



The European Union's European Development Fund  
for Uganda

## Secretariat of the Sustainable Business for Uganda (SB4U) Platform (FED/2021/430-415)



### FINAL REPORT

*Terms of Reference for a consultant to prepare a paper on governance, accountability and performance of Government and EU funds for private sector use (ToR 030)*

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## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

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### List of Abbreviations and Acronyms

|              |                                                           |
|--------------|-----------------------------------------------------------|
| <b>ACF</b>   | Agricultural Credit Facility                              |
| <b>DINU</b>  | Development Initiative for Northern Uganda                |
| <b>EIB</b>   | European Investment Bank                                  |
| <b>EU</b>    | European Union                                            |
| <b>FAO</b>   | Food and Agriculture Association                          |
| <b>GoU</b>   | Government of Uganda                                      |
| <b>IFAD</b>  | International Fund for Agricultural Development           |
| <b>MSME</b>  | Micro, Small and Medium Enterprise                        |
| <b>PDM</b>   | Parish Development Bank                                   |
| <b>PFI</b>   | Participating Financial Institutions                      |
| <b>SBRF</b>  | Small Business Recovery Fund                              |
| <b>START</b> | Support to Agricultural Revitalization and Transformation |
| <b>UDB</b>   | Uganda Development Bank                                   |
| <b>UGEFA</b> | Uganda Green Enterprise Finance Accelerator               |
| <b>UNCDF</b> | United Nations Capital Development Fund                   |

## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

### 1. Executive Summary

The private sector in Uganda is the engine of growth that creates jobs and pays taxes that finance service delivery<sup>1</sup>. In Uganda, it generates 70% of formal jobs, contributes 80 percent of GDP, funds 60 percent of all investments and 80 percent of all government revenue. It is dominated Micro, Small and Medium Enterprises (MSMEs)<sup>2</sup>. However, MSMEs face numerous challenges including the lack of access to affordable financial services, particularly for women-owned enterprises. To address this problem, the Government of Uganda and the European Union (EU) put in place financing mechanisms to be accessed by locally based private enterprises, including MSMEs for investment purposes. While some enterprises have taken advantage of these opportunities, the uptake is reported to be below expectation.

This paper was therefore commissioned by the Sustainable Business for Uganda (SB4U) Platform secretariat to examine all the major Government of Uganda and European Union funding mechanisms, whether concessional or not in order to assess their governance, accountability, and performance. The paper was prepared using qualitative research techniques, including: literature review, Key Informant Interviews and Focus Group Discussions.

The key findings are the following: The European Union relies on several blended financing facilities to support the private sector in Uganda. The major ones include: **the Uganda Green Finance Accelerator** - a blended finance initiative aimed at increasing the flow of green finance into Ugandan small and medium-sized enterprises; **AgriInvest** - a blended finance facility which leverages public funding to attract sustainable private investments in the agrifood sector in Uganda; **the Support to Agricultural Revitalization and Transformation (START) Facility** - a blended finance facility which provides concessional and zero interest loans, technical assistance grants and partial credit guarantees; **EDFI AgriFI, the EU Agriculture Financing Initiative** - an impact investment and blended facility that unlocks, accelerates and leverages sustainable investments in women-led micro, small and medium-sized agri-enterprises (MSMEs); **the EU Blended Finance Facility in aBi Finance** - to support up to 182,000 small-scale agricultural producers per year; **the EU-Uganda Development Bank ShellInvest Partnership** - that seeks to boost gender equality, through supporting women entrepreneurs; **the Electrification Financing Initiative (ElectriFI) Country Window for Uganda** - an impact investment blending facility that finances early-stage enterprises businesses that are unlocking access to clean energy; **the Yield Uganda Investment Fund** that targets the “missing middle” and socially impactful agri-Small and Medium-sized Enterprises through equity, quasi-equity and debt funding; **the Deal Flow Facility** - a technical assistance and matching facility, and EIB Global-which has partnered with various financial institutions to finance private sector businesses in Uganda.

On the Government of Uganda side, the key funds are the: **the Agricultural Credit Facility (ACF)** - which was set-up to catalyze the commercialization of Agriculture through the provision of medium- and long-term financing to businesses that are engaged in farming, agro-processing, farm modernization and agricultural mechanization; **the Small Business Recovery Fund (SBRF)** - established to resuscitate Micro, Small and Medium-Sized Enterprises that were negatively affected by the COVID-19 pandemic; **the Uganda Development Bank COVID-19 Stimulus Package for businesses** - aimed at supporting the production, processing and manufacturing of essential items in order to ensure that the country is resilient in the face

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<sup>1</sup> National Planning Authority, 2020, p. 117

<sup>2</sup> National Planning Authority, 2020, p. 118

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of disruptions to global supply chains; **the Presidential Initiative on Wealth and Job Creation (Emyooga)** whose goal is to transform homesteads from subsistence to market-oriented production so as to create jobs and boost household incomes; **the Uganda Women Entrepreneurship Programme (UWEP)** which is aimed at improving access to financial services for women and equipping them with skills for enterprise growth, value addition and marketing their products; **the Parish Development Model** which is a new development model that is aimed at deepening the decentralization process, improving household incomes, enabling equitable socio-economic development; and **the Youth Livelihood Programme (YLP)** which seeks to address the high unemployment rates in the country.

The EU has opted for blended financing models of financing through partnerships with the Uganda Development Bank, private equity firms or mainstream financial institutions. Whereas the conditions for accessing these funds are well publicized, their performance is not. Overall, however, EU funds have been impactful and appear to be managed more professionally than GoU funds. The EU on its part has also expressed satisfaction with their performance. A key recommendation is to improve the dissemination of the impact of these facilities on the private sector in Uganda.

On the Government of Uganda side, the low uptake of funds is attributable to limited awareness, stringent conditions, political interference and borrower deficiencies, among others. Of all GoU programmes, comprehensive reports could only be accessed for the two under Bank of Uganda's management.

Therefore, it is recommended that: there is greater transparency in the management of private sector funds, both at the conceptualization and implementation stages; deliberate efforts are made to improve awareness about these funds among the intended beneficiaries; politics is divorced from fund management; intended beneficiaries and other stakeholders are informed of the performance of these funds; financing is coupled with Business Development services; financing is made more gender sensitive; and synergy among funds is promoted.

## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

## 2. INTRODUCTION

### 2.1 Context of private sector/MSME financing in Uganda

According to the National Development Plan III, the private sector is the engine of growth that creates jobs and pays taxes that finance service delivery<sup>3</sup>. In Uganda, it generates 70% of formal jobs, contributes 80 percent of GDP, funds 60 percent of all investments and 80 percent of all government revenue. Uganda's private sector is dominated by the close to 1.1 million Micro, Small and Medium Enterprises (MSMEs)<sup>4</sup>.

However, MSMEs face numerous challenges which constrain their growth. Prominent among these is the lack of access to affordable financial services, particularly for women-owned enterprises. The commercial banking sector did not prioritize MSMEs for financing in the past due to the challenges of: lack of collateral; lack of credit history; inadequate business skills or financial literacy; and high interest rates. However, this is changing. For instance, in 2019, the financial sector provided an estimated UGX 6.1 trillion (\$1.7 billion) in financing to MSMEs<sup>5</sup>. Even then, bank lending to MSMEs remains limited in comparison to overall loan portfolios. This is due to the fact that financial service providers find MSMEs to be risky and find the cost of providing credit to them too high relative to their average loan amounts<sup>6</sup>.

### 2.2 The Sustainable Business for Uganda (SB4U) Platform

The Sustainable Business for Uganda (SB4U) Platform was established as a result of the partnership between the EU, the Government of Uganda (GoU), and the Private Sector Foundation Uganda (PSFU), funded by the European Union (EU). SB4U aspires to provide a platform for dialogue between public and private actors, improve the investment climate, and strengthen trade and investment links between the EU and Uganda<sup>7</sup>. Since the SB4U Platform is concerned about promoting an increased level of private-sector investment and trade between domestic and EU businesses; it is imperative that it develops a shared understanding of the performance of various government and EU private sector funds and their effectiveness. Both the Government of Uganda and the EU have established financing mechanisms to be accessed by locally based private enterprises, including MSMEs for investment purposes. While some enterprises have taken advantage of these opportunities, the uptake is reported to be below expectation. This low uptake may be due to complexities in accessing the funds and in governance and transparency issues surrounding the funds. This situation is contributing to low levels of uptake of new investments by private companies and in retarded realization of government priorities in for example, value addition, export expansion and employment creation.

Some of the prominent funds include the following: The Small Business Recovery Fund (SBRF) established by the Government of Uganda to support the recovery of MSMEs that were negatively impacted by COVID-19. The Fund partners with Commercial Banks, Microfinance Deposit taking Institutions (MDIs) and Credit Institutions across Uganda to provide low interest loans to MSMEs (interest rates should not exceed 10%). The Government of Uganda has also established the Agricultural Credit Facility (ACF), Emyooga, the Uganda Women Entrepreneurship Programme and the Youth Livelihoods Fund, among others. In most of

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<sup>3</sup> National Planning Authority, 2020, p. 117

<sup>4</sup> National Planning Authority, 2020, p. 118

<sup>5</sup> International Finance Corporation, 2021

<sup>6</sup> *Micro, Small and Medium Enterprises*, 2023

<sup>7</sup> SB4U. (2023). *Terms of Reference for a consultant to prepare a paper on governance, accountability and performance of Government and EU funds for private sector use.*

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the cases, uptake of these funds has been very low. On its part, the EU has also established or financed the establishment of various funds. These include: The Support to Agricultural Revitalization and Transformation (START) Facility, the Uganda Enterprise Finance Accelerator (UGEFA) which is implemented by Adelphi research, Finding XY and SEED, the Yield Uganda Investment Fund through the International Fund for Agricultural Development (IFAD) in collaboration with NSSF, as a partnership between public and private investors to offer innovative and tailored financial solutions to MSMEs such as: equity, semi-equity and debt.

### 3. OBJECTIVE AND RATIONALE OF THE PAPER

This paper is aimed at examining all the major Government of Uganda and European Union funding mechanisms, whether concessional or not in order to assess their governance, accountability, and performance. The paper provides the much-needed evidence for instituting measures to improve the implementation performance of current mechanisms and the design of future ones.

### 4. METHODOLOGY OF PREPARING THE PAPER

#### 4.1 Study approach

This assignment was primarily undertaken using qualitative research techniques, including:

**Literature/Document Review-** Firstly, a number of key documents, publications, reports, websites, books that discuss the implementation of the various GoU and EU funding mechanisms were reviewed. The notable ones include: performance reports and publications about the START Facility, Development Initiative for Northern Uganda (DINU) programme, the Small Business Recovery Fund, the Deal Flow Facility, the YIELD fund, the UWEP programme etc. The consultant also reviewed performance reports submitted to the EU by the implementing partners. Through this review, the consultant sought to understand the objectives, governance, accountability and performance of each of these initiatives.

**Key Informant Interviews-** In addition to the review of documents, Virtual/Physical Key informant interviews were organized with a few managers of these funds, Government Officials, staff at Financial Institutions, representatives of Business Support Organizations and relevant staff at the EU delegation in Uganda. The purpose of these engagements was to further understand the objectives of these funds and the governance/accountability mechanisms that were put in place to ensure that the stated goals are attained. A list of key stakeholders that were engaged is annexed to this report.

**Focus Group Discussions-** Finally, a virtual Focus Group Discussion was held with 12 MSMEs. The consultant endeavored to have a mix of those who have benefitted from the funds and those who have not. The goal was to assess what those that benefitted got right and what those that failed, missed.

#### 4.2 Limitations

All key findings of this paper are indicative, as the MSMEs interviewed are not representative of the population of interest. In addition, the limited timeframe (only 20 days), made it difficult to comprehensively study this subject. Finally, all the primary data that informed this study was self-reported by respondents and is therefore subject to a degree of bias.

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### 5. OVERVIEW OF KEY EU PRIVATE SECTOR FUNDS

#### 5.1 Uganda Green Finance Accelerator (UGEFA)

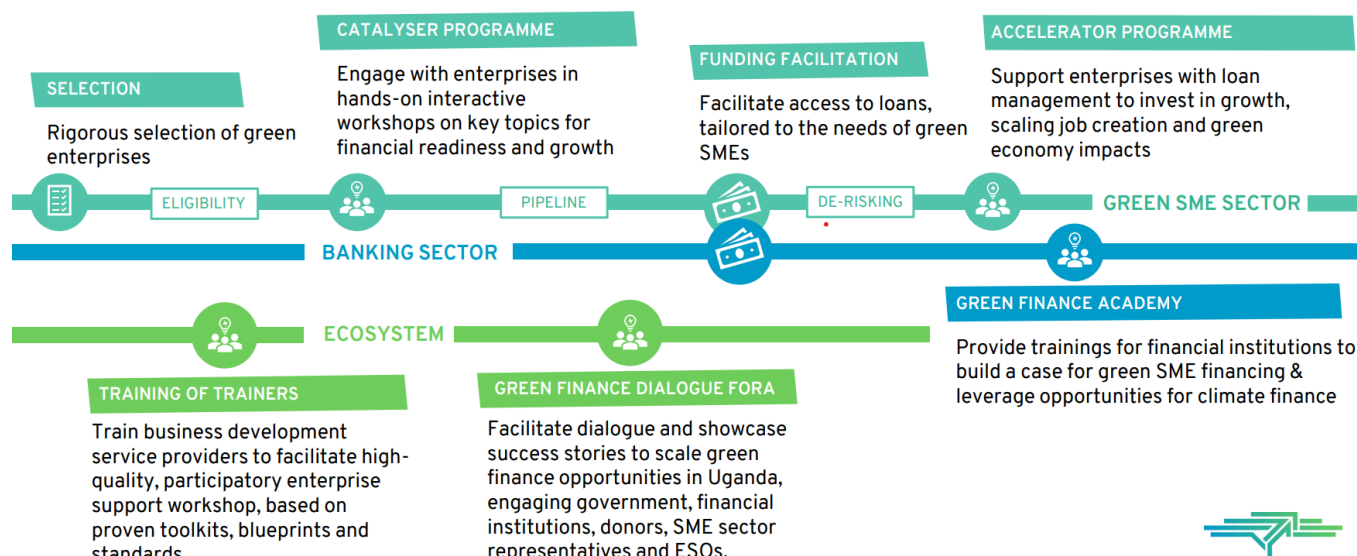
The Uganda Green Finance Accelerator is a four-year blended finance initiative funded by the European Union and implemented by adelphi and Finding XY. UGEFA seeks to make available at least 6.1 million United States Dollars in Debt Financing to at least 200 green SMEs in different sectors of the economy. Ultimately, UGEFA seeks to create at least 1,800 jobs in green sectors in Uganda. UGEFA seeks to unlock green finance into Ugandan small and medium-sized enterprises<sup>8</sup>, through facilitating tailored loans and direct acceleration support. The general objectives of UGEFA are:

- Fostering professionalization and access to finance for scale up of selected green and inclusive MSMEs.
- Supporting green and inclusive MSMEs in amplifying their environmental, social and economic impact.
- Promoting conditions conducive for green and inclusive MSMEs to become the spearheads of green growth in Uganda.

UGEFA is motivated by the belief that green SMEs can play an invaluable role in tackling environmental and social challenges through eco-innovation and sustainable production. UGEFA primarily intervenes on the demand side by improving the bankability of green SMEs through offering them business development support<sup>9</sup>. On the supply side, UGEFA facilitates the provision of debt finance to green SMEs by co-creating opportunities with Financial Service Providers and tailoring loans to green business models and technologies.

#### **The UGEFA Model**

Figure 1: The UGEFA Model



Source: Uganda Green Enterprise Finance Accelerator, 2023

<sup>8</sup> Uganda Green Finance Accelerator, 2023

<sup>9</sup> Adelphi, 2020

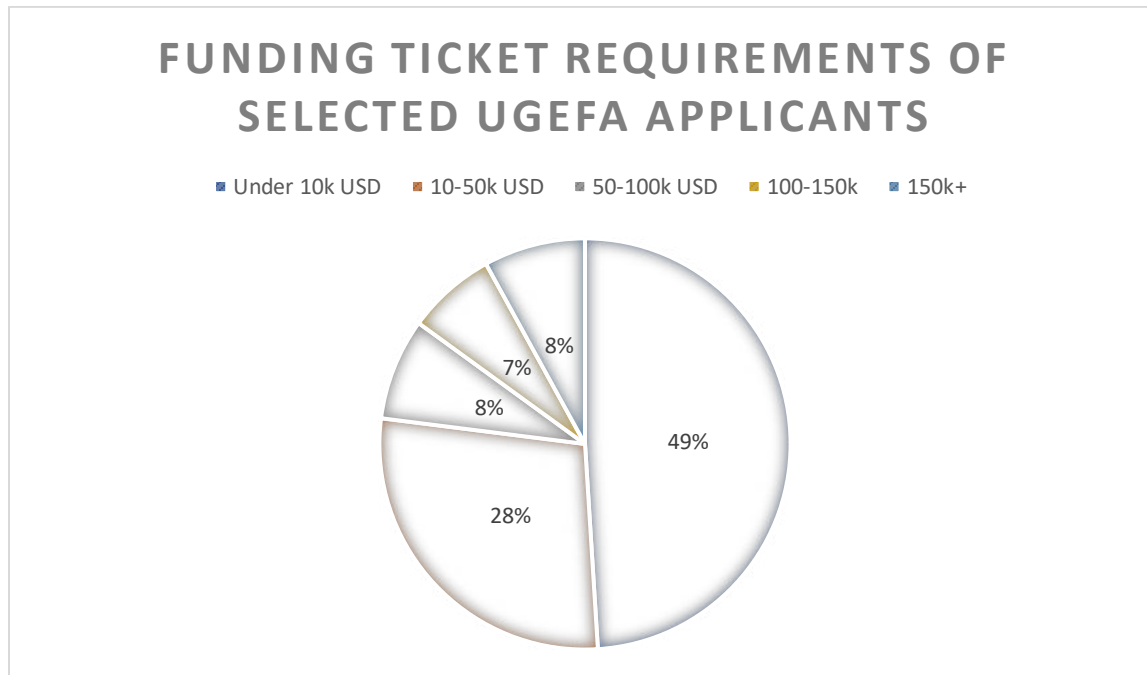
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UGEFA has supported SMEs in green sectors through a four-stage process:

- Stage 1: Selection

Since inception, UGEFA has issued six (6) Calls for Application across Uganda. In total, 2,688 applications were received. Of these, 206 were selected.

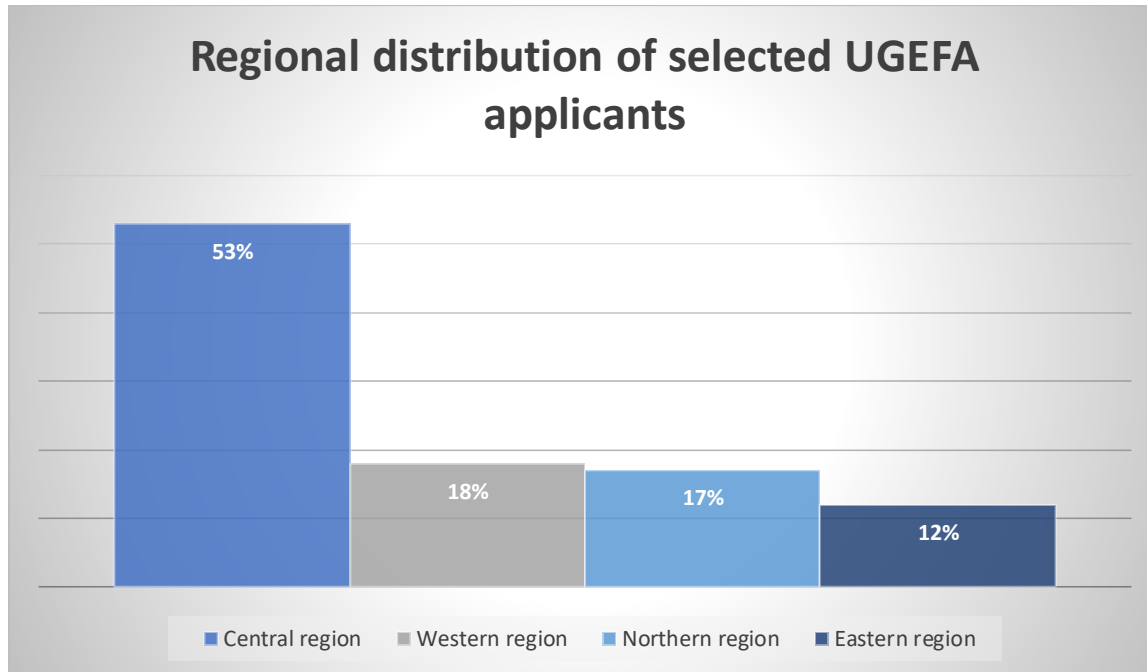
*Figure 2: Funding ticket requirements of selected UGEFA applicants*



It is evident that the majority of the applicants 49% require less than 10,000 United States Dollars. This may indicate that the majority of the green enterprises are either still micro or small. 53% of all the applications were from the Central region, followed by 18% from the Western region, 17% from the Northern region and 12% from the Eastern region.

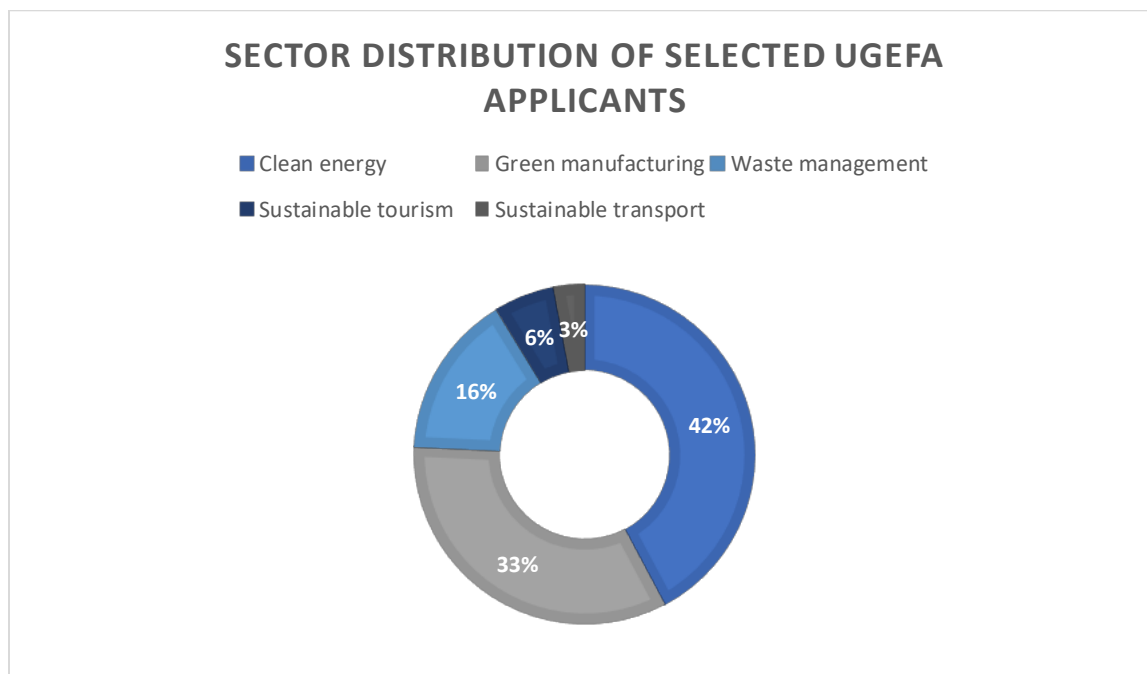
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Figure 3: Regional distribution of selected UGEFA applicants



Out of these, 206, green enterprises were selected across five sectors, namely: Transport, Tourism, Waste Management, Manufacturing and Energy.

Figure 4: Sector distribution of selected UGEFA applicants



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- Stage 2: Catalyzer Programme

Under the Catalyzer Programme, the selected green enterprises receive 16 months of targeted business development support to refine their business and financial plans and to develop key documents which support the enterprise's loan application, such as: the business plan, the financial plan (including financial statements, financial projections and contingency plans) and an investment plan. At the core of the Catalyzer programme is a 12 days group-based in-person workshop. So far, 6 catalyzer programmes have been implemented.

- Stage 3: Funding facilitation

At this stage, enterprises are supported to access loans from various financial institutions. Some of the banks that UGEFA currently works with include: Equity Bank, Yako Bank, Opportunity Bank, Stanbic Bank, DFCU bank, NCBA Bank. Of the 206 enterprises, 194 were selected to hand in applications and 39 green loans were facilitated. The loan ticket size was €64,000. In total, grants of €828,806.71 were extended and debt finance of €2,494,578.68 was unlocked.

- Stage 3: Accelerator Programme

At this stage, enterprises are supported with loan management in order to invest in their growth, scale job creation and create green impact. The businesses go through one of two tracks: the post investment support track and the investment strategy track. Those enterprises whose loan applications receive 9 additional months of support aimed at enabling them to absorb the loan finance, implement the investment project, guarantee a successful repayment and create green jobs. Those enterprises whose application were unsuccessful, are supported to review their collateral and investment plan. They also benefit from a workshop to explore additional financing routes. In total, 47 enterprises have received support under the Accelerator Programme.

In addition to the direct support to green enterprises, UGEFA is undertaking additional ecosystem level interventions through: the Green Finance Academy, the Training of Trainer workshops and Green Finance Dialogue For a.

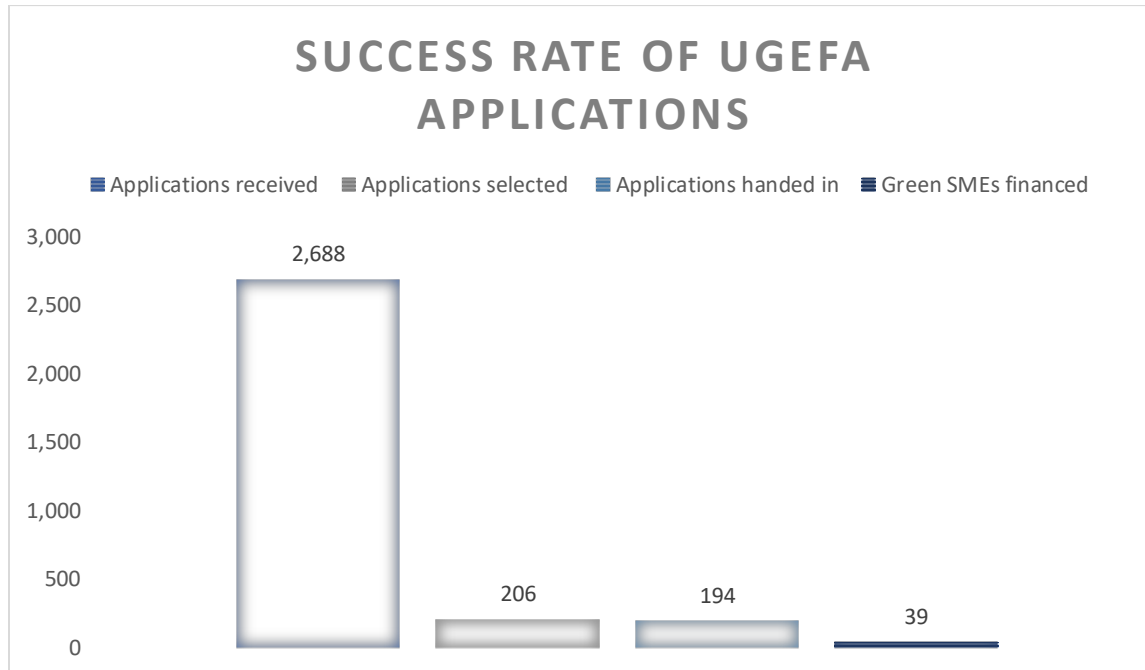
The Green Finance Academy is aimed at supporting the banking sector in Uganda to gain an understanding of green finance, explore options of financing green enterprises and develop new financial products targeting green SMEs. In the 01<sup>st</sup> training for the Green Finance Academy, 49 staff from 11 banks were represented. Additionally, 2 Training of Trainer (ToT) workshops were organized for Business Development Service Providers were organized. 52 BDS providers attended the training. Finally, UGEFA organized Green Finance Dialogue Fora. 313 stakeholders attended this dialogue.

### 5.2 The impact of UGEFA

By October 2023, UGEFA had unlocked a total of UGX 9.2 billion in debt finance, with an average ticket size of 242 million. According to the beneficiaries, 65% of the SMEs accessed new markets, 41% reported serving new customer segments, 99% continue to be in operation and 78% made new partnerships.

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Figure 5: Success rate of UGEFA applicants



Based on the above data, UGEFA has had an overall success rate of 1.45%. This is not unlike the existing financing mechanisms. Therefore, it is important that mechanisms are designed to ensure that more green businesses are actually financed through UGEFA. That said, UGEFA has had positive spill over effects in the SME Green Financing and BDS Ecosystem, through the Green Finance Academy and ToTs for BDS Providers.

### 5.3 AgrInvest

AgrInvest, is a blended finance initiative of the Food and Agriculture Organization of the United Nations (FAO) and the European Union, which leverages public funding to attract sustainable private investments in the agrifood sector in Uganda<sup>10</sup>. The initiative is supporting the Uganda Development Bank (UDB) to increase its agri-food lending portfolio<sup>11</sup>. FAO and the EU are convinced that if agrifood systems are productive, resilient and inclusive, then it becomes easier to create decent jobs, particularly for women and to reduce malnutrition and hunger. The five components of this facility are: supporting UDB to build its pipeline in agriculture, enhancing UDB's appraisal capacity for agri-food loans, promoting the adoption of digital finance innovations, encouraging additional innovations, specifically, in the area of big data analysis and facilitating policy dialogue<sup>12</sup>.

As earlier mentioned, AgrInvest is prioritizing enhancing UDB's capacities to identify, appraise and finance viable, environmentally friendly and SDG-aligned investments in agriculture. Additionally, it seeks to make food value chains attractive for UDB credit with an emphasis on derisking and technical assistance. Some of the expected outputs of AgrInvest include: increased UDB Pipeline in Agriculture, enhanced UDB capacity in Loan and Investment Appraisal, improved UDB sustainability framework in terms of social and

<sup>10</sup> Food and Agriculture Organization & Uganda Development Bank, 2020

<sup>11</sup> Dairy Development Authority, 2023

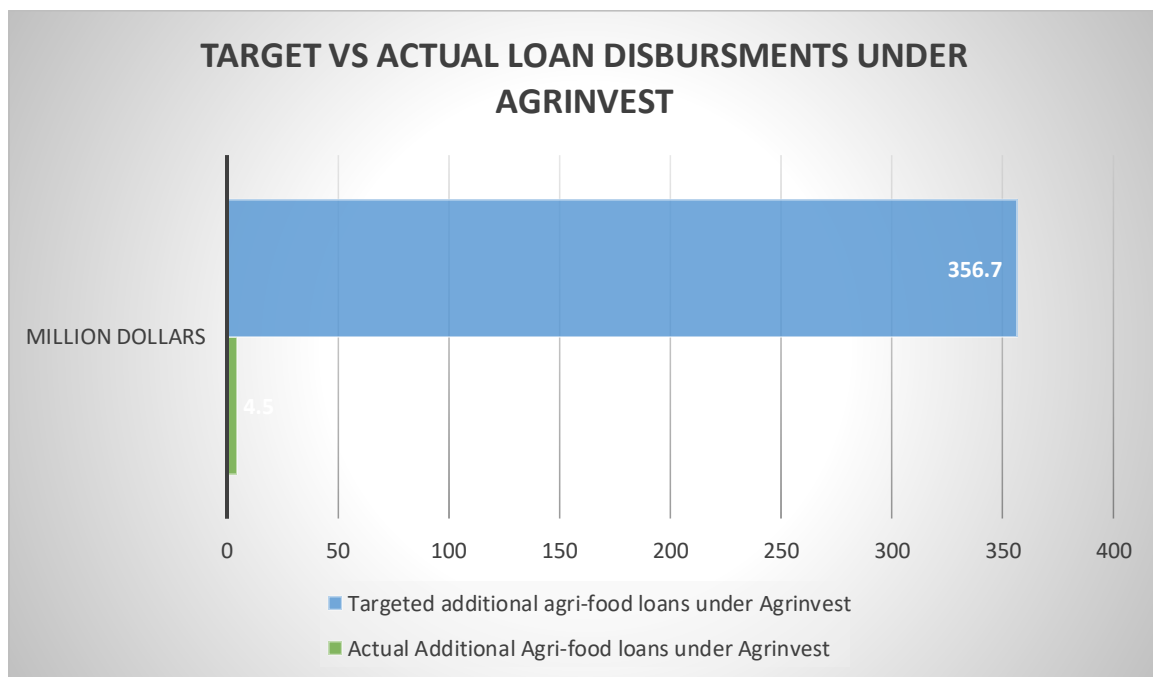
<sup>12</sup> SB4U secretariat. (2022). Overview of EU Access to Finance facilities

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environmental aspects, selected innovations prepared for rollout in UDB operations and technical assistance and capacity building provided to VC actors.

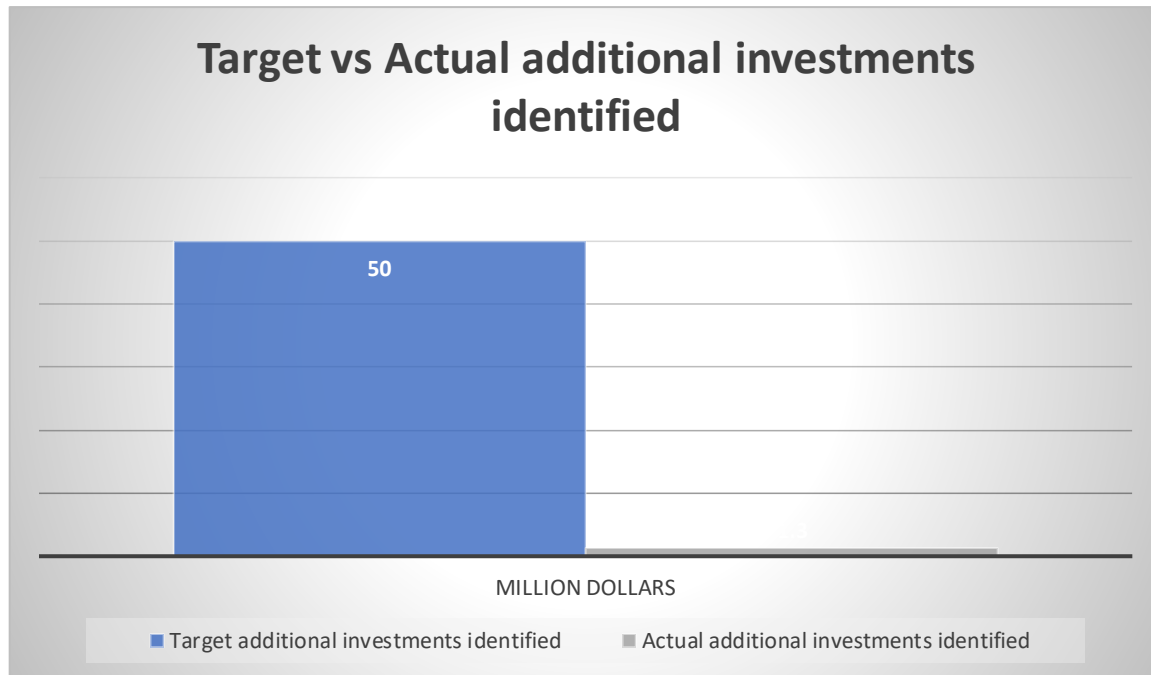
As a result of this Agrinvest, UDB's capacities to identify, appraise and finance viable, environmentally friendly and SDG aligned investments have been enhanced. In particular, UDB's capacity to use the E&ESS framework and GHG accounting tools as well as its ability to align its due diligence process with SGG principles has been improved. Furthermore, UDB has been oriented in the utilization of FAO developed tools like the Ex-Ante Carbon Balance Tool (EX-ACT) and the Global Livestock Environmental Assessment Model interactive (Gleam-i) in assessing the greenhouse gas emissions and carbon balance of loan applications in the agri-food sector. Finally, the initiative focused on improving the internal capacities of UDB staff to use digital technologies in profiling clients, assessing risks based on geodata and delivering loans through digital payment systems.

As a result, of Agrinvest, additional loans in Agriculture of approximately UGX4.5 million were issued versus a target of UGX 356.7 million. Furthermore, additional investments of US\$ 1.3 million were identified versus the target of US\$ 50 million. 3 existing agricultural finance products were modified<sup>13</sup>.



<sup>13</sup> Uganda Development Bank, 2023,

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A quick assessment of Agrinvest's impact is the following: Although there are some noticeable achievements, particularly, in the approaches and tools that UDB uses to appraise agri-food loan applications and the deployment of big data to better inform lending decisions; only a few additional agri-food loans were issued, as a result. Indeed, on this metric, the programme met its target by 1.26%. Similarly, there was limited progress in building an Agri-food lending pipeline, as only a few additional projects of about US\$ 1.3 million were identified. That said, Agrinvest's impact will only become evident, long-term as it is focusing on catalyzing systemic changes in the way UDB identifies, appraises and finances the agri-food sector.

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

The Support to Agricultural Revitalization and Transformation (START) is a blended finance facility that seeks to improve access to finance for small and medium enterprises engaged in agricultural value addition in Northern Uganda, through providing concessional and zero interest loans, project-based credit guarantees and pre & post investment technical assistance grants. The START facility seeks to support the implementation of the Development Initiative for Northern Uganda (DINU) programme's food security and nutrition component by providing affordable mid-term finance for value adding projects to promote supply of diversified food options in the northern region. DINU is funded by the European Union and coordinated by the Office of the Prime Minister.

### 5.5 How the START facility works

In response to a Call for Proposals, SMEs submit proposals which go through a first screening, second screening and a due-diligence/impact assessment. At each of these stages the applicants receive Business development support. Obviously, some proposals are rejected along the way. Those that successfully go through this process are recommended to develop a full proposal, for funding purposes. Once these recommendations are approved by the management board of the facility, the proposals are submitted to

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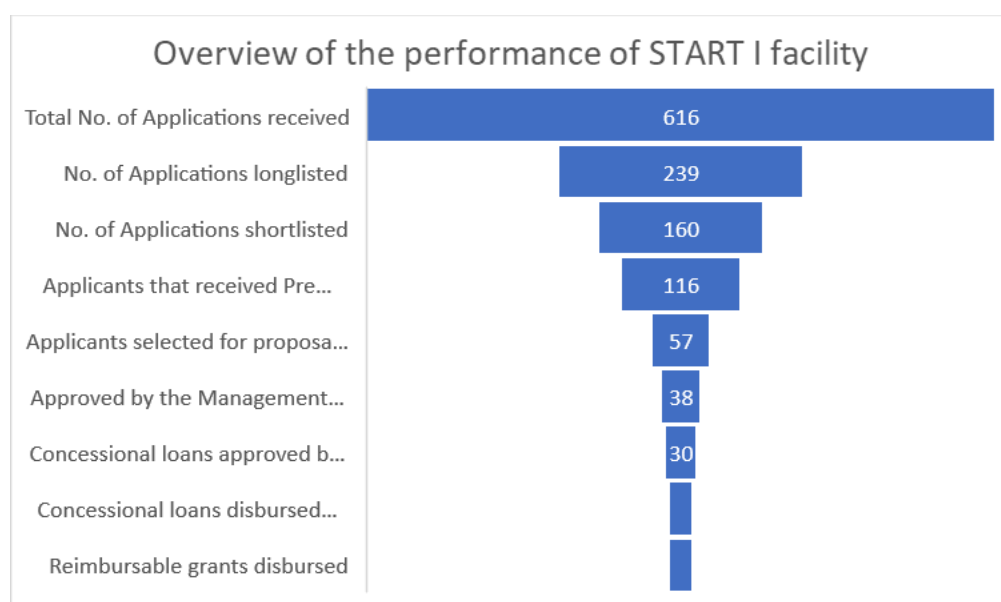
UDB. The concessional loans are first approved, then disbursed either fully or partially by UDB. The reimbursable grants are disbursed by UNCDF. After receiving financing, the enterprises continue to benefit from post-investment support.

Figure 6: How the START facility works



## 5.6 The impact of the START 1 facility

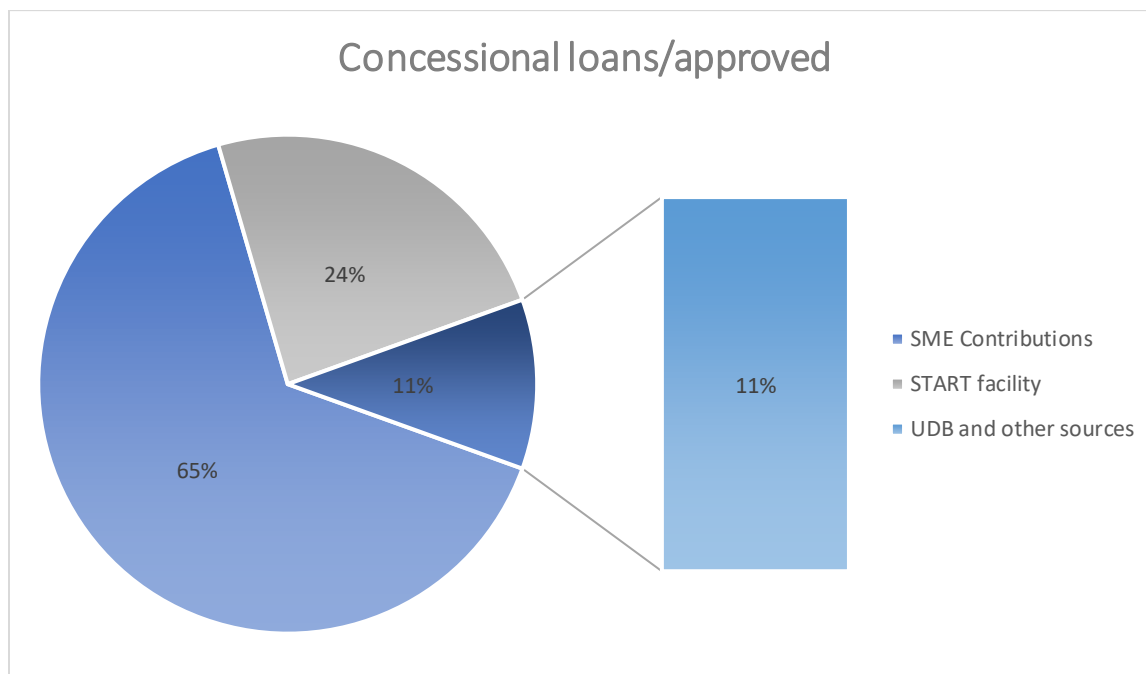
Figure 7: Overview of the performance of the START I facility



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The following are a few results of the facility: 3 calls for proposals were issued; in 2018, 2019 and 2020, 616 proposals were received, 239 proposals were long listed, 160 proposals were shortlisted, 116 SMEs received Pre-Investment BDS, 57 applications were selected for proposal development, 38 proposals were approved by the Management Board, 30 concessional loans were approved and 21 loans were disbursed, either partially or fully. The success rate of START I facility is therefore, 3.4%.

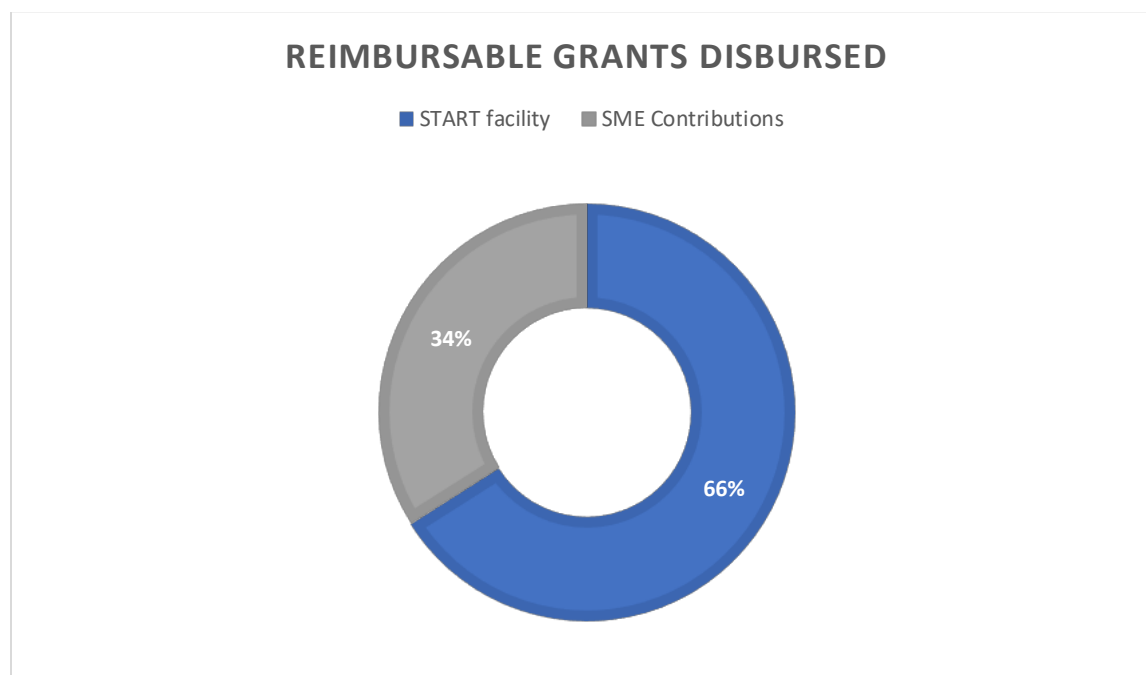
*Figure 8: Concessional loans approved/disbursed under START I facility as at Nov 2023*



A total of UGX 35,940,041,276 was disbursed as concessional loans under the START 1 facility. Of this, UGX 23,265,496,399 (65%) came from SME Contributions, UGX 8,556,511,515 (24%) was sourced from the START facility and UGX 4,118,033,362 (11%) was a contribution by UDB and other entities.

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Figure 9: Reimbursable grants disbursed under the START I facility as at Nov 2023



A total of UGX 1,337,306,775 was disbursed as reimbursable grants under START I. Of this, UGX 880,000,000 came from the START facility and UGX 457,306,775 were contributions from the SMEs. Ultimately, START SMEs created markets for about 121,501 farmers in the West Nile, Karamoja, Acholi and Lango sub-regions. 41% of these were women, 59% were men and 25% were youth.

In 2020, the facility piloted the Small Business Recovery Fund, to support SMEs that were encountering liquidity challenges, as a result of the COVID-19 pandemic. Through this initiative, a total of US\$ 86,500 was disbursed to 8 SMES.

### 5.7 INUA Impact Fund/ EDFI AgriFI, the EU-funded Agriculture Financing Initiative

EDFI AgriFI, the EU Agriculture Financing Initiative, is an impact investment and blended facility funded by the European Union, with a mandate to unlock, accelerate and leverage sustainable investments in micro, small and medium-sized agri-enterprises (MSMEs) that operate in ACP countries, with a specific focus on smallholder's inclusiveness and use of a value chain approach. It provides long term funding via debt, quasi-equity and equity instruments<sup>14</sup>. AgriFI is managed by EDFI Management Company and it is worth € 50 million. In 2023, EDFI AgriFI invested in Inua Capital Fund, a gender lens private equity fund, based in Uganda, whose goal is to provide patient and catalytic capital to Agri-SMEs in Uganda<sup>15</sup>. The investment in Inua Capital was the first ever investment under AgriFI's ACP Regional Window. The Inua Capital Fund will invest in 30-40 early stage, high potential agri-SMES. Each beneficiary will receive investment of between \$100,000 and \$500,000<sup>16</sup>. 30% of the financing will be ring-fenced for women-owned or women-led businesses<sup>17</sup>.

<sup>14</sup> European Union, 2023

<sup>15</sup> Delegation of the European Union to Uganda, 2023

<sup>16</sup> Ecofin Agency, 2023

<sup>17</sup> Inua Capital, 2023

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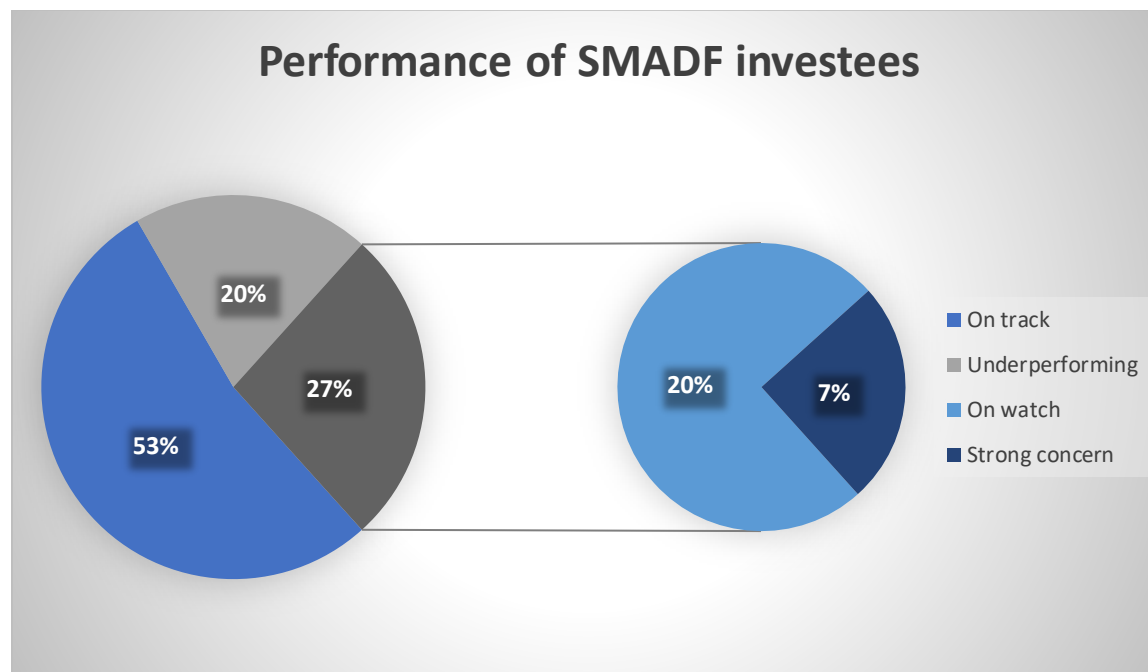
### 5.8 The Yield Uganda Investment Fund

The Yield Uganda Investment Fund or the Small and Medium Agribusiness Development Fund (SMADF) was set-up in January 2017 through an anchor investment by the European Union, through the International Fund for Agricultural Development (IFAD) of €10 million. The other investor was the National Social Security Fund<sup>18</sup>. These initial investors committed €12 million as the start-up investment. An additional investment of €8.4million was made by Open Society Foundation and FCA Investments. The Yield Uganda Investment Fund is a social impact fund that targets the “missing middle” or agri-Small and Medium-sized Enterprises through equity, quasi-equity and debt funding<sup>19</sup>. The fund is managed by Pearl Capital Partners Uganda (PCP) with a mandate to make investments of between €250,000 to €2 million in enterprises that demonstrate significant social impact and strong financial returns.

### 5.9 The performance and impact of Yield Uganda Investment Fund

Since establishment, the fund has made fifteen investments worth €15,323,686<sup>20</sup>. Some of the investees include: KampFeed-an animal feed processing enterprise, Enimiro Uganda- a business that connects small holder farmers to international buyers, Sausage King Ltd, a meat processing MSME, Sekajja Agro Farms Ltd– a business that rears day-old-chicks, MFRI Farms–an organic processing and exporting SME, CECOFA – a processor and exporter of coffee, Raintree Farms – a processor of moringa, Chemiphar – , an internationally accredited analytical lab, Clarke Farm Ltd – a premium coffee exporter and NASECO- a producer and , distributor of certified seeds.

*Figure 10: Performance of SMADF investee companies*



<sup>18</sup> Habte-Selassie, 2019

<sup>19</sup> Delegation of the European Union to Uganda, 2019

<sup>20</sup> Pearl Capital Partners, 2023)

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Overall, 53% of the investee companies are on track. 20% are underperforming and 27% are either on watch or underperforming. The combined turnover of all the investee companies is UGX 78,037,084,686 and they jointly posted a profitability of UGX 7,246,326,221 by June 2023. Additionally, they have procured produce from small holder farmers worth UGX 40,817,075,946 by June 2023. The investee companies' employee more than 1,273 permanent employees<sup>21</sup>.

### 5.10 EU Blended Finance Facility in aBi Finance

Since 2010, aBi Finance has been operating as a wholesale lender, extending loan facilities and guarantees to financial institutions (FIs) in Uganda<sup>22</sup>. aBi Finance considers itself to be an impact investor providing sustainable (green, appropriate and serviceable) financing through financial service actors in Uganda. The vision of aBi Finance is a competitive, profitable and sustainable agriculture and agribusiness sector in support of equitable wealth creation in Uganda. Its mission is to promote private sector agribusiness development to enhance wealth creation in Uganda. Its offerings include: Lines of Credit, Agribusiness Guarantees and Financial Services Development/Business Development Services.

The Danish Investment Fund for Developing Countries (IFU) and the European Union (EU) recently made investments in aBi Finance. The European Union invested 10 million (including 1.3 million of technical assistance) and IFU invested €8.7million. The EU's Blended Finance Facility of EUR 10m in total was invested as share capital, including technical assistance of € 1.3 million<sup>23</sup>. This investment, it is hoped, will increase the number of loans issued to small-scale agricultural producers to 182,000 per year. It is expected that 40% of these will be female. The money is provided to Financial Institutions through lines of Credit and an agribusiness Loan Guarantee scheme. The funds are also used for institutional capacity building.

### 5.11 Performance and impact of aBi Finance

By 30 June 2023, aBi Finance reported total assets amounting to US\$ 267.4 billion and liabilities of UGX 23.41bn<sup>24</sup>. The total income for the period ending 30 June 2023 was UGX 17.08 billion. The actual expenditure was UGX 6.47 billion. In 2022, aBi supported SMES reported an achievement of UGX 67 billion in net income against a target of 47.7 Bn, representing 140% achievement against the target.

Between 2020 and 2022, aBi Finance's interventions created 37,940 new jobs. 33% of these were held by females. The sectoral distribution of these jobs is as follows: 30% Dairy, 30%-cereals, 14%-coffee, 11%-Pulses, 11%-Oilseed and 4%-Horticulture.

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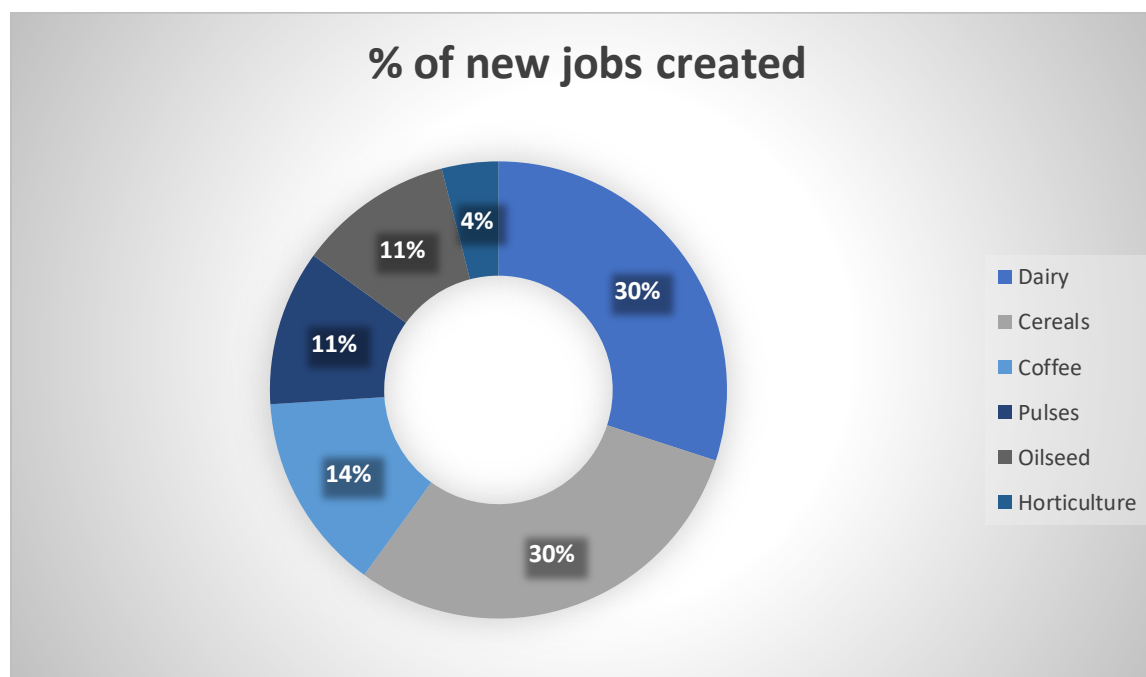
<sup>21</sup> SB4U secretariat. (2022). *Overview of EU Access to Finance facilities*.

<sup>22</sup> Abi development Ltd, 2022

<sup>23</sup> Development Finance Institutions (DFIs), 2023

<sup>24</sup> aBi Finance, 2023

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Between 2020 and 2022, the production, productivity, market integration and food security of 41,211 small holder farmers increased, as a result of the work of aBi Finance.

### 5.12 EU-Uganda Development Bank Shelnvest Partnership

The 2X Challenge is a flagship initiative under 2X Global launched in 2018 at the G7 summit, with an aim of raising Gender lens investments that provide women with increased access to affordable finance, improved access to entrepreneurship opportunities and greater access to decent jobs<sup>25</sup>. The 2X challenge specifically calls for the G7 and development finance institutions to mobilize at least \$3billion to support women economic empowerment<sup>26</sup>. At the end of 2019, the European Investment Bank launched the Shelnvest initiative with the stated goal of mobilizing more than €2 billion to make gender-responsive investments across Africa, Asia and Latin America<sup>27</sup>. Since its launch, the EIB hit its target of mobilizing €2 billion of investment to boost gender equality, through supporting women entrepreneurs. This initiative is supported by a €2 million technical assistance programme called, African Women Rising Initiative, through which women entrepreneurs will receive training and mentorship. In Uganda, although, women owned businesses account for over 40% of registered enterprises, they only benefit from 9% of commercial credit<sup>28</sup>. In December 2019, the European Investment Bank made its first loan under the Shelnvest Initiative to the Uganda Development Bank worth €15 million. 30% of the financing is dedicated to women-led enterprises that meet the 2X challenge criteria. A report on how and to whom this money has been lent could not be accessed from UDB.

<sup>25</sup> 2X Challenge, 2023

<sup>26</sup> 2X Challenge, 2020

<sup>27</sup> European Investment Bank, 2021

<sup>28</sup> European Investment Bank, 2021

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### 5.13 The Electrification Financing Initiative (ElectriFI) Country Window for Uganda

ElectriFI is a European Union-funded impact investment blending facility that finances early-stage enterprises businesses that are unlocking access to clean energy to hundreds of millions of people by 2030<sup>29</sup>. The Facility relies on EU funding coupled with technical assistance to take on greater risks compared to other investors. This de-risking approach allows other private sector investors to deploy their capital in Least Developing Countries and other Fragile contexts. The total size of the facility is €254 million and it is managed by FMO and the EDFI Management Company on behalf of the 15 European Development Finance Institutions (DFIs). In addition to the global window, country windows were developed in partnership with EU delegations and host governments. In the first set of country windows, Uganda was allocated €5 million<sup>30</sup>. It is not clear who is managing this facility and how it has been deployed, so far.

### 5.14 The EIB Global

EIB Global is the arm of the European Investment Bank that works beyond the European Union. EIB Global supports enterprises that contribute to climate change mitigation and adaptation, economic growth and job creation<sup>31</sup>. In Uganda, EIB Global has so far financed 31 projects to the tune of €498 million (UGX 2 trillion). These projects range from private sector enterprises in energy, water, services, agriculture, forestry; to larger projects like: the Eastern Africa Transport Corridor project, the Bujagali Hydroelectric Project and the Lake Victoria water and sanitation project in Kampala.

To support private sector businesses in Uganda, specifically, EIB Global has partnered with various financial institutions to lend over €203 million (UGX 815 billion)<sup>32</sup>. Priority has been given to businesses in agriculture and other gender-sensitive projects. EIB Global is also offering technical assistance to these financial institutions in the areas of: risk management, product development, environmental and social assessment and financial literacy, among others.

### 5.15 European Union/Uganda Development Bank Tourism Intervention Fund

The European Union partnered with the Uganda Development Bank to roll out this blended facility that provides grants attached to loans (also known as ‘facility’) to enable the tourism businesses to recover from the hardships of COVID-19 pandemic<sup>33</sup>. UDB set aside UGX 40 billion for the loan component, while the EU invested 21.8 billion for the grant component. In total, therefore, 61.8 billion was made available to support these businesses. UDB committed to providing the loans at concessional interest rates of between 8-12%. Moreover, the borrowers would benefit from an expended working capital loan tenor of 5 years, including a 2 years’ grace period.

### 5.16 The Deal Flow Facility (DFF)

The Deal Flow Facility (DFF) was launched in June 2021. It is hosted and managed by Financial Sector Deepening Uganda in partnership with the Capital Markets Authority with financing from the European Union<sup>34</sup>. It is a technical assistance facility that seeks to make growth capital available to emerging

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<sup>29</sup> European Commission, 2023

<sup>30</sup> EDFI ElectriFI, 2023

<sup>31</sup> European Investment Bank, 2023

<sup>32</sup> European Investment Bank, 2023 (2)

<sup>33</sup> Uganda Development Bank, 2022

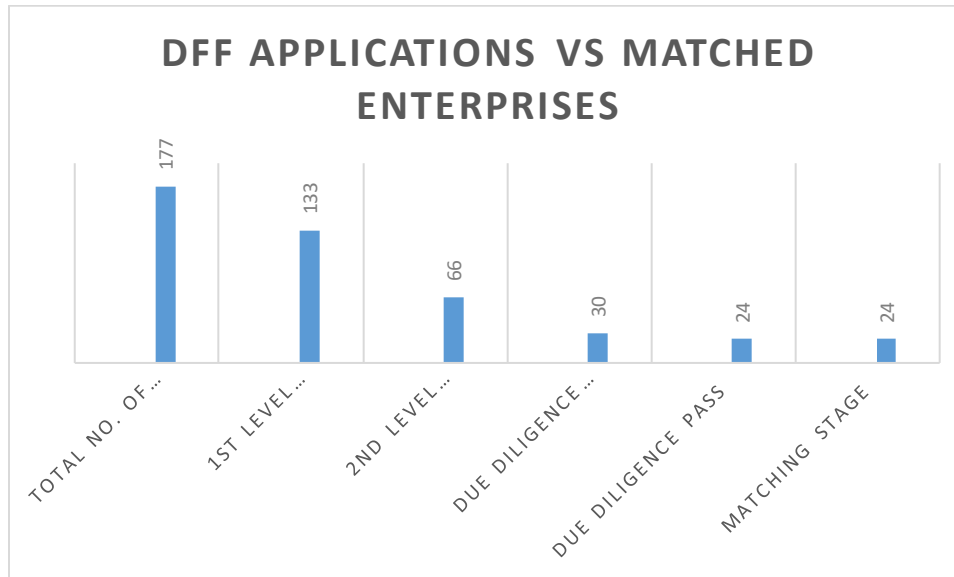
<sup>34</sup> Financial Sector Deepening Uganda. (2023)

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businesses in Uganda. It has a target of making at least 220 Ugandan businesses “investment ready” and closing at least 40 deals (debt/equity) over a five-year period. It prioritizes established businesses that need capital beyond what may be available on the local market. These companies should have a minimum financing requirement of USD 500,000.

### Performance and impact of the DFF

Figure 11: Performance of the DFF



Since its set-up, DFF has received 177 applications. Of these, 133 passed the 1<sup>st</sup> level of assessment, 66 passed the 2<sup>nd</sup> level of assessment, 30 were visited as part of the due diligence exercise and 24 were matched to investors. In other words, 13.6% of all applicants were successful in being matched to investors. This dismal performance is attributed to: the revenue threshold discouraging smaller companies to apply, the limited ability of applicants to absorb the capital that applied for, failure or delay to submit requested information (especially audited accounts), submission of incomplete information, poor corporate governance and other structural challenges that cannot be addressed through technical assistance. Although the DFF does not have its own capital to invest, 100% of all applicants that passed the Due Diligence phase were successfully matched with investors. This indicates that the investor appetite for Ugandan enterprises is high.

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### 6. OVERVIEW OF GOVERNMENT OF UGANDA FUNDS

#### 6.1 Agricultural Credit Facility (ACF)

The Agricultural Credit Facility (ACF) was established by the Government of Uganda in October 2009, in order to catalyze the commercialization of Agriculture through the provision of medium- and long-term financing to businesses that are engaged in farming, agro-processing, farm modernization and agricultural mechanization<sup>35</sup>. ACF is administered by Bank of Uganda in partnership with Participating Financial Institutions including: Commercial Banks, Uganda Development Bank Limited, Micro-Deposit Taking Institutions (MDIs) and Credit Institutions<sup>36</sup>. Through ACF, loans are extended to farmers and agro-processors on more favorable terms that are available through normal market channels.

##### ACF loan terms and conditions

- **Loan amount:** The maximum loan amount to a single borrower ranges from US\$2.1 billion to US\$5 billion on a case-by-case basis. For grain traders, the maximum loan amount is up to UGX 10BN per individual or company<sup>37</sup>
- **Loan Term:** The maximum loan period ranges from 6 months to 8 years
- **Grace Period:** The grace period is up to 3 years.
- **Interest Rate:** The interest rate to the final borrower is up to a maximum of 12% per annum & 15% for Working capital for grain traders. However, the 50% GoU contribution is disbursed to the PFIs at zero interest (interest free).
- **Facility fees:** Facility fees charged by PFIs to eligible borrowers should not exceed 0.5% of the total loan amount. Legal documentation and registration costs are borne by the borrower
- **Security:** Primary security is machinery & equipment

##### ACF performance since inception (Total loan disbursements, GoU & PFI contribution)

According to Bank of Uganda, since its set-up in 2009, ACF has received 4,196 applications from the various Participating Financial Institutions (PFIs). Of these 3,455 applications were approved for funding worth UGX 818.29 billion. This represents 82% of the total number of applications received<sup>38</sup>.

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<sup>35</sup> Ministry of Finance, Planning and Economic Development, 2013

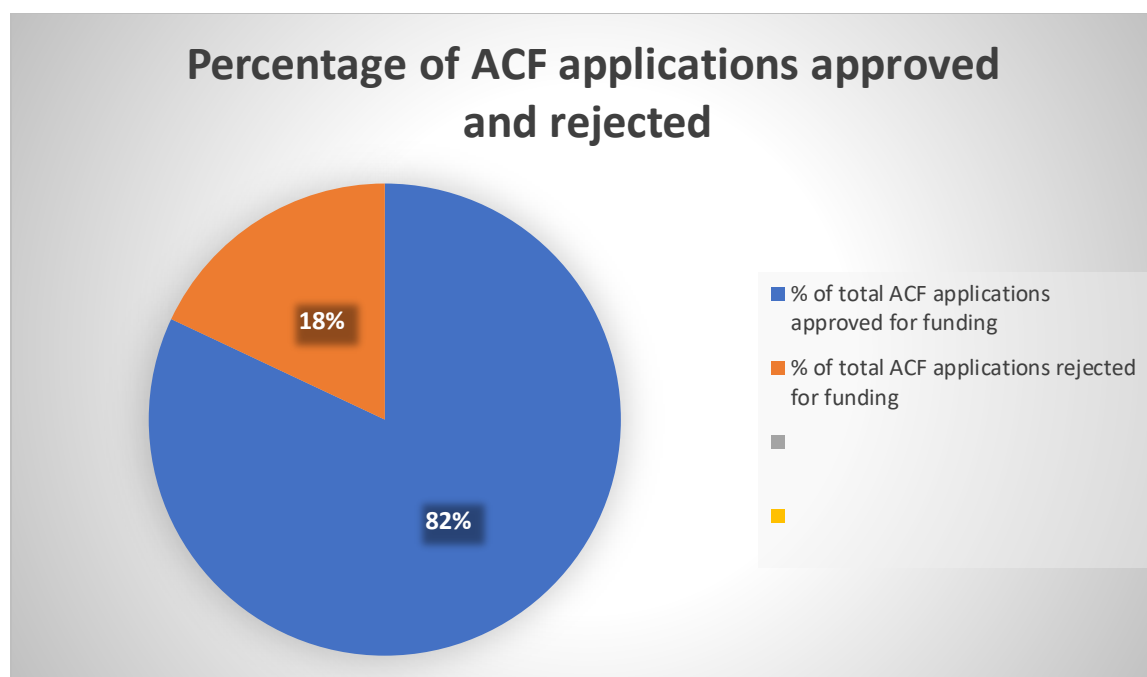
<sup>36</sup> Yako Bank, 2023

<sup>37</sup> Bamwine, 2016

<sup>38</sup> Bank of Uganda, 2023, p. 06

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Figure 12: Percentage of ACF applications approved or rejected



Source: Bank of Uganda ACF data

Table 1: Cumulative disbursements of ACF funds since inception

| Year | Total disbursements (GoU+PFIs) | Loan GoU (UGX)  | Contributions | PFI contributions (UGX) |
|------|--------------------------------|-----------------|---------------|-------------------------|
| 2010 | 21,023,475,000                 | 10,511,737,500  |               | 10,511,737,500          |
| 2011 | 52,559,704,776                 | 25,851,485,067  |               | 26,708,219,709          |
| 2012 | 86,345,018,933                 | 41,881,471,047  |               | 44,463,547,886          |
| 2013 | 118,532,643,425                | 57,975,283,293  |               | 60,557,360,132          |
| 2014 | 150,154,554,535                | 73,786,238,848  |               | 76,368,315,687          |
| 2015 | 179,021,755,565                | 88,219,839,363  |               | 90,801,916,202          |
| 2016 | 208,421,339,003                | 102,919,631,082 |               | 105,501,707,921         |
| 2017 | 236,616,898,747                | 117,385,592,954 |               | 119,231,305,793         |
| 2018 | 268,875,826,761                | 134,794,556,961 |               | 134,081,269,800         |
| 2019 | 408,623,581,891                | 207,031,690,525 |               | 201,591,891,366         |
| 2020 | 581,269,049,778                | 294,963,824,469 |               | 286,305,225,309         |

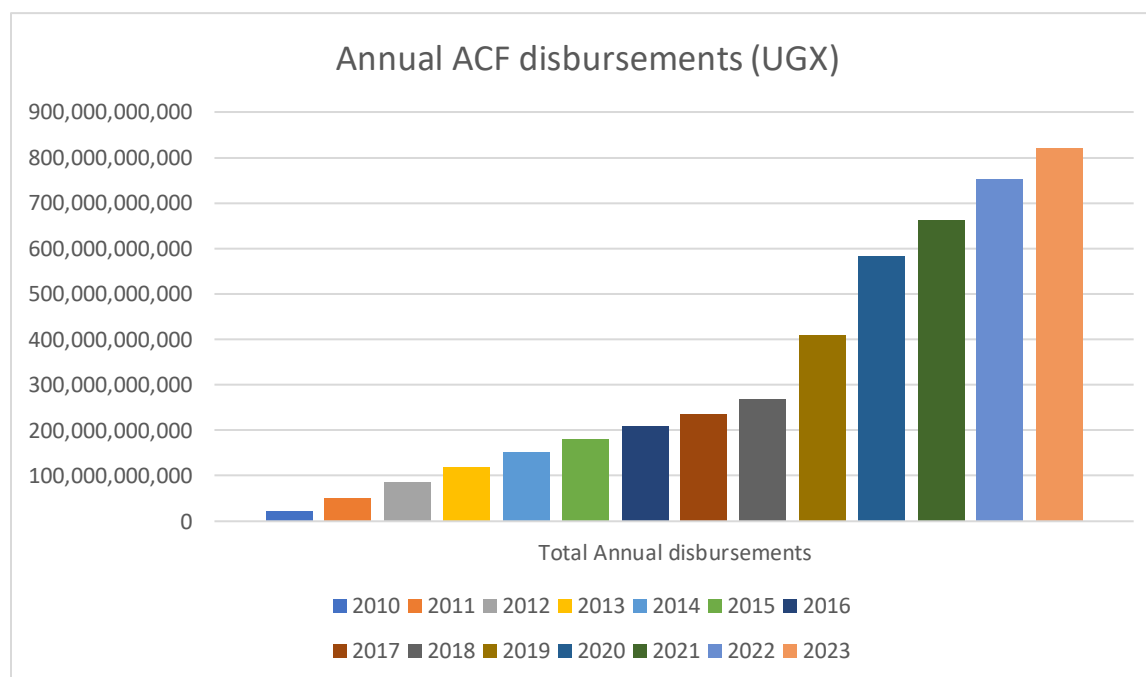
## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

|      |                 |                 |                 |
|------|-----------------|-----------------|-----------------|
| 2021 | 660,501,577,292 | 335,244,788,226 | 325,256,789,066 |
| 2022 | 751,331,514,255 | 380,667,756,711 | 370,663,757,545 |
| 2023 | 818,294,894,105 | 414,159,446,634 | 404,135,447,474 |

Source: ACF data

The above data confirms that there has been a steady growth in the overall disbursements, through ACF.

Figure 13: Annual ACF disbursements (UGX)



Source: ACF data

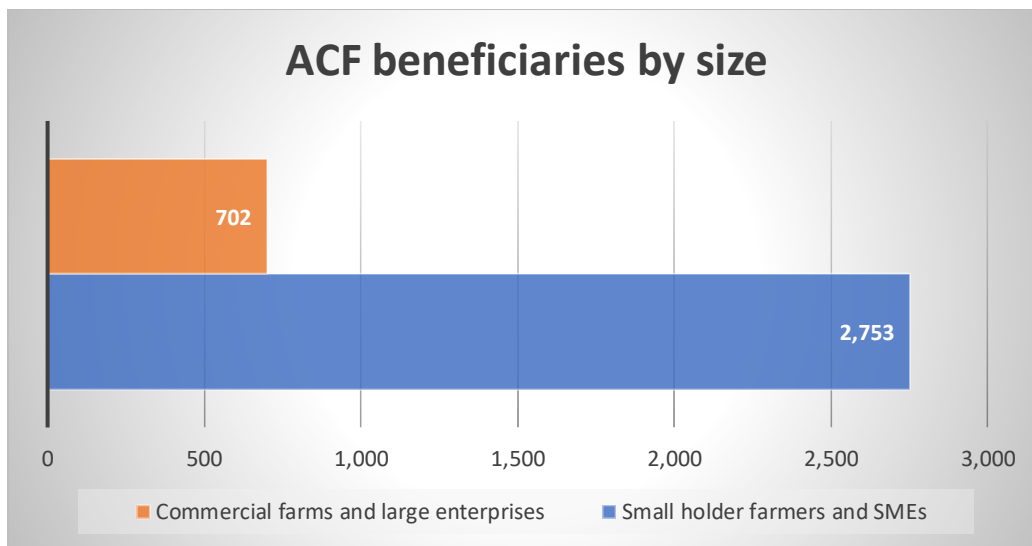
### Categorization of beneficiaries by size

Since inception, 2,753 smallholder farmers and Small and Medium-sized Agribusinesses have benefitted from ACF funding. Only 702 beneficiaries were large farmers and agribusinesses. The majority of the beneficiaries accessed less than UGX 100 million, including those micro-borrowers who benefitted through the block allocation arrangement. The table below summarizes the key beneficiaries<sup>39</sup>:

<sup>39</sup> Bank of Uganda, 2023, p. 08

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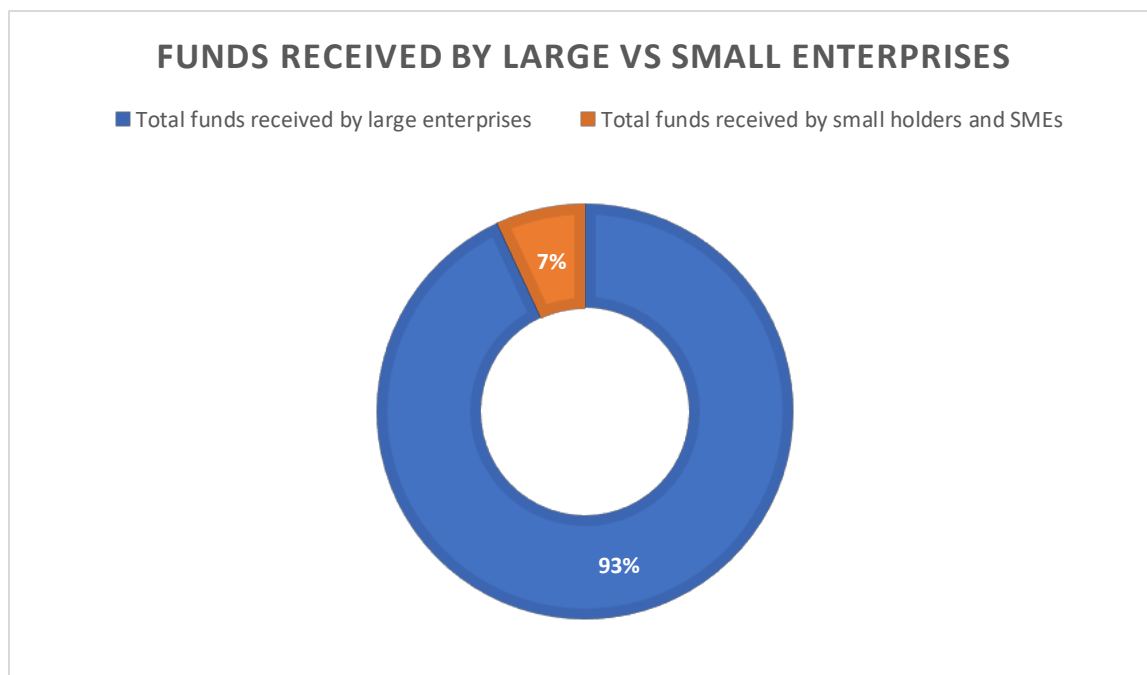
Figure 14: ACF beneficiaries by size since inception



Source: ACF data

However, although most beneficiaries were small holder farmers and Small and Medium Agribusinesses; the bulk of the money (93%) was lent to large enterprises

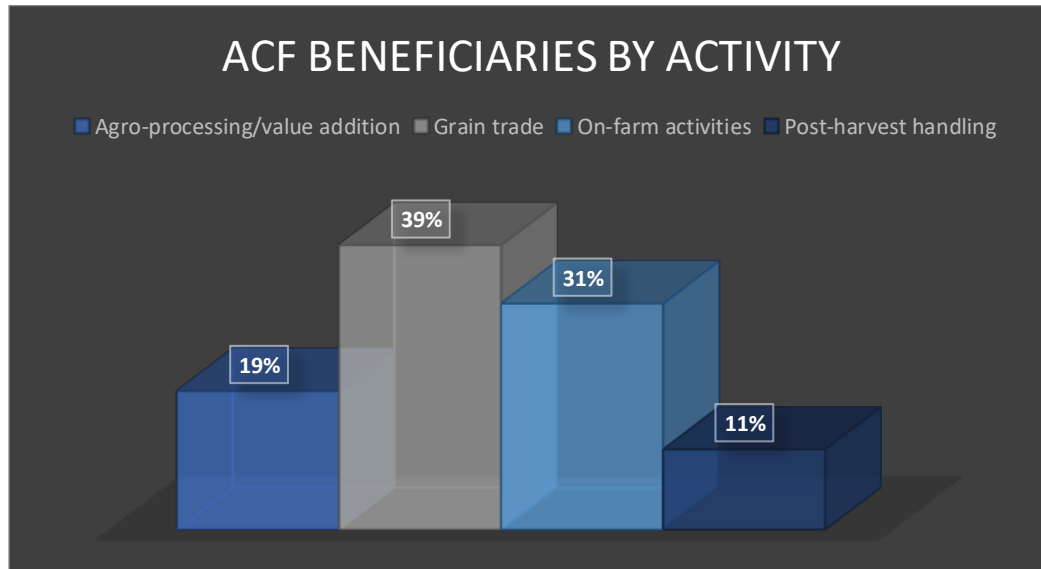
Figure 15: ACF Funds received by large versus small enterprises



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ACF beneficiaries by sector

Figure 16: ACF beneficiaries by sector



Source: ACF data

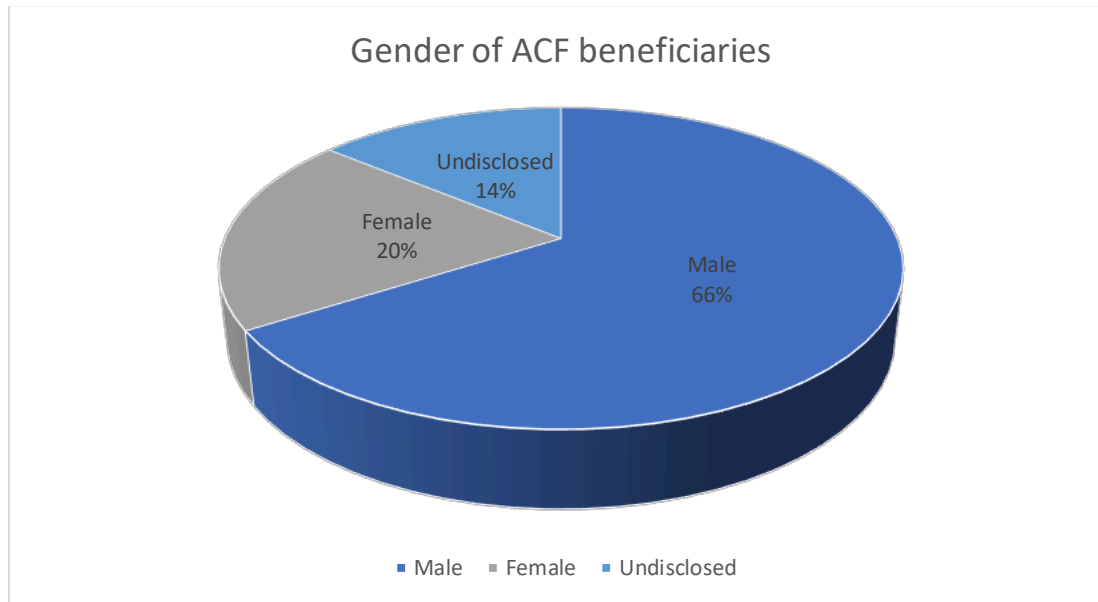
The above graph shows that 39% of ACF beneficiaries were engaged in the grain trade. This is counter to the stated goals of ACF of supporting small scale agro-processors<sup>40</sup>.

Gender distribution of ACF beneficiaries

<sup>40</sup> Bank of Uganda, 2023, p. 09

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Figure 17: Gender of ACF beneficiaries



### ACF data

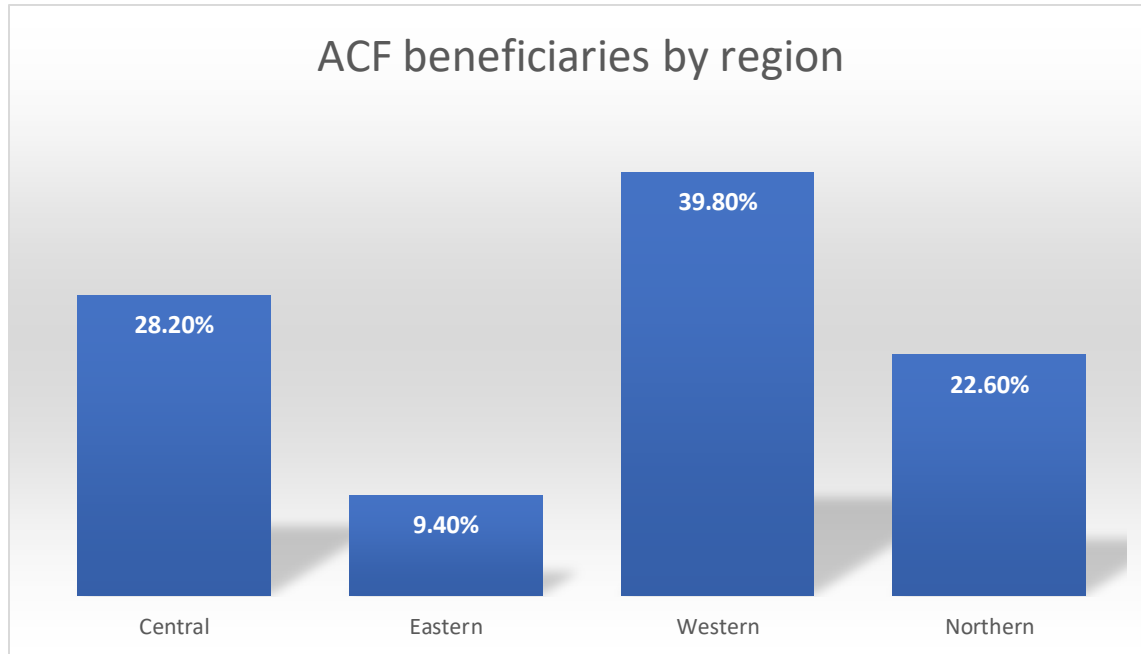
66% of all the beneficiaries of ACF were male, compared to only 20% female<sup>41</sup>. Although 14% of the beneficiaries did not disclose their gender, it is plausible that the majority of these are males. This low uptake of ACF funds by women is not surprising considering that the biggest number of beneficiaries is engaged in the grain-trade, which is a preserve of men.

<sup>41</sup> Bank of Uganda, 2023, p. 10

## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

### Regional Uptake of Funds under the ACF

Figure 18: ACF beneficiaries by region



Source: ACF data

39.8% of all the total beneficiaries were from the Western region, followed by the Central region (28.2%). The least number of beneficiaries were from the Northern region (22.6%) and from the Eastern region (9.4%)<sup>42</sup>. Bank of Uganda explains these disparities by the varying land tenure systems. Whereas, most of the land in the Central region, for instance, is registered and titled, the communal system of land ownership in the Northern region makes it difficult for the banks to lend to farmers and SMEs there.

<sup>42</sup> Bank of Uganda, 2023, p. 10

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### ACF testimonials

#### **Dr. Abolo Proscovia Adyanga**

Dr. Abolo Proscovia Adyanga is a commercial farmer who runs a farm called Butaaho Collins Farm in Lira district. The farm was established four years ago on 10 acres. In 2019 and 2020, she obtained a loan from ACF worth 20 million to expand her business. With the loan, she was able to expand her business from 10 to 100 acres. She plans to acquire a bigger loan and venture into value addition.

#### **Butaaho Collin's Farm**

In Isingiro, Mr. Collins Butaaho, the proprietor of Butaaho Collins farm was able to use ACF financing to increase the number of heads of cattle on the farms from 18 to 72. As such, the milk yield on his farm has increased from 7 litres to 100 litres.

### Challenges

- **It is the large businesses benefitting** - One of the greatest challenges that the ACF faces is the fact that 93% of all loans have gone to large borrowers. These large borrowers have been able to take advantage of the low interest rates under the ACF, yet they would have afforded to pay market interest rates. The small holder farmers and SMEs who were originally targeted by the ACF have not benefitted much from it since they are required to provide land titles as security, yet they lack them. The use of the group guarantee methodology under “block allocation” has not effectively addressed this shortcoming.
- **ACF is primarily benefitting grain traders** - Secondly, ACF seems to be benefitting traders, as opposed to the small scale agro-processors that it was set-up to benefit. ACF being an easy source of working capital for large scale traders, gives them an unfair advantage against other traders who have to depend on commercial bank loans to finance their businesses.
- **ACF is primarily benefitting men** - The third challenge that ACF faces is the fact that most of the beneficiaries (66%) are male, yet women-led agri-businesses and small holder farmers are the backbone of the agriculture sector. The criteria and the requirements of the ACF in its present form exclude many women and it should be revised.
- **Some PFIs grant no grace period** - Some beneficiaries have complained about the limited or no grace period given to them to make interest payments. For example, ranchers in Mbirizi, Lwengo

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district, complained that they were not given a grace period to make interest repayments when they borrowed UGX 256 million to construct a water distribution and storage system which is a long-term venture<sup>43</sup>.

- **High Facility fees** - Some PFIs charge facility fees that are higher than the 0.5% that is part of the approved conditions. For instance, a female beneficiary in Bushenyi who borrowed 100 million, only received 94 million, as the rest was withheld for loan processing, insurance, audit etc.
- **Issuance of loans in Ugandan Shillings** - Some large borrowers complained about receiving loans in Ugandan shillings yet they borrowed in US dollars, leading to losses. One company reported making losses of USD 500,000 in exchange rate losses, due to this omission<sup>44</sup>.
- **Delays in loan processing** - Some small holder farmers and Agri-SMEs have complained of the delays in loan processing which impact on their ability to appropriately deploy the borrowed money.

### 6.2 Small Business Recovery Fund

#### Description of the Small Business Recovery Fund

The Small Business Recovery Fund (SBRF) was proposed by the President on 30<sup>th</sup> July 2021 to support Micro, Small and Medium-Sized Enterprises that had been negatively affected by the COVID-19 pandemic, particularly the lockdown<sup>45</sup>. Therefore, on 30<sup>th</sup> November 2023, the Government of Uganda announced the establishment of the Small Businesses Recovery Fund (SBRF) to be administered by Bank of Uganda in partnership with Commercial Banks, Microfinance Deposit taking institutions and Credit Institutions.

#### Fund size

The total fund value is UGX 200 billion (Two Hundred billion Uganda shillings). Of this, Government contributed UGX 100 billion, while the Participating Financial Institutions (PFIs) matched the Government contribution by UGX 100 billion.

#### Initial criteria for eligible businesses

- All small businesses operated by individuals, groups, partnerships and companies with a turnover of between UGX 10-100 million and employing between 5-49 employees.
- All businesses can only borrow once from the fund. They cannot get a top-up
- Borrowing from more than one PFI is also not allowed
- All businesses and activities that are eligible for financing under the ACF are not eligible
- The maximum loan amount is UGX 100 million

#### Loan tenure

Loans to eligible borrowers were initially for a minimum period of 6 months and a maximum period of four years, including a grace period of one year.

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<sup>43</sup> Ministry of Finance, Planning and Economic Development, 2013, p. 03

<sup>44</sup> Ministry of Finance, Planning and Economic Development, 2013, p. 03

<sup>45</sup> Ministry of Finance, Planning and Economic Development, 2023, p. 01

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### Security of the loans

The loans would be secured with collateral of any kind, based on the agreement between the lender and borrower.

### Concerns by PFIs

In March 2022, PFIs raised a number of issues that were hindering the smooth roll out of the SBRF, including<sup>46</sup>:

- **Sales and Turnover:** The fact that the annual sales and asset turnover criteria of between UGX 10-100 million was restrictive and excluding many potential beneficiaries
- **Number of Employees:** The eligibility criteria on the number of employees of between 5-49 excluded many small businesses who operate as sole proprietors and rely on family labor, which may be difficult to appraise.
- **Minimum loan period:** The minimum loan period of 6 months excluded borrowers who may need the funds for shorter periods of time.
- **Support to businesses with existing non-performing loans-** The banks requested that small businesses with existing non-performing loans due to COVID-19 be allowed to use the SBRF funds to pay off these loans.

### Revised SBRF Criteria

Due to the limited uptake of funds under SBRF and the issue raised by the PFIs, the criteria was revised in March 2022 thus:

- **No. of Employees:** The eligible employment levels were revised downwards from the minimum of 5 persons to 2 persons
- **Maximum Turnover:** The maximum annual turnover for eligible small businesses was increased from UGX 100 million to UGX 300 million
- **Maximum loan amount:** The maximum loan amount was increased from UGX 100 million to UGX 200 million
- **Non-Performing loans:** Borrowers were allowed to use the fund to service their existing loans

### Performance of the SBRF

By September 2022, Bank of Uganda had received a total of 506 applications worth UGX 7.15 billion from only 9 PFIs<sup>47</sup>. Of these only 489 applications worth UGX 5.79 billion were approved and disbursements totaling UGX 4.84 billion made. Of all the received applications, 33 were ineligible, under the initial and revised criteria.

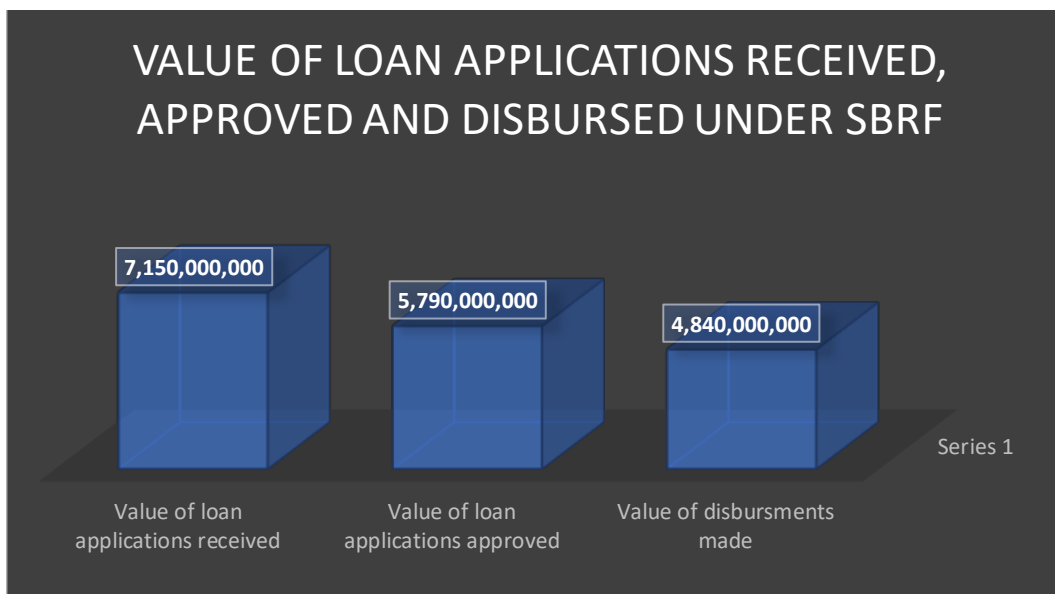
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<sup>46</sup> Bank of Uganda, 2022, p. 01

<sup>47</sup> Bank of Uganda, 2022, p. 02

## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

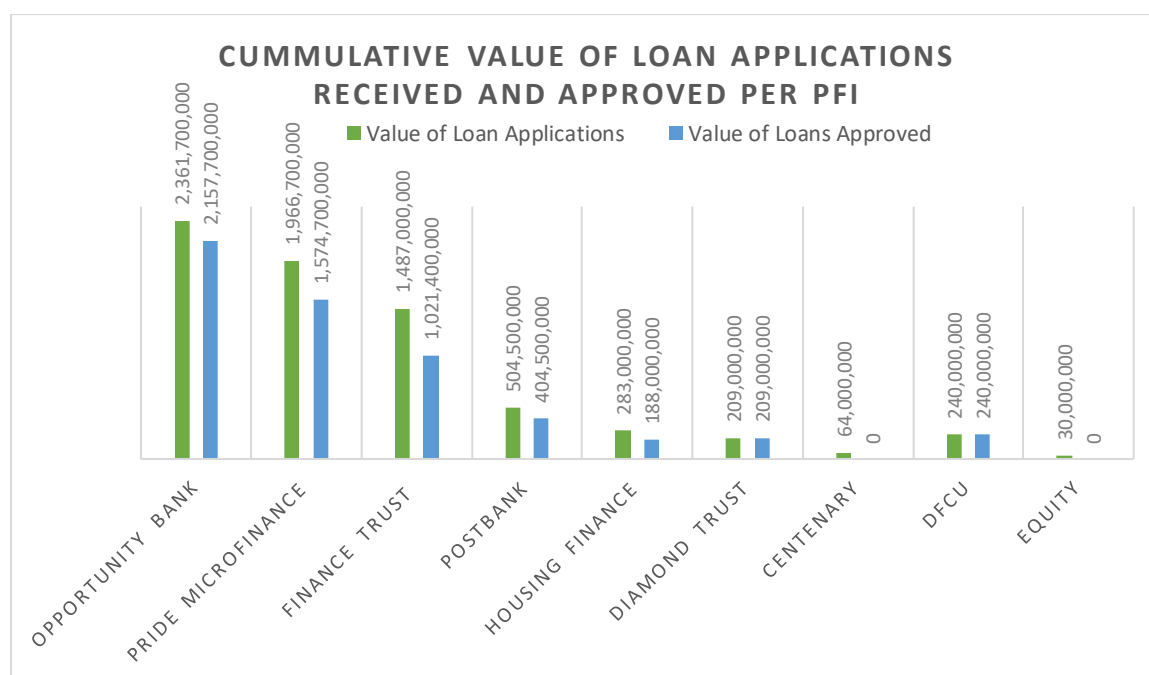
Figure 19: Value of loan applications received, approved and disbursed under SBRF



Source: SBRF data

Based on the graph above, of the total UGX 200 billion available, applications of only UGX 7.15 billion have been received and UGX 5.79 billion approved. This means that so far, applications for only 3.6% of the total fund value have been received, only 2.85% of the total fund value has been approved and only 2.42% has been disbursed. This performance is sub-optimal by all accounts and corrective measures need to be taken.

Figure 20: Cumulative value of loan applications received and approved per PFI



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Source: SBRF data

*Figure 21: Cumulative value of loan applications received and approved per PFI*

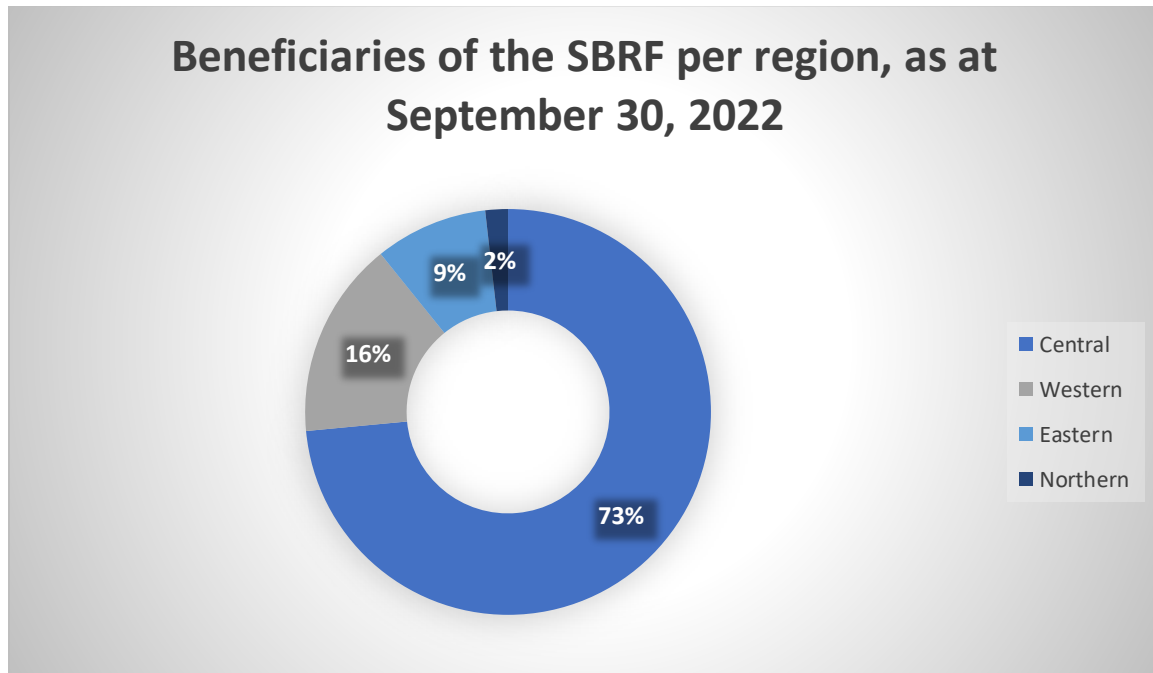
| Participating Financial Institution (PFI) | Value of Loan Applications | Value of Loans Approved |
|-------------------------------------------|----------------------------|-------------------------|
| Opportunity Bank                          | 2,361,700,000              | 2,157,700,000           |
| Pride Microfinance                        | 1,966,700,000              | 1,574,700,000           |
| Finance Trust                             | 1,487,000,000              | 1,021,400,000           |
| PostBank                                  | 504,500,000                | 404,500,000             |
| Housing Finance                           | 283,000,000                | 188,000,000             |
| Diamond Trust                             | 209,000,000                | 209,000,000             |
| Centenary                                 | 64,000,000                 | 0                       |
| DFCU                                      | 240,000,000                | 240,000,000             |
| Equity                                    | 30,000,000                 | 0                       |
| <b>Total</b>                              | <b>7,145,900,000</b>       | <b>5,795,300,000</b>    |

Source: SBRF data

A quick glance at the above data confirms that Microfinance Deposit Taking Institutions are outperforming their commercial bank counterparts in administering the SBRF. This is not unexpected given the fact that they may be better suited to manage such a fund given their existing clientele.

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Figure 22: Beneficiaries of the SBRF per region, as at 20 September 2022



Source: SBRF data

From the above chart, it is clear, the Central (73.5%) and the Western (15.7%) regions still dominate with regard to the number of SBRF beneficiaries<sup>48</sup>. The Eastern and Northern region still underperform on the number of businesses benefitting from SBRF.

### Challenges

- **Restrictive guidelines and long approval processes-** Some Participating Financial Institutions have continued to complain about restrictive guidelines and long approval processes at Bank of Uganda. These have discouraged many of them from submitting applications<sup>49</sup>
- **Liquidity constraints-**Some financial institutions have complained of liquidity constraints which limit their ability to match the 50% GOU contribution.
- **Low interest rates versus high cost of loan administration-** The capping of the interest rate at 10% and the facility charges at 0.5% makes the SBRF unattractive for many financial institutions that choose to promote their own products. In fact, in the Focus Group Discussions, many of them complained about Credit Officers discouraging them from borrowing from the SBRF.
- **Default risk/collateral requirements-** The banks consider the SBRF to be inherently risky considering that many of these small businesses were negatively affected by COVID-19. To hedge against this risk, many of them ask for collateral. Unfortunately, many small businesses do not have collateral. Even if they previously had collateral, COVID-19 may have compelled them to sell it off.

<sup>48</sup> Bank of Uganda, 2022, p. 03

<sup>49</sup> Bank of Uganda, 2022, p. 04

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- **Limited Awareness-** Generally speaking, very few MSMEs are aware about the Small Business Recovery Fund and the application requirements. Although, Bank of Uganda has endeavored to organize outreach activities countrywide, there is still more work to be done.

### 6.3 Uganda Development Bank COVID-19 Stimulus Package for businesses

#### About the COVID-19 Stimulus Package for MSMEs

Uganda Development Bank is the only national Development Finance Institution (DFI) in Uganda. Established under Decree No. 23 of 1972 (later the Uganda Development Bank Act Cap. 56 of 1972<sup>50</sup>). The Bank is mandated to provide finance in the form of short-, medium- or long-term secured loans, amongst others<sup>50</sup>. Its priority sectors are; agriculture, agro-industrialization, and manufacturing, human capital development and infrastructure. In response to the negative impact that the COVID-19 pandemic had on small businesses, the Government of Uganda put in place a stimulus package for businesses that would spur their recovery. This Stimulus Package was channeled through the Uganda Development Bank. Overall, the Government of Uganda committed UGX 1 trillion to be channeled through UDB<sup>51</sup>. These funds were to be used to support the production, processing and manufacturing of essential items in order to ensure that the country is resilient in the face of disruptions to global supply chains. UDB prioritized projects that fall in the areas of: Primary Agriculture, Agro-processing, Human Capital Development and Manufacturing.

#### Application Criteria for UDB COVID-19 Stimulus Package

The requirements for applying for the COVID-19 Stimulus Package included, the following<sup>52</sup>:

- Application form
- Resolution to borrow, articles & memorandum of association, certificate of incorporation
- Feasibility report/business plan
- A copy of each of the last 2 years audited/draft accounts (from an ICPAU/BOU listed audit firm)
- Cashflow projections/budget estimates and projected financial statements
- Bank statement for the past 12 months
- Loan statements for all existing loans, if applicable, including copies of loan offer letters or agreements from other financial institutions
- Security for the proposed loan, including current valuations of the assets and any encumbrances, if applicable
- Credit Reference Bureau Report of the company & all its shareholders/directors
- Current & historical off taker agreements/purchase agreements where significant sales are on credit or under contract, including Pro-forma invoices accompanied by profiles of the proposed suppliers
- Proof of NSSF compliance (Proof of NSSF compliance)
- Latest Returns of Directors and Shareholders (if applicable)
- Profiles of Directors & key technical personnel
- Tax clearance certificate

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<sup>50</sup> ISER, 2021, p. 04

<sup>51</sup> Uganda Development Bank, 2022, p.01

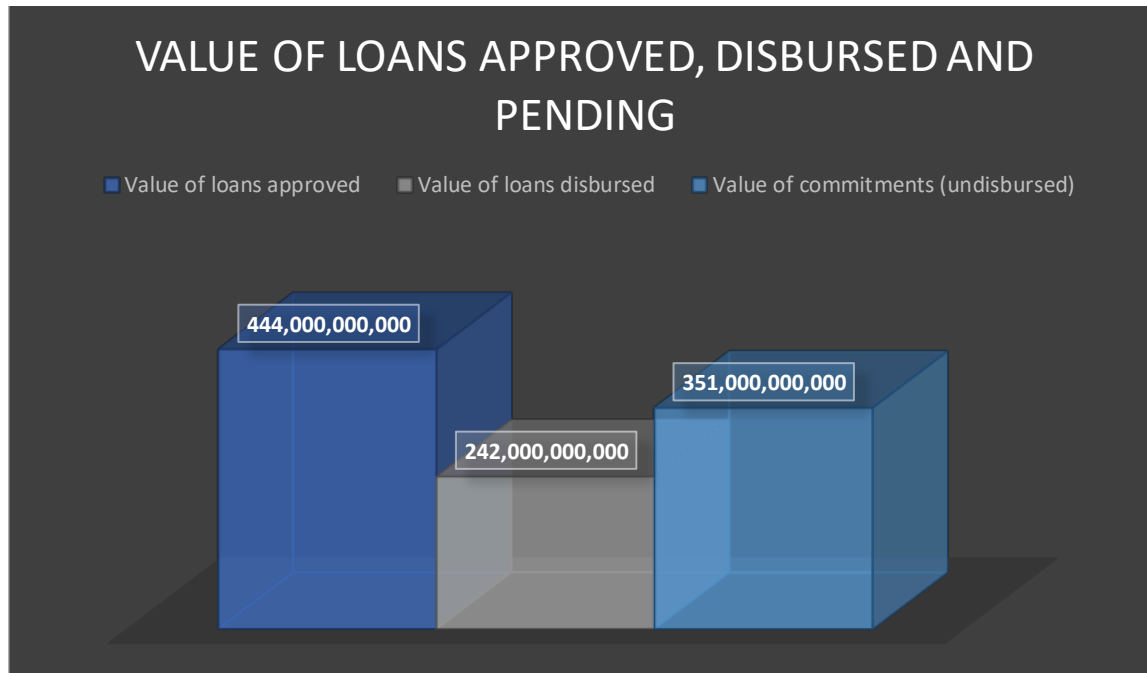
<sup>52</sup> Uganda Development Bank, 2022

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### The Performance of the COVID-19 Stimulus Package for MSMEs

In August 2020, UDBL received a total of UGX.455,180,000,000, as a partial payment for the Stimulus Package. Here is a summary of how much of it was approved and disbursed<sup>53</sup>.

Figure 23: Value of loans approved, disbursed and pending



Source: UDB data

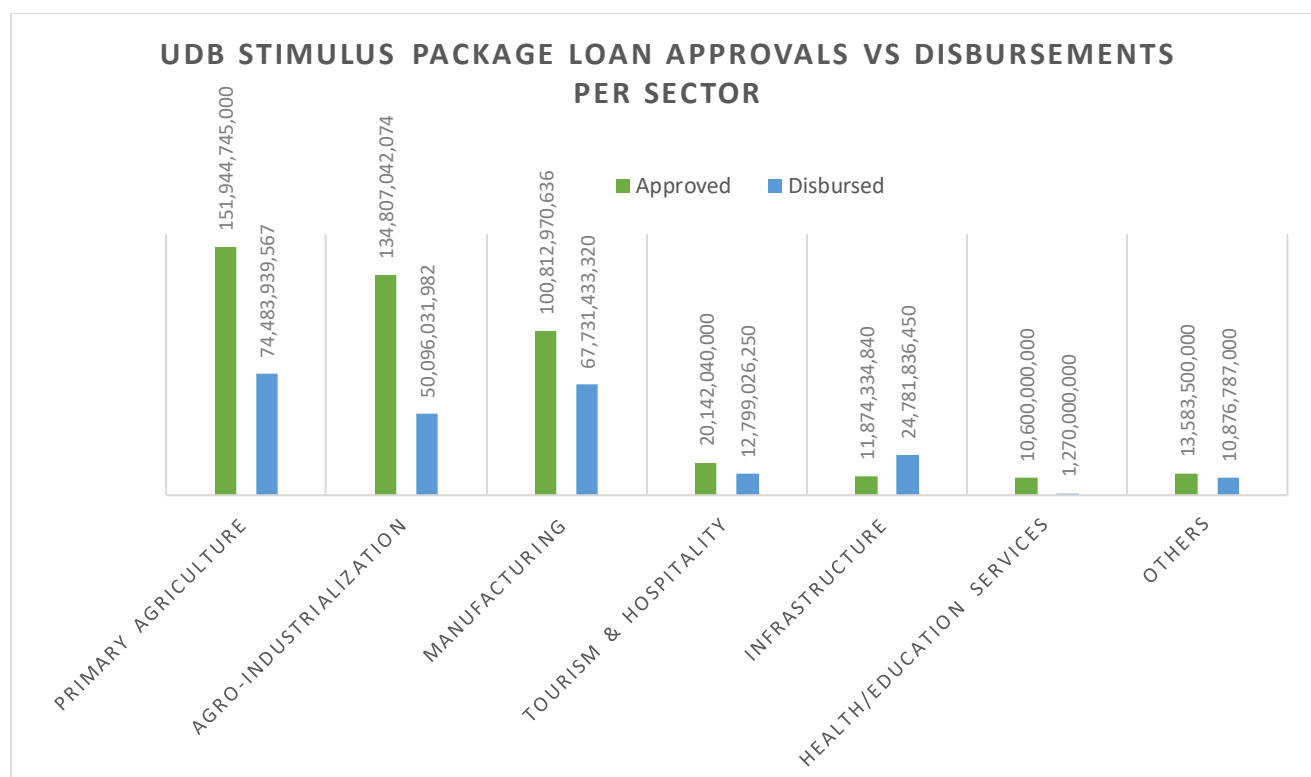
Of the UGX 444 billion approved, only UGX 242 billion was disbursed to the private sector by the end of 2022. Outstanding commitments were UGX 351,000,000,000<sup>54</sup>

<sup>53</sup> Uganda Development Bank, 2022, p.02

<sup>54</sup> Uganda Development Bank, 2022, p. 03

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Figure 24: UDB Stimulus Package loan approvals vs disbursements per sector



Source: UDB data

| Sector                    | Approved        | Disbursed      |
|---------------------------|-----------------|----------------|
| Primary Agriculture       | 151,944,745,000 | 74,483,939,567 |
| Agro-Industrialization    | 134,807,042,074 | 50,096,031,982 |
| Manufacturing             | 100,812,970,636 | 67,731,433,320 |
| Tourism & Hospitality     | 20,142,040,000  | 12,799,026,250 |
| Infrastructure            | 11,874,334,840  | 24,781,836,450 |
| Health/Education Services | 10,600,000,000  | 1,270,000,000  |
| Others                    | 13,583,500,000  | 10,876,787,000 |

Source: UDB data

The above graph confirms that the bulk of the money disbursed was to Primary Agriculture, followed by Manufacturing, Agro-Industrialization, Infrastructure, Tourism & Hospitality and Health/Education Services.

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### The Challenges

**Rigorous application criteria and credit appraisal processes that exclude MSMEs:** MSMEs complain about the very stringent application criteria and the rigorous credit appraisal process that excluded many of them from accessing the stimulus package at UDB. For instance, the minimum lending requirement of 100 million excluded many deserving MSMEs. Moreover, the requirement of audited accounts and a Credit Reference Bureau Report, among others, significantly raised the cost of borrowing for these businesses.

**Rigid collateral requirements:** Related to the above are the very rigid collateral requirements of land and property. This requirement excludes many MSMEs from accessing UDB COVID-19 recovery funds, especially women.

**Lengthy approval process:** Other business people complained about the lengthy approval process by UDB which tends to discourage borrowers.

**Limited awareness:** Finally, there is also limited awareness regarding UDB's financial offerings for MSMEs and the private sector, in general.

The 100m minimum lending requirement alienate most MSMEs. It is noteworthy that, Ugandan enterprises are largely informal focused on low productivity activities and largely a by-product of poverty and a lack of accessible formal employment.<sup>19</sup> Importantly, 70% (321,250). The Uganda Development Bank has made notable changes to the criteria including lowering the minimum amount to be borrowed to UGX 50,000,000. However, this is still out of reach, for most MSMEs.

#### 6.4 Uganda Microfinance Support Centre/Emyooga

The Presidential Initiative on Wealth and Job Creation (Emyooga) was launched in August 2019 with goal of transforming 68% of homesteads from subsistence to market-oriented production so as to create jobs and boost household incomes. The initiative focuses on 18 enterprises that cover the majority of financially excluded Ugandans<sup>55</sup>. These include: Boda Bodas SACCOs, Women Entrepreneurs SACCOs, Carpenters SACCOs, Salon Operators SACCOs, Taxi Operators SACCOs, Restaurant Owners SACCOs, Welders SACCOs, Market Vendors SACCOs, Youth Leaders SACCOs, Persons with Disabilities (PWDs) SACCOs, Produce Dealers SACCOs, Mechanics SACCOs, Tailors SACCOs, Journalists SACCOs, Performing Artists SACCOs, Veterans (Veteran Widows and Orphaned Children) SACCOs, Fishermen SACCO and Elected Leaders SACCOs. In the Financial Year 2020/21, this initiative received an allocation of Ushs 94 billion. Each of these SACCOs can access a grant of UGX 30 million. The SACCO leaders' SACCO however, can receive a grant of UGX 50 million. The grants are channeled through the Uganda Microfinance Support Centre and deposited onto the SACCO accounts. All the SACCOs are organized at the constituency level, but operate at parish level. All active Ugandans from the age of 18 are eligible to benefit from the Emyooga initiative.

A comprehensive report on the performance of the Emyooga initiative was not easily accessible. However, the Ministry of Finance indicated that Ushs 259 billion had so far been disbursed under the Emyooga programme. However, it is safe to state that the initiative has been dogged by controversies at all stages of implementation. For instance, in 2021, Members of Parliament unanimously agreed that the Emyooga programme was poorly implemented<sup>56</sup>. Members of Parliament concluded that the design and implementation of Emyooga was marred by several inconsistencies and mishaps which crippled the desired outcome. First, associations were hurriedly formed to receive "free cash", Most of these associations lacked a shared vision or mission, there was excessive political interference which made the

<sup>55</sup> Microfinance Support Centre, 2023)

<sup>56</sup> Parliament of the Republic of Uganda, 2023

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beneficiaries to misunderstand the goal of the programme. For example, many of them thought that the funds were a token of appreciation for voting the NRM government back into power. Other SACCOs took long to receive the funds due to the complex process of registration and bank account opening. The requirement for collateral also affected the ability of some beneficiaries to access the funds, particularly, the women. There were also inconsistencies in the loan recovery period coupled with some leaders misappropriating the funds. Furthermore, the top-down approach of the programme made it difficult for the beneficiaries to have useful input in its roll out. The Microfinance Support Centre was also found to have failed to absorb UGX 21.2 billion of the Emyooga grant in the FY 2021/22 according to the report by the Auditor General<sup>57</sup>.

### 6.5 Uganda Development Corporation

The Uganda Development Corporation (UDC) is an investment institution established as a wholly owned government entity with the mandate to facilitate the industrial and economic development of Uganda. It was first set-up by the UDC Act Chapter 326 of 1952, Laws of Uganda and reestablished in 2016 by the UDC Act of 2016<sup>58</sup>. Although UDC received US\$138 billion at the height of the COVID-19 pandemic; to facilitate investments that contribute to export promotion and import substitution; it was not possible to access any information on how these funds were deployed. Furthermore, no business could confirm having received equity financing from UDC, to support their growth and recovery from the COVID-19 pandemic. However, UDC is said to have invested in several ventures including: the Soroti Fruit factory, Kalangala Infrastructural Services, among others.

### 6.6 Uganda Women Entrepreneurship Programme (UWEP)/ Women Enterprise Fund (WEF)

The Uganda Women Entrepreneurship Programme (UWEP) is aimed at improving access to financial services for women and equipping them with skills for enterprise growth, value addition and marketing their products<sup>59</sup>. It is a program managed by the Ministry of Gender, Labour and Social Development and it is intended to empower women economically. Under the Women Enterprise Fund (WEF), women are given interest free loans to grow their businesses on a revolving basis. Women are only able to access these funds if they belong to a group of 10-15 members. UWEP targets vulnerable women, widows, women living with HIV/AIDS, women heading households, women slum dwellers, women in hard-to-reach areas and ethnic minorities.

Although reliable data on the performance of the UWEP programme was difficult to access, a discussion with some of the beneficiaries or potential beneficiaries indicates that the programme is facing several challenges, including: politicization of the programme, exclusion of rural women beneficiaries with limited education and enrolling of women with limited business experience, among others.

### 6.7 Parish Development Model

The Parish Development Model is a new development model that is aimed at deepening the decentralization process, improving household incomes, enabling equitable socio-economic development. The model focusses on the Parish as the center for community economic development, particularly, planning, budgeting and delivery of socio-economic interventions. The PDM is based on seven pillars, namely:

- I. Production, storage and marketing

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<sup>57</sup> Parliament of the Republic of Uganda, 2023)

<sup>58</sup> Ministry of Trade, Industry and Cooperatives, 2023

<sup>59</sup> Ministry of Labour, Gender and Social Development, 2023

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- II. Infrastructure and economic services
- III. Financial inclusion
- IV. Social services
- V. Mindset change
- VI. Parish Based Management Information Systems
- VII. Governance and Administration

Figure 25: PDM Model



Source: Ministry of Local Government, 2021

The priority commodities under the PDM include: Coffee, Cotton, Cocoa, Cassava, Tea, Vegetable Oils (Inc. Oil Palm), Maize, Rice, Sugar Cane, Fish, Dairy, Beef, Bananas, Beans, Avocado, Shea Nut, Cashew Nuts, Macadamia.

Under the Parish Development Model, Pillar 2, the communities are required to organize themselves into enterprise groups. The enterprise groups then form themselves into the PDM SACCO and each parish will have one PDM SACCO. Enterprise groups are then registered as Community Based Organizations (CBOs) under the NGOs Act by the districts. The PDM SACCOs then apply and access funding from the Parish Revolving Fund<sup>60</sup>. The Parish Revolving Fund (PRF) then lends to qualifying projects at a concessional interest rate of (a 5- year average inflation rate plus 1%) per annum and on a reducing balance basis which is determined a year in advance. Each household or enterprise group is financed up to an amount approved by the PDMM SACCO depending on the nature of the income-generating activity/enterprise being undertaken. The maximum duration for the recovery of funds is three (3) years.

### Performance of the PDM

The Ministry of Finance, Planning and Economic Development confirmed that that 1 trillion shillings had so far been disbursed to 10,954 parishes, at the time of writing this report. Again, an up-to-date report on the performance of PDM was not accessible. However, PDM's performance in the FY 2021/22 is summarized hereunder:

<sup>60</sup> Office of the Auditor General, 2022

## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

- Government lacked complete and reliable baseline data
- Implementation guidelines that were issued during the year were, at times, were conflicting and inconsistent.
- Funds amounting to UGX.79.21Bn were paid to 8,703 SACCOs in 169 local governments remained idle on the SACCO bank accounts as a result of the delayed registration of SACCOs
- Revolving funds amounting to UGX.29,523,564,220 in forty-nine (49) Local Governments were transferred to 3,214 SACCOs that were neither registered under the Cooperative Societies Act nor signed Parish Revolving Fund (PRF) Financing Agreements. This led to the funding of ineligible SACCOs. The Accounting Officers affected indicated that this was done to avoid returning funds to the consolidated fund.

### 6.8 Youth Livelihoods Programme

The Youth Livelihood Programme (YLP) is a programme launched by the Government of Uganda on 24<sup>th</sup> January 2014, as one of the interventions aimed at addressing the high unemployment rates in the country<sup>61</sup>. This programme was allocated **UGX 265 billion**. The youth have the option of investing in: Dairy production, high value crops, poultry/egg production, piggery, aquaculture, animal traction, agro-forestry, post-harvest handling, value addition, trade, service sector projects, etc. Support is provided to groups of between 10-15 persons. Loans range from US\$1-25 million.

The Youth Livelihood Fund eligibility requirements were simplified to make it easier for youth to access, including: charging no interest for repayments made within the first twelve months, charging only 5% per annum surcharge for the repayments made after the initial 12 months, not asking for physical assets/collateral required, providing a flexible repayment period of 1-3 years depending on the nature of the project, making it accessible for both existing and new groups, removing formal registration of groups as a pre-condition for access and charging no administrative fees on any application

#### Performance of the Youth Livelihoods Programme

Comprehensive data on the performance of the Youth Livelihood Programme at national level could not be accessed. However, over UGX 129 billion lent to youth groups under this programme has not been recovered. This is contrary to the Youth Livelihood Programme Guidelines of 2013 that direct that any repayment which goes beyond one year will attract a Service fee of 5% to cater for inflation. Furthermore, the Principal and Service fee will be paid within a period not exceeding 3 years.

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<sup>61</sup> Ministry of Gender, Labour and Social Development, 2014

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### 7. GOVERNANCE OF THE FUNDS

Overall, it appears that the both EU and GoU funds are performing below expectations. However, the underperformance of EU funds is due to either unavoidable macro-economic factors or enterprise-centric factors. Moreover, the fact that most of them have been established as blended financing vehicles with the fund manager making a contribution of some kind, limits the risk of mismanagement. Furthermore, it appears that many of the fund managers are either reputable financial institutions or firms with demonstrable experience in fund management. That said, EU funds could benefit from Governance structures that are more inclusive of beneficiaries. At the moment, this is generally lacking. However, the Deal Flow Facility (DFF) is exemplary in having a Governance board that has diverse stakeholder groups represented. Secondly, EU funds could do better in communicating their impact. On this metric, UGEFA has excelled in being transparent with the wider public, on its impact.

Government of Uganda funds are often driven by political considerations. Therefore, it is expected that there will be a certain level of political interference in their running. Unfortunately, in many cases, this excessive political interference ends up derailing them. The Youth Livelihoods Funds with its high default rates and the Emyooga, exemplify this challenge. Secondly, many GoU funds suffer from bureaucracy and unclear or non-existent communication on who and how to access them. This is compounded by unnecessarily stringent eligibility criteria e.g the UDB COVID relief funds. The communication about the results of GoU funds has also been weak or lacking, in many instances. The misinformation about the Parish Development Model is one example, of poor visibility of GoU funds. On the positive front, Bank of Uganda's communication (though weak) on the performance of ACF and SBRF, is one to be emulated.

### 8. ACCOUNTABILITY MECHANISMS AND PERFORMANCE OF THE FUNDS

Up to date performance data on the performance of EU funds was accessed and analyzed. Overall, EU funds are performing below expectation mainly due to enterprise level challenges. For instance, UGEFA's overall success rate is 1.45%, only 53% of SMADF investees are on track, the START I facility has a success rate of 3.4% and DFF has a success rate of 13.6%. Most of the challenges are enterprise centric such as: their limited absorption capacity, delay in submitting information or submitting incomplete information, poor corporate governance practices, among others. Although, the EU has endeavored to couple its blended facility with Business Development Services, some of these structural weaknesses would take time to address. The EU also highlighted various ecosystem challenges including the performance of the economy, as a whole, and its slow recovery from COVID-19 that affected the performance of some of the funds. Overall, EU funds have been very impactful in the areas of sustainability, job creation and economic empowerment of disadvantaged groups. On the issue of accountability, EU fund managers are primarily accountable to the donor and not the beneficiary. There is limited awareness about the existence or the performance of EU funds that support MSMEs. Therefore, there is need for greater awareness and making governance structures more inclusive, to improve accountability.

The Government of Uganda does not fare any better with regard to accountability. Accessing performance reports was difficult and impossible, in many instances. However, Bank of Uganda regularly publishes and disseminates reports about the performance of the funds that it manages. This is not the case with other Government fund managers like: Uganda Development Bank, Uganda Microfinance Support Centre, Post Bank, Pride Microfinance, Ministry of Labour, Gender and Social Development. Moreover, many of these GoU funds lack mechanisms for the intended beneficiaries to influence how they are structured or managed.

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### 9. RECOMMENDATIONS AND CONCLUSION

In conclusion, several EU and Government of Uganda funds have been rolled out to support the private sector. However, not only was uptake low, it is difficult to access information on how and why they are not performing below expectations. On its part, the EU willingly shared up to date information on how their facilities are performing. However, this information is not publicly available to the intended beneficiaries and other stakeholder groups. The GoU on its part was very hesitant to share performance information that would inform this report. Performance data was gleaned from third party sources, such as the Auditor General's reports, among others. Therefore, Programmes like Emyooga, Youth Livelihoods Programme and the Uganda Women Entrepreneurship Programme cannot be assessed, objectively, in the absence of this information.

In that regard, the following recommendations are made:

- **Transparency:** There is need for greater transparency in the management of private sector funds, both at the conceptualization and implementation stages. Bank of Uganda has demonstrated transparency in publicly sharing information on the funds under its management. The EU has also been exemplary in sharing with the Consultant detailed performance reports for their facilities. This best practice should be emulated.
- **Awareness:** There is limited awareness among the private sector about these funds. One way of doing this is to build an online portal where information about these funds can be easily accessed by the target beneficiaries. Another way, is for the fund managers to work very closely with industry associations in order to popularize them among their members. The START I facility's partnership with the Private Sector Foundation-Uganda, is an excellent model that other Fund managers can learn from.
- **Divorce politics from private sector funds**-For many government funds, it is imperative that politics is divorced from their implementation. Many politicians actively encourage borrowers not to pay back borrowed funds.
- **Improve beneficiary accountability**- Fund managers should be made more accountable to the private sector. As it is, fund managers are either happy to account to the EU or the GoU to the exclusion of other relevant stakeholders.
- **Couple funding with Business Development Services**- To address the capacity constraints by the private sector, it is important that such funds are coupled with Business Development Services. The EU has been exemplary in this regard. It has ensured that all its blended financing facilities are coupled with Business Development support.
- **Make financing more gender sensitive**-The available performance data confirms that most of the beneficiaries from existing funds are men. This gender financing gap needs to be addressed, by making financial products and funds more gender sensitive. The Fund Managers need to be made more accountable for being more gender sensitive when identifying beneficiaries.
- **Promote synergies among funds**- Most of these funds are targeting the same beneficiaries. Unfortunately, there is limited synergy among them or knowledge sharing. This denies the ecosystem an opportunity to replicate successful approaches.
- **Make Governance structures more robust and inclusive**- It is recommended that all EU and GoU establish supervisory boards that include relevant stakeholders including: the funder, the intended beneficiaries, the fund manager, independent experts and other stakeholder groups. In this way,

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the funder and the Fund Manager can all be held to account, instead of holding each other to account, to the detriment of other stakeholders.

### 10. ANNEXES

#### 10.1 Pictures



**SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM**



**SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM**



## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM



### 10.2 Terms of Reference

| Terms of Reference for a consultant to prepare a paper on governance, accountability and performance of Government funds for private sector use and EU private sector funds |                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ToR Number:</b>                                                                                                                                                          |                                                                                                                                                                                                                      |
| <b>Component and activity number:</b>                                                                                                                                       |                                                                                                                                                                                                                      |
| <b>Title of assignment:</b>                                                                                                                                                 | <p><b>Terms of reference for a consultant to prepare a paper on governance, accountability and performance of Government funds for private sector use and EU private sector funds.</b></p> <p><b>Consultant:</b></p> |
| <b>Location:</b>                                                                                                                                                            | The main place of the assignment will be Kampala.                                                                                                                                                                    |

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| <b>1. Background</b> | <p>The Sustainable Business for Uganda (SB4U) Platform is the fruit of a partnership between the EU, the Government of Uganda (GoU), and the Private Sector Foundation Uganda (PSFU), funded by the European Union (EU). It aims to ensure the dialogue between public and private actors, improve the investment climate, and strengthen trade and investment links between the EU and Uganda.</p> <p>The President of Uganda officially launched the SB4U Platform at the end of the first-ever Uganda-Europe Business Forum held in Kampala in March 2020. The overall impact of the platform is expected to be an improved business environment leading to an increased level of private-sector investments and trade between Uganda and the European Union.</p> <p>The three expected primary outcomes are:</p> <ul style="list-style-type: none"> <li>• Increased EU- Uganda private and public sector engagement and leverage through support provided by the SB4U platform</li> <li>• Increased and diversified trade and investment between EU and Uganda</li> <li>• Improved market access and identification of barriers to investment from structured dialogue (public and private)</li> </ul> <p>The SB4U Platform is tasked with:</p> <ul style="list-style-type: none"> <li>• Ensuring a continued EU-Uganda investment climate dialogue, including monitoring and elaborating the EU-Uganda Roadmap to Improved Investment Climate and exploring innovative private-public collaboration initiatives.</li> <li>• Strengthening EU-Uganda trade and investments links by initiating Business to Business (B2B) and Business to</li> </ul> |
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## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

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|                                         | <p>Government B2G events, joint business missions; facilitating the signature of contracts; increasing visibility of EU and UG companies; providing information, support, and advice for investing in Uganda and EU; etc.</p> <p>The Platform structure comprises a Board, a Secretariat and four Technical Working Groups. The TWGs are based on four issues: “Skills and Attitude”, “Access to Finance”, “Governance and Accountability”, and “Trade and Investment”. The structure provides a mechanism for domestic and EU private and public stakeholders to discuss priority issues and support the implementation of concrete actions.</p> <p>The SB4U Platform works with stakeholders including, but not limited to: the PSFU, private sector membership associations that subscribe to PSFU, relevant GoU ministries, the EU, EU member states embassies and business associations, trade promotion agencies, EU companies investing in Uganda and Uganda companies exporting and investing to the EU, Ugandan diplomatic missions abroad, Uganda Investment Authority, UEPB, UTB and Ugandans in the diaspora, among others through.</p> |
| <b>2. Description of the assignment</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>2.1 Specific activity background</b> | <p>Both the Government of Uganda and the EU have established financing mechanisms to be accessed by locally based private enterprises including SMEs and MSMEs for investment purposes. While some enterprises have taken advantage of these opportunities, the uptake is reported to be below expectation. This low uptake may be due to complexities in accessing the funds and in governance and transparency issues surrounding the funds. This situation is contributing to low levels of new investments by private</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

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|                                     | <p>companies and in retarded realisation of government priorities on for example, value addition, export expansion and employment creation.</p> <p>The objective of the SB4U Platform is to contribute to the sustainable economic development of Uganda by promoting an increased level of private-sector investment and trade between domestic and EU businesses. To further this objective, the SB4U Secretariat now seeks the services of a short-term consultant to:</p> <p><b>Prepare a paper on government and EU private sector funds' governance, accountability, and performance.</b></p>                                                                                                                                                                 |
| <b>2.2 Purpose and objective(s)</b> | <p>The purpose of the paper is to highlight, for stakeholder discussion, the performance of each of the current funding mechanisms and the underlying factors in those performances. The paper should thus serve as a reference document for instituting measures to improve the implementation performance of current mechanisms and the design of future ones.</p>                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>2.3 Scope of work and tasks</b>  | <p>The consultancy will entail identifying all the major Uganda government and EU funding mechanisms currently available to the private sector in Uganda, whether access is concessional. The consultancy should draw on available researched materials and reports on each funding mechanism, focusing on the governance and accountability issues surrounding each one.</p> <p>The consultant will carry out the following tasks:</p> <p><b>Governance:</b></p> <ol style="list-style-type: none"> <li>1. Identify each Uganda government or EU funding mechanism, the partners/intermediaries, the total amount of funding planned, the period for which funding has been available, and the local institutions charged with administering the funds.</li> </ol> |

## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

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|  | <ol style="list-style-type: none"> <li>2. For each fund, provide details of the conditions for access, including, among other things: interest rate or rates; repayment period; commitment fees; and collateral requirements.</li> <li>3. For each fund identified, the Consultant will detail what percentage of the fund has been disbursed so far and whether or not such level of access is as per target, below target or above target.</li> <li>4. Interview the fund managers, selected beneficiaries and other persons closely related to the fund administration to help understand the underlying implementation and access issues, particularly the challenges facing each funding mechanism. The consultant will mainly delve into the factors that enabled access by those that benefited and those that hindered others.</li> <li>5. The consultant is expected to establish challenges of accessibility that may relate to governance, accountability, and administration.</li> <li>6. For each of the funds, explore whether there are agency problems related to the governance of the funds             <ul style="list-style-type: none"> <li>- Any documented cases of self-interest by the trustees of the funds</li> <li>- Political interference that might hinder the achievement of set fund objectives</li> </ul> </li> </ol> <p><b>Accountability:</b></p> <ol style="list-style-type: none"> <li>7. Analyse whether (for each of the funds) – there are reporting mechanisms to key stakeholders – Do these stakeholders know what is happening with the funds</li> <li>8. Whether there are any mechanisms for independent oversight of the funds (to provide confidence to stakeholders on fund utilization).</li> </ol> <p><b>Performance:</b></p> |
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## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

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|                               |                 | <p>9. For each fund identified, detailing the percentage of disbursed funds that have accrued respectively to MSMEs, to SMES and to other enterprises; and</p> <p>10. For each fund identified, detail the percentage of disbursed funds accrued respectively to enterprises with majority Ugandan shareholding and majority EU holding.</p> <p>11. For the total funding since establishment, indicate the amounts each sector (agriculture, industry, or services) has received from the funds analysed.</p> <p>12. For the total funding, indicate the disbursement by the geographical location of the enterprises funded – (Kampala Metropolitan Area; Central, Eastern, Northern and Western Uganda);</p> <p>13. Using suitable criteria, analyse and rank the funding mechanisms by performance and draw argued conclusions as to why top-performing mechanisms have done well and others have not.</p> <p>14. Any other information that can reasonably be deemed to serve the purpose indicated above.</p> <p>15. Make recommendations that could lead to greater access by local enterprises to these investment funding mechanisms.</p> |                                      |                        |
| 2.5 Expected deliverables     |                 | <p>1. An information paper detailing the above</p> <p>2. PowerPoint Presentation to the TWG/Board and other stakeholders on the findings.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                      |                        |
| 3 Non-Key Expert working days |                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                      |                        |
| Job Title                     | Senior / Junior | Number of man/days Total                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number of man/days home-based if any | Special request if any |
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## SECRETARIAT OF THE SUSTAINABLE BUSINESS FOR UGANDA (SB4U) PLATFORM

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| Senior Non-Key Expert – Finance Specialist |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 20 |  |  |
| 4 Expert Profile                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |  |  |
|                                            | <p>The selected consultant shall possess the following professional, technical qualifications and expertise:</p> <ul style="list-style-type: none"><li>• A Master’s degree in, Finance / Economics, Business Administration, or any other qualifications relevant to the requested activities, and accepted by SB4U.</li><li>• At least ten years of relevant working experience around private sector development, financial services and access to finance for MSMEs, participating in advisory services, business projects or consultancy programs.</li><li>• Extensive relevant working experience conducting research, studies, and policy-oriented analysis. Ability to synthesize multi-disciplinary and multi-sectoral research and reach statistically sound results.</li><li>• Experience in supporting and guiding policymaking around private sector development and financial / investment promotion area.</li><li>• In-depth knowledge and understanding of the Ugandan Government structures and policies, notably Uganda’s economic development policy, would be an asset.</li><li>• A good network and contacts within the financial sector</li><li>• A good understanding of available funding sourcing, both public and private.</li><li>• Excellent understanding of types of finance and funding agencies.</li><li>• In-depth knowledge and understanding of the Ugandan private and public capital, private sector, and business communities would be a vital asset.</li><li>• Good research skills (quantitative and qualitative), analysis, and problem-solving skills in developing evidence-based fact sheets, such</li></ul> |    |  |  |

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|                                   | <p>as program and policy fact sheets, policy briefs, position papers, and other advocacy materials.</p> <ul style="list-style-type: none"> <li>• Excellent communication, presentation, facilitation, and writing skills.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>5 Use of incidental budget</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Yes                               | <p>The incidental budget will be used for this TOR as per section 6.5, which allows for Costs for logistics and support services for the organisation of various meetings, events, and consultations (as described in section 4.2.2).</p> <p>a) Provision of specialised technical assistance (lectures, panellists, moderators, organisers etc.).</p> <p>b) Logistics services</p> <p>preparation and distribution to participants of information kits and supporting documents of the events.</p> <p>c) hiring the necessary support for the realisation of events (hostess, notes takers, presenters, secretarial services, interpretation, photography, recording and/or filming of the event etc.) personnel;</p> |
| <b>6 Reporting requirement</b>    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>6.1 Reporting</b>              | <p>The Consultant will report directly to the Director of the SB4U Secretariat. They will be required to collaborate closely with the Private Sector Development Specialist, who will be the main coordinator of this assignment.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>7.5 Special request</b>        | n/a                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

### 10.3 List of Key Informants

| Name of Stakeholder | Position                                                            | Organization                |
|---------------------|---------------------------------------------------------------------|-----------------------------|
| Richard Byarugaba   | Executive Director-Finance                                          | Bank of Uganda              |
| James Muhwezi       | Partnerships & Resource Mobilisation Manager/ Official Spokesperson | Microfinance Support Centre |

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| Dr. Francis Mwesigye        | Chief Economist and Director for<br>Economic Research and<br>Knowledge Management | Uganda Development Bank                                   |
| Patricia Ojangole           | Managing Director                                                                 | Uganda Development Bank                                   |
| Morrison Rwakakamba         | Chairman                                                                          | Uganda Investment Authority                               |
| Cristina Banuta             | Programme Manager-access to<br>finance agri-business and land                     | European Union Delegation to<br>Uganda                    |
| Dr. Edward Isingoma Matsiko | Managing Partner                                                                  | Pearl Capital Advisors                                    |
| Juliet Baggya               | SME manager                                                                       | Centenary Bank                                            |
| Andrew Kabeera              | Executive Director                                                                | PostBank Uganda                                           |
| Hon. Evelyn Anite           | Minister of State for Finance-<br>Investment and Privatization                    | Ministry of Finance, Planning<br>and Economic Development |

### 10.4 List of Focus Group Participants (MSMEs)

| Name              | Contact               |
|-------------------|-----------------------|
| Okello Ibrahim    | 0784617115            |
| Ouma Godfrey      | 0784617115            |
| Nakayih Jackline  | 0772588087            |
| Akankwasa Justine | 0783545439            |
| Nakandi Habibah   | 0773212458            |
| Nassejje Moreen   | 0773641273            |
| Aheebwa Joan      | 0701943485            |
| Awori Teddy       | 0774651339            |
| Kansiime Alice    | 0785135968/0704389639 |
| Nakizito Hellen   | 0754741130            |
| Namutebi Doreen   | 0782283090            |

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