

PROCESS ASSESSMENT OF THE PARISH DEVELOPMENT MODEL (PDM) PROGRAMME IMPLEMENTATION IN UGANDA



November 2025

RESEARCH
REPORT
NO. 39

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IMPLEMENTATION IN UGANDA**

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ACRONYMS

BDS	Business Development Services
CDO	Community Development Officer
DCO	District Commercial Officer
DPO	District Production Officer
FBOs	Faith-based organisations
FGD	Focus Group Discussion
FSD	Financial Services Department
KII	Key Informant Interviews
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDA	Ministries Departments and Government Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MoICT	Ministry of ICT and National Guidance
MoLG	Ministry of Local Government
MTIC	Ministry of Trade, Industries and Cooperatives
NAADS	National Agricultural Advisory Services
NGOs	Non-governmental organisations
PBMIS	Parish-Based Management Information System
PCA	Principal Component Analysis
PDB	Parish Development Bank
PDC	Parish Development Committee
PDM	Parish Development Model
PRF	Parish Revolving Fund
SACCO	Savings and Credit Cooperative Organisation
UBoS	Uganda Bureau of Statistics
UMFRU	Uganda Microfinance Regulatory Unit
WTP	Willingness to Pay

EXECUTIVE SUMMARY

The Government of Uganda (GoU) launched the Parish Development Model (PDM) in February 2022 with the objective of transitioning 3.5 million households (33 percent) from subsistence to a monetised economy. The PDM is premised on seven pillars, that is, agriculture value-chain development (Pillar 1); infrastructure and economic services (Pillar 2); financial inclusion (Pillar 3); social Services (Pillar 4); community mobilisation and mind-set change (Pillar 5); Parish-Based Management Information System (PBMIS) (Pillar 6); and governance and administration (Pillar 7). The PDM programme aims for a holistic transformation of rural livelihoods by integrating subsistence households into the money economy. Central to the model is the Parish Revolving Fund (PRF), which provides UGX 1 million in publicly managed loans to selected cohorts of subsistence households. The program also emphasises inclusivity and community participation, targeting women (30 percent), youth (30 percent), persons with disabilities (10 percent), older persons (10 percent), and men/general community members (20 percent).

The PDM is being implemented in three phases: the Establishment Phase (FY 2021/22–2022/23); the Stabilisation Phase (FY 2023/24–2024/25); and the Sustainability and Exit Phase (FY 2025/26–2030). This study assessed the implementation of the first two phases to inform programming during the final phase. Specifically, it focused on:

- (i) The targeting and selection of PRF beneficiaries by PDM SACCOS
- (ii) Household access to, and utilisation of, PRF resources
- (iii) Synergies, if any, across the seven PDM pillars to enhance parish-level outcomes; and
- (iv) Key successes and challenges to inform scaling efforts

A multi-stage sampling strategy was used to ensure regional representation of all four regions in Uganda - Central, Eastern, Northern, and Western Regions. In total, 26 districts were randomly selected nationwide. The survey covered 104 parishes, 104 PDM Savings and Credit Cooperative Organisations (SACCOS), 208 enterprise groups, and 1,491 randomly selected households, providing a comprehensive basis for assessing the PDM implementation process. The process assessment utilised primary data from surveys, interviews, and focus group discussions.

Key Highlights of the Study Findings

- a) **Substantial reach and distribution of PRF at Parish level: By October 2024, approximately 1.43 million** beneficiary households had received PRF funds, totalling about UGX 1.546 trillion nationwide. Most households received around UGX 998,000, close to the intended maximum of UGX 1 million per household. However, some households exceeded this limit because more than one household member received the PDM funds.
- b) **Effective targeting remains a challenge:** Notable welfare disparities among beneficiaries, with 63% classified as relatively better off and 37% as poorer, based on an asset index and corroborated by indicators such as meal frequency and ability to meet basic needs. This disparity persisted across all three PRF disbursement tranches (2022–2024), with relatively better-off households consistently benefiting from the PRF. Although the gap narrowed in 2024, concerns remain about the potential exclusion of the most vulnerable households, the primary target of the program.
- c) **PBMIS gaps and SACCO bias in beneficiary targeting:** The Parish-Based Management Information System (PBMIS), initially developed with technical support from UBOS to identify PRF loan beneficiaries in a subsistence economy, proved ineffective due to data limitations and technical challenges. As a result, the government reassigned the responsibility of beneficiary identification to SACCOS, which were more familiar with local household conditions. However, this shift is likely to have introduced targeting bias, as SACCOS tended to prioritise the better-off households perceived as more creditworthy.
- d) **Inclusivity criterion yet to be achieved:** The PDM was designed to be inclusive, with targeting quotas of 30 percent women, 30 percent youth, 20 percent men, 10 percent elderly, and 10 percent persons with disabilities (PWDs). However,

the study found that the youth and PWDs targets were not met. The actual distribution of PRF loan recipients was 38 percent women, 31 percent men, 18 percent youth, 10 percent elderly, and only 3 percent PWDs, reflecting significant deviations from the intended allocations.

- e) **Improved efficiency of the PRF disbursement process:** Over time, the PRF disbursement system has become more efficient, marked by a notable shift toward digital channels such as Mobile Money and the Wendi Mobile Wallet, which have largely replaced traditional bank accounts and cash transactions. Fund disbursement lead times have significantly decreased from 15 months in 2022 to 9 months in 2023, and just 3 months in 2024.
- f) **Significant switching of enterprises at household level:** The study found that 39% of beneficiaries switched enterprises, suggesting that the PDM's priority enterprises were not suitable for all. In some cases, selected enterprises did not align well with local economic conditions, environmental factors, and market demand. Revenue analysis of PDM enterprise agricultural products showed the highest earnings from poultry, food crops, microenterprises, and piggery. Additionally, productivity gains in perennial crop value chains, especially cocoa and coffee, yielded positive returns.
- g) **PDM pillars have yet to be fully integrated:** The study reveals weak integration across PDM pillars, with progress in financial inclusion (Pillar 3) undermined by underperformance in agriculture (Pillar 1), poor infrastructure, and limited access to electricity, irrigation, and markets (Pillar 2). Limited social institutions (Pillar 5) further hinders mindset change. These gaps restrict the PDM's ability to drive sustainable economic transformation.
- h) **PRF loans eased access to credit for micro-borrowers:** The PRF soft loans of UGX 1 million provided a vital credit source for the 60 percent of the beneficiaries excluded from formal markets, and the *40 percent struggling* with access to formal credit. The study also found that 40 percent of PRF recipients had been active in the credit market, as regular borrowers from informal sources, typically accessing modest loans that often require collateral.
- i) **Capable PDM leadership:** The study found that SACCO leaders, parish chiefs, and PRF recipients generally possess basic literacy skills, enhancing their ability to manage and utilise PRF funds effectively. Parish chiefs, who serve as PDM focal persons, typically hold diplomas, while most SACCO leaders have education beyond the secondary level. The majority of PDM beneficiaries have attained post-primary education. This literacy capacity enabled SACCO leaders to assist PRF loan applicants in understanding and completing the loan forms, thereby speeding up the application process.
- j) **Prior experience in SACCOs pays off:** Most PRF beneficiaries had prior involvement in SACCOs (60 percent) and invested in familiar agricultural activities like crop and livestock production. However, participation in structured agricultural cooperatives and agro-processing was minimal. Non-government programs provided key support, especially agricultural inputs, complementing government efforts.

Recommendations

Transformative shift	Recommended Action	Responsible MDAs
PBMIS	<ul style="list-style-type: none"> Fast-track PBMIS rollout to enhance beneficiary targeting and identification. Establish a clear and enforceable PRF loan repayment framework to improve recovery and sustainability. 	<ul style="list-style-type: none"> Ministry of Finance, Planning and Economic Development (MoFPED) Ministry of ICT and National Guidance (MoICT) Ministry of Local Government (MoLG)
Digital financing	<ul style="list-style-type: none"> Expand Wendi wallets reach to enhance digital inclusion. 	<ul style="list-style-type: none"> MoFPED MoICT Post bank PPPs between Government and Telecom Companies
Business Development Services	<ul style="list-style-type: none"> Allow PRF recipients to switch to more profitable and transformative ventures beyond the seven priority enterprises. Strengthen SACCOs' financial literacy, marketing, and value addition to boost bargaining power, cut costs, and improve market access. 	<ul style="list-style-type: none"> MoLG Financial Services Department (FSD) of MoFPED Ministry of Trade, Industries and Cooperatives (MTIC) Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)
Coordination and monitoring	<ol style="list-style-type: none"> Enhance integration across the seven PDM pillars by prioritizing joint planning and implementation Ensure adequate operational infrastructure, financial and human resources across all pillars Institutionalise monitoring, evaluation, accountability and learning (MEAL) systems by implementing frameworks to track PRF performance and support data-driven decisions. 	<ul style="list-style-type: none"> OPM is the chief coordinator of Government business MoLG PDM Secretariat MoFPED and MoICT FSD under MoFPED
PRF disbursement and recovery	<ul style="list-style-type: none"> Increase PRF allocations to prioritise SACCOs with a huge subsistence economy burden Introduce flexible repayment terms 	<ul style="list-style-type: none"> MoFPED MoLG PDM Secretariat

1 BACKGROUND

The Government of Uganda (GoU) launched the PDM in February 2022 with the policy goal of transitioning 3.5 million households (33 percent) from subsistence to a money economy by 2030. Of these, 2.6 million households (75 percent) engage in subsistence agriculture (UBoS, 2024). The PDM programme was designed to transition subsistence households into the money economy through a holistic approach. The programme is based on seven pillars, that is, agriculture value chain development focusing on production, storage, processing and marketing (pillar 1), infrastructure and economic services (pillar 2), financial inclusion (pillar 3), Social Services (pillar 4), Community mobilisation and mindset change (pillar 5), Parish-Based Management Information System (PBMIS) (pillar 6), and Governance and administration (pillar 7).

The PDM was designed to be implemented in three phases: the Establishment Phase (FY 2021/22 – 2022/23), the Stabilisation Phase (FY 2023/24 – 2024/25), and the Sustainability and Exit Phase (FY 2025/26 – 2030). During the Establishment Phase, the focus was on forming enterprise groups and SACCOs, implementing financial inclusion systems, collecting baseline data, and capitalising SACCOs. In the Stabilisation Phase, key results included further SACCO capitalisation, strengthening governance, providing Business Development Services, and integrating digital systems. The Sustainability and Exit Phase will prioritise consolidating community savings into a Parish Development Bank, further capitalising SACCOs, and enhancing governance.

However, the success of all three phases hinges on establishing effective synergies across the seven PDM program pillars, with the successful establishment of the Parish Development Bank serving as a key measure of success in the Sustainability and Exit Phase.

During the establishment and stabilisation phases of the PDM program, the government prioritised Financial Inclusion, Governance and Administration of SACCOs among the seven PDM pillars. Under Financial Inclusion, a parish-level public credit facility was established to provide affordable PRF loans to financially vulnerable households, aiming to enhance economic activity and national growth. These

households operate at a subsistence level, with earnings barely or insufficiently meeting their basic needs (MoLG, 2022).

Each parish established a PDM SACCO, which provides loans through a PRF to selected beneficiaries. The Parish Chief and Town Agent play key roles in mobilising and supporting beneficiaries by profiling subsistence households and facilitating enterprise formation within rural and urban parishes, respectively (MoLG, 2021). The beneficiaries are expected to invest PRF loans in seven prioritized agricultural commodities value chains, i.e. dairy, piggery, poultry, fish farming, fruits, coffee and food crops (MoLG, 2022).

1.1 Motivation and Objectives

The PDM has progressed through the Establishment Phase (FY 2021/22 – 2022/23) and the Stabilisation Phase (FY 2023/24 – 2024/25). A process evaluation was considered essential to assess the achievements of these phases and establish baseline information for the successful implementation of the Sustainability and Exit Phase (FY 2025/26 – 2030). This study's process evaluation of the PDM program examined both the successes and challenges encountered during the Establishment and Stabilisation Phases (Phases 1 and 2). The goal was to identify the best practices that will guide the Sustainability and Exit Phase, which will focus on key activities such as capitalising PDM SACCOs, consolidating community savings at the parish level through a Parish Development Bank, and strengthening governance structures.

Against this backdrop, this study assesses the processes of PDM SACCO formation, and the disbursement and management of the PRF loans at the parish level during the establishment and stabilisation phases. It provides information on the targeting and selection of PRF loan recipients, as well as how PRF recipient households accessed and utilised the funds. The study also assessed the interaction between the seven PDM pillars in achieving better program outcomes at the parish level. It explored the potential for PRF recovery and its sustainable growth into a Parish Development Bank. Additionally, the study highlights key successes from the establishment and stabilisation phases for scaling up in the sustainability and exit phase, while identifying challenges that may hinder effective PDM implementation.

2 DATA AND METHODS

2.1 Data

The process assessment utilised data from both primary and secondary sources. Secondary data were obtained through document reviews of government policy documents, PDM guidelines, and previously implemented government livelihood programmes. Primary data collection involved both quantitative and qualitative methods. The quantitative component included a household survey administered to PDM beneficiaries, a SACCO survey administered to PDM SACCO leaders, an enterprise group survey administered to enterprise group leaders, and a community survey administered to parish chiefs and community leaders. The qualitative component comprised key informant interviews (KIIs) and focus group discussions (FGDs) with various respondents.

2.2 Sample Selection

A multi-stage sampling approach was used to ensure comprehensive representation of PDM beneficiary households across the four major regions – central, eastern, western and northern. In total, 26 districts were randomly selected nationwide: four from the central region, eight from the eastern region, eight from the northern region and six from the western region. From each selected district, two sub-counties were selected, while ensuring a balance between urban and rural areas. Two parishes or SACCOs were randomly selected from each sub-county, resulting in a total of four parishes per district.

The fifth stage included the random selection of two enterprise groups from each parish/SACCO. Finally, ten PRF beneficiary households and five non-recipient households were randomly selected from each parish/SACCO. In total, the survey covered 104 parishes, 104 PDM SACCOs, 208 enterprise groups, and 1,491 randomly selected households (see Figure A1).

2.3 Data Collection

Quantitative data was collected using structured questionnaires from 1491 PDM beneficiary households, 208 PDM SACCOs, 104 PDM enterprise groups and 104

communities. The household tool collected data on household demographics, group membership, household welfare and asset ownership, financial inclusion, engagement in agricultural activities and PDM enterprises, access to extension services and training, awareness of formation of the parish development bank, access to services and challenges faced in the implementation of PDM enterprises. The SACCO tool captured data on SACCO membership, registration and leadership, capitalisation and disbursement of the PRF, capacity building, PBMS, monitoring, access to services and challenges in implementation of the PDM. The enterprise group tool collected data on group registration and membership, leadership, enterprise group development, extension services and trainings, marketing, monitoring and challenges faced by the enterprise groups. The community tool captured data on community member characteristics, access to services, government safety net programmes, transformative enterprises and challenges faced by the community.

Qualitative data was collected to gain in-depth insights into the experiences of various stakeholders, including implementers and PDM beneficiaries, across 26 districts. Collecting qualitative data helped validate the quantitative findings and address objective four. Data was gathered through Key Informant Interviews (KIIs) and Focus Group Discussions (FGDs). KIIs were conducted with district officials, SACCO leaders, financial institutions, and representatives from Ministries and Development Agencies (MDAs). The data collected covered roles and responsibilities, reporting structures, beneficiary identification, enterprise selection, parish knowledge transfer and PRF requirements, complementarity of PDM pillars, monitoring, perceptions of the PDM programme, collaboration and participation of non-state actors, policy alignment, and challenges faced in PDM programme implementation. Focus group discussions (FGDs) involved SACCO and enterprise leadership, loan/vetting committees, and extension workers (see Table 1). Data collected from FGDs included criteria to access PDM funds, collective marketing, business development, extension service access, and challenges faced in the implementation of the PDM programme. A representative sample of respondents was interviewed, and informed consent was obtained from all participants. Interviews took place in socially approved settings, following local norms. Moreover, the research team sent formal letters to district officials ahead of fieldwork to inform them about the survey.

Table 1: Respondents for FGDs and KIIs

Target group	No. of FGDs
SACCO leadership	7
Parish Development Committees (PDCs)	5
Extension workers	3
Enterprise group leadership	3
Loans committee	3
Post Bank Technical staff	1
Total	22
	No. of KIIs
District Commercial Officers (DCOs)	8
Residence District Commissioners (RDCs)/ Residence City Commissioners (RCCs)	6
Subcounty chief	1
PDM focal persons	2
Town Clerks	2
Community Development Officers (CDOs)	3
Parish Chiefs	3
District Production officers (DPOs)	2
Chief Administrative Officers (CAOs)	5
OWC representative	1
Total	33

Source: EPRC-Qualitative data (November 2024)

2.4 Data Analysis

The process evaluation included conducting Principal Component Analysis (PCA) and advanced econometric regression analysis to gain deeper insights into the factors influencing the lead time within which beneficiary households received the PRF loans. Additionally, econometric analysis was used to assess the factors that determine beneficiaries' willingness to repay the PRF. To further strengthen the evidence on the alignment between household enterprise preferences and sales revenue outcomes, we conducted a Spearman rank correlation analysis. This non-parametric method assesses the strength and direction of the association between two ranked variables. The analysis compared the rank positions of enterprises by number of household investments and the corresponding ranks of total sales revenue generated.

The study computed an asset index to provide a more objective and comprehensive assessment of the wealth welfare status of PRF loan beneficiary households. The

asset index¹ was developed as an alternative measure of household wealth status using non-monetary indicators. These indicators were categorised into three groups: physical assets (e.g., televisions, radios, and mobile phones), housing characteristics (e.g., floor type, water, and toilet facilities—excluding electricity, as it was not captured in the survey), and mobility assets (e.g., cars, motorcycles, and bicycles). The PCA was applied to assign weights to these assets based on their variation. Using the weighted scores, PDM beneficiary households were ranked and grouped into quintiles. The bottom two quintiles are classified as relatively poor, and the top three quintiles represent better-off households, which provides a clearer view of economic disparities among beneficiaries. This categorisation was confirmed by other indicators like number of meals, ability to meet basic needs and pay school fees, income from external sources, possession of sets of clothes and pairs of shoes.

Qualitative data was analysed using thematic approach. Thematic categories such as governance, financial management, and challenges were identified. Key themes were identified and quantified based on their frequency in the transcripts. The research offered evidence-based insights on SACCO and enterprise group readiness to manage the PRF, the complementarity of the PDM pillars, challenges in PDM implementation, and recommendations for improvement.

3 FINDINGS

3.1 Targeting and Identification of PDM Beneficiaries

This section examines how PDM SACCOs managed PRF resources at the parish level during the Establishment and Stabilisation Phases, including the total funds handled. It also analyses the outcomes of the PRF loan recipient selection process, the profile of loan recipients, and how these households accessed and utilised the funds.

¹ The study assessed asset ownership among PDM beneficiaries to determine if they align with the subsistence economy outlined in the PDM guidelines (Figure B1, Annex B). Mobile phones were the most owned asset. The better-off group consistently owned more assets across most categories, while the relatively poor also had a significant share of basic household items. Ownership of more expensive assets, such as motorcycles and vehicles, was concentrated among the better-off households, suggesting that essential household items are accessible to both groups, but higher-value assets are predominantly owned by the better-off.

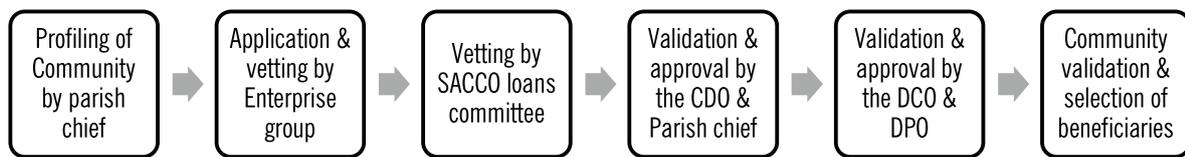
3.1.1 Beneficiary Identification Process

The study found that the initial approach of identifying beneficiaries using household socio-economic profiles through the PBMIS, developed by the UBoS, was ineffective in targeting households in the subsistence economy. This was due to data gaps, falsification, technical limitations, and resource constraints. As a result, the government shifted the responsibility of beneficiary identification to SACCOs, recognising their closer familiarity with local household welfare. Therefore, community members at the parish level subjectively identified subsistence households. Community members identified individuals classified as the “active poor”—those demonstrating hard work and having at least one ongoing project—as a priority. Beneficiaries were also required to have resided in the area for at least three months and possess national identity (ID) cards. Conversely, individuals perceived as lazy, habitual drunkards, or lacking prior enterprise experience were likely to be excluded from PRF support.

The PDM selection process involves multiple vetting and validation stages, starting with enterprise group screening and SACCO Loans Committee review (Figure 1). The CDO and Parish Chief validate and approve applications, followed by further review by the District Commercial Officer (DCO) and District Production Officer (DPO). A final community validation ensures beneficiaries’ legitimacy. However, Mbabazi and Nkwatsibwe (2024) highlight that the extensive documentation required for loan approval can be burdensome, especially in low-literacy areas.

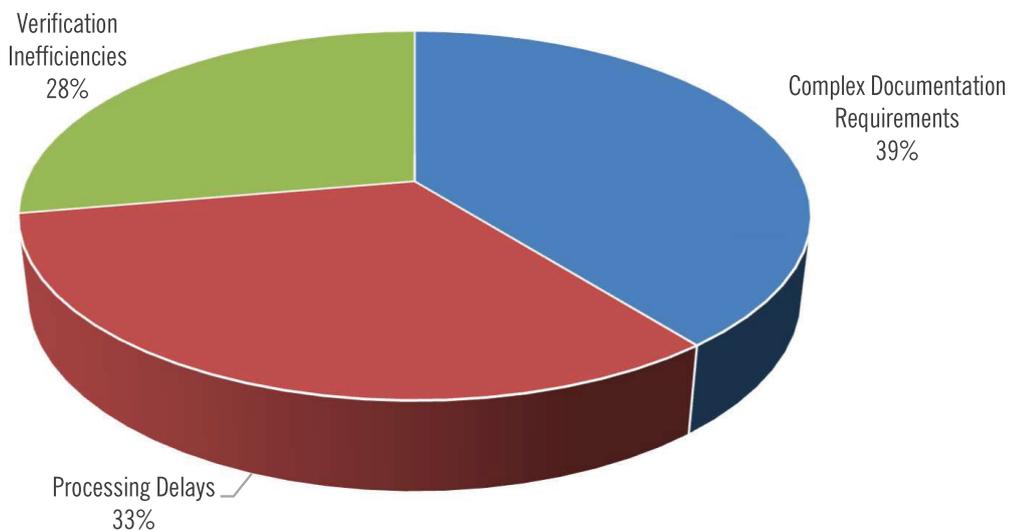
Study results (Figure 2) indicate that complex documentation requirements significantly challenge rural beneficiaries during the loan application process. Forms are in English, requiring assistance for many applicants. SACCOs also face document storage issues due to limited office space. Processing delays and a lengthy bureaucratic verification process hinder timely fund access, as multiple approval levels require physical verification. These delays have particularly affected investments in seasonal enterprises.

Figure 1: Identification and Selection of Beneficiaries



Source: EPRC-Qualitative data (November 2024)

Figure 2: KII And FGD Recounts of the Barriers to PRF Access by Beneficiaries



Source: EPRC-Qualitative data, November 2024

3.1.2 The Use of Asset Index for Assessing Targeted and Selected PRF Loan Recipient

At the inception of the PDM programme, there was no baseline data on the wealth ranking of households in the subsistence economy and no clear guidelines for targeting PRF loan beneficiaries. The absence of standardized, operational guidelines for Parish Chiefs and SACCO leaders to identify eligible households led to subjectivity in the selection process, as illustrated in Figure 3. Therefore, this study aimed to examine the targeting and selection of PRF loan recipients to document the outcomes of PRF loan allocation.

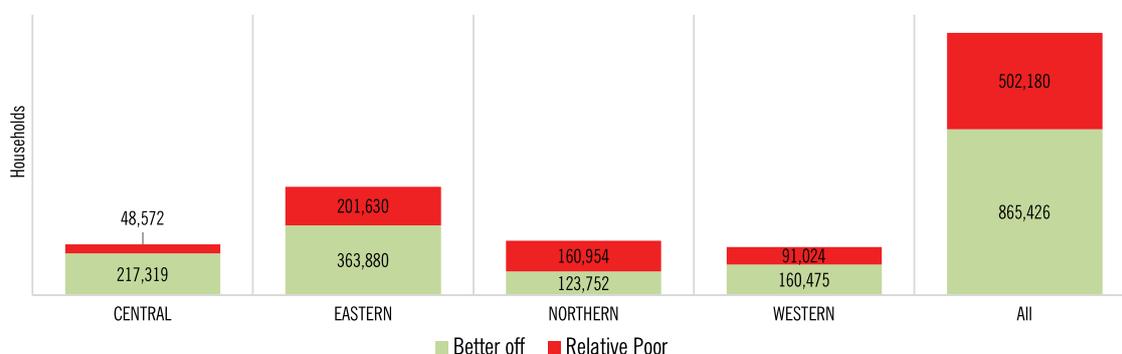
The study reveals differences in the wealth status among the targeted households (Figure 3). The results show that, as of November 2024, of the 1,367,606 households that accessed PRF loans through their respective PDM SACCOs nationwide, 63 percent (865,426) were classified as better-off, while the remaining 37 percent (502,180) were relatively poor. Across all regions, the number of better-off households consistently exceeded the number of relatively poor households (Figure 3). The subjective selection process may have excluded

eligible households in subsistence economies, raising concerns about the program’s reach and effectiveness. Other GoU programmes, such as National Agricultural Advisory Services (NAADS), have also faced challenges in beneficiary identification (Bahigwa et al., 2005) and remain a constant issue in targeting the poor, as highlighted by an EPRC (2020) study.

The wealth index analogy, which categorizes households into two groups, relatively poor and better off was extended within the context of capitalizing SACCOs during the first two phases of PDM programme implementation, specifically during the establishment and stabilisation phases, as outlined in the introductory section of this report. The findings indicate that PDM funds were disbursed in three distinct tranches by the FSD of MoFPED to SACCOs in 2022, 2023, and 2024. The SACCOs subsequently allocated these funds as PRF loans to beneficiaries during these periods.

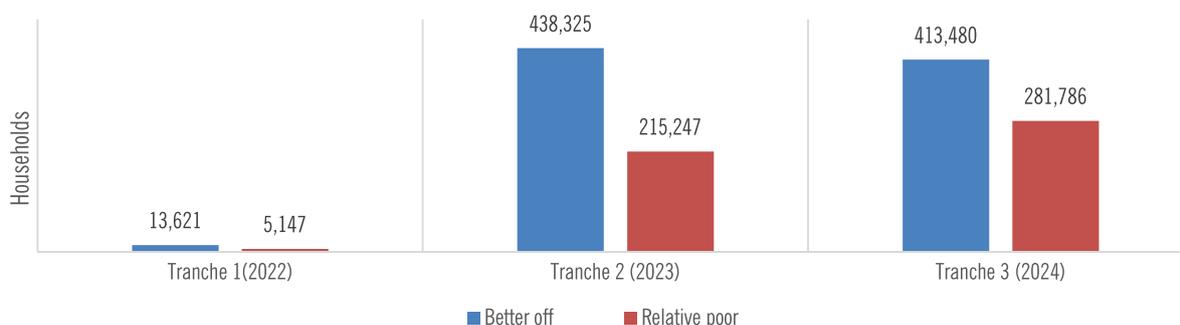
However, the study results (Figure 4) further reveal that across the three tranches of PRF disbursements (2022, 2023, 2024), better-off households consistently outnumber

Figure 3: Regional Distribution of PRF Recipients by wealth Status



Source: EPRC-PDM household survey (Nov 2024)

Figure 4: Targeting of PDM Beneficiaries by Tranche



Source: EPRC-PDM household survey (Nov 2024)

relatively poor households except for Northern Uganda (Figure 4). This trend suggests a consistent bias toward better-off households, who have the capacity to repay loans, which raises concerns about the potential exclusion of targeted beneficiary households in the subsistence economy.

3.2 Categories of PRF Beneficiaries

The PDM program was designed to be inclusive, targeting 30 percent women, 30 percent youth, 20 percent men, 10 percent elderly, and 10 percent PWDs. However, the study found deviations from the intended distribution, particularly among youth and PWDs (Table 2). The PRF loan recipients comprised 38 percent women, 31 percent men & general community, only 18 percent youth, 10 percent elderly, and just 3 percent PWDs. These gaps highlight that the youth and PWDs are underrepresented in the PDM program.

Categories	Total	%
Women	545,573	38
Men & General community	446,832	31
Youth	258,308	18
Elderly	144,990	10
PWDs	35,935	3
Total	1,431,638	100

Source: EPRC-PDM household survey (Nov 2024)

The study findings in Table 2 align with feedback from KIIs and FGDs, indicating that many youths are reluctant to engage in productive activities, particularly agriculture because most

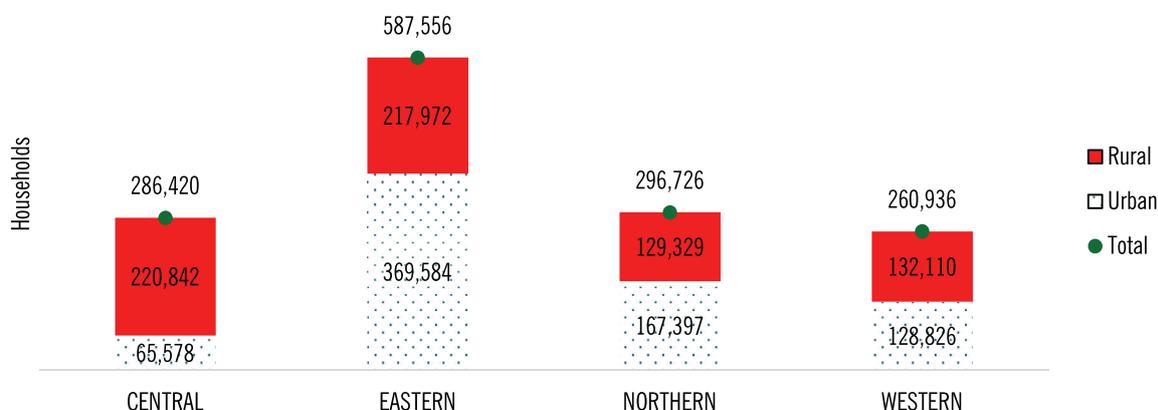
youth have limited access to land and perceive agriculture as unprofitable, and prefer quick-money options like Boda-boda riding. Many youths also lack National IDs and are not part of groups. Participation from PWDs and youth is also limited, with some expressing concerns that the youth may struggle to use the funds profitably and repay loans. However, this concern that the youths are unlikely to repay PRF loans is contradicted by empirical evidence in Section 3.8.2 of this report, which states that, “willingness to repay PRF decreases among older borrowers (31–59 years) and elders (≥60 years) compared to younger individuals (18–30 years).” On the other hand, some PWDs have pursued alternative businesses, such as radio and TV repairs or shoe mending, especially those with limited mobility.

“I have encountered instances where the youth leaders of the enterprise have informed me that they cannot meet the required percentage of youth beneficiaries. The youth are not organized into groups, and many do not have National IDs. As a result, they fear taking out loans, and some are simply not interested in working” (KII PDM Focal Person Mbale, November 2024).

3.3 Regional Distribution of PRF Recipients

Information in Figure 5 shows that by the time of the study in November 2024, the majority of PRF recipients were from the Eastern Region, with an estimated 587,556 beneficiaries, largely due to the high number of parishes in

Figure 5: Distribution of PRF recipients across regions by Nov 2024



Source: EPRC-PDM household survey (Nov 2024)

the region (Alum *et al.*, 2024²). This results in more SACCOs being established and greater PRF disbursements. Likewise, the majority of PRF recipients were located in urban areas, particularly in the Eastern and Northern regions, despite the intended focus on rural areas with a higher concentration of subsistence households.

3.4 PDM SACCO Management and Oversight

The study found that PRF loan management and oversight within PDM SACCOs and the broader PDM program are conducted by parish chiefs in rural areas and town agents in urban municipalities. These officials supervise SACCO leaders in administering PRF loan disbursements. As shown in Figure 6, parish chiefs and town agents hold at least a diploma, while SACCO leaders, responsible for overseeing

PRF fund distribution, have education beyond secondary school. In contrast, most beneficiaries have only a post-primary education, equivalent to approximately eight years of schooling. Overall, the study indicates that SACCO leaders, parish chiefs, and PRF recipients possess basic literacy skills, which enhances their ability to manage and utilise PRF funds effectively.

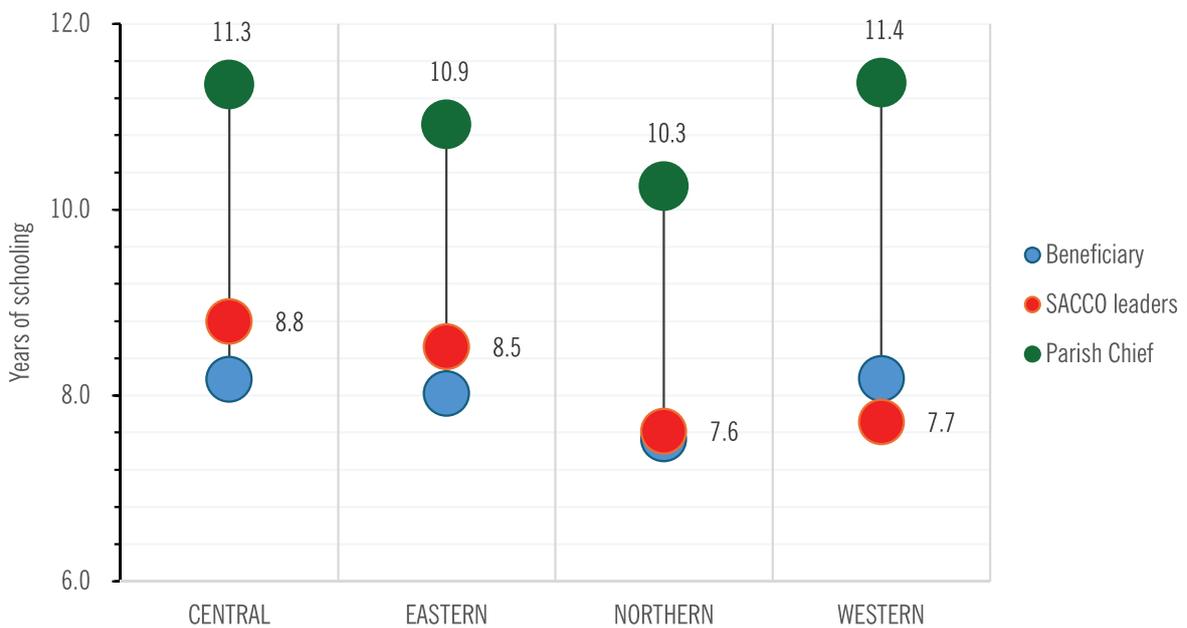
3.5 Process of PRF Loan Disbursement to Households through PDM SACCOs

3.5.1 Regional Disbursement of PRF

The study findings (Table 3) reveal that by November 2024, PDM SACCOs nationwide had disbursed approximately 1.5 trillion in PRF funds to target beneficiaries for investment in various enterprises across different regions.

² Christine Arwata Alum, Swaibu Mbowa, Sheila Nakkazi, Muhammad Mukisa, Solomon Nuwagaba, Mary Kajumba, Hilda Namuleme, Sandra Nakabiri (2024). Milestones and challenges in the implementation of the Parish Development Model (PDM) program. EPRC Draft Policy Note # June 2024

Figure 6: Average Years of Schooling for PRF Recipients, SACCO Leaders and Parish Chief



Source: EPRC-PDM household survey (Nov 2024)

Table 3 further shows that SACCOs in the Eastern region disbursed the highest amounts, followed by the Western, Northern, and Central regions, respectively. Overall, the results indicate a relatively even distribution of PRF loan funds between rural and urban SACCOs. However, notable disparities were observed in the Central region, with urban SACCOs recording the lowest disbursement amount of Ugx 66 billion compared to the rural (240 billion). Results on PRF disbursements by SACCOs (Table 3) in tandem with the regional distribution of PRF loan recipients displayed in Figure 5 Section 3.3.

Table 3: Regional Disbursement of PRF From SACCOs to Beneficiaries (UGX, Million)

Region	Urban	Rural	Total
Eastern	380,000	230,000	610,000
Western	160,000	160,000	320,000
Northern	170,000	140,000	310,000
Central	66,000	240,000	306,000
Total	776,000	770,000	1,546,000

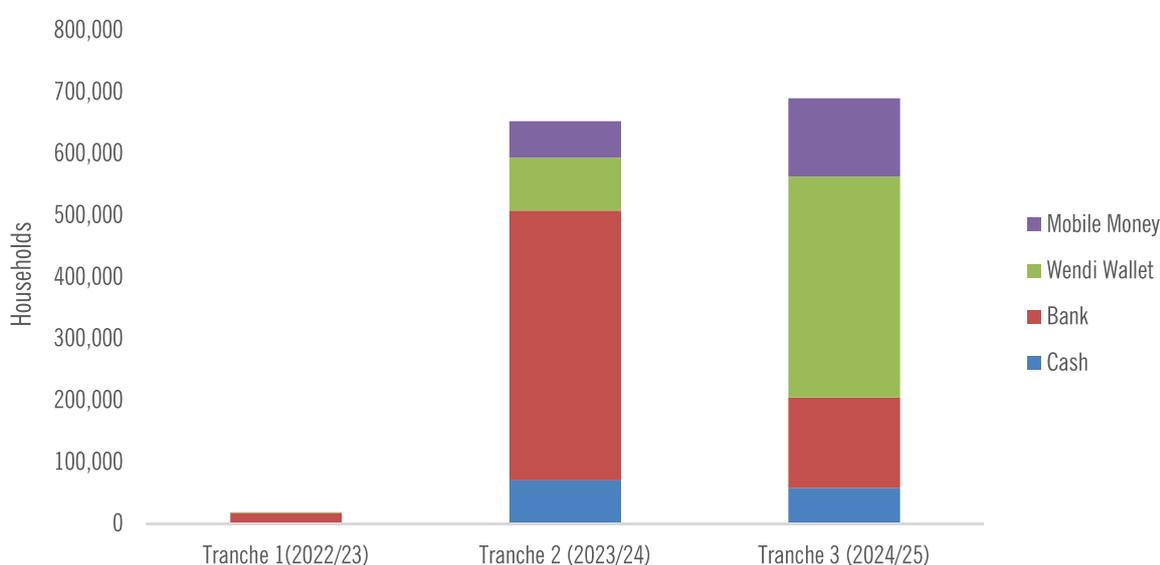
Source: EPRC-PDM household survey (November 2024)

These funds are intended for beneficiary use over a two-year period at an interest rate of 6%, with repayments scheduled to begin in the third year. However, during FGDs with beneficiaries, it became evident that no clear repayment plan is currently in place. While some beneficiaries expressed a willingness to start repaying, they were uncertain about the designated payment channels.

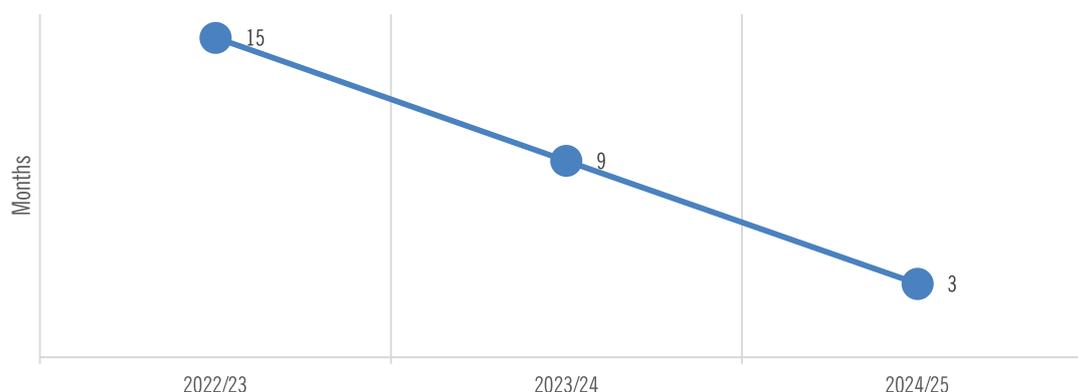
3.5.2 Financial Systems Used to Disburse PRF from SACCOs to Beneficiaries

From 2022 to October 2024, PRF disbursements evolved from bank transfers and cash to more efficient methods like Wendi Wallet and mobile money (Figure 7). By Tranche 3 (2024/2025), most beneficiaries had received funds through these digital platforms, improving turnaround time (Figure 8), and reducing withdrawal costs from UGX 18,000 to UGX 3,750 for every Ugx1,000,000 disbursed. These improvements align with best practices identified in earlier studies like Mbabazi and Nkwatsibwe (2024), who also identified innovative financial disbursement methods as best practices within the PDM.

Figure 7: Financial Systems Utilised by SACCOs to Disburse PRF to Beneficiaries from 2022 to 2024



Source: EPRC-PDM household survey (November 2024)

Figure 8: Lead Time for Receiving PRF by Beneficiaries

Source: EPRC-PDM household survey (November 2024)

The SACCOs have streamlined the system, significantly reducing the processing time for PRF disbursements. While it took an average of 15 months in Tranche 1 (2022/23), the wait time decreased to 9 months in Tranche 2 (2023/2024) and just 3 months in Tranche 3 (2024/2025), with more beneficiaries receiving funds via mobile money and Wendi mobile wallet.

Money is withdrawn from Wendi agents, and this has reduced the delays and risks associated with bank withdrawals. However, Wendi agents remain scarce in some rural areas, and many beneficiaries lack information on how the system operates to support savings for PRF beneficiaries. There is a need to promote the Wendi system and expand the number of agents among PDM beneficiaries.

3.5.3 Determinants of Lead Time for Processing PRF Loan Applications

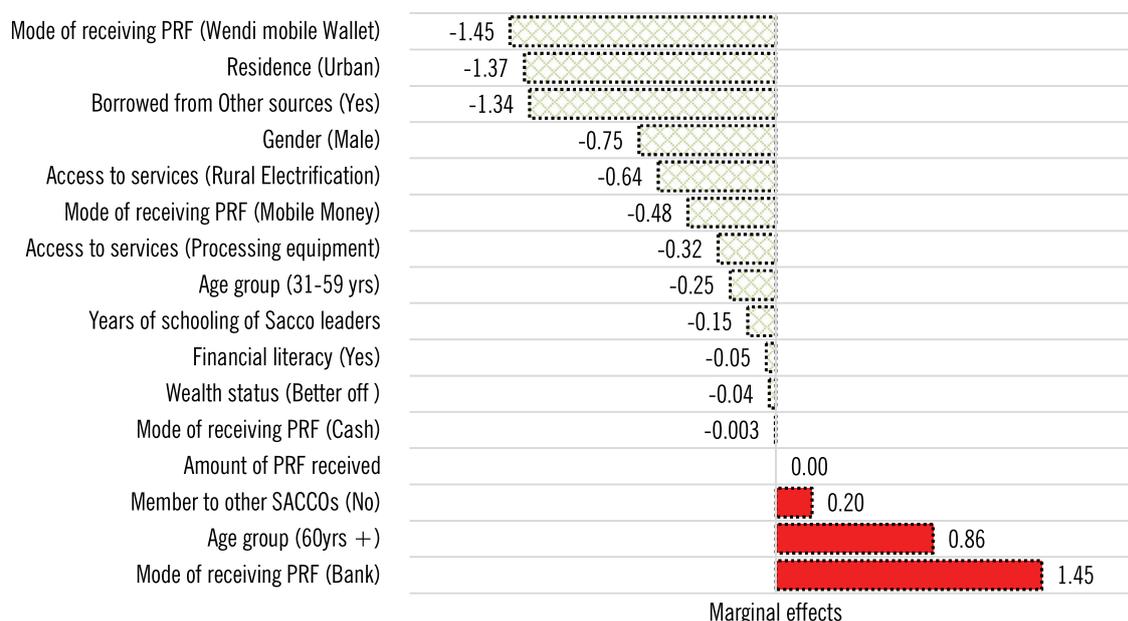
The study analyses the key determinants influencing lead time for SACCOs to process PRF loan applications for beneficiaries. These findings are illustrated in Figure 9. According to Figure 11, lead times for PRF loans are shorter for applicants using Wendi mobile wallet (by 44 days or 1.45 months), mobile money (by 14 days or 0.48 months), or cash, as well as for those in urban areas, males, and individuals with prior borrowing experience. SACCOs located in parishes with electricity and access to agro-processing facilities also tend to have shorter lead times. Faster loan processing is observed for adults aged 31–59, individuals linked to well-educated SACCO leaders, financially literate applicants and wealthier individuals. In contrast, lead times

are longer for non-SACCO members, elderly applicants (60+), and those receiving loans via bank accounts, with processing times potentially extending by over 44 days (1.45 months). These study findings are consistent with works by Aker and Mbiti (2010), Beck et al. (2008), Cole et al. (2011), Demirgüç-Kunt et al. (2013), Estache and Fay (2007), Fan and Zhang (2004), Lusardi and Mitchell (2014), Noor et al. (2009), Nyang'ori (2011), Tavares (2018), and Zeller and Sharma (1998).

The results in Figure 9 suggest that the FSD in MoFPED should ensure that PDM participating financial institutions (PFIs), led by Post Bank, including Centenary Bank, Stanbic, Absa Bank, and Housing Finance, expand digital and mobile-based PRF transactions nationwide. PFIs should promote mobile loan disbursement, simplify bank loan procedures, and enhance efficiency. Additionally, FSD, through Enterprise Uganda, should strengthen SACCO financial literacy programs and provide specialised training for SACCO leaders to improve financial management skills.

Equally important, the grassroots PDM support team (i.e., district local PDM coordinators, CDOs, and Parish Chiefs) should assist SACCO leaders in streamlining loan applications for elderly and inexperienced PRF applicants. They should also establish mentorship programs for first-time borrowers, ensuring equity in loan processing by addressing gender disparities and preventing undue advantages for wealthier applicants.

Figure 9: Determinants of Lead Time (Months) for PRF Processing



Source: EPRC-PDM household survey (Nov 2024)

3.5.4 PRF Loan Amounts Received by Beneficiaries

The PDM Secretariat instructed SACCOs to allocate one million shillings per beneficiary household. However, Table 4 reveals that some beneficiaries received less than this amount, as indicated by the minimum figures. Interestingly, the majority of PRF recipients received amounts close to one million shillings on average, as shown by the median figures. Notably, the median amount was exactly one million shillings in Tranche 3, which further supports the observation that PRF disbursements shifted from bank transfers and cash to more efficient methods such as Wendi Wallet and mobile money (Figure 7, Section 3.5.2). It is also worth noting that some households reported receiving more than the intended

one million shillings. This explains why the maximum disbursed amounts in Table 4 exceeded the set allocation per household, likely due to some households submitting multiple PRF loan applications.

3.6 Overview of PRF Loan Investments in Priority Enterprises

This section examines the enterprises in which PRF recipients have invested, highlighting the responses and choices made by targeted beneficiaries of the PDM regarding the allocation of PRF funds across the seven priority sectors: poultry, coffee, food crops, piggyery, dairy, fruit growing, and fish farming.

Table 4: Average PRF Disbursed to Beneficiaries by Tranche (2022-2024) (UGX, '000)

Tranche	Mean	Median	Minimum	Maximum
Tranche 1 (2022/23)	1,140	990	500	2,000
Tranche 2 (2023/24)	1,086	995	280	3,744
Tranche 3 (2024/25)	1,082	1,000	500	2,910
Overall	1,085	998	280	3,744

Source: EPRC-PDM household survey (Nov 2024)

It also explores cases where recipients opted to switch enterprises, analysing the circumstances influencing these decisions. Additionally, it assesses the extent to which PRF recipients have generated sales revenue, offering insight into the economic activity stimulated by PRF investments during the establishment and stabilisation phases of the PDM program. Finally, this analysis offers an opportunity to assess whether the allocated PRF loan amounts are ideal for effective investment.

3.6.1 Enterprises Invested in by Beneficiaries

The study results indicate that beneficiaries invested PRF funds in a variety of enterprises, beyond the seven recommended priority enterprises: poultry, coffee, food crops, piggery, dairy, fruit growing, and fish farming, across different regions. Nationwide, the most common enterprises

included food crops, poultry, goat rearing, piggery, beef cattle, dairy cattle, and coffee (Table 5).

Notably, the study reveals that approximately UGX 464 billion—out of the UGX 1.5 trillion disbursed—was spent on consumables, as reported by 3 percent of PRF recipients nationwide as of November 2024. Additionally, 84,475 households (5.9 percent) that registered for the different enterprises didn't reveal the actual enterprises invested in. Seemingly, they were aware that switching is not allowed and deliberately decided not to disclose.

The findings highlight both the potential and challenges of PRF loan investments. While many beneficiaries successfully invested in income-generating enterprises, a significant portion of funds was diverted to non-productive expenditures,

Table 5: Mixed Enterprises Invested in by Beneficiaries

Enterprise	Rural		Urban		Total	
	Households	%	Households	%	Households	%
Food Crops	182,037	26.0	172,671	23.6	354,708	24.8
Poultry	76,441	10.9	101,753	13.9	178,194	12.4
Goat rearing	74,746	10.7	95,387	13.0	170,133	11.9
Piggery	110,886	15.8	59,127	8.1	170,013	11.9
Beef cattle	63,581	9.1	51,382	7.0	114,963	8.0
Dairy cattle	42,427	6.1	31,656	4.3	74,083	5.2
Coffee	28,671	4.1	39,527	5.4	68,198	4.8
Cocoa	19,438	2.8	37,450	5.1	56,888	3.9
Microenterprises ¹	22,352	3.2	30,616	4.2	52,968	3.7
Consumables ²	24,112	3.4	18,230	2.5	42,342	2.9
Agro_Trade ³	7,209	1.0	23,129	3.2	30,338	2.1
Sheep	2,510	0.4	15,082	2.1	17,592	1.2
Fish farming	1,490	0.2	7,536	1.0	9,026	0.6
Fruit growing	612	0.1	2,405	0.3	3,017	0.2
Beekeeping	2,428	0.3	458	0.1	2,886	0.2
Cotton	1,098	0.2	1,498	0.2	2,596	0.2
Tea	738	0.1	0	0.0	738	0.1
Didn't reveal	40,166	5.7	44,309	6.1	84,475	5.9
Total	700,942	100	732,216	100	1,433,158	100.0

Source: EPRC-PDM household survey (Nov 2024)

- 1 Microenterprises include retail shop, vending, bar, bodaboda, carpentry, tailoring, groceries, restaurants, soap making, mobile money, brick making, saloon
- 2 Consumables include rented house, bought iron sheet, bought bricks, motorcycle, school fees, bicycle, bought clothes, bought electronics, tank, bought food, personal use
- 3 Agro commodity trade includes bought produce for sale

such as consumables. Most of the investments are agrarian and petty-business activities. This underscores the need for stronger financial discipline, targeted support, and improved oversight to maximise the program's intended impact. Ensuring that PRF funds are channelled into productive sectors will be critical for fostering sustainable economic growth, job creation, and financial independence among beneficiaries.

These findings emphasise the need for the grassroots PDM support team, including district local PDM coordinators, CDOs, and Parish Chiefs, to strengthen monitoring and accountability. Implementing stricter financial tracking mechanisms and requiring regular beneficiary reporting will help minimise the misuse of PRF funds on non-productive expenses. Additionally, the grassroots PDM support team should provide regular, mandatory training on financial management and investment planning to ensure beneficiaries make informed and sustainable business decisions. They should also offer tailored guidance and incentives to encourage investments in the seven priority sectors, reinforcing their role in driving local economic development.

To enhance the effectiveness of PRF investments, SACCO loan committees should consider phased disbursements tied to business progress milestones, ensuring funds are utilised productively. Furthermore, the FSD of MoFPED, along with the leadership of the PDM Secretariat, should recognise and support viable enterprises beyond the initial seven priority sectors that align with local economic opportunities and market demand.

3.6.2 Implications of Enterprise Switching by PRF Recipient Households

This section primarily examines cases where PRF recipients switched enterprises and the factors that influenced their decisions. The study reveals that 39 percent of beneficiaries, approximately four in ten reported switching enterprises. This is evident from the discrepancy between the enterprises' beneficiaries initially registered for and those they ultimately invested in (Table 6).

The high rate of enterprise switching suggests that, in some cases at the parish level, the designated priority enterprises were not well aligned with local economic opportunities and market demand. The main reasons for switching included

Table 6: Switching of Enterprises by Households

Enterprise	Registered	Invested	Switched
Food Crops	492,734	354,708	138,026
Poultry	246,387	178,194	68,193
Fish farming	23,520	9,026	14,494
Coffee	81,293	68,198	13,095
Cotton	10,907	2,596	8,311
Piggery	178,165	170,013	8,152
Sheep	22,617	17,592	5,025
Fruits	4,969	3,017	1,952
Sugarcane	1,395		1,395
Tea	738	738	-
Beekeeping	2,620	2,886	(266)
Agro commodity trade	20,867	30,338	(9,471)
Cocoa	43,176	56,888	(13,712)
Didn't reveal	69,480	84,475	(14,995)
Dairy cattle	55,078	74,083	(19,005)
Goat rearing	138,008	170,133	(32,125)
Consumables	-	42,342	(42,342)
Microenterprises	-	52,968	(52,968)
Beef Cattle	41,204	114,963	(73,759)
Total	1,433,158	1,433,158	-

Source: EPRC-PDM household survey (Nov 2024)

concerns over pests and diseases (35 percent), better market availability for alternative enterprises (30 percent), and seasonal challenges (25 percent). Additionally, 7 percent of beneficiaries reported that the funds were insufficient for their initial choice, while 2 percent received more funds than expected and upgraded to their preferred enterprises (See Figure B2, Annex B).

Focus group discussions with PRF beneficiaries revealed that delays in disbursement negatively impacted rural communities, forcing many beneficiaries to switch enterprises. Additionally, beneficiaries preferred investing in enterprises that yielded quick returns, such as purchasing young cows and bulls for fattening and resale as beef, which enabled quicker loan repayment. While the reasons for this have been highlighted above, the investment choices of PRF recipients beyond the designated seven priority enterprises warrant further investigation.

Switching enterprises has significant implications for the success of the PDM. Diverting loans toward consumables rather than their intended purposes could negatively impact repayment rates, program effectiveness, and the transition to the sustainability phase. Additionally, shifting from essential agricultural enterprises to less sustainable ventures or investing in unfamiliar sectors without the necessary skills may increase the risk of loan defaults and undermine the PDM’s long-term success.

The high rate of enterprise switching underscores the need for greater flexibility in loan allocation and enterprise selection to enhance program sustainability and effectiveness. It

is recommended that parish chiefs, SACCO leaders, and beneficiaries learn from active participants and conduct thorough pre-loan feasibility assessments, including market and risk evaluations, before registering new beneficiaries’ enterprises.

To support informed enterprise selection among beneficiaries, district PDM coordinators, CDOs, parish chiefs, and SACCO leaders should implement targeted capacity-building programmes. Furthermore, CDOs, parish chiefs, and SACCO leaders should provide market intelligence to help guide beneficiaries toward stable and profitable ventures. To ensure accountability and track performance, parish chiefs and SACCO leaders should establish robust monitoring and evaluation mechanisms at the parish level.

3.6.3 Household-Level Investment and Revenue Outcomes

The primary objective of the Financial Inclusion (Pillar 3) of the PDM program is to stimulate investments that support subsistence households’ transition into a monetized economy through the PRF soft loan facility. The objective is to support the target households to establish household-level business enterprises. This initiative is expected to contribute to the broader socio-economic development goals of job creation and income generation, ultimately fostering economic growth.

Table 7 shows that 471,623 households (33 percent) invested in 16 enterprises that generated income reported as sales revenue. Of the 16 enterprises, seven are listed as PDM priority enterprises: *poultry, coffee, food crops, piggery,*

Table 7: Enterprise and Household PRF Investments and Sales Revenue Outcomes (Oct 2023–Oct 2024)

Enterprise	Households		PRF invested	Sales revenue turnover		Rank
	Number	Rank (investment)	Ugx mill	Ugx mill	Rank (Revenue)	(Dual effect)
Poultry	83,043	2	94,000	244,972	1	1
Food Crops	148,639	1	160,000	144,379	3	2
Cocoa	51,646	3	84,000	181,580	2	3
Microenterprises	31,230	5	33,000	49,251	4	4
Piggery	35,710	4	36,000	47,145	5	4
Coffee	20,658	8	22,000	36,276	6	5
Agro commodity trade	21,148	7	24,000	28,804	7	5
Goat rearing	30,831	6	31,000	12,291	10	6
Did not reveal	14,440	9	15,000	17,438	8	7

Enterprise	Households		PRF invested	Sales revenue turnover		Rank
	Number	Rank (investment)	Ugx mill	Ugx mill	Rank (Revenue)	(Dual effect)
Dairy cattle	12,706	10	14,000	12,993	9	8
Beef cattle	7,267	11	8,100	5,003	11	9
Sheep	6,549	13	6,100	4,746	12	10
Fish farming	6,620	12	6,600	4,211	13	10
Cotton	165	16	170	709	14	11
Fruits	359	15	360	180	15	11
Tea	612	14	610	61	16	11
Total	471,623		534,940	790,039		

Source: EPRC-PDM household survey (Nov 2024)

dairy, fruit growing, and fish farming. The remaining nine enterprises—*micro-enterprises, cocoa, agro-commodity trading, goat and sheep rearing, and beekeeping*—appear to have emerged in response to local economic conditions and the unique circumstances within each parish. These enterprises were also registered by SACCOs across the country.

Table 7 highlights enterprises that attracted significant household-level investments, as reflected in the number of households participating. The top five enterprises by household investment were: food crops (148,639 households), poultry (83,043), cocoa (51,646), piggyery (35,710) and microenterprises (31,230). In terms of income generation, several enterprises demonstrated strong performance based on self-reported 2024 sales revenues. The top five revenue-generating enterprises, as reported by PRF recipients, were: poultry (UGX 244 billion), cocoa (UGX 181 billion), food crops (UGX 144 billion), microenterprises (UGX 49 billion), and piggyery (UGX 47 billion).

The data suggests that enterprises such as poultry, food crops, cocoa, microenterprises, piggyery, coffee and agro commodity trade performed well in both attracting PRF-funded household investments and generating high sales revenues. To maximise the program's impact, policymakers in the FSD of MoFPED and the PDM Secretariat should consider adopting a flexible strategy that supports high-potential sectors beyond current priorities. A balanced approach that promotes both strategic investments and sectoral diversification will be essential to enhance economic outcomes.

To further strengthen the evidence on the alignment between household enterprise preferences and sales revenue outcomes, a Spearman rank correlation analysis was conducted. This non-parametric method assesses the strength and direction of the association between two ranked variables. The analysis compared the rank positions of enterprises by number of household investments and the corresponding ranks of total sales revenue generated (Table B1, Annex B).

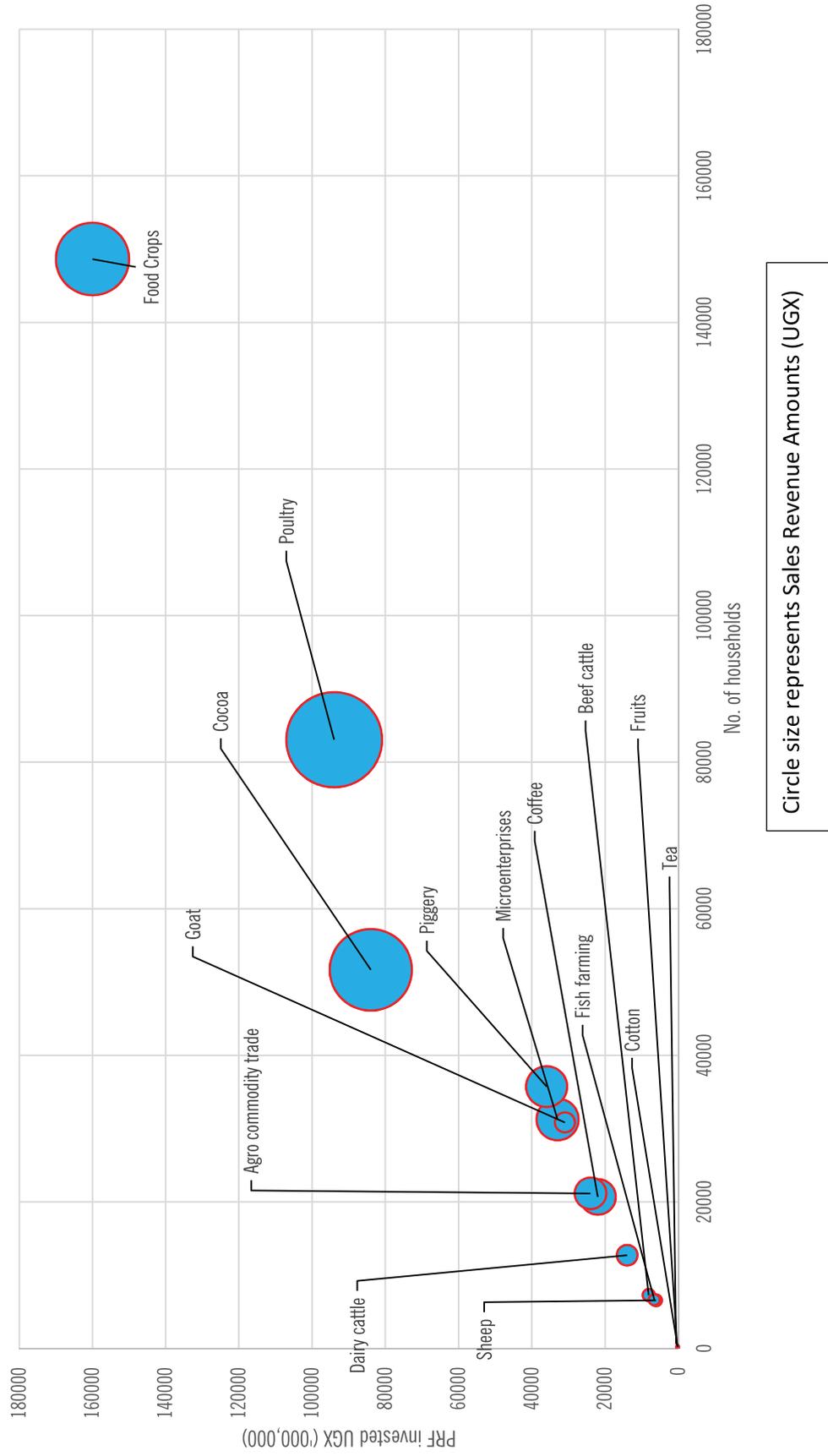
The computed Spearman's rank correlation coefficient $r_s = 0.94$ (Table B1, Annex B) indicates a very strong positive relationship between household enterprise preference and the sales revenue outcomes. This suggests that households tend to choose enterprises that also perform well in the market in terms of income generation, demonstrating rational investment decisions aligned with market opportunities such as local demand and profitability. This finding provides evidence to support the need for some flexibility in allowing PRF beneficiaries to select enterprises that match both their capacities and local market dynamics. It also strengthens the case for integrating market intelligence into SACCO advisory services and improving enterprise feasibility assessments during beneficiary vetting.

Figure 10 (a) shows enterprise distribution among PRF recipients whereas Figure 10 (b) shows sub-regional disparities in PRF investment and income outcomes. Sub-regions like Acholi, Karamoja, West Nile, Teso and Lango had low investment and weak enterprise performance in 2024. This performance was because fewer beneficiaries

had sold their produce in these sub-regions. while Tooro, Elgon, and Buganda North and South showed strong revenues, likely due to poultry, cash crop agribusinesses and microenterprises. To close these gaps, FSD and partners should expand PRF access and promote investment in high-revenue microenterprises to support inclusive and sustainable economic growth.

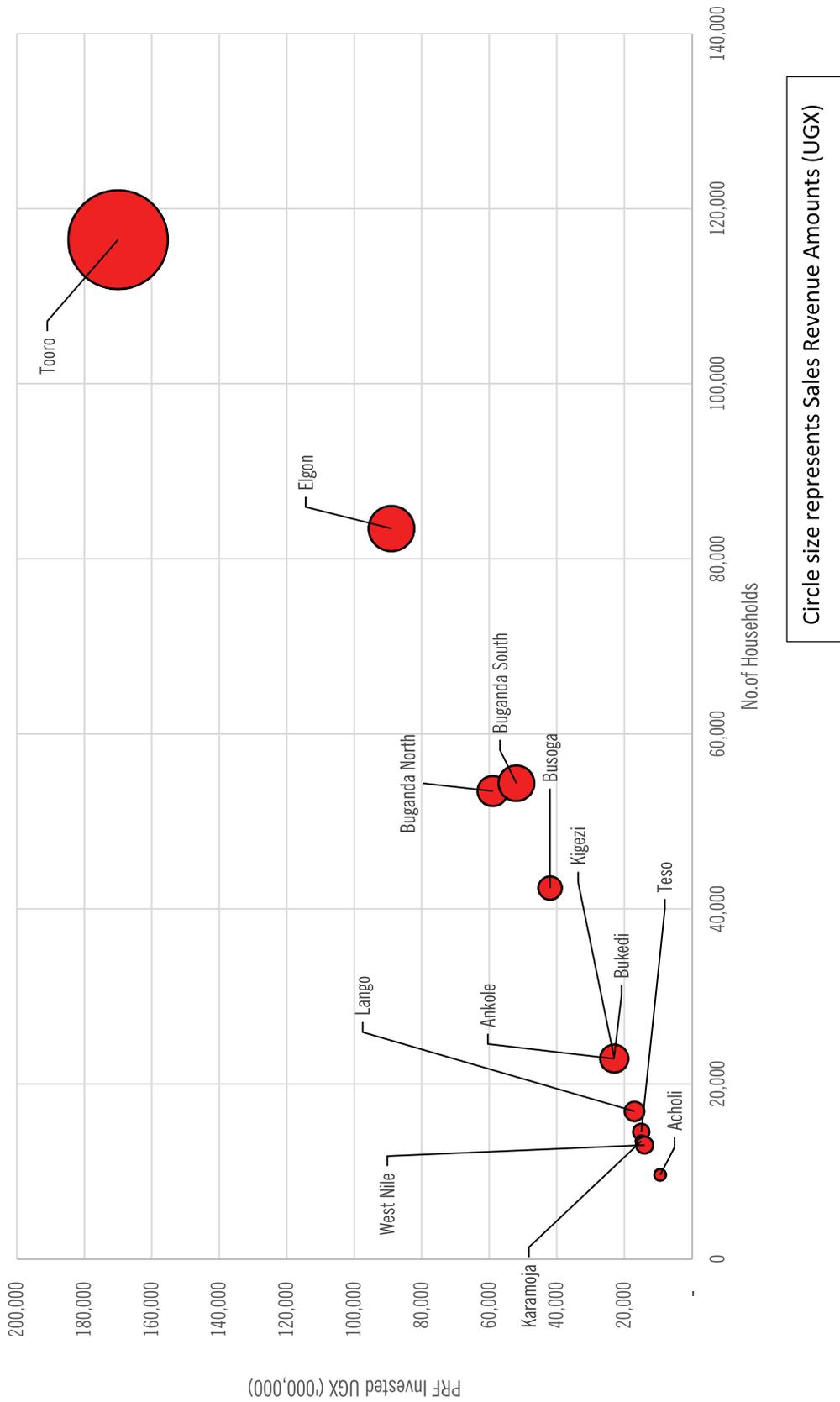
Figure 10: Distribution of Investment and Sales Revenue Turnover Outcomes

(a) Enterprise Distribution



Source: EPRC-PDM household survey (November 2024)

(b) Sub-Region Distribution



Source: EPRC-PDM household survey (November 2024)

3.6.4 The Estimated Ideal PRF for Effective Investment

The study (Section 3.6.1, Figure B2, Annex B) found that one reason for switching enterprises was the insufficient amount of PRF loans relative to the household investment needs. To assess the capital requirements of targeted PRF loan recipients, respondents indicated their self-reported estimated ideal loan amounts for effective operations. Table 8 highlights a significant gap between the actual average loan amounts received (UGX 1,085,810) and the ideal PRF loan amount (UGX 3,289,231).

Additionally, this could hinder business growth. A persistent mismatch between actual and ideal loan amounts may also prevent the PDM programme from successfully transitioning subsistence households into the money economy, particularly in areas where there was heavy investment in seemingly underperforming enterprises (see Table 7). On the other hand, if the PRF beneficiaries are given more than they require, recipients may struggle to effectively utilise the funds, leading to potential mismanagement, inefficiency, or

misuse. More importantly, this funding gap could increase the risk of loan defaults, as underfunded beneficiaries may struggle to generate the expected revenues.

3.7 PRF: A Critical Financial Lifeline for Micro-Borrowers

3.7.1 Credit Access Beyond PRF

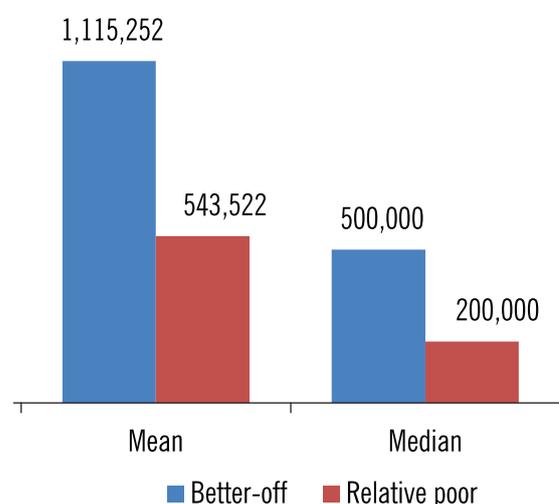
This study found that a significant number of households (40 percent) that received PRF reported being active in the credit market, primarily as micro-borrowers, typically accessing loans between UGX 200,000 and UGX 1 million (Figure 11). The better-off typically accessed loans between UGX 500,000 and UGX 1 million, while the relatively poor accessed loans between UGX 200,000 and UGX 500,000. Given this credit profile, the PRF allocation of UGX 1 million is a crucial financial lifeline for the 60 percent of households that remain excluded from formal credit markets. The study underscores that the UGX 1 million PRF loan is an essential source of credit for financially excluded households.

Table 8: Deviation Between Actual and Ideal Loan Amount, Ugx '000

Enterprise	Actual invested	Estimated ideal amount
Agro commodity trade	1,227	4,538
Beef cattle	1,080	3,543
Beekeeping	995	4,000
Cocoa	1,485	3,111
Coffee	1,121	4,179
Consumables	1,218	2,738
Cotton	988	2,000
Dairy cattle	1,106	3,114
Fish farming	995	6,250
Food Crops	1,053	3,264
Fruits	995	3,167
Goat	1,075	3,366
Microenterprises	1,006	4,250
Piggery	1,033	2,933
Poultry	1,057	3,056
Sheep	1,017	2,962
Tea	999	10,000
All	1,085	3,289

Source: EPRC-PDM household survey (Nov 2024)

Figure 11: Average Additional Credit Accessed by PDM Beneficiaries by Social Status (UGX)



Source: EPRC-PDM household survey (Nov 2024)

This study underscores the vital role of the UGX 1 million PRF loan in enhancing credit access for financially excluded households, with 40 percent of PRF recipients now actively participating in the credit market. As micro-borrowers, these households typically access smaller loan amounts, making the PRF a crucial financial lifeline. However, the fact that 60 percent of households remain excluded from formal credit systems highlights the ongoing need for more inclusive financial policies. To address this, the FSD and its partners should establish a robust monitoring and evaluation framework. This framework should ensure effective loan recovery efforts by SACCO leaders and support the sustainable management of the public PRF loan facility. Ultimately, the goal is to transition the PRF into the planned Parish Development Bank, improving long-term credit access for households.

3.7.2 Credit Sources and Collateral Dynamics among PRF Loan Recipients

The study found that PDM beneficiaries primarily accessed additional credit through informal lending schemes, SACCOs, and various community groups or cooperatives, as illustrated in Figure 12. To secure these loans, beneficiaries provided different forms of collateral, including land, household assets, and individual or group guarantees.

These findings suggest that the availability of PRF loans with flexible repayment terms and a low 6 percent interest rate

enhances beneficiaries' overall access to credit. Compared to other sources, the favourable terms of the PRF loans act as a catalyst for financial inclusion, further reinforcing the relevance of the PDM within the national development agenda.

During FGDs with SACCO members, concerns were raised about informal lenders in the community requiring original National Identity cards as collateral for loans. This practice creates a major barrier for borrowers, limiting their ability to access loans from other sources beyond the PRF.

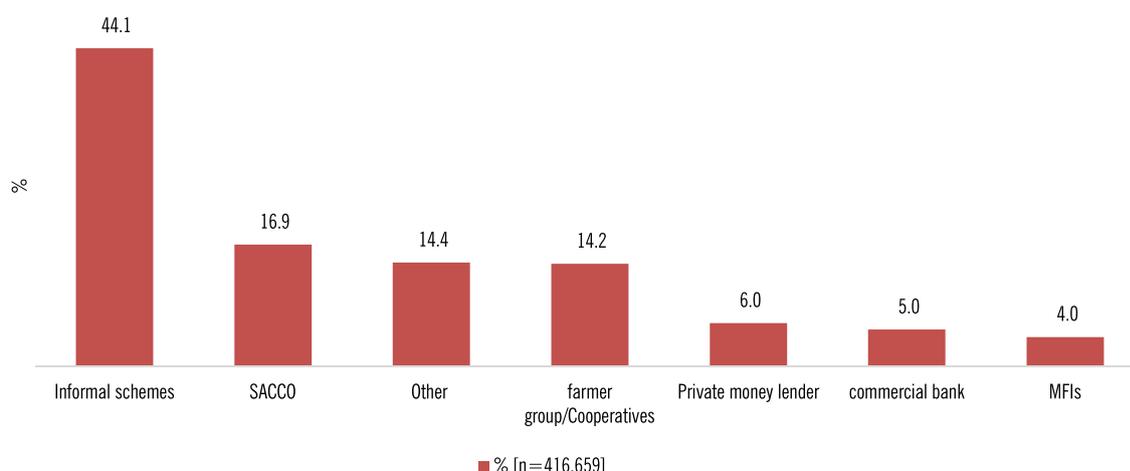
3.8 Ensuring the Future Sustainability of the PRF

This section examines the factors likely to influence PRF loan recovery. The analysis focuses on identifying key elements that may determine PRF loan repayment during the sustainability and exit phase (Phase 3). Loan repayment and recovery will be crucial, particularly for facilitating the consolidation of community savings at the parish level, ensuring the successful establishment of the planned Parish Development Bank, and ultimately determining the success of Phase 3 of the PDM program, scheduled for FY 2025/26 to 2030.

3.8.1 Potential of PRF Recovery

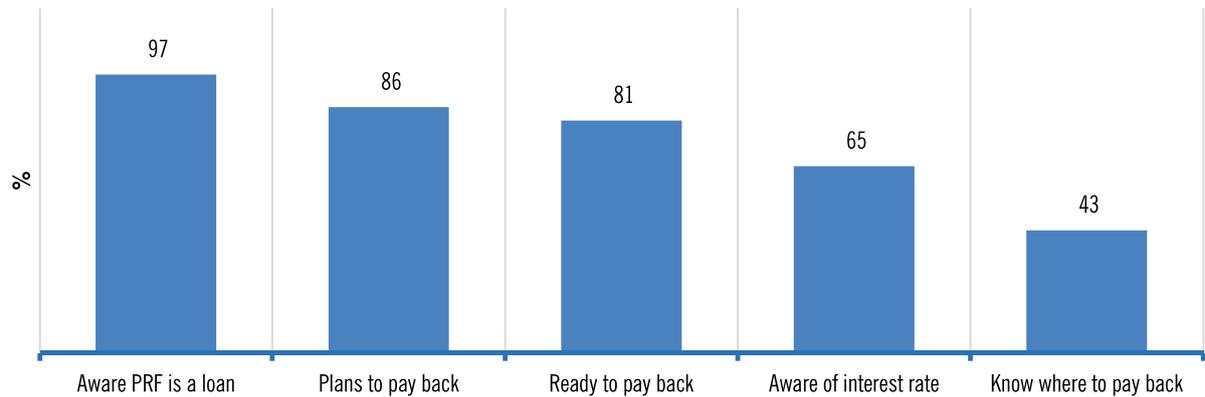
The study examined the prospects for the recovery of the PRF. The findings reveal a high level of awareness among

Figure 12: Source of Credit across Socioeconomic Groups of PDM Beneficiaries



Source: EPRC-PDM household survey (Nov 2024)

Figure 13: Household Responses on PRF Sustainability, %



Source: EPRC-PDM household survey (Nov 2024)

PDM beneficiaries, with 97 percent recognizing that the PRF is a loan (Figure 13). Furthermore, 86 percent of the beneficiaries have plans to repay the loan. Findings from the KIIs and FGDs revealed that some households had begun setting aside savings from the profits generated by their enterprises specifically to facilitate timely loan repayment. For the 14 percent of beneficiaries who did not plan to repay the PRF, the loan was perceived as a gift from the government. Awareness of the interest rate and repayment channels was generally low, largely due to limited sensitisation on these aspects. This highlights the importance of shifting mindsets and raising awareness about the intended purpose of the PRF. Interestingly, 81 percent of respondents expressed their readiness to begin loan repayment, indicating a positive outlook for PRF recovery.

Insights from KIIs and FGDs on the perceptions and challenges surrounding the PRF revealed widespread misconceptions about the fund, with some beneficiaries perceiving it as a grant rather than a repayable loan. In an FGD of SACCO leaders, it was mentioned that;

“Many beneficiaries still see the funds as a handout and don’t prioritise repayment.”

Additionally, some informants noted that negative attitudes and a lack of motivation among certain beneficiaries further hinder effective fund utilisation, and many beneficiaries view the PRF as a grant or a gift, a likely outcome that may lead to poor repayment compliance, which threatens fund sustainability. A key informant mentioned that;

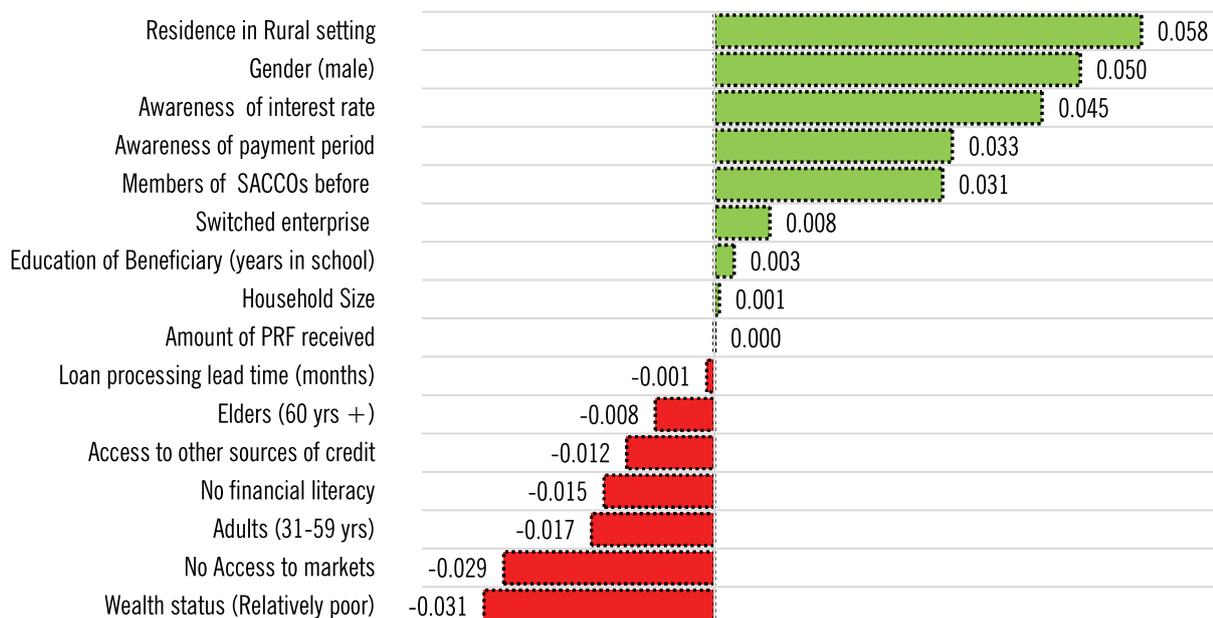
“Most of the beneficiaries with a negative and unprogressive attitude towards the PRF are lazy. You can never even know what they want. The one million could work for them, but their mindset is the problem.” (KII, Mbale November 2024)

“Low repayment rates are likely to affect the sustainability of the fund.” (KII, Mbale November 2024)

3.8.2 Drivers of Willingness to Repay PRF

The study analyses the drivers of the willingness to pay (WTP) outcome indicator. The goal here is to identify likely socio-economic and demographic factors that drive PRF loan repayment, particularly during the sustainability and exit phase of the PDM program in FY 2025/26–2030.

Figure 14: Drivers of Willingness to Pay the PRF Loan



Source: EPRC-PDM household survey data (Nov 2024)

The study results in Figure 14 (also see Table C1, Annex C) reveal that willingness to repay is higher among rural households, male beneficiaries, those aware of the interest rate and repayment period, historical SACCO members, individuals who switched enterprises after loan application, educated recipients, and larger households. Conversely, willingness to repay decreases with longer loan processing times, among older borrowers (31–59 years) and elders (≥ 60 years) compared to younger individuals (18–30 years), as well as among beneficiaries with access to other credit sources, those lacking financial literacy, individuals with limited market access, and relatively poorer loan recipients.

3.8.3 Implications of Willingness to Repay PRF Analysis

Study results on willingness to pay in Section 3.8.2 provide some pointers on how the FSD may enhance PRF loan recovery during the sustainability and exit phase of the PDM program. Parish chiefs, SACCO leaders, and district local government PDM focal persons should focus on targeted financial literacy programs. These programs should aim to improve borrowers’ understanding of loan terms, interest rates, and repayment obligations, with special emphasis on older borrowers, the very poor, and previously financially excluded households to strengthen repayment behaviour.

Loan processing times should also be streamlined to improve accessibility and encourage timely repayments. Simplifying application and disbursement procedures, particularly for rural and lower-income beneficiaries, will further support loan recovery efforts. In addition, Parish chiefs, SACCO leaders, and district local government PDM focal persons, with support from the Uganda Microfinance Regulatory Unit (UMFRU) under the FSD of MoFPED and the PDM Secretariat in MoLG, should intensify efforts to strengthen SACCO membership and engagement.

The PDM should consider adopting some flexibility in enterprise selection to allow borrowers to transition to more profitable ventures. DCOs and CDOs should assist SACCO and enterprise group leaders in promoting enterprise adaptability and market access. Programs within and across SACCOs should focus on strengthening market linkages, ensuring that PRF loan-funded businesses remain viable and generate sustainable income. Some key informant responses on the challenges faced by beneficiaries in marketing their produce indicated that most beneficiaries continue to sell their products individually in local markets, but this approach yields limited profits. Respondents noted that collective marketing has the potential to enhance profitability by increasing bargaining power, reducing logistics costs, and enabling value addition. Despite these

benefits, adoption of collective marketing remains low due to widespread mistrust in collective structures, resulting in continued individual selling that restricts farmers' access to more lucrative markets and higher returns.

"Farmers sell their products to local middlemen due to lack of storage and collective marketing structures." (KII CDO, November 2024)

"Storage is a major challenge; farmers are forced to sell quickly at low prices to avoid the products from getting spoilt." (KII subcounty chief, November 2024).

"With better storage and access to markets, we can collectively sell at higher prices." (SACCO leader, November 2024).

"Given the climate changes currently occurring, irrigation is needed in drought-prone regions to sustain agricultural productivity." (CDO, November 2024).

"Middlemen dominate because farmers cannot reach buyers directly." This situation is compounded by mistrust among farmers, illustrated by a SACCO Leader "...farmers hesitate to pool their products because they fear they won't get paid fairly."

UMFRU should promote rural-focused lending strategies, leveraging the strong repayment culture of rural borrowers and expanding financial services in these areas. Additionally, UMFRU and FSD should monitor and evaluate repayment trends through periodic assessments to identify emerging challenges. A data-driven approach should be used to refine loan terms and program interventions, ensuring improved sustainability.

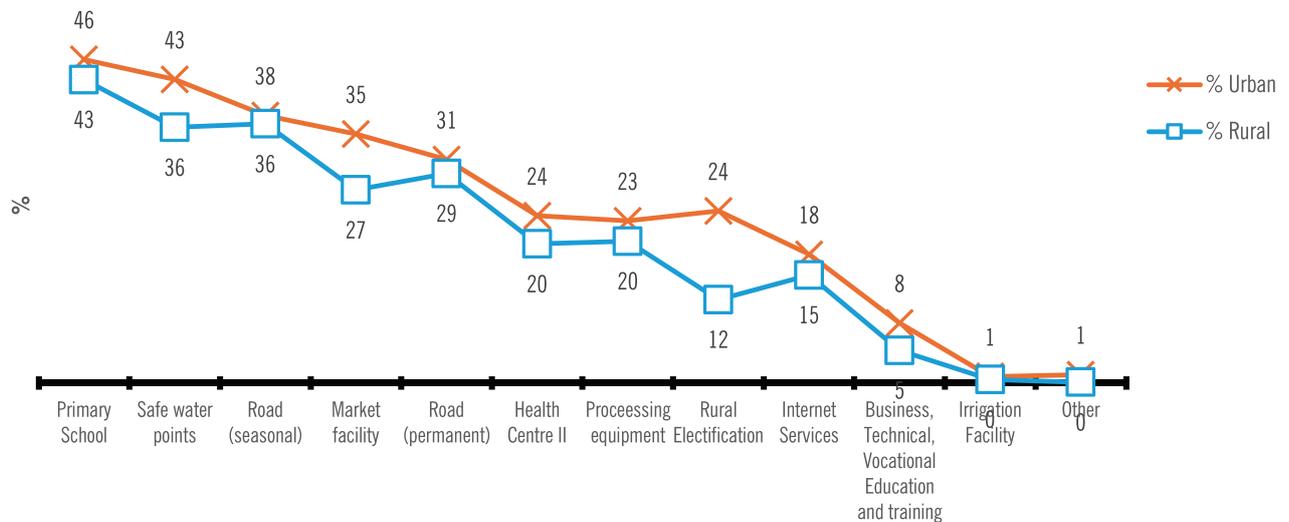
3.9 Interlinkages and Synergies Among the Seven PDM Pillars

The PDM program was designed to transition subsistence households into the money economy through a holistic approach based on seven pillars: agriculture value chain development, infrastructure and economic services, financial inclusion, social services, community mobilisation and mindset change, the Parish-Based Management Information System (PBMIS), and governance and administration.

3.9.1 Access to Services by PRF Recipients

The study findings (Figure 15) indicate limited access to essential services, reflecting weak integration among PDM pillars. While this report registers success on Pillar 3 (Financial Inclusion), the other pillars like Pillar 1 (Production, Storage, Processing, and Marketing) are underperforming, with low market access (27 percent), limited availability of processing equipment (20 percent), and inadequate

Figure 15: Access to Services by PRF Recipients, %



Source: EPRC-PDM household survey (Nov 2024)

irrigation facilities constraining agricultural productivity (Figure 15). These gaps underscore persistent challenges in market access and value addition in agriculture.

Limited electricity access (12 percent) and inadequate processing facilities hinder agro-processing and value addition, reducing profitability and leading to the underutilisation of value addition opportunities. This challenge is further exacerbated by market access constraints caused by poor road infrastructure, with only 36 percent of rural and 38 percent of urban roads being seasonally accessible (Figure 15). These limitations restrict farmers' ability to transport goods efficiently, resulting in lower incomes and market inefficiencies. If these gaps persist, the effectiveness of the PDM program will be significantly compromised, weakening its overall impact and reducing its potential to drive economic transformation and poverty reduction.

While access to primary education is relatively moderate, 46 percent of urban households and 43 percent of rural households had access (Figure 15). On the other hand, access to Business, Technical, and Vocational Education and Training (BTVE) remains significantly low, reaching only 5 percent of rural beneficiaries and 8 percent of urban beneficiaries (Figure 15). These findings indicate that promoting mindset change (Pillar 5) may be challenging, as education and skills training are essential for shifting perspectives and fostering the behavioural transformation needed for the success of the PDM.

The identified gaps in PDM pillar integration have several critical implications. The underperformance of Pillar 1 (Agriculture Value Chain Development) restricts market access, processing, and irrigation, ultimately hindering productivity and profitability for farmers. This, in turn, limits agricultural growth. While Pillar 3 (Financial Inclusion) has shown a positive trajectory, its effectiveness is constrained by weak infrastructure (Pillar 2) and limited market opportunities (Pillar 1). These challenges reduce beneficiaries' ability to invest productively, thereby diminishing the overall economic impact of financial inclusion.

3.9.2 The Interaction between the Seven PDM Pillars

This section of the report provides insights from KIIs and FGDs on the interlinkages and synergies among the seven PDM pillars. It also highlights progress on the components of

Financial Inclusion (Pillar 3) including Business Development Services, household savings and agricultural insurance.

The study highlights the key sources and types of extension services and training provided to PRF recipients. The study results show that local government extension workers are the most significant source of extension services, accounting for 35 percent (Table E1, Panel A, Annex E). The types of extension services provided are predominantly centred around livestock management (37 percent) and agronomic practices (24 percent), with lesser emphasis on areas like financial literacy (12 percent), post-harvest handling, and marketing (Table E1 Panel B, Annex E). Similarly, the results indicate that Parish Chiefs (28 percent) and local government extension workers (25 percent) are the primary sources of training, (Table E1 Panel C, Annex E). The most common types of training are financial literacy (24 percent) and livestock management (22 percent), indicating a focus on both business acumen and practical farming skills (Table E1, Panel D, Annex E). Other notable training areas include agronomic practices (17 percent) and agribusiness development (12 percent), with minimal emphasis placed on specialized areas like water harvesting technology.

In addition, the study found that 67 percent of the households were saving, of these households, 52 percent were saving with informal groups and 23 percent with SACCOs. On the other hand, a limited number of households were aware of agricultural insurance services (8 percent) (Table E2, Annex E). Similarly, responses from key informants indicated limited access to agricultural insurance within the communities.

“Agricultural insurance is currently not available in Kyankwanzi, but it is considered a good idea worth introducing to PDM beneficiaries. However, willingness to pay for insurance is a major challenge.” (KII, Kyankwanzi)

“While small-scale social beneficiaries may not benefit significantly from agricultural insurance, it is still regarded as a necessary intervention for the future.” (KII, Masaka)

“In Mbale, no PDM beneficiaries are currently insuring their agricultural products despite sensitisation efforts. The government has introduced an initiative where farmers pay UGX 50,000 for two years of

coverage, subsidised by the government, but uptake is still low due to resistance to paying the premium.” (KII, Mbale)

“Farmers prefer not to pay the UGX 50,000 insurance fee from their PDM funds unless it is automatically deducted at source.” (KII, Mbale)

“In Kiruhura, agricultural insurance is largely inaccessible to PDM beneficiaries. Awareness is low, and the cost of premiums is a significant barrier. Some SACCOs and local financial institutions are exploring offering insurance, but uptake remains limited due to lack of awareness and products suited to smallholder farmers.” (KII, Kiruhura)

“In Mpigi and Wakiso, no PDM beneficiary has taken up agricultural insurance despite its mention in PDM guidelines and questionnaires. The practice is still uncommon, especially among subsistence farmers.” (KII, Mpigi/Wakiso)

Likewise, insights from KIIs and FGDs on the interlinkages and synergies among the seven PDM pillars indicate that Pillars 1, 2, 4, 5, 6, and 7 are being implemented at varying degrees, collectively supporting the success of Financial Inclusion (Pillar 3). However, persistent gaps in infrastructure, community mobilisation, mindset change, and governance continue to impede progress. Respondents from KIIs and FGDs indicated that the financial pillar of the PDM often overshadows other critical components particularly Pillar 5 (Mindset Change), Pillar 7 (Governance), and Pillar 4 (Infrastructure and Social Services), thereby weakening the programme’s overall effectiveness.

While financial inclusion is prioritized, its impact is limited without complementary support: mindset change ensures responsible fund use, governance promotes accountability, and infrastructure facilitates market access. Implementation of these supporting pillars is hampered by inadequate funding, limited operational guidelines, and minimal district-level focus, resulting in inactive structures like the Production Development Committee (PDC). Respondents recommend balanced funding, clear guidelines for all pillars, inter-pillar coordination, and strengthened governance and infrastructure to enhance enterprise development and

programme sustainability.

“Financial inclusion dominates, but mindset change is crucial to ensure funds are used effectively.” (DCDO, Kapelebyong)

“We sensitize communities about mindset change, but more funding is needed for Pillar 5 (mindset change).” (DCO, Kyankwanzi)

“Governance structures need to be strengthened; without them, financial inclusion won’t achieve its goal.” (RDC, Nakapiripirit)

“Without infrastructure and social services, beneficiaries can’t fully benefit from the funds.” (SACCO Leader, Masaka)

3.9.3 Synergies between PDM and other Government Programs

The synergy between PDM program and other government programs remains limited. Only a small proportion of PRF recipients have benefited from other programs, such as Health programs (36 percent), National Agricultural Advisory Services (NAADS) (16 percent) and Emyooga (16 percent) (Table F1, Panel A, Annex F). Notably, none of the PRF beneficiaries reported receiving support from the *Entandikwa* scheme. Among those who benefited, the majority were engaged in crop production (44 percent), followed by livestock production (43 percent) (Table F1, Panel B, Annex F). The findings of this study reveal that most PRF recipients invested their funds in food crop production, poultry, goat rearing and piggery. This suggests that many beneficiaries likely had prior experience in the enterprises they chose to invest in. Additionally, agro processing is minimal among PRF beneficiaries, with only 0.4 percent involved (Table F1, Panel B, Annex F), further highlighting the challenge of limited value addition in the agricultural sector. Some PRF beneficiaries also highlighted limited access to processing equipment and storage facilities, further hindering the ability to add value to their produce.

3.9.4 Partnerships between PDM and Non-Government Programs

The findings indicate that three out of every five (60 percent) PDM beneficiaries were previously members of a SACCO and had sought financial support from a farmers’ group (Table F1,

Panel C, Annex F). The results also reveal low participation (0.5 percent) of PRF recipients in structured agricultural cooperatives. Additionally, non-government programs have played a significant role in providing agricultural inputs (43 percent), advisory training (18 percent), financial support (15 percent) and market linkages (14 percent) (Table F1, Panel D, Annex F). However, limited engagement with agricultural cooperatives and continued reliance on fragmented support services could hinder the long-term sustainability and economic transformation under the PDM.

It is recommended that the PDM program focal team, including district coordinators, parish chiefs, community development officers, and SACCO leaders strengthen mechanisms to leverage non-government partnerships for sustainable impact during the sustainability and exit phase. They should enhance collaboration between the government and private sector/development organisations to align interventions and prevent duplication of efforts. Additionally, they should establish formal partnership mechanisms to ensure that technical training, financial services, and market linkages are provided effectively by non-government actors.

This section presents insights into the challenges encountered during the establishment and stabilisation phases (Phase 1 and Phase 2) of the PDM programme, derived from qualitative data collected through KIIs and FGDs with SACCO leaders, enterprise group leaders, and both PRF recipients and non-recipients. The qualitative data provided an in-depth understanding of practical experiences and observations on implementation challenges that arose during these phases, as noted by both implementers and PDM beneficiaries across 26 selected districts. Findings (Figure 16) indicate that PDM program implementation faces several significant operational, technical, and institutional challenges, with varying impacts in urban and rural areas.

4 IMPLEMENTATION CHALLENGES OF THE PDM PROGRAMME

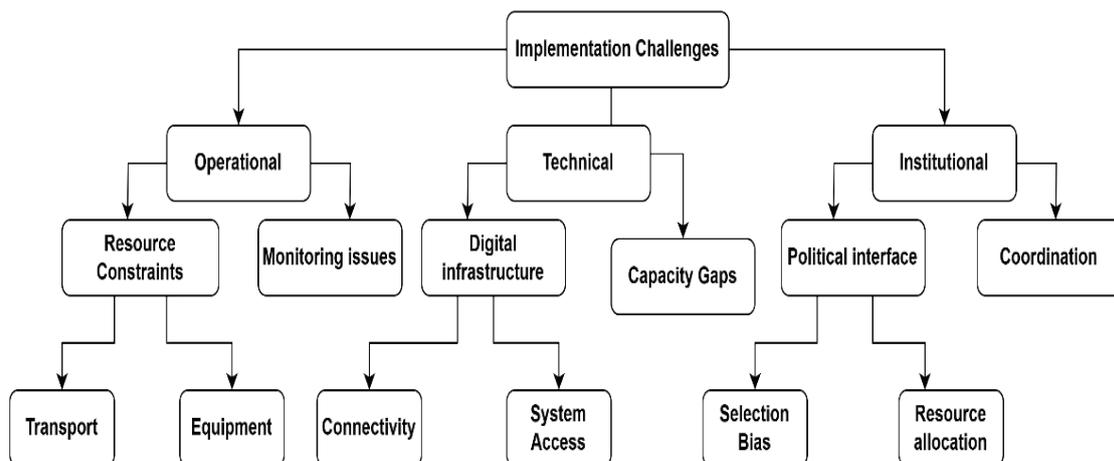
4.1 Operational Challenges

4.1.1 Limited Human and Financial Resources

Key informants and FGDs indicated that inadequate human and financial resources affected the proper monitoring of the PRF beneficiaries. Additionally, the limited resources have affected the ability of extension workers to reach out to all SACCOS and enterprise groups. Respondents provided their perspectives on operational challenges facing the implementation of PDM;

“Monitoring would improve if we had motorcycles and standardised reporting templates.” (Parish chief, FGD 29th October 2024)

Figure 16: Key PDM Implementation Challenges



Source EPRC-PDM Qualitative data (November 2024)

“We often rely on district staff to monitor, but they are overstretched, covering multiple parishes without proper facilitation.” (KII Nakapiripirit, November 2024)

“We monitor twice a quarter, but lack of transport makes it hard to visit remote parishes.” (KII, Northern region, November 2024)

4.1.2 Inadequate Operational Infrastructure

Respondents from the KIIs and FGDs reported several challenges impacting the success of PDM enterprises at the grassroots level. The PDM grassroots implementation offices suffer from inadequate office space, a lack of necessary equipment (such as computers and laptops). Parish SACCOs are still in the developmental stages and have not fully established the required operational structures. Notably, none of the surveyed SACCOs have dedicated office spaces. These SACCOs also lack essential equipment, including computers, laptops, and storage facilities, hindering their ability to manage records effectively. As a result, most SACCOs store records either with the PDM Focal Person at the district level or with the Parish Chief. Some SACCO leaders even keep records at their personal residences.

SACCO and enterprise group leaders expressed concerns that the absence of dedicated office spaces and centralized records makes it difficult to monitor and follow up with beneficiaries. This lack of effective record-keeping implies that collected data is not being utilized optimally, as it is not always easily accessible.

Overall, KIIs and FGDs respondents reported that poor road infrastructure across the 26 districts, coupled with a lack of sufficient irrigation systems, further limits agricultural productivity. Additionally, limited storage and cooling facilities, along with restricted access to market centres, exacerbate these challenges. A significant gap among PDM beneficiaries is the limited adoption of collective marketing strategies, which could enhance their market reach and bargaining power.

4.1.3 Lengthy Loan Application Process

Complex documentation requirements pose a significant challenge, particularly for most illiterate beneficiaries. The application forms are in English, yet many rural beneficiaries have limited proficiency in the language. As a result, they

often rely on others for assistance in completing the forms, making the process more cumbersome. Additionally, multiple documents must be filled out, but SACCOs lack dedicated office space for proper storage, further complicating the documentation process. Some of the key issues regarding the loan application process raised by informants included;

“The PRF application process needs simplification to ensure timely access by deserving beneficiaries.” (Sub-county Chief, KII November 2024)

“Many people have shifted their enterprises to non-agricultural ones due to delays in fund disbursement.” (KII, November 2024)

“It takes us close to three months to go through this process until all approved applicants receive their money” (FGD, Loans Committee, November 2024).

4.1.4 Corruption and Political Interference

Corruption and political interference have compromised the integrity of the program, eroding trust among beneficiaries and leading to funds being allocated to the wrong recipients. Political interference, such as selection bias in beneficiary targeting and unequal resource distribution, has further complicated program implementation. These issues, combined with leadership challenges, have created fertile ground for the extortion of funds from beneficiaries. Instances of fund mismanagement, manipulation of beneficiary lists, and favouritism toward personal associates have further hindered the equitable distribution of funds. For instance, a key informant noted that

“Some SACCO leaders manipulate beneficiary lists for personal gain.” (KII RCC, November 2024)

4.2 Technical Challenges

The primary technical challenges stem from gaps in digital infrastructure and capacity. Many areas face unreliable connectivity, with SACCO leaders reporting inconsistent internet access and limited data availability. Access to essential systems internet is also restricted due to inadequate software, a shortage of necessary hardware like computers and phones, and a lack of technical support, as indicated by some of the key informants in Box 8. Additionally, staff capacity is a concern, with many personnel struggling with

insufficient technical skills, low digital literacy, and limited problem-solving abilities, all of which further hinder efficient operations. Perspectives on technical challenges from KIIs included;

“Limitations in digital infrastructure severely affect our ability to maintain accurate records.” (SACCO leader, November 2024)

“Some parish chiefs have limited knowledge and skills in using PDMIS and therefore delegate the task to others or hire people to assist with data entry into the system. This creates challenges. However, this has been a common issue because the forms in the system are in English.” (KII, Town Clerk, October 2024)

“We must move to either district offices or health centres to access stable internet and equipment.” (Chairperson, loans committee, Bugiri, November 2024)

4.3 Institutional Challenges

Institutional challenges have had a significant impact on both SACCOs and enterprise groups, undermining their effectiveness. Key issues include governance and coordination gaps in managing group activities, weaknesses in financial management and record-keeping, and insufficient capacity-building efforts.

4.3.1 Governance Issues

Governance of SACCOs and enterprise groups continues to be a challenge, especially for those established at the onset of the PRF disbursement by MoFPED. During qualitative data collection, all SACCO committees interviewed demonstrated a general understanding of their roles and responsibilities. Notably, the Loans Committees clearly articulated their involvement in identifying potential beneficiaries, assisting with loan applications, and conducting thorough vetting processes, leading to the disbursement of funds to eligible recipients. They also highlighted the importance of ongoing monitoring and support to ensure the successful implementation of funded enterprises.

While Parish Development Committee (PDC) members in some districts demonstrated some understanding of their

roles, their focus was primarily centred on supporting the loan application process. For the majority, their involvement was largely confined to tracking the progress of PRF activities. This is concerning, as the PDC is mandated to oversee all PDM activities within the community. Furthermore, district technical staff expressed concern over the lack of active participation from many PDC committees, despite their establishment. This suggests that, while the PDC committees exist on paper, they are not effectively fulfilling their roles as outlined in the guidelines. Views from key informants indicated that;

“The Parish Development Committee (PDC) is meant to support the community across all the pillars. Their role is not limited to financial inclusion (pillar 3), but extends to other areas, such as mindset change under Pillar 5. They are also responsible for following up on issues related to production and storage under Pillar 1, social services under Pillar 4, and the other pillars as well.” (FGD Extension workers, November 2024)

“The core issue lies in the underperformance of the enterprise groups. We need to invest more effort into developing these groups, as they have not yet received the critical attention they need, which is essential for the farmers. The SACCO is currently focused only on leadership. Through these enterprise groups, we can ensure quality, aggregation, savings, and a shift in mindset. Collective marketing can also take place under the SACCO with a functioning enterprise group. We can succeed if we place greater emphasis on strengthening the enterprise groups.” (District PDM focal person, November 2024)

“PDM is a very good program, and if everyone understood that it is a strategy that can be applied universally, it would work effectively. Currently, PDM is mainly considered under Pillar 3, focusing only on financial inclusion (money). However, PDM goes beyond just money; it encompasses all sectors, including education, health, agriculture, and others.” (KII, District PDM focal person November 2024)

“Even when you tell the Parish development committees to use PDM strategy to improve other areas, they tell you it is only about PRF.” (KII,

November 2024)

“Committees do not know their roles because they were not well trained.” (KII, November 2024)

4.3.2 Mindset Challenges

Mindset change occurs at both the implementation and beneficiary levels. District officials struggle to integrate PDM into their daily work, often viewing it as a separately funded program. Meanwhile, beneficiaries retain traditional attitudes, lack awareness of the program’s revolving nature, and struggle with repayment discipline. Accordingly, a strong reliance on subsistence practices hinders the adoption of commercial strategies, while the misconception that PDM is a gift from the president further affects proper fund utilisation. The following are some of the perspectives on Mindset challenges from KIIs and FGDs;

“Many beneficiaries still see the funds as a handout and don’t prioritize repayment,” (SACCO Leader, Masaka)

“One of the PDM focal persons in Mbale reiterated that considering the 39% know to be subsistence economy, most of them are lazy, you can never even know what they want. The one million can work for them, but their mindset is a problem,” (KII respondent Mbale city, November 2024)

“Attitudes toward risk and borrowing must shift for enterprises to succeed,” (SACCO Leader Masaka October 2024)

4.3.3 Inadequate Engagement of Non-State Actors Amidst Many Command Centres

Non-state actors, including non-governmental organisations (NGOs), community-based organisations (CBO), and faith-based organisations (FBOs), have minimal engagement in PDM implementation. This is because of poor coordination

by the government and integration of activities. However, specialised non-state actors can play a crucial role by leveraging their resources to strengthen capacity building in financial management, governance, and other technical skills, thereby complementing PDM efforts at the community level.

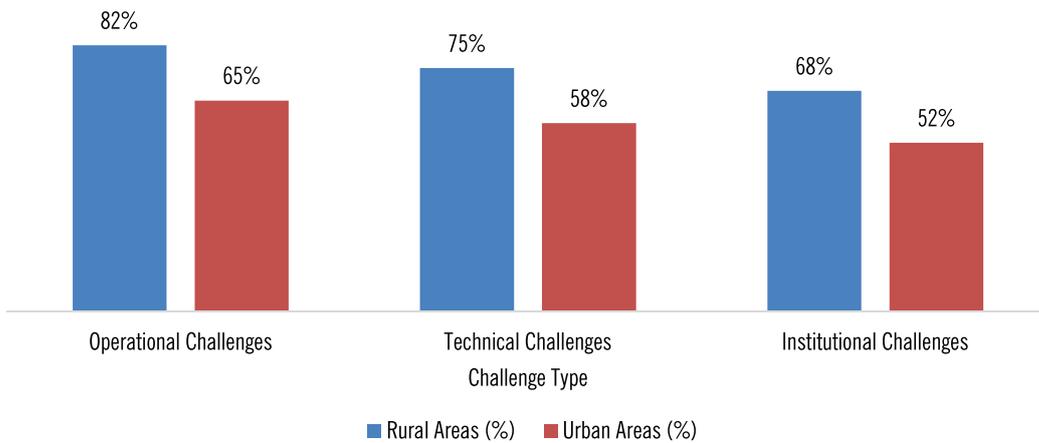
Additionally, multiple command centres, including MoLG, MoFPED, the PDM Secretariat, and State House, have contributed to confusion by occasionally providing contradictory information. To ensure clarity and consistency, these command centres need to be streamlined to prevent conflicting directives from reaching district implementers. Moreover, the PDM implementation structure should be refined to effectively engage all key stakeholders in the process. A key informant stated that;

“There are multiple command centres issuing instructions, including local government, the Ministry of Finance, the PDM Secretariat, and State House. Instead of providing clear written guidelines, they often give verbal orders, leading to confusion. This lack of coordination makes it difficult for us to determine whom to follow. As a result, we frequently receive conflicting information, which significantly hampers the effective implementation of PDM.” (KII, November 2024).

4.4 Rural-Urban Disparity

An analysis of challenges reveals significant differences between rural and urban areas. Rural areas are disproportionately affected, with operational challenges at 82 percent, technical challenges at 75 percent, and institutional challenges at 68 percent, compared to 65 percent, 58 percent, and 52 percent in urban areas (Figure 17). This disparity reduces program efficiency and negatively impacts the implementation of PDM.

Figure 17: Extent of Challenges in Rural and Urban Areas



Source: EPRC Qualitative data, November 2024

5 CONCLUSION AND RECOMMENDATIONS

As of October 2024, approximately 1.43 million households across the country had received PRF, amounting to 1.54 trillion shillings. The efficiency of fund disbursement has improved over time, largely due to the shift from traditional banking to mobile and digital wallets. The process assessment of the PDM programme implementation indicates notable progress in advancing financial inclusion at the parish level, particularly through the capitalisation of SACCOs and the disbursement of PRF loans to targeted households. The adoption of digital payment platforms such as Wendi Wallet and mobile money has significantly improved the efficiency of fund disbursement, reducing the lead time from over a year in 2022 to just three months by 2024. Furthermore, the growing willingness of beneficiaries to repay PRF loans is a positive indicator for future loan recovery and the long-term sustainability of the program.

However, the findings of the study reveal critical challenges that threaten the long-term success and sustainability of the PDM. There is evidence of biased targeting, with better-off households receiving a larger share of PRF loans compared to the relatively poor households although the gap is narrowing. Moreover, the intended quotas for vulnerable groups such as youth and PWDs have not been achieved, raising concerns about inclusiveness. The rate of enterprise switching (about 39 percent of beneficiaries) also indicates a mismatch between the selected priority enterprises and

local economic realities.

Weak integration across the seven PDM pillars remains a significant concern. While progress has been made in Financial Inclusion (Pillar 3), other critical pillars like Agricultural Production (Pillar 1), Infrastructure and Economic Services (Pillar 2), Mindset Change (Pillar 5) and Governance and Administration (Pillar 7) have lagged. Limited access to extension services, poor infrastructure, and insufficient market linkages continue to undermine the effectiveness of PRF investments. Without strengthening these complementary pillars, the ability of the PDM to achieve sustainable transformation of the subsistence economy remains limited.

Policy Recommendations

Strengthen targeting and beneficiary identification mechanisms: To ensure that the PRF reaches its intended beneficiaries within the subsistence economy, there is a need to strengthen the beneficiary identification process through building capacities of SACCO and enterprise group leaders, parish chiefs, to ensure inclusivity of the youth and PWDs. The PBMIS should be improved to include updated and verified household-level data. Additionally, standardised and transparent targeting guidelines should be developed by the PDM secretariat and the district local governments and disseminated to SACCO leaders, parish chiefs, and CDOs. Furthermore, SACCO leaders should also ensure adherence to PDM guidelines of UGX 1 million per household to allow more households to access the PRF. Loan utilisation should

align with intended purposes to boost economic activity and improve loan recovery prospects.

Increase PRF allocations in rural areas with limited access to formal credit: To strengthen the impact and sustainability of the PDM, the government should increase PRF allocations in underserved rural areas, introduce flexible repayment terms and financial literacy programs, and link SACCOs with formal financial institutions through platforms like Wendi Wallet. These measures will support responsible borrowing, improve loan recovery, and help micro-borrowers build credit histories. Additionally, UMFRU under MoFPED should enhance rural lending by leveraging a strong repayment culture and expanding financial services. Providing incentives to rural enterprises can boost economic impact and loan recovery. Likewise, UMFRU and FSD should conduct periodic assessments to monitor repayment trends, address challenges, and use data-driven strategies to refine loan terms and improve sustainability.

Expand and tailor enterprise support services: Given the high rate of enterprise switching, it is imperative to provide tailored Business Development Services and training that align with local economic opportunities. To ensure responsible use of loans, SACCOs should adopt phased disbursements tied to enterprise performance milestones. Additionally, business advisory services should be strengthened to guide beneficiaries in making informed investment decisions.

Adopt flexible enterprise selection: The PDM program should adopt flexibility in enterprise selection to allow borrowers to transition to more profitable ventures. The DCOs and CDOs should assist SACCO and enterprise group leaders in promoting enterprise adaptability and market access. Extension services within parishes should focus on strengthening market linkages, ensuring that PRF loan-funded businesses remain viable and generate sustainable income.

Enhance integration across the seven PDM Pillars: Efforts to enhance the integration and coordination of the seven PDM pillars must be prioritised. Funding should be equitably allocated across all pillars, particularly in underperforming areas such as agriculture, infrastructure, and skills development. Stronger synergies between Pillar 1 (Production) and Pillar 3 (Financial Inclusion) should be

fostered to ensure that financial services are complemented by support for production, value addition, and marketing. Improved infrastructure for irrigation, agro-processing, and market access is essential to unlock the productive potential of PRF-funded enterprises.

Accelerate digital financial inclusion: Building on the progress made in digital PRF disbursements, there is a need to expand the use of mobile wallets like Wendi and mobile money services, particularly in rural and underserved areas. Increasing the number of Wendi agents, coupled with financial literacy programs on the use of digital tools, will help bridge the digital divide and promote financial inclusion. These measures will also reduce transaction costs and improve the efficiency of loan disbursement and repayment.

Strengthen PRF loan recovery and sustainability mechanisms: To safeguard the sustainability of the PRF, the FSD of MoFPED should develop a clear repayment framework, outlining schedules, channels, and penalties for default. Financial literacy programs should be institutionalised as a prerequisite for accessing PRF loans, with a focus on improving the understanding of loan terms, interest rates, and repayment obligations to support the establishment of the Parish Development Bank during the sustainability and exit phase. SACCO governance structures should also be strengthened through capacity building for leaders in record-keeping, financial management, and customer service. It is also deemed important to put in place infrastructure like well-equipped offices of parish chiefs and SACCO leaders.

Institutionalise monitoring, evaluation, accountability and learning (MEAL) systems: Robust MEAL frameworks should be established by the Ministry of ICT to track PRF utilisation, repayment trends, enterprise performance, and pillar integration. Regular monitoring and data-driven decision-making will help identify emerging challenges and guide adaptive program management. FSD should also conduct periodic assessments to inform refinements in the design and implementation of the PDM.

Promote collective marketing and value addition: To maximise returns on PRF-funded enterprises, there is a need to promote collective marketing and value addition among beneficiaries. Strengthening of PDM SACCOs by MTIC will enhance bargaining power, reduce transaction costs, and improve market access. Investment in market

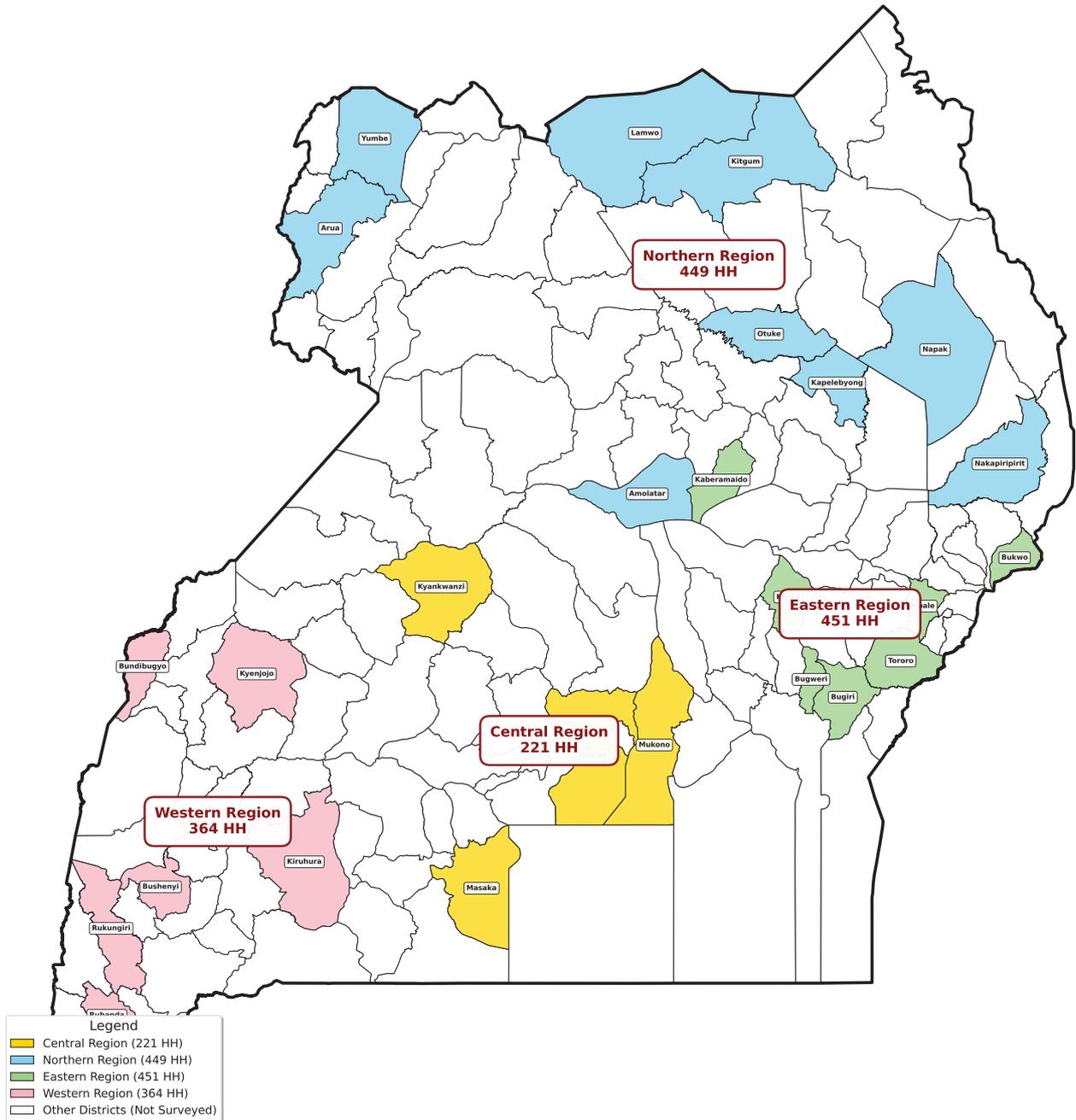
infrastructure, storage facilities, and transport systems should also be prioritised to address market inefficiencies and unlock higher returns for farmers.

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ANNEX

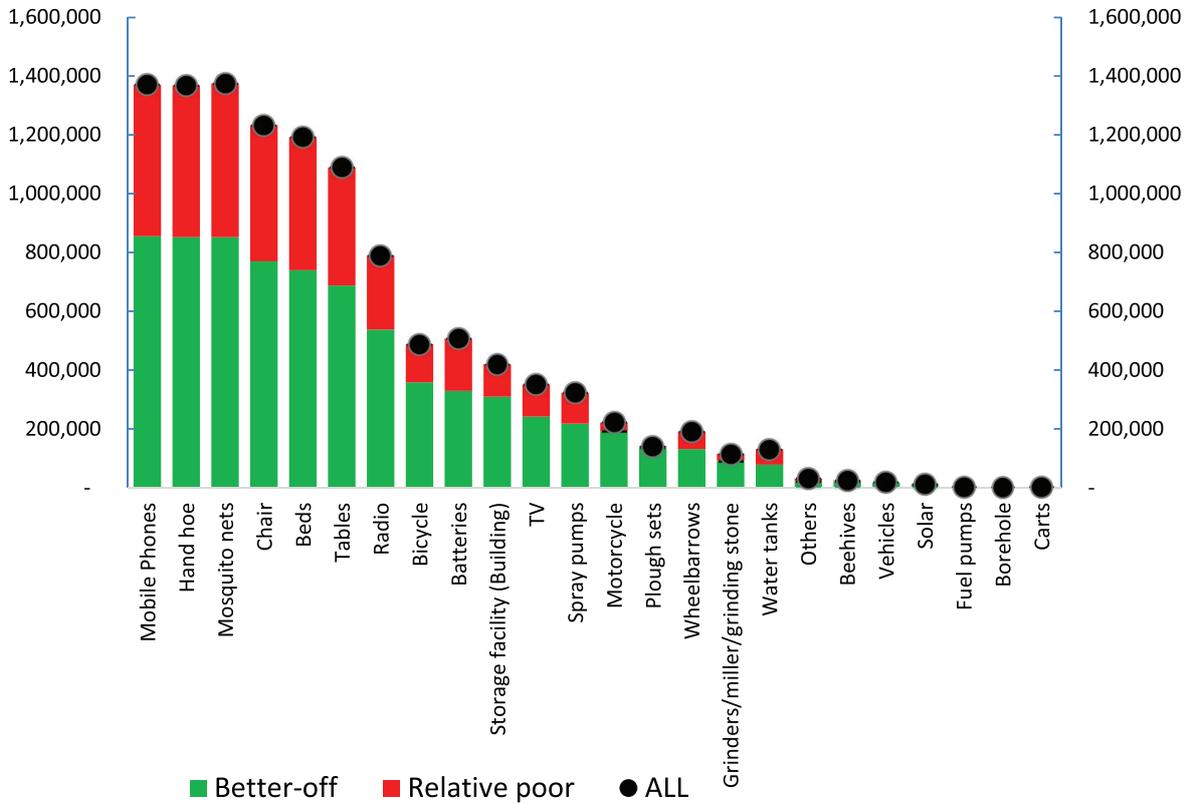
Figure A1: Total Sample Size by Region of PRF Beneficiary and Non-Recipient Household by Region



Source: EPRC-PDM household survey (Nov 2024)

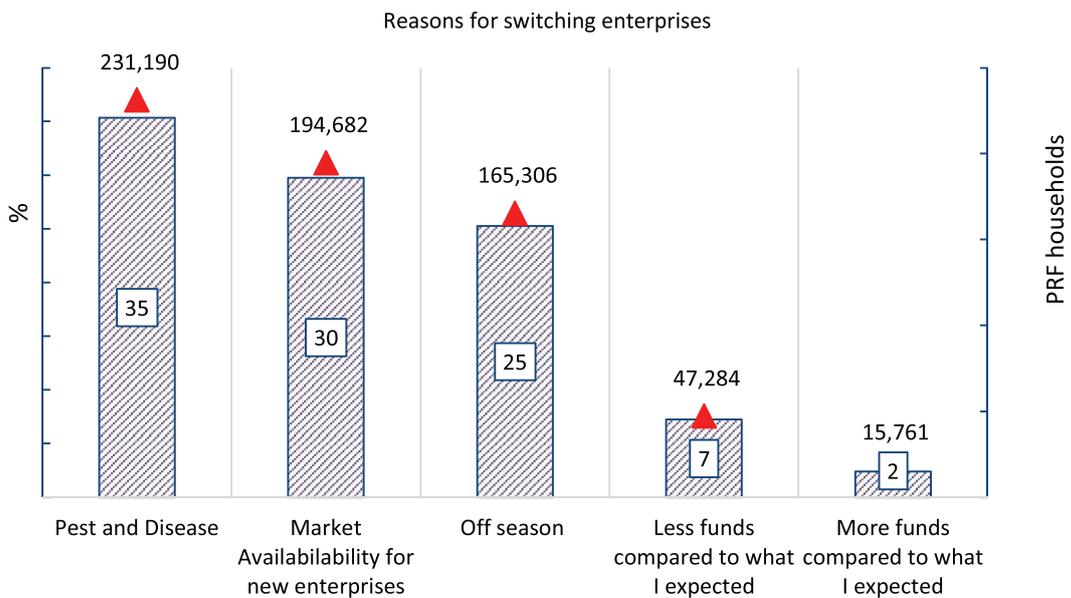
Annex B

Figure B1. Asset Ownership among PDM Beneficiary Households by Social Status



Source: EPRC-PDM household survey (Nov 2024)

Figure B2: Reasons for Switching Enterprises



Source: EPRC-PDM household survey (Nov 2024)

Spearman's rank between household enterprise preferences and sales revenue outcomes

Following the formula for Spearman's rank correlation coefficient (r_s) = $1 - \frac{6\sum D^2}{n(n^2-1)}$,

$$r_s = 1 - \frac{6 \cdot 40}{16(16^2 - 1)}$$

where n = number of pairs, D = Difference in ranks. = $1 - 240/4080$

$$= 1 - 0.0588$$

$$r_s = 0.94$$

Table B1: Spearman's Rank between Household Enterprise Preferences and Sales Revenue Outcomes

Enterprise	Household's Preference (H)	Sales Revenue(S)	D=H-S	
Poultry	2	1	1	1
Food Crops	1	3	-2	4
Cocoa	3	2	1	1
Microenterprises	5	4	1	1
Piggery	4	5	-1	1
Coffee	8	6	2	4
Agro commodity trade	7	7	0	0
Goat	6	10	-4	16
Did not reveal	9	8	1	1
Dairy cattle	10	9	1	1
Beef cattle	11	11	0	0
Sheep	13	12	1	1
Fish farming	12	13	-1	1
Cotton	16	14	2	4
Fruits	15	15	0	0
Tea	14	16	-2	4
Sum				40

Source: EPRC-PDM household survey (Nov 2024)

Annex C

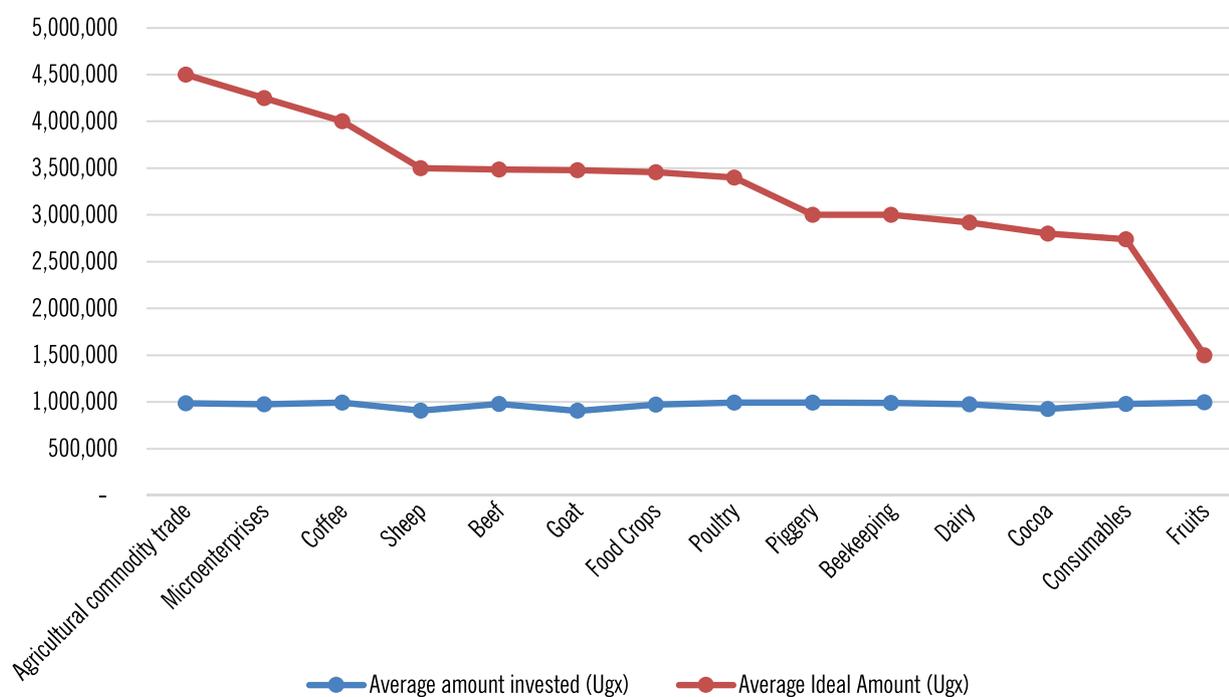
Table C1: Coefficients of the Binary Logistics Regression Willingness to Pay Back PRF

Willing to pay back PRF (ref =Yes)	Coefficient	Std. err.	z	P>z	[95% conf. interval]
Age group (18-30yrs)					
Adults (31-59 yrs)	-0.20929	0.009856	-21.24	0.000	-0.228607 -0.189974
Elders (>=60 yrs +)	-0.138469	0.012746	-10.86	0.000	-0.163451 -0.113488
Gender (1 male, 0 otherwise)	0.168413	0.00628	26.82	0.000	0.156105 0.180721
Years in school	0.074279	0.000939	79.09	0.000	0.072438 0.07612
Member to other Saccos (1 yes, 0 otherwise)	0.870281	0.008261	105.35	0.000	0.85409 0.886472
Access to credit (1 yes, 0 otherwise)	-0.129264	0.007557	-17.11	0.000	-0.144075 -0.114453
Access to markets (1 no, 0 otherwise)	-0.839965	0.008958	-93.77	0.000	-0.857522 -0.822408
Amount received	1.97E-06	2.27E-08	86.73	0.000	1.93E-06 2.02E-06
Financial Literacy (1 No, 0 otherwise)	-0.12497	0.006613	-18.9	0.000	-0.13793 -0.112009
Awareness of the payment process (1 yes, 0 otherwise)	-0.252822	0.007031	-35.96	0.000	-0.266602 -0.239043
Aware of payment period (1 yes, 0 otherwise)	0.421303	0.007628	55.23	0.000	0.406353 0.436253
Aware of interest rate (1 yes, 0 otherwise)	0.544895	0.006631	82.17	0.000	0.531898 0.557892
Residence (1 Rural, 0 otherwise)	0.908054	0.007741	117.31	0.000	0.892882 0.923225
Constant	-1.31607	0.026843	-49.03	0.000	-1.368681 -1.263459

Source: EPRC-PDM household survey (Nov 2024)

Annex D

Figure D: Actual and Ideal PRF Loan Amount



Source: EPRC-PDM household survey (Nov 2024)

Annex E

Table E1: Household Responses on Access to Extension Services and Training, %

Panel A: Source of extension service	%
LG extension worker	34.8
Parish Chief	18.4
PDM official	12.9
Enterprise group leader	11.5
SACCO leader	9.7
Private service provider	7.6
Farmers	2.0
NGO	1.8
Other	1.3
NAADS/OWC	0.0
Panel B: Kind of extension services	
Livestock management	37.4
Agronomic practices	23.9
Financial literacy	11.6
Post-harvest handling	7.1
Marketing and market information access	5.1
Record keeping	4.4
Value addition	2.9
Organizing farmers in groups	2.2
Technical, group dynamics and leadership skills	1.6
Business development	1.5
Enterprise Selection	1.2
Linkage to service providers	0.6
Water harvest technology	0.5
N = 339,345	
Panel C: Source of training	
Parish Chief	28.3
LG extension worker	24.8
PDM official	17.3
SACCO leader	15.7
Enterprise group leader	12.1
Farmers	0.8
Private service provider	0.7
NAADS/OWC	0.3
NGO	0.1
Panel D: Kind of training	
Financial literacy	24.2
Livestock management	22.1
Agronomic practices	17.1
Agri Business development	11.7
Marketing and market information access	6.2
Post-harvest handling	5.8
Record keeping	5.3

Value addition	4.6
Technical, group dynamics and leadership skills	2.6
Organizing farmers in groups	2.5
Linkage to service providers	0.4
Water harvest technology	0.2
N = 1,024,920	

Source: EPRC-PDM household survey (Nov 2024)

Table E2: Household Responses on Access to Financial Services, %

Financial institution they save with	
Households that are saving (67.4%)	
Informal group (VSLA)	51.95
SACCO	23.55
Commercial Bank	15.08
Home/House	5.39
Mobile Money	2.68
Other (friend/relative)	0.78
Microfinance Institution	0.58
N = 965,367	
Insurance	
HH aware of agricultural insurance(N = 115,216)	8.04

Source: EPRC-PDM household survey (Nov 2024)

Annex F

Table F1: Synergies between PDM and Other Programs

Panel A: Other government programs benefiting PRF recipients	# Households	%
Health	54,191	35.6
NAADS	24,403	16.0
Emyooga	24,269	15.9
Operation Wealth Creation	16,578	10.9
Senior Citizen Grants	15,170	10.0
NUSAF	8,593	5.6
Youth Livelihood Programme	5,849	3.8
Uganda Women Entrepreneurs Programme	766	0.5
Entandikwa	0	0.0
Others	2,476	1.6
Total	152,295	100
Panel B: Engagement of PRF recipients in activities across other government programs		
Crop production	639,734	43.9
Livestock production	622,980	42.7
Non-agricultural enterprises	171,621	11.8
Agro processing	5,458	0.4

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Agroforestry	2,867	0.2
Others	16,083	1.1
Total	1,458,743	100
Panel C: Engagement of PRF recipients in other groups before PDM		
Savings & Credit Cooperative	341,655	57.0
Village savings group	78,132	13.0
Farmers' Group	74,363	12.4
Women's Group	65,128	10.9
Persons with disability/PWD group	15,584	2.6
Self-help groups	10,628	1.8
Youth Group	8,821	1.5
Agricultural Cooperative	2,919	0.5
Others	1,974	0.3
Total	599,204	100
Panel D: Support received by PRF recipients from other groups		
Agricultural inputs	47,371	42.6
Advisory trainings	20,064	18.0
Financial support	16,433	14.8
Market linkage	16,072	14.4
Health	8,934	8.0
Others	2,437	2.2
Total	111,311	100

Source: EPRC-PDM household survey (Nov 2024)



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