

IMPROVING ACCESS TO AFFORDABLE FINANCE FOR AGRIBUSINESS SMEs IN NORTHERN UGANDA



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Using funding from START, Kana Grain Millers Limited in Omoro district, purchased modern maize processing equipment to improve the quality and double annual production to meet the market demands in the region.

01/START Overall Goal

The Support to Agricultural Revitalization & Transformation (START) is a blended finance facility providing a customized mix of business development services, project development and finance structuring services, and financial products in the form of concessional and zero interest loans, technical assistance grants and partial credit guarantees.

START is implemented by the United Nations Capital Development Fund (UNCDF) in partnership with Private Sector Foundation Uganda (PSFU) and Uganda Development Bank Ltd (UDB) under the Development Initiative for Northern Uganda (DINU), a Government of Uganda programme supported by the European Union and coordinated by Office of the Prime Minister.

START is designed to support the implementation of the food security and nutrition component of the DINU programme by improving access to finance for small and medium enterprises engaged in agricultural value addition in Northern Uganda. The overall goal of DINU is to consolidate stability in Northern Uganda, eradicate poverty and undernutrition, and strengthen the foundations for sustainable and inclusive socio-economic development.

02/ Objectives



Offer access to technical assistance and affordable medium-term finance for agricultural value adding projects in Northern Uganda



Support projects that contribute to economic empowerment of women and youth



Encourage projects that aim at reducing environmental risks and ecological scarcities, promote green economy



Contribute to development of refugee hosting areas and leverage the refugee potential for local development



Make START a sustainable and adequately capitalized facility to provide technical assistance and capital to SME agribusinesses nationally

03/START at a Glance



JOINT VENTURE

A unique partnership of three institutions: UN Capital Development Fund (UNCDF), Private Sector Foundation of Uganda (PSFU), and Uganda Development Bank Limited (UDBL)



THREE LINES OF BUSINESS

- Business development services (General, Pre & Post Investment)
- Project development, structuring and transaction
- Short- and medium-term finance



CUSTOMIZED FINANCE

- Total current capitalization € 4 million
- Expected leverage € 8 million
- Project financing from UGX 40 million to UGX 400 million per project
- UNCDF has arrangements to provide more financing above the upper limit through partnering with other financing institutions

BUSINESS DEVELOPMENT SERVICES

Support in development of grant/loan applications, legal support, technical and management training, financial management, records management, compliance etc.

PROJECT DEVELOPMENT, STRUCTURING TRANSACTION SERVICES

Project investment documents financial models & simple business plans acceptable to commercial banks and investors, transaction services

FINANCIAL SERVICES

Preparation and issuance of term sheets & loan agreements

- Issuance of concessional loans
- Technical assistance grants, credit enhancement/guarantees
- Leveraging funds from other commercial and development finance institutions

04/Eligible Projects

Capital-intensive projects that use proven technology. Using an approved technology, e.g., post-harvest handling equipment/technology; small-scale irrigation systems; technologies for effective storage chains; application of solar and other types of green energy and digital technologies to handling, processing and storage).

Promoted by a registered agribusiness entity, a company, a cooperative, trade association or similar business representative organization legally established in Uganda located or operating in Northern Uganda.

Aiming at a tangible and demonstrable social and economic impact (e.g., development of the local food supply chain; local economic impact; transformative impact on local economies).

Funding gap ranging from approximately UGX 40 million to UGX 400 million (€10,000 to €100,000). Mechanisms are also in place to provide financing beyond the UGX 400 million upper limit through working with partners. The developer equity contribution should be at least 25% of the total cost of the project (in cash, in-kind e.g. land, buildings, vehicles or business related assets).

Demonstrating commercial viability: the investment proposal must show how the project will generate revenues adequate for loan repayment.

05/Terms and Conditions

Up to 10%
of the financing requirements payable to third party service providers as technical assistance grants

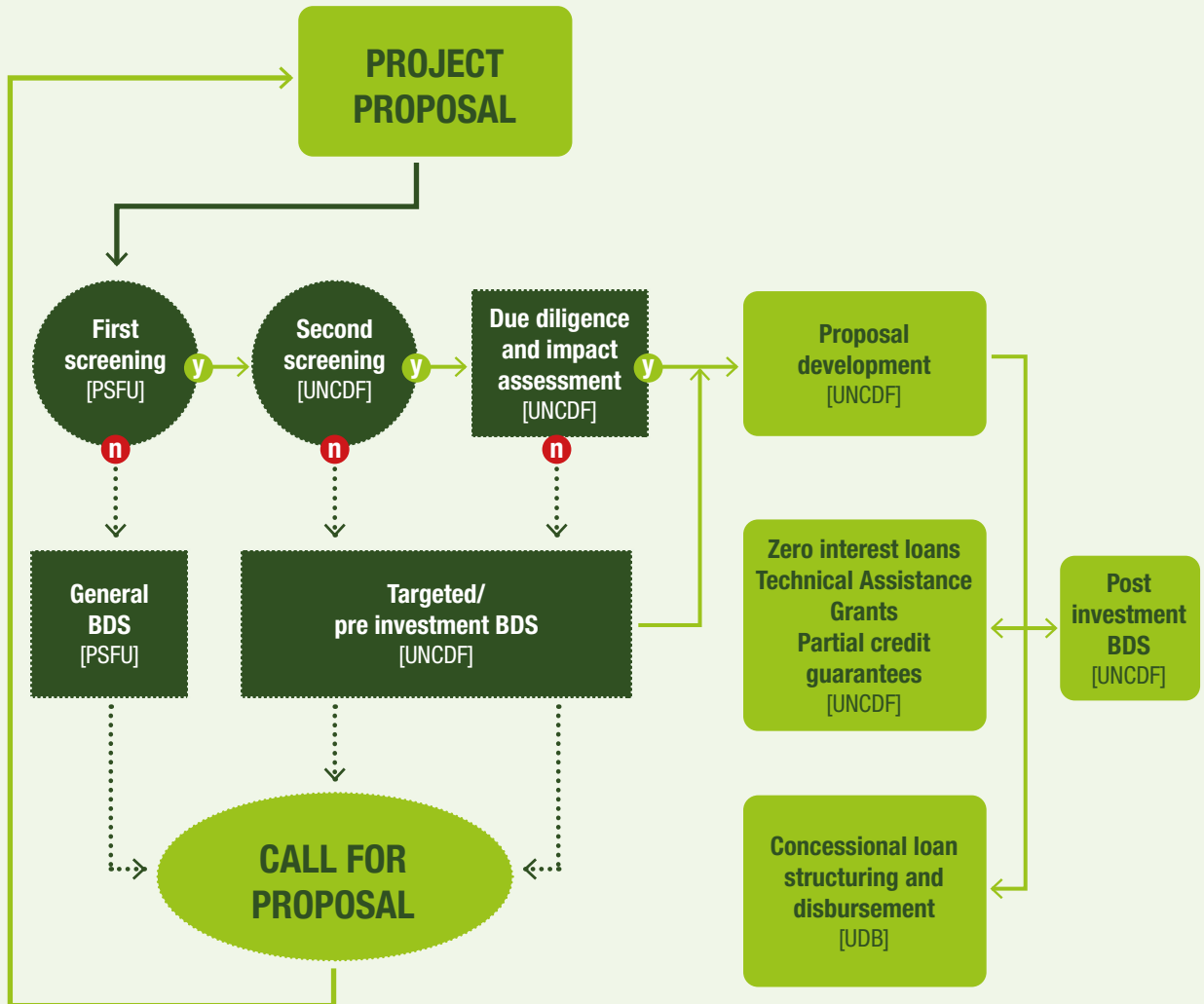
Up to 50%
in partial credit guarantees for applications requiring funding beyond the facility limits

Reimbursable grants
up to UGX 40 million (€10,000)
Repayable in 12 months at zero interest to support SMEs overcome working capital challenges.

Concessional loans
to cover up to 75%
10% annual interest rate, 5 year repayment period inclusive of up-to 12 months grace period

Only 1% appraisal fee
is charged by UDB
on concessional loans. Other fees include stamp duty and document registration fees.

06/START Process





CALL FOR PROPOSALS

START issues call for proposals annually to SMEs to apply. An online application form has been provided for applicants to submit their proposal. The on-line form can be accessed on the link www.start.go.ug

and can also be accessed on PSFU website - www.psfuganda.org.ug and UNCDF website - www.uncdf.org. Proposals submitted in hard copy form or by mail will not be accepted.



PROJECT DEVELOPMENT

The Investment Officer will carry out due diligence and business case analysis for your project and will provide required support including

- Project development (feasibility studies, business plan, financial model);
- Project structuring (governance, incorporation);
- Project financing arrangements (financial structure and sources of finance).



PROJECT IDENTIFICATION

PSFU will carry out the first screening to make sure that your proposal meets the basic submission criteria. You may be

contacted by PSFU for additional information. If your proposal fails, you will be notified and appropriate BDS support provided for future improvement.

If your proposal passes this stage, it will be forwarded to UNCDF for the second screening and due diligence to verify the information in the submitted proposal as well as establish both the commercial and technical viability of the project. Based on the results of the second screening and due diligence, UNCDF will do final appraisal and selection of projects for full project proposal development. If your project is selected, an Investment Officer will be assigned to work with you.

Unsuccessful projects will be notified and given appropriate BDS support to overcome their weakness to submit bankable proposals in subsequent calls.



PROJECT FINANCING

The Investment Officer will prepare and work with the client to submit a loan application to UDB or other financiers

for your project. Financing may include concessional loans or zero-interest (under special circumstances) and partial credit guarantees and technical assistance grants (where necessary). Once approved by the financier(s), your project will receive financing as specified in the agreement(s).



POST-INVESTMENT SUPPORT

UDB and partners will monitor the performance of your project and its debt servicing progress. In addition to UNCDF

and PSFU will continue to provide technical assistance to address the identified technical and/or financial issues during the life of the project until the business becomes economically and financially sustainable.

The START approval process may take 6-9 months from the final day of submitting proposals to the time when the project receives financing depending on the readiness of the applicant to provide the required information. The flowchart presents the process from call to proposal to finalization.



With financing from START, Honey Pride Arua purchased modern honey processing equipment which has increased output from 3,500 tonnes to 5,000 tonnes per month.

07/Progress to Date (As of July 2021)

ISSUED THREE CALLS FOR PROPOSAL MAY 2018, JULY 2019 AND DECEMBER 2020



1st CALL FOR PROPOSAL

342 proposals

- 49 longlisted
- 17 shortlisted
- 06 pipeline projects
- 293 rejected
- 12 pre-investment BDS
- 02 advanced proposal development (after BDS)
- 04 approved/disbursed



2nd CALL FOR PROPOSAL

143 proposals

- 24 repeat applicants
- 100 longlisted
- 75 shortlisted
- 26 pipeline
- 43 rejected
- 47 pre-investment
- 09 proposal devt (after BDS)
- 07 approved



3rd CALL FOR PROPOSAL

131 proposals

- 90 longlisted
- 68 shortlisted

Business Development Services

START developed a robust and structured approach for provision of BDS to targeted SMEs in the pipeline to help address both basic and complex business challenges to enable the businesses access funding from START and other financial institutions.

Due diligence visits to
92 SMEs

General business development support to
100 SMEs

Pre-investment business development support to
61 SMEs
including 4 cooperatives trained in financial literacy

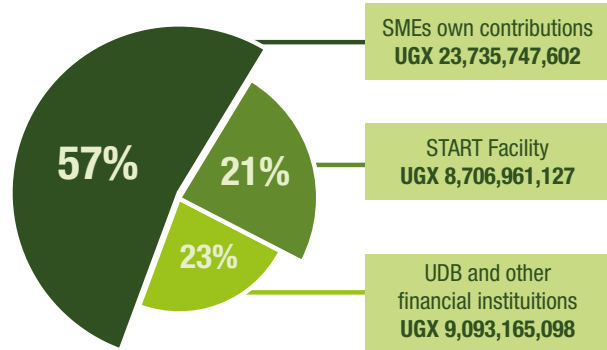
Post investment business development support to
13 SMEs

Concessional loan projects

START offers to cover 75% of the financing requirement at 10% annual interest rate with a maximum repayment period of five years including 10-12 months grace period. The financing available to SMEs starts at approximately UGX 40M to UGX 400M. Mechanisms are also in place to provide financing beyond UGX400M upper limit through working with partners.

Concessional Loans: 28 Projects

Total Project Size: UGX 41,535,883,827

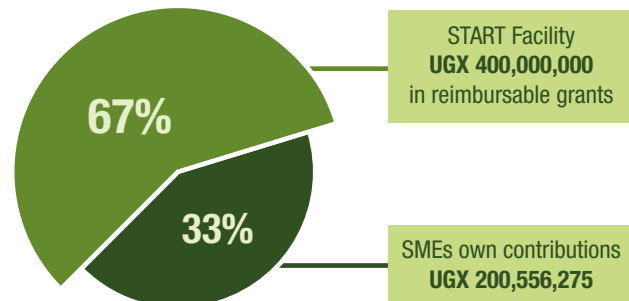


Small Business Recovery Fund (SRBF)

As part of UNCDF's COVID-19 response, the START Management Board established the Small Business Recovery Fund in June 2020, to support businesses facing liquidity challenges and possible closure arising from the pandemic.

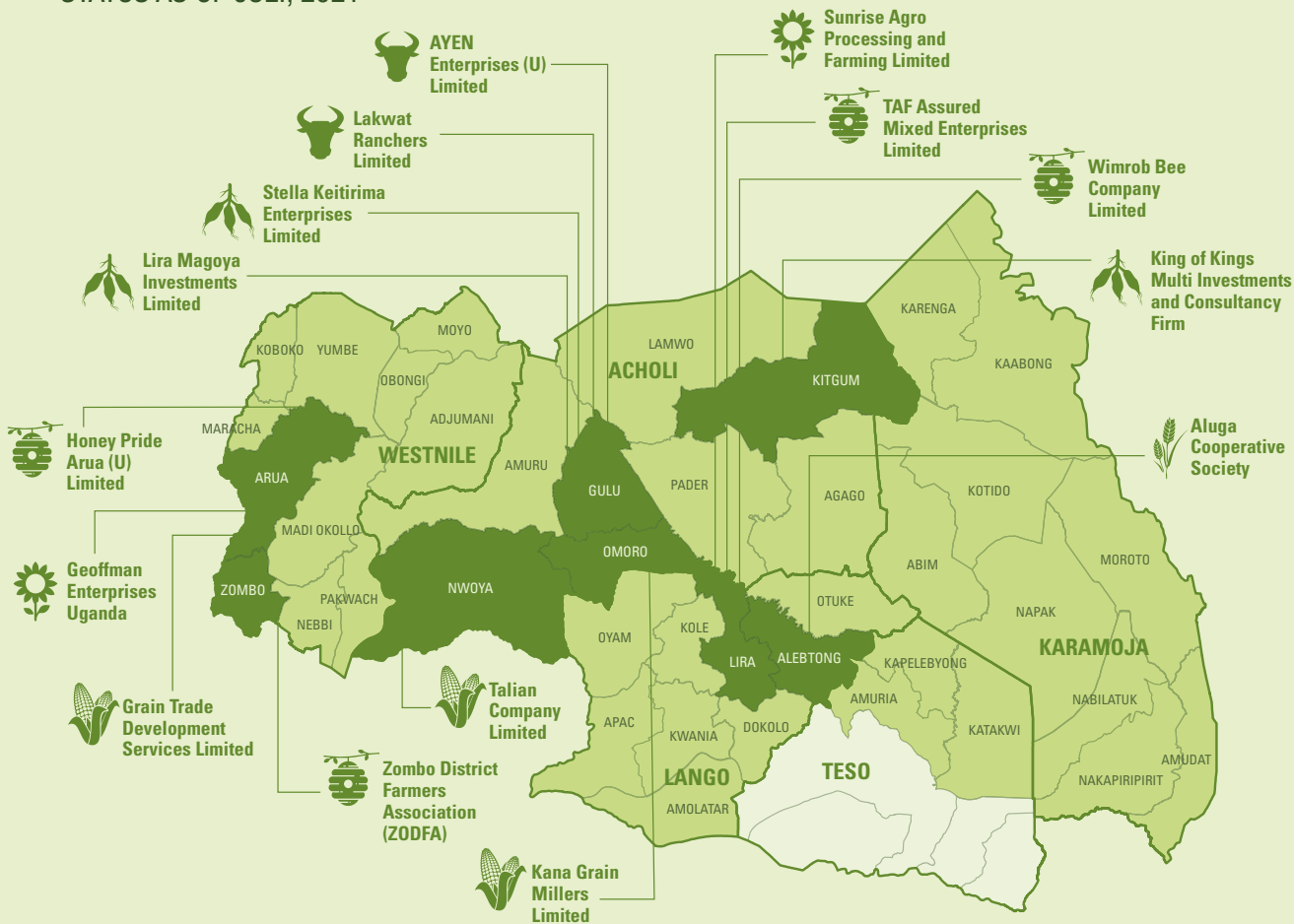
SRBF 10 Project

Total Project Size: UGX 600,556,275



PROJECT PROFILES: DISBURSED & PARTIALLY DISBURSED

STATUS AS OF JULY, 2021



West Nile Subregion:
Arua, Zombo



Sunflower Honey Maize

Lango Subregion:
Lira, Albetong



Sunflower Rice Honey

Acholi Subregion:
Nyowa, Gulu, Omoro, Kitgum



Maize Livestock Cassava

Created market for **85,000** farmers



41%
Female

59%
Male

16%
Youth

08/Partners



Uganda Development Bank Limited (UDBL) is a public enterprise wholly owned by the Government of Uganda and carrying on business as a Development Finance Institution (DFI). The bank, a successor company to Uganda Development Bank, was incorporated as a limited liability company and it is mandated to finance enterprises in key growth sectors of the economy. UDBL repositioned itself as a key partner to the Government of Uganda in delivering its National Development Plan (NDP). In order to deliver this aspiration, the Bank focuses on the key growth sectors by financing development projects at attractive term.



Private Sector Foundation of Uganda (PSFU) is Uganda's apex body for the private sector. It is made up of over 200 business associations, corporate bodies and the major public sector agencies that support private sector growth. Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to sustain a positive policy dialogue with Government on behalf of the private sector. PSFU aims to strengthen Private Sector capacity for effective policy advocacy and market competitiveness nationally, regionally and internationally.



United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. By strengthening how finance works for poor people at the house-hold, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 the means of implementation.



European Union (EU) is a political and economic union of 28 Member States. They decided to link together their know-how, resources and destinies. Together, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The EU is committed to sharing its achievements and values with countries and peoples beyond its borders. And in fact, over half of all development aid comes from the EU and its Member States, making them collectively the world's largest aid donor. Most aid goes to low-income and least developed countries.



Lakwat Ranchers in Gulu district is using financing to develop a robust water system to serve the day to day operations of the farm, improve herd quality through artificial insemination and construction of farm structures.



**Unlocking Public and Private
Finance for the Poor**

UN CAPITAL DEVELOPMENT FUND, UGANDA COUNTRY OFFICE

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