



UGANDA DEBT NETWORK

Prosperity for All: Building on Successes and Confronting the Challenges of Savings and Credit Cooperatives (SACCOs) in Uganda.



October 2013

Discussion Paper No. 10

Drunkards given drivers to hire

BY BRIAN MUYANU

THE Police and two private companies have unveiled an initiative they have termed 'replacement drivers' to help drunk motorists get home safely in their own cars.

The Police has partnered with Uganda Revenue Limited and Kampala Taxi City Cab for this project.

Felix Isahire, the managing director Kampala Taxi City Cab, said they came up with the initiative to curb accidents caused by drink driving.

"We realised that motorists spend a lot of money treating casualties or repairing cars. Once you call us, we send two replacement drivers. One to drive you and another in our staff vehicle following," he said. For instance Isahire said from Ninda to Muyenga, one has to pay between sh25,000 and sh50,000.

Asked how safe it was for motorists to trust them, Isahire said Kampala Taxi City Cab was a registered company and all its drivers have identity cards. "Even when they are arriving you home, we keep in touch," he added.

But the Police, denied being part of the programme. "It is a good initiative but Police is not involved," Judith Nabakoba, the spokesperson, said. The initiative comes after Police chief Maj. Gen. Kale Kayunga directed that those arrested for drink-driving should not be released on bond until they are assigned in court.

Land registry office reopens

BY JOHN SEMAKULA

THE Government has reopened the Land registry office after two and a half months.

The Ministry of Lands closed the registry on December 15 to pave way for its computerisation.

During the closure, the ministry scanned and updated land titles and transported them to the six newly-created zonal offices.

The ministry's spokesperson, Denis Obo, told Saturday Vision that the registry reopened on Thursday in line with the set time frame.

"From today the public is free to seek services at the six zonal offices," Obo said.

The six zonal offices are found in Kampala, Mukono, Jinja, Masaka, Wakiso and Mbarara districts.

The zonal offices were to be commissioned on Wednesday but the exercise was postponed. According to a brief to ministers on the opening of the zonal offices which Saturday Vision saw, each office will serve several districts.

Mukono will serve Kayunga, Busheme and Bayuna, while Jinja serves Baggai, Buwende, Iganga, Kalro, Kamuli, Luuka,

Muyyige and Namutumba. Masaka will serve Kalungu, Bukominsi, Kalungu, Lyantonde, Fokka, Lwago and Sembabule.

The Kampala and Wakiso zonal offices were not attached to any other district. Mbarara zonal office will serve Sheema, Rubinda, Mitooma, Kiruhura, Isingiro, Mbunda, Mbarara, Ntungamo, Bushenyi, Busheme and Bukama.

Residents of Butambala, Gomba and Mpigi will seek registration services from the Ministry of Land headquarters on Parliamentary Avenue.

Prior to the opening of the zonal offices, people had to travel to Kampala, causing congestion, which also promoted graft.

The \$23.8m project which started in February 2010 was funded by the Government with support from the World Bank. The aim of the project was to expand access to land titlisation systems.

The zonal offices are mandated to coordinate land transactions, provide technical support, guidance and support supervision to the district land boards. The offices are to work hand-in-hand with

the district land offices. The officials from the district land offices are free to move to the zonal offices on promotion and competitive basis.

The ministry has also issued a set of procedures to be followed at the zonal offices. These include paying a standard fee for the required documents before they are date stamped.

The services at the zonal offices include registering a caveat, mortgage, transfer and letter of administration.

Other services will be replacement of damaged titles and title search.

Thousands of Congolese refugees flee to Uganda as fighting resumes



Women and children trekking to Uganda after fighting erupted in Bunagana, near North Kivu in DRC

BY GOODLUCK MUSHINGUZI

THOUSANDS of refugees from DRC fled to Kisoro district on Friday morning.

Ahmed Doka, the Kisoro Resident District Commissioner, said close to 20,000 refugees had crossed to Uganda and many more were coming.

He said Ugandan forces were put on alert on Thursday night after fighting started inside Bunagana area in North Kivu. "Once fighting started, we knew refugees were going to enter Uganda and various agencies are scrounging around the clock to receive them."

Doka said the refugees had refused to be transported to Nyabondo transit centre because they want to monitor the situation first.

But Doka said it was not right for refugees to stay at the border because it put their life in danger and also makes it difficult to monitor wrong elements who could enter the country.

M23 sources in Bunagana told Saturday Vision in an exclusive interview that, forces loyal to Fugitive Gen Bosco Ntaganda attacked byanza hills were Brig Gen Makenda's headquarters are based.

Around midnight, heavy fighting started until when Ntaganda's forces were dislodged and pushed beyond their base in Bunyonyi. "Our forces have this morning taken over Gen. Ntaganda's base and we can tell his whereabouts."

Bradley Manning pleads guilty to misusing classified data in Wikileaks case

Govt sets tough laws to combat fraud in SACCOs

BY JOHN SEMAKULA

THE Government is to set tough laws that will deal with managers of Savings and Credit Cooperatives (SACCOs) who vanish with members' money.

The Microfinance Bill which is currently before Cabinet provides for prosecution of SACCO managers in the Anti-Corruption Court.

Yusuf Gidano, the Communications chief for microfinance institutions at the Ministry of Finance told Saturday Vision that the Court would pass deterrent punishments.

The existing laws, Gidano said, put more emphasis on arbitration for the SACCO managers who embezzle savings but that will end.

Other measures, he said, include the requirement for SACCOs to get licenses from the Ministry of Finance besides registering with that of Trade.

"The intention of asking SACCOs to get licenses is to ensure that the SAC-

COs are properly appraised before they are allowed to begin operating," Gidano said.

He added that many SACCO managers who defamed members often claim they are Non-Government Organisations (NGOs).

"By claiming to be NGOs, Gidano said, the suspects defend themselves that the members' savings were donations," Gidano said.

Government hopes Parliament will pass the bill.

Recently, there was a scam in Malaba in which unidentified common opened a SACCO and duped residents into opening accounts at a fee.

Managers of two SACCOs, Front Page and Key Business Microfinance, also recently disappeared with millions of customer deposits.

The SACCOs have also been blamed for fermenting domestic wrangles between wives who reportedly undermine their husbands after

accumulating cash.

But Gidano said Government may not have a lot to do for such women apart from sensitising them on how to handle money and family without becoming rebellious.

"Government believes that SACCOs have done a lot to empower women. They are now moving out of the poverty circles and helping their husbands," he said.

David Baguma, the executive director of the Association of Microfinance Institutions of Uganda, advised women to involve their husbands SACCO matters.

"As long as the wife and husband have agreed on the SACCO issues, there will be no problem and you will not experience such violence in homes," Baguma said.

He also noted that there is need for Uganda to demystify the belief that women assist respect men if the former are to be empowered to benefit from the SACCOs.

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BUSINESS

SACCOs to get sh76b boost

By Mary Kwaruka

The Government plans to inject over \$30m (about sh76b) to boost Savings and Credit Cooperatives (SACCOs), mainly targeting the rural poor youth, women and HIV/AIDS affected households.

According to Maria Kwaruka, the finance minister, the funds are intended to strengthen the rural finance sector and eradicate poverty among the vulnerable groups in rural areas. Over 750,000 Ugandans who are active members of registered SACCOs are expected to benefit.

In his brief to Parliament, Kwaruka said the Government intends to borrow the money from the International Fund for Agricultural Development (IFAD).

"Rural financing activities continue to be recognised worldwide as a means of poverty eradication, especially in rural areas. We are one of those countries that have adopted different methods to deepen financial access to the rural population. Positive results have started to show although many challenges," Kwaruka told the Parliamentary committee on economy.

The state minister for trade told the committee that over 3,000 SACCOs have been licensed and only 3% are above sh100m share capital, which most may still need support.

"Many need support to achieve full scale operational and financial sustainability," he said.

According to statistics from the trade ministry, a total of 755 SACCOs have been supported by Government,



Specioza Kazibwe



Committee chairman, Biraawa

ACCOUNT FOR THE SHIBS - OFFICIALS TOLD

The MPs asked officials from the Micro Finance Centre to table documents explaining the whereabouts of over sh10b that was reportedly misused by micro finance officials headed by former Vice president Dr. Specioza Kazibwe.

"We understand the Public Accounts Committee has investigated this issue but we also need an explanation as to where this money went," committee

chairman Stephen Biraawa said. Kazibwe, who until 2011 was the chairperson of the Microfinance Support Centre, is accused of illegally involving the board members in decisions that led to the loss of the money.

Although the money was meant to benefit market vendors and small income earners, it ended up being used by other people including boda boda riders.

of which 30% are operationally and financially sustainable, meaning that they have reached a break-even point and can support themselves.

Statistics further show that by 2012, about 87 SACCOs were at risk of closure if no support was given, while 62 can survive but cannot sustain themselves.

Most of the successful SACCOs are in the

western, central and eastern parts of the country. "The northern region has not yet developed strong and sustainable SACCOs," Kwaruka said.

Kwaruka further told the MPs that in addition to the existing SACCOs that have not reached sustainability level, over 15,000 groups will also be established to benefit from the funds.

FOREX Rates

CURRENCY	BUY	SELL
US Dollar	2520	2540
Euro	3400	3460
Pound	4040	4070
Kenya	29	29.8
U shs	1.5	1.6
S.A.Riyal	250	250
Japanese Yen	18	26
Dirham	650	700
Swedish Franc	3.3	3.8
Southern Franc	550	600
Malay Ringgit	38	35
Philippine Peso	18	27

RATES ARE SUBJECT TO CHANGE

MARKET BRIEFING

KENYA COFFEE PRICES FALL AT LATEST AUCTION

The top price of Kenya's benchmark coffee at auction fell to \$2.94 per 50-kg bag from \$3.15 at the last sale two weeks ago, the Nairobi Coffee Exchange (NCE) said on Wednesday. Kenya is a small coffee producer, but its specialty coffee is famous for its quality and is in demand from roasters who blend it with other beans. NCE said Grade AA fetched \$310-\$320 per bag versus \$315-\$325 at the last sale two weeks ago. Grade AB sold at \$223-\$182 per bag, compared with \$220-\$124 previously.

INTERNET USAGE TO GROW AFRICA BY \$300B

Africans spending time on the Internet could add \$300 billion to the continent's economy by 2025, a new study by consulting firm McKinsey & Co. showed on Wednesday. Only 16% of the one billion people in Africa are on the Internet, McKinsey estimates.

The sector could grow to at least \$ to 6% of GDP (gross domestic product) but if it follows the take-up rate set by mobile telephony in Africa, McKinsey reckons it could add 10%, or \$300 billion, to African GDP by 2025.

POOR STATES NEED JOBS NOT RAW MATERIAL EXPORTS - UN

The world's poorest countries need to urgently invest in infrastructure and other sectors that create jobs and not just rely on exports of raw materials to lift them out of poverty, the UN Economic think-tank UNCTAD said on Wednesday. The 49 least developed countries "have to generate a lot of new jobs to help ensure their rapidly growing working-age populations are a boon, not a threat," the United Nations agency said in a report. Economists have been urging poor nations for decades to cut their reliance on commodity exports, with little success, but rapidly growing working-age populations and slowing economic growth have added renewed urgency to their arguments.

News Analysis

FTSE up at 6682.88

CAC down at 4240.23

DAX down at 9167.60

DOW JONES down at 15900.82

Coca Cola to reduce power consumption by sh30m

By Prossy Nambusi

Century Bottling Company is to save sh30m in energy costs with the refurbished and merged Renewable Glass Bottle (RGL) line at Namanyu.

The RGL line that makes glass bottles is fast and efficient hence reducing the amount of energy used.

While using the old RGL line, the company was spending close to sh30m on electricity but with the merged and refurbished line, the cost of energy is likely to go down to sh20m.

This was revealed by James Magara, the quality, environment and safety manager at Century bottling company offices in Namanyu during the commissioning of the refurbished RGL line worth over \$5m in equity.

The three refurbished lines have been operating since 2001.

"The old lines were worn out and slow that is why we decided to refurbish and merge the two into one RGL line to increase efficiency at the same time increasing the line's capacity to do more washes of the bottles than before," said Magara.

He adds that with the merger



Coca Cola officials during the unveiling of the new power-efficient line at Namanyu

BUSINESS OUTLOOK

The company was able to produce 30,000 bottles per hour. The washer cleans 54,000 bottles per hour

of the two lines, the company is able to produce 30,000 bottles per line per hour in addition to a capacity of washer that is able to wash a total of 54,000 bottles per hour.

"The plan is to upgrade the refurbished line further so that the washer increases capacity in the next phase which is in line with the 2015 business plan of the company," explained Magara.

The old line was not

comparative while the refurbished line is comparatively hence increasing efficiency and savings on water, energy and labour.

"We were using four litres of water for making one litre of Coke but with the new line we shall use 1.3 litres of water to make one litre of Coke. There is efficiency in energy use too - in a built water management system because it is computerised," he added.

business

Women urged to invest in skills

The lack of skills is one of the basic hindrances to women advancement.

BY FARIDAH KULABAKO
fkulabako@ug.netismedia.com

KAMPALA. Women have been urged to invest in building skills to close the knowledge gap and build confidence if they are to take up senior leadership roles in organisations.

Ms Betty Bigombe, the state minister for water who was speaking at the women's executive meeting in Kampala last week said women have to be resilient and get mentors to break the ceiling.

The conference, which is part of the Female Future programme, an initiative of the Federation of Uganda Employers sought to inspire and motivate women to change self perception in order to motivate leaders in business, government and NGOs.

Female participation in senior management roles in Uganda remains low mainly due to lack of confidence by some women and the challenge of balancing work, family and social life.

There are less than 30 per cent of Ugandan women in middle management positions and only 10 per cent in top jobs.

Experts ask for tough Sacco laws

Dr. Julius Kaywewe

Counting losses. Many people have lost their money in Saccos due to weak laws.

BY FARIDAH KULABAKO
fkulabako@ug.netismedia.com

KAMPALA. Experts have called for urgent institution of laws to supervise and regulate the operations of Savings and Credit Cooperatives (Saccos) to protect contributors' savings.

Mr Anthony Mura, the personal secretary, in charge of economic affairs, office of the vice president, said the inadequate regulatory framework provides a loophole which is exploited by dubious Sacco leaders to defraud savers.

RISKY FOR CLIENTS

Exposing customers. Whereas Saccos have helped to improve financial inclusion among Ugandans, they are fruited for being governed by weak laws which expose savers.



There has been a lot of public outcry over misappropriation of member savings by Sacco leaders, with the law failing to punish offenders.

Bank of Uganda, the regulatory authority of financial institutions in Uganda says it has no powers over such institutions since the current law only gives it mandate to supervise and regulate activities of commercial banks, credit institutions and micro deposit taking institutions.

Mr Julius Kaywewe, director of programmes, Uganda Debt Network also said although Saccos are covered under the 1991 Cooperatives Statute and the 1992 Cooperative Regulation, they (Saccos) lack a supervisory system that can protect member savings and generate confidence.

"Some Saccos don't even have audited reports because they are not regulated. How do you then account to the members when you don't have audited reports," Mr Kaywewe asked.

He added: "Saccos have potential to grow but I feel they have a deficit in terms of regulation. That gap needs to be closed."

The comments were raised during the Uganda Debt Network seminar to review the successes and challenges of the 'Prosperity for all' programme in Kampala recently.

Saccos were introduced to increase access to financial services and promote a savings culture among the population.

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Daily Monitor
www.monitor.co.ug

UGANDA SECURITIES EXCHANGE

Daily share report, OCT 23

Security	Share Index	Share Price	Open	Close	High	Low	Vol	Net Cap. B (Bshs)
1 British American	-	2,170	2,170	2,170	2,170	2,170	108,50	108,50
2 Bank of Baroda	704,048	250	250	250	250	250	250,00	250,00
3 Dfco Group	-	1,000	1,000	1,000	1,000	1,000	248,00	248,00
4 East African Breweries	-	7,089	7,218	7,218	7,218	7,218	5,990,98	5,990,98
5 Equity Bank	-	692	692	692	692	692	2,562,32	2,562,32
6 Jubilee Insurance	-	4,893	4,893	4,893	4,893	4,893	273,34	273,34
7 Kenya Airways	-	350	355	355	355	355	161,57	161,57
8 KCB	-	835	831	831	831	831	2,463,39	2,463,39
9 NC	-	40	40	40	40	40	16,16	16,16
10 NME	-	6,347	6,372	6,372	6,372	6,372	1,031,16	1,031,16
11 New Vision Limited	200	600	600	600	600	600	45,90	45,90
12 Samba Bank	90,680	20	20	20	20	20	1,023,77	1,023,77
13 Uganda Clays Limited	-	35	35	35	35	35	31,50	31,50
14 Cent	-	358	362	362	362	362	210,37	210,37

NAIROBI STOCK EXCHANGE

Daily share report, OCT 23

AGRICULTURAL SECURITY	CURRENT OCT 23	LOW	HIGH	PREV OCT 22	SHARES TRADED (000)
1 Esagad Ltd	46.50	32.00	32.00	55.00	16,078
2 Kohati Ltd/Old	72.00	70.00	70.00	72.50	19,599
3 Kapchorua Tea Co.	125.00	120.00	120.00	125.00	3,912
COMMERCIAL & SERVICES					
4 Express Kenya Ltd	4.00	3.60	3.35	4.00	35,403
5 Hutchings Blower	-	-	-	-	-
6 Kenya Airways	12.00	11.70	11.70	11.65	1,466,466
7 Longhorn Kenya	10.00	11.00	11.00	10.35	98,500
8 Marshalls	13.10	12.00	12.00	13.00	14,393
9 Nation Media	219.00	159.00	159.00	215.00	157,118
10 Safaricom Limited	4.20	3.25	3.30	4.15	1,000,000
11 Saargroup Ltd	59.00	51.50	51.00	50.50	284,789
12 Standard Group Ltd	25.50	23.00	24.00	25.50	74,059
13 -	-	-	-	-	-
14 TPS Eastern Africa	38.75	39.00	39.00	38.75	146,210
15 Uchumi Supermarket	18.80	15.20	15.30	18.00	205,420

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Abbreviations

AG	Auditor General
AMFIU	Association of Micro Finance Union
BoU	Bank of Uganda
CBOs	Community Based Organizations
FY	Financial Year
IFAD	International Fund for Agricultural Development
MoFPED	Ministry of Finance, Planning and Economic Development
MoU	Memorandum of Understanding
NGOs	Non-Governmental Organizations
MSCL	Microfinance Support Centre Limited
PFA	Prosperity for All
RFSP	Rural Financial Services Programme
SACCOs	Savings and Credit Cooperatives
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Cooperative Savings and Credit Union
UGX	Uganda Shillings
UDN	Uganda Debt Network

Uganda Debt Network (UDN) Vision

A prosperous Uganda with sustainable, equitable development and a high quality of life of the people

UDN Mission

UDN is a policy advocacy organization working to promote and advocate for poor and marginalized people to participate in influencing poverty-focused policies, demand for their rights and monitor service delivery to ensure prudent, accountable and transparent resource generation and utilization.

1.0 General Background

In pursuit of her mandate, UDN has been monitoring the implementation of the Government's Prosperity for All (PFA) programme – also referred to as “Bonnabagawale” since 2007 to date. The programme focuses on the following major components;

- i) Improving agricultural productivity
- ii) Increasing access to Rural Financial Services and,
- iii) Enhancing access to markets and value addition in Uganda.

The PFA programme has an ambition of empowering households in Uganda to have a target gross income of at least Shs. 20 Million per year¹. As part of the implementation plan for the programme, Government adopted a component on the Rural Financial Services Programme (RFSP) to develop a sustainable financial infrastructure for delivering services at the rural community level. In 2007, the RFSP was re-oriented towards the new Rural Financial Strategy in order to promote the efficiency and profitability of Savings and Credit Cooperatives (SACCOs). The strategy was also expected to support households to start Community Based Financial SACCOs in sub-counties and strengthen the already existing ones.² The underlying philosophy and context is that, for investment to increase, savings are essential but requires well established financial infrastructure. Hence Government introduced the operation of SACCOs to ensure that citizens access financial services.

To further establish the performance of the PFA programme, UDN undertook a study to establish the “Impact of improved Methods of Agro-processing and Value Addition on Farmers' Incomes” in Moroto and Nakapiripirit districts in 2011. UDN has conducted similar assessments in Kapelebyong Sub County in Teso sub-region, Tororo district in Bukedi sub region, Kanungu district in Kigezi sub region and Nebbi district in West Nile.

As part of the activities to mark the International Poverty Day that falls on 17 October annually, UDN also organized a public symposium in Kampala - Uganda on 18 October 2012 on: “*Accounting for the PFA Programme: Successes, Challenges and Way Forward*”. The objective of the symposium was to; provide a forum for citizens to reflect on the performance of the programme and on Government's commitments/promises - as an accountability measure; and to develop advocacy strategies to support Government in dealing with challenges of implementing the PFA Programme in Uganda. The symposium drew participants from Government agencies, Civil Society, the media and the general public. Senior and influential citizens like Prof. Ezra Suruma (former Minister of Finance), Hon. Henry Banyenzaki (State Minister for Economic Monitoring, Office of the President) and Mr. Anthony Mula (Private Secretary for Economic Affairs in the Office of the Vice President) made presentations for general discussion. In 2013, the paper (on the PFA Programme performance) has been shared with the State Minister for Microfinance and the office of the Commissioner, Microfinance Department both in the Ministry of Finance Planning and Economic Development (MoFPED), Office of the Vice President and the Office of the Secretary to Cabinet. Other institutions were Parliament and the media³.

¹GOVERNMENT OF UGANDA(2008) , Prosperity for All Policy, pg 13

²GOVERNMENT OF UGANDA(2008) , Prosperity for All Policy, pg. 25.

³UDN wishes to extend her appreciation to Policy Officer, Ms. Juliet Akello and Director of Programmes, Mr. Julius Kapwepwe Mishambi for tirelessly conducting the evaluation on the performance of the PFA Programme and developing this discussion paper; and Ms. Pamela Kamusiime, the Communications Officer, who ensured its production. Special gratitude is also extended to specific individuals who made contribution into this document; Prof. Ezra Suruma, Mr. John Mitala (the Head of Public Service and Secretary to Cabinet), Hon. Henry Banyenzaki, Mr. Anthony Mula and Dr. Maxwell Adea (Commissioner, Microfinance Department - MoFPED).

2.0 UDN Advocacy on PFA - SACCOs in Uganda

UDN appreciates Government's efforts so far in the implementation of the PFA component of RFSP. In this context, a discussion paper on the performance of SACCOs has been developed and shared with Government and other key stakeholders. The aim is to stimulate discussion with the respective institutions so that they could adopt the recommendations made in the paper for inclusion in the policy being formulated by MoFPED to streamline the operations of SACCOs. Some issues in this paper have been identified from the Auditor General's (AG) reports of FY 2009/10, FY2010/11 and FY 2011/12. UDN hopes to contribute to the overall improvement in the delivery of services and accountability in other institutions implementing the programme in Uganda. This should translate into the people's increased participation in economic production activities and ultimately lead to actual poverty reduction especially amongst the poor men, women and other marginalized sections of citizens across the country.

3.0 PFA: Highlights on Successes, Challenges and Way Forward on SACCOs

3.1 Successes

3.1.1 Increasing access to Rural Financial Services

1. The Government adopted the Rural Financial Services Strategy in 2007 and SACCOs have been established in many sub counties in Uganda. The establishment costs for SACCOs are far lower than what is required to set up commercial banks. This explains the high numbers of SACCOs since they are able to support rural financial services to remote communities where commercial banks do not operate. A total of 735 SACCOs have been supported by Government of which 39% are financially sustainable with the most successful ones in western, central and eastern parts. SACCOs in the northern regions need to be supported to develop.⁴
2. SACCOs meet the unique demands of local conditions and are transferable in almost any environment. They serve both literate and illiterate people; and cultivate a saving and financial management culture among communities that would otherwise face bigger daunting challenges in making savings⁵.
3. Centenary Bank has successfully extended credit to many smallholder farmers through informal financial institutions including SACCOs. This has transformed the livelihoods of farmers when channeled through farmer associations or contract farming arrangements, e.g. the sugar cane out-growers in Kakira, Jinja District, who have used credit to purchase mechanization and agro-processing equipment.⁶

⁴NEW VISION, Friday November 22, 2013, pg 34.

⁵For instance in Moroto and Napak districts in Karamoja sub-region; Kanungu in Kigezi sub-region, Kapelebyong in Teso sub region, Tororo in Bukedi sub region and in Nebbi in West Nile.

⁶MoFPED, 'Poverty Reduction and National Development Process', May 2012, p. 81.

3.2.1 Challenges

a) *Timing in the introduction of SACCOs*

SACCOs were introduced close to the electoral period, i.e. in 2007, just after the 2006 general elections. In this context, most groups were not formed with a view to promote economic activity but members thought funds were being provided to thank them for their support in voting the National Resistance Movement Government into power. For this reason, very few recipients intended to refund the loans. Some people used the money for domestic consumption and have encountered problems regarding to refund the loans, e.g. in Obalanga Sub County SACCO in Amuria District.

According to the AG's report for FY 2009/2010, in Kalusenge Women's SACCO in Bundibugyo District, political interference culminated in disagreement among members. The SACCO had closed at the time of inspection due to absence of a chairperson⁷. The above problems partly arise from institutions like Uganda Cooperative Savings and Credit Union (UCSCU) being weak in effecting their roles and mandate.

Recommendations:

- i) Government should strengthen the capacity of institutions that support SACCOs such as UCSCU, Uganda Cooperative Alliance (UCA) and Association of Micro Finance Union (AMFIU). Any of these institutions should be assessed and nurtured to effectively support the growth, expansion, supervision, regulatory and deepening of SACCOs. This strategy is cheaper and better than creating a parallel institution or Authority.
- ii) The SACCOs also need to be protected from political interference, so that they operate and maintain high quality governance and performance in delivery of their functions in the communities.

b) *SACCOs are on the verge of collapsing*

In Yelle Ateke SACCO in Lira District, the caretaker attributed their poor performance to lack of effective sensitization on SACCOs prior to their launch⁸. The SACCO originally started with 200 members but membership had shrunk to under 80 people by the time of inspection. The Chairperson used to be a teacher and had been transferred. At the time of inspection, the share capital stood at UGX. 850,000/=. It is apparent that members of a SACCO misuse funds when they do not receive adequate training, sensitization and capacity building to support disbursed loans.⁹ In addition, about 87 SACCOs were at risk of closure if no support was provided although 82 can survive but can sustain themselves¹⁰.

Recommendations:

- i) UCSCU should ensure thorough sensitization, training, assessment and screening of members before recruitment into a SACCO.
- ii) Key documents should also be translated into local languages so that members can be read them and understand the requirements for being in a SACCO.
- iii) In addition, to retaining membership, all members should have equal access and treatment with regard to policies on loan appraisal and disbursement, repayment

⁷AUDIT GENERAL, Annual Report, Central Government; Vol. 2, 2009/2010, pg 104

⁸AUDIT GENERAL, Annual Report, Central Government; Vol. 2, 2009/2010, pg 104.

⁹ALEXANDRA Fiorillo, 'Effects of wholesale Lending to SACCOs in Uganda', 2006, p. 34.

¹⁰NEW VISION, Friday November 22, 2013, pg 34.

procedures, savings accounts, interest rates calculations and other financial policies.

c) *Supervision gap*

While SACCOs fall under the 1991 Cooperative Statute and 1992 Cooperative Regulations, they lack a supervisory system especially under the regulatory supervision of BOU. This is posing challenges of how best to protect members' savings and generate confidence. There have been conflicting interests and mandate among institutions (notably BOU, MoFPED and Ministry of Trade) to take over the supervisory role over SACCOs.

Recommendation:

The MoFPED should study the possibility of a legal regime and supervisory system streamlining co-ordination and roles for SACCOs under BOU or Ministry of Trade regulation. Again, this strategy is cheaper and more sustainable than creating parallel or new management structures for SACCOs. This would also require developing regulatory frameworks that provide for clear sanctions and penalties for those arrested in mismanagement of SACCO funds.

d) *Fraud threats i.e. corruption and embezzlement of group savings by some SACCO management teams*

1) *Internal Controls*

Most SACCOs have very weak or no controls at all and as such, they cannot adequately safeguard assets and efficiently manage bigger funds (AG's Report FY 2009/10). There is no segregation of duties and job descriptions and there is a poor hierarchy system. SACCOs with weak internal controls are prone to errors and fraud, and therefore stand a high risk of losing resources. The factors affecting the effective implementation of internal controls include; i) low staffing levels ii) inadequate training, iii) low qualifications, iv) low supervision by the boards, v) lack or poor policies and procedures and, vi) inadequate facilities.

Recommendation:

UCA, UCSCU and/ or AMFIU should train SACCOs to develop a hierarchy system with a clear set of guidelines on drafting job descriptions to help in segregation of duties of staff to ensure the smooth running of the SACCO.

2) *Unclear accountability of SACCOs' funds*

According to the MoFPED Ministerial Policy Statement for FY 2009/10, one of the RFSP project objectives was to establish and strengthen the financial infrastructure of Savings and Credit Cooperative Societies at the sub-county level. By the time of the AG's audit, Parliament had appropriated US\$ 11,829,000,000/= and a total of US\$ 6,454,800,000/= was released to implement project activities. Out of the total amounts released, US\$ 2,404,800,000/= was retained at RFSP while US\$ 4,050,000,000/= was passed over to UCSCU Ltd. An amount of US\$ 5,374,200,000/= had no record of accountability in the Auditor General's Report of FY 2009/2010.

In addition, the Former Vice President, Dr. Specioza Kazibwe (Chairperson of MSCL until 2011) is accused of misusing US\$ 10bn meant for benefiting market vendors and small income earners which has not yet been accounted for. Part of the problem is reported to

have been caused by the Chairperson's laxity of illegally involving the board members in decision making that led to the loss of the money.¹¹

Recommendations:

- i) An audit on the utilization of Ushs.5,374,200,000/= and the UShs. 10bn should be conducted as a measure of accountability.
- ii) Since SACCOs are well spread in some sub-counties, MoFPED and coordinating units should publicize accountability records on the utilization of SACCO funds on Sub-County notice boards, through existing CSOs/CBOs in the districts, local media, churches and mosques to strengthen transparency.

3) **Theft of funds in Kabumba SACCO in Rukungiri District**

According to the AG's Report FY 2009/10, Government provided funding to the tune of Shs. 40 million through Microfinance Support Centre Limited (MSCL); and at the time of inspection, the whole amount had been stolen. Due to this theft, members had withheld their savings and the activities of the SACCO had generally declined¹².

Recommendation:

Since there is a provision for District Cooperative Officers under Ministry of Trade, Government should establish Anti-fraud desks and/ or a SACCO protection scheme to deal with issues of mismanagement of funds of SACCOs in each district. In consideration of institutional capacity, a certain level of supervision can be bequeathed to the ministry. This will enhance the prudent management of loan portfolios, safeguard members' savings and strengthen monitoring capacity in places that may be outside reach of MoFPED and BOU.

e) Non-adherence to MOU terms between UCSCU and SACCOs

According to the AG's Report of FY 2009/10;

- i) Looking at the Memorandum of Understanding (MoU) involving UCSCU on providing support to SACCOs, SACCOs are supposed to appoint auditors themselves. The AG's Report however indicated that appointment of auditors in Lango Sub-region was not transparent as UCSCU imposed on the SACCOs a firm for this service.
- ii) UCSCU was supposed to provide support of startup kits (safes, bicycles, filing cabinets, operation costs, calculators and stationery) to the existing but weak SACCOs and advanced kits (power generators, computers and motorcycles) to existing but strong SACCOs. A sample of SACCOs visited however showed that some items had not yet been delivered at the time of audit, two years after the signing of the MOU. The delays were attributed to inadequate specifications, delayed procurements and re-classification of SACCOs. The delay to deliver the items within the agreed time negatively impacts on the performance of SACCOs and makes it difficult to assess progress.

¹¹NEW VISION, Friday November 22, 2013, pg 34.

¹²AUDIT GENERAL, Annual Report, Central Government; Vol. 2, 2009/2010, pg 104.

In addition, the AG's Report of FY 2010/11 indicates that the provision of basic (basic training, customized training, stationary provision, operational cost subsidies and support for audit services) and advanced (selected SACCOs for Performance Monitoring Tool and training) Kits to SACCOs were not fully achieved.

Recommendations:

- i) UCSCU should ensure that the terms of the MoU are followed with regard to delivering startup kits and the corresponding penalty should be operationalized if either party breaches it. This will guard against the possibility of hidden interest on the part of UCSCU trying to benefiting from auditors of their choice at the expense of SACCOs.
- ii) SACCOs should be supported to appoint auditors whom they trust.

f) Poor programme asset distribution management strategy

According to the AG's Report of FY 2009/ 10, UCSCU conducted a poor needs assessment for the distribution of startup kits to support the operations of SACCOs. For instance, in some SACCOs, generators had been distributed, but not computers. Other SACCOs were given an item, yet they already had one from other sources. In addition, generators distributed were of high capacity and costly to the SACCOs, hence increasing their running costs.

Recommendations:

- i) UCSCU should conduct proper needs assessment for subsequent SACCOs to enable the attainment of efficiency, reduce on wastage of resources and ensure that the benefit of optimal utilization is realized.
- ii) An independent institution should be identified, e.g. members from AMFIU, to carry out joint assessments with UCSCU to enhance quality decision-making on which assets should be availed to which SACCOs.

g) Poor Management of SACCOs

In the AG's Report of FY 2009/10, most SACCOs visited during the audit, had board members who lacked sufficient skills and experience required to manage SACCOs effectively. Data collected on some SACCOs indicated inconsistencies, inadequacies; hence their performance was unsatisfactory since financial records were inaccurate and incomplete.

In addition, according to the AG's Report FY 2010/11, some SACCOs especially in West Nile, Northern and Tororo regions did not have audited financial statements and were characterized by poor book-keeping and poor loan management.

Recommendations:

- i) UCSCU should guide SACCOs to carry out elections objectively using a criteria which favours having high-quality leadership at all levels on the management team (manager, loan officers, cashiers and accountants) and Board of Directors for the group to develop.

- ii) Capacity building in financial management should be continuous to ensure proper book-keeping, management of loan portfolio and accountability to safeguard members' savings.

h) High Interest Rates Charged by the SACCOs

According to the AG Report (FY 2009/2010), the MSCL is an intermediary through which funds are channeled to the SACCOs throughout the country. The initial disbursements by MSCL were released at an interest rate of 9 per cent per annum (translating into 0.75 per cent per month) for agricultural loans and 13 per cent per annum for non-agricultural businesses. Some SACCOs however were charging prohibitive interest rates as indicated in the table below:

Table 1: Discrepancies in interest charges by selected SACCOs

SACCO	Rate per month	Equivalent per Annum
Moroto SACCO (Moroto District)	10%	120%
Nabisweera SACCO (Rakai District)	5%	60%
Kasulenge SACCO (Bundibugyo District)	12%	144%

Source: AG's Report 2010, pg. 106

High interest rates discourage prospective borrowers and in many cases increase the default rate. These rates are even higher than commercial bank rates per annum which lead to the extortion of funds from SACCO members.

Recommendations:

- i) MoFPED should monitor how SACCOs are implementing a set uniform interest rate beyond which they should not charge, since they are already being supported by public funds.
- ii) SACCOs should lower their operational costs to be able to lower their rates to official interest rates; and they should be inspected regularly to avoid variations in the interest rate charges. This will also act as an incentive for communities to borrow for investment.

i) Funding Gap (AG's Report FY 2011/12)

The AG of FY 2011/12 cited a high level of funding gap which affected the performance of SACCOs. Funding was reported to be inadequate both by the MoFPED and International Fund for Agricultural Development (IFAD), a development partner to ensure the implementation of SACCOs' activities¹³. There is a likelihood of failure in operation by some SACCOs if this trend continues.

Recommendations:

- i) UCSCU should train SACCOs to start up income generating projects to cover for any funding gaps that may arise to enable them continue operating and for future sustainability.

¹³AUDITOR GENERAL, Annual Report, Central Government; Vol 2, June 2012

- ii) Government should study the relatively successful model of NGOs of Village Savings and Credit Associations (VSLA) eg in Karamoja, Teso, Lango and Kigezi where the members contribute their own money. There is likely to be a better participation and managerial attitude towards the funds contributed. The VSLA can provide a good input into the SACCOs and PFA ambition in Uganda.

j) Limited clarity of PFA timelines

UDN has observed that the PFA components in general and objective of each household in Uganda earning gross income of UGX 20mn gives no clarity on when this should have been achieved. This would support Government in carrying out an evaluation to assess progress.

Recommendation:

Given Uganda's potential and opportunities for small and medium enterprises, the PFA programme should be revised to focus on achieving UGX 20mn net income per annum per household. Clear timelines for the achievement of this target should have been achieved should be explicitly stated.

4.0 Conclusion

UDN recognized that increased investment in rural financial services would contribute to strengthened agricultural production which is Uganda's niche since the majority of SACCO members are engaged in the sector. Therefore, farmers need considerable credit to exploit the available resources and be able to increase production and productivity. For UDN to meet its objectives there is nevertheless, a growing need to integrate rural financial services with agro-processing, value addition, marketing and consistent implementation of Government plans. The reported traces of nepotism and political party influence and favoritism in the selection of beneficiaries of SACCOs, gaps in their supervision and corruption in managing their loan portfolios need to be addressed. This will enable SACCOs to contribute positively and substantially to poverty reduction and the socio-economic transformation of Uganda.

References

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5. GOVERNMENT OF UGANDA (2008), Prosperity for All Policy.
6. ALEXANDRA Fiorillo (2006), Effects of wholesale Lending to SACCOs in Uganda.