



**CERTIFICATE
OF
FINANCIAL IMPLICATIONS**

(Made under S.76 of the Public Finance Management Act, 2015)

THIS IS TO CERTIFY that the Microfinance Deposit-Taking Institutions (Amendment) Bill, 2022 has been examined as required under Section 76 of the Public Finance Management Act 2015 (as amended).

I wish to report as follows:

a) Objective

The objective is to address the emerging issues and significant development in the Microfinance Sector in the implementation of the Microfinance Deposit Taking Institutions Act, 2003 (MDI Act, 2003); and demands from the Microfinance Deposit Taking Institutions (MDIs) to promote financial inclusion and embrace market developments.

I further note that the amendment will:

- i. Allow for the use of the word “Microfinance Bank” by Microfinance Deposit Taking Institutions;
- ii. Provide for Islamic Banking, Agent Banking, and Bancassurance in the Microfinance industry;
- iii. Allow for special access to the Credit Reference Bureau by other accredited credit and service providers;
- iv. Adopt to new developments in the Microfinance industry;
- v. Synchronise the MDI Act with other laws such as the Tier IV Microfinance and Money Lenders Act, 2016; and
- vi. Harmonise the MDI Act with the financial sector integration processes among East African Community (EAC) Partner States.

b) Expected Outputs

The major expected outputs are:

- i. The term “Bank” used by licenced MDIs and prospective applicants as part of their business name given that the public associate the term “Bank” with safety and reliability of a licenced financial services provider/entity;
- ii. Licensed MDIs and prospective applicants in Agency Banking engaged to facilitate the enhancement of outreach services at substantially low cost to principal;
- iii. Insurance products (Bancassurance) provided alongside their traditional products;
- iv. Islamic Microfinance introduced in line with the amendment of the Financial Institutions Act, 2004 which provided for Islamic Banking in the commercial banks and credit institutions with the intention to legalise provision of financial services premised on Shari’ah principles within the Microfinance sector;
- v. Reduced rate of migration from financial services business to other forms of businesses; and
- vi. Increased productivity of the population.

c) Funding and budgetary implications

Implementation of the proposed amendments will be done within the Medium Term Expenditure Framework of the Ministry of Finance, Planning and Economic Development and the relevant implementing Agencies. Therefore, there are no additional funds needed for implementation.

d) Expected savings and/or Revenue to Government

The implementation of the proposed amendments will lead to increased tax base for Government and increased profitability for MDAs as a result of the product diversification and increased service outreach.

Submitted under my hand this ^{15th}..... day of ~~November~~..... 2022


Matja Kasajja (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Received by

Date