

START FACILITY FREQUENTLY ASKED QUESTIONS (FAQs) ANSWERED.

BACKGROUND INFORMATION

The Support to Agricultural Revitalization & Transformation (START) facility is a blended finance facility which *offers tailor-made combinations of business development services, project development, financial structuring services, and diverse financial products.*

With support from the European Union Delegation in Uganda (EUD), UNCDF Uganda is launching the 2nd phase of the START facility. The 2nd phase of the 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.

GENERAL QUESTIONS

1) What is the START facility?

The support to Agriculture Revitalization & Transformation (START) facility is a blended finance facility designed to enhance access to finance for agri-business SMEs involved in agro-processing and value addition.

2) What is START facility Phase II about?

*START phase II is a scale-up of the successes of START 1 which was implemented in Northern Uganda under the wider Development Initiative for Northern Uganda (DINU). START phase II is countrywide (covering all regions of Uganda) while maintaining focus on agribusiness SMEs. START facility phase II will give priority to Agribusiness SMEs that: a) **empower vulnerable groups** (Women, Youth, Refugees & host communities, and Persons with Disabilities) b) **are from least developed sub-regions such as Karamoja**, c) **encourage green practices**, and d) **promote value addition and agro-processing.***

3) How do I benefit from START?

Any eligible SME can apply through the online portal (<https://www.start.go.ug/>). The facility offers a mix of products and services meant to support SMEs to access affordable short to medium-term financing.

4) What type of products / services are offered under START?

START provides a customized mix of products / services that include Business Development Services (pre and post investment), digital solutions, proposal development, linkage to financial providers, technical assistance grants, and financial products such as technical assistance grants, reimbursable grants, concessional loans, and commercial loans to SMEs engaged in agricultural value addition.

5) What is the criteria for accessing these Products?

The facility is open to all SMEs in the country that are involved in agribusiness and value addition. These must be legally registered entities such as limited companies, sole proprietorships, cooperatives, partnerships, and associations (see our eligibility criteria).

6) Are these products offered by UNCDF?

The products are offered through UNCDF and partners. The facility is implemented by UNCDF and partners that include financial institutions, apex organizations and consulting firms. UNCDF directly provides technical assistance and reimbursable grants while concessional loans are provided by UDB, with commercial loans provided by partner financial institutions.

7) What kind of Business development services and technical assistance are offered?

This is in the form of general BDS, pre- and post- investment BDS, and technical assistance in the form of digital solutions. The aspects of pre-investment BDs include financial and business management, compliance, operational processes, governance, etc.

8) Which agriculture value chains qualify for this fund?

All agribusiness SMEs involved in value addition qualify. Ineligible activities/sectors include 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). Agricultural activities within the boundaries of national parks and other protected areas are also ineligible. Priority will be given to SMEs that put particular attention to vulnerable groups (women, refugees and host communities, people with disabilities and least developed sub-regions) and green practices.

9) How is the START facility solving issues of financial institutions' willingness to lend to SMEs and the high costs of financing?

The business development services, and technical assistance offered by START Facility to eligible SMEs will help reduce the risk associated with lending to agribusiness SMEs subsequently reducing the cost of borrowing. In addition, UNCDF provides a variety of de-risking financial instruments to partner financial institutions to increase their lending appetite to agribusiness SMEs.

10) What type of financial institutions will START facility link eligible SMEs to?

The primary focus will be to link eligible SMEs to domestic financial institutions including Uganda Development Bank and other commercial financial institutions including banks.

11) What is the minimum/maximum loan amount can eligible SMEs access from START facility?

The financing range is UGX 50m to UGX 900m. Eligible SMEs are required to contribute a minimum of 25% in equity to the total project cost.

12) What constitutes the 25% equity requirement for the developer's contribution?

The equity contribution by the developer may come in a variety of forms – cash or non-cash/ in-kind e.g., land, plant & equipment, working capital etc. Any such owner's contribution must be relevant and necessary to the implementation of the project.

13) If one cannot afford the 25% of the project owners' contribution, should they not apply?

Every applicant must demonstrate their commitment for the project. The 25% contribution can either be cash contribution or in-kind in form of assets. The project developers will have to produce evidence of ownership of such assets to be accepted as part of the contribution.

14) Must you own the land for the project?

Yes. Project developers will need to provide evidence of land ownership. Land is necessary since its where premises of SMEs are expected to be established and may be helpful in providing the required collateral.

15) Do land purchase agreements qualify as collateral for the loans?

Land agreements alone are not sufficient evidence; The applicant must fulfill all the collateral requirements of the partner financial institution.

16) Does the project only provide for capital costs alone, how about operational costs like extension services?

START facility supports both capital expenditure and working capital, but with more emphasis on capital expenditure for concessional loans and working capital for commercial loans.

17) How frequently are START facility calls for proposal published?

START facility will issue a call for proposals each year and will remain open throughout each respective year. Applications will be accepted throughout the year. You can find all the information on the START call for proposals on the websites of PSFU; www.psfuganda.org and UNCDF; www.uncdf.org which are regularly updated. The call for proposals will also be published in the national newspapers.

18) Is it possible to receive clarification on the call for proposals or guidance on how to complete the application process?

PSFU, FSME, and the other START facility partners are available to provide guidance to project developers to enable them to prepare their applications. Through the Media, local radio stations and implementing partner apex organizations regular sensitizations on the application processes will be carried out.

WHO CAN APPLY

19) Who is eligible to apply?

Any agribusiness SMEs in Uganda involved in value addition. Priority will be given to SMEs that put particular attention to and empower vulnerable groups (women, refugees and host communities, people with disabilities and least developed sub-regions) and green practices.

20) What are the requirements to apply?

Any entities involved in agribusiness and value addition are eligible to apply. These must be legally registered entities including limited companies, sole proprietorships, cooperatives, partnerships, and associations (see our eligibility criteria). The agribusiness applicant must.

- a) Have between 2 – 100 employees.
- b) Have annual turnover or total assets ranging from UGX 10m to UGX 500m.
- c) Have been in operation for at least 2 years.

21) Are individuals eligible?

Individuals are not eligible to apply unless legally registered as sole proprietorships. The START facility targets legally registered entities in Uganda like companies registered under the companies act, cooperatives, trade associations, sole proprietorships, and partnerships.

22) Can women groups that are currently engaged in primary production apply and participate in value addition like men?

Yes, women organized under a company, cooperative or association and sole proprietorship with projects that meet the eligibility criteria will be supported. Priority is given to projects that contribute to economic empowerment of women and youth, people with disabilities, least developed sub-regions as well as to projects that aim at reducing environmental risks and ecological scarcities.

23) Are Non-Governmental Organizations (NGOs) eligible to apply?

*Non-Governmental organizations are not eligible to apply. START facility targets the following project developers: a **company, partnerships, sole proprietorships, a cooperative** formed under the Cooperative Societies Act, trade **association** or similar business representative organization legally established in Uganda. Provided the entity can contribute, either from its own resources or in combination with other shareholders, equity equal to at least 25% of the total cost of the project.*

24) Do foreign investors also qualify for START facility support?

Yes, if their entities meet the eligibility criteria under START facility including legal registration in Uganda.

25) Do project Startups (Greenfield) qualify for START Services?

NO, startup projects (Greenfield) that have not been in existence for two years do not qualify.

APPLICATION AND SUBMISSION

26) Where can I find the application form?

When the call for proposal window is open, an on-line application portal has been provided for applicants to submit their proposal. The online form can be accessed on the link www.start.go.ug and can also be accessed on PSFU FSME and UNCDF websites www.psfuganda.org ; www.fsmeuganda.org and www.uncdf.org and from partner financial institutions. Proposals submitted in hard copy form or by mail will not be accepted.

27) Can you submit supporting documents to your application after the deadline for submission?

The application process will remain open throughout the year, applicants are encouraged to submit applications and supporting documents all through.

28) Can you start the application process and return back to it later?

Yes, the START online Submission form allows you to save any work done in the system at every stage and return later to continue and finally submit.

29) Can an organization submit more than one proposal / application?

No. We urge applicants to focus on one high quality application instead of submitting several. Every entity is expected to submit only one application.

30) In what language should the application be completed?

The application should be completed in English language. Proposals submitted in other languages will be rejected.

31) What's the timeframe from close of call for proposal to final selection?

The application process will remain open throughout the year, however all completed applications will take approximately 15 days for long listing and 20 days for short listing. At each stage from submission, applicants will be updated on the status of their applications.

32) Is it possible to get feedback if my project / application is rejected?

START facility team will provide feedback to all applicants, successful and unsuccessful at all stages of evaluation.

33) How many projects will START facility select for support during each cycle?

This will depend on the applications that meet the criteria and how advanced they are according to the project development life cycle.

34) How long does it take from project preparation and development to project financing?

Getting to financial closure is heavily reliant on the project developer providing accurate and reliable information required through the due diligence process. Technical Assistance and BDS is provided to support the project developer identified and if possible, remove obstacles during the project development and financing phases of the project for the project to be commercially viable and investment ready. If all the information is available and accurate, it takes between a week to 4 months from the date of application to project financing.

START PRODUCTS AND SERVICES

35) Can you elaborate more on the financial products offered?

START facility is designed to offer access to affordable medium-term finance for agricultural value adding projects in Uganda through provision of Business Development Services and capital in the form of grants and concessional loans.

The facility can be accessible by agri-business SMEs with a financing gap ranging from UGX 50,000,000 and the maximum shall be UGX 900,000,000.

1. Business Development Services and Technical Assistance

In START phase II, agri-business SMEs will be offered capacity building opportunities to enhance their business and financial management capabilities. This will enable them to meet the criteria for financing qualification and effectively manage the funds. The capacity building support will encompass General BDS, Pre-Investment BDS, Post-Investment BDS, and technical assistance through digital solutions. These elements play a vital role in the growth and development of agri-business SMEs.

a) General BDS Support

This represents the fundamental form of capacity building support, aimed at assisting SMEs in meeting the essential prerequisites for the initial screening process of the START facility. Through the provision of general BDS support by the designated apex private sector institutions, SMEs should be equipped to satisfy the pertinent criteria necessary for longlisting. This support will be accessible to SMEs aspiring to apply for START facility funding or those who have previously applied but did not pass the initial screening process. Business clinics and START facility awareness/sensitization events will serve as platforms for delivering this support.

b) Pre-investment BDS Support

The primary objective of pre-investment BDS is to target and resolve the operational and strategic business aspects that could impede the SME from advancing to full proposal development and benefiting from financial support provided by the START facility.

Operational services encompass the requirements for daily operational activities, while strategic services are utilized by enterprises to address medium- and long-term challenges and enhance performance, market access, and

competitiveness. Strategic services play a role in market identification and servicing, product design, facility establishment, and seeking financing, among other aspects.

Under the pre-investment BDS, the typical areas of business covered for SMEs include financial management, business management, operational processes, governance, compliance, and more. This support is primarily delivered by UNCDF through its designated service providers and is primarily accessible to SMEs that have been shortlisted.

The facility will collaborate with digital partners to offer digital solutions that enhance various aspects of business operations. These solutions may include 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

The BDS support offered in this category aims to tackle any issues identified during the preparation of full proposals by the UNCDF team or after accessing financing. This support is accessible to businesses that receive funding through the START facility. It may involve various services such as establishing accounting systems, system upgrades, digitizing SME operations, farmer mapping, acquiring computer hardware and software, conducting market studies and research, advancing technology and product development, recruiting SME staff for capacity building, engaging in policy and advocacy activities, participating in trade negotiations, implementing risk management measures, and conducting regular performance monitoring.

2. Project Proposal Development

UNCDF conducts project development on the pipeline of projects before submitting them to partner financial institutions (especially UDB) for project structuring, financing, and monitoring. Project development involves collaborating with project developers to prepare the following project documentation for the projects, in line with the START guidelines and procedures:

- a) *Financial Model* - Create the project's financial model (using Excel) for the base case and sensitivity analyses. This includes analyzing the revenue breakdown, profitability, returns, and deal structure. The financial model should propose a financing structure that aligns with the project's characteristics and capacity. It should also incorporate credit enhancement mechanisms (such as concessional loans and partial credit guarantees) and explore alternative sources of finance, such as commercial banks and/or investors, as deemed suitable.
- b) *Prepare a Project Information Memorandum (PIM).*
- c) *Recommending potential funding sources for the projects, if applicable, as well as devising strategies to assist the project in achieving financial close with external investors. This entails collaborating with various stakeholders such as commercial banks, investors, lawyers, contractors, and other relevant third parties.*
- d) *Highlight any specific areas that require capacity building through technical assistance grants.*

3. Start Facility Technical Assistance (TA) Grants

The technical assistance (TA) grant is primarily designed to support SMEs to especially address selected compliance and certification requirements such as **environmental and social assessment, product certification (with UNBS), fair trade certification, organic certification, food fortification** etc. The main purpose of the grant is to enable the SME to be compliant with relevant standards as well as increase consumer confidence in their products resulting into increased market share locally and internationally.

The grant amount available to different categories and sizes of SMEs under the facility shall range from UGX 20,000,000 to UGX 40,000,000. UNCDF will disburse TA grants indirectly to the qualifying agri-business SMEs by hiring / procuring the relevant services.

4. Reimbursable Grants

These are funds extended to businesses where the beneficiary is required to repay only the principal amount. A reimbursable grant does not accumulate interest and is also known as a zero-interest loan or returnable grant. The reimbursable grant will mainly cover working capital needs of the business and acquisition of lighter equipment / machines, power connection, storage facilities among others.

Since most of the SMEs targeted by START facility have never borrowed it's imperative to provide financing that enables business to appreciate external financing and be more prepared to access concessional / commercial loan financing. While the costs of running such a facility makes it less attractive without charging interest on the SMEs, the funding offers an opportunity for UNCDF to test SMEs with small amounts prior to the larger concessional loan funding. The reimbursable grant also offers an opportunity for the beneficiary to generate credit history that may be helpful in accessing concessional funding.

The ability of the targeted SMEs to repay the reimbursable grant will be a precursor for accessing a much more concessional loan funding from UDB and other financial partners. With the funds provided at no interest, the ultimate weighted cost of capital upon accessing the concessional loan will be even lower for the SMEs.

It's important to note that the likelihood of failure to repay by the beneficiary SMEs is probable and UNCDF will work closely with the apex private sector institutions and beneficiaries to minimize default rates. SMEs will be required to **obtain a letter of recommendation from their respective private sector member institutions** where they are members. It's important to note that UNCDF does not hold any collateral on reimbursable grants and thus the recommendation will serve to put more responsibility on the beneficiary SMEs to fulfill their repayments to maintain clean membership in their apex private sector institution.

Reimbursable grants will range from UGX 20,000,000 to UGX 80,000,000 and beneficiary SMEs will be expected to make repayments within 06-18 months period. The facility will adopt a revolving approach where repayments by MSMEs will be made to a designated UNCDF account for onward lending to other MSMEs (Revolving Fund).

5. Concessional and Commercial Loans

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- Priority will be given to Agribusiness SMEs that: a) empower vulnerable groups (Women, Youth, Refugees & host communities, and Persons with Disabilities) b) from least developed sub-regions such as Karamoja and rural areas, c) encourage green practices, and d) promote value addition and agro-processing
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START facility will also work with selected partner commercial financial institutions to provide the commercial loans mainly for working capital purposes. The loan amount provided by the partner commercial and Development financial institutions under the facility shall range from UGX 56,000,000 to UGX 900,000,000 targeting over 350 agribusiness SMEs in Uganda. Negotiations with commercial financial partners is on-going and information on which financial institutions and the terms and conditions will be shared as soon as they are confirmed.

START FACILITY PARTNERS

36) Which partner institutions/organizations are you working with?

- a) **Private sector foundation of Uganda:** Awareness creation, general Business Development Services (BDS) and guiding SMEs to submit applications under the START facility.
- b) **Federation of Small and Medium enterprises of Uganda:** Awareness creation, general Business Development Services (BDS) and guiding SMEs to submit applications under the START facility.
- c) **Uganda Development Bank:** undertakes appraisal, approval, and disbursement of concessional loans to SMEs
- d) **Partner Commercial financial institutions:** Undertake appraisal, approval, and disbursement of commercial loans to agribusiness SMEs.
- e) **Aceli Africa:** Providing support and de-risking services to partner financial institutions. Currently working contractual arrangements.
- f) **United Nations Capital Development Fund:** Overall project coordination, project development support to strengthen institutional capacities of SMEs, offering technical assistance grants, reimbursable grants,

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