ACRES
THE CENTER FOR RAPID EVIDENCE SYNTHESIS

PARISH DEVELOPMENT MODEL

Strengthening Repayment Performance and the Sustainability of the PDM Revolving Fund

A policy review of the causes of non-repayment and options for programme strengthening, drawing on citizen-input workshops in Kampala Central Division

ACRES
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Executive Summary

Background

The Parish Development Model (PDM) is a major development program through which the government of Uganda aims to empower her citizens. Currently, PDM is the government of Uganda's largest community investment model, channeling approximately UGX 100 million per year into each of Uganda's 10,717 parishes through its Financial Inclusion Pillar, one of the seven pillars of the model. This is operated through a revolving fund model, where capital repaid by one group of borrowers funds the next, allowing the same public investment to reach successive cohorts without requiring major budget allocations each time. A total of UGX 3.26 trillion had been released to over 10,500 PDM SACCOs by the end of 2025, of which UGX 9.34 billion had been recovered through voluntary repayments, according to the Auditor General's report. This constitutes a recovery rate of 0.29%; however, this rate was out of the total disbursements, not only those who were due for repayment. Nonetheless, this highlighted the need to explore the reasons for non-repayment of the PDM revolving fund and options to support repayment of the fund, a policy implementation challenge also highlighted by the Kampala City Council Authority (KCCA) central division.

The Evidence Base

This report synthesises evidence following the Rapid Response Mechanism[1] and citizen-input workshops conducted by ACRES in Kampala between April and May 2026. Two workshops brought together 26 PDM beneficiaries from Kisenyi II and Bukesa parishes, while the third engaged 13 SACCO leaders from across the city. The fourth workshop comprised of 14 KCCA Central Division technical staff who are involved in the administration of the PDM. Therefore, a total of 55 people participated in the workshops, 32 of whom were women. Although the evidence literature reviewed was not limited to urban settings, the workshops were conducted exclusively in Kampala Central Division. The findings should therefore be extrapolated to rural contexts with caution. Nevertheless, many of the issues identified are likely to be relevant across both urban and rural settings.

Findings

1. Drivers of non-payment

The drivers of non-repayment cluster around five points. Beneficiaries who did not understand the loan terms treated the money as a grant rather than an obligation, a pattern the literature records and the workshops confirmed, deepened in Kampala by political messaging around the 2025 elections. Household pressures pulled capital toward food, school fees, and medical costs before it could generate returns. Business failure driven by rising input costs, market shocks, and inflation turned productive loans into bad debt. A loan amount mismatched to the enterprise, in either direction,

raised the risk of default. And weak institutional capacity, in the form of thin monitoring, limited follow-up, and absent enforcement, allowed borrowers to treat repayment as optional. Both sources point to the same conclusion, that non-repayment is not simply a beneficiary failing but the product of borrower circumstances, enterprise conditions, and institutional weaknesses acting together.

2. Options for improved repayment

The options from the two sources cluster around four measures. Training and capacity building carried the strongest recorded effect in the literature and was echoed in the workshops' call for business support and mentoring. Monitoring and credible enforcement, including real consequences for deliberate default, improved recovery in the evidence and were called for by participants who saw that non-payment currently carries no cost. Pre-disbursement appraisal and loan sizing matched to what an enterprise can absorb featured in both, as did the promise of a larger future loan as an incentive for timely repayment. Flexible repayment aligned with how borrowers actually earn, together with lower transaction costs, completed the shared set. Most of these measures require minimal to no new funding.

List of Abbreviations

Abbreviation	Full Form
ACRES	Center for Rapid Evidence Synthesis
GKMA	Greater Kampala Metropolitan Area
KCCA	Kampala Capital City Authority
LC1	Local Council 1
NAADS	National Agricultural Advisory Services
NIN	National Identification Number
NRA	National Resistance Army
NRM	National Resistance Movement
OWC	Operation Wealth Creation
PAP	Poverty Alleviation Project
PDM	Parish Development Model
PDMIS	Parish Development Model Information System
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernisation of Agriculture
PRF	Parish Revolving Fund
RRM	Rapid Response Mechanism
SACCO	Savings and Credit Cooperative Organisation
SDG	Sustainable Development Goal
UGX	Uganda Shillings
USSD	USSD-based transactions
UWEP	Uganda Women Entrepreneurship Programme
YLP	Youth Livelihood Programme

1. Introduction

1.1 Purpose and scope

This report examines the suboptimal repayment of PDM revolving funds in Kampala Central division and the options to reverse this trend. It draws on evidence from four workshops convened by ACRES between April and May 2026 and evidence synthesis following the Rapid Response Mechanism (RRM).[1] While the workshops focused on urban settings, the evidence synthesized in the rapid response brief was not restricted to urban contexts. The findings are therefore most directly applicable to urban settings and should be extrapolated to rural contexts with appropriate caution. The report is intended to inform both city-level implementers and national-level policymakers responsible for PDM's design and direction.

1.2 The evolution of Uganda's government economic empowerment programs

PDM is the latest in a series of government-led interventions that started as early as the late 1980s, aiming at lifting low-income Ugandans out of poverty through capital access, agricultural support, and institutional reform. Here, we present an overview of such programs, starting in 1986, the year the NRM, then NRA, government assumed power.

The first of such programs under the guidance of His Excellence Yoweri Kaguta Museveni was the Programme for Alleviation of Poverty and Social Costs of Adjustment (PAPSCA), launched in 1988 with World Bank support. This was followed by the Poverty Alleviation Project (PAP) in 1993 (1). These two programs were externally funded and concentrated in districts hit hardest by conflict, displacement, and disease such as in the north and northeast (Gulu, Lira, and Apac), the war-affected Luwero Triangle, and the AIDS-devastated southern region (Masaka and Rakai). In 1995, the government launched the Entandikwa scheme, which provided seed capital loans to the rural and urban poor, youth, persons with disabilities, and women. It was one of the first nationally funded revolving fund program to put capital directly into the hands of low-income households; however, only about 40% of loans were recovered (1).

In 1997, the government developed the Poverty Eradication Action Plan (PEAP), which was Uganda's first national poverty reduction framework. It was built around four pillars; economic growth, good governance, income generation, and quality of life, making it the country's main development planning framework. PEAP was implemented with international support, including from the World Bank and IMF, and registered significant improvement in Uganda's socio-economic development, with the poverty rate falling from 56% to 38% in just over a decade (2, 3). The Poverty Action Fund (PAF) was developed a year after PEAP, in 1998, to channel donor resources into PEAP priorities, and the Plan for Modernisation of Agriculture (PMA) was later developed in 2001, targeting the agricultural sector specifically. As the

initial momentum from the PEAP period started to wear off, the government shifted its focus from poverty reduction to wealth creation.

This shift in focus from poverty reduction to wealth creation led to the introduction of a second generation of programmes. *Bonna Bagaggawale* (Prosperity for All) was launched in 2007 with a focus on SACCOs as vehicles for financial deepening and value addition at the community level. The National Agricultural Advisory Services (NAADS) programme was restructured in 2014 to increase programme reach and minimize budgetary wastage, and it was eventually replaced by Operation Wealth Creation (OWC), a military-coordinated intervention with an objective of efficiently facilitating socio-economic transformation through raising household incomes and wealth by transforming subsistence famers into commercial farmers, to end poverty. The Youth Livelihood Programme (YLP) began in 2013, followed by the Uganda Women Entrepreneurship Programme (UWEP) in 2015, both of which were structured as revolving funds targeting youth and women. Emyooga launched in 2019 with a model of constituency-level SACCOs organised around specific trades and occupations (1). The Afrobarometer's 2022 national survey found that only small proportions of Ugandan households reported having benefited from any of these interventions, with political patronage, nepotism, and mismanagement widely cited as reasons the benefits did not reach the intended poor (1).

In 2022, the government launched PDM as an all-encompassing initiative, the most ambitious government initiative in Uganda's economic transformation journey, geared towards wealth creation and community transformation. Driven by inclusion, it is parish-based rather than constituency or district-based, reaching all 10,717 parishes, and is designed as a multi-pillar strategy rather than a single financing instrument.

1.3 PDM within Uganda's development strategy

PDM is structured around seven pillars (4);

Pillar 1, Production, Processing and Marketing, covers agricultural value chain development. Pillar 2, Infrastructure and Economic Services, addresses roads, water, and electricity at parish level. Pillar 3, Financial Inclusion, which hosts the revolving fund. Pillar 4, Social Services, covers health, education, and water. Pillar 5, Mindset Change and Community Mobilisation, addresses attitudes toward work, savings, and enterprise. Pillar 6, the Parish-Based Management Information System (PDMIS), provides the digital infrastructure for beneficiary registration and tracking. Pillar 7, Governance and Administration, covers the institutional arrangements for managing the programme.

These pillars are intended to work together, combining access to finance with improvements in productive capacity, service delivery, and local governance. In practice, the financial inclusion pillar has become the programme's most recognised face, often overshadowing the other six (5).

Within the Financial Inclusion Pillar, the PDM Implementation Guidelines and the Parish Revolving Fund User Handbook set out six sub-components (4, 6): community organisation, business development services and financial

literacy, savings, agriculture insurance, the payments system, and the Parish Revolving Fund (PRF). The PRF is the sub-component through which UGX 100 million per year is disbursed to each parish through PDM SACCOs for lending to subsistence households at 6% interest over three years.

This study specifically focuses on the Parish Revolving Fund. Of the UGX 1.142 trillion appropriated for PDM in FY 2022/23, UGX 1.059 trillion went to the PRF (7). It is PDM's largest single expenditure line, the most visible component, and the component where repayment failure has the most direct fiscal consequences.

1.4 The urban context

Uganda's informal sector accounts for approximately 48.9% of GDP and employs the large majority of the urban workforce (8). Small businesses in Kampala are excluded from formal credit because they lack collateral, and those who borrow informally pay rates that eat into profits (9).

PDM was designed as a national programme to address some of the challenges faced by the informal sector, but the economic environment varies considerably across the country. This report draws entirely on evidence from Kampala, where the urban informal economy differs from the rural production systems the programme was built around.

In rural settings, livelihoods are typically agricultural and follow seasonal production cycles. In Kampala, some of the beneficiaries of the revolving fund run small-scale businesses such as soft drink vending stalls, chapati businesses, food vending operations, salons, metal work shops, and boda-boda transport services. These businesses operate on a daily income, and the earnings are mostly irregular. Given their nature, the operators typically rent out the spaces in which they operate, which in some cases are different from their areas of residence. This setup makes the ventures prone to closure or change of focus, and in case of relocation, hard to locate the beneficiaries. This is in contrast with rural settings, where most businesses tend to be agro-based and people have more permanent places of residence and therefore easy to trace.

With the set-up of PDM, the revolving fund component is more suited for rural than urban settings. The recovery of the revolving fund is designed to be after two years of receiving the money, considered more of the agriculture-based businesses than daily income earning business. This creates a mismatch between PDM's revolving fund design and Kampala's economic reality. These differences create different contexts in the implementation of the program, which can result in different outcomes and overall program impacts across the rural-urban spectrum.

1.5 Why repayment matters

Historically, the Government of Uganda has invested a significant portion of public finances in wealth creation programmes structured as grants, revolving funds, or soft loans for low-income households (10). These are grounded in Uganda's Vision 2040 and aligned with SDG 1 (11, 12). Most use a revolving fund model which aims at ensuring program sustainability

through the recycling of the funds available for loans to fund the next group of borrowers. Therefore, this model is reliant on the beneficiaries' repayment of the funds, where persistent low repayment rates threaten the program's sustainability and thus constrained program reach.

The Ugandan PDM financial inclusion pillar, which hosts the revolving fund, faces the challenge of non-repayment. By the end of 2025, the Auditor General reported that PDM had released UGX 3.26 trillion to over 10,500 parish SACCOs (5, 13). Of this, only UGX 9.34 billion had been recovered by the end of 2025, yielding a recovery rate of 0.29% at a point when the grace period had expired and continuous repayment was supposed to have begun. The Auditor General confirmed that repayment was critically low at exactly the point where the revolving fund model required it to work (13). The interpretation of the repayment rate should be interpreted with caution, as it is computed out of the total funds disbursed and not from the expected repayments.

1.6 The policy question

“What are the reasons for non-repayment of government revolving fund loans, and what options can be implemented to improve their repayment performance: A case of PDM in Kampala Central Division”

1.7 The evidence base

In early 2026, ACRES prepared a rapid response brief identifying the factors most commonly associated with government revolving fund repayment failure across low- and middle-income countries (14).

A rapid response brief is an evidence product that synthesises the best available research in response to a specific policy question within a short timeframe, often within 28 days (15). The process of developing a rapid response brief follows a set of sequenced steps, starting off with clarifying the policy question with the requestor. A structured search of the literature is then conducted across relevant databases, followed by appraisal of the retrieved studies for relevance. The evidence that meets the criteria is then extracted and synthesised, and the findings are summarised into a short, accessible brief that sets out what the research says in a form policymakers can use quickly (15, 16).

The brief found that repayment failure is typically driven by an interplay of personal, institutional, and external factors, including borrowers' financial literacy, loan design, institutional capacity, business type, group dynamics, macroeconomic conditions, and political interference.

While the evidence from the brief was informative, it drew on research conducted in other settings, and there was a need for context-specific evidence on the PDM programme as it is implemented in Uganda. Citizen input was sought through workshops to meet this need. The findings from the four citizen-input workshops in this report are consistent with the patterns identified in the brief, while grounding them in the realities of PDM in Kampala.

The workshops were convened in sequence between April and May 2026, with each building on the findings of those before it to test whether findings held across different stakeholder groups or were specific to one. Two PDM beneficiary workshops were held, followed by the PDM SACCOs leaders' and the PDM administrators' workshops.

Each workshop followed a structured but open format. An ACRES personnel opened with an introduction to the organisation and the purpose of the engagement. Breakout sessions followed, after which participants assembled back into plenary discussions, first on reasons for non-repayment, then on options for improving repayment, with each group reporting back. The SACCO and administrators' workshops were additionally presented with findings from the earlier beneficiary workshops and asked to validate, challenge, or add to them.

All workshops were recorded with participant consent, and notes were taken throughout. Findings were analysed thematically following the findings from the rapid response brief.

Workshop	Date	Venue	Participants
Kisenyi II Beneficiaries	23 Apr 2026	Grand Plaza Hotel	12 PDM beneficiaries
Bukesa Beneficiaries	24 Apr 2026	Forest Cottages, Bukoto	14 PDM beneficiaries
SACCO Leaders	27 Apr 2026	Forest Cottages, Bukoto	13 SACCO leaders + 2 KCCA CDOs
KCCA administrators	19 May 2026	Fairway Hotel	14 KCCA Central Division administrators
Total			**55 participants (32 women)**

Beneficiary participants were selected across different enterprise types to reduce enterprise-specific bias. Women were deliberately overrepresented, making up approximately two-thirds of beneficiary participants, to reflect PDM's actual uptake patterns and government focus on empowering women through the PDM program.

1.8 Scope of the evidence

This study focuses on the Parish Revolving Fund, which is situated within Pillar 3 of the Parish Development Model. PDM is built around seven pillars, and while the evidence is drawn from the revolving fund, the report also considers what repayment performance reveals about PDM as a programme.

Although the initial rapid response brief was not limited to urban settings, the workshops were conducted exclusively in Kampala Central Division. The findings should therefore be extrapolated to rural contexts with caution. Nevertheless, many of the issues identified are likely to be relevant across both urban and rural settings. The analysis does not treat repayment performance as a simple compliance issue but views it as the product of inter-

actions between enterprise economics, household conditions, institutional arrangements, programme incentives, and the wider policy environment.

2. PDM as a Development Finance Instrument

2.1 The revolving fund model

A revolving fund is not a grant. While a grant moves money in one direction, a revolving fund is designed to turn the same capital into multiple rounds of impact (17). Each repayment replenishes the pool, the pool funds the next cohort of borrowers, and the cycle repeats. When repayment works, each budget allocation generates developmental returns that exceed the original investment. When it fails, the fund stops revolving and each new group of beneficiaries requires fresh public spending.

This gives repayment a meaning that goes beyond debt recovery. A borrower who repays is making it possible for another household in their parish to access affordable capital on the same terms, while a borrower who does not repay is closing that opportunity off.

2.2 Financial inclusion beyond credit access

PDM's Financial Inclusion Pillar aims to bring affordable capital closer to communities that the formal financial system does not reach. Globally, financial exclusion remains concentrated among low-income populations who lack the collateral, credit histories, or regular income that formal institutions require (18). In Uganda, the FinScope 2023 Survey found that exclusion from formal credit is particularly pronounced among women, informal sector workers, and rural populations (9).

But financial inclusion is not just about getting money into people's hands. It requires the development of a functioning financial relationship between borrowers and institutions. That relationship depends on trust, accountability, and the expectation that credit obligations will be met. When the relationship breaks down after disbursement, with no structured contact, no enforcement, and no repayment, the programme has delivered credit access but not financial inclusion in any sustainable sense.

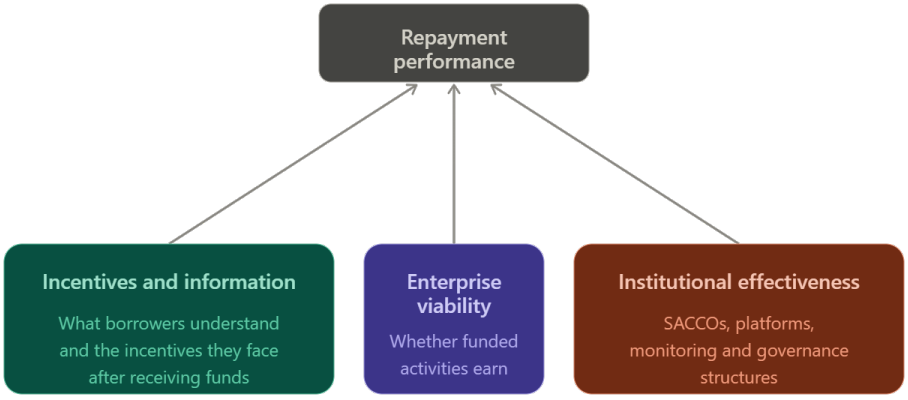
2.3 Enterprise development and repayment capacity

PDM rests on the assumption that access to capital enables households to invest in income-generating activities and improve their economic position. For many micro enterprises, even small amounts of capital can open up real opportunities, whether for inventory, equipment, transport, or expanded operations.

However, enterprise growth depends on more than finance alone. Market demand, operating costs, competition, regulatory conditions, and exposure to shocks all shape whether a business can generate enough income to sustain itself and repay. Repayment is therefore closely linked to enterprise viability. Where businesses grow and generate surplus, repayment becomes feasible. Where they face persistent constraints, repayment becomes difficult even when borrowers remain committed to meeting their obligations.

2.4 Framework for understanding repayment

The evidence reviewed in this report is organised around three broad dimensions that shape repayment performance.



Source: Authors' framework, developed for this study.

Incentives and information. Repayment behaviour is influenced by what beneficiaries understand about the programme and the incentives they face after receiving funds. Where the programme is perceived as a grant, where political messaging encourages that perception, or where enforcement appears weak, incentives to repay decline.

Enterprise viability. Repayment ultimately depends on whether funded activities generate income. Enterprise performance is shaped by market conditions, operating costs, competition, business skills, regulatory pressures, and exposure to shocks.

Institutional effectiveness. SACCOs, administrators, repayment platforms, monitoring systems, and programme governance structures all influence repayment outcomes. Strong institutions reduce transaction costs, improve accountability, and reinforce repayment expectations.

2.4.1 What Repayment Performance Reveals About revolving funds

Beyond its immediate role in recovering capital, the rate at which a revolving fund is repaid is a signal that reveals something about how the fund is working as a whole. Repayment performance can be read as an indicator across four dimensions, which together form a lens the report returns to when interpreting the evidence from PDM. The four dimensions are set out here in general terms.

2.4.1.1 Repayment as an indicator of revolving fund sustainability

The purpose of a revolving fund is to extend the developmental impact of public resources over time. When repayment works, the same capital serves successive cohorts of borrowers without requiring new budget allocations, and each shilling lent does its work many times over. When repayment fails, that logic breaks down, and the fund can only continue to reach new beneficiaries if it is topped up from public money.

This has direct fiscal consequences. Capital that is not recovered must either be replaced from the national budget or written off, which places a burden on public finances if the programme is to be sustained. Research on public spending in developing economies has shown that programs with weak recovery tend to generate recurring fiscal liabilities that crowd out spending on services such as health and education (19). A revolving fund with very low recovery therefore risks becoming a continuing charge on the budget rather than the self-sustaining instrument it was designed to be.

There is a further way in which weak recovery and public services interact. Where borrowers face pressing household needs such as school fees, rent, and medical bills, loan capital is easily diverted toward them, and the inadequacy of those very services is often what drives the diversion. In this way the failure of a fund to recycle capital and the underinvestment in basic services can reinforce each other, with each making the other harder to resolve.

2.4.1.2 Repayment as an indicator of enterprise viability

Repayment performance is, in an important sense, an indirect measure of whether the enterprises a revolving fund finances are actually viable. A fund lends on the expectation that borrowers will invest the money in activities that generate enough income to repay and still improve the household's position. When repayment is widespread, it suggests that the enterprises being financed are working. When repayment is very low, it suggests the opposite, that many of the funded businesses are not generating the returns repayment depends on. Research on government revolving loan funds confirms that their long-term contribution depends on recovered capital being continuously recycled (17). Where recovery is low, that recycling breaks down, and the fund's ability to reach successive borrowers erodes with it.

2.4.1.3 Repayment as an indicator of institutional effectiveness

Repayment performance is shaped not only by borrowers and the businesses they run but by the institutions responsible for managing the fund. A revolving fund depends on institutions that can track beneficiaries, maintain accurate information, enforce programme rules, and respond to problems as they emerge (5). These functions are what turn a disbursement into a recoverable loan, since without them a borrower's obligation has no structure around it to keep it live.

Where these institutional foundations are weak, repayment suffers regardless of borrower intent. Under-resourced field staff cannot follow up on the loans they are meant to manage. Information systems that are not accessible at the point of delivery leave those staff without the records they need. Payment channels that are difficult to use turn even willing repayers away. And long gaps in contact between a programme and its borrowers allow the links that support repayment to weaken before recovery is ever attempted. A fund cannot recover money through institutions that are not functioning at the level the task requires, which makes institutional capacity a precondition for repayment rather than a background concern.

2.4.1.4 Repayment as an indicator of financial inclusion progress

Financial inclusion in its broad sense means bringing people into lasting use of the formal financial system, through access to savings, payments, credit, and the trust that keeps people engaged with formal finance over time (18). However, access to credit alone does not achieve this. Where inclusion is pursued through a credit instrument such as a revolving fund, it carries a further and more specific requirement, which is repayment. A revolving fund depends on repayment discipline and on the expectation that credit obligations will be honoured, because the model only works if capital returns to be lent again. When borrowers receive funds but never repay, and when the programme makes no effort to enforce or even track repayment, the revolving fund delivers a one-time transfer rather than the beginning of a lasting financial relationship.

This distinction matters most for the groups a revolving fund is meant to reach. Women are often among the primary intended beneficiaries of these programmes, and the evidence on why is strong. The World Bank's Gender Strategy 2024-2030 identifies investment in women's economic participation as generating some of the highest returns for household welfare, child development, and poverty reduction in low-income settings (20). Independent income can reduce women's financial dependence and, in some settings, their exposure to gender-based violence, which makes access to capital a route to more than just business growth. But these gains depend on the fund continuing to revolve. Where repayment fails, the fund cannot reach beyond its first cohort, and the very groups it was designed to serve are the ones cut off from it. A programme that delivers real gains to an initial set of beneficiaries but cannot sustain itself does not advance financial inclusion so much as to demonstrate what it could have achieved.

3. Findings

This section presents the findings in three parts, following the order in which the study built its understanding of repayment. It begins with the perspectives of those closest to the programme, namely the beneficiaries, the SACCO leaders, and the administrators, and how each group understands PDM and the obligation to repay. From these perspectives, the study moves to the drivers of non-repayment, drawing out why repayment has been low. It then turns to the options for improving repayment. Each part presents two streams of evidence side by side: what the rapid response brief drew from research in other settings, and what the citizen-input workshops revealed about PDM in Kampala. Presenting the two together shows where Kampala reflects a wider pattern and where it stands apart.

3.1 Stakeholder Perspectives on Repayment

3.1.1 Beneficiary perspectives

Knowledge of the PDM programme

Beneficiaries' picture of PDM was strongest on the financial inclusion pillar. For many, the UGX 1 million payment was well understood, while the other six pillars remained less familiar to most. When people experience the programme mainly as a cash payment, the obligation to return that money does not feel like part of the deal.

Source of the knowledge

Most participants heard about PDM through LC1 representatives, community meetings, and radio broadcasts. Some were initially sceptical, since past government programmes had often promised much and delivered little. The source of information matters, because beneficiaries who get to understand the programme through structured communication understand the loan’s terms and can easily repay, while local political and community channels communicated the money rather than the terms of repayment.

Knowledge of the loan

Knowledge of repayment terms was uneven. Some participants could describe the three-year repayment schedule, the two-year grace period, and the 6% annual interest rate. Others had only a vague idea of what they had agreed to. A significant number had come to believe, or had been persuaded, that the money did not need to be paid back at all. Literature shows that beneficiaries that better understand the loan terms have higher chances of loan repayment, so this matters.

What beneficiaries understood, and what they missed

Taken together, the beneficiary accounts show a partial understanding of PDM, and what beneficiaries did know was largely accurate. What was missing is not accuracy but completeness, since PDM is a revolving fund built on repayment and far more than a single cash transfer, which is a component

that has not yet come through clearly at community level. Shaped largely by political and informal channels, beneficiaries picked up the most easily communicated part of the message, which is the money, more readily than the repayment obligation that matters most for the fund's survival. This gap between understanding and the programme's requirements underlies much of the repayment problem examined later in this report.

3.1.2 SACCO leader perspectives

Knowledge of PDM by the leaders

SACCO leaders showed a much deeper understanding of the programme than beneficiaries did. They could describe the seven pillars, the PDMIS registration system, NIN-based beneficiary verification, enterprise groups and vetting committees, and how money flows through the Wendi platform. They described PDM not as a cash transfer but as a government attempt to connect poor households with structured financial services on terms that neither commercial banks nor informal moneylenders could offer. Among the stakeholder groups, SACCO leaders held the most complete operational picture of how the programme is meant to function.

Perspective on the knowledge of PDM among beneficiaries

SACCO leaders were direct about the poor understanding of the programme among beneficiaries and the wider public. The gap they flagged most strongly was between the programme's holistic objective and the associated activities on one side, and what communities believed the aim of the programme to be on the other. In their account, beneficiaries had reduced a multi-pillar development programme to a one-off payment, and this misreading was widespread rather than occasional.

Political packaging of PDM

SACCO leaders traced much of this misreading to how the programme had been packaged politically. In their account, political actors had presented PDM to communities as free money, and this framing had taken hold on the ground.

"Naye banaffe betukulembera tebanategera PDM nga parish development model, naye bwotuka kuground bapolitician bajononye bagamba abantu nti sente zabwerere, bakulembeze banaffe wano naddala bwetubadde mukalulu, PDM bajononye neeva ku'mulamwa." ~ SACCO Leaders Workshop

English translation: "But our people whom we lead have not yet fully understood the Parish Development Model and when we get to the ground the politicians have ruined it by the telling the people that the money is free. Our fellow leaders here especially during the campaigns have spoiled PDM and caused it to lose its core objective"

This framing was reinforced by the timing of disbursements. Funds moving out towards the 2025 general elections period strengthened the impression that the money was a political gift rather than a loan, since beneficiaries received capital at the very moment when political actors were most active in their communities, and most inclined to present government programmes as benefits rather than obligations. Political messaging had overshadowed the

programme's intended purpose, and SACCO leaders were left to manage the consequences on the ground without the resources or the authority to counter what politicians had said publicly.

Consultation from PDM leadership

SACCO leaders made an observation about their consultation by the national PDM leadership. In their account, they had always been treated as recipients of programme decisions rather than contributors to programme design. Despite being the people closest to borrowers and best placed to flag what works and what does not, they had never been given the opportunity to feed their operational experience back into how PDM is designed or implemented. The result is a programme that is managed at parish level by people whose experiential knowledge doesn't inform the decisions that shape it.

3.1.3 Administrators' perspectives

Governance of PDM

Administrators offered the most institutionally grounded view of what PDM needs. A central issue they raised was governance, where a harmonization of policies that govern the programme is needed. The administrators observed that PDM SACCOs are run by two sets of rules at once, including the cabinet-issued programme guidelines and cooperative law, and settling how the two relate would give everyone managing repayment a clearer line of authority to act on:

"PDM is run by two policies. One of those guidelines which are issued by the PDM Secretariat… And the other: the PDM SACCO is actually a SACCO, it is a cooperative, and there is the cooperative law that is supposed to manage cooperatives." ~ Administrators' Workshop

Packaging of PDM

Administrators also pointed to the fit between how the programme is designed and where it is being delivered. PDM was built around a rural template, and Kampala's economy works differently, so the programme needs adaptation to match the setting. Field staff have asked for city-specific guidelines for over a year. Putting those in place would close the gap they are currently managing on their own and bring the programme's design into line with the urban context it now serves.

Repayment perspective

Administrators introduced a perspective on repayment that beneficiaries did not emphasise. In their experience, there is a meaningful difference between beneficiaries who genuinely do not understand that PDM is a loan and those who understand perfectly well but have decided not to pay:

"So our people have a certain way of thinking, and especially in Kampala here, one of those thought processes is we always get free things, this is also another free thing." ~ Administrators' Workshop

The distinction matters for how the repayment problem is solved. Solving the information problem, by explaining the terms more clearly, will not solve

the enforcement problem, where people who already understand the terms choose not to pay because nothing compels them to. These are different challenges, and in the administrators' assessment, treating them as one and the same is part of why repayment has remained low.

3.1.4 Comparative analysis

Read side by side, the three groups agree far more than they differ, and the point of agreement is clear. All three described the same core problem, that PDM has been understood by the communities it serves as a one-off payment rather than a revolving fund built on repayment. Beneficiaries, for instance, showed this by knowing the money well and the obligation poorly. SACCO leaders confirmed it from close range, describing beneficiaries who had reduced a multi-pillar programme to a single handout. Administrators reached the same point from the enforcement side, distinguishing those who never understood the loan from those who understood it and chose not to pay. The three accounts are looking at one gap across three distances.

The groups also converge on where that gap in understanding came from. Beneficiaries traced their understanding to local politicians and informal channels, rather than to the programme itself. SACCO leaders named the political packaging directly, pointing to messaging that presented the money as free and to disbursements timed around the 2025 elections. Administrators located the same weakness in the programme's design and communication. In each version, the message that reached the ground carried the money but not the terms, and no group placed the origin of the problem with the beneficiaries alone.

The accounts differ in depth of knowledge, across the three groups. Understanding of the programme rises with distance from the household level, since beneficiaries knew the payment, SACCO leaders knew the operations, and administrators knew the governance. Yet the better-informed groups did not describe a different problem. They described the same problem in more institutional terms, which strengthens rather than complicates the picture. When the people receiving the money, the people disbursing it, and the people governing it all identify the same gap between what PDM is and what it is believed to be, that gap is not a matter of perception at any single level. It is a feature of how the programme has been communicated and packaged, and it sits underneath the repayment challenge the rest of this report examines.

Comparative analysis of stakeholder perspectives on PDM

The table below summarizes the perspectives of the three groups across the different themes examined;

Dimension	Beneficiaries	SACCO leaders	Administrators	Comparative interpretation
Understanding of PDM	Primarily understood PDM as the receipt of UGX 1 million. Knowledge of the other six pillars was limited.	Understood PDM as a broader development and financial-inclusion programme involving SACCOs, enterprise groups, verification and digital systems.	Understood PDM within its wider institutional, regulatory and administrative framework.	Understanding becomes more comprehensive at higher levels of implementation, indicating a major gap between programme design and beneficiary experience.
Knowledge of repayment terms	Uneven. Some understood the grace period, repayment period and interest rate, while others had limited or incorrect information.	Reported widespread poor understanding of repayment obligations among beneficiaries and the public.	Distinguished between beneficiaries who genuinely lack information and those who understand the terms but deliberately avoid repayment.	Non-repayment arises from both inadequate knowledge and deliberate default; the two require different responses.
Perception of the funds	Some regarded the funds as a presidential gift or free government money.	Reported that political actors had encouraged communities to perceive the money as non-repayable.	Linked non-repayment to an established expectation that government programmes provide free benefits.	The perception of PDM as free money is socially and politically reinforced rather than being solely a beneficiary-level misunderstanding.
Political influence	Beneficiaries received programme information through local leaders, community meetings and radio, sometimes accompanied by conflicting messages.	Political messaging was seen as having undermined sensitisation and repayment efforts.	Political and administrative inconsistencies were understood as contributing to weak compliance.	Contradictory messages reduce the credibility of repayment requirements and weaken frontline implementation.
Role in repayment	Expected to use the funds productively and repay according to the agreed terms.	Expected to sensitise beneficiaries, manage SACCO operations and support recovery of funds.	Expected to supervise implementation, interpret guidelines and support accountability and enforcement.	Repayment responsibility is shared, but the authority and capacity to fulfil these responsibilities are unevenly distributed.

Dimension	Beneficiaries	SACCO leaders	Administrators	Comparative interpretation
Authority and enforcement	Perceived limited or uncertain consequences for non-payment.	Had direct contact with borrowers but lacked adequate authority and resources to enforce repayment.	Identified unclear accountability and enforcement arrangements arising from overlapping programme guidelines and cooperative law.	Weak and ambiguous enforcement reduces the incentive to repay, even where beneficiaries understand their obligations.
Institutional challenges	Experienced PDM mainly at the point of accessing funds, with limited exposure to its institutional structures.	Felt excluded from programme design despite being closest to beneficiaries and repayment challenges.	Highlighted the dual governance of PDM SACCOs and the absence of Kampala-specific implementation guidelines.	Institutional design does not sufficiently incorporate frontline experience or respond to local implementation conditions.
Preferred response	Clearer and repeated explanation of the programme, loan conditions and consequences of default.	Greater participation in programme decisions, stronger sensitisation support and clearer authority.	Harmonised guidelines, clearer accountability and credible enforcement mechanisms.	Improving repayment requires coordinated communication, institutional reform, frontline participation and differentiated enforcement.

3.2 Drivers of Non-Repayment.

This section presents the drivers of non-repayment as documented in literature, what the citizen-input workshops revealed, and what factors cut across the two sources.

3.2.1. Drivers of non-repayment, as documented in the rapid response brief

Socio-demographic factors.

Age carries the strongest effect, with younger beneficiaries defaulting more often because they lack business experience, and older beneficiaries at risk because a single medical emergency can wipe out an enterprise's working capital (21-23). Marital status matters once it is combined with low socio-economic status, since married beneficiaries under financial pressure divert business capital to food, school fees, and medical bills (23-25). Gender shows mixed results, but where men default, the reason is often their position as household heads and the diversion of funds to family needs, while women face constraints in access to land and other factors of production (25-27).

Financial literacy and money management.

Beneficiaries who cannot keep records, separate profit from capital, or read a repayment schedule are more likely to default (28-30). One study found that more than 85% of borrowers kept no accounting records at all (31). Where beneficiaries do not understand the loan terms, they treat the money as a grant rather than an obligation (27, 30, 32).

The loan terms.

Repayment periods that are too short force borrowers to service the debt from their starting capital before the business has generated any surplus (21, 29, 31). Loan amounts that are wrong in either direction cause default, since a loan too small never reaches viable scale while a loan too large produces instalments the borrower's cash flow cannot cover (23, 27, 33). Disbursement delays cause borrowers to miss the market window the loan was meant for and increase the chance the money is spent on consumption instead of investment (30, 34-36).

Investment choices.

Some sectors are more exposed to shocks than others, and agriculture is one of those most prone to shocks, where one bad season can eliminate the entire source of repayment (27, 31). Beyond sector, the basic survival of the business is the precondition for recovery, and a business that collapses turns a productive loan into bad debt (33, 37, 38). Seasonal enterprises generate uneven income that does not fit rigid monthly repayment schedules, leaving a borrower solvent over a year but unable to pay in any given month (23, 39, 40)

The institution managing the loan.

Where appraisal is weak or bypassed by political pressure, non-viable projects get funded and default becomes inevitable (31, 34, 37). Where monitoring is not prioritized, borrowers stop treating the loan as a serious obligation, and many agencies are funded to disburse but not to follow up (22, 29, 41). Where enforcement is absent, the effect is moral hazard, as a borrower who sees that non-payment carries no consequence is given every reason to join in (31, 33, 37).

Group dynamics.

Joint liability breaks down when high-performing members conclude that others are not willing to invest in the group's activities in equal measure (39, 42). Elite capture also sets in when leaders divert funds or favour their own relatives, and imposed leaders produce higher default than elected ones (25, 38, 43). Groups forced together only to access funding fall apart at the first sign of stress [1, 12, 24, 28].

Other factors

Inflation erodes the working capital a loan represents, so the same money buys less stock than it did months earlier (23, 29, 30). Politics changes the psychology of debt, since election-period promises that loans are gifts or will be forgiven lead borrowers who could pay to wait instead for an amnesty (23, 33, 41, 44).

3.2.2. Drivers of non-repayment, as documented in the citizen-input workshops.

Information and incentive constraints

Information and incentive constraints refer to what beneficiaries understand about the programme and the incentives they face once they have received the money, covering those who don't know PDM, and those who know it's a loan, but see no reason to pay.

All four citizen-input workshops placed the widespread belief that PDM money is a gift at or near the top of the list. Some beneficiaries were genuinely confused, while others had been convinced by political messaging. SACCO leaders attributed this to politicians who attended community meetings during the 2025 election period and told people that PDM money was a handout, openly discouraging repayment.

Administrators acknowledged that genuine confusion exists but added an important qualification. In their account, much of Kampala's non-repayment is a deliberate choice by people who attended training, signed loan agreements, and concluded that not paying carries no real cost. The information gap and the enforcement gap are different problems, and closing one will not close the other.

During the dissemination of these findings, the PDM Technical Coordinator characterised the gift perception as "a statement of wish, not an expression of ignorance," noting that beneficiaries receive training and sign agreements before disbursement. This description matches the administrators' assessment that the accountability gap is the more pressing challenge.

Enterprise and market constraints

Enterprise and market constraints refer to the conditions in the wider trading environment that affect whether a funded business can generate the income repayment depends on.

Participants described sharp rises in input costs during the period the citizen-input workshops covered. Charcoal went from UGX 60,000 to UGX 100,000 per full bag. Sugar reached UGX 5,800 per kilogram. Businesses dealing in perishable goods faced losses that were very difficult to avoid, and a number of beneficiaries reported sudden and unrecoverable losses from theft, market disruptions, and landlords demolishing rented business premises.

Beneficiaries in these markets operate in a business environment that makes repayment genuinely difficult. The same pressures described above, rising costs, perishable losses, theft, and lost premises, mean that many enterprises fail through no fault of the beneficiary, and a business that has collapsed cannot generate the income repayment depends on. This is a real constraint on repayment, and it is made harder to address by the fact that genuine business failure is not easily distinguished, on the ground, from an unwillingness to pay, since both appear in the same way as non-repayment.

Household vulnerability

Household vulnerability refers to the pressures within a beneficiary's home that compete with the business for the funds, pulling capital toward immediate needs.

Even beneficiaries who fully intended to invest their money productively reported that immediate household needs competed strongly for the funds before they could generate returns. School fees, medical bills, rent, and food came up repeatedly. The programme gives a single flat amount per household regardless of family size, placing disproportionate pressure on beneficiaries with more dependants.

Gender dynamics created an additional burden. Women in both beneficiary workshops described situations where male partners either took over their PDM money directly or used the fact that the woman had received funds as a reason to cut back their own household contributions, leaving women with less usable capital and more financial responsibility.

Loan sizing

Loan sizing refers to the match, or mismatch, between the amount disbursed and what the enterprise can productively use, given the scale of the business and the capacity of the household.

The programme disburses a uniform amount to each beneficiary regardless of the scale of the enterprise being financed or the absorptive capacity of the household. Participants observed that not every beneficiary needs the full amount for the enterprise they are running, and that a mismatch between the money received and the actual need of the business creates its own risk. When a beneficiary receives more capital than their enterprise can productively absorb, and when that beneficiary is already carrying competing household demands, the surplus is easily diverted to consumption or other pressures rather than invested.

Policy coherence

Policy coherence refers to whether different arms of government act in ways that support rather than undermine one another.

No issue came up across all four citizen-input workshops with more urgency than the conflict between PDM investment and KCCA's enforcement of trade order guidelines. Street vendors who had invested PDM funds in food selling, soft drink vending, and *Toninyira* businesses were evicted from their operating areas and had their goods confiscated:

"There is an enterprise in PDM which is called Toninyira. My knowledge of Toninyira is that it's a street business. You give these people money to invest in their Toninyira. Tomorrow you come, you tell them to go off the street. So how do we explain such to people?" ~ Administrators' Workshop

This is a policy coherence challenge, where one arm of government finances enterprise creation while another disrupts the conditions those enterprises depend on. The PDM Secretariat has noted that the trade order is government policy that applies to all traders and not only PDM beneficiaries. The finding here is not about the validity of the trade order itself but about the need for coordination between enterprise development and regulatory en-

forcement so that public investment in one area is not undermined by public action in another.

Institutional and governance constraints

Institutional and governance constraints refer to the systems and structures responsible for managing repayment, including the payment platform, the information systems, and the people tasked with monitoring and enforcement.

Even willing repayers encountered obstacles with the Wendi platform, PDM's main repayment channel. Complaints were consistent across all four citizen-input workshops and included unreliable network connectivity, no compatibility with the Airtel network, too few accessible agents, dormant account problems, and technical requirements many beneficiaries could not meet. Making a repayment also requires a trip to the parish, which costs time and transport money and is a real barrier for micro traders. The PDM Secretariat has described ongoing efforts to address some of these barriers, including subsidising basic phones to UGX 30,000 and working with the partner bank to enable USSD-based transactions without a smartphone app.

The two-year grace period became two years with no structured contact between the programme and its borrowers. People moved, businesses closed, and the repayment obligation faded. By the time repayment came due, the links needed to support it had broken down.

SACCO leaders reported being asked to carry out monitoring and enforcement responsibilities that far exceeded their resources. They received no payment, no transport, no internet access for PDMIS, and no protection from the backlash of enforcing obligations that politicians had publicly contradicted. The PDMIS information system is accessible to only a small number of people, so supervisors depend on self-reporting by the SACCO leaders they are meant to oversee:

"PDMIS is accessible by the SACCO chairpersons. We input but can't get reports from them." ~ Administrators' Workshop

The PDM Secretariat has indicated that every designated parish has been provided with two tablets for PDMIS access. The evidence from the citizen-input workshops suggested that access at field level remains limited in practice, pointing to a gap between provision and operational use that would necessitate further examination.

The PDM Secretariat also confirmed that SACCO leaders receive UGX 1 million per year for operational costs, disbursed in two tranches. The Auditor General's report confirmed that administrative funds were released at programme level alongside the PRF lending allocation (7, 13). However, the SACCO leaders who participated in these citizen-input workshops reported that they were working without payment or resources. This study was not able to independently verify whether the operational allocation reached SACCO leaders in Kampala Central Division, and this is an area where further examination would be valuable.

Political interference went beyond messaging and further into the vetting process, with both SACCO and administrators' workshops describing politicians pressuring leaders to approve unqualified applicants and then withdrawing from accountability when repayment fell short.

Despite repeated requests from field staff, they reported that no Kampala-specific implementation guidelines had been issued by the time these workshops were convened. As noted earlier, Kampala's economy works differently from the rural setting PDM was designed around, since beneficiaries earn in small daily amounts, rent their premises, move frequently, and trade under regulatory conditions that rural programmes never anticipated. Yet, staff are expected to apply rural programme rules to an urban context and are told to follow them as written when they raise the problem. The result is that the mismatch between the programme's design and the city it operates in is left for field staff to absorb, without the guidance they would need to manage it.

Risk exposure

Risk exposure refers to how the uncertainties of running a business and a household are distributed between the beneficiary and the programme, and whether there is any structured way to absorb shocks when they occur.

The citizen-input workshops revealed that beneficiaries operate in highly uncertain economic environments characterised by fluctuating prices, unstable demand, theft, competition, market disruptions, and regulatory action affecting access to operating space. Households also face risks from illness, education costs, and unexpected expenditure shocks.

A feature of the current model is that beneficiaries bear most of this risk while repayment expectations remain fixed. Borrowers are expected to meet their obligations regardless of what happens to their businesses or their households. There is no structured mechanism for responding to verified external shocks while preserving the integrity of the revolving fund. This gap means that borrowers who experience genuine disruption have no pathway other than default, and once they default, they tend to disengage from the program entirely.

3.2.3 Comparative analysis of information from the brief and workshops

Driver	Evidence from literature	Evidence from citizen-input workshops	Comparative interpretation
Understanding of repayment	Poor understanding of loan terms increases default.	Some beneficiaries believed PDM funds were a gift; others knowingly chose not to repay.	Non-repayment reflects both misinformation and deliberate non-compliance.
Political influence	Political promises of loan forgiveness weaken repayment.	Politicians reportedly described PDM funds as handouts and influenced beneficiary selection.	Political interference affects messaging, selection, and enforcement.

Driver	Evidence from literature	Evidence from citizen-input workshops	Comparative interpretation
Enforcement and accountability	Weak monitoring and lack of consequences create moral hazard.	Beneficiaries perceived little cost for non-payment.	Sensitisation alone is insufficient without credible enforcement.
Financial management	Poor record-keeping and weak money management increase default.	Business funds were often diverted to household needs.	Beneficiaries need stronger financial management and capital protection.
Household vulnerability	Food, school fees and medical costs compete with business investment.	Rent, food, school fees and health costs repeatedly reduced available capital.	Household pressure is a major cause of fund diversion.
Gender dynamics	Women face limited access to productive assets.	Some male partners took control of women's funds or reduced household support.	Intra-household control can reduce women's usable capital.
Loan sizing	Loans that are too small or too large increase repayment risk.	A uniform loan amount did not match all enterprise needs.	Loan size should reflect enterprise requirements and repayment capacity.
Repayment timing	Rigid or early repayment can undermine business survival.	The two-year grace period involved little contact or monitoring.	Repayment schedules require active borrower engagement.
Enterprise viability	Business failure, seasonality and market shocks increase default.	Participants reported theft, unstable demand, losses and business disruption.	Enterprise survival is central to repayment.
Inflation	Inflation erodes working capital and business viability.	Rising prices sharply increased input costs.	A fixed loan amount loses value during inflation.
Beneficiary selection	Weak appraisal and political pressure lead to unsuitable loans.	Leaders reported pressure to approve unqualified applicants.	Repayment risk is often created before disbursement.
Monitoring and follow-up	Weak post-disbursement monitoring increases default.	SACCO leaders lacked transport, internet and resources for follow-up.	Monitoring responsibilities exceeded frontline capacity.
SACCO capacity	Weak institutional capacity reduces recovery.	SACCO leaders lacked adequate resources, authority and protection.	Responsibility was not matched by operational support.
Repayment systems	Limited attention is given to transaction barriers.	Wendi users faced connectivity, agent-access and account problems.	Payment-system barriers can prevent willing beneficiaries from repaying.

Driver	Evidence from literature	Evidence from citizen-input workshops	Comparative interpretation
Group dynamics	Free-riding, elite capture and weak cohesion increase default.	Workshops provided limited direct evidence on group dynamics.	This remains an area requiring further investigation.
Policy coherence	Limited evidence on conflict between financing and regulation.	KCCA enforcement disrupted some PDM-funded enterprises.	Government actions may undermine enterprises financed by other programs.
External shocks	Illness, market disruption and emergencies reduce repayment capacity.	Beneficiaries faced theft, illness, eviction and sudden household costs.	The program lacks a structured response to verified shocks.
Hardship versus deliberate default	Causes of default are often treated together.	Administrators distinguished inability to repay from unwillingness to repay.	Solutions should be tailored to the cause of non-repayment.

The citizen-input workshops largely confirm the drivers identified in the literature, including poor understanding of loan terms, political interference, household pressures, weak monitoring, inappropriate loan sizing, enterprise failure, and limited enforcement.

The workshops also add several important dimensions. They distinguish genuine hardship from deliberate refusal to repay, identify practical barriers within the Wendi repayment system, highlight limited SACCO capacity, and reveal policy conflict between PDM enterprise financing and urban trade enforcement.

Overall, the evidence shows that non-repayment is not only a beneficiary problem. It results from the interaction of household vulnerability, enterprise risk, political influence, weak institutional capacity, repayment-system barriers and inconsistent government action.

3.3 Options for improving repayment

This section presents the options for improving repayment as suggested in literature, what the citizen-input workshops recommended, and the common points of convergence between the two sources. The options are categorized into three broad groups: immediate changes to how repayment is communicated and processed, institutional strengthening, and strategic policy design.

3.3.1 Options for improving repayment, as documented in the rapid response brief

3.3.1.1 Immediate changes to communication and processing

Loan terms and institutional policy.

The promise of a larger future loan for timely repayment is a powerful motivator, with up to 30% of borrowers in some programmes paying ahead of

schedule to secure it (39). Flexible schedules and grace periods aligned with borrower cash flow improve repayment, as do savings policies and lower administrative fees (26, 45, 46).

Monitoring and enforcement.

Internal arrears reporting and post-disbursement monitoring visits each roughly double repayment performance (47). Penalties and the credible threat of prosecution drive timely repayment, with the large majority of officers in one study agreeing that charging penalties improves recovery (26, 46). Borrowers are more willing to repay when they know someone is watching and that non-payment carries a cost.

3.3.1.2 Institutional strengthening

Training and capacity building.

Offering a combination of training types has the largest recorded effect, with repayment performance rising more than sevenfold for each additional type of training added (47). Subject-specific training in business, financial, and entrepreneurship management raises repayment on its own, and the frequency of sessions before disbursement matters, with each additional session improving performance (45, 47, 48). Training works because it ensures beneficiaries use the loan for its intended purpose rather than treating it as free money.

Pre-disbursement appraisal.

On-site visits to verify a borrower's actual capacity to repay increase repayment performance more than fivefold for each visit conducted, and tracking a borrower's past credit history is a strong predictor of future behaviour (46, 47). Screening before the money goes out prevents the funding of projects that were never going to repay.

3.3.1.3 Strategic policy and design

Social, sectoral, and behavioural factors.

In group lending, leaders with strong social ties to members use that relationship to apply informal pressure to repay (49). Investment in locally tradable goods eases repayment because the products have a ready market, though repayment ultimately depends on the business being profitable in the first place (39).

3.3.2 Options for improving repayment, as documented in the citizen-input workshops

3.3.2.1 Immediate administrative reforms

Communication that treats the loan obligation as non-negotiable

The pre-disbursement campaign was designed around maximising enrolment and needs to be redesigned to build a shared understanding that PDM is a loan, that repayment directly enables the next household in the parish to access capital, and that both personal obligation and community benefit are at stake. Messaging should be built for Kampala's urban context rather than adapted from a generic national campaign. All communication channels

should carry consistent messages. Political figures need to carry the same message rather than contradicting it, and administrators were clear that communication reform without credible enforcement will not change the mindsets of those who already know PDM is a loan and have decided that not paying is a rational choice.

Repayment methods that fit how urban traders actually earn

Urban informal traders earn daily and irregularly. A repayment structure designed for seasonal agricultural income does not fit. The citizen workshops proposed daily, weekly, or fortnightly micro-payment options, a lower minimum instalment of at least UGX 10,000, the ability to pay any amount at any time, automatic deductions from mobile money accounts, waived mobile money transaction charges, and repayment agents placed at zone level rather than requiring a trip to the parish. Engaging borrowers on repayment before the grace period expires would help establish repayment as a habit rather than a forgotten obligation.

Better tracking and data systems

Extending PDMIS access to Ward Administrators and Assistant Ward Administrators would break the current dependence on SACCO self-reporting. Routine updating of beneficiary contact information would reduce tracking losses in Kampala's rental economy, where people move frequently.

3.3.2.2 Institutional strengthening

Paying and equipping SACCO leaders

The current arrangement tasks unpaid volunteers to track borrowers, make follow-up visits without transport, enter data without internet access, and absorb community hostility when enforcing obligations that politicians have publicly contradicted. This is not a governance structure that can support a revolving fund. Structured sitting allowances, transport support, airtime, laptops, and internet access for PDMIS work are investments in programme sustainability and should not be treated as administrative overheads.

Clear and credible accountability mechanisms

The absence of clear consequences for non-repayment weakens incentives across the board. Practical steps include linking outstanding PDM balances to National Identity Documents, making access to other government programmes conditional on clearing PDM obligations, and actively enforcing the loan agreements that already exist. Accountability measures need to distinguish between inability to pay and deliberate default, because applying the same enforcement to both groups will produce worse outcomes, not better ones.

Better institutional coordination

SACCOs, Community Development Officers, ward administrators, and KCCA staff need to work together around PDM in a structured and ongoing way, with explicit attention to ensuring that enterprise development and regulatory enforcement are aligned rather than working against each other.

3.3.2.3 Strategic policy reforms

An urban PDM implementation framework

Kampala is not a rural parish, and the programme cannot continue to be implemented as though it were one. Dedicated guidelines for the Greater Kampala Metropolitan Area have been requested by field staff for over a year and have not been issued. The Emyooga programme already has GKMA-specific guidelines, which serves as a direct precedent.

Resolving the policy coherence challenge

This cannot be resolved at the operational level. It requires a political decision that designates vending zones and operating times, establishes coordination between PDM and KCCA planning, and suspends repayment obligations for beneficiaries whose businesses are directly displaced by enforcement action. Escalation to cabinet level is the only realistic path.

Flexible and shock-responsive repayment arrangements

Sector-specific repayment schedules aligned with how different types of enterprises actually earn would reduce the structural friction between the programme's design and borrowers' reality. Beneficiaries who experience verified business disruption need a pathway that offers temporary restructuring rather than immediate default.

Resolving the dual legal framework

Administrators recommended making a clean choice between a government loan model and a genuine cooperative model for PDM SACCOs, and communicating that choice clearly to everyone involved.

Strengthening enterprise viability alongside financing

A number of repayment challenges trace back to weak business performance rather than unwillingness to pay. Business development support, mentoring, market linkage, and sustained investment in the PDM mindset change pillar would strengthen the income-generating capacity that repayment depends on.

Incentives for on-time repayment

Participants proposed that a larger second disbursement, of UGX 2 million, be offered to those who repay on time. They described the prospect of such a reward as genuinely motivating. Framed as a formal, publicly communicated, and verifiable provision, an incentive of this kind would give repayment a concrete reward. This is not currently part of the programme, but participants saw it as a practical way to encourage timely repayment.

Matching loan amounts to household need and enterprise capacity

The programme disburses a uniform amount to each beneficiary regardless of the scale of the enterprise being financed or the absorptive capacity of the household. Participants observed that not every beneficiary needs the full amount for the enterprise they are running, and that a mismatch between the money received and the actual need of the business creates its own risk. When a beneficiary receives more capital than their enterprise can

productively absorb, and when that beneficiary is already carrying competing household demands, the surplus is easily diverted to consumption or other pressures rather than invested. In this way, a flat disbursement can contribute to the same diversion and misappropriation that undermines repayment. Aligning the loan amount with an assessment of what the enterprise can absorb and what the household can realistically service would reduce this risk. It would direct capital to where it can be used productively, limit the temptation to divert idle funds, and improve the prospect that what is borrowed can be repaid. This calls for a more graduated approach to disbursement, informed by the type and scale of the enterprise, rather than a single amount applied uniformly across very different circumstances.

Table 2: Reforms Mapped to Responsible Parties

Reform	Responsible Party
City-level communication campaigns	KCCA
Repayment agent placement at zone level	KCCA
Pre-grace-period borrower engagement	KCCA
Institutional coordination at division level	KCCA
Beneficiary contact tracking and updates	KCCA
PDMIS access for Ward and Assistant Ward Administrators	National (PDM Secretariat)
Urban PDM implementation framework (GKMA guidelines)	National (PDM Secretariat)
Resolving the policy coherence challenge	National (OPM / Cabinet)
Resolving the dual legal framework	National (PDM Secretariat)
Flexible and sector-specific repayment schedules	National (PDM Secretariat)
Repayment structure redesign (micro-payments, mobile money)	National (PDM Secretariat)
Paying and equipping SACCO leaders	Joint (national funding, KCCA implementation)
Accountability mechanisms (NIN linkage, conditional access)	Joint (national policy, KCCA enforcement)
Communication reform with political buy-in	Joint (both levels must carry same message)
Enterprise support and mindset change pillar	Joint (national commitment, KCCA delivery)
On-time repayment incentives (UGX 2M second disbursement)	Joint (national decision, KCCA administration)

3.3.3 Comparative analysis of information from the brief and the workshops

The following options for improving repayment performance cut across both the literature and the citizen-input workshops. They fall into the same three groups used throughout this section: immediate changes to how repayment is communicated and processed, institutional strengthening, and strategic policy and design.

3.3.3.1 Immediate changes to communication and processing

Accountability and enforcement

The research shows that monitoring visits, arrears reporting, penalties, and credible enforcement each improve repayment, in some cases doubling it (26, 46, 47). The citizen-input workshops called for this same reform, through resourced SACCO leaders who can monitor loan recipients, extended PDMIS access to support supervision, and real consequences for deliberate default such as linking balances to national identity documents.

Incentives (promise of higher amount at renewal)

Research found that the promise of a larger future loan led up to 30% of borrowers to pay ahead of schedule (39). The citizen workshops found that the UGX 2 million second-disbursement incentive was genuinely motivating but poorly communicated and widely disbelieved, and called for making it formal and verifiable.

Flexible repayment and lower costs

Research reveals that loan schedules and grace periods aligned with borrower cash flow, and lower transaction costs contribute to better repayment trends (26, 45, 46). The citizen-input workshops called for daily and weekly micro-payments, sector-specific schedules, and waived mobile money charges.

3.3.3.2 Institutional strengthening

Training and capacity building

The literature ranked offering multiple training types as the strongest reform, with a more than sevenfold effect reported in certain studies (45, 47, 48). The citizen workshops reached the same conclusion, calling for business development support, mentoring, and sustained investment in the mindset change pillar because they saw so many failures trace back to weak business skills rather than unwillingness to pay.

Pre-disbursement appraisal and loan sizing

Literature shows that on-site assessment of repayment capacity before disbursement improves recovery more than fivefold (46, 47), while a loan mismatched to the borrower's cash flow drives default (50). The citizen-input workshops arrived at the same point, by calling for disbursement that matches what an enterprise can actually absorb, rather than a uniform amount applied to very different circumstances.

4. Key Policy Messages

Repayment performance is a system outcome that reflects enterprise conditions, household vulnerability, institutional capacity, incentive design, and the regulatory environment, and because these drivers feed into each other, fixing any one of them in isolation will not be enough.

Enterprise viability is central to revolving fund sustainability. A programme that finances businesses but does not support the conditions for those businesses to succeed will continue to produce low repayment, regardless of how well it communicates or enforces. Strengthening repayment means strengthening the businesses that generate repayment capacity.

Information campaigns alone will not solve non-repayment. Many Kampala beneficiaries already know PDM is a loan. They have decided not to pay because nothing happens when they do not. Communication reform is necessary but not sufficient. It must come alongside accountability that treats inability and refusal as different problems.

The contradiction between PDM investment and KCCA enforcement is a policy coherence challenge that affects public investment. It cannot be managed by field staff and requires coordinated action at the political level.

Urban economic conditions require greater adaptation. Kampala's economy has nothing in common with the rural template PDM was designed around. People earn daily, rent their homes, face regulatory enforcement routinely, and move frequently. Urban-specific implementation guidelines should have been issued already.

SACCO leaders have operational knowledge that should inform programme design, but they have never been consulted. The people running PDM at parish level need adequate resourcing if they are to govern a revolving fund effectively.

Strengthening repayment should be understood as strengthening the sustainability of PDM. The programme has reached households that no bank would serve and has produced real gains, particularly for women. If the fund stops revolving, those gains stop spreading. Reform is not about admitting failure. It is about protecting what the programme has already achieved and ensuring it continues.

5. Conclusion

The four citizen-input workshops describe a program that has delivered real results and is gradually losing the conditions it needs to sustain them. PDM has put capital into households that commercial banks would not reach. It has given people financial knowledge that participants described as genuinely useful. It has reduced the economic vulnerability of women who gained independent income for the first time. The program still carries community goodwill. Those are real achievements, and they provide the foundation that any reform process would build on.

But the fund is not revolving. Politicians told people the money was free. Nobody enforced repayment, and not paying became the norm. KCCA enforcement destroyed businesses the program had just financed. The guidelines staff work with were not written for an urban economy. And the SACCO leaders responsible for managing repayment have never been given the resources to do the job. These failures do not sit apart from each other. Each one makes the others worse.

The reforms that emerged from the citizen-input workshops are practical and require minimal to no additional funding. They call for communication that is upfront about the loan obligation from the start, repayment methods that match urban income patterns, SACCO leaders who are paid and equipped, implementation guidelines written for Kampala, a political decision to stop PDM investment and regulatory enforcement from working against each other, and an incentive structure that rewards repayment and holds non-payment to account.

PDM has now run long enough that its own implementation experience can guide program improvement. Fifty-five people from four citizen-input workshops in Kampala provided evidence that is grounded, consistent, and usable. The patterns they described are consistent with international research on revolving fund performance. Better repayment is not about debt collection. It is about ensuring that what PDM has already achieved reaches more households, lasts longer, and justifies the public investment behind it.

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