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Rural Finance Policy Development in Eastern and Southern African Countries: Contribution of IFAD-Supported Rural Finance Programmes

Annex 7. Country report for the Republic of Uganda

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September 2014

Contents

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Chapter 1

Introduction

1.1 Background to the study

In the backdrop of IFAD's effort to improve livelihoods by enhancing access to financial services among rural communities, the Rural Finance Knowledge Management Partnership (KMP) carried out a study to find out how IFAD-supported rural finance programmes contribute to policy development in the Eastern and Southern African region. The focus of the study was on countries with active rural finance programmes and components—Ethiopia, Kenya, Lesotho, Mozambique, Swaziland, Tanzania, Uganda and Zambia—where IFAD has been increasingly engaged in policy dialogue with a view to influencing policy. The IFAD programme also seeks to influence policy to minimize adverse effects of global trends and maximize incentives and opportunities for the rural poor. Apart from challenges in the area of rural infrastructure, capacity of financial service providers and clients, other factors such as legislative, regulatory, supervisory and overall policy constraints often stand in the way of delivery of need-based financial services in the rural area. IFAD has been supporting capacity building of policy-making bodies, development of appropriate decentralized policy and practices, evolving market-oriented research/studies and dissemination of learning.

Considering the critical importance of creating finance policies that are appropriate to rural settings, KMP proposed to undertake a region-wide *Study of Rural Finance Policy Development in the Eastern and Southern African (ESA) Countries—Contribution of IFAD-Supported Rural Finance Programmes,* and to determine the way forward to addressing the key constraint—insufficient skills in information technology and insufficient exposure to skills required for good information management—mentioned above. The study covered all the eight ESA countries where IFAD had been active. For the study, KMP identified a consultant, Biswa Bandhu Mohanty, on account of his expertise and wide experience in rural finance.

1.2 Purpose of the study

The study was undertaken with the following overall objective: To produce a KM document for use by the stakeholders of RF programmes being implemented by IFAD in the eight selected ESA countries. The specific objectives of the study were to:

- Identify major policy issues in ESA countries which IFAD projects have enabled to sort out/address during the course of implementation in the countries;
- Bring out successful strategies adopted/institutional mechanism used to influence policy issues, leading to fulfilment of programme objectives;

- List out country-specific policy issues in ESA, which have regional and global implications/impact;
- Suggest sustainable institutional mechanisms that have to be put in place for policy exploration, research, debates and discussions for sharpening and furthering poverty reduction, access to financial inclusion, livelihood promotion and inclusive growth; and
- Suggest ways and means for enhancing knowledge management, sharing of experience/best policy solutions among the IFAD programme managers, partners and stakeholders for better programme implementation and speedier/effective policy development.

1.3 Target organizations for the study

In the eight selected countries (Ethiopia, Kenya, Lesotho, Mozambique, Swaziland, Tanzania, Uganda and Zambia) the study targeted public and private institutions that have national responsibility for, as well as commercial interests in, rural development. They included central banks; insurance regulatory authorities; co-operative regulatory authorities; ministries of the national governments including Ministry of Finance (MOF), Ministry of Agriculture/Cooperatives (MOA); MF associations, co-operative unions/alliances; apex development banks; policy research agencies; and leading civic society organizations (NGOs, CBO, etc).

1.4 Data collection methods and tools

Three main methods or tools were used in gathering data.

(i) A questionnaire was designed to solicit views/inputs from the concerned IFAD officers at the project level in all eight countries targeted for the study. The questionnaire is shown as Appendix 7.1.

(ii) Interviews and consultations were used through face-to-face meetings and by e-communication. The consultant visited the capital cities of five of the target countries from 23 June to 9 July 2014; they, included Lusaka (Zambia), Dar es Salaam (Tanzania), Kampala (Uganda), Addis Ababa (Ethiopia) and Nairobi (Kenya). The visits facilitated interviews and discussions with officials of the institutions targeted in those countries. During the short period of 2-3 days at each centre, 84 persons from these select institutions were consulted. The list of institutions visited and persons met and consulted through face-to-face interviews in Uganda is given in Appendix 7.2.

(iii) Intensive literature survey was used to collect information at country/institutional as well as regional and global levels. Documents spelling out regional, national and institutional RF policies, strategies and programmes were studied. In the case of Uganda the list of documents consulted is given in Appendix 7.3.

1.5 About this report

This report focuses on the study findings with respect to RF development efforts, the contributions of IFAD RF programmes and the emerging policy issues and challenges and recommendations for addressing them for furtherance of rural finance policy in Uganda. Although presented as a standalone report, it is intended that this report be read alongside the main study report which addresses RF issues that prevail regionally and globally.

It is also envisioned that the reader will seek to benefit from the following Case Study Reports attached to the main report as appendices: MFI Supervision Directorate (MFSD) of the National Bank of Ethiopia (Appendix 7), Association of Ethiopian MFIs (AEMFI) (Appendix 8), Micro Finance Forum in Uganda (Appendix 9) and Developing Rural Finance Policy and Strategy in Zambia (Appendix 10). For the sake of comparison and regional learning, the reader should also seek to benefit from *Country Reports* for other ESA countries which constitute an important output of this study. The full list Country Reports includes Federal Republic of Ethiopia (Annex 1), Republic of Kenya (Annex 2), Kingdom of Lesotho (Annex 3), Republic of Mozambique (Annex 4), Kingdom of Swaziland (Annex 5), United Republic of Tanzania (Annex 6), Republic of Uganda (Annex 7), and Republic of Zambia (Annex 8).

Chapter 2

Study findings

2.1 Rural finance policy initiatives and positive developments

2.1.1 Socio-economic environment

Human development scenario

Uganda, which Winston Churchill once called the 'Pearl of Africa', has a population of 34.1 million and 85.3% of them live in rural areas. The agriculture sector dominates Uganda's economy and income of the people. According to the latest Households survey, 2012-13 the 'agriculture, fisheries and forestry' sector continues to play a critical role employing 82% of the national workforce, and still generates 20% of GDP of the country. Uganda has made a significant dent in reducing poverty. However, about 27% of rural population still lived below the national rural poverty line in 2012. Uganda was ranked 161st among the 187 countries under UNDP's HDI. Uganda is considered one of the world's most vulnerable and least climate resilient countries. The National Development Plan [NDP], 2010/11 to 2014/15 envisages transforming Uganda from a peasant country to a modern and prosperous middle income country within 30 years. The country remains on track to achieve the MDG for poverty reduction by 2015, with absolute poverty continuing to drop from 24.5% in 2009 to 22.2% in 2012–2013. Uganda has been progressing well with respect to MDG 3 [gender equality and women empowerment] and is likely to achieve it by 2015 (Uganda MDG Progress Report, Year?). Uganda saw the consolidation of macro-economic stability and a gradual recovery of economic activity with real GDP projected to reach 5.2% in 2013 and 6.6% in 2014.

Financial sector scenario

Banks and MFIs: The banking sector includes commercial banks, post office savings bank, merchant banks and mortgage banks. The banking sector in Uganda remains solvent, liquid and profitable. The capital adequacy ratio [CAR] of commercial banks [CBs] had increased to 21.3% in June 2013 from 18.3% at the end of June 2012. Bank of Uganda [BoU] introduced Basel III additional capital requirements in 2012-13 and all 24 CBs had complied with the regulations. Banking system had undergone significant reforms and public confidence in the banking system improved. Next to commercial banks, there has been improved public reliance for cooperative credit system. Commercial banks and other financial institutions are showing increasing interest in rural finance due to facilitation by new technology options. Community-based savings and credit mechanism (SACCOs, CBFIs) have led to increased outreach in remote areas due to donor-driven projects. In 2013, according to the IMF 6th PSI review of July 2013, banking sector in Uganda remained solvent, liquid and profitable.

Regulatory and supervisory arrangements: The banks under Tier I and Financial Institutions under Tier II are regulated under the Bank of Uganda Act and the Financial Institutions Act 2004. The Micro Finance [Deposit – Taking] institutions are regulated under MDI Act 2003. The SACCOS are registered and regulated by the RCS, Ministry of Trade Industry and Co-operatives under the Co-operative Societies Act. Other MFIs come under the purview of the Companies Act 1961 and NGO [Amendment] Act 2006. The community level institutions are registered under the District Level Local Governments. Under the broader spectrum of MFIs, there were about 2257 MFIs of which 2065 were SACCOS. Parliament has passed Financial Institutions (FI) Bill and Anti-Money Laundering Bill in 2013. The amendments to FI Act, *inter alia*, envisage provision of Islamic financial products by FIs. The regulatory framework of FIs include FI Act (2004), MF deposit-taking Institutions Act (2005).Other regulations include FI (Credit Reference Bureau) Regulations 2005, FI Corporate Governance Regulations,2005, FIs (External Auditors) Regulations 2010. BoU has issued Consumer Protection Guidelines in 2011, focusing on fairness, reliability, transparency, complaint handling, and consumer recourse, suitability of consumers' advice, safeguarding consumer's information, disclosures and protection.

2.1.2 Legislative and policy initiatives

LAND AND PUBLIC MANAGEMENT REFORMS

The Government Annual Performance Report -2010-11 (published in 2012), showed that a number of promising reforms were under way, leading to notable improvements in property rights, management of public funds, monitoring of quality of service delivery at decentralized level and public accountability. These include land registration through deployment of land information system/ computerized land titles, initiation of Public Management Reform Act and Action Matrix.

SOCIAL ACCOUNTABILITY MECHANISMS FOR DEVOLVED GOVERNMENTS

Except the areas like national security, planning, immigration, foreign affairs and national projects, all other functions are devolved upon local government. The Government has established "social accountability mechanism". The various initiatives, driven mostly by Government and NGOs for monitoring and evaluating service delivery include the instrument of dialogue, commonly known as BARAZAS to create space for communities to hold local government accountable. During 2011–12, the Government rolled out Barazas to all sub-centres in 20 districts. In 2012–13, Barazas were extended to 40 districts.

2.1.3 Public Finance and Accountability Amendment Bill 2011

The Government has in place a comprehensive legislative and regulatory framework to ensure public sector accountability. A new Public Finance and Accountability Amendment Bill (2011) has been tabled before Parliament. Government has also established has set up a PPP unit at MOF and a PPP legislation is currently in Parliament.

2.1.4 Financial inclusion initiatives

FinScope surveys

FinScope survey I (2006), Fin Scope Survey II (2009) and FinScope survey III (2013) reflect progressive improvement. As per FinScope III, 85% of the adult population had access and usage of financial services (70% in 2009); while 20% used formal regulated financial institutions (FIs), 30% non-bank formal FIs and 31% informal agencies. From the bottom of 40% of Uganda's population, only 8% have an account with regulated financial institutions and 6% had access to loan or savings facilities.

Mobile money transfer services

The above survey established use of informal institutions' products and services is higher in rural areas. For example, 56% of adults were currently using mobile services, even though only 34% were formally registered with the service providers. It shows that mobile money services were increasingly becoming the most popular formal means of transferring money in Uganda. Majority use mobile money services for cash withdrawal/deposits. Mobile money services [money transfer and payments] were introduced in the Ugandan Market in March 2009 and the sector had so far attracted participation of all the mobile telecommunication companies in Uganda. The mobile money transfer had significantly complemented the traditional commercial banks and other payment services. There were over 8.9 million registered mobile money customers in Uganda, more than one quarter of the entire population. The number of mobile money accounts exceeded the 4.9 million bank accounts as at December 2012. Financial inclusion efforts in the country had been initiated since 2001.

Financial inclusion project of BoU

The BoU is implementing Financial Inclusion Project- 2012-15,encompassing financial literacy/education, community participation, financial deepening through mobile banking, technology-driven devices, agent banking and branchless banking, etc .The BoU had issued Mobile Money Guidelines during October 2013. However, a lot of work remains to be done in regard to the supervisory oversight of BoU with respect to growing mobile payments and its integration with banking system.

2.2 Role and contribution of IFAD rural finance programmes

2.2.1 Nurturing shared views and approaches with Govt. of Uganda

a) Large parts of the country where rural communities, and especially the rural poor, have no access to financial services. The Government of the Republic of Uganda (GoU) and IFAD share a common view regarding the development of the rural financial sector. Both recognize the continuing need to promote rural finance and see the focus on financial inclusion as a key pillar of Uganda's efforts to eradicate poverty. The Government has realized the importance of fostering the development of community-level financial institutions such as CSCGs and SACCOs as an appropriate tool for financial inclusion, and also the need for a policy and institutional framework for the lower end of the financial service supply.

b) One of the three strategic objectives of IFAD's Country Strategic Opportunities Programme (COSOP) 2013-2018 focuses on access to and use of financial services by the rural population. The emphasis is on facilitating the integration of the rural poor into financial systems by investing in community-based financial institutions as a first entry point to formal financial markets. IFAD's comparative advantage lies in its familiarity with the grass root level issues and constraints of the rural poor.

2.2.2 Supporting GoU's Rural Financial Services Programme (RFSP)

a) In 2006, the GoU put in place a Rural Financial Services Strategy (RFSS), which sought to establish an infrastructure of financial services throughout the country, using SACCOs as a channel for delivery of financial services. The Rural Financial Services Programme (RFSP) was re-designed in 2008 on the foundation of the RFSS with a changing mandate to provide support for the establishment and strengthening of SACCOs throughout the country. It was envisaged that this 4-year programme would contribute towards SACCOs' increased outreach and sustainability, and greater usage of financial services.

b) The RFSP was jointly funded through a soft loan from the IFAD and a contribution from the GoU's budget funds. The program had 4 components (i) SACCO Establishment, Strengthening and Outreach; (ii) Support to SACCO Apexes, regional network and Linkage Banking; (iii) Strengthening Regulation and Supervision; and (iv) Project Management and Administration. Support under RFSP under Component IV was extended to the Registrar of Cooperatives in MTIC with information building and facilitation to undertake key activities for cooperatives.

c) RFSP had undertaken continued facilitation; follow up, propagation and policy advocacy for a regulatory framework for the tier 4 institutions including SACCOs where there was a regulatory vacuum. This resulted in the Cabinet passing a new Tier 4 regulation Bill in June 2013, paving the way for regulation of SACCOs. Some of the principles of the Bill, as evidenced from RFSP, are

- Savings first for community-based financial institutions;
- No trade-off between sustainability and outreach; and
- Regulation of SACCOs.

2.2.3 Implementing an explicit communications strategy

a) An explicit communications strategy was implemented for the above, partly through the recruitment of a designated "communications officer". The strategy included a targeting strategy for various segments of the sector and the regulatory and decision-making bodies, with dissemination of evidence-based information of success and failure of SACCOs; field visits for members of Parliament; and public hearings and policy discussions.

b) Efforts were directed for dissemination of various materials, development of radio programmes and TV shows for highlighting the key messages of "savings first" and the cooperative principles of governance. Thus, the context for implementation was influenced from the top and from the bottom.

2.2.4 Harnessing group synergy through development partners

The Government has constituted a Development Partners Group comprising development partners, for a donors-harmonized strategy and for coordination with the "sector working groups" with the relevant Ministries. IFAD has regularly participated in the sector working group for agriculture, decentralization and private sector as also with MFPED for rural finance framework**.**

2.2.5 Upcoming gains from PROFIRA Project

a) The new 7-year US$36.6 million IFAD project, Project for Financial Inclusion in Rural Areas (PROFIRA), which was built on the success of RFSP, was approved in August 2013. It has four components; (i) Strengthening and sustainability of SACCOS by improvement of their management, governance, accountability and performance; (ii) Establishment of CBFS and CGCG strengthening, innovations and partnerships, (iii) Policy and institutional support and (iv) Project management. With a view to improving policy, regulatory and supervisory environment, the project envisages (i) support to MF Department of the MFPED for furthering and operationalization of the regulations of Tier IV FIs; (ii) support for the Cooperation Department of MTIC for evolving, implementing and monitoring prudential and non-prudential regulation of SACCOs, (iii) facilitating Bank of Uganda for implementing national Financial literacy strategy, and (iv) strengthening policy and institutional environment by establishing MF Regulatory Authority, reviving Micro Finance Forum, undertaking stake holders' workshops and consultations and study visits. Thus, the project would, inter alia, focus on capacity building of policy-making, regulatory and supervisory instructions as well as on evidence-based policy dialogue.

b) In designing PROFIRA, IFAD worked closely with a number of donor partners which are active in financial sector. These include GIZ implementing Financial System Development Programme, KfW implementing Rural Finance Enhancement Programme, DFID finalizing Uganda Financial Services Inclusion Programme and Bills&Melinda Gates, developing mobile network technology/mobile banking.

2.2.6 Enhanced perspectives of policy development

The ongoing policy initiatives are expected to provide an environment conducive to the implementation of rural development programmes of IFAD and other donor agencies. The continuing involvement of the GoU in bringing about a sound regulatory framework for rural finance, particularly that of Tier IV institutions would facilitate an orderly development of the financial sector. The initiatives of BOU for implementing financial inclusion project 2012-15 would provide opportunities for development and financial agencies to work for financial literacy, customer protection and financial innovation. The new technology application including mobile banking would induce CBs and other financial service delivery institutions to show greater interest in RF as a business proposition. Increasing utilization of community-based savings and credit mechanism [SACCOS, SHGs, etc.] would provide greater opportunities for scaling up and deepening the mechanism. Donor agencies might be coming forward to supplement the government efforts for rural and micro finance sector in the years ahead. The reforms in the legislative, regulatory and supervisory framework would ensure prudence and financial discipline in rural finance through long-term partnerships. IFAD has been a constant partner with GOU in rural finance development programme. There has been re-orientation in the approach to RF in terms of access to finance, capacity building strategy and creating enabling environment – change of government stance from supply-driven to demand-driven approach in rural financial services

Chapter 3

Emerging issues / challenges and recommendations

Notwithstanding several initiatives by the Government of Uganda, there are various challenges in rural financial services scenario. First, financial intermediation being low, formal financial inclusion remains low when compared to other countries like South Africa, Namibia, Swaziland and Kenya. Second, although considerable initiatives to address the supply side constraints have been taken, much more needs to be done on the demand side to spur demand and access. Third, the share of agro-credit is a mere 6%, notwithstanding its potential. Fourth, private sector lacks diversification with limited value additions. Other challenges include addressing infrastructure bottlenecks of banks in rural areas, sustainability of SACCOs, institutionalization of knowledge management interventions, etc. A few recommendations for rural finance policy development in the context of emerging issues, challenges and opportunities are outlined below.

3.1 Micro Finance Forum (MFF) needs strengthening and sustaining

Considering the useful role to MFF played in policy development, the forum may be made more vibrant, productive and sustainable through a policy and statutory framework. The details of the framework, TORs, operational mechanism, monitoring and evaluation, etc may be worked out, keeping the need for flexibility and innovation in view. The case study report for MFF is given as Appendix 9 in the main study report.

3.2 Financial literacy should be enhanced

Although many initiatives have been taken to address supply side issues of the formal financial services, much more effort is warranted to enhance demand side perspectives of access to finance. In that context, integrated and holistic approach for financial education, financial capability assessment of the poor, technological innovation and their replication, market research, product differentiation and market segmentation, etc., are needed.

3.3 Exit Strategy for RFSP and Commencement of RFEP

Although IFAD rural finance policy emphasizes appropriate exit policy before closure of the project, project completion / evaluation of the old project and designing of new project, a rush of activities on the last years of the programme and delay in the commencement of the new programme, seem to dilute the above approach. The GOU should expedite that necessary legislation for microfinance regulations and supervision, particularly Tier IV institutions, by setting up MF

Regulatory Authority to enable commencement of RFEP without delay. Already one year had passed since the completion of RFSP. IFAD's implementation Mission for RFEP, when undertaken, may want to take stock of the progress, trends and needs of Rural Finance Sector since the closure of RFSP, before commencement of the new programme.

3.4 Mobile banking regulations

As mobile banking is growing very fast, a comprehensive regulatory and supervisory framework needs to be put in place in the country. A comprehensive payment and settlement Act may be enacted for this purpose.

3.5 National co-operative policy

The Ministry of Trade, Industry and Co-operatives brought out the National Co-operative Policy in January 2011 spelling out objectives, strengths, weaknesses, and threats of co-op sector, and the guiding principles and policy options as well as implementation framework and role of key players. The policy options include legal and regulatory reforms, quality assurance, standards and competitiveness, diversification of cooperative enterprises, MIS, promotion of cooperative activities at the regional level. It had been stated that a 5-year national cooperative development plan would be developed to guide implementation of this policy. The 5-year national cooperative implementation strategy has been chalked out with the following vision "In order to build a strong, vibrant and prosperous cooperative movement, this policy shall promote a saving culture, high productivity, value addition and collective marketing that contribute to increased household income, economic transformation and development of the country." There is need for serious effort to fulfil the policy resolutions as outlined in the document.

3.6 Credit reference bureau

The scope of credit reference system may be expanded to include both regulated and unregulated entities [not limiting to only the regulated entities] and both positive and negative information.

3.7 Regulation and supervision of Tier IV financial institutions

There had been a series of attempts in the last 5-6 years to frame an appropriate legislative, regulatory and supervisory framework for Tier IV institutions. However, Uganda Parliament was yet to pass the necessary enactment. The current Bill proposes to have one legislation to cover both SACCOs and MFIs and to have a MF Regulatory Authority with scope of delegation of supervision to other agencies but the proposed Act was not yet open to public domain. The sooner the Bill, with all safeguards, is passed and operationalized the better it will be for the financial sector, regulated entities, clients and all stakeholders with attendant benefits.

The following aspects need to be safeguarded:

a) A clear delineation of roles between BOU, MOFPED, Co-operative Unions, MITC, Micro Finance Support Centre and the MF Regulatory Authority in the new regulatory regime.

b) Provision for growth, transformation and graduation of SACCOS in the new frame work;

c) Framing MF policy and alignment of MF policy with MF legislation and regulation.

d) The independent MF Regulatory Authority should run on professional lines with clearly defined powers, internal control, sanctions and accountability.

e) The extent of prudential regulation for co-operatives and MFIs should be decided, based on size and nature of activities of the institutions.

f) The regulating institutions should ensure safety of public deposits, if any, and consumer protection.

g) Although co-operative lending is being clubbed under micro finance, the co-operative identity, values and principles should be nurtured. MF should be properly defined.

h) A Board of Supervision may be constituted with inclusion of BOU for technical advice and guidance to the new regulatory body and supervising authorities.

i) Although deposit funds were envisaged under both Acts of 2008 and 2009, deposit funds have not been instituted.

3.8 Uganda Vision 2040

Efforts need to be directed towards achieving the Uganda Vision 2040 which, inter *alia,* focuses on achieving the following goal in the financial sector:

> "Ensure increased access to credit but putting in place measures to reduce the cost of doing business. These measures will include strengthening collateral registration and credit rating bureau system, individual identification [by establishing a national identity system], supervision to minimize collusion in the financial sector and promoting public private partnership in favour of rural financial transformation ++++ "increasing availability of long term development finance by implementing reforms in the pension sector". .

Financial intermediation and private-public sector participation in the financial sector should be promoted.

3.9 Institutional capacity building

Uganda Co-operative Alliance [UCA], Uganda Co-op Savings and Credit Union [UCSCU], Uganda Co-op College, AMFIU, MF Support Centre, Makerere University Business School, MF Support Centre Ltd., etc., have the potential for training and capacity building for co-operatives / MFIs. The institutional capacity of select institutions should be developed through a structured developmental process to enable them to assume roles as institutions of excellence in rural finance, on a sustainable basis.

Some of these institutions visited were appreciative of RFSP interventions and narrated how their association with the programme had given them clarity and knowledge on the need, importance and potential of rural finance and also enhanced their capacity for training and capacity building of the client institutions / members. Background information on the institutions visited is given in Text Boxes 1, 2 and 3.

Box 1. MF Support Centre—A unique wholesale lending and development institution in MF

The Micro Finance support Centre Ltd., wholly funded by GOU was set up to facilitate access to affordable ,sustainable and convenient financial and business development services (BDS) to active and productive Ugandans. It provides wholesale finance to Co-operative institutions, MFIs, SMEs, Cooperative Unions and Producers and Marketing Co-operatives as also provides Business Development Services (BDS) for the client institutions. The Centre has been partner with RFSP for its association with the target institutions, particularly in capacity development efforts. The company offers training and technical assistance in governance, savings and credit management, accounting and finance management, marketing and customer care, staff and business planning, in onsite and off-site mode. In view of its involvement in micro finance sector, it has the potential to play critical role in influencing the policy and providing important inputs for policy development in rural finance, based on its experience, expertise, professionalism and commitment. It has been promoting Islamic Banking in collaboration with the Islamic Development Bank. It has zonal offices in seven district centres which have been given suitable delegation in financial powers.

Box 2. Uganda Co-operative Alliance—A leading policy advocacy institution

The The Uganda Cooperative Alliance Ltd (UCA) was formed in 1961 by co-operative unions to act as an apex body of the cooperative movement in Uganda. Its role includes advisory services, lobby and advocacy for policy improvements, training and capacity-building, documentation and awareness-building in co-operative values, etc. UCA was a partner in the RFSP, particularly with respect to revival and capacity -building of SACCOs. The UCA has considerable good track record and potential to become effective partner in policy advocacy for cooperative sector and motivating SACCOs / co-op unions in intermediation / delivery of financial services in rural areas.

3.10 Capacity-building role of the Association of MFIs of Uganda [AMFIU]

AMFIU has been engaged in the multifarious activities in MF sector including policy advocacy and policy-oriented studies and dissemination. Its other roles included organizing workshops, seminars and learning platforms, championing the codes of conduct, client protection and social performance management, governance, studies on contemporary themes, documentation of reports and dissemination of the findings and associating with various sponsored programmes of government and donor agencies in microfinance / rural development. Some of its publications

Box 3. Uganda Co-operative Savings and Credit Union [UCSCU]—A promising facilitating institution in the cooperative sector

Uganda Co-operative Savings and Credit Union [USCSU] is a national level apex organization for SACCOs in Uganda. It was established in 1972 and registered under the Uganda Co-op Societies statute and Uganda Co-op Regulation 1992. It has been a leading partner in strengthening SACCOs through training and handholding interventions under RFSP. It has a network of 10 regional offices in the districts and as such, has been instrumental in providing training and guidance to SACCOs at the decentralized levels. RFSP supported the UCSCU for training of trainers, to enable it provide training at the field level. It has been associated with sub-country level sensitization, assessment and training of SACCOs for improving their governance, quality of lending, membership, enhancement, management of growth, etc.

on micro finance, financial literacy, client protection, consumer education, agricultural value chain, risk management, MF regulation, TNA serve as good KM tools in Rural Finance. *The State of MF in Uganda 2012-13,* prepared by AMFIU, with support of SEEP and MOFED is a replicable model for all countries.

AMFIU was founded in 1996 to promote professionalization in MF sector in the country. By end of 2012, the membership of AMFIU stood at 131. These include 93 ordinary members comprising financial institutions with MF as a core activity, regulated or not, and 38 associate members comprising other stake holders with interest in MF, such as consultancy firms, education and training institutions, donors and wholesale lenders.

AMFIU has been awarding best micro entrepreneurs in Uganda on annual basis, under the Citi Micro-Entrepreneurship Award Programme.

> "The information shared has been useful in influencing the content of the Tier Four MFIs' regulation. Data management and analysis received high priority, enabling evidence-based information to be developed. Policy briefs in reality check studies were developed and shared". "Targeting policy makers was effective in two ways (i) There was policy shift to support SACCOs that have sustainability prospects to branch out and serve more rural people and (ii) it resulted in new policy to support community, savings and credit groups to supplement SACCOs".

Experience from Uganda –Interaction KM and Learning Projects.

3.11 Focus on policy research

There is need for focused policy research in rural finance, for proper and evidence-based policy-making. Institutions such as Economic Policy Research Centre [EPRC] have potential for such research. Only RF should be given corporate focus in the research efforts with due facilitation from development agencies.

3.12 Policy focus for agriculture and rural lending and RFIs

Apart from making rural lending an alternative business proposition through infrastructure support and facilitation, policy focus should be laid on Rural Finance.

3.13 Upscale application of development Performance Monitoring Tool

AMFIU has been a partner in RFSP and had executed an MOU to introduce the Performance Monitoring Tool [PMT] for 138 SACCOS through training and technical assistance in 2009. Till the end of the programme in 2013, it has been promoting the use of PMT as a reporting tool, business planning and financial literacy. The process has amply improved the reporting data–building and transparency, bench-marking in the performance analysis and monitoring system in the participating SACCOs. PMT has tremendous scope for replication in the region and AMFIU could play a critical role in this direction. The above agreement also included capacity building of UCSCU, MFP&ED [field extension officers], besides SACCOs. Thus, IFAD with AMFIU as implementing agency could facilitate generating PMT reports by SACCOs and adapting Performance Monitoring Database System [PMS] which led to fulfilment of the objective of the RFSP.

Appendices

Appendix 7.1. Study questionnaire

1) Who are you? (Country Project Officer, Country Programme Manager, senior Policy Adviser, PTA, Policy researcher, etc).

   ....
   ....
   ....

2) In which country are you working?

   ....
   ....
   ....

3) Using the format given below, please name IFAD-supported projects in your country, segregating those in operation and the completed ones.

Project no.	Project title	Project period	Project's broad components

4) According to you which are the most successful IFAD's intervention in your country? Please specify reasons.

   ....
   ....
   ....

5) Were there any major policy issue(s) pertaining to the project's implementation in your country/ESA?

   ....
   ....
   ....

6) If yes, what did the Government, regulatory agencies and other policy-making authorities do to resolve and subsequently improve the project's implementation. (Please mention the project, policy constraints and the improvement made as indicated in the table)

Project name	Policy constraints	Changes/improvements made

7) What methodology/approach was adopted to change/develop the *relevant* policy?

....
....
....

8) Have there been any separate documentation done on new policy introduced, policy issues resolved and/or policy refinement/development contributed under the project implemented? If so, specify.

....
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9) Do you have any separate institutional mechanism in the project framework for review, debate, resolution and dissemination of policy issues? If so, specify.

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10) Was regulation and supervision of financial services institutions embedded within the Rural Finance Project as core component? If so, outline major interventions effected for improvement in regulatory and supervisory policy?

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11) How has regulation and supervision of financial services embedment in the Rural Finance Project been helpful in policy reforms in financial sector?

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12) What are the difficulties faced by IFAD in pursuing with policy-making authorities/promoting innovative policy framework?

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13) What could be the best/most feasible ways of bringing about necessary policy changes/reforms for a donor agency?

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14) Are there any seminar/ workshop, training, sensitization, exposure programmes which are organized for stakeholders' capacity to look into policy issues/ explorations as part of project implementation? If so, cite a few models.

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15) (a)What are the means adopted for dissemination of information/experience in policy issues at various levels including grass root level?

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(b)In your project, has there been a participatory approach as a method in making policy decisions? If so, cite instance(s)

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16) Is there any exchange forum(s) put in-place in your country/ESA for projects to exchange knowledge/experience? If so, how effective is the forum(s)?

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17) Is there any institution(s) in your country which can be banked upon for knowledge management in policy issues pertaining to project themes of IFAD? If so, give details.

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18) (a) Identify five major IFAD's contributions in policy areas/issues in your country?

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(b)Give brief outlines of the above identified policy areas/issues.

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(c) Do you think any of the above is/are best practices/innovative which can be replicated in other countries?

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19) Name five major unresolved policy issues (theme-wise) hindering project implementation in your country?

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20) Would you advocate for policy development in core areas of IFAD support framework in your country/ESA? Give reasons for your answer

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21) Do you have any other input having relevance to IFAD's policy contribution in your country/ESA?

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Appendix 7.2. References

1) Financial Institutions Act, 2004.
2) Mobile Money Guidelines 2013-Bank of Uganda (BoU).
3) Financial Institutions (External Auditors) Regulations- November 2010- BoU.
4) FI Corporate Governance Regulations 2005-BoU.
5) FI (Credit Reference Bureau) Regulations, 2005MF Deposit- Taking Act, 2003.
6) Financial Inclusion Project of BoU, encompassing Framework of 4 Pillars- Pillar I- Financial Literacy, Pillar II- Financial Consumer Protection, Pillar III- Financial Innovation, and Pillar IV- Financial Services and Data and Measurement.
7) Uganda 2013- Fin scope III Survey- Unlocking Barriers of Financial Inclusion- November 2013- by Fin Scope Uganda-Economic Policy Research Centre.
8) Project for Financial Inclusion in Rural Areas-Design Completion Report -2013- August, IFAD.
9) Country Programme Evaluation-April 2013- IFAD.
10) Country Strategic Opportunities Programme (COSOP) 2013-IFAD.
11) Linking Realist Evaluation of KM-The case of RFS Programme in Uganda- IFAD.
12) Uganda- Geography, Agriculture and Economy, Rural Poverty, etc-IFAD website.
13) Making Finance work in Africa- Policy Brief on Agricultural Finance in Africa- Africa Union, GIZ, BMZ, and Federal Ministry for Economic Cooperation and Development- March 2012.
14) State of MF in Uganda- 2012-13-AMFFIU- SEEP and MOPED.
15) Annual Report- 2013-AMFIU.

Appendix 7.3. Institutions visited and persons consulted

S1. no.	Name	Designation	Institution	Date
1	Colin Agabalinda	Programme Manager	RFSP, IFAD, Kampala	30.06.2014
2	Daniel Muganda	Programme Manager	RFSP	30.06.2014
3	Henry P Mbguta	Agriculture Commissioner	MOFP&E, GoU	30.06.2014
4			MOFP&E, GoU	30.06.2014
5	Kshugyera Lance	Programme Coordinator	RFSP, MOFP&E	30.06.2014
6	Leonard Msemakewli	General Secretary	Uganda Co-op Alliance Ltd	30.06.2014
7	Butamanya Billy	Dty Gen Secretary	Do -	30.06.2014
8	Asiimwe Ivan	Manager, Agri Business Unit	Do -	30.06.2014
9	Jacqueline Mbabaze	Senior Programme Mgr	AMFIU	30.06.2014
10	Solomon Kagata		AMFIU	30.06.2014
11	Sylvaster Ndirovamukama	CEO	Uganda Co-op Savings & Credit Union [UCSCU]	30.06.2014
12	Liborio Tulririnvi	Asst Business Devt Service Manager	UCSCU	30.06.2014
13	Francis Ssemnangu	PRO / Corporate Affairs	Do -	30.06.2014
14	Okello Francis	Asst Business Service Dev Manager	Do -	30.06.2014
15	Rita Nanyalo [Ms]	Asst Business Service Manager	Do -	30.06.2014
16	Lydia Nanono	M&E Officer	Do -	30.06.2014
17	Kyaka Twaha	Business Dev Service Manager	Do -	30.06.2014
18	Andrew Obara	MD	Friends Consultant Ltd [FCL]	01.07.2014
19	Enid Kiza	Consultant	IFAD	01.07.2014
20	Line Kaspersen [Ms]	Associate Professional Officer	IFAD, Uganda Country Office	01.07.2014
21	Ocatum Joseph Paul	Co-op Officer	Ministry of Trade, Industry & Co-operatives, GoU	01.07.2014
22	Kavundira Leonard	Senior Co-op Officer	Do -	01.07.2014
23	Kunya Bernard Trevor	DE	Do -	01.07.2014
24	Amadi Janote Okabo	Intern	Do -	01.07.2014
25	Mackay Aomu	Deputy Director, Commercial Banking Dep't	Bank of Uganda [BoU]	01.07.2014
26	Wamatsembe W Wilson	Director, Business Devt Services & Corporate Affairs	MF Support Centre Ltd	02.07.2014
27	Fred Lu Leonard	Director MF Centre	Makerere University	02.07.2014
28	Nakote Issac	Do -	Do -	02.07.2014
29	Prof Joseph Natayi	Do -	Do -	02.07.2014
30	Joseph William Kitandwe		Co-operative Devt. Dep't MTIC GoU	02.07.2014