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PARLIAMENT OF UGANDA

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REPORT ON EMYOOGA IN BUGANDA REGION

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Kyegesi.

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SEPTEMBER 2021

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1.0 INTRODUCTION

On the 3rd August 2021, the Deputy Speaker declared a short recess (effective 5th August 2021 to 17th August 2021) to enable Members of Parliament undertake oversight on the implementation of a Presidential Initiative on Wealth Creation and Job Creation code named "Emyooga".

The EMYOOGA initiative was established by the President in 2019 for Jobs and Wealth creation centred on various enterprises/categories/"Emyooga" covering a majority of Ugandans.

The main objective was development through Promoting Access to and Usage of Financial services and mostly targeting the financially excluded Ugandans.

The Emyooga initiative is unique in nature since it directly links savings mobilization to production which has not been the case with similar government programmes in the past.

1.1 PROGRAMME EXPECTATIONS

Each constituency was to have 18 SACCOs (APEX SACCOs) representing different enterprise/Omwooga,

These included:

1. Boda Boda SACCO
2. Women Entrepreneurs' SACCO
3. Carpenters' SACCO
4. Salon Operator's SACCO
5. Taxi Operator's SACCO
6. Restaurant Owners' SACCO
7. Welders' SACCO
8. Market Vendors' SACCO
9. Youth Leaders' SACCO
10. Persons with Disabilities' SACCO
11. Produce Dealers' SACCO
12. Mechanics' SACCO
13. Tailors' SACCO
14. Journalists' SACCO
15. Performing Artists' SACCO
16. Veterans (Veteran Widows and Children) SACCO
17. Fishermen's SACCO
18. Leaders SACCO

1.1.1 Apex constituency SACCO

- Each Apex SACCO was meant to follow the cooperative principles and model except on membership, where the Emyooga SACCOs membership was by parish groups/associations which in turn follow the Village Savings and Loans Association principles and Models.
- The SACCOS were registered by the registrar of Cooperatives and the Community Development Office at the district as well as licensed and supervised by the Uganda Microfinance Regulatory Authority.
- Each Apex SACCO opened a savings account with a link bank of their choice and the account number was provided to all the member associations, the signatories to these accounts were the Chairperson, Secretary and treasurer of the SAACO.

1.1.2 Parish Associations

- Parish Associations were required to open savings accounts with the Apex SACCOs and issued with an association Passbook. In order to inculcate a culture of savings for sustainability of the associations, each individual member of the association was and is required to make regular savings with his/her association and was issued with a passbook and an identification number.
- The parish level associations are meant to be associations of 7-30 members ,doing SIMILAR ENTERPRISES at the parish level, who come together to SAVE as well as benefit from the Seed Capital Grant given by Government through the Apex Constituency SACCOs. Within these associations members save and take small loans from their Association to expand their Mwooga Enterprises.
- They run in one year cycles of 12months after which the accumulated financial assets (Savings + Fines + Interest) are shared out among the members according to the amounts each saved. Under Emyooga they should not share the entire fund but rather leave some money according each individual's ability to start the next cycle.
- They are member managed with a committee of 5 people selected among the savers.
- All members have the right to borrow up to a **MAXIMUM of 3 TIMES** the value of their current savings.
- Loans are taken and repaid once every 4 weeks. All loans should be repaid within a maximum of **12WEEKS during the first cycle**. The **borrower** is free to pay in whatever amounts s/he wishes at each loan meeting, but must repay the total sum owing within the agreed-upon period.

The associations were expected to eventually develop a constitution that contains the Social Fund(Optional in the first cycle) and Loan policies of the group

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1.2 ROLES OF EACH STAKEHOLDER IN THE PROGRAMME:

The Micro Finance Support Centre was designated as the lead implementing agency for this programme and it is working in collaboration with the District Emyooga Taskforces that were set up in each district and chaired by the Resident District Commissioners (RDCs) with Staff from the MSC zone offices, District Community Development offices, District Commercial Offices and YASPED team as members.

The Emyooga programme was implemented in the following three phases:

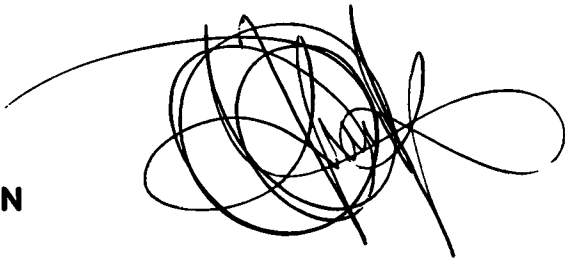
- Mobilization and formation of Taskforces
- Establishment of parish based association, registration, validations, training and Establishment of Apex SACCOs.
- Seed Capital Grant Disbursements

In addition, MSC is responsible for the following:

- Disbursement and Fund Management of Seed Capital
- Validation of formed Emyooga groups
- Supporting of Emyooga SACCOs with bye-Laws for registration.
- Orienting all commercial officers and CDOs and other relevant local government staff involved in Emyooga programme.
- Monitoring and Evaluation of the program.
- Supporting the refurbishment and providing desks for the SACCOs offices in one stop shop in each local government.
- Publicity of the program.
- Development of the uniform national guidelines of the program.

Roles of Local Governments (Commercial Officers and Community Development Officers) included the following:

- Mobilization and identification of groups
- Reviewing the national program guidelines
- Sensitization of communities
- Generation of program reports to inform the decision making.
- Registration of Associations and SACCOs.
- Training, Monitoring and supervision of the Emyooga SACCOs.



1.3 STATUS IMPLEMENTATION

The government has so far provided seed capital of UGX 260 billion to SACCOs that were formed at Constituency Level across the country. These Apex SACCOS have in turn lent to Member Associations at Parish Level.

In each of the districts, Emyooga Taskforces were established and headed by Resident District Commissioners (RDCs). The District Commercial Officers were responsible for recommending registration of SACCOs and training of their members. The registration was under taken at the Ministry of Trade, Industry and Cooperatives. Each SACCO at the Constituency was expected to have management committees which were charged with approval of funding of eligible associations. Each of the stakeholder's roles were guided by draft operational guidelines on Emyooga.

The Emyooga funds were disbursed by Microfinance Support Centre Ltd (MSC) as the designated implementing agency through commercial banks to beneficiary SACCOs. As of July 2021, UGX 213 billion has been disbursed translating to 82% disbursement.

In Buganda region, MSC executed the Initiative through its regional branches in Kampala, Masaka, Nakasero, Kiwoko and Ngoma. The agency worked in collaboration with the Office of the President, District Local Governments and Ministry of Trade, Industry and Cooperatives.

As Buganda Region **1,749** SACCOs where licensed and Seed Capital disbursed, **719** within Kampala plus Wakiso and **1030** from other districts. It was also established that by August 2021 there were 6,748 SACCOs and 205,710 Associations country wide. These were being advised on SACCO management by only 54 advisors designated by MSC country wide.

2.0 OBJECTIVES OF THE OVERSIGHT

The objectives of the oversight on Emyooga were:

- a) To establish the amount of money released to each district and whether the said money was received;
- b) To inquire about the criteria used to identify the beneficiaries of the funds and how the funds were disbursed;
- c) To determine whether there were any accountability measures for the beneficiaries;
- d) To determine whether any safeguards were put in place to ensure loan repayment such that other Ugandans could benefit from the same;
- e) To establish whether the funds are run through banks and whether bank statements could be looked at and scrutinized; and
- f) To interrogate the process of disbursement of the loans whether extortions were ever involved.

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3.0 METHODOLOGY

The following methodology was undertaken by the Members of Parliament:

- a) Meeting with the Emyooga District Taskforces headed by the Resident District Commissioners and deputised by the Chief Administrative Officers.
- b) Meeting the chairpersons of the various SACCOs and their executive as per guidelines from Micro Finance Support Centre.
- c) Inspections and interactions with leaders & members of the parish Associations who are the intended beneficiaries in these constituencies;
- d) Consultations with the Microfinance support centre; and
- e) Consultations amongst Members of Parliament in Buganda region.
- f) Consultations with State House Emyooga Desk officers.
- g) Meeting as MPs from Buganda region to form a working group/committee as per rule 208 of the rules of procedure of parliament.

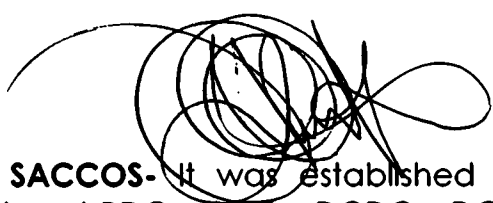
4.0 FINDINGS

Disbursement – It was established that in each constituency funds were disbursed to all targeted 18 SACCOs. This was verifiable based on the lists that were circulated to Members of Parliament by MSC and based on bank statements reviewed, most SACCOs received the Seed Capital except a few cases where they had not finalised the registration and other minimum requirements.

Safeguards - Some commercial officers have put up safeguard measures which could prove helpful in the fight against fraud and misuse of the seed capital. For example, the Commercial Officer for Kawempe demands that SACCOs provide accountability for every UGX 10 million of the withdrawn seed capital.

Elsewhere in Sembalule, SACCOs put in place Terms and Conditions regulating loan disbursement where a member is only allowed to borrow three times their savings and must have two members of the Association as sureties. Furthermore, loans are given only to Members subscribing to Apex SACCO.

In Wakiso, Associations were required to hold weekly meetings at Ward level. This would help to review the loans disbursed and their performance.



Identification and Establishment of SACCOS- It was established that the Emyooga were identified by Cabinet and RDCs, CAOs, DCDOs, DCOs were directed to mobilise the communities along those enterprises identified, train them in group dynamics and policy framework in formation of SACCOS and parish associations. This was done, though not effectively. Several would be intended beneficiaries were left out; sensitization wasn't enough to the point that some communities mistook the fund to be political hand-outs.

Existence of SACCOS and Parish groups- Members obtained detailed lists of the various SACCOS that benefit from the fund from MSC and confirmed their existence through the physical meetings with the SACCO executives and also through the bank Statements that were provided by the District Commercial officers/SACCO leadership. However, due to limited time provided for this assignment it was difficult to ascertain the existence and membership of the various lists of association that the RDCs and the DCO provided.

Existence of Accountability Measures- Members observed that the SACCO members could only meet at the annual General meeting (AGM) to interrogate the running of their business and the management of their accounts or to raise complaints or even to settle disputes. It is not well stipulated how a member or group of members could do such interrogation before the AGM.

It was also observed that since accounts became operational, members of the SACCOS have limited powers over the executive's decision making processes. This is fueled by the corrupt tendencies, poor managerial skill of the leaders and the COVID 19 pandemic, where peoples' movements became limited.

Furthermore, the SACCO leaders had limitations on capacity to mobilize their members to save or even to assess the viability of their members' businesses before they could apply or even receive loans, let alone to pay up their loans.

In the circumstances, the majority of the SACCOS accounts were drained after lending only to few of their members leaving almost the entire SACCO membership with no access to finances at all, even after remitting their savings.

Extortions before funds were disbursed to their accounts- Members observed that the issue of extortion would not and did not arise. However extortion is still under investigation for association's members' access to finance from the Sacco managers.

Training and sensitisation – Most Honourable members observed that besides the Apex SACCO executive most members including the Parish Associations lacked a clear understanding of the programme. Mostly on the intended

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outcomes, operations, monitoring and evaluation of the Parish associations. There was also limited sensitization to the general public about the Emyooga programme, its requirements, processes, group formations and assessment criteria. Several people who speak about Emyooga on radio have insufficient knowledge about them.

It was also noted that there was inadequate training of beneficiaries, continuous trainings were expected to be undertaken by the District Commercial Officer (DCO) but due to limited resources for the commercial office, not much has been done. This was attributed to overwhelming number of SACCOs and Associations in each Constituency that could not be serviced by the existing structure and budget allocation.

Profiling of Beneficiaries - Registration of beneficiaries was undertaken hurriedly without profiling potential beneficiaries. Emphasis was largely placed on presentation of certificates of registration. Consequently, chronic defaulters from other revolving funds for instance for women and youth were enrolled. Furthermore, there was inadequate verification of enterprises. More still, verification of membership and qualification of members was overlooked. Some were found not to be involved or employed in the enterprise for which they registered. The failure to profile Members violates Section 55AC of the Cooperatives Societies (Amendment) Act (2000) (Act No. 5 of 2020) that requires SACCOs to undertake credit checks on persons applying for credit.

Savings - While beneficiaries were required to present status of their savings as a precondition of accessing funds, some borrowed funds from money lenders and presented them as their savings. Once the funds were disbursed to their accounts, they would immediately withdraw them without paying back. This reduced the amount available for onward lending. This violated Section 55AI of the Cooperatives Societies (Amendment) Act (2020) (Act No.5 of 2020) that requires Apex SACCOs to maintain a deposit of not less than 20% of their total savings and deposits. This was not helped by the fact that there were no set controls on funds withdrawals from the Banks. This was attributed to the fact that there was no authority permitting technical staff to regulate bank withdrawals. Nevertheless, it was observed that SACCOs and Associations that were formed before the establishment of Emyooga had more savings than those formed later especially in Kampala and Wakiso.

Administration Costs - The structuring of the Emyooga overlooked the impact of administration costs of SACCOs on the amount of money available for onward lending to Associations. The SACCOs and Associations charged their members costs regarding bank charges, verification and transport among others. This is in line with Section 55AO(2) of the Cooperatives Societies (Amendment) Act (2020) (Act No. 5 of 2020).

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The major and worrying trend was in Nakasongola district where they were charging associations between 1.5-2million to cover administrative costs like setting up offices and etc...

Monitoring – The overall monitoring of the Emyooga was assigned to the Resident District Commissioners and the District Commercial Officer. This was mainly attributed to initiating the Emyooga during the campaign period for the recently concluded General Elections. Besides the RDCs and the DCO are not funded to effectively monitor, evaluate and audit all beneficiaries and disbursement of funds. Specifically, the District Commercial Officers and the parish commercial officers lack motor cycles or vehicles to supervise the Initiative within their areas of jurisdiction. Additionally, due to geographical challenges of hard-to-reach areas such as Kalangala, it was hard to monitor beneficiaries of Emyooga residing on different islands.

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Cost of Financing – MSC lent out the Emyooga funds at an interest rate of 8%. This was far cheaper than the prevailing lending market rates that range between 17 – 20%. However, the mandate of lending to the parish association members remains with the parish association management, which in some cases they were lending between 10%-15% in effect making it costly than the principal policy expectations or target of availing cheap money to these enterprises and individuals.

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Advisory – As earlier noted the District Commercial Officers were expected to advise the Emyooga beneficiaries. However, they were overwhelmed by the number of beneficiaries. This was not also helped by the only 54 MSC advisors that were expected to offer advice to all thousands of SACCOs and Associations distributed across the 146 districts of Uganda.

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COVID Pandemic – This affected the level of business of the targeted enterprises. Majority were not allowed to operate during the lockdown. This adversely affected investment of Emyooga funds and their repayments that were expected within 4 months. This repayment period was found to be short given the battering of the economy by COVID. The short period was not favourable for beneficiaries particularly produce dealers who must rely on seasons of farming.

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Uniform Allocations – Each SACCO irrespective of number of members was expected to access a standard of UGX 30 million, except the leaders' SACCO. This criterion was not responsive to the level of membership. For those with less Members accessed the same amount of funds as those with maximum membership. This in effect meant that those with maximum membership had less funds to distribute amongst members as compared to those with less membership.

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Record keeping – Almost every beneficiary SACCO and Association had their records and books of accounts in order at the time of registration. However, It

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was realised that little attention was placed on ascertaining whether SACCOs and Associations had held Annual General Meetings to appoint their representatives. Furthermore, after accessing the funds, there was a gradual decline in maintaining operational structures and record keeping. This was not helped by the fact that not all Members were able to obtain the free individual passbooks. This compromises accountability and monitoring of the utilisation of Emyooga funds.

Membership: Some associations did not meet the criteria of the required membership of at least 7 members, in Bukoto West Constituency some associations with less than 7 people/members accessed the funds.

Loose Guidelines – The Emyooga were operating under draft guidelines. These are not binding. This is inconsistent with Section 55AO(4) of the Cooperatives Societies (Amendment) Act (2020) (Act No. 5 of 2020) that requires any program of government that extends loans to cooperatives to have a law that provides for the existence and operations of such a program.

Politics – The Initiative was marred with political undertones since it was mostly promoted during campaigns of general elections. Hence it was marred with political patronisation and beneficiaries had a misconception that the funds were a gift from the President for onward sharing.

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4.1 AREA SPECIFIC OBSERVATIONS

Constituency	Aspect	Comments
Mpigi District	The area Mp for Mawokota south noted that out of the 17 that received Seed Capital only 2 have loaned out to the parish associations.	Guidelines to access these funds had not been met as of the date of this visit.
Mubende District	Some SACCOs where charging high interest rates compared to the recommended rate	This fails the purpose of cheap money to the local poor.
Bukoto West	Some Enterprises do not exist say Fishing and Welders and yet money was disbursed by MSC.	MP to advise on the action plan
Kalangala	Categorization	<ul style="list-style-type: none"> Some beneficiaries could be categorised in more than one enterprise. For instance, there was cross membership in restaurant and market vendor enterprises. Hence they were able to access funds from more than one SACCO. The BodaBoda SACCO was identified as the most successful story. They confirmed to have bought 9 bodaboda out of their savings and borrowed funds and making remittances regularly.

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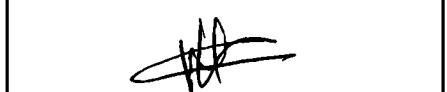

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Constituency	Aspect	Comments
Gomba District	Gomba East women entrepreneurs Emyooga SACCO received UGX 30 million which was loaned to 64 associations members. These have been able within two months to save UGX 23,383,000 out of the UGX 30 million received	Guidelines followed and sensitization on usage was effectively done. It is one of the many success stories.
Buyamba	Blocking of Funds	UGX 50 million that was disbursed for Leaders SACCO was blocked and later remitted back to MSC under unclear circumstances. It has never been returned.
Wakiso	Certificates of Compliance	Some SACCOs had not received disbursement due to delays by the Ministry of Trade, Industry and Cooperatives in issuing certificates of registration for Cooperatives.
Kampala	  	<p>Some SACCO accounts in Nakawa division were frozen due to disbursement of excess funds.</p> <p>Dormant Members were allowed to access funds.</p> <p>New Members were barred from joining SACCOs on the assertion that they had declined being members before the establishment of</p>

