Forex
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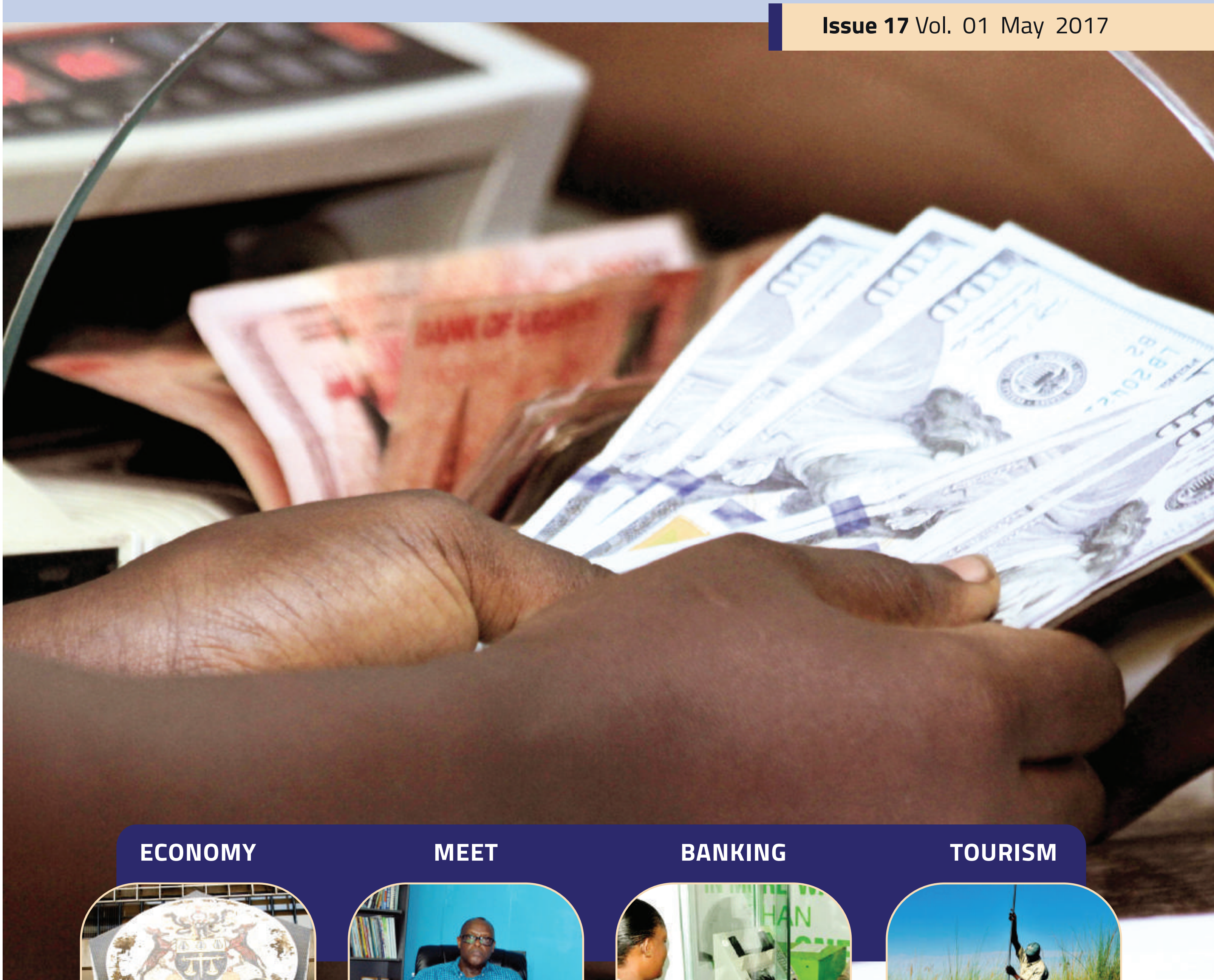

ECONOMY

Bank of Uganda on the edge the Country's **Economy Tumbles**, as firms quit the market

MEET

Stephen Kaboyo News From Anywhere In **The World Can Affect** The Forex Markets

BANKING

Conventional Banking, thrives within an enabling Legal and Supervisory Framework.

TOURISM

Local initiatives scouting the **Country's domestic** tourism

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The Uganda Forex Bureau and Money Remittance Association is an umbrella association of all Forex Bureaus and Money Transfer Operators in Uganda.

The foreign currency exchange business in the country is governed by the Foreign Exchange Act, 2004 and The Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006.

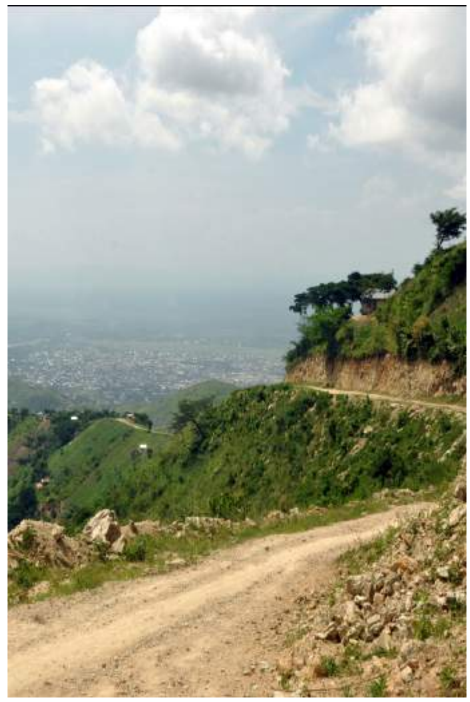
The Bank of Uganda Policy on licensing Forex Bureaus requires that operators must be fully paid up members of the Uganda Forex Bureau and Money Remittance Association.

Uganda Forex Bureau and Money Remittance Association is the publisher of Forex News Magazine, a bi-annual magazine. The Forex News Magazine is a premier business and development magazine published and circulated in Uganda and across the East African Community.

Have an informative reading. For any comments and feedback, please do contact us.

IN THIS ISSUE

ON THE **COVER**



NEWS FROM ANYWHERE IN THE WORLD CAN AFFECT THE **FOREX MARKETS**

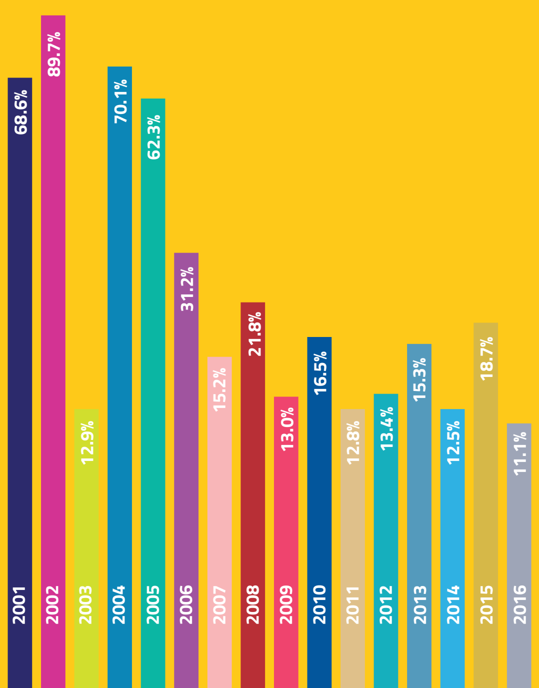
SPORTS BETTING, GIVING KAMPALA YOUTH PROSPECTS OF FINANCIAL FREEDOM

LOCAL INITIATIVES SCOUTING THE **COUNTRY'S DOMESTIC TOURISM**

ON THE EDGE

THE COUNTRY'S ECONOMY TUMBLES, AS FIRMS QUIT THE MARKET

The status of Uganda's national economy continues to stumble, with government efforts to stabilize the economy not yet fully actualized. "The economy is not receding, the disposable income for drinking may not be there but we are not in recession," acknowledged Finance minister Matia Kasaija



In this state, nothing is more telling of the hard times than the number of companies that have either folded, quit the market or are in distress in recent years. So far, at least 20 companies, mainly multinationals and major investors, were at various stages of this cycle, with many more projected to join the list, giving the signal that investors are losing patience with an economy that has failed to transform adequately to provide the necessary demand for goods and services. Defenders of the Uganda economy, however, point out that some of the exits or business failures were caused by a change in global strategies of companies or outright mismanagement.

The most disturbing development started with Bank of Uganda's takeover in October of Crane Bank, the fourth largest commercial bank by assets and fifth by deposits in the country, because the lender had become "significantly undercapitalised." Days later,

BoU Governor Emmanuel Tumusiime Mutebile startled the country when he said that after taking over Crane Bank, the central bank was now "watching another one or two banks" although the Governor's slip followed a disclaimer that Uganda's banking sector was "stable, sound and profitable". The statement was quickly withdrawn or "corrected" by his public relations team.

Crane Bank was the third financial institution to go under in recent years; BoU closed Global Trust Bank in 2014 and the National Bank of Commerce in 2012. Exim Bank (Uganda) Limited took over Imperial Bank (Uganda) Limited in March 2016.

As a sign of low economic activity since beginning of this financial year in July, government has recorded a shortfall of Ush98 billion ($28.5 million) after collecting only Ush2.9 trillion ($843.1 million.

"Yes, we are struggling, but we are not desperate. The situation is under control. As government, we are ready to listen and learn," Finance Minister Matia Kasaija told a joint press briefing with the International Monetary Fund last month.

However, economists argue that while some of the shocks like currency depreciation, decline in global demand and low prices for commodities have affected many sub-Saharan African countries, the country has long lacked a strategy to pull itself out of this hole to achieve structural transformation.
Indeed, the writing was on the wall when airlines like British Airways stopped flights to Entebbe in 2015, while private equity fund Actis sold its stake in power utility Umeme in 2014 to invest in markets with better prospects like Cameroon. Insurance company AIG, 'after careful consideration and in depth

review,' has also quit the Ugandan market. The insurer will not issue new policies for 2017.

Global brand Barclays Bank, which has had a presence in Uganda for decades, is exiting Uganda and other African operations.

However, AIG's exit has been prompted by its global strategy to move out of weaker markets. It is important to note that Barclays is selling its majority stake in Barclay's Africa and therefore not affecting just Uganda.

Meanwhile, oil firms Shell and Caltex exited Uganda and their other operations in Africa, South Africa's Engen did the opposite – left only Uganda but maintained its presence in other African countries.

Kenyan supermarket chain Uchumi closed its operations in Uganda last year, while Kenyan retailing giant Nakumatt is also currently distressed and its stores in Uganda sport empty shelves. The two supermarkets woes can be attributed to mismanagement.

Economists argue that these current hard times are a result of Uganda's failure to achieve structural transformation.

Isaac Shinyekwa, a senior research fellow at the Economic Policy Research Centre, says Uganda's economy is dominated by the services sector, which enjoys a small market share of about 5 per cent, too low to keep multinationals interested.

"All cases of high, rapid and sustained economic growth in modern economic development have been associated with industrialisation, particularly growth in manufacturing," says Mr Shinyekwa, adding that industry — as opposed to services sector — creates employment, which produces a bigger market with the capacity to demand and pay for goods and services.

"As countries develop, the contribution of agriculture to GDP tends to decline. The contribution of the services sector remains stable, because it employs a small section of the population.
But if industry is not growing, then that economy has problems. This is the case for Uganda," Mr Shinyekwa argued at a recent meeting on the East African Community's industrialisation in Kampala.

The scholar added that there is evidence in the recent past that development agencies, policy think tanks, international financial institutions and governments are increasingly arguing the case for structural transformation and industrialisation, to spur development, which in turn encourages investors to keep their money in an economy.

For years, Uganda had some of the most impressive economic growth on continent, at seven per cent for over a decade, but

achieve 10 per cent growth," said Adam Mugume, director of research at the Bank of Uganda.

The World Bank has cut its 2016/2017 growth forecast for Uganda to 5.5 percent from 5.9 percent, citing the impact of South Sudan's conflict on its exports and sluggish investments due to slower economic activity globally.
An International Monetary Fund Review mission to Uganda under a Policy Support Instrument in an October report said that growth declined to 4.8 per cent in 2015/16. This is against the backdrop of pre-and post-February 2016 elections where would be investors withheld capital as they watched political events unfold.

Other factors include global and regional developments that weighed in on the economic activities. The country, for instance, has been experiencing high import bills on petroleum product.
Bank of Uganda statistics show that the export bill has declined to $2.6 billion while the import bill has grown from $2 billion to over $5 billion owing to slowly rising oil prices. The global economic outlook, it is predicted, will make Uganda's situation more complex.
Currently, Uganda's current fiscal deficit stands at 6.7 per cent of the GDP due to increased public expenditure.
In October/November, BoU revised the Central Bank Rate from 14 per cent to 13 per cent to ease financial constraints faced by investors because of high interest rates demanded by commercial banks.

"We believe the reduction will spill over and spur economic activities, but the value of non-performing loans presents another shock. The ability of commercial banks to quickly transmit back its benefits is weakened," said Dr Mugume.

The recent takeover of Crane Bank by BoU demonstrations the dire situation as bad loans formed the bulk of reasons for bank's failure. BOU data shows that 8 per cent of non-performing loans is bad though manageable.

However, a rebound in activity in the construction sector, driven by aggressive public infrastructure investments will offset the effects of a "weak external sector" and return growth to above 6 percent in the 2017/2018 July to June fiscal year, World Bank predicts.

Mr. Robert E. Ssempa
Is the director of Matrix Forex Bureau, one of the first forex oparetor to be licencend to transact in Mobile Money by Bank of Uganda (BoU)

MOBILE MONEY

A SAFE AND FAST MONEY TRANSFER SYSTEM

Background:

The story of mobile money services goes as far back as the year 2000. At the inception and popularizing of the mobile phones, many service providers researched for ways of attracting customers to their networks, this was done by adding more services to the already congested mobile lines. People started by sending Airtime to friends and relatives. Some recipients could turn the sent airtime into cash at a fee.

In 2002, the common wealth Telecommunication Organization, funded by the Department for International Development UK, discovered that in Kenya, Uganda, Botswana and Ghana, people were using airtime as a proxy for money transfer. In 2004, in Mozambique MCel the telephone company introduced the first authorized airtime exchange.

On record globally, in 2005, two companies in the Philippines that is Globe Telecom and Smart Communication, started what today we have as Mobile Money but on a very small scale to selected and trusted clients. The big start of the Mobile Money service though, seriously started around 2007 in Kenya. This was the SMS transfer of money which became to be known as M-Pesa. It is a brain child of Safaricom the biggest mobile phone provider in Kenya, it was developed by Vodafone who own 35% shares in Safaricom.

In 2007, a student from Moi University in Kenya came up with a Mobile Money software that could allow people to send, receive, and withdraw money from their mobile services. Safaricom convinced the student and bought the rights of ownership of the project thus becoming the sole owners of the patent rights. In April 2007, following a student software development project, Safaricom started a new mobile phone based payment and money service transfer known as M-pesa.

Mobile money basically is the transfer of money using a mobile phone. It is a very fast and efficient means of payment. It is used to deposit, withdraw, transfer money, pay for goods and services, settle debts etc. According to the Financial Access report, it is assumed that by 2013, about Usd 600 billion had been transacted through mobile money network worldwide. The use of mobile money especially to the developing world both private and public has encouraged funding from international organizations like the Bill Gates foundation, USAID etc.

Mobile money in Uganda:

In Uganda, mobile money service was introduced around 2008 by MTN Uganda and later joined by Zain which later evolved to Airtel.

When it started, people did not understand it, there was a slow response unlike Kenya and Tanzania where it was a hit. People later embraced the mobile money system and by 2015, an estimated 5,000,000 were using the mobile service either directly or indirectly.

Mobile Money has become the fastest and safest way of sending money to different destination in the

country. Many people can now send and receive money using Mobile Money. The mobile money system, has now achieved what banks had failed to achieve, by transferring money to different destinations, fast, and efficiently.

Many people abroad prefer to remit money to their relatives using the Mobile Money system than other services. At the moment in Uganda, mobile money is used to pay for school fees, settle water and Electricity bills, Television services, church dues and so on. It has eased people's lives as one can transact from anywhere and get the services. Many Ugandans have now embraced the mobile money service and continue to use their phones as their banks for quick payments.

Forex Bureaus and Mobile Money:

As agents of money remittance, Forex Bureaus could not afford to be left out on this lucrative business of money transfers. Around 2013, the Forex Bureau Association of Uganda approached Bank of Uganda the statutory regulator of Forex Business in the country to seek permission and allow the Association members to start transferring money by Mobile means. This the Central Bank could not permit. They advised that the statutory instruments that is the 2004 Foreign exchange act and that of 2006, did not permit such transactions. Many issues were raised including security, risks involved, money laundering and so on. From that time, the members continued to pressurize the Association as this was the only way to go especially those involved in the money remittance. The lobbying went on, and finally in October 2016, Bank of Uganda allowed Forex Bureaus to start engaging in the Mobile Money business.

As much as Forex Bureaus demanded to be allowed to use the Mobile Money business, according to the records, the returns have not been as anticipated. Few have actually applied to start the transactions. It is thought that the reason why there is a low turn up rotates around the requirements of Bank of Uganda, as for one to be given a no objection, some of the requirements include;

1. A registered board resolution.
2. A plan/ feasibility study; showing exactly what you need to do and how you plan to do it.
3. Risk Management plan, clearly giving the anticipated risks and how to solve them.
4. Service level agreements with service providers, these contracts with service providers detailing the relationship.

The bank then set nine conditions for approval which are the normal requirements. These included, Ability to comply with mobile money guidelines 2013, Ability to comply with anti-money laundering and terrorism measures, Risk management, a counter set up for mobile money, separate records and general compliance with the foreign exchange act 2004 and foreign exchange regulations 2006, and finally general compliance with Bank of Uganda Directives and guidelines. With that, having a no objection from Bank of Uganda becomes automatic.

Getting the approval of the central bank is just the beginning of the long journey. Service providers mainly MTN and Airtel also have their requirements and documentation. It is a slow process. Many agreements have to be signed before service lines are given.

There are two types of service lines, the normal mobile money lines whereby a client walks in, pays all draws money using his / her phone. That is the normal procedure, but for Forex Bureaus, what they need is a system to remit or receive money in bulk and then distribute to the given numbers at a commission. The service providers do give these bulk service lines. The system is both manual and electronic. The manual system involves a permanent employee, who receives the information and details mostly by mail and does the remittance manually by feeding in the numbers to a given line and send. It is slow but more secure as one has to confirm that the recipient is the one intended for the said funds.

The second category is electronic. Here the Forex Bureau has limited input as funds are sent electronically via emails and goes in bulk to the recipients. This is a faster method and many clients especially in Europe prefer this system. It is more common in Kenya and Tanzania. It is a risky system as funds can easily be remitted to a wrong number as there are no checks by the Forex Bureau. So, we should be very careful when opting for this electronic bulk payments, it is very fast but extremely risky. There are some companies which have bulk payment computer programs. They are intermediaries and charge a fee for their involvement.

Finally, I encourage all Forex Bureaus to go mobile that is the trend of business. Many other financial institutions like Banks have done the same, why not Forex Bureaus. For those who fear that Bank of Uganda may reject their applications, I believe that is no longer the case, you only need to fulfil the said requirements. For example, it only took us fifteen days after submission of our documents to get a no objection approval.

THE BIG INTERVIEW WITH EXECUTIVE DIRECTOR FOR SUPERVISION, BANK OF UGANDA

Qn. What are the Insights to the Annual Supervision Report?
The Annual Supervision Report is published by Bank of Uganda to provide an account of the Bank's supervisory activities during the year. The report analyses the performance and condition of Uganda's financial sector and sets out the regulatory reforms implemented by BOU to strengthen the sector. The report also highlights potential risks to financial stability and the risk mitigation strategies put in place by the banks to address those risks.

The Annual Supervision Report of December 2015 indicated that Uganda's banking industry was resilient to shocks with adequate capital and liquidity buffers.
The key financial soundness indicators pointed towards a strong and adequately capitalized banking sector with improvement in comparison to the year ended December 2014.

The Ratio of Tier 1 capital held by Commercial Banks was 18.6 percent in 2015, well above the regulatory minimum of 8 percent while annual net after tax profits increased by 11.5 percent to USh541.2billion.
The banking sector's total assets grew by 10.9 percent from USh.19.6trillion to USh.21.7trillion between December 2014 and December 2015. This was mainly due to an increase in loans and advances of 14.9percent in 2015.
However, asset quality deteriorated with the ratio of non-performing loans (NPLs) to total gross loans rising from 4.1 percent to 5.3 percent between December 2014 and December 2015. Notwithstanding the above, the banking sector continues to hold adequate capital to absorb losses.

Qn. What's the outlook of Uganda's banking sector?
The Banking sector continues to be stable and resilient with adequate capital and liquidity buffers to withstand both internal and external shocks.
As of September 2016, the average core capital ratio and the total capital ratio stood at 19.8 percent and 22.5 percent respectively, up from 17.6 percent and 20.1 percent in September 2015. Bank loans and advances grew by 3.7 percent at the end of June 2016, compared to the 19.7 percent growth rate in the previous year.
Although asset quality of banks deteriorated in the year to June 2016 with the aggregate industry wide NPL ratio increasing from 4.0 percent in June 2015 to 8.3 percent in June 2016, the NPL ratio has since then improved to 7.7 percent in September 2016.

Qn. What is the total value of all loans in Uganda's commercial banking industry?
As at September 2016, the total value of all loans in the banking sector was Ush11Trillion.

Qn. What has caused the deterioration of bank loans?
There are macroeconomic, sectoral and a variety of idiosyncratic factors which have contributed to the problems. On the macroeconomic front, the rise in interest rates in 2015, which was necessitated by inflationary pressures, combined with exchange rate volatility increased the stress on borrowers.

At the sectoral level, there have been problems in the commercial real estate sector, where heavy investment in recent years has led to oversupply in the market with the result that occupancy rates have fallen and many owners have not been able to generate sufficient income to service their loans.

Mounting government arrears to suppliers and contractors has also contributed to NPLs while borrowers with business in South Sudan have suffered losses because of the acute political and economic problems in that country.

The idiosyncratic problems mainly pertain to failures among borrowers themselves, such as the diversion of borrowed funds from their intended uses. These factors are not mutually exclusive. For example, a poorly managed business will find it much more difficult to survive a sectoral or macroeconomic shock than a well managed business.

Mrs. Justine Bagyenda
Is the current Executive Director responsible for Bank supervision at Bank of Uganda. She has specialist skills in financial restructuring, analysis, policy formulation and risk management.

Qn. The Bank of Uganda has closed/ enforced mergers or taken over operations of more than six banks in the past few years. What notes do you consider when taking such decisions?
Bank of Uganda is mandated by the FIA (2004) to supervise and discipline banks in order to protect depositors and ensure financial stability.

As per the FIA 2004 (section 88), Bank of Uganda can take over a financial institution due to a number reasons, including significant undercapitalization, inability to pay liabilities as they mature or if it is deemed that the institution in question is conducting business in a manner detrimental to the interests of depositors. Sections 85 to 87 of the FIA (2004) details the prompt mandatory corrective actions for BOU regarding non-compliant banks.

Qn. What reactions do you take when shareholders of a bank choose to dispose of their shares?
Buying and selling of shares is normal business practice. However, for banks, such transactions must not contravene the FIA (2004). Section 18 (2) of the Act states that no financial institution can, except with the permission of the Central Bank, allot or issue, or register the transfer of five per cent or more of its shares.
In addition no individual or body corporate controlled by one individual can own more than forty nine percent of the shares of a financial institution. Any bank that wishes to dispose of their shares, the above provisions must be met.

In addition, all persons holding five percent or more of the shares must satisfy the criteria for the 'fit and proper' test as determined by the Central Bank in accordance with the third schedule of the FIA, 2004.
Permission to transfer shares is only granted when the Central Bank is satisfied that the proposed acquisition of shares will not be contrary to public interest or to the interests of the financial institution concerned or its depositors; and will not be detrimental to the financial services industry in general.

Qn. Some Commercial Banks have called for the establishment of an Appeals Commission to oversee the work of Bank of Uganda especially in decisions they take while closing a bank. What's your assessment of this view?
International best practice requires that central banks have independence in order to ensure public confidence, stability and safety of customer deposits.
This independence of the Central Bank is necessary to avoid any political or other influence that could potentially impede the role of the Central Bank, force reversal of its decisions or hinder any quick actions required to mitigate any fallout that could affect the financial stability of the sector and economy at large.

In Uganda, the independence of BOU is enshrined in the Constitution of the Republic of Uganda. Notwithstanding the above, aggrieved parties can seek redress or restitution in the Courts of Law.

Qn. There have been reported attempts by government to bail out business companies.
What exactly is being proposed& how does this impact the economy.

Bank of Uganda is yet to receive any official communication to that effect. I recommend that you get in touch with the Ministry of Finance, Planning and Economic Development.

Qn. Payment Systems: What are the payment system oversight activities conducted by the BoU and their intentions?
Safe and efficient payment systems are essential for transmission of monetary policy; they provide the means of settling transactions and sustain financial stability in Uganda. The failure or disruption of such systems could imply that financial agents are unable to transact, thereby transmitting risks through the economy through contagion effects.

Bank of Uganda exercises oversight to ensure that the payment systems infrastructure remains efficient and safe.

Oversight focuses on the Systemically Important Payment Systems (SIPS), which include; the Uganda National Interbank Settlement System (UNISS); Uganda's Real Time Gross Settlement System (RTGS) for large value funds transfer; the Electronic Clearing System (ECS) for cheques, direct debit and credit transfers; electronic Central Securities Depository (CSD) for government securities and mobile money operators.

In order to achieve the objectives set out above, oversight activities conducted include monitoring the performance and usage of the payment systems; ensuring that there are minimal disruptions to these systems, assessing the payments systems to ensure that they meet international standards (Basel PSIPS), conducting stress tests of the systems and issuing policy recommendations to strengthen their functioning.

Qn. What regulatory and supervisory structures has BOU taken in preparation for the introduction of Islamic banking?
The Financial Institutions (Islamic Financial Institutions and Islamic Financial Business Regulations) will soon be gazetted. Thereafter, BoU will licence financial institutions that intend to conduct Islamic Banking and Finance business.

Qn. How will Islamic banking model affect Uganda's banking sector?
The Islamic Banking model is expected generate the following benefits;

1. Directly connect financial markets and economic activity since each Islamic contract has an underlying asset or investment.
2. Promote Financial Inclusion by bringing on board people who seek to adhere to the tenets of fairness and transparency.
3. Lead to increased access to financial products (financial sector deepening) and increased number of financial institutions or branches (financial sector widening).
4. Promote foreign direct investment given that a number of investors are desirous of opening financial institutions that operate on Islamic Banking and Finance norms.
5. The principle of profit and loss sharing in Islamic Banking could influence lending rates in the long run since customers will have more options of funding their businesses.

Qn. What risk management measures do you demand from mobile money service providers, to promote consumer protection?
The mobile money service providers are required to comply with the mobile money guidelines, which among other things require the providers to have in place proper risk management systems that identify envisaged risks and layout actions to address them.

Under the same guidelines, the Bank of Uganda may inspect the service providers at any time to ensure that the services are being provided in a prudent manner. The service providers are also required to periodically provide information and data about their operations.

Qn. Does BOU regulate pyramid schemes?
What are there terms of operation?
BOU doesn't regulate pyramid schemes and the public is warned against dealing with such schemes.

Qn. What do you attribute as the cause of the rapid and broader adoption of digital finance in Uganda?
Growth in digital finance is largely underpinned by the high penetration rate of mobile phones in the country, which has extended the use of the internet.
This means that several persons can access financial services remotely, without setting foot to the physical branch premises of the service providers.
On the flip side, infrastructure bottle necks which may impede the establishment of traditional banking services have also led to adoption of alternative service delivery channels such as digital finance.

Qn. What is the status of Microfinance Deposit-taking Institutions?
All MDIs are stable, sound and they continue to grow their balance sheets. As at September 30, 2016, the total assets held by the sector stood at UGX447.2billion, while total deposits stood at UGX196.3billion.

In addition, the sector comprised of 77 branches and 14 contact offices spread across the country, and serving well over 200,000 customers.

Qn. How are they strengthening their capabilities in levels of risk in the strategic, operational, credit and compliance risk?
All MDIs have adequate risk management systems in place that measure, monitor and control all risks in their balance sheets as required by BoU Risk Management Guidelines.

Qn. How are the forex bureaus being monitored in terms of delivering enhanced due diligence for suspicious customer transactions?
Forex Bureaus are required by the Anti Money Laundering Act, 2013 to conduct enhanced due diligence for suspicious customer transactions. This involves obtaining additional details about the customers such as the nature of their business in addition to the customer's identity, the source and purpose of funds.

Compliance with this requirement is monitored through both offsite and onsite surveillance. Under offsite surveillance, Bank of Uganda reviews the data submitted by the forex bureaus and scrutinizes it for potential indicators of suspicious activity.

The findings are then used to conduct targeted onsite inspections for particular institutions, in which case compliance with the relevant statutory provisions is assessed.
During the onsite inspections, BOU examines the specific action taken by the bureaus for transactions deemed suspicious Vis-à-vis the statutory requirements.

Qn. 2015 report points out lapses with regard to the identification of suspicious transactions and the recording of the source and purpose of funds. What is the trend, basing on site-inspections?
Although lapses still exist in the identification and recording of suspicious transactions by BoU Supervised Financial Institutions, Bank of Uganda has put in place regular monitoring framework to ensure that the lapses are minimized and addressed adequately, going forward.

BOU is also working together with the Financial Intelligence Authority to ensure that the forex bureaus and all other accountable persons as stipulated in the AML Act 2013 are able to clearly identify what constitutes suspicious activity.

"Forex Bureaus are required by the Anti Money Laundering Act, 2013 to conduct enhanced due diligence for suspicious customer transactions"

BAILOUT
HOW TO DO IT RIGHT

By David Chandi Jamwa

For the past three months or so I have been seeing myriad opinions, sentiments, emotions, rebuttals, re-rebuttals, postulations, reverse-postulations, forwardings, withdrawals, denials, and in several cases outright rubbish, flying around the Ugandan media with regard to a potential bailout for ailing local firms. I have been trying to ignore (rather unsuccessfully I should say) this irritating and never-ending public avalanche of points of view on the bailout question.

It gets me fatigued and is simply annoying to keep tabs on the "ups and downs" of the arguments and counter-arguments being propagated by parties ranging from learned economists to some ridiculously shallow-minded opinion leaders.
As the British say, enough is enough; and I believe its now my duty, as a citizen of the Pearl of Africa's Crown and a patriot, to bring some sanity, sense, and direction to this raging debate.

For those of you who may have been on a return trip to the moon (or to the Antarctica for that matter), and have thus have not caught a whiff of this bailout question, the issue at hand is that the Ugandan commercial banking sector has over Shs1.8 trillion (US$533 million) of Non Performing Loans (NPLs), ie about 2% of the country's Gross Domestic Product ("GDP") and 5.3% of its total Gross Loans.

NPLs basically mean borrowers who have failed to service their loans, for reasons ranging from the absence of local content legislation, government failure to pay for goods and services it has consumed from the private sector on time, financial mismanagement, astronomical bank interest rates, foreign currency losses, economic slowdown etc. Such borrowers now reportedly face or will imminently face bank foreclosure (e.g. receiverships or liquidations).

A number of these NPLs reside in strategic economic sectors such as steel-making and processing, tourism and hospitality and agro-processing with the respective borrowers employing thousands of Ugandans.

There is, therefore, general concern, and it is fair I should say, that if these businesses are left to collapse then the overall economy will suffer from the adverse de-multiplier effect arising from such foreclosure triggered business collapses.

Such adverse de-multiplier effect would gravitate around loss of employment, loss of disposal income, erosion of economic linkages (supplier and customer links), reduction in key economic activity that could lead to a market contagion and a resultant decrease in GDP (i.e. economic contraction).

So the `bailout question' is whether the government should step in or not to save the ailing entities. If agreed, how and which businesses should benefit from such a step in?
As many a serious and critical matter in Uganda, the bailout question has been

Table1: Reasons for non performance of credit facilities in banks

Reasons	Amounts (000)	% of total NPAs	Number of banks
Delayed payments by governments	126,502,431	23.96	5
Cost over runs/insufficient cash flows	120,033,161	22.74	4
Diversion of funds	76,285,887	14.45	12
Price volatility	36,762,083	6.96	1
Debtors failed to pay	23,698,456	4.49	3
Political instability in south Sudan	21,399,253	4.05	5
Poor management	16,004,441	3.03	3
Low sales	12,364,101	2.34	8
Increased competition	7,008,188	1.33	3
Fraud	4,034,312	0.76	2
Forex exchange volatility	3,266,442	0.62	2
Funds diverted to speculative business	2,587,870	0.49	4
Delayed receipt of goods	2,538,108	0.48	1
High interest rates	1,346,634	0.26	2
Others	74,122,786	14.04	12
Total	**527,944,153**		

Note: These figures are for non-performing facilities with outstanding loan balances of shs 500m and above.

Included under others are the following reasons;
Litigation issues, loss of distributorship, fire out break destroying business, termination of business contracts, robbery, breakdown of key equipment, change of axle load restrictions thus impacting on companies logistical efficiency, multiple-borrowing, etc.

PA/Total Advances Ratio as at March 31, 2016

Loans as at March 31, 2016
Shs 10,694.67 billion

Deposits as at March 31, 2016
Shs 14,937.40 billion

made uncomfortably toxic by the creeping in of your typical Ugandan Schadenfreude and gloating, grave business community rivalry, senseless opinion leader heckling, and politicking.

For those unlucky businesses included on an unofficial list of companies allegedly seeking a bailed out (that has since been disowned by the government) that was released into the public arena recently it has been the story of the crucifixion of Jesus; they have been tongue-lashed, insulted, demeaned, made fun of and corporately assassinated by the ugly Ugandan public persecution monster.

All that the attacks have done, sadly, is to move the debate farther and farther away from the realistic and relevant gist of the bailout question, i.e. that sensible people know that something, surely, has to be done; we just need to figure out what exactly needs to be done, how, and specifically for whom.

June 2016 – The European Union (EU) awards Greece over US$8.4 billion in bailout aid over and above previously awarded debt relief;

July 2008 – The U.S. government nationalises the country's two largest mortgage banks with an injection of US$200 billion;

October 2008 – The U.S. financial sector gets a rescue package under which the U.S. Treasury buys US$700 billion worth of NPLs from the banking sector; October 2008 – The UK banking sector gets a rescue package under which the British Government nationalizes several wavering banks by injecting US$850 billion; November 1998 – Brazil is bailed out by the International Monetary Fund ("IMF") in the amount of US$56.7 billion as it received the adverse ripples of the Asian and Russian financial crises together with plummeting international investor confidence; and December 1997 – South Korea gets a bailout from the International Monetary Fund, the U.S. and Japan of US$78 billion to address the "Asian crisis" that beset South Korea with a collapsing currency and bankruptcies galore.

Apart from the most recent Greece bailout, that still requires the test of time, the rest of the bailouts, on a common reasonable scale of measure, have eventually turned out to be useful and successful economic and political interventions.

The U.S. economy is now extensively healthy (having recovered since 2008), Brazil now has successfully hosted both a World Cup and an Olympics event, South Korea leads Asia in technology and innovation while being able to effectively thwart off attack threats from its unfriendly neighbours to the north. These bailouts have used taxpayers' money and / or borrowed funds / financial aid.

We all know that the easiest way to get lynched (and crucified upside down) in Uganda is to suggest the application of a significant amount of taxpayers' money (in Uganda any amount above Shs1 million (circ. US$297) seems to be considered significant in the public arena) to any end that benefits a select few. So let's forget taxpayers' money all together. I hear you say `what?' Yes; the bailout that corporate Uganda requires now can be funded exclusively by Foreign Direct Investment (FDI) and here's how:

The commercial banking sector should consolidate its Shs1.8 trillion (US$533 million) into a single portfolio for sale to an NPL investor or a consortium of NPL investors (who are in plenty in the U.S. and the UK and are very interested in African and Asian NPL portfolios) at an agreed discount. This transaction would be supervised by the Central Bank (that executed the US$33 million closed bank NPL disposal transaction in 2007). This will free the commercial banking sector of its NPL burden, free up its focus and resources, reduce its costs, and allow it to get back to lending as opposed to recovery.

The acquirer of the NPL portfolio would now identify the borrowers, irrespective of their industry / sector, who could successfully service and repay their loans from their business cash flows with a few key changes e.g. loan restructuring (tenure, repayment frequency, currency), loan interest revision, management change, working capital, structured finance etc. and work with them to save their businesses as well as extinguishing their debt. In effect, the acquirer of the NPL portfolio will have established an Asset Recovery Company ("ARC").

For borrowers who do not fall in the above category but are players in economically critical sectors such as steelmaking, tourism / hospitality, agro-processing, and other manufacturing; the NPL investor could consider a quasi equity arrangement in promising businesses with a fixed exit period and plan. Such arrangement could also involve the government as a co-investor. Debt relief is another possibility under this option.

Other borrowers who do not fall in either of the above two categories would be fairly liquidated by the acquirer / NPL investor with any liquidation excesses being refunded to the borrower.

Voila! No taxpayers' money, and you have a win-win scenario. Further, international NPL investors are on stand by and simply need to be tactfully invited to the table.

All I would say that Government needs to do in this case, instead of threatening to put their hands into the kitty (again), is to fast track Local Content legislation as has happened in Nigeria and Kenya.

Creating a policy framework would truly support Ugandan production and protect our economy from foreign defilement as is the case with the Chinese importation of steel for mega-infrastructure projects that China is financing and implementing here. How dare China not consume any local steel products?

Preposterous, to speak lightly! I would suggest a Local Content level of 40% just like in Nigera. This legislation is critical and will secure economic accomplishment and freedom for the Ugandan manufacturer.

As mentioned earlier, Government should also consider co-investing in critical economic sector players through its investment vehicles such as Uganda Development Corporation and/ or Uganda Development Bank.

Last, but by now means least, as has been done in Kenya, the government should consider capping bank interest rates (pray I don't get knocked off by the bankers after they read this!).

Simple, isn't it? Now you can understand why I don't understand what all of the fuss and ado is about. If you're still lost look for me.

David Chandi Jamwa (B. Com, CPA(K), Certified Stockbroker) runs D. Craven Consulting Limited that is a specialist Strategy, Finance and Investment advisory firm that advises Governments, businesses and high value individuals on how to create and reap real value. He can be reached on +256792 176007 and jdchandi123@gmail.com.

NEWS FROM ANYWHERE IN THE WORLD CAN AFFECT THE FOREX MARKETS

Stephen Kaboyo is currently, Managing Director Alpha Capital Partners, an indigenous Ugandan firm focusing on sovereign asset management, foreign exchange trading strategies and financial markets advisory. Before joining Alpha Capital Partners, he was the Director Financial Markets at Bank of Uganda.

We caught up with him to share his insights on forex trading in Uganda.

How long have been involved in financial markets and particularly trading?
I have been on both sides of the market for over 20 years, on the regulatory at the Central Bank and now on the trading side in the markets.

What is Forex trading?
Is the exchange of one currency for another at an agreed price on the over the counter. Forex is the world's most traded market.

What solutions does Alpha Capital offer?
We offer white label solutions, competitive margins and good spreads to our retail and institutional clients. Over the years, we have developed a large network of clients including financial institutions that work with us to execute large order sizes.

What would one consider when starting to trade?
The starting point is to understand the basics of trading with the end goal of making a profit by buying low and selling high. It sounds easier when you consider spot transactions but it gets more complicated when it comes to forwards, swaps, options which is another level from what typical forex bureau does.

Then comes risk management. Risk is inherent in every trade; there is always the downward and upward stress that has to be managed. As long as you can manage your risk, you are safe. In additional reading market trends and understanding the market dynamics that you are trading in, factors that drive the market are critical. The following are the major risk factors in FX trading:

- Exchange rate risk
- Interest rate risk
- Credit risk
- Country risk
- Liquidity risk
- Marginal or Leverage risk
- Transaction risk
- Risk of ruin

What are the minimum amounts required to run a trading operation such as a forex bureau?
In Uganda, minimum capital requirements are set by the regulator and specified in the Forex Bureau Regulations and the law requires maintenance of those provisions at all times.

You produce weekly market commentary, what does it entail?
Alpha Capital produces a weekly markets commentary that is sent to a cross section of clients, investors, and policy makers. We share our fundamental and technical analysis, views and research. The feedback we have received indicate that our views are widely read and followed keenly.

How do you define online trading?
Online trading is basically buying and selling forex through an online platform. These platforms are provided by Internet based brokers and available to whoever wants to make money from the market. In this segment trading is a 24 hour market place. Market participants have the flexibility to trade whenever they want.

This type of trading is picking up in Uganda but the public must understand that it is unregulated. On a lucky day, one can make money but you can also get burnt badly.
What advice can you give to the Ugandan public
My advice to the public is that one should not engage in any investment directly or indirectly unless you know and understand the risks involved. Before you make an investment consider carefully whether investing in that particular instrument is suitable for you with regard to the risks, financial resources and the return you get.

Lastly what influences forex markets?
As markets are now more integrated, news from anywhere in the world can affect the forex markets in many aspects. These effects can manifest as rapid price movements or changes in trend direction. It is important when trading to monitor the news and other economic events. The challenge is to figure out which particular reports influence forex movements. This is where ACP has an edge in breaking it down for our clients.

BUSINESS E-MAIL COMPROMISE FRAUD HURTING UGANDA FOREX

As technology keeps changing, making work easier and faster, it also creates a new set of challenges. In the money transfer business, one the challenges that has emerged is business email compromise fraud.

"We are noticing an upsurge of e-mail compromise crimes where millions of money are being defrauded from many companies, firms and individuals, especially those that transact business beyond our borders," explains Womanya Elly, senior commissioner of police and deputy director Interpol.

Almost weekly, police receives a complaint from a victim of business email compromise fraud.

Some of the affected firms, especially banks and forex bureaus don't want to report the matter to police, as they fear that this would come to the public aware and loose public confidence.

According to Chris Musana, a detective at Interpol Uganda, "most victims are a result of cyber spoofing and fishing."

Other forms are: reinventing old web and e-mail attacks, social engineering, trojan, staging your attack, scaling attacks, mobile and telephony fraud, and salami techniques.

Someone installs malicious codes on targeted computers, sends a PDF attachment embedded with a malicious code or takes advantage of a weakness in the port to gain control of the computer system. In some other cases, it's on insider who leaks information to the cyber hacker.

By securing the contacts of the victim, the hacker has obtained the identity of the targeted person.

The hacker then initiates contact with the target and tells him to go through the PDF attached. Little does the victim know that the attachment is embedded with a malicious code which reboots the computer and installs itself on the computer.

As the computer turns on, it prompts the victim to log in again. This is when the hacker gains full access to the victim's user name and password for both the email and system.

"The fraudster then learns the communication style and transactions of the compromised victims and may use the captured passwords to log into the email account to learn more about the transactions," explains a police source familiar with these investigations.

This access to private business information complemented by open source research provides the fraudster with the foundation to conduct the next stage – the fraud stage, where the fraudster composes a socially engineered e-mail impersonating the compromised victim.

The recipient of the e-mail has seemingly received e-mail from an established business contact or executive which includes reasonable instructions to transfer funds to a bank account under the control of the criminal. The new bank transfer instructions are processed in line with the e-mail communication.

Money is then promptly transferred through a complex of network of multiple accounts around the world. Typically, the organization or firm will discover the fraud only when the invoice is followed up and this is usually done after a week of thereafter.

According to sources from police, cases involving money worth USD 18,936,502 were reported to police in 2016.

"It is difficult to recover the stolen monies because by the time the affected persons report, the conmen at the other end have already withdrawn or transferred the money from the accounts," adds Womanya.

Also most of the frauds are initiated from outside Uganda. This requires the cooperation of Uganda police, especially the Interpol Bureau, to liaise with the agencies of the country where the investigation leads to.

Some of the countries have complicated law systems that require a lot of rigorous checking and background information before they take up the matter. By the time all the procedural steps have been fulfilled, it's late to track the money.

According to Womanya, the best way to guard against this fraud is to be aware and self-conscious of all business information shared, especially that which involves financial exchanges.

"If you receive communication that is contrary to the original agreed information, you should be conscious and look for other channels to verify the information with the other party," he explains.

"Always keep cross checking your systems and computers with IT security experts who can be able to detect any malicious software," adds Musana.

When you are already a victim, report the matter to police.

As you report to police, according to Musana, also contact first responder digital experts to protect the machines and the information on them.

If caught, the suspect is charged under the Computer Misuse Act, with crimes including cyber stalking, email hacking, e-fraud, offensive communication, obtaining money by false pretence.

DR. LUJJA SULAIMAN
TROPICAL BANK LTD

HISTORY OF ISLAMIC BANKING IN UGANDA

The history of Islamic Banking in Uganda can be traced to 2008 when the Bank of Uganda (BoU) received an application from an institution which was desirous of operating as an Islamic Bank.

Subsequently, BoU received numerous inquiries from commercial banks seeking to offer Islamic financial products through Islamic Banking "windows".

At the time, the Central Bank of Kenya had licensed two Islamic Banks, National Bank of Rwanda had licensed an Islamic Microfinance Institution and Bank of Tanzania had commercial banks offering Islamic Financial Services through windows.

Like Conventional Banking, Islamic Banking thrives within an enabling Legal and Supervisory Framework. BoU then undertook a study on the Islamic Banking model, to explore its fit in the existing legislative framework. The study revealed that the Financial Institutions Act, 2004 (FIA 2004), contained prohibitions, which could not facilitate the operation of Islamic Banking. Bou then proposed amendments to the FIA, 2004, which were approved by Parliament and hence the enactment of the Financial Institutions (Amendment) Act 2016, in January 2016.

The amendments to the then FIA, 2004 were intended to embrace Islamic Banking and focused on the impediments highlighted as below:
First, Section 37 of the then FIA, 2004 prohibited Financial Institutions from directly or indirectly engaging in Trade, Commerce and Industry. This restriction inevitably impeded the smooth operation of Islamic Banking given that Islamic Banking is anchored on financial institutions' participation in these very sectors.
Second, Section 38 of the then FIA, 2004 prohibited Financial Institutions from acquiring immovable property that was not intended for use in conducting banking business. As the available literature on Islamic Banking suggests, in some Islamic Banking contracts, a Financial Institution must buy and therefore own the asset before reselling it to the customer at a profit. This very critical process was rendered impossible under the then FIA, 2004.
The FIA 2004 was amended to lift these restrictions.

In addition to the above amendments, the Financial Institutions (Amendment) Act 2016 provides for the institution of key governance structures such as the Shari'ah Advisory Boards, which are crucial in upholding Shari'ah compliance.
To operationalize the Financial Institutions (Amendment) Act 2016 about Islamic Banking, BoU is in advanced stages of instituting Regulations and a Supervisory Framework.

In the Islamic Banking model, each contract is backed by an underlying asset or investment activity which creates a direct link between financial markets and economic activity. The Islamic finance model has thus contributed to the spread of real-asset-based finance principles in many jurisdictions and is regarded as an ideal option for the financing of infrastructure projects.

While Islamic Banking and Finance is envisaged to contribute to Economic Growth and Development, it remains an emerging field in the Financial System worldwide.
All stakeholders need to understand Islamic Banking and Finance model; appreciate its unique tenets that distinguish it from Conventional Banking and at the same time acknowledge the similarities between the two models. This will contribute to the effective rollout and growth of the Islamic Banking sector in Uganda.

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5 TRENDS AFFECTING THE REMITTANCE INDUSTRY

High-tech advances such as cyber currency bitcoin and its blockchain transfer technology are creating opportunities to modernize the way vital remittances are transferred across borders, but strict banking regulations and banks' unwillingness to work in "risky" sectors threaten to make it more difficult for many to send money home, experts say.

The Sustainable Development Goals have recognized the key importance of remittances for global development. Goal 10 includes reducing the average cost of sending money from the current average of 7.4 percent of the sum being transferred, to below 3 percent.

Money which migrants send back to developing countries now officially totals approximately $440 billion every year, three times higher than official aid flows, according to the World Bank.

Experts say the market could actually be worth far more considering the value of transfers which flow through unrecorded channels.

However, currently at least $32 billion in remittances is failing to reach recipients due to high transaction fees associated with sending and receiving money across borders.

Remittances, delivered through informal or formal channels, are credited with reducing poverty and acting as insurance for the poor in developing countries, according to Dilip Ratha, head of Global Knowledge Partnership on Migration and Development at the World Bank.

Remittances are often the first form of aid to reach disaster-hit countries. They are also seen as a key stepping stone to improving financial inclusion by encouraging more people to have bank accounts and through opportunities to link consumer and even small business loans to remittances, Ratha said.

Formal remittances enter a country through official banking channels and specialized money transfer companies. Commercial banks, post offices, credit unions, and niche money transfer companies, also offer formal methods of transferring money.

Informal remittances refer to money transfers which occur through private, unrecorded channels such as cash brought home by friends and relatives, and parallel informal money transfer systems.

While technological advances and virtual currencies such as bitcoin could hold the key to reducing remittance fees, challenges around regulation and identification issues threaten progress, according to experts convened to discuss remittances during a panel hosted by the World Bank as part of a conference on migration and development hosted in Washington, D.C.

5 trends

1. De-risking is threatening the industry.

De-risking is the single biggest threat facing the remittance industry, according to Mohit Davar, chairman of the International Association of Money Transfer Network, the trade body for the remittance industry. It is "stifling competition and concentrating business on four or five incumbent players," he said.

De-risking, or de-banking, refers to the practice of financial institutions exiting relationships with, and closing the accounts of, clients perceived to be "high risk," and there has been a trend toward de-risking entire sectors, including money service businesses. The World Bank found that money transfer operators and other remittance companies are the most affected by de-risking activities.

This trend is in part caused by restrictive anti-money laundering and anti-terrorism financing regulations which have resulted in increased scrutiny from regulators on the formal and informal financial sectors. Combined with declining risk appetites in the wake of the 2008 financial crisis, many financial institutions are choosing not to work in sectors assessed as high-risk, unprofitable, or complicated, including working with money service businesses. This has the effect of diverting remittance payments to informal channels.

While the money transfer system "is not immune to misuse," Davar said the small size of the average remittance transaction, which is between $200 and $300, makes it "inherently inefficient to use for money laundering." Unless the de-risking trend changes, the industry will see "money moving back to the informal sector when we worked very hard to move it to the formal sector," he said.

2. Regulators and banks are behind the times.

The socio-economic profile of immigrants and their needs as customers have changed in recent years according to Kanchan Kumar, the CEO of Remitr, a cross-border foreign currency payment service. In the past, immigrants were low paid, but now they earn more and as a result are looking for new services beyond simply sending cash home. Migrants now want capabilities to transfer bank credits and manage money in more than one country, Kumar said.

Keeping up with the demands of these new customers is difficult when there are regulatory, banking and technology challenges holding money services businesses back, according to Kumar. Regulators are failing to embrace more efficient ways of identifying senders, which is one of the biggest regulatory challenges around transferring money. "There are better way to identify a person other than making them walk up to a counter and present their ID and then photocopying it," Kumar said, but regulators are proving slow to respond.

The remittance industry needs to embrace technology and take advantage of developments which can enhance their services, such as automated identification, real-time transaction scanning, better foreign exchange management, and real-time cross-border settlements, Kumar said.

3. Virtual money and technology platforms can cut costs, increase transparency and save time.

Blockchain technology can be used to reduce the cost of remittances according to chief operating officer of BitPesa, Charlene Chen. BitPesa, which is currently operating in Nigeria, Kenya, Uganda, Tanzania, Senegal, Democratic Republic of the Congo, uses blockchain technology to create a global network of "market-makers" who transact with each other transparently on the blockchain database, Chen explained. Blockchain is best known as the underlying technology behind the virtual currency bitcoin, and it is used by BitPesa as an open source digital ledger, which keeps a constantly updated record of all transactions, making the platform transparent and secure.

BitPesa is able to lower the cost of sending remittances by removing correspondent banks from the transaction chain.

The BitPesa method also removes the dependency on the U.S. dollar as a middle currency. Often local currency from one country will need to be changed into dollars before being changed into the final destination currency, which adds on fees. As a result of BitPesa's innovation, transactions are cheaper for individuals and businesses, with costs of between 1-3 percent, and faster.

4. Greater interoperability in financial services is key.

Some $44.6 billion is the estimated average amount being paid in fees to move money from one country to another, including developed countries, according to according to Lisa Nestor, director of partnerships at Stellar. Stellar is a nonprofit which is "evangelizing a global payment standard" by working directly with financial institutions to make cross border (and domestic) payments more efficient, she explained.

Currently, there are two main ways of moving money; from bank account to bank account, which is the formal way, and through private remittance channels such as Western Union.

In a bank account to bank account transfer, for example from the U.S. to Uganda, money will move from a local bank to a national one, then through several correspondent banks serving the U.S. market. It then travels through SWIFT, the messaging network used by banks and other financial institutions to send and receive information such as money transfer instructions, to a correspondent bank serving the African market, and is eventually delivered to the local bank account on the other side. This process takes several days, accrues several fees along the way, and with many correspondent banks currently de-risking, the process is becoming even more difficult.

Private payment channels are expensive for different reasons, Nestor said. Companies such Western Union need to have a physical presence in multiple locations so that people have a place to send and receive payments, and they also need to manage hundreds of bank accounts around the world in order to facilitate transactions, Nestor explained.

Stellar has been working to realize a more efficient payment system and have leveraged blockchain technology to create a network which financial institutions or payment service providers can utilize in order to pass transactions to any other provider also on that network. The network doesn't use bitcoin specifically, but institutions can use any assets or currency for exchange.

The key to the system is "interoperability" Nestor said, the ability for different information technology systems to communicate and exchange data with each other. For example, email service providers have adopted a "common way of talking to each other" which enables customers to send and receive emails from different email providers. Stellar is working to create the same interoperability within financial institutions.

5. The future of remittances?

While Davar thinks new approaches, such as those developed by Remitr and BitPesa, will continue to get traction, he predicts that in the future remittances will be free and no transaction fees will apply.

"In my opinion in the future remittances will be commoditized and become free so nobody makes money on them. The trick will be to monetize the customer through other products such as loans and microfinance, remittances will just be an anchor product," he said.

COFFEE CONTINUES TO LEAD FOREX & REMITTANCES EARNINGS

The coffee bean is and has for many years been the most valuable commodity on a global scale only second to oil.

It will continue to be so for a while. Uganda has the potential, pedigree and bandwidth to take leadership at production level through value addition and retention level, coffee jobs level, foreign exchange earnings level, and other integrated levels.

The country has an intrinsic potential to become a leading producer of high quality and internationally competitive coffee. This would contribute to small coffee farmers' livelihoods and the development of sustainable businesses.
Ugandan Robusta is well known for its softer and mild cup characteristics compared to Robusta from other competitors. Robusta coffee is indigenous to the country, and has been a part of Ugandan life for centuries. The variety of wild Robusta coffee still grows in Uganda's rain forests and is thought to be one of the rarest examples of naturally occurring coffee trees anywhere in the world.

To achieve the target of 20 million bags by 2020, the government has started mobilising coffee farmers across the country into groups to increase production.

"I have instructed district local leaders to start organising coffee farmers into groups for increased coffee production," said Vincent Ssempijja, the minister for Agriculture, during celebrations to mark the 2016 International Coffee Day.
"If 500 coffee growers, with 100 acres of coffee, come together, the country would collect more than four million bags of coffee per group," he added.

Andrew Kilama Lajul, director of corporate services at Uganda Coffee Development Authority, (UCDA), will distribute 300 million trees of coffee per year for the next 3 years.
Currently, Uganda earns Shs 1.3 trillion from coffee per year, making it the 10th largest global producer of coffee. Within Africa, Uganda is the largest exporter of Coffee.

Uganda is the major exporter of Robusta coffee in Africa and it has an enormous potential to develop. Exporters of Ugandan coffee could find interesting opportunities in the EU market for specialty single origins, sustainable coffees and special preparations. But the main potential of Uganda lies in the fine Robusta, particularly washed Robustas.

Uganda was selected as a global Centre of Robusta Excellence for quality and processing systems and standards.
According Morrison Rwakakamba, the special Presidential Assistant on Research and Information, "in a directive to Cabinet members, the President itemised the real targets for the coffee sector; Uganda will plant 900 million coffee trees, expanding production and exports from current four million bags to 20 million 60-kg bags by 2020".

The target also includes increasing acreage production from the current 250 kgs per acre to 1000 kgs per acre.
Uganda Coffee Federation, (UCF) estimates that over 20% of Uganda's population directly earn all or a large part of their cash income from coffee.
During a recent African Peer Review mechanism, President Museveni summarized the Coffee problem as;
"The coffee bean from Uganda has been exported to United Kingdom at US $1 per kilogram for the last 100 years. The price of the coffee bean has recently moved to US $3 per kilogram in the international market. Yet, when this coffee is processed in the United Kingdom it is resold to us at US $15 per kilogram. This means for the last 100 years we have been donating 14 dollars per kilogram to United Kingdom.

In addition, we are creating jobs in their country for their people in the coffee processing chain".

UCF estimates show that Uganda consumes only 3% of the coffee it produces. There 48 registered exporters of coffee. Ugandan coffee now occupies shelf space in the US, Europe and Far East as a single origin.

To develop a coffee drinking culture, according to Henry Ngabirano, the former executive director of UCDA, "we should start by promoting micro roasting, café lifestyle and espresso based beverages like cappuccinos, latte and many others we see being crafted by young and highly professional baristas."

"One of the things that struck me when I arrived in Uganda recently was the popularity of the coffee bars like Good African Coffee, Café Javas, Cafesserie and many others that appeal the product that they serve like cappuccinos, espressos, lattes with all kinds flavours," noted Henk Jan Bakker, the ambassador of the Kingdom of Netherlands, during the 2nd Annual National Coffee Festival held at Mandela National Stadium in early November.

The envoy noted that since the coffee subsector is taking significant strides in attracting businesses that target the end users, it means more people are willing to pay for a cup of coffee and if that trend is supported, it will encourage local coffee primary production, processing and eventually boost productivity.

In the UCF market information report, 2015, "the main destination markets for coffee changes according to the quality. High-quality coffees are commonly sent to USA and Japan, while low to mid range qualities are sent to re-exporting countries such as Switzerland, Germany, Sudan, Italy and Belgium.

Switzerland is the major trader or reseller of Ugandan coffee in Europe, while Sudan is by far the most important trader of Ugandan Coffee in Africa, the report adds. In Switzerland, Uganda is the third largest African coffee exporter, behind Ethiopia and Kenya.

According to the Uganda National Export Strategy 2012-2017, there are 3 types of target markets for Ugandan coffee penetration and distribution: Important consumers and resellers to other markets after adding value; Less important consumers and mainly resell Ugandan coffee to other markets after they have added value; Important national markets that consume the majority of the coffee they import from Uganda.

Specialty coffee is a qualitative rather than quantitative market. Thus, it is advisable for producers and exporters of quality coffees to pay special attention to the trends and tendencies in non-traditional markets if farmers want to supply directly to specialized importers and/or roasters. 23% of all destinations of Ugandan coffee are still waiting to be developed.

New customers, regardless of the volumes that they demand, could be followed and tracked, understand their preferences and the markets can then be penetrated. Exporters of specialty coffee might also consider other markets aside from the traditional destination markets for Ugandan Coffees.

Uganda's August coffee exports fell 9.22% year-on-year to 291,059 bags of 60 kg from 320,607 bags in August last year and its value dropped by 7.66%, according to the UCDA.

Despite the low volume, coffee exports are Uganda's biggest foreign-exchange earner after tourism and remittances from Ugandans living abroad.

EURO BANKNOTES
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Various security features have been incorporated into all euro banknotes to protect them against counterfeiting. It is very easy to check a euro banknote of either series by using the simple FEEL, LOOK and TILT method.

FEEL

Special printing processes give banknotes their unique feel.

1. **Paper Feel** the banknote. It is crisp and firm.
2. **Raised** print Run your finger across the front of the banknote. The ink is thicker in some parts.

LOOK

Look at the banknote against the light. The portrait window and watermark as well as the security thread become visible

1. **Watermark** Look at the banknote against the light. A faint image and the value become visible. If, however, you put the banknote on a dark surface, the watermark becomes darker.
2. **Security** thread Look at the banknote against the light. The security thread – a dark line running through the banknote – becomes visible. The word "EURO" and the value can be seen in tiny letters in the thread.
3. **See**-through number Look at the banknote against the light. The marks printed in the top left corner on the front and the top right corner on the back of the banknote combine perfectly to form the value.

TILT

Tilt the banknote. The silvery stripe reveals a portrait of Europa in a transparent window and the emerald number displays an effect of the light that moves up and down.

1. **Hologram** When you tilt the banknote, the hologram shows the value of the note and a window or doorway.
2. **Colour**-changing number Tilt the banknote. On the back, the number changes colour from purple to olive green or brown.

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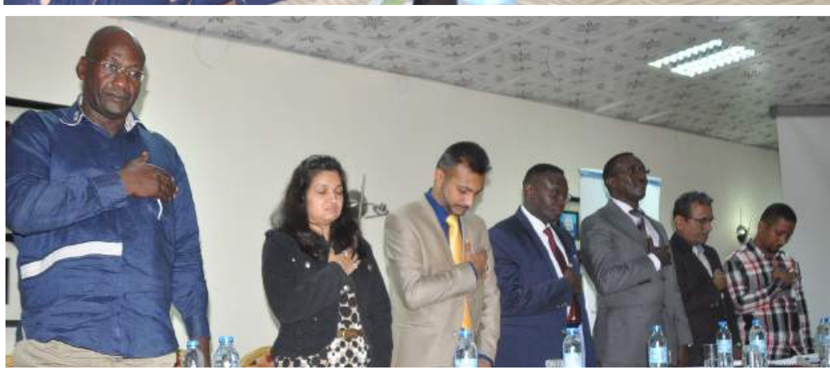
1. **Microprint** On some areas of the banknote you can see tiny writing. This microprint appears as a thin line to the naked eye, but can be read with a magnifying glass. Despite its small size, the print is sharp, not blurred.
2. **UV properties** Under ultraviolet light, the paper itself does not glow. Red, blue and green-coloured fibres embedded in the paper appear, the flag of the European Union looks green and the stars turn orange. The signature of the ECB's President turns green. The large stars and small circles in the centre glow orange. On the back, the map, bridge and value appear in yellow.
3. **Infrared properties** When you look at the front of the banknote with an infrared device, only the right side of the main image remains visible.







2016
ANNUAL GENERAL MEETING

RWETEERA SAFARI PARK & TOURIST CAMPING CENTRE

Situated between the banks of three Crater lakes, and Kibaale Forest National Park, Rweteera Safari Park makes a perfect base for gorilla trackers, nature treks, and a heaven for those looking for a secluded place in nature.

Our cottages are built on a wooden platform, each with private veranda and en-suite bathroom.

We offer single, double/twin and family or triple rooms with comfortable beds and mosquito nets.

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Take a natural walk in countryside of the 'Pearl of Africa'

Imagine seeing three crater lakes, all in a straight line, with a musical background of birds, and wind brushing the leaves.

To see the beauty of the land, at times you have to take a 'top of the world' tour, where you stand on top of the highest hill, and have a summit view of the area.

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LOCAL INITIATIVES SCOUTING THE COUNTRY'S DOMESTIC TOURISM

From the sandy beaches of Ssesse Islands to the savannah plains of Queen Elizabeth National Park, snowy slopes of the Mountains of the moon, cool waters of River Nile, Mt Elgon and the Imbalu traditional ceremony, the beaten tracks of Kidepo National Park and the wildlife plains of Murchison National Parks. Uganda is truly the Pearl of Africa.

According to CNN ratings, "Uganda has been a top tourist destination for a few years now, due to its stunning scenery and wildlife".

It is a place to take a safari holiday; float down the crocodile-flanked Nile, fish in Lake Victoria, wander among the elephant herds of Queen Elizabeth National Park or listen to the roar of mighty Murchison Falls. With films like "Queen of Katwe" and "Last King of Scotland" shot about Uganda, or about its population, the country is also becoming a Hollywood darling.

Despite all these, native Ugandans rarely tour the unique features. They have a mentality that it's a preserve of the rich and foreign tourists. Domestic tourism is still a reserved social event.

"According to Uganda Domestic Tourism Study, beaches, nightclubs, and Namugongo Shrine, rank high with each attracting 780,000, 570,000, 500,000 persons annually, respectively. The others are Kyadondo Rugby grounds, The Kabaka's coronation celebration, and end-of-year prayers, which attract over 300,000 people each," explains Allan Kanyike, the operations manager, Miss Tourism Uganda.

Different initiatives have been launched to encourage the public to move and enjoy the culture, sites, sounds, food, drinks, and landscape the country has to offer.

"Just recently, we had the Uganda Travel Month campaign, the Ondaba Initiative, Kampala Adventure Cycling, KoiKoi Instagram, Weekend escape, which are already mobilising Ugandans to explore and their country," adds Vincent Mugaba, public relations officer, Uganda Tourism Board (UTB).

"Tourism means moving away from your normal place of abode to another place for at least, 24 hours for purposes of leisure or business. When you do that you spend on transport, food, and much more. With more people travelling around this beautiful nation, the numbers of domestic tourists is high," Mugaba adds.

Mugaba adds that UTB has worked with the Church and Uganda Muslim Supreme Council to develop the Uganda Martyrs Trail in a move to encourage faith tourism on a national and international scale.

"Tourism is not Only about going to the parks. There is a lot to see in and around our city, and the Kampala Adventure Cycling event will allow many people appreciate this city," stated state minister for tourism, Godfrey Kiwanda, at the launch of the Kampala Adventure Cycling. "It is amazing that many people live here but have only seen so little."

Kiwanda says local tourism drive 'tulambule', whose first tour was to Mbarara, had a good start with over 3000 Ugandans taking part. He is optimistic the campaign that has been embraced by Ugandans and will create awareness about the country's tourist destinations. And will see Ugandans support the sector which is among country's top foreign exchange earners.

"We want to visit our country as most foreigners do, this will help us value what we have in Uganda," Kiwanda, who is also the Mityana MP said adding: "we want to make sure that Ugandans also enjoy the features in Uganda."

During all these initiatives, the minister implores the local community to get involved, embrace tourism, conservation and storytelling to reap benefits from the sector.
What Uganda lacks in volume, it more than makes up with variety, an incredible array of landscapes that range from the snowcapped Mountains of the Moon and the Bwindi Impenetrable Forest to the semi-desert northeast and water-spangled lake district.

Asked about the about the country's unique tourism products and services, Stephen Asiimwe, the Chief Executive of UTB acknowledges that Uganda is a country of diversity in its people, natural inheritance, lands, foods, weather. It is pretty tough getting what is unique to Uganda because there are many products and services to fit that profile.

Uganda has 54% of all the mountain gorillas in the world. Considering that there are only 880 or so mountain gorillas, this is a significant contribution to world heritage. The mountain gorillas are found in the world heritage site of Bwindi Impenetrable National Park (50% of world mountain gorillas) and Mgahinga National Park.
Also, about 11% of the world's bird species are found here in Uganda. There are over 1060 bird species in Uganda and one can literary begin birding right after departure from the airport or a step through the border.

Mt. Rwenzori, the third highest in Africa, has permanent snow and glacier through the year. It has the unique three horned chameleon. Uganda is the source of the Nile, the world's longest river that flows from the Lake Victoria, the largest tropical fresh water lake, and the world's second largest fresh water lake.

With over 45 languages and dialects, Uganda is a rich cultural mixing pot right in the heart of Africa. The rich cultural diversity means variety in foods, dressing, customs and beliefs.

Tourism continues to be one of the fastest-growing and most dynamic sectors of Africa's economy. The sector has tremendous potential to create jobs, boost inclusive economic growth across the continent, and reduce poverty.

According to the Africa Tourism Monitor; Unlocking Africa's Tourism Potential report published by African Development Bank Group (AfDB), "with 1.133 billion global tourist arrivals in the past year, which represents a 4.3% increase over the previous 12 months, worldwide tourism activity has been at its highest level to date.

Africa welcomed 65.3 million arrivals in 2014, which represents 5.8% of the total international arrivals figure. International tourism receipts rose to their highest level in 2014 at US$ 1,245 billion. With US$ 43.6 billion in receipts, Africa holds 3.5% of this global market share".

Uganda Vision 2040 identifies tourism as one of the opportunities that should be better harnessed to propel Uganda into a middle income status.
While opening the 7th annual tourism sector review conference in late October, prime minister Dr Ruhakana Rugunda revealed that the tourism sector has been growing consistently and contributing greatly towards the development of the economy since the restoration of peace and security evidenced by its total GDP of 9.9% which amounts for USD 2.13 billion in 2014 compared to USD 0.8 billion in 2006.

"The sector has emerged as a top foreign exchange earner with growth rates that are propelling the service sector, jobs and employment as well as development of hotels, restaurants, tourist facilities, and leisure sports and also boosted the inter-linkages between other sectors," Rugunda added.

The Director of tourism, wildlife and antiquities, James Lutalo said that the sector performed fairly well in the FY 2015/2016, achieving 59.40% of the set indictors while 20.3% was not achieved and there were no assessment indictors for 20.40%.

Arrival trends saw 1.7 million tourists in 2015. There was a decline in leisure, recreation, and holiday travel by 5.6%, from 220,000 to 208,000. This was offset by Visiting Friends and Relatives, (VFRs) which garnered an increase of 2.8%. Tourism topped foreign exchange earnings at US$1.35 billion, followed by remittances from abroad at US$1.1 billion with Uganda's long-time traditional export, coffee, a distant third at US$400 million.

Hotel occupancy rates for the financial year 2015/16 stood at 47.6% bed and 46.2% room respectively with the months of July to September having the highest occupancy and the third quarter the lowest. The western region had the highest occupancy rate at 53.5% followed by the northern, eastern, and central regions trailing.

Tour operator business grew by 23% between 2015/16 with foreign clients taking 98.87% and 1.13 domestic tourists.

Kiwanda's plan is to increase the percentage of domestic tourists, reviving the vibe of tourism in the country. With the return of stability in many parts of the country, improved infrastructure in terms of roads to ease transportation and conservation of wildlife, domestic tourism is on the revival trail.

REFORM PENSIONS SECTOR TO SPUR ECONOMIC DEVELOPMENT

Reform Pensions Sector to Spur Economic Development

For the country's economy to be vibrant, there's need to reform the pensions sector. This is according to Richard Byaruhanga, the Managing Director of National Social Security Fund, (NSSF), speaking during a Press Plenary.

The reforms will allow nationals to borrow revenue for economic activities.

"All borrowing in Uganda is got from about 12 trillion shillings from Commercial banks. That's a problem. Government will out borrow from pension, capital markets and from the commercial banks. It is almost impossible to bring interest rates down because everyone is borrowing from one source, commercial banks," Byaruhanga revealed.

According to Bank of Uganda, Central Bank Rate (CBR) reduced to 13% for October/November.

There are 15 million people formally employed. Of these, these 4 million of them are in the formal sector and 11 million in the private sector.

"Of the 4 million workers employed in the formal sector, 1.5 million workers save with the NSSF. Another half a million workers save with the government scheme, called the public service pension scheme. The remaining 2 million are 'lost', not saving anywhere.

They pretend to work for companies which have less than 5 employees and do not save with any of the 2 schemes," he added.

From the working bracket, there 13 million Ugandan workers who do not hold any form of savings called a pension.

According to the Uganda National Population and Housing Census, 2014, the total population was at 34.9 million people. With the annual growth rate of 3.03 per cent, Uganda's population is now projected to be 38 million.

The 2 million workers who save have been able to raise 7 trillion, going by the figures at NSSF.

"How much would we generate from 13 million, even if we worked at a 50% success rate. And that's where parliament needs to come in and reform the pensions sector," the MD proposed.

Some of the recent pension reforms are Uganda Retirement Benefits Regulatory Authority Act, 2011.

Other proposed reforms are in the Retirement Benefits Sector Liberalisation Bill, 2011, currently before Parliament.

"Nobody in world likes to save. The only country that forces its citizens to save is Japan. They have negative interest rates that you pay the bank to keep your money. The highest saving rates country in Africa is Botswana, at about 35%,"

According to research by NSSF, most Ugandans don't want to save with the pensions fund because they have to wait till they are 55 years old to access that money. And they can't wait that long.

In the pension law reforms before parliament, there's a clause that calls for mid-term access to pension savings. The mid-term access will allow people to use that money to buy a house.

The country can only spur economic development when people save. Parliament needs to pass reforms in the pension sector to increase Uganda's saving pool.

The market is weird. Every time one guy sells. another one buys, and they both think they Are smart.

1

A man being mugged by two thugs put up a tremendous fight! Finally, the thugs subdued him and took his wallet. Upon finding only two dollars in the wallet, the surprised thug said "Why did you put up such a fight?" To which the man promptly replied "I was afraid that you would find the $200 hidden in my shoe!"

Little Johnny was being questioned by the teacher during an arithmetic lesson. 'If you had ten dollars,' said the teacher, 'and I asked you for a loan of eight dollars, how much would you have left?' 'Ten,' said Little Johnny firmly. 'Ten?' the teacher said 'How do you make it ten?' 'Well,' replied Little Johnny 'You may ask for a loan of eight dollars, but that doesn't mean you'll get it!'

2

The best time to buy anything is last year

A long term investment is a short term investment that failed.

3

A shopkeeper was dismayed when a brand new business much like his own opened up next door and erected a huge sign which read 'BEST DEALS.' He was horrified when another competitor opened up on his right, and announced its arrival with an even larger sign, reading 'LOWEST PRICES.' The shopkeeper panicked, until he got an idea. He put the biggest sign of all over his own shop. It read: 'MAIN ENTRANCE'

4

How did the man feel when he got a big bill from the electric company? He was shocked.

I just went partners with my bank. They own half my car.

5

A policeman came upon a super-salesman about to jump from a bridge and yelled, "Wait, Fellow! Please don't do that!!!" The salesman said, "Why not?" and proceeded to expound on his views on the shaky economy, declining family life and politics. Shortly thereafter, they both jumped.

"Suppose a woman comes in and orders a hundred dollars worth of material. You wrap it up, and you give it to her. She pays you with a $100 bill. But as she goes out the door you realize she's given you two $100 bills. Now, here's where the ethics come in: should you or should you not tell your partner?

6

Business Ethics: A father is explaining ethics to his son, who is about to go into business.

7

Always borrow money from a pessimist, he doesn't expect to be paid back.

The most succesful female financier was Pharoah's daughter. She went to the Nile bank and floated a prophet.

8

9

If you owe the bank $100, that's your problem. If you owe the bank $100 million, that's the bank's problem.

Can I borrow that book of yours "How to Become a Millionaire"? Sure, here you are.

10

Thanks, but half the pages are missing. What's the matter? - Isn't half a million enough for you?

REMITTANCES DRIVE HOUSEHOLD GROWTH, BUT LIMITED EFFECT ON NATIONAL ECONOMY

Remittances have become an important source of income for many households in the country.
Government has undertaken some measures aimed at improving the recording, management and integrity of workers' remittances, while at the same time trying to maximize the benefits as their contribution to economic development.

Key among these is the review of the law on foreign exchange, the Foreign Exchange Act 2004. Its implementing regulations were gazetted and implemented in 2006 and is now operational.

The Act repealed the Exchange Control Act of 1996 and provides for licensing of the money remittance businesses.
The law strengthened the capacity of Bank of Uganda to track and regulate the transactions in the context of a liberalized capital account, allowing further development of financial markets and products.

According to ministry of Gender, Labour and Social Development, 58 companies are licensed to export labour. The list is soon to be presented to Parliament's committee on Gender and Social Affairs.
In August, Parliament demanded that the Labour ministry presents a list of companies that are involved in the export of Ugandan workers and their directors. This followed persistent reports of Ugandan migrant workers being abused in the Middle East.

Statistics from the Labour department show that between 2006 and 2015, more than 50,000 Ugandan migrant workers employed abroad passed through the government's labour programme.

Remitters cut across all age groups, but are mainly in the 20-49 years age range. The majority of remitters have lived abroad for periods of 10 years and less.

Remittances remain a key source of external resource flows for developing countries, far exceeding official development assistance and more stable than private debt and portfolio equity flows. For many developing countries, remittances are an important source of foreign exchange, surpassing earnings from major exports, and covering a substantial portion of imports.
According to a World Bank report, while the medium term outlook for remittances is strong, downside risks loom mainly from migrants' return to their home countries as a result of conflict or deportation from host countries.

"Total remittances in 2014 reached $583 billion. This is more than double the ODA in the world. India received $70 billion, China $64 billion, the Philippines $28 billion. With new thinking these mega flows can be leveraged to finance development and infrastructure projects," said Kaushik Basu, World Bank Chief Economist and Senior Vice President.

The regional growth in remittances in 2014 largely reflected strong growth in Kenya (10.7 percent), South Africa (7.1 percent) and Uganda (6.8 percent).
The most used channels are International Money Transfer Operators and commercial banks. Approximately 21% of the cash remittances is received through informal channels such as relatives and friends.

Remittances have had a direct impact on poverty reduction because they flow directly to households. According to the Uganda Bureau of Statistics and BOU Inward Personal Transfers report of 2012, the recipient households use remittances to support general household expenses and education (81 percent was used on consumption compared to 16.9 percent that was used for non-consumption purposes and 2.3 percent that was transferred to other households).

While addressing the Biennial Ambassadors' Conference, Emmanuel Tumusiime-Mutebile, Governor of the Bank of Uganda, revealed that remittances have not played a major role beyond supporting household welfare.

"The Ugandan Diaspora community has the potential to invest in its own right, but also has the knowledge, expertise and experience that could be deployed in enabling private sector investment. Ugandan Diaspora can play an important role in the economic development of Uganda. Beyond sending remittances, they can also promote trade and public-private partnership and FDI, create businesses and spur entrepreneurship and transfer knowledge and skills.

In addition, the Uganda Diaspora executives working for multinationals abroad can play a role in influencing investment decisions to outsource operations to firms in Uganda. The Ugandan diasporas' skills could also be mobilized to provide managerial and knowledge expertise to firms and Research and development in laboratories in Uganda. Diasporas can also help spread ideas.

BANCASSURANCE TO INCREASE INSURANCE PENETRATION LEVELS

"To start selling insurance, banks will pay a non-refundable fee of Ush500,000 ($146) to IRA"

To increase use of insurance services, stakeholders are working on regulations to introduce bancassurance in the country.

"We have been working to develop solutions that can make insurance accessible to Ugandans of all walks of life and we believe that bancassurance arrangements will increase insurance penetration" said Alhaj Kaddunabbi Ibrahim Lubega, Chief Executive Officer of Insurance Regulatory Authority, (IRA), during a workshop discussing the draft bancassurance regulations.

Introduction of bancassurance has been made possible by the amendments in the Insurance Act 2011. And in the Financial Institutions Act 2004.

The Financial Institutions Act defines bancassurance as using a financial institution and its branches, sales network and customer relationships to sell insurance products.

According to Mariam Nalunkuuma, a communications officer at IRA, the low level penetration of insurance in Uganda is attributed to lack of awareness.

"The public has not yet fully understood and appreciated the benefits of the insurance sector," she explains. The other challenge is the low level of innovativeness by the stakeholders. "They have to come up with demand driven products, suitable for the low income earners".

Trust-deficit has limited the free-willed demand for insurance and limited penetration levels to less than 1% for decades. Data compiled by the Insurance Regulatory Authority for the past 12 years shows penetration has been stuck at 0.88 per cent. The insurance sector contributes 0.58 per cent to the national Gross Domestic Product, (GDP).

Through bancassurance, the insurance industry will tap into the strength of the banking sector with their wide spread network throughout the country. This will provide revenue growth, channel diversification, quality customer care, quicker geographical reach and creation of brand equity.

The banking sector will be offered an opportunity to increase their profitability by enhancing their commission based income which is purely risk free as a bank would simply play the role of an intermediary by sourcing for business.

According to the draft regulations, banks will have to submit an application to the IRA for purposes of being licensed as a bancassurance Agent.

To start selling insurance, banks will pay a non-refundable fee of Ush500,000 ($146) to IRA. They will also get a letter of no objection and a banking license from Bank of Uganda.

As a mandatory need, banks will hire suitable and qualified insurance professionals to act as principal officers and specified persons to oversee the business of bancassurance.

Banks will earn commission from insurance companies as a result of selling insurance products, getting between five and 20 per cent for each insurance product they sell.

The regulations will become operational by the end 2016 or early start of 2017. Once the approval processes have concluded.

According to IRA 2015 industry report, "the gross premium underwritten by the insurance industry increased from UShs 502,654,672,889 in 2014 to UShs 612,149,650,000 in 2015. This represented a composite growth of 21.68% with non-life business continuing to dominate with 75.87% of the total industry premiums compared to life's 16.31% and health membership organisation at 7.82%".

Whereas in gross terms the performance looks impressive, the margins are squeezed by high management and operational expenses as companies thrash about to thrive in a highly competitive environment.

To rise to this challenge, the industry must improve underwriting, enhance risk management, cut overheads and reduce any form of claims leakage, but certainly not at the expense of genuine claimants.

In 2015, according to Lubega, "IRA licensed 29 Insurance companies; 21 Non-life insurance companies and 8 Life insurance companies, 1 Reinsurance company, 11 Health Membership Organisations, 30 Brokers; 21 Loss Assessors, Adjustors, Risk Mangers, and 1350 Agents".

In a dynamic and rapid changing market, players will need to continue focusing their energies on shorter decision timelines, rapid deployment and strong customer focus.
"As an industry whose business is sale of promises, our future success must be built on a simple premise: to give the best personal service, by building a relationship of trust," adds Gaudioso Kabondo Tindamanyire, IRA's board chairman.

Over the long term, with the overall national goal of achieving a middle income status through commercialization of agriculture, acceleration of industrialization, and increasing production and productivity in all sectors of the economy, the attendant economic development should lift more Ugandans into the middle class, which in turn will boost the country's life insurance uptake further.

It's expected that the demand for both life and non-life insurance products, including health, will continue to rise as more households join the middle income class. And as the market for project risk arising from the ongoing public investment in infrastructural projects and oil and gas increases.

Tapping into these opportunities meaningfully will require additional capitalisation, requisite skills acquisition and consolidation.

SPORTS BETTING, GIVING KAMPALA YOUTH PROSPECTS OF FINANCIAL FREEDOM

With prospects of gaining more than double of the original amount, and the minimum deposit being as low as Shs 500, more people in Kampala are engaging in sports betting as a way of making ends meet.

As the sun raises, youth, casual workers, students, office corporate, unemployed graduates, shop attendants, all stream to betting outlets. They browse through the day's fixture lists pinned on the notice board. Then they tune to radio and television stations for sports commentaries and predictions, surf on the internet, eavesdrop on conversations with colleagues and listen to personal instincts.

Stories of yesterday's results, near misses, losses and winners make rounds. Individually, they walk to the counter and stake the bet on a match or matches. For some betting companies like Sports Betting Africa, the least amount is as low as Shs 500.
In a country where an estimated 83% of youth are unemployed, sports betting is fast becoming one of the survival ventures.

"On a busy day, I attend to about 500 customers," says Matsiko Thomas, a betting attendant with Kings Sports Betting, Mpererwe outlet. "Many of these are my regular clients, who turn up every day," he adds.

The Ministry of Finance Planning and Economic Development in collaboration with various stakeholders is progressively establishing a strong regulatory framework to address the economic, financial and social risks that resulted from the unregulated gaming activities taking place in the country.

Speaking at a press conference at Media Center in October, Manzi Tumubweinee the Chairman National Lotteries Board noted that although the gaming industry has had a positive impact on the economy by providing business, employment opportunities and making the industry one of the most growing government sources, there is a need for a strong regulatory framework to protect society from harmful effects of gambling. But at the same time provide an opportunity for people to enjoy the industrial positives.

The National Lotteries and Gaming Regulatory Board has revealed that Ugandans spend an estimated Shs 150bn annually on gambling.
Gambling in Uganda is a legal activity authorized and regulated under The National Lotteries Act and the Gaming and Pool Betting, (Control and Taxation) Act. It takes the forms of: lotteries, casinos and gaming and pool betting.
Over 2000 operators take part in various gambling modes and techniques earning government over 11.3 billion shillings in the FY 2013/2014.
Uganda has 40 registered sports betting companies, 12 casinos and one lottery operator.

This is a reduction from 2010, when there were over 120 companies in the sector. Most were closed for lack of standards, according to the Lotteries and Gaming Regulatory Board, (LGRB).
Of the 12 casinos in Uganda, 8 of them are in Kampala while others are in Arua, Jinja, Mbale and Gulu. Although betting companies are more popular than casinos, they bring in

limited revenue according to (LGRB).

Under the draft law approved by cabinet, an autonomous body will be mandated to regulate the industry.
"The new law aims at limiting the incidence of illegal gambling, unwarranted visibility of gambling activities which sometimes leads to involuntary gambling," explained Tumubweinee.

Many negative vices such as underage gambling, addiction, depletion of personal savings and finances, crimes such as money laundering, match fixing and petty thieving have been associated with the gaming industry.

The new law will also require all operators of gaming and pool betting to hold three licenses: promoter license for promoters of gaming and pool in Uganda, principal agents license for a principal agent in the business of gaming and pools promoted outside Uganda, agents license/branch license for an agent or branch of promoter of gaming and pool within or outside the country.

A casino promoter, principal agent and agent will have to pay 10 million shillings for a license, a gaming and pool betting operator, promoter and principal agent will pay 5 million shillings while a gaming and pool betting agent and branch of promoter or principal agent will have to pay one million shillings for a license. 200 million shillings will also be paid to the National Lotteries Board as bond before getting a license.

Tumubweinee says the 200 million shillings will be used to pay taxes in case the gaming companies fail to pay their taxes or pay gaming winners. He also added a framework will be put in place to restrict the importation of gambling equipment in the country and standardization of all equipment.

The majority of the customers place their bet on football. Matches from Europe, Asia, South America, from top leagues to lower divisions, all are bet on. But there are other betting games including; virtual horse racing, tennis, boxing, Formula One (F1), virtual dog racing and motor racing.

"I only bet on football because it's easy to predict the winner, depending on the record between the playing teams, table standings and recent team performances," says Omar, a regular bettor, and car washing bay supervisor in Wandegeya, a Kampala suburb. "I once bet on 11 teams, and got all the results correct. I had bet Shs 2000, and won two million, nine hundred thousand," he smilingly adds.
For Thomas, in the 3 years I have here, "the highest amount of money I have ever paid out from my outlet is seven million."

Stories like the one of Omar are one offs, but act as motivators, enticing the majority who loose to keep hope of being winners one day, and recoup all the losses.

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