



SUPPORT TO AGRICULTURAL REVITALIZATION AND TRANSFORMATION



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

**START II CALL FOR PROPOSALS (CfP) - MARCH – DECEMBER 2024**

### About UNCDF

The **United Nations Capital Development Fund (UNCDF)** is the **United Nations' flagship catalytic financing entity for the world's 45 Least Developed Countries (LDCs)**. With its unique capital mandate and focus on the LDCs, UNCDF works to invest and catalyse capital to support these countries in achieving the sustainable growth and inclusiveness envisioned by the 2030 Agenda for Sustainable Development and the Doha Programme of Action for the least developed countries, 2022–2031.

UNCDF builds partnerships with other UN organizations, as well as private and public sector actors, to achieve greater impact in development; specifically, by unlocking additional resources and strengthening financing mechanisms and systems contributing to transformation pathways, focusing on such development themes as green economy, digitalization, urbanization, inclusive economies, gender equality and women's economic empowerment.

A hybrid development finance institution and development agency, UNCDF uses a combination of capital instruments (deployment, financial and business advisory and catalysation) and development instruments (technical assistance, capacity development, policy advice, advocacy, thought leadership, and market analysis and scoping) which are applied across five priority areas (inclusive digital economies, local transformative finance, women's economic empowerment, climate, energy and biodiversity finance, and sustainable food systems finance).

### Support to Agricultural Revitalization and Transformation (START) Facility Phase II

With the support of the European Union Delegation in Uganda (EUD), UNCDF Uganda is launching the 2<sup>nd</sup> phase of the START (Support to Agricultural Revitalization & Transformation) facility project. The 2<sup>nd</sup> phase of START facility is designed to promote **growth and job creation by investing in fully integrated and sustainable agribusiness SMEs that create and retain wealth within Uganda**. The Facility is intended to support SMEs to access affordable medium-term finance in Uganda through strengthening institutional capacity of agribusiness SMEs in value addition & processing to conduct sustainable business and business operations (including digital solutions), develop bankable green investment proposals based on green and circular economy principles.

**START Phase II is a continuation of START Phase I, where the focus was on assisting agri-business SMEs, including companies, cooperatives, and associations in Northern Uganda, to enhance their ability to access financing.** The implementation of the 2nd phase will capitalize on the systems and successes generated from the 1st phase and aim to minimize the failures to address the challenges of access to finance for agribusiness SMEs. **START phase II is countrywide (covers all regions of Uganda) as part of scaling up of START phase I** that was only aligned with the geographic coverage of DINU, comprising 40 districts. The project will be implemented over a period of sixty months (five years) starting from January 2023 - December 2027.

START is designed to occupy a special niche in the national agricultural finance sector in line with its objectives and complement other existing facilities. This sector has a number of funding facilities targeting agriculture in general and SMEs (above the micro level) in particular, and funded by aid agencies and donors, government, and institutional investors.

The medium to long-term development objective will be to stimulate pro-poor economic growth in Uganda, better retain the economic benefits of agriculture in the country, and improve local food systems and food security. The secondary medium-term objective will be to transform the Facility into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to Small and Medium-Sized value adding agribusinesses in Uganda with the further intention to scale up its operation and coverage to other agri value chains.

START facility phase II is implemented by United Nations Capital Development Fund (UNCDF) together with the Uganda Development Bank (UDB), Private Sector Foundation Uganda (PSFU), Federation of Small and Medium Enterprises (FSME) and several financial institutions under Aceli Africa partnership.

### **Call for Proposals (CfP) START II**

START is inviting applications from agri-business small and medium enterprises (SMEs) involved in value addition and agro processing in Uganda. START facility will support agribusiness SMEs to access finance necessary for acquiring machinery, equipment, technologies, assets, and working capital for post-harvest handling, storage, processing, packaging, distribution among others.

The facility aims to encourage and promote value addition and Agro-processing through supporting agribusiness SMEs across Uganda to access affordable medium-term financing to expand and grow their agribusinesses, paying particular attention to vulnerable groups and green practices.

In the context of START phase II, vulnerable groups are defined as follows:

- *Women and youth* - the facility will focus on women and youth-led businesses or businesses providing services to or employing women and/or youth;
- *Refugees and host communities* - the facility will focus on refugees and host communities-led businesses or businesses providing services to or employing refugees and host communities;
- *Persons with disabilities* - the facility will focus on businesses led by persons with disabilities or providing services to or employing them; and
- *Persons from the least developed sub-regions* - the facility will focus on businesses led by persons from least developed sub-regions or offering services to or employing persons from the least developed sub-regions.

A green agri-business is an agri-business that is committed to the principles of environmental sustainability in its operations, strives to use renewable resources, and tries to minimize the negative environmental impact of its activities.

Hence, green practices will be industry-specific practices that contribute to the achievement of these objectives. In the context of START phase II, such practices may include:

- Reliance on agricultural inputs grown in an environmentally sustainable way.
- Use of processing and storage technologies that are energy efficient, minimize losses of raw materials and/or contribute to internal recycling and reuse of materials.
- Targeted measures to safeguard the quantity and quality of water, soil, and to protect air quality.
- Use of renewable energy for operation of the facility, etc.

### START Services and Products

- 1) Business Development Services and Technical Assistance
  - a. General and pre-investment BDS support to SMEs in development of acceptable applications under the START facility.
  - b. Collaboration with digital partners to offer digital solutions that enhance various aspects of SMEs business operations e.g. inventory and records management (covering production, purchases, sales, expenses, stock, assets, and liabilities), production traceability, farmer mapping and registration, e-learning, marketing, and e-commerce (facilitating market linkages among market and value chain actors, bulking and aggregation, and providing market information), as well as agricultural services for partner farmers and suppliers.
  - c. Post Investment BDS support
- 2) Project preparation and development services
  - a. Preparation of financial models & simple business plans
  - b. Prepare a Project Information Memorandum (PIM).
  - c. Recommending potential funding sources for the SME projects, and devising strategies to assist the project in achieving financial closure with external investors.
  - d. Highlight any specific areas that require capacity building through technical assistance grants
- 3) Financial services - link developers to financial institutions and investors
  - a. Technical assistance (TA) grants to support SMEs to address selected compliance and certification requirements such as **environmental and social assessment, product certification (with UNBS), fair trade certification, organic certification, food fortification** etc.
  - b. Reimbursable grants (zero interest loans) accessible to less profitable agribusiness SMEs with high impact on vulnerable communities and green investments.
  - c. Linkage to Uganda Development Bank for concessional loans.
  - d. Linkage to financial institutions for commercial loans.

### 5. Concessional Loans Terms & Conditions

Concessional loans for capital expenditure purposes will be provided by Uganda Development Bank (UDB) to enable agribusiness SMEs acquire machinery, equipment, storage, and processing facilities to increase processing capacity. Interest rates and other terms for concessional loans shall be as follows.

	Clause	Agreed concessional loan terms
1.	Concessional loan range	UGX 50,000,000 to UGX 900,000,000
2.	Appraisal fees	0.5% of the loan amount

3.	Interest Rate	12% p.a. computed and charged on a monthly basis
4.	Loan tenure	up to a maximum of 96 months
5.	Loan grace period	up to a maximum of 24 months
6.	Collateral Requirements	Security coverage of 120% as per bank policy and backed by a portfolio guarantee.
7.	Type of targeted SMEs	Legally registered agri-SMEs in form of companies, cooperatives, associations, partnerships, sole proprietorships.
8.	Targeted loan disbursements to SMEs	US\$ 10,000,000
9.	Target number of SMEs	At least 100 SMEs- <b>Priority will be given to Agribusiness SMEs that:</b> <b>a) <u>empower vulnerable groups (women, youth, refugees &amp; host communities, and persons with disabilities)</u></b> <b>b) <u>are based in least developed sub-regions such as Karamoja and rural areas,</u></b> <b>c) <u>encourage green practices, and d) <u>promote value addition and agro-processing</u></u></b>

**NOTE:** Commercial loans under the START facility will be provided by selected partner commercial financial institutions, in partnership with Aceli Africa, mainly for working capital purposes. The loan amount accessible, partner commercial financial institutions, terms and conditions and the application process will be shared with the public very soon.

### Geographical Coverage of START Facility

START phase II is countrywide. START facility will mainly support the development and financing of capital-intensive agricultural projects promoted by small and medium businesses that add value in storage and processing of agricultural produce. START will also consider the necessary complementary activities under production such as commercial agriculture.

### General Eligibility Criteria for Targeted Agribusiness SMEs

START facility products and services can be accessed by agribusiness SMEs registered and operating in Uganda involved in value addition and agro-processing.

Category	Features
<b>Agribusiness SME</b>	<ul style="list-style-type: none"> <li>a) Must be a legally registered person (company, cooperative, association, partnership, sole proprietorship).</li> <li>b) The agribusiness must be registered in Uganda under the Companies Act, Cooperative Societies Act, or similar business representative organization legally established in Uganda.</li> <li>c) The agribusiness must have between 2 – 100 employees.</li> <li>d) It must have annual turnover or total assets ranging from UGX 10m to UGX 500m.</li> <li>e) The Agribusiness must have been in operation for at least 2 years.</li> </ul>
<b>SME Promoter / Owner</b>	<ul style="list-style-type: none"> <li>a) Directly responsible for the preparation and management of the activities with their partners and not acting as an intermediary.</li> <li>b) Stable and with sufficient financial resources to ensure the continuity of their SME throughout the project period.</li> </ul>

Category	Features		
	<ul style="list-style-type: none"> <li>c) Able to demonstrate their experience and capacity to manage activities corresponding in scale and complexity with those for which financial support is requested.</li> <li>d) Can provide contribution either from own resources or in combination with other shareholders, equity equal to at least 25% of the total cost of the project.</li> <li>e) Have demonstrable/verifiable ownership of title or right of beneficial use of assets on which the project will be carried out.</li> <li>f) Not involved in harmful or exploitative forms of forced labor or child labor as defined in the ILO core labor standards.</li> </ul>		
<b>Sector</b>	<ul style="list-style-type: none"> <li>a) Value addition in storage and processing of agricultural produce (including handling and packaging) and any other complementary activities.</li> <li>b) Priority will be given to SMEs that pay particular attention to vulnerable groups (women and youth, refugees and host communities, persons with disabilities, persons and businesses from the least developed Ugandan sub-regions) and green practices.</li> <li>c) Ineligible if involved in activities/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 Convention on International Trade in Endangered Species (CITES).</li> <li>d) Agricultural activities within the boundaries of national parks and other protected areas are ineligible.</li> </ul>		
<b>Economic and social impact targeted</b>	<p>Development of the local food supply chain:</p> <ul style="list-style-type: none"> <li>• Improved quantity and quality of local food production;</li> <li>• Improved effectiveness of local food markets;</li> <li>• Improved position of women and young people in the local food supply chain.</li> </ul> <p>Local economic impact:</p> <ul style="list-style-type: none"> <li>• Increase in locally retained revenues;</li> <li>• Increase in household revenues;</li> <li>• Increase in local decent employment opportunities;</li> <li>• Increase in demand for local primary production (increase in the locally sourced inputs/local supply chain);</li> <li>• Improved local resilience and adaptation to climate change.</li> </ul> <p>Transformative impact:</p> <ul style="list-style-type: none"> <li>• Increase in the added value of a product created locally;</li> <li>• Application of new technologies;</li> <li>• No adverse social and environmental impacts (see Section 5.1 for more details).</li> </ul>		
<b>SME's Equity Contribution</b>	<p>The minimum equity contribution at 25% + is mandatory and may come in a variety of forms (e.g. land, plant and equipment, cash). If the equity contribution is produced in kind in the form of physical assets and/or in the form of other products resulting from certain prior activities, the applicant <b>must prove the relevance of these assets for the project and produce evidence of ownership of such assets.</b></p> <p>The table below provides a non-exhaustive overview of assets and other products that may be considered as part of the equity contribution.</p> <table border="1" data-bbox="400 1854 1437 1892"> <thead> <tr> <th data-bbox="400 1854 799 1892">Physical assets</th> <th data-bbox="807 1854 1437 1892">Other products</th> </tr> </thead> </table>	Physical assets	Other products
Physical assets	Other products		

Category	Features
	<ul style="list-style-type: none"> <li>• Land;</li> <li>• Buildings;</li> <li>• Machinery and equipment;</li> <li>• Vehicles (incl. motorcycles).</li> </ul>
	<ul style="list-style-type: none"> <li>• Feasibility studies;</li> <li>• Training and skilling of personnel;</li> <li>• Management systems complete with required software and equipment (databases, accounting, planning, etc.);</li> <li>• Intellectual property rights (patents, trademarks, designs, etc.)</li> </ul>

In addition, the projects must meet the criteria of additionality and neutrality in line with the recommendations of the European Commission:<sup>1</sup>

**Additionality:** Without public support, the private enterprise would not undertake the action or investment, or would not do so on the same scale, at the same time, in the same location or to the same standard. The supported action should not crowd out the private sector or replace other private financing.

**Neutrality:** The support given should not distort the market and should be awarded through an open, transparent, and fair system. It should be temporary in nature with a clearly defined exit strategy. Support justified by market failures and consequent risks should not have the effect of discouraging regulatory reform efforts addressing the causes of market failure.

#### Priority agribusiness SMEs - Vulnerable Groups and Green Businesses

a) **Women and Youth:** The SME qualifies if it fulfills one of the criteria - women and or youth-led businesses or businesses providing services to or employing women and youth.

Category	Criteria	Sub-criteria
<b>Women</b>	Leadership and Ownership (Women led or owned)	<ul style="list-style-type: none"> <li>• 50% of the entity is owned by one or more women; OR</li> <li>• Business founded by a woman; OR</li> <li>• Share of women in senior management is at least 30%; OR</li> <li>• Women make up at least 30% of the Board (active with voting rights).</li> </ul>
	Products and Services	<ul style="list-style-type: none"> <li>• Provides products and services that intentionally seek to close gender gaps or are designed to meet the specific needs or wants of women or girls.</li> <li>• Examples include those relating to women's health; safety; labor-saving technologies or devices; financial inclusion; reduce women's caregiving responsibilities; or learning tools to improve the skills and capabilities of women.</li> </ul>
	Women-powered Value Chains or Workforce	<ul style="list-style-type: none"> <li>• Companies that that intentionally seek to source from women producers (agribusiness SME buys at least 30% of produce directly from women suppliers); OR</li> </ul>

<sup>1</sup> European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries. Brussels, 2014.

Category	Criteria	Sub-criteria
		<ul style="list-style-type: none"> <li>Distribute their products mainly through women-led companies or women sales agents; OR</li> <li>At least 30% of employees are women with employment conditions in compliance with national laws.</li> </ul>
Youth	Leadership and Ownership (Youth led-owned)	<ul style="list-style-type: none"> <li>30% of the entity is owned by one or more youth (i.e. aged 18-35 years); OR</li> <li>Business founded by youth; OR</li> <li>Share of youth in senior management is at least 30%; OR</li> <li>Youth make up at least 30% of the Board (active with voting rights).</li> </ul>
	Youth-powered Value Chains or Workforce	<ul style="list-style-type: none"> <li>Enterprises that intentionally seek to source from youth producers (agribusiness SME buys at least 30% of produce directly from youth suppliers); OR</li> <li>Distribute their products mainly through youth-led companies or sales agents; OR</li> <li>At least 35% of employees are youth.</li> </ul>

b) **Refugees and host communities:** The SME qualifies if it fulfills one of the criteria - refugees and host communities-led businesses or businesses providing services to or employing refugees and host communities;

Category	Criteria	Sub-criteria
Refugees and Host Communities	Leadership and Ownership (Refugees led-owned)	<ul style="list-style-type: none"> <li>20% of the entity is owned by one or more refugee; and/or</li> <li>Business founded by refugees; OR</li> <li>Share of refugees in senior management is at least 20%; OR</li> <li>Refugees make up at least 20% of the Board (active with voting rights).</li> </ul>
	Refugee Hosting District	<ul style="list-style-type: none"> <li>The agribusiness SME is located in a refugee hosting district of Uganda.</li> </ul>
	Products and Services	<ul style="list-style-type: none"> <li>SME's activity mainly consists in supplying goods / products to refugees.</li> </ul>
	Refugees -powered Value Chains or Workforce	<ul style="list-style-type: none"> <li>Companies that intentionally seek to source from refugee producers (agribusiness SME buys at least 20% of produce directly from refugee producers); OR</li> <li>At least 20% of employees are refugees.</li> </ul>

c) **Persons with Disabilities:** The SME qualifies if it fulfills one of the criteria - person with disability, persons with disabilities-led businesses or businesses providing services to or employing persons with disabilities;

Category	Criteria	Sub-criteria
Persons with Disabilities	Leadership and Ownership (Persons	<ul style="list-style-type: none"> <li>10% of the entity is owned by one or more persons with disabilities; and/or</li> </ul>



Category	Criteria	Sub-criteria
	with disabilities led or owned)	<ul style="list-style-type: none"> <li>• Business founded by a person with disability OR</li> <li>• Persons with disabilities constitute at least 10% of senior management OR</li> <li>• Persons with disabilities make up at least 10% of the Board (active with voting rights)</li> </ul>
	Persons with disabilities -powered value chains or workforce	<ul style="list-style-type: none"> <li>• Companies that intentionally seek to source from producers who are persons with disabilities (agribusiness SME buys at least 10% of produce directly from persons with disabilities); OR</li> <li>• At least 10% of employees are persons with disabilities.</li> </ul>

- d) **Least Developed Sub-regions:** The SME qualifies if it fulfills one of the criteria - persons and businesses are from the least developed sub-regions or offering services to or employing persons from the least developed sub-regions;

Category	Criteria	Sub-criteria
Least Developed Sub-regions	Located in least developed sub-region	<ul style="list-style-type: none"> <li>• Karamoja Sub-region</li> <li>• Other disadvantaged sub-regions as per UBOS statistics</li> </ul>
	Least Developed sub-region -powered Value Chains or Workforce	<ul style="list-style-type: none"> <li>• Enterprises that intentionally seek to source from producers in least developed sub-regions (agribusiness SME buys at least 30% of produce directly from least developed sub-regions); OR</li> <li>• At least 30% of employees are from Least Developed sub-regions.</li> </ul>

- e) **Green Businesses:** a green business or sustainable business refers to an enterprise that has minimal negative impact or potentially a positive effect on the global or local environment, community, society, or economy—a business that strives to meet the triple bottom line. Such a business is committed to the principles of environmental sustainability in its operations, strives to use renewable resources, and tries to minimize the negative environmental impact of its activities. The criteria for agri-business SMEs to qualify is in line with the aBi Finance Holdings Limited (aBiFH) green taxonomy framework. An SME qualifies if it fulfills at least one of the following:

- a) Reliance on agricultural inputs grown in an environmentally sustainable way:
- ✓ Soil health improvement (crop management, no/low till with increased retention of organic residues, organic fertilizer, rotational grazing, carbon sequestration);
  - ✓ Enhancing ecosystem functions (erosion control, Integrated Water Resource Management, natural pollination);
  - ✓ Integrated Pest Management;
  - ✓ Implement activities that increase biodiversity, agroforestry, and forestation of the ecosystem;
  - ✓ Increasing biodiversity (habitat provision, biological pest control);



- ✓ Reforestation or land restoration activities, including establishing commercial forestry, agroforestry, promoting avoided deforestation and conversion of waste land back to productive land.
- b) **Use of processing and storage technologies** that:
  - ✓ are energy efficient, minimize losses of raw materials and/or contribute to internal recycling and reuse of materials;
  - ✓ optimize the use of biomass and renewable resources in value-added processing, apply sustainable packaging.
- c) **Deploys targeted measures to:**
  - ✓ safeguard the quantity and quality of water, soil, and to protect air quality;
  - ✓ reduce waste, bio-economy based solutions and re-use by-products from processing activities by the enterprise,
  - ✓ use bioenergy that is suited to the agro-ecological context and uses natural resources efficiently, or waste streams from one supply chain that are used as raw materials for another.
- d) **Uses renewable energy in business operations** e.g. solar energy, wind, falling water, the heat of the earth (geothermal), plant materials (biomass), waves, ocean currents, temperature differences in the oceans and the energy of the tides etc.
- e) Use systems and processing involved in the recycling of plastics, paper and domestic waste that are detrimental to the environmental and ecological scarcities.

#### Pre-submission Information

The Private Sector Foundation Uganda, Federation of Small Medium Enterprises Uganda, and the other START facility partners will provide information to project developers to enable them to prepare their applications. Through the media, local radio stations and implementing partner organizations regular sensitizations on the application processes will be carried out. Please refer to [www.unctf.org](http://www.unctf.org) and partner's websites; [www.psfuganda.org](http://www.psfuganda.org) and [www.fsmeuganda.org](http://www.fsmeuganda.org) for more information.

#### Project selection process

Project applications will be selected for START Facility financial support through a Four (4)-stage process. 1) 1<sup>st</sup> screening (longlisting), 2) 2<sup>nd</sup> screening (shortlisting), 3) Due diligence and impact assessment and 4) Full proposal development

#### How to Apply for START Facility Support

A call for proposal (CfP) is issued through public media including leading daily newspapers (e.g., New Vision and Daily Monitor) as well as websites for UNCDF and partners and remain open for throughout the year. The open call will allow SMEs to submit applications any time of the year, whenever they are ready with the required information.

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

- 1) An on-line application form will be provided for applicants to submit their proposal. The online form can be accessed on the link [www.start.go.ug](http://www.start.go.ug) and can also be accessed on UNCDF website [www.unctf.org](http://www.unctf.org) and websites of implementing partners [www.psfuganda.org](http://www.psfuganda.org) and [www.fsmeuganda.org](http://www.fsmeuganda.org). No applications / proposals will be accepted via email or hard copy.

- 2) 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.
- 3) Relevant supporting documentation must be uploaded onto the relevant section at the end of the online application portal.
- 4) Only one application will be accepted per entity.
- 5) Any significant errors or any major inconsistency in the application may lead to the rejection of the proposal.
- 6) Applicants should quote all figures in Uganda Shilling and if possible as round figures.
- 7) **Language of proposal:** Proposals must be submitted in English.
- 8) **Deadline for submission: The call for applications shall remain open throughout the year to enable SMEs submit their applications any time.**
- 9) **Inquiries:** For additional inquiries about the application process please send your inquiry to the two emails: [dkisekka@psfu.org.ug](mailto:dkisekka@psfu.org.ug) and [cfp.start@uncdf.org](mailto:cfp.start@uncdf.org) with the subject "INQUIRY".
- 10) **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.
- 11) **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**

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