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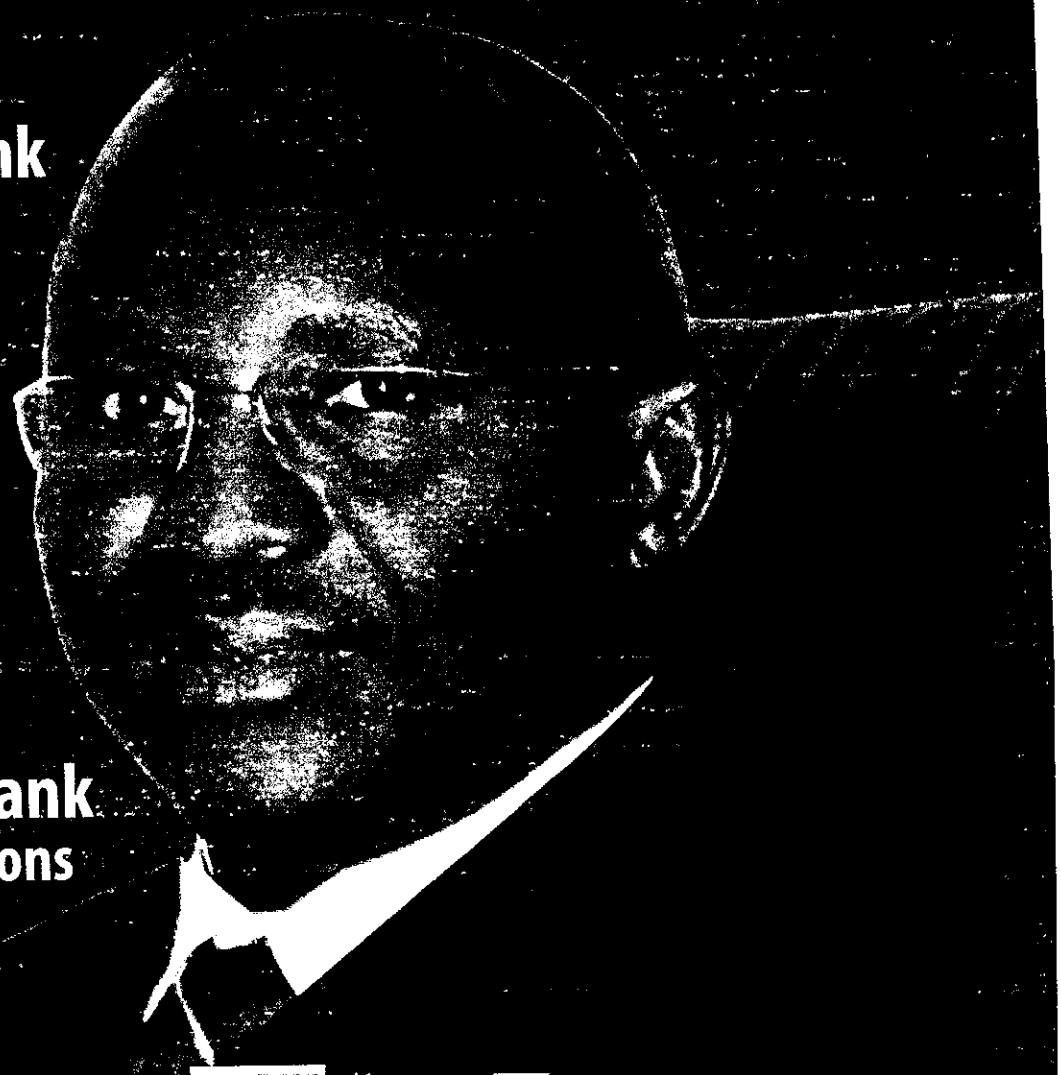

Clients First
New Centenary Bank chief outlines priorities for further growth

Our key aim is to facilitate employment creation opportunities at the grassroots as well as improve the incomes of the community members

US group gives grants to farm enterprises

All support by the US Africa Development Foundation is in form of grants. However, beneficiaries make a commitment to contribute a percentage of their profits towards other potential projects within their geographical locations

United States African Development Foundation (USADF) started its operations in Uganda back in 1991 and since then it has supported various projects in support of social and economic development in the country. USADF uses a model of investing in the ideas of the people. The potential beneficiaries therefore provide background information in terms of their activities, past performance, challenges faced and support required to address those challenges.

The applicants also provide their own understanding of how this support would help improve the livelihoods of their community members. Whereas support is provided to both social and economic projects, more than 90% of Ugandan portfolio is in economic sector and mainly small scale agricultural activities including value addition and marketing.

USADF is an independent U.S. government agency founded in 1980 through an Act of Senate, explains Country Representative Mr. Timothy Nzioka in an interview. "It uses US taxpayer's money to support growth at the grassroots level, in especially sectors and locations traditional financial institutions ignore as well as underserved by other development assistance."

Mr. Nzioka went on to point out that, USADF was already implementing programs in 20 African countries with a strategy for expanding opportunity in Africa using a comprehensive approach targeted to provide African entrepreneurs, producer groups and economically marginalised communities with options to improve their economic security.

The Foundation does not provide support to start ups rather the applicant should have a track record of at least two years. Currently, the focus is on the most marginalised and underserved communities, particularly in Eastern and Northern Uganda that has experienced prolonged armed conflict in the past. "Our key aim is to facilitate employment creation opportunities at the grassroots as well as improve the incomes of the community members," Mr. Nzioka explains.

Support by USADF can be classified into three main categories including Social Enterprise, Enterprise Capacity Building and Enterprise Expansion.

Social Enterprise

USADF responds to critical needs of marginalized communities by funding community-based organizations that provide essential products and services to improve the lives of the poor. The proposition of this portfolio in Uganda is very small compared to other two types of support.

Capacity Building

Capacity building benefits enterprises with good track records, but that lack critical pillars that would otherwise support them through the growth process. Such gaps might include lack of appropriate record keeping and financial systems, lack of adequate human resource capacity, lack of a business plan to guide the growth process among others. Under Capacity Building, the agency provides both financial and technical support to help address the challenge. The

financial support here does not exceed US$100,000. It may also include recruitment of qualified persons like accountants or even development of business plans that can be presented to USADF or other financial institutions. This support is normally provided over a period of 12-24 months.

Enterprise Expansion

"This is geared towards enterprises that are ready to move on to the next growth stage, but unable to get financial and technical support from traditional financial institutions," explained Mr. Nzioka. This support is very flexible. It often covers procurement of processing equipment, among other assets that improve efficiency and productivity. The maximum grant size is US$250,000 and the projects can be implemented up to a maximum of five years.

Grants with a commitment

All support by the USADF is in form of grants. However, beneficiaries of Enterprise Expansion support make a commitment to contribute a percentage of their profits towards other potential projects within their geographical locations. Mr. Nzioka explains how this works: "A commitment is made at the initial stage by the beneficiary, but he/she has a year to identify the project that will benefit from his/her enterprise.

"Contribution depends on the profit margins of the beneficiary. We only do this to ensure that we stretch our dollar so that we are able to reach out to many more people in the society," Mr. Nzioka explains.

Typical USADF beneficiaries have included producer groups dealing in input supplies and extension services, bulking, processing, packaging and marketing. For instance, the agency has supported upland rice farmers in Hoima, enabling them to bulk, process and pack their rice, which has facilitated access to high value markets.

The Foundation has also funded private companies working with farmers to create employment and improve incomes. Through support to NUMA Feeds a Bushenyi-based private company, over 200 small scale farmers signed forward purchase contracts with minimum prices.

Mr. Nzioka explained: "Under this contract, the company guarantees to buy all the farmers' produce at a price agreed by both parties, while the farmers guarantee the company first priority and this has helped to mitigate the sudden price fluctuations." incomes of these farmers have more than doubled and improvement in their livelihood evident from improved housing structure to better health care, education among other basic needs.

To benefit from USADF, you need to apply indicating your activities, achievements and constraints. "We do not dictate on what people should do or engage in. Instead, we invest in their ideas and efforts to make their dreams a reality." Mr. Nzioka says.

"Currently we have projects spread throughout the country and in the coming months going to focus more on West Nile, Pader, Kitgum and Karamoja region".

Opportunity Uganda

Innovations minimize risk in Agricultural lending

Agriculture financing is considered a high risk business by most financial institutions. Unlike other sectors, agricultural projects carry risks associated with weather, price fluctuation, diseases and long gestation periods. Yet most farmers also lack insurance cover and collateral security.

However, Opportunity Uganda, a Tier 2 financial institution, has developed a number of agricultural financing products, enabling them to finance projects in the sector, while keeping such risks to the minimum.

According to Mr. Patrick Walusansa, the Rural Finance Officer at Opportunity Uganda, Such products include:

Warehouse Receipt Financing

This enables a farmer or trader to access credit using a receipt that shows they have deposited their produce in a warehouse, pending sale.

Agricultural Asset financing /Agricultural Micro leasing

This enables a borrower to acquire agricultural equipment through leasing.

Production financing

Both crops and animal production can be financed through this facility.

Bridge financing

This is usually between farmers' bulking of produce and realisation of income from the buyer.

At Opportunity Uganda, Agricultural loans can be provided in two forms:

Individuals /SMEs agricultural Loan availed to individuals or small businesses, and

Agricultural Solidarity/ Group loans available to groups of 10-30 people.

To manage the high risk associated with Agriculture Lending, Opportunity Uganda has done the following:

- Working with partners such as Extension Service Providers, product buyers and input dealers, which leads to identification of the right agricultural clients?
- Employing staff with an agricultural background and sticking to its rural financing model, which insists that farmers especially under the group arrangement have access to extension services, input dealers, output market, proper infrastructure and market information.
- Access to guarantee facilities if possible;
- Putting in place outreach means.

For Opportunity Uganda, says Mr. Walusansa experience has shown that financing smallholder farmers requires them to be organised in groups. They also prefer the value chain financing approach, because it ensures that the farmers generate the required cash flows to pay back the loans.