

UPSIDE

Northern Uganda Resilience Initiative (NURI) –

NURI

Danida



**END REPORT FOR ANIMAL TRACTION LOAN PILOT IN AGAGO
DISTRICT IN PARTNERSHIP WITH TALANTA FINANCE LTD**

December, 2023

NURI Background

The Northern Uganda Resilience Initiative (NURI) is one of the three engagements under Uganda Programme on Sustainable and Inclusive Development of the Economy (UPSIDE). This is one of the two thematic programmes of the Royal Danish Embassy in Uganda for 2018-2022.

The objective of NURI at outcome level is enhanced resilience and equitable economic development in supported areas of Northern Uganda, including for refugees and refugee-hosting communities. NURI pursues this objective by supporting activities in climate smart agriculture (CSA), rural infrastructure (RI), and water resources management (WRM). Activities in support of agriculture focus on improving farmers knowledge on climate-smart production methods, as well as their understanding of, and ability to engage with, markets and services as well as enhance their financial literacy. Geographically the programme covers 13 districts in the West Nile and Acholi Sub Regions of Northern Uganda. The districts are Agago, Kitgum and Lamwo in Acholi sub-region and Arua, Madi-Okollo, newly created Terego district, Pakwach, Nebbi, Zombo, in South West-Nile, Moyo, Obongi, Adjumani and Koboko in North West Nile. The selected settlements are Rhino Camp Refugee Settlement in Madi-Okollo District, Imvepi in Arua, Palorinya Refugee Settlement in Obongi, Maaji 1,2 and 3 Mungla 1 and 2, Ayilo, Boroli, Pagirinya and Nyumazi settlements in Adjumani, and Palabek Refugee Settlement in Lamwo District.

Talanta Finance profile

Talanta Finance Limited is a financial institution registered as private company limited under the laws of Uganda in 2006, and specializing in offering affordable financial services to farming and farming related enterprises in Northern Uganda. They operate two branches with their head office in Gulu City at plot 19 Bank Lane and another branch in Kitgum town. Their mission is to be the premier provider of affordable financial services to rural agribusinesses in Northern Uganda, aimed at improving access to modern technology, inputs, skills and innovations to maximize value, in the agribusiness value chains. With the vision of improving livelihood in Northern Uganda by financing agribusiness access to Technology, Skills, Agro inputs, and Market Opportunities.

Talanta is governed by a board of 9 eminent individuals with long experience in Banking and financial services management as well as other fields, who give policy direction to management. It has a strong management headed by a CEO and departmental heads with wide experience in the industry.

Key to note is that there was no formal existing agreement with Talanta Micro Finance LTD on partnership, MoU or similar.

Animal traction loans background

In a bid to support the farmers increase their agricultural production, NURI programme partnered with Talanta Finance to offer loans that would support animal traction on a pilot basis. The NURI program did not have animal traction services support for its beneficiaries like the previous RDNUC and yet there was high demand for such service. NURI then thought of other options and animal traction loans came up. Agago district was selected because high level of production and business mindset the farmers had in the previous program. This partnership piloted animal traction loan services in Agago district with 4 farmer groups in Patongo and Lira Palwo sub counties. Instead of cash loans, Talanta Finance Ltd agreed with NURI programme to provide oxen and ox-ploughs to the farmers payable in a period of 2 years at an interest rate of 1.5% per month.

Product design and attributes of the product offered to farmers.

The loan product was designed based on the already available product within Talanta Finance and made a few adjustments to suit the needs of the farmers. Below are the attributes of the product that was agreed by NURI CF and Talanta Finance to be offered to farmers.

- i) Proof of access/ownership of land (at least 5 acres). For crop production and animal care.
- ii) Farmer's contribution towards cost of animals and implements of **30%** (For example if a farmer requires two animals each costing 1,200,000 and a plough costing 300,000) The total cost of the set will be 2,700,000 shillings. The farmer will need to contribute 30% which is 810,000 shillings, and then take a loan of 1,890,000 shillings from Talanta (70% of cost)
- iii) A copy of National ID and Two passport photos
- iv) Two (2) guarantors, photos, national IDs of each guarantor.
- v) Letter of recommendation from group leader or LC1 office.

- vi) Talanta Finance Ltd, will provide loans of up to 70% of product cost. Using the example above the loan amount for two animals and a plough costing 2,700,000 shillings the loan amount from Talanta will be 1,890,000 shillings.
- vii) Loan commission of 3% of total loan amount
- viii) Insurance policy cover against death of animal/or borrower of 2.5% of total loan amount
- ix) Interest rate on the loan is 1.5% per month.
- x) The maximum repayment period (loan tenure) is 24 months.
- xi) Monitoring fees of 0.5% per month are applied
- xii) A grace period of 4 months; therefore, repayments start at the 5th Month and can be monthly or quarterly (every three months)
- xiii) All recipients must undergo training in animal health management program that will be supervised by the extension/loan officer and follow the recommended animal care regime.

Implementation progress and status.

Sensitisation of the farmers groups on the animal traction loan product

In the initial introduction of the product to the farmer groups, NURI programme introduced the staff of Talanta Finance and the product. This was done through joint visits with Talanta to over 20 groups. This was to generate interest from the groups since they were required to pay the 30%, insurance, application forms and monitoring fee upfront before the disbursement of the animals as a sign of commitment.

Introduction of Talanta to AGAGO District Local Government Authorities

Introduction to Agago DLG authorities was conducted in December 2021 and it was successful. It was also agreed at the time, that Talanta would keep the DLG informed of the progress of the project by sharing information and reports from time to time

Recruitment of Talanta staff

Talanta recruited staff that was in charge of the project in Agago. The staff were responsible for sensitizing the groups, issuing application forms, handling communication and resolve emerging issues as well as monitor loans and repayment activities. This staff was introduced formally to the group leaders and Agago DLG officials. As time went on, there was a high turnover of staff that made it difficult for the farmers to trust and release loan repayments.

To support the staff carry on with these activities NURI CF supported Talanata Finance with the motorcycle. This was in agreement that Talanata meets the cost of fuel, maintenance after the end of the pilot then it would be handed to NURI CF.

Payment of contributions by farmers

In order for the farmers to show commitment, they were expected to make an upfront payment of 30% of the cost of the animal, insurance, monitoring cost and application as indicated in the attributes of the product. This was done by the farmers with the cost of the animal being 1,200,000 Ugx. This changed from 900,000 Ugx to 1,200,000 Ugx along the way due to size and market price of bulls farmers wanted. Many farmers wanted and some had to be refunded their money.

Disbursement of animals

In 2021 May, a total of 66 animals and 6 Ox-ploughs were disbursed to 42 farmers from among the 4 farmer groups in Patongo and Lira Palwo sub counties that were sensitized and trained. The total value of the products was 81,000,000 Ugx of which Talanta has disbursed loans of 70% equivalent to 56,700,000 ugx, to be paid back by the farmers in two years. The farmers contributed 30% equivalent to 24,300,000 Ugx. In addition, the farmers were to pay a loan processing fee of 3% of the loan value and 2.5% of loan value for animal life insurance. From the time of animal disbursements, farmers were to complete the loans by June of 2023 which however didn't happen.

Table 1: Breakdown of costs of the loan product.

Items	No	Rate	Total value	Farmers Contribution 30%	Loan Value	Insurance & processing fees (2.5% and 3%)	Interest & loan monitoring fees (1.5% & 0.5%)	Total repayment expected
Oxen	66	1,200,000	79,200,000	23,760,000	55,440,000	3,049,200	26,611,120	108,860,032
Ploughs	6	300,000	1,800,000	540,000	1,260,000	69,300	604,800	2,474,100
Total			81,000,000	24,300,000	56,700,000	3,118,500	27,215,920	111,334,130



Ocaya Charles of Can Opwonya group pose with their animals

Extension of the Grace period

Originally the grace period was set for 4 months and was expected to end in September 2021 with regular loan repayments starting in October. Following some feedback from staff monitoring the progress and in conformity with the concession made by Talanta management officials in their field engagement, it was agreed to extend the grace period to 5 months which expired on the 5th of October 2021 and on the 6th of November 2021 loan repayment commenced.

Death of animals and clients

Following disbursement, a total of 13 bulls had so far died under different circumstances, however, 6 animals died within the liability period of 10 days. Under verbal agreement and reports provided, Talanta Finance committed to replacing the animals that died within the liability period. The subsequent animals that died were not under any insurance cover since Talanta failed to get an insurance provider yet farmers had contributed to it. Talanta agreed to take on an approach to deal with each case according to its own merits because of the varying circumstances. Within the same period, 2 farmers lost their lives and 6 animals that were received by them ended up being sold off to cater for their treatment needs leaving only 47 animals to date among the farmers that had acquired the ox traction loan.

Table 2: List of farmers who lost the animals and deceased persons.

The affected customers so far as per table below: Customer Name	No of Animals	Nature of incident	Loan Value for animal that died	Total loan amount (Principle + interest)
Aceng Hellen	1	One animal died	840,000	1,142,400
Otim David	1	One animal died	840,000	1,142,400
Olwoch joseph	2	One animal died	840,000	1,142,400
Ocan Albert Denish	1	One animal died	840,000	1,142,400
Okidi Micheal	3	One animal died	840,000	1,142,400
Ojok David	1	One animal died	840,000	1,142,400
Omara Sam	4	Borrower died	3,360,000	4,569,600
Benson Ajal	2	Borrower died	1,680,000	2,284,800

Status of loan guarantee application

To enable Talanta absorb the shocks in case of defaults from the farmers, NURI recommend Talanta Mico finance for a loan guarantee facility with aBi. However, during the due diligence that aBi undertook, it was noted that Talanat Micro Finance had governance and financial management issues. Despite the issues raised, Talanta failed to resolve them that led to failure of the loan guarantee facility. This therefore, left Talanta Micro finance to bear all the risk of loan defaults by the farmers.

Repayment methods

It was agreed that farmers would repay their money in the account given by Talanta at DFCU bank in Agago, however, DFCU closed its branch in Agago that left farmers without an option. A concern was raised by NURI on how to enable repayments to occur in light of the fact that DFCU Agago was closed, and it is impractical for the clients in Agago to pay through the Kitigum office. Talanta okayed the staff to be receiving money from the farmers which practice was risky and contravenes the operational procedures. Talanta therefore decided to open an account with Bank of Africa which also farmers raised an issue that the account is in the names of three individuals not Talanta as an institution which still poses a challenge.

Loan repayment status

Due to challenges faced by clients in making the repayments as discussed above there has been a significant slowdown. Some customers who were ready and willing to make repayments could not get the opportunity to do so due to the unreliability of the accounts and staff of Talanta.

Table 3: Loan repayment status by end of NURI programme – December 2023

Name Of Group	Loan Amount (ugx)	Interest on loan	Un paid 30% Contribution	Unpaid Processing fees and Insurance	Total loan	Total repayments	Loan Balance inclusive of interest
Can-Opwonya	19,950,000	7,182,000	521,400	487,000	28,140,400	3,063,844	25,076,556
Ribe Aye Tyeko	5,040,000	1,814,400	90,000	26,200	6,970,600	2,192,680	4,777,920
Roc Pac	11,130,000	4,006,800	90,000	26,200	15,253,000	12,537,634	2,715,366
Bed Ki Gen	20,580,000	7,408,800		58,900	28,047,700	3,955,460	24,092,240
Sub Total	56,700,000	20,412,000	701,400	638,300	78,451,700	21,639,904	56,811,796

Meetings with NURI CF

NURI CF held several meetings with Talanta to resolve some of the outstanding issues that cropped up. Despite the several meetings, Talanata kept on giving promises to resolve the issues identified however they were never implemented to the closure of NURI programme.

NURI Exit resolution with Talanta, district and farmers.

Despite the numerous meetings with Talanta during the implementation period, issues kept dragging with only promises to replace the dead animals and any other pertinent issues raised. At the end of the NURI programme, a meeting was organized that involved the Agago district officials, farmers and Talanta. This was intended to hand over the mediation of pending issues regarding replacements of animals, loan defaults, and reconciliation of the payments. In this meeting resolutions were reached as indicated below.

- Talanta should organize a meeting with farmers to reconcile the loan repayments and all other costs that they had paid for since client records was not tallying with the loan balances that Talanta had in their system. This was supposed to be done before 21/12/2023.
- Talanta to write to the district indicating the account number that has been provided to farmers. This came about because Talanta had provided an account to farmers that was not in the name of the institution which frightened farmers to make payments. This was to provide a safe space for farmers in case of claims that farmers paid money to an individual account.
- Talanta to organize another meeting with farmers and the district after reconciliation of the payments. This was supposed to be on the 22/12/2023 to update the district on the status of payments.
- Refund the 350,000 that Talanta staff had received from the groups as a loan processing fee for a different product that they intended to offer the community.
- Talanta extended the end loan repayments period to 28/2/2024. This was intended to compensate the lost time due to the absences of the banking details from Talanta.
- In relation to the replacement of the dead animals, insurance payments, monitoring fees, Talanta never pronounced themselves on these issues. Despite the district requesting the Talanta to wave off the loans for the persons whose animals died within the liability period, the director never made any pronouncement and promised to get back to them during the next meeting after they have agreed with the board.

Challenges faced during the implementation

- **Poor Loan repayments-** Due to the high staff turnover, absence of DFCU branch or agent in Agago led to difficulty in farmers to remit their payments. With this challenge, Talanta never acted to provide an alternative for the farmers to keep depositing their installments. This therefore led to defaults among the farmer groups.
- **None clarity on the loan scheme by Talanta-** At the start of the implementation, animal prices kept changing and finally Talanta agreed with farmers to put it at 1,200,000. After agreeing on price of the animal, the loan amounts kept varying since loan agreements and schedule had not been provided to farmers. This discouraged farmers since different staff would come with different amounts.
- **High staff turnover -**It was noted during the implementation period, there was a high turnover with Talanta staff that led to farmers losing trust and holding back their repayments.
- **Death and none replacement of the animals within the liability period-** At the start of the implementation, Talanta distributed animals with an agreement of replacing animals that die within the liability period of 10 days from the time of distribution. This never happened with the 6 farmers whose animals died within that period to date.
- **Poor documentation of the loan payments-** With the challenge of closure of DFCU bank within the community, farmers gave money to the staff of Talanta however, there was no clear documentation of payments. This has caused a rift between Talanta and the farmers with some of them refusing to remit their loan payments not until their issues were been sorted.
- **Un availability of the insurance facility-** Initially at the start of implementation, farmers were required to pay insurance fees to enable Talanta secure an insurance provider. Despite some farmers paying this money upfront, Talanta never procured an insurance provider yet animals kept dying and even some 2 clients died. The hope that farmers had for their loans to be paid by the insurance provider was shattered since they were required to pay their loans.
- **None monitoring of the loans and animals-** By design of the product, farmers paid for monitoring fees that would be used to monitor the loans, animal health and provision of veterinary advice. However, during the

implementation, these services were not offered to farmers with no help on veterinary advice on animal health.

- **Poor weather:** the weather was bad and that affected production by the farmers which was provide them with income from sale of produce for payment of the loans. Three years in a row saw prolonged dry spells in Agago district.
- **Misinformation for farmers:** several information was passed to the farmers including by NURI which caused confusion from farmers.

Lessons learnt

- **Potential of animal traction loans.** Animal traction loan scheme poses a great potential in expansion of the number of acres open by farmers and the ownership of the animals since each farmer prefers individual loan as opposed to group loans. This was evident in more interest still within the groups and community members who continue to inquire from the members who got the loan when Talanta will come back for sensitization so that they can also get the loan.
- **Willingness of farmers.** Farmers are willing to acquire and pay for the loan scheme which is evident with their commitment of the 30% down payments and all other charges involved.
- **The timing of the distribution of the animals.** Distribution of the animals and eventual training of the animals should coincide with the agricultural season. These bulls should be of reasonable size/age to enable farmers utilize them and be able to repay the loans given the grace period when they have harvested.
- **Documentation of the process and agreements.** Its critical for the programme and partner to document the process and have support agreements before distribution of the animals. The assessment of the partner should be done thoroughly before this is rolled out.
- **Information flow:** Unclear and inconsistent information distorts the plans for repayments of loans since farmers will be in doubt. Farmers need clear information and should not contradict at any time later. Such information should also be timely and streamlined.

Recommendations

- If the scheme is to work, Talanta needs to improve on their administration in terms of staffing to conduct loan and animal monitoring since this cost was already paid by the farmers willingly.
- To ease loan repayment Talanta should work with banks with branches or agents in Agago that are easily accessible to the loan borrowers as opposed to those that don't have branches there.
- It's important for Talanta to communicate a decision regarding the replacement of dead animals and implement immediately to avoid mistrust and losing hope on the scheme.by the beneficiaries
- Its critical for Talanta to employ a loan's staff that can offer veterinary services/advice to the farmers that will reduce on the death of the animals since this has been paid for under the monitoring fee which is charged monthly on the loans.
- The animals given should be between 2 to 3 years that can be trained, the farmer argued that whereas, the animals given could be seen to be of size, they were too weak to be trained because of the breed. Local breeds are preferred for ox traction.

Conclusion

Amidst all the challenges mentioned in this report, especially poor loan repayment, absence of Talanta staff on ground to guide farmers, inconsistency in calculations by Talanta, difficulty in accessing bank to repay the loan, poor documentation, among others there is every indication that the animal traction loan facility has been embraced within the community. This is evident by the enormous interest that still exist among the group members and the community around who continued to inquire about the same from the members who benefitted. If only the arrangement and organization would be improved to provide conducive and unsuspecting environment among the farming community of Agago and beyond this arrangement of animal traction loans would be a success. The timeliness, flexibility and involvement of the farmers in setting up the price of animal has proven its effectiveness on farmers as most them willingly contributed to the 30% and other costs involved. With the unpredicted climatic variability, timing in disbursement and size of the animals plays a key role in ensuring the smooth loan repayments.