



Opening Remarks

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**Agricultural Credit Facility (ACF) & Small
Business Recovery Fund (SBRF) Workshop**

Kampala Serena Hotel

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Distinguished participants

Ladies and gentlemen

Good morning, everyone, and a warm welcome to this important workshop to review the operations of the Agricultural Credit Facility (ACF) and Small Business Recovery Fund (SBRF).

The Bank of Uganda (BoU) appreciates and applauds your partnership in implementing the ACF and SBRF.

Today, we are here to review and improve the operations of the ACF and SBRF. As we all know, agriculture is the backbone of our economy, providing jobs for two-thirds of Uganda's labour force and contributing 24% to our national GDP. Yet, despite its potential, the sector faces several challenges, with access to affordable financing being one of the most significant.

That is why initiatives like the ACF and SBRF are crucial, and we are here today to ensure they are working as effectively as possible.

You may recall that the Government of Uganda set up the ACF in partnership with commercial banks, Uganda Development Bank Ltd (UDBL), microfinance deposit-taking institutions (MDIs), and credit institutions as participating financial institutions (PFIs) in 2009.

The ACF provides medium and long-term financing to projects in agriculture and agro-processing, focusing on commercialisation and value addition.

The ACF loans are advanced through the PFIs at less than market lending rates. The BoU administers the ACF under a Memorandum of Agreement (MoA).

The ACF has grown steadily in the volume and value of loans extended to farmers and agro-processors in Uganda. As of 31 December 2022, a total of UGX 751.33 billion had been disbursed to 2,970 eligible projects across the country. The Government's contribution amounts to UGX 380.67 billion in disbursements, up from UGX 21.02 billion in 2010 upon operationalisation. Currently, 20 out of 33 supervised financial institutions are PFIs.

Despite the Scheme's success, it has not yet reached its full potential due to several challenges. These include some PFIs' non-participation and low uptake, limited financial literacy, as well as inadequate sensitisation of both the credit officers and intended beneficiaries, among others. Therefore, the BoU is currently reviewing the ACF's operations to address these gaps and improve uptake by both the PFIs and intended beneficiaries.

Regarding the Small Business Recovery Fund (SBRF), Uganda's micro, small, and medium enterprises (MSMEs) employ over 3 million people, account for more than 90% of the private sector, and contribute more than 70% to our national GDP. Therefore, they play a significant role in creating low-cost jobs, reducing poverty, promoting industrialisation, and fostering economic growth. However, MSMEs face a key constraint due to the lack of access to affordable financing to expand and grow their businesses.

Moreover, the Covid-19 pandemic disproportionately affected MSMEs, as they are labour-intensive, have limited liquidity reserves, and lack assets to use as collateral to access quick credit. In addition, the quarantine and lockdown measures imposed by the Government led to demand/supply chain disruptions, raw material shortages, transportation challenges, and cash flow disruptions.

To address this challenge, the Government established the SBRF in July 2021, which provides concessional loans to small businesses using the same model as that of ACF.

Despite this initiative, the Fund has still registered a very low uptake, with only UGX 6.58 billion disbursed as of 31 December 2022, partially due to restrictive operational guidelines and low levels of awareness.

To address this issue, we held a workshop on 03 March 2022 to discuss ways of improving the Fund's absorption, which led to amendments to the SBRF-MoA and operational guidelines. As a result, BoU issued a circular communicating the changes.

I hope the amendments will motivate increased uptake of the SBRF by the businesses still struggling from the pandemic's effects, despite the economy's opening.

We call upon all stakeholders to support these transformative sectors in which most of our population is engaged if we are to achieve socio-economic transformation and sustainably achieve middle-income status.

So, let's get started and make the most of this workshop to optimise the opportunities of the ACF and SBRF in driving economic growth and development.

It is now my honour and privilege to declare this workshop officially open.

I thank you all for listening to me.

God bless!