AGRICULTURAL MSME FINANCING IN UGANDA: A RESPONSE TO COVID-19

CASE STUDY

CONTENTS

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Female MSME picks her coffee crop Western Uganda
(Photo by Aurelie Marrier d'Unienville/Alamy Stock Photo).

EXECUTIVE SUMMARY

Drawing on primary and desk research, this case study looks at the current state of financing for the agricultural sector in Uganda especially in regard to supporting women and youths, some of the current barriers and difficulties presented by the COVID-19 pandemic, and some of the initiatives being taken to overcome these challenges.

24%

The agricultural sector is the backbone of Uganda's economy. It accounts for approximately 24 percent of the country's GDP, 34 percent of the country's export earnings and employs approximately 65 percent of the nation's labor force.[1]

Despite its importance, access to financing for agriculture based MSMEs in Uganda is still at risk from market price fluctuations, low market access for agricultural produce, lack of collateral and a significant informal sector. The challenges include one of the largest youth populations in the world and their exodus from rural to urban areas.

Women are constrained in accessing finance by a lack of land and property ownership, limited opportunities for higher education and business skills, limited opportunities to engage with the supply chain, and restrictive social and cultural norms.

At least eight agricultural financing initiatives have been launched by the Government of Uganda since the 1990s, including the establishment of the Agricultural Credit Facility (ACF), national financial inclusion strategy (to foster financial inclusion in Uganda's agricultural sector), national strategy for financial literacy, and the mobile money guidelines issued by the Bank of Uganda (BoU). However, the financial sector still has room to expand the availability and use of formal financial services in rural areas, and especially to develop appropriate products and services to meet the needs of women. Currently, women have to rely mainly on family and friends to meet their credit needs as the gender gap in access to credit remains high.

Mainly in response to the COVID-19 pandemic, a range of interventions has been introduced, including additional funding to accelerate import substitution and export promotion; boost funding for agricultural inputs to increase production and productivity; increase funding for the recovery of smallholder businesses; cap loan interest rates for small businesses, and grant deferment of tax payments. Some key monetary policy responses include reducing interest rates to eight percent while providing liquidity assistance and a moratorium on loan repayments, as well as recapitalizing the Uganda Development Bank. Given the impact of COVID-19 on the necessity for digitalization among MSMEs, the Feed the Future Uganda program facilitates the shift to online operations and encourages the use of digital channels and contactless mobile payments, which will also improve women's access to financing.

Some this study's key conclusions are that there is opportunity to enhance credit enablers by leveraging on FinTech and big data; collect and use sex-disaggregated data; and build the capacity of financial services providers so they better understand the business case for serving women and youth in the agricultural sector effectively. Details of the key interventions are covered in the case studies.

1 International Trade Administration, US Department of Commerce. 2020. Uganda - Country Commercial Guide. Available at: https://www.trade.gov/country-commercial-guides/uganda-agricultural-sector

INTRODUCTION

The agricultural sector is the backbone of Uganda's economy, accounting for approximately 24 percent of the country's gross domestic product (GDP) and 34 percent of the country's export earnings.[2] Along with Côte d'Ivoire and Ethiopia, Uganda is one of the three largest coffee producers in Africa.[3] Its agricultural sector employs approximately 65 percent of the nation's labor force, with youth accounting for 60 percent of this figure[4] and women contributing to approximately 75 percent of farm labor and 90 percent of farm-level primary processing operations.[5]

The farming community in Uganda comprises formal and informal smallholder (subsistence) farmers and large-scale farmers who primarily engage in plantation agriculture for cash crops and livestock. It is estimated that smallholders (those with an average farm size of 2.5 hectares or less) constitute 85 percent of the farming community, with the majority engaged in smallholder agriculture (MoFPED & EPRC, 2019). According to the Uganda National Household Survey 2016/2017, 68.4 percent of those aged between 14 and 17 and 48.5 percent of those aged between 15 and 24 work in subsistence agriculture, an increase from 62.7 percent and 44.6 percent, respectively, from the previous year (UBOS, 2018a). Subsistence agriculture is largely characterized by small land plots, manual labor, and limited use of tools and machinery. This hinders economies of scale from being realized, notably in the application of fertilizers or the utilization of modern machinery.[6] Continued subsistence farming and reliance on low productivity agriculture add to the rising income instability and stagnation.[7]

Despite the significant economic contribution made by smallholder farming in Uganda, only 37 percent of smallholder households own between one and five hectares of land.[8] According to the Land Act of 1998, Uganda recognizes the following four major systems of land tenure,[9] with customary land tenure being considered as equal to the three other land tenure systems: freehold, leasehold, and mailo.[10]

> **Freehold tenure:** Individually owned land that is commonly found in urban areas and selected rural areas throughout the southwest region.

> **Leasehold tenure:** Land that is leased for a specified period of time is also prevalent in urban areas and selected rural areas throughout the southwest region.

> **Mailo tenure:** Confers indefinite land ownership rights, similar to those of a freehold.

> **Customary land tenure:** Undocumented but legally recognized land distributed in accordance with customary practices.

The highly complex and fractured land tenure system has perpetuated inequities in land ownership and control and has been a significant impediment to agricultural development and financing in Uganda. Women currently own less than 30 percent of the land[11] and have difficulties obtaining legal redress if their land rights are violated.[12] With rapid population growth, access to and control over land will become increasingly limited, rendering further expansion of arable land unsustainable in the long run.[13]

2 International Trade Administration. Uganda - Country Commercial Guide. Available at: https://www.trade.gov/country-commercial-guides/uganda-agricultural-sector

3 Economic Empowerment of African Women through Equitable Participation in Agricultural Value Chains. Available at: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic_Empowerment_of_African_Women_through_Equitable_Participation_in___Agricultural_Value_Chains.pdf

4 World Bank Group Job Series Issue No.9. Dino Merotto. 2019. Uganda: Jobs Strategy for Inclusive Growth Available at: https://documents1.worldbank.org/curated/en/693101582561426416/pdf/Uganda-Jobs-Strategy-for-Inclusive-Growth.pdf

5 Food and Agricultural Organization of the United Nations. 2020. Agricultural Finance and the Youth. Available at: https://books.google.com.my/books?id=bMnaDwAAQBAJ&printsec=frontcover#v=onepage&q&f=false

6 HKS CID Working Paper No. 275. Ricardo Hausmann, Brad Cunningham, John Matovu, Rosie Osire and Kelly Wyett January 2014. How Should Uganda Grow? Faculty Research Working Paper Series. Available at: https://www.hks.harvard.edu/centers/cid/publications/faculty-working-papers

7 World Bank. 2021. The World Bank in Uganda. Available at: https://www.worldbank.org/en/country/uganda/overview

8 CGAP. May 2017. Understanding the Demand for Financial, Agricultural, and Digital Solutions from Smallholder Households. Available at https://www.cgap.org/sites/default/files/publications/slidedeck/Insights_from_Smallholder_Household_Survey_Uganda.pdf

9 World Bank. 2015. "Searching for the 'Grail': Can Uganda's Land Support Its Prosperity Drive?" Uganda Economic Update, SIxth Edition, 2019, Report No. 99060. Available at: https://documents1.worldbank.org/curated/en/585071468000009216/pdf/99060-WP-P155327-Box393200B-OUO-8-V2-UEU6-Fact-sheet-final.pdf

10 Ower, Arthur and Dieterle, Carolin. 2020. "Customary land claims are at stake in Northern Uganda". April 7. Available at: https://blogs.lse.ac.uk/africaatlse/2020/04/07/customary-land-claims-reform-unrecognised-in-northern-uganda/

11 The IWI - Inclusive Land Rights: Tackling Legal Pluralism to Reduce its Effect on Ugandan Women - https://www.theiwi.org/gpr-reports/pluralism-women-land-rights-uganda

12 Kemigisha, P. (2021). Land Tenure Regimes and Women's Land Rights in Uganda; Legality and the Land Legal Framework. Advances in Social Sciences Research Journal, 8(1), 116-133. https://doi.org/10.14738/assrj.81.9462

13 https://www.ifpri.org/publication/land-tenure-and-agricultural-productivity-uganda

YOUTH AND AGRICULTURE IN UGANDA

Youth[14] make up the majority of the population in Uganda, which ranks fifth in the world for the largest percentage of its population under the age of 15.[15] Ugandan youth comprise many smallholder farmers, who largely reside in rural areas and farm with modest tools and equipment.

80%	of the youth population lives in rural areas
80%	of young adults that are primarily engaged in smallholder agriculture are underemployed
45%	of internal migrants are youth
50%	of Ugandans have access to land

Source: UNFPA Uganda. https://uganda.unfpa.org/sites/default/files/pub-pdf/YoungPeople_FactSheet%20%2811%29_0.pdf; and Uganda Statistical Abstract (UBOS 2015) https://open.africa/dataset/9d7a0c66-79e0-4d4f-a7a6-327b4cca96e9/resource/cc137467-dc3b-4a5c-ad1c-311b4a6a0e65/download/statistical-abstract-ubos-2015.pdf

While there is potential for increasing youth participation in agricultural work, smallholder farming is frequently associated with low income, intensive labor and an unfavorable working environment, which explains why the majority of Ugandan youth find the sector unattractive and prefer to migrate to urban areas in search of better economic prospects (AU, 2020; Anderson & Scott, 2016).

Additionally, the land tenure system continues to discourage many youths from engaging in agriculture. According to the Uganda Bureau of Statistics, only around 50 percent of Ugandans have access to land, with notably fewer than 50 percent of women owning land, resulting in a structural bottleneck that inhibits their ability to participate effectively in the agricultural sector.[16]

In response to the agricultural sector's slow growth and decline in youth participation in agriculture, the Government, together with key stakeholders, has implemented several policy initiatives, programs and frameworks aimed at increasing food production, stimulating agricultural development and improving access to credit in the agricultural sector and beyond.

A summary of these policies, strategies and plans is presented in Table 1 on page 6.

A holistic and intersectoral approach that prioritizes women and youth in the implementation of these policy and regulatory interventions is necessary to address the barriers, gaps, and bottlenecks impeding agricultural sector growth, which are discussed in greater detail in the following section.

+3.3%	Over the last five years, Uganda's population has grown by 3.3% annually, but agricultural output has grown by only 2%. Several East African countries have seen up to 5% annual growth in agricultural output.

Source: World Bank. 2018. Closing the Potential-Performance Divide in Ugandan Agriculture: Fact Sheet. Available at https://www.worldbank.org/en/country/uganda/publication/closing-the-potential-performance-divide-in-ugandan-agriculture-fact-sheet

14 According to the Ugandan Constitution, youth are defined as those between the ages of 18 and 30.

15 Mapping the World's Youngest and Oldest Countries. Available at: https://www.visualcapitalist.com/worlds-youngest-and-oldest-countries/

16 Available at: https://youth4policy.org/enhancing-the-ugandan-youth-participation-in-the-agricultural-sector/

TABLE 1: POLICIES AND PROGRAMS FOR AGRICULTURAL DEVELOPMENT IN UGANDA

NATIONAL POLICIES, INITIATIVES AND PROGRAMS	FOCUS AREAS	TIMEFRAME
AGRICULTURAL CREDIT FACILITY (ACF)	Facilitate the provision of medium and long-term financing to projects engaged in agriculture processing with a focus on commercialization and value addition.[17]	2009
NATIONAL AGRICULTURAL POLICY	Create an enabling policy and legislative environment that fosters agricultural, industrial, technological, and scientific development.	2013
NATIONAL AGRICULTURAL EXTENSION POLICY (NAEP)	Develop a high-quality pluralistic agricultural extension delivery system.	2016
NATIONAL DEVELOPMENT PLAN II	Increase agricultural production and productivity across the value chain.	2015/16 - 2019/20
AGRICULTURE SECTOR STRATEGIC	> Economic and statistical studies > Loan allocation > State intervention	
NATIONAL STRATEGY FOR YOUTH EMPLOYMENT IN AGRICULTURE (NSYEA)	Expand access to agricultural finance in rural areas.	2017
UGANDA GREEN GROWTH DEVELOPMENT STRATEGY (UGGDS)	Agriculture, natural capital management, green cities (urban development), transportation, and energy are the five core catalytic investment areas of the UGGDS.	2017 – 2030
NATIONAL FINANCIAL INCLUSION STRATEGY (NFIS)	Objectives and pillars of the strategy: 1. Reduce financial exclusion and access barriers to financial services 2. Develop the credit infrastructure for growth 3. Build out the digital infrastructure for efficiency 4. Deepen and broaden formal savings, investment and insurance usage 5. Empower and protect individuals with enhanced financial capability Priority areas: women, youth and rural populations	2017 - 2022

17 Bank of Uganda. Available at: https://www.bou.or.ug/bou/bouwebsite/ACF/

CHALLENGES FACED BY THE AGRICULTURAL SECTOR IN UGANDA

Additional financing challenges include seasonality of cash flows, lack of or no financial records, small loan sizes for smallholder farmers, all of which make it less attractive for lending institutions to provide financial products to smallholders lacking in the skills needed to grow their businesses.

Women and youths under 18 years old face challenges in acquiring productive assets and loans due to lack of acceptable collateral. All these factors combine to constrain youth and women's entrepreneurship opportunities. However, steps are being taken to overcome these structural barriers and provide equal opportunities for all.

VALUE-ADDED SERVICES

According to the joint report by, UN Women, UNDP and UN Environment, Factors Driving the Gender Gap in Agricultural Productivity: Uganda,[18] the main drivers holding back women's productivity are:

- **Most Important driver:** Women's unpaid care and domestic work responsibilities (women work on average 3 hours per day longer than men).
- **Second most important driver:** Women's responsibilities to provide unpaid family farm labor.
- **Third most important driver:** Women's responsibilities to provide cash to meet family needs as well as the economic consequences of gender-based violence, which reduce women's opportunity to work and be productive.[19]

There is a societal expectation that a woman should work on her husband's plot of land before they work on their own, thus reducing the time they have available to do anything more than just provide food for their families. There are strong gender expectations regarding the planting, growing, production, processing, and marketing of crops, with women constrained to provide most of the labor and men taking on the value-added activities that generate higher incomes, such as engagement with the wholesale trade, whereas women work in the retail trade.[20] Women also struggle to gain access to finance and so cannot afford items such as fertilizers and seeds. Being restricted in the type of crops they can grow, they must regularly replant crops, leading to lower yields[21].

Access to land remains a major issue for women and young people, as land is still viewed as a man's asset. However, Farm Africa has established a program to assist women and young people in obtaining land, particularly for growing the lucrative export crop of coffee.[22]

4:1 Women comprise most of the coffee processing labor force, outnumbering men by a ratio of 4:1.

However, men hold the formal positions and outnumber women by 5:2 when it comes to ownership of plantations and 5:3 for coffee trading activities.[23]

Programs such as Farm Africa aim to work with social norms and customs to overcome community barriers and develop culturally appropriate solutions, with men seen as key enablers.

18 2018, p 15 Available at: https://www2.unwomen.org/-/media/field%20office%20africa/attachments/publications/2019/uganda-web-lr.pdf?la=en&vs=4158

19 Available at: https://wedocs.unep.org/bitstream/handle/20.500.11822/28405/UgandaGenderGap.pdf?sequence=1&isAllowed=y

20 Available at: https://www.rtb.cgiar.org/news/understanding-gender-roles-ugandas-potato-cooking-banana-value-chains/

21 Available at: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic_Empowerment_of_African_Women_through_Equitable_Participation_in___Agricultural_Value_Chains.pdf

22 Available at: https://farmingfirst.org/2019/02/access-to-land-can-cultivate-a-new-generation-of-ugandan-coffee-entrepreneurs/

23 Available at: https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic_Empowerment_of_African_Women_through_Equitable_Participation_in___Agricultural_Value_Chains.pdf

POST-HARVEST LOSSES

In 2020, 75 percent of the Ugandan population lived in rural areas,[24] or approximately 33.2 million people, of which 41.83 percent were women.[25] Many rural people live in poverty and are not able to access supply chains, so they store their harvest at home. Approximately 4.5 million people[26] are in this situation and would benefit from being able to access more effective storage methods, as improper post-harvest handling and storage currently results in post-harvest crop losses estimated at between 10 and 15 percent for grains, and 20 and 25 percent for root crops.[27]

As Uganda's supply chain is underdeveloped, manufacturers are hesitant to make high-cost initial investments in equipment solutions, particularly those aimed at small scale farmers. Distributors struggle to make their required margins and microfinance institutions face challenges administering small-scale loans across large, sparsely populated rural areas, nor are there specific financial products available.[28] Many small-scale farmers lack formal education and are unwilling to take risks in adapting to new post-harvest management practices. USAID has identified a need for "mobilizing private investment and bank finance to develop businesses that require storage infrastructure," [29] as well as working with farmers co-operatives to strengthen their business capacity and working capital.

The Agriculture and Market Support (AMS) program (2019), in collaboration with the United Nations World Food Program, has trained 9,354 of its group members in post-harvest management and assisted 69 percent of participating farming organizations in gaining access to a warehouse.[30] This has in turn expanded the market opportunities of these businesses and should particularly benefit the women involved and their families.

24 Available at: https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=UG
25 Available at: https://tradingeconomics.com/uganda/rural-population-female-percent-of-total-wb-data.html
26 Available at: https://www.hks.harvard.edu/sites/default/files/degree%20programs/MPP/files/17%203%20MPP_PAE_Agustin%20Viola_Scaling%20Up%20Post-Harvest%20Losses%20Interventions%20in%20Uganda%20Through%20Market%20Forces.pdf
27 Available at: https://www.ccrp.org/grants/post-harvest-uganda/
28 Available at: https://www.hks.harvard.edu/sites/default/files/degree%20programs/MPP/files/17%203%20MPP_PAE_Agustin%20Viola_Scaling%20Up%20Post-Harvest%20Losses%20Interventions%20in%20Uganda%20Through%20Market%20Forces.pdf
Available at: https://www.ccrp.org/grants/post-harvest-uganda/
29 Available at: https://www.usaid.gov/sites/default/files/documents/1860/Post-harvest%20Handling%20and%20Storage,%20Final%20Report.pdf
30 Available at: https://docs.wfp.org/api/documents/WFP-0000113314/download/?_ga=2.34877153.1705846878.1631432724-1461800626.1631432724

Agri Pro Focus has developed a toolkit to support gender integration in Ugandan value chains that includes topics such as:

TOOL 3.1

Data collection for value chain analysis at macro, meso and microlevel

TOOL 3.3C

Taking actions to remove gender-based constraints

TOOL 4.5A

Knowing the financial system and how it might fail women

TOOL 4.5B

Agri-market research tool for financial services providers; Gendered Agricultural Calendar

These types of tools can assist financial policymakers and regulators, as well as financial services providers, in understanding the form of enabling regulatory environment needed to develop the products and services to meet the needs of women working in the agricultural sector.

MARKETING

Uganda's agricultural sector is primarily focused on food production rather than processing. However, most of this production is for subsistence consumption, with only one-third of produce marketed (MoFPED & EPRC, 2019).

50%

The skills needed to effectively market a business are complex but according to the United Nations Girls' Education Initiative, around half of girls in Uganda are illiterate and four-fifths have not attended high school, with more than 700,000 girls never having attended school.[31]

Poverty and early marriage are the main reasons for this, and they result in many women running businesses without the necessary skills to sustain and grow their income.

The Agricultural Market Support program (AMS) has been developed to overcome some of these challenges and has supported 17,823 women with training in agri-finance and collective marketing while an additional 1,353 women leaders have been trained in post-harvest management and collective marketing.[32] This is particularly important in the wake of the COVID-19 pandemic where many traditional routes to market have ceased to operate and new sales avenues, such as social media and online platforms, are opening.

To support women in marketing their goods and growing their businesses, the Ministry of Gender, Labour and Social Development in conjunction with TechnoServe has implemented the Women Mean Business (WMB) program in four cities, with the aim to improve the entrepreneurship and marketing skills of 10,000 women.[33,34] The program includes supporting women's access credit through a Women Enterprise Fund (WEF) which provides qualifying participants with interest-free credit from a revolving fund.[35]

The COVID-19 pandemic has had a disproportionate impact on women, and in 2020, the International Finance Corporation (IFC) and the Uganda Bankers Association (UBA) partnered to train financial institutions and 500 SMEs in building resilience and financial capacity. Webinars on marketing and promotion were created and broadcast over Uganda's public television station, UBC TV.[36] The local press are also providing SMEs with guidance on all the marketing channels available to them to help support their businesses through the pandemic.[37]

31 Available at: https://www.sustainforlife.org/en/news/facts-about-education-for-girls-in-uganda/

32 Available at: https://docs.wfp.org/api/documents/WFP-0000113314/download/?_ga=2.34877153.1705846878.1631432724-1461800626.1631432724

33 Available at: https://www.newvision.co.ug/new_vision/news/1420282/entrepreneurship-impact-ugandan-women-empowerment

34 Available at: https://www.technoserve.org/resources/women-mean-business-impact-audit-report-from-impactmatters/

35 Available at: https://www.womenconnect.org/web/uganda/empowerment/-/asset_publisher/XQBgJ3EoYwZ1/content/uganda-women-entrepreneurship-programme-uwe-1

36 Available at: https://www.esi-africa.com/industry-sectors/finance-and-policy/tailored-training-for-ugandan-financial-institutions-and-smes/

37 Available at: https://www.monitor.co.ug/uganda/magazines/farming/marketing-your-produce-during-covid-19-crisis-1884822

MSME spreading colorful coffee beans to dry them in the sun. Uganda. (Photo by Juan Alberto Casado/iStock).

INFRASTRUCTURE

Infrastructure, both physical and financial, was one of five priority areas of Uganda's second five-year National Development Plan II (NDP II) for 2015/16 to 2019/20. The country's agricultural sector is particularly heavily reliant on physical infrastructure such as bridges and roads to get goods to market, post-harvest storage facilities, and communications networks to market and transact goods and purchase supplies.

The use of the internet for business purposes in sub-Saharan Africa is as low as seven percent on average but in Uganda it is even lower at just four percent.[38] So while Uganda has an overall internet adoption rate of 23 percent and a mobile adoption rate of 44 percent,[39] there is still much upside for mobile financial services in terms of both transaction volume and the extension of services.[40] A key objective of Uganda's National ICT Policy introduced in 2014 is to "expand information technology infrastructure and its integration throughout the country," noting the emerging trend of e-agriculture and the need for public-private partnerships,[41] There is still much scope to increase the impact of this policy across the agricultural sector.

Climate change will also have an increasing impact on infrastructure, with USAID warning that, "damage to transport, storage, bridges, fuel supplies, and other vital agriculture-related infrastructure can be a bigger constraint on food availability and a bigger driver of food price increases than the direct impacts on food production"[42] and that the poor will be the hardest hit.

In this regard, the mission of the Bank of Uganda is to "foster price stability and a sound financial system"[43] through macroprudential policies, surveillance, oversight, and regulation. The financial sector in Uganda is still developing and currently has 25 licensed banks[44] and 23 insurance companies, with most of these banks being foreign-owned.[45] The rest of the sector comprises microfinance deposit-taking institutions, development banks, credit institutions, pension funds and capital markets. The semi-formal financial sector comprises mainly savings and credit cooperative associations (SACCO), with savings and loans associations (VSLA) operating mainly informally.[46] Those living in the rural areas are less well served by formal institutions and many women MSMEs must rely on family and friends for their credit needs and on informal methods of saving.

There is however a rapidly growing FinTech sector, with 16 innovation hubs in Kampala alone. The top three areas of development are payments, banking infrastructure, and investments and savings. This sector is relevant for MSMEs because closing the gap in access to finance is a high priority for these FinTech companies.[47]

A key development issue in supporting women's access to finance and closing the credit gap is the ongoing lack of sex and age-disaggregated data and gender lens analysis to support the development of products and services to meet the needs of the women's market segment and to build the market case for financial services providers and institutions.[48]

IMPACT OF CLIMATE CHANGE

In November 2018, the Ministry of Agriculture, Animal Industry and Fisheries introduced the National Adaptation Plan for the Agricultural Sector[49] to increase the resilience of the agricultural sector to climate change and enhance agricultural sustainability and economic stability. Climate change has caused increased flooding and prevalence of pests and disease in the country, and especially longer dry spells, increased droughts, and higher temperatures.[50] This has resulted in changes to farming seasons, increased crop losses, low productivity and cycles of overabundance and shortage.[51] Farmers, particularly women, are less able to plan crop planting times, and droughts can cause reduced yields or total crop losses.[52] The reduced availability of food impacts children the most, with child undernutrition estimated to cost the country 5.6 percent of GDP annually.[53]

38 Economic Impact of Covid-19 and the Digital Infrastructure, p. 4. Available at: https://www.itu.int/en/ITU-D/Conferences/GSR/2020/Documents/GSR-20_Impact-COVID-19-on-digital-economy_DiscussionPaper.pdf
39 https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/03/GSMA_Connected_Society_Uganda_Overview.pdf
40 https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/03/GSMA_Connected_Society_Uganda_Overview.pdf
41 https://ict.go.ug/wp-content/uploads/2018/11/ICT_Policy_2014.pdf
42 https://www.climatelinks.org/sites/default/files/asset/document/Uganda%2520CC%2520and%2520Infrastructure%2520Overview_CLEARED.pdf
43 https://www.bou.or.ug/bou/bouwebsite/FinancialStability/
44 https://www.busiweek.com/bank-of-uganda-licenses-two-more-commercial-banks/
45 https://www.pwc.com/ug/en/industries/financial-services.html
46 https://www.abccapitalbank.co.ug/the-financial-sector-in-uganda/
47 https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2018-ccaf-fsd-fintech-in-uganda.pdf
48 https://budget.go.ug/sites/default/files/National%20Budget%20docs/National%20Budget%20Framework%20Paper%20FY%202020-21_0.pdf
49 https://www.agriculture.go.ug/wp-content/uploads/2019/09/National-Adaptation-Plan-for-the-Agriculture-Sector.pdf
50 https://www.agriculture.go.ug/wp-content/uploads/2019/09/National-Adaptation-Plan-for-the-Agriculture-Sector-1.pdf
51 https://www.ccrp.org/grants/post-harvest-uganda/
52 https://www.sciencedirect.com/science/article/pii/S2212096316300821
53 https://www.unicef.org/uganda/what-we-do/nutrition

Mobile technology is now being utilized to support outreach to vulnerable groups to inform them of climate risks and climate technology is helping build resilience and support disaster preparedness.[54]

The impact of climate change, particularly in the agriculture sector, is experienced differently by men and women. Women are involved in home-based food production so if crops fail their family's food supply is imperiled. Men are more likely to be involved in growing income-generating crops and pastoral activities and can move with their animals to better pasture.[55]

These challenges have been tackled with a five-year multidisciplinary UN Food and Agriculture Organisation (2012-2017) program primarily aimed at Ugandan coffee farmers; while women provide the bulk of the labor, men own the land and sell the coffee.[56] One of the key impacts of financial inclusion was seen by engaging with village savings and loans associations (VSLAs). With the support of the program, farmers participating in these schemes were able to reinvest nearly 41 percent of their funds directly into activities that supported climate adaptation practices.[57]

A second way these challenges have been tackled is with the establishment of a women's climate center in eastern Uganda where women can take the lead in planning, managing, and taking decisions on climate-related activities in their area. Building resilience in the women's communities has also helped them tackle the challenges they have faced with the COVID-19 pandemic.[58]

49 https://www.agriculture.go.ug/wp-content/uploads/2019/09/National-Adaptation-Plan-for-the-Agriculture-Sector.pdf

50 https://www.agriculture.go.ug/wp-content/uploads/2019/09/National-Adaptation-Plan-for-the-Agriculture-Sector-1.pdf

51 https://www.ccrp.org/grants/post-harvest-uganda/

52 https://www.sciencedirect.com/science/article/pii/S2212096316300821

53 https://www.unicef.org/uganda/what-we-do/nutrition

54 https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2019/03/GSMA_Connected_Society_Uganda_Overview.pdf

55 https://www.agriculture.go.ug/wp-content/uploads/2019/09/National-Adaptation-Plan-for-the-Agriculture-Sector-1.pdf

56 https://www.farmafrica.org/uganda/empowering-women-in-the-coffee-value-chain

57 http://www.fao.org/partnerships/resource-partners/investing-for-results/news-article/en/c/1062558/

58 Women's Climate Centers International (WCCI),

Margaret Nakazi processing her Cassava with the help of her family on her farm in the Nakasongolo district of Uganda. (Photo by Andrew Aitchison/Alamy Stock Photo).

FINANCING FOR AGRICULTURAL DEVELOPMENT

Despite their significant contribution to the economy of Uganda, farmers, particularly smallholders, face major constraints in their access to finance. The Bank of Uganda in 2018 reported that only 12.2 percent of total banking sector loans and advances were to the agricultural sector.

To address the financing challenges experienced for decades, the Government of Uganda, several non-governmental organizations, and donor project agencies have put in place several supply-side financial initiatives and policies (EPRC, 2020) to make farming more attractive, especially to the youth population, to enhance the level of food production (BoU, 2018).

At least eight agricultural financing initiatives have been launched by the Government of Uganda since the 1990s (EPRC, 2012) under the Plan for Modernization of Agriculture, including, Entandikwa (1996), the medium-term Competitive and Investment Strategy (1997-2003), Rural Financial Services Programme (2005-2008), Prosperity for All (2008), NAADS (2001), Microfinance Support Initiative (2005), Agricultural Credit Facility (2009), Rural Livelihoods Programme, and Poverty Alleviation Fund. These have been complemented by NGOs and donor-funded projects and programs. The aim of these interventions was to improve access to agricultural financing.

The Bank of Uganda has made significant efforts to foster financial inclusion in Uganda's agricultural sector (FinScope, 2018). This is being enacted through policy measures such as the National Financial Inclusion Strategy, the National Strategy for Financial Literacy, and the Mobile Money Guidelines. The country's National Financial Inclusion Strategy anticipates improvements in agricultural warehouse storage, sale and receipt systems and micro-insurance to enhance farmers' access to credit.[59]

There is a diverse range of registered financial institutions that provide financial services to Uganda's agricultural sector, some of which are supervised by the Bank of Uganda. The state-owned Development Finance Company of Uganda, Finance Trust Bank, and Equity Bank Uganda are among them. Credit institutions such as Postbank Uganda, and BRAC Uganda are also involved in agricultural financing (BoU,2019). Microfinance deposit-taking institutions (MDIs), such as FINCA Uganda, Pride Microfinance, and UGAFODE, are active in Uganda's agri-finance sector (FAO, 2020). However, the major informal sources of finance remain family and friends, self-help groups, and village savings and loan associations (VSLAs) (UN, 2018). As of December 2020, Uganda's banking sector architecture consisted of 25 commercial banks, five credit institutions, four microfinance deposit taking institutions, and 210 forex bureaus and money remittance companies (Bank of Uganda, 2020).

FORMAL CREDIT BY FINANCIAL SERVICE PROVIDERS

Between 2014 and 2020 most of the formal credit going to the agricultural sector was provided by commercial banks (IMF, 2020). The bulk of this credit was allocated to large-scale agribusinesses while largely eschewing smallholders, despite the latter representing 85 percent of the total farming community (Mutegeki, 2020). The financing landscape for the agricultural sector in Uganda for years 2014 and 2017 are detailed in Figure 1 and highlight the dominance of commercial banks as providers of formal finance.

In addition, the share of agricultural credit has also grown in the last decade from 6.7 percent in 2011 to 12.8 percent in 2018, which in nominal terms represents a growth from (Ugandan Shilling) UGX 518.9 billion to UGX 1.9 trillion (USD 140 million to USD 506 million) (BoU, 2018) as seen in Figure 2.

In 2019 and 2020, the agricultural sector continued to grow, accounting for 13.5 percent and 17.1 percent of banking sector total loans and advances. The sector also accounted for 13.4 percent of past due restructured loans as at 31 December 2020 (Bank of Uganda Annual Supervision Report 2020).

Nevertheless, it has been observed that the agricultural sector still attracts considerably less financing from the formal financial sector compared with other areas of the economy such as industry (36 percent share of total credit) and services (52 percent) (EPRC, 2020). This might be due to the often a low return on agricultural investment due to the numerous risks that are involved in agribusiness activities, such as market price

59 https://bou.or.ug/bou/bouwebsite/bouwebsitecontent/publications/special_pubs/2017/National-Financial-Inclusion-Strategy.pdf

fluctuations, and low market access for agricultural produce, due to poor, limited value addition and the restricted collateral status of most informal agricultural enterprises and also because women hold only seven percent of the land title (NDP, 2015). This lack of formal business accounts or access to immovable collateral restricts many viable agribusinesses from moving to the formal sector and constrains their opportunity to grow and become more productive and profitable. It also shuts them out of larger supply chains while low levels of education reduce their opportunity to drive innovation in their businesses.

To overcome these financing constraints a number of developments have taken place in the sector. These include:

> An increase in the number of financial institutions (FIs) lending to agriculture.

> A more diverse and tailored offering of financial services to agriculture, with several FIs developing customized financial products for various value chain segments. Women and micro, small, and medium enterprises (MSMEs) were included in these segments.

FIGURE 1: FORMAL AGRICULTURE LENDING BY CATEGORY OF FINANCIAL INSTITUTION, %

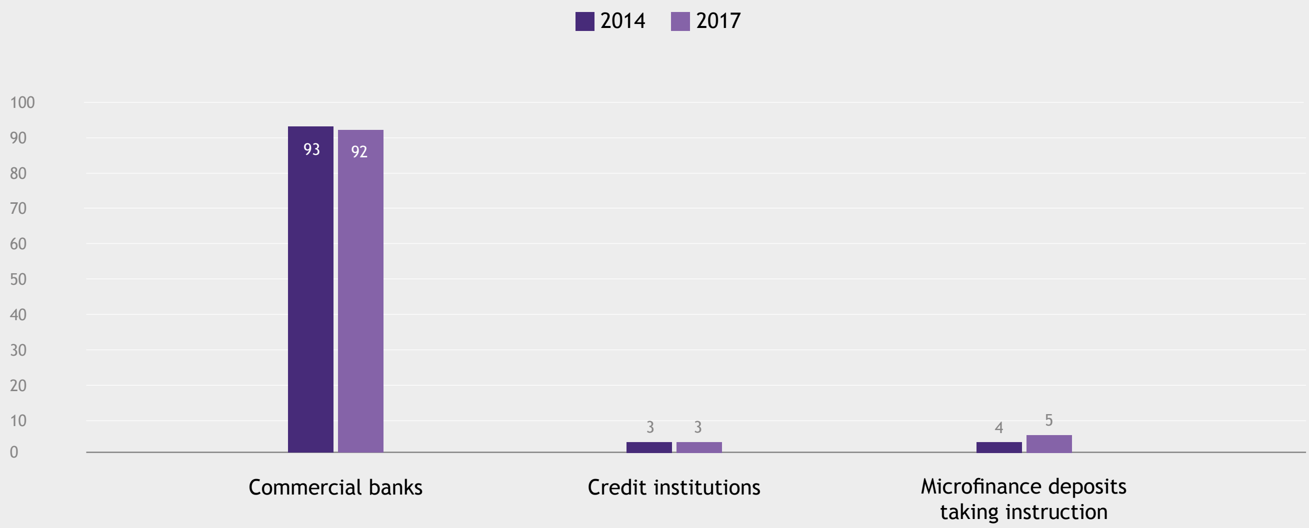
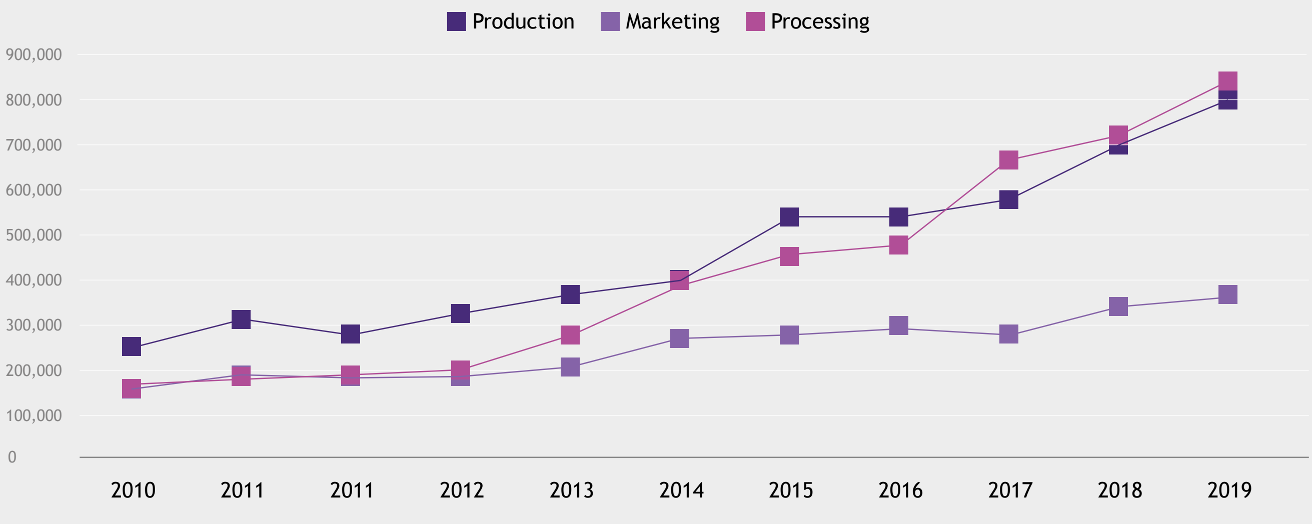


FIGURE 2: AGRICULTURAL LENDING BY SEGMENT OF VALUE CHAIN PROVIDED BY FORMAL FINANCIAL INSTITUTIONS, UGXM



- An increase in public budget allocation to agriculture, from UGX 381.3 billion in 2013 to one trillion in 2019 (USD 103 million to USD 272 million); however, agriculture receives less than four percent of the national budget, significantly less than the government's Maputo Protocol commitment of at least 10 percent.[60]
- The establishment of the Agricultural Credit Facility (ACF) as part of the Bank of Uganda. Established in 2009 as a public wholesale credit facility managed by the Bank of Uganda, ACF provides interest-free loans to participating financial institutions (PFIs) for on-lending to farmers and processors on favorable terms. The PFIs, or banks, are required to match 50 percent of the loan while contributions from microfinance deposit-taking institutions together with credit institutions are limited to 30 percent. In 2017, ACF's outstanding portfolio amounted to approximately 3.7 percent of the total credit portfolio to the agriculture sector.
- An increase in the size of total cultivated area. The use of land for agriculture has been increasing since the 1960s and by 218 stood at 71.8 percent of the total land mass in Uganda.[61]
- An increase in demand for exported agricultural products with high added value, such as coffee, maize, barley, and vanilla which require substantial credit to be met and sustained (OECD, 2020).

AGRICULTURAL CREDIT FACILITY

The Agricultural Credit Facility (ACF) was established in 2009 as one of the formal ways to increase financing to the agricultural sector. The facility is a risk-sharing public-private partnership between the Bank of Uganda and financial institutions to increase credit flow to the agricultural sector. According to the Bank of Uganda's 2019-2020 Annual Report, since 2009, the bank has disbursed UGX 520.42 billion in total since 2009 to support 772 eligible projects across the country.[62] Additionally, the report notes that the Government's total contribution for the same period was UGX 263.97 billion.

According to Michael Atingi-Ego, Deputy Director of the Bank of Uganda, ACF had previously focused on financing large-scale farmers, processors, and even guaranteed grains trading and marketing. It now has an opportunity to consolidate the services being provided to MSMEs to further ensure financial inclusion and economic equity in Uganda. The Bank of Uganda's 2019-2020 Annual Report also notes that ACF supports various enterprises along the agricultural value chain, including smallholder farmers. The facility has been performing well over the years, with non-performing loans (NPLs) under the scheme totaling UGX 5.52 billion as at 30 June 2020, representing 2.21 percent of loans refinanced to participating financial institutions.

BUDGETARY ALLOCATIONS THROUGH THE FISCUS

The government is finalizing the development of the national agriculture finance policy as part of the national budget framework to improve timely policy response to financing requirements along the agriculture value chain and address the needs of the agribusiness sector.[63]

Support for the agricultural sector has remained at 3.2 percent of the total budgetary allocation in the fiscal years 2019/2020 and 2020/2021. However, in real monetary terms, funding for the sector reduced from UGX 1.05 trillion in 2019/2020 to 950.6 billion in 2020/2021 (Government of Uganda, 2020) and this reduction has caused some consternation in Parliament.[64]

The government is also increasing its support for the provision of agricultural extension services, with the proportion of households receiving extension services targeted to increase to 55 percent and 62 percent in the 2020/2021 and 2021/2022 agricultural seasons, from 48 percent in the 2019/2020 season (Government of Uganda, 2020).

60 https://www.oxfam.org/en/how-land-injustice-reinforces-inequality-uganda

61 https://data.worldbank.org/indicator/AG.LND.AGRI.ZS?locations=UG

62 https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/publications/Annual_Reports/All/Annual-Report-2019-2020.pdf

63 https://budget.go.ug/sites/default/files/National%20Budget%20docs/National%20Budget%20Framework%20Paper%20FY%202020-21_0.pdf

64 https://www.independent.co.ug/reduced-funding-to-agricultural-sector-worries-minister-and-opposition/

IMPACT OF COVID-19

MSMEs have borne the brunt of business risks associated with COVID-19 compared with large-scale businesses. Though exempted from business closure and movement restriction orders, agriculture enterprises have been impacted both in terms of access to inputs due to transportation restrictions and by bans on weekly markets.

They also suffered a loss of demand due to the shift away from the consumption of fresh agricultural produce to dry rations, with 71 percent of agricultural businesses reporting a significant decline in demand.[65] The disruptions to trade and supply chains caused by the pandemic have also made it more difficult for farmers, particularly women, to secure and sustain their livelihoods. Farmers reported loss of income from disruptions of both agricultural and non-agricultural activity, as well as increased food and input prices, while receiving less for their products. A survey conducted by Heifer Uganda found that over 87 percent of respondents reported that their income had been reduced by half since March 2020.[66]

Further, our interviews with Ugandan banks indicate that women-led MSMEs were disproportionately affected by Uganda's containment measures, as revealed by 70 percent of the institutions surveyed.

Women, particularly single mothers, were reported to be the most severely impacted by the COVID-19 pandemic. This might be because single parents typically lack access to finance and are burdened with extra unpaid care and domestic labor responsibilities, leaving them unable to sustain their businesses, particularly during difficult times.

To alleviate the impact of the COVID-19 pandemic on agriculture MSMEs, the Government and the Bank of Uganda have implemented several regulatory measures, with the support of development finance institutions and commercial banks. A combination of fiscal, structural, and monetary policies has been put in place, with an emphasis on agriculture MSMEs. These policies are detailed below.

INTERVENTIONS TO EASE THE IMPACT OF COVID-19 ON MSMEs IN UGANDA

The following policy measures have been implemented by the Ugandan government to ease the financial burden of MSMEs.

> Grant exceptional permission to Supervised Financial Institutions (SFIs) to restructure loans of corporate and individual customers that have been affected by the pandemic, on a case-by-case basis effective April 2020. MSMEs benefit from increased liquidity because of this.

65 https://trade4devnews.enhancedif.org/en/op-ed/can-digital-platforms-help-mitigate-agricultural-losses-covid-uganda

66 Heifer International. Bethany Ivie. 2020. Available at: https://www.heifer.org/blog/heifer-international-uganda-covid-report.html

A nationwide transport ban was imposed in Uganda during the coronavirus crisis, in an effort to stop the spread of the pandemic, though bicycles and motorcycles were still allowed to transport cargo up until 5pm. Gulu, Northern Region, Uganda. (Photo by ZUMA Press, Inc./Alamy Stock Photo).

- On May 26, 2020, the Support for Agricultural Revitalization and Transformation (START) Facility Management Board approved an initial capital contribution of UGX 830,000,000 (approximately USD 235,000) to the new Small Business Recovery Fund, which will assist MSMEs in Northern Uganda to overcome liquidity constraints. Through the facility, small businesses can access working capital at zero interest with a flexible repayment plan not exceeding 12 months (EPRC, 2020).
- Waiving limitations on restructuring of credit facilities at financial institutions that may be at risk of going into distress. Because COVID-19 disproportionately affects women-led MSMEs, this will help them retain or increase cash buffers and absorb shocks to their businesses.
- For a period of 30 days, there will be no bank-to-wallet or cash-out costs for lower transaction levels.[67]
- A cabinet paper containing COVID-19 policy response measures to delay taxes and assist the most affected economic sectors, including MSMEs, was discussed on April 6, 2020.[68] The Uganda Revenue Authority (URA) has taken additional measures to help taxpayers meet their obligations during this pandemic. They are:
    - Changes in tax administration to reduce the costs of tax compliance;
    - Extending the deadline for taxpayers with accounting dates in September by two months to 31 May 2020; and,[69]
    - Taxpayers who made voluntary disclosures during March and April 2020 and paid the principal tax had their penalty and interest waived.[70]

To help affected employers and businesses, the National Social Security Fund (NSSF) announced that for three months starting March 31, 2020, it would allow Ugandan businesses in financial difficulty to reschedule their NSSF contributions without penalty.[71]

The Bank of Uganda announced a package of financial sector support measures, including lowering interest rates to eight percent while providing liquidity assistance and imposing a moratorium on loan repayments (IMF, 2020). Additionally, the government recapitalized the Uganda Development Bank, the Uganda Development Corporation, and the Micro Finance Support Centre to ensure MSMEs had access to affordable finance.

In light of the prolonged pandemic and the uncertain economic outlook, the Bank of Uganda remains committed to providing liquidity support to supervised financial institutions in need for up to one year, and putting in place a system to reduce the possibility of insolvency due to a lack of credit.[72] The COVID-19 Liquidity Assistance Programmes (CLAP) will be reviewed periodically to ensure the viability of solvent supervised financial institutions during a pandemic and to support credit extension.[73] In this vein, the Bank of Uganda announced the extension of Credit Relief Measures (CRM) by six months to help financial institutions to restructure loan repayments for clients whose businesses have been adversely affected by the COVID-19 outbreak.[74]

To reduce reliance on cash and branch visits, mobile network operators (MNOs) and commercial banks have taken steps to lower fees on mobile money transactions and other digital payment charges. The transaction and wallet size limits for mobile money have been raised to promote usage of this service.[75]

The Bank of Uganda announced that it was prepared to intervene in the foreign exchange market to offset excessive exchange rate volatility, and that it had done so since March 2020, when the exchange rate temporarily overshot its target.[76]

Uganda secured USD 491.5 million in emergency financing from the IMF on 6 May 2020, under the Rapid Credit Facility, of which 70 percent was devoted to boosting international reserves and thus preserving macroeconomic stability (see, Fiscal section). On 29 June, the World Bank approved a USD 300 million budget support operation.

67 Available at: https://www2.deloitte.com/content/dam/Deloitte/tz/Documents/finance/Economic_Impact_Covid-19_Pandemic_on_EastAfrican_Economies.pdf

68 Available at: http://www.fao.org/3/cb2112en/CB2112EN.pdf

69 Available at: https://home.kpmg/content/dam/kpmg/ke/pdf/covid-19/Uganda%20Tax%20Alert%20-%20URA%27s%20Business%20Continuity%20Measures%20in%20the%20wake%20of%20%20COVID%2019.pdf

70 Available at: https://home.kpmg/content/dam/kpmg/ke/pdf/covid-19/Uganda%20Tax%20Alert%20-%20URA%27s%20Business%20Continuity%20Measures%20in%20the%20wake%20of%20%20COVID%2019.pdf

71 Available at: https://assets.kpmg/content/dam/kpmg/ke/pdf/covid-19/Uganda%20Alert%20-%20NSSF%20Extends%20Amnesty%20to%20Ugandan%20Businesses%20Facing%20Economic%20Distress%20due%20to%20COVID.pdf

72 Available at: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U

73 Available at: https://www.mfw4a.org/news/uganda-bank-uganda-extends-credit-relief-measures-banks-more-6-months

74 Bank of Uganda. Available at: BOU.or.ug

75 Available at: https://home.kpmg/xx/en/home/insights/2020/04/uganda-government-and-institution-measures-in-response-to-covid.html

76 International Monetary Fund, Available at: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U

RECOMMENDATIONS

Against this backdrop, emerging opportunities for policymakers and regulators to address agricultural MSME financing challenges during and after COVID-19 have been identified. Among these initiatives are, but are not limited to, the following:

- Encourage or /mandate FSPs to collect disaggregated data on account holders, including on sex, age, location, and sector.
- Train banks on the agricultural sector and the various market opportunities they present, with a particular emphasis on the opportunities to serve the various women's and youth sub-segments.
- Agriculture financing scheme (scheme under the central bank) should provide financing to Tier 3 and 4 of financial institutions that directly supporting agriculture enterprises in rural areas. The scheme can boost rural women farmers and agricultural enterprises run by youth. The credit supervision can be carried out by Ministry of Agriculture with necessary feedback to the central bank.
- Central bank has an opportunity to reduce interest rates and alter the short-term payment schedules of FSPs through the use of special repayment schedules to alleviate the cyclical loan repayment pressure that local creditors (Tier 1 and Tier 2 institutions) impose on Agri-MSMEs. Banks should conduct profiling of benefiting the types of agriculture enterprises that may benefit from such a relief measure agribusinesses.
- While the pandemic's effects on the economy and the vulnerability of agricultural value chains and systems continue to be felt, the government should establish a dedicated Agri-MSMEs stimulus package in the form of a rural agricultural fund to assist women and youth farmers in transitioning to better production practices and MSMEs that have suffered as a result of income loss.
- A review of the current supervision regime can be conducted, with a focus on sex- and age-disaggregated collected data to better understand the impact of financial malpractice on vulnerable populations.
- Facilitate the establishment and funding of a rural agriculture Agri-financing committee by the Ministry of Agriculture to facilitate the identification of "options for growth" households that are new to farming and seeking to expand their agricultural operations. The growing number of such households classified as 'Options for growth', which rely heavily on agricultural income but are also more likely to engage in more stable income sources outside of agriculture, such as running one's own business or working a regular, full-time job. Identifying them, may aid in profiling and diversifying agricultural value chains, thereby boosting youth and women entrepreneurship and leadership in agriculture.
- Establish alternative collateral for women and youth MSMEs in order to increase their access to finance by developing a national registry for moveable collateral. This will aid in the substitution of traditional credit acquisition mechanisms, such as the use of land titles, for less strenuous measures such as recommendations from local council committees and national identification documents backed by a third-party guarantee.
- Streamline the National Agricultural Insurance policy by establishing a national farmers' insurance act and local monitoring teams, as well as to extend it to local farmers groups in order to bridge future outbreaks of pandemics that disrupt agricultural value chains.
- Develop an insurance policy for women's groups and women farmers in order to streamline women's efforts in the agribusiness value chain and to facilitate the coverage of agribusiness risks. Where lending to agriculture and the processing of new investments in rural agriculture are concerned, should consider a further extension of tax incentives because as earlier tax incentives such as in the form of reduced input prices and increased or an increase in the lending to the agricultural sector, did not result in significant gains for the farmers, especially for production.

ANNEX 1: CASE STUDIES

CASE STUDY 1: DFCU BANK UGANDA INTRODUCES BARAKA LOANS

DFCU Bank, as a commercial bank, recognizes the roles women play in Uganda's development. Its Women in Business (WiB) program was initiated in 2007 to help women entrepreneurs overcome the challenges they face in sourcing funds. For women who have less access to traditional forms of acceptable collateral such as land, DFCU Bank has introduced an MSME unsecured loan product (Norfund, 2018). The unsecured loan product dubbed as "Baraka loans" will enable customers to access credit without having to put up the security (land or other properties) normally expected of borrowers. The Baraka loans are for a minimum of UGX 2,000,000 (USD 543)[77] and up to UGX 30,000,000 (USD 8,152) for businesses and a tenure of between one and 12 months, at an interest rate of 2.5 percent per month. Baraka loans will enable MSMEs, especially women-led MSMEs, to acquire credit more quickly, without having to worry about loan security and property valuations which slow down the process of acquiring a loan and are frequently not an available option for them. Successful applicants are able to receive their loan within 48 hours.

These interventions are projected to roll out trade finance solutions such as unsecured bid bonds in excess of UGX 500 million to support traders and contractors in working capital management and securing agricultural contracts (Entebbe, 2020). Baraka loans have helped MSMEs to restructure their facilities and loans since mid-2020. This initiative has benefited 3,000 women, and over 19,000 women have so far registered for Baraka loans.

Plate 1: Financial literacy training for women. Source: DFCU 2015 (Annex 3)

CASE STUDY 2: LETSHEGO SUPPORTS WOMEN BUSINESSES AND PROVIDES LOAN MORATORIUMS

Letshego Microfinance Uganda is a Tier IV microfinance institution in Uganda that supports women with SME loans, agri-loans, mortgage loans, and education loans. It also provides mentorship for women to grow their business as well as loan moratoriums without penalty to MSMEs. Letshego supports women in agricultural enterprise through its Strategic Social Investment policy that invests in digital platforms and systems and by providing training in agricultural practices.

As part of a competition that was run under this policy, a poultry farmer, Kia Joyce, from the Northern (Lira) region was given a state-of-the-art poultry shelter, 1,000 one-day-old chicks, feed to last six months, training in poultry project management and welfare of fowls by a veterinary expert as well as enterprise mentorship. Letshego continued to provide financial oversight of her business progress on a month-on-month basis.

77 As at the prevailing foreign exchange rate in June 2021

The Letshego competition winner, Kia Joyce (third from left), was given expert training and provided with financial oversight of her business, among other forms of support

CASE STUDY 3: UN WORLD FOOD PROGRAM (FOOD AND AGRICULTURE ORGANIZATION)

The Food and Agriculture Organization (FAO) is a specialized agency of the United Nations that leads international efforts to address global hunger. As part of its pandemic response, it partnered with the Ministry of Gender, Labour and Social Development and the Ministry of Agriculture, Animal Industry and Fisheries to recognize successful entrepreneurs between 18 and 35 years old through the Youth Inspiring Youth in Agriculture Initiative.

The FAO engaged with the Young Farmers Champions Network and the Young Farmers' Federation of Uganda to identify 270 youth entrepreneurs, 90 of whom were women, from 135 districts across the country. There were 1,400 applications from whom 20 men and 20 women were awarded as National Youth Champions.[78] The winners received comprehensive support, including technical training opportunities, youth peer-to-peer support activities, and the opportunity to engage in policy dialogues related to youth employment in agriculture and attend exhibitions of agricultural products.[79]

78 http://www.fao.org/uganda/news/detail-events/en/c/1393445/

79 http://www.fao.org/rural-employment/resources/detail/en/c/1314154/

A fish farmer from Uganda (National Youth Champion). Source: FAO

CASE STUDY 4: STANBIC BANK UGANDA: YOUTH4BUSINESS SPURS ENTREPRENEURSHIP AND INNOVATION

Stanbic Bank Uganda is Africa's largest commercial bank by assets, with a presence in 20 African countries. The United Nations Development Programme (UNDP) partnered with Stanbic Bank, to establish the Youth4Business Innovation and Entrepreneurial Facility to leverage business solutions for youth unemployment and enable MSMEs to recover from the impacts of COVID-19.

The Youth4Business Innovation and Entrepreneurial Facility is a five-year initiative comprising two interventions: an Innovation Challenge Fund, and a growth accelerator that provides competitive matching grants for youth and MSMEs in the agricultural sector (UNDP, 2017). Apart from providing business financing, Stanbic Bank matched UNDP funding with an additional USD 3 million for debt financing for the duration of the initiative. All businesses are given business accounts and pre-scored for short-term working capital. This initiative is a strategic opportunity to empower vulnerable groups and those hardest hit in the informal trade sector, such as women, youth and persons living with disabilities, by connecting them with potential buyers. It also connects rural farmers with the urban markets, keeps the supply chain for agricultural produce active, provides employment, and mitigates the effects of the COVID-19 pandemic on the economy via digital payment solutions.

Also, the Bank of Uganda, working with Stanbic Bank, through the Agricultural Credit Facility (ACF), commenced a block allocation of loans of up to UGX 20 million for farmers. These loans were made based on alternative collateral such as chattel mortgages, cash flow-based financing, and character-based loans, among others. This innovation has helped to solve the problem of access to credit in areas with communal land tenure and were especially designed for micro and smallholder farmers who are otherwise excluded from accessing financing for lack of collateral.

Participants at a Youth4Business Innovation and Entrepreneurship Facility organized by Stanbic Bank Uganda

CASE STUDY 5: UNCDF UGANDA IN PARTNERSHIP WITH LOCAL TELCO TO FACILITATE MSME ONLINE BUSINESSES

The UN Capital Development Fund (UNCDF) facilitates public and private financing for the poor in the world's 46 least developed countries. UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial ecosystems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive UN Sustainable Development Goals and domestic resource mobilization.

UNCDF partnered with local telecommunications providers MTN and Airtel to reduce e-business transaction charges and costs of doing business during COVID-19. A boot camp was hosted around digital innovation for entrepreneurs in the context of the pandemic.

Participants at a UNCDF Agricultural MSME workshop

CASE STUDY 6: START FACILITY HELPS MSMEs WITH ZERO INTEREST REIMBURSEMENT GRANTS

The START Facility implemented by UNCDF, Private Sector Foundation and UDB with the financial support of the European Union is structured as a blended finance facility providing a customized mix of business development services, project development, finance structuring services, and financial products. Under the recovery fund, businesses can receive up to UGX 40,000,000 (USD 11,300) based on an assessment of their cash flow challenges. The facility serves to revive selected MSMEs facing severe COVID-19-related economic challenges by granting access to medium-term concessional funding from the Uganda Development Bank (UDB) and other financing institutions. The START Facility has provided credit relief to refinance agricultural enterprises that were thriving prior to the outbreak of COVID-19 to remain afloat.

By providing zero-interest loans, also known as reimbursable grants, the START facility provides a critical emergency response for MSMEs, assisting them in meeting their obligations on outstanding payments, production costs, salaries and related administrative costs that they are unable to pay due to the decreased cash inflow. This will ensure business continuity and sustainability during and beyond the COVID-19 crisis and will allow MSMEs to benefit from the START concessional lending at a later time. Kana Grain Millers, a miller of flour and supplier of edible oils, benefitted from the facility for importation of spare machine parts.

Kana Grain Millers, a miller of flour and supplier of edible oils, benefitted from the START facility for the importation of spare machine parts

CASE STUDY 7: FEED THE FUTURE UGANDA ACCELERATES WOMEN-LED MSME GROWTH

Feed the Future, an International Non-governmental Organization in Uganda, through their GroWE award, supports women-owned or operated businesses in emerging markets to overcome the challenges they face and accelerate their growth.

Women-led agricultural enterprises remain disproportionately underserved and often face less favorable terms for financing and limited access to markets, market information, and digital technology in Uganda. (FAO, 2020). One such enterprise, Krystal Ice, was linked by Feed the Future with Open Capital Advisors, a local business service advisory firm, to identify and pilot new ways to distribute and market its products. The success of the innovation resulted in Krystal Ice winning the Feed the Future Growing Women's Entrepreneurship (GroWE) award in 2020.

To meet the wider challenges of limited access to market, many small agriculture enterprises are now exploring new business options with Open Capital Advisors, such as home delivery marketing strategy, and using refrigerated trucks and expanded social media marketing to reach a wider customer base. Utilizing Feed the Future's intervention of online operations and business digitalization enables greater access to finance through the use of digital channels and contactless mobile payment for women.

Feed the Future collaborator Linnet Akol founded Krystal Ice in 2017 and has ambitious goals for growing her Kampala-based fruit Popsicle business (Annex 3) Source: Feed the Future (2020)

CASE STUDY 8: UNCDF UGANDA EXPANDS MSME FINANCING CHANNELS

UNCDF partnered with local telecommunications providers-MTN and Airtel to reduce digital monetary and e-business transaction charges to reduce the costs of doing business during COVID-19. A boot camp on digital innovation for entrepreneurs was conducted for this purpose. Through this initiative, UNCDF supported Julian Omalla, a woman farmer, who started Delight Uganda Limited, a successful fresh juice business that sources its raw materials from farmers in Nwoya district.

When the pandemic hit, Omalla had to lay off her workers and close the business because her main customers were students in boarding schools and they were no longer making any purchases, as they had returned home. She used the lockdown period to re-strategize, reorganize, and grow more fruits through the Nwoya Fruit Farmers' Association that has over 5,000 members. By leveraging digital channels and contactless mobile payments, she gained access to online operations and business digitalization for greater accessibility to finance. Despite the apparent market uncertainty, many startups, companies and individuals such as Omalla have risen to the occasion, shifting their working models and using innovative digital solutions to meet customers' needs.

ANNEX 2: LIST OF INTERVIEWEES

S/N	Country	Name	Organization
1	Uganda	Frank Lubega	FINCA
2	Uganda	Amony Winnie	Pride Microfinance Bank
3	Uganda	Akumu Gloria	Vision Fund
4	Uganda	Agote Charity	DFCU Bank
5	Uganda	Ndabirema Jackson	Equity Bank
6	Uganda	Nyenje Andrew	Letshego,Mityana
7	Uganda	Namubiru Rehema	Stanbic Bank,Mityana

ACRONYMS

ACF	Agricultural Credit Facility
AMS	Agriculture and Market Support Program
ASSP	Agriculture Sector Strategic Plan
BoU	Bank of Uganda
COVID-19	Coronavirus Disease 2019
EPRC	Economic Policy Research Centre
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
IFC	International Finance Corporation
ILO	International Labour Organization
LDCs	Least Developed Countries
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MGLSD	Ministry of Gender, Labour and Social Development
MoFPED	Ministry of Planning, Finance and Economic Development
MSME	Micro-Small and Medium Scale Enterprises
NAEP	National Agricultural Extension Policy
NDP II	National Development Plan II
NFIS	National Financial Inclusion Strategy
NSYEA	National Strategy for Youth Employment in Agriculture
PFIs	Participating Financial Institutions
SACOOs	Savings and Credit Societies in Uganda
SDGs	Sustainable Development Goals
SSA	Sub-Saharan African Countries
START	Support for Agricultural Revitalization and Transformation
UBA	Uganda Bankers Association
UGGDs	Uganda Green Growth Development Strategy
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VAT	Value Added Tax
VSLA	Village Savings and Loans Associations
WEF	Women Enterprise Fund
WFP	World Food Programme
WiB	Women in Business Programme
WMB	Women Mean Business program
YIYA	Youth Inspiring Youth in Agriculture Initiative
YOFCHAN	Young Farmers Champions Network

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