

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

2ND CALL FOR PROPOSAL - JULY 2019

Background

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 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 33 districts in Northern Uganda with a total population of 7 million. With respect to this call, UNCDF is focusing on improving access to finance for SMEs engaged in agricultural value addition 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: PSFU, UNCDF and UDBL respectively. Financial Products available under the START facility include; Concessional Loans (interest between 10-12%), Zero Interest Loans, Technical Assistance Grants and Project-based Partial Guarantees.

2nd Call for Proposal (CIP)

Through the 2nd CIP, START Facility is inviting proposals for commercially viable investment projects focused on agro-processing / value addition e.g. processing plants, storage facilities and any other agricultural value addition projects.

Priority will be given to projects that contribute to economic empowerment of women and youth development of Refugee Hosting areas as well as to projects that aim at reducing environmental risks and ecological scarcities.

Services offered by the START Facility to project developers

1) Business Development Services

a. Support in development of grant/concessional loan applications, Legal support, Technical and management training.

2) Project preparation and development services

a. Targeted technical project development and financing support to project developers (e.g. enhanced project documentation, due diligence and financial structuring).
b. Preparation of project investment documents in the format acceptable to commercial banks and investors.
c. Provision of project development grants, credit enhancements/guarantees.

3) Financial services - link developers to financial institutions and investors

a. Preparation and issuance of term sheets & loan agreements.
b. Issuance and administration of concessional loans.
c. Leveraging funds from other commercial and development finance institutions.
d. Monitoring and management of concessional loan servicing and repayments.

Geographical coverage of START Facility

The geographic coverage for START is aligned with the geographic coverage of DINU and comprises 33 districts in Northern Uganda as indicated below. START will support development and financing of capital-intensive agricultural projects promoted by small and medium businesses that add value in storage and processing of agricultural produce. START will take into account the impact of the complementary activities for food production and commercial agriculture.

The 33 eligible districts for the START Facility

Region	Districts covered
Karamoja	Abim, Amudat, Kaabong, Kotido, Moroto, Nakapiripirit, Napak
Acholi	Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya, Omoro, Pader
Lango	Alebong, Amolatar, Apac, Dokolo, Kole, Lira, Otuke, Oyam
Teso	Amuria, Katakwi
West Nile	Adjumani, Arua, Koboko, Maracha, Moyo, Nebbi, Yumbe, 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

Dimension	Criteria
Size of financing requirement	<ul style="list-style-type: none"> Capital expenditure required must be at least 75% and above of project budget. 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

Dimension	Criteria																
Sector	<ul style="list-style-type: none"> 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. 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 																
Project characteristics	<ul style="list-style-type: none"> 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) 																
Technology employed	<ul style="list-style-type: none"> 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 																
Developer/Applicant	<ul style="list-style-type: none"> 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 																
Economic and social impact	<ul style="list-style-type: none"> Development of the local food supply chain Improved quantity and quality of local food production Improved effectiveness of local food markets Improved position of women and young people in the local food supply chain Local economic impact <ul style="list-style-type: none"> Increase in locally retained monies Increase in household revenues Increase in demand for local primary production Improved local resilience and adaptation to climate change Transformative impact <ul style="list-style-type: none"> Increase in the added value of a product created locally Application of new technologies No adverse social and environmental impacts (see Section 5.1 for more details) 																
Developer's equity contribution	<p>The equity contribution is mandatory and may come in a variety of forms (e.g. land, plant & equipment, not only cash). This requirement should be considered in light of the very generous collateral requirement of START due to collateralization of future financial flows. If the equity contribution is produced 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.</p> <p>The table below provides a non-exhaustive overview of assets and other products that may be considered as part of the equity contribution.</p> <table border="1"> <thead> <tr> <th>Physical assets</th> <th>Other products</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> Land Buildings Machinery and equipment Vehicles (incl. motorcycles) </td> <td> <ul style="list-style-type: none"> Feasibility studies Training and skilling of personnel Management systems complete with required software and equipment (databases, accounting, planning, etc.) Patents Trademarks </td> </tr> </tbody> </table>	Physical assets	Other products	<ul style="list-style-type: none"> Land Buildings Machinery and equipment Vehicles (incl. motorcycles) 	<ul style="list-style-type: none"> Feasibility studies Training and skilling of personnel Management systems complete with required software and equipment (databases, accounting, planning, etc.) Patents Trademarks 												
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Eligible Costs	<p>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.</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>Project development costs (feasibility studies, business plan development, financial modelling, etc.)</td> <td>Up to 10% of the total project costs</td> </tr> <tr> <td>Capital costs</td> <td>Up to 75% of the total project costs</td> </tr> <tr> <td>1) Land (purchase or rent)</td> <td>• Not eligible</td> </tr> <tr> <td>2) Machinery and equipment</td> <td>• Eligible only if direct costs to the project.</td> </tr> <tr> <td>3) Construction works</td> <td>• Eligible only if direct costs to the project.</td> </tr> <tr> <td>4) Specialized vehicles, e.g. milk tankers)</td> <td>• Eligible only if direct costs to the project.</td> </tr> <tr> <td>5) Furniture and fittings</td> <td>• Eligible only if direct costs to the project</td> </tr> </tbody> </table>	Category	Comment	Project development costs (feasibility studies, business plan development, financial modelling, etc.)	Up to 10% of the total project costs	Capital costs	Up to 75% of the total project costs	1) Land (purchase or rent)	• Not eligible	2) Machinery and equipment	• Eligible only if direct costs to the project.	3) Construction works	• Eligible only if direct costs to the project.	4) Specialized vehicles, e.g. milk tankers)	• Eligible only if direct costs to the project.	5) Furniture and fittings	• Eligible only if direct costs to the project
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Dimension	Criteria
	<ul style="list-style-type: none"> Non-capital costs 1) Pre-award costs 2) Fines & penalties 3) Advertising & fundraising 4) Entertainment 5) Debts and provision for losses 6) Training and skilling 7) Working capital
	<p>Upto 25% of Total project budget</p> <ul style="list-style-type: none"> Not eligible Not eligible Not eligible Not eligible Not eligible Eligible only if direct costs to the project. 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.

Planned information sessions / workshops

No.	Region	Venue & District	Date	Time
1	Karamoja	Mt.Moroto Hotel Moroto	16th July 2019	9:00am-12:00pm
		Kaabong Resort Kaabong	18th July 2019	9:00am-12:00pm
2	Teso	Soroti Hotel Soroti	25th July 2019	9:00am-12:00pm
3	Lango	Mayov Hotel Apac	31st July 2019	9:00am-12:00pm
		Margeritah Hotel Lira	1st August 2019	9:00am-12:00pm
4	Acholi	Acholi Inn Gulu	7th August 2019	9:00am-12:00pm
		Sky Center Nwoya	8th August 2019	9:00am-12:00pm
5	West Nile	Premier Hotel Yumbe	14th August 2019	9:00am-12:00pm
		Desert Breeze Arua	15th August 2019	9:00am-12:00pm

Please note that you are not required to participate in the session in order to submit a proposal. This is merely a service provided by the START facility team.

How to Apply for START Facility Support

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

- Application forms must be submitted using the Call for Proposal Submission Form. The **Submission Form (Word version)** will be available for download by interested companies on PSFU website www.psfuganda.org.ug and UNCDF Website www.uncdf.org. Applicants should strictly adhere to the format of the application form and fill in the paragraphs and the pages required in order.
- Applicants should provide budget and all other figures in Uganda Shilling and if possible as round figures.
- Applicants **MUST** submit their Project proposal in English language only.
- Application forms 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.
- The word submission form must be submitted electronically in their original format (Word) to the email address: cfpstart@psfuganda.org.ug and cfp.start@uncdf.org with the subject line "START APPLICATION".
- Any supporting documentation must be submitted as separate documents to the same email address
- Only one application form per entity and per proposal will be accepted.
- Any significant errors or any major inconsistency in the submission forms may lead to the rejection of the proposal.

Important Notice

- Deadline for submission:** The deadline for submission of the investment proposals is **30th September 2019 at 11:59PM**.
- Please note:** Applicants who do not submit the word submission template in its original format within the deadline will not be considered, and successful applicants will be contacted after the deadline.
- Please, **do not delete any section of the application form** even if it's not applicable to your project.
- Successful longlisting:** START Team will endeavour to inform Successful and Unsuccessful applicants for the longlisting by **15th November 2019**. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
- Successful shortlisting:** START Team will endeavour to inform Successful and Unsuccessful applicants for the shortlisting by **31st December 2019**. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
- Inquiries:** For additional inquiring about the application process please send your inquiry to: cfpstart@psfuganda.org.ug and cfp.start@uncdf.org with the subject "INQUIRY".
- Acknowledgement of receipt:** START Team will acknowledge receipt of your email by replying to the email address from which the application was sent. Please ensure that you receive the acknowledgement receipt after submission of your proposal.
- 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 please contact Mr. Daniel Kisekka at dkisekka@psfuganda.org.ug and Mr. Deus Tirwakunda at deus.tirwakunda@uncdf.org