

BANK OF UGANDA



**SMALL BUSINESS RECOVERY FUND QUARTERLY PROGRESS REPORT
MARCH 31, 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
UGX	Uganda Shillings
MSMEs	Micro, Small and Medium Enterprises
UMA	Uganda Manufacturers Association

1 Executive Summary

The Small Business Recovery Fund (SBRF) was launched in November 2021 as a UGX 200 billion public-private partnership to support small businesses impacted by the Covid-19 pandemic.

As of March 31, 2024:

Fund Capitalization:

- Government of Uganda contributed UGX 100 billion
- Participating Financial Institutions (PFIs) matched with UGX 100 billion

Cumulative Performance:

- 2,836 applications received worth UGX 54.67 billion
- 1,974 loans worth UGX 26.63 billion approved
- 1,583 businesses received UGX 20.42 billion in disbursed loans
- Government contribution to disbursed loans: UGX 10.21 billion
- PFIs repaid UGX 3.68 billion, with UGX 6.53 billion outstanding

Key Sectors Supported:

- Trade/commerce received 68% of funds (UGX 13.96 billion)
- Construction/real estate received 15% (UGX 3.06 billion)
- An estimated 17,632 jobs safeguarded

Regional Uptake:

- Central region dominated with 73% of funds (UGX 14.8 billion)
- Northern region had lowest uptake at 2.4% (UGX 798.5 million)

Challenges:

- Limited PFI participation due to eligibility criteria
- Informality of many MSMEs
- Collateral requirements hindering access
- Low financial literacy among MSMEs

Recommendations:

- Revise eligibility criteria on turnover and assets
- Include more agribusinesses
- Support post-pandemic startups

The SBRF has aided small businesses, but uptake remains hindered by various challenges. BoU aims to improve performance through criteria revisions, automation, and increased awareness campaigns.

2 Background

The Small Business Recovery Fund, initiated in November 2021, serves as a crucial stimulus package aimed at aiding financially distressed small businesses grappling with the repercussions of the COVID-19 pandemic-induced lockdown measures.

Operating under a public-private partnership framework, the scheme is a collaborative effort between the Government of Uganda (GoU) and Supervised Financial Institutions (SFIs). These SFIs, collectively referred to as Participating Financial Institutions (PFIs), encompass commercial banks, micro-deposit-taking institutions (MDIs), and credit institutions (CIs).

The operational framework of the scheme is governed by a Memorandum of Agreement (MoA), with the Bank of Uganda (BoU) appointed as the Fund Administrator.

3 The role of the BoU

- a) Manage the Fund on behalf of the Government of Uganda (GoU).
- b) Receive and process reimbursement claims from the PFIs within 14 working days upon receipt of all the necessary information about the claims from the PFIs.
- c) Maintain records on GoU contributions remitted to the escrow account held at BoU, eligible borrowers, total loan amounts extended to the borrowers, the GoU contribution refinanced to the PFIs, and the loan repayments from the PFIs in respect of each eligible borrower.
- d) Provide quarterly progress reports to the Ministry of Finance, Planning and Economic Development (MoFPED) on the performance of the Fund.
- e) Ensure accountability of the Fund through periodic internal and external audits.
- f) Advise the Government on the non-performing loans under the Fund and those that are due for write-off as shall be guided by the Auditor General.
- g) Undertake marketing of the Fund.

4 The role of MoFPED

- a) Disburse the Government of Uganda contribution to the escrow account held at BoU.
- b) Provide funding to meet the Fund's operational expenses, including marketing and audit fees.
- c) Undertake annual monitoring of the Fund to evaluate performance.
- d) Review the quarterly reports from BoU and provide feedback where necessary.
- e) Review and table non-performing loans to Parliament for write-off.

5 Fund Capitalisation

On October 22, 2021, the Bank of Uganda (BoU) received UGX 100 billion from the Government of Uganda (GoU) to facilitate loans for small businesses adversely affected by the Covid-19 pandemic. To bolster this initiative, PFIs are mandated to match the GoU's contribution with an additional UGX 100 billion, thus augmenting the total pool of loanable funds to UGX 200 billion. Consequently, for each loan disbursed to a borrower, a PFI is required to contribute 50 percent of the loan amount, adhering to the risk-sharing mechanism delineated in the SBRF MoA.

6 Cumulative performance of the Fund as of March 31, 2024

As of March 31, 2024, the Bank of Uganda (BoU) had received a cumulative total of 2,836 applications, amounting to UGX 54.67 billion, from nine (9) Participating Financial Institutions (PFIs). Among these, 1,974 applications (70 percent of those received) were approved, totalling UGX 26.63 billion in loans. Of the approved loans, UGX 20.42 billion was disbursed to 1,583 eligible small businesses during the same period. Notably, the number of disbursed loans represents 80 percent of those approved at BoU by March 31, 2024.

Regarding the distribution of funds, the Government of Uganda's (GoU) contribution to the disbursed loans stands at UGX 10.21 billion. Of this amount, BoU has successfully recovered some loans that were due, totalling UGX 3.68 billion, by March 31, 2024. However, an outstanding amount of UGX 6.53 billion remains with the PFIs.

It's important to emphasise that PFIs disburse loans to borrowers before submitting applications to BoU for refinancing. Below is a summary of the cumulative performance as of March 31, 2024.

Table 1: Cumulative Performance as at March 31, 2024,

PFI	No. of applications	Cum. value of applications	No. of approvals	Cum. value of approvals	No. of disbursements	Cum. value of disbursements
Opportunity Bank	2110	24,238,050,000	1573	14,916,100,000	1317	12,287,500,000
PostBank (U) Ltd	478	21,882,900,000	231	7,071,500,000	103	3,596,500,000
Pride Microfinance	156	2,337,600,000	116	1,845,500,000	115	1,835,500,000
Housing Finance Bank	32	2,061,500,000	10	188,000,000	8	188,000,000
Finance Trust Bank	32	2,031,500,000	29	1,655,900,000	25	1,321,500,000
Diamond Trust Bank	10	649,000,000	9	649,000,000	9	649,000,000
Centenary Bank	8	384,000,000	3	64,000,000	3	214,000,000
DFCU Bank	3	240,000,000	3	240,000,000	3	325,000,000
Equity Bank	7	848,000,000	-	-	-	-
TOTAL	2,836	54,672,550,000	1,974	26,630,000,000	1,583	20,417,000,000

Source: Bank of Uganda [SBRF data]

5.3 Performance in the quarter ended March 2024

During the quarter ending March 31, 2024, the BoU received 492 new applications amounting to UGX 16.53 billion. Opportunity Bank led in submissions, accounting for 61 percent of the total new applications. Notably, there was a 9 percent decrease in loan

applications compared to the previous quarter, attributed to the perceived restrictiveness and unfavourable nature of the lending criteria by PFIs.

BoU processed and approved UGX 4.14 billion applications, benefiting 247 individuals or entities. This marks an increase in approved loans compared to the previous quarter, attributed to BoU's loan processing automation aimed at enhancing efficiency. UGX 1.99 billion was disbursed during the quarter, with the Government of Uganda's contribution amounting to UGX 992.75 million, benefiting 124 recipients. Notably, there was a 31 percent increase in the number of beneficiaries compared to the previous quarter.

Geographically, the central region received the bulk of the disbursed funds, accounting for 80.6 percent, while the northern region received the least, with only 2.4 percent. Funds primarily supported working capital for trade and commerce, followed by construction/real estate ventures. During the quarter, PFIs made loan repayments totalling UGX 1.06 billion, including late repayments from Opportunity Bank and Post Bank for loan instalments due in December 2023.

Table 2: Performance in the quarter ended March 2024 compared to the quarter ended Dec 2023

Portfolio Classification (cumulative)	31-Mar-24	31-Dec-23	Change
Number of loan applications received	492	542	(50)
Value of loan applications received	16,534,300,000	9,600,450,000	6,933,850,000
Number of approved loans	247	54	193
Value of approved loans	4,141,800,000	748,500,000	3,393,300,000
Number of loans disbursed	124	94	30
Value of loans disbursed	1,985,500,000	2,436,000,000	(450,500,000)
GoU contribution of loans disbursed	992,750,000	1,218,000,000	(225,250,000)
Recoveries	1,058,579,116	318,814,915	739,764,201

Source: BoU-SBRF data

7 Enterprises Financed

Since launching the SBRF in January 2022, a total of 1,583 small businesses nationwide have received support. These beneficiaries are segmented into five primary sub-sectors, with their respective fund utilisation as follows: trade and commerce, which utilised UGX 13.96 billion, constituting 68.4 percent of the total; the construction/Real Estate sector utilised UGX 3.06 billion, equivalent to 15 percent; the education sector received UGX 1.91 billion, accounting for 9.4 percent; the service/hospitality sector utilised UGX 1.44 billion, representing 7.04 percent; and health sector utilised UGX 50 million, accounting for 0.24 percent of the total funds disbursed under the scheme.

The supported businesses include hotels and lodges, transport services, salons, bars, schools, carpentry, hardware operators, retail traders, and motor garage operators. Table 3 and Chart 1 below provide a comprehensive overview of the SBRF uptake per sector as of March 31, 2024.

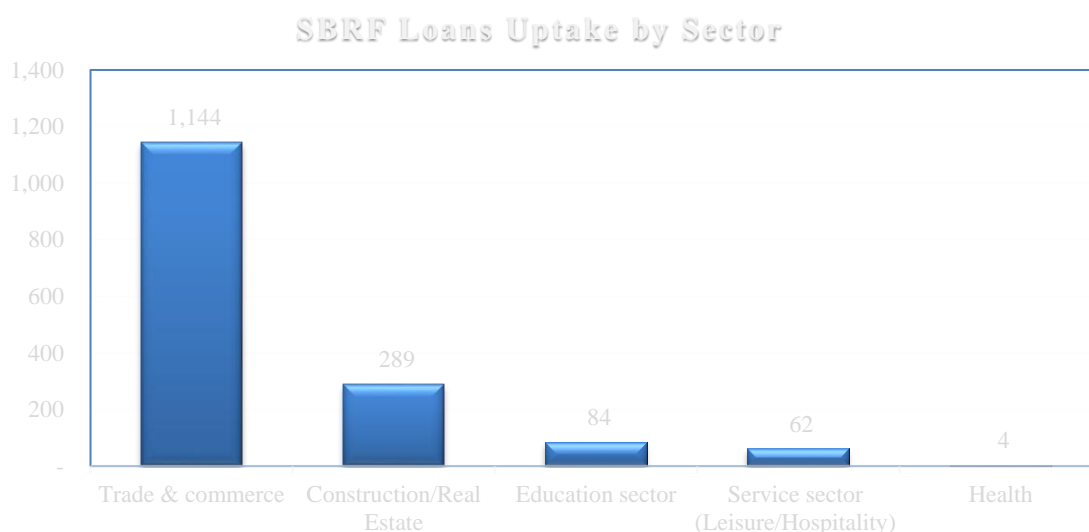
Table 3: Uptake of SBRF per sector as at March 31, 2024

Sector	No. of Beneficiaries	Total Loan Amount disbursed	GOU Contribution - UGX	% amount per sector
Trade & commerce	1,144	13,960,300,000	6,980,150,000	68.38%
Construction/Real Estate	289	3,061,300,000	1,530,650,000	14.99%
Education sector	84	1,908,900,000	954,450,000	9.35%
Service sector (Leisure/Hospitality)	62	1,436,500,000	718,250,000	7.04%
Health	4	50,000,000	25,000,000	0.24%
Grand Total	1,583	20,417,000,000	10,208,500,000	100.00%

Source: Bank of Uganda-SBRF data

With funding from the SBRF, approximately 17,632 jobs have potentially been safeguarded across the aforementioned sectors, and new job opportunities have also been created.

Figure 1: Loan amounts disbursed per sector as of March 31, 2024



Source: Bank of Uganda-SBRF data

8 Regional Uptake of the SBRF

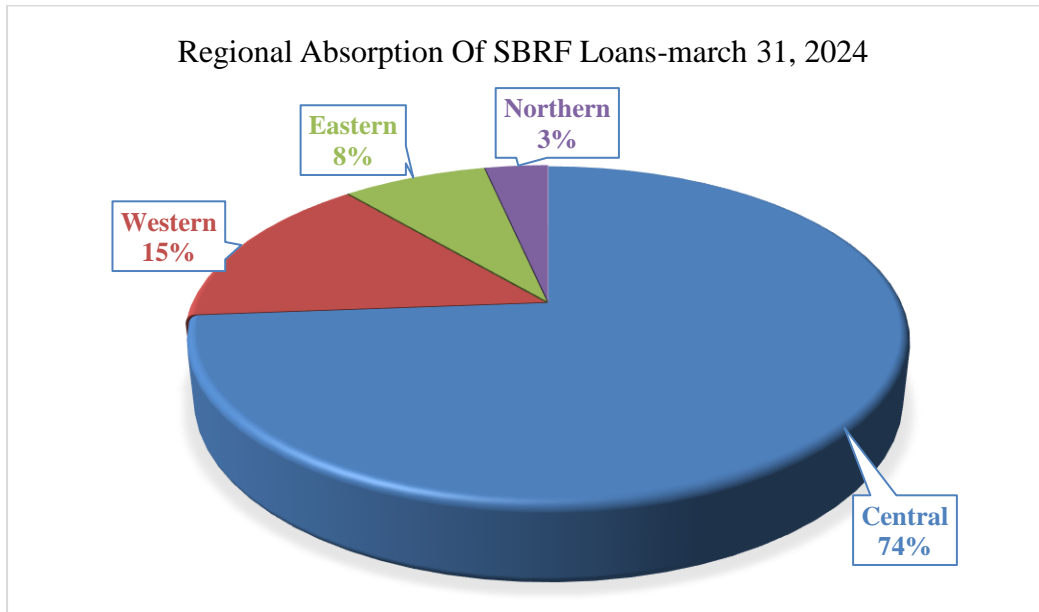
The central region maintained its dominance in uptake, with UGX 14.80 billion extended to 1,168 beneficiaries, constituting 73.3 percent of the total beneficiaries as of March 31, 2024. Following closely, the western region utilised UGX 3.31 billion with 238 beneficiaries.

Meanwhile, the eastern and northern regions utilised UGX 1.51 billion with 123 beneficiaries and UGX 798.50 million with 54 beneficiaries, respectively. The concentration of business

communities in the central region, facilitated by easy access to information, explains the heightened uptake in this area.

Conversely, the northern region predominantly engages in agribusiness, supported by the ACF. There remains a pressing need to enhance uptake in underserved regions, prompting BoU to persist in engaging PFIs and local business communities through awareness campaigns. Figure 2 below illustrates the uptake of SBRF per region as of March 31, 2024.

Figure 2: Regional utilisation of SBRF as at March 31, 2024



Source: Bank of Uganda-SBRF data

9 Stakeholder Engagements and Publicity Activities

The BoU has proactively promoted the SBRF nationwide to enhance awareness and stimulate uptake. This effort encompasses organising informational workshops nationwide, including in districts such as Arua, Mbarara, and Rukungiri. BoU remains steadfast in its commitment to conducting public awareness campaigns and will persist in engaging various stakeholders to facilitate greater uptake of the Fund, ensuring that all eligible beneficiaries can access the SBRF.

10 Challenges

Despite increasing applications and disbursements, the Small Business Recovery Fund (SBRF) encounters challenges that impede its full utilisation.

These include:

1. Limited participation by lenders: only eight out of 33 financial institutions actively engage in lending under the SBRF. They advocate revising eligibility criteria, particularly the annual turnover and total asset value requirements.

2. Informality of MSMEs: many micro, small, and medium-sized enterprises (MSMEs) operate informally, lacking proper registration or records. This poses challenges for lenders in assessing their creditworthiness.
3. Collateral requirements: although the SBRF offers attractive interest rates and repayment terms, collateral remains a significant obstacle for many small businesses. The Block Allocation model relieves micro-borrowers, allowing alternative arrangements such as credit history, chattel mortgages, or group guarantees.
4. Low financial literacy: many businesses lack bank accounts and a savings history, making them unbankable for traditional lenders. Reliance on village savings groups and small cooperatives further limits access to the SBRF, as these institutions are not accredited participants.

11 Recommendations

Proposals to enhance access to the SBRF include:

1. Revise eligibility criteria: PFIs advocate for eliminating the cap on annual sales and asset turnover (currently set between UGX 10 million and UGX 300 million) to encompass more qualifying small businesses.
2. Expand eligibility to agribusinesses: permit agribusinesses beyond the scope of the ACF to access the SBRF. This adjustment would aid businesses trading agricultural produce beyond grain, which was also adversely affected by the pandemic.
3. Support post-pandemic businesses: extend SBRF coverage to include businesses established after the economy's reopening in 2021. Recognising that the impact of the pandemic extends beyond pre-existing businesses, such support would be essential for newer ventures facing challenges during this period.

12 Conclusion

Despite challenges limiting full utilisation, the SBRF has, to date, supported 2,836 small businesses with loan amounts totalling up to UGX 54.67 billion, with 50 percent of this contributed by the PFIs. This underscores the potential of leveraging private sector credit to support vulnerable MSMEs.

Feedback from stakeholders underscores the necessity of revising eligibility criteria to reach more businesses. In response, the BoU has proposed amendments and will continue nationwide awareness campaigns to enhance uptake. Additionally, the automation of loan processing is expected to reduce the turnaround time for loan approvals and increase uptake. BoU aims to significantly improve the Fund's performance by addressing these issues and continuing outreach efforts.