

Telephone: 256 414707000/232095

Fax : 256 41 4233524

Email : finance@finance.go.ug

treasury@finance.go.ug

Website : www.finance.go.ug

Plot No. 2-8 Apollo Kaggwa Road

In any correspondence on

This subject please quote No. **EDP 86/103/02 Vol.3**



Ministry of Finance, Planning &
Economic Development,
P.O. Box 8147
Kampala, Uganda

8th January, 2024

All Chief Administrative Officers and Town Clerks,

The Executive Director, Kampala Capital City Authority.

CIRCULAR ON THE IMPLEMENTATION OF FINANCIAL INCLUSION ACTIVITIES UNDER THE PARISH DEVELOPMENT MODEL DURING THE STABILISATION PHASE.

A. INTRODUCTION

1. Reference is made to my Circular ref: EDP 86/103/02 of 25th May, 2022 providing administrative guidelines under the national roll-out strategy for Financial Inclusion Pillar of the Parish Development Model (PDM). I am pleased to note that PDM enterprise groups and SACCOs were established and all the 10,585 eligible PDM SACCOs were capitalized with UGX 1,0585 trillion in the Financial Year (FY) 2022/23. This is in addition to the previous capitalization amounting to UGX 72.192 billion that was made in the FY 2021/22. To-date, 10,445 PDM SACCOs have disbursed PDM loans totaling UGX 1,018.8 trillion to 1,032,183 beneficiaries, countrywide.
2. In order to support sustainable achievement of the PDM objectives, the Financial Inclusion Pillar adopted a phased implementation approach. 30th June, 2023 marked the end of the Establishment Phase (FY 2021/22 – 2022/23) and the beginning of the Stabilization Phase (FY 2023/24 - 2024/25) which broadly involves the following activities: -
 - a) Capitalization of PDM SACCOs with an additional UGX 100 million every FY;
 - b) Enhancing provision of Business Development Services (BDS) and other extension services to PDM enterprise groups and SACCOs for sustainability;
 - c) Strengthening governance of PDM enterprise groups and SACCOs;
 - d) Ensuring complete and accurate community, Household, PDM enterprise group and SACCO data on Parish Development Management Information System (PDMIS);
 - e) Ensuring effective use of digital systems mainly PDMIS and Mobile Wallets to support beneficiary identification, funds

98/01

- disbursement, management of savings, and track performance of PDM enterprise groups and SACCOs;
- f) Promoting community savings;
 - g) Strengthening collaboration between Pillars 1 and 3 to ensure availability of quality inputs, provision of appropriate extension services as well as availing processing, storage, and marketing opportunities for the funded enterprises;
 - h) Continued mobilization of communities towards wealth creation;
 - i) Promoting de-risking interventions e.g., agricultural insurance, irrigation and partnerships with private sector (aggregators, traders etc.); and
 - j) Effective monitoring of PDM implementation through collaboration with Resident District Commissioners (RDCs), Operation Wealth Creation (OWC), Internal Security Organization (ISO) and Local Governments (LGs).
3. Implementation under the recently concluded Establishment Phase brought to light a number of issues that need to be addressed immediately in order to ensure PDM success. Key among these include: -
- a) Diversion of the Parish Revolving Fund (PRF) funds by beneficiaries to ineligible activities such as buying household items, sports betting etc.;
 - b) Processing of PRF loans outside the PDMIS;
 - c) Extortion and interference by unauthorized persons in the loan approval and disbursement process;
 - d) Delayed access of funds from PDM SACCO bank accounts by beneficiaries; and
 - e) High transaction costs and risk of loss of funds experienced by beneficiaries to access banking services.
4. Since issuance of the PDM Pillar 3 Operational Guidelines, H.E. the President and Cabinet have issued additional directives to guide implementation of the PDM. These include: -
- a) The loan amount for each borrower should be UGX 1 million;
 - b) The grace period for the PRF loan shall be 24 months. The loan shall be repaid within the subsequent 12 months after the grace period, either in installments or lump sum;
 - c) Disbursement of all PRF funds shall be through the Wendi mobile wallet;

- d) The interest payable on PRF loans shall be 6% per annum;
 - e) Effective utilization of all existing agro-processing facilities such as industrial hubs, markets and storage facilities for the implementation of the PDM should be enforced;
 - f) District Agricultural Officers, District Veterinary Officers to sensitize the population on modern farming practices through television and radio programmes;
 - g) PRF beneficiaries should be recommended through community meetings;
 - h) Payment of UGX 100,000 per month, per Parish Chief as an allowance for rent and bicycle repair; and
 - i) The Ministry of Local Government to ensure that PDM funds for Karenga District (and other single planting season districts) are retained on the PDM SACCO accounts until the next crop planting season and that in case Government releases additional funds for PDM before disbursement of existing money, each Parish should receive double instalments.
5. The purpose of this Circular therefore, is to communicate the above Cabinet directives and to provide further guidance on implementation of the directives and to address the emerging issues on the general implementation of the Financial Inclusion Pillar.

B. GUIDANCE ON PILLAR 3 IMPLEMENTATION DURING THE STABILISATION PHASE.

Capitalization of PDM SACCOs in FY 2023/24

6. This FY, Parliament appropriated UGX 100 million for each of the 10,594 parishes, to be paid through PDM SACCOs for onward lending to subsistence households. Capitalization of PDM SACCOs will commence in Quarter 3 of this FY to align with the next planting season. As such, UGX 50 million, per PDM SACCO will be transferred in this Quarter and the balance of UGX 50 million shall be transferred to the PDM SACCOs in Quarter 4.
7. Please note that the following conditions shall be met by **each** PDM SACCO in order to trigger the next capitalization: -
- a) 100% of the beneficiaries that received funds in the first phase of disbursements have been duly registered on the PDMIS including their household code, NIN and telephone numbers and the details of their loans have also been captured on the System;

- b) All beneficiaries that were previously paid outside the PDMIS must be captured before the next capitalization. Going forward, no new loans should be processed outside the PDMIS. This will mitigate the emerging risks e.g. fraud, theft and mismanagement of funds. It will also ease accountability and monitoring of PRF funds; and
- c) All beneficiaries of PRF loans must have National IDs. Therefore, Accounting Officers should work with the National Identification Registration Authority and OWC to ensure that all parish residents have National IDs.

Eligibility Criteria for accessing PDM loans

8. I wish to reiterate that all Accounting Officers must ensure compliance, by the PDM SACCOs, with the Financial Inclusion Operational Guidelines, including the criteria for who is eligible to access the PDM loans. The following criteria applies: -
- a. An eligible borrower must be: -
 - i. a resident of the respective Parish;
 - ii. a member of the respective PDM SACCO;
 - iii. from a subsistence household, as determined at the community meetings where applicants are vetted by the village residents;
 - b) Households/individuals that have benefited from EMYOOGA should not be considered for PRF Loans;
 - c) The purpose of the loan shall be to invest in a qualifying project along the agricultural value chain and in line with the priority PDM enterprises i.e. poultry, fish, diary, coffee, piggery, fruits and food crops; and
 - d) The borrower must have no outstanding loan with the PDM SACCO.
9. Accounting Officers must ensure that the next batch of beneficiaries meet the criteria above (Paragraph 9) and that they are well prepared prior to receiving funds. In particular, all beneficiaries should have:
- a) Been supported to carry out household visioning;
 - b) Been trained on enterprise selection and have selected their enterprises;
 - c) Received technical training on their selected enterprise (agronomy, profitability analysis (*ekibaro*), market dynamics

etc.) and the value chain segments of their investment activities;

- d) Been sensitized on the dangers of diverting the PRF funds; and
- e) Been adequately captured on the PDMIS.

10. The activities above are to be funded under the Production and Marketing Grant and Agricultural Extension Grant as per the attached letter from the Permanent Secretary, Ministry of Agriculture Animal Industry and Fisheries (see **Annex "A"**).

11. Accounting Officers, RDCs, OWC officers, DISOs, Parish Development Committees (PDCs) members and elected leaders at all levels should work together to enforce compliance to these conditions.

Lump sum payments from PDM SACCO accounts to one individual

12. It has been noted that there is a practice where one beneficiary is authorized by the PDM SACCO leaders to receive a lump sum payment on behalf of a group of beneficiaries and to distribute it to them thereafter. Local Government Accounting Officers should ensure that this practice is stopped because it is prone to abuse and fraud. Beneficiaries should be paid individually through their personal accounts or mobile money wallets. As much as possible, mobile wallets should be utilized to ensure that funds are sent instantly to individual beneficiaries.

Delayed disbursement of PRF funds to beneficiaries

13. Analysis of disbursements indicates that 140 funded PDM SACCOs are yet to commence lending activities in their respective Parishes. This is to request the responsible Accounting Officers to ensure that the PDM SACCOs in this category utilize the funds provided in line with the intended purpose.

Utilization of interest earned by the PDM SACCO

14. Any interest earned by the PDM SACCO should be added onto the Revolving Funds and used in line with the Financial Inclusion Pillar Operational Guidelines applicable to the PRF.

9
8/10/1

PRF Loan Top-Ups

15. In July 2023, Cabinet directed that all PDM beneficiary households that received less than UGX 1 million should get a top-up loan from their PDM SACCO to cater for the balance. However, some PDM SACCOs had exhausted their funds at the time of issuing this directive and that they are unable to top-up the earlier loans. Therefore, the arrears for these top-up loans shall be paid to eligible beneficiaries at a later date.

Monitoring utilization of PRF funds

16. In order to strengthen implementation, Accounting Officers should work closely with RDCs, OWC officers, ISO and PDC members to continuously monitor utilization of PRF funds at Parish level and report/address any irregularities. Errant beneficiaries or PDM SACCO executives should be handled in accordance with the provisions of the Pillar 3 Operational Guidelines and applicable laws of Uganda.
17. Accounting Officers shall also ensure that their Lower Local Government/KCCA Division staff are adequately supervised to regularly follow-up and support the beneficiaries to succeed in their enterprises.

Stakeholder Roles

18. The Cooperative Societies Act (as amended) under which PDM SACCOs are registered, provides that the functions of loan appraisal, approval, disbursement, and monitoring primarily rest with the PDM SACCO Executive.
19. The Parish Chief and other technical officers of the Local Government are responsible for providing technical guidance to the PDM enterprise groups and SACCOs, ensuring compliance with the PDM guidelines and regularly updating data on the PDMIS.
20. The PDC provides oversight and supervision over all PDM Pillars at the Parish, including monitoring the activities of the PDM SACCO.
21. There should be no commissions whatsoever paid by the PRF beneficiaries to PDM SACCO Executives, Parish Chiefs, LCII and

LCIII Chairpersons, technical officers etc. I encourage the public to report these cases to police, when they are encountered.

22. Accounting Officers, RDCs, OWC officers, DISOs, PDCs and elected leaders at all levels should work together to ensure that communities are sensitized that the PRF loans and associated processes **are free of charge** and that perpetrators of extortion are dealt with in accordance with the law.

Use of Wendi Mobile Wallet under the PDM

23. Following the Cabinet Directive on the use of the Wendi mobile wallet for the disbursement of PRF funds, Accounting Officers must ensure that PDM SACCOs and enterprise group members are onboarded and that they utilize the Wendi mobile wallet. PDM SACCOs should be supported to expeditiously generate the requisite resolutions naming the three members of the PDM SACCO executive responsible to approve payments on the SACCO's mobile wallet.
24. The Banks shall provide the respective Accounting Officers with a detailed roll-out program of the Wendi mobile wallet which shall include training of leaders of PDM enterprise groups, SACCOs and Parish Chiefs, as well as onboarding of PDM SACCOs and enterprise group members onto the mobile wallet. These activities should be undertaken and concluded in time for the next round of disbursements.

Change of PDM SACCO bank accounts

25. There have been numerous requests by PDM SACCOs to change bank accounts due to unsatisfactory services offered by some banks. The process to be followed for change of bank accounts for PDM SACCOs shall be as follows: -
 - a) The PDM SACCO executive shall convene a General Meeting to pass a resolution on change of a bank account. In line with the Cabinet Directive, priority shall be given to Government Owned Banks, except where they are not available;
 - b) The Chairperson of the PDM SACCO shall submit the resolution on change of bank account to the Registrar of Cooperatives, through the relevant Accounting Officer, for registration in line with the Cooperative Societies Act;
 - c) Upon receipt of a duly registered resolution, the PDM SACCO shall proceed to open a new bank account. Thereafter, the PDM

- SACCO, with the support of the Accounting Officer, shall amend the account details on IFMS;
- d) The PDM SACCO Executive shall ensure that the old account is closed. At any one time, all PRF funds shall be held in **one** PDM SACCO bank account and/or mobile money wallet;
 - e) Participating banks shall formally notify the the PDM SACCO Chairperson and responsible Accounting Officer in cases where amendments have been made on a PDM SACCO account; and
 - f) The Accounting Officer must ensure that all changes made in the bank are amended on the IFMS/e-registration for consistency of records.

Funding additional Parishes under PDM

26. This FY, Parliament voted revolving funds totaling UGX. 1.0594 trillion for 10,594 PDM SACCOs, in line with the schedule of gazetted parishes provided by the Ministry of Local Government.
27. Any additional parishes outside the 10,594, will be catered for in subsequent years, after Cabinet authorization. Accounting Officers shall accordingly advise residents in the affected Parishes to register under the current gazetted Parishes in which their homes are situated.

Administrative costs for PDM SACCOs

28. Parliament appropriated UGX 5.297 billion towards the costs of processing loans by PDM SACCOs across all parishes. Each PDM SACCO shall receive UGX 500,000 per year for this purpose. These funds shall be transferred to the bank accounts of the PDM SACCOs, together with the PRF funds in Quarters 3 and 4.
29. These funds are to be used by the PDM SACCO Loans and Executive Committees during the lending activities that include photocopying, internet data, field visits to appraise applicants, and other related activities.

Completion of the Parish Register (household registration)

30. Accounting Officers should prioritize 100% data collection/household registration in order to have in place a complete Parish Register, by the end of January 2024.

C. AUDIT AND ANNUAL GENERAL MEETINGS OF PDM SACCOs

31. All PDM SACCOs must carry out statutory audits and hold Annual General Meetings (AGMs) in accordance with the Cooperative Societies Act 2020 (as amended). The Registrar of Cooperative Societies shall issue additional guidance in this regard.
32. The audit and AGM costs shall be funded from the PDM Administrative Costs Grant which is provided under the Production department. The National Coordinator at the PDM Secretariat will issue further guidance on utilization of the PDM Grant.
33. All Accounting Officers shall ensure that the PDM SACCOs establish the Production and Marketing Committees for full operationalization of the PDM SACCOs as multi-purpose cooperatives.

D. CONCLUSION

34. As indicated above, this Circular provides guidance to operationalize the various Directives from H.E the President and Cabinet on the Financial Inclusion Pillar of the PDM. It also addresses the numerous emerging issues to facilitate realization of the PDM goals. You are urged to continuously align your workplans and prioritize your budgets under the relevant grants to the PDM programme activities.
35. Thank you for your continued collaboration and commitment towards ensuring increased household incomes and improved quality of life of our citizens by delivering services closer to them.
36. For further inquiries, please contact the PDM Unit at this Ministry on **0414707515** or email **pdmwg@finance.go.ug**.


Moses Kagwa

For: PERMANENT SECRETARY / SECRETARY TO TREASURY

- c.c Rt. Hon. Prime Minister
- c.c Hon. Minister of Finance, Planning and Economic Development
- c.c Hon. Minister of Local Government

- c.c All Hon. Ministers of State for Finance, Planning and Economic Development
- c.c The Chief Coordinator – Operation Wealth Creation
- c.c The National Coordinator - Parish Development Model
- c.c The Principal Private Secretary to H.E The President
- c.c The Permanent Secretary – Office of the Prime Minister
- c.c The Permanent Secretary – Office of the President
- c.c The Permanent Secretary – Ministry of Local Government
- c.c The Permanent Secretary – Ministry of Agriculture, Animal Industry and Fisheries
- c.c The Permanent Secretary – Ministry of Trade, Industry and Cooperatives
- c.c The Permanent Secretary – Ministry of ICT & National Guidance
- c.c The Permanent Secretary – Ministry of Gender, Labour and Social Development
- c.c The Resident District/City Commissioner
- c.c The Executive Director – National Identification Registration Authority
- c.c The Director General – Internal Security Organization
- c.c The Registrar of Cooperatives – Ministry of Trade, Industry and Cooperatives
- c.c All PDM Participating Banks

J
08/01