

SMALL BUSINESS RECOVERY FUND CRITERIA / ELIGIBILITY

The SBRF is a government initiative worth Ugx 200 billion through participating financial institutions to provide funds for small and medium enterprises as a recovery mechanism from adverse effects of COVID-19, geared at capitalization of the small businesses operated by individuals, companies, groups with an average number of employees between 2-49, with an annual turnover of about Ugx 10 million-300 million.

1. Who is eligible to borrow under this Fund?

- Small businesses operated by individuals, groups, partnerships and companies, employing between 2-49 people and with an annual turnover of UGX 10 million to UGX 300 million are eligible to borrow under this Fund.
- The businesses should be able to demonstrate capacity for recovery.
- However, agri-businesses or agricultural activities that are eligible under the Agricultural Credit Facility (ACF) and those that have already been financed under ACF are not eligible for funding under this Small Business Recovery Fund.

2. How can one access the fund?

- Eligible borrowers can access loans only through participating financial institutions, which include all the Commercial Banks, Licensed Credit Institutions and microfinance deposit-taking institutions regulated by the Bank of Uganda.
- The participating financial institutions are responsible for assessing potential borrowers in line with the Fund's guidelines and their credit policies and thereafter disburse the funds to them.

3. What is the repayment period for these loans?

- The loan repayment period is a minimum of 6 months and a maximum of 4 years, which includes a grace period of a maximum of 1 year depending on the nature of the project and as determined by the respective participating financial institution.

4. Is there a maximum or minimum loan amount?

- The maximum loan amount shall be UGX200 million, however, there is no minimum loan amount.

5. Does one require collateral to access a loan under this Fund?

- Yes, the borrower will be expected to provide collateral/ security for the loan and this will be determined by the participating financial institution where the borrower will access the loan.

6. How much are the loan processing fees?

- Loan processing fees will not exceed 0.5% of the total loan amount and shall be a one-off charge.
- The borrower shall be responsible for paying the costs of legal documentation and registration as well as insurance fees.

7. What is the interest rate?

- The loans are offered at a discounted interest rate of 10% per annum, which is on a reducing balance.

AGRICULTURE CREDIT FACILITY AND ELIGIBILITY.

The Agricultural Credit Facility is an intervention by the government of Uganda through participating financial institutions (PFIs), where farmers and agricultural cooperatives can access affordable capital and support for the production, processing and marketing of their products for the sustainability and growth of their businesses.

The criteria/eligibility to access the ACF are as follows;

Eligible Projects

- Eligible projects include the acquisition of agricultural machinery, post-harvest handling equipment, storage facilities, agro-processing, mechanization and any other related agricultural and agro-processing machinery and equipment.
- Agricultural inputs required for primary production and working capital requirements are considered provided this component does not exceed 20% of the total project cost for each eligible borrower.
- The scheme also provides financing for Working capital and infrastructure for projects engaged in grain trading.

Terms and conditions of getting the loan

Sub-loan amounts are determined based on assessment and appraisal of project costs and genuine credit needs by the lending policy of the PFI and the ACF Memorandum of Understanding.

The **loans are designated in Uganda shillings**. The PFIs disburse the total loan amount (100%) to the final borrower (Sub-borrower) on the following terms:

1. Loan amount

The **maximum** loan amount to a single borrower is up to **Shs. 2.1 billion**. However, this amount can be increased up to **Shs. 5 billion** on a case-by-case basis (for eligible projects that add significant value to the agriculture sector and the economy as a whole). There is **no designated minimum loan amount** to the final beneficiary (farmer/ agro-processor) but BoU can only reimburse a minimum of Shs 10 million to the PFIs.

2. Loan Tenure

The maximum loan period should not exceed **8 years** and the minimum should be **6 months**.

3. Grace Period:

The Grace Period is up to a maximum of **3 years**.

4. Interest Rate

The interest rate to the final borrower is up to a maximum of **12% per annum**. The 50% GoU contribution is disbursed to the PFIs at zero Interest (interest-free).

5. Facility fees

Loan processing 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.

6. Collateral requirements

- The primary security for the credit facilities is the machinery and equipment financed, where applicable, and any other marketable securities provided by the borrower/final beneficiary. PFIs may seek additional security based on their evaluation of the risk profile of the project being financed.
- The PFIs shall ensure that the loan is adequately secured as per their credit policy to protect their interest and that of the BoU and the GoU.

7. Financing the grain trade

The scheme shall also provide financing for Working capital and infrastructure for projects engaged in grain trading. The terms will be as follows:

- The maximum financeable amount to a single borrower will be UGX 10 billion and the GoU contribution shall be 50 percent of the eligible amount.
- The maximum tenure of a loan for working capital for an eligible project under the grain facility shall be 24 months from the date of disbursement to the borrower.
- The maximum tenure of a loan for capital expenditure for an eligible project under the grain facility shall be 8 years from the date of disbursement to the borrower with a maximum grace period of 3 years.
- The applicable interest rate for loans advanced to finance grain trading under the scheme shall be a maximum of 15% per annum.
- The applicable interest rate for loans advanced to finance capital expenditure under the scheme shall be a maximum of 12% per annum.

8. Procedure for accessing the loan

- The client forwards his/her loan application to any PFI of his/her choice.
- The PFI will then advise him/her on the terms under the ACF.
- A detailed bankable project proposal/feasibility report may be required by the PFI (depending on the loan amount applied for).