

BANK OF UGANDA



Small Business Recovery Fund Quarterly Progress Report – Sep. 2024



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Abbreviations

SBRF	Small Business Recovery Fund
BoU	Bank of Uganda
GoU	Government of Uganda
FIA	Financial Institutions Act
MOA	Memorandum of Agreement
MoFPED	Ministry of Finance, Planning and Economic Development
PFI	Participating Financial Institutions
PFMA	Public Finance Management Act
UGX	Uganda Shillings
MSMEs	Micro, Small and Medium Enterprises
UMA	Uganda Manufacturers Association

1 Executive Summary

The **Small Business Recovery Fund (SBRF)**, established in 2021 as a public-private partnership between the Government of Uganda (GoU) and participating financial institutions (PFIs), has made notable strides in its mission to provide affordable loans to small businesses affected by the Covid-19 pandemic. By September 30, 2024, cumulative funding reached **UGX 65.92 billion**, supporting **3,242 small businesses**. PFIs have disbursed **UGX 39.71 billion**, with a **GoU contribution of UGX 19.85 billion**.

Key Highlights

- **Performance for the Quarter Ending September 2024:**
 - **Applications Received:** 156, valued at UGX 3.51 billion (a 67% decline compared to June 2024).
 - **Loans Approved:** 484, valued at UGX 13.12 billion (55% increase).
 - **Loans Disbursed:** 543, totaling UGX 12.22 billion (73% increase).
 - **Recoveries:** UGX 1.97 billion (219% growth).
- **Sectoral and Regional Distribution:**
 - The **Trade and Commerce sector** accounted for the largest share (64.7% of disbursements, UGX 25.68 billion).
 - The **Central Region** dominated uptake with 71.7% of beneficiaries, reflecting the concentration of PFIs and businesses in this region.

Challenges

Despite significant progress, uptake remains constrained by factors such as:

- Stringent eligibility criteria limit access for many MSMEs.
- Informality and lack of record-keeping among businesses.
- Collateral requirements that exclude many small businesses.

Recommendations

To enhance access and impact, it is proposed to:

- Revise eligibility criteria to include agribusinesses and businesses established post-pandemic.
- Increase loan caps and allow repeat borrowing.
- Strengthen financial literacy initiatives and encourage business formalisation.

Conclusion

The SBRF has demonstrated its potential to support small businesses, with a particular focus on micro-enterprises. Continued improvements in accessibility, awareness, and eligibility criteria are essential to achieving greater inclusion and impact. The Bank of Uganda remains committed to fostering financial resilience and supporting the recovery of Uganda's MSME sector.

2 Background

The Small Business Recovery Fund (SBRF), established in 2021, serves as a stimulus initiative to provide affordable loans to small businesses impacted by the financial distress caused by the Covid-19 pandemic.

The Fund operates as a public-private partnership between the Government of Uganda (GoU) and Supervised Financial Institutions (SFIs), collectively referred to as participating financial institutions (PFIs). These include commercial banks, credit institutions (CIs), and micro-deposit-taking institutions (MDIs).

Launched with an initial capitalisation of UGX 100 billion from the GoU, the Fund is supported by a risk-sharing mechanism, wherein PFIs contribute 50% of every loan disbursed to borrowers, in accordance with the terms outlined in the governing Memorandum of Agreement (MoA). The Bank of Uganda (BoU) serves as the fund administrator, ensuring the effective implementation of its operations.

3 Performance in the quarter ended September 2024

During the quarter ending September 30, 2024, the BoU received 156 new applications valued at UGX 3.51 billion, with Opportunity Bank accounting for the majority, contributing 87% of the applications and 67% of their total value.

Despite declining applications submitted by PFIs during the quarter, disbursements to PFIs more than doubled, with refinance claims totalling UGX 12.22 billion disbursed to support 543 small-scale businesses. This marks a 73% increase in the value of disbursements compared to the previous quarter.

The GoU contribution for these disbursed loans amounted to UGX 6.11 billion. The significant improvement is attributed to BoU's automation of loan processing, which enhanced loan approvals and disbursement efficiency.

Additionally, loan recoveries totalling UGX 1.97 billion were realised from PFIs during the quarter. These recoveries correspond to instalments due for repayment by the end of June 2024, with recoveries scheduled biannually in June and December.

Table 1: Performance during the quarter ended September 2024 compared to the quarter ended June 2024

Portfolio Classification (Cumulative)	30-Jun-24	30-Sep-24	Change (UGX)	% Change
Number of Loan Applications Received	332	156	(176)	-53%
Value of Loan Applications Received	10,676,900,000	3,512,000,000	(7,164,900,000)	-67%
Number of Approved Loans	338	484	146	43%
Total Value of Approved Loans	8,485,800,000	13,124,900,000	4,639,100,000	55%
Number of Loans Disbursed	310	543	233	75%
Total Value of Loans Disbursed	7,073,400,000	12,217,100,000	5,143,700,000	73%
GoU Contribution of Loans Disbursed	3,536,700,000	6,108,550,000	2,571,850,000	73%
Recoveries	618,694,678	1,972,928,252	1,354,233,574	219%

Source: BoU-SBRF data

4 Cumulative performance of the Fund as of September 30, 2024

As of September 30, 2024, the BoU had accumulated 3,242 applications valued at UGX 65.92 billion from nine (9) PFIs. These PFIs were granted authority to appraise eligible borrowers, disburse loans, and submit refinancing claims to BoU. As such, the applications received by BoU represent the total uptake under the SBRF.

Cumulatively, BoU processed and approved refinance claims worth UGX 45.48 billion, with UGX 39.71 billion disbursed under the Fund. This disbursement included a GoU contribution of UGX 19.85 billion. Disbursed loans accounted for 75% of the refinance claims from PFIs, while the pipeline of loan applications under review at BoU totalled UGX 18.84 billion.

Cumulative loan recoveries from PFIs stood at UGX 6.32 billion, leaving UGX 13.53 billion outstanding, with PFIs from the GoU contributions disbursed. Below is a summary of cumulative performance as of September 30, 2024.

Table 2: Cumulative Performance as of September 30, 2024

PFI	Applications Received (No.)	Cumulative Value of Refinance Claims	Approved Loans (No.)	Cumulative Value of Approved Loans	Loans Disbursed (No.)	Cumulative Value of Loans Disbursed
Opportunity Bank	2,353	27,977,750,000	1,969	22,445,100,000	1,939	21,717,100,000
PostBank	632	28,788,200,000	381	16,820,900,000	305	12,726,900,000
Pride Microfinance	152	2,444,000,000	136	2,098,000,000	136	2,098,000,000
Finance Trust Bank	35	2,236,500,000	30	1,761,500,000	28	1,656,500,000
Housing Finance Bank	32	2,061,500,000	17	924,000,000	9	273,000,000
Centenary Bank	17	544,000,000	8	347,000,000	8	347,000,000
Diamond Trust Bank	10	749,000,000	9	649,000,000	9	649,000,000
Equity Bank	8	878,000,000	1	200,000,000	0	0
DFCU Bank	3	240,000,000	3	240,000,000	3	240,000,000
TOTAL	3,242	65,918,950,000	2,554	45,485,500,000	2,437	39,707,500,000

Source: Bank of Uganda [SBRF data]

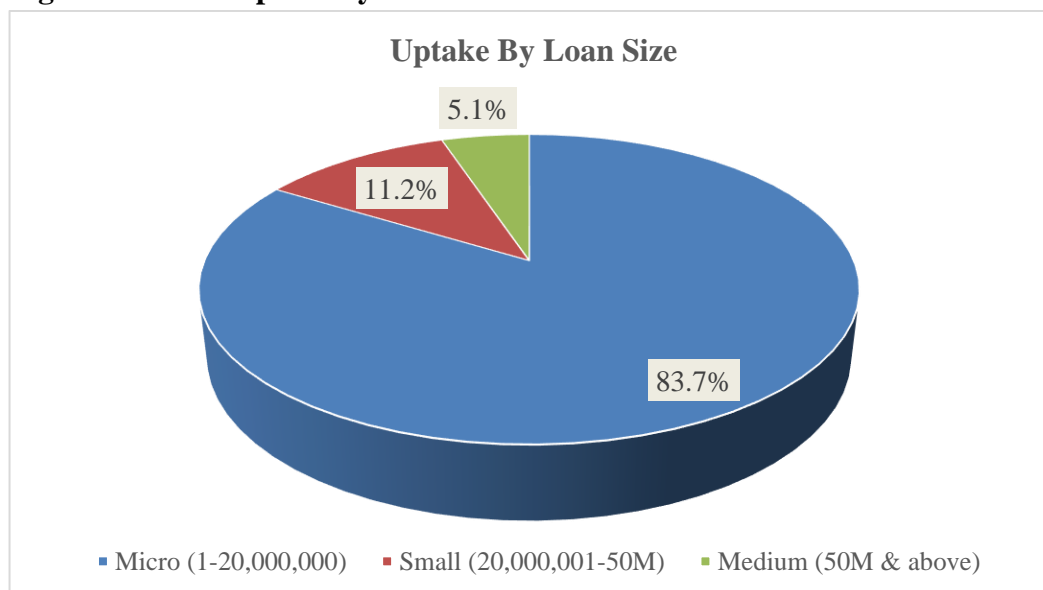
5 Enterprises Financed

Over its three years of operation, the SBRF has supported 3,242 small businesses across Uganda. Most of the funds have been accessed by micro-enterprises, which accounted for 84% of funded projects, with total loan disbursements amounting to UGX 18.21 billion. These small-scale businesses have benefitted from loans not exceeding UGX 20 million under the block allocation arrangement, which accommodates borrowers who typically lack the collateral required by conventional banks.

Small enterprises, defined as those accessing loans between UGX 20 million and UGX 50 million, utilised UGX 9.98 billion, representing 11% of beneficiaries. Medium enterprises accounted for 5% of beneficiaries, utilising UGX 11.52 billion in total loans.

The high proportion of micro-enterprise beneficiaries reflects their need for working capital loans, aligning with the SBRF-MoA target to support this category. This explains the relatively low average loan size despite a growing number of beneficiaries accessing the Fund. Below is a detailed breakdown of the Fund's uptake by small and medium enterprises (SMEs).

Figure 1: SBRF Uptake by Loan Size



Source: Bank of Uganda-SBRF data

The beneficiaries are categorised into five main sub-sectors, including trade and commerce, which utilised UGX 25.68 billion, accounting for 64.7%; the construction/real estate sector, which used UGX 6.59 billion, or 16.6%; the education sector, which accounted for UGX 5.24 billion, representing 13.2%; the service/hospitality sector, which utilised UGX 2.08 billion, equivalent to 5.2%; and the health sector, which used UGX 125 million, accounting for 0.3% of the total funds disbursed under the scheme.

Table 3: Uptake of SBRF per Sector as of September 30, 2024

Sector	Beneficiaries (No.)	Total Loan Amount Disbursed	GoU Contribution	%Amount per Sector
Trade & Commerce	1,734	25,678,300,000	12,839,150,000	64.7%
Construction/ Real Estate	459	6,589,600,000	3,294,800,000	16.6%
Education	158	5,237,700,000	2,618,850,000	13.2%
Services (Leisure/Hospitality)	79	2,076,900,000	1,038,450,000	5.2%
Health	7	125,000,000	62,500,000	0.3%
Grand Total	2,437	39,707,500,000	19,853,750,000	100.0%

Source: Bank of Uganda-SBRF data

The businesses that benefited include hotels and lodges, transport services, salons, bars, schools, carpentry, hardware operators, retail traders, and motor garage operators.

6 Regional Uptake of the SBRF

The central region continued to dominate the uptake, with UGX 27.74 billion extended to 1,747 beneficiaries, accounting for 72% of the total beneficiaries as of September 30, 2024. This was followed by the western region, which utilised UGX 7.17 billion with 428 beneficiaries. The eastern region utilised UGX 2.75 billion with 165 beneficiaries, while the northern region used UGX 2.04 billion with 97 beneficiaries.

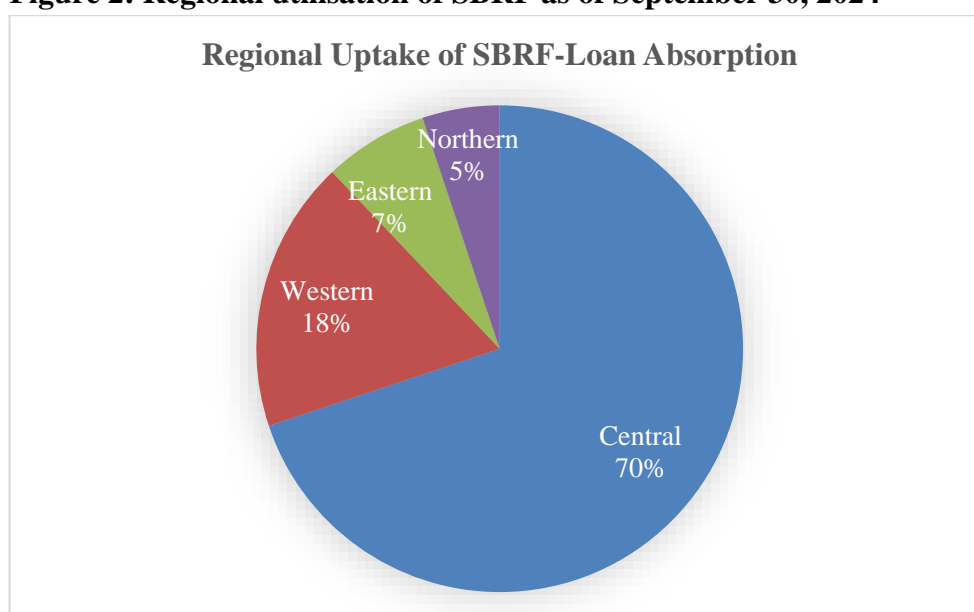
Table 4: Uptake of SBRF by Region as of September 30, 2024

Region	No. Of Beneficiaries	% of Beneficiaries	PFI Contribution	GoU Contribution	% of Loan Amount
Central	1,747	71.7%	27,743,800,000	13,871,900,000	69.9%
Western	428	17.5%	7,169,800,000	3,584,900,000	18.1%
Eastern	165	6.8%	2,754,100,000	1,377,050,000	6.9%
Northern	97	4.0%	2,039,800,000	1,019,900,000	5.1%
Total	2,437	100.0%	39,707,500,000	19,853,750,000	100.0%

Source: Bank of Uganda-SBRF data

The high uptake in the central region can be attributed to the concentration of banks in the region, which provides easy proximity for small businesses to access the Fund. Additionally, most businesses in the central region are engaged in trade and commerce, sectors that banks consider less risky and more convenient for lending. Figure 2 below illustrates the uptake of SBRF per region as of September 30, 2024.

Figure 2: Regional utilisation of SBRF as of September 30, 2024



Source: Bank of Uganda-SBRF data

7 Stakeholder Engagements and Publicity Activities

The BoU has partnered with several stakeholders, including PFIs, media houses, and business community leadership, to conduct awareness campaigns about the Fund. Through these platforms, BoU has effectively disseminated information regarding the SBRF to the intended beneficiaries. Additionally, BoU engages with the business community by participating in various shows and small business expos.

During the quarter, the BoU conducted talk shows on three radio stations: Bilal FM in Kampala, Radio Budu in Masaka, and Voice of Kigezi. We also engaged the business community at the manufacturers' symposium held at UMA Show Grounds, participated in the *Omwoleso Gagadde* event organised by the Buganda Kingdom, and interacted with women entrepreneurs at the Project to Empower Women through Savings and Loan Associations (PEWOSA) trade show. The BoU remains committed to public awareness campaigns and will continue engaging various stakeholders to ensure better uptake of the Fund and that all eligible beneficiaries can access the SBRF.

8 Challenges

Despite the increase in uptake observed during the period under review, the overall uptake of the SBRF remains significantly low due to several challenges that hinder full utilisation. These include:

- 1) **Eligibility criteria:** The current criteria remain restrictive for many small businesses, leading to limited participation by PFIs. Only nine out of 33 financial institutions are actively lending under the SBRF.
- 2) **Informality of MSMEs:** Many micro, small, and medium-sized enterprises (MSMEs) operate informally, lacking proper registration and documentation. This makes it difficult for lenders to assess their creditworthiness.
- 3) **Collateral requirements:** Loans under the SBRF require collateral to safeguard the interests of PFIs and the GoU's refinanced contribution. However, many small businesses face challenges in providing sufficient collateral, which continues to limit their financing access. The block allocation model relieves micro-borrowers, allowing alternative collateral such as credit history, chattel mortgages, or group guarantees. However, borrowers are only eligible for up to UGX 20 million, often falling short of their working capital needs.
- 4) **Low financial literacy:** Many businesses lack bank accounts and a savings history, making them unbankable to traditional lenders. Their reliance on informal sources like village savings groups and small cooperatives further restricts access to the SBRF, as these institutions are not accredited participants.

9 Recommendations

Proposals to improve access to the SBRF:

- 1) **Revise eligibility criteria:** The SBRF eligibility criteria need to be revised to:
 - Increase the maximum accessible amount from UGX 200 million to UGX 500 million. This would enable MSMEs to use the proceeds to partially repay non-performing loans and retain sufficient working capital to sustain their businesses.
 - Remove the requirement for annual sales and asset turnover (currently between UGX 10 million and UGX 300 million), allowing more small businesses to qualify.
 - Permit agribusinesses currently excluded from the Agricultural Credit Facility (ACF) to access the SBRF. This includes businesses engaged in trading agricultural commodities.
- 2) **Support post-pandemic businesses:** Extend the SBRF to cover businesses established after the economy re-opened in 2021. The impacts of the pandemic persist beyond pre-existing businesses, and newer ventures also require support.
- 3) **Allow repeat borrowing:** Permit businesses to access top-up loans within the maximum allowable limit, encouraging sustainable growth and liquidity management.
- 4) **Review loan provisioning and write-off processes:** Allow PFIs to provision or write off non-performing loans (NPLs) up to 50%, reducing the financial burden on lenders and facilitating better access to credit.
- 5) **Strengthen collaboration with Uganda Investment Authority:** Partner with the business community leadership to enhance financial literacy for MSMEs, emphasising the importance of formalisation through registration and proper record-keeping.

10 Conclusion

MSMEs continue to face challenges in accessing formal credit due to a lack of collateral and gaps in record-keeping, among other constraints. Despite these hurdles, 3,242 small businesses have accessed funding totalling UGX 65.92 billion under the SBRF. BoU has processed up to UGX 39.71 billion in refinancing claims from the PFIs, with the corresponding GoU contribution of UGX 19.85 billion. This highlights the potential for leveraging private sector credit to support vulnerable MSMEs.

The analysis of the beneficiaries reveals that most are micro-enterprises, accessing smaller loan amounts, which explains the relatively low loan sizes.

BoU remains optimistic that, with improved eligibility criteria, the uptake of the Fund will significantly increase. However, this must be accompanied by ongoing sensitisation of the business community on the importance of formalising their businesses and maintaining proper business records to enhance bankability and attract financing from PFIs.