



BANK OF UGANDA

THE ROLE OF BANK OF UGANDA IN MANAGING THE AGRICULTURAL CREDIT FACILITY

Finance Directorate

Prepared for MP's workshop

(Friday December 10, 2021)

Mission: To Foster Price Stability and a Sound Financial System



OUTLINE

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INTRODUCTION

- ❑ **Establishment:** The ACF scheme was established in 2009
- ❑ **Key objective:** support commercialization and modernization of the agricultural sector through provision of medium and long-term financing with focus on value addition and mechanization.
- ❑ **Risk-sharing:** Public-Private Partnership between the Government of Uganda (GoU) and the Participating Financial Institutions (PFIs) regulated and supervised by BoU as well as the Uganda Development Bank.
- ❑ **Eligible Projects:** Projects engaged in primary production (on-farm activities), agro-processing and the grain trade.



SALIENT FEATURES OF THE ACF

CAPITAL EXPENDITURE AND OTHER AGRICULTURAL PROJECTS

GRAIN TRADE FACILITY

| | | |
|--------------------|------------------|-----------------|
| Max. loan amount | UGX 2.1 billion* | UGX 10 billion* |
| Max. loan period | 8 years | 2 years |
| Max. Grace period | 3 years | 0 |
| Min. loan period | 6 months | 0 |
| Max. Interest rate | 12% | 15% |
| Facilities fees | 0.5% | 0.5% |
| Interest to BOU | 0 | 0 |
| Contribution | 50%/50%; 70%/30% | 50%/50% |

** The maximum loan cap can be lifted on a case-by-case basis depending on the contribution of the project to the economy in terms of employment, foreign exchange earnings, taxes paid, etc.*



THE ROLE OF BOU IN MANAGING THE ACF

- ☐ Manage the scheme on behalf of the Government of Uganda.
- ☐ Receive and process refinance claims from the Participating Financial Institutions (PFIs).
- ☐ Maintain an accounting system for the purpose of tracking funds inflow and outflow under the scheme.
- ☐ Provide quarterly progress reports to Ministry of Finance, Planning and Economic Development on the performance of the scheme.
- ☐ Ensure accountability of the funds through periodic Internal and External audits of the scheme.
- ☐ Advise Government (MoFPED) on the Non- performing loans under the scheme and those that are due for write-off as would be guided by the Auditor General.
- ☐ Undertake marketing of the scheme.



CUMULATIVE PERFORMANCE AS AT JUNE 30, 2021

- ❑ Cumulative number of loan applications increased by 53.03% (507 applications) from 956 applications as at June 30, 2020, to 1,463 as at June 30, 2021.
- ❑ Cumulative total disbursements grew by 51.74% (UGX 211.42 billion) from UGX 408.62 billion as at June 30, 2020 to UGX 620.04 billion as at June 30, 2021.
- ❑ The GoU contribution disbursed to the PFIs as at June 30, 2021 accounts for UGX 314.79 billion.
- ❑ 314 borrowers have benefitted under block allocation with loans totaling UGX 4.92 billion.
- ❑ Loan repayments(recoveries) grew by 18.55% (UGX 25.55 billion) from UGX 137.72 billion as at June 30, 2020 to UGX 163.27 billion as at June 30, 2021.
- ❑ UGX 151.52 billion was outstanding as GoU contribution in loans disbursed to the PFIs as at June 30, 2021



ACF CASHFLOW POSITION AS AT JUNE 30, 2021

| DETAILS | AMOUNT (UGX) | AMOUNT (UGX) |
|---|-------------------------|-------------------------|
| Transfer from the Escrow Account to ACF capital Account | 188,777,364,748 | |
| Add Total repayments from PFIs to date(Reflows) | <u>163,274,581,295</u> | |
| Cash Available for Disbursement | | 352,051,946,043 |
| Less: Cumulative disbursements | (314,793,294,469) | |
| Total BoU Commitments | <u>(11,859,761,948)</u> | (326,653,056,417) |
| Cash Available after Disbursements & Commitments | | 25,398,889,626 |
| Less Pipeline at BoU | | <u>(46,513,968,678)</u> |
| Cash Surplus/(Deficit) | | (21,115,079,052) |

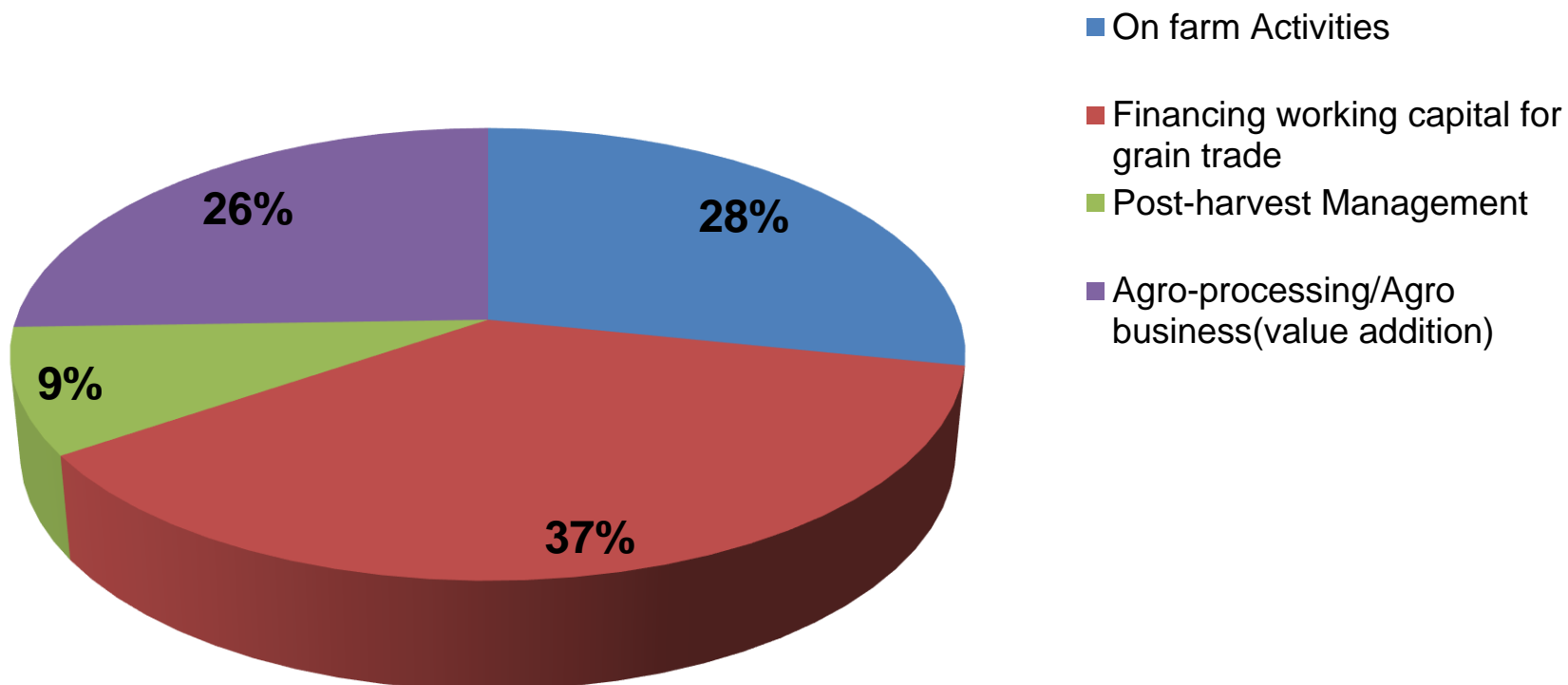


ACF FUNDED PROJECTS AS AT JUNE 30, 2021

| FUNDED ACTIVITY | CUMMULATIVE NUMBER OF PROJECTS | TOTAL LOAN AMOUNT (UGX) | GOU CONTRIBUTION (UGX) | PFI CONTRIBUTION (UGX) |
|---|--------------------------------------|----------------------------|------------------------------|------------------------------|
| On farm Activities including Mechanisation | 898 | 175,050,511,361 | 91,998,686,593 | 83,051,824,768 |
| Working capital for Grain Trade | 149 | 230,995,326,864 | 115,505,663,432 | 115,489,663,432 |
| Post-harvest Management | 44 | 55,794,004,476 | 28,200,573,438 | 27,593,431,038 |
| Agro-processing/Agro- business(Value Addition) | 103 | 158,200,147,074 | 79,088,371,007 | 79,111,776,067 |
| TOTAL | 1,194 | 620,039,989,775 | 314,793,294,470 | 305,246,695,305 |



ACF FUNDED PROJECTS AS AT JUNE 30, 2021 (Cont'd)



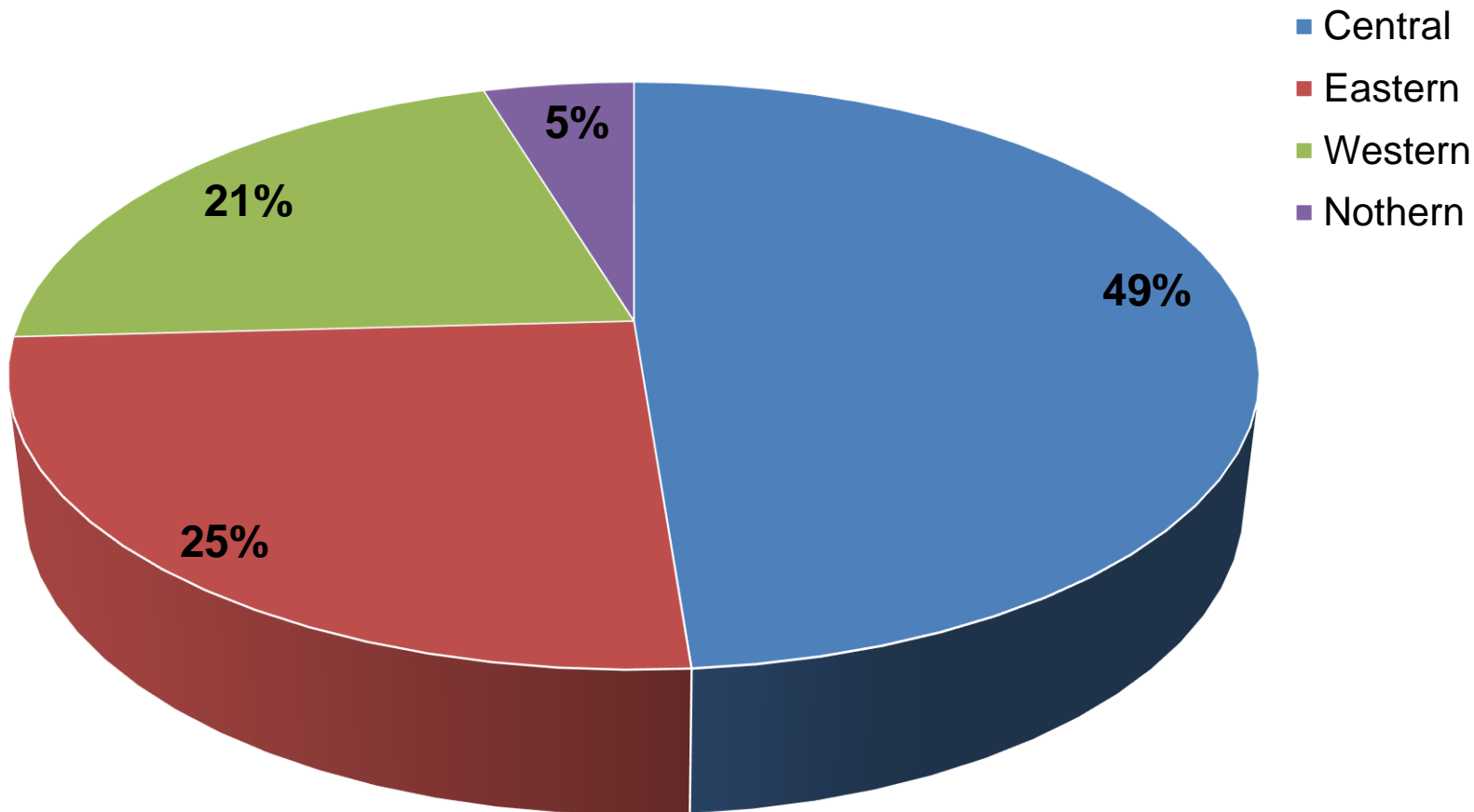


ACF BENEFICIARIES BY REGION AS AT 30 JUNE 2021

| REGION | TOTAL LOAN AMOUNT (UGX) | PFI CONTRIBUTION (UGX) | GOU CONTRIBUTION (UGX) | PERCENTAGE |
|---------|----------------------------|---------------------------|------------------------------|------------|
| CENTRAL | 302,493,292,974 | 150,545,668,340 | 151,947,624,635 | 48.9% |
| EASTERN | 157,120,365,529 | 78,357,894,940 | 78,762,470,589 | 25.3% |
| WESTERN | 131,621,537,185 | 62,245,114,982 | 69,376,422,203 | 21.2% |
| NOTHERN | 28,804,794,087 | 14,098,017,043 | 14,706,777,044 | 4.6% |
| TOTAL | 620,039,989,775 | 305,246,695,305 | 314,793,294,470 | 100% |



ACF BENEFICIARIES BY REGION AS AT 30 JUNE 2021 (Cont'd)





ACF BENEFICIARIES THROUGH BLOCK ALLOCATION AS AT 30 JUNE 2021

- ❑ Block allocation was introduced in 2018 to enable farmers without collateral to access loans up to 20 millions but using alternative collateral arrangements such as chattel mortgages, cashflow based financing, character-based loans, among others.
- ❑ This was intended to unlock credit to the micro and smallholder farmers like the youths and women who are unable to access funding due to the stringent traditional collateral requirements by the PFIs.
- ❑ By June 30, 2021, the ACF had extended financing of up to **UGX 4.92 billion** to 314 rural farmers using non-traditional collateral under block allocation.



ACF BENEFICIARIES THROUGH BLOCK ALLOCATION AS AT 30 JUNE 2021 (Cont'd)

| Enterprise funded | Number | Total loan UGX | Gou Contribution UGX | %age Amount |
|---|------------|----------------------|----------------------|-------------|
| Cattle restocking for Beef / Diary production | 133 | 2,066,000,000 | 1,153,100,000 | 42.0% |
| Poultry farming | 26 | 429,600,000 | 291,800,000 | 8.7% |
| Agro-inputs and farm improvements | 108 | 1,683,900,000 | 1,076,650,000 | 34.2% |
| Grain Trade | 47 | 739,500,000 | 369,750,000 | 15.0% |
| Total | 314 | 4,919,000,000 | 2,891,300,000 | 100% |



KEY ACHIEVEMENTS / SUCCESSES OF THE ACF

- ❑ Extended credit worth UGX 620.04 billion to 1,194 beneficiaries across the country.
- ❑ Promoted mechanization of the agricultural sector through advancing credit of up to UGX 102.81 billion for acquisition of agricultural machinery and equipment.
- ❑ Promoted value addition to agricultural products to a tune of UGX 158.2 billion to about 103 agro processors engaged in value addition. This is in line with the import substitution strategy of “Buy Uganda Build Uganda”.
- ❑ 314 borrowers have benefitted under block allocation arrangement with loans totaling **UGX 4.92 billion**. These loans were advanced to micro and small farmers who had no collateral.



CHALLENGES

- ❑ Inadequate capitalization: The ACF fund position as at June 30, 2021, had a deficit of **UGX 21.129 billion**.
- ❑ Unfulfilled pledge of **UGX 100 billion** to finance the Grain facility
- ❑ Covid-19 Impact : A total of 97 loans were restructured amounting to **UGX 31.61 billion** which ultimately impacted on expected recoveries from the PFIs.
- ❑ Lengthy process for NPLs write-offs which has resulted into big provisions for bad debts sitting on the financial statements of the PFIs for a long time.



WAY FORWARD

- ❑ Urgent recapitalization of the scheme to refinance projects in the pipeline and additional applications for refinancing.
- ❑ The government should fulfill its pledge of UGX100 billion to support the Grain trade.
- ❑ Establish a flexible legal framework for the credit guarantee to enable speedy processing of loan write-offs by the PFIs.
- ❑ Design a strategy for tier-4 institutions including licensed SACCOs to access medium and long-term finance available under the ACF after addressing the issue of recapitalization.
- ❑ De-risk the agricultural sector with agriculture insurance to encourage lending to agricultural value chains.
- ❑ Undertake increased public awareness campaign programs to target beneficiaries under the vulnerable group such as women, youth, disabled to increase uptake under Block Allocation’.



Thank you!

