



**INTERIM GUIDELINES &
OPERATIONAL STRUCTURE FOR
THE
MSI SCHEME
2011**

**Savings Scheme
Loan Scheme
Investment Scheme**

Guideline No: MSI/GD/01

Effective Date: MARCH 2011

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Executive Summary

The MSI scheme is a Microfinance saving and investment scheme under the Pharmaceutical society of Uganda. This scheme bears its significance from the fact that majority of Pharmacists work in an informal and contractual setting most of which are short term .

Due to this it is significantly hard for them to access financing from financial institutions. This also means that they miss out on terminal benefits such as NSSF and pension and hence there is no financial security for them in their oldage.

Furthermore majority of the Pharmacists are young and fall within the age bracket of 25 to 35 years. This is the prime of their lives and it's a time when ambition and zeal is at its peak .However, this also means that most do not have security or collateral which they can use to access financing since they have just began working. Lastly, the lending rates for many financial institutions is far too high and extremely bureaucratic.

The Council of the Pharmaceutical society of Uganda is empowered under Section 22 ,subsection 4 of the Pharmacy and drugs act of 1970 to operate a scheme for the purposes of aiding distressed members . The MSI scheme shall seek to address the concerns highlighted by providing a saving scheme for members to grow their monies ,a loan scheme at affordable rates to address their financial needs and other innovative financial products. It shall also provide an investment platform for members to engage in ,specifically Pharmacy business and related fields. This scheme is voluntary and open to all duly subscribed members of the Pharmaceutical society of Uganda. It shall be run in the interim by the operations and credit committee and overseen by the Supervisory committee. Later on it will scale up to a SACCO. The guidelines herein have been developed to facilitate the operationalization of this scheme and therefore establishes the structures for the day to day running of the MSI scheme.

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Pharmaceutical Society of Uganda.

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CHAPTER ONE:INTRODUCTION

1.1 Background

The Pharmaceutical society of Uganda is a body corporate mandated by the Pharmacy and drugs act of 1970 to oversee the Pharmacy profession in various aspects. Among its council's legal mandates is under section 22,subsection 4 of the Pharmacy and drugs act to operate a scheme for the purposes of aiding distressed members(Pharmacists),former members, Pharmacy students, widows and orphans.

Majority of Pharmacist's (over 60%) practice in the community. However, out of this number less than 20% have their own Pharmacies irrespective of the period during which they have practiced. This picture is not different from those in other sectors. A key contributor to this is the lack of capital. This is further aggravated by the nature of Pharmacy supervision with short term 1 year contracts which makes it virtually impossible for the Pharmacists to have NSSF and terminal benefits.Therefore,there is no package for them irrespective of how many years they have practiced to aid them during their old age.

Worse still the modes of payments of Pharmacists salaries in community Pharmacies such as in cash forms and the lack of formal contracts makes it even harder for them to access financing from Banks .Where it is accessible the interest rates are far too high and the process tiring ,lengthy and requiring highly priced collaterals. This can result into loss of property in emergency cases whereby out of desperation irrational decisions are made with the resulting consequences being undesirable.

There is therefore a need to establish a scheme to address these financial concerns amongst members and provide them with affordable financing, encourage them to save and create innovative platforms and opportunities for them to invest in addition to other creative financial products. This scheme bears its significance on the notion that financial independence is a great contributor to professional independence and can therefore lead to the growth and enhancement of Pharmacy practice.

This scheme shall enable members to acquire loans at affordable interest rates, provide opportunity for members to save in order to realize various objectives including opening up of Pharmacies, school fees for postgraduate studies, retirement benefits, investments among others and create platforms for members to invest in and own their proffession.

1.2 Objectives of the MSI Guidelines.

The general objective is to establish and operationalize the MSI savings scheme, investment scheme and loan scheme. The specific objectives of the MSI guidelines are :

- To define the scope, Justification, objectives and benefits of the scheme.
- To establish the necessary structures for the day to day running of the MSI scheme.
- To establish the criteria for screening, evaluation, approval and management of the applicants and the schemes in relation to the above.

- To provide a budgetary estimate of the expected revenues and costs to be incurred in running the scheme.
- To highlight the stages necessary to build this scheme into a Savings and Credit Co-operative society Organization.

1.3 Justification of the Scheme.

- Majority of Pharmacists practice in an informal setting which makes it difficult for them to access loans from financial institutions.
- Majority of the Pharmacists practice in settings where there is no NSSF, Pension or even gratuity which can be a source of help to them when they become incapacitated or retire.
- Majority of PSU members are young Pharmacists who have a lot of ambition but lack the finances to pursue them .
- Most loans offered by the financial institutions and loan sharks are at high interest rates with unfavourable terms.
- Pharmacy ownership by Pharmacists is very limited due to lack of capital .This scheme will help address this shortcoming and empower the Pharmacists to have their own Pharmacies .
- In section 22 of the Pharmacy and drugs act the council is mandated to secure the well being and advancement of the Pharmacy profession.
- Section 22,subsection 4 of the Pharmacy and drugs act provides for the establishment of a scheme by the Council for the purposes of aiding distressed members .

1.4 Scope of the scheme

The MSI scheme shall be voluntary and limited initially to members of PSU and later possibly to licensed Pharmaceutical Institutions.

1.5 Objective and Benefits of the Scheme(Short, Medium and Long term)

The General objective of MSI is to empower its members economically in order to better position them to achieve their personal and professional goals.

The specific objectives are to provide:

- Affordable Personal loans at reasonable interest rates .
- Platforms for members to save and accrue interest.
- Innovative developmental products e.g. Target savings for short, medium and long term goals e.g for opening up a Pharmacy, buying land, Retirement or incapacitation benefits.etc .
- Platforms for members to invest in and hence increase their earnings.
- Financial literacy through training workshops , seminars etc.

- Study loans at affordable interest rates for Masters ,PhD Programmes,etc .

Once upgraded to a SACCO MSI will have capacity to get grants and affordable loans from various avenues such as at very low interest rates and lend out to its members.

NB: This benefit can only be easily attained if the SACCO has 300 members and above.

- The core values of MSI are: Transparency, accountability, trust, efficiency and innovation.
- A percentage of the net surplus will be given to PSU on an annual basis and this will help contribute to its income for running various projects.

CHAPTER TWO: MEMBERSHIP & TRANSACTIONS FOR THE MSI SCHEME

2.1 Membership

The MSI scheme is a voluntary scheme open to all members of the Pharmaceutical society of Uganda.

2.2 Application Process.

- Members interested in joining the MSI scheme have to fill in the MSI application form in Appendix I, available from the MSI desk and pay a membership fee of 25,000 Ugx, payable annually into MSI's bank account.
- A minimum of 1 share valued at 2,000 Ugx.
- Thereafter, the persons shall have to present the bank slips at the PSU offices, MSI desk from which a receipt shall be issued from the MSI receipt book.

2.3 Vetting process.

- Applications shall be screened for completeness and eligibility by the Finance and administration manager and the Treasurer.
- Only fully paid up PSU members are eligible to joining this scheme and should have also paid up the MSI annual membership fee.

2.4 Approval Process.

- Once the information has been vetted and found satisfactory, the applicant's membership shall be approved and an MSI number given having the format MSI/XXX, where XXX is the serial number beginning from 001(e.g. MSI/001).

- The applicant's form shall then be filed in the MSI file. Files/applications shall be arranged in a serial manner for ease of traceability.
- The applicant shall then be given an MSI card, which shall contain the following details: Name of the Person, Photo, MSI number, PSU Registration number, Phone contact, email address and other necessary details.

2.5 Transactions of the Scheme.

- It shall be the responsibility of the Treasurer of the Pharmaceutical society of Uganda to authorize all transactions of the MSI scheme.
- The Treasurer shall be required to present monthly reports in regard to the running of the scheme.
- The Council of PSU shall play a role of the Supervisory committee of the scheme .
- The Treasurer , the Finance manager and one council member shall constitute the Operations and Credit committee.
- A dedicated account for MSI under PSU will be created in which all monies shall be paid in or paid out.
- The MSI books of accounts shall be audited annually by the PSU auditors.
- The following minimum books and statements shall be kept.
 - a) Receipt books whereby all payments made shall be receipted.
 - b) Cash and Cheque payment vouchers for purposes of loan disbursements and other transactions necessitating its use.
 - c) Monthly bank reconciliation statements.
 - d) Ledger accounts where all loan disbursements, payments, savings deposits, outstanding repayments among others shall be entered.
 - e) Each MSI member shall have a ledger account where all their dealings with MSI shall be entered.

CHAPTER THREE:SAVINGS SCHEME

3.1 Deposits

- Persons joining the Savings scheme have to make a monthly saving of a minimum of 100,000 ugx. This can also be paid up in a lump sum such as 3 months deposit, 6 months deposit etc.
- All savings shall attract an interest of 3% per annum for the 1st year and thereafter will increase annually over the next 3 years with a target of attaining an interest rate of 7.5% interest per annum.
- Deposits may be made directly into PSU's MSI account in Cash/Cheque or through a standing order .

3.2 Savings Account Statements.

- The savers shall receive statements of their savings on a monthly basis within the 1st two weeks of every month.
- Each saving member shall have a savings account ledger in which all their saving transactions shall be documented.

3.3 Withdrawal of Savings.

- One can only withdraw their savings from the MSI scheme after a period of not less than 1 year from the date of joining the scheme. Any person who withdraws in less than a 1 year period will lose the interest due to him/her and be subject to a charge as determined from time to time.
- Any member who is deregistered and thus ceases to become a member of PSU shall automatically cease to make any more transactions with PSU and shall have to give a 1 month notice in order to receive his savings and also ensure all amounts owed to MSI are cleared.
- Upon being re-instated again the member can still be eligible to becoming a member of the MSI scheme and will have re-apply..

3.4 Death

- In the event of death the savings accumulated including interest accrued shall be given to the next of kin whose have been stated in the MSI application form.

- The process shall take not later than 1 month provided there are no hindrances in order to avoid inconveniencing the next of kin.

CHAPTER FOUR: LOANS SCHEME

4.1 Application Process

- Only fully paid up members of PSU and MSI shall be eligible to get a loan.
- For new members, only members, who have saved for at least 6 months or made minimum deposits equivalent to 6 months savings i.e. 600,000 Ugx shall be eligible for a loan. For the existing MSI members only those who are actively saving after meeting the minimum 6 months requirement shall be eligible for a loan.
- Anyone interested in the loan shall have to fill in a Loan application form, Appendix II and attach the following:
 1. 2 Passport photos.
 2. Bank statement for the last 3 months/Proof of income .
 3. Letter of undertaking from the employer or
 4. An MSI member to guarantee the loan.
 5. Application fee of 10,000 Ugx.
- The loan amount shall be upto a maximum of twice one's savings or as determined by the Operations and credit committee from time to time.

4.2 Vetting Process

- The applications shall be screened for completeness and eligibility by operations and credit committee i.e. Finance and administrative manager ,A council member and the Treasurer.
- Verification of the Loan applicant's details shall be made by comparison with the applicant's PSU and MSI file or any other relevant source of information.
- Any other vetting procedures necessary.

4.3 Approval and Disbursement Process

- Once satisfied that the necessary criteria has been met the treasurer shall approve the loan by signing in the approvals section of the Loan application form.
- The loans shall attract an interest rate of 4% per month for the short term loans and 15% per annum for the long term loans of 1 year and above or as approved by the Council.
- Calculations of interest shall be based on reducing balance.

- The loan shall be disbursed by writing out a cheque in the names of the loan applicant using the Principal PSU signatories i.e. the Treasurer and either the Secretary or the President of PSU.
- The whole process from application to disbursement shall take not more than 5 working days unless unavoidable circumstances come into play.
- Loan amounts disbursed will depend on the money available and disbursements will be done on a First come first serve basis.

4.4 Repayment and delayed payments.

- Repayment period shall be initially be 3 months and thereafter as approved by the council with recommendation from the operations and credits committee from time to time.
- Repayments shall have to be made on the stated repayment dates by depositing the amounts in PSU's, MSI account either in cash or in cheque form. The bank slip shall then be presented to the society and a receipt issued. For cheque payments that bounce a surcharge of twice the bank charges shall be applicable.
- The receipt and the bank slip shall be attached on the applicant's form and the official section of the form shall be stamped in red as paid and signed by the Treasurer only when the whole amount is cleared including the interest.
- Delayed repayments one week beyond the stated repayment date shall attract an interest rate of 4% per month.

4.5 Defaulters

- For any defaulters, 3 reminders shall be given .If the persons fail to pay up or within a 2 weeks then the employer or the guarantor shall be contacted to recover the loan. In addition the person shall be blacklisted from borrowing for a period of 1 year or as decided by the supervising committee.
- In the event of death the loan shall be deducted from the savings and the outstanding amounts declared as a bad debt. However, the loans will be insured in future .once MSI upgrades to a SACCO.

CHAPTER FIVE:INVESTMENT SCHEME

5.0 Concept.

The Surpluses from MSI and MSI Savings shall be used for different investment projects such as in real estate, treasury bills, stock markets, forex trading. This will enable the scheme to increase its reserves, create a bigger surplus and therefore building capacity to increase interest on members savings and even loan amounts disbursed. This will also mitigate the losses that could arise incase shortfalls occur in the monthly lending targets. Investments will be managed on a case by case basis depending on the investment project and proposals detailing the project operations, investment ,costs, risks and profits will be made for each investment to be undertaken in consultation with the necessary technical experts in the relevant fields. Approvals will be made by the Supervisory committee before commencing the investment project.

Appendix I



THE PHARMACEUTICAL SOCIETY OF UGANDA

PLACE PHOTO
HERE

MSI SCHEME

APPLICATION FORM

Surname:	Other names:	Postal Address:
PSU Registration number:	ID No: Type: Passport <input type="checkbox"/> Driving Permit <input type="checkbox"/> Work <input type="checkbox"/> PSU <input type="checkbox"/> Others <input type="checkbox"/> (Attach a copy):	Source of Income: Salary <input type="checkbox"/> Business/Others <input type="checkbox"/>
Mobile Phone No(At least 2 Nos.):	Email Address:	Residential address:
Next of Kin :	Next of Kin's Mobile Phone No(At least 2):	Next of Kin's residential address:
Applicant's Place(s) of work:	Office line:	Physical address of work place:

MSI Savings Scheme

Monthly Deposit: 100,000 200,000 300,000 to 500,000 Above 500,000

I hereby certify that the information provided here is true to the best of my knowledge. In the event of death..... shall receive my savings.

Signed and date: _____

For Official use only (Approval Section)

Place a tick(√) if positive and an X if negative

Membership fee paid Information verified Approval given

MSI Number _____

Signature & Date by: _____

Treasurer

(MSI/APP/01)



THE PHARMACEUTICAL SOCIETY OF UGANDA

MSI SCHEME

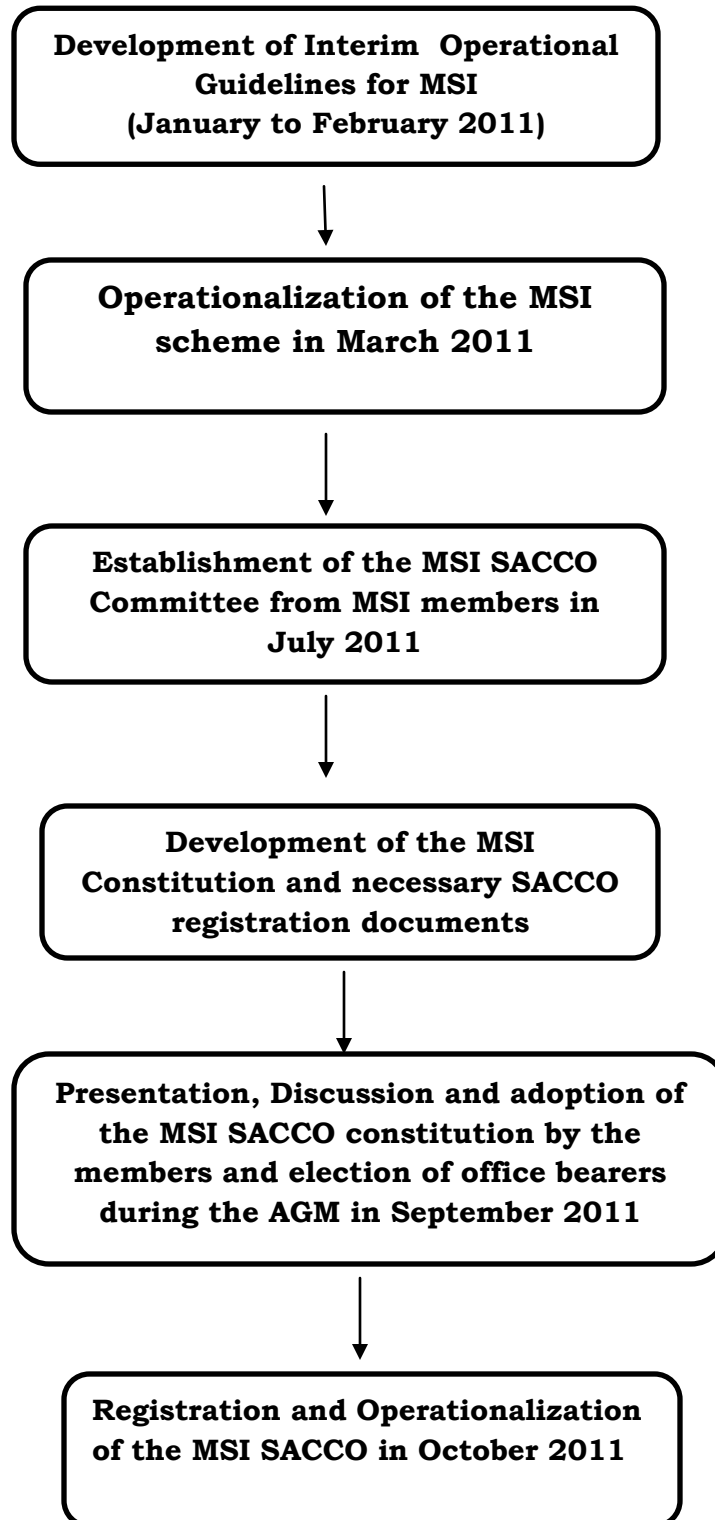
PLACE
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LOAN APPLICATION FORM

Surname Name:	Other names:	MSI Number:
Loan amount:	Repayment period & dates (Not more than 3 months):	ID No: Type: Passport <input type="checkbox"/> Driving Permit <input type="checkbox"/> Work <input type="checkbox"/> PSU <input type="checkbox"/> Others <input type="checkbox"/> (Attach a copy ,including Certificate of Practice):
Monthly Repayment Amount :	Net Monthly Income (Attach Last 3 months Bank statements):	Source of Income: Salary <input type="checkbox"/> Business/Others <input type="checkbox"/>
Mobile Phone contact (at least 2):	Place of residence:	Workplace:
Office Contact:	Next of Kin:	Phone contact:
Name of Guarantor: Phone Contact: MSI No : Amount to be Guaranteed: Sign _____ (Guarantor)		This to certify that the above information given is correct to the best of my knowledge. Signature : _____ (Applicant)
For Official Use only		
Has the applicant defaulted before? Yes <input type="checkbox"/> No <input type="checkbox"/>	Has the information given been verified and found to be true? Yes <input type="checkbox"/> No <input type="checkbox"/>	
Approval		
Signature and date _____ (PSU Treasurer)		
Loan Clearance Section		
Has the Borrower paid all the monies lent out to him including the interest? (Evidence of payment should be attached) <input type="checkbox"/>		
Signature and Date _____ (PSU Treasurer). <i>(Upon completion of the Loan this form should be stamped paid and a photocopy made, scanned and stored)</i>		

Appendix III

MSI FLOW DIAGRAM



Appendix IV
MSI ORGANIZATION STRUCTURE

