

EBAFOSA UGANDA PEWOSA REPORT

UNEP EBAFOSA/ PEWOSA INNOVATIVE FINANCING FOR CLIMATE ACTION LEVERAGING ON COMMUNAL PEWOSA COOPERATIVE RISK SHARING FACILITY REPORT



Figure 1 Nakisunga Village Savings and Loan Association attending a planning meeting. Photo credit: Nakisunga VSLA

Introduction

Access to finance is important for establishing momentum and raising ambition but countries continue to face challenges in securing the financial resources needed to achieve Nationally Determined Contribution (NDC) targets in countries. With the signing of the Paris Agreement in 2015, African countries overwhelmingly committed to building climate resilient and low-carbon economies through their NDCs¹ However, African countries have outlined bold aspirations to build climate resilient and low-carbon economies in their NDCs under the Paris Agreement, along with considerable financing needs to meet these objectives. Progress is being made globally towards mobilizing and scaling up climate finance – notably with the recent establishment of the Green Climate Fund (GCF)²(ACCF 2019) . Therefore, the amount of climate finance flowing to the African

¹ Africa Climate Change Fund - Annual Report 2018 Available at <https://www.afdb.org/en/documents/africa-climate-change-fund-annual-report-2018>

² GCF is a unique global platform to respond to climate change by investing in low-emission and climate-resilient development

continent remains below the estimated needs. Several factors contribute to African countries' limited access to climate finance to date, including a weak enabling environment to attract climate investment; limited institutional capacity to access and manage finance as well as cumbersome processes and requirements of international funds and institutions.

Uganda successfully developed its green growth development strategy which is estimated to cost USD 11 billion over a period of 15 years. The public sector is expected to contribute 44% towards this cost, leaving a huge financing gap. To close it, innovative financial instruments and innovative approaches grounded on local and communal structures must be designed to reduce risk and enable capital flows within communities in the country to be able to drive and bring climate action solutions to scale. Based on NDC assessments need to be developed and connected with suitable sources of finance; national financing vehicles must be designed to support the country to accept and effectively use climate finance³. It is against this backdrop, that UNEP-EBAFOSA Uganda started to leverage on existing traditional communal financial structures in the Buganda Kingdom through the power of innovative volunteerism to establish innovative financial approaches specially the innovative financing risk sharing facility to enable vulnerable communities access climate financing to implement climate action solutions which contribute to the achievement of Uganda's NDCs goal and the 17 sustainable development goals especially SDG 13 (*Urgent action to combat climate change and its impacts*). This work is contributing to the achievement of Uganda's commitment of a 22% reduction in GHG emissions by 2030 compared to business-as-usual (BAU). Contributions from the private sector in Uganda will be critical to meeting these ambitious goals⁴.

UNEP EBAFOSA/ PEWOSA work is targeted to devising innovative financial approaches which brings climate action enterprises impact to scale in rural farming communities of Buganda Kingdom. A very innovative approach has been employed and a formation of communal local structures called Village Saving and Loans Associations (VSLAs) has been formed and created. So far two VSLAs have been created bringing people together- farmers, women and youth for the common purpose to tap opportunities in the agro-value addition using climate action solutions. This is helping them to tap opportunities- which is that while they were cultivating their cassava, now they have an opportunity to have it dried hygienically and effectively to cut losses. And once they do so, the dried agro-produce are been bought off as they put something in their pocket and with this they are growing their savings together in a group, and using the saved resources for their own use as well as to also finance other opportunities along the agro-value addition chain that will come up. Specifically, we are looking at VSLA members investing in using cassava flour for instance to make snacks and other delicacies that can be marketable to earn them more. Or they can start trading in other cassava by-products like fuel briquettes and purchase cookstoves and earn more and save better and grow .. In addition, the establishment of three additional VSLA is

³ NDC Uganda Support Program Dialogue on Private Sector Engagement in Climate Action. Available at <https://www.undp.org/content/dam/LECB/events/2018/20181025-uganda-private-sector-dialogue/20190703-undp-ndcsp-uganda-private-sector-workshop-report-Final.pdf>

⁴ The Business Case for Private Sector Engagement in Climate Action

ongoing in Kyaggwe county with each VSLA consisting of 60 members. The five VSLAs are established on the spirit of working together called Innovative Volunteerism in Buganda kingdom traditionally known as “Bulungi byw nsi”. The VSLA are fitting back into PEWOSA which is the mother communal cooperative within the Buganda Kingdom. Through this work technical guidance is been provided on how to integrate climate action solutions of clean energy and EBA as part of their credit portfolio to their farming clients across the entire agro-value chain. This is done using the VSLAs which are directly linked to PEWOSA and this helps to bring impact to scale of climate action solutions. EBA was taken based on published science that it lowers crop failure risk and hence EBA is a risk averter. Clean energy, specifically solar dryer financing, was integrated as an affordable value addition solution that is not capital intensive, hence carries a low financial risk but which can increase farmer earnings through value addition using climate action solution of solar dryers . Through this financing products, climate action solutions of solar dryers and EBA inputs are set to be financed at below-market interest rates –the de-risking provided by EBA crop failure mitigation and low financing risk of solar dryers are helping to avail this opportunity and has provided a new product facility line to PEWOSA. The facility is open to start-ups where they have 100% coverage and actors who may not have enough collateral, as well as established enterprises. Over 100 agro-value chain actors within the VSLAs have been engaged and the number is growing, with financing covering both individual and cooperate actors. This work has also availed a risk sharing cash security to be used by PEWOSA cooperative as a climate action innovative financing cash guarantee to indemnify any potential defaults from beneficiaries of the risk sharing facility and where both parties shall be signatories to this account.

Members do not have to save in equal amounts; these can vary at each meeting. The approach is that once their cassava and valued added products are bought off, they set aside a small amount to save and this pooled together forms a pool of resources that they can use to tap specific opportunities in the clean energy and agro-value addition. Additionally, by saving more frequently in small amounts, they can build their savings more easily, contributing to improving the income security of the household. People who are often excluded from participation in ROSCAs (Rotating Savings and Credit Associations) because they MUST save the same amount at each meeting, are able to join VSLAs because the amount they save is not fixed.

Intervention

Women skills have been retooled to make fuel briquettes; developing the capacities of women to promote smokeless fuel from waste biomass to reduce carbon emission whilst enhancing better livelihood through conservation and climate action micro-enterprises development in Nakisunga village saving and loans association (VSLA)⁵. According to (FAO 2017) women play an important role in climate change adaptation and mitigation given

⁵ Women in Nakisunga VSLA making fuel briquettes. Available at https://drive.google.com/drive/u/1/folders/1np_2Qq2qGCEehoZNax_1mX3cTp5Zkz8 _

their wide-ranging functions in the agricultural sector and in livestock, fisheries, energy, forestry, water and land management sectors. Against this backdrop, through this work five VSLAs including Nakisua, Ngogwe, Nakifuma, Kawolo and Nagojje VSLAs have been mapped to start promoting clean energy solutions where members of Nakisunga VSLA Started making briquettes⁶ and using clean cooking stoves. The fuel briquettes are for domestic use and commercial purposes.

“We are happy to hear about the coming saving trainings by EBAFOSA and POWESA. Every Sunday members meet at Mr. Nviri Sekamate’s residence in Nsonga village to make fuel briquettes and conduct other activities, those briquettes are made out of cassava peelings and agricultural waste. EBAFOSA Uganda has trained us in making briquettes raw material now we are ready to make quality fuel briquettes both for home use and commercial purpose,” says Annet Nabayego, a member of Nakisunga VSLA.



Figure 2 Women molding briquettes at Nakisunaga Village Savings and Loans Association

Mapping and formation of Village Savings and Loans Association; One challenge that faces microfinance as an industry is how to reach the poorest of the poor and more so in a way that builds their socio-economic resilience. This work has mapped and organized the most vulnerable and marginalized women in a community for innovative financial inclusion to

⁶ https://drive.google.com/drive/u/1/folders/1RvdtO2TfycGaRYU3259_Fq1VMLfoKDuH

boost women investment in purchasing of briquettes machinery, quality and disease-free cassava stems, land hiring to increase production of cassava growing. Innovative financial inclusion is important for women and youth to access risk financing facility from PEWOSA cooperative, but it is also essential to save money and build assets in a safe place, which can in turn take them out of poverty. Savings interventions increase women's business earnings⁷. In addition, Milton Friedman once said that "the poor stay poor, not because they're lazy, but because they have no access to capital."⁸ Till date, a huge section of the rural population in Uganda remains outside the formal banking system and they need finances to enhance their climate action enterprises. Against this backdrop, through this work, EBAFOSA Uganda has mapped and started the initial stages of formatting village savings and loans associations in Buganda Kingdom with the start in Kyaggwe county where, so far Nakisunga VSLA has been created having 60 members consisting 12 members per cluster in villages of ; Katwe, Lugala, Nasaka, Nakisunga-lusera and Nsonga⁹ and the rest of the four VSLAs including Nakifuma, Kawolo, Nagojje and Ngogwe are soon to be formatted and trained.

*"Saving is one of the activities in the groups and members contribute a certain amount of money which is between 2,000sh and 20,000sh weekly¹⁰. We have five groups each consisting of 12 members making a total of 60 members in Nakisunga VSLA. The cluster villages include Katwe, Lugala, Nasaka, Nakisunga-lusera and Nsonga. We have been hearing of PEWOSA Cooperative in other counties in Buganda Kingdom promoting savings and VSLA developments, we are excited and ready to receive savings training from PEWOSA cooperative,"*says **Oliver Namutebi** chairperson Nsonga cluster of Nakisunga VSLA.

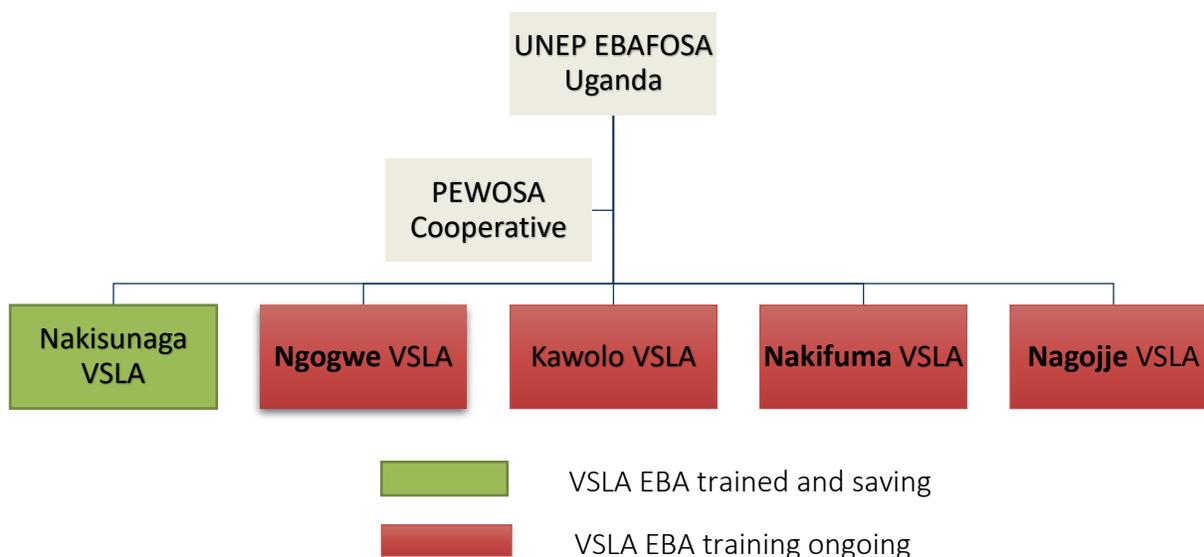
⁷Financial Inclusion for Women: A Way Forward. Available at https://www.g20-insights.org/policy_briefs/financial-inclusion-for-women-a-way-forward/

⁸ **Milton Friedman** was an American economist who received the 1976 Nobel Memorial Prize in Economic Sciences for his research on consumption analysis. Available https://en.wikipedia.org/wiki/Milton_Friedman

⁹ Nakisunga VSLA members Available at https://drive.google.com/file/d/1nvkVpbA4pyTGkLFXsf2ntxn_CKgRMx_x/view?usp=sharing

¹⁰ Women moulding briquettes available at https://drive.google.com/drive/u/2/folders/1RvdtO2TfycGaRYU3259_Fq1VMLfoKDuH

VILLAGE SAVINGS AND LOAN ASSOCIATIONS (VSLAs) PROGRESS IN KYAGGWE COUNTY-BUGANDA KINGDOM



- Decentralizing clean energy to rural areas of Buganda kingdom;** This work has managed to finance the establishment of the five solar dryers in five village savings and loan association (VSLAs) including Nakisunga, Ngogwe, Nagojje, Kawolo and Nakifuma VSLAs¹¹. Nakisunga VSLA which was established under the POWESA logic members have received earlier trainings by EBAFOSA Uganda how to use a solar dryer, chip cassava and how to dry cassava chips¹². In addition, fuel briquettes training was introduced to Nakisunga VSLA members to reduce the cutting of trees and produce fuel briquettes for commercial purpose¹³. Patrick Luganda President of UNEP EBAFOSA Uganda explains that the work being carried out is boosting climate action enterprises like briquettes making and value addition products from cassava that is helping members have savings with PEWOSA and enable the continuity of their business activities¹⁴.

¹¹ Community solar dryer fabrication in Nakisunga VSLA. Available at <https://drive.google.com/drive/u/1/folders/12AcABnWuYYzAuaIMK1Afxk7Fmn52SowD>

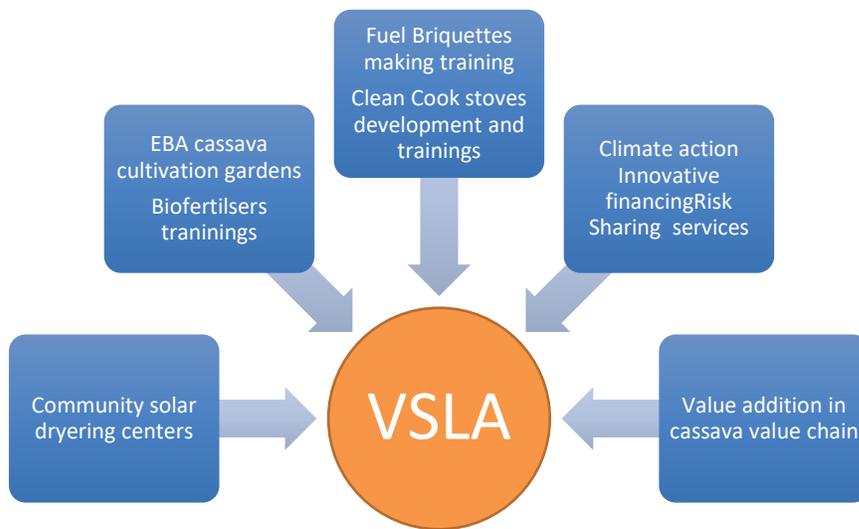
¹² Nakisunga VSLA cassava farmer preparing cassava to be dried. Available at <https://drive.google.com/drive/folders/1EWRg7ByLEluJ3ixt4xksQ2Y9XwvUNwhg?usp=sharing>

¹³ https://drive.google.com/drive/u/2/folders/1q-Ox4ksA7Je80fk5xHB_EMt-ARVNYA7b

¹⁴ Patrick Luganda explaining the PEWOSA cooperative logic how is helping to drive the Uganda climate action implementation. Available at <https://drive.google.com/file/d/16E004ojpEr5ix9p-6dybQi7e8A2ZSjNh/view?usp=sharing>

“Being a member of a financial institution for example PEWOSA is very important for our Village savings and loan associations because the weekly money saved in our groups which ranges from 2000 to 20,000 Uganda shillings is not enough to purchase machinery and rent land to cultivate cassava, buy briquettes making machines and solar dryers. PEWOSA will help us with credit to purchase individual solar dryers, simple briquettes machine and also keep our money safely” explains **Benson Tumusiime Chairperson Nasaka group of Nakisunga VSLA.**

Village Savings and Loans Association (VSLAs) relationship with other activities



Training farmers ecosystem-based adaptation approaches; this work has empowered and boosted cassava farmers groups to invest in agricultural enterprise, EBA approaches for example intercropping, use of organic matter, planting of drought resistant cassava varieties such as NAROCAS 1 and NASE 14 where trained and given that EBA is a risk averter this helped them to align to the innovative financing approach that have been developed with PEWOSA. These practical training sessions have helped to prepare farmers to earn from cassava related enterprises. These include but not limited to drying High Quality Cassava and make various value addition products as well as making briquettes. This will enable them to increase on their savings and be ready to save with PEWOSA microfinance.

EBAFOSA Uganda major role is to train on how they can use EBA approaches and use clean energy to drive agro industrialization in the farming community. This is helping the community to integrate climate action solutions of clean energy and EBA as part of their credit portfolio to their farming clients across the entire agro-value chain and this is helping to bring impact to scale of climate action solutions. For decades farmers in Buganda Kingdom have been losing their produce and due to climate change impacts including flooding, harsh conditions, lack of drought resistant crops. This work has empowered the five Village savings and loan associations including Nakisunga, Ngogwe, Kawolo, Nakifuma, Nagojje on the importance of EBA practices on their farmers and also encouraged farmers to reduce the usage of inorganic manure.

Mariam Nakame a chairperson of Katwe saving group says that :*“Members have limited farm land to grow cassava and most of us own half an acre of land, this has reduced our productivity, and others have insufficient capital to purchase farming inputs like drought resistant cassava variety. We appreciate the training given to us by EBAFOSA Uganda and also, we welcome the savings trainings from PEWOSA. Members in the VSLA are waiting for this training to be conducted “.*



Figure 3 Explaining to farmers the value of using clean planting materials. Photo credit ; EBAFOSA Uganda



*Figure 4 The value of using clean planting materials seen in photograph above. Healthy cassava garden intercropped with beans to enhance nitrogen to the soil. Photo credit. EBAFOSA Uganda **Impacts***

Acceptability of the of village savings and loan association initiative; this work has created trust and confidence in the VSLA members of Nakisunga VSLA, cassava farmers started adding value on the cassava they grow using a community solar dryer. This work has trained Nakisunga VSLA the importance of developing and investing in climate action enterprises for example making fuel briquettes, importance of using community solar dryers to dry cassava chips to rate of 12 % moisture content. This VSLA has flagged cassava has their cash cow in the product and service in rendered to their members.

“We women completely get support and money from our husbands because we had no money of our own. When we needed money for something, they would say they have no money even when they have. They don’t support us even when we want to start businesses or increase farming land. But with coming of PEWOSA we expect to access finance to start our own businesses and support our families financially, “ says Prossy Namugambe member of Lugala group in Nakisunga VSLA

Establishment of the the Village Savings and Loans Model in partnership with financial services for example PEWOSA cooperative; this work has managed to prepare Nakisunga VSLA to be linked to PEWOSA microfinance cooperative to attract the climate action innovative financing risk facility to

assist rural farming communities in Buaganda Kingdom to save and access finances to access climate action solution inputs like agricultural inputs of bio-fertilisers, briquettes making machines and solar dryers. Nakisunga VSLA consisting 60 members and clustered in five groups of 12 members per group Katwe, Lugala, Nasaka, Nakisunga-lusera and Nsonga. Those 60 members have so far been trained in EBA practices, they received a community solar dryer to help farmers dry their cassava on time and build capacity to enable them have source of saving. However, four additional VSLAs have ongoing training by EBAFOSA Uganda to make them ready to join and open accounts with PEWOSA. They will then receive finance training. These include Ngogwe, Kawolo, Nakifuma, Nagojje VSLAs. The essence of these activities from this work is to provide PEWOSA cooperative soft landing in EBAFOSA organized farming clusters to teach them financial literacy.

“My members are ready to start saving and learn financial literacy from PEWOSA cooperative, EBAFOSA Uganda has helped us to prepare members in money giving enterprises like briquettes making which can sell and increase our savings” says **Susan Nantale member of Nakisunga VSLA**

Climate action enterprises established in Nakisunga Village savings and loan association; Beyond enabling participation, this work has also touched on greater need to ensure equitable and inclusive management of VSLA groups. VSLA members will have access to highly responsive and safe financial services from PEWOSA cooperative, and this enables them to upscale their climate action and economic activities, improve household health and welfare, acquire business skills, educate their children, and improve the quality of their social lives both within the family and the surrounding community. This work has established community drying centers which has fastened the drying of cassava chips reducing post-harvest losses that have been a menace in Uganda¹⁵, farmers are eating clean cassava flour and using cassava peels and agricultural waste to make fuel briquettes.

Besides the work in Nakisunga VSLA work has started in Ngogwe VSLA who have started drying cassava using the community solar dryer located at Ggera village. They are also making briquettes after getting training from EBAFOSA.

“In our women’s in Ggera community we use our hands to make fuel briquettes into round shape balls. Using hands reduces the speed of the activity and members complain of pain in the chest and arms at night. With expected financing from EBAFOSA/PEWOSA, we will be able to purchase simple briquettes machines at which will increase our production from 400 briquettes a day to over 2,000 in a day,” says **Goretti Nassanga, chairperson Ggera farming group**¹⁶.

¹⁵ Nakisunga VSLA women using solar drying centres. Available at <https://drive.google.com/drive/folders/1wiORjv0ak5eD8UIVrfez5mJN9NOAgd5g?usp=sharing>

¹⁶ Women making briquettes using hands available at https://drive.google.com/drive/u/2/folders/1q-Ox4ksA7Je80fk5xHB_EMt-ARVNYA7b

Conclusion

Summarise the action and the impacts

Action	Impacts
Women skills have been retooled to make fuel briquettes	Climate action enterprises established in Nakisunga VSLA
Mapping and formation of Village Savings and Loans Association	Village Savings and Loan association established and to be developed in partnership with PEWOSA cooperative
Decentralizing clean energy to rural areas of Buganda kingdom	Clean energy used by local community to reduce post-harvest losses in the cassava value chain
Training farmers ecosystem-based adaptation approaches as a risk averter	Acceptability of the village savings and loan association initiative

NEXT STEP

- Promotion and uptake of energy efficient cooking stoves to be fabricated by EBAFOSA technical team at AYAIAcademy
- Promotion and uptake of Bio-fertilisers to drive uptake of EBA in farming communities
- Upscaling the VSLA model to other Buganda counties in Busiro, Mawokota and others
- Mapping and formation of VSLAs in other 12 Buganda Kingdom sub counties.
- Linking VSLA groups with Microfinance Institutions to provide rural access to more extensive financial products and provide greater security to women's savings and larger loans when they need them.
- Support development and training of Village savings and loans associations this will include providing ongoing support to VSLA groups to connect them to markets distribution chains in a way that ensures scale and sustainability as well as financial viability.
- Promoting women's empowerment by building their savings and borrowing capacity as well as their financial decision-making skills and social and economic networks to enable them to invest in climate action enterprises
- Developing VSLA monitoring and evaluation tools to track progress of savings and credit for improvement and sustainability in collaboration with PEWOSA
- Establishment of making of improved cook stoves
- Establishment of making of bio-fertilisers
- Introduction of financial literacy classes where each member has a simple passbook in which their savings and loans are recorded. This will be done through PEWOSA Uganda

- Writing of quarterly EBAFOSA annual work plan work to implement the Village savings and loan association activities in Buganda Kingdom counties.
- Promote sustainability and self-replication, the VSLA methodology will be strengthened by additional business skills training (Selection, Planning and Management - SPM), microinsurance consolidation and the training of village agents to establish and train new VSLAs, and to provide technical support to existing groups.

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