The Republic of Uganda

National Financial Inclusion Strategy 2023-2028

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ABBREVIATIONS

Acronym	Description
ABC	Agent Banking Company
ACF	Agriculture Credit Facility
AFI	Alliance of Financial Inclusion
AMFIU	Association of Microfinance Institutions Uganda
AML	Anti-Money Laundering
ASCA	Accumulating Savings and Credit Association
ATM	Automated Teller Machine
AUM	Assets Under Management
BoU	Bank of Uganda
CBDC	Central Bank Digital Currency
CRB	Credit Reference Bureau
CIS	Collective Investment Scheme
CMA	Capital Market Authority
DFI	Development Finance Institution
DFS	Digital Financial Services
EAC	East African Community
EGI	eGovernment Infrastructure
ESG	Environmental, Social, and Governance
ESIPPS	Environment Surveys Information, Planning and Policy Systems
ETE	End Term Evaluation
FCEM	Financial Consumer Empowerment Mechanism
FCPG	Financial Consumer Protection Guidelines
FDI	Foreign Direct Investment
FI4R	Financial Inclusion for Refugees
FI	Financial Institutions
FIA	Financial Intelligence Authority
FCS	Financial Capability Survey
FFR	Financing Facility for Remittances

FLAU	Financial Literacy Association Uganda
FSA	Financial Sector Association
FSDS	Financial Sector Development Strategy
FSD Uganda	Financial Sector Deepening Uganda
FSR	Financial Sector Regulator
FSP	Financial Service Provider
GDP	Gross Domestic Product
GoU	Government of Uganda
ICT	Information and Communication Technology
ID	Identification Document
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IICFI	Inter-Institutional Committee on Financial Inclusion
ILO	International Labour Organisation
IRA	Insurance Regulatory Authority
IT	Information Technology
KACITA	Kampala City Traders Association
KII	Key Informant Interview
KPI	Key Performance Indicators
KYC	Know Your Customer
MDA	Ministries, Departments and Agencies
MDI	Microfinance Deposit-taking Institution
MFI	Microfinance Institution
MGLSD	Ministry of Gender, Labour and Social Development
MIWE	Mastercard Index of Women Entrepreneurs
MMSP	Mobile Money Service Provider
MNO	Mobile Network Operator
MoES	Ministry of Education and Sports
MoFPED	Ministry of Finance, Planning and Economic Development
MoICT	Ministry of Information and Communication Technology
MoU	Memorandum of Understanding
MSB	Micro and Small Business

MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprises
MTIC	Ministry of Trade, Industry and Cooperatives
MTO	Money Transfer Operators
NBFI	Non-Bank Financial Institution
NBI	National Data Transmission Backbone Infrastructure
NCDC	National Curriculum Development Center
NDP	National Development Plan
NEMA	National Environment Management Authority
NFIS	National Financial Inclusion Strategy
NGO	Non-Government Organisation
NID	National Identification Card
NIN	National Identification Number
NIRA	National Identification and Registration Authority
NITA-U	National Information Technology Authority of Uganda
NSIS	National Security Information System
NSSF	National Social Security Fund
OTC	Over the Counter
OWC	Operations Wealth Creation
PDM	Parish Development Model
PRF	Parish Revolving Fund
PE	Private Equity
POS	Point of Sale
PSP	Payments Service Provider
PWD	Persons with disabilities
ROPA	Registration of Persons Act
RoSCA	Rotating Savings and Credit Association
SAC	Shariah Advisory Council
SACCO	Savings and Credit Cooperative Organisation
SBRF	Small Business Recovery Fund
SDG	Sustainable Development Goals
SIMPA	Security Interest in Movable Property Act

SSA	Sub-Saharan African
ToC	Theory of Change
TOR	Terms of Reference
UAIS	Uganda Agriculture Insurance Scheme
UBOS	Uganda Bureau of Statistics
UCC	Uganda Communications Commission
UFBMRA	Uganda Forex Bureau and Money Remittance Association
UIA	Uganda Investment Authority
UMRA	Uganda Microfinance Regulatory Authority
UNCDF	United Nations Capital Development Fund
UNHCR	United Nations High Commissioner for Refugees
UNHS	Uganda National Household Survey
URBRA	Uganda Retirement Benefits Regulatory Authority
URSB	Uganda Registration Services Bureau
USE	Uganda Stock Exchange
USSD	Unstructured Supplementary Service Data
UWEP	Uganda Women Entrepreneurship Programme
UWRS	Uganda Warehouse Receipt System
UWRSA	Uganda Warehouse Receipt System Authority
VSLA	Village Savings and Loan Association
WEE	Women Economic Empowerment
WGD	Working Group Discussion
WFI	Women Financial Inclusion
WFP	World Food Programme

DEFINITIONS

Adults: Persons aged 16 years and above.

Access to a bank or formal banking services: Counts individuals who use a full-service bank account either registered in their name or held by someone else at a commercial bank, credit institution, micro-deposit-taking institution (MDI).

Access to mobile money: Counts individuals who have ever used a mobile money account either registered in their name or held by someone else, including mobile money agents.

Access to non-bank financial institutions (NBFIs): Counts individuals who have ever used an NBFI account either registered in their name or held by someone else (the use of a full-service account is specified in the narrative). In this report, NBFIs include microfinance institutions (MFIs), money lenders and savings and credit cooperative organisations (SACCOs).

Access to (any formal) regulated financial services: Counts individuals who have ever used a financial account at a formal financial institution, either registered in their name or held by someone else; formal (regulated) financial institutions include commercial banks, MDIs, credit institutions, mobile money services or regulated NBFIs.

Active registered user: An individual with an account registered in their name or jointly with another person with a full-service financial institution who has used it for the last 90 days.

Basic use: Cash in (deposit) or cash out (withdrawal), transferring money to another individual, or account maintenance

Commercial bank: Licensed and supervised by the Central Bank; offers deposits, loans, savings, inter-account money transfers, and debit and credit cards that can be used at an ATM or Point of Sale (POS).

Credit institution: Licensed and supervised by the Central Bank to carry on credit institution business as its principal business.

Digital financial services (DFS): Financial services provided through an electronic platform (e.g., mobile phones, debit or electronic credit cards, internet).

Digital stored-value account: A mobile money account or a full-service account at a formal banking or non-bank financial institution that offers digital services.

Formal banking services: Financial services offered by Tier one to three banking institutions licensed and supervised by the central bank of Uganda; such institutions include commercial banks, credit institutions and MDIs.

Formal financial inclusion: Refers to the proportion of adults who use servcies provided by a formal financial institution.

Formal financial Institution: Formal financial institutions that are regulated/licensed and supervised; such institutions include commercial banks, credit institutions, microfinance institutions (including deposit-taking institutions), savings and credit cooperative organisations (SACCOs), payment services providers including mobile money service providers, fintechs, insurance service providers, pension funds, capital markets, forex bureaus and money transfer institutions such as Western Union and MoneyGram. This excludes Village Savings and Loan Associations (VSLAs), ASCAs, and self-help groups although supervised by Uganda Microfinance Regulatory Authority (UMRA).

Informal financial services: Refers to the proportion of adults who use financial services provided by an informal financial service provider.

Informal financial service providers: These are financial service providers who are not regulated or supervised, such as savings groups, rotating savings and credit associations (ROSCAs), community-based money lenders and burial societies. Family/friends are not regarded as informal service providers.

Micro-deposit-taking institutions (MDI): Licensed and supervised by the central bank; offers savings accounts and short-term loans; takes deposits for savings accounts; examples: UGAFODE, EFC, FINCA Uganda and Pride.

Microfinance institution (MFI): Financial institutions that target individuals and small businesses who lack access to conventional banking and related services. Microfinance includes microcredit, small loans to poor clients; savings and checking accounts, microinsurance among other services.

Mobile money: Financial services offered by payment service providers that allow a person to use a mobile phone to deposit, withdraw, save, borrow, and transfer money, pay bills, and potentially access other financial services; examples: Airtel Money, MTN Mobile Money

Non-bank financial institution (NBFI): A financial organisation that is not formally licensed as a bank but whose activities are regulated or supervised- to some extent. These include microfinance institutions (MFIs), credit institutions, and savings and credit cooperative organisations (SACCOs).

Registered user: An individual with a financial account registered in their name or registered jointly in their name and someone else's.

Remittances: Cross-border, person-to-person payments of relatively low value. The transfers are typically recurrent payments by migrant workers to their relatives in their home countries to cover a substantial part of their daily expenses.

Remittance corridor: Also known as remittance market, it specifies the remittance flow between an originating country (or region) and a receiving country (or region).

Remittance outflow: Flow of remittances leaving a country.

Remittance inflow: Flow of remittances coming into a country.

Rotating savings and credit association (ROSCA): An informal financial group where members contribute to a common fund and then take turns withdrawing or borrowing from it.

Savings and credit cooperative (SACCO): A self-help group owned and managed by its members; its main purpose is to build up funds through regular contributions by each member to provide affordable credit and collective investments.

Village savings and loan association (VSLA): A self-managed financial group in which members make regular contributions to a common fund; members of the group can request a loan from the common fund, which they receive based on the approval of other members and must repay with interest. At the end of the funding cycle (mostly annually), all funds with interest are shared among group members.

Over-the-counter (OTC) user: An individual who has used a financial service through someone else's account, including a mobile money agent's account or the account of a family member or a neighbour.

FOREWARD

Access to formal financial services such as savings, loans, and payment can raise the standard of living and welfare of low-income populations. In Uganda, access to formal financial services has increased substantially to 66% over the last decade. The country still has a long way to go, therefore, promoting financial inclusion is a priority.

The government of Uganda has thus renewed its commitment to financial inclusion through the National Financial Inclusion Strategy (NFIS) II (2023 - 2028), which aims to reduce poverty and promote economic growth through affordable and quality financial services. The strategy fosters a competitive financial sector through the implementation of financial sector policies that create an environment for fostering competitiveness in the private sector, driving economic growth and employment. It also encourages a savings and investments culture among adults, which drives economic growth and employment.

NFIS II zeroes in on expanding the usage of savings, credit, insurance, remittance, pensions, investment and Islamic banking financial products and services. It also emphasises the challenges of underserved segments, such as women, refugees, youth, MSMEs, rural dwellers, and people with disabilities (PWDs).

The new strategy builds on national development planning by contributing to objectives identified in the National Development Plan (NDP) III (2020/21 – 2024/25). These include enhancing value addition in key growth opportunities, strengthening the private sector, improving the stock and quality of productive infrastructure, enhancing the productivity and social well-being of the population, and strengthening the state's role in supporting development. NFIS II's main enabling pillars that will be instrumental to meeting such objectives are:

I. Public and private sector commitment and coordination
II. Policy, legal, and regulatory and supervisory capacity
III. Enabling infrastructure capacity and security

NFIS II will also be an instrumental and critical part of the National Vision 2040, which NDP III aims to realise. It envisions "a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years," which cannot be achieved without a robust financial inclusion strategy that supports a competitive economy. Lastly, NFIS II complements the Parish Development Model's (PDM) financial inclusion pillar by equipping subsistence farmers with skills for enterprise growth, value addition, and marketing their products and services.

After conducting an end term evaluation (ETE) of the NFIS I to provide accountability and learn from its implementation, NFIS II has been prepared with initiatives to close the gaps identified, consolidate successes, and integrate new financial sector and economic developments.

We believe that NFIS II fits into national development plans and builds on NFIS I to serve as a feasible road map for enhancing financial inclusion over the next five years. Under the NFIS II, working groups will be set up to formulate and implement policy measures and interventions to achieve the strategy's goals.

We are grateful for the contributions of all institutions represented on the Inter- Institutional Committee on Financial Inclusion (IICFI), which played a critical role in providing strategic oversight during the development of this strategy. The institutions represented on the IICFI included: Ministry of Finance, Planning and Economic Development (MoFPED); Bank of Uganda (BoU); Insurance Regulatory Authority of Uganda (IRAU); Ministry of Trade, Industries and Cooperatives (MTIC); Uganda Communications Commission (UCC); Financial Intelligence Authority (FIA); Financial Sector Associations; development partners; and civil society representatives among others. Our special thanks go to our development partners, particularly the Financial Sector Deepening (FSD) Uganda, for their support in developing this strategy.

We look forward to closer working relations with you over the next five years and beyond.

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EXECUTIVE SUMMARY

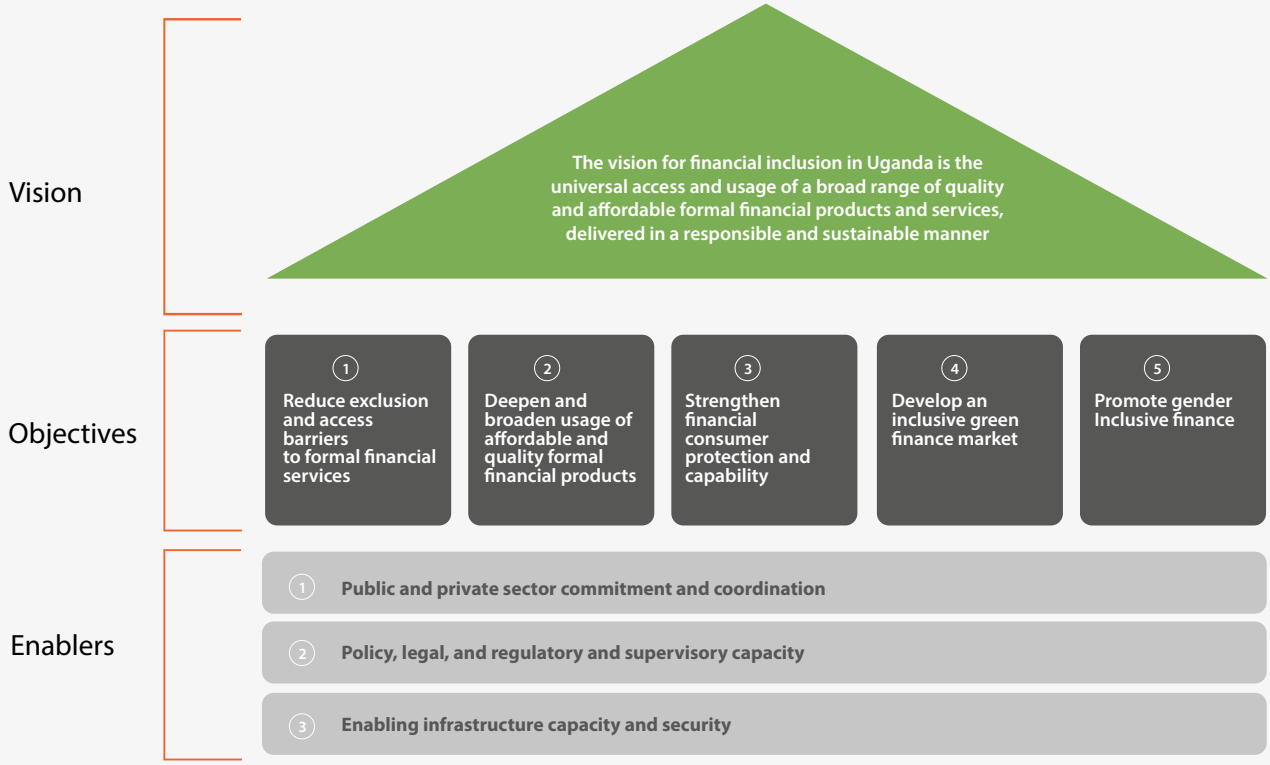
Introduction

Financial inclusion is a priority for global development as it supports inclusive growth and the achievement of Sustainable Development Goals (SDGs). Uganda launched its first National Financial Inclusion Strategy (NFIS I) in 2017. In 2022, at the end of NFIS I, an end-term evaluation (ETE) of the strategy was undertaken to understand the progress made and learnings that could be garnered to design the new national financial inclusion strategy.

The development of a new NFIS began in late 2022 to provide a roadmap for financial inclusion in Uganda from 2023 – 2028 (NFIS II). Over 50 stakeholders, including banks, fintechs, government bodies, and research groups, were interviewed to understand the implementation, performance, successes, challenges, and lessons learnt from NFIS I. Working group discussions were also conducted to understand the implementation of various activities. The engagements highlighted essential changes that should be made in the new strategy. Some of the critical lessons adopted from the NFIS I ETE are summarised below:

- NFIS I made significant progress in expanding delivery channels and reducing exclusion barriers. NFIS II should focus on deepening formal access, usage, and quality dimensions.
- NFIS I prioritised women, youth and rural dwellers. However, women and youth were not sufficiently targeted, while refugees and people living with disabilities (PWDs) were not considered. NFIS II should prioritise women, youth, rural dwellers, refugees, PWDs and MSMEs.
- NFIS I included five pillars/objectives focused on i) reducing financial exclusion and access barriers to financial services, ii) developing credit infrastructure for growth, iii) building out digital infrastructure for efficiency, iv) deepening and broadening formal savings, investment and insurance usage, and v) empowering and protecting individuals with enhanced financial capability barriers, enhancing credit infrastructure and digital infrastructure, deepening the usage of products and empowering individuals. NFIS II has five objective areas, three of which are streamlined versions of NFIS I objectives. The remaining two are new critical objectives, i.e., promoting inclusive gender finance and developing an inclusive green finance market.
- NFIS I implementation structures were considered sufficient. However, implementation was derailed by the COVID-19 pandemic, budget constraints and a lack of clear accountability. NFIS II implementing agencies should ensure clear accountability and budgetary allocations for initiatives.
- NFIS I monitoring and evaluation framework needed a robust theory of change (TOC), and some performance indicators couldn't be measured due to outdated Finscope data. NFIS II should include a robust TOC, and market stakeholders should ensure sustainable data collection.
- NFIS II focuses more on promoting affordable financial products and enhancing financial security.
- This strategy aligns with Uganda's National Development Plan III (NDP III) and supports the Parish Development Model (PDM) framework.

NFIS II STRATEGIC FRAMEWORK



The vision of NFIS II will be realised through interventions and activities organised under the five objectives/pillars. The critical gaps and initiatives are described below. The broader actions to be taken are included in the implementation plan while specific actions to be taken are detailed in the action plan in the appendix.

Objective 1: Reduce financial exclusion and access barriers to formal financial services

Uganda has made progress in reducing exclusion barriers to formal financial services. However, at 34% the formal exclusion rate remains high. More work needs to be done to increase access points in rural areas. Some reasons for low access in rural areas include agent banking concentration in urban areas, limited DFS delivery channels, low smartphone penetration, inadequate access to connectivity and electricity, and lack of universal digital ID coverage for KYC. Related to KYC, NIRA's efforts to expand national ID registration are limited by funding and outdated technology. Additionally, the constitution prohibits anyone under 18 from owning a financial account, hindering employed youth (16-17) from being financially included. Finally, Islamic banking products and services still need to be integrated.

To reduce financial exclusion and access barriers to formal financial services, the GoU and stakeholders will prioritise several actions. These include establishing more physical access points in underserved areas, promoting the uptake of digital financial services, and creating an enabling environment through effective policy and efficient financial infrastructure that supports the growth in formal account ownership.

Objective 2: Deepen and broaden the usage of quality and affordable formal financial products

Despite progress in enhancing access to formal financial products in Uganda, many low-income individuals are still unwilling to use them due to limited awareness and financial education, preference for cash, high costs of financial services, inadequate or irregular income, mistrust of formal financial systems and insufficient collateral to access credit.

The government and stakeholders will prioritise several actions to deepen and broaden the usage of quality and affordable formal financial products. These include establishing proactive measures to drive

electronic and digital payment adoption, removing barriers that limit the usage of financial products and services, availing more affordable financing to MSMEs and underserved groups, strengthening digital and information security, deepening, and enhancing interoperability among FSPs, and creating an enabling environment that supports innovation. Additionally, the GoU and stakeholders will ensure that the market has access to updated and harmonised data on financial inclusion. By taking these actions, the government and stakeholders can create an enabling environment for enhancing broad-based usage of quality and affordable formal financial products across Uganda.

Objective 3: Strengthen financial consumer protection and financial literacy

Consumer protection and financial literacy are crucial for achieving financial inclusion in Uganda. Without these measures, individuals may be vulnerable to financial harm. Due to insufficient awareness and financial education, Ugandans are susceptible to financial scams and exploitation. Additionally, poor quality services, lack of transparency, and limited access to redress mechanisms can lead to consumer detriment. Therefore, consumer protection policies and financial literacy programs are necessary to safeguard individuals from potential risks and empower them to make informed financial decisions.

To resolve these challenges, improve consumer confidence in the financial sector, and promote financial inclusion, the GoU and stakeholders will implement measures to ensure that financial institutions are transparent, offer high-quality products, disclose fees and terms, and provide customer feedback. Partnerships among the government, private sector, and civil society will be strengthened to raise awareness about consumer rights and promote financial literacy programs. Finally, establishing effective redress mechanisms will ensure consumers can access effective complaint mechanisms.

Objective 4: Developing an inclusive green finance market

Inclusive green finance is vital for financial inclusion, sustainable development, and poverty reduction in Uganda, particularly for marginalised groups. However, there are challenges in developing and marketing green finance products due to limited awareness, capacity, expertise, and regulatory frameworks, particularly a green finance regulatory framework that addresses challenges in standardising and measuring impact, investor knowledge and interest, transaction costs, and market infrastructure.

The government and relevant stakeholders will take a multi-faceted approach to enhance inclusive green finance in Uganda. Financial institutions will be provided with education and training on green finance products. Regulatory reforms will be pursued to establish clear guidelines for green investment and incentivise green bond issuance. Public awareness campaigns will be launched to increase understanding of green finance among the public. Efforts will be made to improve data availability and quality while reducing transaction costs through standardisation and scale. Finally, market infrastructure will be enhanced through collaboration between regulatory bodies, financial institutions, and other industry stakeholders. By pursuing these actions, the GoU aims to promote sustainable development and unlock the country's potential for green investment.

Objective 5: Promoting inclusive gender finance

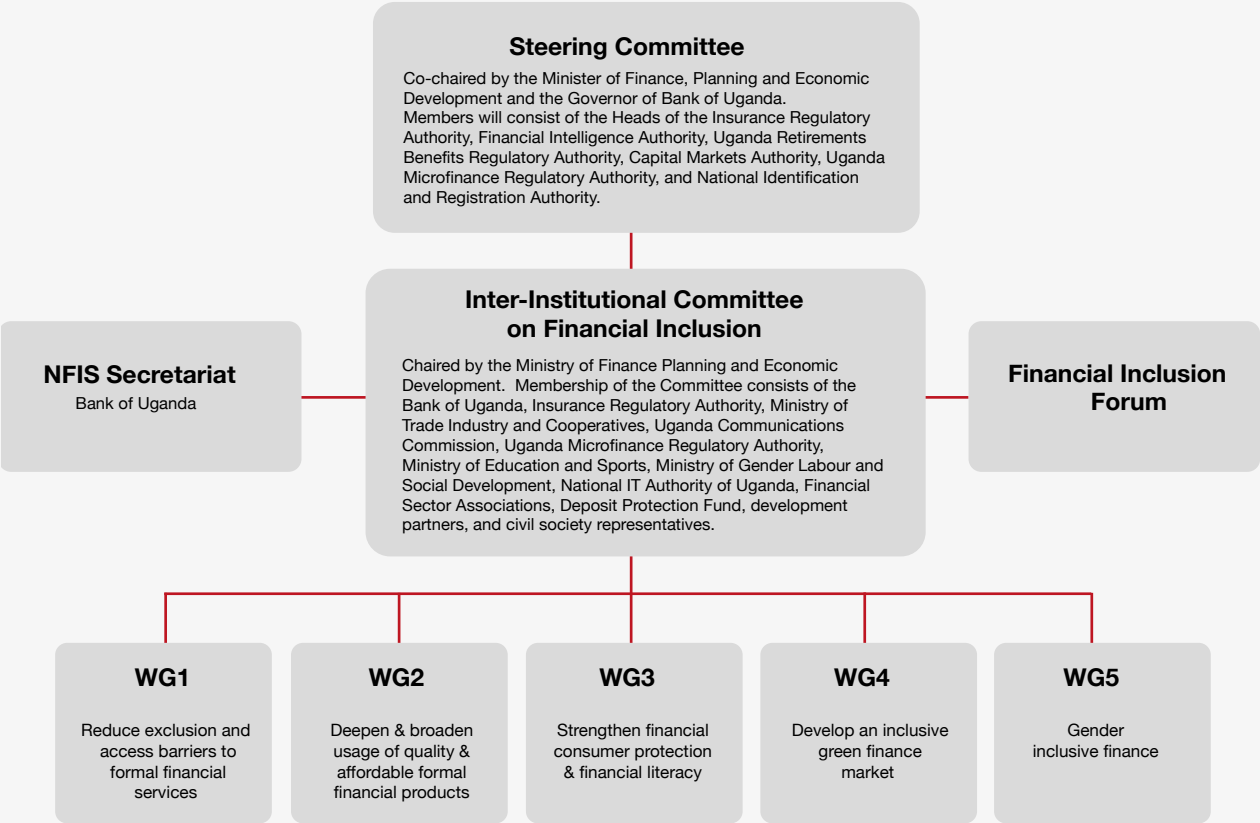
Promoting inclusive gender finance in Uganda is essential for achieving financial inclusion targets. Women often face various social and economic barriers that impact their access to financial services, including discrimination, limited access to education and training, lack of collateral, limited legal protection, weak financial infrastructure, and limited digital literacy. Addressing these barriers is critical not only for promoting gender equality but also for achieving broader development goals such as poverty reduction, economic growth, and improved livelihoods. In this context, promoting gender-inclusive finance policies and products can be crucial in expanding financial access to women and empowering them to participate meaningfully in economic activities.
To enhance inclusive gender finance, the government of Uganda and other stakeholders will prioritise several actions. These will include developing and implementing gender-sensitive regulations and policies,

Promoting inclusive gender finance in Uganda is essential for achieving financial inclusion targets.

increasing public awareness of the financial services and products available to women, offering tailored financial training and services to improve women's financial inclusion, and addressing socio-cultural barriers limiting women's access to financial resources. The government and stakeholders will also collect sex-disaggregated data to monitor progress towards achieving inclusive gender finance. By implementing these measures, Uganda can improve gender equality in the financial sector and pursue its objectives of a sustainable economy.

IMPLEMENTATION MECHANISM

The success of NFIS II depends on collaboration between organisations and stakeholders. The National Financial Inclusion Steering Committee will provide strategic vision, support, and resources for implementation and report progress to the government. The Inter-Institutional Committee on Financial Inclusion will oversee the work of the NFIS secretariat, working groups, and the financial inclusion forum. The working groups will focus on reducing exclusion and access barriers, broadening the usage of financial products, strengthening consumer protection and financial literacy, developing an inclusive green finance market, and promoting gender-inclusive finance. The governance structure for the NFIS is shown in the figure below.



MONITORING AND EVALUATION

The successful implementation of NFIS II requires accurate measurement of progress and effective communication of intervention results. A monitoring and evaluation framework will track progress, ensure stakeholder mobilisation, and support evidence-based decisions and policymaking. The framework is influenced by the theory of change, which aims to achieve universal access and usage of quality and affordable financial products and services for all Ugandans, leading to their financial security. Uganda has established a 2028 target goal of increasing access to formal financial institutions from 66% in 2021 to 75% by 2028. These and more are outlined in the M&E section and include increasing usage of formal financial products and a series of quality indicators. Non-core financial inclusion indicators have also been identified.

1. INTRODUCTION

Uganda's Financial Inclusion Journey

Financial inclusion has become a global development priority due to its role in supporting overall inclusive growth and the achievement of broader Sustainable Development Goals (SDGs).[1] This is because improved access to and usage of financial services facilitates the migration of low-income and marginalised households out of poverty. Access to financial services improves households' ability to participate in economic activities, reduces vulnerability to shocks, and contributes to building an entrepreneurial community actively participating in wealth creation and inclusive economic development - thereby supporting efforts to reduce poverty, end hunger and achieve gender equality.

Recognising the importance of financial inclusion, the Government of Uganda (GoU) launched its first National Financial Inclusion Strategy 2017-2022 (NFIS I) in October 2017, driven by the Ministry of Finance, Planning and Economic Development (MoFPED) and the Bank of Uganda (BoU). Implementation of NFIS I ran from October 2017 to September 2022. The vision of NFIS I was to ensure all Ugandans have access to and use a broad range of quality and affordable financial services to help ensure their financial security.

To achieve the vision of NFIS I, five pillars/objectives were identified, laying out the strategies for increasing access to and using quality financial services for all Ugandans. The figure below summarises the pillars/objectives and the key performance indicators that NFIS I intended to achieve.

Figure 1: Objectives of the NFIS I

	PILLAR 1	PILLAR 2	PILLAR 3	PILLAR 4	PILLAR 5
OBJECTIVES	Reduce financial exclusion and access barriers to financial services	Develop the credit infrastructure for growth	Build out digital infrastructure for efficiency	Deepen and broad enformal savings, investment and insurance usage	Empower and protect individuals with enhanced financial capability
INDICATORS	Increase usage of formal financial institutions to 80% Reduce financial exclusion to 5% Increase access points per 100,000 adults to 615	Increase credit bureau coverage to 40%	Increase active individuals with stored-value accounts to 60%	Increase formal savings to 50% Increase % of adults with emergency savings to 60% Increase insurance usage to 7% of adults	Increase % of women who feel they understand financial services available

The evaluation of NFIS I, which was conducted at the end of the implementation window of the strategy, revealed that overall progress had been made across all the pillars. Some noteworthy achievements include rolling out the agent banking shared platform, launching the e-verification of National Identity Cards (NIDs) and the E-payments gateway for government services, and establishing a centralised registry for movable collateral. In addition, the National Payments System (NPS) Act 2020 and the Security Interest in Movable Property Act (SIMPA) 2019 were passed. The second financial literacy strategy (2019 - 2024) was launched along with consumer protection guidelines. Currently, several awareness campaigns are being run aimed at increasing awareness and educating individuals about financial products available to them as well as educating them about the newly established ombudsman for small loans and dispute resolution in the sector.[2]

1 Alliance for Financial Inclusion, 2022, National Financial Inclusion Strategies: Current State of Practice. Available here.
2 ICAMEK facilitates trade and business in Uganda by providing a neutral, independent, and impartial venue for resolution of commercial disputes.

Development Process of NFIS II (2023 - 2028)

At the end of NFIS I, an end-term evaluation (ETE) of the NFIS I was undertaken to understand the progress that was made with initiatives and interventions implemented by the GoU and stakeholders. This also evaluated whether objectives were achieved and what learnings can be garnered for the design of the new national financial inclusion strategy. After the evaluation, the development of a new NFIS began in late 2022 to provide a roadmap for financial inclusion in Uganda from 2023 - 2028 (NFIS II).

The evaluation used mixed methods, including key stakeholder consultations, working group discussions (WGDs), desktop research, document review and various demand-side surveys to assess the impact of NFIS I on key beneficiaries such as youth, women, refugees, and rural segments.

Key informant interviews (KIIs) were conducted with over 50 stakeholders, including the NFIS secretariat at BoU, banks and other financial institutions (FIs), fintechs and other non-bank payments services providers, development partners and research groups, government bodies including financial sector regulatory authorities and industry associations. In addition, five working group discussions were conducted with the working groups (i.e. technical groups) responsible for implementing the various activities designated to be carried out under each pillar. These engagements aimed to understand how the strategy has been implemented, its performance, the successes, challenges, lessons learned, behaviour changes and observations of intended or unintended outcomes.

These engagements highlighted some important changes that should be made in the new strategy:

- While NFIS I mentioned supporting key target groups (e.g. women, youth, and rural communities), there was no focused approach to design activities and interventions to drive financial inclusion for these underserved groups. In addition, key performance indicators that measured the financial inclusion progress of these groups were not developed.

- A more robust theory of change should be formulated for NFIS II that specifies an impact statement that is informed by the strategy's vision and objectives and has activities aligned with the proposed interventions. An improvement to the impact pathway, mapping activities through to impact, indicating outputs, and short-term and long-term outcomes should be considered.

- A key observation during the evaluation of NFIS I is the proliferation of strategies whereby several strategies have overlapping remits, i.e. there was some overlap between pillar 5 of NFIS I and the Financial Literacy Strategy. Similarly, there is potential for overlap between NFIS II and the Financial Sector Development Strategy (FSDS), spearheaded by the MoFPED, which is currently being developed. Both strategies focus on inclusive finance objectives, although FSDS has a broader mandate. Therefore, there is a need for a combined effort across GoU to avoid the duplication of efforts with the activities of various strategies.

- A change in design (i.e. clearer accountability and governance framework), more broad-based stakeholder buy-in and a clear budget allocation are needed for the effective implementation of NFIS II.

- Although there was an improvement in collating more recent supply-side financial inclusion data during the implementation of NFIS I, there is a gap with demand-side data. A Finscope Survey planned to be carried out in 2021 was not commissioned, as demand-side data required to inform the progress of more than half (52%) of the key financial inclusion performance indicators was unavailable. Moreover, the strategy lacked adequate gender-disaggregated data and measurement mechanisms to accurately monitor and quantify the success and challenges of implementing NFIS I.

The second NFIS (2023 - 2028) takes into account the lessons learned from the evaluation of NFIS I and incorporates the key findings from key stakeholder engagements on the design and implementation of NFIS II. It maintains the focus on access, usage, and quality of financial services to ensure all Ugandans are financially included and financially secure, though with a greater focus on usage and quality, as these were not prioritised in NFIS I. The development of the NFIS II displays a level of optimism to move forward in the country's financial inclusion journey and spur inclusive economic growth and sustainable development.

Due to the lack of reliable gender-disaggregated data on the usage of financial services and data on access and usage of formal financial services by forcibly displaced individuals and persons with disabilities, limited demand-side data is available to help support the development of the NFIS II. Nonetheless, the development of this strategy did collate input from supply and demand side stakeholders. Moreover, as a way forward, BoU is committed to developing and administering frequent demand-side financial inclusion surveys to gather updated information to support the activities under the NFIS II.

NFIS II and Uganda Vision 2040

NFIS II is a renewed commitment to financial inclusion in Uganda and builds on the government's previous efforts and ongoing initiatives. The end goal of financial inclusion is beyond having people with accounts who are saving, making transactions, and accessing loans; rather, it is ultimately about reducing poverty and enhancing families' economic security through affordable and quality financial services.

Uganda's National Vision 2040 - pursued by all government ministries and agencies and fully supported by the private sector and developmental partners - is aimed at "A transformed Ugandan society from a peasant to a modern and prosperous country within 30 years". This involves advancing Uganda's economy from a predominantly low-income to a competitive upper-middle-income country. At the inception of the vision, it was envisaged that the country would graduate to the middle-income segment by 2017 and reach a per capita income of USD 9,500 by 2040. Six 5-year National Development Plans (NDPs) were developed to pursue this vision.

Financial health is necessary to transform Uganda into a modern and prosperous country. NFIS II supports the current NDP III (2020/21 – 2024/25) to increase incomes and improve the quality of life of Ugandans. The five key objectives of the NDP III include:

1) Enhance value addition in key growth opportunities;
2) Strengthen the private sector capacity to drive growth and create jobs;
3) Consolidate and increase the stock and quality of productive infrastructure;
4) Enhance the productivity and social wellbeing of the population; and
5) Strengthen the role of the state in guiding and facilitating development

The NFIS II contributes to each of these objectives as outlined below.

NFIS II supports objective one by providing government-run credit facilities such as the Agricultural Credit Facility (ACF) and the development of inclusive green finance in Uganda aimed at adaptation and mitigating climate change risks leading to a disruption in agricultural output. Credit provision and risk mitigation are vital to transforming subsistence farmers into commercial-based farmers, thereby generating, and potentially increasing nominal income for these farmers and their households.

NFIS II indirectly supports objective two by fostering a competitive financial sector through implementing various financial sector policies, including but not limited to the regulation of anti-competitive practices. A stable and efficient financial sector creates an environment that fosters competitiveness in the private sector and consequently drives growth. In addition, NFIS II promotes growth by encouraging a savings and investments culture among adults. Saved and invested funds can be directed to the productive activities of the private sector, which will drive economic growth and employment in line with the objectives of Vision 2040.

Objective three is addressed through measures to improve the digital infrastructure to facilitate financial inclusion through digital financial services (DFS).

Improved financial inclusion enhances the social well-being of the population and, consequently, labour productivity aligned with objective four of NDP III. NFIS II aims to increase access to credit and the uptake of savings and insurance products through increased awareness. This will help Ugandans plan for their healthcare and education expenses and mitigate unexpected shocks that impact their ability to meet healthcare and education needs. Increased access to healthcare and education improves productivity as well as social well-being.[3] In addition, access to seamless payment services helps smooth out the process of access to healthcare and education services.

One of the key areas identified to achieve objective five of NDP III is improving public response to the needs of Ugandans and the private sector. NFIS II is a strategy drawn up in response to the needs of the public which is the provision of affordable financial products to enhance financial security. In addition, several activities carried out in the strategy directly respond to the needs of the private sector to create an enabling environment for the provision of financial services. As such, NFIS II also aligns with objective five of NDP III.

In addition, the NFIS II supports the Parish Development Model (PDM), a framework that the GoU intends to use to operationalise the NDP III. The PDM's financial inclusion pillar aims to improve access to financial services for households currently operating in the subsistence economy (both urban and rural). The PDM will equip them with skills for enterprise growth, value addition and marketing their products and services. The financial inclusion pillar was designed with reference to NFIS I. While NFIS II is a continuation of NFIS I, its activities will complement the implementation of the PDM's financial inclusion pillar.

Uganda's National Vision 2040 - pursued by all government ministries and agencies and fully supported by the private sector and developmental partners - is aimed at "A transformed Ugandan society from a peasant to a modern and prosperous country within 30 years"

3 World Bank, 2019, How financial deepening can contribute to human capital development. Available here.

2. UGANDA'S FINANCIAL SECTOR CONTEXT

Economic overview

Table 1: Key macroeconomic indicators for Uganda

Indicators	2017	2020	2022	2023*	2028*
Real GDP growth, %	6.8%	-1.4%	4.4%	5.9%	6.8%
GDP per capita (constant), USD	872	918	921		
Inflation, %	3%	2.5%	8.4%	6.8%	5.0%
Unemployment, %	9.7%	8.8%			
Population, Millions	38.7	41.6	42.9	45.1	51.7

Source: IMF WEO Database, 2023[4] | World Bank Database, 2023[5] | Uganda Bureau of Statistics, 2021[6]

Note: *Forecasts from the IMF WEO Database

Uganda is a landlocked country with an estimated population of 42.9 million people in 2022. The country has one of the world's youngest and most rapidly growing populations, increasing at an average of 3% annually. This has resulted in a youth bulge, with 75% of the population below the age of 30 and 52.6% less than 18 years of age.[7] The majority (74%) of the population resides in rural areas.[8]

The influx of refugees (i.e. forcibly displaced individuals) has also contributed to the rapidly growing population. Uganda's refugee population has almost tripled since July 2016, reaching 1.5 million in 2021, making it the largest refugee host in Africa and the third largest globally. From a financial inclusion perspective, it highlights the need to improve how regulation is designed and incentivise financial services providers to enhance the delivery of financial services to this growing population group.

The structure of Uganda's economy has remained relatively the same in the past five years, as the services and industry sectors continue to drive economic growth, accounting for 42% and 27% of the Gross Domestic Product (GDP), respectively, in FY 2020/21.[9] The agriculture sector accounted for approximately 24% of GDP in the same year, an increase from 23% in FY 2015/16.[10]

Most of the labour force is estimated to comprise agricultural workers, who comprise 61% of Uganda's working population (15+ years), primarily in subsistence farming.[11] Approximately 48% of the working age (~ 69% of the farmers) were purely involved in subsistence agriculture in 2019/20, an increase from 39% in 2016/17.[12] This reflects the impact of the COVID-19 pandemic, where most individuals leaned on agricultural activities for survival. However, the share of the working-age population engaged in purely subsistence agriculture decreased to 35% in 2021.[13] While this is positive, the large proportion of subsistence farmers is alarming as it illustrates a significant population that is not generating income as they engage in the form of farming whereby nearly all of the crops and livestock raised are used to maintain the farmer and their family and are not traded to earn income.

4 IMF, 2022, World Economic Outlook October 2022. Available here.
5 World Bank Database, 2023. GDP per capita (constant 2015 US$) - Uganda. Available here.
6 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here.
7 Ibid
8 Uganda Bureau of Statistics, 2022, Statistical Abstract 2021. Available here.
9 Ibid
10 Ibid
11 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here.
12 Uganda Bureau of Statistics, 2022, Statistical Abstract 2021. Available here.
13 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here.

The structure of Uganda's economy has remained relatively the same in the past five years, as the services and industry sectors continue to drive economic growth,

Women and youth (18 - 30 years) remain underrepresented in the labour market, as depicted by a higher unemployment rate of 14.1% and 16.5%, respectively (compared to 10.4% for men) in 2020/21.[14] As a result of the COVID-19 pandemic, unemployment increased, as reflected in the 2021 unemployment rate of 11.9% compared to 2017 when NFIS I was launched, and the employment rate was 9.7%.

Studies have shown that increases in GDP per capita can drive financial inclusion in Africa.[15] Uganda's (constant) GDP per capita has been on an upward trajectory and was estimated at USD 921 in 2021, an improvement from USD 872 in 2017.[16] Furthermore, the economy has had moderate growth, with real GDP growth averaging 4.5% between 2016 and 2020,[17] a relatively slower growth rate compared to the 7% experienced between 2011 and 2016. As a result of the COVID-19 pandemic, real GDP contracted by 1.4% in 2020. Although economic growth has recovered since the COVID-19 pandemic, the 5.9% growth rate estimated for 2023 is lower than the 6.8% growth rate Uganda was experiencing in 2017 during the launch of NFIS I. Given, the positive association between economic growth and financial inclusion,[18] Uganda's economic recovery post the COVID-19 pandemic provides an enabling environment to enhance financial inclusion in the country.

Conflict in Russia–Ukraine continues to cause global inflationary pressures. Inflation in Uganda reached 6.4% in 2022 from 2.9% in 2019 due to higher food and oil prices and continued supply chain disruptions, exceeding the central bank's 5% medium-term target.[19] As a result, there has been upward pressure on interest rates, with BoU raising the central bank rate to 10% in October 2022, the highest level since 2019 and signalling further hikes in the future unless rampant inflation is controlled.[20] Since then, BoU's monetary policy committee has maintained it at 10%.

Domestic risks relate to pressure to ramp up public infrastructure spending amid weak tax revenues while climate change continues to undermine agriculture.[21] Adverse climatic conditions such as extended drought, unpredictable weather changes, floods, landslides, and extreme temperatures continue to affect the productivity of Uganda's agriculture sector. Therefore, green finance as an adaptation strategy to climate risks is critical in Uganda, especially given the high dependence on the agriculture sector by a large proportion of the population.

Impact of COVID-19 and policy response

Between March and May 2020, Uganda instituted the first COVID-19 lockdown, and several lockdowns followed as a mitigation measure to stop the spread of the virus. The COVID-19 pandemic caused a sharp contraction of the economy by 1.4% in 2020, the slowest pace in three decades. Uganda's foreign direct investment (FDI) decreased significantly in 2020, largely due to a fall in Chinese investment, which was expected to account for 45% of Uganda's FDI in 2020.[22] Similarly, before the pandemic, approximately 42% of all the tax collected in Uganda was from international trade. However, this fell significantly due to a slowdown in international trade.

14 World Bank database, Unemployment, total (% of total labour force) (modelled ILO estimate) - Uganda. Available here.
15 Evan, O., and Osi, R., 2017, Financial Inclusion and GDP Per Capita in Africa: A Bayesian VAR Model. Available here.
16 World Bank Database, 2023. GDP per capita (constant 2015 US$) - Uganda. Available here.
17 WBG, 2021, The World Bank in Uganda. Available here.
18 Sharma, D., 2016, Nexus between financial inclusion and economic growth: Evidence from the emerging Indian economy. Available here.
19 IMF, 2022, World Economic Outlook October 2022. Available here.
20 Bloomberg, 2022, Uganda Raises Rate to Highest Since 2019, Signals More Hikes. Available here.
21 African Development Bank Uganda Economic Outlook, 2021. Available here
22 PWC, 2020, Impact of the Corona virus on the Uganda Economy. Available here.

Household incomes fell due to the closure of businesses and a loss of jobs, particularly in the urban informal sector.[23] A study conducted by FSD Uganda highlighted that the COVID-19 pandemic hurt Micro and Small Enterprises (MSEs), especially those in the informal sector and women-owned enterprises, resulting in unprecedented income losses and uncertainties about future business operations.[24] The research showed that only 3% of MSEs reported being completely recovered, while 71% of the surveyed MSEs are yet to return to normal pre-COVID-19 operations. As a result of the pandemic, many individuals were forced to return to agriculture and other natural resources-dependent activities to manage and survive the crisis.[25]

To contain the spread of the COVID-19 pandemic, GoU adopted expansionary fiscal and monetary policies to address the impact of the pandemic on the economy. The expansionary monetary policy measures implemented included lowering the central bank rate and reducing the reserve requirement ratio. In addition, a payments-based fee waiver was put in place by BoU to make transactions more affordable for consumers and increase transaction volumes. The fiscal policy measures taken were tax exemptions to mitigate the economic impact of the lockdown, social protection and private sector relief funds were granted through the Uganda Development Bank. The COVID-19 liquidity assistance program allowed credit institutions and Microfinance Deposit-taking Institutions (MDIs) to access funds from BoU. The economic response measures implemented by GoU supported the objectives of NFIS I by making financial services more affordable and ensuring MDIs have sufficient liquidity to serve their clients, who are predominantly rural dwellers and last-mile individuals.

In addition, GoU established a stimulus package in November 2020, the Small Business Recovery Fund (SBRF), which provided MSMEs with loans of up to UGX 200 million to rejuvenate businesses that were adversely affected by the COVID-19 pandemic. Under the SBRF, MSMEs can borrow up to UGX 20 million without pledging registered collateral such as land, as alternative non-collateral means like cash flows, banking history, borrowers' character, and chattel mortgages are considered.

Key takeaways and insights

- Uganda has a young and rapidly growing population, with a majority residing in rural areas and a large proportion involved in subsistence farming.
- The COVID-19 pandemic has led to an increase in unemployment, particularly among women and youth.
- The services and industry sectors drive Uganda's economy, while agriculture accounts for approximately 24% of GDP.
- The country's refugee population has tripled since 2016, highlighting the need to improve financial inclusion for this growing population group.
- The COVID-19 pandemic harmed Micro and Small Enterprises (MSEs), especially those in the informal sector and women-owned enterprises. The Ugandan government implemented expansionary fiscal and monetary policies to address the pandemic's economic impact.
- Financial inclusion of marginalised groups, such as women, youth, and rural individuals, is a priority.

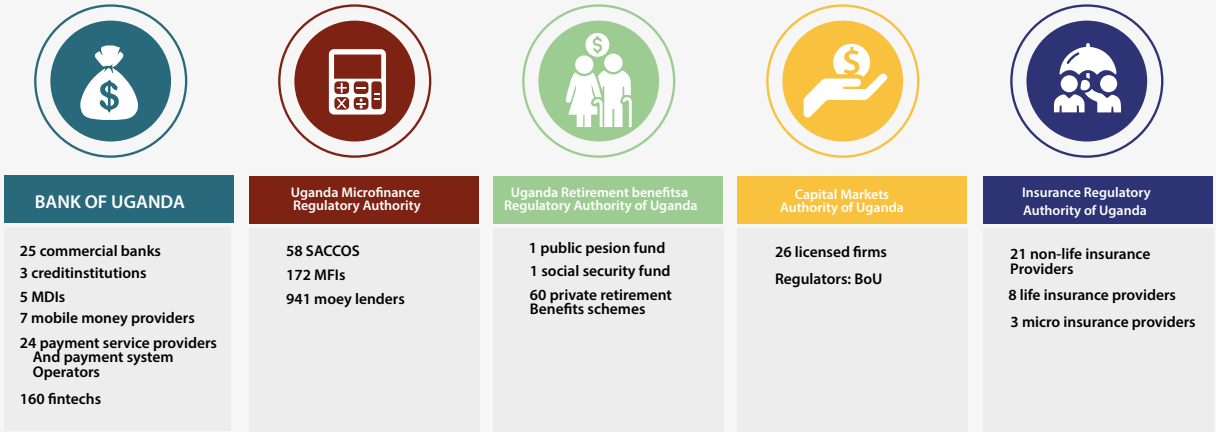
Financial sector overview

Uganda's financial system comprises both informal and formal institutions. Informal actors are mostly self-help groups, such as rotating savings and credit associations (ROSCAs). The formal institutions include commercial banks, development banks, credit Institutions, forex bureaus, money remitters, Microfinance Deposit-taking institutions (MDIs), microfinance institutions (MFIs), mobile money service providers (licensed as payment service providers and payment system operators), non-bank payment service providers and payment system operators, insurance companies and brokers, credit reference bureaus (CRB), and leasing companies.

23 World Bank, 2021, Uganda's Economy Recovering from COVID-19 Impact Amid Uncertainties. Available here.
24 FSDU, 2022, Covid-19 Market Diagnostics and Options for Long-Term Recovery (Demand- Side Report). Available here.
25 World Bank, 2021, Uganda's Economy Recovering from COVID-19 Impact Amid Uncertainties. Available here.

The figure below overviews the number of institutions providing various products in Uganda's financial sector and the respective regulators.

Figure 2: Institutional breakdown of the formal financial sector [26.]



Note: Payment service providers include mobile money providers.

Uganda's financial sector is dominated by the banking sector, accounting for 83% of the assets in the financial system.[27] Over the last 20 years, the sector has undergone massive transformation driven by financial innovations.[28] Between 2000 and 2010, the industry experienced technology-driven innovations such as Automated Teller Machines (ATMs), mobile banking, internet banking and payment cards. From 2011 to 2020, the industry has focused on introducing products, instruments and processes that leverage technology to broaden the market and manage risk or arbitrage. Furthermore, major payment service providers have deployed various self-service kiosks to enable bill payments, point of sale (POS) transactions, money transfers and other e-money services to banks, non-bank corporations, governments, and Non-Governmental Organisations (NGOs).

State of financial inclusion in Uganda

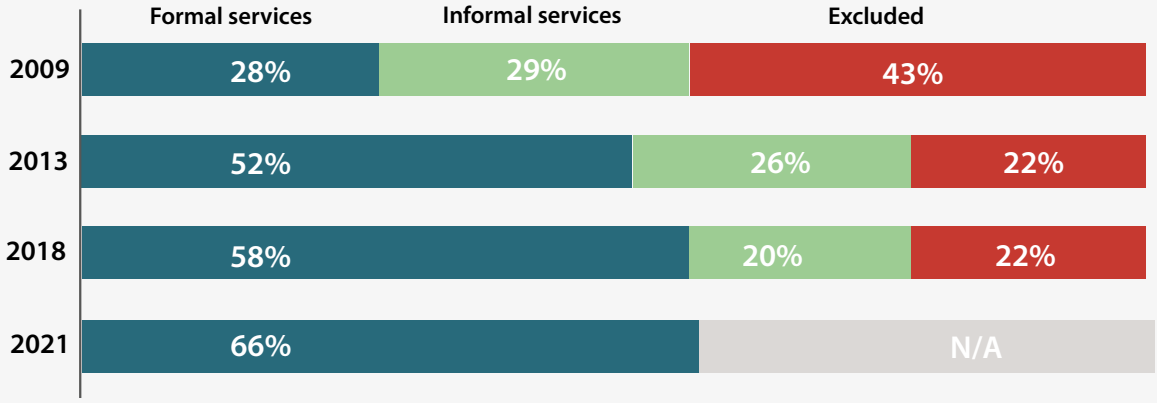
This section provides an overview of the state of financial inclusion in Uganda and a brief comparison with peers in East Africa. The section is organised thematically around key products and issues related to financial inclusion. These include i) Access to financial services; ii) Usage of financial services; iii) Delivery channels of financial products and services; iv) Availability of financial products and services; v) MSMEs and agricultural financing; vi) Underserved segments; vii) Financial consumer protection and financial capability; viii) Financial/shared market infrastructure; ix) Financial innovations impacting financial inclusion and x) Green financing.

Access to financial services

Over the past decade, the state of financial inclusion in Uganda has improved, evidenced by the increase in the proportion of Uganda's adult population that has access to financial services (formal and informal)[29] from 58% in 2009 to 78% in 2018.[30] Driving financial inclusion is the increase in the share of the adult population accessing formal institutions (bank and non-bank), which increased from 52% in 2013 to 58% in 2018.[31] With the implementation of various initiatives under NFIS I, formal account ownership increased to 66% in 2021.[32]

26 Bank of Uganda, 2022, Supervised Financial Institutions. Available here.
27 Bank of Uganda, 2020, Financial Stability Report. Available here.
28 Bank of Uganda, 2020, Financial Innovation in Uganda: Evolution, Impact and Prospects. Available here.
29 Formal services refer to financial services provided by formal financial service providers. Informal services refer to financial services provided by an institution/individual that is not regulated or supervised.
30 FinMark, 2018, Uganda Finscope survey 2018. Available here
31 Ibid.
32 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

Figure 3: Financial access strand[33]



Note: The Finscope surveys compared financial inclusion from 2009 to 2018. The Findex 2021 survey was used to note the state of formal financial inclusion in Uganda in 2021 since Finscope surveys were not conducted post-2018. While not the same, the definition and measurement of formal financial inclusion are similar for both the Finscope and Findex surveys. Therefore, the two datasets are valid for comparative purposes. Recent data (2021) was not available to measure informal financial inclusion.

However, access and uptake of financial services remains skewed towards urban areas, with only 61% (compared to 73% for urban areas) of formal financial account ownership attributed to adults in rural areas in 2021.[34] At the inception of NFIS I, only 52% of the rural population was formally financially included.[35] Implementing various activities under NFIS I, such as the agent banking regulations and linkages of VSLAs and SACCOs with formal institutions, has played an essential role in improving access to formal financial services in rural areas. However, the urban-rural gap remains and needs to be addressed. This is mainly due to limited access points to financial services and products available to individuals in rural areas, low awareness of the available products and low levels of financial literacy of these individuals, as explained in subsequent sections.

Access to formal financial services has increased for both women and men in Uganda, although at a faster rate for women. Findex data shows that women's account ownership increased from 53% in 2017 to 65% in 2021.[36] On the other hand, account ownership among men grew from 66% in 2017 to 67% in 2021. This indicates a decline in the gender gap in access to financial services from 13% in 2014 to 2% in 2021.

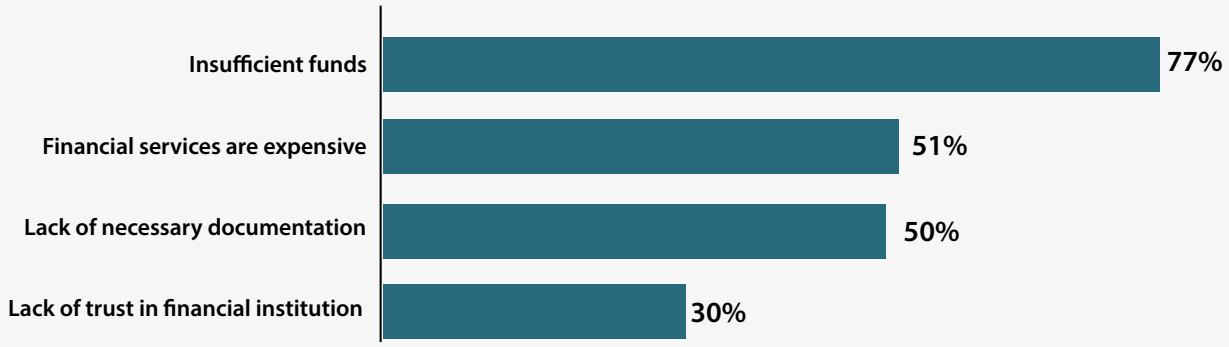
Mobile money account ownership has been the main driver in reducing the gender gap in accessing formal financial services. The proportion of female adults who own a mobile money account increased from 43% in 2017 (compared to 59% for men) to 53% in 2021 (compared to 55% for men).[37] This is explored further in the section on underserved segments.

While Uganda has made progress toward financial inclusion, a large proportion (34%) of the population remains financially excluded or relies on informal financial services such as savings groups to access financial services.[38]

33 FinMark 2018, Uganda Finscope survey 2018. Available here. | World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
34 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
35 FinMark, 2018, Uganda Finscope survey 2018. Available here.
36 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
37 Ibid.
38 Excluded is defined as individuals who do not have or use financial services (either formal or informal) | World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

Most (77%) of the formally financially excluded individuals cited insufficient funds as the primary reason for not opening an account. More than half (51%) of the financially excluded adults found formal financial services expensive and therefore chose not to open an account.[39] Many individuals also stated they did not have an account because they did not trust FIs. The figure below shows the reasons commonly cited by financially excluded individuals.

Figure 4: Reasons to justify the lack of ownership of a formal financial account[40]



As depicted above, the inability of excluded adults to present the required documentation, such as national identification to FIs, limited their access to formal financial services.

In Uganda, only 70% of the country's eligible population (citizens of 16 years and above) have a national identification number (NIN), compared to 91% in Kenya.[41]As such, a significant proportion of the population is automatically excluded from accessing formal financial services and products.

In addition to the reasons above, financial exclusion is also driven by limited economic activity and low literacy resulting in little need for financial services.[42] Results of the Uganda National Household Survey (UNHS) conducted in 2020 indicated that financial exclusion was higher among individuals who are regarded as poor (65%) compared to those regarded as non-poor (39%) and higher among those not employed (59%) compared to those employed (34%).[43] This observation affirms the conclusion above that lack of sufficient funds limits individuals from using financial services. Financial exclusion was also higher among individuals who did not have an education (53%) compared to individuals who had completed secondary education and above (20%), as the former are more likely to struggle to understand the financial process.[44]

Relative to other countries in the East Africa Community (EAC), Uganda's financial access indicators are second only to Kenya. Like other EAC countries, Uganda's growth in access to formal financial services over the past decade has been driven by increased mobile money ownership. In 2021, 54% of the adult population owned a mobile money account compared to 35% in 2014.[45]

39 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

40 Ibid.

41 Biometric Update, 2022, Uganda's digital ID achievements, challenges and prospects. Available here. | FSD Kenya, 2021, FinAcess: Identity in Kenya. Available here.

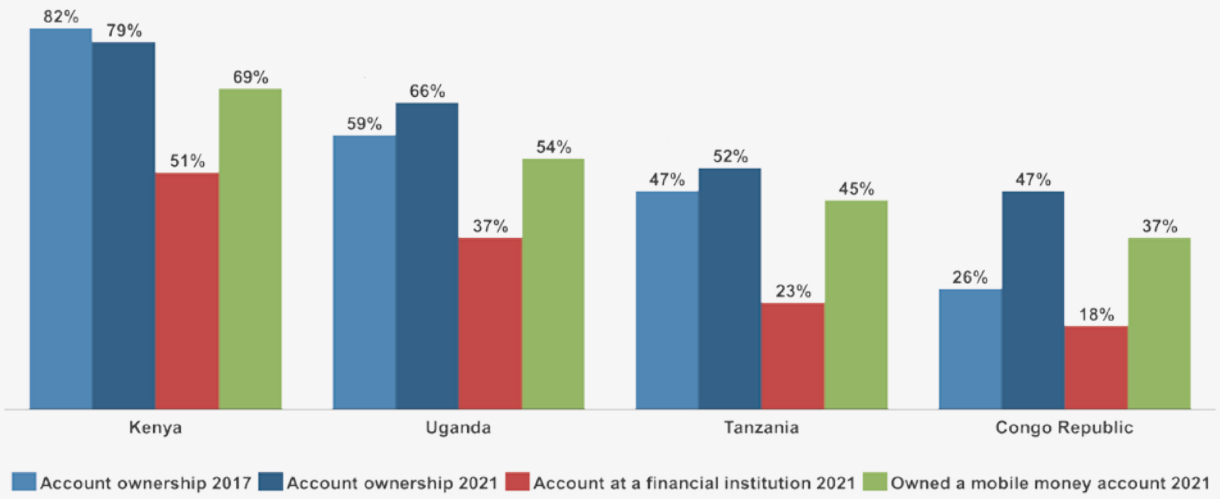
42 Uganda Bureau of Statistics, 2020, Uganda National Household Survey (UNHS) 2019/2020. Available here.

43 Ibid.

44 Ibid.

45 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

Figure 5: A cross-country comparison of access to formal financial services[46]



Note: Account at a financial institution refers to a financial account at a bank and other FIs that offer a transaction account and fall under prudential regulation by a government body (excluding mobile money accounts). Growth rates are shown for account ownership between 2017 and 2021.

However, the growth in the adult population with access to financial services has notably slowed in recent years, coinciding with slower growth in the ownership of mobile money accounts. Between 2017 and 2021, mobile money account ownership grew from 51% of the adult population to 54%, much slower than a growth rate from 35% in 2014 to 51% in 2017. This trend reflects the market situation whereby most of the population has reached pre-conditions (such as mobile phone ownership and earning income potential) necessary to onboard onto financial services. In addition, the introduction of taxes on mobile money is likely to have caused a slowdown in the uptake of mobile money. As such, an increase in financial inclusion, mainly through mobile money, can be achieved by addressing the barriers to access and usage of these services faced by the last-mile individuals who have not been reached. These barriers are discussed further in the subsequent sections.

On the other hand, the proportion of individuals who own an account at a FI remains low across EAC. In 2021, account ownership at a FI was below 50% for all EAC countries except Kenya. Although Uganda is in a better position than its peers, only 37% of the adults in Uganda had access to an account at a FI in 2021.[47] In addition, compared to when NFIS I was launched, the progress in access to accounts at FIs has been slow growing from a base of 33% Ugandan adults in 2017.[48] This highlights the need for continued efforts to increase access to more innovative and inclusive products tailored to meet the needs of low-income consumers who do not currently see the benefit of owning an account at an FI.

Usage of financial services

Accessing financial services is a first step toward broader financial inclusion. Moving from access to usage of accounts is the next step towards ensuring Ugandans benefit from being financially included.

Although access to financial accounts has increased, usage of accounts at financial institutions (excluding mobile money) is low in Uganda. In 2021, only 49% of the adults who had deposited money in the past 12 months made deposits 2 or 3 times a month.

46 Ibid.
47 Ibid.
48 Ibid.

On the other hand, usage of mobile money to perform transactions is high, as 71% of Uganda's adults who owned a mobile money account used the account two or more times a month in 2021.[49] Other than mobile money, usage of DFS in Uganda is low, especially among women. According to FSD Uganda, this is partly attributed to the cost of mobile phones, the cost of transactions and unreliable network connectivity.[50]

In addition, there are other gender disparities in financial behaviour, including the types of financial institutions used, the frequency of transactions, and the complexity of the products used. For example, women are less likely to use formal financial services and to have active accounts and are less likely to use digital financial services like making or receiving digital payments.[51]

The following sections discuss the usage of financial products and delivery channels in more detail.

Delivery channels

A wide array of delivery channels exists for formal financial services in Uganda. These include ATMs, branches, agents of banks and credit institutions, mobile money agents, as well as digital financial services such as mobile and online banking. Most financial service providers (FSP) outlets in Uganda are in urban areas. The table below depicts the trend in access points in Uganda over time.

Table 2: Number of access points per delivery channel[52]

Indicator	2017	2018	2019	2020	2021	June 2022	Growth rate for 2022 from 2017
Total number of access points (total number of branches, ATMs and agents)	162,071	191,672	225,405	279,627	500,395	497,168	207%
Branches of regulated deposit-takers	671	679	712	716	715	703	5%
Banking agents (commercial banks and credit institutions)	139	5,524	11,214	14,248	22,987	27,039	19,353%
Mobile money agents	160,351	184,529	212,517	263,698	475,755	468,476	192%
ATMs	910	940	958	966	950	951	5%

As depicted in the table above, since 2017, there has been an upward trajectory across all access points in Uganda. Mobile money agents dominate the market and have far greater coverage than bank channels. As of June 2022, mobile money agents were 468,476 (2,297 per 100,000 adults; in comparison to the network of regulated deposit-taking institutions that reported 703 branches (3.2 branches per 100,000 adults), 951 ATMs (26.8 ATMs per 100,000 adults) and 27,039 (124.9 per 100,000 adults) banking agents.

Mobile money has acted as a 'bridge' for formal financial inclusion by facilitating instant access to financial services at lower costs than traditional banking channels. This is particularly true for underserved segments, i.e. low-income individuals living in remote areas that are generally not profitable for the traditional banking model, which relies on costly physical infrastructure.[53]

49 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
50 NFIS I ETE and Design of NFIS II Stakeholder consultations, 2023.
51 FSDU, 2021, Gender Barriers to Access and Use of Financial Services by Women in Uganda. Available here.
52 Bank of Uganda, 2022, Financial Inclusion Indicators. Available here.
53 GSMA, 2012, Mapping and Effectively Structuring Operator-Bank Relationships to Offer Mobile Money for the Unbanked. Available here.

Rural areas have a low population density and limited economic activity as most residents are subsistence farmers, which translates to low income for rural dwellers. Thus, the cost of serving this market can be expensive for FSPs.

An important achievement of NFIS I, particularly due to the passing of the agent banking regulations, was the exponential growth in the number of banking agents. The regulation empowered commercial banks and credit institutions to appoint agents (i.e. retail shops or any authorised individual) that can provide banking services such as deposits, withdrawals, micro-insurance and more on their behalf. This helped to address the challenges affecting the cost structure of banks and the delivery of diversified financial services to the masses.

However, most bank agents are concentrated in urban areas. In 2020, 40% of the agents on the Agent Banking Company's shared banking platform (launched in 2018 by the Uganda Bankers' Association to enable interoperability of agents and reduction of operational costs for service providers) were based in the greater Kampala region 43% in Western Uganda and only 17% covering other regions in Uganda, including rural areas.[54]

Several factors limit the spread of the agent network into rural areas, including inadequate access to electricity and poor network and internet connectivity necessary to perform transactions.[55] In addition, the regulatory requirement that agents can only be individuals who own a registered business limits the individuals that qualify to be agents, as most businesses in rural areas are not registered. Another regulatory constraint is the requirement for a machine that can print receipts for every transaction.

Printing equipment is expensive, and this requirement increases the cost of being an agent for low-income individuals living in rural areas. FIs should be encouraged to sponsor printing devices for their agents.

Despite these challenges, accessing banking services has been easier and usage of the agent banking network has been high relative to other channels. According to the 2019/20 UNHS, the majority (52%) of registered bank account owners accessed banking services through a banking agent, while only 15% used a bank website (online banking), and 15% used their bank's mobile app.[56] In addition, a study by FSD Uganda on Agent Banking Services in Western Uganda (Mbarara and Hoima Districts) found that agent banking significantly contributed to increased financial inclusion as the delivery channel allowed individuals to overcome challenges such as long distances to banking branches and the inconvenience of time spent waiting in banks.[57]

The low usage of digital banking services is mainly due to high transaction costs, unreliable systems, and the preference for human contact when conducting financial transactions.[58] Since the National Identification and Registration Authority (NIRA) database integration, an extra charge per usage on digital financial services has been imposed, increasing the cost of using these services. Industry players further cite low levels of trust, digital illiteracy, and low awareness of digital financial services as key reasons for the low penetration and uptake of digital platforms in Uganda.[59] Other key factors include low smartphone penetration (16%) and internet penetration (29%) that limit access to digital banking services.[60]

DFS, enabled by fintechs and MNOs, has the potential to lower costs, increase speed and transparency and allow for more tailored financial services that serve people experiencing poverty at scale.[61] Low marginal costs characterise DFS and offer greater transparency which can foster trust in financial services. More importantly, DFS responds to supply-side barriers to access financial services, such as high operating costs and limited competition. It also responds to demand-side barriers, including volatile and small incomes

54 BoU, 2021, AFI NFIS Mid Term Review Report: The Republic of Uganda National Financial Inclusion Strategy (2017-2022).
55 FSDU, 2022, Highlights on Agent Banking Services in Western Uganda (Mbarara and Hoima Districts). Available here.
56 FSDU, The State of Financial Inclusion in Uganda: An Analysis of the 2019/20 Uganda National Household Survey Findings, 2019/2020. Available here.
57 FSDU, 2022, Highlights on Agent Banking Services in Western Uganda (Mbarara and Hoima Districts). Available here.
58 Ibid.
59 Microsave, 2017, Mobile Banking Stumbles on Challenges in the Ugandan Market. Available here
60 GeoPoll, 2021, Mobile Penetration in Uganda. Available here. | Data Reportal, 2022, Digital 2022: Uganda. Available here.
61 World Bank, 2020, Digital Financial Services. Available here.

for people experiencing poverty and geographical barriers. However, DFS also introduces cyber fraud and security risks that must be managed.

Key takeaways and insights

1. Uganda's formal financial institutions include commercial banks, microfinance institutions, mobile money service providers, insurance companies, and leasing companies. Financial innovations have significantly transformed the financial sector in the last 20 years.
2. Financial inclusion in Uganda has improved over the past decade, with 78% of the adult population accessing financial services in 2018. However, rural areas have lower formal financial account ownership than urban areas. Limited access to financial services in rural areas and low financial literacy contribute to the gender gap in financial access.
3. The proportion of female adults with mobile money accounts in Uganda has increased, but 34% of the population remains financially excluded or relies on informal financial services. To increase financial inclusion, barriers to access and usage for last-mile individuals must be addressed.
4. Agent banking has contributed to increased financial inclusion in Western Uganda. Still, low usage of digital banking services is due to high transaction costs, unreliable systems, preference for human contact, and extra charges imposed since NIRA database integration.
5. DFS enabled by fintechs, and MNOs can lower costs, increase speed, and offer tailored financial services to serve people experiencing poverty at scale, but it also introduces cyber fraud and security risks that need to be managed.

Availability of financial products and services

Savings

A wide range of savings mechanisms (formal and informal) are available in Uganda. Formal savings mechanisms include saving with a commercial bank, MDIs, SACCOs, and mobile money. Informal savings mechanisms include keeping money at home, among others.

According to the Global Findex Database, approximately 71% of Ugandan adults saved some money in 2021, a slight increase from 69% in 2017.[62] The gender gap in the proportion of adults saving is minimal, with 71% of women saving in 2021 compared to 70% of men.

In 2021, 67% of the youth (15- 24 years) population saved. The poor saving culture among youth, compared to adults, is driven by low economic opportunities available to youth which limit their income-earning potential and, therefore, their ability to save as these individuals find the deposit amounts required to open a savings account at a financial institution high, compared to informal channels.[63] In addition, formal savings among youth are limited by legal restrictions that do not allow youth (individuals below 18 years) to independently engage with financial services (i.e. open a financial account).

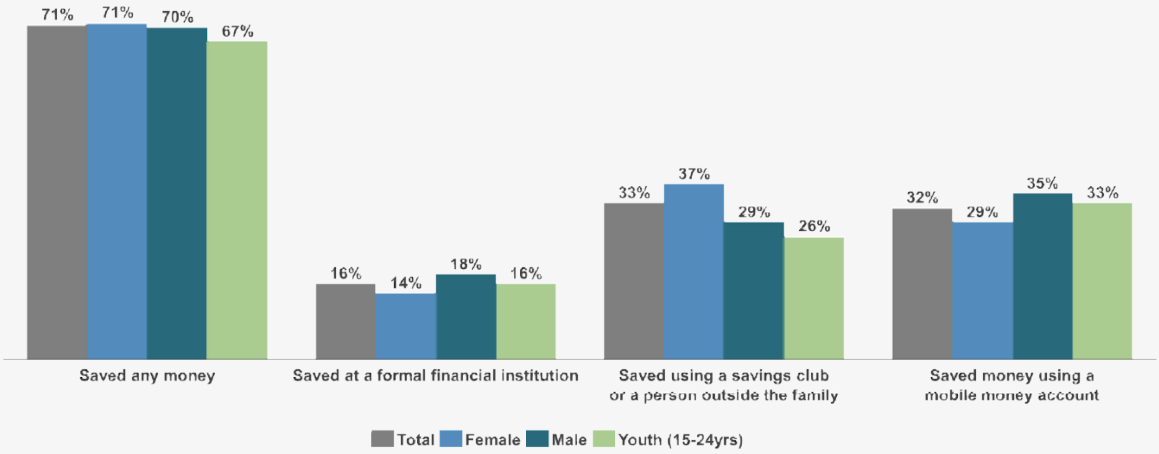
Formal financial institutions, excluding mobile money, continue to be the least commonly used savings channel. In 2021, only 16% of Uganda's adults saved at a formal financial institution, increasing from 13% in 2017.[64]

62 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
63 CGAP, 2012, Emerging Perspectives on Youth Savings. Available here.
64 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

The majority (33% in 2021) used an informal channel as they preferred to save at a savings club[65] or a person outside the family.

Saving through a mobile money account was also common in 2021, as 32% of Uganda's adults used this channel.

Figure 6: Savings activity of Uganda's adults, 2021[66]



Although minimal, gender and age gaps for savings exist. In 2021, 14% of women and 16% of youth (15 - 24 years) saved at a formal financial institution, excluding mobile money, compared to 18% of men.[67] Women were more likely to use a savings club or a person outside their family, in 2021 37% of women used this channel compared to 29% of men. Saving through mobile money was more common for men and youth than women. In 2021, 29% of women saved using their mobile money account compared to 35% of men and 33% of youth.

Most Ugandans find the deposit requirements to save relatively high at formal financial institutions, excluding mobile money. As such, they prefer to use alternative means such as savings groups or mobile money accounts. With the two savings mechanisms, individuals can save smaller amounts at no charge as there is no requirement on the minimum amount individuals are expected to deposit to have a running savings account. In addition, with the vast mobile agent network, saving through a mobile money account removes the cost of travelling long distances to save at formal financial institutions that do not have many access points (branches). As such, products that provide customers with the ability to save and borrow using their phones have become common in Uganda, especially among men and youth, as mobile money providers continue to partner with licensed financial institutions to provide more financial products.[68][69]

Despite the benefits of a mobile money account, most women prefer to save through their savings group or a person outside their family. The socio-economic benefits of SACCOs and good geographic coverage drive women's usage of SACCOs. Moreover, many women share a mobile phone with a family member (mainly their spouse). The lack of independent phone ownership among women reduces the ability of these individuals to perform mobile money transactions frequently, and therefore SACCOs provide a more convenient solution to save. Additionally, digital literacy among women is low, negatively affecting their willingness and ability to engage in digital transactions.

65 Savings clubs in Uganda include SACCOs, VSLAs, ASCA, ROSCA etc, and the majority of these are regarded as informal although recent guidelines issued allow for supervision of SACCOs by BoU and UMRA. As such the figure stated above may include a small portion of regulated/formalised savings groups.

66 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

67 Ibid.

68 Mobile money providers in Uganda typically partner with licensed financial institutions to offer financial products.

69 It's likely that most people report what they keep on account for payment purposes as savings.

NFIS I made efforts to increase the adoption of formal savings products through financial literacy and awareness campaigns. Regulators across Uganda's financial sector carried out several awareness campaigns, including radio talk shows, physical engagements, and webinars, to change the attitudes of Uganda's population towards saving. As it stands, October and November have been identified as the annual banking and financial services awareness month where regulators commemorate World Savings Day and focus on educating Uganda's population on eight financial literacy pillars, namely savings, personal financial management, investment, loans, retirement, insurance, financial service providers, and consumer protection including digital financial literacy.

Greater efforts will be required to provide an enabling environment for fintechs to offer micro-saving products. Moreover, given that traditional banks have re-oriented their approach towards digitalisation and are currently leveraging agency banking to provide alternatives that compete with typical fintech services, the collaboration between banks and fintechs can improve product offerings in the market and drive-up savings.

Linkages between saving groups and formal financial institutions are necessary. Fintechs have been at the forefront of working with savings groups such as SACCOs and VSLAs to enable digital access to affordable and relevant financial services to unbanked communities. Saving groups facilitate and foster a savings culture for many. Linkages with formal financial institutions ensure the deposit protection fund protects consumers' savings.

Pension

Uganda's retirement sector has a structured plan mainly targeted at individuals formally employed, while the informal sector is largely underserved. Currently, the country has a multi-tier pension system which consists of the public pension system that covers public sector employees and the national social security fund that is meant to cover private sector employers irrespective of the number of employees. However, these target those formally employed.

While implementing NFIS I, the Uganda Retirement Benefits Regulatory Authority (URBRA) licensed two voluntary micro pension schemes focused on low-income informal sector workers in 2021. These were the Mazima Voluntary Individual Retirement Benefits Scheme and the Kampala City Traders Association (KACITA) Uganda Provident Fund Scheme. The schemes are suitable for informally employed individuals as they allow individuals to use mobile money services to make their contributions and give members autonomy to decide on the contribution amount to make and when to make the contribution. However, usage of these relatively new informal schemes is still low.

Formally employed individuals have access to a structured plan for retirement savings. However, this covers a tiny percentage of Uganda's working population. Informal employment accounts for approximately 88% of total employment.[70] As such, only a small proportion of the population has access to the structured plan for retirement savings, and most of the population is yet to be acquainted with formal retirement savings schemes. In 2022, out of an estimated labour force of 15.9 million, only 18% were covered under an existing retirement saving arrangement.[71]

Barriers to the uptake of retirement products include low awareness of available products, financial illiteracy, and lack of suitable products. According to the Financial Capability Survey (FCS) 2020, of the individuals that had a financial plan in place for retirement, only 8% were aware of private pension schemes and 39% of public schemes.[72] Of those aware of the available retirement schemes, only 4% saved for retirement through private savings schemes, and 9% used public schemes.

70 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here.
71 Uganda Retirement Benefits Regulatory Authority, 2022, Retirement Savings: A Pillar for National Development. Available here.
72 Bank of Uganda, 2020, Financial Capability Survey. Available here.

In addition, most individuals who do not save for retirement stated that they did not earn enough income to save for retirement, as such, prioritised their current consumption. Results from the FCS 2020 show that the relevance of retirement planning becomes prominent for adults as they reach the age of 45 years. This is because, toward the age of 45, individuals felt they had accumulated enough income over a long period to enable them to plan for their old age.[73]

Most of the retirement products available fail to cater to the market's needs, which are saturated by informally employed individuals who do not earn a consistent pay check. Lessons learned from the pilot of the Mazima and KACITA Uganda Provident Fund Schemes are that flexible schemes allowing Ugandan adults to onboard and save any amount at any time are necessary to ensure individuals with informal employment save for retirement. However, the supply of these micro-pensions products is limited, and FSPs should be encouraged to expand their product offerings and access channels to meet the market's needs.

Investment

Investment activities in Uganda occur through the securities exchanges and related brokers/ dealers, fund managers, investment advisors and Collective Investment Schemes (CIS). CIS managers are the most used channel by individuals to invest. CIS Managers had a total of UGX 1,460 billion in Assets Under Management (AUM) at the end of September 2022, representing a growth of 12% from UGX 1,303.7 billion at the close of June 2022. Similarly, the total number of CIS accounts grew over the same period from 34, 467 investors to 40,155, an increase of 17%.[74] Despite the increase in active CIS investors, currently, less than 1% of the adult population use the product.[75]

Driving the uptake of investment products in Uganda requires FSPs to expand their investment product offering to serve the market's needs. Currently, there are a few fintechs providing investment management platforms.[76] These include fintechs providing goal-based investment services which allow investors to save from as little as UGX 10,000 (~USD 2.50) using various channels to make payments such as unstructured supplementary service data (USSD) (i.e. mobile money) and other bank channels. Expanding the product offering in the investment market to allow for flexible micro-investment products is necessary to increase the uptake of financial products.

In addition to the lack of suitable products available in the market, the low uptake of investment products can be attributed to inadequate financial literacy and low levels of awareness. In 2020, approximately 80% of adults were aware of at least one type of investment product. The most significant investment areas were identified as agricultural activities as well as opportunities in real estate, retail and wholesale businesses, provision of services and money lending.[77] Awareness of investment opportunities in financial assets was low, as only 6% of adults were aware of investment options such as insurance products, securities trading, and crypto assets.[78] However, Uganda's Capital Market Authority (CMA) conducts regular awareness campaigns to sensitise the importance of saving and investing and educates individuals on available investment products.

Insurance

Uganda's insurance sector is dominated by non-life insurance providers (21) and life insurance (8), providing a relatively wide range of insurance products. These range from motor, health, and fire insurance to life insurance products with flexible plans targeted at different segments of Uganda's adult population.

73 Ibid.
74 Capital Markets Authority, 2022, Capital Markets Quarterly Bulletin 3Q.2022. Available here.
75 Genesis Team Calculation.
76 Deloitte, 2022, Study on the state of Uganda's Fintech Industry. Available here.
77 Bank of Uganda, 2020, Financial Capability Survey. Available here.
78 Ibid.

Currently, insurance distribution in Uganda is through both direct and indirect channels. Direct marketing refers to selling products directly to consumers rather than through intermediaries. Indirect channels, on the other hand, involve interfacing with customers through intermediaries, including individual agents, corporate agents, bancassurance agents, and insurance brokers.

Bancassurance services were introduced in 2018, with 16 commercial banks initially licensed to offer insurance products through their banking agent network. By the end of the fourth quarter of 2022, 20 commercial banks were licensed to provide bancassurance services, and 9.9% of the total gross written premiums of the industry collected was through bancassurance.[79] With the roll-out of agent banking, the relatively wide agent network, compared to other access points (branches and ATMs), provides a viable low-cost delivery channel for the distribution of insurance services. Bancassurance intended to make insurance products easily accessible and consequently increase insurance uptake.

Despite the improvement in delivery channels, the uptake of formal insurance products remains low. Only 5% of Ugandan adults had a formal insurance product in 2020, and the uptake of formal insurance was higher among urban dwellers (7.6%) compared to individuals residing in rural areas (4.2%).[80] Health insurance is the most popular insurance product. Only 4% of adults (~80% of the adults with an insurance product) in Uganda are covered under health insurance.[81]

The uptake of agriculture insurance also remains low. Designing cost-effective agricultural insurance products is limited by high operational costs, i.e. smallholder farmers are expensive customers to acquire and serve. Insurance services for smallholder farmers can be costly and complicated to design. In 2016, the GoU launched a national insurance scheme, the Uganda Agricultural Insurance Scheme (UAIS). With the UAIS, the Government currently provides insurance coverage to roughly 150,000 farmers – reaching less than 2% of the 8 million people active in the agricultural sector. Efforts to reduce the cost of agricultural insurance through UAIS were curtailed by over-utilisation of the fund and mistargeting of larger farmers as opposed to small-scale farmers.

Although the uptake of formal insurance products is low, Ugandans protect themselves through informal means such as membership in community health schemes, burial societies and community-based savings groups offering financial assistance to needy members. Results from the 2018 Finscope survey showed that reliance on informal insurance is significant. About 40% of Ugandans relied on informal insurance services, while formal insurance penetration was 1%.[82] Uptake of informal insurance products was more common amongst females (42%) and individuals in rural areas (43%), compared to men (37%) and urban dwellers (32%) respectively.[83] This is due to these groups' higher uptake and usage of informal financial services compared to men and individuals in urban areas.

Reasons for low uptake of formal insurance include low financial literacy, lack of awareness of available insurance products and limited availability of products that cater to the market's needs. Many of Uganda's adult population is unaware of the insurance products available and does not understand how insurance works. According to the FCS 2020, only 19% of the adults in Uganda were able to define insurance correctly, which highlights the low levels of financial literacy among these individuals.[84] In addition, the survey found that the more educated an individual was, the more likely they were to own an insurance product. This highlights the need to invest in the financial education of Ugandans to ensure individuals fully understand the benefits of having insurance and ensure that they can select products suitable to meet their needs.

79 IRA, 2023, Bancassurance-Q4 2022 Performance. Available here.

80 Bank of Uganda, 2020, Financial Capability Survey. Available here.

81 Ibid.

82 FinMark, 2018, Uganda Finscope survey 2018. Available here.

83 Ibid.

84 Bank of Uganda, 2020, Financial Capability Survey. Available here.

Confidence in the insurance industry is low, and a significant proportion of the population has a negative perception of insurance companies, affecting their willingness to take up insurance products.[85] Reputation damage due to unfair market practices by insurance companies is the primary reason for low trust. In addition, low claim-settlement ratios, particularly for statutory third-party motor claims, have negatively affected the uptake of insurance.[86] The claiming process is long and tiresome, thus discouraging consumers from engaging in insurance-related activities.[87] At the same time, fraud and dishonesty by some agents when processing claims have discouraged participation in the formal insurance sector.[88] Recurring incidents of mis-selling insurance products by agents, particularly in the life insurance market, to boost sales have also contributed to low trust in insurance companies.

In addition, individuals, especially those low-income groups residing in rural areas, find insurance products expensive. For the provision of insurance in rural areas to be profitable, insurers would generally need to charge high premiums to recover the high cost of setting up associated with providing services to remote areas. Considering most rural dwellers are faced with low-income earning potential due to low economic activity, premiums charged are perceived to be high, making insurance costly. Furthermore, the withholding tax on insurance products imposed by GoU increases the premiums further as insurance companies tend to pass most of the tax burden onto consumers, disincentivising insurance uptake.

A key solution to the perceived high cost of insurance, especially among the low-income population segment, is the provision of customised micro-insurance products designed to meet the specific needs of the market.[89] Micro-insurance products target low-income individuals and allow them to pay smaller value premiums to mitigate various risks arising from unexpected events. The flexibility of micro-insurance products caters to the needs of the majority of Uganda's population, constituting a large proportion of informally employed individuals who do not earn a consistent pay check.

While micro-insurance products are crucial to drive financial inclusion, Uganda's micro-insurance sector is nascent. As of June 2022, there were only two registered micro-insurance companies in Uganda, of which one of the companies was yet to provide micro-insurance products.[90] In addition, traditional insurance providers find it challenging to develop customised micro-insurance products due to the lack of demand-side data on the target group necessary to facilitate the process.[91] To support developments in insurance products, the IRA set up a regulatory sandbox to support the testing of innovative insurance products.

Credit

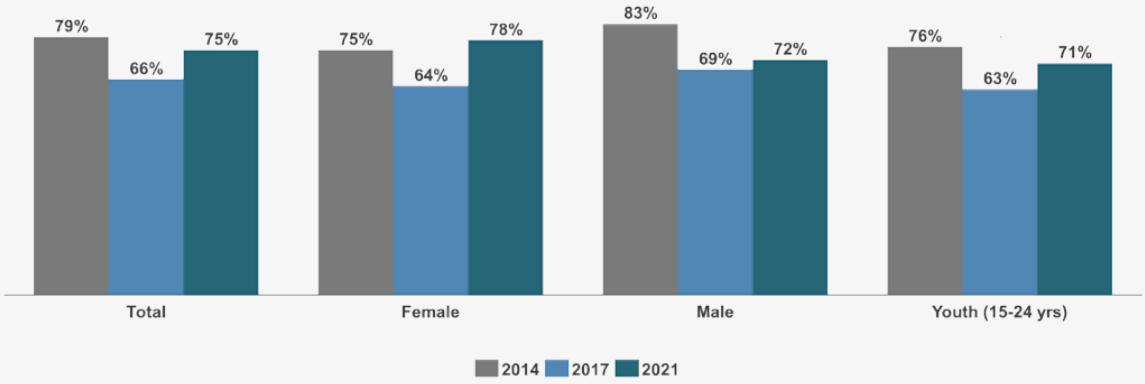
Ugandans use both formal and informal channels for credit. Formal credit providers include commercial banks, credit institutions, MDIs, MFIs, leasing companies (which offer asset-based lending), digital credit providers and money lenders. Informal credit providers include informal money lenders and borrowing from family or friends.

The number of credit products available in recent years has grown, driven by partnerships between fintechs and other FSPs such as PSPs/PSOs and banks. Uganda has 16 fintechs providing digital lending and micro-credit products.[92] Currently, some fintechs have partnered with MNOs to enable individuals and businesses access financial services such as loans as well as providing credit scoring solutions for PSPs/PSOs based on customer mobile money behaviour.[93] In addition, fintechs operating in the credit sector are dominating niche markets such as asset lending and micro-loans.[94]

85 FSDU, 2022, Baseline Assessment of the Microinsurance Needs of Informal Traders in Uganda's Markets. Available here.
86 GIZ, 2013. Microinsurance in Uganda Country diagnostic report on market and regulations. Available here.
87 Insurance Regulatory Authority of Uganda, 2020, The landscape of the Insurance Market in Uganda - Challenges, opportunities and prospects for expansion. Available here.
88 Ibid.
89 FSDU, 2022, Baseline Assessment of the Microinsurance Needs of Informal Traders in Uganda's Markets. Available here.
90 Ibid.
91 Ibid.
92 Deloitte, 2022, Study on the state of Uganda's Fintech Industry. Available here.
93 FSDU, 2018, Fintechs in Uganda. Available here.
94 Deloitte, 2022, Study on the state of Uganda's Fintech Industry. Available here.

According to the Findex survey, approximately 75% of Ugandan adults borrowed money in 2021, a slight increase from 2017 (66% of adults borrowed), as shown in the figure below.[95] During NFIS I implementation, the proportion of individuals borrowing increased across women, men, and youth segments, as depicted in the figure below. The growth in individual borrowing highlights the resulting positive effect of NFIS I where GoU, development partners and the private sector collaborated to extend affordable credit to mainly women, youth, and MSMEs.

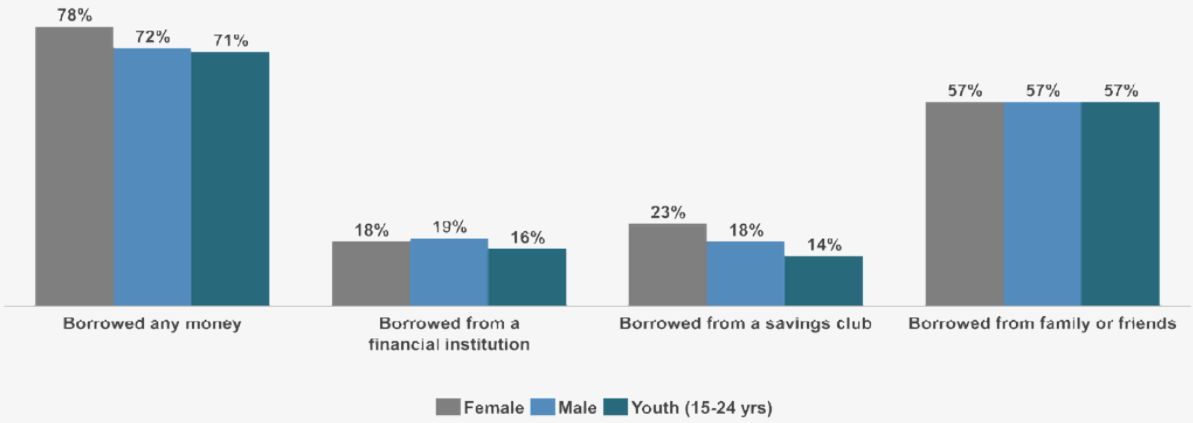
Figure 7: Credit activity of Uganda's adults over time, 2021[96]



Note: Borrowing refers to the percentage of respondents who report borrowing any money (by themselves or with someone else) for any reason and from any source in the past year.

Informal channels remain the most used mechanism to acquire credit in Uganda, as depicted in the figure below. In 2021, only 18% of Uganda's adults borrowed at a formal financial institution.[97] Most individuals who borrowed used informal channels: 21% of adults borrowed from a savings club, and 57% from family or friends. Preference to use informal credit channels is higher among women as 23% of women compared to 18% of men and 14% of youth borrowed from a savings club. Women's relatively higher use of savings clubs shows that women make up for their lack of access to formal credit through informal credit mechanisms.

Figure 8: Credit activity of Uganda's adults, 2021[98]



Note: Borrowing refers to the percentage of respondents who report borrowing any money (by themselves or with someone else) for any reason and from any source in the past year.

95 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
96 Ibid.
97 Ibid.
98 Ibid.

From a supply side, the poor credit infrastructure to support credit providers can explain the low usage of formal financial institutions to access credit in Uganda. Uganda passed the CRB regulations in 2005. During NFIS I, the CRB regulations were amended to allow lower-tier FIs (SACCOs and VSLAs) and other accredited credit providers to report to the CRBs.

Despite these changes, Uganda lacks a well-developed credit information system whereby formal credit providers can obtain information on potential borrowers to assess their creditworthiness.

Submission of data to CRBs remains low, as such coverage of adults in the credit bureaus is low, estimated at 6.9% in 2020.[99] In addition, accessing credit information is costly and time-consuming. The inaccessibility of credit score information affects the ability and willingness of credit providers to serve the market. A third CRB was licensed in November 2021 and focused on collecting data from Tier IV institutions. It, however, faces challenges of low levels of digitisation by FIs, and diverse data templates, and there remains a significant need to clean up the data.

Furthermore, given the lack of information on potential borrowers' credit history, interest rates are often high. This is because there is a higher probability of a misconception about the ability to repay loans, and as such, credit institutions charge high interest on loans to protect themselves. High interest rates are one of the reasons individuals do not borrow in Uganda.

While the proportion of women who borrowed in 2021 surpasses that of men, fewer women borrow at formal financial institutions than men. This is primarily due to the inability of women to meet the high immovable collateral requirements, as a large proportion of women do not own immovable assets/property that can be used as collateral security. As such, the collateral requirement on loans automatically excludes a large portion of the women and youth population from accessing credit.

During NFIS I, the Security Interest in Movable Property Registry System was passed under the Security Interests in Movable Property Act of 2019. The movable collateral registry was established to solve the high immovable collateral requirements. However, the acquisition of credit using movable collateral remains low.[100] FIs are reluctant to provide credit to the market based on movable assets due to the lack of a proper geographical addressing system in Uganda, traceability challenges for assets without a unique identification number and the lack of a liquid secondary market to sell repossessed assets and recover funds loaned.

Remittances

It is estimated that 874,951 Ugandans reside outside the country, making up approximately 2% of the domestic population.[101] The majority of Ugandan migrants (64%) reside in other EAC states: Kenya (35%), South Sudan (17%) and Rwanda (11%).[102] Outside EAC, the top destinations are the United Kingdom (9%) and the United States (6%). Recently, the Middle East and the Gulf countries became important destinations for Ugandans, approximately 140,000(16%) of Ugandan migrants resided in these countries in 2021.[103]

International remittances are one of Africa's largest external financing sources and often serve as a lifeline to people experiencing poverty. Over the past 20 years, remittance inflows in Uganda have been increasing steadily while outflows have remained relatively stable.[104] In 2021, Uganda was the 10th highest recipient of remittance inflows in Sub-Saharan Africa, with approximately USD 1.1 billion received, accounting for 2.3% of GDP.[105]

99 World Bank, 2020, Doing business 2020. Available here.
100 NFIS I ETE Stakeholder consultations, 2023.
101 IFAD Financing Facility for Remittances, 2021, RemitSCOPE: Uganda. Available here.
102 Ibid.
103 Ibid.
104 Cenfri, 2018, Barriers to remittances in Uganda. Available here.
105 Knomad, 2022, Migration and Development Brief 37. Available here.

In 2018, nearly one-third of remittances originated from the European Union (EU), followed by the Middle East (23%) and the United States (22%), while regional remittances from African countries were 20% of the inbound flows.[106] The largest outbound remittance markets are Kenya, with an estimated amount of USD 191 million and DRC (USD 190 million).[107]

The formal market for international remittances sent to and from Uganda consists of many operators: 22 operators sending to Uganda, mainly money transfer operators (MTO) (including fintechs) and a combination of 328 bank outlets, MTO, mobile money operators paying out remittances in Uganda. This reflects the country's internal and international migration patterns, including a dispersed diaspora and many FDPs.

According to BoU's annual personal transfers survey (2018), formal channels were the most used medium for the transfer of funds, as reported by 79% of the recipients of remittances.[108] Mobile money and MTOs were the most common means of receiving international remittances, accounting for 30% and 28% of the funds received by the surveyed individuals.[109] The usage of bank accounts was not as common, as only 18% of the remittances were deposited into a bank account, a reflection of low account ownership of a financial account observed in Uganda.[110]

Informality in the remittance market indicates a formal market that is not functioning optimally to serve people's needs affordably. The average cost of remittances to Uganda is approximately 11% of the value of the transaction, much higher than the global average standing at 6.3% and the average of EAC of 9.4% [111] The high average cost for remittances in Uganda is skewed by high-cost services from Tanzania as well as margins on the foreign exchange rate.

As a result of the high cost, individuals prefer to use informal channels where possible. In Uganda, informal channels are more prevalent for remittances sent to neighbouring countries. The most common channels used are unlicensed foreign exchange bureaus, hawala, friends, family members, traders, and unregistered mobile money agents.[112] Informality is reinforced by the lack of cost transparency, especially in remote transactions such as mobile-to-mobile cross-border remittances. This means that users do not make informed choices using all costs involved (fees, FX margins and cash-out fees). Price comparisons across service providers are rarely available.

In addition to high costs, another barrier to access to remittance services and a trigger of informality is limited rural outreach. Remittances are primarily concentrated in urban areas where approximately 85% of remittance flows are paid.[113] In addition, remittance access points per inhabitant are low, at an average of 2 per 100,000 individuals at a national level compared to Kenya (7 access points per inhabitant per 100,000 individuals).

Digital and mobile channels are more cost-competitive means of sending and receiving remittances. In the case of domestic remittances, approximately 10 million adults in Uganda send or receive money within Uganda, and 82% of the transfers are made via mobile money.[114]

FSPs in Uganda are increasingly offering products tailored to members of the diaspora, particularly savings and current accounts.[115] Many payment providers are investing in product development to provide more customer-centric products. A product on refugee remittances has been proposed under the BoU's Regulatory Sandbox. The product is expected to reduce cash-out and encourage usage of DFS to make payments.[116]

106 IFAD Financing Facility for Remittances, 2021, RemitSCOPE: Uganda. Available here.
107 Ibid.
108 Bank of Uganda, 2020, Annual Personal Transfers Survey 2018. Available here.
109 Ibid.
110 Ibid.
111 IFAD Financing Facility for Remittances, 2021, RemitSCOPE: Uganda. Available here.
112 Ibid.
113 Ibid.
114 FinMark, 2018, Uganda Finscope survey 2018. Available here.
115 IFAD, 2022, RemitSCOPE Africa: Uganda country diagnostic. Available here.
116 Bank of Uganda, Financial Inclusion Newsletter January 2023 Issue. Available here.

Under PRIME Africa's National Remittances Stakeholder Network, an initial roadmap for action has been proposed and validated in 2021 and updated in 2022, which includes specific actions to be undertaken to enhance the remittance ecosystem in Uganda.[117]

Islamic banking products

Islamic finance (i.e. Islamic banking) plays an important role in enhancing financial inclusion through the provision of financial services which adhere to Shariah (Islamic law). Individuals identifying as Muslims make up around 14% of the Uganda population.[118] Therefore, implementing Islamic banking allows for a financial sector that considers the diversity of the Ugandan population. Considering that 8% of Uganda's adult population did not own a formal financial account due to religious reasons, Islamic banking will facilitate financial inclusion.[119]

Uganda does not have regulations that enforce Islamic banking standards, which is stalled by the requirement to establish the Shariah Advisory Council (SAC). The SAC would ensure that all Islamic financial products presented and marketed meet Shariah requirements.

However, during the implementation of NFIS I, several activities were undertaken toward implementing Islamic banking regulations for banks, MFIs and SACCOs. BoU issued the FIs (Islamic Banking) Regulations in February 2018 to cater to the technical aspects unique to Islamic financing. SACCOs and MFIs were not accounted for in the 2018 FIs (Islamic Banking) Regulations. Thus, UMRA is developing Islamic banking regulations specific to SACCOs and MFIs. In addition, the Insurance Regulatory Authority (IRA) developed and submitted Takaful regulations to MoFPED for approval.

In October 2022, the first Islamic Shariah-compliant account in Uganda, providing a savings account for individuals and businesses, was launched.[120] The provision of the Shariah-compliant savings product came about after BoU allowed commercial banks to offer Islamic banking products to widen the credit products accessible to low-income individuals. In addition, the Microfinance Support Center is also implementing Islamic Finance through a partnership with FSPs.

> International remittances are one of Africa's largest external financing sources and often serve as a lifeline to people experiencing poverty.

117 Gfrid, 2021, Second NRSN. Available here.

118 US Department of State, 2020, Report on International Religious Freedom: Uganda. Available here

119 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.

120 Anadolu Agency, 2022, Ugandan bank launches 1st Islamic Sharia compliant account. Available here.

Key takeaways and insights

1. Uganda has a variety of formal and informal savings mechanisms, with 71% of adults saving money in 2021. However, youth have a lower saving culture due to limited economic opportunities and high deposit requirements for formal savings accounts.
2. Women and youth are less likely to save at formal financial institutions than men. Women are more likely to use savings clubs or people outside their families to save money, while men and youth are more likely to use mobile money accounts.
3. Less than 1% of Uganda's adult population currently uses investment products, despite increased active CIS investors. To drive uptake, financial service providers need to expand their investment product offerings to serve the market's needs.
4. Retirement mainly targets formally employed individuals, leaving the informal sector underserved. Only 18% of Uganda's estimated labour force of 15.9 million is covered under an existing retirement saving arrangement.
5. Agent banking provides a low-cost delivery channel for insurance services in Uganda. Still, uptake of formal insurance products remains low, with only 5% of adults having a formal insurance product in 2020. On the other hand, the micro-insurance sector is nascent, with only two registered companies as of June 2022. The cost and complexity of providing insurance services to smallholder farmers is the biggest reason for the low uptake of formal insurance products.
6. Only 18% of adults in Uganda borrowed from formal financial institutions in 2021, with the majority using informal channels such as savings clubs and borrowing from family and friends. Women were more likely to use savings clubs, indicating a lack of access to formal credit. The low usage of formal financial institutions can be attributed to poor credit infrastructure.
7. The cost of remittances to Uganda is high at 11% of the transaction value, compared to the global average of 6.3%. As a result, individuals prefer to use informal channels, such as unlicensed foreign exchange bureaus, hawala, friends, family members, traders, and unregistered mobile money agents.
8. Islamic banking has not yet been implemented due to regulatory delays.
9. Barriers to the uptake of financial products (investment, insurance, retirement, and savings) include low awareness of available products, financial illiteracy, lack of suitable products, and insufficient income.

MSME and agricultural finance

There are an estimated 1.1 million MSMEs cutting across almost all sectors of Uganda's economy, contributing approximately 20% of GDP and generating over 2.5 million jobs.[121] The majority of these are informal micro-entrepreneurs, with only about a third of all MSMEs formalised.[122] MSMEs are concentrated in the services sectors, mainly in the trade, accommodation, and food services sectors as well as the personal and recreational services.[123]

121 Siemens Stiftung, 2020, Social Enterprises as Job Creators Country Profiles. Available here.

122 IFC, 2021, Market Bite Uganda: Challenges and opportunities for MSME finance in the time of COVID-19. Available here.

123 It is likely that most informal micro enterprises are engaged in subsistence farming and are not accounted for in the total number of MSMEs.

In agriculture, informal smallholder subsistence farmers make up most of the sector. Of Uganda's total labour force, 70% are employed in agriculture, and most individuals engage in subsistence farming.[124] In FY 2022/21, the agriculture sector employed the largest number of women, employing 39.2% of the total share of women.[125] At the same time, 35% of Uganda's youth engaged in subsistence farming activities in FY 19/20.[126]

Despite its importance, access to finance remains a significant challenge for MSMEs, particularly agriculture based MSMEs in Uganda. Approximately 10% of Ugandan businesses have access to a bank account or a line of credit, and it is estimated that about 70% of all MSMEs in Uganda have unmet credit needs.[127] As a result, many MSMEs access credit from informal sources of financing, such as family and friends.

For MSMEs that can access formal credit, commercial banks are the main source of formal finance, followed by MFIs and MDIs.[128] In 2015, it was estimated that commercial banks served 48% of MSMEs that managed to acquire a loan, followed by MFIs serving 25% of the businesses.[129] However, commercial banks mainly serve medium-sized businesses. Over three quarters (78%) of medium-sized businesses use commercial banks to access financial services, in comparison with 70% and 55% of small and micro businesses, respectively.[130]

Barriers to access to formal financial services for MSMEs include lack of collateral, lack of credit history, inadequate business skills/ financial literacy, and high interest rates. The majority of MSMEs are informal businesses which have irregular income generation streams. This raises their risk profile as credit providers assume a higher probability of defaulting on loan payments and, as such, charge MSMEs high interest rates on loans, especially since they do not have a credit history to assess their creditworthiness. In addition, these businesses do not have adequate skills to keep proper accounting/financial records and often have poor or no business plans, thus increasing their risk profile further.

Most MSMEs lack the collateral to acquire formal credit, especially women-owned and youth-owned MSMEs. Access to land remains a major issue for women and young people, as land is still viewed as a man's asset.[131] Women and youths face challenges acquiring productive assets and loans due to a lack of acceptable collateral. The GoU has, however, enhanced access to affordable credit by the MSMEs through the Block Allocation arrangement under the ACF, where MSMEs can borrow up to UGX 20 million without necessarily pledging registered collateral like land. Alternative non-collateral means like cash flows, banking history, borrowers' character, and chattel mortgages are considered.

In addition, gender norms constrain the productivity of women owned MSMEs and, consequently, the growth of these businesses. Similar to other African countries, there is a societal expectation that women should work on their husband's plots of land and perform their household duties before they work on their own, thus reducing the time they have available to do anything more than providing food for their families.[132] Furthermore, there are strong gender expectations regarding agricultural activities, with women constrained to provide most of the labour and men taking on the value-added activities that generate higher incomes, such as engagement with the wholesale trade, whereas women work in the retail trade.[133]

Agriculture Credit Facility

The Agriculture Credit Facility (ACF) was set up by the GoU in partnership with Participating Financial Institutions (PFIs) such as commercial banks, MDIs and Credit Institutions. During the implementation of NFIS I, several initiatives, including the active implementation of the Agricultural Credit Facility aimed at providing MSMEs with affordable credit, were carried out.

124 Uganda Bureau of Statistics, 2022, Statistical Abstract 2021. Available here.
125 Ibid
126 Ibid
127 IFC, 2021, Market Bite Uganda: Challenges and opportunities for MSME finance in the time of COVID-19. Available here.
128 Ibid.
129 FSDU, 2015, National Small Business Survey of Uganda. Available here.
130 Ibid.
131 AFI, 2021, Agriculture MSME financing in Uganda: A response to COVID-19. Available here.
132 Ibid.
133 CGIAR, 2016, Understanding gender roles in Uganda's potato and cooking banana value chains. Available here.

Currently, Tier 4 institutions such as SACCOs, which generally cater to the last mile individual, are not part of the PFIs distributing credit to the agricultural sector.

The ACF intends to promote the commercialisation of agriculture in Uganda by providing medium and long-term financing. Under the ACF, GoU guarantees 70% of the credit disbursed through MDIs, thus providing credit to the sector at a relatively lower cost than other industry loans.

Overall, there has been growth in the number of loans to farmers due to the ACF. At the commencement of the NFIS I in 2017, only UGX 354 billion (~24% of the UGX 1.4 trillion total value of outstanding loans to the agriculture sector in September 2017) had been distributed to benefit 378 farmers under the ACF.[134] However, loans disbursed under the ACF have since increased, reaching a total value of UGX 711.53 billion disbursed to 2,670 farmers,[135] which is approximately 31% of the UGX 2.3 trillion total value of outstanding loans to the agriculture sector as of September 2022.[136]

Despite customer benefits, many farmers needing credit are often excluded from benefiting from the ACF. Commercial banks tend to advertise their loan products over ACF loan products, and customers are often misled to believe credit under the ACF is not available.[137] As such, BoU has been working on increasing public awareness of available credit options for agriculture-based MSMEs and smallholder farmers. In addition, BoU has conducted several financial literacy training workshops where the regulator engaged in knowledge building to ensure borrowers responsibly use the credit they acquire through the ACF to grow their businesses.

Recognising the gap in financing agriculture-based MSMEs and women, the ACF introduced block allocation in 2020. Block allocation permits the PFIs to on-lend loans of up to UGX 20 million to individual farmers based on alternative collateral such as chattel mortgages, cash flow-based financing and character-based loans. As a result of block allocation, 1,527 rural farmers countrywide, constituting 57% of the total number of beneficiaries under the ACF, had received a total of UGX 10.43 billion as of September 2022.[138] This is because the block allocation catered for the needs of this category of farmers, who mostly lack the registered collateral to secure loans.

However, despite the increase in the number of smallholder farmers receiving loans under the ACF due to the block allocation, in terms of the proportion of the total value of loans disbursed, the funds received by smallholder farmers remain limited. As of September 2022, only 1.5% of the total value of loans disbursed went to smallholder farmers.[139]

Women only accounted for 21% of the total beneficiaries, utilising 2% (UGX 14.39 billion) of the total funds on-lent under ACF as of September 30, 2022. Men dominated uptake with 1,681 representing 63% of the total number of beneficiaries, however, utilising only 15% of the total funds disbursed under the ACF during the same period.[140] The low utilisation of the ACF by smallholder farmers, especially women, highlights the need to continue to review the design of the ACF.

Private equity and venture capital for MSMEs

Uganda is the second largest impact investing market in East Africa, after Kenya. Within East Africa, Uganda boasts the second-highest number of deals and second-largest amount of capital disbursed in support of social and environmental impact— and the market is expected to continue to grow.[141]

Private equity (PE) plays a role in the market, but until recently, PE investments were largely conducted remotely from Nairobi. This has changed recently as three funds have established offices in Kampala. Several funds specialising in funding SMEs in the agri-business sector are in Kampala.

134 Bank of Uganda, 2023, BoU Database.
135 Bank of Uganda, ACF Progress Report as at September 2022. Available here.
136 Bank of Uganda, 2023, Credit by Sector - Bank of Uganda. Available here.
137 NFIS I ETE Stakeholder consultations, 2023.
138 Ibid.
139 Ibid.
140 Ibid.
141 GIIN, the Landscape of Impact Investing In Uganda, 2015Available here

Challenges faced by permanent capital vehicles include raising the standards of investee companies' management information systems, which encompasses book-keeping, accounting, and auditing. Many of these companies are start-ups or only partially formalised and face challenges in preparing accounts and professional business plans.

In addition, the current legal, regulatory and tax environments prevent the emergence of a local private equity industry.[142] Private equity funds in Uganda are taxed as normal corporate entities. As such, they face double taxation on their investments (i.e. corporate tax and withholding tax on dividends), making them unattractive to investors.

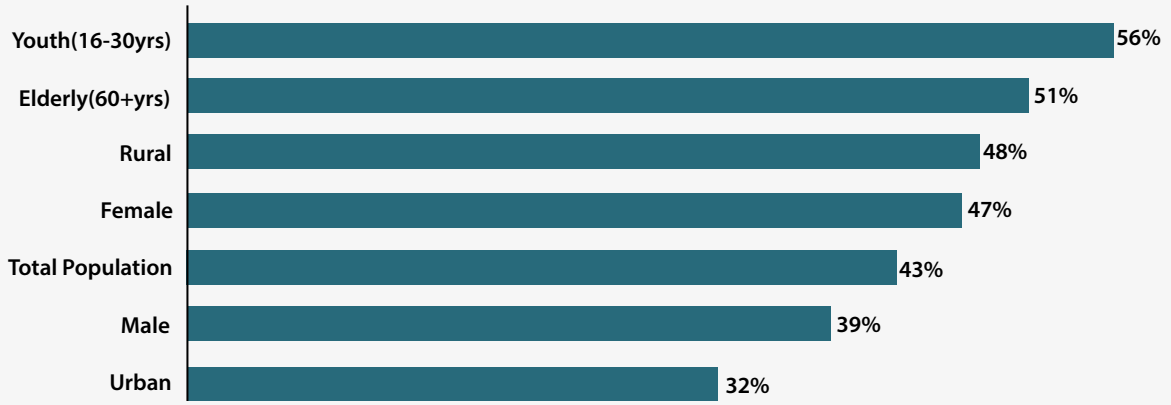
Key takeaways and insights

1. Uganda's economy heavily relies on MSMEs and agriculture, with 1.1 million MSMEs contributing 20% of GDP and smallholder subsistence farmers employing 70% of the country's total labour force.
2. Access to finance is a major challenge for MSMEs, particularly those in agriculture, with only 10% having access to bank accounts or credit lines.
3. The Agricultural Credit Facility (ACF) was established to provide affordable credit to MSMEs in the agricultural sector. However, smallholder farmers, especially women, still receive a limited proportion of the total value of loans disbursed.
4. Private equity plays a role in the market, but Uganda's legal, regulatory, and tax environment hinders the emergence of a local private equity industry.

Underserved segments: women, youth, elderly, forcibly displaced persons, and persons with disabilities.

Financial inclusion has grown significantly in the past five years. However, overall figures mask significant inequalities across different population groups. The figure below shows that the exclusion rate from financial services (both formal and informal) is high among youth, the elderly, rural dwellers, and women.[143]

Figure 9: The proportion of adults without access to either formal or informal financial Services[144]



142 IFAD, 2021, Creating an enabling environment for private equity funds in Uganda. Available here.

143 Uganda Bureau of Statistics, 2020, Uganda National Household Survey (UNHS) 2019/2020. Available here.

144 Ibid.

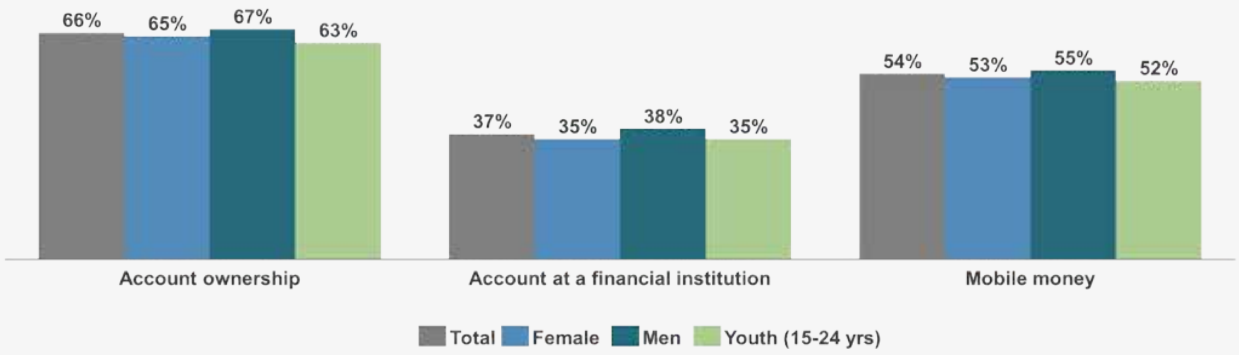
Note: It is important to interpret the results of 2019/20 UNHS carefully as the survey was conducted at the peak of the pandemic where there was a slowdown and in some instances reversal of the progress that had been made in terms of financial inclusion due to lockdown restrictions which prevented individuals from using over-the-counter (OTC) services such as mobile money agents and limited their access to informal financial groups such as savings groups.

This subsection further examines gaps related to five key underserved segments: women, youth, elderly individuals, displaced persons, and persons with disabilities across Uganda, with a key focus on rural residents.

The female and youth population

Although access to formal financial services has increased, women and youth (15 - 24 years) are less likely to be formally financially included compared to men in Uganda. In 2021, 65% of women and 53% of youth had access to formal financial services compared to 67% of men, as shown in the figure above.[145] The gender gap in formal financial inclusion coincides with the gap observed in accessing financial services at formal financial institutions (excluding mobile money) and the uptake of mobile money: more men (38%) than women (35%) own an account at a financial institution, and more men (55%) than women (53%) and youth (52%) own mobile money accounts.[146]

Figure 10: Access to formal financial services by Uganda's adults, 2021[147]



Although formal financial inclusion for women and youth lags that of men, the rate at which access to formal financial services has grown has been faster for women and youth compared to men. In 2017, 53% of the adult female population had access to formal financial services and 57% of youth compared to 66% of men.[148] Access to formal financial services has since increased for the three population groups, growing by 12 percentage points for women and 6 percentage points for youth, compared to a 1 percentage point increase for their male counterparts.[149]

As noted earlier, usage of formal financial services remains low among women and youth: the proportion of women and youth who use formal financial institutions to save and acquire credit is lower than men.

In addition, women are less likely to use digital financial services to make or receive digital payments.[150] This is because women are less likely to own digital assets, which would allow them to access financial services remotely. According to the 2019/20 UNHS, adult women are less likely to own a mobile phone (44%)

145 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
146 Ibid.
147 Ibid.
148 Ibid.
149 Ibid.
150 FSDU, 2021, Gender Barriers to Access and Use of Financial Services by Women in Uganda. Available here.

than men (60%).[151] However, as most mobile phones are jointly owned, a significant share of the population has access to or uses a mobile phone without owning one (on average, 59% of the population own or have access to a mobile phone.[152]

Challenges limiting women's access and usage of financial services include low financial and digital literacy and awareness of available financial services. Women tend to be less exposed to information on financial services through traditional media channels such as television and radio (for instance, 23% of female-headed households own a radio, compared to 36% of male-headed ones) and are more likely to rely on friends and relatives for information.[153] As a result, women are often more dependent on third parties, such as FSP staff, to understand and access financial services, which often increases their vulnerability to fraud and negatively impacts their trust in financial services.

Other challenges limiting access and the usage of financial services for women and youth include limited economic opportunities, which affects income generation and the overall willingness to engage with financial services. Women and youth representation in the labour market is far below that of men in Uganda. In 2021, women's labour force participation rate was estimated at 39% compared to men estimated at 58%.[154] The majority of youths in Uganda are self-employed, and of those employed, approximately 73% reside in rural areas and 55% work within the subsistence agriculture sector.[155]

In addition, economic opportunities for women are often constrained by gender norms, which limits their access to and usage of formal financial services. As a result of social norms: women's primary responsibility for domestic work, lack of access to transportation, and security concerns limit their mobility. As a result, women are more likely to rely on community-based groups for financial services and support.[156]

However, progress has been made in improving economic opportunities available to women, as denoted by an increasing number of women businesses in Uganda. According to the Mastercard Index of Women Entrepreneurs (MIWE) 2019, Uganda ranked first as the country (in a group of 58 markets around the world) with the highest proportion of women-owned enterprises, at 38.2% of total business owners.[157]

While this may be true, women face challenges acquiring productive assets and loans due to a lack of acceptable collateral. Common to most SSA countries, customary laws and practices affect women's access to properties and land in Uganda and, consequently, collateral for formal credit. In most cultures, the land is still viewed as a man's asset, and thus access to land remains a major issue for women as well as youth in the country.[158] In addition, men currently outnumber women by a 5:2 ratio when it comes to ownership of plantations in Uganda.[159]

As a result, women-owned household enterprises are also more likely to rely on informal credit sources to expand their businesses. The fact that women rely more on informal lending services than formal financial institutions has several consequences on women's economic empowerment. Not only does this create security risks, particularly at the end of the loan cycle when groups of borrowers are at risk of being robbed, but it also seriously limits the amount that women can borrow and for how long.[160]

From the supply side, several factors limit women's formal inclusion. These include a lack of understanding and appreciation of women's specific needs by FSPs. As such, most of the products available fail to cater for the needs of women.[161] In addition, the lack of sex-disaggregated data and, thus, the visibility of women as a distinct client base limit the product development that considers women's unique experiences and needs.

151 Uganda Bureau of Statistics, 2020, Uganda National Household Survey (UNHS) 2019/2020. Available here.
152 Ibid.
153 Ibid.
154 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here
155 World Bank, 2019, We want to be heard': The voices of Uganda's young people on youth unemployment. Available here.
156 Altai Consulting, 2023, The State of Women Financial Inclusion in Uganda: Gender Diagnostic.
157 Mastercard, 2019, Mastercard Index of Women Entrepreneurs (MIWE) 2019. Available: here.
158 Alliance for Financial Inclusion, 2021, Agricultural MSME financing in Uganda: A response to COVID-19. Available here.
159 Ibid.
160 Altai Consulting, 2023, The State of Women Financial Inclusion in Uganda: Gender Diagnostic.
161 FSDU, 2021, Gender Barriers to Access and Use of Financial Services by Women in Uganda. Available here.

Documentation requirements are often challenging for women to meet. As such, women are excluded from acquiring financial services and products.

In terms of supporting functions, a study by FSD Uganda on gender barriers to access and use of financial services by women in Uganda identified limited efforts to enhance women's capacity to utilise DFS as well as address financial and digital literacy gaps between men and women to be key constraints.[162] Other barriers to formal financial inclusion of women included gender-insensitive financial infrastructure such as limited coverage of credit reference bureaus and other credit supporting functions. In addition, the study found a lack of incentives and capacity for financial sector actors to use available information or research women's needs and experiences to inform the design, delivery, and oversight of financial services.

Forcibly displaced individuals (refugees)

Uganda hosts one of the largest refugee populations in Africa, with 1.5 million refugees in 2022. Most of the refugees are new arrivals from South Sudan (57%) and the Democratic Republic of Congo (32%).[163] Nearly all (94%) refugees live in established refugee settlements in rural areas across the country, with the remainder based in host communities in urban areas.[164]

A significant number, if not all of the refugees, are heavily dependent on the continued assistance from humanitarian aid, mainly provided by the World Food Programme (WFP)/United Nations High Commissioner for Refugees (UNHCR).[165] A study by FSD Uganda showed that 78% of the refugees in Uganda depended on non-employment income (i.e. humanitarian aid, remittances, donations etc.). Of the total refugees surveyed, 52% had access to self-employment revenue and 25% to remittances, while only 6% had regular employment income.[166]

In recent years, a significant shift away from in-kind distributions towards cash and voucher-based interventions has occurred.[167] This shift has been moving towards advancing digital transfer mechanisms, particularly with the launch of the Grand Bargain in 2016, whereby aid organisations and donors committed to increasing the use and coordination of cash-based programming. In line with this, there has been growing momentum among humanitarian and development partners in Uganda to expand common cash systems.

However, many refugees face challenges accessing financial services to receive aid from programmes such as the WFP. On the supply side, studies have revealed a low appetite among FSPs to serve refugees.[168] This is mostly due to their perceived credit risk, limited knowledge of their financial habits, and the perceived security risks of the segment. As a result, there is a lack of financial touchpoints in refugee communities.

With the lack of access points to financial services, such as bank branches in host communities of refugees, mainly in rural areas, DFS are key to driving access to financial services for refugees. A study by UKAid and Cash Working Group on financial services for refugees in Uganda found that mobile money is the preferred mechanism for both humanitarian aid receipt and commercial use amongst refugees and refugee-hosting communities.[169] The majority of refugees (64%) and host community (75%) respondents use mobile money, while only 17% of refugee respondents and 15% of host community respondents reported having a bank account.[170]

However, access and usage of DFS, such as mobile money, are limited by several factors. The most mentioned barriers by refugees are a lack of income leading some consumers to believe that they are not qualified

162 Ibid.
163 UNHCR, 2022, Uganda Population Statistics Dashboard. Available: here.
164 Cash Working Group, 2022, Financial services in the Uganda refugee response: An assessment of user perspectives. Available here.
165 Health Policy Watch, 2021, Living Conditions of Refugees in Uganda May Become 'Untenable', Warns Food Aid Head. Available here.
166 FSD Africa, 2020, Financial Inclusion for Refugees (FI4R) Results of baseline survey. Available here.
167 Cash Working Group, 2022, Financial services in the Uganda refugee response: An assessment of user perspectives. Available here.
168 FSD Africa, 2020, Financial Inclusion for Refugees (FI4R) Results of baseline survey. Available here.
169 Cash Working Group, 2022, Financial services in the Uganda refugee response: An assessment of user perspectives. Available here.
170 Ibid.

to own a mobile money account, and a lack of agents with the ability to register SIM cards in proximity to remote communities. Refugees also stated that varying withdrawal fees and taxes resulted in lower consumer trust, thus limiting their usage of mobile money.[171]

Mobile money requires users to have basic financial and digital literacy skills and phone access. Basic and digital literacy levels are low among refugees, particularly for refugee women and older persons. This indicates the need for training to accompany any transition to digital financial delivery mechanisms.[172] Approximately 71% of refugees own a mobile phone, and of these individuals, 53% have a basic phone, 20% a feature phone and 27% a smartphone.[173]

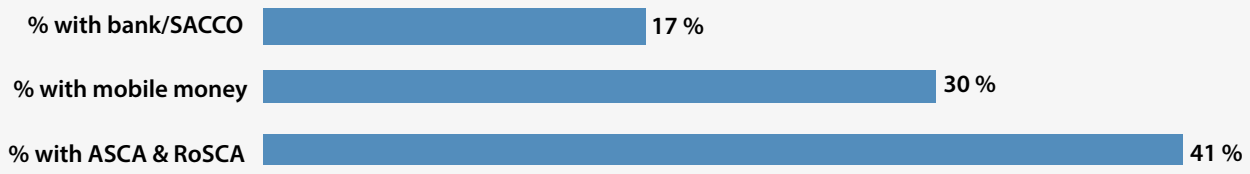
Mobile money requires at least a 2G mobile network to function. According to FSPs, there are difficulties with the provision of mobile networks and internet access, with 63% noting that low mobile network coverage and internet provision create barriers to mobile money usage.[174] However, 80% of refugees and 87% of host community members reported that they could easily obtain mobile coverage within walking distance though this drops to 27% and 33%, respectively, for internet coverage.[175]

In addition, the verification of refugee identification documents to meet KYC requirements is challenging. Despite 77% of refugees having refugee IDs, the process to verify these IDs is lengthy and manual.[176] These inefficiencies in the system represent barriers to access to financial services for refugees.

A study conducted by the United Nations Capital Development Fund (UNCDF) on the affordability and accessibility of remittances to refugees in Uganda identified a lack of liquidity on the part of agents and additional costs to access financial services in addition to the challenges above.[177] Most mobile money transactions within refugee settlements involve cash out and do not deposit. This creates liquidity problems for agents as they quickly exhaust their cash reserves and have to travel long distances to rebalance floats.[178] In addition, the study found that some mobile money agents charged additional fees to withdraw. Hence, most payment recipients in refugee settlements prefer going to urban agents who display fee charts to avoid being overcharged.

As a result of these challenges, there is a high reliance on informal financial services and limited awareness and adoption of formal financial services within refugee settlements. The figure below shows the financial institutions used by displaced individuals.

Figure 11: Financial instrument used by displaced individuals[179]



Moreover, a study by FSD Uganda also showed that there was a 30% increase in refugees keeping cash at home for emergencies, particularly for health emergencies, between 2019 and 2021.[180] Displaced individuals wanted access to their money in case of emergencies, especially in the West Nile region.

171 Ibid.

172 Ibid.

173 FSD Africa, 2020, Financial Inclusion for Refugees (FI4R) Results of baseline survey. Available here.

174 Cash Working Group, 2022, Financial services in the Uganda refugee response: An assessment of user perspectives. Available here.

175 Ibid.

176 IFAD, 2022, Enhancing identity verification for refugees in Uganda IFAD Asset Request Portlet. Available here.

177 Cash Working Group, 2022, Financial services in the Uganda refugee response: An assessment of user perspectives. Available here.

178 Ibid.

179 Ibid.

180 BFA Global, 2022, Exploring refugees' usage of financial services in Uganda. Available here

Persons with disabilities

In Uganda, persons with disabilities (PWD) represented 7% of the population in 2021, meaning that approximately 3 million Ugandans are persons with disabilities and pose a development concern.[181]

Most of these persons face enormous economic, political, and social barriers that have an adverse impact on their physical, economic, social, and intellectual development and well-being.[182] Most (95%) of PWDs are informally employed, and 33% of the PWD working age group is purely involved in subsistence agriculture.[183] In addition, only 47% of the PWDs population had access to a mobile phone.[184]

Access to financial services for PWD remains a challenge. Social welfare policies do not discourage or penalise PWDs from using financial services. However, because PWDs are perceived to be low-income generators by financial institutions, this segment of the population remains underserved.[185]

MFIs and commercial banks have taken measures to improve access to financial services for PWD by lowering tills in the banking halls and constructing access ramps. However, only persons with mild physical disabilities or who are partially blind have access to these services.

Barriers to financial inclusion faced by PWDs include failure to comply with KYC and limited products suitable to meet the needs of these individuals. There is a general lack of reliable data on PWDs. As such, the financial services targeted at PWDs are limited and do not adequately support PWDs with tailored financial solutions. Furthermore, PWDs struggle to comply with KYC requirements as they make up a significant proportion of individuals without ID documents.[186]

Key takeaways and insights

1. Financial inclusion has grown in Uganda over the past five years. However, certain groups, such as women, youth, elderly, forcibly displaced persons, and persons with disabilities, are still underserved and face significant inequalities.
2. Women and youth are less likely to have access to formal financial services than men, with usage remaining low compared to men.
3. Refugees face barriers to accessing and using digital financial services such as mobile money due to lack of income, limited agent availability, varying fees and taxes, and low financial and digital literacy levels.
4. Approximately 3 million Ugandans are persons with disabilities, representing 7% of the population, and face economic, political, and social barriers that negatively impact their development and well-being.
5. There remain significant challenges that prevent the usage and relevance of financial products for underserved segments. Low economic activity, low financial and digital literacy, low awareness of available financial products, and the lack of customised financial products that meet the needs of the various underserved groups continue to be the primary barriers to using financial services.

181 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here.
182 UN, 2019, Successes and challenges in the reporting about the situation of persons with disabilities in line with SDGs: The case for Uganda. Available here.
183 Uganda Bureau of Statistics, 2022, National Labour Force Survey 2021. Available here.
184 Ibid.
185 NFIS I ETE and Design of NFIS II Stakeholder consultations, 2023.
186 Ibid.

Financial consumer protection and financial capability

Financial consumer protection

Recognising the critical role of consumer protection, regulators in Uganda have issued consumer protection guidelines. BoU issued the Financial Consumer Protection Guidelines (FCPG) to all supervised financial institutions in 2011 with the vision of promoting fair and equitable financial services, increased transparency for consumer empowerment and providing an effective mechanism for handling consumer complaints.[187] In addition, BoU issued NPS Consumer Protection regulations in 2022 for financial institutions licensed under the NPS Act,2020. With the operationalisation of the Uganda Microfinance Regulatory Authority (UMRA), operational guidelines for SACCOs, consumer protection and guidelines governing SACCOs and self-help groups and VSLAs were implemented. Currently, each sector is working in isolation concerning consumer protection and BoU, IRA and UMRA all have different consumer protection guidelines governing how conduct issues are handled.

In addition to consumer protection guidelines, regulators have established complaint-handling mechanisms to ensure consumer empowerment. BoU established a Financial Consumer Empowerment Mechanism (FCEM) unit to handle complaints. Recently, the IRA launched an online complaint-handling mechanism which consumers can use to raise their grievances to improve the efficiency of the regulator's complaints-handling unit.

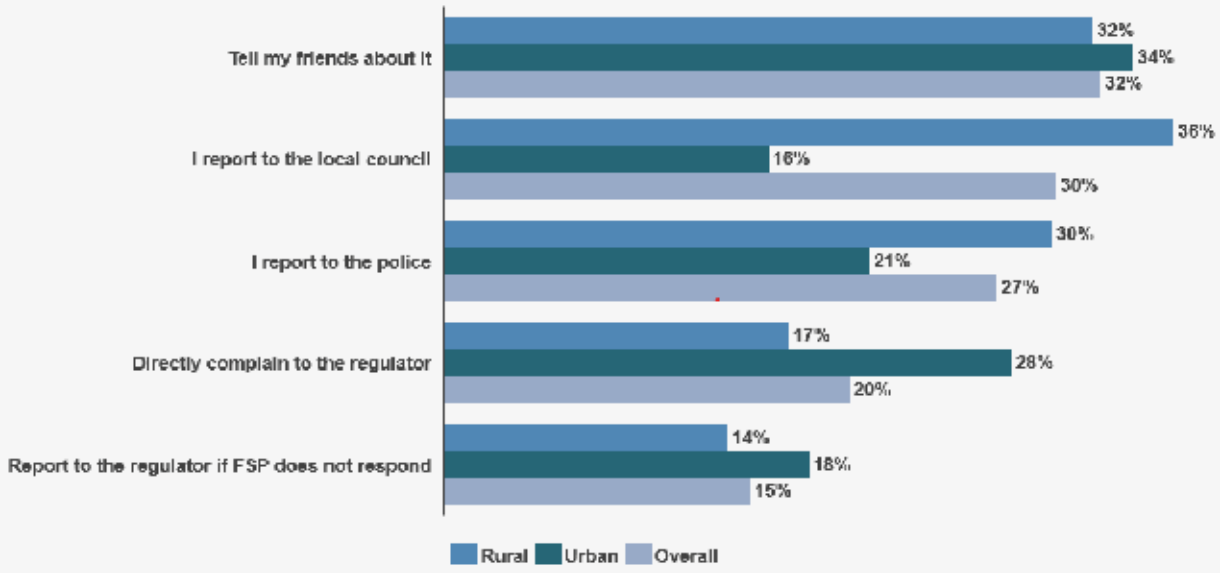
Despite these initiatives, awareness of financial consumer complaints mechanisms is still low among Ugandans. The figure below depicts that to resolve complaints regarding the use of a financial product, most (32%) Ugandans told a friend instead of reporting to a regulator.[188] In rural areas, 36% of the adults reported to the local council compared to 17%, who reported to the relevant regulator.

On the other hand, there was more awareness of the regulator's role in handling complaints in urban areas. More individuals (28%) reported their complaints directly to the regulator than rural areas (17%). Nevertheless, awareness and, consequently, usage of the appropriate complaint mechanisms in place to protect financial consumers from misconduct is suboptimal. This highlights the need to sensitise the public about the available mechanisms to ensure disclosure and transparency, re-dress mechanisms, data protection and privacy of financial consumers and increase their trust levels in financial institutions in the medium-long term.

BoU issued the Financial Consumer Protection Guidelines (FCPG) to all supervised financial institutions in 2011 with the vision of promoting fair and equitable financial services, increased transparency for consumer empowerment and providing an effective mechanism for handling consumer complaints.

187 Bank of Uganda, 2011, Consumer Protection Guidelines. Available: here
188 Bank of Uganda, 2020, Financial Capability Survey. Available here.

Figure 12: Financial consumer complaints mechanism[189]



Additional challenges include a lengthy and tedious complaint mechanism, and thus many consumers tend to refrain from spending their time on these lengthy and expensive processes. The reporting requirements for institutions turning over their complaints data per the current consumer protection guidelines have not been met. This highlights the need for enforceable consumer protection regulations.

Financial capability

Financial capability equips consumers with the knowledge, skills, attitudes, and behaviour required to act in their best interests and to select and use financial services that best meet their needs. The FCS 2020 survey gauges financial capability through three metrics: individuals with the appropriate financial knowledge, attitude, and good financial behaviour to facilitate effective financial decision-making. In the survey, respondents are scored based on their responses to a tailored set of questions for each metric.

The baseline survey indicated that 50% of Uganda's adult population was financially capable in 2020. However, the results were skewed in favour of men (53% were financially capable) compared to women (48%).[190] Financial knowledge in Uganda is lowest amongst females (45%) compared to males (53%).

Financial knowledge was higher amongst individuals in urban areas. On average, 54% of the urban dwellers were able to answer questions on financial products correctly (compared to 46% of rural respondents).[191]

Awareness of financial institutions compared to financial products is relatively high. Over 50% of adults knew of SACCOs, VSLAs, the Central Bank and commercial banks. On the contrary, only 7% and 1% of adults in Uganda had ever heard about Money Remittances and Securities Exchanges, respectively.[192] In addition, only 11% of the adult population was aware of insurance companies (and consequently insurance products).

The highest level of awareness of financial institutions was recorded in urban areas for all institutions except VSLAs. The largest gap in awareness of financial institutions amongst urban and rural individuals was recorded in the awareness of commercial banks, with 73% of urban-based individuals reporting they are aware of commercial banks (compared to 54% for rural-based individuals).[193] More (70%) of rural dwellers were aware of VSLAs compared to urban dwellers (51%).

189 Ibid.
190 Ibid.
191 Ibid.
192 Ibid
193 Ibid

Improved financial capabilities of individuals and rigorous implementation of consumer protection are expected to build public confidence in financial institutions and enhance the understanding and communication of client needs to financial institutions, thus encouraging financial inclusion. These two areas have been identified as a priority for enhancing financial inclusion under NFIS II.

Key takeaways and insights

1. Regulators in Uganda have issued consumer protection guidelines for financial institutions. However, each sector works in isolation with different guidelines governing handling conduct issues.
2. Awareness of complaint-handling mechanisms is low among Ugandans, and institutions have not met reporting requirements for complaints data under current consumer protection guidelines.
3. Enforceable consumer protection regulations are needed in Uganda as only 50% of the adult population is financially capable, with men being more financially knowledgeable than women.
4. There is a significant gap in awareness of financial institutions between urban and rural individuals, with urban individuals being more aware of commercial banks and rural individuals being more aware of Village Savings and Loan Associations (VSLAs).
5. Improving financial capabilities and consumer protection can build public confidence in financial institutions and encourage financial inclusion, identified as priorities under NFIS II.

Financial/shared market infrastructure

Digital ID coverage

NIRA is responsible for birth and death registration in Uganda. Since its inception, NIRA has issued 25.6 million National Identification Numbers (NINs) to citizens and printed and distributed digital ID cards covering 70% of the country's eligible population (citizens of 16 years and above).[194] This came after Uganda launched a massive national identification and registration exercise in 2014 aimed at issuing all citizens aged 16 years and above with a NIN, and ID card and building a national identification register.

Despite the progress, 30% of Ugandans have been unable to acquire national IDs. The significant gap in the acquisition of legal identification means that millions of Ugandans cannot access basic services, including opening bank accounts, registering sim cards to access mobile money services, selling, or purchasing land, obtaining loans, obtaining passports, and even getting jobs. In addition, the foundational nature of Uganda's national digital ID project is such that all civil registration and identity verification activities, including voter registration, are impossible without a national ID.

With regulation amendments driving for the use of national IDs to acquire financial services, increasing national ID registration has become even more critical for financial inclusion. BoU issued a circular in October 2022 stating that effective January 1, 2023, all individual credit borrower account records shall be supplied with a NIN or other unique identifier duly issued by the relevant registration authority. The directive will, in effect, require that financial cards, which have been key in accessing credit for more than 15 years, be replaced by personal identifier numbers.

194 Biometric Update, 2022, Uganda's digital ID achievements, challenges and prospects. Available here.

As financial cards are revoked, participating institutions shall transition from financial cards by registering on the NIRA system to ensure they can validate the authenticity of the national ID provided by customers.

One of the challenges affecting the acquisition of national IDs is the limited capacity of NIRA. Only 112 out of 146 districts have NIRA offices, making access to its services by citizens in the uncovered districts quite difficult. Other constraints stated by NIRA include staffing issues, the obsolete nature of some of the technological equipment being used, lack of adequate funding, and inadequate sensitisation and engagement.[195]

From an industry readiness side, 36 FIs are registered on NIRA's API system and can perform electronic KYC validation and authentication. However, access remains limited among MFIs as their current operations systems limit their ability to integrate with the API system (i.e. they do not have the digital capabilities required to integrate with the API solution). Furthermore, the API system has not been extended to verify other ID documents, such as passports and refugee IDs.

In addition, although the current API system can support the required capabilities, the current design of the system limits optimal functionality due to legal and administrative constraints revolving around the "consent of the data subject". Moreover, the API system only provides FIs with 'Yes' or 'No' answers in verifying the NIN. FIs cannot verify variables such as pictures or dates of birth on the system. This highlights the need to enhance the system's capabilities to extract the most valuable information in the ID verification process.

Data ecosystem of financial service providers

Uganda's national and sub-national data ecosystem has progressed in the last few decades with the establishment of an independent National Statistical System and a data governance structure that provides guidelines for the usage and reproduction of data.

As a result of the Strategy for Rationalisation of Information Technology (IT) Services approved in 2012, GoU invested in a National Data Center and Disaster Recovery thereof as a shared infrastructure to minimise the cost of building and maintenance of individual centralising government data centres and minimising the cost of building various data centres in Ministries, Departments and Agencies (MDAs). Currently, the National Information Technology Authority of Uganda (NITA-U) is providing Data Centre Services, which include: Platform As A Service (PAAS), Infrastructure As A Service, Software As A Service, Disaster Recovery AS A Service and Backup AS A Service.

A couple of data centres in the private sector provide data storage facilities in Uganda. These include Raxio, a tier III certified carrier-neutral data centre aimed at supporting the growth and digitisation of the Ugandan economy and the goals set in the Ministry of Information and Communication Technology (MoICT) Data Strategy.

Formal financial inclusion in Uganda is low as the cost to provide financial services is high for FSPs. Competition in the data centre market is limited. This has increased the cost of using data centres in Uganda, making the provision of financial services costly for FSPs. The Information and Communication Technology (ICT) cost-to-assets ratio is much higher among African banks compared to international banks. In 2022, the ICT-to-assets ratio for African banks was estimated at 0.46% compared to 0.04% for international banks.[196]

More unbanked and underserved adults can be reached through cheaper data storage models. The NPS Act requires local data centres, which are generally costly and provide a far lower functionality than data centres available from market leaders. Removing the requirement to use local data centres provides FSPs with a wider range of options for data storage facilities, which could drive the cost of financial services. In addition, promoting data centre sharing could also provide a viable solution.

195 Ibid
196 Genesis Analytics calculation.

Cloud computing also allows financial institutions to reduce their IT costs and thus drive financial inclusion. Cloud computing combined with a remote and distributed workforce creates the opportunity for significant cost reductions if taxes and regulations allow it. This will facilitate an increase in financial inclusion by providing cheaper financial services.

With the growth in the ICT infrastructure, internet usage and online access have opened new opportunities for Uganda. However, with the increase in the use of e-services, the need for cybersecurity protection is key to avoiding cyber fraud and maintaining trust in these services. Cybercrime in Uganda undermines trust in digital activities. In 2019, about USD 3.1 million was lost to cybercrime in Uganda, and though anti-cybercrime laws exist, only 0.5% of the value lost was successfully recovered.[197]

In response to growing cybercrime, GoU passed the Computer Misuse (Amendment) Bill, 2022, which prescribes tougher penalties for those perpetrating cybercrimes. GoU also published the national cybersecurity strategy, and as part of its strategic objectives over the next five years, NITA-U plans to draft legislation for cybersecurity and cybercrime.

Uganda has also implemented initiatives to enhance information security and data privacy to increase confidence and trust among consumers and businesses. To ensure consumers are protected, there is a need to secure the transfer of information for citizens, public and private sectors. GoU introduced the Data Protection Act in 2019 to build a trusting environment for internet users by protecting individuals and their data. In addition, NITA-U put in place the Information security framework to provide GoU with the necessary process, policies, standards, and guidelines to enhance information assurance.[198] The Personal Data Protection Office (PDPO) under NITA-U, with support from UNCDF, also developed the privacy portal to ease reporting, processing and resolving data protection and privacy complaints and breaches. The system is expected to ease the registration of persons and organisations that collect and process personal data.[199]

Digital Infrastructure

Digital infrastructure is identified as a fundamental enabler across a wide range of the government's socio-economic development strategies. The National Development Plan III has identified ICT infrastructure as one of the key priority areas of development with the potential to improve the production of goods to boost the country's exports and foreign exchange earnings in addition to employment and wealth creation.[200]

To boost data and digital infrastructure, GoU launched the National Data Transmission Backbone Infrastructure (NBI) Optic Fibre network to boost Internet usage among citizens and government departments. In addition, NITA-U implemented the Regional Communication Infrastructure Program (RCIP) to cover IT infrastructure in the country.

Due to the various government initiatives and private investment, the total fibre optic network, both government and privately owned, spans around 29,947 km. However, owing to route duplication by operators in both the public and private sectors, the effective national coverage is less than 4,000 km and the fibre network route is limited to the major urban centres. Most rural areas continue to be underserved: more than 60 districts in rural areas do not have fibre in the ground, while Kampala has around 282 km of laid fibre cable.[201]

Approximately 91% of the population had 3G coverage in 2021, significantly above the 84% average across Sub-Saharan Africa.[202] However, 4G coverage was low and stood at 62%, slightly below the average for Sub-Saharan Africa of 63%.[203] Coverage is mainly in urban areas, along main routes such as Kampala to Gulu, Kampala to Busia or Kampala to Mbarara.

197 Serianu, 2020, Africa Cybersecurity Report Uganda, 2019/2020. Available here.
198 NITA-U, 2021, Data Protection and Privacy. Available here.
199 UNCDF, 2022, Uganda Launches Data Protection & Privacy Portal to Streamline Management of Personal Data. Available here.
200 National Planning Authority, 2020, NDP III. Available here.
201 Bowmans, 2021, Uganda: Overview of Data Infrastructure in East Africa. Available here.
202 Research ICT Africa, 2023, After Access 2022: Internet usage trends in Uganda. Available here.
203 Ibid.

Uganda has a high number of licensed providers in the telecommunication sector, however, in terms of customer base, the sector is highly concentrated. As of the end of June 2022, Uganda had over 33 million mobile subscribers.[204] MTN serves 50% of this market while Airtel Uganda accounts for 43%.[205] Due to the market dominance of Airtel and MTN, other MNOs have struggled to make consistent profits, and several MNOs have been forced to exit the market.[206]

Telecommunications is capital-intensive and requires infrastructure such as masts, towers, fibre, and data centres which are expensive. Without a significant number of subscribers, recouping returns on investment is difficult. With Uganda's telecommunication sector being heavily concentrated, any newcomers into the market are forced to share in a limited pool of subscribers.

In Uganda, payment service providers are competing with banks to provide mobile payments, indicated by the higher number of registered mobile wallets compared to bank accounts. However, MNOs' own key communications infrastructure (i.e. USSD) is required to provide mobile payments. This gives MNOs autonomy to either deny access to the USSD, charge competing FSPs a fee (which is usually high) for the usage of USSD and/or provide access to USSD, but with poor quality.[207] Anti-competition practices result in a limited number of FSPs providing mobile financial services (MFS) and consequently an increase in the cost of using financial services which reduces the usage of financial services.

Due to government and private sector investment in digital infrastructure and improvements in mobile infrastructure, the number of handheld computing devices, such as smartphones, in circulation has increased.[208] The total number of smartphone devices connected to the networks stood at 10.9 million devices at the end of June 2022, increasing from approximately 7.1 million in March 2020.[209]

Despite the increase in the number of smartphones in Uganda, smartphone penetration remains low. In 2021, only 16% of the population adopted smartphones, markedly lower than the 30% average for Sub-Saharan Africa.[210] Affordability represents a significant barrier to the uptake of mobile services in Uganda, particularly for consumers at the bottom of the income pyramid. The cost of smartphones has declined by 50% since 2012 to less than USD 100, however, many Ugandans still find smartphones expensive.[211] This is because the relatively low-cost devices are still beyond the financial means of large numbers of citizens.

Low access to smartphones and internet-enabled devices limits the ability of individuals to use the internet and consequently a wide range of DFS such as banking apps. The After Access Survey (2022) indicates that the main reasons for Ugandans being unable to access the Internet relate to a lack of awareness and knowledge of the internet, and the lack of affordable smart devices.[212]

Currently, Uganda's internet penetration stands at merely 29% compared to Tanzania's 38% and Kenya's 53%.[213] In addition, compared to these countries, Uganda's internet costs are relatively high: the average internet costs were USD 2.41(~UGX 8, 863) in Kenya and USD 2.18 (~UGX 8,017) in Tanzania, while the cost was USD 2.67(~UGX 9,819) in Uganda.[214] The high cost of the internet is driven by a low customer base. Uganda's telecom companies have invested heavily in improving digital infrastructure services to boost internet access, however, with the low number of users, the ability of telecoms to lower internet costs for their customers while making profits has been limited.[215]

204 Uganda Communications Commission, Market Performance Report 2Q22. Available here.
205 TechCabal, 2021, MTN, Airtel dominance forces another telecom operator out of Uganda. Available here.
206 Ibid.
207 CGAP, 2015, Promoting Competition in Mobile Payments: The Role of USSD. Available here.
208 Bowmans, 2021, Uganda: Overview of Data Infrastructure in East Africa. Available here.
209 Uganda Communications Commission, Market Performance Report 2Q22. Available here. | Uganda Communications Commission, Market Performance Report 1Q20. Available here.
210 GeoPoll, 2021, Mobile Penetration in Uganda. Available here.
211 GMSA, 2019, GSMA Connected Society Uganda Overview. Available here.
212 Research ICT Africa, 2023, After Access 2022: Internet usage trends in Uganda. Available here.
213 All Africa, 2022, East Africa: Why Internet Is So Expensive in Uganda Compared to Other Countries in East Africa. Available here.
214 Daily Monitor, 2020, Why Uganda's Internet cost is highest in East Africa. Available here.
215 All Africa, 2022, East Africa: Why Internet Is So Expensive in Uganda Compared to Other Countries in East Africa. Available here.

In terms of basic and feature phones, phone ownership has grown from 52% in 2014 to 71% in 2021, with growth in rural areas outpacing urban areas. Of the households that owned a mobile phone between September 2019 and November 2020, 93% reported that the phones were owned individually while seven 7% indicated that the mobile phones were jointly owned.[216] This is likely skewed towards women as several women do not even own SIM cards in their name.[217]

A key consideration in terms of digital infrastructure is ensuring interoperability between FSPs including MNOs and fintechs to drive financial inclusion. Interoperability promotes competition and improves the utility of payment instruments and convenience for the end user. In addition, it increases the financial viability of service offerings by reducing fixed costs and unlocking economies of scale.

As noted earlier, most individuals especially underserved segments: women, youth, refugees and PWDs find financial services costly. This is mainly due to high transaction costs. According to a study by FSD Uganda on interoperability in Uganda, the high cost of off-net transactions caused by lack of interoperability was one of the major factors preventing increased uptake of DFS and thwarting financial deepening in the country.[218]

The demand for interoperability in mobile financial services by mobile money users is high, both for transferring money across networks and for cash-in and cash-out at agents. This is demonstrated by the willingness of mobile money users to perform transactions across networks and their readiness to pay for the service if fully interoperable systems are put in place.[219] This demand is not limited to mobile financial services and extends to other financial accounts offered by banks and financial providers.

Key takeaways and insights

1. Uganda has made progress in establishing a national digital ID system, but many citizens still lack legal identification, hindering their access to basic services.
2. Financial institutions are transitioning to using the national ID system for customer authentication, but challenges such as limited capacity and inadequate funding remain.
3. Cloud computing and remote work can reduce costs and increase financial inclusion, but cybersecurity protection is crucial.
4. Uganda's telecom companies have invested in improving digital infrastructure services, but the low number of users limits their ability to lower internet costs while making profits.
5. Interoperability between financial service providers is important for driving financial inclusion, and there is a high demand for interoperability in mobile financial services.
6. Necessary conditions to ensure financial inclusion, driven by the adoption of DFS, require the provision of adequate digital infrastructure, high penetration of mobile phones (both smartphones and feature phones), and a population that is financially and digitally literate.

216 Uganda Bureau of Statistics, 2020, Uganda National Household Survey (UNHS) 2019/2020. Available here.
217 Monitor, 2021, More Ugandans now own mobile phones. Available here.
218 FSDU, 2017, Market Research On Interoperability In Mobile Financial Services In Uganda. Available here.
219 Ibid.

Financial innovations impacting financial inclusion

Fintechs

In recent years, there has been a growing usage of digital and electronic financial services by private entities in Uganda offering various electronic payment products to the public. However, before the passing of the NPS Act 2020, most of these providers of digital financial services, including fintechs, were not regulated.

Fintech refers to integrating technology into offerings by financial service companies to improve their use and delivery to consumers. In 2021, BoU issued Uganda's first ever fintech licences enabled by the NPS Act, and currently, 121 fintechs are operating across the payments, insurance, credit, investment management and digital infrastructure[220] The majority (41%) of fintechs operate in the payments, followed by fintechs offering micro-credit and digital lending services (13%), banking operations services (12%) and remittances (6%).[221]

Driven by mobile money, the payment subsector casts a large shadow over the Ugandan fintech market. Players are typically aggregators who provide mobile wallets, telecoms who provide mobile money platforms, and bankers who provide trust account services or mobile wallet solutions, all combined to serve utilities, bank-to-consumer, e-commerce, and end-user retail payments.

In the lending and savings market, fintechs often have to partner with licensed financial institutions to offer these products. Although new fintechs continue to challenge the traditional players, they are overshadowed in transaction volume and coverage by the brick-and-mortar banks. In addition, traditional banks are leveraging agency banking to provide alternatives that compete with fintech services.

Despite the dominance of traditional FSPs, fintechs have dominated in niche markets such as asset lending, solar, agro-business, micro-loans and savings. Fintechs have capitalised on their understanding of the traditional Ugandan SACCOs and microfinance structures to offer digital transformation solutions to this market segment.

Through partnerships with MNOs and banks, fintechs have tapped into the remittances market. Fintechs have enhanced interconnectivity between financial institutions, businesses, and the end-consumer through mobile and digital wallets. The Ugandan ecosystem still revolves around mobile technology, such as USSD codes and text messages. This technology simplifies the user interface and increases trust. Therefore, for fintechs to expand their customer reach and scale growth, they need to capitalise on the flexibility of mobile wallets in offering their products and services.

In a world where access to financial services is not universal, fintechs are strategically positioned to disrupt how financial services are structured, delivered and consumed, facilitating greater financial inclusion in Uganda.

However, the fintech landscape in Uganda is developing, and fintechs have not successfully established themselves in the ecosystem yet. Most fintechs have had limited success linking their products and services to other traditional FSPs in Uganda. Due to a lack of interoperability between existing systems of traditional FSPs and new fintech systems, fintechs in Uganda have not been able to penetrate the Uganda market.

Moreover, the uptake of products offered by fintechs has been low as fintechs have struggled to induce customers to switch from traditional FSPs such as banks or mobile money. Innovations often have high switching costs and limited accessibility to warrant a switch. Due to the lack of adequate infrastructure in Uganda, it is difficult to reach customer segments currently not being served by any FSP. As such, fintechs have had to compete for existing customers, which has been difficult. Other barriers limiting the uptake of fintech solutions are low internet and smartphone penetration and low financial and digital literacy in Uganda.

220 Deloitte, 2022, Study on the state of Uganda's Fintech Industry. Available here.
221 Ibid.

Challenges faced by fintechs in Uganda include an underdeveloped impact and venture capital market; a shortage of high-level technical skills; and access and security of quality financial services data.[222] Fintechs in Uganda find it difficult to raise and access capital to invest in their business mainly due to a lack of industry experience undermining the credibility of start-up businesses. Data centres in Uganda are expensive: with the growing online and phone banking services, data protection and privacy has become critical and fintechs find it expensive to maintain data universality and data security. Fintechs also reported that they are limited by a shortage of technical skills which is necessary to drive innovation.

Cryptocurrency

Cryptocurrencies have received massive attention in recent years as a potential instrument to provide easy access to financial services. Some industry players argue that cryptocurrencies offer consumers a wide range of financial products to choose from, thus facilitating financial deepening.[223] Additionally, it is argued that cryptocurrencies provide promising avenues for accessing credit as individuals can provide crypto as collateral and therefore reduce the cost of borrowing.[224]

However, the use of cryptocurrency is not illegal in Uganda, and several individuals are currently trading cryptocurrencies informally. BoU or any government authority does not regulate cryptocurrency and therefore is not considered legal tender in Uganda. Despite this, USD 4.8 billion worth of cryptocurrency was received by Ugandans between March 2019 and March 2022.[225]

However, regulators have cautioned against the use of cryptocurrency. These products are currently not regulated in Uganda and, therefore, are risky to use due to the lack of enforcement of consumer protection standards on the providers of crypto assets. BoU has warned licensed payments service providers to minimise engagement with cryptocurrencies while the regulator undertakes further technical studies and develops the appropriate regulatory framework.

Issues around cryptocurrencies' volatility remain a concern as they undermine cryptocurrency's ability to function of value. As such, BoU has limited the interaction of regulated entities with cryptocurrencies to ensure consumers are protected. In April 2022, BoU banned exchanging cryptocurrencies for mobile money as payment providers would need to be licensed to sell or facilitate trade using cryptocurrencies. As a result, crypto exchanges suspended UGX mobile money deposits and withdrawals.

Central Bank Digital Currency (CBDC)

BoU is studying CBDC to understand further how the financial product can be incorporated into Uganda's financial sector with minimum risk.

Concerns about the risks from the technology, including consumer protection and financial inclusion, remain a key issue in implementing CBDC in Uganda. Another concern is that access would be an issue when rolling out CBDC due to the low penetration of the necessary infrastructure, such as smartphones and the Internet, as noted earlier. Furthermore, financial, and digital literacy in Uganda is low. Given these challenges, CBDC will likely lead to further financial exclusion for those who do not have access to the infrastructure needed to adopt the currency.

222 Ibid.
223 NFIS I ETE and Design of NFIS II Stakeholder consultations, 2023.
224 Ibid.
225 The Hindu, 2022, Between March and March 2022, USD 4.8 billion worth of cryptocurrency was received by Ugandans. Available here.

Key takeaways and insights

1. Uganda has issued its first fintech licenses, with 121 fintechs operating in payments, insurance, credit, investment management, and digital infrastructure.

2. Mobile money drives the payment subsector, with aggregators, telecoms, and bankers providing services to utilities, e-commerce, and end-user retail payments. However, fintechs in Uganda face challenges such as a lack of impact and venture capital market, shortage of technical skills, and expensive data centres.

3. Cryptocurrencies are seen as a solution to facilitate financial deepening and provide easy access to financial services. However, the BoU has warned licensed payment service providers to minimise engagement with cryptocurrencies due to the lack of regulation and consumer protection standards.

4. The Bank is also studying Central Bank Digital Currency (CBDC) to understand how it can be incorporated into Uganda's financial sector with minimum risk. However, concerns about risks and access remain due to the country's low infrastructure and financial and digital literacy.

Green financing

Uganda is among the countries that are most vulnerable to climate change, with limited capacity to cope. In the past couple of years, Uganda has faced multiple weather-related disasters, including landslides in Mt Elgon and Rwenzori areas, flush floods, especially in Kasese, Kampala and other areas, and lightning and droughts in most parts of the country. During the financial year 2019/20, disasters were reported in over 70 districts affecting approximately 800,000 people and resulting in over USD 154 million (UGX 560 billion) in economic losses.[226] Other factors, such as the desert locust crisis and the increased impact of epidemics, continue to impact the environment and farmers' agricultural output.

Climate change and environmental degradation are increasingly seen as a financial and price stability threat and, by extension, financial inclusion. The poor and marginalised are the most vulnerable to climate change, which generally results in increased food prices, poses health risks, and limits farmers' ability to create and maintain sustainable livelihoods.

People experiencing poverty are inadequately equipped to cope with income shocks that accompany extreme weather conditions. Therefore, as the effects of climate change intensify, it is critical to help people experiencing poverty adapt to climate-induced challenges and empower them to reduce their impact on the environment.

Financial services can be used as a tool to build resilience in the face of shocks related to climate change.[227] Providing access to formal financial services, such as insurance, savings, or loans, can help the poor when they face unexpected setbacks. In addition, financial services can act as a mechanism to increase the accessibility, affordability, and usage of cleaner technology that reduces contributions to climate change.

226 All Africa, 2021, Uganda: BoU to Issue Guidelines On Green Financing. Available here.
227 Innovations for Poverty Action, 2019, Climate Change and Financial Inclusion. Available here.

Management of the environment and sustainable development is enshrined in Uganda's constitution and Vision 2040. In 2015, GoU approved Uganda's National Climate Change Policy (NCCP) which intends to guide all climate change activities and interventions in the country. BoU launched a climate change risk policy and is currently developing guidelines for green financing to support MSMEs as the country strives to achieve sustainable development. The guidelines will be issued off the back of a BoU survey that showed that banks have not been able to finance green SMEs due to a lack of guidance on handling of green finance applications.[228]

In addition, the private sector and development partners have played an important role in pushing for inclusive green finance in Uganda. In 2022, a development financial institution in Uganda launched a Green Taxonomy and Green Finance Fund to promote the sustainable growth and resilience of the agriculture sector.[229] The Green Finance Fund is a blend of three green finance instruments: green lines of credit worth UGX.120 billion, capacity building worth UGX 4 billion and green agribusiness guarantees. The fund is designed and can be accessed by Tier I to Tier IV financial institutions in Uganda.

Key takeaways and insights

1. Uganda is highly vulnerable to climate change and has limited capacity to cope, resulting in over USD 154 million in economic losses. The poor and marginalised are most affected, and financial services can help build resilience and reduce the impact of climate-induced challenges.

2. Uganda has enshrined management of the environment and sustainable development in its constitution and Vision 2040, and the Bank of Uganda has launched a climate change risk policy and is developing guidelines for green financing.

3. Private sector and development partners have also promoted inclusive green finance through various initiatives to launch a Green Taxonomy and Green Finance Fund in 2022 to promote sustainable growth and resilience in agriculture. The Green Finance Fund offers three green finance instruments available to financial institutions from Tier I to Tier IV.

4. Despite some ongoing work, there is a need to increase efforts towards climate change adaptation and mitigation measures. The financial sector has an important role to play in the provision of inclusive green finance products.

228 All Africa, 2021, Uganda: BoU to Issue Guidelines On Green Financing. Available here.
229 aBi Finance, 2022, aBi Finance launches 124bn Green Finance Fund and Green Taxonomy. Available here.

3. RATIONALE & STRATEGIC FRAMEWORK FOR NFIS II

Rationale for the new strategy

Financial inclusion plays a critical role in enabling shared prosperity and reducing poverty in Uganda and is complementary to financial sector objectives of stability and integrity. Yet Uganda has a large financially excluded adult population, particularly concerning the use of formal financial services. Although formal financial inclusion improved from 59% to 66% during the NFIS I implementation period, this level is still a lot lower than in developed economies and when compared with the EAC region leader - Kenya.

Achieving GoU of Uganda's vision for greater financial inclusion will require a deliberate and coordinated approach to identify relevant obstacles and opportunities, leverage linkages across financial and non-financial policy areas, and align the efforts of a wide range of stakeholders.

NFIS II (2023-2028) provides an effective instrument that charts a clear and coordinated path toward improving financial inclusion in Uganda. In its design, it leverages stakeholders' joint definition of financial inclusion objectives, identifies obstacles and opportunities relevant to the achievement of those objectives, and outlines a prioritised set of actions to pursue in a coordinated manner. In addition, the establishment of governance arrangements and a monitoring and evaluation (M&E) system are critical elements of the strategy which will consolidate progress and promote accountability and effectiveness.

Strategic framework for NFIS II

The vision of financial inclusion in Uganda

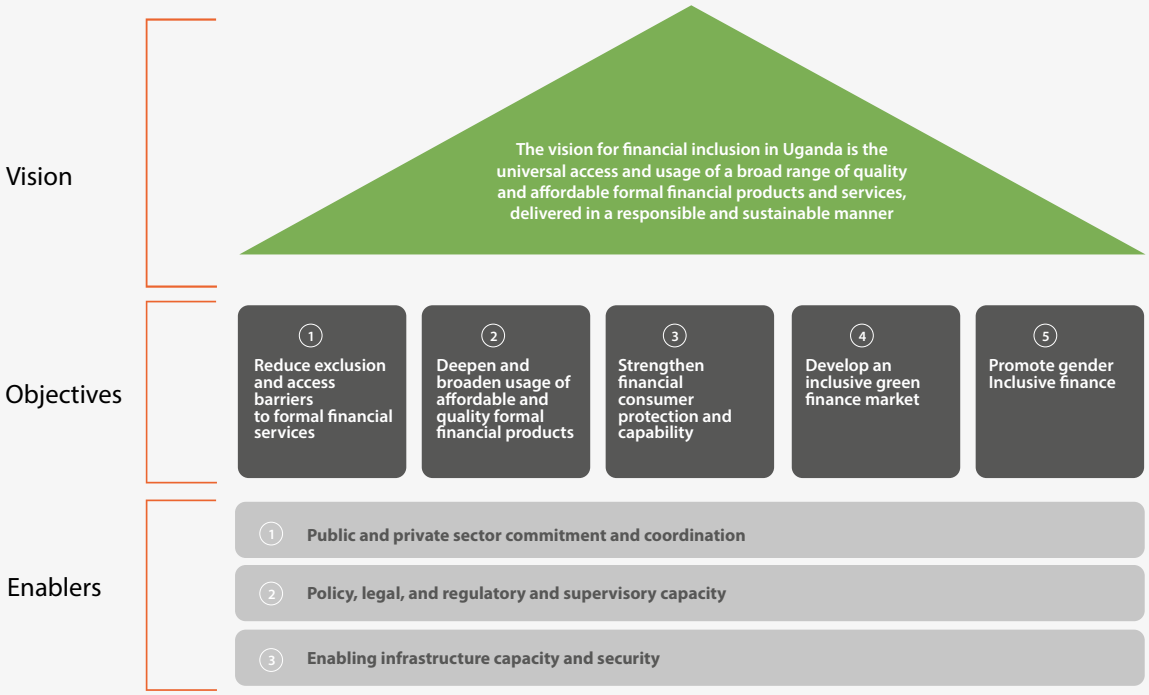
The vision for financial inclusion in Uganda is the universal access and usage of a broad range of quality and affordable formal financial products and services delivered responsibly and sustainably. In achieving this vision, it is expected that all Ugandans will reap the full benefits of financial inclusion: that is, individuals will be able to use appropriate financial products and services to manage risks, plan, and achieve their financial goals, and firms will be able to access affordable financing and products to facilitate innovation and firm growth and job creation.

NFIS II objectives and enablers

The NFIS II framework identifies five key objectives/pillars to achieve this vision: (i) Reduce exclusion and access barriers to formal financial services (ii) Deepen and broaden the usage of quality and affordable formal financial products (iii) Strengthen financial consumer protection and financial literacy, (iv) Develop inclusive green finance market, and (v) Promote gender inclusive finance. Each of these objectives will be achieved through a set of targeted interventions and activities, which are outlined later in the strategy.

The framework is built on three key enablers: (i) Public and private sector commitment and coordination; (ii) Policy, legal, and regulatory and supervisory capacity; and (iii) Enabling infrastructure capacity and security. Strengthening these enablers will provide the foundation for a healthy and inclusive financial sector. A summary of the framework is shown below:

Figure 13: NFIS II framework



Within the context of the framework, we define a broad range of financial services as formal savings, insurance, investment, payment, and credit products.

Access is defined as having a financial account either registered in their name or held jointly with someone else at a formal financial institution.

Usage is defined as having used the financial product 2 or more times or had an existing policy within the past 12 months.

Affordable is defined as formal financial services and products offered sustainably by the provider, within the means of the consumer and not designed to burden consumers.

Quality is defined as suitable products that satisfy customers and meet the consumer protection guidelines issued by the relevant regulatory authorities in Uganda. Quality of formal financial services includes affordability, transparency, consumer protection, fair treatment, convenience, financial education, indebtedness, and choice.

Target groups

Equally important for a clear financial inclusion definition are the target groups that the strategy aims to include financially. NFIS I identified priority groups as women, residents of rural areas, and youth above 15 years old. The NFIS I ETE and the NFIS II financial sector diagnostic show that despite significant progress, women and residents of rural areas are still disproportionately underserved and should remain priority groups. However, it should be noted that targeting youth between the ages of 15-17 contradicts Uganda's constitution, which prohibits anyone below the age of 18 from owning a formal financial account. NFIS II aligns itself with the constitution and targets all individuals residing in Uganda aged 16 or greater but includes a condition for adult (18+) supervised accounts.

Despite this, NFIS II recognises that Uganda has a large economically active youth population, with some cases of child-headed households. Therefore, alternative solutions to financially include economically active children between the ages of 16-17 have been recommended within the boundaries of the constitution.

In addition, the NFIS I ETE revealed insufficient consideration of displaced individuals, PWDs and MSMEs as priority groups. These groups, in some shape or form, continue to face unnecessary obstacles in accessing and using formal financial services, as discussed in the NFIS II financial sector diagnostic. Therefore, while NFIS II targets all individuals aged 18, it focuses on women, youth, individuals residing in rural areas, PWDs, displaced persons and MSMEs.

4.1. Objective 1: Reduce financial exclusion and access barriers to formal financial services

Uganda made good progress towards reducing exclusion barriers to formal financial services under NFIS I. The results of the 2018 Finscope survey showed that the share of the adult population with an account at formal financial institutions (bank and non-bank) increased from 54% in 2013 to 58% in 2018.[230] The Findex survey further showed that formal account ownership increased to 66% in 2021.[231] However, a formal exclusion rate of 34% remains high.

Accessibility of delivery channels has also increased, surpassing the access point target set in 2017. By June 2022 access points per 100,000 adults had reached 1,159 compared to 615 when the strategy was launched.[232] However, more work needs to be done to increase access points in rural areas, particularly through agent banking and DFS.

The key gaps that NFIS II addresses are:

- Delivery channels are heavily concentrated in greater Kampala and other urban areas, with limited access points in rural areas.
- Although agent banking was meant to be the bridge, agent banking regulatory requirements for agents to have a registered business with printing devices restrict prospective agents, particularly considering Uganda's high degree of informality.
- Agent banking introduces significant cash-related risks such as fraud and theft, which limit the appetite to expand agent networks, particularly in remote areas.
- Low incomes and significant infrastructure gaps reduce FSP's appetite to incur the costs of establishing access points in remote areas. Expansion of access points will increasingly become more difficult and expensive as FSPs spread to remote areas.
- DFS as a delivery channel is limited by low smartphone penetration and inadequate access to connectivity and electricity.

1. **Uptake of formal financial products and services remains low, particularly in rural areas.**
    - Digital ID coverage for KYC is not universal. NIRA's efforts to expand national ID registration are limited by funding, outdated software, and devices that capture information.
    - MFI and DFS credit providers' access to NIRA's database for KYC remains limited due to MFIs not having the requisite digital infrastructure to integrate with the API system.

230 FinMark 2018, Uganda Finscope survey 2018. Available here.
231 World Bank, 2021, The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available here.
232 Bank of Uganda, Data and Statistics. Available here.

- NIRA's API system has limited capabilities as it only provides FSPs with 'Yes' or 'No' answers in verifying the NIN. FSPs cannot verify variables such as pictures or dates of birth on the system. This is largely due to data protection laws that limit NIRA from sharing this information without customer consent.
- The Ugandan constitution prohibits anyone below the age of 18 from owning a financial account. This hinders employed youth (16-17) from being financially included.

2. **Islamic banking products and services have not yet been integrated.**
    - Islamic banking regulations have not been implemented due to challenges with establishing a SAC at the BoU.
    - SACCOs and MFIs have not been accounted for in the 2018 Islamic Banking Regulations.

To reduce financial exclusion and access barriers to formal financial services, the GoU and stakeholders will prioritise several actions. These include establishing more physical access points in underserved areas, promoting the uptake of digital financial services, and creating an enabling environment through effective policy and efficient financial infrastructure that supports the growth in formal account ownership. The specific actions to be taken are detailed in the action plan.

4.2 Objective 2: Deepen and broaden the usage of quality and affordable formal financial products

NFIS I achieved significant progress in enhancing access to formal financial products. This was a crucial factor in enhancing financial inclusion and fostering economic growth. However, many low-income individuals in Uganda are still unwilling to utilise these services despite their availability. This is due to limited awareness and understanding of the benefits of formal financial products, high transaction costs, or poor-quality services. This reluctance has led to substantial underutilisation of available financial products and services, which in turn hampers the potential for sustained growth and economic development. Consequently, it is essential to deepen and broaden their usage to help vulnerable groups climb the economic ladder by taking advantage of the various benefits offered by access to quality and affordable formal financial products. In this way, the country can achieve financial inclusion while bolstering its socio-economic development efforts.

The key usage gaps that NFIS II will address are:

1. **Low active usage of formal deposit accounts:**
    - Consumers still prefer cash over electronic payments. For most consumers, cash is immediate, simple to use, easily understood, accepted almost everywhere, with no apparent hidden fees, and can generally be trusted.
    - Perceptions of high bank charges negatively affect the use and trust of formal financial accounts. This perception could be driven by a lack of understanding of bank charges associated with the type of account they are opening.
    - Card usage and acceptance is limited in rural areas due to the limited availability of functional POS devices. Access to POS devices is costly, while inadequate connectivity and electricity remain significant challenges for rural merchants.
    - Deposit account usage is limited by irregular or low incomes, especially among people experiencing poverty.

2. **Stunted growth in the active usage of mobile money services:**

    - High costs of mobile money transactions due to mobile money taxation. Withdrawal services provided by Mobile Money Service Providers (MMSPs) are subject to an additional 0.5% excise duty, calculated by reference to the underlying value of the transaction. This undermines Government policies to drive the adoption of digital payments and reduce the use of cash in transactions.

    - Duopolistic market structure limits competition in the payments service provider (PSP) sector. It introduces vertical integration issues that create market entry hurdles, particularly the bigger players' anti-competitive practices that limit fair access to shared market infrastructure. The limited competition also undermines cost-reduction efforts.

3. **Limited uptake of savings, insurance, pensions, and investment products**

    Saving products:

    - High deposit requirements to open a savings account.

    - Prevalence of informal savings mechanisms over formal channels. Uganda has several SACCOs that are not regulated and whose members are not covered by deposit protection regulations or pending consumer protection regulations. This exposes members to various risks of financial loss.

    - Reduced returns on savings due to uniform final tax on deposits. Imposing a uniform final tax of 15% on deposit interest reduces the deposit returns, leaving small savers with a net return often well below the inflation rate. This reduces the incentive to save.

    Insurance products:

    - Limited awareness and availability of micro-insurance products due to low premiums and low profitability potential.

    - Poor distribution insurance networks in rural areas as most insurance companies and agents are based in the greater Kampala region. Therefore, it is difficult to register and claim, as it requires travelling to a nearby town.

    - Lack of public trust in insurance providers due to low claim-settlement ratios, an inefficient claims process and cases of agent fraud.

    - Designing cost-effective agricultural insurance products is limited by high operational costs, i.e. smallholder farmers are expensive customers to acquire and serve and insurance services for smallholder farmers can be costly and complicated to design. Efforts to reduce the cost of agricultural insurance through the Uganda Agriculture Insurance Scheme (UAIS) were curtailed by over-utilisation of the fund and the mistargeting of larger farmers instead of small-scale farmers.

    - Demand for motor and general insurance is affected by a combination of taxes, which is a very high proportion of the overall cost for a typical policy tax. Policy premiums are subject to VAT, and each policy bears a Stamp Duty charge fixed at UGX 35,000. Consequently, many regard insurance as unaffordable, and although third-party motor insurance is compulsory, the number of policies is substantially lower than the number of vehicles on the road.

    - Limited availability of funeral insurance products due to the cultural perception that they attract bad luck.

Pension and investment products

- Limited availability and awareness of existing pension products.
- Ineffective voluntary pension schemes for informal workers.
- Limited availability of investment products tailored to low-income consumers.

Cross-cutting issues:

- Saving, insurance, pension and investment products are not a priority to low-income consumers due to irregular or limited disposable income, especially among the rural population and youth.

4. **Low uptake of formal credit, especially for women and youth compared to men**
    - High lending interest rates. Most lenders have high operating costs, while MSMEs and individuals residing in rural areas are considered risky and costly to serve.
    - Inadequate collateral to secure loans, especially among youth, women and MSMEs.
    - Underdeveloped credit information system.
    - Limited supply chain financing products for MSMEs and farmers.
    - Underdeveloped cash-flow-based lending products.

5. **High usage of informal remittance channels, especially in rural areas**
    - High cost of sending remittances through formal remittance channels. The average cost of sending remittances to Uganda is 11% of the sent amount.
    - Low-cost transparency level, especially in remote transactions such as mobile-to-mobile cross-border remittances. Customers can, therefore, not make informed choices based on advanced knowledge of all the costs involved.
    - Limited targeted remittance-linked financial solutions.
    - Low number of remittance access points in rural areas.
    - Low levels of digital literacy and awareness of formal channels.

6. **Cross-cutting issues:**
    - Low levels of trust in formal financial services, especially DFS, due to cyber and data security concerns.
    - The absence of an interoperable national switch to drive efficiency and costs down.
    - Limited availability of innovative and affordable financial products and services. Regulatory sandboxes that were established to promote innovation have low awareness and participation. Participation is limited by FSPs having to go through multiple regulators to get their products approved. This is time-consuming and costly.
    - Limited funding to provide the market with updated and harmonised data on access, usage and quality of formal financial products that can be used to measure progress accurately over time.
    - Fintechs have cited challenges with meeting NPS Act regulatory requirements due to the cost and complexity of compliance.

To deepen and broaden the usage of quality and affordable formal financial products, the government and stakeholders will prioritise several actions. These include establishing proactive measures to drive electronic and digital payment adoption, removing barriers that limit the usage of financial products and services, availing more affordable financing to MSMEs and underserved groups, strengthening digital and information security, deepening, and enhancing interoperability among FSPs, and creating an enabling environment that supports innovation. Additionally, the GoU and stakeholders will ensure that the market has access to updated and harmonised data on the financial inclusion of Ugandan adults. By taking these actions, the government and stakeholders can create an enabling environment for enhancing broad-based usage of quality and affordable formal financial products across Uganda.

4.3. Objective 3: Strengthen financial consumer protection and financial literacy

Consumer protection and financial literacy are essential and must be considered to achieve financial inclusion in Uganda. Financial inclusion involves ensuring that people have access to a range of quality financial services and products that are affordable, reliable, and meet their needs. However, without proper consumer protection measures and financial literacy programs, individuals may be vulnerable to financial harm, such as fraud, exploitation, or over-indebtedness. Consumer protection policies and regulations can safeguard individuals from these potential risks while promoting healthy competition among financial institutions. Additionally, financial literacy programs can provide individuals with the knowledge and skills to make informed financial decisions, empowering them to manage their resources more effectively. As such, consumer protection and financial literacy are crucial factors in promoting sustainable and inclusive economic growth in Uganda

The key consumer protection and financial literacy gaps that NFIS II will address are:

- Lack of financial education: A large section of the population in Uganda lacks financial literacy knowledge, and many are unaware of basic concepts like budgeting, saving, investing, and debt management. This makes it hard for them to make informed financial decisions or access various financial products and services.

- Lack of awareness: Many Ugandans are unaware of their consumer rights and, therefore, susceptible to financial scams or exploitation by financially literate individuals.
- Poor quality services: Some financial institutions provide poor quality services, including customer service, which can harm consumers.
- Lack of transparency and disclosure: Some financial institutions may not be transparent in their operations and offer complex products that hide high fees, making it difficult for consumers to understand the true cost of these services.
- Over-indebtedness: This can be a significant challenge for financially excluded individuals with limited financial education who cannot understand the risks of multiple loans.

- Limited access to redress mechanisms: There is a lack of effective redress mechanisms, such as ombudsmen or a financial sector conduct regulatory authority and regulations, for consumers who have complaints against financial service providers.

It is essential to resolve these challenges to improve consumer confidence in the financial sector and promote financial inclusion. Financial institutions must be transparent and ensure that they offer high-quality products, disclose fees and terms, and provide access to systems providing customer feedback. Partnerships among government, private sector, and civil society to raise awareness about consumer rights and promote financial literacy programs to financially excluded individuals will be key. Also, establishing effective redress mechanisms is essential in ensuring consumers can access effective complaint mechanisms if they feel a financial institution mistreated them.

4.4. Objective 4: Develop an inclusive green finance market

Inclusive green finance is a critical aspect of financial inclusion in Uganda as it helps to bridge the gap between financial services and marginalised communities, particularly women and smallholder farmers. These groups have traditionally been excluded from the formal financial system, limiting their ability to grow their businesses and improve their economic prospects. By promoting inclusive green finance, Uganda can enhance access to financial services among these marginalised groups while promoting sustainable development practices. This will enable them to participate fully in economic activities, which can drive overall growth and reduce poverty levels in the country. Additionally, given the environmental

challenges faced by Uganda, inclusive green finance can provide a pathway for sustainable development that addresses these challenges by encouraging the adoption of environmentally friendly practices. Including inclusive green finance in Uganda's financial inclusion strategy is critical for promoting financial access, sustainable development, and poverty reduction.

The key green finance market gaps that NFIS II will address are:

- Limited awareness and understanding among financial institutions: Many financial institutions may not be familiar with green finance products, which are investment instruments that promote environmentally sustainable development. This lack of awareness can hinder the development of such products and limit their availability to potential investors.

- Lack of capacity and expertise: Developing and marketing green finance products requires specialised knowledge and expertise. Many financial institutions, particularly smaller ones, may lack the skills or resources to develop these products and effectively market them to potential investors.

- High transaction costs: Green finance products may be more expensive than traditional investment products due to the additional costs associated with identifying and measuring environmental risks and monitoring and reporting their impact. These costs can make green finance products less attractive to potential investors.

- Weak regulatory frameworks: Limited or unclear regulations related to green finance products can create uncertainty and undermine investor confidence. Inadequate regulation may also make it difficult for financial institutions to develop and market these products.

- Limited access to reliable data: Financial institutions may have difficulty accessing reliable data on environmental risks and opportunities in developing sustainable products. This can lead to a lack of standardisation in measuring the impact of green finance products and reduce transparency in the market.

- Green bonds also face challenges in Uganda, such as limited investor knowledge and interest, lack of a regulatory framework specifically for green bonds, high transaction costs, and weak market infrastructure. However, despite these challenges, Uganda has seen some success in issuing green bonds, and there is potential for further growth in the market.

To enhance inclusive green finance in Uganda, the government and relevant stakeholders will take a multi-faceted approach. Financial institutions will be provided with education and training on green finance products. Regulatory reforms will be pursued to establish clear guidelines for green investment and incentivise green bond issuance. Public awareness campaigns will be launched to increase understanding of green finance among the public. Efforts will be made to improve data availability and quality while reducing transaction costs through standardisation and scale. Finally, market infrastructure will be improved through collaboration between regulatory bodies, financial institutions, and other industry stakeholders. By pursuing these actions, the GoU aims to promote sustainable development and unlock the country's potential for green investment.

4.5. Objective 5: Promote gender-inclusive finance

Promoting inclusive gender finance in Uganda is an essential consideration for achieving financial inclusion targets. Women often face various social and economic barriers that impact their usage of financial services, including discrimination, limited access to education and training, lack of collateral, limited legal protection, weak financial infrastructure, and limited digital literacy. Addressing these barriers is critical not only for promoting gender equality but also for achieving broader development goals such as poverty reduction, economic growth, and improved livelihoods.

A dedicated pillar for gender-inclusive finance acknowledges the need to bridge the gender gap in financial access, literacy, and decision-making. It recognises that women often face specific obstacles which can often be overlooked if not highlighted and prioritised. While this pillar focuses on gender-specific issues, some of the key interventions are also implemented across the other pillars.

In this context, promoting gender-inclusive finance policies and products can play a key role in expanding financial access to women and empowering them to participate meaningfully in economic activities. To this end, NFIS II included a deep-dive gender diagnostic to identify specific gender issues that must be resolved.

The key gender-inclusive gaps that NFIS II will address are:

- Socio-cultural barriers: In certain communities in Uganda, women are expected to play traditional gender roles and may not have the same access to education, employment, and financial empowerment as men. This can contribute to limited financial inclusion for women.
- Limited education and training: Women in Uganda may have limited access to education and training on financial management, which can limit their understanding of financial products and how to use them effectively. This can make it difficult for them to access financial services and participate in economic activities.
- Lack of collateral: Women in Uganda may struggle to obtain credit because they often lack the collateral financial institutions require. This can force women to rely on alternative sources of finance, such as informal lenders who may charge exorbitant interest rates.
- Lack of legal protection: Women in Uganda may also face legal barriers to accessing financial services, placing them at a disadvantage compared to men. For example, women married under customary law may not have the same legal rights as those married under civil law.
- Limited financial infrastructure: Uganda's financial infrastructure is still being developed. As a result, rural areas and smaller towns may have limited access to banking services, making it difficult for women in those areas to access financial services.
- Limited digital literacy: Additionally, women in Uganda may have limited digital literacy, making it difficult to use digital financial services. This can limit their access to financial services, particularly in the current environment where many providers focus on digitising their operations.
- Lack of sex-disaggregated data: There is a limited understanding of women's financial needs and access to financial services and products. Financial institutions may overlook the unique challenges faced by women, such as lower levels of education and training, limited mobility and social norms that restrict their participation in certain economic activities. Without accurate data on women's financial needs, financial institutions may fail to design products and services tailored to meet these needs. This can result in a lack of access to financing for women, which can hinder their ability to start or grow businesses and improve their livelihood.

To enhance inclusive gender finance, the government of Uganda and other stakeholders will prioritise several actions. These will include developing and implementing gender-sensitive regulations and policies, increasing public awareness of the financial services and products available to women, offering tailored financial training and services to improve women's financial inclusion, and addressing socio-cultural barriers limiting women's access to financial resources. The government and stakeholders will also collect sex-disaggregated data to monitor progress towards achieving inclusive gender finance. By implementing these measures, Uganda can improve gender equality in the financial sector and pursue its objectives of a sustainable economy.

4.6. Enabling Pillars

The NFIS II policy framework is built on three key enablers for financial inclusion: (i) Public and private sector commitment and coordination; (ii) Policy, legal, regulatory, and supervisory capacity; and (iii) Enabling infrastructure capacity and security.

Public and private sector commitment and coordination:

The strong commitment and effective coordination of relevant stakeholders, including policymakers, regulators, supervisors, development organisations and the private sector, will be critical for the effective implementation of the NFIS II. Commitment from each stakeholder implies their willingness to invest time and resources in implementing the action plan and to coordinate within a well-functioning and adequately resourced coordination structure. The coordination structure is detailed in Section 4.7 and is led by a high-level steering committee chaired by the MoFPED.

Enabling policy, legal, regulatory, and supervisory capacity:

A policy, legal, and regulatory framework that promotes financial stability, competition, proportionality, and consumer protection is critical to achieving financial inclusion objectives. Monetary policies also impact financial services providers' viability and ability to provide attractive savings accounts and affordable credit. Finally, tax policy affects formality in the real sector and indirectly affects affordable financing initiatives. The GoU should ensure that critical legal reforms are finalised and adopted promptly.

Enabling Infrastructure Capacity and Security:

An insufficient financial infrastructure will limit the benefits and bounds of financial inclusion. Reforms in payment systems, secured transactions and creditor/debtor rights, private credit bureaus, and payment instrument interoperability are crucial for ensuring the financial system can operate soundly and efficiently. Ensuring a well-developed credit information system and a market infrastructure that protects lenders' rights via a judicial system and borrowers via responsible lending and effective consumer protection is essential. Additionally, expanding infrastructure that enables stable power supply, and internet access and reduces the barriers to expanding the reach and use of financial services will be crucial.

5. IMPLEMENTATION MECHANISM

The ultimate success of this strategy depends on many organisations and stakeholders working together to implement the activities identified to achieve the vision of NFIS II. A governance structure and monitoring framework are needed to aid in this implementation.

Governance structure

Below is the governance structure and make-up of the various groups that will support the implementation of NFIS II.

National financial inclusion steering committee

The role of this high-level steering committee is to provide the strategic vision, support and resources for implementing the National Financial Inclusion Strategy. The Steering Committee, which will meet at least twice annually, has the ultimate responsibility for the implementation of the strategy and will report on the progress of the strategy to other parts of the government. Financial inclusion is a clear mandate for

the country's broader development plans; therefore, the steering committee ensures the highest visibility of the strategy and goals for financial inclusion. The membership of the Steering Committee is as follows:

1. Minister of Finance, Planning and Economic Development – Chairperson
2. Governor BoU – Co-Chairperson
3. IRA Chief Executive Officer – Member
4. URBRA Chief Executive Officer – Member
5. UMRA Executive Director – Member
6. CMA Chief Executive Officer - Member
7. FIA Executive Director - Member
8. NIRA Executive Director – Member

Inter-institutional Committee on Financial Inclusion

The Inter-Institutional Committee on Financial Inclusion (IICFI) is the technical committee and coordination mechanism that brings together the various stakeholders involved in implementing NFIS II and promoting the financial inclusion agenda in the country. The committee will be responsible for strategic and operational oversight of the implementation and all decision-making based on recommendations from the working groups. Representatives of the committee members should be at the senior management level.

The IICFI oversees the work of the NFIS secretariat, working groups and the financial inclusion forum and is the liaison to international activities on financial inclusion. The IICFI will submit an annual report regarding the status of financial inclusion in the country, utilising the described monitoring and evaluation framework. The IICFI will be chaired by the Permanent Secretary of the Ministry of Finance, Planning and Economic Development and will meet quarterly (i.e. four times per year). The membership of the IICFI is:

1 MoFPED – Chairperson
2 Ministry of Trade, Industry and Cooperatives
3 Bank of Uganda
4 Uganda Communications Commission
5 Uganda Retirement Benefits Authority
6 Uganda Microfinance Regulatory Authority
7 Microfinance Support Centre
8 Insurance Regulatory Authority
9 National Planning Authority
10 Financial Intelligence Authority
11 Ministry of Gender, Labour and Social Development
12 Ministry of Education and Sports
13 Ministry of Agriculture, Animal Industry and Fisheries
14 National Information Technology Authority
15 National Payment System Providers Association
16 Financial Information Technology Providers Association
17 Association of Microfinance Institutions Uganda
18 Uganda Bankers Association
19 Uganda Insurers Association
20 Uganda Cooperative Savings and Credit Union
21 Development Partners (FSD Uganda, UNCDF, World Bank, FAO, Care Uganda, etc.)

NFIS Secretariat

Global best practices in implementing financial inclusion strategies have indicated that a sufficiently resourced secretariat is needed. The secretariat will maintain membership within each working group and take ownership of maintaining and reporting the activities of the working groups. This will ensure that outputs under each intervention area are met, and the working groups are held accountable. For Uganda, the NFIS Secretariat is housed at BoU. It will have full-time staff whose three main functions are:

1. Coordination and reporting - The NFIS secretariat will provide secretarial services at all levels of the governance structure and will be responsible for coordinating between the different stakeholders under each working group. The secretariat will also be responsible for reporting on the progress of each working group and the overall strategy.
2. Monitoring and evaluation - A monitoring and evaluation team will also be in place. The team will be responsible for developing a financial inclusion dashboard. The team's core responsibilities are to collect the relevant data, analyse, coordinate with other data teams and the Uganda Bureau of Statistics and maintain the dashboard for accurate reporting and tracking of the various financial inclusion indicators.
3. Communication - The NFIS secretariat will communicate financial inclusion efforts to all internal and external stakeholders and the public. The communication team will play a key role in ensuring the strategy's accountability and providing public updates on progress.

Financial Inclusion Forum

The Financial Inclusion Forum is neither a formal committee with membership nor an organisation, but rather an avenue for discussion, review, and debate of financial inclusion initiatives. The forum intends to have a place to share knowledge, build support and obtain stakeholder feedback on financial inclusion developments in Uganda which working groups should bring forth. The Financial Inclusion Forum should convene once a year through a workshop or conference.

Working groups

There will be five working groups co-chaired by representatives from the public and private sectors. The working groups will be on 1) Reduce exclusion and access barriers to formal financial services, 2) Deepen and broaden usage of quality and affordable formal financial products, 3) Strengthen financial consumer protection and financial literacy, 4) Develop an inclusive green finance market 5) Promote gender inclusive finance. Each working group will be responsible for developing an action plan with specific, measurable, achievable, relevant and time-bound goals and objectives.

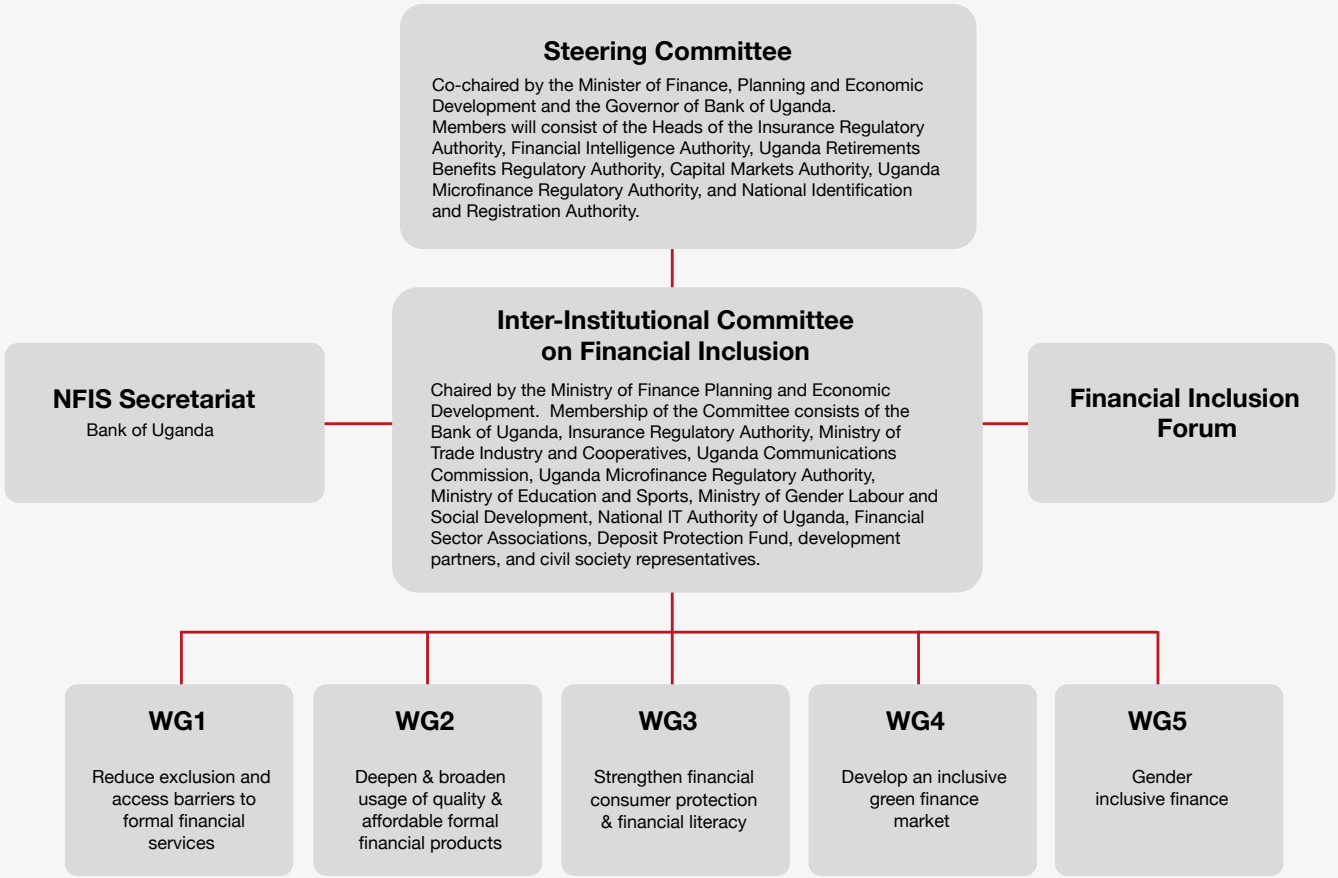
Participation in the working groups will be on volunteer and institutional representation basis. The preliminary composition of the working group established by the Inter-Institutional Committee on Financial Inclusion is provided in the annex. Respective associations may be involved as co-chairs and senior management-level representation is expected.

While the working groups will serve as an avenue for consultation and review, some activities may require one organisation to implement regulations/directives unilaterally. In contrast, others will be cross-functional, with one working group being identified as the lead.

With the approval of the National Financial Inclusion Steering Committee, the IICFI may create or disband the existing or add new ad hoc working groups and determine the composition of them from the private and public sectors as needs dictate. The working groups will meet and report quarterly to the IICFI/Secretariat on their progress.

The figure below shows the governance structure for the NFIS II.

Figure 14: The NFIS II coordination structure



Observers:

The role of observers in the financial inclusion strategy will be to monitor the strategy's progress and provide feedback/advice to stakeholders. The observers main role will be to identify areas for improvement and recommend changes to the strategy to ensure it effectively meets its objectives. In addition, observers can play a role in advocating for greater financial inclusion, raising funding and participating as working group members. Observers will include, but not be limited to:

1. Alliance for Financial Inclusion
2. CARE
3. Financial Sector Deepening Uganda
4. GIZ
5. International Fund for Agriculture Development
6. International Labour Organisation (ILO)
7. United Nations Capital Development Fund (UNCDF)
8. World Bank
9. WFP & UNHCR
10. UN Women
11. Cash Working Group

Implementation risks

Several risks threaten the new strategy's successful implementation. Understanding these risks and developing risk mitigation strategies is important to ensure NFIS II is carried out successfully. These risks and proposed mitigation approaches are summarised below

Table 3: Implementation risks and mitigation measures

Risk	Description	
Unexpected and changing macroeconomic conditions	Macroeconomic conditions leading to high interest rates, tight liquidity, economic shocks (such as COVID-19, Ukraine-Russia conflict) and diversion of financial sector policy prioritisation away from financial inclusion.	
Fiscal conditions	Tight fiscal conditions could lead MoFPED to prioritise spending on other areas not aligned with financial inclusion goals	
Lengthy parliamentary processes	Legal and regulatory reforms require parliamentary approval (i.e. at the Ministry of Justice or Parliament)., and there can be delays in legislative review and subsequent enactment and implementation	
Poor and unreliable, or lack of necessary infrastructure	Limited and poor telecommunications and internet network coverage, and access to electricity	
Lack of buy-in from the public sector	Not enough political engagement at several levels needed to move the financial inclusion agenda forward. There is a risk that the NFIS II will be seen as another BoU "project".	
Lack of buy-in, ownership and commitment from key stakeholders throughout the implementation period 2023 - 2028	Lack of commitment from the steering and inter-institutional committees as well as working groups, can derail progress. The ETE showed that, at times, the relevant stakeholders did not commit strongly to the implementation process or lost interest for various reasons during NFIS I	
Limited human resources and capacity	Without proper staff levels or qualified staff, there is a risk that implementation will be slow and challenging	
Budgetary constraints	Without proper clarity among the stakeholders about budget responsibility for NFIS implementation, stakeholders may assume that there is a national budget allocation for activities. This leads to inadequate budgetary allocation for activities.	

	Risk level	Mitigation approaches
	High	• BoU has taken appropriate actions to correct macro-imbalances. BoU should have a contingency plan to mitigate any negative impact(s) from macroeconomic outcomes to support the implementation of the strategy.
	High	• The BoU has committed to funding the secretariat, and the government has highlighted financial inclusion as a priority. • Funding from development partners is likely to be available to support the implementation of selected activities.
	High	• Initiatives to improve communication with relevant institutions, including parliamentary committees, will be undertaken • Formally engage relevant parliamentary committees on recommended policy/regulatory instruments when approval is required
	High	• Engage key players such as UCC, NITA-U, Ministry of Energy and Mineral Development and telcos as part of working groups
	Medium	• Outcomes are linked to NDP III and other national strategies to hold relevant government agencies accountable. • All stakeholders, including BoU, must understand their roles and responsibilities, be committed, and be accountable for delivering on the expected outcomes. • Annual forums to assess implementation and secure continued buy-in from the political sphere
	Medium	• Awareness raising and prioritisation of NFIS agenda by high-level “champions” within each institution. • Balanced ownership and accountability of working groups by selecting industry stakeholders as co-chairs • As part of its functions, the NFIS secretariat will ensure clear communication and develop appropriate financial inclusion communication material • Clear ToRs should be developed for each working group with clear roles and responsibilities • Selection of co-chairs of each working group will be made based on their commitment and willingness to the promotion of financial inclusion • Working groups are limited in size to industry players who are vetted as relevant and active in driving change
	Medium	• BoU will ensure appropriate staffing of the NFIS secretariat for implementation of the strategy. • NFIS secretariat will seek commitments from partners for technical assistance, as needed.
	High	• Implementing stakeholders should estimate the cost of each initiative and the overall total for implementing the activities of NFIS to inform either the national budget allocation or a fiscal commitment from the implementing agencies. Stakeholder buy-in and incentives through ‘impact award’ to agencies that manage to carry out their assigned activities with their budgets are key to ensuring budgetary commitments are adhered to by implementing agencies.

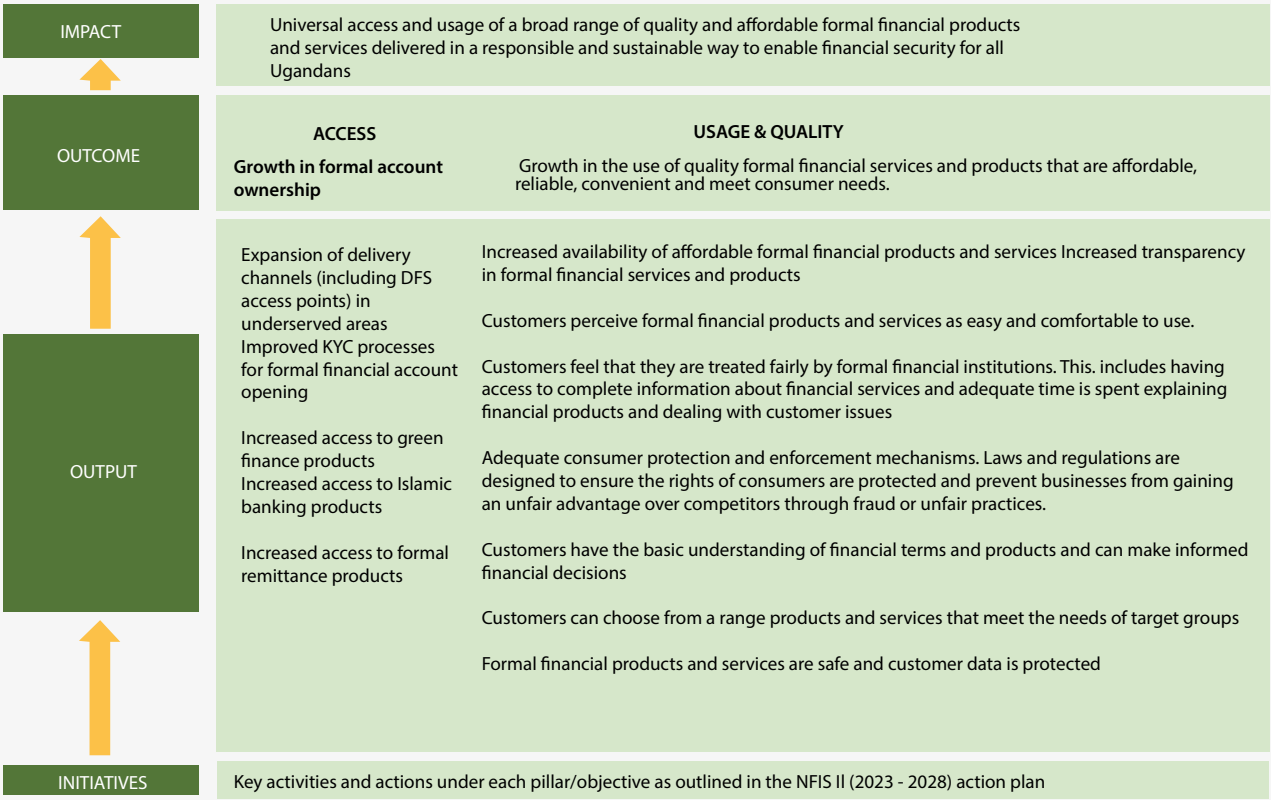
6. MONITORING AND EVALUATION SYSTEMS

Successful implementation of NFIS II requires that progress is measured accurately and that the results of each intervention are communicated effectively. A monitoring and evaluation (M&E) framework which demonstrates and highlights the delivery of NFIS II will be used to track progress and ensure that activities are implemented, and the objectives and targets are achieved. This framework is also important for stakeholder mobilisation and ensuring international consistency. Information gathered through this process will feed back into implementing NFIS II to support evidence-based decisions and policy making.

The monitoring and evaluation framework is influenced by the following Theory of Change (ToC), which illustrates how NFIS II will achieve its impact goal of ensuring universal access and usage of a broad range of quality and affordable formal financial products and services by all Ugandans and consequently lead to their financial security.

The ToC is a comprehensive description and illustration of how and why a desired change is expected to happen. It takes a bottom-up approach to map out initiatives that will be undertaken. It describes how these initiatives will result in specific outputs and, ultimately the path to key outcomes and long-term impact. This ensures that the strategy is elaborate about achieving the final objectives effectively, understandably, and reliably. In addition, the ToC ensures that the outputs and outcomes of the strategy are measurable through a set of elaborated indicators as outlined in the M&E indicators. The NFIS II ToC is shown below.

Figure 15: NFIS II Theory of Change II



A strong measurement and evaluation system is needed to track progress relative to the objectives and key performance indicators (KPIs). To monitor progress, each working group will report its progress quarterly to the NFIS Secretariat. On a bi-annual basis, the NFIS Steering Committee will prepare a report on its activities and progress towards the KPIs, and other pertinent indicators identified below. This will require regulatory reporting to be adapted to collect supply-side data that can help to measure financial inclusion indicators. Tracking progress on an ongoing basis will aid in identifying successful programs that can be replicated, obstacles that need to be removed, unintended consequences that result, or tactical re-adjustments required.

While data on the banks is generally available, better information on the size, scale, and impact of SACCOs, MFIs, VSLAs, less formal consumer lenders, and insurance and retirement benefit providers is needed. Conducting a full demand-side financial inclusion survey at least every three years to measure progress is key to the measurement and evaluation framework. Demand-side surveys will focus on uptake, usage, and satisfaction with products to aid in assessing the implementation of NFIS II. The Inter-Institutional Committee on Financial Inclusion will take responsibility for this and explore options for conducting the survey using existing or new resources.

Financial inclusion data and learnings from each working group and implementation of activities will be shared with the inter-institutional committee, steering committee, and other necessary stakeholders to ensure continuous improvement. That feedback will be incorporated to create a more inclusive financial system. Data will also be shared with the private sector to aid in their business expansion plans.

The table below provides a summary of the core performance indicators that have been established as goals for NFIS II. The 2028 target goals have been established by analysing past growth of financial inclusion indicators in Uganda, assessing the progress made in NFIS I as depicted in the ETE report and reviewing the financial inclusion indicators of other reference jurisdictions in the Sub-Saharan region.

Table 4: NFIS II Core Performance Indicators

Dimension	KPIs	Source	Baseline	Target 2028
Access	Increase access to formal FIs (banks, non-banks including mobile money)	Findex Survey	66% (2021)	75%
	Grow access to formal FIs (banks, non-banks including mobile money) for individuals living in rural areas	Findex Survey	61% (2021)	70%
	Increase mobile money account ownership	Findex Survey	54% (2021)	70%
	Increase access points (total number of branches, ATMs, and agents) in rural areas per 100,000 adults)	TBD/ BoU/Finscope Survey	TBD	TBD
	Increase private credit bureau coverage (% of adults)	World Bank Data indicators/BoU	6.9% (2019)	15%
Usage	Increase usage of deposit accounts (excluding mobile money)	Findex Survey	49% (2021)	65%
	Increase usage of mobile money accounts to perform transactions	Findex Survey	71% (2021)	80%
	Increase share of individuals saving at a formal financial institution	Findex Survey	16% (2021)	25%
	Credit accounts at formal FIs per 1,000 adults disaggregated by women, youth, rural, refugees, and MSMEs	BoU/ Finscope Survey	TBD	TBD
	Increase share of individuals who have at least one type of formal insurance product	IRA	5% (2020)	15%
	Increase share of individuals covered by existing retirement benefit arrangement	URBRA	18% (2022)	25%
	Increase the usage of formal remittance services	BoU	79% (2018)	85%
Quality	Increase financial literacy rate (as defined in the financial literacy strategy)	BoU	50% (2020)	70%
	Percentage of clients who believe they have received clear and sufficient information about financial services at the start of the loan contract or product onboarding (% age 16+)	TBD/Finscope Survey	TBD	TBD
	Percentage of consumers with no account because financial services are too expensive (% age 16+)	Findex Survey	37% (2021)	25%
	Percentage of consumers who have contacted a consumer protection authority to solve a problem regarding financial services within the last three to six months and had their problem resolved within two months (% 16+)	TBD/Finscope Survey	TBD	TBD
	Percentage of consumers who have been a victim of cyber security or fraud attacks on their financial account (% ages 16 +)	TBD/Finscope Survey	TBD	TBD

Below is a list of an additional set of non-core financial inclusion indicators. These indicators reflect a broader set of measurement indicators which will be used as secondary measures of the strategy's success. Most indicators do not have baseline data as they are new additions to the financial inclusion strategy. Therefore, these data points will be collected during the next Finscope survey.

Table 5: Non-core financial Inclusion Core Indicators

Dimension	KPIs	Source	Baseline (year)	Target 2027
Access	Grow access to formal FIs (banks, non-banks including mobile money) for youth	Findex Survey/ Finscope Survey	TBD	TBD
	Grow access to formal FIs (banks, non-banks including mobile money) for women	Findex Survey/ Finscope Survey	TBD	
	Grow access to formal FIs (banks, non-banks including mobile money) for refugees	TBD/Finscope Survey	TBD	TBD
	Increase coverage of women in the credit bureaus	BoU	TBD	TBD
	Active mobile financial services agent outlets in rural areas per 100,000 adults	BoU	TBD	TBD
	Active banking agent outlets in rural areas per 100,000 adults	BoU	TBD	TBD
	Grow access to Islamic banking products (% individuals 16+)	TBD/Finscope Survey	0% (2023)	20% (2027)
	Grow access to green finance products (% individuals 16+ who have taken out loans or investments for green projects or assets, such as solar panels or energy-efficient appliances etc.)	TBD/Finscope Survey	TBD	TBD
Usage	% of adult women with at least one type of regulated deposit account	BoU	TBD	TBD
	Credit accounts at formal FIs per 1,000 adults disaggregated by women	BoU	TBD	TBD
	% of adult women with at least one type of regulated credit account	BoU	TBD	TBD
	% of adult youth (18 -30) with at least one type of regulated credit account	BoU	TBD	TBD
	% of adults living in rural areas with at least one type of regulated credit account	BoU	TBD	TBD
	% of women using formal savings channels, excluding mobile money	TBD/Finscope Survey	14% (2021)	25%
	% of adults with emergency savings	TBD/Finscope Survey	TBD	TBD
	% of women using at least one insurance product from formal financial institutions	Finscope Survey/ IRA	TBD	TBD
	% of women with at least one pension product	URBRA/Finscope Survey	TBD	TBD
	% of adults using an investment product	Finscope/CMA	TBD	TBD

	% of women with at least one type of investment product	CMA/Finscope Survey	TBD	TBD
	% of MSMEs with a loan or line of credit disaggregated by women and youth	BoU/Finscope	TBD	TBD
	% of smallholder farmers with a loan or line of credit disaggregated by women and youth	BoU/Finscope	TBD	TBD
	% of adults using formal remittance services disaggregated by women and youth	BoU	TBD	TBD
Quality	Financial literacy rate (as defined in the financial literacy strategy) for women and youth	BoU	TBD	TBD
	Digital literacy rate (% of women and rural adults that indicate that they can make use of digital devices such as smartphones, computers and navigate digital platforms)	TBD/Finscope Survey	TBD	TBD
	Percentage of women and rural clients who believe they have received clear and sufficient information about financial services at the start of the loan contract or product onboarding (% age 16+)	TBD/Finscope Survey	TBD	TBD
	Percentage of women and rural clients with no account because financial services are too expensive (% age 16+)	TBD/Finscope survey	TBD	TBD
	Percentage of women and rural clients who have contacted a consumer protection authority to solve a problem regarding financial services within the last three to six months and had their problem resolved within two months (% 16+)	TBD/Finscope Survey	TBD	TBD
	Percentage of women and rural clients who have been a victim of cyber security or fraud attacks on their financial account (% ages 16 +)	TBD/Finscope Survey	TBD	TBD

The following mechanisms will be in place to ensure accountability:

1. Indicators on the Financial Inclusion Dashboard will be reported on and updated quarterly.
2. Quarterly reports will be published based on the reported data to provide updates on developments in implementing the strategy, accomplishments, and progress on financial inclusion.
3. A mid-term evaluation to assess the progress of the NFIS II will be conducted.
4. A final term evaluation will assess the NFIS II's success and overall state of financial inclusion in the country.

7. IMPLEMENTATION PLAN

Achieving broad-based financial inclusion is crucial in promoting Uganda's economic growth and development. Despite significant progress in recent years, various challenges remain to achieve greater financial inclusion for marginalised communities. However, the government of Uganda and stakeholders across the financial sector have recognised the importance of improving access to financial services and have developed a comprehensive action plan to enhance financial inclusion over the next five years.

In this section, we will outline the broader actions that stakeholders will take to i) Reduce exclusion and access barriers to formal financial services, ii) Deepen and broaden the usage of affordable and quality formal financial products iii), Strengthen financial consumer protection and literacy, iv) Develop an inclusive green finance market, and v) Promote gender inclusive finance. The initiatives are organised and based on the strategy's objectives. A priority is assigned to each activity, as well as a responsible stakeholder(s) and estimated timeframe for completing the initiatives. The list of specific actions, to be discussed and refined by the working groups are detailed in the appendix.

It is important to note that any stakeholder cannot achieve advancing financial inclusion in Uganda alone. It is imperative for all stakeholders, including the government, financial institutions, civil society, and development partners, to work together towards a common goal of achieving greater financial inclusion. By pooling resources, sharing knowledge and expertise, and coordinating efforts, stakeholders will be better equipped to address the financial inclusion challenges faced by Ugandans. Ultimately, this collaborative approach will facilitate sustained progress towards building a more inclusive financial system that benefits all Ugandan communities.

Table 6: List of NFIS (2023-2028) Initiatives

NO.	STRATEGIC INITIATIVES	KEY INITIATIVES	EXPECTED OUTCOMES	PRIORITY	DUE DATE	RESPONSIBILITY
1.0 STRATEGIC OBJECTIVE 1: REDUCE FINANCIAL EXCLUSION AND ACCESS BARRIERS TO FORMAL FINANCIAL SERVICES						
1.1	Increase the number and variety of financial products/solutions targeted to the unserved and underserved market segments in the financial sector	i) Policy and regulatory incentives to encourage research and development towards more inclusive financial products/ solutions.	Improved policy, Legal & regulatory environment for financial inclusion	High	Jun-2025	MoFPED, MoJCA, MTIC, FSRs, FSAs, UCC, FSPs, DPs
		ii) Technical assistance and grants to Financial Service Providers (FSPs) focused on the development of more inclusive financial products/solutions.	Increased access to formal financial services by the unserved and underserved market segments	High	Jun- 2028	
1.2	Introduce more efficient and inclusive financial sector customer on-boarding mechanisms and systems	i) Strengthen and harmonise/ standardise the application of tiered Know-Your-Customer (KYC) regulations among FSPs.	Efficient and harmonised/standardised application of tiered KYC among FSPs.	High	Jun-2025	FIA, FSRs, FSAs, UCC, NIRA, NITA, URSB, FSPs, DPs
		ii) Strengthen the existing and broaden access to the national identity database and company registry by FSPs especially those operating in unserved and underserved regions.	Increased access of FSPs to the NIRA database	High	Jun-2025	

		iii) Strengthen the existing electronic Know-Your-Customer (e-KYC) infrastructure and support its rollout to unserved and underserved regions.	Increased access and utilisation of the e-KYC infrastructure by FSPs especially in the unserved and underserved regions	High	Jun-2026	
1.3	Expand and roll out of the existing financial sector agent networks to unserved and underserved regions (especially rural areas)	i) Policy incentives to encourage the development of agency networks in the unserved and underserved regions	More efficient and inclusive access and utilisation of payments and banking agent networks especially in the unserved and underserved regions	High	Jun-2025	MoFPED, MoJCA, BoU, UCC, FSPs, PSPs, Infrastructure Providers (IPs) such as Interswitch and Agency Banking Companies
		ii) Strengthen the existing payments and banking agent networks to serve more customers.		High		
		iii) Roll out new payments and banking agent networks to the unserved and underserved regions.		High		
1.4	Expand and roll out existing internet and digital infrastructure to and/or adoption of digital financial services by unserved and underserved areas (especially rural areas)	i) Strengthen and expand telecommunications infrastructure to the unserved and underserved regions.	More efficient and inclusive access and active usage of digital financial services especially in the unserved and underserved regions	High	Jun-2026	MNOs, FSPs, PSPs, Infrastructure Providers (IPs), MoFPED, MoJCA, MICT, NITA-U, FSRs, FSAs, UCC
		ii) Strengthen and expand internet infrastructure to the unserved and underserved regions.		Medium		
		iii) Develop the National Payment Switch		High	Dec-2024	
		iv) Policy and regulatory incentives to encourage adoption of digital financial services.		Medium		
		v) Support the development of an efficient data ecosystem that allows for data sharing and data-driven business decisions in the financial system		Medium		

2.0 STRATEGIC OBJECTIVE 2: DEEPEN & BROADEN THE USAGE OF QUALITY & AFFORDABLE FORMAL FINANCIAL PRODUCTS						
2.1	Facilitate and promote the active usage of financial services by the unserved and under-served market segments in the financial sector	i) Policy, legal and regulatory reforms to drive the active usage of financial services.	(i)Improved policy. legal and regulatory environment for active usage of financial services (ii)Increased active usage of financial services by the unserved and underserved market segments	High	Jun-2025	MoFPED MoJCA, MTIC, FSRs, FSPs, FSAs, UCC, FSPs, PSPs, PSFU Development Partners
		ii) Technical assistance and grants to Financial Service Providers (FSPs) to develop more customer-centric business models and financial products/solutions to drive uptake by the unserved and underserved market segments.		High	Jun-2025	
		iii) Strengthen existing (e.g., Emyooga, ACF, UAIC etc..) and or develop new credit facilities to provide subsidized credit		High	Dec-2025	
2.2	Facilitate and promote the development of best practices in collateral management	i).Technical assistance and grants to Financial Service Providers (FSPs) to adopt alternative forms of collateral (e.g., moveable assets, digital data trails etc.)	Increased access and usage of alternative collateral arrangements	Medium	Jun-2026	MoFPED, URSB, ,UWRSA, MTIC, FSRs, FSPs, FSAs,
		ii). Build the capacity of the Moveable Collateral Registry and the Uganda Warehouse Receipts Authority			Dec-2024	
2.3	Facilitate and promote the development of efficient credit information markets	i). Technical assistance and grants to Financial Service Providers (FSPs) to adopt credit reference bureau services (CRB)	i) Increased access and usage of credit reference bureau services	High	Mar-2025	BoU, UMRA, MoJCA, MTIC, CRBs, ACPs, FSPs

3.0 STRATEGIC OBJECTIVE 3: STRENGTHEN FINANCIAL CONSUMER PROTECTION AND FINANCIAL LITERACY						
3.1	Develop and implement a comprehensive consumer protection legal framework.	i) Assess the existing financial consumer protection landscape and develop the financial consumer protection legal framework.	Enhanced consumer satisfaction and trust in the formal financial institutions	High	Dec-2025	FSPs, FSRs,FSAs, MoFPED, MTIC, NPA, Development Partners, Other key Private and Public entity Stakeholders
		ii) Establish toll-free lines to receive complaints, use of live chats, and other digital platforms to reach customers through various platforms on time.		High	Dec-2024	
		iii) Conduct a feasibility study for developing a Twin Peak regulatory model where the financial sector prudential and market conduct arms of supervision are separated.		High	Dec-2024	
3.2	Implement financial literacy interventions especially among women, youth, rural areas, the elderly, PWDs, and forcibly displaced persons, among others.	i) Increase collaboration of financial literacy activities among regulators, financial associations, development partners and FSPs and implement financial literacy campaigns.	Enhanced financial literacy of Ugandans.	High	Jun-2028	FSPs, FSRs, FSAs, MTIC, Development Partners, FLAU, NCDC, MoES
		ii)Establish a fund for the implementation of Financial Literacy activities by all financial sector players.		High	Jun-2025	
		iii) Support the development and rollout of digital financial literacy programs/tools.		High	Dec-2024	
		iv)Conduct the financial capability survey(s).		Medium	Dec-2024	
		v) Conduct a pilot test on the efficacy and usage of a financial consumers reference bureau/desk where consumers can receive advice on financial products and services, fees, penalties, repercussions to non-adherence, financial and digital literacy and consumer rights.		High	Jun-2025	

		vi) Incorporate FL in the upper primary and upper secondary school's curriculum.		High	Jun-2026	
3.3	Evaluate the Financial Literacy Strategy (2019-2024) and design the third strategy for financial literacy (2025 - 2029). The strategy will complement NFIS II and ensure that there is no duplication of efforts.	Review second strategy and formulate the 3rd National Financial Literacy Strategy 2025 – 2030	Continuity in the implementation of the FL initiatives in Uganda.	Medium		FSPs, FSRs, FSAs, Development Partners, FLAU, Other key stakeholders
4.0 STRATEGIC OBJECTIVE 4: DEVELOPING AN INCLUSIVE GREEN FINANCE MARKET						
4.1	Enhance awareness among financial services providers, industry stakeholders and consumers on green finance	i)Technical assistance and grants to enhance the capacity of financial literacy trainers on green finance taxonomy.	Increased awareness of green finance among FSPs and adult population	High	Dec- 2024	MoFPED, NEMA, aBi Finance Ltd, Development Partners, FSRs, MTIC
		(ii) Review and incorporate green finance in the financial literacy curriculum.		High	Dec-2023	
4.2	Facilitate and promote the uptake and usage of green finance products	(i)Technical assistance and grants to Financial Service Providers (FSPs) to adopt green finance lending.	Increased access to and usage of affordable and quality green finance products	High	Dec- 2025	MoFPED, MTIC, NPA, FSPs, FSRs, FSAs, Development Partners, FLAU, Other key stakeholders
		(ii)Policy and regulatory Incentives to encourage adoption of green finance products.		High	Jun-2026	
		(iii) Conduct a feasibility study to develop a carbon sequestration market in Uganda.		High	Jun-2025	
		(iv)Improve the availability and quality of data on environmental risks and opportunities for sustainable development.		High	Jun-2026	
5.0 STRATEGIC OBJECTIVE 5: PROMOTE GENDER INCLUSIVE FINANCE						
5.1	Financial literacy and digital literacy training for all genders in their diversity.	i) Review and harmonise a comprehensive curriculum that covers essential financial literacy and digital literacy modules.	i) Access to financial tools and digital. devices by women and girls improved	Medium	Dec- 2025	MoFPED, MTIC, MoGLSD, FSPs, FSRs, FSAs, Development Partners, FLAU, Other key stakeholders

		ii)Ensure that training programs are accessible to beneficiaries of all genders.	ii)Women and girls have the confidence and skills to use financial services. iii)Women and girls have access to relevant information through multimedia and other channels.	Medium	Dec- 2025	MoFPED, MTIC, MoGLSD, FSPs, FSRs, FSAs, Development Partners, FLAU,
5.2	Increase/improve Access and Affordability of gender-responsive financial services	i)Access and create localised and gender-responsive content (training materials, policies, guidelines etc) perceived as valuable for women. ii) Create and leverage market-based / sustainable partnerships to lower the total cost of transactions, mostly for Digital Financial Services.	i)Gender-transformative attitudes that empower women and girls to have control over financial resources enhanced. ii)Capacity of men, boys, women and girls to actively use digital financial services improved. iii) Harmful gender norms limiting women and girls in accessing digital financial services addressed.	High	Dec- 2025	MoFPED, MTIC, MoGLSD, FSPs, FSRs, FSAs, Development Partners, FIDA, FLAU, Other key stakeholders
5.3	Supportive social context and regulatory environment	i) Develop, and deploy strategies that sensitise men, boys	i) i) Evidence Based innovations, products, and solutions. ii)Enabling policies, guidelines and laws for supporting men, boys, women and girls	High	Dec- 2025	MoFPED, MTIC, MoGLSD, FSPs, FSRs, FSAs, Development Partners, FLAU, Other key stakeholders
		and other "gatekeepers" to the benefits of women's access to financial services.		High	Jun-2028	
.		ii) Promote women's ownership of productive assets and ensure women gain and retain control of their financial resources.		High	Jun-2028	
		iii) Strengthen women's agency to voice their issues related to financial and digital literacy		High	Jun-2028	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8. APPENDIX

Action Plan

Table 7: List of specific initiatives

No	Initiative	Priority	Responsibility	Target date (TBD)
Working Group 1: Reduce financial exclusion and access barriers to formal financial services				
Outputs: - Increased access to formal financial products - Expansion of delivery channels (including DFS access points) in underserved areas - Improved KYC processes for formal financial account opening				
1	Develop a uniform insurance package to cover agents against fraud and risks associated with cash in transit.	High	ABC, FSPs, and IRA	
2	Encourage partnerships between FSPs to use the same agents. This will reduce the costs of delivering services through agent banking.	High	UBA, ABC, AMFIU, FSPs	
3	Develop and promote adult-supervised accounts and products for youth (16-17) within the confines of the current constitutional framework.	High	FSPs	
4	Support and ease the registration process for prospective rural bank agents. Reduce the initial registration costs for businesses that want to register as agents and provide support throughout the registration process.	Medium	URSB, BoU and FSPs	
5	Establish a modality for FSPs working with rural bank agents to reduce the costs of obtaining printing devices and develop insurance products for these devices.	Medium	FSPs, UBA and Regulators	
6	Continue expanding digital infrastructure (i.e. mobile hotspots, electricity and fibre connectivity etc.) in rural areas.	High	MoICT, the Ministry of Energy and Mineral Development and the Rural Electrification Agency	
7	Develop pay-as-you-go models for mobile phone financing and solar-powered charging devices	Medium	PSO/PSPs and FSPs	
8	Accelerate national ID registration by providing sufficient capacity to NIRA through funding and upgrading the software being used to capture National IDs'	High	Ministry of Internal Affairs, NIRA	
9	Fast-track the AML regulation amendment for tiered KYC requirements.	High	MoFPED, FIA	
10	Fast-track the passing and implementation of Takaful to broaden the insurance products available in the market.	High	IRA and MoFPED	
11	Fast-track the development of SACCO and MFI Islamic regulations.	High	UMRA, MoFPED	
12	Provide capacity building to MFIs to resolve issues that prevent their access to the NIRA database.	Medium	AMFIU and UMRA	

No	Initiative	Priority	Responsibility	Target date (TBD)
13	Develop an alternative online solution to access the national ID database without the need for API integration and upgrade the current API system to allow verification of information such as dates of birth, passports, and refugee IDs. All relevant APIs should be accessible through the application and data integration platform (UG-HUB).	High	Ministry of Internal Affairs, NIRA and NITA-U	
14	Develop a liquidity facility to ensure sufficient liquidity within the agent network to minimise liquidity shortfalls within rural and peri-urban areas. This facility could be built on a mobile money platform to make it accessible to agents in remote areas. Incentives such as reduced interest rates or rewards for timely repayments will be explored to encourage agents to use the liquidity facility responsibly.	High	UBA, PSOs, FSPSs, and ABC	
Working Group 2: Deepen and broaden the usage of quality and affordable formal financial products				
Outputs: Increased availability of affordable formal financial products and services Increased transparency in formal financial services and products Customers perceive formal financial products and services as easy and comfortable to use. Customers can choose from a range of products and services that meet their needs Formal financial products and services are safe and customer data is protected				
1	Formulate and implement a deliberate policy to phase out cash transactions for G2P, B2G and P2G payments. This will set the pace for other categories of payments.	High	MoFPED and BoU	
2	Review and reform the mobile money tax and replace it with higher duties on all charges and fees levied by banks and PSO/PSPs.	High	MoFPED	
3	Develop a comprehensive, interoperable merchant acceptance framework, which ties in with the national switch and includes digital payments by merchants through innovative methods such as Quick Response (QR) codes, Tap on glass and Unstructured Supplementary Service Data (USSD) solutions.	High	BoU	
4	Continue strengthening established credit funds that fund underserved target groups such as small-scale farmers, MSMEs, women and youth entrepreneurs and individuals living in rural areas. These include ACF, Emooyga, PDM, The Small Business Recovery Fund (SBRF), the Women Fund under the Uganda Women Entrepreneurship Programme (UWEP), the Youth Fund as well as the Operations Wealth Creation (OWC) program. The relevant stakeholders will review these funds to establish if there is no duplication of efforts and consolidate funds where possible.	High	BoU and the MoFPED	
5	Commission a deep dive assessment of the movable asset-based lending market in Uganda to uncover and address supply-side and demand-side challenges that limit the usage of the registry.	High	BoU, UMRA and URSB	
6	Implement the legal and regulatory framework that was passed for creditors' rights and insolvency proceedings and assess their effectiveness.	High	BoU	
7	Fast-track the drafting of the agricultural finance policy to ensure issues related to credit access through the UWRS are resolved and streamlined.	High	MoFPED	

No	Initiative	Priority	Responsibility	Target date (TBD)
8	Strengthen the capacity of the UWRS to ensure it is fully operational and engage key players to understand the issues affecting uptake and provide capacity-building and awareness of the system and the opportunities it presents for prospective borrowers and credit providers.	High	UWRSA, MTIC	
9	Conduct a pricing analysis of the cost drivers of remittance services and promote joint efforts on the part of stakeholders to bring down prices, especially the prices embedded in foreign exchange margins and commissions paid on those margins.	High	BoU	
10	Work with FSPs to improve transparency in remittance service cost comparisons for both account holders and non-account holders, as outlined in the Financial Consumer Protection Guidelines. Efforts will include providing monthly remittance data to the market.	High	BoU	
11	Develop products tailored to members of the diaspora. This includes i) Savings and credit accounts to facilitate remittances to and from family/friends in the home country and other recurrent expenses can be designed to operate based on standing instructions to be executed weekly, monthly, bimonthly, etc. ii) Pensions, life insurance and health insurance for members of the diaspora. Product use cases should be based on remittance usage behaviour.	High	PSOs, FSPs and UFB-MRA	
12	Undertake comprehensive outreach and awareness campaigns in the formal and informal sectors to highlight the benefits of signing up and contributing to voluntary pension schemes.	High	URBRA and NSSF	
13	Fast-track the MDI SACCO regulations to clarify jurisdiction for the regulation of large SACCOs and the role of the registrar of Cooperatives.	High	BoU, UMRA, MoFPED	
14	Work with FSPs to review savings account deposit requirements and develop savings products tailored to low-income consumers	Medium	BoU, UBA	
15	Increase linkages of regulated SACCOs and self-help groups to formal deposit-taking institutions	High	UMRA and FSPs, DPs	
16	Strengthen awareness campaigns on the benefits of investing in CIS to attract more retail investors and promote the use of digital platforms as low-cost distribution channels for these schemes.	High	CMA	
17	Redesign the UAIS to ensure a sustainable funding source and appropriate targeting of farmers who need it most, i.e. small-scale farmers.		MoFPED	
18	Conduct a landscape assessment of fintechs providing or developing micro-insurance solutions and establish avenues for collaboration and support to scale the availability of micro-insurance products.	High	IRA and FITSPA	
19	Review and reform the fixed stamp duty on motor and general insurance.	High	MoFPED & IRA	
20	Run nationwide sensitisation workshops (demand and supply side) on the cost of not having a funeral cover and incorporate key messaging into financial education activities. The demand for such products should spur FSPs to develop suitable funeral cover products.	Medium	IRA & FSPs	

No	Initiative	Priority	Responsibility	Target date (TBD)
21	Expand investments in producing high-quality agrometeorological data to enable informed decision-making.	High	IRA, UNMA and MoFPED	
22	Conduct a feasibility assessment on the potential for registered SACCOs to act as a delivery channel for formal insurance products.	Medium	IRA and UMRA	
23	Set up more AIC regional offices across the country, especially in unserved regions of West Nile and Eastern.	Medium	AIC	
24	Work with FSPs to develop more flexible and consumer-centric micro pensions schemes and expand their reach beyond Kampala while strengthening the regulatory and supervisory framework.	Medium	URBRA and FSPs	
25	Explore ways to use the tax system to address the inadequate level of pension savings and encourage individuals to save for their retirement. This will be considered alongside a costs-benefits analysis on the future savings on state resources for caring for citizens in their old age against the current loss on current tax resources.	Medium	MoFPED	
26	Review and pass the Competition Bill, which was recently referred to the Parliamentary Committee on Trade, Industry and Cooperatives for processing.	High	GoU	
27	Conduct sensitisation workshops with FSPs on the existing regulatory sandboxes and encourage FSPs to participate in the sandbox to introduce innovations.	Medium	BoU and IRA	
28	Establish a framework for sandbox regulator collaboration to make the process seamless for FSPs with products that require cross-sectoral approval. Regulators should consider appointing cross-functional department heads who represent specific regulators in the approval process on a case-by-case basis.	Medium	BoU and IRA, Other Regulators	
29	Conduct a review of the NPS ACT to determine if, and to what extent certain regulations if at all, stifle innovation and compliance.	Medium	BoU	
30	Fast-track a comprehensive financial services pricing review study to determine if, and to what extent, FSPs, including MNOs, set pricing and accessibility in a manner which excludes rivals.	Medium	BoU, Development Partners and UCC	
31	Conduct a comprehensive review of the regulator fees to determine if and to what extent these fees unnecessarily increase the costs of financial services.	Medium	BoU, UCC, UMRA, IRA	
32	Conduct the next Finscope survey and widen the scope to include new dimensions on access, usage, and quality of remittances (with data disaggregated by gender and international versus domestic), inclusive green finance, consumer protection, MSME finance and DFS	High	BoU	Dec-2023
33	Fast track and prioritise the development of the national switch.	High	BoU	

No	Initiative	Priority	Responsibility	Target date (TBD)
34	Develop an innovation fund under a PPP arrangement with donor support to drive innovations in product design and business modelling targeted to rural and peri-urban areas with a focus on strategic economic sectors, value, and supply chains. This fund will support innovation and make strategic investments in formal financial institutions keen on rolling out these innovations in rural and peri-urban areas.	Medium	BoU, the MoFPED and Development partners	
35	Conduct market research and segmentation to identify and support economic sectors, value and supply chains that would catalyse growth in financial inclusion and financial sector development. These are critical in providing sustainable, effective demand for formal financial services.	Medium	BoU, the MoFPED and Development partners	
Working Group 3: Strengthen financial consumer protection and financial literacy				
Outputs: • Customers feel that they are treated fairly by formal financial institutions. This includes having access to complete information about financial services and ensuring adequate time is spent explaining financial products and dealing with customer issues • Adequate consumer protection and enforcement mechanisms. Laws and regulations are designed to ensure the rights of consumers are protected and prevent businesses from gaining an unfair advantage over competitors through fraud or unfair practices. • Customers have a basic understanding of financial terms and products and can make informed financial decisions				
1	Develop a comprehensive consumer protection regulation that has enforceable measures for regulators to assess and impose penalties on financial institutions for designing and selling products that cause customer detriment.	High	BoU, UMRA, IRA and DPs	
2	Conduct a feasibility study for developing a Twin Peak regulatory model where the financial sector prudential and conduct arms of supervision are separated.	Medium	BoU	
3	Continue with financial capability interventions to promote financial literacy, digital literacy, and financial confidence, especially among women, youth, those in rural areas, the elderly and forcibly displaced persons, among others.	High	BoU	
4	Increase collaboration of financial capability activities among regulators, financial associations and FSPs to increase awareness of confidence in financial services	High	BoU, UMRA and, UBA, NPSA, AMFIU	
5	Measure the impact of financial literacy initiatives by conducting the financial capability survey regularly to inform the effectiveness of the activities aimed at enhancing financial capability	High	BoU, UBOS	
6	Conduct a pilot to test the efficacy and usage of a Financial Consumers Reference Bureau/desk where consumers can receive advice on financial products and services, fees, penalties, repercussions to non-adherence, financial and digital literacy, and consumer rights.	High	BoU	
7	Engage in awareness campaigns to sensitise the public on the available channels to raise and solve market conduct-related matters when they feel they have been mistreated by FSPs.	High	BoU and other FSP regulators	
8	Address misinformation about bank fees by incorporating general bank account fee ranges in financial literacy educational material which should be updated when relevant.	High	BoU	

No	Initiative	Priority	Responsibility	Target date (TBD)
9	Establish toll-free lines to receive complaints, use of live chats, and other digital platforms to reach customers through various platforms on time.	Medium	All FSP regulators	
10	Evaluate the Financial Literacy Strategy (2019-2024) and design the third strategy for financial literacy (2025 - 2029). The strategy will complement NFIS II and ensure that there is no duplication of efforts.	High	BoU	
11	Fast track the establishment and implementation of information security regulatory requirements to strengthen digital security among FSPs & instil public trust	High	NITA	
12	Assess the impact of regulations that require the use of local data centres for cloud-based services on the cost of providing financial services.	High	BoU	
Working Group 4: Developing an inclusive green finance market				
Outputs: • Increased access to green finance products				
1	Develop and roll out awareness programs to improve understanding of green finance products among financial institutions and industry stakeholders. These programs can provide information on the benefits of green finance products, their risks and potential environmental impact.	High	BoU, UMRA, IRA, and financial sector industry associations	
2	Provide technical assistance and skills development programs to financial institutions to build capacity and expertise in developing and marketing green finance products. Such programs can help financial institutions develop the necessary skills to effectively design, market, and manage these products.	High	BoU, UMRA, IRA, and development partners	
3	Provide financial incentives with tax breaks or subsidies to offset the higher transaction costs associated with green finance products. These incentives can encourage financial institutions to offer these products more competitively, making them more attractive to potential clients.	Medium	FSPs and BoU	
4	Introduce regulatory frameworks for green finance products. This can include introducing new regulations or standards that require financial institutions to disclose the environmental impact of their products, or mandating specific environmental performance requirements that financial institutions must meet to offer these products.	High	BoU, UMRA, IRA	
5	Improve the availability and quality of data on environmental risks and opportunities for sustainable development. This may include initiatives to collect and disseminate data on environmental impacts and efforts to standardise data reporting requirements across financial institutions. Additionally, partnerships between financial institutions and environmental organisations can be established to facilitate greater access to data related to green finance products.	Medium	NEMA, BoU, UMRA, IRA, and development partners	
6	Conduct a feasibility study to develop a carbon sequestration market in Uganda. Developing a carbon sequestration market can potentially increase income opportunities for marginalised groups with access to carbon-absorbing assets.	Medium	MoFPED	

No	Initiative	Priority	Responsibility	Target date (TBD)
7	Establish a Green Finance Guarantee Fund. Setting up such funds will increase the perceived safety level in investing in green finance projects that the population may think are riskier; this will help increase access to finance and encourage the financial sector to capture the opportunities offered by the green economy.	High	MoFPED, BoU and Development partners	
8	Undertake a green finance landscape study. This study will serve as a crucial tool for informing broader green finance initiatives that promote access to financial services and products for marginalised communities. The study should focus on identifying the barriers that hinder the growth of the green finance market in Uganda and offer recommendations on how to overcome these barriers.	High	MoFPED, and development partners	
9	Develop a regulatory framework for green bonds that creates standards for issuers and investors. Establish regulations and guidelines for the issuance and trading of green bonds. The regulations will include the eligibility criteria for green projects, guidelines for project evaluation and selection guidelines, security standards, compliance requirements, reporting and disclosure obligations, and third-party certification standards.	High	CMA	
Working Group 5: Promote gender-inclusive finance				
Outputs: Increased access and usage of formal financial products by women				
1	Engage community structures to establish female role models in leadership positions.	Medium	MGLSD	
2	Implement effective communication strategies that raise awareness on the role of women in society: this should involve broad-based outreach to the public.	Medium	MGLSD	
3	Mobilise mandate that all financial institutions collect sex-disaggregated data and enhance the detail of sex-disaggregated data. Gender-disaggregated data is crucial in designing effective financial inclusion policies that respond to the unique needs of women in Uganda. Regular monitoring will allow for timely identification of weaknesses and hence the rapid implementation of intervention strategies that can bring about the desired change.	High	UBOS, BoU, UMRA, IRA	
4	Ensure equal access for women and men to property ownership. Amend the Succession Act to allow widows to inherit land. To ensure that laws providing equal access to property are enforced, the role of organisations that provide legal aid to women should also be encouraged.	High	MGLSD	
5	Enhance financial literacy programs that target women and provide relevant and timely financial education to increase their knowledge and confidence in financial services and products. Financial education should be designed to encourage more women to use formal financial services, save, invest, and grow their businesses.	High	BoU, UMRA, development partners	
6	Develop more mobile money-based lending products that are accessible and affordable to women, particularly those in rural areas with limited access to traditional banking services. This could be achieved through partnerships between telecom companies, financial institutions, and government agencies.	High	PSOs, BoU	

No	Initiative	Priority	Responsibility	Target date (TBD)
7	Work with financial service providers to develop innovative credit products that meet the specific needs of women and are flexible enough to accommodate informal businesses. Lending institutions can use alternative data such as rent payment or utility bill payment history, business savings records, social data or psychometric data, which are pro-poor approaches when determining creditworthiness.	High	BoU, UMRA and FSPs	
8	Conduct a review and revision of financial sector policies and laws that have any gender-biased mandates that prevent accessible and affordable finance to women.	Medium	MoFPED	
9	Encourage women to form SACCOs under the Parish Development Model through targeted capacity-building programs and set achievement targets for women that can be used to assess achievement under the programme.	High	MoFPED