**Support to Agricultural Revitalization and Transformation (START) Funding Facility for Small and Medium Enterprises (SMEs) in Northern Uganda**

# 3rd CALL FOR PROPOSAL (CfP3) - DECEMBER 2020

# Background

**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. UNCDF’s financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how **localized investments** — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

UNCDF in partnership with the European Union under the 11th European Development Fund (EDF) and the Government of Uganda under the Office of the Prime Minister is implementing a four-year Programme referred to as the Development Initiative for Northern Uganda (DINU). The general objective of the Programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme will benefit 40 districts in Northern Uganda with a total population of over 7 million people. With respect to this call for proposals, UNCDF is focusing on improving access to affordable medium term finance for SMEs engaged in agricultural value addition/agro-processing through a dedicated facility for business development services and blended finance.

# Support to Agricultural Revitalization and Transformation (START) Funding Facility

The START funding facility is designed to support the implementation of DINU food security and nutrition component. The Facility is intended to offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of seed capital to SMEs.

START Facility is structured as a blended finance facility providing a customized mix of Business Development Services, Project Development Services and Financial Services. The three lines of business are managed by the three participating institutions namely: Private Sector Foundation Uganda (PSFU), United Nations Capital Development Fund (UNCDF) and Uganda Development Bank Limited (UDBL) respectively. The financial products available under the START facility include; Concessional Loans (annual interest at 10%), reimbursable grants (limited to shortlisted SMEs impacted by COVID-19 pandemic), Technical Assistance Grants and Project-based Partial Credit Guarantees.

# 3rd Call for Proposal (CfP3)

Through CfP3, **START Facility** is inviting proposals for **commercially viable** investment projects focused on agro-processing / value addition including, not limited to. processing plants, post-harvest handling technologies, effective storage systems, digital technologies to handling agro-processing, storage and any other agricultural value addition projects.

Priority will be given to enterprises engaged in apiary, cassava, coffee, groundnuts, livestock, rice, sesame, sorghum, soybean and vegetables value chain projects that contribute to economic empowerment of women and youth, contribute to development of refugee hosting areas and leverage the refugee potential for local development as well as to projects that aim at reducing environmental risks and ecological scarcities. Other agricultural value chains may also be considered

# Services offered by the START Facility to project developers

1. Business Development Services
	1. Support in development of grant/concessional loan applications, Legal support, Technical and management training.
2. Project preparation and development services
	1. Targeted technical project development and financing support to project developers (e.g. enhanced project documentation, due diligence and financial structuring).
	2. Preparation of project investment documents in the format acceptable to commercial banks and investors.
	3. Provision of project technical assistance grants, credit enhancements/guarantees.
3. Financial services - link developers to financial institutions and investors
	1. Preparation and issuance of term sheets & loan agreements.
	2. Issuance and administration of concessional loans.
	3. Leveraging funds from other commercial and development finance institutions.
	4. Monitoring and management of concessional loan servicing and repayments.

**Geographical coverage of START Facility**

The geographical coverage for START facility is aligned with the geographic coverage of DINU programme and comprises 40 districts across the five sub regions in Northern Uganda as indicated below.

1. **Karamoja sub-region**: Abim, Amudat, Kaabong, Karenga, Kotido, Moroto, Nakapiripirit, Nabilatuk and Napak
2. **Acholi sub-region:** Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya, Omoro and Pader
3. **Lango sub-region:** Alebtong, Amolatar, Apac, Kwania, Dokolo, Kole, Lira, Otuke and Oyam
4. **Teso sub-region:** Amuria, Kapelebyong and Katakwi
5. **West Nile sub-region**: Adjumani, Arua, Pakwach, Koboko, Maracha, Moyo, Obongi, Nebbi, Madi-Okollo, Yumbe and Zombo

***NOTE: All new districts that were created or are due to be created (during the period of the call) out of the districts indicated above are automatically eligible under the START Facility.***

**Eligibility Criteria**

1. **Size of financing requirements**
* Capital expenditure required must be at least 75% and above of the total project cost.
* Non- capital costs which are direct to the Project and necessary for carrying out the Project may be accepted up to 25%.
* Pre-award costs, cost of idle facilities, fines & penalties, cost of advertising & fundraising, entertainment, debts & provisions for losses are ineligible.
* Financing gap requested from START Facility ranges from UGX40m - UGX400m. However, total project size can be 3 times the financing gap. Leveraging extra funds from other institutions should be sought where necessary.
* Small investment window to cover the financing requirement from €10,000 to €50,000 (approximately from USh40 million to USh200 million).
* Medium investment window to cover the financing requirement above €50,000 to a maximum of €100,000 (approximately from USh200 million to USh400 million).
* Large investment window: UNCDF has partnered with other financing institutions to support projects whose financing requirement exceeds the €100,000 maximum limit available under the START Facility. Projects in this category are also encouraged to apply
1. **Sector**
* Value addition in storage and processing of agricultural produce (including handling and packaging) taking into account the impact of the complementary activities for food production and commercial agriculture.
* Priority will be given to the following value chains: cassava, coffee, soya, sesame, sorghum, rice, apiary, vegetables, groundnuts and livestock. Other agricultural value chains may also be considered
* Does not engage in any of the ineligible sectors, such as manufacture, sale or distribution of alcohol, tobacco or tobacco products as well as manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES8
* Greenfield or brownfield project
1. **Project characteristics**
* Capital intensive (i.e., its capital cost is relatively high in relation to annual sales)
* Employs proven technology
* Has a relatively long physical and economic life
* Has an economic output that is determined primarily by its design and successful construction
* Revenues are in the form of commercially reasonable charges for its output, sufficient to pay all project operating expenses and debt service (if applicable), plus provide an adequate return on equity to the project’s investor(s)
1. **Technology Employed**
* Post-harvest handling equipment/technology
* New quality control equipment
* Small-scale irrigation systems
* Mobile primary processing and packaging equipment
* Secondary processing and packaging equipment
* Upgrade or improvement of the existing old processing technologies (machinery and equipment)
* Design, fabrication and production of packaging machinery
* Technologies for effective storage chains, including mobile storage units, combined drying/storage systems
* Effective cold chain management systems
* Application of solar and other types of green energy to handling, processing and storage
* Application of digital technologies to handling, processing and storage
1. **Developer/ Applicant**
* Must be a legally registered person
* An agribusiness entity registered in Uganda under the Companies Act, a cooperative formed under the Cooperative Societies Act, trade association or similar business representative organization legally established in Uganda
* Directly responsible for the preparation and management of the action with their partners and not acting as an intermediary
* Stable and have sufficient financial resources to ensure the continuity of their organization throughout the project
* Able to demonstrate their experience and capacity to manage activities corresponding in scale and complexity with those for which financial support is requested
* Can provide, either from its own resources or in combination with other shareholders, equity equal to at least 25% of the total cost of the project.
* Have demonstrable/verifiable ownership of title or right of beneficial use of assets on which the project will be carried out
* Does not use or tolerate forced or compulsory labor or child labor
1. **Economic and Social Impact**
2. Development of the local food supply chain
* Improve the quantity and quality of local food production
* Improve effectiveness of local food markets
* Improve the position of women and young people in the local food supply chain
1. Local economic impact
* Increase in locally retained monies
* Increase in household revenues
* Increase in demand for local primary production
* Improved local resilience and adaptation to climate change
1. Transformative impact
* Increase in the added value of a product created locally
* Application of new technologies
* No adverse social and environmental impacts
1. **Developer’s equity contribution**

The owner’s equity contribution is mandatory and may come in a variety of forms (e.g. land, plant & equipment, not only cash). This requirement will be considered in light of the very generous collateral requirement of START due to collateralization of future financial flows. If the equity is contributed in kind in the form of physical assets and/or in the form of other products resulting from certain prior activities, the applicant must prove the relevance of these assets for the project and produce evidence of ownership of such assets.

Below is a non-exhaustive overview of assets and other products that may be considered as part of the equity contribution

*Physical assets:*

* Land
* Buildings
* Machinery and equipment
* Vehicles including motorcycles

*Other products:*

* Feasibility studies
* Training and skilling of personnel
* Management systems complete with required software and equipment (databases, accounting, planning, etc.)
* Patents
* Trademarks
1. **Eligible Costs**

START funding is primarily designed to cover the capital costs of the project. However, START funds may be used to cover non-capital costs so long as they are demonstrated to be critical to the core business. Below is a non-exhaustive list of costs that may be considered eligible.

1. **Technical Assistance Grants** (Training, Systems upgrades, product development, market access e.t.) **– Accepted up to 10% of the total project costs**
2. **Capital costs - accepted Up to 75% of the total project costs**
3. Land (purchase or rent) - **Not eligible**
4. Machinery and equipment - **Eligible** only if direct costs to the project.
5. Construction works- **Eligible** only if direct costs to the project.
6. Specialized vehicles, e.g. milk tankers) - **Eligible** only if direct costs to the project.
7. Furniture and fittings- **Eligible** only if direct costs to the project.
8. **Non-capital costs**
9. Pre-award costs – **Not Eligible**
10. Fines & penalties - **Not Eligible**
11. Advertising & fundraising - **Not Eligible**
12. Entertainment - **Not Eligible**
13. Debts and provision for losses - **Not Eligible**
14. Training and skilling - **Eligible** only if direct costs to the project.
15. Working capital - Eligible if direct costs to the Project and should not be above 25% of the budget in total. Working capital includes cost of raw materials, production costs, staff costs, administration costs that are relevant to the project.

# Pre-submission Information

Due to the COVID-19 pandemic, Private Sector Foundation of Uganda and UNCDF will not hold physical pre-submission information and instruction sessions as has been in previous Calls for Proposals (CfPs) to mitigate the spread of COVID-19. Alternative communication and information sharing channels will be used including: 1) **local radio stations**, 2) **bi-weekly Zoom Conference meetings**, 3) **social media (Twitter, WhatsApp),** 4) **District Commercial Offices** 5) **Telephone** and 6) **email**. Please refer to the PSFU and UNCDF websites [www.psfuganda.org.ug](http://www.psfuganda.org.ug) and www.uncdf.org for more information.

# How to Apply for START Facility Support

The following instructions are critical for applicants planning to submit their proposals under the START facility.

1. An on-line application form has been provided for applicants to submit their proposal. The online form can be accessed on the link [www.start.go.ug](https://eur03.safelinks.protection.outlook.com/?url=http%3A%2F%2Fwww.start.go.ug%2F&data=04%7C01%7Cdeus.tirwakunda%40uncdf.org%7C5a6d737acad142d4540708d8a1992f5d%7Cb3e5db5e2944483799f57488ace54319%7C0%7C0%7C637437026600414837%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C1000&sdata=W35kWAT%2BQns7A%2FiBmO7Od9uHedmjvdXrs4EpeAPrxgo%3D&reserved=0) and can also be accessed on PSFU and UNCDF websites [www.psfuganda.org.ug](http://www.psfuganda.org.ug) and www.uncdf.org. Proposals submitted in hard copy form or by mail will not be accepted.
2. Applicants should provide all figures in Uganda Shilling and if possible as round figures.
3. The online application form must be completed carefully to ensure all the required information is provided. Submission of incomplete information is an automatic ground for rejection of the proposal.
4. Relevant supporting documentation must be uploaded onto the relevant section at the end of the online application portal.
5. Only one application will be accepted per entity and per proposal.
6. Any significant errors or any major inconsistency in the application may lead to the rejection of the proposal.

# Important Notice

1. ***Language of proposal:*** Proposals must be submitted in English
2. ***Deadline for submission:*** The deadline for submission of project proposals is **15th March 2021**.
3. ***Please note:*** Applicants who do not submit the application through the on-line portal within the deadline will not be considered
4. Please ensure you complete all***sections of the online application form*** that are applicable to your project.
5. ***Successful longlisting***: START Team will endeavour to inform Successful and Unsuccessful applicants for the longlisting by **31st March 2021**. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
6. ***Successful shortlisting***: START Team will endeavour to inform Successful and Unsuccessful applicants for the shortlisting by **20th April 2021**. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
7. ***Inquiries:*** For additional inquiries about the application process please send your inquiry to the two emails: cfpstart@psfuganda.org.ug and cfp.start@uncdf.org with the subject “**INQUIRY**”.
8. ***Acknowledgement of receipt:*** The START on-line application system will automatically acknowledge receipt of your application by replying to the provided contact email address. Please ensure that you receive the acknowledgement receipt after submission of your proposal.
9. ***Caution to Applicants***: No Applicant should accept to pay any fees/commission to any individual/consultant to the extent that they will be assisted to get approval under the START Facility.

**For more information on START Facility, please contact**

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