

LOCAL FINANCE INITIATIVE UGANDA



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Jjumba Martin & Timothy Osiel



UNLOCKING PUBLIC AND PRIVATE
FINANCE FOR THE POOR

The flow of capital channeled toward infrastructure development in Uganda is largely centered on large-scale infrastructure projects. Little is available for the small and medium sized projects needed to promote inclusive local economic development. This is largely due to project developers' lack of capacity and access to the financing required to develop a pipeline of bankable projects. In addition, investors have limited ability to perform the required due diligence on small-scale infrastructure projects and often perceive them to involve high risk and offer low returns.

The Local Finance Initiative (LFI) is a United Nations Capital Development Fund (UNCDF) programme playing a vital role in overcoming these obstacles, by demonstrating that local small and medium sized infrastructure projects that are prioritized by local governments and communities can successfully attract domestic funding.

LFI provides seed capital and technical support (for example, project structuring, financial evaluation and structuring, preparation of project investment memorandum and introduction of risk-mitigation strategies) to Local Government Authorities and private developers to enable projects that are otherwise un-bankable to be de-risked and taken to an investment-ready stage, facilitating access to domestic capital.

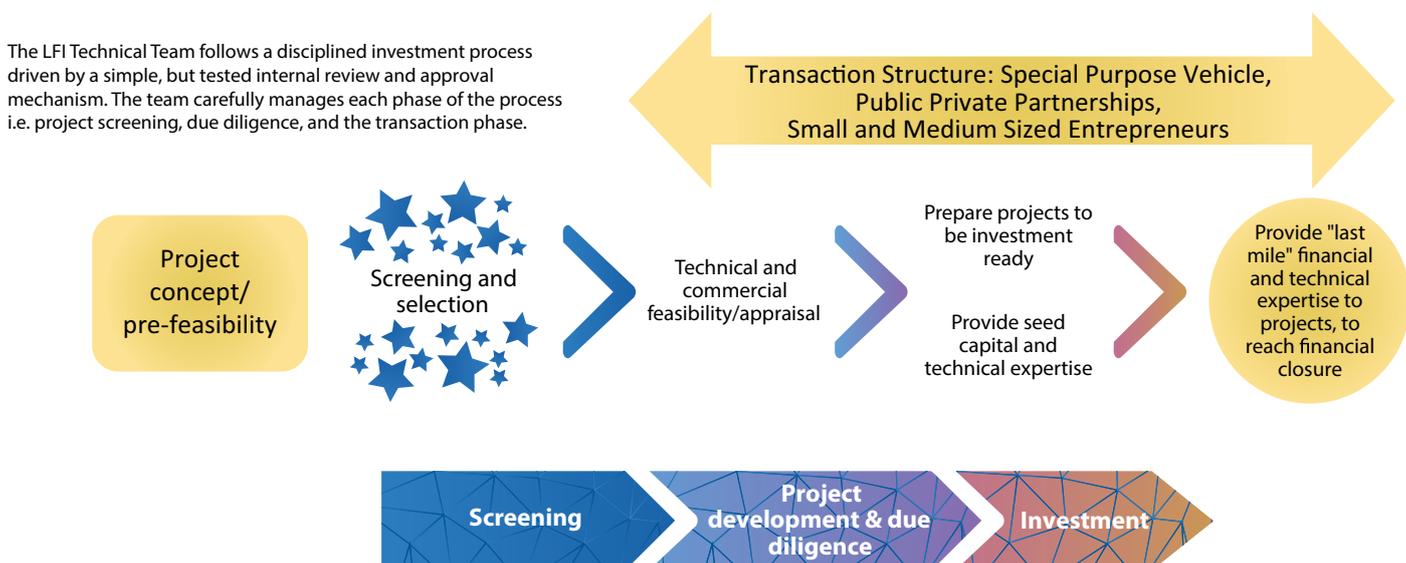
At its core, the Local Finance Initiative aims to ensure that people in all regions and locations can benefit from and contribute to a nation's growth. LFI re-invests domestic resources back into local economies with the goal of building inclusive, productive and resilient local economies that become dynamic contributors to development. LFI often supports projects developed by local governments, allowing them to access new sources of capital from the private sector and domestic capital markets and increase revenues from quality public services, leading to more robust local economies and more self-sufficient local governments. Other projects receiving support from LFI involve entrepreneurs with marketable ideas for improving the living conditions of local populations.

LFI in Uganda

The LFI Programme in Uganda (LFI-U) was launched in October 2015. LFI-U aims to support innovative public and private project developers in localities across Uganda to prepare and structure feasible, credit-worthy investment pipelines, demonstrating how such projects can yield both financial and social economic returns. Well-designed investments in small and medium sized infrastructure (agro-processing, transportation hubs and others) can have a transformational impact on rural communities — creating jobs, supporting food security, women and youth's economic empowerment, climate resilience and clean energy and a healthier environment.

The role played by LFI and its operational strategy —from the planning to the “investment-ready” stage — are pictured below, along with brief descriptions of some projects underway in Uganda.

LFI approach and process flow



Milk processing:

In 2009 Uganda's dairy cooperative Uganda Crane Creameries Cooperative Union decided to take control of the dairy value chain for a number of years with the dual goal to (a) provide high quality dairy products to the end consumer and to (b) ensure that their members' share of the dairy value chain increases and stabilizes. As one of the largest dairy co-operatives in Uganda, UCCCU seeks to enter the market with a simple range of pasteurized milk, long-life milk and yoghurt as straight from the farm, i.e., under the brand Farmers Pride. To expand its operations and grow member profits by building a modern milk processing plant.

Located in Mbarara District in western Uganda, Uganda Crane Creameries Cooperative Union is a farmer-owned cooperative with some 18,000 members collectively producing 300 kilolitres of milk per day. Traditionally, milk in Uganda goes from "cow to customer" (via bicycle or motorbike) and is not pasteurized, leading to health risks. The large, modern plant will allow Uganda Crane Creameries Cooperative Union to accept and safely store larger quantities of milk from its members, as well as generating some 1,000 new jobs and creating a product that Ugandans can rely on. Uganda Crane Creameries Cooperative Union members paid for the new factory, but the group still needed funds to purchase equipment for the plant and tankers for transportation. Technical support from LFI involved commissioning the development of a market study, supply study, financial model and developing a project information memorandum that addresses its possible risks (such as drought or disease, reducing milk yield or power outages affecting cold storage), as well as describing its potential benefits. Working together, LFI, Uganda Crane Creameries Cooperative Union and Mbarara Municipality developed a proposal for a USD 9.4 million loan that is currently under consideration by the Uganda's financial sector. LFI's main contribution was to present the project in a way that is understandable and attractive to lenders; in short, to make it "bankable."



“What I am most proud of is that we have improved the livelihood of our farmers. Now they are able to get good housing, food and medical care. None of our farmers fail to send their children to school.”

Jackson Katangole, Chairperson, Abesigana Kashari Dairy Farmers Co-operative Society.

Multi-purpose Parking Structure:

Construction of this structure, located near Uganda's border with Kenya, involves a partnership between the Busia Municipal Council, Church of Uganda and Agility/White Nile Real Estate Ltd., with support from LFI and the Ministry of Local Government. The problem being addressed was heavy traffic jams due to the daily passage through Busia of some 700 lorries from Kenya, Rwanda, Democratic Republic of Congo and Sudan, resulting in land and air pollution in the town. With a place to park and refuel, the structure contributes to greater transport efficiency, increased trade and a cleaner environment in Busia. LFI assistance involved identifying a private partner to collaborate on the project and explaining to all partners the value of public-private partnerships and how they work.



“Through our project we are already creating more jobs in our community and increasing revenue for Busia Municipality. We have definitely contributed to creating order in Busia... I’m so proud of this project because I believe it will change the lives of the people of Busia.”

Wycliffe Chimuluwa, Principal Account, Busia Municipality.

Fruit Juice Processing Located in northern Uganda (Nwoya), this project combines an economic goal with a social purpose. It involves a new fruit juice production facility that will utilize fruit grown by returning internally displaced people, assisting them to resettle and earn a living. The lead partner, Delight, Ltd., sought support to provide returnees with land, seeds, fertilizer and tractors to plant the initial mango and orange trees. LFI assisted by bringing together other public and private partners capable of providing different forms of support for this effort, such as seedlings and training in fruit production. The project aims to provide a sustainable livelihood option for 56,000 formerly internally displaced people, of whom 75 per cent are women and youth, in addition to some 200 full-time jobs at the processing facility. Nwoya Municipality found land for the farm and provided a soft loan for the project developer to assist her with outreach to small farmers.



“Promoting partnerships and local economic development is the goal of decentralization of our government. Nwoya is committed to transform its community.”

Moses Segoya, Chief Administrative Officer,
Nwoya District Local Government.

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