gross national savings.

According to Everest Kayondo, chairperson of the Kampala City Traders Association (KACITA), most entrepreneurs save in various forms namely: cash, informal savings, and property and credit associations.

He says secure liquid savings options are often not available to low-income earners, especially those in urban and peri-urban, including rural areas.

In such cases, Microfinance institutions are therefore, well positioned to assist entrepreneurs and their households increase the amount, accessibility and security of accumulated savings.

Microfinance institutions have also developed innovative and simplified techniques over the years to provide financial services, he says.

Historically, most of the attention within the microfinance industry has focused on the provision of credit.

SAVINGS

However, the accumulation of savings is vital to the development of micro-enterprises.

"Therefore all they have to do is to create more awareness and platforms for people to save, even in hard to reach areas," he says.

It is widely accepted that small and medium enterprises make considerable contributions to industrialization and development, creation of jobs, as well as the aggregate output and export in Uganda.

These however, continue grappling with inadequate financial capital, fueled by the inability to access the financial services, despite playing such a well-recognized role in Uganda's economy.

According to the Association of Microfinance Institutions of Uganda (AMFIU), Uganda has several MFIs, spread across rural and urban areas and provides access to different products.

Dr. Fred Muhumuza, an economist says these have played a monumental role in alleviating household poverty, through extending credit to small and medium sized enterprises across the country.

He adds that the country's savings to GDP position has also improved impressively over the last few years, partly due to the good work being done by the MFIs.

"Right now you can say the MFIs have made their contribution to national development, because quite often you see people rushing to go and save in their SACCOS or Associations. I have seen some prepare for the SACCO meeting at work or home, where they actually save and benefit from the group, say when they are sick, want to investment or have a

problem. Previously they thought banks are for the rich but now this is one way of bringing them into the formal economy," he says.

However, he notes that they are still limited by access to cheap long term capital, and depend mostly on their little savings. To overcome this, he says they have to diversify their funding sources to development finance institutions that have lines of credit for SME on-lending.

The low savings rate has been largely attributed to inadequate financial services, financial illiteracy, and physical distance from banking institutions, and high minimum deposit and balance requirements charged by financial institutions.

"We haven't found a gainful way of channeling huge resources to support them, because mechanisms of channeling the money are still too much academic, and bureaucratic," he says.

He says because of lack of proper governance structures, the risks associated with saving in an MFI are still too high, and often, people are forced to rely on the people they know to form or enter a savings group.

He says MFIs must also improve their technology, including its use, even though core banking systems are ex-

pensive to acquire and maintain. He says without the latest technology, it will be impossible for them to effectively manage clients and grow.

To be more impactful on SMEs, he says MFIs should leverage their interventions and support businesses that are seeking to adopt technology and innovations.

He says riding on technology is of great necessary to improve the linkage between SMEs and MFIs, to enhance affordability of finance.

"The MFIs must also improve in the corporate governance systems they use, because often we have seen people's monies stolen because there are no proper checks and balances in their administrative structures," he says.

In 2017, President Yoweri Museveni challenged microfinance institutions to spearhead the drive for financial literacy and inclusion, to ensure that the country's economic growth is inclusive and sustainable.

The president said there is a need to harness the untapped potential of individuals and businesses currently excluded from the formal financial sector, and enable them to develop their capacity to engage in income generating activities.

Museveni requested microfinance institutions to boost the financial position of the public, through financial literacy deepening, to help them come out of poverty and participate in the formal financial sector.

He said broadening access to financial services will mobilize greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families.

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