



THE AGRICULTURAL CREDIT FACILITY PROGRESS REPORT SEPTEMBER 30, 2024

"Promoting financial inclusion through financing micro, small and medium enterprises under ACF"



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Abbreviations

ACF	Agricultural Credit Facility
BOU	Bank of Uganda
BMAU	Budget Monitoring and Accountability Unit [BMAU]
UDBL	Uganda Development Bank Limited
CIs	Credit Institutions
NPL	Non-Performing Loans
FIA	Financial Institutions Act 2004, Amendments and Regulations
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoU	Government of Uganda
MDIs	Micro Deposit-Taking Institutions
MoA	Memorandum of Agreement
MoFPED	Ministry of Finance Planning and Economic Development
PFI	Participating Financial Institutions
PFMA	Public Finance Management Act
SMEs	Small and Medium Enterprises
MSME	Micro Small and Medium Enterprises
UGX	Uganda Shillings

1 Executive Summary

As the fund administrator, the Bank of Uganda (BoU) presents its mandated report on the Agricultural Credit Facility (ACF) performance. This report analyzes the utilization of ACF funds provided by the Government of Uganda (GoU) as of September 30, 2024, examining quarterly performance through September 30, 2024, compared to the previous quarter. The analysis encompasses comprehensive performance metrics since inception, including funded enterprises, regional distribution, and gender-based participation.

A significant achievement highlighted in the report is ACF's advancement of financial inclusion through the block allocation model, which enables farmers to secure loans up to UGX 20 million. This innovative approach deviates from traditional banking requirements for registered collateral, instead accepting alternative securities such as group guarantees, chattel mortgages, credit history, and projected cash flows.

The program has demonstrated remarkable success in reaching its target demographic, with micro, small, and medium-sized enterprises (MSMEs) constituting 73 per cent of total beneficiaries. Notably, 3,531 rural farmers, representing 66 per cent of total beneficiaries, have received support through the Block Allocation model. This mechanism has proven particularly effective in promoting financial inclusion and implementing affirmative action initiatives.

During the quarter under review, the scheme's loan portfolio expanded by UGX 28.00 billion, supporting 894 new eligible projects. Total disbursements increased from UGX 981.00 billion as of June 30, 2024, to UGX 1.01 trillion by September 30, 2024.

Participating financial institutions (PFIs) reported cumulative loan recoveries of UGX 336.90 billion as of September 30, 2024, representing 66 percent of the Government of Uganda's refinanced contribution. These recoveries are instrumental in addressing funding gaps by augmenting available capital for lending. The portfolio maintains strong quality indicators, with non-performing loans at UGX 5.1 billion, resulting in a non-performing asset (NPA) ratio of 1.0 per cent of the total Government contribution disbursed as of September 30, 2024.

2 Government Remittances to the ACF Escrow Account

As of September 30, 2024, the GoU had made cumulative remittances of UGX 313.43 billion to the ACF escrow account at BoU. These remittances comprised UGX 310.38 billion in capitalization for PFI reimbursements and UGX 3.05 billion allocated for ACF marketing activities and audit fee payments. Operating as a revolving credit scheme, the ACF reinvests loan recoveries and reflows from PFIs back into the fund to support additional eligible borrowers.

The combined resources of UGX 310.38 billion in capitalization and UGX 336.90 billion in PFI reflows have facilitated cumulative refinance claim reimbursements to PFIs, totalling UGX 509.62 billion as GoU contribution.

Pending loan applications from PFIs total UGX 105.95 billion, with a corresponding GoU contribution of UGX 52.98 billion. These applications have received approval and await the fulfilment of pre-disbursement conditions before refinancing can proceed.

The scheme maintains a cash balance of UGX 84.68 billion, allocated to cover pipeline applications under review, requiring a GoU contribution of UGX 48.55 billion and accommodating forthcoming application requests from PFIs.

3 Performance in the quarter ended September 30, 2024

In the quarter ending September 30, 2024, BoU received 1,435 new loan applications from PFIs, totalling UGX 58.07 billion. Small and medium-sized enterprises dominated the applications, with 95 percent requesting loans not exceeding UGX 100 million. Block allocation applications represented 88 percent of total applications received, amounting to UGX 4.98 billion.

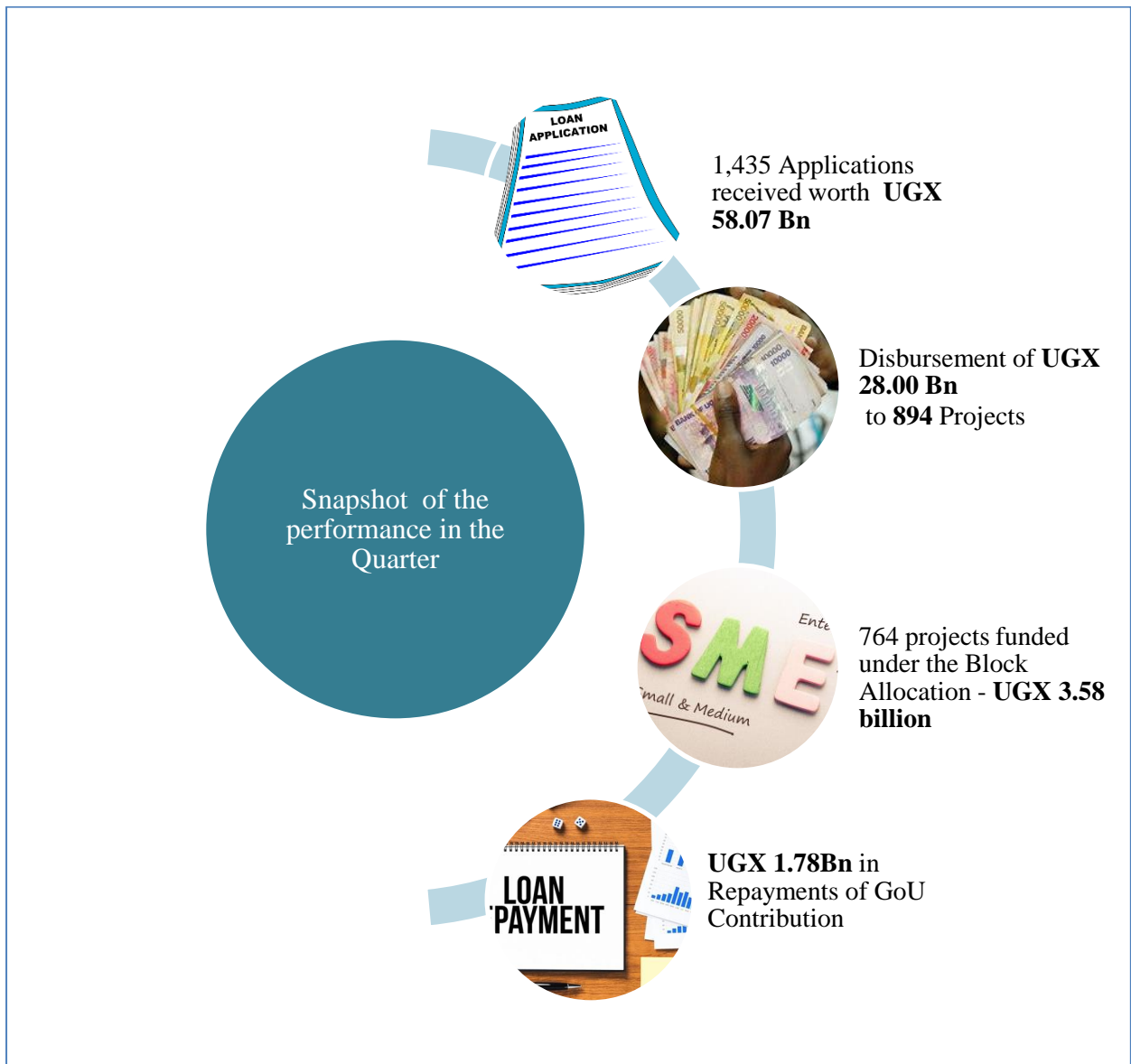
During this period, approved applications totalled UGX 68.78 billion, with the GoU contribution comprising UGX 34.41 billion. Disbursements of UGX 28.00 billion, including a GoU contribution of UGX 14.00 billion, benefited 894 recipients. While the value of loans disbursed decreased by 74 percent, the number of beneficiaries nearly doubled, increasing by 414 compared to the previous quarter. MSMEs under block allocation received micro-loans totalling UGX 3.58 billion, representing 85 percent of the quarter's loan disbursements. This aligns with BoU's mission to promote socio-economic transformation through enhanced financial access and inclusion under the ACF.

On-farm activities received the largest funding allocation of UGX 21.34 billion, supporting primary production inputs, farm expansion, and agricultural machinery acquisition. Grain trade followed with UGX 4.23 billion in working capital financing while agro-processing received UGX 2.42 billion.

Although loan repayments from PFIs occur biannually in June and December, additional recoveries of UGX 1.78 billion were received from Stanbic Bank (U) Ltd and DFCU, representing loan instalments due June 30, 2024.

The outstanding GoU contribution loans from PFIs stood at UGX 172.72 billion, representing 34 percent of refinanced loans as of September 30, 2024. This indicates a robust 66 percent repayment rate of disbursed loans. Non-performing loans remained stable at UGX 5.12 billion, maintaining a non-performing asset (NPA) ratio of 1.0 percent.

Figure 1: ACF Summary performance for the quarter ended September 30, 2024



Source: Bank of Uganda ACF database

4 ACF cumulative performance since inception (Total loan disbursements - GoU & PFI contribution)

As of September 30, 2024, BoU had processed a cumulative total of 9,161 loan applications from 24 PFIs, representing a total loan value of UGX 1.64 trillion. Of these applications, 5,336 (58 percent) progressed to disbursement, with a total value of UGX 1.01 trillion, including a GoU contribution of UGX 509.62 billion.

The distribution of beneficiaries among leading PFIs showed significant variation in market penetration. In terms of number of beneficiaries, three institutions dominated the landscape: Opportunity Bank (27 percent), Equity Bank (22 percent), and Post Bank (20 percent), collectively serving 69 percent of total ACF beneficiaries as of September 30, 2024.

The loan value distribution presented a different pattern, with Stanbic Bank and DFCU Bank leading in disbursement volumes at UGX 260.50 billion and UGX 195.81 billion, respectively. This disparity reflects the institutions' distinct market focuses: Opportunity Bank, Equity Bank, and PostBank primarily serve the SME sector with smaller loan sizes, while Stanbic and DFCU concentrate on medium and large-scale agro-processors and grain traders requiring larger financing facilities. Table 1 below shows uptake per PFI in both loan applications and disbursements as of September 30, 2024.

Table 1: Loan Applications and Disbursements per PFIs as of September 30, 2024 (UGX)

PFI	No. of project applications received	Value of loan applications received (UGX)	No. of loans disbursed	Total Disbursement (UGX)	PFI contribution (UGX)	GoU contribution (UGX)
Opportunity Bank (U)Ltd	3,837	34,113,343,600	1431	22,123,395,600	10,286,691,800	11,836,703,800
Postbank (U) Ltd	1,630	169,520,343,234	1095	107,876,143,234	48,517,289,617	59,358,853,617
Equity Bank (U) Ltd	1,320	133,379,670,347	1190	60,470,190,100	30,235,095,050	30,235,095,050
DFCU Bank	820	213,870,526,304	694	195,814,383,355	98,196,262,782	97,618,120,573
Centenary Bank	917	92,123,869,777	429	53,481,489,880	26,836,249,614	26,645,240,266
Stanbic Bank(U)Ltd	183	492,575,257,671	144	260,499,436,406	130,697,932,842	129,801,503,564
Housing Finance Bank	138	26,555,706,565	121	24,353,450,966	12,176,725,483	12,176,725,483
UDBL	64	106,331,353,177	46	73,662,547,191	36,855,321,596	36,807,225,596
Finance Trust Bank Ltd	46	16,221,773,025	42	14,352,505,716	7,176,252,858	7,176,252,858
Pride Micro Finance	45	1,288,500,000	39	1,153,500,000	439,050,000	714,450,000
Bank of Baroda(U) Ltd	36	120,323,016,446	23	74,771,016,443	37,385,508,221	37,385,508,222
Absa Bank (U)Ltd ***	39	124,465,201,644	30	70,045,890,132	35,022,945,066	35,022,945,066
Bank of Africa(U)Ltd	23	20,890,939,000	15	11,395,939,000	5,697,969,500	5,697,969,500

Tropical Bank (U)Ltd	22	24,726,000,000	17	19,886,000,000	9,943,000,000	9,943,000,000
KCB Bank(U)Ltd	10	11,860,540,000	7	5,660,540,000	2,913,770,000	2,746,770,000
Diamond Trust Bank	9	16,968,000,000	3	3,300,000,000	1,650,000,000	1,650,000,000
Crane Bank Ltd**	6	19,565,000,000	2	2,080,000,000	1,040,000,000	1,040,000,000
Gold Trust Bank*	3	175,000,000	1	30,000,000	15,000,000	15,000,000
Mercantile Bank Ltd *	3	1,170,000,000	0	-	0	0
Standard Chartered Bank	2	5,000,000,000	2	5,000,000,000	2,500,000,000	2,500,000,000
Orient Bank(I&M)	2	5,500,000,000	2	2,600,000,000	1,650,700,000	949,300,000
Top Finance Bank	2	400,000,000	2	400,000,000	120,000,000	280,000,000
IBUL**	2	5,410,000,000	0	-	0	0
YAKO Bank	2	155,200,000	1	42,000,000	21,000,000	21,000,000
TOTAL	9,161	1,642,589,240,790	5,336	1,008,998,428,023	499,376,764,429	509,621,663,595

Source: Bank of Uganda *Defunct PFIs **Changed name to Exim Bank (U) Limited ***Former Barclays Bank of (U) Ltd.

Analysis of disbursement patterns reveals that of the total UGX 1.64 trillion in loan applications received by BoU, UGX 1.01 trillion (62 percent) has been disbursed through PFI refinancing as of September 30, 2024. Stanbic Bank (U) Ltd and DFCU Bank maintained their leading positions in loan value disbursements, primarily due to their focus on medium to large-scale borrowers engaged in extensive farming operations and agro-processing. The remaining UGX 633.59 billion in undisbursed loan applications comprises commitments awaiting additional information, applications under review, and those deemed ineligible.

PostBank Uganda Limited (PBUL) has demonstrated notable growth in both loan value and beneficiary numbers. The institution has expanded its portfolio beyond direct MSME lending to include value-chain financing, particularly in the coffee sector. Through ACF, PBUL has successfully facilitated affordable financing for coffee processors' working capital requirements.

Opportunity Bank and Equity Bank have maintained strong performance in beneficiary outreach, accounting for 27 percent and 22 percent, respectively, of total ACF beneficiaries as of September 30, 2024. Their success in reaching high beneficiary numbers reflects their strategic focus on serving MSMEs with smaller loan requirements, including those utilizing the block allocation arrangement.

5 Repayments and due from PFIs

The BoU issues demand notes to PFIs in June and December each year for the principal loan instalments due per the amortization schedule for each loan reimbursed to the PFIs.

As of September 30, 2024, the total GoU contribution disbursed to PFIs amounted to UGX 495.62 billion. Of this, BoU has recovered a cumulative total of UGX 336.90 billion, representing 66 percent of the disbursed GoU loan contributions. The outstanding balance with the PFIs stood at UGX 172.72 billion as of the same date.

The recovered funds are rechanneled to finance new loan requests from other eligible borrowers, given that the ACF operates as a revolving scheme. The commendable recovery rate is attributed to BoU's oversight role, which ensures that PFIs conduct thorough due diligence on funded projects to maintain compliance with the Memorandum of Agreement (MoA).

Details regarding the status of the GoU contribution refinanced to each PFI, repayments made to BoU, and the outstanding loan amounts due from PFIs as of September 30, 2024, are presented in Table 2 below.

Table 2: Outstanding GoU contribution with the PFIs as of September 30, 2024

PFI	CUMULATIVE AMOUNT DISBURSED (UGX)	CUMULATIVE REPAYMENTS (UGX)	OUTSTANDING BALANCES (GoU) (UGX)
Stanbic	129,801,503,564	91,866,537,553	37,934,966,011
DFCU	97,618,120,573	70,594,957,632	27,023,162,941
Post Bank	59,358,853,617	31,883,498,357	27,475,355,260
Bank of Baroda	37,385,508,222	25,616,674,833	11,768,833,389
UDBL	36,807,225,597	29,677,604,633	7,129,620,964
Absa	35,022,945,066	11,294,837,531	23,728,107,535
Equity	30,235,095,050	20,122,608,621	10,112,486,429
Centenary	26,645,240,266	15,505,442,322	11,139,797,944
Housing Finance	12,176,725,483	8,395,643,124	3,781,082,359
Opportunity	11,836,703,800	8,497,558,764	3,339,145,036
Tropical	9,943,000,000	8,011,363,639	1,931,636,361
Finance Trust	7,176,252,858	1,973,284,191	5,202,968,667
Bank of Africa	5,697,969,500	5,095,000,000	602,969,500
KCB	2,746,770,000	1,449,501,429	1,297,268,571
Standard Chartered	2,500,000,000	2,500,000,000	0
DTB	1,650,000,000	1,650,000,000	0
Crane	1,040,000,000	1,040,000,000	0
Orient	949,300,000	949,300,000	0
Pride Microfinance	714,450,000	475,950,000	238,500,000
Top Finance	280,000,000	280,000,000	0
YaKO Bank	21,000,000	4,200,000	16,800,000
Global Trust	15,000,000	15,000,000	0
Total	509,621,663,596	336,898,962,629	172,722,700,967

6 Uptake of the scheme

6.1 Uptake by enterprises financed

Cumulatively, grain trade and on-farm activities have continued to dominate the uptake of the Fund, with UGX 431.38 billion and UGX 321.77 billion disbursed to these two categories, respectively. These categories also account for the highest number of beneficiaries, with on-farm activities comprising the majority at 89 percent of the total beneficiaries under the ACF.

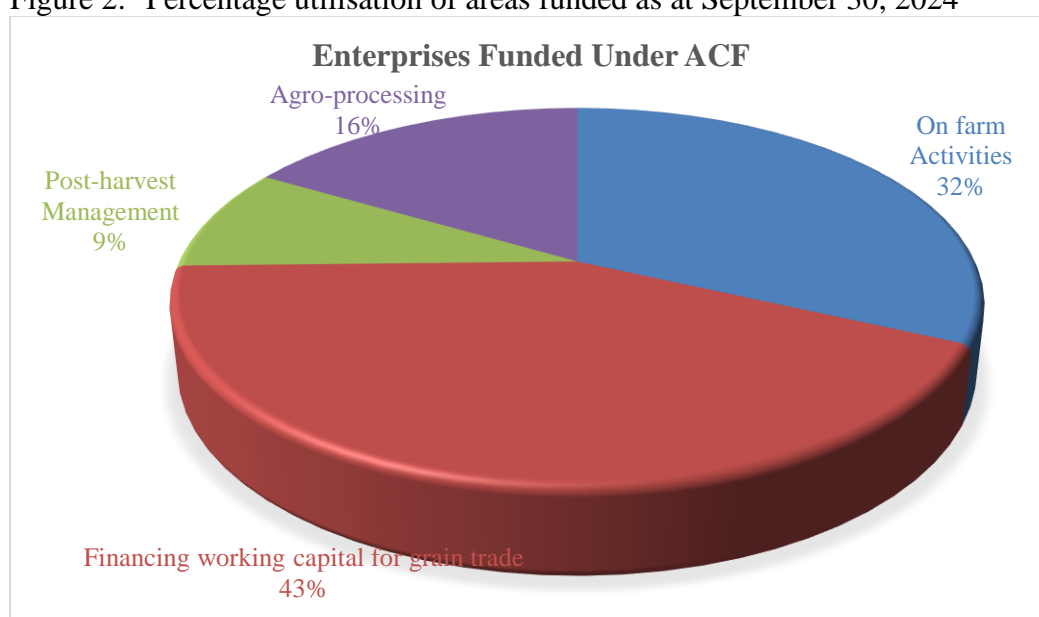
Additionally, agro-processing and post-harvest handling activities have utilized UGX 166.81 billion and UGX 89.03 billion, respectively. A detailed breakdown of the cumulative disbursements by activity as of September 30, 2024, is provided in Table 3 and illustrated in Figure 2 below.

Table 3: ACF portfolio grouped by funded activities

Funded activity	No. of projects	Percentage No. of loans disbursed	Loan Amount (UGX)	GoU Contribution (UGX)	Percentage of loan amount utilised
Working capital for grain trade	350	6.6%	431,384,043,756	215,700,021,878	43%
On-farm Activities	4,772	89.4%	321,768,212,459	165,735,439,142	32%
Agro-processing (addition)	115	2.2%	166,811,679,302	83,394,137,120	16%
Post-harvest Management	99	1.8%	89,034,492,505	44,792,065,454	9%
TOTAL	5,336	100%	1,008,998,428,022	509,621,663,594	100%

Source: Bank of Uganda

Figure 2: Percentage utilisation of areas funded as at September 30, 2024



Source: Bank of Uganda

6.2 ACF uptake by region

In terms of fund uptake, the central, eastern, and western regions continue to lead in the utilization of ACF funds, accounting for 51 percent, 23 percent, and 22 percent, respectively. Financing in these regions has primarily supported agro-processing projects involved in value addition for poultry products, grain trading and processing, post-harvest handling infrastructure, and the acquisition of dairy and sugar processing machinery.

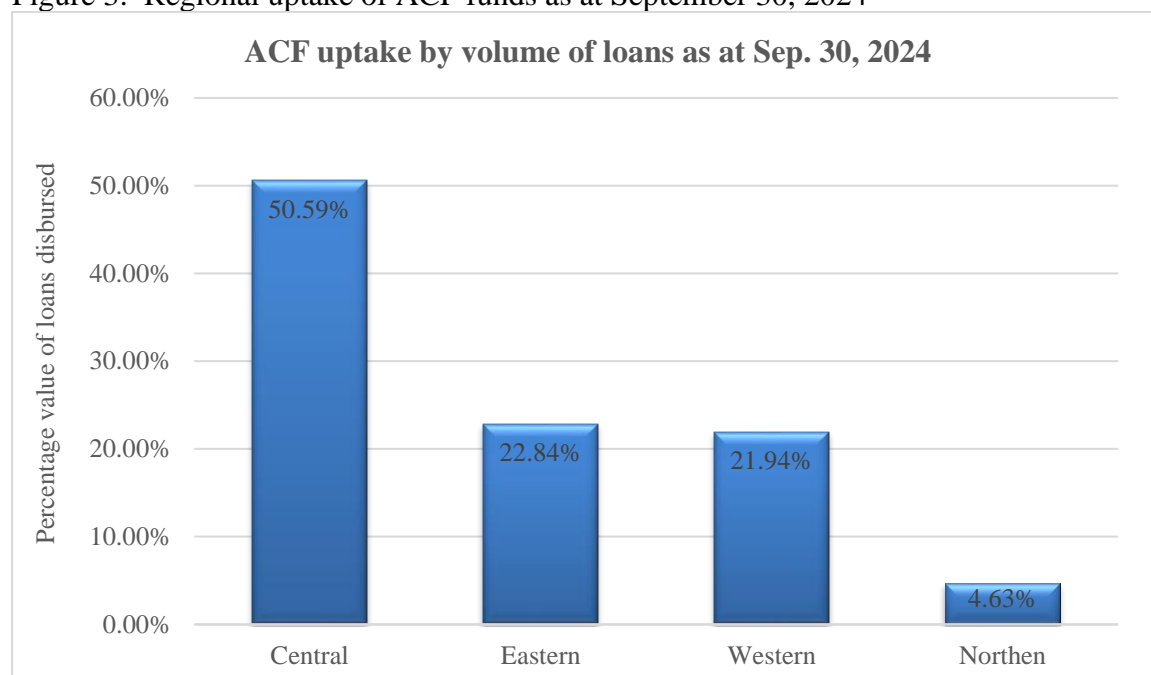
The higher level of agricultural commercialization in the central region is attributed to factors such as the availability of registered land and a favourable land tenure system, among other advantages, which make the region more attractive for bank financing. Conversely, the northern region experiences low fund uptake due to its communal land tenure system, which limits farmers' ability to secure land titles required by PFIs for lending.

To address this challenge, introducing the block allocation arrangement under the ACF has provided a viable solution for farmers constrained by a lack of collateral, enabling them to access financing.

With regard to beneficiaries, the western (38.62%), central (38.53%), and northern (15.91%) regions had the highest share of beneficiaries under the ACF. Notably, most beneficiaries in the northern region participated through the block allocation arrangement, with districts such as Lira, Nwoya, Dokolo, Gulu, Oyam, Amuru, Apach, and Agago being key areas of activity.

Furthermore, the central, eastern, and western regions accounted for 51 percent, 23 percent, and 22 percent of the total loan value disbursed. These regions host the majority of agro-processors engaged in grain, dairy, sugar, and tea value chains, which often require significant financing for infrastructure and working capital. In contrast, the northern region absorbed only 5 percent of the total loan disbursements under the ACF, reflecting its comparatively lower level of uptake.

Figure 3: Regional uptake of ACF funds as at September 30, 2024



Source: Bank of Uganda-ACF data

Table 4: Regional distribution of the ACF funds as at September 30, 2024

Region	Total Loan Amount	No. of beneficiaries	PFI Contribution	GoU Contribution	% uptake of loan amounts per region
Central	510,448,265,069	2,056	254,504,404,387	255,943,860,682	50.59%
Eastern	230,496,759,827	370	115,006,092,089	115,490,667,738	22.84%
Western	221,362,477,939	2,061	106,969,885,359	114,392,592,580	21.94%
Northern	46,690,925,187	849	22,896,382,593	23,794,542,594	4.63%
Total	1,008,998,428,022	5,336	499,376,764,428	509,621,663,594	100.00%

Source: Bank of Uganda

6.4 ACF Uptake by gender distribution

In terms of gender utilization of ACF funds, male beneficiaries continued to dominate uptake, with 3,770 beneficiaries representing 71 percent of the total number of beneficiaries under the ACF. In comparison, 1,031 female borrowers received funding, accounting for 19 percent of the total beneficiaries, while 535 companies and farmer groups constituted 10 percent.

The largest share of the funds—UGX 789.31 billion—was disbursed to companies and farmer groups. Male beneficiaries utilized the second-largest portion, with an uptake of UGX 189.39 billion. Although fund utilization by women remains relatively low, with only UGX 21.30 billion disbursed to female beneficiaries, there has been a progressive increase in the number of women beneficiaries, particularly under the block allocation arrangement. This

mechanism addresses the unique needs of women farmers, many of whom lack registered collateral to secure loans.

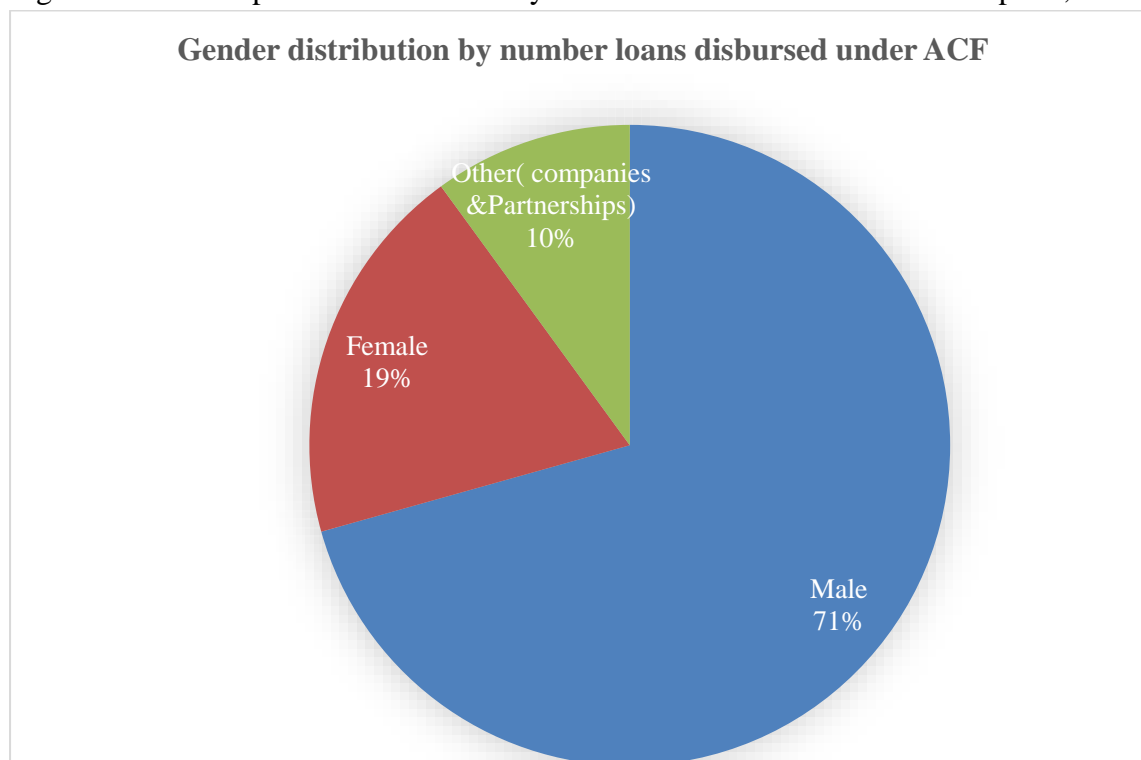
Table 5 and Charts 4 and 5 below provide a detailed breakdown of the gender utilization of ACF funds, highlighting both the number of beneficiaries and the value of loans disbursed as of September 30, 2024.

Table 5: Gender utilisation of ACF funds as of September 30, 2024

Category	No. of beneficiaries	Total loan amount	GOU contribution	% uptake of loan amounts per region
Male beneficiaries	3,770	189,388,973,108	98,750,940,174	71%
Female beneficiaries	1,031	21,298,651,940	10,961,560,670	19%
Others (companies, groups)	535	798,310,802,974	399,909,162,750	10%
Total	5,336	1,008,998,428,022	509,621,663,594	100.00%

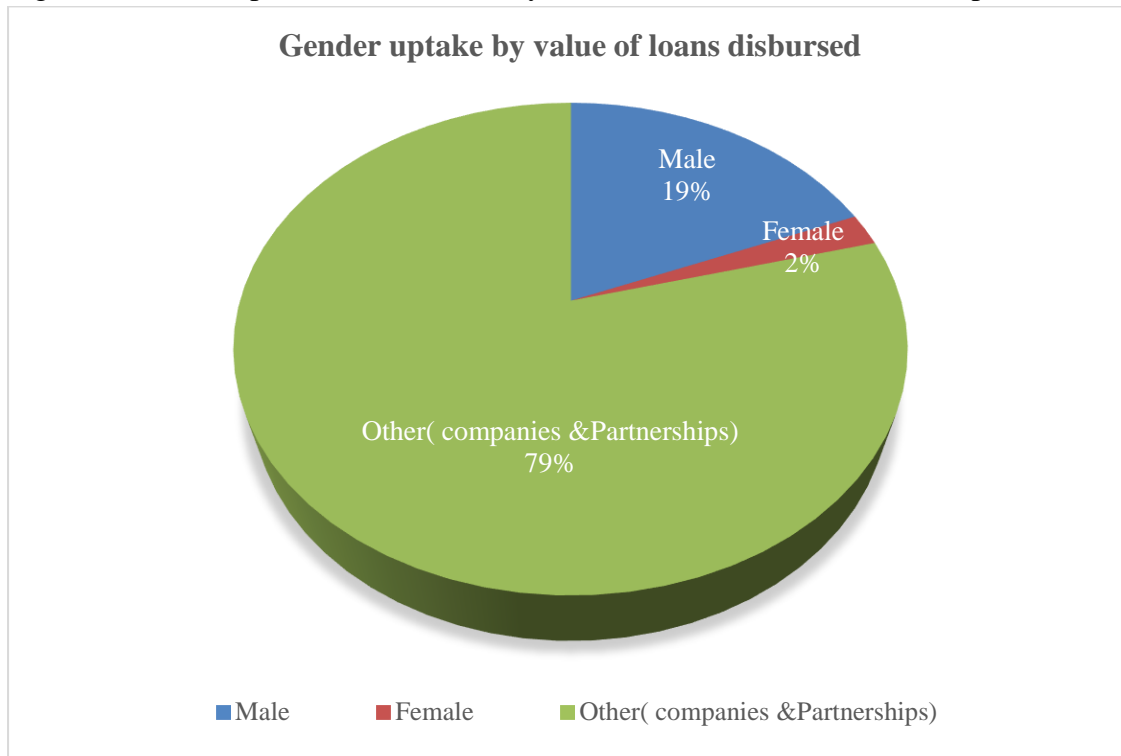
source: Bank of Uganda

Figure 4: Gender uptake of ACF funds by number of loans disbursed as at Sep. 30, 2024



Source: Bank of Uganda

Figure 5: Gender uptake of ACF funds by value of loans disbursed as of September 30, 2024



Source: Bank of Uganda

7 Promoting Financial Inclusion Through Financing Micro, Small and Medium Enterprises

The ACF has proven that access to finance for small-holder farmers and agribusinesses is attainable. This is evidenced by the fact that MSMEs represent 93 percent of the total beneficiaries under the scheme as of September 30, 2024.

Loans under this category are predominantly micro and small, with amounts not exceeding UGX 100 million. These include unsecured loans for micro-borrowers accessed through the block allocation arrangement.

Table 6 and Figure 6 below provide a detailed classification of loans by size.

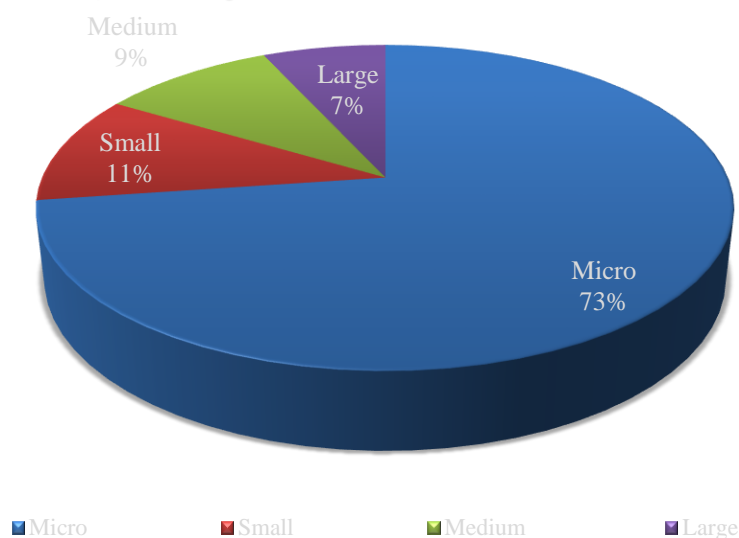
Table 6: Categorization of Loans by Size as at September 30, 2024

Loan size	Grouping	Amount (UGX)	% share of loan amount disbursed	Number of projects	% share of number of beneficiaries
0-20,000,000*	Micro	36,230,282,001	3.6%	3,883	72.8%
20,000,001-50,000,000	Small	47,043,702,399	4.7%	577	10.8%
50,000,001-100,000,000	Medium	94,309,031,609	9.3%	513	9.6%
100,000,001-above	Large	831,113,612,013	82.4%	363	6.8%
Total		1,008,696,628,022	100.00%	5,336	100%

Source: Bank of Uganda* Includes borrowers under the Block Allocation

Figure 6: Categorisation of projects financed under ACF

ACF categorisation of beneficiaries (number of projects financed) as at Sept 2024



Source: Bank of Uganda

The table and chart above highlight that, while MSMEs utilized only UGX 177.58 billion (17.6 percent) of the total loan amount disbursed under the ACF as of September 30, 2024, they accounted for the highest number of beneficiaries accessing funding. Micro enterprises, predominantly borrowers under the block allocation arrangement, constituted 73 percent of the total beneficiaries, while small and medium enterprises accounted for 11 percent and 10 percent, respectively.

This demonstrates that the ACF is playing a vital role in enhancing access to finance for underserved MSMEs, which are often constrained by the stringent financing requirements of commercial banks. In contrast, large enterprises, primarily companies involved in agro-processing and grain trade, received funding for their significant financing needs.

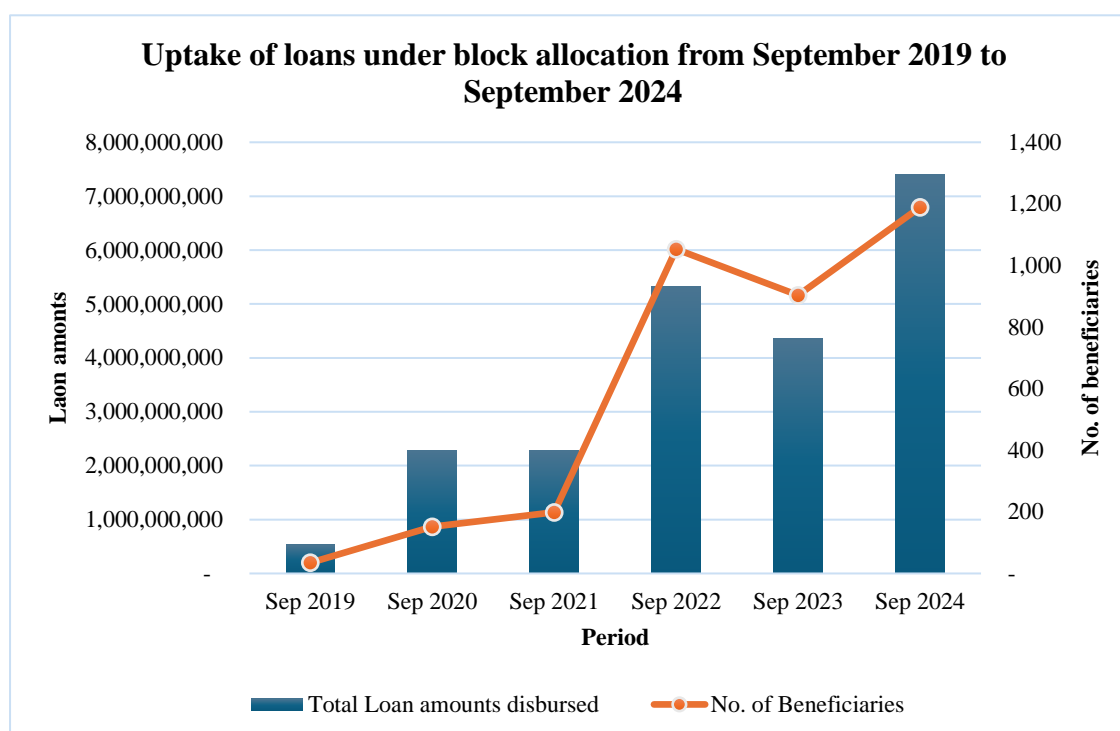
The introduction of the block allocation arrangement under the ACF has proven to be a transformative tool, enabling MSMEs—the engine of Uganda's economic growth—to access finance. Under this arrangement, PFIs group micro borrowers into blocks and extend individual loans of up to UGX 20 million per borrower. These loans are secured using alternative collateral, such as chattel mortgages, cash flow-based financing, and character-based loans.

In this model, PFIs appraise eligible borrowers and disburse loans before submitting loan applications to BoU for reimbursement of the GoU contribution. This ensures timely access to financing, aligning with agricultural seasons. The Block allocation arrangement specifically targets micro and small-holder farmers engaged in primary production. Their working capital needs include agricultural inputs such as fertilizers, pesticides, seedlings, farm restocking, and funds for grain trade.

Since its introduction in 2018, the block allocation arrangement has seen significant growth in uptake among small-holder farmers. By September 30, 2019, UGX 535.5 million had been disbursed to only 53 beneficiaries. However, as of September 30, 2024, the number of beneficiaries had risen to 3,531, with loan amounts totalling UGX 22.18 billion.

Notably, no non-performing loans have been reported under this model, illustrating that when financing packages are appropriately designed for MSMEs, these enterprises can successfully repay loans, as demonstrated under the ACF. The figure below shows the growth in fund uptake by micro borrowers under the block allocation arrangement over the last six years, from September 2019 to September 2024.

Figure 7: Uptake of loans under block allocation



Source: Bank of Uganda

7.1. Gender distribution under the Block Allocation arrangement

This transformational innovation has unlocked access to credit for rural farmers and demonstrated the potential to promote equity in economic activity. As of September 30, 2024, 944 (26.7 percent) block allocation projects were managed by females, compared to 2,558 (72.4 percent) managed by males. While male dominance persists, this represents significant progress from March 2021, when only 41 female beneficiaries (13 percent) had accessed funds under the block allocation arrangement.

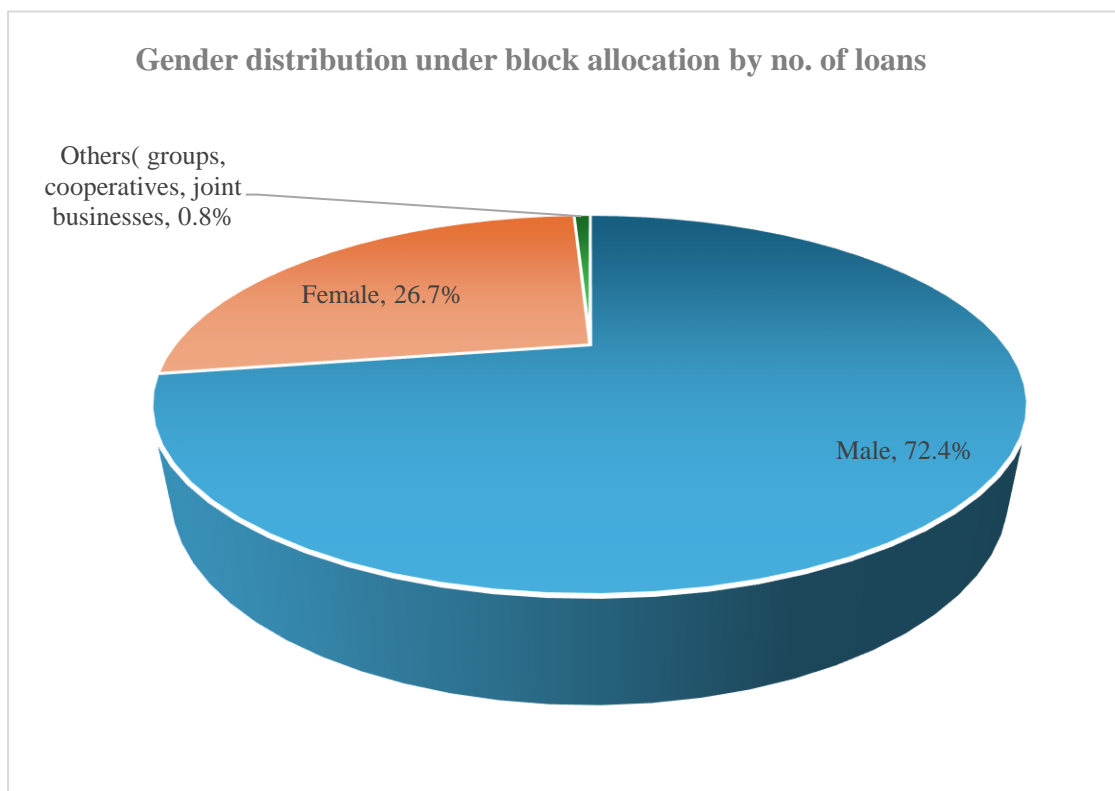
Given the model's increasing performance and impact, BoU is committed to further promoting this approach among farmers and PFIs to enhance economic inclusion for disadvantaged populations. Table 7 and Figure 8 below show the gender distribution under the ACF as of September 30, 2024.

Table 7: Gender distribution under block allocation

Gender	No	% number	Total loan amount (UGX)	GoU contribution (UGX)	% Amount
Female	944	26.7%	3,101,950,000	1,649,475,000	14%
Male	2,558	72.4%	18,591,687,587	9,769,293,794	84%
Both Female and Male	29	0.8%	484,500,000	263,250,000	2%
Total	3,531	100.00%	22,178,137,587	11,682,018,794	100%

Source: Bank of Uganda

Figure 8: Gender distribution under block allocation by no. of loans



Source: Bank of Uganda

8 Publicity of the Scheme

As part of its mandate to raise awareness of the ACF, the BoU has implemented an aggressive marketing strategy to increase the scheme's visibility nationwide. Recognizing that awareness and information dissemination require collective effort, BoU has partnered with various stakeholders, including government agencies, ministries, PFIs, and media houses such as Vision Group and Nation Media Group. Through these partnerships, BoU has effectively disseminated information about the ACF to farmers and the public, showcasing success stories from beneficiaries and highlighting the scheme's impact.

Additionally, BoU has actively participated in agricultural workshops and events such as the annual Seeds of Gold farm clinics, the Harvest Money Expo, and other agricultural shows. These engagements provide opportunities to interact directly with farmers and the public, leading to increased awareness, demand for the ACF, and a rise in loan applications.

During the quarter, BoU executed several publicity activities, including:

a) Radio Talk Shows

Radio talk shows are an effective tool for enhancing publicity due to their wide reach across diverse demographics and their ability to cater to specific interests. During the quarter, BoU conducted talk shows on four radio stations: Bilal FM in Kampala, CBS FM, KFM, and Voice of Kigezi.

b) Workshops

BoU has established strategic partnerships with stakeholders, industry players, and agricultural value chain actors. These partnerships facilitate networking and the exchange of ideas on agricultural finance solutions to improve the ACF's performance. Workshops during the quarter included post-budget workshops with the Private Sector Foundation nationwide, the Northern Uganda Agricultural Show in Gulu, and Seeds of Gold in Kabale.

c) Print Media Publications

Publications in farmer magazines and newspapers are also utilized to effectively disseminate information about the scheme, ensuring that details about the ACF reach a broader audience.

9 Major Achievements of the ACF

The ACF plays a pivotal role in Uganda's socio-economic transformation by leveraging private sector credit to provide affordable financing for farmers and agro-processors. Since its inception, the ACF has achieved the following milestones:

1) Increased Access to Finance for MSMEs

As of September 30, 2024, MSMEs represented 73 percent of the total beneficiaries under the ACF, underscoring the scheme's success in extending financial inclusion to underserved sectors.

2) Empowered Small-holder Farmers through Block Allocation

The innovative Block Allocation model has enabled small-holder farmers to access financing without traditional collateral limitations. By September 30, 2024, 3,531 rural farmers—66 percent of total beneficiaries—received loans amounting to UGX 22.18 billion, with 26.7 percent being women. Notably, the model has maintained low non-performing loan rates, demonstrating its potential to enhance financial inclusion sustainably.

3) Facilitated Low-Cost Financing

Farmers and agro-processors have accessed cumulative low-cost financing of UGX 1.01 trillion, benefiting 5,336 beneficiaries nationwide.

4) Improved Market Access for Small-holder Farmers

The ACF has funded large off-takers and aggregators who purchase agricultural produce from small-holder farmers, thus enhancing market access and income stability.

5) Supported Agricultural Modernization

Affordable financing has empowered farmers to acquire agricultural machinery, equipment, farm inputs, and expand their farms. Loans totalling UGX 321.77 billion have facilitated the purchase of tractors, irrigation equipment, and other tools, resulting in improved productivity and increased yields.

6) Reduced Post-Harvest Losses

The ACF has disbursed UGX 89.03 billion to 99 large aggregators and off-takers for post-harvest infrastructure, including silos and warehouses, minimizing losses and improving produce storage.

7) Enhanced Grain Trade

Grain trading, the highest-funded activity under the ACF, has utilized UGX 431.38 billion as of September 30, 2024. This financing supports working capital for grain traders, ensuring farmers have a ready market for their produce.

8) Promoted Exports and Value Addition

The ACF has provided UGX 166.81 billion to 115 agro-processors across various value chains, supporting the production of value-added products. This has increased Uganda's

export revenue, enhanced competitiveness, and widened product offerings for both local and international markets. Additionally, the scheme has contributed to job creation by funding large off-takers involved in value addition.

10 Major Challenges

The following challenges have been identified in the implementation of the ACF:

1) Delays in Clearing Proposed Amendments to the ACF MoA

The proposed amendments to the ACF MoA have not yet been approved by the Ministry of Finance, Planning, and Economic Development (MoFPED) for incorporation and implementation. Key amendments include allowing PFIs to make provisions for up to 50 percent of their contribution since the GoU contribution is subject to the Public Finance Management Act (PFMA) and expanding eligibility criteria to include tier IV institutions, such as licensed Savings and Credit Cooperative Societies (SACCOs). These changes aim to enhance the scheme's uptake and performance.

2) Limited Financial Literacy and Record-Keeping

Many small-holder farmers face challenges with financial literacy and maintaining accurate records. This not only limits their ability to access finance but also complicates the appraisal process for PFIs.

3) Insufficient Collateral for Lending

A significant number of farmers lack adequate collateral, such as registered land titles or high-value assets, which PFIs require to extend credit under the ACF.

4) Exclusion of Tier IV Institutions

Small-holder farmers often rely on tier IV institutions, such as SACCOs, for financial services. However, these institutions are not accredited to participate in the ACF, excluding many farmers from accessing financing through the scheme.

5) Inability to Finance Certain Areas of the Agricultural Value Chain

Current ACF provisions do not allow for working capital financing for inputs in value addition, such as those involved in coffee and tea processing, except for grain trade. Farmers and PFIs have recommended expanding the scope of financing to include these areas, and this proposal has been incorporated into the pending amendments.

11 Way Forward

To enhance access to and utilization of the ACF, the following recommendations are proposed:

- 1) **Review the ACF MoA to Allow PFIs to Make Provisions of Up to 50 Percent of Their Contribution**
Amend the ACF Memorandum of Agreement (MoA) to enable Participating Financial Institutions (PFIs) to provision up to 50 percent of their contribution, considering that the Government of Uganda's (GoU) contribution is subject to the Public Finance Management Act (PFMA).
- 2) **Amend the Eligibility Criteria to Include Tier-IV Institutions**
Expand the eligibility criteria under the ACF to allow tier-IV institutions, including licensed Savings and Credit Cooperative Societies (SACCOs), to access both medium- and long-term financing under the scheme. This will enhance uptake and broaden access to finance for small-holder farmers and agribusinesses.
- 3) **Strengthen the Complementarity of the Uganda Agriculture Insurance Scheme (UAS) and ACF**
Ensure better coordination between the UAS and the ACF to enable farmers whose risks are cushioned by UAS to access affordable credit under the ACF. This will help mitigate risks and improve access to financing.
- 4) **Enhance Capacity Building for PFI Staff**
Strengthen capacity building initiatives for PFI staff, focusing on value chain risk analysis, agricultural loan appraisal, and loan management. This will improve the ability of PFIs to effectively evaluate agricultural loans and manage risks, thereby enhancing the scheme's overall performance.
- 5) **Expand Eligibility Criteria to Include Agro-Processors' Working Capital Needs**
Broaden the ACF's eligibility criteria to accommodate working capital requirements for agro-processors, in addition to other proposed amendments. These measures aim to fill financing gaps in the agricultural sector and ensure the ACF's effectiveness.

12 Conclusion

The ACF remains a key driver of transformation within the agricultural sector. Its success is largely attributed to critical government intervention and private-sector funding, supported by BoU oversight. This partnership has created a cost-efficient public-private model that facilitates much-needed medium to long-term financing for the agricultural sector.

The scheme reflects a strong commitment, with (PFIs contributing UGX 499.38 billion, while the Government has disbursed UGX 509.62 billion, resulting in total loans amounting to UGX 1.01 trillion as of September 30, 2024. Moreover, the ACF boasts a remarkable repayment rate, with a non-performing loan ratio of only 1.0 percent, compared to 4.9 percent in commercial banks, positioning it as the leading risk-sharing facility for transforming Uganda's agricultural sector.

BoU will continue to support small-holder farmers' access to finance by strengthening and scaling the block allocation arrangement under the ACF, which allows micro-borrowers to access credit without the need for registered collateral typically required by financial institutions.

Appendix 1 Salient Features of the ACF Scheme

12.1 The Role of BOU

The key role of BOU under the ACF is that of the scheme administrator.

The responsibilities include:

- i. Review of the loan applications against the terms and conditions of the scheme in accordance with the MoA.
- ii. Disburse funds (refinance) to the PFIs regarding the eligible projects.
- iii. Ensure timely collection of repayments from PFIs and a sound database on the lending activities.
- iv. Provide reports and other information to the scheme stakeholders.
- v. Ensure repayments of the GoU contribution from the PFIs, which are made on a half-yearly basis.
- vi. Create awareness of the ACF.

12.2 Role of the PFIs

The PFIs are charged with:

- i. Sensitising the clients on the scheme since they are the first point of contact.
- ii. Appraising/analysing the projects to ascertain eligibility, viability, and feasibility.
- iii. Managing collateral requirements.
- iv. Ensuring the recovery of the loans. The MoA governing the scheme's administration places full responsibility for loan recovery on the PFIs.
- v. PFIs submit reports (on the performance of the projects) to BOU on a quarterly basis.

12.3 Procedure for Accessing the Fund

All ACF loan applications are channelled through the PFIs. The PFIs analyse the loan requests as per their credit policy to ensure that only eligible projects are financed. The PFIs disburse their own funds to eligible projects and subsequently request reimbursement for the GoU contribution from BoU.

12.4 Terms and Conditions of Sub-Loans

The terms and conditions of the scheme are stated in the Memorandum of Agreement (2018). Sub-loan amounts are determined based on the assessment and appraisal of the clients' project

viability and genuine credit needs in accordance with the lending policy of the respective PFIs. The loans under the ACF are denominated in Uganda shillings.

12.5 Loan Amount

The maximum loan amount to a single borrower is UGX 2.1 billion. However, this amount can be lifted on a case-by-case basis for eligible projects that add significant value to the agricultural sector and the economy as a whole, as may be determined by the BOU upon justification by the PFI.

12.6 Loan Term

The maximum loan period should not exceed eight (8) years, and the minimum should be six (6) months.

12.7 Grace Period

The grace period is up to a maximum of three (3) years.

12.8 Interest Rate

The interest rate charged by the PFI to the final borrower under ACF I and III is capped at **10 percent** per annum, whereas for ACF II and IV interest rate is capped at **12 percent**. The PFIs are not required to pay interest to BoU on the GoU contribution reimbursed to them.

12.9 Facility Fees

Facility fees charged by PFIs to eligible borrowers should not exceed **0.5 percent** of the total loan amount. The borrower bears legal documentation and registration costs.

12.10 Eligibility for Refinance/Sub Loans

12.10.1 Eligible Purposes

Eligible purposes include activities such as commercialisation, modernisation, mechanisation and value addition in the agricultural sector at any stage of the agricultural value chain.

12.10.2 Eligible Projects

Eligible projects include the acquisition of agricultural machinery and post-harvest handling equipment, storage facilities, agricultural inputs that include; pesticides and fertilizers, land opening, paddocking, biological assets that include; banana suckers, fruit seedlings, chicks, piglets, cows and goats for restocking the farm, agro-processing facilities, and any other agricultural and agro-processing related activities.

Working capital required for operating expenses is considered, provided this component does not exceed 20% of the total project cost for each eligible borrower. These will include wages for hired farm labour, overhead costs like utilities and installation costs, and hiring specialized machinery for farming activities. The maximum loan amount to an eligible borrower for biological assets shall not exceed **UGX 80 million**.

The scheme does not finance working capital for purchasing land and forestry, refinancing existing loan facilities, and trading in agricultural commodities, except for grain.

12.11 Financing Grain trade

The scheme provides financing for working capital and infrastructure for projects engaged in grain trading. The terms are as follows:

The maximum financeable amount to a single borrower is **UGX 10 billion**, and the GoU contribution is 50 percent of the eligible amount for commercial banks, MDIs, CIs and UDBL. However, this amount can be lifted on a case-by-case basis for eligible projects that add significant value to the agricultural sector and the economy as a whole, as may be determined by the BOU upon justification by the PFI.

The maximum tenure of a loan for working capital for an eligible project under the grain facility is twenty-four (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 eight (8) years from the date of disbursement to the borrower, with a maximum grace period of three (3) years.

The applicable interest rate for loans advanced to finance working capital for 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**.