



THE REPUBLIC OF UGANDA  
Ministry of Local Government



# USERS HANDBOOK

FOR THE PARISH REVOLVING FUND (PRF)  
UNDER  
PDM PILLAR 3 - FINANCIAL INCLUSION

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C/o Ministry of Local Government  
Workers' House, Plot 1, Pilkington Road  
6th Floor, Southern Wing  
P.O Box 7037



ENTERPRISE UGANDA



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# THE PARISH WE WANT



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## List of Acronyms

<b>BDS</b>	Business Development Services
<b>CAO(s)</b>	Chief Administrative Officer(s)
<b>DCO</b>	District Commercial Officer
<b>DUCAR</b>	District, Urban, Community Access Roads
<b>ED</b>	Executive Director
<b>FY</b>	Financial Year
<b>ICT</b>	Information Communications Technology
<b>KCCA</b>	Kampala Capital City Authority
<b>MAAIF</b>	Ministry of Agriculture Animal Industry & Fisheries
<b>MDALGs</b>	Ministries, Departments, Agencies and Local Governments
<b>MDAs</b>	Ministries, Departments and Agencies
<b>MFPED</b>	Ministry of Finance, Planning and Economic Development
<b>MLOG</b>	Ministry of Local Government
<b>MoU</b>	Memorandum of Understanding
<b>MTIC</b>	Ministry of Trade, Industry and Cooperatives
<b>NDPIII</b>	Third National Development Plan
<b>NGO(s)</b>	Non-Governmental Organisation(s)
<b>OPM</b>	Office of the Prime Minister
<b>OWC</b>	Operation Wealth Creation
<b>PDM</b>	Parish Development Model
<b>PDMIS</b>	Parish Development Management Information System
<b>PRF</b>	Parish Revolving Fund
<b>RCC(s)</b>	Resident City Commissioner(s)
<b>RDC(s)</b>	Resident District Commissioner(s)
<b>SACCO(s)</b>	Savings and Credit Cooperative Organisation(s)
<b>TILED</b>	Trade, Industry and Local Economic Development Department at Local government
<b>UAIS</b>	Uganda Agriculture Insurance Scheme
<b>UGX</b>	Uganda Shillings
<b>UWEP</b>	Uganda Women Entrepreneurship Programme
<b>YLP</b>	Youth Livelihood Programme

# SECTION 1

## 1.0 Introduction and background

### 1.1 Background and purpose of the Handbook

This Handbook has been developed, by the PDM Secretariat with technical support from the Ministry of Finance, Planning & Economic Development, Enterprise Uganda and Uganda Development Forum. The Handbook seeks to provide guidance on the lending processes and procedures, under the Parish Revolving Fund (PRF). The Handbook will act as a reference for best practices towards addressing the risks involved in lending to subsistence households in Uganda, as well as for the monitoring and control of the PRF. A series of handbooks will be developed to guide the delivery of the other services to the Citizens under the PDM.

### 1.2 Users of the handbook

This Handbook shall be used by State and Non-State Actors who are interested or engaged in: -

- a) Community sensitization and mobilisation;
- b) Community organisation;
- c) Provision of business development services to Enterprise Groups and PDM SACCOs;
- d) Provision of technical services (e.g., agronomy, food processing, value addition, light manufacturing, etc.) and training to Enterprise Groups and PDM SACCOs;
- e) Provision of financial services (loans, insurance, leasing, payment systems, as well as saving mobilisation) for PDM Enterprise Groups and PDM SACCOs.



### 1.3 What is the Parish Development Model?

The Parish Development Model (PDM) is a Strategy of Government of Uganda for accelerating wealth creation and improving the quality of life of Ugandans **by delivering services closer to all the citizens.**

**The minimum package of services to be delivered under the PDM should enable every citizen in Uganda to have access to the basic human needs of: food, clothes, shelter, medicines, security, physical infrastructure (electricity, roads, rail, ICT), health, education and spirituality.** As such, the services under the PDM will include, but are not limited to:

- a) **Security**
- b) **Law and Order:** police, village courts
- c) **Education:** kindergarten, primary, secondary and technical schools
- d) **Extension, Commercial, and Community Development services:** by crop, livestock, fisheries; BDS, etc.
- e) **Health Care:** public and private clinics
- f) **Roads:** District, Urban and Community Roads (DUCAR)
- g) **Storage:** fresh goods and dry goods
- h) **Environmental services**
- i) **Processing:** cleaning, sorting, drying, packaging and milling
- j) **Energy:** for cooking, lighting and industry
- k) **Information and Communication Technology (ICT):** last mile connectivity infrastructure
- l) **Water:** for domestic use and for production
- m) **Financial services:** savings, credit (including loans), insurance, grants, leasing, digital payment platforms, etc.

The PDM is therefore a model for delivering a package of services to all the citizens, through a decentralized system, in order to foster socio-economic transformation of Ugandans everywhere across the country.

The PDM deepens the decentralization process in line with the National Development Plan. In simple terms, the PDM is a Local Economic Development Model in which the State and Non-State Actors work with the citizens, in their local communities, to identify and address their most critical development needs aligned to the country's National Development Plan and in the process foster socio-economic transformation.

The Parish, which is the lowest administrative unit of government of Uganda, serves as the epicenter for planning, budgeting and service delivery. However, local Plans must be aligned to the development aspirations and priorities of the country, as spelt out in the Third National Development Plan (NDPIII) or its successor plans. Accordingly, local governments shall guide the citizens in the process of planning for their local communities. However, when it comes to budgeting, the higher local governments shall prioritise those needs that are aligned to the country's priorities under NDPIII.

## 1.4 The Goal of PDM

The Goal of the Parish Development Model (PDM) is, “to increase household incomes and improve the quality of life for all Ugandans by bringing services closer to them”.

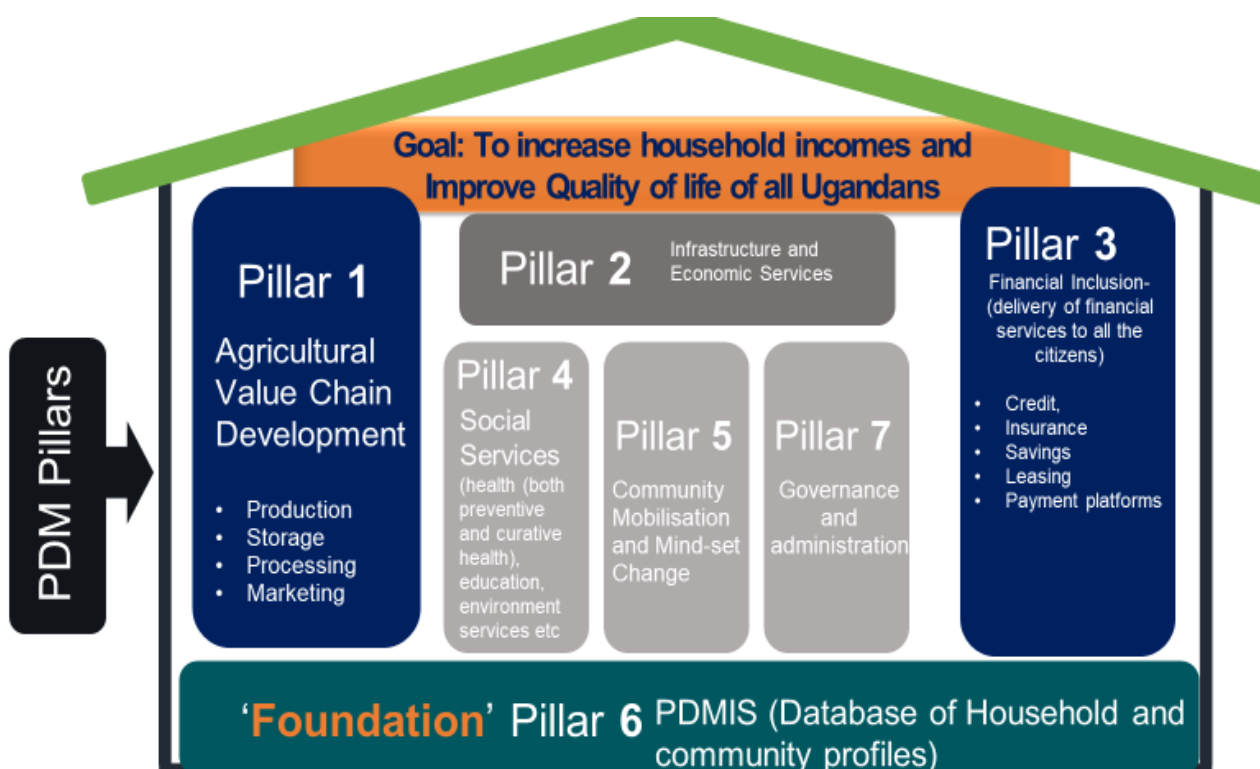
## 1.5 The Seven (7) Pillars of the PDM

Delivery of the above mentioned services, under the PDM, is anchored on the following seven (7) pillars: -

- a) **Pillar 1: Agricultural Value Chain Development** (Production, storage, value addition, processing and marketing)
- b) **Pillar 2:** Infrastructure and Economic Services
- c) **Pillar 3:** Financial Inclusion
- d) **Pillar 4:** Social Services such as education and health (both curative and preventive health)
- e) **Pillar 5:** Mindset change and crosscutting issues

- f) **Pillar 6:** Parish Development Management Information System (PDMIS)
- g) **Pillar 7:** Governance and administration.

The details can be found in the respective Operational Manuals for each of these pillars and shall be made available to the citizens through local government structures. The seven pillars are illustrated in the figure below:



## 1.6 Who is the PDM for (Target beneficiaries)?

Delivery of services under the PDM is intended to **benefit all Citizens** of Uganda in a given parish across the country.

The only exception are the loans to be offered under the Parish Revolving Fund (PRF) (see section 3 below). **The PRF is to be solely accessed by subsistence households in the Parish i.e. loans under the Parish Revolving Fund must only be extended by the PDM SACCO to subsistence Households.** However, the rest of the Pillars will benefit all citizens in the Parish. On what the PDM SACCO is, please see section 2.1 below.

The PRF is a component of Pillar 3 of the PDM and it targets **subsistence households who will access cheap loans from the fund.** Apart from the PRF, other components of the Pillar 3 are savings, insurance, leasing, payment systems.

Therefore, under Pillar 3, all Ugandans (i.e., parish residents) will be encouraged to save, to use subsidized agriculture insurance under the Uganda Agriculture Insurance Scheme, use payment platforms, access leasing products, seek grants and borrow money from other sources other than the PRF. **The Parish Revolving Fund is for subsistence households ONLY.**

## 1.7 Is there a separate budget for the PDM?

There is no separate budget for the PDM. This is because PDM is not a standalone program but a Strategy for delivering services closer to the people, using a one-government-approach to socio-economic transformation. The deliverables and interventions for PDM shall be aligned to those under the Implementation Action Plans for each of the Programmes (PIAPs) of the Third National Development Plan (NDPIII). The combined contributions of each of the interventions are expected to trigger the desired impact in the parishes.

As such, all Ministries, Departments, Agencies and Local Governments (MDALGs), must align their plans, interventions and budgets to the implementation of the PDM. Efforts must be made by MDALGs to plan their activities and budget for these activities in such a way that will deliver services closer to the people.

Non-State Actors and Development Partners, will also be encouraged to align their programmes, projects and budgets to the PDM implementation in order to avoid duplication and distortions at the Parish level.

# SECTION 2

## 2.0 Overview of Financial Inclusion Pillar (Pillar 3)

The PDM Financial Inclusion Pillar is one of the 7 pillars of the PDM. The Pillar seeks to eradicate poverty and vulnerability in Uganda, by supporting access to financial services (loans, savings, payment systems, insurance and leasing) to Ugandan households that derive their livelihood from the agricultural sector. **These households will be supported to run profitable enterprises at any node of the agricultural value chains, which should eventually lead to the transformation of many households from working for food alone, i.e., “the stomach” (subsistence living ) to working for food and incomes, i.e., “the stomach and money in the pocket” (the monetary economy).**

The PDM Financial Inclusion Pillar uses a holistic approach that involves: -

- a) The delivery of business development services to prepare households for success,
- b) Provision of loans to enable households invest in sustainable agri-based businesses (income generating activities along the agricultural value chain),
- c) Protect farming enterprises from production risks through agriculture insurance,
- d) Deliberate mobilization of savings by households that are stuck in subsistence living,
- e) Promotion of investment and investment opportunities,
- f) Mobilisation of grant funding to finance parish wealth creation plans and
- g) Delivery of digital financial services by digitising all transactions, making it easier for financial services providers to, among other things, know the household better, improve credit profiling and hence rating of households, etc.

## Components of the PDM Financial Inclusion Pillar.

The PDM Financial Inclusion Pillar shall at its full implementation have six components namely:

- i. Community organisation- Supporting households to organise themselves into PDM Enterprise Groups and PDM SACCOs. This also includes strengthening PDM Enterprise Groups and PDM SACCOs.
- ii. Business Development Services (BDS) and Financial Literacy.
- iii. Provision of affordable loans and grants. This includes, among others, the Parish Revolving Fund. It should also include loans from retail and wholesale lenders such as Micro-Finance Support Centre Ltd.
- iv. Savings mobilisation and encouraging the citizens to invest their savings through incentive mechanisms and financial education.
- v. Digital financial services using the Integrated Financial management and payment system.
- vi. Agriculture insurance.

The PDM Financial Inclusion Pillar will therefore promote savings, insurance, grants, leasing, digital payment systems, loans, as well as business development services to all the citizens. **These services will be delivered through the PDM SACCO.**

### 2.1 What is a PDM SACCO?

The PDM SACCO is a special type of Cooperative for purposes of carrying out more than one activity or objective (multi-purpose cooperative) and is registered under the Cooperative Societies Act, as amended. It is owned and controlled by its members (PDM Enterprise Groups). These members will have an equal say in how the PDM SACCO is run for the promotion of their collective economic interests.

#### 2.1.1 Why the PDM SACCO?

As a multi-purpose cooperative, the PDM SACCO shall link households in a given parish, through their Enterprise Groups, to quality inputs, insurance, leasing, payment systems, tailored Business Development Services, Technical services

(including extension services, value addition services, Quality assurance etc), guaranteed markets, grants, appropriate loan financing and savings.

The PDM SACCO seeks to: provide goods and services to its members aimed at increasing production and productivity, reduce post-harvest/production losses and link production to profitable markets. The PDM SACCO will prevent the exploitation of the weaker members of society and protect the economic rights of the citizens both as producers and consumers and in the process eliminate the unnecessary profits of middlemen in trade as well as commerce and share this among the members.

## 2.2 What are the seven (7) Principles of the PDM SACCO?

Like all cooperatives globally and in Uganda, PDM SACCOs operate under the following seven (7) International cooperative principles:

- i. **Voluntary and open membership:** The PDM SACCO is open to anyone in the Parish, who is able and willing to use its services and is willing to accept the responsibilities of membership.
- ii. **Democratic member control:** PDM SACCOs are controlled by their members, who set the policies and make decisions. Elected representatives are accountable to the members, who have equal voting rights; “one member, one vote”.
- iii. **Member economic participation:** Members contribute equitably to and democratically control, the capital of their cooperative/ PDM SACCO. They allocate surpluses to develop the PDM SACCO and derive benefits in proportion to their transactions with the PDM SACCO.
- iv. **Autonomy and independence:** PDM SACCOs are self-help organisations controlled by their members. If they enter into agreements with government or any other organisation, they do so on terms that ensure democratic control by their members. **The State and Non-State Actors shall not interfere with the operations of the PDM SACCO. Instead these will mobilise and support households, to form PDM Enterprise Groups and empower the PDM SACCOs (through provision of training to manage their own affairs, grants (e.g. the Parish Revolving Fund), loans to the PDM SACCO and lines of credit, etc.**

- v. **Education, training and information:** PDM SACCOs provide education and training to their members, elected representatives, managers and employees, so that they can contribute to the development of their cooperative. They inform the public, particularly young people, women and opinion leaders, about the nature and benefits of cooperation.
- vi. **Cooperation among cooperatives.** PDM SACCOs serve their members by working harmoniously together locally, nationally, regionally and internationally in order to serve their members better.
- vii. **Concern for community.** While focusing on member needs, PDM SACCOs work for the sustainable development of their communities/parishes.

### 2.3 What are the values of the PDM SACCO?

Like any other cooperatives, PDM SACCOs operate under the following six (6) values:

- a) **Self-help:** The PDM SACCOs are established on the principle of self-help where members will help themselves while also helping each other.
- b) **Self-responsibility:** PDM SACCOs are based on the idea that each individual member is individually responsible within the group.
- c) **Democracy:** All PDM SACCO members have equal control, and no one holds more power than the others. Members choose representatives by way of voting, and each individual has one vote per election.
- d) **Equality:** Each member of the PDM SACCO will benefit from the same rights, based on their level of contribution.
- e) **Equity:** The PDM SACCO will treat all members fairly, without any form of discrimination hence creating a harmonious relationship among all members.
- f) **Solidarity:** The PDM SACCO is a unified cooperative where all the individuals support one another and working with other cooperatives, they form a united network.



## 2.4 How is the PDM SACCO different from ordinary SACCOs and Emyooga SACCOs?

The PDM SACCO is incorporated **as a multi-purpose cooperative** under the Cooperative Societies Act. It is distinct from ordinary SACCOs and Emyooga SACCOs, in that *it is a centre for integrated delivery of a package of agri-based services (not just financial services like ordinary SACCOs) at the Parish for any citizen (not just subsistence households) who is able to use these services through an enterprise group.* The PDM SACCO operates within the boundaries of a given parish and it is named after the Parish that it serves e.g. Kagerekamu-Ssekanyonyi PDM SACCO serves members in Kagerekamu Parish, Ssekanyonyi Subcounty in Mityana district.

While ordinary SACCOs and Emyooga SACCOs **only** focus on the provision of financial services, the PDM SACCO is an agri-based multi-purpose primary cooperative set up to:

- a) Increase production and productivity of agricultural enterprises (farming of crops, livestock and fish by members)
- b) Improve post-harvest handling and storage of agricultural products
- c) Improve agro-processing and value addition of agricultural products by members
- d) Increase collective market access and competitiveness of agricultural products
- e) Increase the mobilisation, equitable access and utilisation of appropriate financial services (loans, savings, insurance, leasing, grants and payment systems)
- f) Demand, align and coordinate the provision of technical and business support services in order to ensure good agricultural and business practices as well as appraise impact of the various services to the members
- g) Provide economic infrastructure such as storage and any other common user facilities for the members.
- h) Engage other partners to extend support to the PDM SACCOs.

All households in a given parish are organised into enterprise groups along the priority **agricultural value chains** e.g. coffee farmers enterprise groups, poultry farmers enterprise groups, nyama choma enterprise groups, banana juice enterprise group, maize millers' enterprise group, etc. For simplicity, these Enterprise Groups (which must be registered by the Sub-County Community Development Office under the NGO Act), come together at the Parish level (as a parish level federation of PDM Enterprise Groups), to constitute the PDM SACCO. Figure 1 below illustrates the organisation of households into PDM Enterprise Groups to form the PDM SACCO:

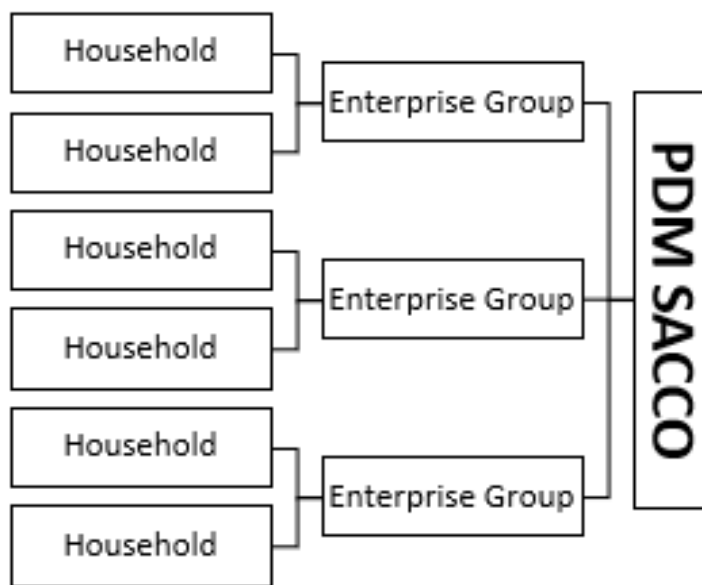


Figure 1: Community Organisation into Enterprise Groups and PDM SACCOs.

### **PDM Enterprise Group.**

A PDM Enterprise Group refers to a group of persons whose members share common objectives and are engaged in common income generating agri-based activities or a range of activities along the agricultural value chain, e.g. coffee farming, storage, value addition of agricultural produce, etc. A PDM Enterprise Group shall comprise of a minimum of 10 and a Maximum of 30 households and shall be registered at the sub-county. The group may take different forms, e.g. farmers' groups, associations, community-based groups, agri-traders' groups, etc. i.e. can be formed by households running an income generating activity at any segment of the agricultural value chain.

Organising households into enterprise groups is intended to attain economies of scale from the small-scale transactions and instituting small group guarantee mechanisms, with a focus on financing very small agri-based businesses by the poor as well as strengthening team work and social bonding among members.

An Enterprise Group can be established by households running a viable business at any segment of the agricultural value chain (below) .



## Household

For avoidance of doubt, a household is defined as an individual (including single people who live alone) or group of persons that live together, cook together and eat together.

## 2.5 What are the Rights & Obligation of the PDM SACCO Member?

### Rights and obligations of a member/member's delegate

A member of a PDM SACCO shall have a right–

- To attend, participate and vote for decisions taken at all general meetings of a PDM SACCO;
- To be elected to organs of the PDM SACCO subject to its Bye- laws, policies and resolutions of the General Meeting;
- To enjoy the use of all facilities and services of the PDM SACCO subject to PDM SACCO Bye laws, policies and resolutions of the general meeting; and
- To access all legitimate information relating to the PDM SACCO.

## Obligations of a member

A PDM member shall–

- a) Observe and comply with all PDM SACCO Byelaws and decisions taken by the relevant organs of the PDM SACCO in accordance with the Byelaws of PDM SACCO.
- b) Pay up for shares or make any other payments provided for in the Byelaws of PDM SACCO.
- c) Patronise the PDM SACCO.

## 2.6 Process for operationalizing the PDM SACCO

### 2.6.1 Sensitization & Mobilization

As part of deepening the understanding of the communities **on matters relating to the operationalisation of PDM SACCOs**, Local Governments (through district level Trainers of Trainers (ToTs)) have trained and will continue training a local team of experts (local experts to undertake this role). The local experts will comprise the Parish Chiefs, Community Development Officers, Commercial Officers and Extension officers, as well as private sector actors such as representatives of Uganda Cooperative Alliance. The local experts will support the operationalisation of the PDM SACCO at the parish level. The local experts together with the local leaders, will continue sensitising and training communities on the operations of the Parish Development Model (PDM), as well as the PDM SACCOs. **Sensitization and mobilization of communities towards the PDM is supposed to be continuous and is expected to take place at the Parish level.** Therefore, this is to be done as the initial activity, prior to all the other PDM activities. The team will continuously encourage the citizens, to form or join PDM Enterprise Groups that should ultimately join the PDM SACCOs.

### 2.6.2 Continuous Formation of PDM Enterprise Groups

The Community Development Officers will continuously work with Extension workers, Commercial Officers, Parish Chiefs, the private sector and civil society organisations to support formation of PDM Enterprise Groups. The PDM Enterprise Groups are members of the PDM SACCOs. Each enterprise group will nominate 3 leaders including the Chairperson, Treasurer and Secretary to represent it as

delegates in the PDM SACCO and for one of them, to stand for elective positions at PDM SACCO level. The PDM Enterprise Groups shall be registered by the Community Development Officers at the Sub-County, as a Community Based Organisation. A copy of the certificate of Registration of the Enterprise Group (together with details of the members of the Group) shall be sent to the Chairperson of the PDM SACCO and to the DCO. The Chairperson shall from time to time update the PDM Member Register and at any available General Meeting shall present the new members to the general assembly for admission into the PDM SACCO.

### **2.6.3 Registration of PDM SACCOs**

The District Commercial Officer (DCO) shall be responsible for supporting the registration of the PDM SACCO at the Local Government level. The Local Government and more specifically the TILED department shall support the office of the Registrar of Cooperative Societies at the Ministry of Trade, Industry and Cooperatives, to complete the PDM SACCO registration process. The DCO will further offer a recommendation for registration of PDM SACCOs, after ascertaining that the preliminary training (Foundation training on SACCO formation) was conducted and the PDM SACCO to be registered meets the minimum requirements.

The registration process shall be completed by opening an account with a Bank of Uganda supervised financial institution of the PDM SACCO members' choice and by ensuring that the PDM SACCO is registered on the government payment system that is hosted by the Ministry of Finance, Planning and Economic Development. The DCO and the Local government accounting officer shall support this process.

### **2.6.4 The First/ General Meeting and Special General Meeting**

The Chairperson of the PDM SACCO will take lead in organising the General Meeting as per the Byelaws and the laws, regulations and established practices that govern cooperatives in Uganda. In this regard, the DCO or her/his representative will technically support the Chairpersons of the different PDM SACCOs in organising the PDM SACCO general meetings.

The General meeting will among others;

- a) Admit new members
- b) Elect Board of the PDM SACCO, Supervisory Board and Sub committees (Loan Sub-Committee, Marketing Subcommittee, Production Sub-

Committee). Election shall be held after a leadership vetting exercise.

- c) Pass resolution to open bank account and naming the signatories to the PDM SACCO Bank account.
- d) Pass any other pertinent resolutions

### **2.6.5 Roles of the Board of the PDM SACCO**

In accordance with the Cooperatives Act 2020, as amended, membership of the Board of the PDM SACCO is supposed to be an odd number with a minimum of 5 and maximum of 9 members.

The Board of the PDM SACCO performs the following functions:

- a) Define, as well as the uphold mission, vision, strategic objectives and policies of the Cooperative, while ensuring that plans conform to them
- b) Approve loans
- c) Review, as well as approve business plans and budgets
- d) Supervise management in the execution of approved plans
- e) Mobilize resources for the Cooperative on behalf of the members
- f) Appoint, appraise and discipline Management.
- g) Monitor the activities of Sub- committees
- h) Draw up long term and annual plans etc.

### **2.6.6 Roles of the Supervisory Board**

The Supervisory Board checks the efficiency & effectiveness of the Cooperative internal control systems. They are usually charged with ensuring that the financial affairs of the PDM SACCOs are handled with prudence, due care & transparency. The Supervisory Board checks on the consistency of the actual operations of the Cooperative, as well as to ensure this supports the vision, mission and strategic objectives of the PDM SACCO.

The Supervisory Board is composed of 3 Members of the PDM SACCO, one of whom must be female. Members of this committee should not serve on other committees since their independence may be impaired. This committee conducts its work on a quarterly basis.

The functions of the Supervisory Board of the PDM SACCO include:

- a) Monitor the management of the Parish Revolving Fund and report to the members at the General Meeting
- b) Check for consistencies in the Cooperative's financial and operating records
- c) Authenticate the cooperative's financial reports
- d) Ensure compliance with operating policies, procedures and expenditure controls
- e) Ensure prudent Asset and Liquidity controls
- f) Regularly inspect books, records and transaction documents of the Cooperative
- g) Monitor lending operations and loan recovery, especially those related to financial documents and records
- h) Check operations of all the PDM SACCO's departments, managers and officers for compliance with the set policies, rules and standards.

## **2.6.7 Roles of the Loan Committee**

The Loan committee comprises of three members who will be selected from the Board of the PDM SACCO. The reason for selecting loan committee members from the Board of the PDM SACCO, is to ensure that the Board of the PDM SACCO to be adequately informed, on a regular basis, and aware of loan applications, appraisal, disbursement, follow-up and recovery.

The functions of the loan committee include:

- a) Carry out Loan appraisal and assessment
- b) Recommend Loan approval by the Board of the PDM SACCO

- c) Carry out Loan follow up and monitoring
- d) Track and enforce loan recovery
- e) Prepare accurate, complete and reliable loan records
- f) Carry out any other duties as may be delegated by the board

### **2.6.8 Capacity building of PDM SACCOs**

Capacity building of PDM SACCOs will be aimed at ensuring that the cooperatives under the PDM have good governance structures, keep records and are trained in loan and default management. Selection of beneficiaries to participate in the different trainings will be based on the functions of the committees and sub committees. A separate handbook on capacity building under pillar 3 will be made available in the offices of the Commercial Officers.

After the trainings, the DCO will submit activity reports to the Pillar Manager for the PDM Financial Inclusion Pillar, highlighting that the different structures have been trained and that the SACCO is now ready to start operations. **Capacity building will however be a continuous process.**

The PRF seeks to help subsistence households earn more money through their own efforts.



# SECTION 3

## 3.0 Understanding the Parish Revolving Fund

The PDM Pillar3- Financial Inclusion includes a **Parish Revolving Fund (PRF)**, through which Government shall provide a conditional Grant, of UGX100million per annum, to each of the gazetted 10,594 parishes in Uganda. Each parish shall have a PDM SACCO and a PRF designated bank account for that PDM SACCO, in a branch of a supervised financial institution that is convenient for the members of the PDM SACCO. The conditional Grant under the PRF shall be deposited directly to the designated PDM SACCO account by the Ministry of Finance, Planning and Economic Development.

The PRF effectively makes the PDM SACCO, as the local Bank/Financial Agent for the Parish under the PDM. The fund shall be used for the sole purpose of lending, by the PDM SACCO, to subsistence households in the parish that have identified (and want to run) viable agri-based income generating activities/enterprises.

The loan under the PRF shall be disbursed to the PDM SACCO, for onward lending to qualifying individual subsistence households within a given Parish. The loan will exclusively be for investment in a qualifying PDM enterprise/business and is repayable to the PDM SACCO in accordance with the agreed terms, so that other members of the community can also have access.

**Once in the Parish, the funds belong to the PDM SACCO to lend to subsistence households that are members of PDM Enterprise Groups in that parish. However, the funds shall be administered in line with set guidelines. *The loans under the PRF will not be free. It is money to be used by subsistence households to finance business activities across the agricultural value chain and the borrower will have to repay this money with interest of 6% per annum.***

When the subsistence household borrows from the fund, the loan shall be used to invest in a profitable agricultural enterprise (at any node of the agriculture value chain), make profit and use this profit to repay the loan on such terms as agreed with the PDM SACCO. The repayment of the loan will then make funds available in the PDM SACCO for other subsistence households in the parish to also access and

invest in the success of their enterprises. As such, subsistence households should access the loans under the Parish Revolving Fund. The households should also be supported by their Enterprise Group/PDM SACCO members and leadership to identify profitable activities to invest in, borrow and work hard repay the loan otherwise they let down the community if they fail to do so. This way the money keeps revolving within the Parish, supporting other households to invest in their agricultural enterprises and hence create wealth at the household and community levels.

**Government of Uganda is using the Parish Revolving Fund to deliberately encourage access to loans by subsistence households in Uganda that derive their livelihood from the agricultural sector and have until recently been financially excluded, unbanked and considered “unbankable” by conventional financial services providers. The PDM SACCO will also help these households to mobilise their own resources and to finance growth from the profits of their enterprises.**

### 3.1 Features of a successful Parish Revolving Fund

- a) **Business principles:** The subsistence households that borrow from the fund, must possess bankable business ideas and plans. Their capacity should be built to generate as well as develop bankable business ideas and plans.
- b) **Promotion of a Savings culture:** The PDM SACCO must promote members savings. Savings can be raised from the profits generated by the member’s business/income generating activity.
- c) **Monitoring and Evaluation:** Peer to peer monitoring of the performance of the businesses that have been funded by the Revolving Fund must be encouraged to ensure that if there are issues these are identified and addressed in a timely manner.
- d) Member mentorship, encouragement and support.
- e) Encourage timely repayments
- f) Proper record keeping

## 3.2 What is a subsistence household?

This refers to households that are engaged in the production of goods and/or services whose returns are only enough or unable to meet their basic food and non-food requirements. They include households engaged in subsistence farming; earning a wage or salary; operating a business; and completely not working.

## 3.3 Laws, Regulations and Guidelines governing the implementation of the PRF

The implementation of the PRF shall be in line with the existing legal framework in the Republic of Uganda including, but not limited, to the following laws, rules, regulations and guidelines;

- a) The 1995 Ugandan Constitution (as amended)
- b) The Cooperative Societies Act
- c) The Cooperative Societies Regulations
- d) The Tier 4 Microfinance Institutions and Money lenders Act
- e) The PDM SACCO Byelaws
- f) The PDM Guidelines
- g) Circulars and Standing Instructions
- h) Resolutions by PDM SACCO General Meetings

## 3.4 The Acceptable Loan Amount

The loan size for each household shall be determined in accordance with the Financial Inclusion Pillar Operational Guidelines and shall depend on the nature of PDM enterprise(s) being undertaken and the available loanable funds at the PDM SACCO. For the benefit of doubt, this amount, including charges and insurance, shall not exceed **1million shillings** per household.

### 3.5 Interest rate charged on PRF Loans

The PRF shall be accessed at a concessional interest rate which is prescribed by the Minister of Finance, Planning & Economic Development and shall be based on the rate of inflation plus 1%. **For the Financial Year 2022/23, this rate shall be fixed at six percent (6%) per annum which translates to 0.5% per month.** This caters for the cost of inflation in the course of implementation of the PRF.

### 3.6 Other fees and charges

To access the PRF, the borrower shall be charged a small fee to cover the costs for the loan application. This shall not exceed Shs. 5,000 and shall be reviewed from time to time. This cost is to cater for reasonable PDM SACCO costs such as stationary, stamping fees, photocopying, etc.

Where the applicant does not have money to pay for these fees, the charges shall be added to the loan. However, the total value of the loan including these charges and insurance shall not exceed 1million shillings.

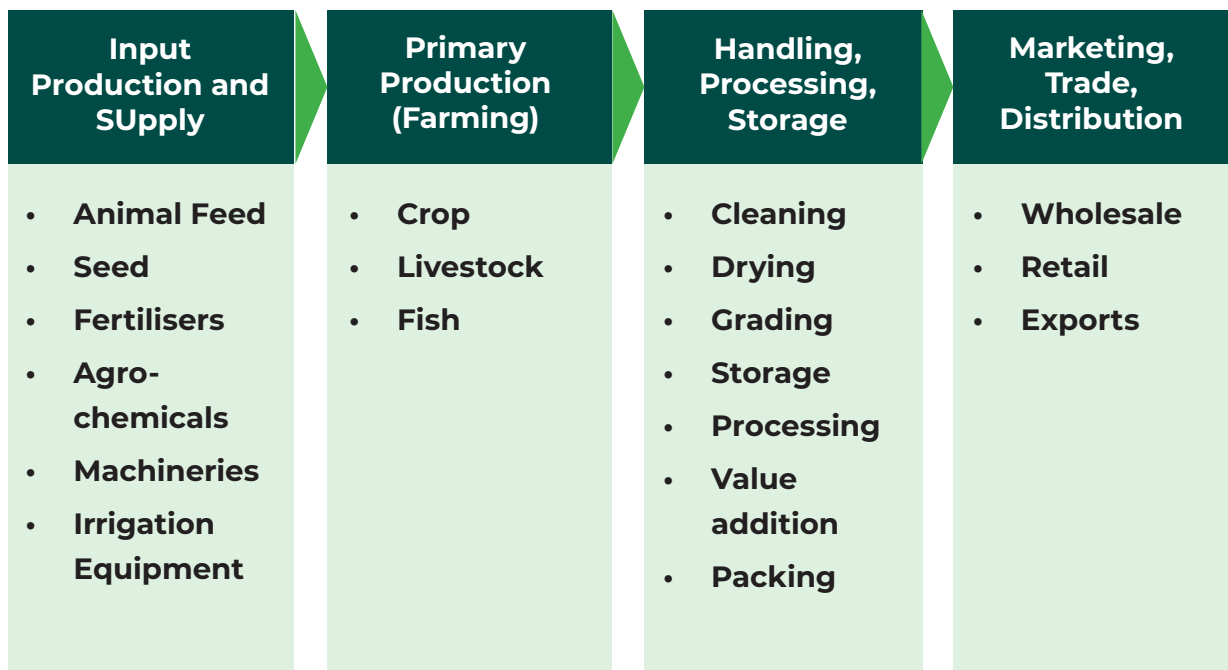
The PDM SACCO shall impose a surcharge of 0.5% per month on PRF loans that are in default. The surcharge shall be effective from the date of the default to the date of payment.

### 3.7 Agriculture insurance

For farming enterprises, the borrower must obtain an agriculture insurance policy under the Uganda Agriculture Insurance Scheme (UAIS). The amount of the applicable insurance premium in this case shall be added to the loan and paid by the borrower. The insurance will cover not only the loan but also the farmer's business in case of occurrence of the insured risk.

### 3.8 Which enterprises are eligible for a loan under the PRF?

The main target of the PDM are subsistence households that operate across the entire agricultural value chain. In order to access services under PDM, the subsistence households will be organized into common Enterprise Groups that are engaged in a common income-generating activity within their locality i.e. at Village/Cell and the Parish Ward levels.



Each Parish shall choose/have flagship projects that will benefit all interested subsistence households. The flagship projects shall be identified and selected by the parish residents in a participatory manner guided by the Commercial Officer, Community Development Officer (CDO) and relevant sector experts.

The flagship projects/enterprises can be in any segment of the agricultural value chain as long as it offers a high return on investment and has an assured verifiable market. Accordingly, a value chain approach shall be promoted. The figure below highlights the possible enterprises that can be established at each node of the value chain.

## Qualifying PDM Enterprises in Rural Areas

In choosing what farming enterprises to undertake **in rural and peri-urban areas**, subsistence households that are involved in farming, are advised to take into consideration land as a factor of production and choose enterprises that offer higher returns per acre, per annum under intensive farming.

### a) Those with less than 4 acres

For farming households which have less than four acres, government recommends the following 7 production lines:

- i. Poultry;
- ii. Fish farming;

- iii. Piggery;
- iv. Food crops;
- v. Zero-grazing dairy cattle;
- vi. Fruits;
- vii. Coffee.

However, these families will have to depend on buying food and other inputs for the livestock (poultry, fish, dairy cattle, and piggery) as well as food for themselves because they do not have enough land. Other production lines outside these 7 identified above will be practiced under extensive farming which is outside the scope of PDM.

### **b) Those with 4 acres**

For subsistence households with 4 acres, the ‘Four-acre model’ will be adopted and applied as follows:

- i. One acre for clonal coffee;
- ii. One acre for fruits (passion fruit, mangoes, oranges and pineapples);
- iii. One acre for food crops for the family (cassava, bananas, upland rice or irrigation rice, Irish potatoes, sorghum or millet);
- iv. One acre for pasture for dairy cattle (eight of them), poultry for eggs in the backyard, piggery, and fish farming along the edges of wetlands (not in centre).

### **Enterprises in Urban and Peri-Urban areas**

In order to enable the subsistence households in urban areas to participate in the PDM, priority shall be given to household enterprises that operate in

**Input Supply (feeds, seeds, fertilizers, etc.), value addition, storage, light processing, cleaning and packaging of (any combination of any agricultural produce. The enterprise could take any form for instance processing of juice (from any agricultural produce), chicken roasting, Chapati making, pop corn business, meat roasting (muchomo), brewing, buying and selling of produce, etc**

### 3.9 What is not eligible for Financing under the PRF

The following are ineligible for financing under the PDM:

- a) School fees and other consumptive loans, e.g. buying phones, etc.
- b) Emergency assistance/relief/medical expenditure/burial expenses
- c) Training and capacity building workshops
- d) Investment in government securities or any such treasury management instruments e.g. fixed deposit accounts etc.

### 3.10 Disbursement of PRF Funds to PDM SACCO Bank Account

The money for each Parish under the Parish Revolving Fund shall be disbursed directly from the consolidated fund (at Bank of Uganda) to the PDM SACCO bank account in a supervised financial institution. The money in the PDM SACCO bank account shall be used solely for on-lending to subsistence households in the parish who are members of any registered PDM Enterprise Group in that parish. For the Financial Year (FY2022/23), initial disbursement of PRF funds to a PDM SACCO Bank Account shall be subject to the following conditions: -

- a) The SACCO corresponds to a Parish on the list of the 10,594 gazetted Parishes;
- b) The SACCO is dully registered under the Cooperative Societies Act and has been issued with a certificate of registration by the Registrar;
- c) The SACCO has an account in a supervised Financial Institution;
- d) The SACCO has signed the PRF Financing Agreement with the Chief Administrative Officer/Town Clerk. The purpose of this Agreement is to formalise the relationship between Government and the PDM SACCOs;
- e) Local Government Accounting Officer has submitted an Attestation Form to confirm that the PDM SACCO was formed in accordance with the issued PDM Pillar 3 guidelines

### **3.11 Conditions for PDM SACCO to access the funds in the bank account- Financial Year (FY2022/23) only**

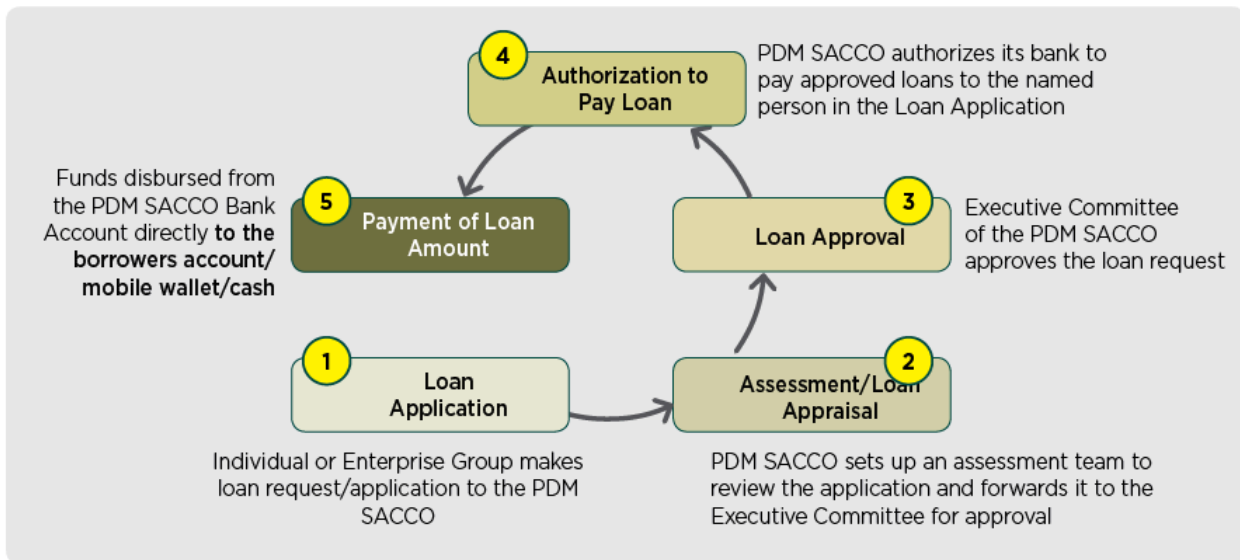
For the Financial Year (FY2022/23), the funds in the PDM SACCO Bank Account will only be made accessible for lending by the PDM SACCO upon presentation to the bank (by the PDM SACCO leadership) the following documents;

- a) Certified copy of the Certificate of Registration for PDM SACCO issued by the Registrar of Cooperative Societies;
- b) Evidence (Minutes) that the First General Meeting was held;
- c) Registered resolution appointing signatories to the PDM SACCO bank accounts and accordingly stamped by the registrar;
- d) Evidence of training for the PDM SACCO Executive and PDM Enterprise Group members (training record).
- e) A letter from the Local Government Accounting Officer that membership of the PDM SACCO and the account details have been verified by the Local Government.



# SECTION 4

## Loan approval process



## 4.0 Loan application, appraisal, approval, disbursement to the borrower and monitoring of PRF Funds

- a) Prior to accessing the PRF, efforts shall be made to sensitize and prepare the borrower for the proper utilization of the PRF. The preparation process of borrowers shall include;
  - i. Sensitization of communities on the purpose/objectives of the PRF, eligible enterprise, loan repayment processes, etc.
  - ii. Enterprise specific trainings by local Subject Matter Specialists/experts. The training will focus on the identification, selection, management and expansion of the PDM enterprise including the profitability analysis.
- b) The responsible Commercial Officer (working with the PDM SACCO Board of the PDM SACCO, Community Development Officers and other

Enterprises subject matter specialists (such as extension/fisheries officers at the sub county)), shall organise regular training sessions for the PDM SACCO and PDM Enterprise Groups.

- c) Training topics include group dynamics, group management, record keeping, basic life skills, conflict resolution, household planning, goal setting and visioning, as well as loan management and financial literacy skills, etc.
- d) Subsistence households forming a PDM Enterprise Group shall be sensitized, by the Community Development Officer, on how such groups operate and shall be encouraged to make regular savings to ensure start-up and continuity of their development income-generating activity.
- e) For groups that engage in farming related business activities, members shall also be sensitized on agriculture insurance and advised that their loan will include a subsidized agriculture insurance product under the Uganda Agriculture Insurance Scheme.

## **4.1 Loan application**

The loan application will be done using the Integrated Financial Management System on the Parish Development Management Information System. As such, all transactions under the PRF shall be digitized.

### **4.1.1 Conditions for the households to access the PRF**

Before applying for the loan under the PRF, the subsistence household must:-

- a) Determine what s/he want to achieve e.g. a preferred future in terms of income, housing, their children (including the children's education and health) and the esteem s/he desires in society
- b) Fix in her/his mind the exact amount of money you desire to earn as a household and the sacrifice or work s/he must put in to earn this money.
- c) Undertake training on possible enterprise to give her/him the desired income and select the best enterprises (or combination of enterprises) out of these based on her/his personal circumstances.

- d) Create a definite plan on how s/he will earn the desired income including the date by when s/he wants to start earning that money and the necessary steps (see Annex to this handbook) that s/he should take, as well as the needed resources, to achieve this target.
- e) Decide who s/he shall work with towards your desired income- family members, friends or other parish residents. If not already part of an enterprise Group operating in the parish, join one.

As such, to access the PRF, To access the PRF, a loan applicant (an individual or PDM Enterprise Group) **must**;

- a) Be a member of a registered subsistence household on the Parish Development Management Information System.
- b) Be a member of a PDM Enterprise Group that is a member of the PDM SACCO
- c) Have a running enterprise and/or a viable business plan.
- d) Have no outstanding loan or defaulted on any loan with the PDM SACCO;
- e) Have fully completed the loan application form
- f) Have been trained on the enterprise for which they intend to borrow (both technical and business training).
- g) Demonstrate preparedness to immediately invest the loan funds into the enterprise for which they intend to borrow, i.e., their non-financial/monetary contribution (Sweat Capital). A standard checklist of the level of preparedness, for farming enterprises, is attached as an Annex to this Handbook
- a) Have a verifiable physical address/ location. Where the household enterprise requires land, the user rights and legal status of the land should be established through a valid agreement on the use of the land. If paying rent for a business property, there must be confirmation that the rent is in line with market prices.

## 4.1.2 Borrowing as a group

While loans under the PRF are to individuals, there is flexibility in management of enterprises at a group level to allow individual members to collectively run the enterprise as a group, e.g. members can run a fish farming business as a group. This means that, the group may decide to apply for a loan from the PDM SACCO to invest in an asset or enterprise that members can own and run collectively, to generate incomes that can be shared among the members.

## 4.1.3 Access of the PRF by the various Special Interest Groups

To ensure inclusion and participation of all subsistence households, the following allocation criteria has been adopted in the utilization of the Parish Revolving Funds by Special Interest Groups: -

- a) Women (30%)
- b) Youth (30%)
- c) Persons with Disabilities and the elderly (10%)
- d) Older Persons (10%)
- e) Men/General Community (20%)

For the avoidance of doubt, the categories of persons listed above are defined to include the following;

- a) Women:** This includes all women from the age of 18 years
- b) Youth:** This includes all persons aged between 18 to 30 years
- c) Persons with Disability:** This includes persons with a substantial functional limitation in their daily life activities caused by physical, mental or sensory impairment and environment barriers. The following is the accepted classification of Persons with Disabilities as provided for in Schedule 3 of the Persons with Disabilities Act 2020 and in accordance with the PDM: -
  - i. Physical Disability caused by cerebral palsy, amputation of a limb, paralysis or deformity.

- ii. Hearing disability including deafness and hard of hearing.
- iii. Visual disability including blindness and low vision.
- iv. Little people.
- v. Albinism.

**d) Elderly:** These are women and men, who are aged 60 years and above.

#### **4.1.4 PRF loan application process**

A step-by-step guide to accessing the PRF Funds is available in Annex 1 to this Handbook. However, the following are the quick steps to be followed by the borrower.

- a) The borrower must undergo training on the enterprise for which they intend to borrow (both technical and business training). The training shall be organized through their Enterprise Group and/or PDM SACCO and can be run by Parish enterprise specific business advisors.
- b) After the training, the borrower shall take steps to prepare their enterprise (sweat capital mentioned above).
- c) The borrower shall obtain a loan application form, together with the business plan template, from the PDM SACCO or the member Enterprise Group.
- d) The borrower shall dully fill in and submit the application form, together with the business plan, to the member Enterprise Group. The Enterprise Group may assist the member to fill out the application form and business plan template. The completed application form must be uploaded onto the Parish Development Management Information System
- e) The Member Enterprise Group Board of the PDM SACCO shall review the loan application and recommend the loan applicants to the PDM SACCO for the PRF loan.

### **4.1.5 Documents to be submitted during the loan application process**

The loan applicant shall be required to submit the following;

- i Loan application form and business plan dully filled by the borrower
- ii A recommendation form dully signed by the Enterprise Group Executive Committee members
- iii A passport sized photograph (s) of the borrower(s)
- iv A copy (copies) of national ID(s) or record of NIN(s)

### **4.1.6 Business property/premises/land**

The household enterprise (or a combination of enterprises) must have a verifiable physical address/ location. Where the household enterprise requires land, the user rights and legal status of the land should be established through a valid agreement on the use of the land.

If paying rent for a business property, there must be confirmation that the rent is in line with market prices.

### **4.1.7 The Securities/Collateral**

The PDM SACCO shall determine its requirement for collateral depending on the loan amounts, products and appraisal report. For the avoidance of doubt: -

- a) The PDM SACCO / PRF loans are basically character loans.
- b) The guarantors are the Enterprise Group members. The members are known third parties who encourage the borrower to meet their loan obligation, beside fear of social backlash.
- c) Guarantees from other household members shall be encouraged.
- d) Where the loan is for purchasing an asset e.g. a cow, value addition equipment such as meat roasting stoves, etc., the asset will be the security for the loan, until the loan is fully repaid. Such an asset shall not be sold without consent of the PDM SACCO. The Uganda Registration Services Bureau (URSB) shall assist the PDM SACCO, to register the security under the Security Interest in Movable Property laws and regulations.

## 4.2 PRF Loan appraisal process

Loan appraisals under the PRF shall be undertaken by the Loan Committee of the PDM SACCO.

All loans provided under the PRF shall be based on a thoroughly vetted assessment of the household income-generating activities (PDM enterprise), against which the business loan is sought. The income-generating activity(activities) must demonstrate capacity to generate profit and be sustainable over time.

### 4.2.1 Factors to be Considered while under taking the Loan Appraisal

In undertaking loan appraisal, the Loan Committee shall consider the following:

- a) Reliability and completeness of information;
- b) Profitability/ cost benefit analysis of the business;
- c) Required loan amount
- d) Repayment plan (number of instalment and value)
- e) A simple business plan,
- f) A Training report (good agriculture practices, as well as good agribusiness practices)
- g) Availability of funds to support the request or application;
- h) The eligibility of the borrower (is the borrower from a known subsistence household in that parish and is able to run a qualifying PDM enterprise);
- i) The entrepreneur's Sweat Capital, i.e., a non-monetary benefit that a subsistence household (PDM entrepreneurs) gives in labour and time, rather than a monetary contribution, that supports the chosen income generating activity.
- j) Character & ability of the borrower;** this shall entail a brief business history, describing the nature of the business and any major recent or proposed changes. This should be included in the business plan and will be gauged by the skills of the borrower, any training received, health and other commitments, experience and track record identifying any gaps and plans for succession.
- k) Performance;** An analysis of estimated operating revenues, costs, assets, liabilities and cash flow explaining issues identified in the trading accounts such as reductions in sales or profits, any losses (post or pre drawings), or other unusual items.

- l) Purpose of the loan;** A clear explanation of the purpose of the loan and the amount required from the PDM SACCO, as well as details of other funding sources and the applicant's stake in terms of 'sweat' capital (See Annex on Sweat Capital). Enterprises that are well capitalised and have a significant personal stake are less likely to fail and therefore are more attractive to the lender or investor.
- m) Serviceability;** Evidence of ability to repay the loan and cash flow projections tested against a range of possible risks. Assessment of the quality of income (stability of revenues and reliability of customers) and control of costs. A secondary source of repayment should also be identified as a contingency (sale of assets, injection of other funds if feasible).
- n) Security;** While borrowers under the PDM are not required to provide collateral, where the loan is to be used to buy an asset e.g., a cow, a machine, equipment, a fish pond etc., the asset will be used as collateral. As such, the PDM SACCO shall review the security available including business assets and, where appropriate, personal assets. Insurance cover such as agriculture insurance for business continuity is mandatory for farming enterprises.
- o) Flexibility for input financing** i.e. priority shall be given to business that provide where the applicant/borrower can be given inputs as opposed to being given cash. In accordance with the Financial Inclusion Guidelines, at least ninety-percent (90%) of the loan should go into the core inputs of the qualifying household enterprise (or a combination of enterprises), as opposed to non-core inputs and administrative expenses. In this case, the value of the service/input is paid to the input providers directly from the amount of the borrower's loan from the PRF. For the avoidance of doubt, the input providers will include certified input dealers (e.g. seed, fingerlings, seedlings, heifers, fertiliser, animal drugs, acaricides), mechanisation, value addition facilities, storage facilities, stock advances for traders, vet services etc.

Upon completion of the appraisal process, the Loan Committee of PDM SACCO shall produce a Loan appraisal report which shall be submitted to the PDM SACCO Executive for consideration. The report shall clearly indicate the number of applications appraised, the number of applications that have passed the appraisal process and those that failed the appraisal process and reasons why they failed.

Only applications that shall have successfully passed the appraisal process shall be forwarded to the PDM SACCO Board of the PDM SACCO for approval.



### 4.3 PRF Loan approval process

The responsibility of approval of applications lies with the PDM SACCO Board of the PDM SACCO and this shall have the powers to approve or reject loan applications received. This will be done collectively. However, the Board of the PDM SACCO can delegate some of its powers to a Loans committee comprising of at least three (3) Committee members. When the Board of the PDM SACCO delegates some powers to management, it must do so in writing and must spell out the various approval limits.

The composition of the Board of the PDM SACCO is provided for in the PDM SACCO Bye Law.

Loan applications shall only be approved when they fulfill the conditions laid down in the Financial Inclusion Pillar Operational Guidelines.

The Board of the PDM SACCO of the PDM SACCO shall meet on an ad hoc basis in regard to the availability of loan applications submitted for approval.

The decision of the Board of the PDM SACCO shall be immediately communicated to the applicant and in any case within 2days of the approval or rejection as the case may be.

### 4.4 Disbursement of PRF to the borrower

Disbursement of loans shall be in accordance with the Financial Inclusion Pillar Operational Guidelines and shall be effected immediately after approval of the loan. The PDM SACCO shall not disburse any loans without entering into a Loan Agreement with the borrower. The co-guarantors and PDM SACCO management must witness the Loan Agreement. For avoidance of doubt, for PDM SACCO loans, co-guarantors are members of the enterprise group to which the borrower belongs.

Among others, the Loan Agreement shall spell out the conditions of the loan, namely the interest rate, the amount, the fees, service charges and commissions that need to be paid, the period of repayment, number of instalments, frequency of payments, collateral and guarantees. It shall also detail the rights and obligations of the PDM SACCO and Government.

The borrower shall indicate where the funds should be paid (input dealer, bank, E-wallet i.e., members Mobile Money Accounts (Phones). **Cash payment to the borrower shall be discouraged to reduce risks.**

***At least ninety-percent (90%) of the budget for the household enterprise should go into the core inputs of the household enterprise, as opposed to non-core inputs and administrative expenses.***

***A Loan Agreement and repayment schedule template will be provided the PDM SACCO***

## **4.5 Monitoring of the PRF**

To enhance the performance of the PRF, the PDM SACCO Board of the PDM SACCO shall prepare and keep proper records on loans disbursed by the PDM SACCO;

While steps may have been taken prior to approval, follow up is key to ensure that the funded enterprise remains viable. As such:-

- a) The Board of the PDM SACCO of the PDM SACCO shall from time to time supervise the performance of the loan by the borrower
- b) The Enterprise Group's Board of the PDM SACCO shall provide close supervision of the loan and ensure loans to their members are recovered.
- c) The Enterprise Group's Board of the PDM SACCO shall monitor on a regular basis the performance of the loan.
- d) The Board of the PDM SACCO of the PDM SACCO shall keep track of the borrower's compliance with the provisions of the loan agreement
- e) Advisory services and financial literacy training as well as technical assistance shall be provided to the borrower through the PDM SACCO and PDM Enterprise Group.

# SECTION 5

## 5.0 Loan Repayment and Recovery

### 5.1 Repayment and Grace Period

The grace period and repayment period shall be determined on a case-by-case basis. The repayment period shall be tailored to the enterprise and shall be agreed on with a PDM Enterprise Group, as well as the PDM SACCO. The determination must be in consideration of the following factors:

- a) The capacity of the borrower to pay the loan during the loan period.
- b) The projected frequency or seasonality of the borrower's income.
- c) The gestation period of the chosen enterprise
- d) The anticipated cashflow pattern' (e.g. daily, weekly, monthly, or annual)

However, the maximum duration for recovery of funds shall not exceed three (3) years, depending on the nature of the household PDM enterprise (or a combination of enterprises). A PDM enterprise (or a combination of enterprises) that require working capital shall be financed for a maximum of 1 year. This shall be required to finance the enterprise's day-to-day operations for example, in acquiring and paying for raw materials, inputs, spares, labour, rent, electricity, etc. **The borrower's enterprises that require support to finance their capital expenditure shall be financed for a maximum of 3 years.** Capital expenditures shall consist of the funds that the business uses to purchase major physical goods that the borrower's enterprise shall use for more than one year. For example, machinery, equipment, live-stock, coffee seedlings, furniture for the business, computers, etc.

## 5.2 Strategies to enhance repayments

There shall be a vigilant collection process for PRF Loans. As such the Board of the PDM SACCO shall: -

- a) Set up a routine loan recovery system with monitoring checklist, to remind borrowers on due dates.
- b) Take necessary steps to know the personality or character of the borrower
- c) Apply peer pressure through the Enterprise Group
- d) Impose time deadlines on all action plans and follow them up.
- e) Have activity guidelines and calendar schedules to be followed by both the Loan Committee and Enterprise Group Board of the PDM SACCO (e.g., 7 days, 14 days, 30 days, 60 days' due dates)

## 5.3 Handling Loan Default

Possible risks to the operation of the PRF include inadequate funding, delays and default on revolving fund repayment, as well as disintegration of the borrowing groups.

A loan shall be considered to be in default when: -

- a) Regular scheduled payment is not made and remains unpaid for more than 90days from the scheduled date of payment;
- b) Loan agreement is violated by the borrower;
- c) Loan period expires before loan is fully paid-off
- d) PDM Guidelines are violated;
- e) Co-guarantors fail to cover the loan balance not paid;
- f) Non-adherence to the PRF MoU/Agreement.

In the case of default, the following actions may be taken;

- a) Prosecution of the borrowers in courts of law
- b) Confiscation (repossession) of assets that were bought using the PDM Loan
- c) Enforcement of recovery by **Group members**; being co-guarantors, in the event that one member defaults, all members will be severally and jointly liable for the repayment
- d) Apply peer pressure from the members of other enterprise groups in the parish who are at a loss when the loan does not revolve at the PDM SACCO level due to defaulting
- e) Blacklisting of the borrower to ensure s/he does not access any more funds from the PRF and any other related initiatives until the loan is repaid in full.
- f) Invoking Government Civil Service Standing Orders for civil servants (e.g., Parish Chief) involved in any malpractice under the PRF.
- g) Claim from the agriculture Insurers- for insured farming enterprises where the loss (which causes the default) has been insured
- h) Suspension of disbursements to PDM SACCOs whose overall compliance level falls below the set fiduciary requirements.
- i) Naming and shaming of individuals, Enterprise Groups, PDM SACCOs and Local Governments in the public media (Newspapers, FM-Radios, TV, etc.).

The PRF shall institute a reward mechanism to promote good performance and compliance. However, the following shall be relevant in the short term: -

- a) Best performing Local Governments and PDM SACCOs shall be issued with certificates of recognition. Additionally, their good performance shall be recognized in the public media (Newspapers, FM-Radios, TV, etc.); and
- b) Good repayment history shall be considered when determining future budget allocations by government.
- c) Best performing enterprise groups and borrowers

# SECTION 6

## 6.0 Other sources of financing for PDM SACCOs and the household

### 6.1 Other potential Sources of finance for PDM SACCOs and/or enterprise groups other than the PRF

Subject to meeting specific conditions, the following are potential sources of finance to the PDM SACCO and/or or enterprise groups:

- a) Financial institutions such as commercial banks and micro deposit taking institutions such as Pride Microfinance
- b) Other government institutions such the Microfinance Support Centre Limited, Uganda Development Bank, etc.
- c) Other wholesale lenders
- d) Donor agencies
- e) NGOs, including faith based organisations and community based organisations
- f) Members subscriptions for capitalization of the PDM SACCO
- g) Savings mobilization from PDM SACCO members

### 6.2 Other potential Sources of finance for PDM Households other than the PRF

Subject to meeting specific conditions, the following are potential sources of finance to the households or enterprise groups on top of the PRF:

- a) Other financial services providers such as banks, microfinance institutions

- b) Other government programmes and initiatives such UWEP, YLP, UGIFT,ACDP etc.
- c) Suppliers- Numerous traders/input dealers who sell goods on credit,
- d) Family i.e. relatives working elsewhere who regularly send remittances.
- e) Friends
- f) Personal savings from working elsewhere, profit from their micro-enterprise which are ploughed back into the business

# ANNEXES

## Steps for establishing a qualifying PDM Farming Enterprise

### 1. Preparation Steps for Coffee Farming Enterprise

- a) Must be **operating a coffee farming enterprise** within that parish. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible opportunities along the coffee value chain and where you want to be
- c) Evidence of access to and right to use suitable agricultural land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM Coffee Enterprise Group operating in the Parish
- f) Undertake relevant practical training on coffee farming and business planning
- g) Awareness of various coffee development initiatives by state and non-state actors
- h) Clear the field and establish the recommended shade trees and wind breakers
- i) Plant a cover crop and attendant Sustainable Land Management (SLM) practices. Seek technical guidance on use
- j) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- k) Space and mark out the rows
- l) Identify source of, or prepare, manure. Seek technical guidance on use



- m) Dig the planting holes (2ft \* 2ft \* 2ft) with the recommended spacing (3M \* 3M) and apply the necessary manure
- n) Make a provision for adequate water for irrigation during dry spells (domestic water harvesting)
- o) Identify and select good planting material from certified coffee nurseries
- p) Upon recommendation of the PDM Enterprise Group, and with evidence of having been satisfactorily supported to undertake the above (Sweat Capital), subsistence household applies for a loan from the PDM SACCO under the Parish Revolving Fund buy planting materials required and other inputs.
- q) Plant the seedlings and manage the coffee garden
- r) Regularly scout for pests and diseases (BCTB, mealy bugs etc)
- s) Manage harvest and post-harvest (only red cherries picked and dried on clean and well managed surfaces). Storage must be in appropriate materials.
- t) Regularly maintain and use basic farm records

## 2. **Preparation Steps for Fruits (mango, pineapples, cashew nuts, avocado) Farming Enterprise**

- a) Must be **operating a fruit farming enterprise** within that parish. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing strategies at individual/ group level
- c) Evidence of access to and right to use suitable agricultural land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM Fruit Enterprise Group operating in the Parish.
- f) Undertake relevant practical training on fruit farming (mango, pineapples, cashew nuts, avocado) and business planning.

- g) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- h) Clear the field
- i) Plant a cover crop and attendant Sustainable Land Management (SLM) practices. Seek technical guidance on use
- j) Space and mark out the rows as recommended
- k) Identify source of, or prepare, manure. Seek technical guidance on use
- l) Dig the planting holes and apply the necessary manure
- m) Identify and select good planting material from certified fruit nurseries
- n) Make a provision for adequate water for irrigation during dry spells (domestic water harvesting)
- o) Upon recommendation of the PDM Enterprise Group, and with evidence of having been satisfactorily supported to undertake the above (Sweat Capital), subsistence household applies for a loan from the PDM SACCO under the Parish Revolving Fund buy planting materials required and other inputs.
- u) Plant the seedlings, suckers and manage the Orchard with exceptional care to the grafting union for grafted seedlings
- v) Regularly scout for pests and diseases (Fruit flies, mealy bugs etc)
- p) Regularly maintain and use basic farm records

### 3. Preparation Steps for Dairy Farming Enterprise

- a) Must be **operating a dairy enterprise** within that parish. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing strategies at individual/ group level

- c) Evidence of access to and right to use suitable farm land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM Dairy Enterprise Group operating in the Parish
- f) Undertake relevant practical training on dairy farming and business planning
- w) Practical training on animal nutrition, fodder production, use and conservation technologies
- x) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- g) Identify and plant appropriate acreage of pastures for the dairy cows
- h) Prepare for feed conservation during periods of scarcity and establish fodder banks
- i) Build the appropriate dairy structures (Shed, water trough, crush, feed troughs, exercise area, calf pane)
- j) Ensure adequate, safe and clean water availability
- k) Select the animal breed
- l) Demonstrated saving capacity to cater for emergencies
- m) Identify and select the animal breed from certified dairy cow-breeders
- n) Identify and select certified suppliers of acaricides, drugs and vaccines for the dairy cow-breeder
- o) Stock appropriate equipment, drugs and acaricides
- p) Upon recommendation of the PDM Enterprise Group, and with evidence of having been satisfactorily supported to undertake the above (Sweet Capital), the subsistence household applies for a loan from the PDM SACCO under the Parish Revolving Fund buy the acaricides, drugs and vaccines for the cow.

- q) Identify and seek help from vet services providers
- r) Maintain proper household-level hygiene and sanitation (Hand washing facilities, pit latrine etc)
- s) Manage the farm and follow good dairy practices
  - i. Bio-safety facilities
  - ii. Milking and milk hygiene
  - iii. Nutrition (feeds and water)
  - iv. Animal health management
  - v. Waste management (potential income source, energy savings and manure)
  - vi. Environment
- t) Regularly observation and timely reporting and management of parasites, vectors and diseases
- u) Regularly maintain and use basic farm records

#### 4. Preparation Steps for Fish Farming Enterprise

- a) Must be **operating a fish farming (aquaculture) enterprise** within that parish. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing strategies at individual/ group level
- c) Evidence of access to and right to use suitable farm land or water body (technical and environmental screening report for suitability and compliance)
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM fish farming Enterprise Group operating in the Parish

- f) It may be an individual or group enterprise
- g) Interest, hard work and Commitment are a must
- h) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- i) Ensure fish pond security against predators, thieves and trespassers
- j) Fish species identification
- k) Suitable site selection
- l) Accessibility of fish handling equipment and gears (sampling nets, harvesting nets, canoes)
- m) Fishponds or cages design and construction
- n) Fish feeds, fish feed quality and feeding
- o) Carrying capacity identification
- p) Stocking the fish pond/ cage
- q) Fish pond/cage maintenance and management (cleaning, feeding, weeding inside and outside the pond, pest management)
- r) Upon recommendation of the enterprise group and having satisfactorily been supported to undertake the above (Sweat Capital), subsistence household borrows money from the PDM SACCO to buy stocking materials required and other inputs.
- s) Water source and water quality management
  - i. Water quality testing
  - ii. Water treatment
  - iii. Security of site
- t) Fish feeds and feeding management

- u) Identify potential markets/ off-takers (identify and sign contracts with buyers)
- v) Regularly maintain and use basic farm records

## 5. Preparation Steps for Poultry Farming Enterprise

- a) Must be **operating a poultry enterprise** within that parish. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing intelligence and strategies at individual/ group level
- c) Evidence of access to and right to use suitable farm land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM poultry Enterprise Group operating in the Parish
- f) Undertake relevant practical training on poultry production, nutrition and management, and business planning
- g) Demonstrated capacity to manage poultry enterprise (knowledge and skills)
- h) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- i) Farm site selection and layout
- j) Identify poultry farm type and breeds
- k) Stock density establishment
- l) Upon recommendation of the enterprise group and having satisfactorily been supported to undertake the above (Sweat Capital), subsistence household borrows money from the PDM SACCO to buy stocking materials required and other inputs.
- m) Appropriate poultry housing structures

- n) Water harvesting structures
- o) Acquisition of poultry tools, equipment, essential drugs and other farm necessities,
- p) Purchase of chicken/ chicks from quality sources (locals, layers, broilers, kroilers) assess the group appropriately
- q) Management system of birds
  - i. Proper brooding facilities
  - ii. Feeds, feed quality and nutrition management
  - iii. Appropriate laying nests
  - iv. Egg handling and management
  - v. Housing management plan
  - vi. Bio-security and bio-safety measures
  - vii. Disease management (vaccination etc.)
  - viii. Regularly maintain and use farm records

## 6. Preparation Steps for Piggery Farming Enterprise

- a) Must be **operating a piggery enterprise** within that parish. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing intelligence and strategies at individual/ group level
- c) Evidence of access to and right to use suitable farm land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM piggery Enterprise Group operating in the Parish

- f) Undertake relevant practical training on piggery farming and business planning
- g) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- h) Access to appropriate low-cost feeds (the farmers must have start-up feeds sufficient to cover the first two months)
- i) Farm size selection and layout
- j) Select the breeds and breeding systems
- v) Stock appropriate equipment, drugs and acaricides
- k) Stock density and production system establishment
- l) Upon recommendation of the enterprise group and having satisfactorily been supported to undertake the above (Sweat Capital), subsistence household borrows money from the PDM SACCO to buy stocking materials required and other inputs.
- m) Best Breeding Management Practices plan
  - i. Feeds, feed quality and feeding management
  - ii. Housing management
  - iii. Pests and disease management
  - iv. Bio-security and bio-safety
- n) Regularly maintain and use farm records

## 7. Preparation Steps for Maize Farming Enterprise

- a) Must be a **crop enterprise farmer** within that parish or has a simple enterprise business plan. The loan is to a family business/ enterprise.



- b) Visioning e.g. think about possible bulking, value addition and marketing strategies at individual/ group level
- c) Evidence of access to and right to use suitable agricultural land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM food crop Enterprise Group operating in the Parish.
- f) Undertake relevant practical training on selected food crop farming (maize, beans, cassava) and business planning.
- g) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- h) Upon recommendation of the PDM Enterprise Group, and with evidence of having been satisfactorily supported to undertake the above (Sweat Capital), subsistence household applies for a loan from the PDM SACCO under the Parish Revolving Fund to buy planting materials required and other inputs.
- i) Conduct field clearance
- j) Conduct first and second ploughing (conventional farming practices) or apply recommended herbicides where minimum tillage (conservation farming practices) is to be applied
- k) Plant the seeds at the recommended spacing at the right time (timely planting)
- l) Mobilise and assemble the weed control inputs (human labour, hoes, knapsack sprayers, selective herbicides)
- m) Conduct weeding operations after weeks of planting depending on the weed situation of the garden. Weed control interventions are more effective when the weeds are young and tender
- n) Regularly scout for pests and diseases (such as Fall Army Worm, maize stalk borer etc)

- o) Mobilise and assemble post harvest inputs (human labour, provision for threshers, bags, tarpaulins, provision for storage facilities, provision for transport)
- p) Harvest maize at its physiological maturity (as will be advised by the agricultural extension workers and or seed companies' agents)
- q) Dry the grain to the recommended moisture content (13.5% East African grain council standard) to avoid buildup of unacceptable levels of aflatoxins.
- r) Make provision for storage pests control as advised by the extension workers. You can make use of the community grain stores where they are available
- s) Make a proportionate provision/reserve for household food security and store the grain in PIC bags (hermetic bags)
- t) Regularly maintain and use basic farm records

## 8. Preparation Steps for Beans Farming Enterprise

- a) Must be a **crop enterprise farmer** within that parish or has a simple enterprise business plan. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing strategies at individual/ group level
- c) Evidence of access to and right to use suitable agricultural land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM Beans Enterprise Group operating in the Parish.
- f) Undertake relevant practical training on bean farming and business planning.
- g) Demonstrated capacity to take care of the enterprise by committing and having back-up labour to assist in all enterprise operations

- h) Upon recommendation of the PDM Enterprise Group, and with evidence of having been satisfactorily supported to undertake the above (Sweat Capital), subsistence household applies for a loan from the PDM SACCO under the Parish Revolving Fund buy planting materials required and other inputs.
- i) Conduct field clearance
- j) Conduct first and second ploughing (conventional farming practices) or apply recommended herbicides where minimum tillage (conservation farming practices) is to be applied
- k) Plant the seeds at the recommended spacing at the right time (timely planting)
- l) Mobilise and assemble the appropriate weed control inputs (human labour, hoes, knapsack sprayers, selective herbicides)
- m) Conduct weeding operations after 2 weeks of planting depending on the weed situation of the garden. Weed control interventions are more effective when the weeds are young and tender
- n) Regularly scout for pests and diseases (such as bean fly etc)
- o) Mobilise and assemble appropriate post-harvest inputs (human labour, bags, tarpaulins, provision for storage facilities, provision for transport)
- p) Harvest beans at its physiological maturity (as will be advised by the agricultural extension workers and or seed companies' agents)
- q) Dry the beans to the recommended moisture content
- r) Make provision for storage pests control as advised by the extension workers. You can make use of the community grain stores where they are available
- s) Make a proportionate provision/reserve for household food security and store the grain in PIC bags (hermetic bags)
- t) Regularly maintain and use basic farm records

## 9. Preparation Steps for Cassava Farming Enterprise

- a) Must be a **crop enterprise farmer** within that parish or has a simple enterprise business plan. The loan is to a family business/ enterprise.
- b) Visioning e.g. think about possible bulking, value addition and marketing strategies at individual/ group level
- c) Evidence of access to and right to use suitable agricultural land
- d) Spousal consent if married (evidence that the enterprise has been selected by the family)
- e) Must be a member of an active PDM Cassava Enterprise Group operating in the Parish.
- f) Undertake relevant practical training on cassava farming and business planning.
- g) Demonstrated capacity to take care of the enterprise by committing and having back –up labour to assist in all enterprise operations
- h) Upon recommendation of the PDM Enterprise Group, and with evidence of having been satisfactorily supported to undertake the above (Sweat Capital), subsistence household applies for a loan from the PDM SACCO under the Parish Revolving Fund to buy planting materials required and other inputs.
- i) Identify the source of cassava cuttings (available certified mother gardens or certified cassava cuttings suppliers)
- j) Conduct field clearance
- k) Conduct first and second ploughing
- l) Acquire the fresh cassava cuttings at the onset of planting season rains and keep them under a shade
- m) Plant the cassava cuttings at the recommended spacing immediately or within 2 weeks after delivery in case of delay challenges
- n) Mobilise and assemble the weed control inputs (human labour, hoes)

- o) Conduct timely weeding operations depending on the weed situation of the garden. Weed control interventions are more effective when the weeds are young and tender. Cassava needs to be weed free for at least the first 5 months after germination/sprouting. With a good cassava canopy, the resulting shade will control emerging weeds.
- p) Regularly scout for pests and diseases (such as white flies – vectors for virus diseases such cassava mosaic, cassava brown streak virus etc)
- q) Based on the purpose of the cassava enterprise selection, fresh cassava tubers will be ready for harvesting at about 1 year old. For enhanced tuber size, the farmer can harvest at 15 – 18 months.
- r) Mobilise and assemble post harvest inputs (human labour, provision for chippers, bags, tarpaulins, provision for storage facilities, provision for transport)
- s) Dry the cassava chips to the recommended moisture content to avoid buildup of unacceptable levels of aflatoxins.
- t) Make provision for storage pests control as advised by the extension workers. You can make use of the community grain stores where they are available
- u) Make a proportionate provision/reserve for household food security in situ (in the garden) or store the dry cassava chips in PIC bags (hermetic bags)
- v) Where substantial value addition is to be considered, the farmer should plan for labour (uprooting, peeling, chipping, washing, drying), tarpaulins, bags, storage and or milling. Postharvest handling of cassava is very complicated where the farmer is to rely on manual labour and the sun for drying especially during the rainy season. With this challenge, the farmer will need to synchronize cassava harvesting with the dry season or partner with cassava agro-processing facilities if available and easily accessible within the region. This is how you avoid increasing aflatoxins to unacceptable levels and that is how we can achieve **High Quality and Safe Cassava Flour** that can substitute for wheat in the baking industry.
- w) Regularly maintain and use basic farm records

**Note:**

1. Different gender have different capacities. It is important to emphasize affirmative action while determining what they can do and how to link them to services
2. A compendium of different businesses along commodity value chains will be developed under Pillar 1 to support decision making
3. In the short term, subsistence farmers should be discouraged from immediately undertaking perennial enterprises as the initial capital outlay is higher the maximum amount that can be borrowed from the PRF and the gestation period is longer than 3 years which is the maximum loan tenor. Instead they should be encouraged to first venture into an enterprise that can enable them to earn and use these earnings to invest in perennial crops in the medium term. They should also be discouraged from undertaking enterprises that require daily feeding (where even their domestic food needs are not met by current production) except for free range poultry and local/mixed breed piggery.



**© The PDM SECRETARIAT  
C/o Ministry of Local Government  
Workers' House, Plot 1, Pilkington Road  
6th Floor, Southern Wing  
P.O Box 7037**