

How Museveni's Sacco directive has reopened financial fault lines

Museveni's Sacco directive reignites debate on regulating grassroots savings without undermining inclusion or financial stability.

Sacco regulation. |

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For years, cooperative societies have been the backbone of government programmes, but they now sit at the centre of a renewed national debate after President Museveni halted what he described as heavy-handed regulatory pressure from Bank of Uganda.

The President's directive, delivered after a high-level meeting with leaders of Uganda Co-operative Savings and Credit Union (UCSCU) and Uganda Cooperative Alliance, and attended by Speaker of Parliament Anita Among, has effectively paused directives that compelled large Saccos to apply for licences.

In the President's view, cooperatives are not commercial banks, and regulating them as such risks suffocating a movement that thrives on trust, proximity, and community ownership.

"Bank of Uganda should only oversee the flow of money in Saccos and not take over control through regulations that do not consider the unique nature of cooperatives," UCSCU chief executive officer Dr Sylvester Ndiraramukama told Sacco leaders in a circular issued on January 30, outlining the President's guidance.

To many Sacco managers, the directive felt like a reprieve. But to Bank of Uganda, it reopened a difficult question of how do you protect millions of small savers without killing the cooperative spirit.

A sector too big to ignore

The Sacco sub-sector has expanded rapidly, fuelled by government programmes such as Emyooga and the Parish Development Model (PDM).

Billions of shillings now flow through cooperative accounts every year. But the scale of Saccos that have been too big to have a contagion in case of collapse makes Bank of Uganda and the entire financial system uneasy.

For Bank of Uganda, the concern is not the village Sacco collecting weekly savings of Shs10,000, but the emergence of large Saccos whose balance sheets rival those of small, regulated financial institutions.



Some experts argue that as some large Saccos grow to rival some formal financial institutions, their collapse could trigger contagion, erode public confidence, and threaten stability across the wider financial system. PHOTO/FILE

The Bank of Uganda 2025 Annual Supervision Report indicates that in a survey conducted in 2024, over 90 large Saccos were identified for regulation, of which three - EBO, Kyazanga-Kwegatta, and MADFA, have already been licensed, while four license applications are under consideration.

Yet even as this process advances, it has collided with political and social realities.

Bank of Uganda director of communications Kenneth Egesa notes the central

bank is yet to receive any formal communication of the President's directive on a policy that is grounded in law.

"We don't regulate verbally. There are acts and regulations which go through a formal process involving stakeholder engagement and parliamentary approval," he says, insisting that Bank of Uganda is regulating only large Saccos; those with capital of at least Shs500m and assets of Shs1.5b, while smaller cooperatives remain under Uganda Microfinance Regulatory Authority.

As Saccos grow, he argues, so do the risks, and a "collapse does not just affect a village. It can undermine confidence in the financial system. That is why regulation brings deposit insurance and close supervision".

Egesa also notes that the central bank has deliberately avoided imposing commercial bank-style rules, tailoring its framework to the scale and activities of large cooperatives. But perceptions on ground tell a different story. Many Sacco leaders view licensing as the first

step toward losing autonomy, fearing higher compliance costs and a gradual shift away from member control.

Oversight versus control

For Dr Adam Mugume, the Bank of Uganda director of research, the issue is less about institutional turf wars and more about systemic stability.

"Some of the large Saccos are actually bigger than small but regulated financial institutions," he notes. "There is potential for contagion in the event of a collapse."

However, he says the President's guidance offers a possible middle ground; one that reduces systemic risk without full-scale control.

"That kind of oversight somewhat mitigates the risk of spillover into the rest of the financial system," he says on the President's directive that bank of Uganda should continue overseeing the flow of funds.

It is a delicate balance. Too little oversight exposes members' savings to mismanagement. Too much control risks undermining a cooperative movement built on voluntary participation and mutual trust.

UMRA executive director Edith Tsubira has signalled a willingness to adjust, saying they will follow both the law and the President's guidance in improving the sector.

Key figures

90

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Shs1.5b

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