ANNUAL BANKERS' CONFERENCE 2019

De-risking financing and investment in agriculture to promote decent youth employment and inclusive growth

ANNUAL BANKERS CONFERENCE

mastercard

Mastercard Farmer Network

The Mastercard Farmer Network (MFN) is a platform that digitizes marketplaces, payments, workflows and farmer financial histories within the agriculture sector. MFN increases farmer linkages to markets and formal financial services relevant to their needs and aspirations. The platform brings together various agri-sector stakeholders i.e. farmers, farmer producer organizations (FPO), buyers, financial institutions and value added service providers; amplifying the collective positive impact on farming communities. MFN has been developed by the Mastercard Lab for Financial Inclusion in Nairobi, Kenya and is being rolled out in East Africa and India.

Key stakeholders & core benefits

Farmers

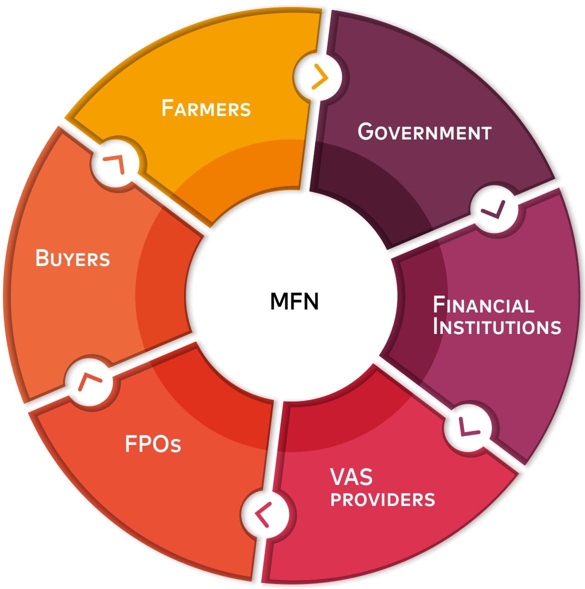
Extends access to new markets and new buyers. Creates digital transaction history which provides the opportunity to access credit. Allows for transparent pricing, which leads to more value for produce sold.

Buyers

Reduced sourcing costs – opportunity for direct sourcing. Stronger relationships with producers- know your supplier and produce availability Economies of digitization – enjoy digital payments and analytics.

FPOs

Increases services offered by FPOs to their members. Allows FPOs to support farmers to increase their profits increases opportunity for sustainable FPOs.



Government

Near real-time visibility of end to end value chain transactions. Data transparency across the chain leading to better coordination of policy formulation and execution.

Financial Institutions

Provides visibility of digital transaction histories for the evaluation of credit. Lowers transaction cost for delivery of financial services.

VAS providers

Easily accessible platforms to scale services Installed customer base for selling of products (i.e. inputs) and services (storage facilities).

For more information on Mastercard Farmer Network, please contact
Imelda Ngunzu, MFN Business Development Manager on **imelda.ngunzu@mastercard.com**

Contents

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gmulengi@gmail.com /gmulengi@live.com

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Simple, Street, Smart Solutions & Services


A BETTER
TOMORROW
BEGINS WITH ENABLING
THE OIL & GAS SECTOR
For us improving lives is why we do what we do.
Oil & Gas Rig - Buliisa
Stanbic Bank Moving Forward™

UBA Member **Bank CEOs**

Mr. Jesse Timbwa
Ag. CEO, ABC Capital Bank

Mr. Ashwini Kumar
CEO, Bank Of Baroda (U) LTD

Mr. Rakesh Jha
CEO Barclays Bank (U) LTD

Ms. Sarah Arapta
CEO Citibank (U) LTD

Mr. Arthur Isiko
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Mr. Samuel Kirubi
CEO EQUITY Bank (U) LTD

Mrs. Annet Nakawunde Mulindwa
CEO Finance Trust Bank

UBA Member **Bank CEOs**

Mr. Michael Mugabi
CEO Housing Finance Bank

Mr. Edgar Byama
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CEO Orient Bank (U) LTD

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CEO Standard Chartered Bank (U) LTD

Mrs. Patricia Ojangole
CEO Uganda Development Bank

Mr. Sam Ntulume
CEO NC Bank (U) LTD

Mr. Patrick Mweheire
CEO Stanbic Bank (U) LTD

Ms. Vivienne Yeda Apopo
Director General East African Development Bank

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CEO Tropical Bank (U) LTD

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CEO Mercantile Bank (U) LTD

Mr. Edwin Keronga
CEO Post Bank Uganda Ltd

Mr. Dennis Kibuuka Musoke
CEO Top Finance Bank

Mr. Wilbrod Humphreys Owor
ED Uganda Bankers Association

Mr. Rajnish Jain
CEO YAKO Microfinance

UBA Executive Committee 2019

Stanbic Bank
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(Chairman)

DFCU Bank
Mathias Katamba
(Vice Chairman)

Citibank
Sarah Arapta
(Hon. Auditor)

Bank of Baroda
Ashwini Kumar
(Hon. Treasurer)

Uganda Bankers Association
Wilbrod Humphreys Owor
(Executive Director)

Governor's **Foreword**

Prof. Emmanuel Tumusiime-Mutebile

Governor, Bank of Uganda

The theme of the Annual Bankers Conference 2019, "De-risking financing & investment in agriculture to promote inclusive growth and youth employment" is most timely and appropriate, considering that Bank of Uganda just recently commemorated the 10th Anniversary of the Agricultural Credit Facility (ACF).

Ten years ago, Bank of Uganda and the Ministry of Finance Planning and Economic Development, conceived and implemented ACF as a strategic initiative to support financing of activities in the agricultural value chain from inputs through to marketing.

The objective was to kick-start a systematic transformation of the agricultural sector in Uganda. The focus of the ACF has been to support mechanization, commercialization, and value addition in the agricultural production value chain. In order to ensure long term sustainability, and alignment of incentives of participating institutions and agencies, the ACF was structured as a risk sharing partnership in the provision and management of credit to the agricultural sector. This ACF initiative was cognizant of the fact that Agriculture has been, and will over the medium term, remain a cornerstone of the Ugandan economy, especially in terms of contribution to Gross Domestic Product (GDP) and employment.

The members of Uganda Bankers' Association (UBA) play a critical role in the financing of Uganda's agricultural sector. The commercial banking sector is currently the largest provider of credit to the Agricultural sector. Lending to the Agriculture sector has steadily increased from UGX208.42 billion (5.16 percent) of commercial banks' total loans and advances in 2009 to UGX1,648.20 billion (12.22 percent) in 2018. However, the proportion of lending to agriculture in commercial bank's loan portfolio at 12.22 percent is still lower than the agricultural sector's share of Uganda's Gross Domestic Product (GDP) at 21.4 percent as at end of the second quarter in FY 2018/19. Furthermore, agricultural lending is only 1.52 percent of the national income.

The lessons learned over the last decade must be leveraged to develop agricultural financing further. As a means of further de-risking the agricultural sector, innovative solutions need to be engineered to support agricultural finance. For linking borrowers to suitable agricultural insurance schemes, and commodity markets development among others are potential solutions. Government has put in place the enabling regulatory framework to support innovative financial institutions develop appropriate products.

It is most commendable that the Annual Bankers Conference 2019 clearly recognises the importance of the agricultural sector, and more especially, its financing and investment needs. Agriculture is a sector that is subject to the vagaries of exogenous factors beyond the control of its key stakeholders. It is characterised by high levels of inherent risk. It is therefore, my hope that as this Conference discusses financing and investment needs in the agricultural sector, risk management therein is kept on the agenda.

UBA Chairman's **Foreword**

Patrick Mweheire
Chairman, Uganda Bankers' Association

It is with great pleasure that I welcome you to the 3rd Annual Bankers' Conference (ABC) 2019. This year's theme, "De-risking financing and investment in agriculture to promote inclusive growth and youth employment", is very relevant today and speaks to the challenge our economy faces today.

Given Uganda's largely young and rapidly growing population the Agricultural sector & its value chain ranks high among the intervention combatingthat could address youth unemployment. Currently, 4 out of 10 young Ugandans are either meaningfully unemployed or, underemployed.

The Agricultural sector is the largest source of livelihood to the majority of the population, a major contributor to foreign exchange as well as the main source of raw materials for agroindustry. As such, the importance and potential for agriculture to contribute to the development and transformation of the Ugandan economy cannot be overstated.

Despite the obvious importance, agriculture continues to face a number of challenges including high levels of subsistence (low levels commercialization), limited application of modern technology, limitations around linkage between research and practices by farmers, low coverage of irrigation, land fragmentation and tenure insecurity, low levels of value addition, relatively high cost of finance, poor infrastructure and poor transport network especially in the rural areas.

However, constraints above not with standing, it is important to note that progress strides have been registered in as far as agriculture finance.

The last decade has seen remarkable improvement in lending to agriculture. Private sector credit to this sector has, in nominal terms, increased from 241.7 billion shillings in 2009 to over 1.6 trillion Shillings in 2019. As such, the share of lending to agriculture as percentage of total private sector credit has more than doubled from 5.2 percent in 2009 to 12.9 percent in 2019.

While credit to all the subsectors within agriculture has increased, lending to marketing and processing has risen faster surpassing the amount lent to production. This can be attributed to the increased emphasis on value addition and the increased adoption of the value chain financing approach.

Initiatives like the Agriculture Credit Facility, that target agriculture projects focusing on commercialization, modernization and value addition of raw outputs have played a significant role in accelerating the growth of credit to marketing and processing. In addition, growth in markets (both domestic and regional) as well as an improved environment that is conducive for the growth in agro processing, facilitated by infrastructure development (in terms of electricity and roads), also accounts for the growth in credit advanced to this subsector.

The observed growth in overall agriculture finance has been aided by a number of efforts from various stakeholders including the government, development partners as well as private sector actors.

Blended finance interventions, that have managed to reduce risks and other barriers to access and growth in agriculture finance, such as the Agriculture Credit Facility (ACF), the Agribusiness Initiative (aBi), the Uganda Agriculture Insurance Scheme (UAIS) to mention a few, have played a catalytic role leading to increased flow of financial resources towards agriculture.

> “
>
> Private sector credit to this sector has, in nominal terms, increased from **241.7 billion** shillings in 2009 to over **1.6 trillion** Shillings in 2019

Financial institutions continue to capitalize on the changing economic environment as well as advancements in technology, to design business models that are more efficient and cost effective in delivering financial services to the sector as well as designing products and services that address the specific needs of players in the agricultural value chain.

It is my wish that through this conference, we will be able to come up with practical and innovative recommendations and de-risking solutions enable us increase financing to this sector.

I take this opportunity to thank all our partners, members of UBA, the UBA Secretariat and all our stakeholders for efforts rendered in organizing and making this conference a success.

I also to take this opportunity to thank our regulators and the government of Uganda for providing an enabling regulatory and business environment for the financial sector to thrive.

We count on and look forward to your continued support.

Patrick Mweheire
Chairman, Uganda Bankers' Association

UBA Executive Director's **Foreword**

Wilbrod Humphreys Owor
Executive Director

It is my pleasure to welcome you all to the third edition of the Annual Bankers' Conference & Magazine (ABC 2019) under the theme De-risking financing & investment in agriculture to promote decent youth employment and inclusive growth.

The past two years of the event have demonstrated both the industry's and stakeholders' positive response towards the initiative of the Annual Bankers' Conference.

Last year's conference focused on risk management in the financial sector under a fast growing environment where several issues were raised and addressed by the industry players and the line ministry. Among these were issues to do with regulations and policy, various risk management strategies and their implementation, the challenges and opportunities brought about by technology. The biggest take away from the interactive discussions and informative presentations was that collaborations across the sector are vital to tackle the issues as they were presented, and indeed the Association took up the mantle to spearhead these collaborations in this past year.

Post- Conference 2018, the Association undertook initiatives to step up dialogue with the Ministry of Finance Planning and Economic Development on fiscal policy issues impacting the sector, entered into formal collaborations with the Uganda Law Society (ULS) on alternative dispute resolution, Uganda Registration Services Bureau (URSB) and Uganda Revenue Authority (URA) amongst others. We have worked with these institutions to put in place to manage risk better.

The Association is working closely with Ministry of Finance, Planning and Economic Development together with other partners under the Agriculture Finance Platform to finalize the National Agriculture Finance Policy and Strategy. This policy aims at improving timeliness, regularity, relevance and coordination of policy response to the financing issues and needs of the Agribusiness Sector. The policy intends to strengthen the institutional and human capacity of financial services providers and their clients, for effective development, delivery and usage of Agribusiness finance products and services. This collaboration feeds directly into the theme for this year's Conference.

The Association is working closely with Ministry of Finance, Planning and Economic Development together with other partners under the Agriculture Finance Platform to inalize the National Agriculture Finance Policy and Strategy.

This year, the conference aims to facilitate a focused discussion among key players & stakeholders around making the financing of Agriculture more attractive to financial service providers, leveraging on several perspectives for mitigating risk, including basic financial literacy among borrowers, market incentives, technology, insurance, research, specific policy frameworks & a wider support & collaborative framework to ensure sustainable inclusive growth and promotion of employment among the youth.

This Magazine compliments the 3rd edition of the Annual Bankers' Conference (ABC) 2019

This magazine also has a collection of articles from experts and practitioners in the field of agriculture and agriculture finance including researchers, financial sector experts (banks, fintechs, etc.) as well as policy makers. The articles elaborate on the risks that agriculture faces, provide proposed solutions and recommendations, show cases initiatives that are being undertaken to tear down the barriers of access to and use of agriculture finance

Our expectation as an Association is that at the end of this Conference, a clear path will be set for the members to achieve this through defined and clear objectives with elaborate mechanisms on how to achieve them. We hope to gain from different perspectives on best practice in agriculture finance from local, regional and international participants. I hereby appeal to all of you for your keen and active participation in today's discussion so that together we can bridge the gaps in agricultural financing and contribute towards a sustainable economy.

I also take this opportunity to thank to our sponsors who have stayed the course with us, the zealous conference participants, the writers of the educative and informative articles, our membership and valued stakeholders and most importantly the UBA Secretariat team that has worked tirelessly to put this event together. Together, you have made the delivery of this Conference possible and I wish you all a fruitful event.

Wilbrod Humphreys Owor
Executive Director

ABC 2019 **Program**

7.00am	**Registration and Reception**	
7.00 am	**Breakfast**	
	OPENING SESSION (VICTORIA HALL)	
8.30 am	MC	Dr. Mitch Egwang
	Prayers	**MD Pride Microfinance Uganda Ltd (MDI): Veronicah Namagembe**
8.35 am	Welcome Remarks	Mr. Patrick Mweheire UBA Chairman and CEO, Stanbic Bank Uganda
8.45 am	Remarks from Official Sponsor	**Mr. Raghav Prasad,** Division President Sub- Saharan Africa-Mastercard
8.50 am	Remarks by BOU Governor	Prof. Emmanuel Tumusiime Mutebile Governor, Bank of Uganda
9.05 am	Remarks by Minister of Agriculture & Inviting of the Prime Minister	Minister for Agriculture, Hon. Vincent Bamulangaki Ssempijja
9.15 am	Remarks by Guest of Honor	Rt. Hon. Dr. Ruhakana Rugunda Prime Minister of the Republic of Uganda **Launch/Unveiling of New UBA LOGO**
9.35 am	**Keynote Address:** **Topic:** De-risking financing & investment in agriculture to promote decent youth employment and inclusive growth By Ms. Marianne Schoemaker Managing Director, Rabo Partnerships **Introduced by** Mr Jimmy Mugerwa, Chairman, dfcu Bank Limited	
	Photo Session	MC
10.30 am	Coffee Break	Exhibition, Networking and Refreshments

ABC 2019 **Program**

11.00am	**Panel Session 1:** Moderated by Arnold Derek Bagubwagye, FMDC Secretariat	
	Discussion Topic	**Panelists**
	1.Role of Financial Institutions in harnessing the Potential in Agriculture.	Executive Director Research Bank of Uganda.
	2.Legal, Regulatory, Policy and other institutional Frameworks to support the agricultural sector	Director Economic Affairs MOFPED.
	3.Practical experiences in harnessing the potential in agricultural value chains:	Country Director Uganda and south Sudan Nile Breweries.
	4.Role of Technology in the Agricultural Value Chain: Regional experiences.	Associate Director In-charge of Agribusiness. Equity Bank Group Kenya
	5.Practical experiences in harnessing the potential in agricultural value chains:	Division President Sub-Saharan Africa Mastercard
1.00pm	Lunch break	•Networking and Refreshments •Exhibitions
2:00 PM	**Break away session**	

VICTORIA HALL	ACWA HALL	ADDIS HALL
Session 1: Making financing agriculture/Agribusinesses more attractive to financial institutions. Hosted by DFCU & aBi Trust Short Video	**Session 2:** Leveraging on Technology/ Digital Infrastructure to revolutionize the agricultural chain in Uganda. Hosted by EQUITY Bank & FSDU, Short Video	**Session 3:** Improving overall agricultural productivity, youth employment and inclusive growth (Financial inclusion). Hosted by Centenary Bank and Uganda Development Bank Short Video
Moderator: Patrick Kamara (NTV)	**Moderator:** Michael Niyitegeka	**Moderator:** Oskar Semweya-Musoke (Capital FM)
Presenter: Jared Osoro Director Research and Policy Kenya Bankers' Association	**Presenter:** Rashmi Pillai ED FSDU	**Presenter:** Prof Julius Kiiza MAK/EPRC
Panelists:	**Panelists:**	**Panelists:**
1.dfcu Bank CEO Agriculture Financing: Experiences & Perspectives from Financial Institutions.	**1 Equity Bank CEO** Blending Technology & Finance to harness the potential in Agriculture: Perspectives from Financial Institutions.	**1. Centenary Bank CEO** Financial sector interventions to support smallholder farmers' in sustainable production, productivity increase and access to markets.

ABC 2019 **Program**

BREAK AWAY SESSION		
2. UIA CEO - Agric Insurance Consortium De-risking Agriculture Financing: Lessons & Recommendations from The Uganda Agriculture Insurance Scheme	**2. Agribusiness Development Centre** Essentials for Agribusiness development beyond Technology and Finance	**2.Financial Services Advisor DYNAMIC** Financial Inclusion & employment: Interventions for youth in harnessing opportunities in the Agriculture/Value addition/ Agri-Business.
3.aBi CEO Agriculture as a Business: Integrated approaches to catalyze growth in Agriculture value chains.	**3.Value Chain and Digital Financial Services Consultant - UNCDF** Leveraging Fintech to support agriculture value chains.	**3. UDBL CEO** Scaling the commercialization of Agriculture: Development Finance Perspectives
4. CEO New Vision: Robert Kobushenga. Financing & Investment in Agriculture/Agribusinesses: Perspectives from farmers & non-bank stakeholders	**4. Program Manager Finance, Agribusiness and Land. EU delegation to Uganda** Commercialization & growth of Agriculture/ Agribusiness: Perspectives from Development Partners	**4 . Chairperson Uganda Agribusiness Alliance** Financing & Investment in Agriculture/Agribusinesses: Perspectives from farmers & non-bank stakeholders

4:00 PM	**WRAP-UP SESSION (VICTORIA HALL)**	
4:00 PM	Summary from Breakaway session	MC & Session Moderators
4:30 PM	Awards Ceremony	ED Uganda Bankers Association
4:50 PM	Closing Remarks	Netherlands Ambassador
5:00 PM	Cocktail and Networking	MC + Sponsor

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Speaker & Presenter **Profiles**

Proff. Emmanuel Tumusiime-Mutebile

Governor, Bank of Uganda

Emmanuel Tumusiime-Mutebile is a Ugandan economist and banker. He is the governor of the Bank of Uganda, the central bank of Uganda. He was first appointed to that position on 1 January 2001 and was re-appointed for a second five-year term on 1 January 2006. In December 2015, he was re-appointed for a fourth five-year term, effective 12 January 2016.

He is the longest serving chief executive in the Bank of Uganda's history. He is credited with many of the sound economic policies adopted by the Uganda government at the urging of the central bank during the 1990s and the first decade of the 2000s.

Tumusiime-Mutebile is the chancellor of the International University of East Africa, a private university established in 2011, with an urban campus in Kampala, Uganda's capital.

Mr. Patrick Mweheire

Chairman Uganda Bankers Association
Chief Executive Officer Stanbic Bank Uganda

Mr. Mweheire is the Chief Executive Officer of Stanbic Bank Uganda (SBU), the largest commercial bank in the country. He was appointed Stanbic Bank Uganda's Chief Executive Officer in December 2014.

Prior to joining Stanbic Bank, Patrick worked at Renaissance Capital London as Managing Director, Investment Banking as well as at Merrill Lynch & Co, New York, as Director Investment Banking. Patrick holds an MBA from Harvard University Graduate School of Business.

Established in 1981, as an umbrella body, Uganda Bankers Association membership consists of commercial banks and financial institutions licensed and supervised by Bank of Uganda as well Uganda Development Bank.

Speaker & Presenter **Profiles**

Raghav Prasad

Division President, Sub-Saharan Africa, Mastercard

In January 2018 Raghav took on the role of Division President for Sub-Saharan Africa based out of the regional headquarters in Dubai.

In this role Raghav will be focused on establishing the Mastercard brand presence in Africa, deploying innovative payment solutions and partnering with local governments and regulators. Focus is placed on advancing Mastercard's business in Africa, and the organisations goal of developing a world beyond cash.

Since joining Mastercard, Raghav has held a number of leadership roles at country, regional and global level, contributing significantly to various areas of the business. In early 2017 he held the position of President, Payment Gateway Services where he was responsible for the strategic direction and global end-to-end management of the business.

Raghav is not new to the Middle East and Africa region, he previously held the position of General Manager for the Gulf Countries, responsible for all aspects of Mastercard's business in the region giving him a solid foundation for his new role as Division President for one of the fastest growing divisions in International Markets (IMK) for the technology company.

With almost 30 years of experience in the financial sector, Raghav has previously held leadership positions at Citbank and RBS Group UK. During his six years at RBS he moved from being the Managing Director of Global Commercial Cards to serve as Managing Director of Global Merchant Services (WorldPay). During this time he was also a member of the global management committee of the Transaction Banking Group at RBS.

Dr. Ruhakana Rugunda

Prime Minister,
Republic of Uganda

Dr. Rugunda was appointed as Prime Minister on 18 September 2014. A physician by profession, he has held a long series of Cabinet posts under President Yoweri Museveni beginning in 1986. He served as Uganda's Minister of Foreign Affairs from 1994 to 1996 and as Minister of Internal Affairs from 2003 to 2009. Subsequently, he was Permanent Representative to the United Nations from 2009 to 2011 and Minister of Health from 2013 to 2014.

Born in India, Raghav has an MBA from the Indian Institute of Management Calcutta, specializing in Marketing and Finance, and a First Class Honors degree in Mechanical Engineering from the University of Delhi.

Speaker & Presenter **Profiles**

Keynote Speaker

Ms. Marianne Schoemaker

Managing Director, Rabo Partnerships

Marianne Schoemaker is an experienced banker with a strong focus on connecting and growing people, teams and businesses. In April 2017 she was appointed Managing Director at Rabo Partnerships B.V. a legal entity within Rabobank Group focused on partnerships with a mission to further financial inclusion and outreach to rural environments in emerging countries. The activities comprise investments in financial institutions and advisory services to financial institutions and agri value chains in emerging countries in Latin America, Africa and South East Asia. Alliances and networks that support the mission are actively explored.

Marianne started her carrier with Rabobank in 1993 within the Food & Agribusiness Research Department and fulfilled various positions in front office, risk, HR and research. She worked as a product professional in Equity Capital Markets, Corporate Banking, Leveraged Finance, Global Learning and Talent Development. She led teams in Credit Risk Management, HR Talent Development and was Regional Head

Agribusiness Research for Africa and Europe from 2014 to April 2017.Marianne graduated as an agricultural economist at Wageningen University & Research with a focus on Management, Consumer Research & Marketing and Development Economics.

Mr. Pius Wakabi

Permanent Secretary at Ministry of Agriculture, Animal Industry and Fisheries

Leader of the sector Technical team and Accounting Officer at the Ministry of Agriculture Animal Industry and Fisheries

Mr. Jimmy D. Mugerwa

Chairman dfcu Bank Board

Mr. Moses Kaggwa

Director Economic Affairs ,MOFPED

Moses is the Director Economic Affairs at the Ministry of Finance Planning and Economic Development

Speaker & Presenter **Profiles**

Mrs. Patricia Adongo Ojangole

Managing Director, Uganda Development Bank

Patricia is a professional accountant with 17 years international experience in Banking and Finance. Currently the Managing Director of Uganda Development Bank Limited where she has been instrumental in turning around the Bank to become the preferred and trusted partner to the Government of Uganda in achieving Socio-economic development aspirations.

Patricia holds a Masters of Philosophy in Development Finance cum laude from the University of Stellenbosch, South Africa. She also holds an Executive Master's Degree in Business Administration from Eastern and Southern Africa Management Institute, Arusha, Tanzania; a Bachelor of Commerce (Hons) Degree from Makerere University, Uganda and has completed a number of leadership and management programs.

Patricia is a Fellow of The Association of the Certified Chartered Accountants (UK); the Certified Public Accountants of Uganda (ICPAU), as well as The Institute of Internal Auditors Uganda (IIA).

She is a member of the Board of Uganda Development Bank Ltd, Msingi EA Ltd, Busitema University Fund Ltd, and The New Vision Group. She Chairs the Management Board of the European Union funded START facility and serves on the boards of the Associations of Development Finance Institutions in Africa and in member countries of Islamic Development Bank.

Dr. Adam Mugume,

The Executive Director Research, Bank of Uganda,

Dr. Adam Mugume, holds a PhD degree in Economics from Oxford University, UK. He is currently working with Bank of Uganda as Executive Director for Research and Policy. He joined Bank of Uganda in 2007 as the Head of Modelling and Forecasting division in the Economic Research Department.

He previously worked with Makerere University as a Senior Lecturer and Head of Department of Economic Theory and Analysis. He has been a visiting Lecturer in Monetary Theory and Practice and Econometrics at the African Economic Research Consortium (AERC) Collaborative Masters Joint Facility for Electives Programme and Monetary Economics for AERC Collaborative PhD programme. He is a Faculty Member at the Trade Policy Training Centre in Africa (TRAPCA), under the Eastern and Southern African Management Institute (ESAMI) Arusha, Tanzania.

He also worked with World Bank between 2004 – 2007 as a Consultant Economist on Labour Market and Structural change in Uganda; Labour and growth in the Ugandan informal sector; Fiscal deficits and Debt Sustainability; Aid Management in Uganda; and other Macro issues.

Speaker & Presenter **Profiles**

Ms.Rashmi Pillai
Executive Director, FsdUganda

Rashmi Pilllai is the Executive Director at Financial Sector Deepening Uganda. She is a Financial Services Specialist with over 13 years work experience driving private sector led development across East Africa and South Asia. Before joining FSD Uganda, Rashmi worked as a Technical Specialist with CGAP at the World Bank and the Better Than Cash Alliance at UNCDF.

Rashmi led CGAP's global learning programs on merchant payments, innovative and scaleable solutions to credit needs of micro, small and medium enterprises, and digital credit. With BTCA, Rashmi supported the Rwandan Ministry of Finance in the development and finalization of their National Payments Systems Strategy.

Mr. Fabian Kasi
MD Centenary Bank

Fabian is a Fellow Chartered Certified Accountant of UK. He holds an MBA from University of Newcastle in Australia and a first class degree of Bachelor of Commerce in accounting from Makerere University, Kampala, Uganda. He is the Managing Director of Centenary Bank, Uganda. Prior to this he worked for Bank of Uganda in the Banks Supervision Function for 8 years, then as Finance and Administration Manager for FINCA Uganda Ltd, before he started working as Chief Finance Officer for Banque Commerciale du Rwanda for one year. In 2002, he was appointed as Chief Executive Officer FINCA Uganda Ltd MDI, the very first licensed microfinance deposit taking institution in Uganda for eight years, until mid-2010 when he started working with Centenary Bank, a microfinance bank currently serving over 1.3million clients. He sits on various Boards.

Speaker & Presenter **Profiles**

Prof Julius Kiiza
MAK/EPRC PhD (Sydney)

Julius Kiiza is an Associate Professor of Political Economy and Development in the Department of Political Science and Public Administration at Makerere University (Uganda). He holds a Bachelor of Arts (Honours) degree from Makerere University, a First Class Master of Public Policy from the University of Sydney (Australia), and a PhD from the same University. Julius was at The University of Cambridge Centre for African Studies for his postdoctoral research (Good Governance and Human Rights) in 2003. In 2014, he won a competitive Cambridge-Africa Partnership for Research Excellence (CAPREx), and used his visiting fellowship to conduct research on developmental state-building in post-genocide Rwanda. He has also been a visiting fellow at Dickinson College in Pennsylvania (USA), and the Washington-based Center for Global Development.

Julius has an active research and publications interest in the broad areas of institutional political economy; industrial policy; open government; local content in the oil sector (in Uganda/East Africa); economic nationalism; and the changing, but not ending developmental role of the state in an era of globalization. He was the lead editor of a book entitled: Electoral Democracy in Uganda: Understanding the Institutional Processes and Outcomes of the 2006 Elections (Fountain Publishers: Kampala).

Julius actively partners with civil society (NGOs) and state actors to promote evidence-informed policy analysis and advocacy. For example, he actively conducts research work with the Economic Policy Research Centre (EPRC), ACODE, Friedrich Ebert Stiftung (FES), Uganda Youth Network (UYONET), Program for Young Politicians in Africa (PYPA); the International Republican Institute (IRI) and other national and international NGOs.

Jared Osoro
Director, Kenya Bankers Association Centre for Research on Financial Markets and Policy

Currently the Director of Research and Policy at the Kenya Bankers Association (KBA). Champing policy engagement aimed at depending the Kenyan financial sector; the policy work is underpinned by rigorous research undertaken by the KBA Centre for Research of Financial Markets and Policy, which I head. The body of work generated by the Centre ranges from Agri-financing to Housing market dynamics, local and international flows and their nexus to financial deepening, and regional integration and its influence on cross-border financial sector investments. Prior to the current role, I worked as Bank Economist for the East African Development Bank.

Speaker & Presenter **Profiles**

Mr.Mathias Katamba
Chief Executive Officer,
dfcu Bank

Prior to his appointment at dfcu, Mathias Katamba served as the Managing Director of Housing Finance Bank, a position he held for the last five years. He also previously served as the Chief Executive Officer of Finance Trust, now Finance Trust Bank, for a period of five years and has held several other senior positions in the Financial services sector. Mr. Katamba has over fifteen years' experience in the Banking and Financial services sector, twelve (12) of which have been at C-Suite level. Mathias holds a Masters of Science in Financial Management from the University of East London, UK, a Bachelor of Arts in Economics from the University of Greenwich and Postgraduate Diploma in Public Relations from the Chartered Institute of Public Relations. He has also attended several advanced executive leadership trainings.

He currently serves as Chairman of the Uganda Institute of Banking and Financial Services and is a Director at UAP Old Mutual General Insurance

Mr. Samuel Kirubi
The Chief Executive Officer
Equity Bank

Samuel holds a Master's Degree in Business Administration (Finance) from Moi University and a Bachelor of Arts degree in Economics and Statistics from Egerton University. He is a graduate of Advanced Management Programme (Strathmore IESE Business School, Barcelona Spain). Since joining Equity Bank in 2001, Samuel has gained vast experience in operations, marketing and customer service. Samuel was previously the Chief Operations Officer in Equity Bank South Sudan and most recently the Managing Director, Equity Bank Rwanda.

Speaker & Presenter **Profiles**

Mr.Robert Kabushenga

Chief Executive Officer /
Managing Director ,
New Vision

Robert joined Vision Group as CEO on January 1, 2007. He is a holder of a Bachelor of Laws degree from Makerere University and a Post Graduate Diploma in Legal Practice from the Law Development Centre, Kampala. He is an advocate of the High Court of Uganda and a member of the Uganda and East Africa Law Societies. Robert's previous work experience includes Executive Director of the Uganda Media Centre, Company Secretary and Legal Officer of this company as well as Legal and Administration Officer of the Monitor Publications Ltd.

Mr. Paul Kavuma

The Chief Executive Officer,
Uganda Insurers Association-
Agriculture Insurers Consortium

With extensive experience in the insurance industry, spanning over 20 years' from both the insurer and broking side. Prior to joining the Association, Paul worked as a Deputy Managing Director, and Chief Operations Officer at GoldStar Insurance, Head of broker business at Chartis Insurance and as a manager at AON. Paul has a LLB Hons Law from the University of London.

Speaker & Presenter **Profiles**

Mrs. Josephine Mukumbya,

Group Chief Executive Officer, Agricultural Business Initiative

Josephine is an experienced executive with a demonstrated history of working in the financial services industry as well as in the development world. She is skilled in Portfolio Management, Business Planning, Risk Management, Capacity Development and Coaching.

She holds a Master's Degree in Banking and Finance for Development from the Giordano Dell'Amore Fondazione in Italy and has been awarded 154 hours of ICF Approved Coach Specific Training as part of International Coach Federation Certification (Strathmore Business School and The Performance Solution of the UK). Her ambition is to become a Certified Regional Coach, especially for the Financial Services Sector.

Having previously worked in five financial institutions and one International Development Agency, she joined Agricultural Business Initiative (aBi) Trust's (an entity with the objective of promoting private sector agribusiness development to enhance wealth creation in Uganda), employ since 2010.

Josephine leads the team at aBi to promote private sector investment in Agribusinesses through Grant support for interventions that are designed to address specific constraints identified in six priority agro value chains. At the same, aBi also promotes access to agricultural financing, through the use of varied financial instruments and inclusive strategies, including but not limited to digital transformation in financial services, which contribute to sustainable development of agribusinesses.

Stephen Waiswa

UNCDF-MM4P Value Chain & Digital Financial Services Consultant

Stephen Waiswa is a Consultant working with United Nations Capital Development Fund under the Mobile Money for the Poor Project (MM4P) as a Value Chain and Digital Financial Services Expert.

Prior to joining UNCDF, Stephen worked with Diamond Trust Bank as Head E-Channels, Airtel Rwanda as Country Head Airtel Money Plus various positions at Airtel Uganda and Uganda Telecom in the Mobile Financial Services Departments.

Stephen is a subject matter expert in Mobile Financial Services in the telecommunication landscape and is a digital leader, strategist, Mobile-Commerce consultant and expert specializing in Mobile Money, Mobile Banking, Micro Insurance, Micro saving, M-Women, Micro Savings, Loans and other Mobile Financial services, thus always strives to lead the organization towards achieving its strategic objectives.

He holds an MBA from Oklahoma Christian University , Bachelor's Degree in Information Science from Makerere University in Uganda and a Diploma in Project Management –from Alison with numerous professional Trainings in Effective Sales & Management, Customer service, Account Relationship Management, Sales & Distribution Fundamentals, Product Life Cycle management, Agent Network Accelerator Course from Helix Institute of Digital Finance, Corporate Governance and Leadership Essentials from Imprint.

Speaker & Presenter **Profiles**

Mrs. Esther Muiruri
Associate Director in charge Agribusiness- Equity Bank Group Kenya

Esther Muiruri is an Associate Director In-charge of Agribusiness at Equity Bank. Muiruri also serves as a Director in the Board of Equity Insurance Agency a Subsidiary of Equity Group. She graduated with a degree in Business Administration and a master's degree in Strategic Management from the University of Nairobi.

Before joining Equity Bank, Muiruri worked with Government of Kenya in various positions managing agriculture projects working with farmers and other stakeholders in the wider agriculture sector in Kenya.

Muiruri established the agribusiness department and introduced financing of agriculture value chains through strategic partnerships with players in the agriculture sector. She has served as a member of most agricultural stakeholders' forums in Kenya with objective

Stephen Muhangi
Financial Services Advisor-DYNAMIC

A Development Economist knowledgeable in making markets work for the poor (M4P) or market system development approaches including market facilitation in agribusiness, has a Msc. Development Economics from Uganda Martyrs University, Bachelor of Commerce (Bcom) from Makerere University and a Higher Diploma in Marketing from Makerere University Business School

He is an experienced business banker having worked with Equity Bank, Stanbic Bank and Guarantee Trust Bank (GT Bank) formerly FINA Bank Uganda and is an independent Financial Advisor for Stanlib Uganda, one of the leading Investment Managers in Uganda. As a Bank of Uganda (BoU) trained financial literacy trainer, he is part of the private sector actors supporting the implementation of the National Financial Inclusion Strategy 2017- 2022.

Has worked in the Uganda media with Central Broadcasting Services (CBS) one of the leading media houses, in development with the USAID funded Feed the Future Programme and is currently the Financial Services Advisor for DYNAMIC (Driving Youth-led New Agribusinesses and Micro Enterprises in Northern Uganda) a Mastercard Funded Program implemented by GOAL Uganda, Mercy Corps Uganda, Restless Development and VSO

https://www.linkedin.com/in/stephen-muhangi-86398623

Speaker & Presenter **Profiles**

Adolfo Alonso

Programme Manager, Finance, Agribusiness and Land
European Union Delegation to the Republic of Uganda

Mr Cires Alonso was the EU focal point for the establishment of the Yield Uganda Investment Fund, and is presently focused on Blending operations to support SMEs access to credit in Uganda. He is leading the policy level effort of the EUD to drive more mid and long term capital to SMEs and the impact sector.

Anneke Elisabeth de Feijter

The Executive Director
Agribusiness Development Centre

Anja is an agricultural engineer with a degree in agricultural economics. She is the Executive Director of the Agribusiness Development Centre (ADC) which is powered by the Rabo Foundation and the dfcu bank, she is actively involved in providing Farmer Based Organization (FBOs) financial literacy trainings and creating linkages for farmers to access finance.

She has 16-year experience in managing a horticultural business in East Africa where she worked as Executive Director for Royal Van Zanten in Uganda and thereafter as a division director where she was responsible for 7 business units worldwide

Anja has over 20 years' experience in the Agriculture sector: she has extensive experience in implementing, management establishment of agribusinesses development of networks, matchmaking between farmers and firms, B2B and personal.

she is an active member of the Presidential Investors Round Table (PIRT) – Technical Work Group Agriculture (TWG), representing the vegetable sector and advising the Office of the Prime Minister and the President on Agricultural Development in Uganda. The TWG works closely with Uganda Investment Authority (UIA) responsible for the secretariat.

Anja serves on many different boards currently she is the board chair for Netherland Uganda Trade Investment Platform (NUTIP) whose vision is to become a catalyst in the growth of businesses in Uganda by contributing to productivity and innovativeness, She is also the chairperson of KAD Africa focused on school girl drop outs in the western part of Uganda , where girls are assisted with training in passion fruit growing and the company buys the produce from the girls to assist the them to be self-supported and be able to sustain their education

She is the founder of House of Seeds Ltd and Cycas International Ltd, two vegetable seed and service consultancy seeds companies who also import from professional breeders.

Speaker & Presenter **Profiles**

Hon. Victoria Sekitoleko
Chairperson Uganda Agribusiness Alliance

Victoria is currently the Chairperson of the governing board of Uganda Agribusiness Alliance (UAA), a partnership platform set up to help catalyse sustainable investment and growth in agribusiness in Uganda.

She is also Founder of the Uganda Culture Community Centre through which she promotes reading by establishing and supporting both urban and rural community libraries.

In Uganda, she has served in numerous capacities first as an Agriculture Banker then Member of Parliament and Minister of Agriculture.

Outside Uganda, she served as Director of the Food and Agricultural Organisation (FAO) representative to China, Mongolia and DPR Korea; FAO representative to Ethiopia for the African Union and the Economic Community for Africa, FAO Sub Regional representative to Eastern and Southern Africa in Zimbabwe;

Victoria is a Rotarian and a member of the Business and Professional Women Kampala and an active member of the Uganda Women Entrepreneurs Association Limited.

Thomas Kamphuis
Country Director Uganda & South Sudan, Nile Breweries

Thomas Kamphuis is the Country Director for Nile Breweries Limited and South Sudan Beverages Limited. Both entities are part of the largest global brewery group AB-Inbev. AB-Inbev brews 1 in every 3 beers made in the world making it one of the biggest buyers of agricultural products in the world. Thomas has worked in AB-Inbev for 13 years. He is a Dutch citizen and has worked and lived in 4 African countries. Thomas has a Masters degree in Agricultural Economics from Wageningen University in The Netherlands.

Statement from the Minister of **Agriculture, Animal Industry and Fisheries**

Hon. Vincent Bamulangaki Ssempijja
Minister of Agriculture,
Animal Industry and Fisheries

I would like to commend the Uganda Bankers' Association for organizing this conference with a theme that is very relevant to Uganda's future economic development and structural transformation.

Agriculture is very critical to Uganda's social and economic development, because it represents over 24 percent of the GDP, employs 73 percent of the population and is the main source of exports. Yet, poverty in the rural areas is high, with close to 25 percent of the rural population living in poverty. Therefore, transforming agriculture is the key to reviving the rural economy, reducing poverty and inequality as well as making Uganda food secure. The sector continues to face a number of challenges including the high cost of investment/finance, inadequate physical infrastructure to support the sector, poor farming techniques, limited access to quality farm inputs, too much reliance on natural rainfall, lack of marketing data and information as well as inadequate production and post-harvest technologies.

Nevertheless, in both 2018/2019 and 2017/2018, the sector registered growth rates of 3.8 percent, (the highest seen in a decade), up from 1.6 percent in 2016/2017. Export earnings rose by 8 percent to US$ 3.5 billion in 2017/18 from US$ 3.3 billion a year earlier. This increase was mainly on account of a rise in the export volumes of coffee, tea, maize and beans. The average income of rural households, many of which are subsistence farmers improved from UGX. 242,024 in 2012/2013 to UGX. 303,000 in 2016/2017. However, this is still low compared to urban households whose monthly incomes averaged UGX. 703,000 in 2016/2017.

These improvements are partly a result of continued investment in agriculture and intensified effort to support provision of planting and stocking materials, increased delivery of agriculture extension services, control of pests and diseases among others. In addition, this success is attributed partly to the increased support from financial sector players and other stakeholders that has seen the growth in the share of credit to agriculture increasing from 5 percent to 13 percent in the last ten years.

Furthermore, government efforts beyond budgetary allocations have also contributed to the improved performance of the sector. Efforts like the Uganda Agriculture Insurance Scheme (UAIS) which was established in FY2016/17 with the objective of cushioning farmers from risks associated with losses arising from natural disasters as well as attracting financing to agriculture played a part as well. Agriculture Insurance encourages commercial banks to lend to the agriculture sector given that the risk associated with agriculture is mitigated through appropriate insurance cover, which thus improves access to agriculture loans. Under the scheme, government provides premium subsidy funds, and in collaboration with Industry players also undertakes publicity, sensitization and training of farmers.

The Agricultural Credit Facility (ACF) set up in the year 2009 as a Risk Sharing mechanism between the Government and the financial institutions with the objective of facilitating the provision of medium and long term financing to projects engaged in agriculture and agro processing has equally been instrumental in increasing credit to agriculture with total disbursements this year so far, amounting to 331.53 billion shillings, extended to 551 eligible projects across the country; of which GoU contribution amounted to 167.54 billion shillings, as of March 31, 2019.

Other interventions include; development financing through Uganda Development Bank, where in an effort to increase the availability of long-term capital, Government has continued to capitalize Uganda Development Bank Limited. This has helped the Bank in growing its mandated role of providing development finance solutions for required interventions needed to address development challenges as well as market gaps that existed in the industry. I am happy to note that government has allocated Shs. 103.5 Billion this Financial Year for this purpose.

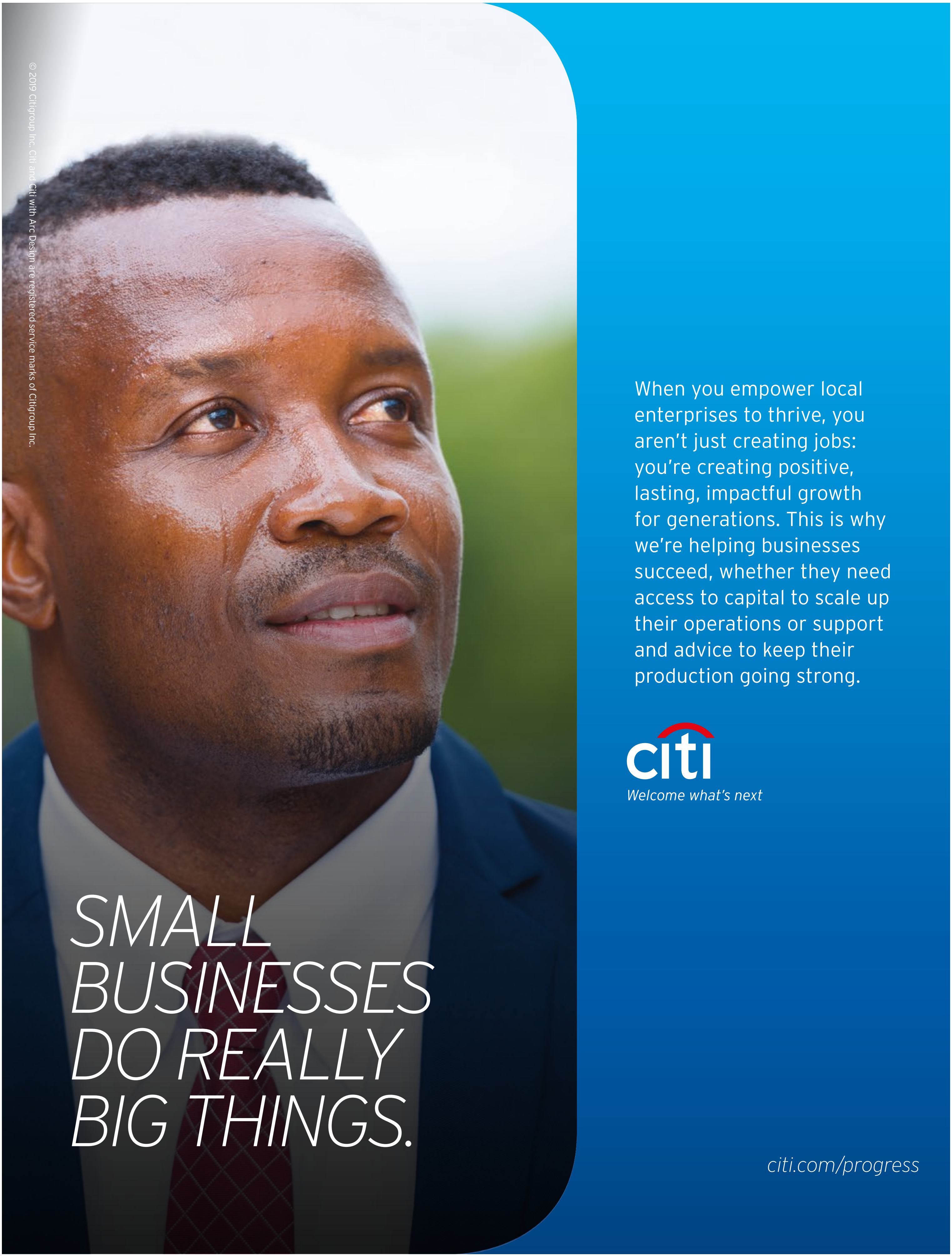
The Uganda Microfinance Regulatory Authority (UMRA) which was created under the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 and commenced in July 2017, is expected to restore investor and consumer confidence in Uganda's microfinance industry whose reputation had been damaged by the rampant fraud in SACCOs and the unethical practices by some money lenders.

Many actors in agriculture especially smallholder farmers access financial services from this Tier of financial institutions. In addition, the Financial Institutions (Amendment) Act, 2016 provided for Agent Banking in Uganda. Agent banking, will go a long way to improve access to formal banking services and thus enhancing financial inclusion especially in rural areas. This financial year, the Government has allocated 1 trillion (approximately 3.2 percent of the FY 2019/2020 budget), to agriculture in order to achieve targets of the Agriculture Sector Plan. Key interventions for this year include training farmers and extension workers in improved agronomic practices and other new modern production and harvesting technologies; providing a combination of inputs including soil testing kits, fertilizers and improved seeds, constructing and maintaining small irrigation systems, modal communal aquaculture parks and launching the organic fertilizer factory in Tororo, among others. Furthermore, the Government together with other partners under the Agriculture Finance Platform are working to finalize the National Agriculture Finance Policy and Strategy. This policy aims at improving timeliness, regularity, relevance and coordination of policy responses to the financing issues and needs of the Agribusiness Sector.

The above efforts notwithstanding, more investments are required to enable agriculture attain its full potential. As a nation, we must devote our minds and efforts to tackling the challenges that agriculture faces in a more holistic way. The role of transforming agriculture from subsistence to commercial is for all stakeholders including the government as well as private sector players.

I look forward to the outputs from this conference to provide us with useful and innovative solutions to reduce the risks that farmers and other sector players face.

I wish you all very good deliberations.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mastercard

Turning smallholdings **into big business**

The Mastercard Farmer Network (MFN) digital platform is helping smallholder farmers in Uganda run their farms like enterprises

For smallholder farmers like 61-year-old Nathan Kasendwa, farming has always been a labour-intensive exercise, with unpredictable profits subject to the impact of the elements, unexpected market changes, and variable running costs.

Kasendwa, a primary school teacher by profession, now cultivates 11 acres of land at Serinnya Balla Kitofaali village in the Masaka district. He – like many other farmers in the region – grows mixed crops as well as rears livestock.

But unlike most other famers, Kasendwa has become a technology evangelist, applying the best and most relevant technologies to improve his yields and those of other farmers in the county.
"Because we are living in a global world we must embrace new technologies," he says. "Technology empowers Africa's people and markets."

Instead of spending all of his waking hours labouring on his farm, Kasendwa now spends much of his time online, learning to improve his farming methods, following market trends and communicating with other farmers in his network. And his digital approach is paying dividends.

Kasendwa depends on Mastercard's Farmer Network (MFN) platform, a solution purpose-built by the Mastercard Lab for Financial Inclusion in Nairobi, Kenya, and now being rolled out in East Africa and India. MFN digitises marketplaces, payments, workflows, and farmer financial histories, and it increases farmer linkages to markets and formal financial services. MFN helps farmer producer organisations to support and communicate with farmers and enables buyers to easily order, collect and pay farmers. The system supports farmer profiling, and enables financial service providers to process payments and issue credit and other services.

"As a community facilitator who moves around the community talking about new technology to farmers, I am an active member of MFN and demonstrate its benefits in my own business," says Kasendwa. The platform reduces labour, the cost of doing business and enables timely payment, he says, as well as increasing transparency and confidence around pricing.

"I find MFN supports easy registration and documenting of farmer information with less paperwork, improves bargaining power for the members of the farming community, and increases confidence of the farmers in the group," he says.

MFN is demonstrating to the farming community that agriculture is a business like any other business, and that technology is key to improving operations and profits, he says.

Smallholder farmers are critical to developing economies across the globe, yet many remain marginalised and face barriers to improving their livelihoods. MFN turns this challenge into an opportunity to offer a simple, standard interface for farmers and buyers that facilitates greater efficiency in the agriculture value chain and empowers smallholder farmers to operate like first world businesses.


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Unlocking the power of data to **foster business efficiency and growth for banks**

Introduction

The introduction of Credit Reference Bureaus (CRB) in Uganda was major milestone to reducing barriers to growth in private sector credit as well as reducing the cost of credit. Before CBRs, the infrastructure for information sharing and unique borrower identification has been non-existent. As such, Financial Services Providers (Commercial Banks, Credit Institutions and Microfinance Deposit-taking Institutions) had no way of checking and sharing information on the credit history of borrowers exposing them to high credit risk on account of inadequate information on borrowers' creditworthiness. This inevitably had a bearing on raising the cost of credit.

The need for establishment of CRB services in any financial system arises because of the information asymmetry between lenders and borrowers. The CRB gathers credit information on borrowers and helps participating institutions (mostly lenders) assess their clients' credit behavior, level of indebtedness and credit worthiness with the objective of avoiding or minimizing the risk of default.

Compuscan CRB Ltd has been collecting credit data in Uganda since 2008. To date, over 1.6million borrowers have their records and data loaded on the bureau. Since its introduction in Uganda, banks have used bureau data to assess and identify negative credit/loan management behaviour.

The result of this has been an increase in borrower sensitivity and improvement in the way borrowers manage their debt. Repetitive positive credit behaviour increases a borrower's reputational collateral which facilitates financial inclusion as a substitute to the traditional physical collateral requirement that has for long been a limitation to accessing credit from the formal lenders. Over time the increase in reputational collateral has a spill over effect onto the quality of credit in the country as it translates into lower default rates. For this reason, borrowers become more responsible debt managers.

Today, lenders in Uganda are making quick and well-informed credit decisions using bureau data. This is demonstrated by the improvement in loan application turnaround time and increased confidence in adoption of non-traditional credit delivery models. New service delivery channels such as the internet and mobile phone have been embraced by the lenders as one of the many ways they can reach out to their clients. The use of technology to integrate with the bureau enables customers to access loans instantly without going through the lengthy loan application process. Integration allows the bank's core banking system to pull bureau information into the bank's direct-to-consumer solutions thereby facilitating automated loan processing.

The lender calls the bureau through an Application Programming Interface (API) that has been designed to suite this type of business and, in return, the bureau analyses the borrower's credit profile and returns a credit score.

Compuscan
a CSH Group company

Unlocking the power of data to foster business efficiency and growth for banks

The credit score provides a summarised interpretation of the borrower's bureau report/ behaviour ranging from 'bad' to 'good'. The borrower with the least credit score normally has the worst credit behaviour on the bureau and the reverse is true. The lender selects the lending score cut off point within the credit score band based on the his/her risk appetite. The cut-off point is the definition of that lender's acceptable risk appetite and this differs from one lender to another. Only those clients that pass the score cut-off will be considered eligible for credit in an automated lending environment.

The process above is a manifestation of how participating institutions are using technology to increase the value that CRBs bring to the market. However, to maximize the value of credit information services, lenders need to do much more including but not limited to the solutions highlighted below:

1. Know Your Customer (KYC) Verifications

CRBs store and continuously update consumer data whenever a borrower accesses credit from a participating financial institution. Financial institutions can then use this information to verifyverify their customers' bank account details and determine their latest information through a look up on the latest information supplied by other participating institutions to the bureau. Compuscan provides a simplified and streamlined way to effectively verify bank account information through a secure web service interface or through a batch process which minimises transactional errors and saves unnecessary costs.

2. Automation of Credit Decisions

Using bureau data, lenders can automate the credit decision making process. The Compuscan decision making matrix (CODIX) is a loan application tool designed to help automate decision- making for consumer credit products based on specific business rules. The rules are designed and defined by the lender based on the lender's risk appetite, loan policies and procedures. In addition to automation of the credit decisions, CODIX will assist the bank to manage high lending volumes and ease the interpretation of credit information. The rules are verified online for each application submitted by the branches to head office. This tool also eases the monitoring of loan processing speed across the bank and can be used to identify delays in the closing of loan applications at both credit officer and branch levels. This tool is designed for institutions that strive to achieve the highest level of efficiency and effectiveness in the management and automation of their credit decision making process.

3. Credit Scoring

The introduction of CRB services has led to introduction of credit scoring in Uganda. Credit scoring is the easiest way banks (lenders) can predict consumer credit risk across all vertical markets throughout the credit life cycle. Through adoption of credit scoring, lenders can extend credit with confidence and have access to summarised bureau information for informed decisions. Bureau data is summarised into a three-digit score and consumers are classified into three risk bands based on several strongly predictive variables built on bureau data.

Compuscan' s scorecard is developed using advanced data science and analytics to provide a suit of three key scores A, B & C. Compuscore A is the Acquisition risk evaluation score which helps lenders predict the probability of a default event occurring at the time of writing the loan.

Compuscore B is the Behavioural risk evaluation which predicts the on-going default risk in a 12-month outcome period during the life of the loan while Compuscore C is the Debt Collection assessment evaluation and helps clients predict the probability of receiving payment on overdue accounts under distress conditions.

Through the use and adoption of credit scoring, banks can make split decisions about their clients' credit worthiness depending on each bank's risk appetite. The scorecard scale allows a bank to define a cut-off for its preferred customers and only those loan applications that pass the score cut-off are processed. Banks can now lend with confidence, manage their loan exposure and prioritise collections. Credit scoring further directly informs the bank's risk management, marketing and collection strategies.

"

Advanced data analytics can help a bank gain competitive advantage.

4. Triggers and Alerts

Client loan management can sometimes be a challenge to many lenders. Many institutions do not interact with their customers throughout the life of the loan and only pick interest in the event of default (for collection purposes), or at the time of their loan renewal applications. Using bureau data, banks can create triggers and alerts for changes in their clients' profile throughout the loan cycle. These alerts simplify the loan monitoring process and trigger interaction between the bank and the client on a regular basis and in a timely manner. Only those clients that hit the rules will be alerted to the bank on an ongoing basis, thereby enhancing client-relationship management and minimising risk of default or attrition.

5.Cross-selling Opportunities

Outside of the lending environment, our data and information services are also used by clients to understand customer profiling, segmentation and behaviour which allows the client to identify cross-selling opportunities within the existing customer information profile.

6.Advanced Analytics

Today, data and analytics form part of many organisations' strategic initiatives. However, conversion of data into realisable value has remained a challenge for many organisations. Many institutions spend valuable time and resources analysing data without creating tangible insights which quite often leads to analysis paralysis. Failure to realise this value erodes the institutions' ability to balance risk and growth, thereby leading to losses due to poor business decisions or lost business opportunities.

Advanced data analytics can help a bank gain competitive advantage by improving decision-making, increasing efficiency, accelerating growth, maximising revenue, minimising risk and optimising customer service. By using the power of data and our analytical expertise, we help you gain insights into your business that you can apply. Compuscan's solutions are tailored to your business's needs, from solving a problem to auditing and improving models and systems that are already in place.

The above solutions present an insight into how banks can use bureau data and our analytics expertise to increase their value preposition. Similarly, these solutions create more efficient and intelligent ways of doing business, thereby saving valuable time that can be diverted towards strategic discussions and planning. As the bureau environment matures in Uganda, it is critical for all participating institutions to tap into the additional value created by the CRBs to accelerate business decisions and client value-offering. The developments create an opportunity for banks to gainfully innovate at minimal cost thereby enhancing their innovative capabilities.

Stanbic Bank
A member of Standard Bank Group

Stanbic Bank playing a key funding role in Uganda's agriculture sector

Stanbic Bank supports the agricultural key sector which accounts for over 24% of GDP by providing financial support in form of loans, credit facilities and overdrafts to farmers, agro-processors and aggregators, agriculture related industries, cooperatives and key players in Agricultural value chains across the country.

In 2018, the bank provided facilities worth **UGX 360 billion** annually to the agricultural sector, by far the largest amount of any commercial bank in Uganda. In addition, the bank also plays an important role in providing foreign currency advisory services to farmers and other agricultural stakeholders who are dependent on imported inputs to reduce risk by hedging themselves against exchange rate fluctuations.

With Stanbic Bank's wide branch network spread across the country, it is able to o support the rural areas. This is particularly the case in the peak harvest periods when the bank provides the much-needed financing and lines of credit that allow large scale buyers to purchase produce from small holder farmers. Stanbic also plans to be more involved with small holder farmers by developing products more suited to their size and needs hence the reason the bank recently launched an Agri-financing partnership with Consortium for enhancing University Responsiveness to Agribusiness Development Limited (CURAD).

Growing with our clients

Stanbic Bank continues to support the growth of businesses in agriculture. Among the key areas in agriculture where the bank is involved include; tea, sugar, coffee, cocoa, grain and much more across the regions.

In the tea sector for example, Stanbic Bank is a key player funding both the small factories and large tea estates through revolving credit facilities which are of the utmost importance when it comes to Agribusiness financing for the harvests and the provision of financial instruments such as Letters of Credit for importers of agricultural inputs and machinery plus trade finance facilities.

A key client with Stanbic is Rusekere Tea growers, a large-scale tea processor and buyer, located in Fort Portal. Stanbic provides about 90% of all the loans and credit needed by the company in its operations and investment activities. The business relationship between the bank and Rusekere started in 2012 when the owner of the company decided to scale up his operations and requested for and was given a loan of USD 2 million by Stanbic to finance a new production line.

Stanbic Bank playing a key funding role in Uganda's agriculture sector

This allowed the company to significantly increase its processing capacity which at the time was about 1.5 million tonnes of tea leaves a year. Today, Rusekere Growers Tea Factory exports over 3.5 million tonnes of tea and is in the process of investing in a third tea production line to further increase its export capacity. Rusekere Tea growers employs 250 workers directly and indirectly 1,200 out-growers and other service providers in the process supporting an ecosystem of about 7,000 Ugandans.

Another Key subsector that the Bank Finances is the grain. Stanbic has financed and is continuing to support the expansion of grain storage and processing facilities for key industry players in the formal grain trade. Notably is the Nile Breweries Agroways partnership and the Uganda Breweries Grainpulse partnership in which the two companies are the preferred procurement and storage of local raw materials for production of beer that include maize, sorghum, barley and cassava.

The Grain Financing is not limited to the two partnerships but also several SME traders that procure, aggregate and trade in grain.

Stanbic bank Uganda limited is one of the major participants in the Agricultural Credit Facility (ACF) set up by the Government of Uganda (GoU) in partnership with Commercial Banks. The Scheme's operations started in October 2010. with the aim of facilitating the provision of medium and long term financing to projects engaged in Agriculture and Agro processing, focusing mainly on commercialization and value addition. Stanbic Bank Uganda Ltd was declared the best performing Commercial Bank 2019 in disseminating the Government of Uganda funded Agricultural Credit Facility (ACF) by Bank of Uganda

Stanbic agribusiness financing has played a key role in enhancing agriculture development in Uganda through provision of working capital and term facilities for the agriculture sector. This has had a pull effect of providing off take of primary agriculture produce from farmers, enhanced use of locally produced raw materials in the agroprocessing industries and contributed to foreign exchange earnings through facilitation and financing of export of agriculture commodities. This has created employment and businesses along the agriculture value chains.

OPPORTUNITY BANK

Since inception in 1995, Opportunity Bank Uganda Limited has established a strong rural outreach across the country with a positioning that allows it to foster rapid and inclusive economic growth in agricultural communities and ensure smallholder farmers and agribusinesses are provided with opportunities to grow their incomes across a wide range of agriculture value chains.

With 30% of its overall loan portfolio committed to agriculture, Opportunity Bank is supporting over 29,000 farmers and 200 agribusinesses in terms of financial literacy training, saving and financing. OBUL has one of the best agriculture value chain financing models that harnesses the power of its shareholder Opportunity International's agriculture support programmes that help farmers from "farm to fork". The main area of financing is in production, which is generally perceived as having high risk. We mitigate risk through multiple partners including insurance companies, aBi Trust and Bank of Uganda, to name a few.

In line with our mission of Offering innovative technology-led financial solutions and training to transform lives of ordinary individuals, micro, small and medium size entrepreneurs, Opportunity Bank has motivated the youth into Agriculture by using a technology-driven approach that involves innovative farmer-training and capacity building programs. This has appealed to many rural youth, empowered them with agricultural skills and exposed them to farming practises and sustainable development and empowerment.

Pre-recorded and locally produced training is provided via WhatsApp in the form of short videos to young farmers to build their skills in areas such as pest and disease management, implementing irrigation systems, pruning coffee trees, planting and cultivating new coffee trees, harvesting sorghum at optimal times, and post-harvest storage for maize. This innovation has proven to have a higher knowledge retention compared to face to face once –off training.

Videos are not more than 10 minutes and are **narrated** in **local language,** with English subtitles, **compressed** and **c**an be **easily shared** on smartphones or tablets

Other initiatives include:

- *Piloting a semi-automated scorecard to predict farmers' credit scores much more efficiently and accurately*
- *Piloting asset-based financing to help farmers purchase or lease tractors*
- *Digital loan applications for agricultural loan officers to complete in the field with farmers, reducing the need for farmers to travel far distances.*

  Agriculture holds the greatest potential to create jobs and drive economic growth. This is an area that Opportunity Bank will always be committed to serve.

dfcu Agribusiness
FACILITATING GROWTH

TRANSFORMING AGRI-BUSINESS IN UGANDA





In partnership with Rabobank, the largest agri-bank in the world, we offer customised agri-solutions to meet your needs. Additionally, we offer a vast range of specific finance and products along the value chain that take into consideration the specific characteristics of the sector including seasons, price fluctuations and climate disruptions.

dfcu Save for Loan

- Loan amounts of up to UGX 50 million
- Loan tenor of up to a period of 24 months
- No repayments during the grace periods
- Flexible repayment structure tied to expected cash-flows
- Agric/ crop insurance premiums integrated in the product offering.

dfcu Agri Asset Finance

- Attractive interest rates
- Flexible repayment structure
- No need for collateral as the asset to be acquired is the collateral
- Repayment period of up to 60 months
- Linkage to renowned agri equipment suppliers with after sales support.

dfcu Farmer Group Account

- No account maintenance fees
- Attractive interest rates on your savings
- Free intra-transfer between the farmer group account and group members
- Account is linked to mobile banking for mobile payments
- No early redemption fees charged on loan facilities
- Free capacity building and financial literacy trainings for members.

dfcu Agri-Production Loan

- Attractive interest rates
- Loan tenure of up to 24 months
- No repayments during grace periods
- Grace periods offered on loan repayments
- Linkage to well renowned agri-input supply companies
- Fast loan processing to ensure that farming activities are timely carried out.

Agricultural Credit Facility (ACF)

As on of the partner financial institutions, the Bank contributes 50% and government also contributes 50% towards agriculture loans

Interest rates for as low as 12%
Loan amounts of up to UGX 2.1 billion
Loan tenure of up to 8 years and grace period of up to 3 years depending on your cashflow.

For more information, call us on 0800 222 000.

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Pride fosters **Agriculture**

Pride Microfinance Ltd (MDI) (Pride) continues to support base of the pyramid Ugandans, with 17% of its portfolio falling under agricultural loans, owing to the fact that 69% of households in Uganda are employed in the agricultural sector.

Pride supports the entire value chain, under the following categories:

1. Primary Agriculture: which involves food production and raring of livestock. Farmers are able to access loans with flexible grace periods to enable them pay back at harvest times. Farmers take up loans to prepare the land, plant crops, weed, spray and other accompanying activities related to production.

2. Secondary agriculture, involving the middlemen and any value adding activities leading to the delivery of the products from the farm, to the consumer. Transportations services, market vendors among others play in this category.

3. Tertiary agriculture, involving provision of services to primary and secondary agricultural production. Veterinary services, hatcheries, farm supplies, advisory/demonstration services among others are supported under this category.

Through serving Ugandans at the base of the economic pyramid, Pride's services have gone a long way in creating employment especially for the youths and women, enhanced food security and social welfare of individuals in communities. Our annual Progress out of Poverty Index (PPI) surveys indicated that 25% of our target clientele were able to progress out of poverty in 2018. This can be seen from the different testimonies of some clients, with one narrated here below:

My name is Muteganda Frank, aged 69, a farmer and resident of Kakoni village, Kakoni Parish, Kyamuhunga Sub County in Bushenyi District.

I first got to know about Pride, when I saw their stickers on Ishaka branch. When I got back to the village, I interacted with neighbors who were getting Pride group loans, one of whom happened to be my son, Johnson Tugumisirize.

My first loan was Ugx 1.5m and now am servicing my fifteenth loan of Ugx 28m as an individual. I have serviced all these loans within the 10 years I have been with Pride. These loans have helped me improve my social wellbeing, and also build stable sources of income.

Through Pride's loans, I have been able to acquire tea shambas worth Ugx 32 m. I have tea nursery beds worth Ugs 50 m. I also bought 2 water pumps for irrigating my crops during the dry seasons. I established a farm supplies shop to help myself and colleagues access farming inputs at reasonable prices. My stock currently stands at Ugs 40m.

In addition to tea farming, I was also able to establish a winery, and to-date it is worth over Ugx 100 m. I also have a banana plantation. with steady income from farming, I have been able to build rental units to supplement my income. These units are currently valued at Ugx 300 m.

Am grateful to Pride for their flexible agriculture loan products, which have flexible grace periods, and competitive interest rates.

Whereas the sector is growing at a relatively steady pace, it has had its fair share of challenges. Unpredictable climate conditions, exacerbated by dependence on rain-fed agriculture, low technological adoption, price fluctuations, limited access to extension services, and low quality inputs continue to hamper growth. These challenges notwithstanding, the agricultural sector has enormous potential to transform the economy. Booming domestic and regional demand for higher-value foods arising from income growth, urbanization, and dietary shifts offer massive opportunities for farmers, and for value chains beyond farm production, and better jobs in agriculture.


My Muteganda in his tea nursery.


Mr Muteganda (center) in his tea plantation.


Mr Muteganda (center) in his banana plantation.

Highlights **from ABC 2018**

Panelists at the Annual Bankers Conference 2018

Banks take stock of risk in the financial sector.

Threat of global trade wars worry banks

The threat of global trade wars and retaliation could trigger challenges ahead according to discussions emanating from the annual bankers' conference held on 17th July 2018 at Serena Conference Center Kampala under the auspices of Uganda Bankers Association

In 2007/09 there was a crisis labelled the credit crunch while in 2010/12 there was the euro zone crisis. Banks are concerned that the recent trade policy shifts (Protectionism) especially by the USA and potential retaliation by China coupled with the potential impact of Brexit in Europe could pause challenges thereby affecting capital flows across the world, leading to tightening of financial conditions, challenges of accessing capital and debt vulnerability. There has been an increasing war of words regarding trade between leaders of some of the developed nations and how well underlying trade friction is resolved will determine movement of capital and related issues like balance of payments and exchange rates. The conference noted that for countries like Uganda challenged by a weak export base, the shilling could remain under pressure in the medium term, since oil related inflows are likely to come much later to offset widening of the current account deficits if global trade challenges persist.

The shilling has been under pressure since April 2018 on account of the global strengthening of the dollar, demand pressures in the market arising from offshore investors, oil, telecoms, and manufacturing sectors among others. There has also been some speculative behavior. Portfolio investors could however provide some stability and appreciation in the interim.

Highlights from ABC 2018: **Banks take stock of risk in the financial sector.**

Domestic Developments

Conference participants noted that after Uganda registering an average GDP growth rate of 6.5% between 1990-2014, growth rates eased to an average of 4.2% until 2016/17 moving to 5.8% in 2017/18 on account of growth across all sectors of the economy and specifically services growing by 7.3% compared to 5.4% in the previous year, Industry by 6.2% compared to 3.4% in the previous year, while agriculture grew by 3.2% from 1.6% in the previous year. However, it was noted that public investment mainly in the form of upgrading infrastructure across the country was not yet boosting productivity to full capacity yet it is coming at a high cost. Participants also noted that Uganda's debt has grown by nearly 60% since 2013/14 (Currently 39% of GDP) and could rise as Government looks for more money to increase oil related infrastructure works. The change in structure of debt was equally noted with more coming from bilateral arrangements especially with China. There was consensus that spending on infrastructure therefore needs to be thought out more carefully with return on investment in mind.

Private Sector Credit

In discussing the challenge of delayed settlement of domestic arrears which is crippling both the borrowers and by extension the banks themselves through non-performing loans, participants noted that supplementary budget requests to non-priority sectors made after budget approvals were among the leading causes of non-realization of budget goals and objectives due to cutting and diversion of funds from their originally intended uses. Participants also identified concentration risks as an issue with only 5 sectors (Works and Transport, Energy and Mineral Development, Education, Debt Interest payments and Security) taking nearly 67% of the Government Budget.

Banks were called upon to expand credit across all sectors including emerging sectors like hospitality and tourism. Private sector credit (Ugx 12 trillion) is currently distributed across sectors with building, mortgages, Construction and real estate taking 21%, Trade (20%), Personal and household loans (18%), Agriculture (13%), manufacturing (12%) and the rest of the sectors combined taking 16%.

Insights into the Kenya experience so far with the capping of interest rates were shared noting that the amendment in the banking act 2016 had not succeeded in increasing credit and uptake by small scale borrowers and households as intended by reducing the cost of loans and was instead significantly stifled uptake. According to a study by the Kenya Bankers Association, since the introduction of legislation that pegs the price of loans at 4% above the prevailing central Bank Rate (CBR), there had been a significant slowdown in private sector credit access by SMEs. The enforcement of the interest rate ceiling also skewed credit in favour of established businesses. Although the average loan size increased by 47% in the period under review, the level of access to the lower cadre of the economy reduced, says the report. The report further notes that the credit market has settled on short term and secured loans and that this can be retrogressive for startups. According to the report, the current operating environment has heightened sensitivity to risk among lenders. The interest price ceiling has also occasioned a crowding out effect, making government securities more attractive avenues than private sector enterprises the report says. The conference noted that the role of banks is not to limit their investments in Treasury instruments, hence turning them into fund managers, but to intermediate in the economy by proving credit to expand businesses and productivity.

Highlights from ABC 2018: **Banks take stock of risk in the financial sector.**

Banking Sector Regulatory oversight

Conference participants also called on governments and especially politicians to insulate and let regulators do their work professionally to avoid interference. Experiences were shared from Zimbabwe where regulators and financial safety net players faced numerous challenges arising from political interference that worsened performance and stability of the banking and financial sector.

Beyond adverse macro-economic conditions occasioned by mis-management of the economy, other causes of bank failures were identified as poor corporate governance, insider lending, non-performing loans, and under capitalization. It was noted during the conference that protracted legal processes constrain central banks, also slowdown pursuit of parties at fault as well as realization of assets and debt recoveries. The delays lead to stripping or concealment of assets or collateral that would have been recovered as well as abandonment of operations of related businesses.

The conference noted that mitigating failures and fostering bank stability is not limited to regulators only but the entire governance eco system of the economy, anchored by both an effective supervisory framework able to identify excessive risk taking and concealment quickly and a well-articulated safety net framework where deposit protection provides insurance through sufficient coverage so that the burden is shared.

Corruption

The conference took note of the impact of corruption and financial loss therein that has greatly impacted on service delivery. Banks were called upon to join hands with institutions like the economic crime and cyber units of the police, the anti-corruption court and civil society groups championing the fight against corruption. Banks were also challenged to pursue fraudsters who falsify credit eligibility documentation as well work with the judiciary and law society to call to order lawyers who shift cases from one court e.g. commercial to another court (land division) in a bid to buy time and delay resolution of cases through numerous injunctions. For genuine defaulters, banks were encouraged to have mediation and arbitration as first options before pursuing long litigation processes.

Security of Systems

On the sidelines of the conference, the security of payment systems now rapidly growing across the region was discussed including the need for adoption of security standards and the setup of a national payment fraud management services framework subscribed to by all players in this space as some of the ways of mitigating potential risk of fraud in payment systems.

The framework would facilitate tracking, monitoring, blacklisting and sharing of fraud experiences, vulnerabilities and recommend or enforce mitigation measures as appropriate.

Key Conference takeaways

Some of the key take-away' s from the conference included the following.

- Technology remains a big game changer that will shape many new business models.

Highlights from ABC 2018: **Banks take stock of risk in the financial sector.**

Banks were cautioned that it is not the bigger players who will necessarily survive, but the ones faster in adapting to change.

- Financial stability should not be the end by itself especially if it will constrain innovation. Banks are encouraged to remain innovative and specifically shift and drive financial inclusion from just enabling transmission of payments to a more transformational growth that empowers communities accessing more financial services.

- Agriculture still remains the backbone of our economy and more effort must be put in crafting ways and means of making it attractive for financial institutions to channel private sector credit to the agricultural sector. Banks stand a high chance of reaping benefits if they leverage the size of the agricultural sector and the potential in technology. (Theme for 2019 Bankers Conference)

- Government needs to develop a sound and more coherent industrialization policy which could deliver better productivity gains rather than only focusing on sharply increasing expenditure on infrastructure projects.

- Promoting local content is key to boosting growth of the economy. Financial institutions need to churn out more products and services that support this important value chain feeding the bigger players.
- Public Investment management needs to be carefully thought out so as to avoid white elephants and to ensure such projects actually boost local productive capacity.
- Banks need to properly advise their clients on USD borrowing, costs and risks therein to avoid default as the trade wars potentially escalate.
- Regulators need to be insulated from political interference.
- Other key regulatory initiatives to minimize bank failures discussed at the conference include,

  o *Development of an effective consolidated risk based supervision framework especially for large and more complex financial institutions so that supervisors have a full appreciation of risks and exposures that cross legal entities and business lines and to empower them with ability to impose restrictions as a backstop at any point.*

  o *Revisiting capital requirements as well as the treatment of off balance sheet exposures.*
  o *Using regulatory sand boxes to cope with risks arising from product innovations vs absence of full-fledged regulatory frameworks.*
  o *Strengthening cooperation and collaboration on cross border supervision and oversight.*

  o *Enhancing consumer protection especially by ensuring consumers are better informed.*
  o *Establishment of an industry special purpose vehicle for asset reconstruction and management that can among others acquire NPLs from banks to clean up and strengthen bank balance sheets while reconstructing viable businesses for the benefit of the economy.*

Deposit Protection Fund of Uganda
YOUR DEPOSITS ARE PROTECTED

The Deposit Protection Fund of Uganda (DPF) is a legal entity created by the Government of Uganda to ensure that depositors are paid their protected deposits in the event of failure of a contributing institution (A contributing institution is one which is licensed by Bank of Uganda and periodically makes a financial contribution to the DPF. These include: Commercial Banks, Micro finance Deposit Taking Institutions and Credit Institutions).

The DPF, which is also referred to as the Fund, was established as a legal entity following the enactment of the of the Financial Institutions (Amendment) Act, 2016. The process of operationalizing the Fund commenced in April 2017 with the inauguration of the Board of Directors by Honorable Minister of Finance, Planning and Economic Development.

Frequently Asked Questions

1) **What is the mandate of the DPF?**
- To contribute to financial sector stability by ensuring that protected deposits are paid on time in the event of failure of a contributing institution, hence building public confidence in the financial sector.
- To act as a receiver or liquidator of any closed contributing institution if appointed by Bank of Uganda.
- To perform such other functions as may be conferred upon it by law.

2) **How is the DPF funded?**
- Annual Premium. All contributing institutions make an annual premium payment to the DPF.
- Investment Income. The contributions are invested in Government of Uganda treasury instruments and this helps to increase the fund size.

3) **How does the DPF compute and collect the annual premiums?**
- Annually, DPF serves contributing institutions with a notice specifying the expected annual premium amount and the period within which it should be paid.
- The annual premium is at least 0.2 per cent of the average weighted deposit liabilities of the contributing institution over the previous financial year.
- The annual premium should be paid to the Fund in the period not more than twenty-one days after the date of service of the notice.
- A contributing institution which for any reason fails to pay its premium to the Fund within the period of 21 days is liable to pay a civil penalty interest of one half per cent of the unpaid amount for every day outside the notice period on which the amount remains unpaid.

4) **How does the DPF compute and collect the Risk Adjusted Premiums?**
- If the Central Bank ascertains that the affairs of a contributing institution are being conducted in a manner which is detrimental to the interests of depositors, it may, by notice, increase the contributions of that contributing institution beyond the annual premium stated above.
- The increased contributions are referred as Risk Adjusted Premiums. These are based on the quarterly ratings resulting from the BoU's quarterly off-site financial analysis reports.
- A Contributing institution whose overall performance shows an unsatisfactory or marginal rating shall be charged on a quarterly basis as follows:
  - Marginal: additional charge of 0.1 percent of the average weighted deposit liabilities on top of the annual contribution.
  - Unsatisfactory: additional charge of 0.2 percent of the average weighted deposit liabilities on top of the annual contribution

5) **Where does the DPF keep the money it receives from contributing institutions?**
- The money received from contributing institutions is deposited in an account held at Bank of Uganda.
- These monies are then invested in assets with minimal risks such as government of Uganda treasury bills and treasury bonds. Income from the investment is reinvested.
- In the event of failure of a Contributing Institution, and subsequent receivership, a depositor of that Contributing Institution can lodge a claim with DPF. Claim forms will be readily available to the public.

6) **Who are covered by the Deposit Protection Fund?**
- All depositors of contributing institutions.
- The coverage is per depositor per contributing institution.
- Joint account holders are treated as separate persons for the purposes of payment of protected deposits.

7) **Are all financial institutions in Uganda members of the Deposit Protection Fund?**
No. Only those financial institutions licensed and supervised by Bank of Uganda are members of the DPF.

8) **How much compensation am I entitled to when a contributing institution closes?**
- Currently it's up to three million shillings per depositor per contributing institution. However efforts are underway by DPF to review this limit.
- It should be noted that DPF determines the 'protected deposit' for payment purposes, by getting the total deposits of an individual in a particular contributing institution and deducting any liability of that individual to the institution.

9) **How soon can the customer get his money from a contributing institution which has been closed?**
According to the Financial Institutions Act, 2004 as amended, depositors will be paid within ninety (90) days of closure of the contributing institution. DPF will nevertheless, ensure that depositors get their money earlier than the time period provided for in the law.

10) **Do depositors need to pay money to the Deposit Protection Fund of Uganda?**
No. It is only contributing institutions that are required to pay money to the DPF.

11) **How do I know if my deposits are insured?**
As long as your deposits are with a contributing institution which is regulated by Bank of Uganda and the amount is within the current protected limit of three million shillings, they are protected.

12) **What happens to the rest of my money?**
Deposits above the insured limit will be paid by the liquidator after the assets of the closed institution have been sold off. The amount paid out will depend on the recoveries made.

13) **What kinds of deposits are covered by the Deposit Protection Fund of Uganda?**
- All types of deposits received by a contributing institution in the normal course of business are protected. These include savings, current accounts and fixed deposits.
- It also includes foreign currency deposits though these will be converted to Uganda shillings using BoU determined closing mid exchange rate on the day the institution was closed.

14) **How does the DPF contribute to financial sector stability?**
- DPF protects a large percentage of retail depositors. More than 90 percent of the depositors in the sector are fully covered by the UGX 3,000,000 limit.
- DPF creates confidence in the financial sector by ensuring that customers are paid their deposits in time in the event a contributing institution is closed.
- Contributing institutions endeavor to put in place adequate risk management systems in order to avoid penalties levied by the DPF.

15) **At what point might DPF be called upon to pay insured deposits?**
In ensuring financial sector stability, the DPF works closely with the Bank of Uganda. BoU has a range of options it can use to ensure that contributing institutions exit the sector without inconveniencing depositors. As such, the Bank of Uganda would advise DPF to pay depositors out of the fund, as the very the last option. This is in line with the International Best Practice.

Your deposits are protected

Highlights **from ABC 2018**

Key Messages from Government and UBA

The Annual Bankers' Conference (ABC 2018) was held on Tuesday 17th July 2018, under the theme "Financial Sector Stability: Managing Risk in Growing and Fast Changing Environment"

The conference was officially opened by the Prime Minister who noted that Financial sector risk has evolved tremendously over the years and continues to change and crystalize from different angles.

The UBA Chairman Mr. Patrick Mweheire noted that in Uganda, Banks are currently operating in a challenging environment of high cost to income ratios, low coverage and penetration among the bankable population, increasing regulatory requirements and a population hungry for alternatives.

He highlighted that as a sector and arising from previous year's conference, Banks were taking steps to review cost structures and put in place strategies to rationalize resources, leverage shared infrastructure to expand outreach and penetration and harness benefits that arise from economies of scale which can then be passed on to customers through lower transaction costs.

Banks are structuring more collaborations with several partners like Fintechs, the Financial Sector Deepening Unit, GIZ, aBi Trust, NITA Uganda, Institution of Surveyors and Valuers, Uganda Law Society, Thomson Reuters and MasterCard among others to build synergies for alternative and cost effective service.

Mr. Mweheire thanked the Government of Uganda for various policy and legal frameworks that have enabled the financial sector register various milestones including legislative and governance frameworks that addressed money laundering and financing of terrorism concerns.

Highlights from ABC 2018: **Key Messages from Government and UBA**

The UBA Chairman also drew the attention of the Prime Minister to some of the industry concerns that by extension impact the rest of the economy including the fiscal policy directions and signals that instead raise the cost of delivery of financial services and could put to risk the national financial inclusion strategy that was launched in October 2017, reversing the gains achieved from the various combined initiatives being implemented by different partners. Such un-intended consequences work against our overall common goals he said.

Regarding infrastructure development, He noted that the 1% stamp duty on bonds and guarantees risk not only making delivery of projects much more expensive, but were heavily constraining contractors particularly large infrastructure projects because of the upfront cash flow requirements for tax purposes even before commencement of works.

Banks also expressed concern over the choice of priorities of Government expenditure and allocation of resources, emphasizing the significant loan exposure by borrowers due to delayed or non-payment of service providers to Government who would have taken loans from commercial banks to finance such services. The Chairman said as result of this, non-performing loans arising from non-settlement of Government arrears has had a bearing on bank non-performing loans (NPLS). NPLs impair Bank Capital, impact interest rates upwards as pricing for risk, which constrains lending appetite, and private sector credit growth, which in turn affects trade and economic growth, since Government is the largest business driver.

Mr Mweheire cited the Agricultural Credit Facility (ACF) where banks have yet to benefit fully from the 50% guarantee to claim recoveries, simply because of the new and burdensome approval process for write off/ claims, yet an MOU was in existence when Banks started subscribing to the scheme. As a result, he said, banks have had to carry 100% risk on the ACF. He added that the above trends if combined with the challenges of delayed resolution of recovery cases in the commercial courts for reasons ranging from case backlog to shortage of judges risked further constraining credit growth and the absence of credit growth in the banking system can be a big limiting factor to the growth of any economy.

> “UBA also drew the attention of Government towards strategies for attraction of foreign direct investment......

Banks expressed concern over the slow pace in progressing important pieces of legislation related to Data Privacy and protection which risk exposing financial institutions to legal challenges and loss of customer confidence if they do not feel adequately safeguarded in terms of information risk.

UBA also drew the attention of Government towards strategies for attraction of foreign direct investment which is usually reinforced with stability signals like adherence to contractual obligations, security of investments, coupled with monetary and fiscal policies and noted that in the recent past, statements and events in the market touching sectors like the concessions in the electricity sector and raid of the data center of one of the Telecoms companies could be misunderstood however well-intentioned they may be.

The manner in which some of these actions are undertaken could impact confidence levels and send discouraging signals to long term capital markets and investors globally the Chairman said.

Highlights from ABC 2018: **Key Messages from Government and UBA**

He also highlighted the levy of 20% Withholding tax on financial investment instruments, which was not in harmony with rates in this sub-region as another tax regime that discourages investors from subscribing to instruments in Uganda.

These signals impact on the flow of foreign direct investment inflows, country credit ratings and overall attractiveness of a country as an investment destination. Our global competitiveness ranking has lately declined from 113 in 2016/17 to 122 out of 190 economies in the 2017/18 financial year he said.

In the absence of a strong private sector coupled with weak export earnings, growth in an economy may be constrained and the usual first signals are volatility of exchange rates, imported inflation, and large forex loan exposures therein when converted to local currency.

For his part, The Minister for Finance, Hon Matia Kasaija reiterated the ministry's commitment to creating an enabling environment that ensures overall macroeconomic stability, boosting investor confidence and promoting the growth and stability of the financial sector. He said prioritization of the sectors of road works and energy including Hydropower, Oil and Gas Sector among others were part of this commitment.

Among other initiatives, we put in place a Financial Sector Development Strategy which will facilitate the growth and development of a strong, sound and stable financial sector Mr. Kasaija said. He welcomed the request by the bankers Association for periodic structured engagements with the Ministry and promised to review the various fiscal policy concerns that risk negatively impacting on the financial sector.

Regarding, the challenges faced by the Banking sector relating domestic arrears, the minister said Government was addressing the issue and in the 2018/19 financial year national budget, provision was made for Shs735b to settle domestic arrears. This is double the amount (Shs364b) provided for the previous financial year and as revenue collection improves with the various measures we are putting in place; we will give priority to this matter he said.

Regarding the Data Privacy and Protection Bill, now in parliament, my Ministry will engage the office of the speaker of Parliament to have this prioritized and fast tracked to conclusion in this budget year.

The Prime Minister Dr Rugunda while addressing the conference said Government was giving priority to anchor sectors like ICT and other social infrastructure to facilitate lower costs of doing business, attract more investment and expand sources of revenue for development.

Government recognises that technology is changing the way we interact and do business. Through the Ministry for ICT and the National Information Technology Authority Uganda (NITA-U), we have progressed the implementation of all the three phases of the National Backbone Infrastructure (NBI) he said.

The NBI is an optical fibre cable that aims to connect the entire country to the internet. Currently, 2400 Kilometres of fibre cables has been laid across the nation connecting 33 major towns, 344 MDAs, Local Government (LG) sites and Government service centres (Hospitals, universities).

Phase four has commenced and will extend the ICT backbone to the Northern and Eastern districts of Pakwach, Nebbi, Arua, Yumbe and Koboko, Adjumani, Katakwi and Moroto.

This infrastructure has facilitated connectivity especially in areas that are not commercially viable for the private sector, creating potential for the use of electronic banking channels in those areas.

Highlights from ABC 2018: **Key Messages from Government and UBA**

In addition, Government is in the process of integrating information systems so that data can seamlessly be shared across Government systems in a rational, secure, efficie

This integration will cover different sector systems to foster secure, convenient but most importantly rational sharing and re-use of data among information systems of the various sectors including yours he said.

Dr Rugunda said, Government of Uganda is implementing the Government e-Payment Gateway, using services of existing payment service providers such as banks and mobile network operators, as a platform for electronic payments. The Gateway is anticipated to facilitate the transition to less usage of cash which will benefit a majority of financial institutions, meaning, the more digital the payments, the less the operational costs for banks and other financial institutions.

The above developments must be complimented by a legal framework conducive to a digital economy. The government has facilitated the enactment of several laws to cater for various types of electronic transactions including the Electronic Transactions Act, Computer Misuse Act and now the Data Privacy and Protection bill soon to be concluded he said.

The government through the Ministry of ICT has set up the National Information Security Framework (NISF) through NITA-U. NISF serves as a structure for guiding information security activities in Uganda in addition to presenting a common approach for addressing information security issues both within and outside the government of Uganda.

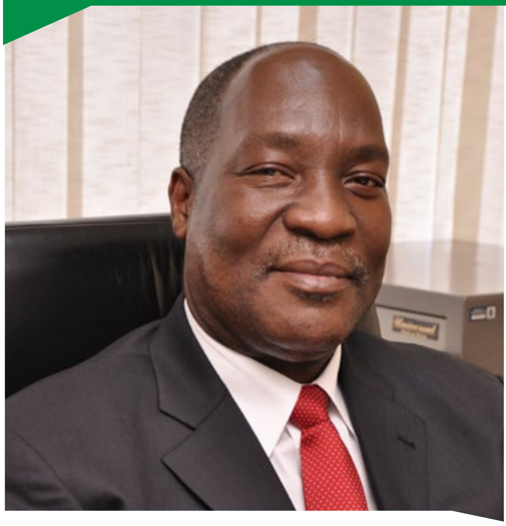
On the regulatory and risk management front, The Prime Minister said Government facilitated the passing of amendments to the anti-money laundering and anti-terrorism act along with other complimentary laws to strengthen how Uganda can counter terrorism financing.
The Financial Intelligence Authority has been strengthened to oversee and ensure financial integrity working hand in hand with the other financial sector regulators.

He also noted that discussions were going on around payment systems and soon a legislative framework for this space would be tabled in parliament in recognition of the fast changing developments taking place.

The Prime Minister congratulated the Uganda Bankers Association for launching the Shared Agent Banking system (SABS) on the 25th of April this year whose objective is to enable connectivity of bank agents and to deliver the much needed basic banking services across the country.

We support this direction, we have high expectations and call upon all parties to embrace these channels.

Albert Saltson CEO, Standard Chartered Bank on **Financial Services Digitization and the future of Banking**



Question 1: What does tomorrow's bank look like. I would like to get your bank's take on at least five ways or more we will bank in the future.

Ans

As time progresses, banking customers are becoming increasingly sophisticated, are more knowledgeable and their expectations are increasing. Customer behaviour and expectations are quickly adjusting to a world where products are provided instantly on their mobile devices; thus, the banking of the future should enable customers to carry out all their financial needs on the comfort and convenience of their mobile devices.

Banks therefore need to step up and continuously offer user-friendly and round-the-clock services to remain relevant, profitable and attain the growth they desire.

This simply implies if the Banking sector doesn't embrace change immediately then change will forcefully change it. The Analysts are predicting that in the future:

Firstly, Banking will see increasing collaboration between fintech and traditional financial services firms. Traditional banking will slowly be crippled by competition from savvy tech partnerships and forward-thinking institutions.

We also can't rule out mega-mergers and acquisitions between fintech unicorns, bigtech organisations and banks as the markets begin to experience the inevitable shake up. Banks will have to leverage more on collaborations with Fintechs which are providing services such as payment services to clients. The lines between banking and fintech companies are likely to blur driven mostly by consumer demand.

Secondly, the banking of the future will rely on and use big data analytics of customer data to provide customised and personalised products to clients depending on their needs. Marketing as we know it today will shift intensively to the digital platform.

In the future, Banks' core infrastructure will no longer solely consist of physical branch structures as branches are being used less intensively, the return on these physical assets will decline – and banks will inevitably have to choose to invest their money elsewhere. Case in point, European banks closed down over 9,000 branches in 2016 – which was a 4.6% reduction in a single year.

Furthermore, Banks' digital servicing will further overtake branch servicing, a trend we are also witnessing in Uganda and Africa already.

We shall also see more investments in IT in the future as well. Such investments are inevitably driving improvements in banks' digital systems, and those banks who invest smartly in digitization will reap the rewards.

Lastly, the bank of the future will need to invest in up-skilling their workforce as manual and repetitive tasks are increasingly digitised or hire more digitally savvy employees.

Standard Chartered

Financial Services Digitization and the future of Banking

2: Digital banking:

Question 2: How is Digitization shaping today's banking? What services can one expect digitally?

Ans:

The growth of the digital economy is creating a watershed moment for the banking industry and changing the equation of how clients are served. Significantly, Uganda like most of the rest of Africa is heavily pushing the technological changes, particularly driven by the high mobile penetration.
While clients are still predominantly using banks for the vast majority of their financial needs, from deposits, to home loans, to credit cards and payment services, the competitive battleground is on how clients are served.

A new generation of young, affluent clients are quickly becoming the majority of financial services users. They are digitally-savvy and expect a seamless client experience from all retailers, including their banks. They are more likely to embrace new types of service providers, including non-bank financial service providers.

A case in point is our recently launched Standard Chartered Mobile App. It's been strongly embraced by the young affluent clients who enjoy the convenience of opening up an account end to end within 15 minutes without having to visit a branch. They want flexibility, so their cards are delivered to a point of their convenience within two days and they can access more than 70 services online like; activating their cards, PIN change, transferring money to mobile money or any other account, paying bills, and much more. They aren't keen to visit the branches and prefer having control over their banking 24/7.

The future is therefore bright and promising for Banks that are digitizating and what can be expected in the future is that Banks will launch more Digital innovations in partnership with Fintech companies e.g. Video banking will become the norm. Imagine sitting in a taxi in Uganda traffic, you log on to your mobile device and see all your banking activities at a glance. You have a question about what investment options are available to plan for your future, so you press a button to talk to your relationship manager. She then links you up via video to an investment advisor who answers all your questions and gives you options which fit your risk profile and investment horizon. How convenient and quick it will be, without having to stand in a queue at a branch! This is already happening in some markets.

There is a lot of untapped potential so we can expect the digital banking to unfold in many unexpected ways once we move away from digitizing traditional banking services to inventing digital banking services.

Question 3: What does digital banking offer that the traditional banking does not?

Ans:

The biggest difference between traditional banking and digital banking is a physical presence. To stay competitive and ensure our customers are satisfied, most traditional banks have incorporated internet or digital banking in their services. Online portals allow customers to view their balances, transfer money, open new accounts and even apply for a mortgage to buy a home or invest — all of which is available 24 hours a day, seven days a week unlike physical branches.

Digitization is making banking easier, faster, cost effective and safer for everyone. Client loyalty is built on ease of use, security, 24/7 access and a fuss-free, seamless mobile and online experience. Their expectations of how banks and other businesses serve them are highly influenced by technological and digital innovations. Overall, clients who have embraced digital banking enjoy a consistent mobile and online banking experience e.g. usernames and passwords, beneficiaries, standing instructions

Standard Chartered

Financial Services Digitization and the future of Banking

and bill payees are replicated across both channels simplifying banking further. Banks therefore have to invest in customer service that supports the digital solutions to ensure client fulfilment. In Standard Chartered, we pride ourselves on being "Digital with a Human touch". Digitization does not mean absence of the human touch, rather, resources and a support system have to be in place to ensure that the customer journey is satisfactory.

Digital banking is also creating inroads in overcoming some of Uganda and Africa at large's greatest challenges –one of them being the distinct lack of access to banking services for large parts of the population. Only 4 years ago, an astounding 66% of Sub-Saharan Africans did not have a bank account. Now, Africa has been described as a "leapfrogger" with the application of a technology driven economic model to reach the unbanked.

Question 4: What is the market response in terms of users? Is digital banking for everyone?

Ans:

Digital banking opens endless possibilities for both banked and unbanked users. I dare say, Digital Banking is for everyone. Learning from the experience of the Standard Chartered App, we have seen new clients who were previously not banked become banked. Users especially the young and savvy are attracted by the freedom, ease and convenience our digital solutions offers them. People living in areas where Standard Chartered has no physical presence can now enjoy and be part of the bank.

Despite the low penetration levels of smart phone, literacy levels among other social, cultural and economic factors, the uptake is steadily growing as mobile phone penetration also rises and we are optimistic that in future, more people will embrace digital banking.

Question 5: What challenges does it pose?

Ans:

Banks are facing a lot of competition from the Telecommunication and Fintech companies with the advent of mobile money. The number of Mobile money users is currently over and above 18.5 million from a mere 10,011 eight or so years ago. This represents over 47% of the population. A couple of years ago there were 6 million accounts in the formal banking sector which makes it 15% of Uganda's population. While the Central Bank is pushing for increased financial inclusion we have a long way to go.

Other players like the smartphone companies e.g. iPhone and social media giants like Facebook are also penetrating the financial services sector with sophisticated innovative products and services. For instance, this week's announcement by Facebook to roll out a digital currency (Libra) in 2020 will significantly impact the future of banking. We are still studying the likely benefits, the associated risks and impact.

E – Fraud or Cybersecurity resulting from increased digitization by Banks which has made many banks invest in enhancements and 2 factor authentications.

Fintech companies rolling out unconventional banking services. According to the World Fintech Report 2017, 50.2% of banking customers across the globe are using the products and services of at least one fintech provider. In addition, it was found that tech-savvy consumers are supplementing traditional banking services with fintech solutions at twice the pace as less tech-savvy consumers and much more.

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The Financial Intelligence Authority – Uganda

THE ROLE OF THE BANKING SECTOR IN COMBATING MONEY LAUNDERING AND TERRORISM FINANCING.

Money laundering is the process of turning illegitimately obtained property into seemingly legitimate property. This includes concealing or disguising the nature, source, location, disposition or movement of the proceeds of crime and any activity which constitutes a crime.

Criminals who steal money through corruption, fraud, smuggling and human trafficking or through commission of any other crime, seek ways to move money through financial systems without being detected by Law enforcement Agencies such as Police or the FIA. Banks are therefore vulnerable as a platform that enables individuals, and criminal entities to hide proceeds and move or store their money, faster, deeper, and cheaper than other forms.

Sydney Asubo,
Executive Director, Financial Intelligence Authority

Organized criminals seek to use Banks to move money beyond the reach of regulators and Law Enforcement Bodies who are currently implementing stronger Anti-Money Laundering and Countering of Terrorist Financing (AML/CTF) measures to protect the formal financial sector from abuse.

Recent advances in technology coupled with globalization and the resultant integration of financial systems have offered and will continue to offer more sophisticated means to conceal ill-gotten proceeds and move them through the financial system using a complex web of transfers and other means. Therefore to fight the twin vice of ML and TF, Government enacted the Anti-Money Laundering Act, 2013 and established the Financial Intelligence Authority (FIA) to fight Money Laundering and Terrorism Financing.

Anti-Money Laundering (AML) refers to a set of procedures, laws and regulations designed to stop Money Laundering. The AML measures are enshrined in the various laws enacted and regulations put in place to criminalize predicate offences which generate proceeds which are laundered. This demonstrates that Government of Uganda is committed to the fight against ML/TF.

Our AML/CFT framework, is anchored on the 40 recommendations of the Financial Action Task Force (FATF) which is the global body responsible for setting and reviewing Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) international standards. In 2012, Uganda was referred to the International Cooperation Review Group (ICRG) process of the FATF (grey list) for deficiencies arising from its 2005 AML/CFT Mutual Evaluation.

In 2017, Uganda was removed from the FATF grey list after putting in place adequate AML/CFT measures to comply with identified deficiencies. This was good for our economy especially the financial sector because of the significant impact such indictments would have on Banks' correspondent relationships and foreign direct investments.

The AML/CFT National Risk Assessment Report, 2017 indicates that the financial sector especially banks have vulnerabilities which are attractive to money launderers, therefore, the banking sector risk was rated as Medium high. This is mainly due to the weaknesses and deficiencies in the enforcement of AML controls. Remedial measures have been put in place to mitigate such weaknesses and build a more robust framework that protects our Banks and broader economy from these twin Vices.

HOW IS MONEY LAUNDERED?

Money laundering consists of a three-stage process. The first stage involves the placement of proceeds derived from illegal activities- the movement of proceeds, normally currency- from the scene of the crime to a place, or into a form, less suspicious and more convenient for the criminal. For example, a criminal organization may purchase gold from artisanal miners using cash and place it in gold to hide its existence or conceal the ownership.

Layering constitutes the second stage of the laundering process and involves the separation of proceeds from the illegal source through the use of complex transactions designed to obscure the audit trail and hide the proceeds.

Integration, the third stage of money laundering, represents the conversion of illegal proceeds into apparently legitimate business earnings through normal financial or commercial operations. Integration creates the illusion of a legitimate source for criminally derived funds and involves techniques as numerous and creative as those used by legitimate businesses to increase profit and reduce tax liability.

OBLIGATIONS OF ACCOUNTABLE PERSONS (CASE FOR BANKS)

The Anti-money Laundering Act 2013 lists various entities and Individuals in the second schedule as Accountable Persons. The laws also place specific reporting obligations on these persons.

All Accountable persons, including banks, are subject to the following obligations.

1. Registration with the Financial Intelligence Authority, Just like all other Accountable Persons, Banks are by law required to register with the FIA, This registration is done once by the entity or the individual and is free of charge, The FIA issued Regulations, and the law requires that all accountable persons to have registered by end of year 2016. This requirement is emphasized in the 2015 Anti-money Laundering regulations. We are happy to report that all banks have complied with this requirement.

2. Carry out Customer Due Diligence (CDD) on all clients. All Banks are obliged to carry out Client Due Diligence (CDD). The law stipulates when and how CDD is carried out. It emphasizes the use of simplified CDD for low risk customers and enhanced due diligence for the high risk customers. Due diligence should also be carried out for all customers immediately before the commencement of transactions, banks must avoid transactions involving transactions that occur anonymously, with little to no record identifying the client, or the source and purpose.

3. Putting in place Approved Anti Money Laundering and Countering the Financing of Terrorism Polices (AML/CFT).All Banks are by Law required to develop AML programs/policies that are Regulator approved. Each Entity must specify the methods it will use to identify customers and the information that needs to be collected from them to ensure sufficient transparency (KYC Procedures), including internal controls and procedures to manage and enforce compliance with the law.

4. Proper KYC when dealing with Third Parties. In line with FATF Recommendation 17 and the AMLA 2013, where a bank relies upon a third party to supply/source or offer some of its services, where such reliance is permitted, the ultimate responsibility for CDD measures remains with the bank.

5. Monitoring and reporting suspicious activities.

Banks have a responsibility to monitor customer activity for any suspicious financial activities. All banks must monitor and report suspicious transactions as soon as after forming the suspicion but not later than two working days. This should be submitted to the FIA with documentation forming the basis of the suspicion.

They are also supposed to Record and Report cash and monetary transactions exceeding 1,000 currency points (20,000,000/=) in form A to the FIA. All large transactions, multiple cash and monetary transactions which all together exceed the prescribed amount and are undertaken by or any one person in one day shall be treated as a single transaction and should be reported to the FIA.

6.Maintaining AML records. All Accountable Persons are obliged by Law to maintain all documents that relate to suspicious activity, transactions reports submitted to any external authorities and records of training given to staff members.

The AMLA requires all accountable persons to maintain documents for a minimum period of 10 years. Maintenance of records should be in a form that can enable the entity/ financial institution to comply with requests for them.

FREQUENTLY ASKED QUESTIONS

1. Who is a money launderer?

A money launderer is a person or a group of persons that are in possession or control of the proceeds of a crime or of the assets that represent the proceeds of illegal activities such as fraud, theft, drug trafficking, or any other crimes.

2.What reports are received by the Financial Intelligence Authority?

In order to discharge its functions, the FIA receives information from various sources. These include:

- **a)** Suspicious Transaction Reports;
- **b)** Large Cash and Monetary Transactions Reports; and
- **c)** Cross Border Movement of Currency and Negotiable Bearer Instruments Reports

3. What is a Suspicious Transaction?

A suspicious transaction refers to a transaction which is inconsistent with a customer's known legitimate business or personal activities or with the normal business for that type of account or business relationship, or a complex and unusual transaction or complex or unusual pattern of transactions.

4.What are the main offences relating to suspicious transaction reporting in respect of ML and TF?

The main offences include:

- **(a)** Failure to report suspicious or unusual transactions, contrary to section 125 of the AMLA).
- **(b)** Tipping off (Section 117 of the AMLA).

5.What is a person's legal obligation or responsibility in respect of reporting ML/TF?

When a person knows or suspects that, any property represents:

- **(a)**The proceeds of crime or other indictable offences or is intended to be used in connection with such offences, or
- **(b)**Terrorist property, he or she should, as soon as reasonably practicable, report such information to the FIA

6.Is a person making a suspicious transaction report protected from prosecution when they have reported knowledge or suspicion of money laundering?

Yes, making an STR can protect a person from being subsequently prosecuted for the offence of dealing in property that is the proceeds of crime or an indictable offence, in the circumstances provided for State legal provision. Section 37 of the AMLA 2013.

7.15. Is the identity of the person filing a suspicious transaction report protected?

The identity of the person filing an STR is strictly confidential. Access to the disclosed information is restricted to Financial Intelligence Authority Officers only. The AMLA 2013 impose tight restrictions on revealing the identity of the person making the report. FIA considers that maintaining the integrity of the relationship, established between reporting entities to be of paramount importance.

8.What are some quick links to resources that can provide more information on this topic?

- **(a)** ESAAMLG Website (www.esaamlg.org)
- (b) FIA website (www.fia.go.ug)
- (c) FATF's website for International guidance and statements (www.fatf-gafi.org)

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dfcu Bank is 'Making more Possible' through **Agriculture Financing**

Edward Ssenkindu, Senior Manager Agriculture and Informal sector, dfcu Bank

Introduction

Uganda's agriculture gross production value (based on farm gate prices) is estimated at more than USD One Billion. At face value, growing populations and rising affluence across the African continent and globally means there are enormous opportunities for our agricultural produce, which should assure the sector a continued productive future. The opportunities ahead are more than just keeping pace. According to the United Nations, the world needs to produce around 75 per cent more food over the next 40 years just to keep in step with global population growth, which is expected to top 9 billion by 2050. In fact, our own East African region is home to more than 145 million people and growing.

The Graph below shows Agriculture GDP trends in Uganda (Figures in UShs Billions)

Source: Tradingeconomics.com/Uganda Bureau of Statistics dfcuBANK ...with pleasure

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Back here at home, urbanization is growing at an average rate of 5% per annum. This implies a steadily increasing demand for food and processed agri-products in the urban areas.

According to the World Bank collection of development indicators, 2014, agricultural land constitutes 71.9% of the total land area of Uganda and currently, approximately 34.4% is arable. Uganda has fertile soils and produces a variety of products and at full utilization, Uganda has the capacity to feed close to 200 million people (The New vision newspaper 20th September 2017).

The sector therefore presents an immediate and most realistic opportunity of transforming the economy, and as a country we need to be right at the heart of the real action to tap into these immense opportunities. According to the Ministry of Finance Planning and Economic Development (MOFPED,2019), the demand side for agricultural finance in Uganda is dominated by agricultural microenterprises (agri-MSMEs). MSMEs (including smallholder farmers) in Uganda collectively constitute about 90% of private sector production.

Challenges facing the sector

The World Bank (2018) identified the major challenges as:

a) Inadequate or ineffective policies;
b) Poor quality inputs;
c) High transaction costs to reach remote rural populations;
d) Poor organisation and management of cooperatives and farmer groups;
e) Uncontrolled and uncoordinated production; market, and price risks;
f) Absence of adequate instruments to manage risks;
g) Low levels of demand due to fragmentation;
h) Poorly functioning value chains;
i) Lack of expertise of financial institutions in managing agricultural loan portfolios, and
j) Lack of access to capital due to limitations of bank acceptable collateral

As a result of the above and other factors, many agri-MSMEs suffer from acute and intractable issues of efficiency, productivity, revenue streams, resiliency, profitability and viability of enterprises. This is further complicated by the regulated financial institutions' limitations to develop appropriate financial products for agri-MSMEs. This is particularly in terms of product type, size, tenures and grace period, interest rates, repayment schedules or packaging of complementary services (for example: technical assistance, savings, insurance).

Access to Markets

The export sector of the Ugandan economy has recorded tremendous recent growth, with agricultural products accounting for over 60 percent. The growth in agricultural exports is largely attributed to a series of institutional reforms designed to modernize the economy and increase productivity. The result of these reforms has been increased private investment and a reduced role for direct government interventions in the agricultural export sector. However, some gaps remain that reduce the efficiency of the markets; Ugandan farmers continue to have limited access to markets in developed economies. Moreover, the evolving structure of export value chains globally has resulted in Ugandan smallholders facing increased competition from high quality producers elsewhere.

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Transforming Agriculture

Any transformative interventions need to address the challenges faced by the smallholder farmers and Agri -SMEs, if there is to be any significant impact within the sector. This is the time to start addressing the issue of low yields and the quality of products produced by the small holder farmers. To improve quality and production there are, apart from access to markets, four other elements that are essential:

- Capital
- Skills improvement
- Good Inputs and
- Infrastructure

Banks and other financial institutions can provide the capital, but this can only be successfully done once all the other elements are in place as well. In other words, how can a loan be repaid if the seeds do not germinate in time or how can a loan be repaid if the farmer is drying the maize in the open air on the ground? Indeed, a lot is being been done by the key stakeholders, but a more orchestrated and consistent approach is needed to accelerate the transformation of the sector. This acceleration calls for private sector involvement to some degree.
dfcu contribution

A Strong heritage

dfcu has a strong heritage as a provider of affordable financing to viable private sector projects. For the last 55 years, dfcu has transformed several commercial agri- Business enterprises in Uganda and is associated with many success stories. Using our suite of flagship products like leasing, term loans and Trade Finance, we provide a mix of working capital, medium and long-term funds to match the business needs of large scale agricultural enterprises.

Focus on Agriculture

The ambition of dfcu Bank is 'to be the leading player in the sector'. To drive this focus and strategy, the Bank with support from Rabobank, established a dedicated agribusiness unit in 2013, which is tasked with product development, deal structuring, new client acquisition, act as a knowledge centre for internal consultations and support internal staff training and capacity building. The agribusiness unit supports all agri customer segments with dedicated relationship managers for the corporate and commercial clients while the retail clients are served by agricultural loans officers that sit in the different branches.

Investment in staff training and development to enhance understanding of agricultural finance is central to the Banks focus on agriculture. The trainings cut across the agribusiness segment to upskilling all employees involved in the assessment and processing of agricultural deals.

Supporting small holder farmers

The Bank is supporting the transformation of the small holder farmers through financing and capacity building of farmer organizations/ associations engaged in viable agriculture projects. The 'save and borrow' farmer group scheme allows small holder farmers to save and access loans to buy agri inputs that are essential to improve yield quantity and quality. Already this scheme has been successfully extended to all regions of the country.

How can commercial banks reach small holder farmers who are located deep in the countryside in a viable way? To address this challenge, banks are rolling out other alternative channels beyond the conventional ones like putting up more branches in rural places. dfcu has introduced mobile banking and agent banking respectively to extend access to financial services.

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Yokuku Poultry farm in Semuto, about 50kms outside of Kampala City

A farmer group workshop in progress, facilitated by the ADC

Tailored solutions

In the agri business sector, dfcu is supporting financial intermediation for certain value chains with far-reaching impact on the Ugandan economy. The value chain financing schemes cover major commodities such as: Tea, Coffee, Oilseeds, Maize, Poultry, Sugar, Sorghum, Barley, Rice, Poultry and Diary. The Bank has conducted value chain studies to better the understanding of these value chains, their financing needs, the opportunities and key risks. The Knowledge from these studies has in turn informed our product design to match the existing realities. Products and solutions offered include the following:

- **Agriculture production loans** meant to finance purchase of inputs for primary production, payment of labor and harvesting and on farm postharvest activities.
- **Working capital loans** for other agricultural value chain actors such as produce traders, aggregators and processors.

- Agriculture Asset financing for purchase of agro-machinery and equipment such as tractors, ploughs, agriculture transport vehicles and infrastructure developments such as warehouses, livestock handling facilities, valley dams and irrigation infrastructure.

- **Savings and cash flow-based loans and overdrafts** to finance any agricultural need based on savings or account turnover for clients who may not have any other tangible collateral.

- **Multiperil crop/ livestock insurance** as a mitigant to production related risks.

Building strong partnerships

dfcu Bank is one of the leading implementers of the Agricultural Credit Facility (ACF) which has been specifically tailored by the Bank of Uganda to address the challenges associated with lending to Agriculture. Using its own resources, the Bank is able to match the funding accessed under the ACF scheme to support several Agri-businesses to expand and modernize their operations.

As a key participant under the ACF scheme, we have provided facilities to several agricultural projects on terms tailored to meet their unique needs with tenures of up to 8 years and at fixed interest rates as low as 12% p.a on Uganda shillings loans. In June 2019, the Bank received recognition in seven categories at the 1st Annual ACF Awards emerging the overall winner in having the highest absorption rate in terms of value loans disbursed.

While it's one thing to have a bouquet of financial services available, it's another for the farmers to take them up. In order for farmers to benefit from financial institutions they need to be bankable. This simply means that the farmers can demonstrate their ability to manage and successfully repay any financing advanced to them.

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Cognisant of this challenge, dfcu Bank in partnership with Rabobank Foundation set up the Agribusiness Development Centre (ADC) in November 2017. Both dfcu and Rabobank Foundation injected a combined USD 2.8million (UGX 10 billion) for the next five (5) years into the Centre.

The ADC complements the efforts towards improving the skills set within the sector, by providing technical support to Farmer Based Organization's (FBOs) that have potential to contribute to the agricultural value chain. The training is intended to transform the FBOs & cooperatives and make them bankable to work as vehicles for delivery of financing to smallholder farmers in an economically viable model to the bank.

To date, at least 6,015 farmers have received training in three modules covering financial literacy, introduction of cooperatives, and governance. The ADC has also been able to incorporate smart solutions to reach more farmers using its USSD based financial literacy training application SIMU+. Over 2000 farmers have been trained using SIMU+ since its launch in 2018 September. The training initiatives will be further supported by the development of an e-Learning platform.

Monitoring and evaluation is critical to the activities of the ADC. It is against this background that on online Monitoring & Evaluation based platform, to share key results with all stakeholders, was developed in partnership with Laboremus and Rabo Foundation.

There are also efforts, by the ADC in liaison with other partners, to leverage technology for extension of financial products to farmers. Currently under pilot is the Emata App that digitises the dairy sector and gives farmers access to digital and affordable financial products. Bugerere Dairy Cooperative with a membership of over 300 farmers is one of those that has benefited from this initiative. The App builds a credit history through digitising milk delivery systems in Uganda. Based on this credit history, Emata can provide credit to farmers at interest rates that are low enough to finally allow farmers to use the benefit of credit to invest in the productivity of their farms.

For the last six years, dfcu has partnered with other stakeholder in the sponsorship of the Annual Best Farmers competition which is an opportunity to provide a platform where outstanding farmers are identified and supported with exposure visits to the Netherlands. To date over 50 farmers have benefited from the exposure visits. Upon their return, the farmers in turn train other farmers on their farms which has proven to be a very effective and practical knowledge dissemination method as a supplement to the conventional extension. The event hasn't only identified and elevated such leaders for others to learn from but also generally improved public perception towards agriculture as a profitable and rewarding venture.

dfcu Bank recognises the support from its partners including the Royal Dutch Embassy, RIAS (the technical arm of Rabobank), the New vision, the Agro consortium, Abitrust, USAID DCA, EADB rural fund, BOU as an administrator of the ACF with whom they we have and continue to walk this journey.

Conclusion

When provided with appropriate financial products & services, appropriate skilling and training and market networks, agricultural value chain players can are realize benefits that improve income, financial management, and economic resilience which ultimately translates into better livelihoods and sustainable bank customers hence enabling the bank to fulfil its mission

The above initiatives implemented between 2013 and 2019 have seen the bank grow its agri portfolio by 344% and the number of "agriculture customers" by 77%. Additionally, the agricultural sector exposure has grown from 8% to 16% of the total loan book with non-performing loans (NPAs) being maintained below 5% over the 5 years.

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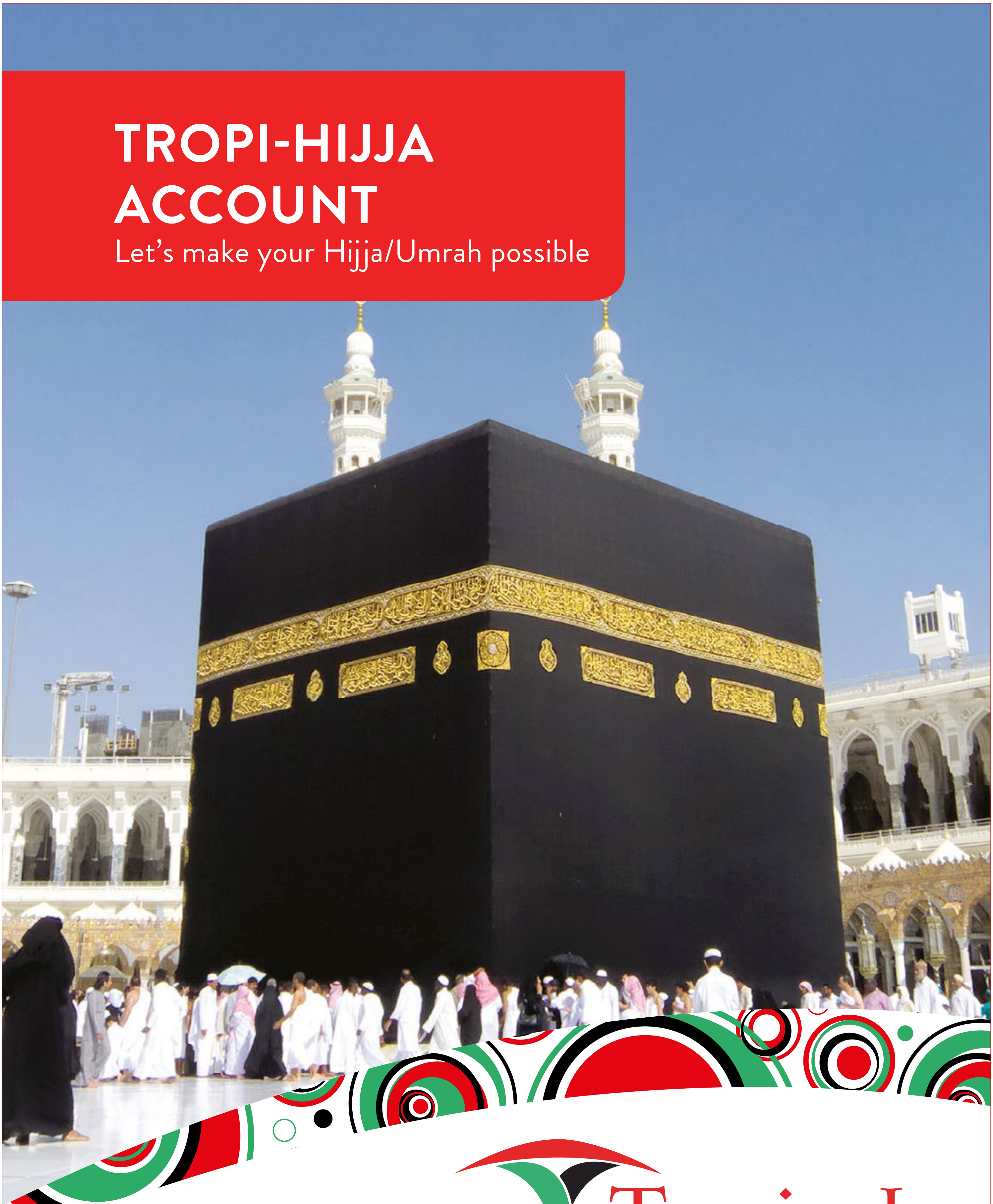

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Developments and Milestones since the 2018 Annual Bankers' Conference

Minister of Finance Hon. Matia Kasaija and UBA Vice Chairman Rakesh Jha shake hands at the launch of the Shared Agent Banking System on 25th April 2018.

Launch of the International Centre for Arbitration & Mediation in Kampala (ICAMEK). Working in collaboration with the Uganda Law Society, the Uganda Bankers' Association (UBA) officially launched a private sector led arbitration Centre (the International Centre for Arbitration & Mediation in Kampala) on the 25th April 2019. The establishment of ICAMEK was triggered by the growing number of commercial disputes. Consequently, the demand from various stakeholders was to have an effective dispute resolution mechanism that fosters the growth and development of business in Uganda. The Private Sector Foundation, the Uganda Insurers Association and the Justice, Law & Order Sector (JLOS) are amongst the institutions that have supported this venture. ICAMEK has also received tremendous support from the Judiciary led by the Chief Justice and Principal Judge, Bank of Uganda, the Association of Architects, the Institution of Surveyors and Valuers, Uganda Manufacturers' Association, KACITA (Kampala City Traders Association) and the Institute of Chartered Public Accountants, among others. ICAMEK has commenced the performance of its roles by offering trainings to promote and maintain a high calibre of arbitrators and mediators in the country. These arbitrators and mediators will be governed by a code of conduct to ensure professional ethics are observed. The Centre will also propose model dispute resolution clauses to be used in contracts/ agreements and provide access to a repository of online resources covering key arbitration topics.

Financial Sector Development Strategy: UBA has contributed to the drafting and continues to work with the Ministry of Finance to finalize the Financial Sector Development Strategy 2019 - 2025. The strategy aims at articulating and formulating a holistic financial sector strategy towards common vision and contribution to the economic growth and development.

The Prime Minister of the Republic of Uganda, RT. Hon Ruhakana Rukunda, who was the Chief Guest at ABC 2018 poses with other delegates and sponsors at Kampala Serena Hotel.

National Agriculture Finance Policy and Strategy: The Uganda Bankers' Association is working closely with Ministry of Finance, Planning and Economic Development together with other partners under the Agriculture Finance Platform to finalize the Agriculture Finance Policy and Strategy. This policy aims at improving timeliness, regularity, relevance and coordination of policy response to the financing issues and needs of the Agribusiness Sector. The policy will lead to improvements in outreach, speed, cost, effectiveness and appropriateness of Agribusiness finance products and services. The policy is also aims at strengthening the institutional and human capacity of financial services providers and their clients, for effective development, delivery and usage of Agribusiness finance products and services.

Fiscal Policy Issues: The Uganda Bankers' Association has held a number of fruitful engagements with the Ministry of Finance and the Uganda Revenue Authority through which a number of fiscal issues including tax amendments and alternative revenue sources have been discussed. Key issues discussed include stamp duty on insurance performance bonds, bank guarantees, indemnity bonds and other similar debt instruments as well as interest on government securities.

Information Security (Data Protection and Privacy Act, 2019): We are grateful to government for the enactment of this act that protects the privacy of the individual and of personal data by regulating the collection and processing of personal information; to provide for the rights of the persons whose data is collected and the obligations of data collectors, data processers and data controllers; to regulate the use or disclosure of personal information; and for related matters.

Europay, MasterCard, Visa (EMV) compliancy: we are happy to report that 19 Commercial Banks are fully EMV Compliant while 3 banks progress underway.

AGRICULTURE LOAN

The Seasonal Production Loan helps you finance the acquisition of production and productivity enhancing the resources at Farm level during a given production season of a given commodity.

They are accessible to clients engaging in agricultural production for acquisition of improved input like Seeds and Seedlings, Fertilizers, Feeds, Crop protection, Veterinary Drugs, hire of mechanized equipment for field preparation, hire of labor and meeting marketing- related expenditures.

To acquire any of the four agro Care loans, one must hold a PostBank account and provide one of the following as collateral;

- Titled properties land titles, motor vehicles and motor vehicle log books, Tractor logbooks and engineering plant logbooks
- Individual deposits / savings with PostBank Uganda
- Field crops and livestock on the borrowers, farm
- Guarantor's savings or Guarantors pledged assets
- Household chattels (Assets)

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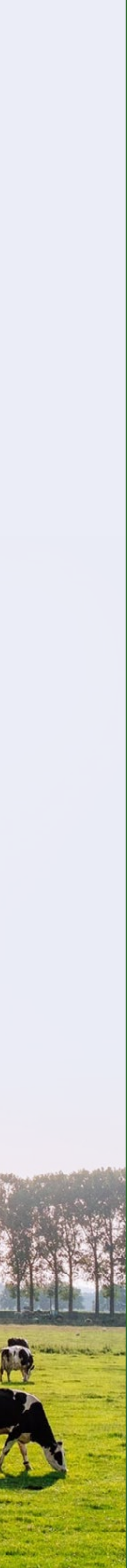
The Case of the Uganda **Agriculture Insurance Scheme**

By John Makosya,
Agro Consortium

Background

In 2016, the Government of Uganda through a Public Private Partnership (PPP) arrangement with the insurance sector introduced the Uganda Insurance Agriculture Scheme (UAIS) as an insurance subsidy program for both small and large scale farmers to protect against risk exposures.

This followed the Uganda Risk Assessment Study (RAS) carried out in July 2015 under the Platform for Agricultural Risk Management (PARM), a multi-donor partnership between developing nations and development partners to make risk management an integral part of policy planning and implementation in the agricultural sector. The study revealed that the overall economic impact of agricultural risk is estimated to amount to between USD 606 million to USD 804 million. Considering an agricultural GDP of USD 5.71 billion, the losses therefore amount to between 10.61 percent and 14.08 percent of total annual production which computes to between 2.3 percent and 3.1 percent of the GDP of Uganda.



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This scenario is not helped by the fact that the majority of farmers are smallholders with limited mechanisms for mitigating against risks. Agriculture risks range from, among others, expensive or poor quality inputs, weather uncertainties, biological risks, to infrastructure (post-harvest losses) risks as well as price and market risks. Such risks make extending credit and other financial services as well as investing in agriculture less attractive. For example, weather uncertainties and changing climatic conditions reduce farmers' ability to meet their loan obligations. Consequently, delayed loan payments affect credit ratings of farmers which affects the cost at which they borrow. Indeed, the high cost of borrowing prohibits an estimated 77 percent of small holder farmers from accessing the much needed funds that are vital for investments that can transform farming from subsistence to commercial. Thus, for agriculture to become more productive and sustainable, with improved returns to investments that attract more finance, insurance and other mechanisms that mitigate against the risks to the sector have to be put in place.

This article reviews the implementation of UAIS, focusing on its performance and achievements so far as well as challenges faced.

The Uganda Agriculture Insurance Scheme

The principal objective of the scheme is to make agriculture insurance affordable to farmers in Uganda and thereby increase farmers' access to credit. Specifically, the scheme is expected to lead to increased agriculture credit lending, increased food security arising from increased production and productivity, poverty reduction as a result of increased household income, growth of insurance penetration as well as growth in exports.

The Ministry of Finance Planning and Economic Development (MoFPED), on behalf of the Ugandan government, appointed the Uganda Insurers Association (UIA) as the implementer of the scheme. UIA in turn constituted the Agro Consortium a coalition of insurance companies offering agriculture insurance. Since July 2016, the Ugandan government has annually availed 5 billion Shillings to subsidize the insurance premiums payable for farmers with a subsidy of 30 percent and 50 percent for large and small scale farmer respectively. An 80 percent subsidy is provided for areas of high risk including Kasese, Arua, Isingiro, Ngora and Mt Elgon region.

Participating Insurance Companies include, APA Insurance (Uganda) Ltd, Nova Insurance, Sanlam General Insurance Company Ltd, MUA Company Ltd, Jubilee Insurance Company of (U) Ltd, UAP Old Mutual Uganda Ltd, CIC General Insurance Uganda Ltd, First Insurance Company Ltd, NIC General Insurance Company Ltd and Pax insurance Company Ltd.

The financial institutions so far taking up agriculture insurance under the scheme include dfcu Bank, Centenary Bank, Finance Trust Bank, Post Bank Uganda, Pride Microfinance Ltd, Equity Bank, Cairo international Bank, Uganda Development Bank, East African Development Bank and ECLOF.

Products offered by the Scheme

UAIS covers selected crops including coffee, tea, maize, rice, beans, bananas, fruits and Vegetables, Cotton, Oil Palm, Oil Seed and Cocoa, in addition to livestock (Poultry, Cattle, Pigs) as well as fish, meat and milk. Insurance products offered under the scheme include Drought Index Insurance/ Weather Index Insurance offered mainly to small holder farmers and Multi-Peril Insurance largely for large scale farmers.

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A.Drought Index Insurance/ Weather Index Insurance (WII)

Drought conditions which adversely impact crop yields can be monitored from space using the EARS Relative Evapotranspiration (RE) Index. The strong relationship between the RE index and crop yields exists because biomass and yield (produced using CO_2 entering the plant) are proportional to evapotranspiration (water exiting the plant). The opening and closing of the plant stomata as a result of drought affects these both equally, therefore making the RE index highly suitable for estimating drought related crop yield losses.

The RE index is used in product design to understand historical drought risk (frequency and severity). Daily index monitoring by satellite then detects when a drought occurs, what the impact on the crop yield is, and how much the farmer should be paid at the end of the season.

How the Drought Index Insurance product works

This insurance uses innovative satellite technology, jointly with the District's Average area yield determined over several years as a benchmark. Any changes in yield related to weather hazards such as drought and excessive rainfall are determined at season end.

During growing season, the RE index tracks drought severity throughout the insured areas. If the index level during the growing season is above average, then no payout is triggered. If the index drops below average, then it indicates the onset of a drought. When the RE index reaches the strike level then yield losses are imminent and a payout for that location is triggered. The exit marks the maximum payout of 100% of the sum insured in case of a total loss.

What is covered?

This product covers drought and excessive rainfall for respective crops. The crops covered under the UAIS are bananas, coffee, maize, beans, rice, cotton, oil seeds, fruit trees and tea, whereas livestock are cattle, poultry, and piggery. The crops under UAIS are the ones where farmers can benefit from the 30% and 50% premium subsidy depending on whether they are large and small scale farmers respectively.
Exclusions

It does NOT cover losses related to pests, diseases, floods, landslides, localized storms, hail, and poor farm management.

Premium rates

The premium rate is 5.5% with a 10% deductible (in case of loss, farmer is compensated less 10% of the loss suffered).

B.Multi-Peril Insurance

Multiple-peril insurance coverage is a kind of insurance that bundles together multiple coverages that typically would be needed with each other.

a) Livestock Multi-Peril Insurance

How it works

Animals to be insured are tagged for identification (Except poultry) after farm inspection and verification of the vaccination certificate.

What is covered?

Death of animal as a consequence of: Fire, Lightning, Flood, Rainstorm, Windstorm, Hailstorm, Snow, Hurricane, Earthquake, Landslip, Diseases, Inundation, Surgical Operation and Impact accidental damage by animals, trees or vehicles, aircraft or motorized machinery.

The cover can be extended to cover fire and burglary of insured animals after farm inspection.

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b) Multi-Peril Crop Insurance (MPCI)

How it works

The insurance cover pays for the yield shortfall below guaranteed level resulting from physical loss or damage of growing crops directly by listed perils.

What is covered

Indemnity against physical loss or damage to growing crops directly by uncontrollable pests and diseases, Fire, Lightening, Malicious damage, Earth quake, Riot and strikes, Explosion and Windstorms. The cover can also be extended to cover harvested yield being stored at the farm or any other place of temporary storage or to apply when the crop is in transit to any recognized destination within the country.

c)Aquaculture

Indemnity against mortality or physical loss of fish stock due to the perils like;

i. Perils Onshore Farms

1. Pollution
2. Theft and malicious acts, predators
3. Storm damage, subsidence, landslip, structural failure, breakage or blockage of any part of the water supply system
4. Drought, fire, lightening, explosion, earthquake
5. Freezing, frost damage, frazil ice
6. Mechanical breakdown or accidental damage to machinery and other installations
7. Electrical breakdown, failure or interruption of the electricity supply, electrocution
8. Deoxygenation due to vegetation, microbiological activity or high water temperature
9. Any other change in concentration of the normal chemical constituents of the water, including supersaturation with dissolved gases and change in pH or salinity
10. Disease

ii. Perils Offshore Farms

1. Pollution
2. Theft and malicious acts
3. Jellyfish
4. Predation or physical damage by predators or other aquatic organisms (but not sea lice or other ectoparasites)
5. Storm, lightening, tidal wave (tsunami)
6. Collision, sudden and unforeseen structural failure of equipment
7. Freezing, supercooling, ice damage
8. Deoxygenation due to competing biological activity (bloom) or from changes in the physi¬cal or chemical conditions or the water, including upwelling and high water temperature
9. Any other change in concentration of the normal chemical constituents of the water including change in pH or salinity
10. Disease

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Achievements Made under UAIS

The scheme set to achieve the following strides in the first year of operations.

- Grow insured agriculture loans to 100 billion;
- Increase in agriculture credit lending by 1%;
- Increase in the income generated by the entity insured by the farmer by 10%;
- Increase in Agriculture Insurance premiums from Ugx.360 million to Ugx.10bn;
- Increase the number of insured farmers from 5,800 farmers to 45,000 farmers;
- Increase in the number of farmer interface from 14580 farmers to 100,000 farmers.

Since 2016, we have seen an increase in the numbers of farmers insured as well as an increase is the number of insured agriculture loans (see table 1 below). There is increased uptake of agriculture insurance by small holder farmers from just over 5,000 farmers as at start of July 2016 to over 70,000 farmers as at end December 2018.

Table 1: **Achievements**

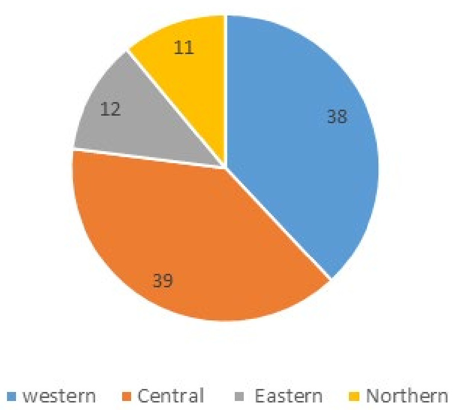
Indicator	2016	2017	2018	2019	Totals
Insured agriculture loans (Ushs Billions)	Nil	225	97	30	352
Agriculture Insurance premiums(Ushs Billions)	0.36	5.2	5.3	1.5	12.4
Number of insured farmers	5000	45 000	25 000	10 000	85 000
Number of farmer interface	15 000	500 000	1 000 000	1 500 000	1 500 000

Source: Agro Consortium, 2019

Exposure value per region

There are regional disparities in the uptake of insurance. The central and western regions enjoy the biggest shares with 39% and 38% respectively which is a slight reduction from 40% each as at quarter 4 of 2017/18. The reduction is due to increase in uptake of agriculture insurance by northern region that moved from 8% to 10% as the eastern region maintained at 12% in both 2017/18 quarter 4 and 2018/19 quarter 1.

Figure 1: **Regional distribution of uptake of agriculture insurance**



Source: Agro Consortium, 2019

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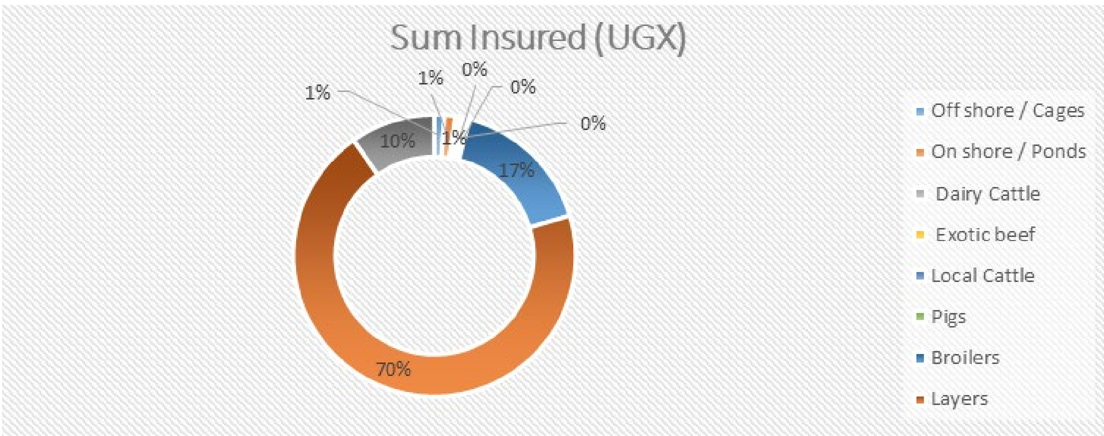
Exposure Of Farmers Per Enterprise

Most of the farmers on crop are engaged in maize cropping which crops also take a big portion of mixed farming being a leading food crop in the country. This was followed by coffees and rice both in number of farmers and exposure value.

The mixed farming practice is mainly because the small holder farmers have pieces of land of less than 5 acres to survive on hence multiple enterprises on the same land.

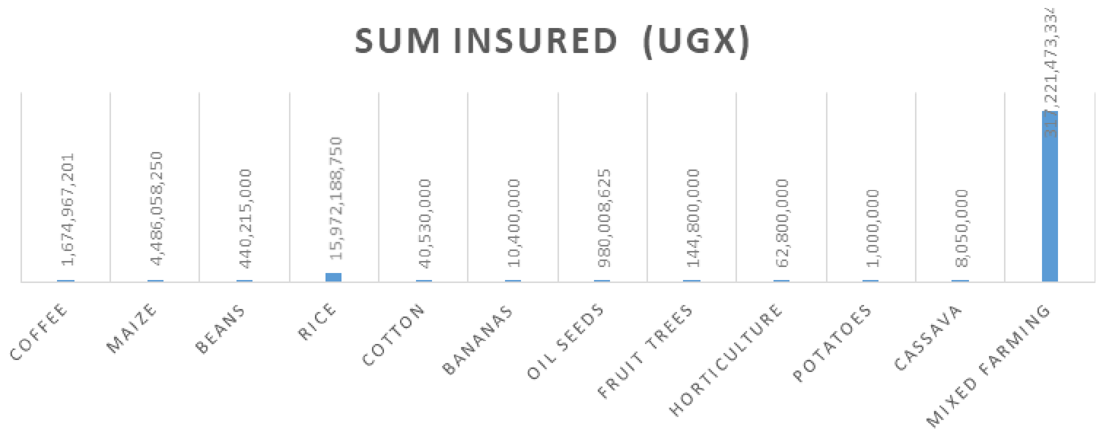
Efforts are underway to engage farmers in the different crops to take up agriculture insurance. Typical example is insuring cassava farmers in selected districts under office of the Prime minister and Operation Wealth Creation.

Figure 2: Livestock exposure percentage of Farmers per Enterprise



Source: Agro Consortium, 2019

Figure 3: Crops exposure values and No. of Farmers per Enterprise



Source: Agro Consortium, 2019

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Claims

Insurance Claims are made when an individual/entity who had taken insurance suffers some type of a loss or their property has sustained damage that is caused by one of the named perils/risks insured by the insurance policy.

Farmers in excess of 12,000 under the UAIS suffered loss and have either been compensated or are in the process of being compensated for the losses suffered in the course of agricultural production.

Figure 4: **Claims per peril**

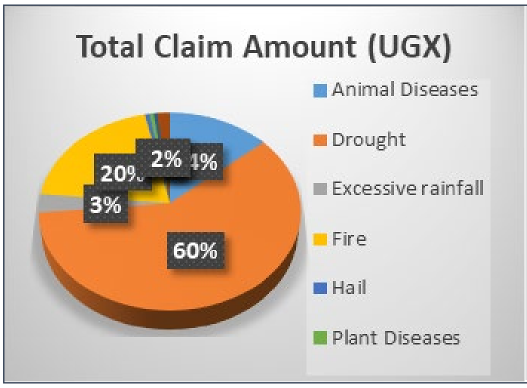
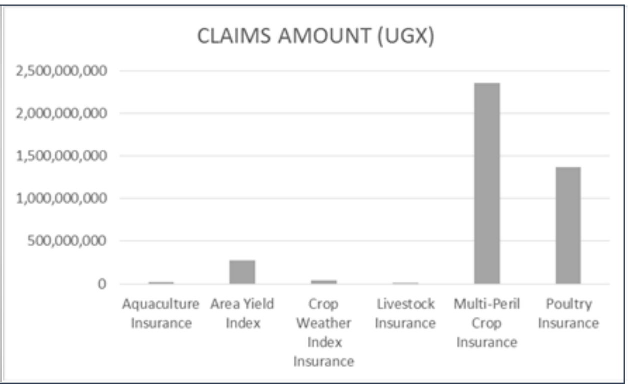


Figure 5: **Claims per product**



Source: Agro Consortium, 2019

The greatest cause of loss suffered by farmers is due to drought by far hence emphasis to promote Weather/drought Index insurance that is much practical for small holder farmers as opposed to other products. This not only reduces the costs of offering insurance to farmers ensures quick and timely compensation without the hustle of field inspections.

Challenges faced by the scheme

Despite noted success, the scheme faces a number of challenges including limited public awareness, limited product diversification, inadequate technical personnel and capacity to deliver insurance to farmers.

- The product cover farmers against drought and excessive rainfall yet farmers perceive other risks as also important e.g. theft, health, death, disability, critical illness, floods, hail storms, flooding and wind storms.
- Limited funds for publicity drives to create awareness and sensitize the masses
- Increasing demand for capacity building from farmer organizations that want their farmers to take up agriculture insurance
- Capacity building needs for banks and financial institutions staff who are also delivery channel for availing agriculture insurance on agriculture loans.
- Limited technical personnel to train and handle inspections and loss assessment

Recommendations for making financing agriculture attractive to financial institutions

1. FIs need to lower risk rating of farmers with Agriculture insurance as possibility of failing to pay loan due to production risks is minimized as insurance guarantees repayment in case of loss
2. Lowering risk rating means reduction on risk interest rate loaded onto premium rate hence lowering cost of financing

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3. Under products like drought index insurance the FI can create pool of funds received from compensation to settle farmer loans that may be default as a result of production risks without running after farmers. Under the product FI are automatically compensated event of loss without placing a claim
4. Under the drought index insurance farmers may suffer loss but not to the extent to incapacitate their ability to pay their loans, the farmer is still compensated for the loss suffered.
5. Financial institutions need to adopt agriculture insurance as part of the insurance bundle to safe guard against agricultural production risks lest they risk negative publicity when carrying out recovery following a disastrous season.
6. FIs staff need to be trained on the intricacies of agriculture insurance as they are a delivery channel to farmers financed without necessarily affecting loans turnaround time.
7. One of the mainstays of setting up the UAIS was to unlock credit to agriculture in spite of the changing weather patterns.
8. Adoption of agriculture insurance will accrue various benefits to different stakeholders as is stated here below;

a) To farmers;

- Increased access to agriculture credit
- Increased investment in agriculture
- Food Security from increased production
- Increased household income
- Affordability of scaling up production to commercial levels
- Affordability of adding on-farm value-added production enterprise

b) Financial Institutions

- Increased disbursement and performance of agricultural credit
- Increased uptake of agriculture insurance products
- Increased financial literacy

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Youth **Employment and Agriculture**

Musa Mayanja Lwanga,
Head of Research and Market Development, Uganda Bankers' Association

Background

According to projections from the Uganda Bureau of Statistics (UBOS), the Ugandan population is expected to increase to over 55 million in the next ten years, with the youth (persons aged 18-30 years) accounting for a significant proportion (24.3 percent) while 48 percent will be children below 18 years.

Planning for and creating employment for this largely young and youthful population is a developmental challenge that should be placed high on the development agenda. The majority of the youth (70 percent) reside in rural areas where decent employment and entrepreneurial opportunities remain limited, are poorly remunerated and of low value. The majority are engaged in agriculture and related activities. While many have attempted to migrate in search of better opportunities in urban areas, a significant proportion of these have ended up facing urban poverty due to lack of employment. The service and industry sectors, despite growing at rates considerably faster than agriculture, have not generated enough jobs to free the youth from rural life and agriculture. Indeed, youth unemployment in Uganda is on the rise. Figures from the Uganda National Household Survey (UNHS) 2017 report show that the unemployment rate for the youth increased from 12.7 percent in 2012/13 to 13.3 in 2016/17 despite an observed decline in the overall national unemployment rate from 11.1 percent to 9.2 percent over the same period.

Youth **Employment and Agriculture**

The failure of services and industry sector to generate enough jobs to match the growing labourforce, implies that agriculture will continue playing a significant role of employing Uganda's youth at least in the short and medium term. Despite this reality, gainful participation of the youth is constrained by a number of challenges including limited access to production resources like land and financial services, limited skills and inadequate education as well as limited access to markets. This article elaborates on some of these challenges and offers recommendations.

Constraints to Youth Participation in Agriculture

Access to land: While access to land is fundamental to engaging in agriculture production, it can often be difficult for young people to attain. The youth are less likely to own land compared to the prime age cohort and when they do, they are likely to own comparably smaller parcels, limiting their ability to enjoy economies of scale (Ahaibwe, Mbowa, & Lwanga, 2013). A 2013 study by Ahaibwe, Mbowa and Lwanga found that that in Uganda, 42 percent of the youth managed a plot of land compared to 77 percent of the prime age group and 79 percent for the elderly.

The study further revealed that the average land holding size owned by the youth headed households was 0.89 hectares compared to 1.1 hectares and 1.25 hectares for the prime age and elderly headed households respectively. Limited access to land is partly due the land tenure laws and customs which make the transfer of land to the youth difficult leaving the majority to use land without exclusive ownership rights. Only a small proportion of youth headed households (19 percent) have exclusive ownership rights to the land they possess (i.e. those under freehold and mailo type of land tenure system). The majority, 70 percent manage plots under the customary land tenure system (Ahaibwe, Mbowa, & Lwanga, 2013).

The customary system of tenure does not provide security of tenure for land owners which not only limits investment on the land but also the ability to use land as collateral to access to credit (Ahaibwe, Mbowa, & Lwanga, 2013). Furthermore, customary land tenure constrains development by preventing the advancement of land markets, through which, those who need land for development can acquire it (Ahaibwe, Mbowa, & Lwanga, 2013).

For the youth to fully and gainfully participate in agriculture, availability of land with sure user rights is key. It is therefore important to review land laws and to fix Uganda's land tenure systems to make it easier to transfer land as well as guarantee security of ownership. In addition, loans can be advanced to the youth through the Youth Livelihood Programme to assist the youth acquire land.

Access to financial services: Results from the FinScope 2018 survey show that 23 percent of the youth are financially excluded with 83 percent of the excluded residing in rural areas. The majority of the youth engaged in agriculture, lack funds to invest, to improve productivity and connect to markets. The majority rely on their own limited savings and other informal sources to invest in their farms, which contributes to lower productivity. Limited access to financial services such as credit and savings reduces their ability to invest, save and respond to shocks. This limited access to the financial services is due to a number of factors including the high cost of delivering financial services in rural areas, lack of collateral/ assets like land, poorly designed financial

Youth **Employment and Agriculture**

services and products that don't meet the requirements of agriculture especially smallholder farming, low levels financial literacy amongst youth and a reluctance of financial institutions to extend services to the sector due to the perceived and actual risks of agricultural activities.

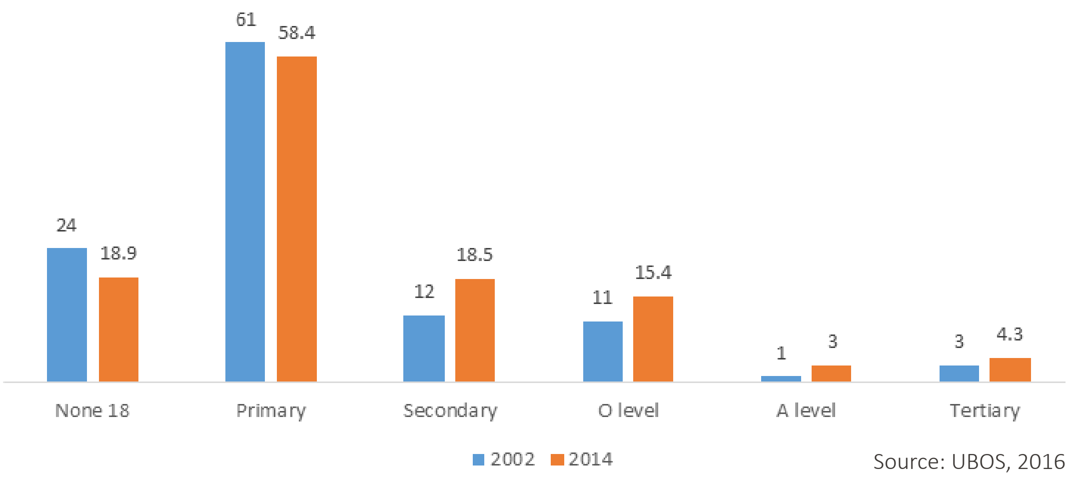
There are a number of initiatives (both public and private) in place geared at improving access to financial services to the youth and overall excluded population especially in rural and hard to reach areas. Public efforts like the Youth Livelihood Programme, National Youth Venture Fund, Northern Uganda Social Action Fund Youth Opportunities Program have been instrumental in helping a cross section of the youth in areas of enterprise development, job creation and business skills training. However, these initiatives have to fully address the access barriers that the youth especially in rural areas face.

The private sector on other hand, has undertaken numerous approaches to solve this challenge, key among which is the adoption of technology. The rapid growth of digital and mobile telephone infrastructure and the advent of agency/ branchless 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 an agricultural value chain; and in linking smallholder farmers.

In additional to the above, more needs to be in terms of promoting financial products tailored to the youth and rural setting, creation of mentoring programmes and saving clubs as well as availing start-up funding opportunities.

Education and Skills: despite government's efforts to boost education through Universal Primary Education, Universal Secondary Education and other programmes, the largest proportion of the labourforce in Uganda lacks adequate and appropriate education and skills. Over 18 percent of the population aged 9 years and above has never been to school and only 12 percent have attended secondary school (see figure 1 below). For the youth, 7.3 percent of them have never been to school while 18.5 percent are illiterate (lacking the ability for to read with understanding and to write a simple sentence meaningfully in any language) (UBOS, 2016).

Figure 1: **Distribution of Population aged 6 years and above by Highest grade/ class of formal education.**



Source: UBOS, 2016

Youth **Employment and Agriculture**

Inadequate education leads to low labour productivity and reduces one's ability to acquire skills. This further limits the adaption and application of modern agricultural technologies and methods. The youth in Uganda continue to trail when it comes to the application of modern farming practices. Ahaibwe, Mbowa and Lwanga, (2013) show that only 31 percent of the youth headed households compared to 38 percent of the prime age group used improved seeds whereas 7.0 percent of the youth headed households used inorganic fertilizer compared to 10 percent of farmers in the prime age group and about 9.0 percent for the elderly headed households. Similar patterns were observed for other inputs. On the other hand, the study found out that the higher the education attainment, the less likely the youth will engage in agriculture.

For the youth to be more productive in agriculture, we should look beyond UPE and USE. Education should include agricultural training and it should be adapted to ensure that the skills meet the needs of rural labour markets. In addition, adaption of technologies like mobile phone platforms that can deliver information to the youth at low cost is essential for encouraging the youth to take up agriculture as well as improving productivity of young farmers. Furthermore, improving and widening Uganda's extension system is key to transferring knowledge and technologies to these young farmers.

Access to markets: Poor access to markets or lack thereof is a major obstacle to youths' engagement in viable and sustainable agricultural ventures. In Uganda this situation is amplified by inadequate infrastructure, high transport costs and limited market information (UBOS, 2017).

Table 1: **Availability of Markets within the Community by type and location (%)**

	Selling Agricultural inputs		Selling Agricultural produce		Selling non-agricultural produce		Primary market for livestock	
	2012/13	2016/17	2012/13	2016/17	2012/13	2016/17	2012/13	2016/17
Rural	5.8	12	7.9	17.3	9.7	17.2	2.1	3.4
Urban	11.8	13	18.6	19.7	14.5	21.5	2.5	2.3
Uganda	7.4	12.3	10.8	18		18.4	2.2	3.1

As such the majority of the youth are engaged in subsistence agriculture. In fact, the proportion of the youth in subsistence agriculture is on the rise from 31.9 percent in 2012/13 to 35.3 percent in 2016/17 (table 2). Furthermore, even those that are able to access markets find themselves faced with challenges including price fluctuations, post-harvest handling and storage as well as limited marketing skills. On the international scene, access to market is constrained by tariff and non-tariff barriers as well as regional disputes.

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Table 2: **Employment Status**

	2012/13		2016/2017	
	Subsistence agriculture worker	Unemployment rate	Subsistence agriculture worker	Unemployment rate
14-17 Years	62.7	32.9	68.4	14.3
15-24 Years	44.6	20.3	48.5	16.8
18-30 Years	31.9	12.7	35.3	13.3
31-64 Years	31.8	3.9	36.3	4.8
60+ Years	44.7	2.1	50.2	6.9
Uganda	36.6	11.1	39.5	9.2

Source: UNHS, 2017

Conclusions

It is apparent that agriculture will for a while, continue to play a major role in employment of the youth in Uganda. It is therefore of high importance to identify and provide solutions to the obstacles that impede the youth from participating gainfully in agriculture. This will require concerted efforts from all stakeholders including government, development partners and the private sector. In this article we identify four key challenges including limited access to production resources like land and financial services, limited skills and inadequate education as well as limited access to markets. It is important to review land laws and to fix Uganda's land tenure systems to make it easier to transfer land as well as guarantee security of ownership as well as promoting financial products tailored to the youth and rural setting, creation of mentoring programmes and saving clubs as well as availing start-up funding opportunities. In addition, Education should include agricultural training and it should be adapted to ensure that the skills meet the needs of rural labour markets. Adaption of technologies like mobile phone platforms that can deliver information to the youth at low cost is essential for encouraging the youth to take up agriculture as well as improving productivity of young farmers.

Furthermore, improving and widening Uganda's extension system is key to transferring knowledge and technologies to these young farmers.

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Faith's story.

I was raised by my relatives never saw my parents. Got married at an early age and my husband left me just after we had our fourth child. I joined BRAC's Graduation programme in 2009 and learnt about the importance of saving and several other social issues. Got a grant and bought livestock with it. Today I have multiple sources of income. I have built a house on my own land and my children are going to school. People in my village respect me and now I'm part of four different saving committees of my village.

Faith Nalunkuuma

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The need to enhance uptake of **appropriate Insurance products**

Mildred Barungi and Florence Nakazi
Economic Policy Research Centre

1. Introduction

The agriculture sector is so crucial in Uganda mainly because it is the biggest employer and major source of livelihood for majority of the citizens. As of 2016/17, Uganda's working population stood at 15,053,952 persons, of which 43.2 percent were primarily engaged in agriculture (UBOS, 2018). Notwithstanding this, investment in agriculture is very risky and yet most farmers and other value chain actors have not embraced agricultural insurance.

Agricultural value chain actors face varying threats including budget risks, credit risks, sales volumes, production risks, and lack of raw materials (Iturrioz, 2009). Therefore, agricultural risk management is fundamental, and agriculture insurance is a creditable way to hedge investors against possibly devastating losses. Agriculture insurance equitably transfers a risk of loss from one entity to another in exchange for a premium. Nonetheless, the concept of agriculture insurance is still not well appreciated in Africa. In 2008, the continent accounted for only one percent of the global agricultural insurance premiums (Iturrioz, 2009).

This article synthesises evidence on the riskiness of investing in agriculture; examines efforts towards hedging agricultural value chain actors against distressing losses arising from risks; and uses the coffee drought index insurance policy as a case study to recommend strategies for enhancing uptake of appropriate agricultural insurance products.

The need to enhance uptake of **appropriate Insurance products**

2. A Review of Risks in Uganda's Agriculture

Land tenure insecurity: Land tenure insecurity significantly reduces the likelihood of investing in perennial commercial crops (Mwesigye & Barungi, 2019). Using formal land titling as a proxy for dejure land rights, and the perceived transfer rights over parcels as a proxy for de Facto land rights, Mwesigye and Barungi (2019) found that as of 2012, only 5 percent of the land parcels operated by households were titled. Moreover, 16 percent of the households reportedly did not have transfer rights on the parcels they operated. The limited land titling coupled with the limited land transfer rights indicate high prevalence of tenure insecurity in Uganda.

Low and declining soil fertility: Low and declining soil fertility is one of the key hindrances to profitable engagement in agricultural production. The country is estimated to lose about 80kg of nutrients per hectare per year (MAAIF, 2016). Thus, in order for farmers to revitalise and maintain high soil fertility, they must invest heavily in use of fertilisers and other sustainable land management practices; this initially increases production costs and in the short run farmers may not recoup the money invested.

Limited access to extension services: Provision of agricultural extension services to farmers and other actors along agricultural value chains is envisioned to promote application of appropriate information, knowledge and technological innovations for commercialisation of agriculture (National Agricultural Extension Policy, 2016). However, access to public extension service[s] which is a government mandate remains very limited at about 8 percent (WFP & NPA, 2017).

Presence of low quality (counterfeit) inputs: There are low quality agricultural inputs sold to farmers in Uganda. For example, laboratory analysis of fertilizer samples revealed low quality fertilizers with moisture content above acceptable limits, and nutrient content levels below what was specified on the labels of fertiliser packages (Mbowa et al., 2015). The presence of low quality inputs on the market has grave consequences because input application rates are based on the composition. If the inputs are not of the right quality, then the end-users cannot attain the expected response. Indeed, in the livestock sub-sector, use of counterfeit acaricides to control ticks has led to development of tick resistance (Key Informant Interview [KII] with the National Animal Genetic Resources Centre and Data Bank [NAGRC &DB], May 2018).

Climate variability and change: Uganda is currently experiencing climate variability whereby the onset of rainy seasons and the length of the rainy seasons have changed. The changing rainfall patterns and intensities affect soil moisture, crop growth and post-harvest storage conditions (USAID, 2013). Climate variability and change is a huge risk because farmers largely depend on nature, and many are not equipped with coping and adaptive strategies. For example, many livestock farmers have not been trained to conserve fodder and water for use during the dry season; as such, when prolonged drought strikes, animals die, while beef and milk production drop immensely due to inadequate and poor feeding (MAAIF, 2018).

Pests and diseases: Partly due to climate variability and change, in the recent past, new pests (e.g. fall army worms) have emerged, and there is resurgence of crop diseases (e.g. banana bacterial wilt disease in South Western Uganda) and animal diseases (e.g. foot and mouth disease and swine fever) (MAAIF, 2018). The economic losses caused by pests and diseases make investment in agriculture very risky. For example, at national level, owing to the invasion of fall armyworms in February 2017, it is estimated that Uganda lost 400,000 tons of maize grain valued at USD 200 million (Lakuma, 2017).

Limited post-harvest handling and storage facilities: According to the 2015/16 UNPS survey, more than half (54%) of farmers lack modern appropriate storage facilities, and as such, they pile crop harvest on the floor. Only 10 percent of farmers use modern stores to stock produce. Although there are certified warehouses that offer storage services, they are few, have limited storage capacity, and the handling charges reduce farmers' returns. Consequently, most farmers sell shortly after harvest, which causes prices to fall significantly; and later when most of the produce is sold, prices rise, hence causing uncertainties in agricultural income. A case in point, during the second season of 2017 and the first season of 2018, there was bumper maize harvest; due to lack of adequate appropriate storage facilities, maize prices sharply dropped to as low as 200 shillings per kilogram of grain (Barungi, 2018) from 1400 shillings per kilogram ((USAID, Uganda Price Bulletin, 2018). Also, large quantities of grain were left to rot since the market was saturated.

3. Agriculture Insurance as a Risk Mitigating Measure

Despite the deleterious effects of risks in agriculture as discussed in section 2, there are few mitigating measures put in place to protect people who invest in agriculture against the effects of the risks. Government of Uganda appreciates the risky nature of agriculture, and several policies exist, and programmes have been designed to address this challenge. This section focuses on the Uganda Agriculture Insurance Scheme (UAIS), which was piloted in FY2016/17 with the overarching objective of hedging farmers against agriculture risks. The scheme is expected to run for 5 years, and it is administered by Uganda Insurers Association (UIA) through the Agro Consortium. Broadly, the products provided under the UAIS are: multi-peril crop insurance, livestock multi-peril insurance, aquaculture insurance and drought index insurance.

According to the progress report of quarter 1 of FY2018/19, there is noticeable headway in implementing the UAIS. Notable achievements include:

- *Government has committedly provided 5 billion shillings for payment of premium subsidies annually;*
- *the number of insured farmers has remarkably increased from 5,800 in FY 2016/17 to 68,361 farmers as at 30th September 2018; and*
- *the sum insured has grown across all regions (MFPED, 2019) (Table 1).*

The need to enhance uptake of **appropriate Insurance products**

However, despite the reported achievements of the UAIS, uptake of insurance products is still very limited as indicated by the number of insured farmers (68,361) when compared to 6,503,307 people who solely depend on agriculture for their livelihood (UBoS, 2018). This means, the beneficiaries of the UAIS form only 1.1 percent of the total population that is exclusively engaged in agriculture—the remaining about 99 percent still face risks but are not protected against the associated losses. Moreover, there is regional imbalance in the number of insured farmers under the UAIS in favour of the Western and Eastern regions. Similarly, there are regional disparities in sums insured. The central region followed by the western region account for the largest shares of sum insured; about 39 percent and 38.3 percent respectively for the first quarter of FY2018/19. The eastern region, despite having the second largest share of insured farmers performs poorly in terms of sum insured—this means that the values of enterprises insured by individual farmers in the eastern region are relatively low compared to other regions. The northern region lags behind other regions both in numbers of insured farmers and sum insured.

(Table 1). Thus, there is need to further roll out the UAIS, with special focus on the Northern region. The disproportionally fewer number of UAIS beneficiaries in the northern region is attributed to limited awareness, a challenge that Agro Consortium is addressing through sensitisation campaigns and trainings.

Table 1: **Regional distribution of benefits of the UAIS premium subsidy**

	Central	Eastern	Northern	Western	National
Number of farmers insured under the UAIS as at September 30, 2018	17,886	20,315	7,088	23,072	68,361
UAIS insured farmers as a percentage of the population of subsistence farmers	3.2%	0.9%	0.5%	1.5%	1.2%
Share of beneficiaries of the UAIS	26.2%	29.7%	10.4%	33.8%	100.0%
Population of subsistence farmers in FY 2016/17	560,000	2,364,000	1,427,000	1,563,000	5,914,000
Share of sum insured in FY 2018/19 Quarter 1 (Ugx 387.3 billion)	38.9%	12.3%	10.5%	38.3%	100.0%

Sources: 2018 UBOS Statistical Abstract and MFPED (2019), FY2018/19 Quarter 1 UAIS Progress Report

The need to enhance uptake of **appropriate Insurance products**

Further, we note that all the insurance products provided under the UAIS only cover production risks. Multi-peril insurance covers multiple production risks while drought Index insurance is limited to losses incurred by farmers due to drought and excessive rainfall. Apart from production risks, clearly, all insurance products offered under the UAIS do not cover risks along other segments of agricultural value chains. Yet, comprehensive agricultural insurance is viewed as a strategy that effectively hedges all agricultural value chain participants against losses arising from risks. This points to the need to scale out the UAIS products to cover risks along all segments of priority agricultural commodities.

For the period the UAIS has been implemented, some co-implementers, particularly the National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) have understood and attempted to address the critical factors that constrain uptake of agriculture insurance products. In section 4, we use the case of the coffee drought index insurance to draw key lessons for enhancing access to appropriate agricultural insurance.

4. Lessons Learnt Based on the Coffee Drought Index Insurance

Drought has constrained the coffee yield attainable in a rain-fed low input production system to figures below the potential 600kg per hectare; reduced the quality of green coffee beans produced; and slowed the seedling replanting programme (Mbowa et al., 2017). In response, NUCAFE in partnership with the Agro Consortium piloted the coffee drought index insurance in 2016/17 to help coffee farmers cope with drought. The coffee drought index insurance is one of the products provided under the UAIS.

This insurance covers coffee farmers against losses due to drought and excessive rainfall occurrences. Government contributes a subsidy on the basic premium of 50 percent for small scale farmers; 30 percent for large scale farmers; and 80 percent for farmers in high risky and prone areas. Coffee farmers pay to NUCAFE a basic premium of 5 percent of the value of the expected coffee yield (sum insured), a training levy equivalent to 0.5 percent of the basic premium, Value Added Tax (18% of the sum of basic premium and training levy), and a stamp duty of Ugx. 35,000. NUCAFE passes on the insurance premium to Agro Consortium, which in the event of coffee failure due to drought or excessive rainfall, compensates farmers the sum insured based on the percentage loss.

As of March 2018, the scheme had insured 3,575 coffee farmers (86.4% of whom were from the central region) (NUCAFE progress report, 2018). This is partly attributed to sensitization campaigns and outreach activities carried out in the central region (KII with NUCAFE, May 2018). Notwithstanding the considerable progress, over past few years, NUCAFE has encountered challenges while implementing the coffee drought index insurance. It is from these challenges that lessons for scaling up use of agriculture insurance are drawn. The lessons include:

The need to enhance uptake of **appropriate Insurance products**

(i) Insuring farmers as a group helps to lower premium charges by distributing the stamp duty among many farmers. Thus, encouraging group insurance can stimulate demand for insurance products.

(ii) Rolling out insurance products requires intense sensitisation programs to help farmers to understand the principles and the risks the products actually covers. It is reported that the key factor for the success of Kenya's Kilimo Salama was mass media campaigns (Kilel, 2015).

(iii) Insurance products need to be reviewed and amended periodically to respond to farmers' needs. For example, under the coffee drought index insurance, premium is paid for the main season only yet farmers have expressed the desire to also insure the ply crop.

(iv) Flexibility in payment of premiums can enhance insurance uptake. NUCAFE allows insured farmers to pay premium charges at the time of selling their coffee. This has removed the financial constraint that would otherwise hinder many farmers from accessing insurance.

(v) Linking farmers to markets can stimulate uptake of insurance products. Farmers who are assured of market for their produce are more likely to embrace agriculture insurance. Coffee farmers have embraced the drought index insurance, partly because NUCAFE facilitates them to market their coffee.

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Centenary Bank

A Centenary Bank & aBi Finance Initiative:

aBi

Leveraging technology and partnerships to deliver our promise to transform communities through agribusiness

The launch of a financial inclusion platform to foster inclusion of those with limited collateral and women economic empowerment

As our multichannel representation and digital capabilities continue to turn the customer journey into a highly personalized one, our testing and innovation centers are adept to building as many useful platforms and ecosystems as possible to enable us to incessantly deliver affordable, convenient and comfortable services in a dignified manner to our clients. In this particular journey to extend financial inclusion to more women and agribusinesses, we have collaborated with aBi Finance respectively. Without the unwavering support of aBi, we would not have managed to scale the heights that we have been able to; for instance, aBi's support has enabled us reach out to over 120,000 customers annually and extend credit to the tune of 150 billion shillings to agribusiness communities annually.

These achievements have been made possible through a risk sharing arrangement under the aBi Agribusiness Loan Guarantee scheme, which promotes deliberate financial inclusion for women and agribusinesses faced with the challenge of limited to no collateral. This partnership has allowed for a special assessment of the nature of projects being financed allowing for clear understanding the projects as well as the clients' experience in running said projects, and this has formed the major criteria for extending credit as opposed to the usual assessments that begin at collateral assessments that typically inform and underpin credit transactions.

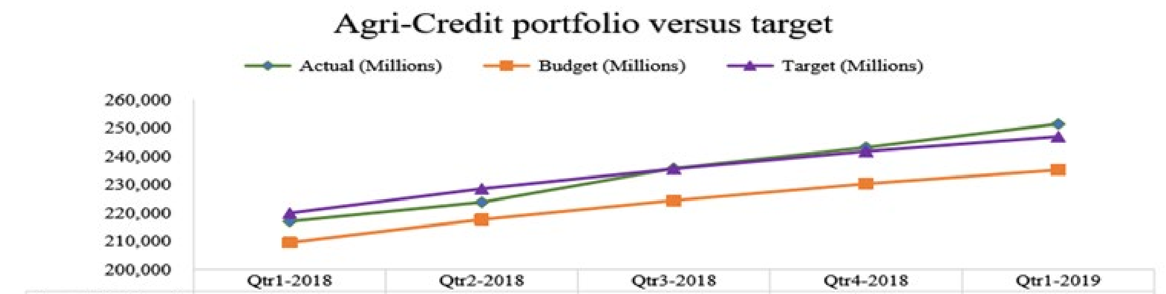
THE NON-CONVENTIONAL FIANCING SCHEME WITH aBi-FINANCE

Our passion for supporting agriculture, a predominant economic activity for those in rural areas provided us with a compelling value proposition to create a dedicated agribusiness department in 2013. This decision has since paid off with the agribusiness portfolio contributing 19% of the total bank's loan portfolio, credit extended to 120,000 annually. Other than the promotion, mobilization of clients and good will that the bank enjoyed, one special pillar behind this growth was the collaboration with aBi finance that enabled us extend our client selection feelers to those whose only exclusion arose from a risk profile occasioned by the lack of collateral and weather vagaries.

The idea of extending finance to clients whose collateral was insufficient had gestated for quite a long time and the discovery of likeminded partner, aBi Finance was the long-awaited break through. What followed was a conscious, cognitive process and customer centric process to build some parameters that would form the basis of the decision to render credit accommodation. Several trials continued over the years focusing on the clients experience, enterprise, sector, business assets, character linkages, impact of the project in terms of employment, environmental and social impact. This was the beginning of reversing the status quo and by the end of 2008, we ably launched a nonconventional lending model where ability to pay become the main basis for extending credit.

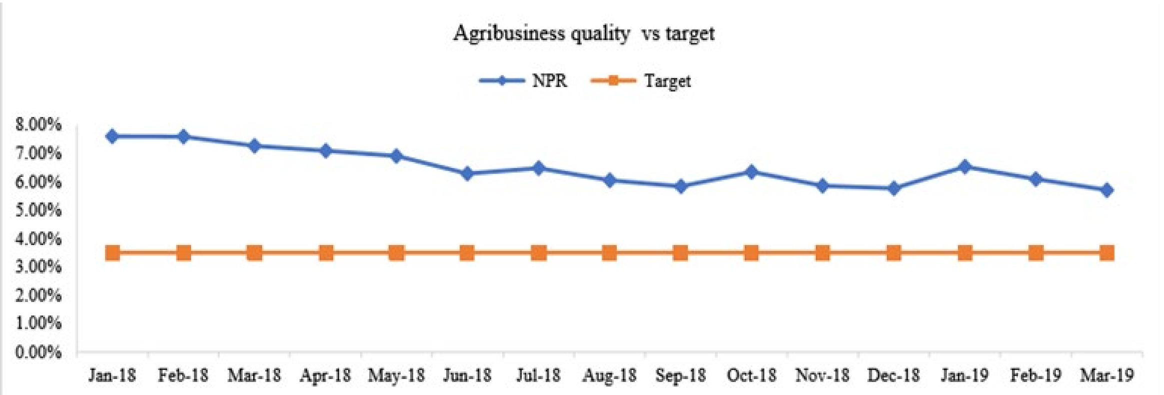
Leveraging technology and partnerships to deliver our promise to transform communities through agribusiness

Accordingly, an initial limit of 5 billion shillings was mutually agreed between the two parties as the exposure for clients who were previously unable to access credit. aBi Finance supported the process of testing what to many seemed to be murky waters with capacity building for our agriculture loans officers who have since taken on the more encompassing roles of personal and business bankers. The new role is premised on the understanding that agribusiness customers have more financial requirements over and above the singular provision of credit. As this arrangement grew from strength to strength, the initial limit was revised upwards over the years to 10 Billion shillings 15 billion shillings, 50 billion shillings and currently at 70 billion shillings with expectations to increase it further to 100 billion shillings before the end of the year. What this implies is that about 20,000 clients or agribusiness will directly benefit from a revolving value of about 190 billion shillings annually. After disaggregating the portfolio and eliminating those whose loans were repaid early in the year, the performance for the last five quarters (outstanding portfolio) is summarized hereunder:



	Qtr1-2018	Qtr2-2018	Qtr3-2018	Qtr4-2018	Qtr1-2019
Actual (Millions)	216,996	223,786	235,690	243,045	251,375
Budget (Millions)	209,439	217,619	224,341	230,237	235,127
Target (Millions)	219,911	228,500	235,558	241,749	246,883

It follows that healthy skepticism naturally arises when credit growth figures rise particularly from the viewpoint of quality of the portfolio. To this end, aBi's foresightedness was manifested in the grant support extended to support financial literacy for our clients and the provision of motor cycles that enabled our personal bankers to navigate the sort of terrains in the country side that motor vehicles could not easily navigate. The navigation through the feeble slippery soils to reach the deepest beneficiary defines our resolve to remain true to our mission of providing appropriate financial services especially microfinance to all people in particularly in rural areas, in a sustainable manner and in accordance with the law. This is who we are! A microfinance leaning bank! Following aBi's support, our portfolio quality remained good. The summary for the last five quarters is summarized hereunder:



Although the overall quality for agribusiness is as low as 3.5% the non-performing rate for the portfolio under the scheme is relatively higher because of the effects of the vagaries of weather. Interventions such as refinancing, loan restructures and insurance have been arranged to afford the customers sufficient time to amicably recover.

Without aBi' s the support, over 20,000 agribusinesses would never have qualified for financing and would probably have been financially excluded because there would never have been motivation to do so. We are proud of the improving living conditions, the increased incomes and better welfare for our clients.

THE SUPA WOMAN PROGRAM WITH aBi FINANCE

Although there continues to be concrete evidence about the success of our financing scheme for borrowers with high-risk profiles, the next matter that kept aBi Finance and the Bank focused on innovation was how to deepen financial inclusion across gender. A study revealed that of the 1.4m accounts that the bank had in 2008, the proportion held by women was 23.5%. In terms of deposit value, the proportion was a mere 20.2%. In terms of credit only 23% of the total credit number were women and a corresponding value proportion of 18%.

The study further indicated that 41% of the women required affordable credit, 28% required fair deposit product pricing rates, 20% need business training, 8% networking and 2% guarantees.

Against this background, the Bank in conjunction with aBi set out to churn our responsive solutions as guided by the study. It is this collaboration that resulted in the creation of a Cente Supa woman savings account (*Personal, joint and group) and the Cente- Supa woman credit offering. Women partaking of the savings package benefit from networking services, dedicated call center support, financial literacy training, business advisory services and pro bono legal services. On the credit end, we avail financing for startups, competitive interest rates, flexible collateral requirements, business linkage support and faster turnaround time.

Although this is one of the latest innovations, we have financially included over 15,000 women and offered revolving credit in excess of 7 billion shillings. This successful test period has given both aBi and the bank a compelling motivation to scale up this scheme and this will be followed up with more sensitization, feedback gathering sessions, financial literacy sessions and product refinements in order to ensure that the offering is continuously relevant to our customers. Given the mutual benefits, we envision broadening the scope of our collaboration and are hopeful of a long bright future ahead.

THE UGANDA INSTITUTE OF BANKING AND FINANCIAL SERVICES

ISO 9001:2008 CERTIFIED

Raising Professional Standards in Uganda's Banking and Financial Services Industry

About the Chartered Banker Program

- Premier professional qualification for bankers around the world.
- Traditional gateway for professional recognition as Associate or Fellow.
- Initially developed to provide the fundamentals of banking and largely unchanged over the last 25 years.
- Has recently undergone significant review to bring it in line with contemporary developments and standards
- Mobility / cross border recognition.
- Affordability

What is new?

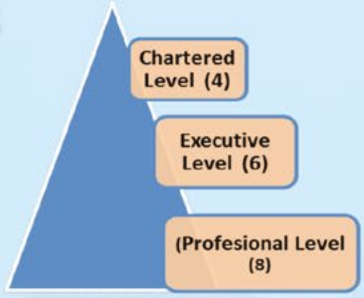
- New content e.g. digital banking, risk & compliance, Islamic finance, agent banking etc..
- Combines global standards and local context
- Multi level structure & entry routes.
- Greater practical content – project and case study approach embedded at all levels.
- Extensive CPD structure.
- Strong emphasis on ethics.
- Futuristic – treatment of emerging issues
- Exemptions and credit transfer mechanism

Why the Chartered Banker Qualification?

- Enhance competence and competiveness.
- Professional recognition.

Structure of the Chartered Banker Program

- Three stage progressive structure : Professional, executive and chartered (planned to be linked to an MBA)
- Leads to award of Chartered Banker
- Varied entry requirements depending on students' background
- Three year duration, broken into two semesters per level



Chartered Banker Program - Subjects

The Chartered Banker programme leads to the award of the ***Chartered Banker qualification*** with progression as follows:

(i) ***Level 1: - Professional Banker (8 papers)***

- Financial Systems & Regulatory Frameworks
- Banking Professional Ethics
- Law Relating to Financial Services
- Banking Operations
- Financial Reporting and Analysis
- Marketing of Financial Services
- Economics of Banking
- Human Resource Management

(ii) ***Level 2: - Executive Banker (6 papers)***

- Corporate & Retail Lending
- Bank Management and Financial Analysis
- International Banking & Trade Finance
- Risk & Compliance
- Customer Relationship Management
- Agency & Digital Banking

(iii) Level 3: - Chartered Banker (4 papers)

Compulsory Papers (2)

- Contemporary Issues in Banking
- Corporate Governance & Strategy

Elective Papers (Any two)

- Lending Specialization
- Commercial & Investment Banking
- Risk & Compliance

Entry Routes

(a) First Route : Bachelors Degree in relevant discipline or Professional Qualifications (CPA, ACCA, CIMA, CIOS, CPB) or Masters Degree (eligible for exemptions)

(b) Second Route : Diploma or UACE with two principal passes (no exemptions)

Duration : 2 semesters per level (or 3 years)

E-Learning Platform

- Learner centered platform providing an engaging educational experience.
- Based on the Moodle Learning Management System.
- Professional programmes already placed on the platform
- Access is via the portal : http://elearning.uibfs.or.ug
- Learners also have access to a vast collection of published materials, collections of text, media, course materials and learning objects.

Global Programs (Offered in Partnership with renown Training Bodies)

- ***The London Institute of Banking and Finance (libf), (formerly Chartered Institute of Bankers London)*** Offers exemptions to UIBFS qualifications.
- ***Frankfurt School of Finance & Management-Germany:-*** The institute is the examination centre for online courses.
- ***ACI – FMA of Financial Markets (ACIFMA).***
- ***The Chartered Institute of Securities & Investment – UK: The Instituteoffers specialised courses in securities and Investment.***

Emerging Focus Areas

Ethics Education- in line with the Ethics Education Standard of the Global Banking Education Standards Board (GBEStB)

Financial Education- to specific user groups such as students, SMEs, employees in formal sector

Digital Finance & Analytics: Business Intelligence & Analytics, Digital marketing etc...

Soft (non technical) skills: aimed at imparting skills required to compete in the 21st Century

Project Based Training: Based on the use of real life scenarios drawn from the employee's work environment

Specialized / Stand alone certifications: Specific areas such as risk management, credit management etc..

Post Graduate Programmes

- ***MA Financial Services*** (Affiliated to Makerere University)
- ***Certified Credit Management***
- ***PGD Agricultural Risk Management & Finance***

Short and Executive Programmes

- A broad range of short and executive courses in the area of banking and finance e.g. Operational Risk Management, Agricultural Value chain Finance, etc...

Affiliations

AAB IOB

GBEStB Global Banking Education Standards Board

Partnerships

Makerere University

Frankfurt School of Finance & Management German Excellence. Global Relevance.

CISI

ACI

The London Institute of Banking & Finance

For further information contact:

Registrar

Attn : Richard Semakula

email : rsemakula@uib.or.ug

Mob : +256 772 467 127

Tel : +256 414 233 628

The Agricultural Credit Facility (ACF) @10

A Journey towards agricultural commercialization and value addition in Uganda

Joanita K. Babumba,
Deputy Director – ACF Bank of

Background

The Agricultural Credit Facility (ACF) was set up in the year 2009 as a Risk Sharing mechanism between the Government of Uganda (GoU) and the Participating Financial Institutions (PFIs) that include Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions. The key objective of the Scheme is to facilitate the provision of medium and long term financing to projects engaged in agriculture and agro processing. This year 2019 marks ten (10) years since the ACF came into existence.

During this period, the ACF has targeted agricultural projects focusing on commercialization, modernization and value addition of raw outputs and facilitating the Grain Trade. Loans under the ACF are disbursed to farmers and agro-processors through the PFIs at more favorable terms than are usually available under conventional loans. Eligible projects include acquisition of agricultural and agro-processing machinery and equipment, post-harvest handling equipment, expansion of the farm that may include purchase of biological assets, storage facilities, agro processing and any other related agricultural and agro-processing machinery. Agricultural inputs under working capital requirements are considered provided this component does not exceed 20 percent of the total project cost for each eligible borrower.

Performance of the **Agricultural Credit Facility**

The ACF is administered by Bank of Uganda (BoU) and its operations are guided by the Memorandum of Agreement (MOA) signed by all the stakeholders. All ACF loan applications are channeled through the PFIs. The PFIs analyse the loan requests as per their credit policy to ensure that only eligible and viable projects are financed. The Scheme operates on a refinance basis in that the PFIs disburse all the loan amount required by a client and thereafter, seek for re-imbursement from BoU. The ACF sub- loans are contributed by the PFIs and the GoU on a 50 percent basis for all the loans submitted through the Commercial Banks and UDBL; while the GoU contributes 70 percent to all loans through the MDIs and Credit Institution. In case of default however, the guarantee remains 50 percent for all the PFIs. The new MOA signed in 2018 incorporates new developments in Agricultural Financing such as;

i. Removal of the ***cap for maximum lending*** amount – ***to projects that add significant value to the economy.***

ii. Adopting ***more flexible*** terms to bring on board Small and Medium Enterprises (SMEs) as well as micro borrowers.

iii. The minimum loan tenure was reduced from 24 months to 6 months.

iv. Allowing farmers or agro processors to acquire funding for acquisition of tractors that can be hired to other eligible farmers subject to having a good business case.

v. Introduction of ***Block allocation up to 1.5 billion shillings*** to the PFIs to address the needs of the small and micro borrowers. This allows PFIs to extend loans of up to ***20 million shillings***, to commercially viable small and micro enterprises against other alternative collateral requirements such as cashflows, chattel mortgages, credit history etc.

vi. Introduction of working capital for Grain trade to facilitate mopping up of excess grain on the market as a result of bumper harvests.

Participating Financial Institutions (PFIs)

The ACF is currently being implemented by the following Financial Institutions:
DFCU Bank, Stanbic Bank, Centenary Bank, Barclays Bank, Bank of Baroda, Orient Bank, Standard Chartered Bank, Diamond Trust Bank, Kenya Commercial Bank, Uganda Development Bank, Crane Bank, Mercantile Credit Bank, Housing Finance Bank, Opportunity Bank, Post Bank, Tropical Bank and Bank of Africa, ABC Capital Bank Limited, Citibank Uganda Limited, Commercial Bank of Africa Limited, Ecobank Uganda limited, Equity Bank Uganda Limited , Finance Trust Bank Limited, Guaranty Trust Bank (Uganda) Limited , Imperial Bank (Uganda) Limited, United Bank for Africa (Uganda) Limited, Pride microfinance, and Finca Uganda Ltd

Terms and Conditions of Sub-Loans

The terms and conditions of the scheme are stated in the MoU and the subsequent addenda. Sub-loan amounts are determined on the basis of assessment and appraisal of project viability and genuine credit needs of the clients in accordance with the lending policy of the respective PFIs. The loans under the ACF are denominated in Uganda shillings.

Loan Amount

The maximum loan amount to a single borrower is UGX 2.1 billion. However, this amount can be increased up to UGX 5 billion on a case by case basis (for eligible projects that add significant value to the Agriculture sector and the economy as a whole). The minimum loan amount BoU can re-imburse a PFI is UGX 10 million although there is no minimum loan amount to the final borrowers.

Performance of the **Agricultural Credit Facility**

SILOS FOR STORAGE

Loan Term

The maximum loan period should not exceed 8 years and the minimum should be 6 months.

Grace Period

The grace period is up to a maximum of 3 years.

Interest Rate

The interest rate to the final borrower is up to a maximum of 12% per annum. The 50% GoU contribution is disbursed to the PFIs at zero Interest (interest free).

Facility Fees

Facility fees charged by PFIs to eligible borrowers should not exceed 0.5 percent of the total loan amount. Legal documentation and registration costs are borne by the borrower.

Collateral Requirements

The primary security for the credit facilities is the machinery and equipment financed, where applicable, and any other marketable securities provided by the borrower/final beneficiary. PFIs may seek additional security based on their evaluation of the risk profile of the project being financed.

Eligible Purposes

Eligible purposes include activities that include; commercialisation, modernisation, mechanisation and value addition in the agricultural sector at any stage of the value chain.

Eligible Projects

Eligible projects include acquisition of agricultural and agro-processing machinery and equipment, post-harvest handling equipment, expansion of the farm that may include purchase of biological assets, storage facilities, agro processing and any other related agricultural and agro-processing machinery and equipment. Agricultural inputs required for primary production as well as other working capital requirements are considered provided this component does not exceed 20 percent of the total project cost for each eligible borrower.

Performance and Achievements of the Acf

Overall performance of the ACF has been encouraging during its 10 years of operation. As at March 31, 2019, total disbursements amounted to 331.53 billion shillings, extended to 551 eligible projects across the country; of which GoU contribution amounted to 167.54 billion shillings. In addition, 30.54 billion shillings had been committed for projects pending fulfilment of disbursement conditions by the respective PFIs. A total of 107.75 billion shillings has since been repaid to BoU in respect of eligible projects financed under the Scheme.

Performance of the **Agricultural Credit Facility**

The recent report by the Budget Monitoring and Accountability Unit (BMAU) of the Ministry of Finance Planning and Economic Development [MoFPED] established that the overall performance of the ACF in FY 2018/19 was good, rated at ***76.2 percent*** compared to the overall agriculture sector rating of ***61.8 percent.*** The various good stories of the projects and farms that have been expanded and become commercialised in terms of size/output and whose productivity has improved are testament to the impact of the ACF.

The ACF is a revolving Facility where PFI loan repayments are rolled back into the Scheme. The achievement in terms of the performance of the Scheme should also be assessed with respect to the quality of project viability analysis, which is reflected in the quality of the loan portfolio. As at March 2019, the ACF had a low non-performing loans (NPL) ratio of about 1 percent, compared to ***6.9 percent*** for the overall agricultural loan portfolio of the banking sector as a whole.

Table 1: Performance of ACF as at March 31, 2019

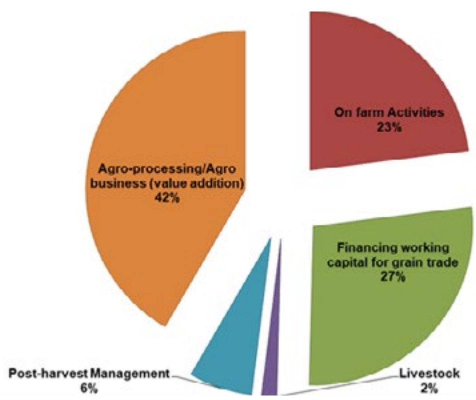
ITEM	Number	Amount (Billion, Shillings)
Total Loan (ACF) Applications	723	597.4
Total Disbursements	551 (76.3% of Total applications)	331.53
Government Contributions		167.5
Gov't Contribution (Pipeline)		30.54
OVERALL % of GOV'T Contribution		59.7%
ACF Loans Repayments		107.54

Source: Bank of Uganda, 2019

ACF Portfolio grouped by activity funded

Almost all the activities along the agricultural value chain are eligible such as; acquisition of agricultural machinery and equipment, post-harvest handling equipment, storage facilities, agricultural inputs, biological assets for restocking the farm, agro processing facilities, irrigation facilities and any other agricultural and agro-processing related activities ;as well as working capital for grain trading. Most of the loans were on-lent to agro-processing at 42 percent followed by working capital for grain trade at 27 percent (see figure 1). However, farm based projects, registered the highest number of projects funded (363 out of the 551 funded projects), which resonates with the Scheme's objective of commercializing, mechanizing and modernizing agriculture. The Farm Activities segment were largely smallholder farmers with loan amounts ranging between 10 million shillings and 50 million shillings. This provides evidence that the ACF has ensured increased access to credit by the micro and smallholder farmers.

Figure 1: ACF Portfolio grouped by activity funded (Projects disbursed & Committed) by end March 2019



Source: Bank of Uganda, 2019

Performance of the **Agricultural Credit Facility**

Block allocation

The current MOA (2018) operationalized the Block allocation arrangement under the ACF. Beneficiaries under this arrangement can access loans of up to 20 million shillings using alternative collateral requirements other than land. The aim is to unlock credit to the smallholder farmers who are unable to access funding due to the stringent loan requirements by the PFIs, one of which is collateral. Under this arrangement, micro borrowers have so far accessed a total of 457 million shillings of which 302.90 million shillings was refinanced as GoU's contribution.

Introduction of the Grain Facility

The GoU introduced the Grain facility under the ACF to address the drastic fall in grain prices especially maize, following the bumper harvests. The facility provides working capital for grain trade to facilitate mopping up of the excess grain by the grain traders. Total disbursements and commitments for grain trade stood at 107.19 billion shillings as at March 31, 2019 for fifty-five (55) sub-projects.

The ACF has played a major part for financing of the agriculture sector. To this effect, the share of loans to the agriculture sector by the BOU's regulated financial sector (commercial banks, credit institutions and microfinance deposit-taking institutions) has more than doubled from 5.1 percent in July 2009 to 12.7 percent in March 2019.

VARIETY OF GRAINS FOR TRADING

TRACTOR FOR MECHANISATION

CHALLENGES

In the 10 year journey, the ACF experienced a number of challenges in implementing the Scheme. These include the following:

i. There are delays in settling the claims for loan losses from the PFIs due to the lengthy process of verification by the Auditor General and Parliamentary approval.
ii. Incomplete information submitted by some of the PFIs, increases the turnaround time in the loan approval process.
iii. Inadequate public awareness about the ACF; Some potential beneficiaries of the ACF are still unaware of its existence and several PFI branches located outside Kampala are not well informed about the Scheme; which impedes outreach to interested borrowers.
iv. There is lack of or poor record keeping by SME borrowers; which complicates assessment of project viability by the PFIs.
v. PFIs are interested in advancing their own agricultural loan products that attract higher return at higher interest rates; rather than extending the ACF loans with interest rate capped at 12 percent or 15 percent per annum (for other agric loans and grain trade loans; respectively) to prospective borrowers.
vi. Inadequacy in complementary services; Despite the availability of the affordable ACF funds, success of the Scheme is constrained by limited complementary services focusing on the entire agricultural value chain.

Performance of the **Agricultural Credit Facility**

ACF FUTURE OUTLOOK

Having provided evidence of the good performance of the ACF with respect to the medium and large scale commercial farmers, what does the future hold to ensure increased access to Scheme loans by the small and medium holder farmers?

i. First, there is need to de-risk the agricultural sector so as to encourage the private lenders to consider increasing their lending to the sector. This will require the provision of a holistic set of support mechanisms dealing with the entire production and value chain from land rights, quality control and timely provision of inputs, provision of information and extension services to post harvest handling and marketing of the produce.

ii. Commercialising the agriculture sector will also require improving the financial literacy of the small holder farmer to keep proper books of accounts that can be relied upon by prospective lenders.

iii. On the availability of finances and inputs to support the small holder farmer from the public sector, government efforts should continue on provision of quality free inputs like coffee seedlings and the set-up of dedicated funds like the Microfinance Support Centre (MSC) and the youth livelihood programme.

iv. Government is commended for the establishment of the Agricultural Insurance Scheme. This effort should be complimented with the formal financial institutions investing in building internal capacity to better understand the risk profile of agriculture and establish financial solutions that are well-tailored to the intricate characteristics of the farmer and the agriculture production cycle as a whole.

v. There is need to coordinate and consolidate all the various government interventions. Such a move would generate economies of scale and impact the sector more meaningfully and in a sustainable manner.

vi. Parliament should introduce a Statutory Instrument to facilitate the process of writing-off delinquent loans.

vii. More work especially on further strengthening the dissemination of information and sensitisation about ACF to the farming community, remains for the current Bank of Uganda staff that are administering the Fund; in conjunction with strategic partners.

viii. There is need to strengthen the risk-sharing model in-order to incentivize the PFIs to lend more under the Scheme.

Performance of the **Agricultural Credit Facility**

Inaugural award ceremony for the best performing PFIS under the ACF

The BoU- ACF organized the Award Ceremony for the best performing PFIs under the Scheme. The activity that took place on May 30, 2019 at Sheraton Hotel Kampala, was in line with Section 18.0 of the ACF - MoA 2018 that requires the Fund Administrator [BoU] to award outstanding PFIs on an annual basis.

The Inaugural Award ceremony intended to recognise the significant efforts that have been made by different PFIs in the operationalisation, advancement and uptake of the ACF funds. In addition, the Awards were designed to recognize the efforts of best performers in achieving the Scheme objectives while mobilising support and growth in agricultural lending.

The Award Categories that were recognised included PFIs with the highest:

- **i.** Number of loan applications;
- **ii.** Value of loans disbursed;
- **iii.** Number of loans disbursed as a percentage of total number loans disbursed;
- **iv.** Number of loans disbursed to small borrowers;
- **v.** Document perfection and completeness;
- **vi.** Regional outreach;

- **vii.** Overall Best Performing PFI [Commercial Banks & Uganda Development Bank category]
- **viii.** Overall Best Performing PFI [CI or MDI category]

The Award Ceremony was graced by the Honourable Minister of Finance Planning and Economic Development Hon Matia Kasaija and was hosted by the Governor Bank of Uganda Prof Emmanuel Tumusiime- Mutebile represented by Dr. Louis Kasekende, the Deputy Governor.

Stanbic Bank Limited and Post Bank Uganda Limited are congratulated for emerging as overall winners in the Commercial Banks and Credit Institutions Categories, respectively.

All participating financial institutions are encouraged to be more aggressive in the forthcoming year and get involved in a more fierce competition.

CONCLUSION

Notwithstanding the challenges encountered, the Agricultural Credit Facility has extended loans to the tune of 331.53 billion shillings to 551 eligible agricultural projects across the country. It is worth noting that the success of the ACF still lies in the holistic combined effort of all the parties' concerned. Encouraging more Public-Private Partnerships including collaborating with NGOs and relevant Government agencies to offer complimentary services such as; extension services to promote appropriate methods of farming and water conservation, advice on high yield crops in the various soil types, provision of information on climatic change and market linkages.

Financial Institutions that have to-date responded to the Government call to increase lending to the agricultural sector using their own resources under the ACF, are commended.

Lastly and as a matter of fact, the Agricultural Credit Facility has efficiently and effectively played a catalytic role in bridging the gap for financing the modernisation, commercialisation and value addition of the agriculture sector in Uganda during its 10 years of existence.


3 DAYS APPROVAL
USE YOUR COMMODITIES AS COLLATERAL.

Making Financing **Agriculture Attractive to Financial Institutions**

(De-risking financing and investment in agriculture to promote youth employment and inclusive growth)

Agriculture has been and remains central to Uganda's economic growth and poverty reduction. It is a major source of raw materials for the Agro industry and manufacturing sectors, a market for non-agricultural output and a source of surplus for investment. In other words, Agriculture remains the backbone of Uganda's economy. The sector accounts for about 24.2 percent of the country's GDP (Background to the Budget, 2018/19). It employs about 72 percent of the total labour force (including disguised labour), 77 percent of whom are women, and 63 percent youth, most of whom reside in the rural areas. By and large, Agriculture contributes about 50 per cent of Uganda's total exports.

Uganda's agriculture sector is dominated by smallholder farmers who are involved in cash crops, food crops, livestock, forestry and fishing activities. Cash crops account for 2.1%, food crops 13%, forestry 3.4% and fishing 1.5% of the sector gross value added (Budget, 2018/19). The country produces among others, coffee, tea, cotton, cereals, bananas, livestock and fish which create enormous opportunities for agro-processing and increase the benefits of the sector.

The Ugandan population is to a large extent comprised of a high and increasing cohort of young people. Close to 78 percent of the population is below the age of thirty (UBOS, 2018). There is evidence to show that youth engagement in agriculture is declining amidst rising youth unemployment. The services and industrial sectors have grown considerably faster but are still not addressing the immense need for jobs for the burgeoning youthful labour force. This is referred to as jobless growth. It may have implications on food security, unemployment, and underemployment and may undermine the government efforts to drive economic growth through agriculture and the achievement of the Sustainable Development Goals.

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Making Financing **Agriculture Attractive to Financial Institutions**

The sector is also constrained by low levels of value addition caused by high cost of capital, low market for output, poor infrastructure in rural areas, low input availability and several other factors. Limited market information and capacity of the primary producers to meet the standards required in the export market constrains the sector's contribution to the country's export earnings. To enhance production and productivity of the sector to create wealth and jobs, there is need to address the critical challenges to production including post-harvest handling, processing & marketing.

Currently, financing agriculture is not attractive to financial institutions due to several sector challenges. One of the fundamental challenges is that Uganda's private sector credit to agriculture has stagnated at an average of 12-13% (around Ush1.8 trillion) over the last decade (BOU 2019) due to hinderances to productivity, production and ultimately farmers' incomes. On average, about 7.5% of the 12%-13% (sector finance) is concentrated in secondary production i.e. Agro processing and trade which the finance sector deems less risky. The bias against primary agriculture production has attributed to a litany of issues emanating from the farmers, financial service providers and the general value chain environment.

These include the following;

i) **Collateral Limitations:** Many smallholder farmers and SMEs lack adequate collateral to secure loans in Uganda. The industry also lacks other instruments that can be used to support farmers to secure credit. Inadequate collateral continues to cripple the access of credit by Agriculture value chain actors in Uganda. Absence of tangible collateral in form of land is largely due to the nature of the land tenure system in Uganda where land is communally owned and highly fragmented.

ii) **Perceived High Risk:** The Industry's risk scoring of the agriculture sector is high portraying the sector as high risk. This has influenced the pricing of agriculture credit upwards. Information asymmetry and lack of financial information increase the transaction costs of banks or makes it impossible to evaluate the chances of getting their money back if they lend to farmers. Financial service providers have challenges in getting accurate information regarding production history of the farmers. This has also resulted into adverse selection and moral hazards in Agriculture finance.

iii) **Low capacity development** among farmers in the agriculture sector is a contributor to low credit access. Inadequate human capital hinders the ability of the farmers to strengthen their capacity to receive finance. Human capital provides management skills, entrepreneurial skills and knowledge of business opportunities. As such, farmers' lack of this fundamental component also means limited marketing and financial planning, lack of good business plans, poor business records and deficient corporate governance. In addition, because most farmers in Uganda are smallholder farmers, the size makes them particularly susceptible to project failure from management mistakes and minimal opportunity to learn from the past. Their rigid mindset has made them hesitant and reluctant to adapt to new farming technologies, so they are stuck with the old traditional subsistence methods which do not yield much given the current ecological environment. Capacity development is required to enable the famers adapt to new technologies and methods of agriculture and management.

iv) Lack of full appreciation in the financial sector of the dynamics in the Agricultural Space: Human capital/resources incapacities in the finance sector is an issue that affects financial flow to the agriculture sector. The knowledge of the Agriculture sector value chains, an in-depth understanding of the characteristics of the sector, actors and the ecological environment is insufficient in the financial services industry. The human resource available must be trained on agriculture and agriculture finance to equip them with the needed skill and knowledge of the sector. The financial structure adopted by banks is not suitable for agriculture finance in terms of cost, tenure, structuring and other factors. Most commercial banks have short term funds with average tenure of 5 years, and the cost of funds available is high at an average of 20% per annum.

v) The financial services sector has insufficient risk management tools suitable for the agricultural sector;

Making agriculture attractive to financial institutions is not only a job for the government of Uganda; it’s a responsibility of all stakeholders in agriculture space. To make agriculture finance attractive, internal and external challenges facing agriculture finance should be resolved.

What UDB has done to de-risk Agriculture

i) Organization of Farmers into Groups/Associations:

Farmers are not adequately organized to link well with other chain actors to command a strong voice in the market and attract funding. UDB has supported in the organization and formalization of farmers into cooperatives, associations and limited liability companies as a vital step in sharing risk and ensuring success. In addition to the above, UDB considers capacity development of farmers as an important means to unlock their potential to get into commercialization as well as to acquire a mindset shift to better practices for increased production. This includes provision of better skills in farming methods, business planning, corporate governance, record keeping, product development, risk management and other Business Development Services.

ii) Risk Management Tools:

UDB has implemented several risk management methodologies that have helped to reduce and mitigate risk in Agriculture finance. These include Agriculture Credit Guarantee schemes, cross guarantees, Agriculture interest subsidies (lending

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Making Financing **Agriculture Attractive to Financial Institutions**

between 10%-12%) to agriculture supported by grants from one of our financiers among others. This has enabled farmer groups to access agriculture finance which would have been impossible.

ii) Adoption of appropriate financial structure for agriculture:

In structuring its agriculturel finance, UDB takes consideration of the nature of farming activity to be financed, gestation period for the crop/livestock involved, stage in the value chain, linkage to market opportunities available and the use of advisory services to fill the capacity gap that exists. The structure adopted for each farmer/value chain actor should consider the challenges and the specific needs of the farmer/value chain actor. We have also taken steps to expose our staff to best practices in structuring and monitoring agriculture finance.

iv) Alternative Collateral:

Alongside the above, UDB adopted an innovative way of collaterizing loans to reduce reliance on the conventional methods of collateral for Agriculture credit. The Bank implemented warehouse receipt systems for commodities like rice, structured finance for commodities like coffee, Third Party guarantees by aBi-Trust, linking of farmers to off-takers through Memoranda of Understanding and contract finance among others. This has helped to increase the level of finance to the sector.

Outcomes of UDB's Intervention through Agriculture Finance

Agriculture is a priority sector in NDP2. Uganda Development Bank therefore prioritizes Agriculture as a key sector. Over time tremendous resources have been invested in the sector to modernize and transform it from a peasant subsistence sector to a commercial one.

In 2018 the bank's Agriculture loan book stood at UGX 132.11 Billion from UGX 111.49 Billion recorded in 2017 which is 41% of the loan portfolio. Total approvals were over UGX 300 Billion and total disbursements were over UGX 150 Billion. With this investment, the bank interventions in the sector have been able to benefit over 100,000 smallholder farmers, created 40,207 jobs of which 43% went to the youth and over 291,816 acres put under cultivation in 2018. Further to the above, the investment also contributed UGX 8.3 Billion in taxes and earned USD 89.2 in foreign exchange in 2018.

UDB financing has led farmers to increase their acreage, incomes and productivity per acre by 18% in 2018 for farmers supported.

The bank's strategic plan ending 2022 looks at growing the agriculture loan book to over UGX 358 Billion. The finance shall focus on sustainability and building resilience in the sector looking at the following:

(1) Increasing availability, use and supply of key agricultural inputs and technologies **(2)** Reducing impact of natural uncertainties and systemic risks in the sector
(3) Promoting use and adaptation of climate smart technologies
(4) Promotion of value addition.

Other available De-risking opportunities for Agriculture

Opportunities exist for UDB and other financial sector actors to further de-risk through the following:

i) **Relevant infrastructure needs** of farmers and the overall agriculture value chain needs to be developed to support efforts towards reduction of post-harvest losses, transportation, storage and market access both locally and internationally.

ii) **Structured Agriculture Facilities**: The available capital in the market is not suitable for agriculture finance. The current Agriculture Credit Facility is not fully suitable for Agriculture in terms of ease of access and cost. In addition to the above, the central bank should develop policies/regulatory regimes suitable for agriculture finance in terms of impairment and treatment of loans in arrears.

ii) **Information Asymmetry using ICT**

Financial institutions can create linkages between farmers and readily available markets by developing an information platform and disseminating information on available markets, quality standard, pricing trends and others to farmers. These non-financial services can help them to be more efficient in marketing their products.

iv) **Route to Market Infrastructure**: The government of Uganda is doing a good job in infrastructural development, specifically roads and hydro power. There is however a need for further development of software infrastructure like ICT to support in the linkage of the sector players, the market and water for production given the climate change and the need to make agriculture more resilient. There are significant software developments that have not been tapped by the agriculture sector to enhance its performance. Weather forecasting, market linkages, risk management and mitigation are good examples.

v) **Agricultural Insurance Facility:** There is need for increased funding towards de-risking agriculture, especially at the primary stage of the value chain through an agriculture insurance facility that is adequately funded.

vi) **Collaboration among stakeholders in Agriculture**

To Make Financing Agriculture attractive to Financial Institutions requires a consortium of all chain actors to cooperate with each player taking on a key intervention in line with what they can do for the sector. A collaborative approach coupled with the will and determination will deliver a complete solution to the agriculture challenges hence unlocking finance to the sector.

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MINISTRY OF FOREIGN AFFAIRS OF DENMARK
Danida

LAUNCH OF UGANDA PROGRAMME FOR SUSTAINABLE AND INCLUSIVE DEVELOPMENT OF THE ECONOMY (UPSIDE) PROGRAMME 2018-2022 ON 14TH - 16TH MAY 2019

1. Launch of UPSIDE:

UPSIDE is Private Sector Development Programme through which Denmark is contributing to sustainable and inclusive economic growth in Uganda with the overall aim of assisting Uganda to realise Sustainable Development Goal (SDG) i.e. 1 (poverty), 8 (economic growth) and 16 (peace). UPSIDE will support Uganda in pursuing one of the four overall development objectives of the 2nd National Development Plan (NDPII) namely; to increase sustainable production, productivity and value addition in key growth opportunities. In order to achieve this, Denmark will fund three engagements, namely; **Northern Uganda Resilience Initiative (NURI), Agricultural Business Initiative (aBi),** and **Trademark East Africa (TME)** from 2018-22. Following the signing of the Government to Government Agreement with the Government of Uganda in December 2017 all the three UPSIDE engagements were launched in May;

i. NURI in Lamwo, Kitgum District on 14th May 2019
ii. aBi in Adjumani District on 15th May 2019
iii. Trade Mark East Africa at Elegu One-Stop Boarder Post on 16th May 2019

2. Update on the three Engagements:

a) About NURI:

Northern Uganda Resilience Initiative (NURI) is a successor to Danida's recovery and development programme for northern Uganda (2014-2018). NURI has a total budget of UGX 161 billion. The project logic is based on the important role agriculture plays in Uganda's economy and the potential for agriculture to contribute to equitable economic growth that reaches the poorest segments of Ugandan society. NURI responds to fi v e key development challenges facing Northern Uganda, thus: high poverty levels and trends in the face of adverse climate change, high infl u x of South Sudanese refugees putting pressure on local communities, the lack of adequate rural infrastructure, as well as rapid population growth that contributes to persistence of subsistence farming and low agricultural productivity.

NURI will pursue enhanced resilience and equitable economic development in the districts of Zombo, Nebbi, Pakwach, Arua, Moyo, Adjumani, Lamwo, Agago and Kitgum, and will include support to refugees and host communities. NURI will promote climate smart agriculture and marketing, agriculture related rural infrastructure and agriculture oriented water resources management. At least 180,000 households in the nine districts will benefi t from NURI. The target is to reach 4,000 farmer groups consisting of 120,000 households with agricultural extension and training, and 2000 communities consisting of 60,000 households with rural infrastructure. The project will also implement water resources management interventions in eight micro catchments areas. All farmer groups will be offered the opportunity to participate in Village Savings and Loan Associations (VSLAs) if they do not already do so. An estimated 30% of the total budget will target refugees and host communities.

Denmark has supported Northern Uganda for several decades, fi r st through the self-reliance strategy (1999-2003) and later through the successive phases of the DAR/RALNUC programme (2004-2014). Most recently, Denmark has supported the recovery and development in Northern Uganda through her Uganda-Growth Programme II (2014-2018) which managed to increase on the production of strategic crops by 45%. Agago District achievied the best result, recording an increase of 78% over the programme period. Average household income also increased by 28%, while average value of production assets per household by 40%. Farmers' market participation for the six strategic crops supported rose to 60% against a target of 51%. Collective marketing was most successful for sunfl ower where 69% was marketed collectively. NURI will build on these achievements. It will seek to improve the livelihood of farming households by increasing their resilience to climate change, increasing their agricultural production, and marketing, and ensuring that farming households have the means or infrastructure (such as access roads) to sustain production and sell their produce.

b) About aBi:

The Governments of Denmark and Uganda jointly founded the Agricultural Business Initiative in 2010 as a social enterprise that channels development cooperation funding to agribusinesses and agricultural service providers in Uganda. It currently comprises of aBi Development (formerly aBi Trust) and aBi Finance. The interventions of aBi are primarily focused on the primary producers and processors. aBi will strengthen its focus on the linkages between producers and processors as well as the linkages between these and the more downstream traders and exporters. This will reinforce the sustainability of its investments and of the partners supported, improving the pro-poor and resilience aspects of its developmental impact. Support from Denmark for aBi's business plan 2019-2023 will amount to more than 130 billion shillings.

aBi aims at building a competitive, profitable and sustainable agriculture and agribusiness sector in support of equitable wealth creation in Uganda. It pursues this through environmentally friendly and socially responsible investments in improved production, processing and trade coupled closely with capacity and business development of value chain actors. The target is to create at least 90,000 full time equivalent jobs by 2023 and that aBi's beneficiary financial institutions annually opens more than 150,000 new savings accounts and disburse more than 190,000 new loans to farmers and agribusinesses.

Since inception and especially the period 2014–2018 the aBi channeled development funding as matching grants and Business Development Services to agricultural producers and agribusinesses to enhance their management, production, productivity, value addition, income, profitability and employment. This was done for six Value Chains: coffee, cereals, pulses, oil seeds, horticulture and dairy. It also supported Financial Services for Agribusiness by providing guarantees and lines of credit and through technical assistance to Financial Institutions. Over the period 2014-2018 aBi Development implemented around 130 matching grant projects with a total value of an estimated UGX 345 billion. aBi Finance provided guarantee schemes, lines of credit and technical assistance to 44 Financial Institutions, who disbursed 812,000 new loans worth UGX 1.7 Trillion in Agribusiness lending. These interventions by both aBi Development & aBi Finance reached over 1.1 Million small holder farmers and agribusinesses and contributed to increased employment, household incomes and profits.

c) About TMEA:

TradeMark East Africa (TMEA) is a multi-donor institution that aims at growing prosperity in East Africa through regional and international trade. With support from Denmark, TMEA will seek to deepen engagement with borderland communities with the key aim of thinning borders so as to increase access to Markets. TMEA will take a two pronged approach - build upon ongoing infrastructure work such as the One Stop Border Posts (e.g. Busia, Elegu, Mutukula) to address key trading challenges faced by both formal and informal cross border traders, as well as develop soft ICT interventions to facilitate trade. This will not only cement Uganda's position as a regional logistics hub for both informal and formal trade, but will also further consolidate gains in increasing ease of doing business in Uganda.

Some of TMEA's planned activities include establishing an E-commerce platform for cross border traders that will enable buyers connect to the sellers and complete transactions without travelling long distances; simplifying cross border and trade processes for informal traders; availing trade information to cross border informal traders, reduction of non-tariff barriers affecting trade including standards as well as support to women traders transition from informal to formal trade through capacity building and linking them up to mentoring organizations.

Danida has supported TMEA in strategy I and part of their strategy II with implementation of the National Electronic Single Window, a platform that enables connectivity and seamless review and approval of international trade documents by key agencies involved in trade clearance. As a result of this support, the doing business ranking of Uganda in terms of trading across borders has improved from 138 in 2017 to 128 in 2018, mainly attributed to automation of systems. Other results include more efficiencies in government institutions with average clearance time for exports and imports for selected institutions reduce from a baseline of 14 days to 2 days and 4 days respectively in 2018.

Danida will build on these achievements by providing budget support to TMEA Uganda Country programme to continue implementing various planned activities incorporating informal traders and gender issues in their market access and trade facilitation interventions.

3. Appreciations:

i. RDE commends partners & stakeholders that were part of U-Growth programme and congratulate the new UPSIDE partners.
ii. RDE recognizes other development partners including; USAID, SIDA, KfW and UKaid for all their support.
iii. RDE recognizes the Government of Uganda for the enabling environment and collaboration.

4. Participants:

The launches were attended by; Minister of Trade, Industry and Cooperatives, Head of Mission, Royal Danish Embassy, State Minister for Northern Uganda, Centenary Bank, Local Government officials, aBi, URA Commissioner General, NURI and TMEA Representatives; Ministry of Finance, Planning & Economic Development officials, beneficiaries & Implementing Partners; representatives of various UN Agencies.

The Hon. Minister of State for Northern Uganda handing over an assortment of tools for use by community leaders involved in the voluntary maintenance of rural roads during the launch of NURI in Lamwo, Kitgum District.

The Hon. Minister of Trade, Industry & Cooperatives addressing guests during the launch of the TMEA UPSIDE component at Elegu Boarder Point on 16th May 2019. Danida contributed to the automation of the Elegu Border Post.

Group photo of participants at the launch of the UPSIDE aBi component at Centenary Bank Adjumani on 15th May 2019. The Branch was built in partnership between Centenary Bank and aBi under the DANIDA U-Growth programme.

Royal Danish Embassy, Plot No. 3, Lumumba Avenue, Kampala, Tel: **+256 (0) 312 363 000**, Website: **http://uganda.um.dk /**

Revolutionizing the Agricultural Value Chain **Through the Use of Digital Infrastructure**

The Case of the Farmers Digital Model

Anthony M. Kituuka,
EQUITY BANK

Introduction

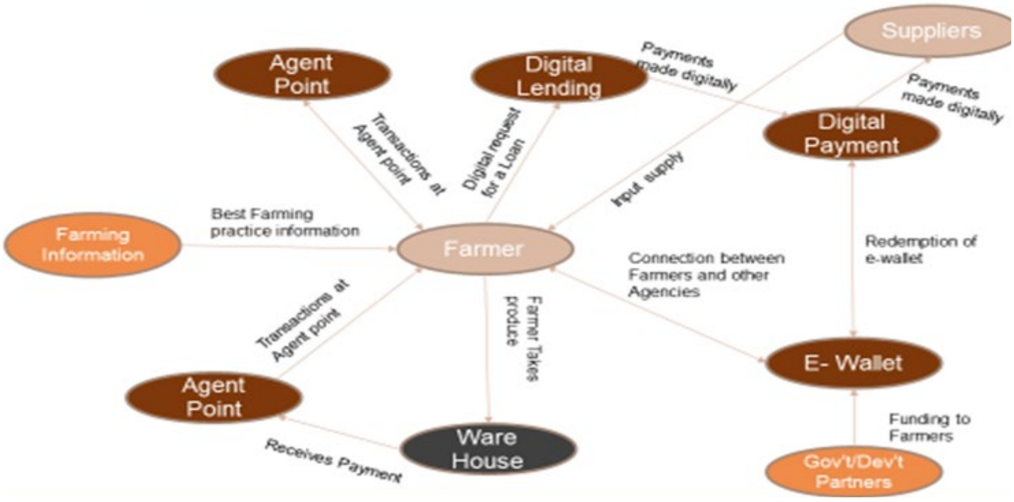
Some of the major challenges to growth of agriculture finance has been the high cost of delivering financial services to rural areas due to lack of appropriate infrastructure, limited information about farmers and the market to enable financial institutions profile and assess risk.

In Uganda and other parts of world, technological innovations are tearing down these barriers of access and use of financial services. Digital finance is helping address some of the challenges that farmers are experiencing today by improving access to financial services and convenient payment systems.

The rapid growth of digital and mobile telephone infrastructure and the advent of agency/branchless 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. This article presents a model developed and piloted by Equity Bank to extend financial services and products to rural farmers through digital infrastructure.

Revolutionizing the **Agricultural Value Chain**

The Farmers Digital Model



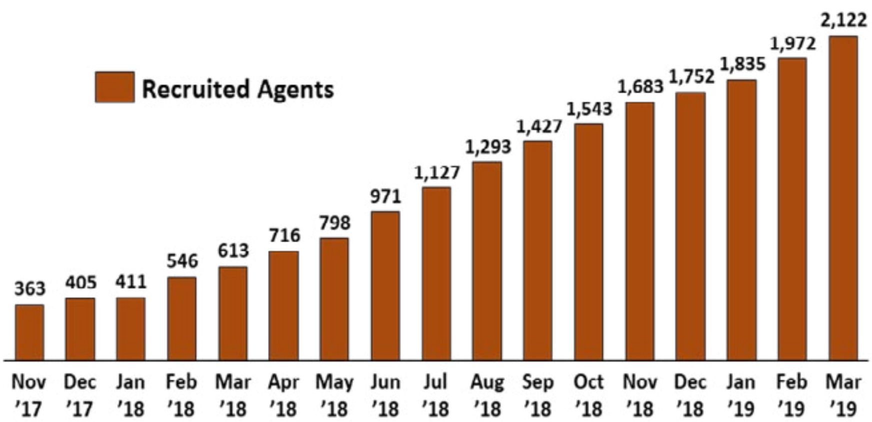
Source: Equity Bank Uganda Ltd, 2019

Agent Banking

Agent banking in Uganda was operationalized in July 2017 following the passing of the Agent Banking Guidelines by the Bank of Uganda. The fundamental role of agent banking is extending and delivering banking services outside traditional bank branches through strategic arrangements with existing businesses including farmer groups/associations. It results in a wider outreach targeting the under-served, under-banked and unbanked populations. Through agents, banks can extend their services to remote areas to increase access and provide a range of products and services supporting the agricultural value chains. This model has potential to link rural households with formal financial services through savings hence capital accumulation therefore enabling such households overcome liquidity constraints.

The commercial banks appoint retailers who act on their behalf to carry out financial transactions that would ordinarily be done by a bank branch. Upon approval by Bank of Uganda, these agents, are set up in the agent banking system, branded and are allowed to, accept deposits, withdrawals, Loan repayment and third party payments like utilities, school fees, among others as well as channel account opening related information. They serve bank customers through secured Point of Sale Terminal or Mobile Phone solutions that grants unique access keys to each individual agent.

Figure 1:
Number of Agents Recruited by Equity Bank



Source: Equity Bank Uganda Ltd, 2019

EQUITY Bank

Revolutionizing the **Agricultural Value Chain**

Inclusion into the financial system is aided as now the neighborhood shop keeper can become an agent of a bank and transact all banking activities for the farmer and any other client.

The Value and Number of Transactions at Agent Points per month

Figure 2: Monthly Value of Transactions at Agent Points (Shilling, Billions)

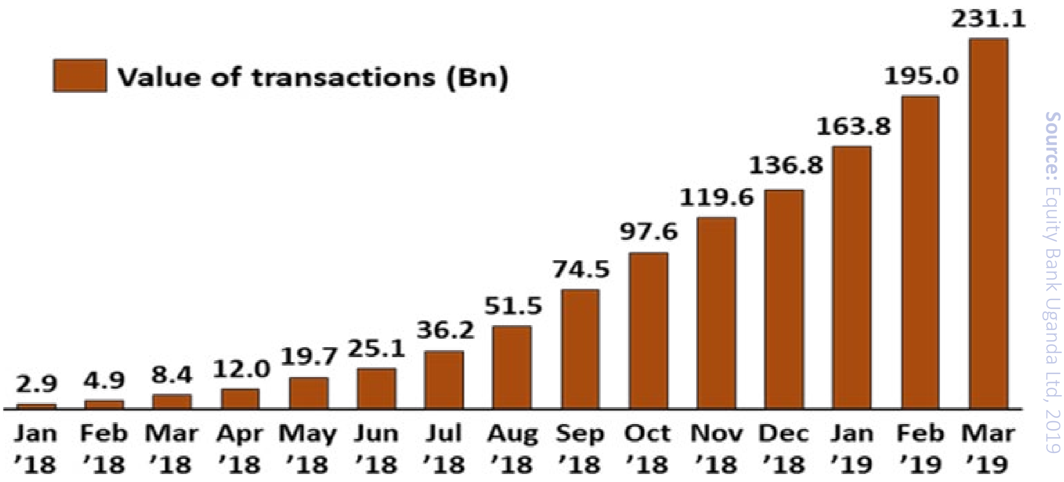
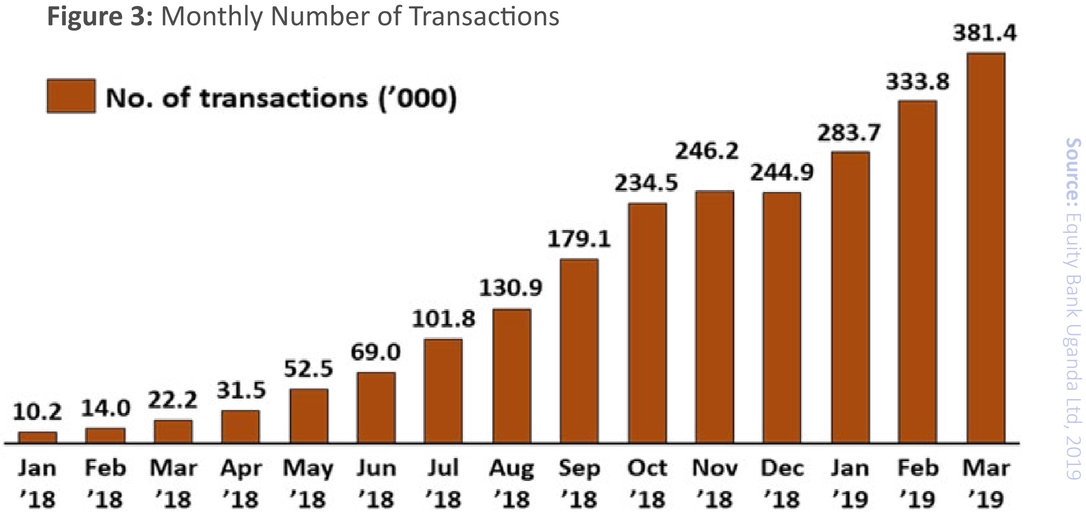


Figure 3: Monthly Number of Transactions



Key advantage to the farmer is that on top of having a savings account, their financial transactions are registered creating a clear record. This model of banking gives security for their deposits protected under DPF (Deposit Protection Fund), Flexibility and convenience of transaction times combined with it's being cheaper and time saving compared to looking for a bank branch. Scoring of their credit worthiness is much easier since all their financial history is traceable and registered with the credit reference bureau contrary to where they would be using cash to do their transactions.

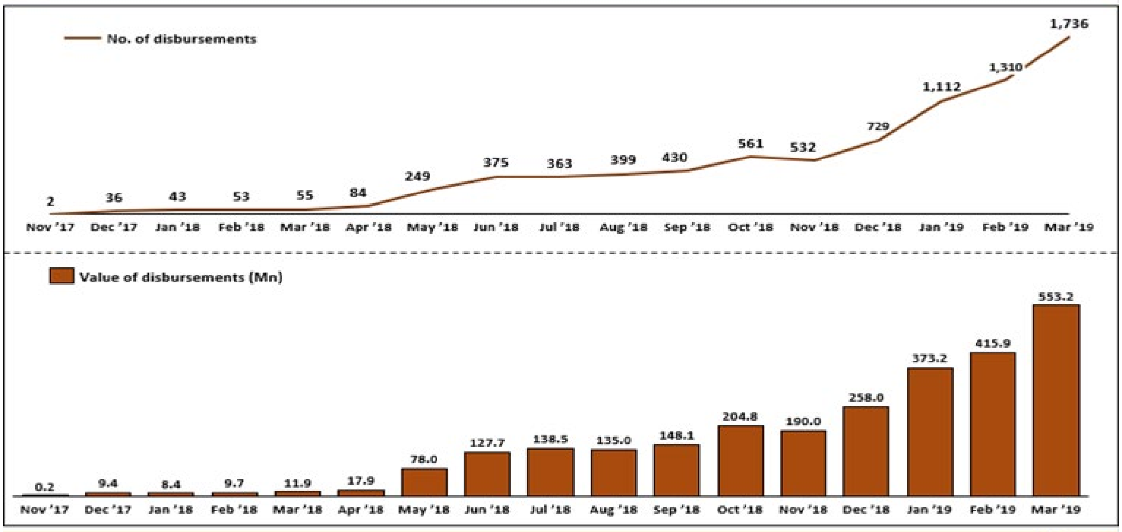
Digital lending

The above recording of transactions of the farmer even in a remote village makes it much easier to get credit from any financial institution through a digital channel like a phone.

In the past, the credit scoring (THE FINANCIAL INSTITUTIONS (CREDIT REFERENCE BUREAUS) REGULATIONS, 2005) of the farmer would be difficult since there would be no clear financial history however once all transactions are clearly recorded, this farmer can now be scored by a credit rating system (Artificial Intelligence technology). This means that this farmer can apply for a Farm input loan, as and when needed and it is granted within minutes through a mobile device (Phone) for example the Ezzy Loan from Equity bank (digitization possible as penetration of the phones has now grown: with more Ugandans using mobile phones, 70.9% (Daily monitor March 9, 2018).

This record also allows for cash flow lending. The credit happens on the operative account and a withdraw can subsequently be made from the nearest agent point.

Figure 4: The Number and Value of Loans disbursed on phone per month



Source: Equity Bank Uganda Ltd, 2019

Purchasing Farm Inputs (Digital Payments)

The farmer can pay for farm inputs from suppliers through the account without cash withdraw from the account.

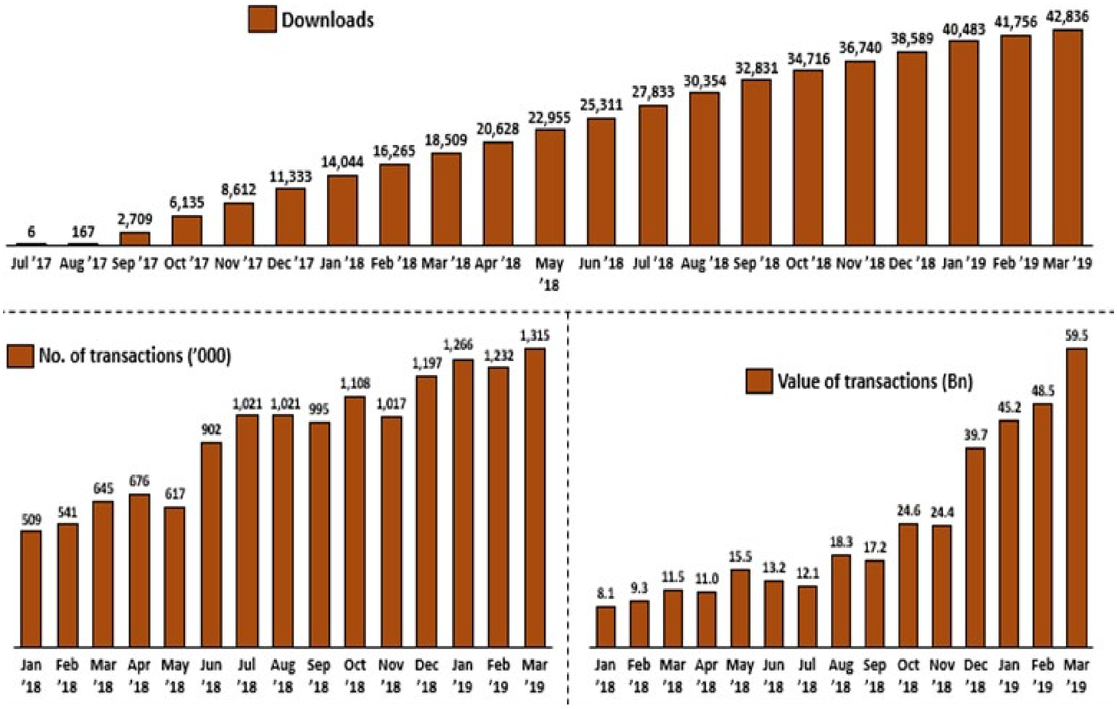
How?

The farmer makes a request for quotation from the input supplier (Eg. Biyinzika farm), who quotes or gives the farmer the proforma invoice upon which the payment is made digitally by making a funds transfer from the farmer's account to the input supplier's account (whether within the same bank or otherwise). Once payments confirmation is got, the supply of the farm input is made. This creates a chain that can be traced from the farmer to the supplier of the inputs.

Revolutionizing the **Agricultural Value Chain**

In case of quality check on the supplies, the history of purchase would be clear. The farmer only needs to join the thousands that are using the mobile platform as below shown:

Figure 5: The number of bank phone application Downloads and corresponding usage



Source: Equity Bank Uganda Ltd, 2019

E-wallets (Wallets for Fertilizers, Chemicals, Seeds)- Strategic Partnerships

The supply of farm inputs can be subsidized by government or development partners through the e-wallets.

In this case, the farmers are granted wallets through which supplies can be got from particular input suppliers (The case of Kenya Cereal Enhancement Project - KCEP). The e-wallet is a multi-partitioned biometric prepaid /debit Cards with different items which would be supplied and each item is granted a unique wallet on the same card from seeds, fertilizers, pesticides, among others. This also shows on the farmer's account keeping the trail of transactions.

Ware Housing (Ware House Receipt system)

Once the farmer has harvested the produce, the post-harvest storage and subsequent sale can then be done though a ware house receipt system.

When harvest happens, it results in bumper flow of produce on the market (Eg Uganda Maize harvest of 2018) causing price fluctuation down wards. To control these fluctuations, the farmer supplies the ware house and is paid a percentage of the value of goods unlocking capital to prepare for the next planting season (Case of East African Grain Council). Payment will happen through a transfer to the farmer's account and a receipt for the difference granted to the farmer.

Revolutionizing the **Agricultural Value Chain**

Farmers Remittance processing is one of the solutions where the banks have MOUs with government and private entities to process payments due to farmers for example monthly tea payments/ coffee payments/ milk delivery payments.

Supply to the final consumer

Once the right price/Market is realized, the ware house can then sale off the produce to the final consumers who will also make a digital payment to the ware house that in turn makes payment to the farmer.

A united and well documented value chain makes it easier for the small holder farmers to access local and international markets for example Millet/Sorghum to East African breweries and WFP; Horticulture to Sainsbury/Tesco in UK; Coffee to Dormans.

Information Flow (Capacity Building)

Market information is disseminated down to the farmers through their mobile devices by the government or development partners.

Having such a system would guarantee the use of a mobile device by each farmer through which the information can be sent. For example, Equitel (Part of Equity Group) offers farmers daily tips on market prices, good agronomic practices and post-harvest handling in Kenya.

Farmer capacity building involving Financial literacy training and entrepreneurship using curriculum/tips on mobile is also done using the same platform at a low cost. A complete loop will be created that moves from the input supplier through to the final consumer. Because of this interconnection, the input supplier through the farmer would know the quality of inputs required in order to supply the desired quality of goods to the final consumer. A compete value chain facilitated by the digitization of the whole system. This also reduces the dependence of farmers on middle men to transact.

Conclusion

The above facts demonstrate the role digital infrastructure plays in harnessing the potential in Agriculture by empower no only farmers & financial institutions but the entire list of value chain players.

Equity Bank has made this real & operational and through its digital channel is reaching thousands of farmers across the country, de-risking agriculture and impacting the lives of many people and businesses.

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Absa: Banking on Agriculture

According to the World Bank, the world's demand for food will increase by a staggering 70% by the year 2050. Uganda, in particular, has one of the highest population growth rates in the world, growing from an estimated 33.7 million in 2013 to 44.2 million in 2018. The population is projected to double by 2050.

As a result, the World Bank estimates that an additional USD 80 billion in funding from the private sector will be required for the agricultural sector to prevent a food shortage crisis and drive economic growth in countries largely dependent on agriculture.

Agribusiness financing is a sector most financial institutions prefer not to venture into as a result of the high risk involved. The general unpredictability of weather and seasonal patterns, evolving varieties of pesticide-resistant pests and diseases, land wrangles and so on, all contribute to the general perception that financing agribusiness ventures is too risky.

Smallholder farmers constitute the bulk of the agricultural sector and source most financing in the form of credit from informal sources like SACCOs, money lenders and family/friends. Registered and regulated financial institutions are seldom part of the drive to finance agribusiness loans, and the enthusiasm from farmers to approach these institutions is low due to the restrictive ("too many signatures") procedures involved.

Despite providing employment to over 70% of Uganda's population, the agricultural sector still lacks inclusive financial solutions. To be able to bridge this gap, Barclays Bank Uganda (part of the Absa Family) has put in place initiatives such as Village Savings and Loan Associations, agency banking and mobile banking through which the bank is able to provide financial services to farmers. "We finance most activities under the agricultural value chain that include; acquisition of agricultural machinery and equipment, post-harvest handling equipment, storage facilities/ warehousing, commodity trading, agricultural inputs e.g. pesticides & fertilizers, land opening, paddocking, bush clearing, irrigation facilities, water excavation/ dams, biological assets like banana suckers, fruit seedlings and livestock for restocking the farm," says Margaret Asekenye, Head of Agriculture at Barclays Bank Uganda.

With 70% of the population engaging in smallholder agriculture and the government striving to develop industrialization as the primary driver of economic growth, it is pertinent for efforts to be made to heavily grow the agro-processing industry. This will align with the country's industrialization goals; strengthen food security and further job creation. "Through a merit-based assessment process, Barclays has advanced credit and subsidized

Absa: Banking on Agriculture

insurance packages to individuals and businesses that are eligible and within the agriculture value chain," Asekenye adds.

One example of this commitment is the bank's partnership with Grain Pulse Limited, which brings together over 3,000 producers of maize, sorghum, barley, beans and coffee. Grain Pulse regularly purchases produce from these farmers then process it for storage and supply it to large scale manufacturers/ buyers like Uganda Breweries Limited, World Food Programme, Yo-kuku, Reco Industries Limited and regional markets.

As a result, Grain Pulse has greatly improved the livelihoods of thousands of smallholder farmers by providing a steady formal market for their produce as well as availing them with quality inputs like creditable high yielding seeds and crop, specific blended fertilizer at affordable rates and affordable packaging unit to suit the farmer's need and pocket.

In the last 11 months alone, Grain Pulse formally procured in excess of 6000 tons of Arabica and Robusta coffee which has been exported earning over USD 8 million.

"As a banking partner, Barclays has dedicated their time to appreciate the agri-business needs especially in regards to financial solutions for agricultural inputs, specifically blended fertilizer. In one year, we have been able grow our import of fertilizer raw materials and maintain a buffer stock of a minimum of 1000 tons of fertilizer raw material to meet farmers' demands that is; Crop specific blended fertilizer for example for Coffee, Banana, Maize, Barley, Sunflower," says Alfred Mwangi, Chief Operations Officer at Grain Pulse.

In 2018, Barclays Bank Uganda in partnership with the Netherlands Embassy organised a trade visit for 31 small and medium agro-processing entrepreneurs to Netherlands to expose them to international agricultural and business practices. While on the trip; the entrepreneurs visited world-renowned centres of excellence within the fields of food processing, horticulture; dairy, poultry, piggery and agro-technology.

The bank also avails access to credit financing for the agribusiness sector under the Bank of Uganda Agriculture Credit Facility Scheme (ACF), established in 2009 and promoted by the Government of Uganda as a risk-sharing mechanism to accelerate provision of affordable medium and long-term financing to viable agriculture projects.

According to Mwangi, banks need to increase their risk appetite towards financing agri-business value chain in a sustainable fashion. "Banks need to consider providing more dynamic and affordable financing solutions to enable farmers acquire semi-mechanical farm implements that enhance production efficiencies on current active farmland, reduce the high levels of post-harvest handling loss and add value to the farmer's produce."

Mwangi adds that these financing solutions also need to have affordable terms, 10 to 15 years and consider the acquired asset as the security.

Absa is a leading player in the agribusiness sector on the African continent. Since 2017, Absa's Agribusiness Division has brought together economic agriculturalists and experts in different agricultural sectors to release seasonal reports called the Absa Agricultural Outlook. This report critically examines the latest developments in the agricultural sector and how they may affect profitability, lower risk and lower the cost of financing to remain abreast of market trends and the challenges faced by clients.

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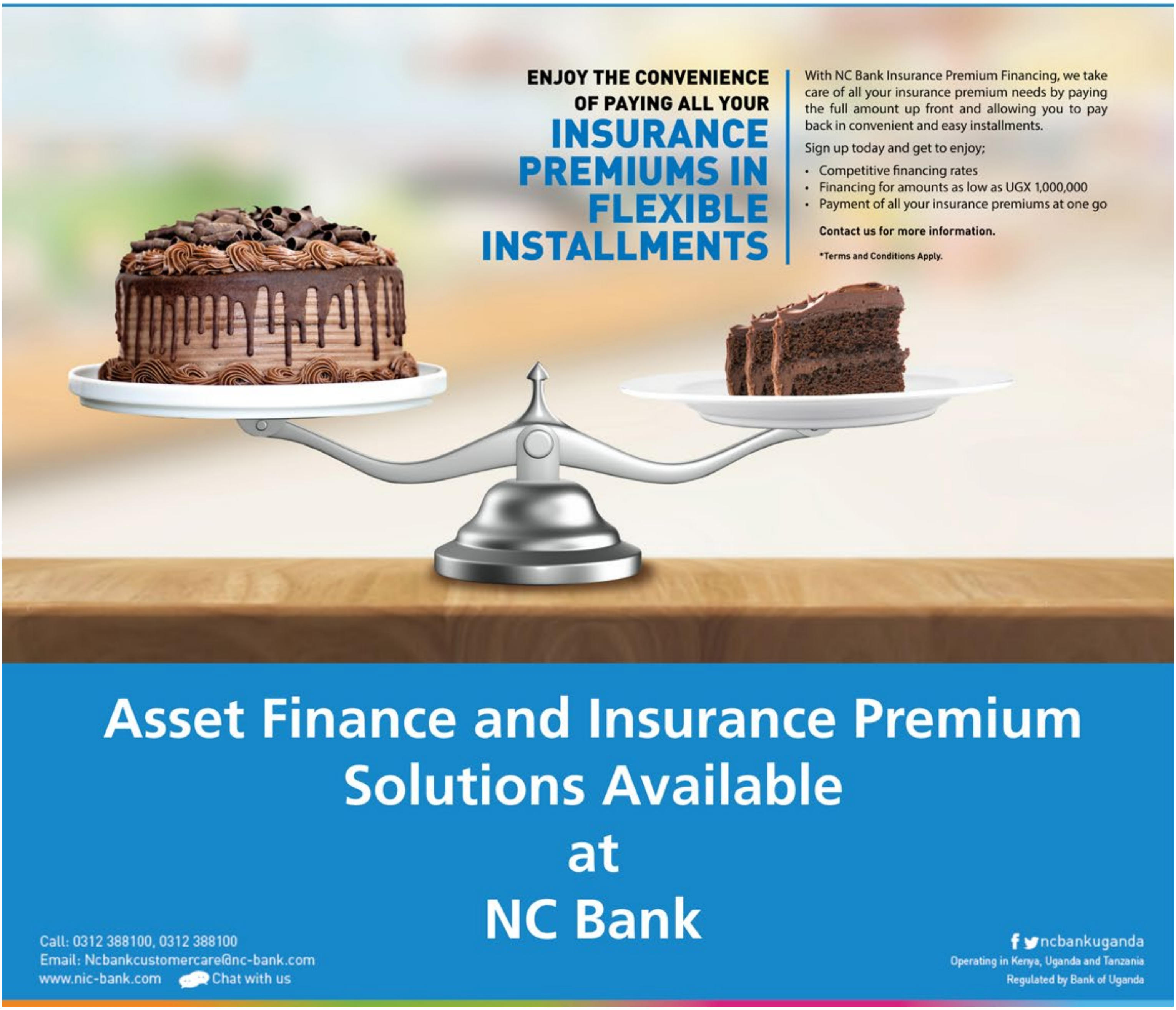

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Does private sector credit to agriculture **support agricultural growth in Uganda?**

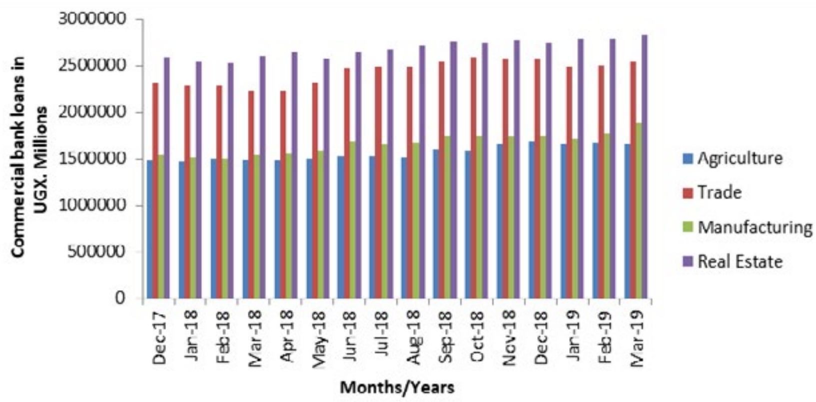
A VECM Model Analysis

By **Ronald Ochen**
Research Assistant, the Parliament of Uganda.

1.Background

The agricultural sector is the single-largest employer. The sector employs 70 percent of the workforce in Uganda (UBoS, 2017). The sector also has several backward and forward linkages with other sectors of the economy. While total lending to the agricultural sector from commercial banks has been growing steadily, the sector continues to grapple with limited credit (Figure 1). This is mainly because Banks and other money lending institutions have always considered agriculture to be risky (Kimenye and Bombom, 2009).

Figure 1: Total Commercial Bank lending to selected sectors

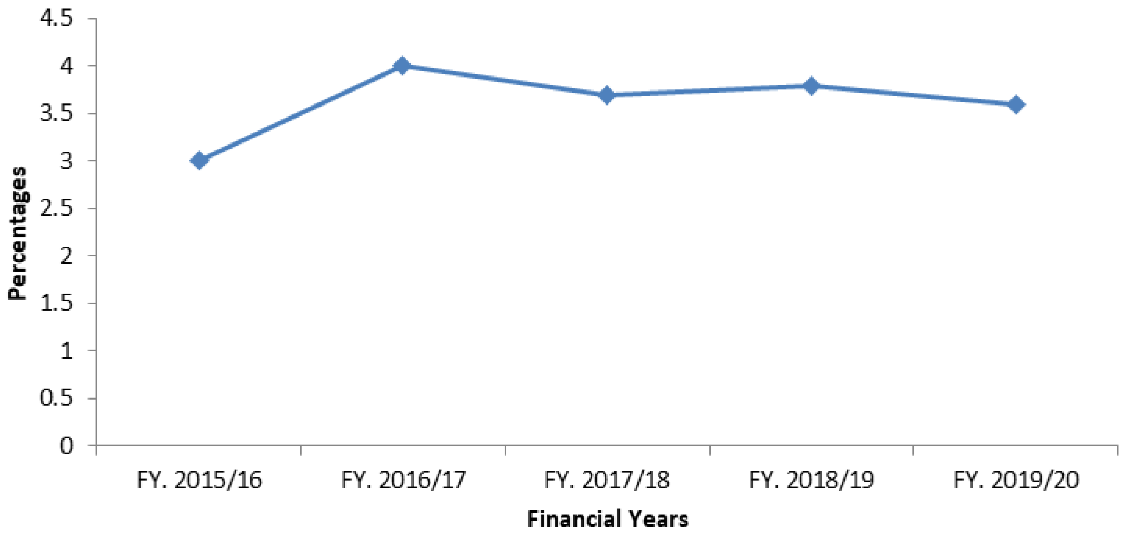


Source: Authors Computation using Bank of Uganda data, 2019

Does private sector credit to agriculture **support agricultural growth in Uganda?**

More so, the agricultural sector posted the highest non-performing loan ratio of 11 percent as of June 2018 compared to 1.4 percent of the manufacturing sector, 5.2 percent of the trade and commerce and 3.4 percent in real estate (See Appendix 1). The situation is further exacerbated by the low budget allocation to the agriculture sector that does not match its significance; public expenditure on the sector fluctuates between 3-5 percent of the national budget (See Figure 2 below). This, according to Mbowa et al, (2018) is far less than the 10 percent recommended under the Comprehensive Africa Agriculture Development Programme (CAADP).

Figure 2: Trends of Nominal Budget Allocations to the Agricultural Sector



Source: Authors Compilation using MoFPED estimates, FY. 2015/16 – 2019/2020

This paper examines the impact of private sector credit to agriculture on agricultural GDP in Uganda. Specifically, exploring the nexus between private sector credit to agriculture and agricultural output and further develop policy options that will help guide the financial institutions, government and investors in designing innovations to mitigate the risks in the agricultural sector for sustainability.

2. Methodology and Data

The paper uses a mix of secondary quantitative data obtained from the Bank of Uganda (BoU), Ministry of Finance, Planning and Economic Development (MoFPED), and the World Development indicators (WDI). The data comprises of Lending Rates on interest (LR), Agricultural Growth (AOP), Inflation (INFL), Real Effective Exchange Rate (REER), Public Expenditure on agriculture (PEXPA), and Private Sector Credit to agriculture (PSCA). Due to limitations of data, the study considered quarterly data from 2008 to 2017 data to generate 40 observations transformed into natural logarithms. A Vector Error Correctional Model (VECM) approach was used to determine the impact of private sector credit on agricultural growth as a percentage of the GDP.

Does private sector credit to agriculture **support agricultural growth in Uganda?**

Results and Discussions

Results from the model show a long run unidirectional causal relationship between private sector credit to agriculture and agricultural growth, running from agricultural growth towards private sector credit to agriculture. This implies that agricultural growth causes growth in private sector credit to agriculture; simply put, commercial banks lend more to farmers as the agricultural sector grows. Furthermore, the relationship between agricultural growth and private sector credit to agriculture is positive and significant as anticipated. More so, lending rates, inflation, public expenditure to agriculture significantly impacts agricultural growth but not the real effective exchange rate. The negative sign on lending rates implies that as lending rates increase, the agricultural growth declines. The error correction term is -0.235 and significant implying about 24 percent deviation from the long run is adjusted to equilibrium.

3. Conclusions and Policy Recommendations

The paper sought to examine the relationship between private sector credit to agriculture and agricultural gross domestic product. The evidence suggests that private sector credit to agriculture is supported by agricultural growth. Therefore, better performance of the agricultural sector drives demand for credit to increase investment in the sector. It is therefore imperative for the government to develop actions that stimulate growth of the agriculture sector.

Policy Considerations:

The government should address the mismatch between public expenditure to agriculture and agricultural growth. There is need to re-visit the designing and implementation of agricultural programs particularly the National Agricultural Advisory Services and Operation Wealth Creation. More focus should be on management of funds, agro-processing, value addition and regulation of the markets of inputs, and then distribution. This will make the agricultural sector vibrant thus attractive to private sector and therefore increase employment opportunities for the Youths.

Does private sector credit to agriculture **support agricultural growth in Uganda?**

In addition, public expenditure to agriculture should provide the agricultural crop insurance scheme to a broader number of small holder farmer organizations; this will cushion them from risks in crop failure emanating from climate change. As such, this intervention will mitigate the risk of financing and investment in the agricultural sector.

Furthermore, since the agricultural sector grows as more private credit flows to the sector, private sector banks have to design new technologies and develop products that will enhance access of credit to the farmers especially in the rural arears.

Finally, government needs to reduce borrowing from the private sector banks as this leads to an increase in lending rates which crowds out the private sector from accessing credit for agricultural investments.

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Annexes

Annex 1: Non performing loan ratios by currency and sectors

Sectors		Jun-15	Jun-16	Jun-17	Jun-18
Agriculture	Overall	6.2	17.4	12.5	11.0
	UGX	4.6	11.8	9.3	5.7
	FX	7.5	21.9	15.1	16.5
Trade	Overall	3.7	9.1	5.5	5.2
	UGX	2.6	10.8	7	6.9
	FX	5.2	7	3.5	1.8
Real Estate	Overall	3.6	11.1	4.7	3.4
	UGX	2.6	11.6	6	4.1
	FX	4	10.7	3.4	2.6
Manufacturing	Overall	4.3	2.3	2.7	1.4
	UGX	7.8	6	5.2	2.9
	FX	2.7	0.6	1.3	0.5

Source: Bank of Uganda (BOU) estimates, 2018

Productivity and economic returns to **investment in agricultural extension**

Tonny Odokonyero, Swaibu Mbowa and Brian Sserunjogi,
Economic Policy Research Centre

The Case for Agricultural Extension Services

Background

Agriculture is the cornerstone of Ugandan economy, contributing about 23% of Gross Domestic Product. The sector is a major foreign exchange earner, with close to 48% share of overall export earnings . However, growth of the sector has remained persistently lower than the 5% target . Improving the sector's performance requires enhancing production and productivity, a priority area that the agriculture sector strategic plan aims at addressing. The plan also sets out to reform agricultural extension service delivery system to improve performance. Following the strategic direction, this paper examines the extent to which agricultural extension support can make a contribution, as well as the economic implication of investing in extension. Analyzing productivity enhancement pathways and associated returns provides insights on risk mitigation in agriculture financing (credit). We use the case of coffee enterprise for two reasons. First, coffee is a strategic commodity for the economy. Second is to have a practicable scope of analysis.

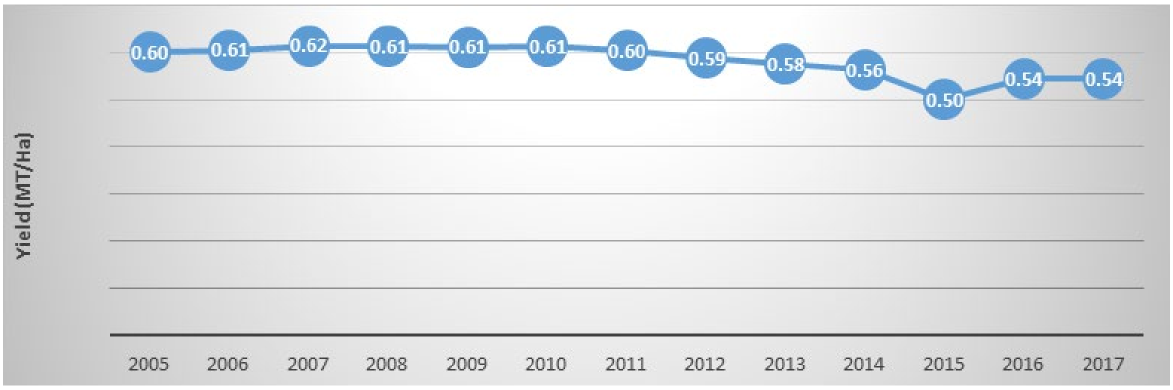
"Summary of findings: Using Incremental Net Benefit Approach, results illustrate that effective extension support accelerates adoption of technologies, which in turn boosts productivity; and maximum productivity and economic return are associated with services delivered as a package. Investing in extension is crucial for boosting productivity and derisking agriculture financing".

Productivity and economic returns to **investment in agricultural extension**

Coffee is Uganda's strategic crop both as a source of employment and top forex earner. Uganda's coffee roadmap envisages increasing coffee output from the current 4.5 to 20 million (60 Kg) bags by 2025. This implies multiplication of coffee yields by 3-4 times. The overall expected outcome is growth of foreign revenue from coffee exports by US$ 1.5 to 2.2 billion per year. Agricultural extension is vital in attaining these targets, however, extension service delivery in Uganda is plagued with myriad of challenges (Odokonyero & Mbowa, 2017; Barungi et al; 2016, Okoboi et al; 2013, Kuteesa et al; 2018). Specifically, coffee-specific extension services are inadequate (MAAIF, 2015).

Overall, productivity is characterized by intermittent pattern of declining, negative or flat growth (Figure 1). Given the productivity trajectory, the target of multiplying coffee yield by 3-4 times may not be achieved. Against this background, this paper examines possible pathways for accelerating productivity in the coffee sub-sector, with emphasis on extension services. We also shed light on the economic implications of investing in an effective agricultural extension services. The paper majorly draws from the work of Odokonyero & Swaibu (2017) .

Figure 1: Trend in coffee productivity



Source: Author's computation using FAOSTAT (2005-2017)

The objectives are two-fold. First is to analyze the contribution of agricultural extension towards enhancing productivity. The second objective is to examine the economic implications of investing in an effective agricultural extension support services.

2.0 Data and Analysis

We make use of data from the last Uganda Agricultural Technology and Agribusiness Advisory Services (ATAAS) survey. The survey is nationally representative and captures data at farming household level, with coverage of about 12,000 farming households in Uganda. Other statistics are from Agricultural Management Information System and Food and Agriculture Organization of the United Nations. We employ Incremental Net Benefit Approach to examine economic implications of investing in extension, where we also analyzed the potential economic benefits foregone (monetary value) in the absence of extension service . We used this approach because it allows for investigation of what additional returns can yield from extension, and/or loss incurred in the absence of extension services to farmers . The analysis takes into account coffee

Productivity and economic returns to **investment in agricultural extension**

productivity (yield) by level of technology and related economic gains, with and without extension. The computed economic return is a proxy to rewards to labour as a factor of production.

3.0 Results

3.1 Level of extension support among farming households

The proportion of coffee farming households that have access to extension services (from any source) is above the national average, at 73%. However, since less than 10% of farming households have access to extension services from public source(s), it implies that even among coffee farmers, access to public extension is deficient.

3.2 Adoption of technology among coffee farming households

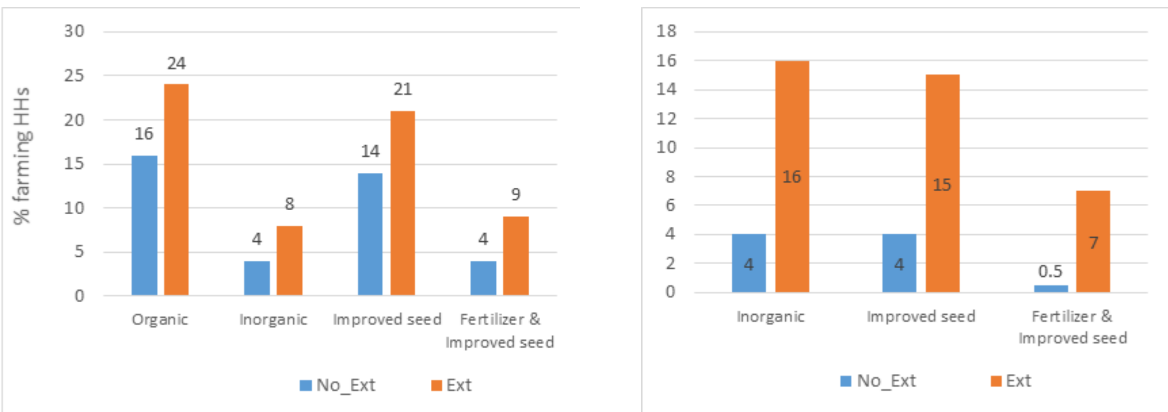
Our definition of agricultural technology is restricted to agricultural matching inputs like fertilizer and improved seed. The results indicate that for improved seed, only 12% of coffee farming households reported adoption, compared to the national average of 18% . Similarly, just 5% of coffee farming households have adopted the combined technology of fertilizer and improved seed.

3.3 Can agricultural extension improve technology adoption?

Results in figure 1B indicate that adoption rate of inorganic fertilizer increases by fourfold when coffee farming households have access to extension services, compared to when they don't have access. For improved seed, adoption rate increases by more than three times with extension support. The improvement in adoption rate for combined technology is high with access to extension services. Specifically, adoption rate of combined technology improves from 0.5% without extension service to 7% with provision of extension services. The results are consistent, even when all farming households are considered (Figure 1A).

The statistics in Figure 1 clearly demonstrate that effective extension support increases the adoption rate of better agricultural technologies. The results underscore the contribution of extension in boosting use of improved agricultural technologies. These results are consistent with findings in other studies .

Figure 1: Technology adoption by level of extension support among coffee farmers



Source: Author's computation using ATAAS data (2013)

Productivity and economic returns to **investment in agricultural extension**

3.4 Does agricultural extension improve productivity?

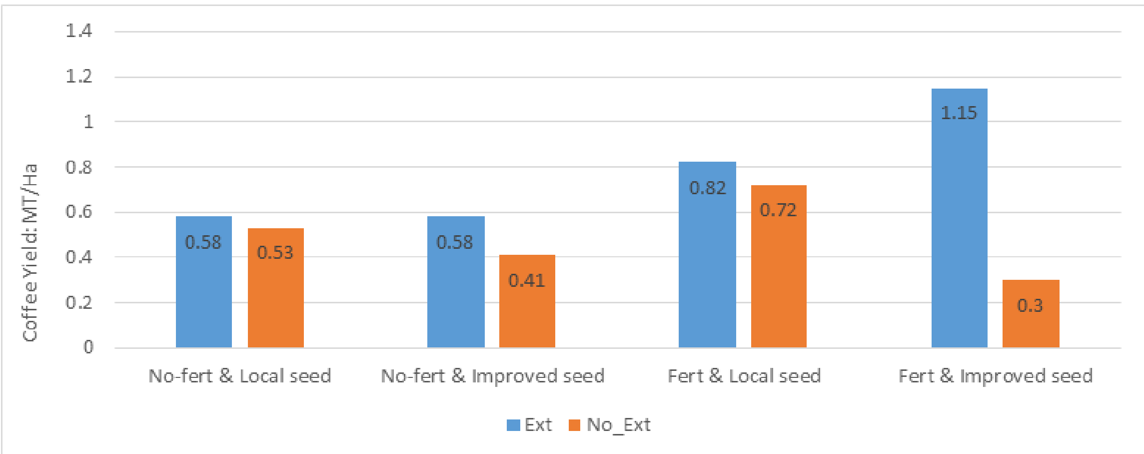
Results in figure 2 indicate that coffee yields improve with increased adoption of better technology. We analyzed this based on four levels of agricultural technologies, disaggregated by the level of extension support (i.e. with and without extension). First, coffee farmers who use local seed without fertilizer and did not receive extension support can produce about 0.53 MT of coffee per hectare, but when extension support is provided, the productivity increases to 0.58 MT/Ha.

Second, farmers that use improved seed without fertilizer but receive extension support produce about 0.58 MT/Ha of coffee, however, without extension support, the yields decline to about 0.41 MT/Ha. Seemingly, use of improved seed per se – complemented with extension support (without fertilizer) tends to yield the same outcome as use of local seed and extension support. It is however apparent that best results from improved seed need extension support.

Third, coffee farmers who use fertilizer with local seed and receive extension support can produce about 0.82 MT/Ha, however, without extension support, this yield drops to 0.72 MT/Ha. Finally, the farmers who use combined technology (fertilizer with improved seed) and receive extension support can produce as high as 1.15 MT/Ha, which is more than three times higher than the yield of those who do not receive extension support. The results are consistent with findings elsewhere .

The above evidence demonstrates that effective extension services is paramount in achieving better agricultural outcome, via improved technology adoption. The intuition is that even if farmers adopt better technologies, but in the absence of agricultural advisory services (extension) meant to impart knowledge to the farmers, for instance on how to correctly apply the technologies and make use of them to maximize crop productivity, meaningful outcomes may not be realized.

Figure 2: Coffee yields under different technology-extension levels



Source: Author's computation using ATAAS data (2013)

3.5 Economic implication of investments in agricultural extension support services

Table 12 contains results of potential economic returns at each level of technology, with and without extension support for coffee farmers. For each scenario of technology level, receipt of extension services by farmers is associated with higher economic gains than the scenario without extension.

Farmers who use local seed without fertilizer but receive extension support are capable of generating economic return to the tune of about US$ 293 million, compared to only US$ 268 million without extension support.

For those who use improved seed without fertilizer but have access to extension support, the potential revenue is about US$ 293 million, compared to US$ 207 million without extension services. For the case of farmers using fertilizer with local seed and receive extension support, the return is estimated at US$ 414 million as compared to only US$ 363 million without receipt of extension support. Lastly, the coffee farmers who use combined technology (fertilizer and improved seed) with extension support generate the highest return worth US$ 581 million.

Table 12: Economic returns by technology and extension level in the coffee enterprise

	No fertilizer with local seed		No fertilizer but with improved seed		Fertilizer with local seed		Fertilizer with improved seed	
	E	**NoE**	**E**	**NoE**	**E**	**NoE**	**E**	**NoE**
Productivity (MT/Ha)	0.58	0.53	0.58	0.41	0.82	0.72	1.15	0.300
Production volume (mln Kgs)	230	211	230	163	326	286	457	120
Production volume (mln 60-kg bags)	3.8	3.5	3.8	2.7	5.4	4.8	7.6	2.0
Economic return (mln USD)	293	268	293	207	414	363	581	151
Economic return (Bln UGX)	1,083	990	1,083	766	1,532	1,345	2,148	560

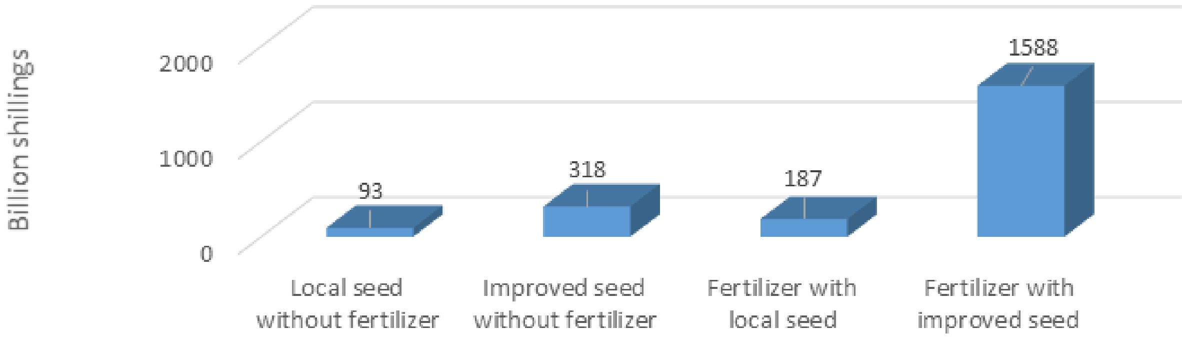
Source: Author's computation using ATAAS data, FAOSTAT (2018), and InfoTrade. Coffee acreage (Ha) used = 397,398

Note: NoE - refers to without Extension support; and E – refers to with Extension support

As already evidenced, ineffective extension is associated with low agricultural yields. This is expected to result into low monetary gains. Farmers who receive extension services tend to take up better agricultural technology and experience higher yield gains, and thus receive higher economic (monetary) returns. This translates to more gains for farming households and the economy at large – when aggregated at macroeconomic level, which can ultimately improve balance of payments position given that coffee is a major export crop. There are thus potential economic losses associated with ineffective extension support among coffee farmers, ranging between 93 and 1,588 billion shillings depending on technology level (Figure 6).

Productivity and economic returns to **investment in agricultural extension**

Figure 6: Potential losses associated with lack of extension support



Source: Author's computation using ATAAS data, FAOSTAT, and Infotrade.

4.0 Conclusion and policy implication

Our evidence suggests that effective extension support accelerates adoption of technologies, which in turn boosts productivity. The highest productivity and economic return is observed when extension services are provided in the scenario of application of agricultural technologies as a package. Here, extension is associated with more than threefold increase in productivity. Investing in extension can therefore play an important role in derisking agriculture financing (credit), by boosting productivity and increasing farmer's ability to repay.

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Uganda Forex Bureau and Money Remittance Association

Background;

The forex bureau business has been in existence since the late 1980's until the liberation of the economy. Within that time span, many bureaus sprung up and were working independently. By then the industry had a challenge with its image as there was a lot of fraud, corruption and the 'Bicupuli' had affected the industry. A research was carried on by one of the founders (Mr. Mwanje Stephen) on networking and social capital in forex business and as a result discovered that we benefit and earn more by working together as forex bureau through sharing information among other things.

In July 1999, at one of the meeting convened by Bank of Uganda-one of the series of meetings they organized for training purposes- the idea of starting up an Association for forex bureau operators was sought by one of the founders. Luckily amidst some challenges, the team from Bank of Uganda bought it up with the then director (of TEDD), Dr Muwanga Zake with Members who had subscribed for the initial set up worked voluntarily and willingly for this industry to rise. Uganda has witnessed a transition in the forex industry since the evolution of the first forex bureaus in the late 1980s, at a membership of less than 60 bureaus grown to over 240 as of date to bridge the gap of no basic forum or legal binding under which members could discuss and share their views and complaints

Formation of UFBMRA;

UFBMRA was formed and registered and officially inaugurated on 27 January 2001 by the Governor of Bank of Uganda with a primary objective aligned to; public policy advocacy, good governance, information sharing, and self-regulating strategies that promote best practices in offering financial services amidst dynamic regulatory framework to serve the public, private sector in Uganda and beyond. And further in 2002, UFBMRA launched the forex trading Code of Conduct which was intended to guide forex bureau in ensuring professionalism, high ethical standards and fair play while carrying out business.

Our vision is to be a world-Class business membership organization effectively delivering services to its members and all stakeholders wherever they operate while ''inspiring confidence'' in the forex industry. To serve as the voice of all the members and its main duty is to promote healthy dialogue, disseminate information and also enforce discipline and standards among the members as well as in the forex bureau and money transfer market.

Membership; UFBMRA membership is spread across the country and zones with over 193 forex bureaus and money remitters operating with a branch network of 256 branches cutting across all regions, border posts and districts in the country. All our members are registered and licensed by Bank of Uganda (Principle Regulator)

The daily activities performed by UFBMRA are:

1. Maintenance of communication channels with members, the Central Bank, and the outside world stake holders through the internet and website,
2. Enforcement of discipline and standards among members and in the forex bureau and money transfer market, and
3. Monitoring the operations of bureaus to ensure that the Code of Conduct and set standards are strictly observed and adhered to by forex bureau operators,
4. Provision of assistance to members who wish to address their concerns with the Central Bank and other regulatory bodies, such as Kampala Capital City Authority (KCCA), Uganda Revenue Authority (URA);
5. Provision of training to leaders of bureaus and staff to enhance their business skills for improved performance;
6. Provision of guidance and counselling to members to respect and adhere to the Code of Conduct, to maintain high standards of currency ethical dealing and financial management, and to cooperate with each other even though they compete for business.
7. Enhancing market discipline, promoting market development and encouraging constructive engagement with the regulator (BOU)
8. Promoting professionalism in the sector with the broader goal of enhancing public image.
9. Enhancing high ethical standards amongst members while fostering self-regulation
10. Keeping line of engagement with the regulator alive so that market vulnerabilities or any challenges can be adequately and timely addressed
11. Representing forex bureaus and advocating their interests
12. To ensure effective representation and advocacy for forex bureaus
13. To ensure prudent coordination and networking of all forex bureaus, and with the Central Bank
14. To ensure efficient and effective facilitation of information and communication to members, partners and the public

Register today with; The Uganda Forex Bureau and Money Remittance Association

For further information contact;

Uganda Forex Bureau & Money Remittance Association (UFBMRA)
Tel: (+256) 414250198; Watsap; (+256)792513014
Buganda road, Plot 10,
P.O Box 7258, Kampala, Website; www.ugandaforex.ug

Offices At; The Uganda Institute of Banking and Financial Services Building, Room 4

The Agriculture **Finance Misfit in Uganda**

Joseph Sanjula Lutwama and Jimmy Ebong,
Financial Sector Deepening Uganda

The Opportunity

Food is going to be the oil of tomorrow and whoever will control food supply will control the world. It is predicted that by 2050, there will be over two billion more people on the planet than there were in 2015. Africa will account for over half of this population growth with 1.3 billion new mouths to feed over the next 30 or so years .Uganda has one of the best climates on the entire African continent, is less affected by weather vagaries like droughts and pests and has two seasons of maize production compared to one season in Kenya and Tanzania. These factors make Uganda a potential food basket for the East African region. Despite this tremendous potential agriculture is one of the least financed sectors by commercial banks in Uganda.

The Agricultural Finance Misfit

So where is the misfit between the commercial bank and the farmer or the agribusiness owner? At the core of this market dysfunction is the problem of information asymmetry. There is limited information on agricultural production and yields in Uganda. The last agricultural census was done ten (10) years ago in 2009 and information provided by a few private sector actors is not comprehensive enough for the commercial banks to feed into their loan analysis models. So, many assumptions that are divorced from reality are used in lending models and analysis, making agricultural credit expensive. In addition, the requirement of physical collateral for the loans will hardly work in a country where, less than two out of every ten adults have land or properties with legal titles.

Increasing access density does not completely solve the puzzle of financing agriculture but is necessary to bring services closer to agribusinesses. Accessibility to commercial banks is also a major challenge to agricultural finance because most of the agriculture is often in rural areas. Currently there are 24 licensed commercial banks with 455 bank branches. However, 1 out 2 of these branches is located in the 3 largest cities in Uganda. Furthermore, for every 100,000 adults, there are only 3 commercial bank branches. The advent of agency banking could go along way in bringing banking services closer to the farmer, especially if banks start on-boarding bank agents in rural areas.

The commercial viability of agriculture also poses another major challenge to agricultural finance in Uganda. Since most agriculture in Uganda is subsistence, very little goes into making it more scalable, sustainable and commercially viable. This results in low yields and quality of agricultural output in Uganda.

The Agriculture **Finance Misfit in Uganda**

Last but not least, most farmers and agri-entreprenuers have inadequate business acumen to scale up production to make commercial bank credit a good value proposition for their businesses.

Unlocking the Potential of Agricultural Finance in Uganda

Information Asymmetry: It all begins with addressing the information asymmetry challenge in the Ugandan market. The financial sector needs to partner with government and the farming community to develop a more efficient regular data management framework on the agriculture that captures all the data needs of the sector. This will provide a more sure and solid foundation for the loan financing models of commercial banks which should translate in more accurate pricing of agricultural credit and ultimately more agricultural credit disbursed.

Alternative Credit Scoring models: The challenge of few Ugandans with titled property is not about to be solved in the short to medium term. This means that commercial banks and the agricultural community need to think of alternative and innovative mechanisms of assessing the creditworthiness of agricultural credit applications. With improved and comprehensive data on agricultural production and commercial opportunities; commercial banks can develop alternative credit scoring models-based information about agriculture. Generating demonstration effect for alternative data backed credit scoring and lending models will create alternatives to traditional lending models, which have so far not adequately addressed the problem of information asymmetry and securities for credits. Most importantly, such structures have not responded to the uniqueness of agriculture of seasonality and fluctuating income patterns. Discounted receivables-based financing to merchants that supply goods and services to dairy farmers and using the dairy farmers' income inflows and outflow data trails to access credit should be explored.

Credit Infrastructure: Linked to addressing the information asymmetry challenge to agricultural finance, is the challenge of an undeveloped credit infrastructure. This is particularly true in the case of a lack of centralized or linked market system on the credit record of agribusinesses. Currently most of the farmers and agri-entrepreneurs are not part of the credit reference bureaus because they access their credit from informal financing mechanisms like Village Savings and Loan Associations (VSLAs) and Savings and Credit Cooperatives Organisations (SACCOs). Credit reference bureaus are only accessible to commercial bank and credit institutions clients. The recent amendment of the Financial Institutions Act in 2016 that provides for Alternative Credit Providers (ACPs), which provides for access to credit reference bureaus by other creditors provides an opportunity to increase access to agricultural finance. Agriculture asset lease financing provided to farmer organizations such as SACCOS, will go a long way to address infrastructure gap and enable group access to finance.

Leveraging Agri-Tech: Technology is influencing every aspect of the economy and agriculture is no exception. Technology has been with other economic sectors, will play a major role especially in increasing access to agricultural finance to previously inaccessible areas. The mobile phone in this case is going to play a major role by providing a more reliable and efficient channel to deliver financial services to the farmer and the agri-entrepreneur. This is more so because five (5) out of every ten (10) adults own a mobile phone and eight (8) out of every ten (10) adults have access to a mobile phone .

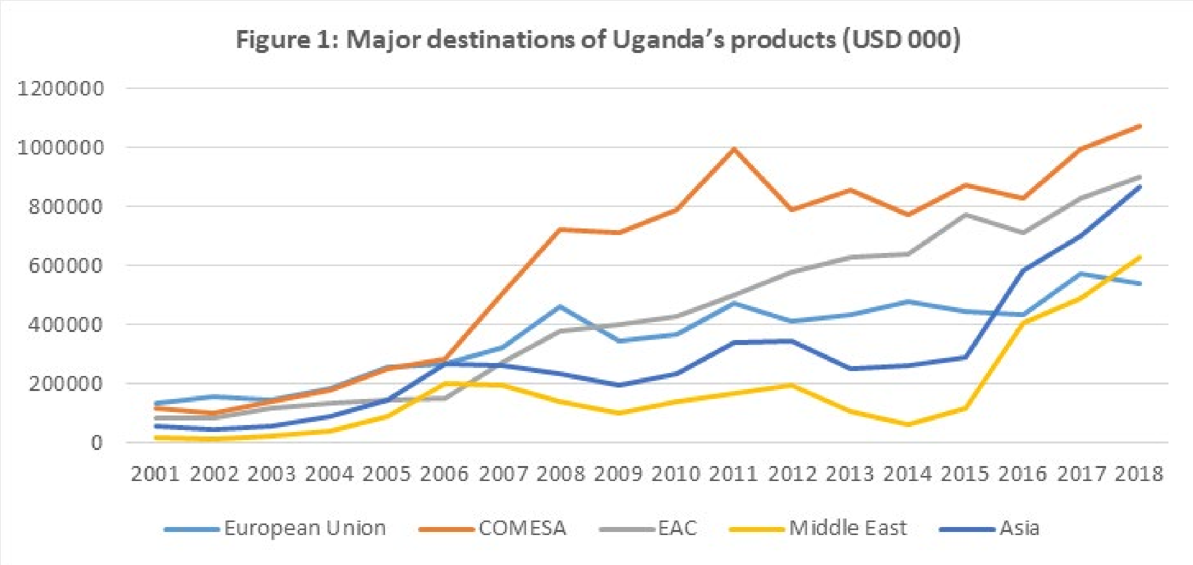
The performance of Uganda's **agricultural exports over time**

Martin Luther Munu, Research Analyst,
Economic Policy Research Centre

Over the years, in spite of production and productivity related challenges, Uganda's agricultural exports have been on the increase with farmers increasingly turning to mechanization and agriculture inputs such as fertilizers, seeds and agro-chemicals to improve productivity.

Being an agro-based economy, Uganda's exports are dominated by agricultural products accounting for more than 60 percent of total exports. Uganda Bureau of Statistics (UBOS) estimates that in 2017, formal exports accounted for US$ 2,901.6 million while informal exports were worth US$ 549 million (UBOS, 2019). The major destinations for Ugandan exports are Common Market for Eastern and Southern Africa (COMESA), European Union (EU) and the East African Community (EAC). Exports to the Middle East and Asia, which stagnated over the years picked up from 2005 onwards largely due to gold and food export opportunities as the region seeks to diversify its food imports. The share of exports to the EU, the main destination for Uganda's exports, declined, mostly due to increased trade with the Great Lakes regional economies.

The performance of Uganda's **agricultural exports over time**



Source: ITC calculations based on Uganda Bureau of Statistics (UBOS).

The agricultural exports of Uganda have traditionally been cash crops namely; coffee, tea, cotton and tobacco. However, non-traditional products such as fish, cocoa, spices, and flowers have significantly grown over the last few years. In addition, other trends are also encouraging in terms of increase in exports, such as a rapid growth of the confectionary and the baked goods industry for both the domestic and regional export markets (Word Bank, 2018). As illustrated in table 1, the top agricultural exports over the last five years are coffee, tea and spices, cereals which include maize, beans and peas, fish and fish products, vegetables, sugar, dairy and poultry products among others.

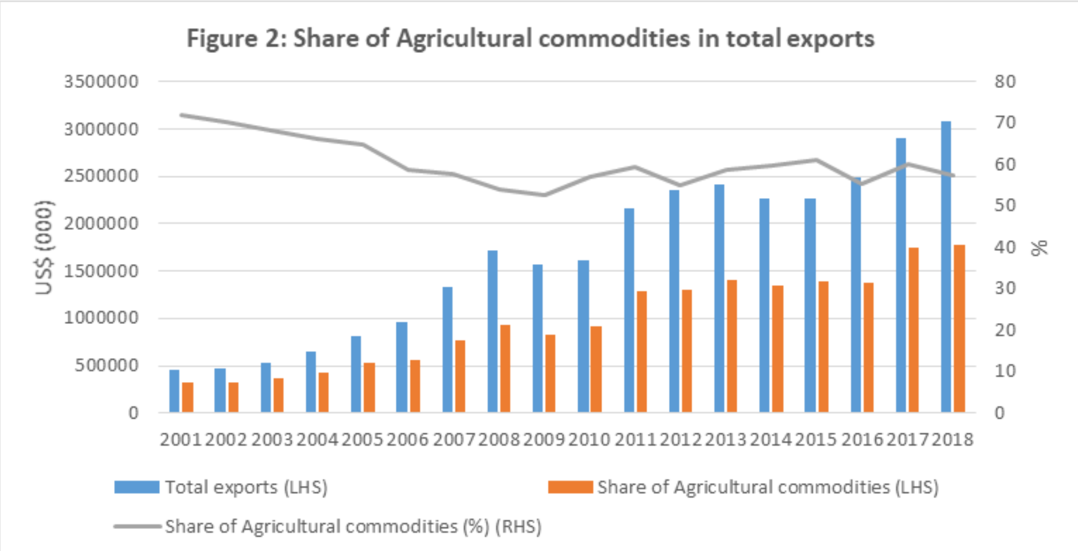
Table 1: Composition of agriculture exports

Product	2014	2015	2016	2017	2018
Coffee, tea, maté and spices	498,666	477,738	450,615	651,655	536,033
Cereals	96,838	142,102	144,252	183,059	192,024
Fish and aquatic invertebrates	134,792	117,597	121,467	136,204	169,907
Edible vegetables and tubers	39,535	79,637	72,399	110,427	125,817
Sugars and sugar confectionery	69,180	66,284	100,485	91,711	108,237
Dairy produce; birds' eggs; honey	29,526	40,900	56,036	79,871	74,092
Animal or vegetable fats and oils	102,471	79,066	62,091	70,212	79,467
Live trees, plants; bulbs, cut flowers	57,611	51,651	51,806	57,774	60,880
Cocoa and cocoa preparations	59,742	57,184	75,463	54,903	65,128
Cotton	22,631	21,263	34,023	54,065	47,906
Raw hides and skins	73,758	63,018	51,375	53,223	46,297
Tobacco and manufactured tobacco	66,018	72,897	64,061	52,762	86,372
Products of the milling industry	52,109	44,859	29,632	41,034	61,088
Beverages, spirits and vinegar	44,423	31,911	29,241	32,654	42,463
Oil seeds and oleaginous fruits	62,277	69,421	29,994	29,075	48,052
Soap, organic surface-active agents	38,797	32,362	28,650	27,292	31,383
Preparations of cereals	13,239	12,954	8,461	10,211	10,916

Source: ITC calculations based on Uganda Bureau of Statistics (UBOS).

The performance of Uganda's **agricultural exports over time**

As observed earlier, the Ugandan exports have over the years been dominated by agricultural products. Figure 2 indicates the share of agricultural commodities in total exports which was more than 70 percent by 2001, reducing to around 50 percent in 2009 due to the global financial crisis but increasing to around 60 percent by 2018.



Opportunities from integration and other initiatives

Development of Global Value Chains (GVCs) presents an enormous opportunity for integration in both regional and international markets. Uganda has signed bilateral agreements with a number of countries which places the country in a good position to benefit from these opportunities. For instance, China, India and Turkey who are already big players in the GVCs. value chains present numerous opportunities. Through these ties, there are opportunities for knowledge and technological diffusion (including digitalization), through partnerships in setting up manufacturing plants, supply chain linkages and vertical as well as horizontal integration with local firms EPRC (2018). The EAC, with an operational common market provides an opportunity for Uganda to work in partnership with the Partner States particularly business to business collaborations. This would build synergies for developing Regional Value Chains (RVCs) as a precursor for GVCs.

The coming into force of the African Continental Free Trade Area (AfCFTA) on May 30th 2019 brings together fifty-four African countries with a combined population of more than one billion people and a combined gross domestic product of more than US $3.4 trillion. This is expected to promote inter-African trade, currently at 17 percent of all African exports, by eliminating complex and disjointed trade agreements across the region as well as a massive market with an estimated elimination of 90 percent of tariffs . Since Uganda's negative trade balance has increased over the years from USD 550 million in 2001 to more than USD 3 billion in 2018, measures to increase exports, particularly to regional markets where the country has made some inroads and is competitive remains instrumental in addressing this imbalance. However, focus on high end international markets also needs to be enhanced in order to gain more from trade. Currently, AfCFTA negotiations are ongoing regard tariff offers, presenting Uganda with the opportunity to take up both offensive and defensive interests, as part of the EAC to promote the development of agricultural sector as well as exports.

The performance of Uganda's **agricultural exports over time**

Legal and policy initiatives supporting agricultural exports

The legal and policy framework for supporting agricultural exports is anchored on Uganda's liberal economic policies adopted from late 1980s and early 1990s. The National Trade Policy 2007 basically looks at capitalizing on domestic trade as a base for increasing regional and international exports. The policies liberalized agricultural trade and eliminated marketing boards for instance the coffee marketing board and lint marketing board as well as cooperatives monopoly which enabled many private players to enter agricultural trade. Since then, the government policy focus has been on private sector development. Much as this has increased investments, the private sector still faces a number of challenges regarding the overall business environment which necessitates a bigger role by government in order to support agricultural exports.

The Ministry of Agriculture, Animal Industries (MAIF) developed the Agriculture Sector Strategic Plan (ASSP) 2015/16–2019/20, following the adoption of the National Agricultural Policy (NAP) in 2013 and an evaluation of the now expired the previous ASDSIP. This is in line with the National Development Plan (NDP II) 2015/16–2019/20, which identifies agriculture as one of five priority investment areas. However, a number of gaps still exist in the policy especially with regard to lack of coordination among responsible institutions. This has undermined extension services to farmers, government efforts to increase financing among others. This calls for proper coordination mechanisms, not only between government agencies but the private sector and other non-state actors. Moreover MAAIF should pay its central role to decide and implement agriculture and related policies (World Bank, 2008).

Policy initiatives should go beyond national levels to continental levels, especially in terms of linking regions and countries to promote agricultural exports. Africa remains the least integrated continent with the lowest levels of intra-regional trade when compared with other continents. The current inter-linkages between African economies are insufficient to accelerate economic growth among regional economic communities including the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), and Southern African Development Community (SADC). Moreover, extra-regional trade has historically outpaced intra-regional trade, often by 90 percent . Addressing these policy inadequacies, from a continental perspective remains a key approach to promoting Uganda's agricultural exports.

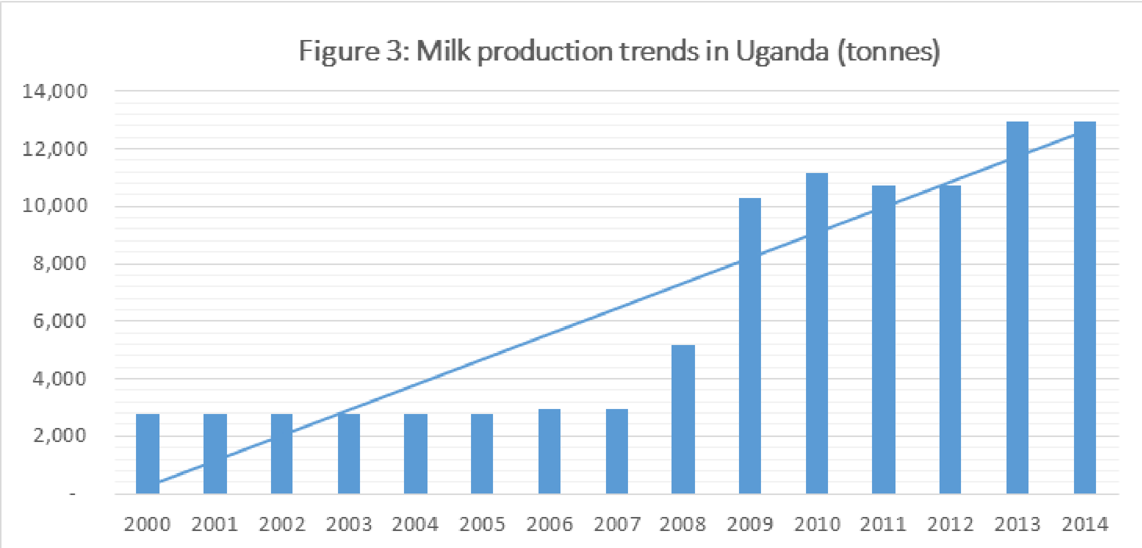
Trade restrictions as a hindrance to agricultural exports

Trade restrictions inform to tariff and non-tariff barriers (NTBs) remain a major challenge to promoting agricultural exports. This is in spite of achievements made at both multilateral and regional levels as well as market preferences under the World Trade Organisation (WTO) exceptions to the non-discrimination principles for Least Developed and developing countries. For instance, LDCs have for a long time raised complaints on the market entry challenges faced in terms of access to markets in spite of the Duty Free Quota Free (DFQF) market preferences. The same applies to preferential markets like the US Africa Growth and Opportunity Act market where entry remains very difficult on grounds of quality, packaging, handling etc. regionally, NTBs continue to hinder Uganda's exports in the form of delayed procedures, unwarranted excuses for rejection at entry, and deliberate misinterpretation of COMESA and other trade provisions (GoU 2010).

The performance of Uganda's **agricultural exports over time**

The Dairy subsector success story

The dairy subsector offers a success story in terms of capitalizing on RVCs, processing and export of milk and milk products in Uganda. As illustrated in Figure 3, Milk production has been increased from 2,766 tonnes in 2000 to 12,954 tonnes by 2014. In terms of export, dairy products has seen a increase in exports from USD 13.7 million 2010 to USD 73.1 million in 2018 as shown in Table 2. This is largely due to massive investments, largely by the private sector both in terms of livestock production and processing plants



Source: Author's computation from Food and Agricultural Organization Statistics, 2019

As a result, different milk companies such as Pearl Diaries have come up and are exporting quality products, which benefit all the players along the value chain. Milk exports are largely concentrated in the EAC regional markets as well as DRC although recent trends have seen exports to Japan, Egypt, India and Syria. Regional initiatives have been undertaken to expand production as witnessed with the recent investment by Brookside in Uganda, which integrates the company's processing and marketing capabilities with the lower-cost milk production system in the country.

Daly (2016) notes that Brookside has a strong downstream distribution network, product range, and innovative capability in addition to regional milk supply base in Kenya and Uganda which provides the company with very strong capabilities to exploiting market opportunities within and beyond the EAC. Although Egypt, Kenya and Ethiopia are the highest milk producing countries in Africa, Uganda's production has dramatically increased, especially from 2007 as indicated in Figure 3. A more open regional market provides better opportunities for the dairy subsector in Uganda to harness on this growth and further penetrate other African countries, especially the Democratic Republic of Congo.

The performance of Uganda's **agricultural exports over time**

Table 2: Uganda's exports of dairy products (000 USD)

Product	2010	2011	2012	2013	2014	2015	2016	2017	2018
Milk & cream, not concentrated	10,416	7,752	7,359	12,232	6,623	11,350	22,909	46,803	48,893
Milk & cream, concentrated	2,622	9,283	11,565	11,824	15,919	23,925	26,047	28,807	20,676
Butter & ghee	592	815	1,182	833	4,715	4,016	4,284	3,016	3,039
Buttermilk, cream and yogurt	81	128	303	470	789	810	312	313	462
Cheese and curd	20	43	41	52	52	18	60	44	40
Whey	4	-	60	32	1,222	421	79	40	-
Total	**13,735**	**18,021**	**20,510**	**25,443**	**29,320**	**40,540**	**53,691**	**79,023**	**73,110**

Forecasts, way forward and recommendations

The coming years presents opportunities for further growth in agricultural exports, if Uganda can position itself well. The opening up of regional markets for instance the EAC and COMESA is likely to be further facilitated by greater market access with the coming into force of the AfCFTA. Much as negotiations on tariff offers are still ongoing, the AfCFTA has the potential of tremendously increasing intra African trade where Uganda could capitalize on. However, the recent shifts in the global geopolitics and ideological changes, which is moving countries towards protectionist trade policies provides a threat, especially in terms of market access for Uganda. This needs to be addressed both at the multilateral and regional (continental) levels.

As the economy grows, the emergence of the middle class in Uganda has seen a tremendous increase in opportunities for domestic trade. Going forward, there is need to capitalize on this growth by increasing investment in the agricultural sector especially to target processing and value addition. This would satisfy the domestic demand to provide lessons for improving on quality in order to promote competitiveness in both regional and international markets.

Finally, Uganda needs to work together with regional partners to take advantages of the opportunities provide for by the RVCs as a stepping stone for GVCs. This requires greater cooperation (both government to government as well as business to business in order to develop technologies, streamline supply of raw materials and overall investment in the agricultural sector.

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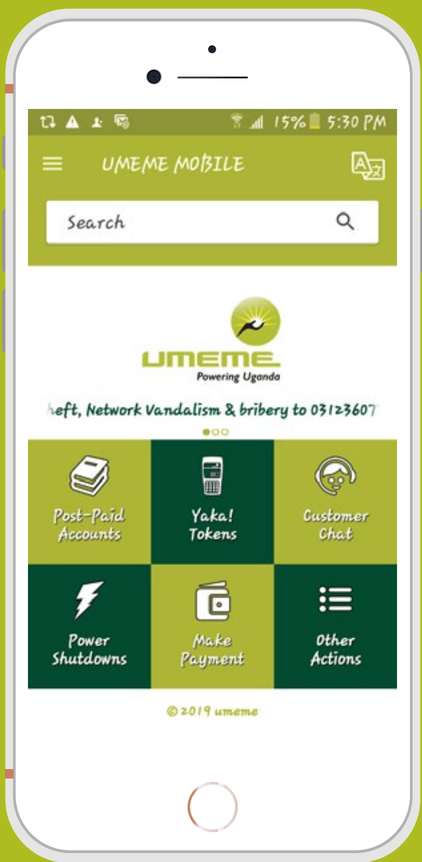

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