

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

3rd CALL FOR PROPOSAL (CfP3) - DECEMBER 2020

Background

United Nations Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how localized investments – through fiscal decentralization, innovative municipal finance, and structured project finance – can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

UNCDF in partnership with the European Union under the 11th European Development Fund (EDF) and the Government of Uganda under the Office of the Prime Minister is implementing a four-year Programme referred to as the Development Initiative for Northern Uganda (DINU). The general objective of the Programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The programme will benefit 40 districts in Northern Uganda with a total population of over 7 million people. With respect to this call for proposals, UNCDF is focusing on improving access to affordable medium term finance for SMEs engaged in agricultural value addition/agro-processing through a dedicated facility for business development services and blended finance.

Support to Agricultural Revitalization and Transformation (START) Funding Facility

The START funding facility is designed to support the implementation of DINU food security and nutrition component. The Facility is intended to offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of seed capital to SMEs.

START Facility is structured as a blended finance facility providing a customized mix of Business Development Services, Project Development Services and Financial Services. The three lines of business are managed by the three participating institutions namely: Private Sector Foundation Uganda (PSFU), United Nations Capital Development Fund (UNCDF) and Uganda Development Bank Limited (UDBL) respectively. The financial products available under the START facility include; Concessional Loans (annual interest at 10%), reimbursable grants (limited to shortlisted SMEs impacted by COVID-19 pandemic), Technical Assistance Grants and Project-based Partial Credit Guarantees.

3rd Call for Proposal (CfP3)

Through CfP3, START Facility is inviting proposals for commercially viable investment projects focused on agro-processing / value addition including, not limited to, processing plants, post-harvest handling technologies, effective storage systems, digital technologies to handling agro-processing, storage and any other agricultural value addition projects.

Priority will be given to enterprises engaged in apiary, cassava, coffee, groundnuts, livestock, rice, sesame, sorghum, soybean and vegetables value chain projects that contribute to economic empowerment of women and youth, contribute to development of refugee hosting areas and leverage the refugee potential for local development as well as to projects that aim at reducing environmental risks and ecological scarcities. Other agricultural value chains may also be considered

Services offered by the START Facility to project developers

- 1) Business Development Services
 - a. Support in development of grant/concessional loan applications, Legal support, Technical and management training.
- 2) Project preparation and development services
 - a. Targeted technical project development and financing support to project developers (e.g. enhanced project documentation, due diligence and financial structuring).
 - b. Preparation of project investment documents in the format acceptable to commercial banks and investors.
 - c. Provision of project technical assistance grants, credit enhancements/guarantees.
- 3) Financial services - link developers to financial institutions and investors
 - a. Preparation and issuance of term sheets & loan agreements.
 - b. Issuance and administration of concessional loans.
 - c. Leveraging funds from other commercial and development finance institutions.
 - d. Monitoring and management of concessional loan servicing and repayments.

Geographical coverage of START Facility

The geographical coverage for START facility is aligned with the geographic coverage of

DINU programme and comprises 40 districts in Northern Uganda as indicated below.

The eligible districts for the START Facility

Region	Districts covered
Karamoja	Abim, Amudat, Kaabong, Karenga, Kotido, Moroto, Nakapiripirit, Nabilatuk and Napak
Acholi	Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya, Omoro and Pader
Lango	Alebtong, Amolatar, Apac, Kwana, Dokolo, Kole, Lira, Otuke and Oyam
Teso	Amuria, Kapelebyong and Katakwi
West Nile	Adjumani, Arua, Pakwach, Koboko, Maracha, Moyo, Obongi, Nebbi, Madi-Okollo, Yumbe and Zombo

NOTE: All new districts that were created or are due to be created (during the period of the call) out of the districts indicated above are automatically eligible under the START Facility.

Eligibility Criteria	
Dimension	Criteria
a) Size of financing requirement	
•	Capital expenditure required must be at least 75% and above of the total project cost.
•	Non- capital costs which are direct to the Project and necessary for carrying out the Project may be accepted up to 25%.
•	Pre-award costs, cost of idle facilities, fines & penalties, cost of advertising & fundraising, entertainment, debts & provisions for losses are ineligible.
•	Financing gap requested from START Facility ranges from UGX40m - UGX400m. However, total project size can be 3 times the financing gap. Leveraging extra funds from other institutions should be sought where necessary.
•	Small investment window to cover the financing requirement from €10,000 to €50,000 (approximately from USh40 million to USh200 million).
•	Medium investment window to cover the financing requirement above €50,000 to a maximum of €100,000 (approximately from USh200 million to USh400 million).
•	Large investment window: UNCDF has partnered with other financing institutions to support projects whose financing requirement exceeds the €100,000 maximum limit available under the START Facility. Projects in this category are also encouraged to apply
b) Sector	
•	Value addition in storage and processing of agricultural produce (including handling and packaging) taking into account the impact of the complementary activities for food production and commercial agriculture.
•	Priority will be given to the following value chains: cassava, coffee, soya, sesame, sorghum, rice, apiary, vegetables, groundnuts and livestock. Other agricultural value chains may also be considered
•	Does not engage in any of the ineligible sectors, such as manufacture, sale or distribution of alcohol, tobacco or tobacco products as well as manufacture, sale or distribution of substances subject to international bans or phase-outs, and wildlife or products regulated under the CITES8
•	Greenfield or brownfield project
c) Project characteristics	
•	Capital intensive (i.e., its capital cost is relatively high in relation to annual sales)
•	Employs proven technology
•	Has a relatively long physical and economic life
•	Has an economic output that is determined primarily by its design and successful construction
•	Revenues are in the form of commercially reasonable charges for its output, sufficient to pay all project operating expenses and debt service (if applicable), plus provide an adequate return on equity to the project's investor(s)
d) Technology employed	
•	Post-harvest handling equipment/technology
•	New quality control equipment
•	Small-scale irrigation systems
•	Mobile primary processing and packaging equipment
•	Secondary processing and packaging equipment
•	Upgrade or improvement of the existing old processing technologies (machinery and equipment)
•	Design, fabrication and production of packaging machinery

•	Technologies for effective storage chains, including mobile storage units, combined drying/storage systems												
•	Effective cold chain management systems												
•	Application of solar and other types of green energy to handling, processing and storage												
•	Application of digital technologies to handling, processing and storage												
e) Developer/ Applicant													
•	Must be a legally registered person												
•	An agribusiness entity registered in Uganda under the Companies Act, a cooperative formed under the Cooperative Societies Act, trade association or similar business representative organization legally established in Uganda												
•	Directly responsible for the preparation and management of the action with their partners and not acting as an intermediary												
•	Stable and have sufficient financial resources to ensure the continuity of their organization throughout the project												
•	Able to demonstrate their experience and capacity to manage activities corresponding in scale and complexity with those for which financial support is requested												
•	Can provide, either from its own resources or in combination with other shareholders, equity equal to at least 25% of the total cost of the project.												
•	Have demonstrable/verifiable ownership of title or right of beneficial use of assets on which the project will be carried out												
•	Does not use or tolerate forced or compulsory labor or child labor												
f) Economic and social impact													
1)	Development of the local food supply chain												
•	Improve quantity and quality of local food production												
•	Improve effectiveness of local food markets												
•	Improve position of women and young people in the local food supply chain												
2)	Local economic impact												
•	Increase in locally retained monies												
•	Increase in household revenues												
•	Increase in demand for local primary production												
•	Improved local resilience and adaptation to climate change												
3)	Transformative impact												
•	Increase in the added value of a product created locally												
•	Application of new technologies												
•	No adverse social and environmental impacts												
g) Developer's equity contribution													
The equity contribution of owners is mandatory and may come in a variety of forms (e.g. land, plant & equipment, not only cash). This requirement will be considered in light of the very generous collateral requirement of START due to collateralization of future financial flows. If the equity is contributed in kind in the form of physical assets and/or in the form of other products resulting from certain prior activities, the applicant must prove the relevance of these assets for the project and produce evidence of ownership of such assets.													
The table below provides a non-exhaustive overview of assets and other products that may be considered as part of the equity contribution.													
<table border="1"> <thead> <tr> <th>Physical assets</th> <th>Other products</th> </tr> </thead> <tbody> <tr> <td>• Land</td> <td>Feasibility studies</td> </tr> <tr> <td>• Buildings</td> <td>Training and skilling of personnel</td> </tr> <tr> <td>• Machinery and equipment</td> <td>Management systems complete with required software and equipment (databases, accounting, planning, etc.)</td> </tr> <tr> <td>• Vehicles (incl. motorcycles)</td> <td>Patents</td> </tr> <tr> <td>•</td> <td>Trademarks</td> </tr> </tbody> </table>		Physical assets	Other products	• Land	Feasibility studies	• Buildings	Training and skilling of personnel	• Machinery and equipment	Management systems complete with required software and equipment (databases, accounting, planning, etc.)	• Vehicles (incl. motorcycles)	Patents	•	Trademarks
Physical assets	Other products												
• Land	Feasibility studies												
• Buildings	Training and skilling of personnel												
• Machinery and equipment	Management systems complete with required software and equipment (databases, accounting, planning, etc.)												
• Vehicles (incl. motorcycles)	Patents												
•	Trademarks												
h) Eligible Costs													
START funding is primarily designed to cover the capital costs of the project. However, START funds may be used to cover non-capital costs so long as they are demonstrated to be critical to the core business. Below is a non-exhaustive list of costs that may be considered eligible.													
<table border="1"> <thead> <tr> <th>Category</th> <th>Comment</th> </tr> </thead> <tbody> <tr> <td>• Technical Assistance Grants (Training, Systems upgrades, product development, market access e.t.)</td> <td>Up to 10% of the total project costs</td> </tr> </tbody> </table>		Category	Comment	• Technical Assistance Grants (Training, Systems upgrades, product development, market access e.t.)	Up to 10% of the total project costs								
Category	Comment												
• Technical Assistance Grants (Training, Systems upgrades, product development, market access e.t.)	Up to 10% of the total project costs												

Capital costs	Up to 75% of the total project costs
1) Land (purchase or rent) 2) Machinery and equipment 3) Construction works 4) Specialized vehicles, e.g. milk tankers 5) Furniture and fittings	<ul style="list-style-type: none"> • Not eligible • Eligible only if direct costs to the project. • Eligible only if direct costs to the project. • Eligible only if direct costs to the project. • Eligible only if direct costs to the project.
Non-capital costs	Up-to 25% of total project costs
1) Pre-award costs 2) Fines & penalties 3) Advertising & fundraising 4) Entertainment 5) Debts and provision for losses 6) Training and skilling 7) Working capital	<ul style="list-style-type: none"> • Not eligible • Not eligible • Not eligible • Not eligible • Not eligible • Eligible only if direct costs to the project. • Eligible if direct costs to the Project and should not be above 25% of the budget in total. Working capital includes cost of raw materials, production costs, staff costs, administration costs that are relevant to the project.

Pre-submission Information

Due to the COVID-19 pandemic, Private Sector Foundation of Uganda and UNCDF will not hold physical pre-submission information and instruction sessions as has been in previous Calls for Proposals (CfPs) to mitigate the spread of COVID-19. Alternative communication and information sharing channels will be used including: 1) local radio

stations, 2) bi-weekly Zoom Conference meetings, 3) social media (Twitter, WhatsApp), 4) District Commercial Offices 5) Telephone and 6) email. Please refer to the PSFU and UNCDF websites www.psfuganda.org.ug and www.uncdf.org for more information.

How to Apply for START Facility Support

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

- 1) An on-line application form has been provided for applicants to submit their proposal. The online form can be accessed on the link www.start.go.ug and can also be accessed on PSFU and UNCDF websites www.psfuganda.org.ug and www.uncdf.org. Proposals submitted in hard copy form or by mail will not be accepted.
- 2) Applicants should provide all figures in Uganda Shilling and if possible as round figures.
- 3) The online application form must be completed carefully to ensure all the required information is provided. Submission of incomplete information is an automatic ground for rejection of the proposal.
- 4) Relevant supporting documentation must be uploaded onto the relevant section at the end of the online application portal.
- 5) Only one application will be accepted per entity and per proposal.
- 6) Any significant errors or any major inconsistency in the application may lead to the rejection of the proposal.

Important Notice

- 1) **Language of proposal:** Proposals must be submitted in English
- 2) **Deadline for submission:** The deadline for submission of project proposals is 15th March 2021.
- 3) **Please note:** Applicants who do not submit the applications through the online

portal within the deadline will not be considered.

- 4) **Please ensure** you complete all **sections of the online application form** that are applicable to your project.
- 5) **Successful longlisting:** START Team will endeavour to inform Successful and Unsuccessful applicants for the longlisting by 31st March 2021. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
- 6) **Successful shortlisting:** START Team will endeavour to inform Successful and Unsuccessful applicants for the shortlisting by 20th April 2021. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
- 7) **Inquiries:** For additional inquiries about the application process please send your inquiry to the two emails: cfpstart@psfuganda.org.ug and cfp.start@uncdf.org with the subject **"INQUIRY"**.
- 8) **Acknowledgement of receipt:** The START on-line application system will automatically acknowledge receipt of your application by replying to the provided contact email address. Please ensure that you receive the acknowledgement receipt after submission of your proposal.
- 9) **Caution to Applicants:** No Applicant should accept to pay any fees/commission to any individual/consultant to the extent that they will be assisted to get approval under the START Facility.

For more information on START Facility, please contact

1. Deus Tirwakunda - deus.tirwakunda@uncdf.org; cfp.start@uncdf.org
2. Daniel Kisekka - dkisekka@psfuganda.org.ug; cfpstart@psfuganda.org.ug



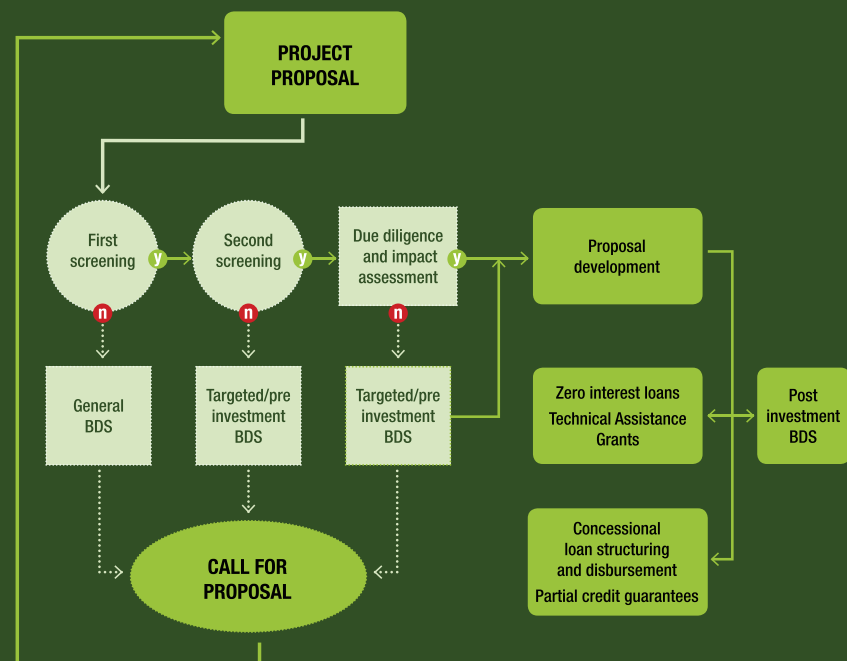
About Start

SUPPORT TO AGRICULTURAL REVITALIZATION AND TRANSFORMATION

The Support to Agricultural Revitalization & Transformation (START) Facility is a blended finance facility providing a customized mix of business development services, project development and finance, structuring services, and financial products in the form of concessional and zero interest loans, technical assistance grants and partial credit guarantees.

The START Facility is implemented by the United Nations Capital Development Fund in partnership with Private Sector Foundation Uganda and Uganda Development Bank Ltd. The START Facility is designed to support the implementation of the food security and nutrition component of the Development Initiative for Northern Uganda (DINU) programme by improving access to finance for Small & Medium Enterprises (SMEs) engaged in agricultural value addition in Northern Uganda.

HOW START FACILITY WORKS



PROGRESS TO DATE

ISSUED TWO CALLS FOR PROPOSALS MAY 2018 AND JULY 2019

1st Call for Proposal

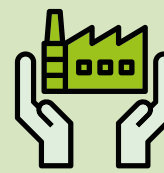


342 proposals
49 longlisted
17 shortlisted
6 pipeline projects
293 rejected

2nd Call for Proposal



143 proposals
24 repeat applications
100 longlisted
75 shortlisted
43 rejected
26 pipeline projects



Due diligence visits to 92 SMEs
General business development support to over 100 SMEs
Pre-investment business development support to 61 SMEs including 4 cooperatives

28%

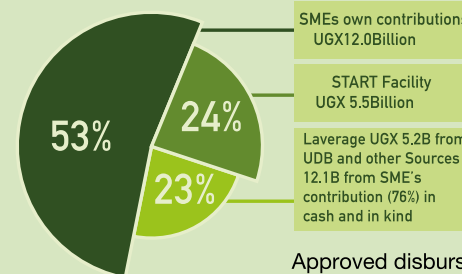
37 women trained

62%

93 men trained

130 participants trained in financial literacy

17 PROJECTS HAVE BEEN SUBMITTED TO UGANDA DEVELOPMENT BANK FOR FINANCING

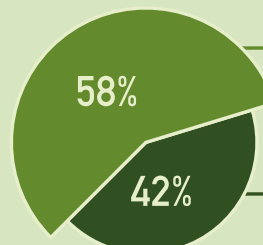


TOTAL PROJECT SIZE:
UGX 23.0Billion

OVER 500 JOBS
created, providing
market for over
75,000 FARMERS

Approved disbursements to 5 SMEs at 2.0Billion.
Post investment BDS to 2 SMEs to automate their financial management systems

IN MAY 2020, LAUNCHED THE SMALL BUSINESS RECOVERY FUND (SBRF) IN RESPONSE TO THE IMPACT OF COVID-19 ON SMES.



55 APPLICATIONS
17 shortlisted
9 pipelines

TOTAL PROJECT REQUIREMENT
UGX 613Million



For more information: Deus Tirwakunda START Facility Manager deus.tirwakunda@uncdf.org +256 322 200241