Towards an Effective Framework for Financial Literacy and Financial Consumer Protection in Uganda

BANK OF UGANDA

Financial System Development Programme

giz

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From 2003-2007, Shaun was Head of Financial Capability at the UK's Financial Services Authority, where his responsibilities included leading the development and implementation of the UK's national strategy on financial capability (the equivalent of financial literacy). Shaun had previously held a number of other senior positions at the FSA and at predecessor financial services regulators, including responsibility for establishing a regulatory regime for the authorisation and supervision of mortgage and general insurance firms; for reforming the regulatory regime for insurance companies; and for supervising UK banks, building societies and credit unions.

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He was the Deputy Technical Manager on the DFID funded Financial Sector Deepening Project in Uganda for 3 years and took over as the Manager in the final year. During this period, from 2003-2007, Christopher was involved extensively with work on consumer education and protection.

He served on the Investment Panel of the DFID Financial Education Fund for the first funding round. This is a pro-poor fund, which seeks to improve financial literacy by providing financial support to initiatives throughout Africa.

Christopher carried out a mapping of financial capability and consumer protection activities in Africa in August 2009; and in January 2010 he facilitated the Namibian Financial Literacy Working Group to develop an Action Plan for Financial Literacy and Consumer Protection.

Acronyms

APR	Annual Percentage Rate
ASCA	Accumulating Savings & Credit Associations
AMFIU	Association of Microfinance Institutions of Uganda
BOU	Bank of Uganda
CGAP	Consultative Group to Assist the Poor
CMA	Capital Markets Authority
CRB	Credit Reference Bureau
DFID	UK Department for International Development
EU	European Union
FEE	Financial Education Evaluation
FEP	Financial Education Program
FSA	Financial Services Authority
FSDU	Financial Sector Deepening Project Uganda
GIZ	Deutsche Gesellschaft fuer Internationale Zusammenarbeit
IPA	Innovations for Poverty Action
MDI	Microfinance Deposit-taking Institution
MFI	Microfinance Institution
MOFPED	Ministry of Finance, Planning and Economic Development
PEAP	Poverty Eradication Action Plan
OECD	Organisation for Economic Cooperation and Development
PEDN	Private Education Development Network
RS	Repayment schedules
SACCO	Savings and Credit Cooperative Organisation
SFC	Student Financial Club
SCC	Swedish Cooperative Centre
TCC	Total cost of credit
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Cooperative Savings and Credit Union
UPDF	Uganda Peoples Defence Forces
VSLA	Village Savings & Loans Association

Executive Summary

1. This study was commissioned by the Bank of Uganda (BOU) and the Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ). The key purposes were to:

    - map current arrangements, actors and initiatives in the fields of financial literacy and financial consumer protection;
    - define key elements of a strategic framework to strengthen financial literacy and financial consumer protection in Uganda; and
    - provide a roadmap for implementing this framework and to further strengthen collaboration and coordination between the various actors.

2. A number of financial literacy programmes have been undertaken in the past and several are currently in train. In our view, however, these are largely piecemeal, project-based, uncoordinated and lack genuine strategic direction.

3. Both banking and insurance regulation focuses almost exclusively on prudential regulation. There are some financial consumer provisions in codes of conduct; but these codes lack teeth. Financial consumer protection issues are, however, covered fairly comprehensively in the Capital Markets (Conduct of Business) Regulations 1996 – though we nevertheless consider that these regulations could usefully be strengthened in a number of respects.

4. Our overall conclusion is that there needs to be a step change in both financial literacy and financial consumer protection in Uganda. In other words, what is needed is a major strengthening of both financial literacy and financial consumer protection, rather than merely a series of incremental improvements.

5. We believe that the implementation of the recommendations in this report would help to bring about that step change and that this would be in the interests of individuals, financial services providers and of the country as a whole. In particular, it would help individuals to manage their personal finances better; they would be less likely to suffer losses; they would be more likely to be financially included; and they would be able to choose from more competitively priced financial services and products. Financial services providers would have a larger market in which to compete; and their clients would be better informed. For Uganda as a whole, the implementation of our recommendations would increase financial inclusion; help to promote a sound financial system; and would help to take the poor out of poverty.

6. We recommend that a national strategy for financial literacy should be developed and implemented and that this initiative should be led by BOU, working in partnership with a wide range of stakeholders. BOU should appoint a high-level financial literacy advisory group, comprising senior and influential decision-makers from a range of sectors, to support it; and BOU should also convene an inclusive information sharing group for financial literacy, made up of a wide range of stakeholders and partners, for sharing information and ideas and for providing feedback.

7. An effective financial literacy strategy will need, among other things: the active engagement of a broad range of partners; use of a wide range of delivery channels and methods; clear, simple and compelling messages; high quality resources (which will need to be clear and engaging to the target audience); programmes for training the trainers; and the integration of personal finance

education into schools curricula. Consideration should also be given to undertaking a financial literacy survey to help identify the greatest needs and to provide a baseline against which future changes in levels of financial literacy can be measured.

8. There is a large number of financial literacy initiatives which could potentially be undertaken. These cover, for example: financial education in schools; financial literacy initiatives targeted at young adults; outreach programmes; the use of radio, television and other media; drama, role plays and exhibitions; developing a range of consumer publications and a consumer website; financial education in workplaces; and the publication of comparative information about financial services products. It will be vital to decide on priorities, since any attempt to undertake an unrealistic number of programmes is likely to mean that resources are spread so thinly that little or nothing is achieved.

9. It will be important to test (e.g. through focus groups and piloting with members of the target audience) programmes and resources before they are rolled out more widely and to use the results of this testing to improve the design and delivery of the programme or resource. Financial literacy programmes should be monitored and evaluated to enable informed decisions to be taken on which programmes should be continued as they are, which should be modified and which should be discontinued as they are not cost-effective. Lessons learned from monitoring and evaluation should also be taken into account when developing new programmes. Account should be taken of other countries' experience: for example, consideration should be given to adapting resources produced overseas, where this is practicable.

10. Our recommendations on financial consumer protection are intended to be cost-effective and proportionate (that is, the benefits are expected to outweigh the costs) – and to make a real difference to the welfare of consumers, and potential consumers, of financial products and services. We believe that our recommendations are more likely to be implemented effectively across relevant sectors, and to have real teeth, if provisions to give effect to them are enforceable by the regulators – for example, that they are given effect through regulations or legislation; or they are set out in guidelines which are enforceable by the regulators – rather than if they are incorporated into industry codes of conduct. So far as practicable, our recommendations should apply across all financial sectors (except where adequate provisions already exist – potentially, this could be the case for some of our recommendations in their application to capital market licensees; and may also be the case for the insurance sector, if provisions in the Insurance Bill are enacted). The regulatory provisions which we recommend will have little impact unless they are buttressed by effective, proportionate and risk-based monitoring and enforcement.

11. A key theme of our recommendations for strengthening financial consumer protection involves the development of concrete requirements for financial services providers to disclose key information clearly, fairly and on a timely basis. Our recommendations for strengthening financial consumer protection include (among other things):

    - lenders should calculate and disclose effective interest rates or the total cost of credit;
    - providers should set out key information about a contract in a short key facts document written in simple and straightforward language;
    - marketing materials, advertisements and other consumer communications should be required to be fair and clear;
    - providers should disclose the name of their regulator in all consumer communications;
    - unfair, deceptive or aggressive practices should be prohibited;

- providers should be required to act in customers' interests. This should include a prohibition on reckless lending; a requirement that any advice given should be suitable for the customer in question, taking into account his or her circumstances; and requirements relating to best execution;
- conditional sales (i.e. the practice of requiring a consumer who buys one product to buy another product from a specified provider) should be prohibited;
- a cooling off period should be introduced for certain financial products;
- all providers should have clear procedures (including timescales) for receiving, investigating and resolving complaints. The regulators should consider introducing arrangements so that a consumer who is dissatisfied with the outcome of a provider's handling, or determination, of his or her complaint is able to have the matter resolved by an independent third party;
- all relevant staff of financial services providers should be trained; and they should be assessed by the provider as competent to undertake their role;
- information which is provided to the Credit Reference Bureau should be kept confidential. People should have the right to be told what information relating to them is held by the Bureau and to have any inaccurate information corrected; and
- consideration should be given to the establishment of a fraud prevention database for the insurance industry.

12. Customers of Tier 4 institutions are, on average, likely to be more vulnerable than customers of other types of financial institution. We accordingly recommend that a proportionate regulatory regime – covering both prudential and financial consumer protection issues – should be established for Tier 4 institutions.

13. We set out, at the end of the report, a roadmap for implementing our proposals. It covers only the next few months: the timetable following this period will need to take account of the results of the further consultation, which we recommend should be undertaken, together with subsequent decisions.

1. Methodology

14. This study was commissioned by the Bank of Uganda (BOU) and GIZ. The key objectives were to:

    - map current arrangements, actors and initiatives in the fields of financial literacy and financial consumer protection;
    - define key elements of a strategic framework to strengthen financial literacy and financial consumer protection in Uganda; and
    - provide a roadmap for implementing this framework and to further strengthen collaboration and coordination between the various actors.

15. We (that is the consultants who wrote this report) held around 40 meetings in February and March 2010 with the Government, representatives of BOU, other regulators, financial services trade associations and providers, the Financial Literacy Foundation, development partners, educationalists and a consumer protection association. We undertook a literature review. And we took account of international best practices. We then presented, on 12 March, our provisional findings and recommendations to a workshop of stakeholders drawn from a range of different sectors and obtained their comments and feedback.

16. We reflected on the comments and feedback we had received, in the course of our meetings and took these into account in developing a draft of this report. BOU circulated the draft report to stakeholders in July 2010. It invited written comments by 27 August; and BOU/GIZ arranged a stakeholder workshop on 12 August at which a number of helpful comments were made. We took into account both the feedback at the stakeholder workshop and the written comments which were received in finalising this report.

Limitations

17. The findings set out in this report are based mainly on the discussions with, and feedback from, stakeholders (including at the stakeholder workshops), our literature review and our existing knowledge of international best practices. There was not scope in the course of the mission to undertake any primary research.

Acknowledgements

18. We were very encouraged by the positive feedback we received from those stakeholders with whom we held meetings and from many of the stakeholders to whom we presented our provisional findings and recommendations at the stakeholder workshop at the conclusion of our mission. We were particularly encouraged by the extent to which representatives from different sectors shared similar perspectives – which were largely mirrored in the provisional findings and recommendations which we presented at the stakeholder workshops and which are now reflected in this report – about the nature of the challenges and about what needs to be done to strengthen financial literacy and financial consumer protection in Uganda.

19. We are grateful to all those who met us, and all those who attended one or both of the stakeholder workshops, for their willingness to share with us their perspectives and experiences and to engage in an open dialogue about the best way forward.

20. We would like to express our appreciation to the Bank of Uganda and GIZ for all their help in coordinating this initiative and facilitating the research for, and preparation of, this report.

2. Background

Uganda's economic and financial environment

21. Uganda has one of the highest rates of economic growth in Africa, with growth averaging 7.8% since 2000. Per capita annual income averages around UGX 800,000. [1]

22. The poverty level is estimated to be 31% – a reduction from around 66% in 1998. Poverty is particularly high in rural areas. Uganda's plans for poverty reduction were previously set out in the Poverty Eradication Action Plan (PEAP), but are now embodied in the 5-year National Development Plan. There is considerable reliance on the informal economy.

23. Annual population growth is 3.3%, one of the highest rates in the world, and Uganda has the youngest population in the world, with more than 50% of its population of around 32 million being children under the age of 15. Uganda's dependency ratio (the number of dependants per worker) is 1:12, which is the highest in the world.

24. The literacy rate is 68% for people aged 10 and above.

25. Financial markets are narrow and shallow, in terms of size, product range, number of institutions and number of customers.[2] For example, the banking sector – which is by far the largest of the formal financial sectors – had total assets of 2 billion US dollars as at June 2009 (the 5-year Financial Markets Development Plan 2008-12 likened the size of the banking sector to the size of a single bank branch in many developed countries). Nevertheless, there has been an increase recently in the establishment of overseas branches of foreign financial institutions. This has occurred not only in the traditional banking sector, but also in sectors which are relatively new for Uganda, including asset management, brokerage and collective investments (such as unit trusts). There has been a rapid increase in the number of debit cards in circulation and some increase in the ownership of credit cards. There is clearly scope in the future for significant growth in both the breadth and depth of formal financial markets.

26. The microfinance sector plays an important role, particularly in rural areas. The Government has been promoting, through its Prosperity for All Programme, the establishment of SACCOs throughout the country. However, many SACCOs are small or weak (or both) – and members of a number of SACCOs have lost all or part of their savings as a result of fraud or poor financial management.

27. There is considerable reliance on cash; and there is a lack of a culture of saving through formal financial services providers – at least in part because minimum balances are relatively high, transactions costs are high and the rate of interest paid tends to be less than the rate of inflation, so that the value of savings falls in real terms over time. A relatively small proportion of the population has a bank account. Moreover, a number of those who have bank accounts withdraw their pay in cash as soon as it is paid into their account and thus do not take advantage of the benefits which a bank account can bring.

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[1] Most of the information in this and the following seven paragraphs is derived from World Bank reports and from the Ugandan 5-year Financial Markets Development Plan 2008-12.
[2] 5-year Financial Markets Development Plan 2008-12, page 7.

28. The Financial Markets Development Plan 2008-12 sets out a framework for the development of Uganda's financial markets. The aim of the plan is:

    " i. to develop sound and vibrant financial markets and
    ii. to support efficient mobilization of resources necessary for economic diversification and sustainable growth".[3]

Defining the terms "financial literacy" and "financial consumer protection"

29. The term "financial literacy" means having the knowledge, skills and confidence to manage your finances well, taking into account your economic and social circumstances, where:

    - "knowledge" means having an understanding of personal financial issues;
    - "skills" means being able to apply that knowledge to manage one's personal finances; and
    - "confidence" means feeling sufficiently self-assured to make decisions relating to one's personal finances.

30. Financial literacy can be improved through financial education, information, instruction, training and advice. The OECD definition of financial education is as follows:

    "*Financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.*

    Where:

    information involves providing consumers with facts, data and specific knowledge to make them aware of financial opportunities, choices and consequences;

    instruction involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance; and

    advice involves providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received."

31. People who are financially literate are able to make sound financial decisions for themselves and their families, to make informed choices between different financial products and services, to budget and to plan ahead, to build up some savings, to protect themselves against financial risks, to invest prudently (if they have sufficient money) and to understand their rights and responsibilities. They are less likely to become over-indebted or to purchase products and services which do not meet their needs; and they are less likely to be caught out by financial frauds.

[3] 5-year Financial Markets Development Plan 2008-12, Executive Summary, page 5.

32. Financial literacy initiatives do not include:

    - financial product marketing – promoting a brand or specific products or services; or
    - commercial financial advice – by which we mean advice which may result in the recommendation of a specific financial product or service from a particular provider.

33. The UK Financial Services Authority has identified five components of financial capability:

    - making ends meet;
    - keeping track of your finances;
    - planning ahead;
    - choosing financial products; and
    - staying informed about financial matters. [4]

34. Financial literacy is about personal finance management and does not include how to manage a business. However, being able to manage your personal finances is an essential step towards starting up, or running, a business.

35. The term "financial consumer protection" refers to the fair treatment, by financial services providers, of their customers and potential customers. The term does not extend to prudential regulation – which is regulation intended to secure the financial soundness and effective management of financial services providers – even though one of the purposes of prudential regulation is to protect consumers.

36. Financial consumer protection legislation and regulations typically include provisions which are intended to ensure that, among other things:

    - key information about a financial product or service is provided to consumers and potential consumers in a clear, prominent, transparent and timely manner;
    - marketing, advertising and other communications from, or on behalf of, a financial services provider are fair and clear;
    - any advice which is provided to a consumer is suitable for that individual – taking into account his or her circumstances;
    - consumers can rely on financial services providers being effectively regulated and supervised;
    - there are adequate arrangements for considering and responding to complaints, with consumers who have been treated in a materially unfair manner receiving redress.

37. Some consumer protection requirements (for example, to prohibit reckless lending) serve both prudential and non-prudential objectives.

38. Financial consumer protection legislation or regulations typically define the term "consumer" to mean an individual[5] who is a customer or potential customer of the financial services provider in question. The term "consumer" is sometimes defined to extend also to small businesses. The term invariably excludes larger businesses.

[4] See FSA (2006), "Financial Capability in the UK: Establishing a Baseline", available at http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf
[5] Sometimes referred to as a natural person.

Complementary nature of financial literacy, financial consumer protection, prudential regulation and financial inclusion

39. Financial literacy, financial consumer protection measures, prudential regulation and financial inclusion initiatives are complementary to one another, rather than alternatives.

40. As an example of the complementary nature of financial literacy and financial consumer protection, the effectiveness of information or advice which a financial services provider provides to a consumer is dependent on two things. The first is the complexity or otherwise of the product or service in question and the clarity and soundness of the information and advice; and the second is the consumer's capacity to understand and act on the information and advice. Even the most financially savvy consumer will find it difficult – if not impossible – to understand the true cost of (say) a loan if the firm fails to disclose costs fairly and transparently (e.g. if it has a complex series of fees and charges, in addition to the nominal interest rate; or if it buries important information in the small print). So, in order to improve the effectiveness of disclosure for financial products and services, it is important to tackle both the supply side and the demand side.

41. As the OECD has put it: "Financial literacy is a necessary condition for financial market efficiency. As such, it is only one part of an effective policy response to empowering consumers in the financial marketplace. It does not substitute for financial consumer protection and regulatory frameworks. In particular, the importance of "market conduct" supervision has been further exposed in light of the recent financial crisis, where uninformed consumers became easy targets for mis-selling and purchased credit products that were clearly inappropriate for them."[6]

42. Similarly, financial literacy initiatives are complementary to initiatives to increase access to the formal financial services sector. People who are financially literate are more likely to make use of financial products and services – that is to be financially included. A number of important initiatives are under way in Uganda to increase access to financial services, particularly for people in rural areas. Efforts to promote financial inclusion are unlikely to be genuinely successful unless they are coupled with measures to improve the financial literacy of those people who are currently financially excluded. People whom financial inclusion programmes are designed to influence need to know how and when to use the financial products and services which have been made available to them, understand the benefits which these products and services can bring them and their families, together with the risks involved, and be motivated to use them.

43. Moreover, neither financial literacy programmes nor financial inclusion programmes are likely to be successful unless they are complemented by effective prudential regulation (to minimise the risk of financial services providers collapsing). For example, no amount of financial education will persuade people to place their money with a bank or other financial services provider if people lack confidence that their money will be secure or that they will be treated fairly. This is particularly the case in a country like Uganda, where members of the population have previously lost money following the collapse of banks, semi-formal financial institutions and pyramid schemes.[7]

[6] "Financial Literacy and Consumer Protection: Overlooked Aspects of the Crisis, OECD Recommendation on Good Practices on Financial Education and Awareness relating to Credit" (June 2009) http://www.oecd.org/dataoecd/32/3/43138294.pdf

[7] FinScope 2007, Incidence of Losing Money

Importance of improving financial literacy and consumer protection in Uganda – and beneficiaries

44. Prosperity for All, also known in vernacular as "Bonna Baggagawale", is a Uganda Government strategy to stimulate economic growth throughout the country. The goals are to:

    - transform rural farmers and the urban poor from poor unplanned production into modern production methods;
    - spur commercial agriculture and industrial production with a focus on value addition;
    - assist households to earn an annual income of at least UGX 20m;
    - provide financial intermediation to integrate rural farmers into national, regional and international economies.

45. Under this programme, the Government is encouraging the establishment of a SACCO in every sub-county where none exists. The Government also focuses on strengthening weaker SACCOs. This is intended to improve access to financial services for those who are currently excluded. There are currently 4,030 SACCOs[8] - which represents a substantial increase from 676 SACCOs[9] in 2006.

46. An essential step towards achieving the goals of Prosperity for All is to increase access to financial products and services. This, in turn, requires people:

    - to be confident that they will be dealt with fairly by financial services providers; and
    - to have the knowledge and skills to manage their finances well – that is, to be financially literate.

47. Alongside the Prosperity for All initiative, the Ministry of Finance, Planning and Economic Development (MOFPED) has developed a Microfinance Policy for the years 2005 – 2015. One of the strategies is to "increase public awareness on financial services". However, there are no planned activities indicated in the policy to achieve this strategy; and, to date, the implementing agencies for Prosperity for All have not undertaken any activities.

48. Uganda's 5-year Financial Markets Development Plan 2008-12 has five goals:

    - "To promote Market Depth, Breadth and Competitive Liquid Markets;
    - To Build Capacity and Develop Financial Markets Infrastructure;
    - To Advance Regionally Integrated Financial Markets that Support Economic Growth;
    - To Increase the Investor Base;
    - To Promote a Well Informed and Vibrant Financial Market."

49. Strengthening financial consumer protection and financial literacy can help to secure the achievement of those goals. Indeed, it is unlikely that those goals will be achieved unless financial consumer protection and financial literacy are strengthened.

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[8] Information provided to the consultants by the Commissioner of Cooperatives.
[9] According to the Census of Tier 4 Institutions by MoFPED and DFID FSDU

50. Every country has initially based its regulation and supervision of financial services providers on prudential regulation – that is, seeking to ensure that firms are financially solvent and soundly managed. However, many countries have subsequently developed, or are currently putting in place, a financial consumer protection (or market conduct) regulatory regime, to seek to ensure that consumers are treated fairly and transparently. In Uganda, there are currently few financial consumer protection requirements, either in regulations or in industry codes of conduct. The establishment of an effective financial consumer protection regulatory regime will help to give people confidence to take up financial products and services.

51. In Uganda, as in other countries, many people lack the skills and confidence to manage their finances well. There is increasing recognition – among a wide range of stakeholders – about the importance of tackling this. This is partly because the increased availability of credit, the growth of microfinance and the expansion of remittance networks (with the development of branchless banking potentially around the corner) have made financial products available to people who were previously – wholly or mainly – outside the financial system. These developments provide potential benefits to people, but they also give rise to risks which may be unfamiliar to new and prospective customers. Improving people's financial literacy will help them to take advantage of these new opportunities without exposing themselves to undue risks.

52. Improving the population's financial literacy will benefit all sections of society. Poor people need to make their money go as far as possible and to avoid incurring unnecessary charges or taking excessive risks. Those who are better off need to be able to invest their money wisely. For everyone, increasing their financial literacy can help them to improve the quality of life, both for themselves and for their families.

53. It is the interests of financial services providers – even though some may fail to recognise this – that an effective market conduct regime is in place and that financial literacy levels improve. Consumers who have greater confidence that they will be treated fairly and who are financially literate are more likely to make approaches to firms with a view to buying a product or service, which can help to reduce the costs which firms incur in acquiring new business and to increase the volumes of business which firms undertake. Providers will have to spend less time explaining basic features of different types of products or services. Strengthening financial literacy and financial consumer protection is therefore likely to generate increased demand for financial products and services, and should reduce the likelihood of consumers buying products and services which are not suitable for them, all of which will be to the benefit of financial services providers.

54. The Government, BOU and other financial services regulators also have a clear interest in strengthening financial consumer protection and improving current levels of financial literacy. One of the features of a modern economy is that people participate in monetary transactions. Strengthening financial consumer protection and financial literacy is likely to boost savings levels, increase the take-up of financial products and stimulate economic activity. It can help to reduce indebtedness levels and to take the poor out of poverty. Moreover, if someone is able to manage their personal finances, it is more likely that they will be able to run a business successfully. So, improvements in current levels of financial literacy should help to improve Uganda's economic performance.

55. Over time, financially literate consumers will, collectively, help to ensure that financial services providers are responsive to consumers' needs – for example, by choosing to buy better value financial products and services. This can help to drive the financial services industry to become more efficient.

56. Employers stand to benefit from improved financial literacy and financial consumer protection, since employees are liable to be less productive at work if they are distracted by money worries.

57. Many civil society organisations also have an interest, since improvements in consumer protection and financial literacy can help them achieve their goals.

58. Financial literacy has been linked not only to financial goals, such as poverty reduction and financial inclusion, but also to food security, nutrition and health,[10] and crime reduction.[11]

59. In short, the development and implementation of carefully planned and well-coordinated strategies to bring about a step change in financial literacy and in financial consumer protection would not only be in the interests of consumers, but would also be in the interests of a wide range of other stakeholders.

Expected benefits from strengthening financial literacy and financial consumer protection

60. In summary, we anticipate that the implementation of the recommendations in this report would produce the following key benefits.

61. For individuals:
    - it will help them to manage their personal finances better;
    - they will be less likely to suffer losses;
    - they will be more likely to use financial services – that is, they will be more likely to be financially included; and
    - they will be able to choose from more competitively priced financial services and products.

62. For financial services providers:
    - they will have a larger market in which to compete; and
    - their clients will be better informed – and more informed clients are better clients: for example, they are more likely to understand their responsibilities as well as their rights.

63. For Uganda:
    - it will increase financial inclusion – because people are more likely to make use of financial products and services if they are confident that they will be fairly treated and if they understand how to manage their personal finances well;[12]
    - it will help to promote a sound financial system – because people will have greater trust in regulated financial services providers which treat them fairly and which are subject to effective consumer protection regulation; and

[10] See, for example, presentation by Joy Deshmukh-Ranadive (Indian School of Microfinance for Women Ahmedabad, India) Financial Education Summit 2008, http://financialeducationsummit.org/2008/presentations/Joy_Ranadive.pdf, Citi-FT Financial Education Summit, Beiejing, 25-26 November, 2008. In addition, a study commissioned by the UK's Financial Services Authority, and published in 2009, "Financial capability and wellbeing: Evidence from the BHPS" http://www.fsa.gov.uk/pubs/occpapers/op34.pdf found that moving from low to average levels of financial capability increases psychological well-being by 6%, reduces the probability of an individual suffering a health problem related to anxiety or depression by 15% and increases reported life satisfaction by 2.4%.

[11] See, for example, Building Financial Capability in the UK, FSA, 2003, page 2, http://www.fsa.gov.uk/pubs/other/financial_capability_uk.pdf

[12] The extent to which people will opt to become financially included through purchasing financial products and services from the formal financial sector will depend also on factors such as the costs, reliability and accessibility of these products and services.

- it will help to take the poor out of poverty – because people who are financially literate are more likely to be able to build a better future for themselves and their families.

64. Potentially, initiatives undertaken in Uganda could also have wider application across the region.

3. Financial Consumer Protection

65. In Section 2 of this report, we explained why it is important to strengthen financial consumer protection in Uganda and set out the expected benefits. But it is also relevant to consider the rationale for the development of a regulatory regime which applies to the sale or offer for sale of financial services and products, but does not apply to the sale of other types of goods and services.

66. In Uganda, as in other countries, the need for financial consumer protection arises from an asymmetry of information between financial services providers and consumers. This imbalance arises both from the complexity of some financial products and services, and because it may not be possible to assess the quality of a product and service – for example, a long-term insurance policy or an investment – until many years after it was bought.

67. This asymmetry often leads to consumers buying financial products or services which are not suitable for them – or failing to buy products or services which it would be in their interests to acquire. These risks can be particularly likely to materialise where there is little competition within local (e.g. rural) markets. It is also more likely to arise in markets where consumers have little experience of using financial products and services and therefore tend to be ill-equipped to sift through options and make sound choices (which can include deciding not to buy a product or service).

Provisions currently in place – and gaps

68. Banking regulation in Uganda focuses on prudential issues – that is, financial soundness and effective management. However, there are some high-level provisions concerning the fair treatment of consumers in the Uganda Bankers' Association Code of Good Banking Practice, for example:

    - "[Banks will] act fairly and reasonably in all their dealings with their customers";
    - "terms and conditions should be expressed in plain language";
    - "every Bank will establish adequate procedures for handling of customers' complaints"; and
    - "advertisements will [not] contain misleading information".

69. Insurance regulation also focuses on prudential regulation. However, there are some provisions in the Uganda Insurers Association Code of Conduct relating to consumer protection, for example:

    - "Members shall ensure that their officers and employees who find themselves in a conflict of interest situation … shall disclose that interest and where necessary disqualify themselves on matters relating to that interest";
    - "terms and conditions shall be expressed in plain language"
    - "When dealing with customers … members shall explain all the essential provisions of the cover afforded by the policy, or policies, which they are recommending, so as to ensure as far as possible that the prospective policy holder understands what he or she is buying"; and

- "Members … in marketing their services, will ensure that they act responsibly and prudently, and in particular, that:-
    i. advertisements are fair and reasonable.
    ii. advertisements do not contain any misleading information."

70. The Uganda Insurers Association Code of Conduct makes provision for the Association's Disciplinary Committee to hear cases where a member is alleged to have breached the Code. In practice, most hearings relate to complaints about failures to pay policyholders' claims, rather than about matters relating to consumer protection.

71. The Insurance Bill which is currently before Parliament includes provision for: the arbitration of complaints by the Insurance Commission; the establishment of a Policyholders' Compensation Fund, to compensate the policyholders of an insolvent insurer; the regulation of insurance brokers, loss assessors and loss adjusters; and a levy on policyholders to pay for the training of the staff of insurers.

72. In general, neither the Uganda Bankers' Association Code nor the Uganda Insurers Association Code is specific about how the providers concerned should achieve the fair treatment of consumers or is comprehensive in its coverage of issues which would usually be regarded as falling within financial consumer protection. Many stakeholders – including those from the financial services industry – made the point to us that (as is often the case with codes of conduct) each of these Codes lacks teeth.

73. By far the most comprehensive coverage of financial consumer protection issues is found in the Capital Markets (Conduct of Business) Regulations 1996. For example, the Regulations include:

- a prohibition on a licensee claiming to be independent or impartial if he or she is not;
- provisions requiring a conflict of interest to be disclosed and that it should not adversely affect the interests of the customer;
- a requirement that the contents and presentation of an advertisement are demonstrably fair and not misleading;
- a requirement that promotional communications should be fair, comprehensive and not misleading;
- a requirement that a licensee who recommends a transaction should take all reasonable steps to enable the customer to understand the risks involved;
- a requirement that a licensee shall satisfy himself or herself on reasonable grounds, and on a continuing basis, that any representative he or she appoints is fit and proper to act for him or her in that capacity;
- a requirement that a licensee shall satisfy himself or herself on reasonable grounds, and on a continuing basis, that he or she has adequate resources to monitor and enforce compliance by his or her representatives with high standards of business conduct;
- a prohibition on licensees imposing unfair or unreasonable charges;
- a requirement that, where a licensee deals with or for a customer, the licensee shall take all reasonable steps to find and deal on the terms which are the best available to the customer;
- a requirement that a licensee shall have internal procedures to ensure the proper handling of complaints from customers and to ensure that any appropriate remedial action on those complaints is promptly taken;
- requirements that records are kept to show compliance with the regulatory system and

that these records are retained for at least seven years;
- requirements that licensees should observe high standards of integrity and fair dealing; act with due skill, care and diligence; and observe high standards of market conduct;
- requirements on a licensee to seek from customers information about their circumstances and investment objectives; and to take reasonable steps to give every customer he or she advises, in a comprehensible and timely way, any information needed to enable the customer to make a balanced and informed investment decision.

74. The Uganda Law Reform Commission has drafted a Consumer Protection Bill, which – if it were to be enacted in that form – would have only limited applicability to the sale of banking and insurance products.[13] Similarly, in some other countries the sale of financial products and services is – entirely or mainly – outside the scope of any consumer protection legislation which applies to the generality of consumer products: this is on the grounds that the sale of financial products and services is more appropriately dealt with by specialised legislation and regulations.

75. Tier 4 institutions are not regulated by the Bank of Uganda or by any other regulator. They are not authorised to take deposits from the public, but may offer collateralised or non-collateralised loans to the public. They comprise Savings and Credit Cooperative Societies (SACCOs), Microfinance Institutions, Village Savings & Loans Associations, Money Lenders, Rotating Savings & Credit Associations and other informal savings clubs. These institutions vary in size, complexity and sophistication of operation. Effectively, many Tier 4 institutions do accept the equivalent of deposits from their clients, although these might be described using other terms, such as “members’ contributions”. There are over 5,000 Tier 4 institutions with up to 2.6 million clients.[14]

76. Tier 4 institutions are fraught with challenges in terms of governance, management and members who are not equipped to hold their leaders to account. Many Board members do not have the requisite skills or experience to oversee a financial institution. Management is also often weak. Many smaller institutions have been subject to an “elite capture”, whereby the few educated members have taken over the operations of the institution, sometimes to the detriment of the majority.

77. Tier 4 institutions have sometimes been formed by fraudsters who, after collecting people’s savings, have disappeared with the funds.

A framework for improving financial consumer protection in Uganda

78. We recommend, in the remainder of this section of the report, a number of measures for strengthening consumer protection. Our proposals are intended to be cost-effective and proportionate (that is, the benefits are expected to outweigh the costs) – and to make a real difference to the welfare of consumers, and potential consumers, of financial products and services. Financial services regulation cannot prevent a fool being parted from his money; the aim instead should be to reduce the risk of reasonable people being made fools of.

[13] See “A Study Report on Selected Trade Laws – Consumer Protecting Law”, Uganda Law Commission, 2004.
[14] Client estimates are extrapolated from FinScope 2007 data.

79. We believe that our recommendations are more likely to be implemented effectively across relevant sectors if these recommendations are given effect through regulations or legislation, or if provisions to give effect to them are set out in guidelines which are enforceable by the regulators, rather than if they are incorporated into industry codes of conduct. This is the best way of ensuring that the proposed requirements have real teeth.

80. By contrast, the incorporation of provisions into codes of conduct can only be done with the agreement of member firms: there can be no guarantee that they would be willing to agree to this. Moreover, trade associations which are responsible for industry codes have no capacity to monitor proactively to check compliance with the code; and consumers may lack confidence in arrangements under which enforcement is undertaken under the auspices of an industry trade association.

81. Consideration will need to be given to whether our recommendations could be implemented solely through regulations or guidelines or whether it will be necessary also to make changes to current legislation. For convenience, we refer throughout the remainder of this section to regulatory changes (rather than to regulatory, legislative or guidance changes or regulations).

82. So far as practicable, our recommendations should apply across all financial sectors. However, there will need to be modifications to take account of the particular circumstances of each sector.

83. Among other things, consideration should be given to the extent to which, for the capital markets sector, the CMA's existing conduct of business regulations are already adequate to meet the recommendations in this report. On the other hand, the greater the degree of harmonisation which can be achieved across different regulatory sectors on matters such as consumer disclosure, the easier it will be for consumers to absorb information when dealing with providers from more than one sector.

84. Our recommendations about requirements which should be applied to providers should be applied also to a provider's employees and agents.

85. Regulators should consult stakeholders (including financial services trade and professional associations and consumer bodies) before finalising and introducing new regulatory requirements. They should take account of respondents' views both in deciding whether or not to introduce a requirement along the lines proposed and, if so, how the requirement should be expressed. However, it is likely that many more responses will be made by financial services associations and providers than by consumers and consumer representatives. Regulators should not be deterred from bringing in requirements which many respondents oppose, unless they are convinced by the strength (rather than merely the volume) of the arguments made.

86. Once new regulatory requirements have been finalised, regulators should give clear guidance to providers to assist them to comply with the requirements. They should also take effective steps to explain to consumers what the new provisions mean for them.

Monitoring and enforcement

87. It will be important that compliance with the requirements we are recommending is monitored proactively by the regulator.

    Regulatory staff will need to be trained – both in the substance of the new regulations and on regulatory techniques for checking compliance with the requirements – in order to fulfil this role effectively. It is important that consumer protection issues attract the interest and attention of regulators' senior management, so that consumer protection regulation is not seen as the "poor relation" of prudential regulation.

88. In addition to on-site and off-site inspections, a regulatory technique which can be useful in monitoring compliance with some aspects of the proposed requirements (e.g. those relating to disclosure and suitable advice) is mystery shopping – i.e. supervisory staff, or people acting on behalf of the supervisor, posing as customers or potential customers. Regulators should be empowered to make use of findings from mystery shopping in any disciplinary proceedings against a provider.

89. Regulators should have the capacity to carry out investigations where concerns arise relating to a particular provider or about several providers within a financial services sector.

90. Regulators should also monitor the complaints which a provider receives – and assess whether or not the provider deals with complaints in a fair and timely manner. Other things being equal, a provider with a poor track record in attracting or handling complaints should expect to receive greater regulatory attention. Regulators should bear in mind, however, that a low reported level of complaints is not necessarily a healthy sign: it could be attributable to lack of knowledge by consumers on how to make a complaint (or lack of confidence that a complaint would be investigated promptly and fairly); or by a failure by the provider to categorise complaints correctly – thus excluding some genuine complaints from the returns which the provider makes to the regulator.

91. Regulators could consider publishing annually information about the number of consumer complaints each provider had received, together with information about the most common causes of these complaints.

92. In order to encourage providers to comply with the proposed requirements – and to promote public confidence that people who deal with financial services institutions will be treated fairly – there needs to be a credible enforcement regime with effective sanctions for significant failure to comply with regulatory requirements. These sanctions can include fines and reputational penalties (i.e. public announcements regarding a provider's regulatory failings – commonly known as "naming and shaming"). As a final resort, sanctions could entail removal of a provider's licence to conduct some, or all, types of financial services business. Regulators should hold providers' Boards and senior management to account for ensuring that the provider meets its regulatory requirements.

93. Supervision and enforcement need to be proportionate and risk-based – and to avoid a "tick-box" approach. In other words, supervisory and enforcement staff need to be capable of exercising their judgement – and given discretion to do so – as to which breaches (or potential breaches) of regulatory requirements could, in all the circumstances, cause significant consumer detriment

and therefore need to be tackled urgently and which are likely to cause only minor consumer detriment and therefore need not be tackled as a matter of priority. Regulatory staff also need to be able to exercise judgement in determining (for example) whether a particular consumer communication is fair and clear.

Obtaining market intelligence

94. It can be useful to meet with trade and professional associations and consumer bodies on a regular basis to discuss market issues and, in particular, any emerging concerns relating to consumer protection. Such meetings can help to identify issues where the regulator can take early action with a view to nipping problems in the bud.

95. We recommend that each financial services regulator should arrange regular (say, every three months) meetings with relevant trade and professional associations to discuss emerging market issues. We also recommend that each financial services regulator should arrange regular (say, every three months) meetings with any consumer associations which may be able to provide insights into emerging issues of concern to consumers.

Building the capacity of consumer organisations

96. Consumer organisations can be useful sources of information for regulators on the sorts of problems – relating, for example, to particular types of products and services, to financial frauds or to particular providers – which consumers believe they are facing. Consideration could be given, as and when resources allow, to helping to build the capacity of one or more consumer organisations in Uganda – for example, through the provision of trainings and briefings by financial services regulators or through helping to fund the costs of additional staff to work within one or more consumer organisations.

Clear, fair and timely disclosure of information

97. One of the most common concerns raised with us by stakeholders was that consumers often find it difficult – in many cases impossible – to understand all the important features of a financial product or service which they have bought or which they have been offered. In part, this is a result of a lack of financial literacy or a lack of basic literacy. But it is also because providers fail to disclose clearly important information about financial products or services.

98. We consider that providers should be required, through regulations, to disclose clearly, fairly and on a timely basis all the important information about a financial product or service which they are offering to a consumer. They should also keep the consumer informed, after he or she has bought a product or service – for example, of any proposed changes to terms and conditions. We set out below a number of recommendations which are designed to help achieve these goals.

Effective interest rates or total cost of credit

99. Both lenders and deposit-takers charge their customers a range of fees and charges. However, the interest rates which they advertise provide only part of the picture. They do not provide a basis for making an informed choice between the products offered by different lenders or deposit-takers. For example, a loan product with a lower interest rate may turn out to be more expensive, when fees and charges are taken into account, than a similar product with a higher interest rate.

100. BOU publishes in the press, on a quarterly basis, information about interest rates, fees and charges for basic banking products offered by different banks. The table for loan-related charges includes eight items for MDIs (advance application fee, advance commitment fee, arrangement fee, advance processing/admin fee, monitoring fee, insurance fee, interest rates, stamp duty) and 12 items for commercial banks. A consumer cannot realistically be expected to compute the total amount that he or she would need to pay (on an annualised basis) if taking a loan from different providers, in order to work out which provider would offer best value for money.

101. We recommend that all providers of loans should be required to disclose an effective interest rate which takes account not only of the interest they would charge (adjusted as necessary to take into account the effects of compounding), but also of fees and charges. The effective interest rate would represent the average amount the borrower would have to pay each year of the loan, expressed as a percentage of the loan. Alternatively, providers of loans could be required to disclose the total cost of credit (TCC) – that is the total of the interest payments, fees and charges on the loan.

102. All lenders should be required to calculate the effective interest rate or TCC in a standardised way. The measure which is most commonly prescribed around the world is the Annual Percentage Rate (more often known as the APR). This could potentially be expressed as a annual monetary amount, as well as (or instead of) a percentage figure, given that many people do not readily understand percentages.

103. FSD Kenya commissioned a report entitled "Definition of a Standard Measure for Consumer Interest Rates in Kenya: A Scoping Study"[15], which it published in March 2009. This recommended a "phased approach [to the introduction of a standard methodology for disclosing interest, fees and charges] starting with the total cost of credit (TCC) and/or repayment schedules (RS) and then moving onto an APR (annual percentage rate). A key concern is that consumers understand the information presented to them. The aim is to introduce the easier to understand TCC and/or RC within the next year and that APR would follow within two years. It is vital that a strong financial education initiative is part of the implementation plan, to teach consumers how to use the TCC/RS to make informed credit decisions."

104. It may also be helpful to study the term of the EU Consumer Credit Directive, which prescribes the use of the Standard European Consumer Credit Information.

105. We recommend that initially lenders should be required to disclose the TCC (which is easier to calculate, and may be easier for consumers to understand, than the APR). In the longer term, consideration could be given to mandating the calculation and disclosure of APRs.

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[15] http://www.fsdkenya.org/pdf_documents/09-06-03_Definition_of_Std_Interest_Measures.pdf

106. All lenders should be required to disclose the TCC to consumers – including (see below) in key facts documents. Where the period or amount of a loan is variable, the lender should calculate the TCC based on a typical loan amount and repayment period and should make these assumptions clear when disclosing the TCC. They should be required to disclose the TCC and supporting assumptions no less prominently than other information (e.g. the nominal interest rate) relating to interest, fees or charges which is provided to consumers, including in advertisements and in other marketing material.

107. Competitive pressures are not sufficient to achieve fair and clear disclosure of the full costs of a loan. A lender which advertised an interest rate, or total cost of credit, which took account of the full range of charges and fees would appear to be more expensive than competitors which failed to do so – and would therefore lose business to its competitors. This is an example of market failure, which provides a justification for regulatory intervention. So, regulators should prescribe requirements, including the basis for calculating effective interest rates or TCC, through regulations which are binding on the providers which they regulate.

108. One or two stakeholders have suggested to us that it might be too onerous for some lenders to calculate an effective interest rate or TCC. However, we do not regard this as a valid objection to our recommendations: if the lender cannot work out how much a borrower would pay, the borrower cannot be expected to work this out for himself or herself. We do not consider it acceptable for a borrower to be left in ignorance about the amount which he or she would have to repay to the lender. If a lender genuinely cannot compute an effective interest rate or TCC, then it is open to that lender to simplify its fees and charges so that it can perform that calculation.

109. We have considered whether the approach we are recommending should extend to savings accounts. We do not consider that it would be feasible to mandate this at present, given the range and complexity of fees and charges which are applicable to savings accounts (for example, the tables which BOU publishes in the press list around 30 different types of fees and charges for savings accounts). A number of these (e.g. passbook replacement) are applicable only in certain circumstances. There is a much broader range of fees and charges than is the case in some other countries. Some savings account providers might wish to consider, on a voluntary basis, rationalising their fees and charges, in order to give consumers a clearer picture of the fees and charges that they are likely to incur. In time, this might pave the way for the introduction of a standard methodology for disclosing what savers can expect to earn (once the effect of fees and charges is taken into account).

110. Meanwhile, our other recommendations set out below relating to fair and clear disclosure would apply to savings products as well as to other types of financial products and services.

Key facts documents

111. Another concern which many stakeholders raised with us is that contracts and other documentation relating to financial products and services tend to be long and complex and that important information is sometimes hidden in the small print. It is easy to say that consumers should read all the documentation before signing a contract. But this is simply not realistic. And even if they were to read all the documentation, they cannot be expected to understand terms and conditions which are expressed in legalistic language.

112. This issue of information overload and of obscure drafting is one which financial services regulators throughout the world are having to confront. The solution which a number of regulators have adopted is to require providers to give a consumer a key facts document[16], setting out clearly and briefly (on one or two pages) all the key information relating to the product or service which he or she is considering buying.

113. We recommend that regulators should prescribe a standard format for key facts documents for each generic type of product or service. This should cover both the types of information which should be included and the order in which different types of information should appear within key facts documents. The information should include all the important information which a consumer would need to make an informed decision. This extends, for example, to the main consumer risks associated with the product and to warnings of any adverse consequences (e.g. loss of the borrower's house or other property, where this is used as collateral; and penalties to which the consumer could, under specified circumstances, be liable).

114. Regulators should also consider specifying other matters relating to format (e.g. the disclosure of certain information in a specified tabular form; and the minimum print size that should be used). Standardisation of formats helps consumers to compare the costs and other features of similar products and services which are offered by different providers. Regulators should also require the use of plain language.

115. Relevant trade associations and professional associations could potentially play a role in helping to develop standardised key facts documents, which providers could then adapt to reflect the particular terms and conditions applicable to their products and services.

116. The form and proposed contents of some model key facts documents should be tested with consumers to establish whether or not they find them easy to read and comprehensible and otherwise to establish whether improvements could usefully be made to make them more consumer-friendly.

117. Regulators should require providers to give the consumer a key facts document as early as possible. In the case of some types of products, it will not be possible to provide a key facts document at the outset (for example, the interest rate charged on a loan may depend on in part on the prospective borrower's circumstances). But it should not be left until a consumer is about to sign a contract before the key facts document is handed over. The consumer should be given the key facts document in sufficient time to consider its contents before he or she is invited to sign a contract.

118. Some consumers will not be able to read a key facts document (or, if they can read the document, they may not be able to understand it). Regulators should consider requiring a provider to satisfy itself that a consumer has understood the key facts relating to a product – if necessary, by reading the document to the consumer and explaining any terms or concepts which seem unfamiliar to the consumer; or, for those who do not speak English, by arranging for someone to explain the document in a language which the consumer understands. A possible objection to this is that providers do not have sufficient time to take these steps; but the alternative is that consumers buy financial products or services for which they do not understand important features, potentially including their commitments and possible consequences if (in the case of

[16] These are in use in, for example, the UK and Australia; and there is similarly a focus in the US on the use of plain language in disclosure documents.

a loan) they fail to meet those commitments – for example, that they might lose their home or other property.

Standard contract terms

119. Financial services trade and professional associations could consider developing, and recommending their members to use, a core of standard contract provisions for some types of products and services (for example, definitions of risks covered by a generic type of insurance product) to make it easier for consumers to understand, and to compare, products and services offered by different providers. Each provider would, in addition, have terms and conditions (including price) which are specific to the products and services which they offer.

Post-sales disclosures

120. For longer-term products, consumers should receive regular (at least annual) and clear statements to keep them informed of relevant developments. For investment products, an investor should receive information on investment performance (together with a comparison with an industry norm). For loans, borrowers should receive information summarising the repayments they have made, any fees and charges during the period in question and their commitments for the future.

121. People who have bought a financial product or service should be given sufficient notice (say, one month) of any changes to the terms and conditions to allow them good time to change provider, should they wish to do so.

Marketing materials, advertisements and other consumer communications

122. Regulators should require financial services providers to ensure that all their marketing materials, advertisements and other consumer communications are fair and clear. This would cover – among other things – benefits, prices, terms and conditions, and risks.

123. Marketing materials and advertisements are, of course, intended to influence consumers' behaviour, by persuading them to buy the products or services in question. They should not do so by misleading consumers. It is not acceptable, for example, for an advertisement to be misleading but for the key features to be fair and clear, because the advertisement would already have created a false impression in the minds of potential consumers. At best, this could lead to consumers wasting their time by (for example) visiting the premises of a provider only to find that the product or service they intended to buy did not match up to the impression which had been created by the advertisement. At worst, the impression created by the advertisement could override the details set out in the key facts document, leading a consumer to buy a product or service which may not be suitable for him or her.

124. In deciding whether or not an advertisement or other marketing material is fair and clear, the yardstick should be whether or not it is liable to be significantly misleading or otherwise unfair to the sorts of consumers who are likely to have seen the material (taking into account their likely levels of knowledge and understanding). Account should be taken of the overall impression, as well as the detailed contents: so, for example, it should not be acceptable for the headline in an advertisement to create a false impression, with this being corrected in the small print. By way of example, we do not consider it appropriate for a provider to advertise an interest rate applicable

to savings accounts (even if this rate is qualified by, for example, "up to" or "terms and conditions apply") if most savers would not be able to earn this on an annual basis, because, for example:

- the interest rate quoted would be earned over a period longer than one year (i.e. the rate quoted is not an annual rate); or
- the rate would be reduced by fees and charges; or
- the rate is in practice payable only to a minority of those who might seek to open a savings account.

Providers to disclose the name of their regulator

125. Providers should be required to disclose the name of their regulator in all consumer communications (e.g. key facts documents, advertisements, other marketing materials and websites), so that consumers are aware that the provider is regulated and know which regulator to approach if they consider that a provider may have failed to comply with its regulatory requirements.

126. Regulators should (as a minimum) list on their website the names and contact details of the providers which they regulate.

Unfair, deceptive or aggressive practices

127. Providers should be explicitly prohibited from engaging in unfair or deceptive practices. These include, for example, threatening, intimidating, being violent towards, abusing, humiliating or misleading a consumer; or offering, or asking for, bribes or other "gifts" or unfair inducements. They could also include a prohibition on discrimination.

128. Consideration should also be given to whether any high-pressure sales techniques ought to be expressly prohibited.

Acting in the best interests of consumers

129. Financial services providers should be required to act in the best interests of their customers. This includes:

- a prohibition on reckless lending;
- suitable advice; and
- best execution.

Reckless lending

130. We recommend that lenders should be prohibited from reckless lending. In South Africa, for example, if a lender fails to undertake a proper assessment of whether the borrower can afford to make the contractual repayments, the courts can rule the contractual provisions to be unenforceable.

Suitable advice

131. Coupled with the proposed prohibition on reckless lending, we recommend that, where a

provider (or its agent) gives advice to a consumer, this advice should be required to be suited to the consumer's circumstances and needs. For example, in the case of a loan, the advice should take account, among other things, of the consumer's existing commitments (including any repayments due under existing loans), his or her probable ability to meet their commitments under the proposed new loan, and the consumer's objectives in seeking this loan. The provider should ensure not only that any product or service which a consumer is recommended to buy is suitable for the consumer, but also that there is no other product or service available to the provider which would be more suitable for that consumer. The provider should keep sufficient records to be able to demonstrate to the regulator, in respect of each piece of advice which it has given, that this requirement has been met.

132. The consumer should be informed clearly of any actual or potential conflict of interest (e.g. any fee or commission which a member of staff dealing with the consumer would earn if the consumer buys a product which has been recommended).

Best execution

133. Market makers, brokers and dealers which operate in the capital markets should be required to execute customer orders on a timely basis and at the best price which is available. We therefore support the provisions in the Capital Markets (Conduct of Business) Regulations, 1996 which state that:

> "19. When a licensee has agreed or decided in his or her discretion to effect or arrange a customer order, he or she shall effect or arrange the execution of the order as soon as is reasonably practicable in the circumstances.
>
> 20. Where a licensee deals with or for a customer, the licensee shall take all reasonable steps to find and deal on the terms which are the best available to the customer."

Conditional sales

134. We recommend that conditional sales be prohibited.

135. In some countries, the practice of conditional sales (or tying-in) is banned. This is the practice of requiring a consumer who buys one product to buy another product from a specified provider. This practice severely limits competition – and is therefore liable to keep prices higher than they otherwise would be.

136. In Uganda, borrowers are generally required by the lender to take out insurance with a specified insurer. In many cases, the lender itself takes out insurance with its chosen insurer.

137. Some stakeholders suggested to us that consumers should not be given a completely free hand as to the insurer he or she chooses to use since, if a consumer buys insurance from an insurer which the lender considers to be weak, the lender may consider that the consumer – and therefore the lender – is not properly protected. We accept this argument. We therefore recommend that consumers should be required to select from a panel comprising no fewer than a specified number (say, four) of providers of any product which is linked to the main purchase – such as insurance, in the case of a borrower.

Cooling off period

138. We recommend that a cooling off period should be introduced for certain financial products.

139. Consumers sometimes buy financial products and services in haste, without thinking through all the issues. For example, someone might take out a loan without properly considering whether he or she genuinely needs the purchase which the loan is intended to finance or whether he or she can afford to make the necessary repayments. Another sort of example is where a consumer buys an investment product without properly considering the risks as well as the possible benefits or without considering whether he or she can afford to tie up their money in a product which ought to be treated as a long-term investment. This sort of behaviour is more likely to occur where high-pressure sales tactics (such as doorstep – or "door-to-door" – selling) are used. High pressure tactics can be associated, in particular, with the sale of products (such as life insurance with a savings component and private pension products) which typically attract high commissions for the salesman.

140. In order to protect consumers who have made a hasty decision (perhaps as the result of high pressure tactics), regulators in some countries make provision for a cooling-off period (say, 14 days after the contract has been signed) during which time the consumer can decide to cancel any contract he or she has signed. A consumer who cancels an investment product should bear any losses which arise as a result of market movements (for example, in the case of a collective investment scheme, a fall in price which results from falls in prices of the underlying assets). A borrower who cancels a loan would need to repay the full amount which has been advanced to him or her. However, consumers who cancel should not otherwise suffer a penalty – except that in some countries, provision is made for the consumer to pay a small administrative fee to cover the provider's costs.

141. Some stakeholders suggested to us that, since it already takes some considerable time for lenders to decide whether or not to grant a loan application – and if so, to make an offer to the prospective borrower – there is a built-in cooling-off period and that there is therefore no need for regulators to introduce cooling-off requirements for loan products. However, we take the view that the average time taken to decide whether or not to grant a loan application is likely to fall (partly as a result of the operation of the Credit Reference Bureau). So, we consider that it would not be sufficient to rely on the "cooling-off period" which is inherent in many lenders' current processes.

142. Stakeholders have also suggested that a cooling off period could be abused by consumers. We see no reason why this should be the case – particularly if it were decided that providers should be permitted to require the consumer to pay a small administrative fee to cover the provider's costs. Similarly, we see no reason why, in the case of loans, the introduction of a cooling off period should lead to a higher level of loan delinquencies: on the contrary, if a borrower who realised, soon after s/he had taken out a loan, that s/he had made a mistake were enabled to cancel the loan, that could well help to reduce levels of delinquencies.

143. We recommend that Ugandan regulators should introduce cooling-off provisions for those categories of loans and investment products – where the borrower or investor would otherwise face a significant loss if s/he wished to change their mind soon after purchase. The financial institution should be entitled to levy a reasonable charge to cover the costs it had incurred; and, in the case of investments, the investor should bear any losses which had arisen as a result of changes in market prices (e.g. of securities).

144. We recommend that the regulators should consider whether cooling-off provisions should also apply to any other financial products or services where a consumer could otherwise face a significant financial cost or loss immediately following the purchase of the product or service.

Complaints handling

145. In order for people to have trust in the financial services sector, they need to have confidence that, if they believe that they have been unfairly treated, they can make a complaint which will be quickly and fairly investigated and that, if the complaint is upheld, they will receive adequate redress. If they lack this confidence, they will be reluctant to undertake business with financial services providers.

146. We recommend that all customers who buy a product should be told in writing where any complaints should be sent. This information should be included in key facts documents.

147. All providers should have clear procedures (including timescales) for receiving, investigating and resolving complaints. These procedures should be set out in writing, and a copy should be given to consumers on request and should also be set out on providers' websites.

148. Each provider should designate an officer to be responsible for complaints-handling and should ensure that this person has the competence and authority to enable complaints to be considered and resolved quickly and fairly.

149. There is a risk that staff responsible for addressing complaints might be put under some sort of pressure to find against the consumer; or that they might be swayed by loyalty towards a colleague against whom a complaint had been made. To mitigate these risks, regulators should place clear responsibility on providers to ensure that complaints are addressed promptly, fairly and impartially; and regulators' supervisory staff should probe, as part of their supervision, how a provider and its staff handle complaints in practice.

150. Many consumer communications which might at first appear to be complaints are, in fact, requests for information. Some other communications are expressions of dissatisfaction that (for example) the provider has declined to grant a loan: while legitimate exercises of discretion by providers are not matters for the regulator, providers should nevertheless handle complaints of this nature within any time limits specified by the regulators.

151. Consumers who are dissatisfied about the way in which they have been treated by a financial services institution sometimes direct their complaint to the relevant regulator. Regulators will generally take steps to seek to have these complaints resolved. However, the regulators do not have express powers to do so (though the Insurance Bill which is currently before Parliament includes provision for the arbitration of complaints by the Insurance Commission).

152. The regulators should consider introducing arrangements so that a consumer who is dissatisfied with the outcome of a provider's handling or determination of his or her complaint is able to have the matter resolved by an independent third party. A consumer could also be allowed to put the complaint to the third party in circumstances where the provider has failed to resolve the complaint within the period of time specified by the regulator. The third party could be

an ombudsman[17] or small claims court[18]. If an ombudsman service were to be established, this should extend to as many financial services sectors as possible: it is unlikely to be cost-effective to establish separate arrangements for banking, insurance, capital markets, etc. We do not consider it satisfactory for the third party to be a professional or trade association, since consumers are unlikely to regard an organisation which represents financial services providers (or their staff) as being genuinely independent.

153. Arrangements to enable a consumer who is dissatisfied with the provider's response to his or her complaint to have the complaint assessed by a third party would provide an incentive for providers to handle complaints appropriately.

154. Complaints-handling arrangements should be free of charge to complainants.

155. Where a consumer has suffered financial loss as a result of having been treated unfairly by a financial services provider, he or she should be compensated to make up for this loss.

156. Regulators should encourage providers to regard complaints as a learning opportunity which can help them to identify, and then improve, weaknesses (or causes of consumer dissatisfaction) in their processes.

Training, competence and supervision

157. All staff of financial services providers who directly deal with consumers, together with other relevant management and staff of the provider, should be trained to ensure that the provider will be able to meet its regulatory requirements. Staff should be assessed by the provider to establish that they are competent to undertake their role.

158. Currently, training and competence arrangements vary both between sectors and, in some financial sectors, between providers. For example, we were told by some stakeholders that, while some banks ensured that all relevant staff received adequate training, other banks took the view that they could not afford to do so, so that staff members' training was inadequate or non-existent.

159. The Insurance Bill which is currently before Parliament includes provision for a levy on policyholders to pay for the training of the staff of insurers.

160. Staff of insurers are required to have gained a Basic Certificate of Proficiency by the end of 2010. Thereafter, new recruits will be required to obtain that qualification within one year of taking up post. These are welcome developments, which should help to ensure that staff of insurers will obtain the knowledge and understanding to be able to treat consumers fairly. However, we do have some concern that this allows staff to deal with consumers for up to one year before becoming qualified (with some of those staff no doubt failing to become qualified at the end of that period) and we would encourage the Uganda Insurance Commission to consider whether the current requirements should be enhanced (e.g. by requiring that staff gain the qualification before taking up post; or requiring insurers to closely supervise new recruits in the period before they gain the qualification).

[17] In the UK, there is a Financial Ombudsman Service; and in Ireland, the Financial Services Ombudsman.
[18] The World Bank is working with the Ministry of Justice to introduce a system of small claims courts.

161. We have considered whether to recommend that staff of other types of financial services providers (including banks) should also be required either to obtain a specified qualification or to attend a specified training course. However, given that some providers already seem to be training their staff adequately – and bearing in mind the variety of roles that consumer-facing and other key staff play within a bank or other financial services provider – we do not consider that a sufficient case has been made out for the regulators to be as prescriptive as this. We recommend instead that the regulators (other than the Uganda Insurance Commission – on which see above) should require all consumer-facing staff, together with other relevant categories of management and staff, to receive training which is sufficient to provide the information, knowledge and skills which they need in order to enable the provider to treat consumers fairly and otherwise to comply with its regulatory requirements. One approach would be for these regulators to accredit one or more training schemes – so long as the regulators are satisfied that the scheme meets the requisite standards – which are provided by outside bodies (such as professional associations) and then to inspect (as part of its supervisory activities) any additional schemes which particular providers operate, to ensure that those schemes meet the necessary standards.

162. All regulators should also require providers to ensure that customer-facing and other relevant staff receive refresher (or additional) training from time to time, as part of their continuing professional development.

163. A financial services provider should ensure that its staff are appropriately supervised, taking into account staff members' relevant experience, in order to ensure that the provider is able to meet its regulatory requirements.

Credit Reference Bureau

164. We welcome the establishment of the Credit Reference Bureau. This will enable lenders to take account of timely and accurate information on borrowers' debt profiles and repayment histories. The use of this information by lenders when deciding whether or not to grant a loan (and, if so, what interest rate to charge) should, among other things, reduce the risk of consumers being granted loans which they cannot service. It could also help to speed up decisions by lenders on whether or not to grant a loan application and, if so, on what terms and conditions.

165. The establishment of the Credit Reference Bureau will help consumers to build up a credit history – which could lead to some of those with positive track records being offered loans on more advantageous terms in future.

166. Information which is provided to the Credit Reference Bureau should be used only for the intended purposes. In particular, information about an individual's credit position or history should not be disclosed to other consumers. People should have the right to be told what information relating to them is held by the Bureau and effective arrangements should be in place to enable an individual to have any inaccurate information corrected.

Fraud prevention database for the insurance industry

167. We recommend that the Uganda Insurance Commission should consider encouraging insurance companies to establish a fraud prevention database. This would include information on claims by clients and on any fraudulent claims which come to light.

Insurers could then consult the database before agreeing to insure a client and before paying any claim (for example, to check whether the claimant had claimed from a different insurer for the same event; or whether the claimant had a track record of making apparently fraudulent claims).

Depositor and policyholder protection

168. A key element of a consumer protection regime is a deposit protection scheme, to ensure that consumers' deposits are protected in the event that a bank (or other deposit-taker) should collapse. There is already a deposit protection scheme in place in Uganda.

169. The limit on the maximum deposit protected of UGX 3m fully covers 98% of depositors. While we see no immediate need for this limit to be raised, we recommend that the limit be kept under review, with a view to it being raised if and when the limit no longer covers the vast majority of depositors (and provided that this is affordable).

170. The Insurance Bill which is currently before Parliament includes provision for the establishment of a Policyholders' Compensation Fund, to compensate the policyholders of an insolvent insurer. We welcome this.

171. We recommend that key facts documents for relevant products should summarise the protection offered, including the maximum amount which is protected.

172. We also recommend that deposit protection arrangements should be established for other types of deposit-taking institutions, as and when this is affordable.

Tier 4 institutions

173. Customers of Tier 4 institutions are, on average, likely to be more vulnerable than customers of other types of financial institution. We recommend that a proportionate regulatory regime should be established for Tier 4 institutions. At least for smaller Tier 4 institutions, this is likely to be a lighter regulatory regime (reflecting the relative lack of systemic risk) than applies to (say) Tier 1 banks. Nevertheless, so far as practicable, they should be required to comply with the consumer protection provisions which we recommend in this section of the report.

174. Tier 4 institutions are not homogeneous. They range from those incorporated under the Company Act to those that have no formal legal status. The challenges of implementing a regulatory regime include but are not limited to:

    - the large numbers of institutions (over 5,000)
    - location (mainly in remote rural locations)
    - small size (and therefore unlikely to be able to pay for regulation or supervision).

175. FinScope 2007 listed the usage of Tier 4 institutions as follows:

- Welfare funds, Rotating Savings & Credit Associations, Savings Clubs 11%
- Accumulating Savings & Credit Associations (ASCAs) 5%
- Savings & Credit Cooperative Societies (SACCOs) 2%
- Credit Only MFIs 1%
- Village Savings & Loans Associations (VSLAs) 1%
- Moneylenders (No usage figures in FinScope) n/a

176. Many existing SACCOs are members of a relevant association – the Uganda Cooperative Alliance (UCA), the Uganda Cooperative Savings and Credit Union (UCSCU) or the Association of Microfinance Institutions of Uganda (AMFIU) – while new ones are being formed with assistance from UCSCU. These apex organisations are therefore well placed to assist in the implementation of any regulatory and supervisory regimes. The Commissioner of Cooperatives under the Ministry of Trade Tourism and Industry, who registers SACCOs, can also prescribe certain clauses to be included in their bye-laws to protect members.

177. We would encourage SACCOs to empower their apex associations to enforce the association's codes of conduct and to co-operate with a future regulator in ensuring that regulatory standards are upheld.

178. Moneylenders are registered by Magistrates Courts and then essentially left to their own devices.

4. Financial Literacy

What has been done so far

179. Early work on financial literacy (then called consumer education) was carried out from 2004 through the DFID Financial Sector Deepening Project, together with members of the Consumer Affairs Sub-Committee. Initial work included a 6 month pilot in Mbale and Masaka to test the usefulness of educating consumers on their rights and responsibilities and about the types of products and institutions available to them. This was fine-tuned and then rolled out nationally in 2006, including through radio spots and call-in shows; print materials, including posters, leaflets and flyers; and live presentations by Financial Extension Workers. Other initiatives that came from this early work included:

    - consumer education newspaper inserts in the main vernacular languages;
    - short awareness raising messages in vernacular language using radio spots;
    - the inclusion of finance issues in radio call-in programmes, during which a local expert responded to callers' questions;
    - drama performances, put on by the Association of Microfinance Institutions of Uganda (AMFIU), that illustrated themes from the Global FEP financial negotiations, debt management, budgeting, bank services and savings modules;
    - posters which taught microfinance clients about their rights and responsibilities and which were displayed prominently in AMFIU members' banking halls;
    - training by Microfinance Opportunities of 40 consumer education trainers in financial negotiations, debt management, budgeting and savings.

180. The Consumer Affairs Sub-Committee lost momentum when the leadership by the DFID FSDU project ended.

181. The remainder of this section summarises some of the financial literacy initiatives which are currently being undertaken.

182. The Capital Markets Authority has run a Secondary Schools Challenge since 2003. This is a competition to educate Advanced Level (A-Level) students on financial matters. The Schools Challenge also aims to capture a wider adult audience such as parents and teachers as well as the interested general public.

    - All participating secondary schools across the country are contacted to form a team of two A-level students to represent the school in the Challenge. Each school is eligible to enter only one team.
    - Each school identifies a patron teacher who guides the students' research as well as accompanying the students for the semi-finals and finals, if successful.
    - The team of two students representing the school is required to submit one essay on the following question;

      You have been invited by the youth savings association in your community to deliver a talk on saving and investment opportunities in Uganda's capital markets.

      a) *Write down an educative speech/paper that you would use to sensitise this association on the saving and investment opportunities available in Uganda's capital markets. (In not more than 2000 words)*

b) *Suggest three practical ways in which the association can mobilize the community to save and invest in capital markets. (In not more than 1000 words).*

183. The Investors Club runs an annual Financial Literacy Week and financial literacy clinics. The Investors Club, a private company, has two limbs to its business: investment advice and financial literacy. The Financial Literacy Week targets the uniformed forces, professionals and students. The activities are intended to promote savings and best practices in personal finance. In addition, the Investors Club is providing a personal finance curriculum for the Uganda Peoples Defence Forces Officers College to incorporate in their training. The UPDF is the largest public sector employer. The Investors Club has also developed a personal finance management tool for savings, investments, budgeting and credit.

184. The Private Education Development Network (PEDN), a Ugandan NGO, has been undertaking financial literacy work with schoolchildren in Kampala, Wakiso and Kamuli districts using the Aflatoun methodology. Aflatoun aims to help break the poverty cycle by socially empowering children through a complementary process of child rights and financial education. The training enables graduates:

- to open savings accounts and save regularly;
- to understand the processes and importance of saving, planning, budgeting and banking; and
- to draw up budgets and set financial goals for themselves.

185. Junior Achievement Uganda, which is working with a number of schools, includes financial education within its programme.

186. FINCA Uganda is working with the Nike Foundation using the Microfinance Opportunities curriculum to provide financial education to adolescent girls in the slum areas of Katwe and Kawempe. There are 15 groups of 10 girls, with total savings of UGX 2.6 million to date. FINCA Uganda is working with IPA (Innovations for Poverty Action) and PEDN in Jinja, Iganga and Mayuge to enable primary school pupils and their families to save for their education. The objectives of the programme are:

- to enable pupils and their families to save money for scholastic materials and school fees;
- to incentivise and financially enable pupils to remain in school and thus decrease pupil drop-out rates; and
- to engender a culture of saving amongst participating pupils, parents and teachers.

187. FINCA and IPA are also working on another project, partnering with Straight Talk Foundation and the Church of Uganda, to test the impact of a financial education curriculum for Ugandan youth groups and a preferential youth bank account. This study includes 240 youth groups in Mbale, Mukono, Arua and Mbarara districts.

188. BOU, in conjunction with a financial sector steering group which includes participating institutions, the Credit Reference Bureau (CompuScan CRB Uganda Ltd.) and development partners, is implementing a national public awareness campaign for the Credit Reference Bureau and the financial card system, to sensitise borrowers about the role of the Bureau and to explain key issues such as data privacy, consumer rights and how to maintain a positive credit history.

189. The New Vision includes a weekly personal finance column. The columnist usually includes one or two items on savings, credit or budgeting.

190. Grameen Foundation is working with partners to explore the potential (through pilot studies) for using mobile phones as a channel for improving both financial literacy and financial inclusion, particularly among those who live outside urban centres and who have erratic income flows, in ways which will be sustainable at the end of the initial funding period.

191. The WBS Television soap, "Makutano Junction", tackles a variety of issues including personal finance. The soap still has relatively modest viewing figures in Uganda but has become the top rated show in its time slot in Kenya with over 6 million viewers. Over 40% of the viewers have indicated that they have changed their behaviour on the subjects tackled by the soap. The Kenyan producers are currently developing a new series with a financial strand and are conducting research on its effectiveness.

192. Trade associations for banking, insurance and microfinance institutions, together with the regulators for insurance and capital markets and (as an observer) the Bank of Uganda, established the Financial Literacy Foundation in 2008. The Foundation, in conjunction with the Investors' Club, runs the Financial Literacy Week, together with financial literacy clinics in various Ugandan towns. The clinics create awareness of financial products, teach people to save and also provide business skills training. The Foundation is intending to conduct a national financial literacy survey and is also planning to develop financial literacy booklets in English and in local languages.

193. Unsurprisingly, in the absence to date of a national strategy on financial literacy, the financial literacy programmes which have so far been undertaken in Uganda have, in the main, been piecemeal and uncoordinated. They are predominantly project-based and lack genuine strategic direction. They have been driven more by the availability of donor funds than by a strategic effort to achieve set objectives. In addition, there has been a lack of understanding of what financial literacy is about. In particular, it has often been confused with business skills training and with the training that microfinance institutions carry out to teach their clients how to hold their group meetings, apply for loans and complete the various forms.

194. There has, until recently, been a dearth of data relating to consumers of financial services. The FinScope 2007 survey established a baseline on access to financial services. No additional analysis of the dataset has been undertaken to investigate further the responses to the knowledge, attitudes and practices questions and establish some form of baseline on these issues. This lack of data and of a baseline makes it a challenge to identify priority areas in terms of target groups, geographical areas or type of intervention.

195. The establishment of the Financial Literacy Foundation demonstrates the willingness of some of the key financial services stakeholders to work together to seek to improve the population's financial literacy. However, all the stakeholders we met agreed that much more needs to be done. The Foundation has limited resources (including only one member of staff) and encompasses only a limited range of financial literacy stakeholders[19]. We recommend that, in order to make a real difference to current levels of financial literacy, a step change – that is a major strengthening, rather than merely a series of incremental improvements – is needed in both the breadth and the reach of work to strengthen financial literacy. Working together within a comprehensive,

[19] In addition, the Bank of Uganda is an observer, rather than a member of the Foundation.

inclusive and coordinated national strategic framework would enable stakeholders to build on and to extend what has been achieved so far.

Challenges

196. Even people who have good financial management skills often find it challenging to manage their finances well. For those with few, if any, financial management skills, tackling even relatively straightforward tasks – such as opening a bank account – can be overwhelming. People often find money issues confusing, daunting and worrying. Many people have received no financial education and do not know how to access information and support which could help them to manage their money well.

197. People are likely to say that they do not have an interest in financial matters – but virtually everyone wants to be able to make the most of their money. However, developing and implementing effective programmes to improve people's financial literacy is challenging.

198. Low levels of literacy and numeracy compound the challenge of seeking to improve current levels of financial literacy. Another difficulty concerns the number of languages spoken in Uganda, which means that any written or oral communication needs to be translated into a range of languages if it is to be accessible to the great majority of the population. A further issue relates to the high costs which are incurred where it is necessary to pay for the dissemination of financial literacy messages in the print media, radio or television.

Rationale for a national strategy on financial literacy

199. We recommend that a national strategy for financial literacy should be developed.

200. The development of a national strategy would help to ensure that there is a fuller, more sustainable and more effective range of programmes than is currently the case and to avoid unintended gaps and unnecessary overlaps. It would provide focus and momentum, improve co-ordination and help to generate active support from a full range of stakeholders. Working together and to a common agenda would help to ensure that the maximum benefit is gained from the efforts of all those organisations which have an interest in improving people's personal financial management skills.

201. The development of a national strategy should also help to maximise the benefits which are generated by funds provided for financial literacy initiatives (whether these funds are provided for leadership and coordination or for particular programmes).

202. Establishing a national strategy on financial literacy is not a panacea. But without an agreed strategy, initiatives to improve people's financial literacy are liable to be piecemeal, duplicative and to leave important gaps; and overall progress is likely to be limited.

Developing, and keeping under review, a national strategy on financial literacy

203. A national strategy is likely to have the following features:

- it is set out in a freely available document;
- it has been developed following consultation with, and has the active support of, a broad range of stakeholders;
- it sets out aims and objectives, and actions which are to be taken to achieve these – together, where possible, with budgets, responsible parties and timescales;
- it has an "owner".

204. The strategy document should identify sections of the population which are to be targeted, and (at least in broad terms) types of content and delivery channels that are appropriate for each of them, taking into account factors such as the needs, experience, knowledge and preferred communication methods of each of these sections of the population.

205. In the course of developing a national strategy, there should be wide-ranging consultations with interested parties, so that their views and experiences can be taken into account. Consultation will take some significant time and resource, if it is to be undertaken effectively.

206. A strategy document should establish accountabilities: if everyone is supposedly accountable, the reality is that no-one is in fact accountable, because each person can point to someone else who is responsible. Arrangements should be made – for example, through management information provided to regular advisory group meetings – to hold to account those who are responsible both for the overall strategy and for different components of the strategy.

207. Quantitative targets (for example, the number of people a programme is intended to reach) are easier to set and to measure than qualitative targets. However, targets based on outcomes (e.g. behavioural changes in the target population) are generally a better indicator of the extent to which the initiative in question has achieved its intended purpose – though it may not always be feasible to measure outcomes.

208. Once a national strategy has been adopted and is being implemented, it should be kept under review and adjusted as appropriate in the light of developments – such as lessons learned, changes in the availability of resources, and changes in external circumstances. As momentum builds and experience is gained, it may well be possible to expand the scope of the strategy to include further initiatives.

A framework for improving financial literacy in Uganda

A. General

Working in partnership

209. In Uganda, as in every other country, no single organisation can, on its own, bring about the improvements which are needed in financial literacy levels within the population. What is needed instead is for a wide range of organisations to work together in partnership. These organisations will have differing strengths and experiences and will, between them, have established relationships with many groups within the country. The delivery of financial literacy initiatives through a diverse range of bodies and a variety of channels helps address the diversity of people's needs, aptitudes and preferences – for example, on how to learn and how to access information.

210. Organisations which have an interest in strengthening people's financial literacy include:

- the Government;
- BOU and other financial services regulators;
- financial services providers, trade associations and professional associations;
- employers and trades unions; and
- civil society organisations (e.g. community, religious and health bodies).

211. Each of these, together with the media, can potentially play an important role in developing and implementing financial literacy programmes or resources.

212. Working in partnership can maximise the impact of different organisations' strengths and experiences. It helps to avoid both duplication and overlap and encourages those involved to share their knowledge and experience and to learn from each other. A coordinated set of initiatives is likely to have a much greater impact than a series of disconnected programmes.

213. Potential partners are more likely to be willing to become actively involved if they feel that there are opportunities for them to seek to influence the strategic direction of financial literacy work. An effective way to promote a sense of ownership and involvement is to consult with (including during the development of an overall financial capability strategy), and regularly communicate with, partners and potential partners. We set out in the following section some recommendations for helping to achieve this.

Leadership and co-ordination

214. Within a national financial literacy partnership, there needs to be strong leadership – and effective, well-resourced executive support – to drive forward work. Strong and effective leadership is particularly important in the field of financial literacy because, ideally, there will be a wide range of, often unconnected, organisations which are developing and delivering programmes.

215. The leader needs to provide focus, momentum and effective coordination and ensure that the agreed strategy is implemented – and also that it is kept under review, so that it can be modified

as necessary. The leader should take steps to avoid both duplication and unplanned gaps. It needs to consult and communicate with – and, where necessary, persuade – partners and other key organisations (e.g. relevant government departments). If, for example, it is decided that efforts should be made to include financial education in the school curriculum, then the series of discussions which will be needed with the Ministry of Education and Sports, the National Curriculum Development Centre, etc are likely to be taken forward by the strategy leadership – closely supported by an executive function. The leader can also play an important role in encouraging others to promote the case for financial literacy initiatives and in bringing in new partners.

216. The lead organisation needs to have credibility and influence with important stakeholders and to be able to devote resources to the role of leadership and coordination. It needs to be resourceful and tenacious. Ideally, it should be seen as independent, with no products or services of its own to sell.

217. In other countries which have put in place a national financial literacy strategy or programme, the leader is either a public sector body or another organisation which is independent from the financial services industry. Examples include the central bank (e.g. Bank Negara Malaysia, the Monetary Authority of Singapore, Bangko Sentral ng Pilipinas in the Philippines and the Central Bank of Trinidad and Tobago), a financial services regulator (e.g. the UK Financial Services Authority[20], the South Africa Financial Services Board and the Australian Securities and Investments Commission), a government department or agency (e.g. the US Department of the Treasury, the Retirement Commission in New Zealand and the National Consumer Agency in Ireland) and a donor-funded trust (e.g. the Financial Sector Deepening Trust in Kenya and in Tanzania).

218. We recommend that BOU should lead the development and implementation of a national financial literacy strategy. This is because BOU is influential, widely respected, has a legal mandate and has a track record of leading other major initiatives in the field of financial services.

219. A further consideration is that financial literacy and consumer financial protection are closely linked and mutually reinforcing. So, there would be considerable benefit in a single organisation – that is, BOU – taking the lead in the development and implementation of national strategies on both issues.

220. Almost all stakeholders we consulted told us that they believed that the BOU should take the lead on financial literacy work in Uganda – as well as in strengthening financial consumer protection.

221. Leadership is about spearheading the development and implementation of a national strategy, championing, bringing together partners and coordinating. It is not about that organisation attempting to do everything itself. On the contrary, and as emphasised above, a broad range of partners should be involved in developing and implementing financial literacy initiatives.

222. To take on the leadership role, BOU will, of course, need to commit sufficient resources, at both senior and other levels, to undertake this function. A number of areas within BOU – including Governor's Office, Communications, Financial Markets, Legal, Research, Statistics, Supervision – will have an important role to play in carrying forward our recommendations. These Functions'

[20] The Consumer Financial Education Body, which was created in 2010 and is a public sector body, has recently taken over this role from the FSA.

and Departments' contributions will need to be carefully coordinated: BOU's Executive Director, Governor's Office, already has responsibility for leading and co-ordinating BOU's work on financial literacy and financial consumer protection, with these issues forming major components of his overall responsibilities, and this role will grow in importance if our recommendations are accepted.

223. In carrying out the role of leader, BOU will need guidance from partners and other stakeholders in developing, and keeping under review, a national financial literacy strategy. To facilitate this, we recommend that the BOU should establish two bodies:

- a high-level financial literacy advisory group to advise the BOU on the development and implementation of the national strategy[21]. The advisory group should include one or two members from each of the key sectors (e.g. Government, financial services regulators, the banking sector, the insurance sector, MFIs, employers, educationalists, consumer bodies, media and development partners). Members of the advisory group should be senior and influential decision-makers. In order to be effective, the advisory group should comprise no more than around 12-15 members. Members of the advisory group should be selected in an individual capacity, rather than as delegates from their sector (since the latter arrangement would detract from the effectiveness of the steering group in reaching conclusions) – though it will be useful if advisory group members discuss issues with others in their sector, so that they can feed back views at advisory group meetings. Members of the advisory group should commit to attend meetings on a regular basis: they should not normally be permitted to send substitutes. BOU should arrange for secretariat support to be provided to the advisory group. We envisage that the advisory group should meet around four to six times a year initially: once the strategy is in place, it might meet less frequently;
- an inclusive information sharing group for financial literacy, comprising a wide range of stakeholders and partners. Initially, this might meet around four to six times a year. The purpose would be to share information and ideas between the broad community of stakeholders and partners about developments and potential developments, to highlight examples of good practices from which others could learn useful lessons and to provide feedback. The opportunity could be taken to invite some partners to make brief presentations on initiatives which they have been taking forward – including lessons learned which others could take into account when undertaking financial literacy work.

224. Consideration could also be given to the establishment of working groups or task forces, involving a range of relevant experts, to co-ordinate work on particular financial literacy programmes – such as strengthening the financial literacy of young adults.

225. The above recommendations are set out in greater detail in the Annex to this report.

Developing a communications strategy for financial literacy stakeholders

226. The BOU should not rely solely on the information sharing group for financial literacy as a means of communicating with stakeholders. It should develop a strategy for communicating with the full

[21] Examples from other countries of similar arrangements include: the President's Advisory Council on Financial Literacy in the US, the Financial Capability Steering Group in the UK (which has now been superseded by the Board of the Consumer Financial Education Body) and the Financial Education Partnership Taskforce in Kenya

range of partners and potential partners – including those which are not able to attend meetings of the information sharing group – for example, through letters and emails; newsletters; and articles in newspapers and journals. Trade associations and professional associations can help to keep their members informed of developments.

A national survey on financial literacy

227. A national financial literacy survey would:

- measure existing levels of financial literacy within the population as a whole, and within different sections of the population, and thus highlight strengths and weaknesses which can be taken into account in deciding on priorities and in developing programmes; and
- provide a baseline against which changes can be measured when the survey is repeated every few years. This would help to measure the impact of the proposed national strategy on overall levels of financial literacy.

228. One of the first comprehensive national financial literacy surveys was carried out by the UK's Financial Services Authority (FSA) in 2005, with the results being published in 2006[22]. The FSA concluded, in the course of developing its survey, that there were five components of financial capability:

- making ends meet;
- keeping track of your finances;
- planning ahead;
- choosing financial products; and
- staying informed about financial matters.

229. Among the main findings of the UK survey were that young people were less financially capable than older people and that, generally, people were good at making ends meet and keeping track of their finances, but were poor at planning ahead and choosing financial products – with many people having taken on risks that they were not aware of – and that a substantial proportion of the population failed to stay informed on financial matters. The survey highlighted the need to take action to improve people's ability to manage their money well and brought to light the priority areas for action. The results have been used to help shape the UK's financial capability strategy. At the time the UK's first survey was undertaken, the FSA envisaged that the survey would be repeated every four or five years, in order to measure the impact of work to improve people's financial literacy (or, to use the term used in the UK, financial capability).

230. National surveys have been carried out in a number of countries in Africa, based on FinScope questionnaires.[23] These surveys mainly measure effective access to and use of financial services, but also provide some insights into how people manage their money and what drives financial behaviour.

231. We recommend that consideration is given to undertaking a national survey in Uganda, in order to measure current levels of financial literacy in the population as a whole, as well as in different groups within the population. If this is done, the survey should be repeated every five years or so, in order to help to assess the overall impact of financial literacy work over time. A professional

[22] Financial Capability in the UK: establishing a baseline, FSA, 2006, available at http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf
[23] For example, Botswana, Ghana, Kenya, Namibia, South Africa, Tanzania and Zambia – see http://www.finscope.co.za/index.asp

survey firm or consultancy should conduct the survey, including collecting raw data, cleaning the data, and analysing the data.

232. One of the major challenges in developing a survey is to decide what questions would best enable an assessment to be made of people's financial literacy. It is helpful to measure not only knowledge and skills, but also other drivers of behaviour, such as attitudes – as well as obtaining information about actual behaviours. In deciding how large a sample to use, consideration should be given to how many responses are needed – not just from the population as a whole, but also from particular groups within society (e.g. young people; people in rural areas; and people in cities) – in order to generate statistically significant results both for the population as a whole and for particular groups within it.

233. It is by no means straightforward to develop – and then to carry out and to analyse – a survey which is genuinely useful. The process of developing a survey needs the close involvement of those with expertise in drawing up surveys – as well as those with financial services expertise. It is useful to draw on the experiences of other countries, including the lessons they have learned. It is important to undertake at least one pilot test, which is designed to test whether people will understand the proposed questions in the way that is intended and answer appropriately.

234. Financial literacy surveys typically yield a large volume of data. It will not be immediately obvious from this mass of data what are the most significant results for policy-makers. Resources need to be set aside to analyse and interpret the data and to draw out the key conclusions, together with the implications for future financial literacy initiatives.

235. The Financial Literacy Foundation is planning to undertake a national financial literacy survey. Terms of reference are being drafted and expressions of interest have already been received. However, we recommend that the development and implementation of a survey should be deferred until the leadership and co-ordinating arrangements recommended in this report are in place. We also recommend that the other comments in this section of the report are reflected in the design and development of the survey and in the analysis and interpretation of the results.

236. A national survey does not avoid the need to evaluate financial literacy programmes, since a national survey will not shed light on the effectiveness, or otherwise, of individual programmes.

Insights from behavioural economics

237. Some lessons can be drawn from the work of behavioural economists on how to develop effective financial literacy programmes. In particular:

- people are liable to be put off by too much information or by a large number of options, to the extent that they are less likely to make a decision or to take action. So, it is best to keep things simple and straightforward;
- people tend to be over-confident and to disregard information or views which are inconsistent with their own understanding. Challenging people's beliefs, or asking them to explain their views to others, can help them to think in a more open and objective way;
- people need to be educated on how to make good decisions – not merely provided with financial education and information.

Learning from other sectors

238. Lessons can also potentially be drawn from other sectors in considering what is likely to work well when taking action to improve financial literacy. For example, successful initiatives to promote public health may provide pointers on how to engage with various groups in society and on what sorts of messages and channels are most likely to be successful in influencing behaviour.

239. It would therefore be helpful to investigate the lessons which have been learned from other public policy initiatives in Uganda which are designed to influence people's behaviours and to consider whether, and if so how, these lessons can be applied in developing and implementing financial literacy programmes.

Using a broad range of methods and channels

240. A range of different interventions is needed to improve the financial literacy levels within a population. Different people learn in different ways. While some channels and communications can be effective in reaching some people or groups within the population, other channels and communications can be more effective in reaching others. Moreover, people often need to receive messages several times in order to remember and act on them.

What issues should financial literacy programmes cover?

241. In developing financial literacy programmes, it is important to start with the basics before (where relevant) going on to cover more sophisticated concepts or products. For example, a programme about how to invest in capital markets is unlikely to be successful unless recipients of the training have a good understanding of the basic principles of (at the least) budgeting and financial planning, savings and investment.

242. Among the main issues which broadly based financial literacy programmes should cover are:

- budgeting and financial planning
- savings
- investment
- the advantages of buying products and services from providers which are regulated – and the disadvantages of using (for example) unregulated money-lenders
- using banking services
- protecting against financial risks (particularly through insurance)
- choosing financial products and services
- avoiding financial frauds
- understanding one's rights and responsibilities
- remittances.

Prioritising

243. In Uganda – as in every other country – there are a vast number of initiatives which could be taken to improve financial literacy. However, it is impossible to take forward each of these possible initiatives – and any attempt to do so is likely to mean that resources are spread so thinly that little or nothing gets done.

244. So, in developing a strategy, it is important to prioritise. In doing so, it is essential to be realistic about what can be achieved, given the likely availability of resources.

245. When deciding on priorities, it is helpful to consider which sections of the population have the greatest needs, in terms of improving their financial literacy, and also to consider where it is possible to make the greatest impact for a given level of resources. Often, these two considerations will point to different solutions. For example, it might be considered that – say – those with the greatest financial literacy needs include people living in remote rural areas who do not have access to the media; but it might nevertheless be decided to give priority to the inclusion of financial literacy messages in popular television programmes, on the grounds that this has a good prospect of reaching much larger numbers of people in a way which is likely to prompt them to act. In deciding on priorities, it can also be helpful to consider which initiatives would need little or no funding (e.g. because a partner is willing to cover the costs) and, on the other hand, which initiatives would require substantial amounts of funding. Similarly, initiatives which (if shown to be successful) seem likely to be sustainable and scalable have the potential to have much greater impact than those initiatives which are unlikely to be sustainable or scalable once the initial funding has ended.

246. In Trinidad and Tobago, for example, the initial priorities were wide-ranging but realistic, namely: schools and young adults, employees in the work place, community groups, small and micro entrepreneurs, material preparation (presentations, pamphlets and booklets) and funding.

247. It is important not to base a strategy around reaching as many people as possible, without considering whether or not the methods selected are likely to have any significant impact. Experience with personal finance education programmes and other kinds of social change programmes suggests that a single intervention often has little impact: a more sustained campaign is likely to be more successful. For example, if it were to be decided that one priority should be strengthening the financial literacy of people living in particular rural areas, with the aim of encouraging them to save, a programme to achieve this could conceivably:

    - be targeted on those people within the chosen rural areas who are most likely to have the capacity to save;
    - be delivered by partners which already have a trusted relationship with those people;
    - involve a variety of channels (for example, radio, pamphlets, posters, comic books, drama, television, training sessions);
    - cover a range of relevant issues (such as financial planning and budgeting; responsible use of credit; and how to avoid financial frauds) as well as savings;
    - be subject to targets – including increases in the amounts which participants save;
    - be subject to monitoring and evaluation – including to check whether the targets have been reached.

248. All countries which have national strategies or programmes to strengthen financial literacy have chosen the youth as one of their priority target groups. Providing young people with financial education and information can help equip them to manage their finances throughout their lives.

249. Care should be taken to avoid developing a so-called "strategy" which in reality is merely a set of pet projects put forward by interested parties.

Taking advantage of teachable moments

250. There are particular life stages when people are more likely to be receptive to well-targeted and engaging personal financial education or information. These are sometimes known as "teachable moments". These times include when:

    - a couple are getting married;
    - a couple are expecting a baby;
    - a person has started a new job – especially if it is their first job;
    - a person's close relative has recently died, especially if they were financially dependent on the person who has died;
    - a person is approaching retirement.

251. Financial education can be particularly effective if it is delivered in ways, or through channels, which are relevant to the life stage in question.

Consumer testing of proposed initiatives and materials

252. It is vital to test programmes and resources with members of the target audience before they are rolled out more widely and to use the results of this testing to improve the design and delivery of the programme or resource. Otherwise, there is a significant risk that programmes and resources will be less effective than they might have been – or, at worst, that they will be ineffective or counter-productive. For example, experts may produce resources which they believe to be as clear and simple as possible – but experience suggests that members of the target audience will often find them too long, too complex or will interpret some of the words and phrases in ways which were not intended. Unless this sort of feedback is taken into account before finalising the resources, the end result will be less useful than it could have been – and could even be confusing or misleading. It is also important to test the intended channels of communication before the programme is finalised, since otherwise these channels may later prove to be ineffective.

253. Initially, it can be useful to convene one or more focus groups to establish the particular challenges which those people are facing and to discuss which sorts of messages and information, and which delivery channels, would be likely to be most effective in helping those people to address these challenges. Focus groups can also be used to test proposed resources – for example, do members of the focus group understand the messages and information in the way which is intended; do they find them engaging – or are they, for example, too long and boring?

254. It is also very useful to carry out a pilot study, before rolling out a programme. This involves a relatively small-scale delivery of the proposed programme, which is then carefully evaluated to assess whether it is having the intended impact and, if so, whether any improvements to the programme should be made ahead of full roll-out.

Role of financial services providers

255. Financial services providers, together with trade associations and professional associations, can undertake financial literacy initiatives. However, it is important that these are not, in reality or in appearance, marketing activities. People will not have confidence in messages or programmes which purport to provide objective advice, but which appear to promote a particular financial services provider or sector, or its products and services.

Learning from other countries' experiences

256. Initiatives are taking place in a wide range of both developed and developing countries to improve the financial literacy of their populations. Many of those countries have learned from each other and have taken those lessons into account in developing national strategies, programmes and resources. It would clearly make sense for Uganda also to do this. For example, it is quicker and cheaper to produce a resource where this involves adapting a resource which has been developed in another country (or perhaps learning lessons from resources which have been produced in more than one country) than developing something entirely new.

257. We refer elsewhere in the report to some initiatives, programmes and resources which have been developed in other countries and which could potentially be adapted to suit the circumstances of Uganda.

Monitoring and evaluation

258. Programmes should be monitored and evaluated to enable informed assessments to be made on whether or not the programme in question is effective. For example, how many people have been reached; are they from the intended target group(s); is the programme improving relevant people's financial literacy; are there improvements which can be made in the design or delivery of the programme; is the programme cost-effective? Evaluation helps to identify those programmes which should be continued and replicated elsewhere without modification, those which should be modified and those which should be discontinued. It can help funders to decide where future investments in financial literacy programmes should be made.

259. In order to ensure objectivity and credibility, it is good practice for an evaluation to be carried out by an independent evaluator, rather than by those who designed or implemented the programme (though those people might well be asked for feedback as part of the evaluation).

260. Evaluating financial literacy programmes is not easy. Ideally, an evaluation should assess the impact of the intervention in question on people's behaviours.[24] But it can be very difficult to obtain impartial information on this. It is often necessary instead to rely on self-reports; but these are not necessarily reliable, since respondents may be tempted to put a positive gloss on how they have actually behaved following the intervention in question.

[24] The behaviours which are measured can include (for example) the impact on people's savings behaviour and the uptake of financial services and products. However, the measures which are chosen should take into account that people may benefit from becoming more financially literate even if this does not lead to an immediate change in (for example) their savings behaviour; and also that some people may make an informed and financially literate decision (taking into account their particular circumstances) not to purchase financial services or products from the formal financial sector.

261. It can also be difficult to distinguish the impact of a financial literacy programme from the impact of other influences on behaviour and to establish a causal link. The use of control groups (i.e. testing those who have not participated in the programme – as well as those who have done so) can help; but this adds to the cost.

262. Alison O'Connell has proposed a standard approach (the FEE framework) for evaluating financial education programmes.[25]

263. A further challenge can be the identification of a researcher with the skills and experience to undertake an effective evaluation of a financial literacy programme.

264. Wherever possible, evaluation should be built in from the outset of a programme since, if it is not, there is a risk that some of the data which is needed to undertake the evaluation will not have been collected during the course of the programme. Ideally, an evaluation should not only cover members of the target audience, but should also (where relevant) take account of the views of those who delivered the education or training.

265. It can often be expensive to evaluate a programme rigorously. The methodology – including the degree of rigour – which is used should be proportionate to the value of the lessons which the evaluation is likely to produce. This will depend on factors such as the number of people (if the programme is shown to be successful) which similar programmes could realistically reach.

Creating a brand

266. The creation of an umbrella brand for financial literacy materials and programmes could potentially help to building trust and recognition. However, if materials or programmes which carry the brand are of poor quality, people would quickly lose confidence in the brand. A range of stakeholders should be involved in developing materials and programmes. So, if a brand were to be created, effective quality assurance procedures would need to be put in place to ensure that all materials which used the brand were sufficiently clear, accurate and objective. This is likely to be resource-intensive to administer. So, we recommend that, at least initially, a financial literacy brand should not be created.

B. Financial education in schools

267. People tend to form their attitudes to basic financial matters early in life. So, it is important to help children to develop responsible, and well-informed, attitudes through providing them with financial education while they are at school. This is also the only opportunity to provide financial education directly to most of those in a particular age cohort. Financial education in schools is of particular importance in Uganda, given that a very high proportion – 56% – of the population is below the age of 16, with 22% of the population being of primary school age (6-12 years old) and 16% of the population being of secondary school age (13-19).[26]

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[25] O'Connell, Alison, "Measuring the effectiveness of financial education", paper prepared for the Retirement Commission of New Zealand, 2007. Available as a download from http://www.financialliteracy.org.nz/research-library/measuring-effectiveness-financial-education

[26] 2002 Uganda Population and Housing Census.

268. There is currently a small amount of financial education in schools curricula, mainly in elective subjects such as commerce and entrepreneurship. Much more needs to be done if children are to leave school with a good understanding of the basics of personal finance.

269. The National Curriculum Development Centre told us that (given that there is a rolling programme of reviewing and revising the curriculum) it would take around five years – from the time any decision of principle was taken (assuming that were to happen) – to incorporate financial education into the curriculum.

270. The first step is to persuade both the Ministry of Education and Sports and the National Curriculum Development Centre, at senior levels, that financial education ought to be included in the curriculum (and that the minimal amounts of financial education which are currently included are insufficient). In order to do this, it will be important to stress that personal finance is an important life skill and that equipping schoolchildren with this skill will not only help them to participate fully in society as they move into adulthood, but will also promote national development. Financial education can therefore help the Ministry of Education and Sports to achieve its Key Function (v) "to establish working and collaboration linkages … to ensure the relevance of education and training to the national development aspirations" and the National Curriculum Development Centre to achieve its mission, which is:

    "Developing relevant curricula and instructional materials for quality education that promotes national development."

271. The existing curriculum is already crowded. However, financial education can be embedded into a range of existing subjects, rather than being taught as a separate subject. As well as avoiding the need for the education authorities to find additional time within school timetables, an advantage of this approach is that schoolchildren can more readily appreciate the relevance of personal finance education where it is presented in a wider context. It is important that all children receive personal financial education while at school – so, it is not sufficient for it to be included mainly in elective subjects. Financial education can begin soon after children start school – for example, teaching them to recognise different coins and notes; and teaching them the difference between needs and wants.

272. Many teachers – in common with other members of the population – do not have the competence or confidence to manage their own finances well. So, they will need to be trained in the principles of personal financial management – as well as in techniques for teaching this effectively to schoolchildren. This training should be part of both initial teacher training and in-service training. An additional benefit of a programme for training teachers is that it will help them to manage their own money well.

273. In Malaysia, for example, Bank Negara Malaysia (the central bank), in conjunction with the Ministry of Education and financial institutions, runs workshops to train teachers in charge of Student Financial Clubs (SFCs). Anecdotal evidence suggests that teachers who have attended the workshops are more motivated and positive in conducting financial education activities: thus, SFCs at their schools tend to be more active and membership has increased. The knowledge gained during the workshops has also helped the teachers concerned to manage their own personal finances.

274. Teachers and schoolchildren also need access to high quality materials. There are many resources which have been produced in other countries for use in schools[27]: it would be well worth considering which of these could potentially be adapted for use in Uganda, rather than starting with a blank piece of paper. Resources will be more effective if schoolchildren regard them as both relevant to their situation and interesting. For example, older schoolchildren are more likely to react positively to issues regarding saving for a bicycle or for their future education (both of which can provide a context for a range of personal finance issues, such as planning and budgeting; saving; credit; insurance; choosing between different financial products; reading key information and ensuring that this is understood; and rights and responsibilities, including what to do if you have a complaint), rather than issues relating to – say – retirement planning or mortgages.

275. Consistently with the points made in the preceding three paragraphs, the National Curriculum Development Centre always ensures, when introducing a new curriculum or syllabus, that appropriate teaching schemes, textbooks, teachers' manuals and examination syllabuses are developed and that in-service courses of instruction are held for the acquisition of knowledge and professional skill by teachers who will be teaching new courses which the Centre has developed.

276. In a number of countries, volunteers play a role in the provision of financial education in schools. For example, in South Africa, Operation Hope runs financial education programmes in schools in some areas, making use of volunteers. The volunteers – whom Operation Hope trains and who then go on to deliver programmes within their own communities – are drawn mainly from partner financial institutions (as part of their Corporate Social Responsibility activities), but they are also drawn from partner universities and there are some individual volunteers. Experience elsewhere suggests that classes involving volunteer experts are more likely to be successful if the teacher is also present and taking an active interest.

277. Financial education can also be provided to schoolchildren through non-curricula activities. For example, as mentioned above, Private Education Development Network has been undertaking financial literacy work with schoolchildren in a few districts in Uganda, using the Aflatoun methodology. Among other things, this provides schoolchildren with the opportunity to save and encourages them to do so. Even if financial education is incorporated into the curriculum, financial activities, such as those undertaken by Private Education Development Network and Junior Achievement Uganda, can play a useful role in improving schoolchildren's financial literacy and in inculcating responsible financial behaviours, including saving on a regular basis.

278. We consider that providing financial education to schoolchildren is a vital component of a national strategy on financial literacy for Uganda. We therefore recommend that one of the early priorities for the strategy should be to persuade the Ministry of Education and Sports and the National Curriculum Development Centre, at senior levels, that a comprehensive programme of financial education should be included in the curriculum and that financial education should be provided to all schoolchildren – starting with young children and continuing as they progress through school – rather than merely those who opt for certain elective subjects. The aim should be to agree a clear timetable and programme of work with the Ministry of Education and Sports and the National Curriculum Development Centre; to establish with them what resources, expertise

[27] See, for example, the Citi financial education curriculum, http://financialeducation.citi.com/citi/financialeducation/curriculum/index.htm, the Aflatoun curriculum http://www.aflatoun.org/?what-we-do, and the resources listed on the UK's Personal Finance Education Group (pfeg) website http://www.pfeg.org/, the USA's Jump$tart website http://www.jumpstart.org/ and the Australian Understanding Money website http://www.understandingmoney.gov.au/.

or other help they may need to develop and implement the programme; and to source and fund those resources, expertise or other help.

279. It will take a number of years before a comprehensive financial education curriculum is introduced into schools. But the sooner a start is made, the sooner schoolchildren will leave school with the knowledge, skills and attitudes to help them manage their finances well as they move into, and through, adult life.

280. Other initiatives – such as those undertaken by Private Education Development Network and by Junior Achievement Uganda – should be encouraged and supported, both before and after financial education has been incorporated into the curriculum.

C. Improving the financial literacy of young adults

281. Young adults are also an important target group for financial literacy initiatives. Many are taking responsibility for managing their finances for the first time. Yet, as things stand, they will have received little or no financial education while at school. Young adults account for a significant proportion of the population: for example, 9% of the population is aged 20-24.[28]

282. Personal finance education is included in some business-related university courses. Where universities require all students to take a foundation course, there could be scope for incorporating financial education into this course. Some universities (e.g. Makerere University) currently arrange talks for their students on a variety of life skills issues: these could usefully be extended to include more on personal finance. Talks could also be put on for university staff (many of whom will not have previously received personal finance education or guidance).

283. Financial education, training and information can be delivered by other types of organisations which support young people. Those who provide education or training would first need to be trained on how to deliver this effectively to young people.

284. Financial education and information can also be provided to young people via magazines, radio and television programmes, SMS messages, social networking sites, websites (including via links from non-financial websites) and other forms of on-line media which appeal to young people. In each case, financial education and information should be delivered in ways, and using language, which young people can easily relate to and which they will regard as relevant to their situation. So-called "edutainment" – that is entertainment which is designed to educate as well as to amuse – has the potential to engage young people and thereby to be a powerful means of delivering financial education.

D. Outreach programmes

285. Personal finance education and trainings can be provided through rural outreach initiatives. Personal financial management is an important life skill for all sections of the population, including those who live in rural areas. For example, people are unlikely to be able to run a

[28] 2002 Uganda Population and Housing Census.

business successfully unless they can manage their personal finances. So, many outreach bodies have an interest in helping to improve people's ability to manage their finances.

286. People throughout Uganda – but perhaps particularly in rural areas – are more likely to be receptive to financial education and training if it is delivered by people whom they already know and trust and who can talk about their personal experiences, in ways with which the target audience can relate, about managing their money. These include: religious leaders; church based organisations such as Fathers' Unions or Mothers' Unions; local leaders such as parish chiefs; and local community-based organisations. (Many also trust what they hear on radio due to the early monopoly of radio by the Government.)

287. Personal finance education and training can be provided via SACCO, VSLA and MFI group meetings. It makes good business sense for these organisations to help equip their members, and prospective members, to be able to manage their finances well. Communal Labour Groups (Bulungi bwansi) which maintain village paths and water wells on a voluntary basis are also potential vehicles for personal finance education and training, as they meet at least once a month.

288. Under the Prosperity for All Programme, the Government is encouraging the establishment of a SACCO in every sub-county where none exists and is also focussing on strengthening weaker SACCOs. In order for this programme to be fully effective, the management and staff of new SACCOs need to be trained, so that they can run the SACCOs in both a prudent and fair manner. In addition, members and prospective members should be educated about how to take advantage of the benefits which SACCO memberships can bring – while avoiding potential risks; and about their rights and responsibilities as SACCO members – including holding the Board and management of the SACCO to account, for example through AGMs. In the past, Financial Extension Workers have been trained to perform some of these functions. National and regional support institutions could also play a role.

289. NGOs also have a potential role to play. For example, the Swedish Cooperative Centre (SCC) has established study circles in parts of East Africa where people discuss a range of issues (for example, how to deal with crop diseases).[29] Some of these groups focus on financial issues. People sit in a circle so that no-one is seen to be superior to any other. A study guide (a person who has been trained by SCC) helps to facilitate the discussion. At the end of a session, the study guide tells members of the circle what they will be discussing in the next session: the members are expected to research the issue and, following the resultant discussion, to practise what they have learned. The Uganda Cooperative Alliance will be starting this training on financial matters with SACCO members as soon as it receives funding from the SCC.

290. Women's groups are another type of body which can help their members to become more financially literate. They provide a forum for women to learn from, and hold discussions with, others who have had similar experiences, and face similar challenges, to themselves.

291. The formal financial services sector can also play a role. In Kenya, for example, Equity Bank trains university students, who then spend two weeks of their vacations providing training to people in their villages (such as to women's and religious groups). Also in Kenya, Equity Bank trains other local people to provide financial literacy training – for which they can charge a fee – to people in their communities.

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[29] See the study guide, available as a download from http://www.sccportal.org/Default.aspx?ID=942

292. Those people who are going to be training others will themselves need to be trained in order to be able to provide effective financial literacy training to others. Training of trainers can be expensive, in comparison with the number of people who can be reached through other channels (e.g. radio). Moreover, one-to-one, or group, training is expensive in circumstances where the trainers need to be paid. So, careful thought needs to be given to whether this is the most effective way of using any funding which is available for strengthening the population's financial literacy. On the other hand, financial literacy training should be regarded as an integral part of initiatives such as establishing new SACCOs or encouraging the development of micro-enterprises, so part of the funding for these sorts of initiatives should be earmarked for personal finance education and training. And some other organisations which are seeking to promote rural development may be willing to fund some or all of the costs of financial education and training programmes.

293. There are a number of tried and tested materials which can be used for face-to-face training. For example, the Global Financial Education Program's financial education curriculum[30] contains trainers guides, training-the-trainer manuals and implementation guidance covering five modules (budgeting, debt management, savings, bank services and financial negotiations).

294. We recommend that, in order to build on initiatives which have already been undertaken and to learn lessons from other countries, BOU (or another appropriate organisation) should:

- identify organisations which would be willing to provide financial education or training to their members or clients;
- arrange for the development of training programmes for staff within those organisations who could provide financial education or training. (Even if the staff concerned are already financially literate, they will also need to be equipped with the skills and expertise to provide personal financial education or training to others in a clear and compelling manner); and
- determine which organisations should benefit from the training programme, according to the funding which is available and the probable cost-effectiveness which each organisation could achieve (taking into account factors such as different organisations' ability and willingness to provide financial education or training, the reach they could achieve and the needs of their members and clients).

E. Use of radio, television and other media

295. Financial education can be incorporated into both radio and television programmes. Financial education messages are more likely to be heard, and taken notice of, if they are woven into popular programmes, than if they are provided via documentaries.

296. Radio is a particularly effective means of communication in Uganda, since a high percentage of the population owns, and uses, a radio. Radio – including call-in shows, during which a local expert responds to callers' questions – has been found to be a cost-effective means of reaching large numbers of rural people, particularly since – taken together – the programmes use a range of local languages. People can identify with callers to radio stations who have similar profiles, and may be facing similar issues, to themselves. The initiatives which have already been taken can be built on for the future.

[30] http://www.globalfinancialed.org/curriculum.html

297. The television soap opera, Makutano Junction[31] is particularly popular in Kenya, where the series is made. The series covers, in a fun and engaging manner, a range of development issues, including personal finance issues. Makutano Junction is already shown in Uganda, but there could be scope for it to be shown more extensively – including, perhaps, being dubbed into a range of local languages: this is potentially a more cost-effective approach than developing new television series especially for Uganda.

298. Another approach which has been successful elsewhere is the use of celebrities to talk about some of their experiences – including at times when they did not have much money – in handling their personal finances. For example, in Poland the Central Bank has been responsible for a television advertising campaign over the Christmas holidays with brief interviews with popular media celebrities, who talk about why and how they try to save. In addition, one of the strategies in the South Africa Consumer Education Strategy is the use of celebrities to describe "their financial circumstances through their lives (reasonably real life cases) and the choices they made regarding debt, savings and investment. The stories need to be compelling/ interesting and to strike a chord of recognition in the target market of that celebrity."[32] Successful entrepreneurs can also be used for this purpose. This approach can enable people to see how others who previously had little money have been able to make the most of that money in building better lives for themselves and their families.

299. Newspapers and magazines can be used as a means of strengthening financial literacy. Articles published on specialist finance pages (or specialist finance journals) are likely to be read only by those who already have a well-developed interest in financial matters. So, articles are much more likely to be read by the general public if they are published in the main news or features sections – and if they are written in an accessible (for example, a chatty) style. For example, they can feature anonymised stories about people's experiences; or take the form of questions and answers; or be in the form of a weekly column providing tips and advice.

300. In Tanzania, Femina HIP[33] (a civil society initiative which works with youth, communities and others across Tanzania) publishes two magazines for young people. The magazines focused initially on sexual health; but in response to feedback from readers, the coverage is being expanded to include also entrepreneurship, jobs and money.

301. Regulators can assist the media, for example through the provision of information about different types of financial services and products and about current concerns relating to the fair treatment of consumers.

F. Drama, role plays, exhibitions, etc

302. Drama has been used in Uganda to communicate financial literacy messages. Drama is a widely appreciated form of communication, because it builds on the story-telling tradition. There is a risk, however, that actors may be tempted to play to the gallery and go off-message in response to audience reactions.

[31] See http://www.makutanojunction.org.uk/about-the-project.html
[32] See http://www.fsb.co.za/ConsumerEdu/Storyreportv3.pdf
[33] http://www.feminahip.or.tz/

303. Drama productions are expensive to put on, taking into account the size of audience it is possible to reach in any one performance. However, there may be scope for attracting sponsorship for these productions. For example, Visa commissioned a drama in South Africa relating to bank accounts and payment cards. Specially-trained theatre groups took the show to community centres across South Africa, using two of the country's official languages to explain how to set up and use a bank account, what a debit card is and how to use one, and the importance of staying within a budget.[34]

304. In Singapore, drama has been used in primary schools, via a partnership between the Association of Banks and MoneySENSE[35]. They developed a 30-minute programme, which includes an interactive performance "Saving – the Sensible Habit" (about a bear named Triff and his friends), which is performed by a local theatre group, together with a quiz. Teachers later run through a cartoon guide with their students to reinforce the key learning points.

305. People can be given the opportunity to take part in role plays, in order to practise situations with which they may be unfamiliar – for example, negotiating with a financial services provider. However, one-to-one coaching of this kind would inevitably be expensive.

306. Consideration could also be given to providing financial education messages in places where people have some time to spare. These could potentially include matatus, long-distance buses, clinics, doctors' surgeries and hair salons. In South Africa, for example, financial education messages are broadcast – along with music – at taxi ranks, train stations and in taxis. Trailers and stages, with trained facilitators, are also used at taxi ranks and train stations to provide financial education, mixed with music. Also in South Africa, Mindset television programmes are shown in (among other places) surgeries and clinics: people may have to wait there for several hours and, while doing so, may be receptive to messages, including on personal finance issues.

G. Developing a range of consumer publications and a consumer website

307. Leaflets, booklets and other publications can be a useful means of providing personal finance education and information. But they will only be genuinely useful if they are likely to be read, understood and acted upon. They therefore need to use clear and plain language and to be interesting and informative for the intended readership. It is also important to consider, when designing a publication, how it will be distributed, because this can impact on the design and contents of the publication.

308. In other countries, there are many examples of publications which have been painstakingly produced, but which have had very little impact on the ground – for example, because the distribution strategy has been poor or because the target audience has not been motivated to read the publications (for example, because they have appeared lengthy or dull).

309. Comic books have been used in some countries, including South Africa and India, as a means of conveying financial educational messages. Anecdotal evidence is that each copy tends to be read by – or to – several people and that comic books are an effective means of communication

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[34] See http://www.visacemea.com/av/financial_literacy.jsp

[35] MoneySENSE is a national financial education programme, which was launched by the Monetary Authority of Singapore (the Singapore central bank) in 2003.

because people find them entertaining as well as instructive.
BOU Communications Department is considering adapting some of the comic books produced in India by the Reserve Bank of India so that they are suitable for a Ugandan audience. This is a very good example of how to learn lessons from other countries in order to undertake initiatives in Uganda more efficiently and effectively.

310. BOU's Communications Department is also considering the development of a financial website. We support this initiative and recommend that (compared with the main BOU website) it should have a different – and attractive – look and feel, together with a separate and memorable url. We would expect internet usage to increase over time, particularly among younger people.

311. It will be more cost-effective to develop and promote a single personal finance website, rather than several different websites. Examples of well-designed and informative personal finance websites include New Zealand's Sorted[36] website, the UK's Money Made Clear[37] and – for young people – What About Money?[38] websites; Australia's Understanding Money[39] website; and Malaysia's Duit Saku "Be smart and money-wise" website. Generally, these include information and advice (e.g. on managing debt and savings); budgeting and financial health check tools and calculators; and sections targeted at young people.

312. It is important to give attention not only to the design and contents of a website, but also to how best to promote the website in order to maximise the number of people who access it. It will help to have a memorable – even a quirky – url. The url should be promoted via as wide a range of media as possible and should be included in all publications as well as on relevant radio and television programmes. This will become increasingly relevant to Uganda as internet availability and usage increases over the coming years.

313. An effective – and cheap – way of driving traffic to the website would be to include links on other websites. These should include the websites of the BOU, other regulators, financial services trade associations, financial services professional associations and financial services providers. However, these links will only be seen by those consumers who already have some interest in financial matters. It is important therefore that links should be included on a wide range of popular websites: while these popular websites may not themselves cover financial issues, a well-designed financial education website should be of interest to a number of users of non-financial websites. Those responsible for non-financial websites should therefore welcome the opportunity to link to a well-designed and authoritative financial education website.

H. Financial education in workplaces

314. There is scope for personal finance education and training to be delivered in workplaces. Workplace-based programmes have been established in a number of other countries, for example the UK[40], South Africa and Namibia. For employers with large numbers of employees, these programmes can be an efficient and effective way of reaching significant numbers of people. From employers' perspectives, they are offering their employees something which many

[36] Available at http://www.sorted.org.nz/
[37] Available at http://www.moneymadeclear.org.uk/
[38] Available at http://www.whataboutmoney.info/
[39]Available at http://www.understandingmoney.gov.au/
[40] See http://www.cfebuk.org.uk/pdfs/MMOYM_factsheet.pdf

employees will value. Moreover, employees with serious financial problems can suffer worry, stress and illness, all of which can make them less productive at work: personal finance education and training can help reduce the risk of people developing serious financial problems.

315. We recommend that BOU should discuss with employer and trades union representatives the scope for delivering financial education presentations, or showing financial education DVDs, in workplaces. This should include discussion of who might be able and willing to deliver presentations at little or no cost: one possibility could be staff from the employer's training department; another possibility is volunteers from financial services providers.

316. If this proves to be a viable option, it would be necessary to develop a standard presentation which would be relevant for the broad mass of employees; and presenters would need to be trained to enable them to deliver the presentation effectively and, ideally, to respond to questions from employees following the presentation. Alternatively, or in addition, a DVD could be produced which would be relevant to the broad mass of employees.

I. Publication of comparative information about financial services and products

317. BOU currently publishes information about banking products on a quarterly basis. Other regulators could consider publishing information about the most popular classes of products which are offered by providers which they regulate. Provided that information of this kind is presented in user-friendly ways, this could help prospective consumers to compare the costs, and other features, of products offered by different providers and to select the one which they feel is most suitable for them. This would in turn help to build a more competitive marketplace for financial products.

318. Consideration could also be given to including comparative information about financial products on the proposed financial education website.[41] Providers should be required to notify those responsible for the website's contents on a timely basis of any changes, so that information can be kept up to date.

J. Costs

319. If our recommendations are accepted, BOU would incur the costs of those staff who are designated to carry out the leadership and co-ordination of financial literacy work. While some or all of the costs of particular programmes could potentially be met by development partners, longer-term recurrent costs associated with leadership and cooperation will almost certainly need to be met without external support and on a continuing basis.

320. Other costs will depend on a range of factors, including the extent to which organisations are able and willing to meet – either as part of their normal activities or (in the case of commercial organisations) as part of their corporate responsibility budget – the costs which they incur.

[41] See, for example, the comparison tables on the UK Consumer Financial Education Body's website, at http://www.moneymadeclear.org.uk/tools/compare_products.html

321. Costs associated with particular initiatives can be kept as low as possible through, for example:

- adapting programmes and resources which have already been developed elsewhere;
- using the same resources in a variety of contexts, rather than developing a number of different resources, each of which is intended to serve more or less the same purpose;
- avoiding unnecessary duplication – for example, developing one financial literacy website, rather than a number of organisations each producing their own website; and
- prioritising initiatives which are cost-effective, sustainable and scalable.

322. Various in-kind resources can be made available which do not need to be paid for separately. For example, if financial education is included within the curriculum, no additional payment needs to be made for teachers' time; and there would be few, if any, additional costs associated with the incorporation of personal finance messages into television soaps.

K. Cost-effectiveness

323. It is very important that the resources available for financial literacy work are used in the most cost-effective ways possible. This will enable the "most bangs for the buck" to be achieved for every shilling of investment.

324. The extent to which cost-effective use is made of resources is dependent on:

- successfully targeting a financial literacy initiative at group(s) within society who are likely to be receptive to, and to benefit from, the initiative;
- the number of people which the initiative will reach;
- testing materials, channels, etc to establish whether they are effective;
- the extent to which an initiative can leverage other resources (including in-kind resources);
- the extent to which the initiative is sustainable and scalable – especially after any initial funding is no longer available.

325. It is not possible to develop an algorithm which can be used to compare the cost-effectiveness of different possible ways of investing money to improve financial literacy. Instead, informed judgements need to be made. In making judgements – and in prioritising between the different possible initiatives which can be undertaken – consideration should be given to the five principles listed in the previous paragraph. These principles are inter-connected. But, for convenience, they are discussed separately below.

Targeting

326. The proposed national financial literacy survey will help to shed light on which groups in society have the greatest needs (in the sense that they are least financially literate). Other factors – in addition to the remainder of the five principles set out above – when considering which groups to prioritise include:

- which groups are most vulnerable (in the sense that they are likely to suffer significant financial detriment unless they become more financially literate); and
- which groups are likely to be most receptive (in the sense that they are most likely to take advantage of, and learn from, financial literacy initiatives).

327. These factors might, for example, suggest that – other things being equal – priority should be given to targeting children and young people (people tend to learn better when they are younger; and they can expect to have many decades ahead of them in which to benefit from becoming more financially literate) rather than the elderly.

328. It is also important to consider when, and in what circumstances, people are most likely to benefit from financial literacy initiatives. For example, there are particular life stages when people are more likely to be receptive to well-targeted and engaging personal financial education or information. These are sometimes known as "teachable moments". These times include when:

- a couple are getting married;
- a couple are expecting a baby
- a person has started a new job – especially if it is their first job;
- a person's close relative has recently died, especially if they were financially dependent on the person who has died;
- a person is approaching retirement.

329. Financial education can be particularly effective if it is delivered in ways, or through channels, which are relevant to the life stage in question.

Reach

330. Consideration also needs to be given to the numbers of people who will be reached – both immediately and, potentially, in the longer term – per shilling of investment.

331. For example, an investment in the development of resources for schools, and in the development and provision of training for teachers, would enable hundreds of thousands of schoolchildren to benefit – not only in the first year, but for many years ahead – from that investment. The incorporation of financial education into television or radio programmes, magazines or comics, websites or social networking media, could all potentially enable large numbers of people to be reached. On the other hand, expensive, one-off workshops which attract relatively small numbers of people are unlikely to be cost-effective, compared with other possible methods of providing financial education or information.

Testing

332. Programmes should be tested to see whether they are effective. Successful programmes can then be continued (perhaps with modifications), while unsuccessful programmes should either be modified or discontinued.

333. In the formative stages of a programme, this can be done by means of focus groups – i.e. focussed discussions are held with members of the group of people which the proposed programme is designed to reach in order to explore the areas of greatest need, as regards financial literacy, and how best to address those needs. It is also very useful to undertake one or more pilot studies – that is trial runs of the proposed financial literacy programme, followed by an evaluation of the trial runs to establish whether the programme is achieving its intended purposes and, if so, what changes need to be made before the programme is rolled out more widely. Once programmes are up and running, they should be monitored and evaluated to establish whether or not they

are achieving their intended purposes and whether any modifications should be made so that they are more cost-effective – or whether they should be discontinued.

Leverage

334. Other things being equal, programmes will be more cost-effective if they leverage in other resources which would not otherwise be available for financial literacy work.

335. Financial education in schools provides a good example of how this can work in practice. There would need to be an up-front investment – for example, to develop resources for schools and to train teachers. However, assuming that financial education is incorporated into existing subjects rather than being taught as a separate subject, it would not then be necessary to make additional payments to teachers who deliver financial education as part of (for example) mathematics or social studies.

Sustainable and scalable

336. Financial literacy initiatives are more likely to be cost-effective if they are both sustainable and scalable.

337. Sustainability relates to the likelihood of an initiative continuing at the end of an initial investment in (for example) the preparation of materials and training programmes. For example, programmes which rely on trainers being paid to train people in their communities are unlikely to be sustainable once the money set aside for this programme has been used up, unless a model can be found to enable the initiative to be self-funding (for example, attendees prove willing to pay to attend trainings and these payments are sufficient to remunerate the trainers and to cover all other costs).

338. Scalability is about whether a programme, if successful, is likely to be adopted (or adapted) so that a number of programmes similar to the original one are undertaken.

5. Next Steps

339. This section of the report sets out a recommended roadmap for implementing our proposals. It covers only the next few months: the timetable following this period will need to take account of the results of developments and decisions.

340. We recommend that the recommendations on financial literacy and on financial consumer protection should be taken forward in separate, but linked, workstreams. The reason for this is that, whereas it is likely to be mainly financial services and consumer stakeholders which can be expected to contribute to the consideration and implementation of recommendations on financial consumer protection, a much broader group of stakeholders can play a role in the consideration and implementation of recommendations on financial literacy.

341. The roadmap should be kept under review and should be modified, as necessary, in the light of progress and of other developments.

Consultation on the findings and recommendations in this report

342. We recommend that BOU and GIZ should continue to consult and hold discussions widely with stakeholders (and any other potential partners), including through conferences or workshops.

343. It is important for all concerned to recognise that consultation exercises are not intended to be popularity polls. BOU and other regulators may decide to press ahead with proposals notwithstanding that they are unpopular with stakeholders who respond. It should be recognised that most of those stakeholders who respond are likely to be representatives of the financial services industry. While careful attention should be given to the arguments they put forward, full consideration must also be given to the interests of consumers – even if these interests have not been articulated in responses to the consultation.

344. We have set out earlier in the report our recommendations that both a high-level advisory group and a stakeholder and partner information sharing group should be established on financial literacy. As regards financial consumer protection, the regulators should consult with stakeholders on detailed proposals (once these have been developed) for giving effect to our recommendations.

345. BOU should ensure that sufficient staff with appropriate skills are available to conduct discussions with stakeholders, to analyse their responses and to develop proposals for implementing – with any agreed modifications – the recommendations in this report. Staff should also research the strengths and weaknesses of resources which could be adapted for use in Uganda and seek the agreement of those who developed these resources that they can be adapted to meet Uganda's needs. Staff should initiate discussions with potential funders and, for those which indicate a potential willingness to fund financial literacy programmes, agree a process for taking this forward.

346. BOU staff should draw up a programme plan[42] for considering and implementing the recommendations in this report and ensure that the plan is reviewed on a regular basis and revised as necessary. For example, the programme plan will need to be revised to take into account the contents of the national strategy on financial literacy, once this is in place.

Financial literacy

347. In parallel with the steps described above, BOU should decide who to invite to become members of the high-level advisory group on financial literacy. It may well want to take some soundings to assist in deciding whom to ask. However, we recommend that members of the advisory group should be appointed in an individual capacity, rather than as delegates from their sector.

348. BOU should also draw up a list of invitees to meetings of the information sharing group for financial literacy. This group should be as inclusive as possible, so additional members can be included at any time.

[42] For example, using the PRINCE2 project management methodology.

349. BOU should draw up and publish a national strategy on financial literacy. In doing so, it will need to seek advice from the advisory group. It will also need to hold consultations with stakeholders and potential partners in helping to determine which initiatives should be prioritised and which organisations and individuals are best placed to contribute.

350. In our view, it is clear that one of the priorities of the national strategy on financial literacy should be the incorporation of financial education into schools curricula. As noted above, it is likely to take around five years, from the time a decision in principle is taken, to incorporate financial education into schools curricula. We recommend that discussions with senior representatives of the Ministry of Education and Sports and the National Curriculum Development Centre should be initiated as a matter of priority, with a view to securing their agreement in principle to include comprehensive financial education within the curriculum and then agreeing a plan for implementing that decision.

351. BOU should also be willing to discuss with stakeholders any financial literacy initiatives which they may wish to undertake in the period before a national strategy is in place and to advise on whether the initiative should go ahead (with or without any modifications) or whether it is likely to be more effective to defer the initiative until the national strategy – or particular financial literacy programmes – are in place.

Financial consumer protection

352. BOU and other financial services regulators should establish a committee of senior regulators to coordinate – where relevant – the development and implementation of regulatory requirements to give effect to the recommendations in this report. We envisage that co-ordination would apply only to those recommendations (e.g. key facts documents) which extend to more than one financial services sector. Moreover, where a recommendation applies to more than one sector but not to every sector, only the regulators for the sectors concerned should be involved in the co-ordination arrangements.

353. As noted above, stakeholders should be consulted on the resultant proposed provisions for giving effect to the committee's decisions. They will need to be given sufficient time to reflect on the proposals, to consult (in the case of trade associations and professional associations) member organisations or individuals, and to formulate their responses. BOU and other regulators should consider putting on one or more conferences or workshops to explain the proposals and to invite comments, as well as inviting written responses.

ANNEX 1: CONTRIBUTORS, INTERVIEWEES AND DISCUSSANTS

The following institutions contributed to the development and completion of this report:

1. ABC Capital Bank
2. aBi Trust
3. Aflatoun
4. African Alliance
5. Agaru SACCO
6. Association of Microfinance Institutions of Uganda
7. Association of Private Sector Development Companies
8. Bank of Africa
9. Bank of Baroda
10. Bank of Uganda
11. BRAC Uganda
12. Cairo International Bank
13. Capital Markets Authority
14. Chartis Uganda
15. Citibank
16. Communication for Development Foundation Uganda
17. Competitiveness and Investment Climate Secretariat (CICS)
18. Consumer Education Trust (CONSENT)
19. Daily Monitor
20. Danish Embassy
21. DFCU Bank
22. Diamond Trust Bank
23. Equity Bank
24. Finance Trust
25. Financial Literacy Foundation
26. FINCA Uganda
27. Germany Embassy
28. GIZ
29. Global Trust Bank
30. Grameen Foundation
31. Greenhill Academy
32. Heritage International School
33. Housing Finance Bank
34. ICEA Investment Services
35. Innovations for Poverty Action
36. International Monetary Fund
37. Investors Club
38. Kampala City Traders' Association
39. Kampala Parents
40. Kenya Commercial Bank Uganda
41. Kitante Primary School
42. Makerere College School
43. Makerere University
44. MBEA Brokerage Services
45. Microfinance Support Centre
46. Ministry of Education and Sports
47. Ministry of Finance, Planning and Economic Development
48. Ministry of Trade, Tourism and Industry
49. MYFINANCE Uganda
50. National Curriculum Development Centre
51. National Insurance Corporation
52. New Vision
53. Opportunity Uganda
54. Orient Bank
55. PostBank
56. PRIDE Microfinance
57. Private Education Development Network
58. Private Sector Foundation Uganda
59. Public Speaking Youth Association
60. Publicity East Africa
61. Rainbow International School Kampala
62. Renaissance Capital
63. Rock Insurance Services
64. Rural Financial Services Programme
65. Scanad Group East Africa
66. Speakers Without Borders
67. St. Lawrence University
68. Standard Chartered Bank
69. Straight Talk Foundation
70. Taibah College
71. The CEO Magazine
72. Tropical Bank
73. Uganda Association of Insurance Brokers
74. Uganda Banker's Association
75. Uganda Consumers Protection Association
76. Uganda Cooperative Alliance
77. Uganda Cooperative Savings and Credit Union
78. Uganda Institute of Banking and Financial Services
79. Uganda Insurance Commission
80. Uganda Insurers' Association
81. Uganda Law Reform Commission
82. Department for International Development (UK)
83. United Nations Development Programme
84. United States Agency for International Development
85. WBS Television
86. World Bank

ANNEX 2: LEADERSHIP AND CO-ORDINATION OF WORK TO STRENGTHEN FINANCIAL LITERACY

1. This Annex provides further detail on our recommendations regarding the leadership and co-ordination of work to strengthen financial literacy in Uganda.

2. We recommend that BOU should lead the development and implementation of a national financial literacy strategy. This will fall within the remit of BOU Governor's Office (GO), which already has responsibility for leading and co-ordinating BOU's work on financial literacy and financial consumer protection, including the FLFCP Committee and the Financial Markets Development Plan. This role will grow in importance if our recommendations are accepted.

3. Within BOU, the Governor's Office, in carrying out its leadership role, will need to work closely with a number of other Departments, including Communications, Financial Markets, Legal, Research, Statistics and Supervision.

4. In carrying out the role of leader, BOU Governor's Office will also need guidance from partners and other stakeholders in developing, and keeping under review, a national financial literacy strategy. To facilitate this, we recommend that BOU should establish two bodies:

    - a high-level financial literacy advisory group (FLAG);
    - a financial literacy information sharing group.

5. A diagram illustrating the structure proposed above (and including also a proposed Regulators Technical Committee to co-ordinate, as necessary, work between Uganda's financial services regulators on financial consumer protection) is set out at the end of this Annex.

Financial Literacy Advisory Group (FLAG)

6. FLAG's role will be to provide strategic (rather than operational) advice to the Executive Director, Governor's Office (EDG) in respect of the development and implementation of the national strategy on financial literacy. FLAG's remit will not extend to financial consumer protection.

7. FLAG should probably meet around four-six times a year initially. In time, it might meet less frequently.

Terms of reference

8. We envisage that FLAG's terms of reference would be along the following lines:

To provide strategic advice to the Executive Director, Governor's Office, BOU on the development and implementation of a national strategy on financial literacy. In doing so:

- *to advise on the feasibility and relative cost-effectiveness of options for inclusion in the national strategy for financial literacy;*
- *to suggest, for consideration, any further options for improving financial literacy;*
- *once the national strategy for financial literacy has been drawn up, to advise on the effectiveness of its implementation and on any changes which might be desirable;*

- *to review and comment on BOU's proposed work plans;*
- *to foster co-operation and co-ordination between stakeholders; and*
- *at the request of BOU, to champion the case for improving financial literacy and the national strategy for financial literacy.*

BOU attendance at FLAG meetings

9. FLAG should be chaired by EDG.

10. It would not be appropriate for anyone else from BOU to be a member of FLAG (because FLAG's role is to provide advice to BOU). However, relevant members of BOU should attend meetings where they have a specific role to undertake, e.g. to present a paper s/he has prepared.

11. BOU should also provide secretariat support (i.e. circulation of agendas and papers; preparation and circulation of minutes, etc.) to FLAG.

FLAG members – general

12. In order to be effective, FLAG should comprise no more than 12-15 members.

13. FLAG members should be senior and influential decision-makers who are widely respected, particularly within their own sector. They should have real enthusiasm for strengthening financial literacy.

14. Members should be selected in an individual capacity, rather than as delegates from their sector – though it will be useful if FLAG members discuss issues with others in their sector, so that they can feed back views at FLAG meetings. It follows that FLAG should not include ex officio members, such as the Chair of a trade association. (If the Chair of a trade association is selected, it should be in his/her own right and s/he should remain a member of FLAG after his/her term of office as Chair of the trade association has ended.)

15. Conflicts of interest – or the appearance of conflicts of interest – should be avoided. For example, members of FLAG should not include individuals who – or whose organisation – might wish to bid for any funding which might be available.

16. Members of FLAG should commit to attend meetings on a regular basis: they should not normally be permitted to send substitutes.

17. Members of FLAG should normally serve a three year term, with the possibility of re-appointment.

Sectors from which members of FLAG should be drawn

18. Generally, there should be no more than one FLAG member from each relevant sector (since otherwise, it will not be possible to limit the numbers to 12-15). However, in some cases (e.g. Government), it may be appropriate for there to be two representatives. Some individuals might straddle more than one sector.

19. FLAG members should include one or two members from each of the following sectors:

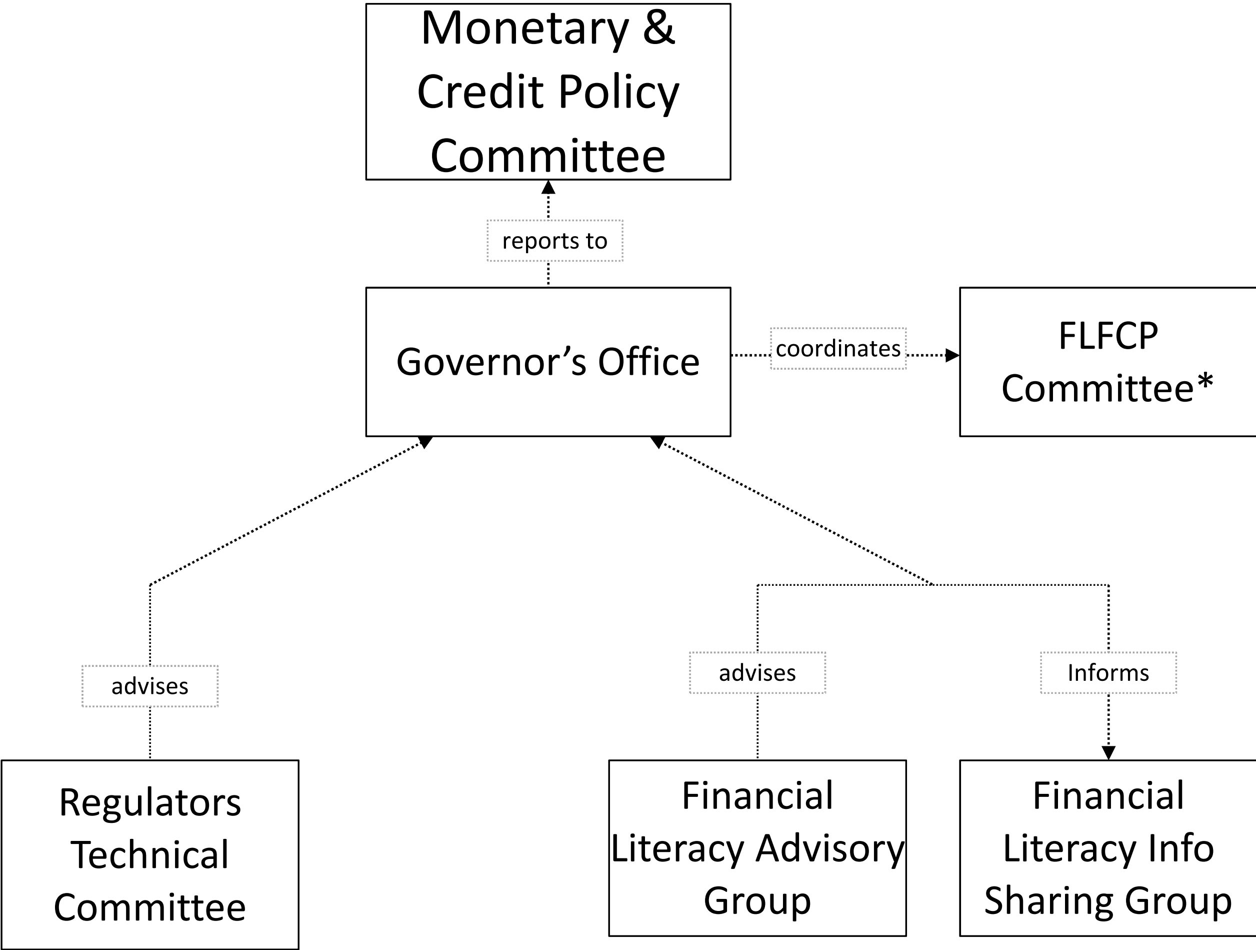
- Government
- financial services regulators (other than BOU)
- the banking sector
- the insurance sector
- MFIs
- employers
- educationalists
- consumer bodies
- media
- development partners.

Financial Literacy Information Sharing Group

20. An inclusive financial literacy information sharing group should be established, comprising a wide range of stakeholders and partners. Initially, this might meet around four to six times a year. The purpose would be to share information and ideas between stakeholders and partners about developments and potential developments, to highlight examples of good practices from which others could learn useful lessons and to provide feedback. The opportunity could be taken to invite some partners to make brief presentations on initiatives which they have been taking forward – including lessons learned which others could take into account when undertaking financial literacy work.

Working Groups or Task Forces

21. Consideration could also be given to the establishment of working groups or task forces, involving a range of relevant experts, to co-ordinate work on particular financial literacy programmes – such as strengthening the financial literacy of young adults.



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