



START HANDBOOK: VOLUME 2

A GUIDE TO START APPLICANTS

START Facility Processes,
Guidelines and Services

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NOVEMBER 2020

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ACRONYMS

BDS	Business Development Services
COVID-19	COVID-19 is a disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV.
DINU	Development Initiative for Northern Uganda
DSCR	Debt Service Coverage Ratio
FAQs	Frequently Asked Questions
NDPII	Second National Development Plan
PSFU	Private Sector Foundation Uganda
SBRF	Small Business Recovery Fund
SDGs	Sustainable Development Goals
START	Support to Agricultural Revitalization and Transformation
SMEs	Small and Medium Enterprises
TA	Technical Assistance
UDB	Uganda Development Bank Limited
UNCDF	United Nations Capital Development Fund



L-R Mr. John Peter Emoi Investments Manager Agriculture UDB, Mr. Daniel Kisekka Grants Manager, PSFU, Mr. Gideon Badagawa Executive Director PSFU, Ms. Patricia Ojangole Chief Executive Officer UDB, Dr. Dmitry Pozhidaev Head of Office UNCDF in Uganda, Hon Grace Freedom Kywiyucwiny, Minister for Northern Uganda, Aloys Lorkeers Head of Section Sustainable Development, EU, Dr. Jenifer Bukokhe Wakhungu, DINU-UNCDF Programme Manager and Mr. Adolfo Cires Alonso Finance, Agribusiness and Land Programme Manager EU at the launch of the Support to Agricultural Revitalization and Transformation (START) Facility on 17th May 2018 in Kampala.

FOREWORD

Improving access to finance for Small and Medium Enterprises (SMEs) is dependent, on the ability of these enterprises to develop bankable projects that can attract external resources from public and private financing institutions.

The Support to Agricultural Revitalization and Transformation Facility (**START**) under the Development Initiative for Northern Uganda (DINU) Programme, provides affordable mid-term finance to agricultural value adding projects in Northern Uganda and we are proud that the team at the START Facility consists of experienced and capable investment officers that are working closely with SMEs providing relevant information and tools on how to navigate the challenges they face in accessing financing. In addition to providing technical support to SMEs, the facility also provides seed capital in form of concessional loans, partial credit guarantees and targeted reimbursable grants.

This handbook serves as a general guide for applicants to the facility. It provides information on how to access the facility's funding including information on the detailed selection criteria, the process flow, financing instruments and technical assistance available to the SMEs.

My sincere hope is that you will find this handbook helpful in supporting you to successfully complete your application and understand how START works.

We wish you all the best with your endeavours.



Mr. Gideon Badagawa

Executive Director, PSFU

Chairman START Management Board (2019/20)

Item	Quantity	Unit
...
...
...
...
...
...
...

WEIGHT kg
TARE
NET WT
GROSS WT

Honey
Pure 100% Pure
Natural Honey
1.25 kg
100% PURE HONEY
A PRODUCT OF INDIA

Capacity 30kg
Division 5g
Power 220-240V
Date
Accuracy OIML
Number
Check print

QUA

INTRODUCTION

This handbook for the START Facility applicants (the handbook Vol 2) is an integral part of the overall UNCDF DINU Programme implementation framework including the memorandum of Understanding with UDBL and the Letter of Agreement with PSFU, and sets out guidance on how the START Facility provides a full range of its services to beneficiaries including: business development services, project development, financial structuring services, and financial services.

The handbook provides detailed information on the guidelines to accessing the Facility funding including the selection criteria, the process flow and available financing instruments accessible to beneficiaries. While handbook Volume 1 (guide to partners) covers START services and internal operating policies and procedures, Volume 2 specifically provides guidance to START beneficiaries.

Although the handbook comprehensively covers most aspects of the START Facility guidelines, criteria and process flow, it is not exhaustive. If you need more information about the policies, procedures and processes, please contact the undersigned below.

The electronic version of this handbook is available on the UNCDF's website (<http://uncdf.org>). The handbook will be updated periodically to reflect feedback from users and changes in the START Facility policies and procedures.

For more information:

Deus Tirwakunda
START Facility Manager
United Nations Capital Development Fund
Plot 4, Ngabo Road
Kololo, Kampala (Uganda)
Email: deus.tirwakunda@uncdf.org

Jenifer Bukokhe Wakhungu (PhD)
Programme Manager -DINU/Deputy Head of Office
Local Development Finance Practice (LDFFP)
United Nations Capital Development Fund
Plot 4, Ngabo Road
Kololo, Kampala (Uganda)
Email: Jenifer.bukokhe@uncdf.org

01

BACKGROUND

UNCDF makes public and private finance work for the poor in the world's 47 least developed countries.

With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF’s financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy, providing them with the tools they need to climb out of poverty and manage their financial lives; and by showing how **localized investments** — through fiscal decentralization, innovative municipal finance, and structured project finance — can drive public and private funding that underpins local economic expansion and sustainable development. By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a number of different SDGs.

1.1 DEVELOPMENT INITIATIVE FOR NORTHERN UGANDA (DINU)

UNCDF in partnership with the European Union under the 11th EDF and the Government of Uganda under the Office of the Prime Minister is implementing a five-year development programme referred to as the Development Initiative for Northern Uganda (DINU). The general objective of the Programme is to consolidate stability in Northern Uganda, eradicate poverty and under-nutrition and strengthen the foundations for sustainable and inclusive socio-economic development. The DINU Programme is designed to support the Government of Uganda in achieving national targets for SDG 1 “End poverty in all its forms everywhere.” SDG 2 “End hunger, achieve food security and improved nutrition, and promote sustainable agriculture” and SDG 5 “Achieve Gender Equality and empower all women and girls”. The Programme also supports the Government of Uganda in achievement of its development goals set in National Development Programme (NDP)II & III and Vision 2040 and holistically addressing the development challenges in Northern Uganda.

1.2 SUPPORT TO AGRICULTURAL REVITALIZATION AND TRANSFORMATION (START) FUNDING FACILITY

The START funding facility is designed to support the implementation of the DINU food security and nutrition component, in particular Activity 1.2.2, which aims at providing seed capital to incubation projects along agricultural value chain as part of its overall objective to increase local production of diversified food. START is structured as a blended finance facility providing a customized mix of business development services, project development and finance structuring services, and financial products in the form of concessional loans, technical assistance grants and partial credit guarantees.

1.3 START FACILITY OVERVIEW

Immediate Objective	Offer access to affordable medium-term finance for agricultural value adding projects in Northern Uganda through provision of Business Development Services and seed capital in the form of concessional loans, technical assistance grants and partial credit guarantees.
Medium-term Objectives	<ul style="list-style-type: none"> Stimulate pro-poor economic growth in northern Uganda, better retain the economic benefits of agriculture in the North, and improve local food systems and food security. Transform the Facility into a sustainable and adequately capitalized loan/grant facility providing technical assistance and seed capital to small and Medium-Sized value adding agri-businesses nationally
Financing range	€10,000 - €100,000 (Shs 40 - 400 million)
Financial Instruments	Concessional loans, Grants (Technical Assistance), Partial credit guarantees
Implementing Partners	Uganda Development Bank, Private Sector Foundation, UN Capital Development Fund
START Project Duration	January 2018 – June 2022
START Project Budget	Total budget: €4 million

1.4 SERVICES OFFERED BY THE START FACILITY TO SELECTED SMEs

Business Development Services

- Support in development of concessional loan applications, capacity building in Financial Management, Record Keeping, Legal & Regulatory Compliance Corporate Governance and other BDS support etc.

Project preparation and development services

- Targeted technical project development and financing support to project developers (e.g. enhanced project documentation, due diligence and financial structuring).
- Preparation of project investment documents in the format acceptable to commercial banks and investors.
- Preparation and issuance of term sheets & loan agreements.
- Leveraging of funds from other development and commercial Financial Institutions (FIs)

Financial services - link developers to financial institutions and investors

- Issuance and administration of concessional loans.
- Provision of partial credit guarantees to enable SMEs with higher financial requirements to access funds from other financial institutions
- Provision of technical assistance grants to enable SMEs address capacity gaps.
- Post Investment BDS including monitoring and management of concessional loan servicing and repayments.

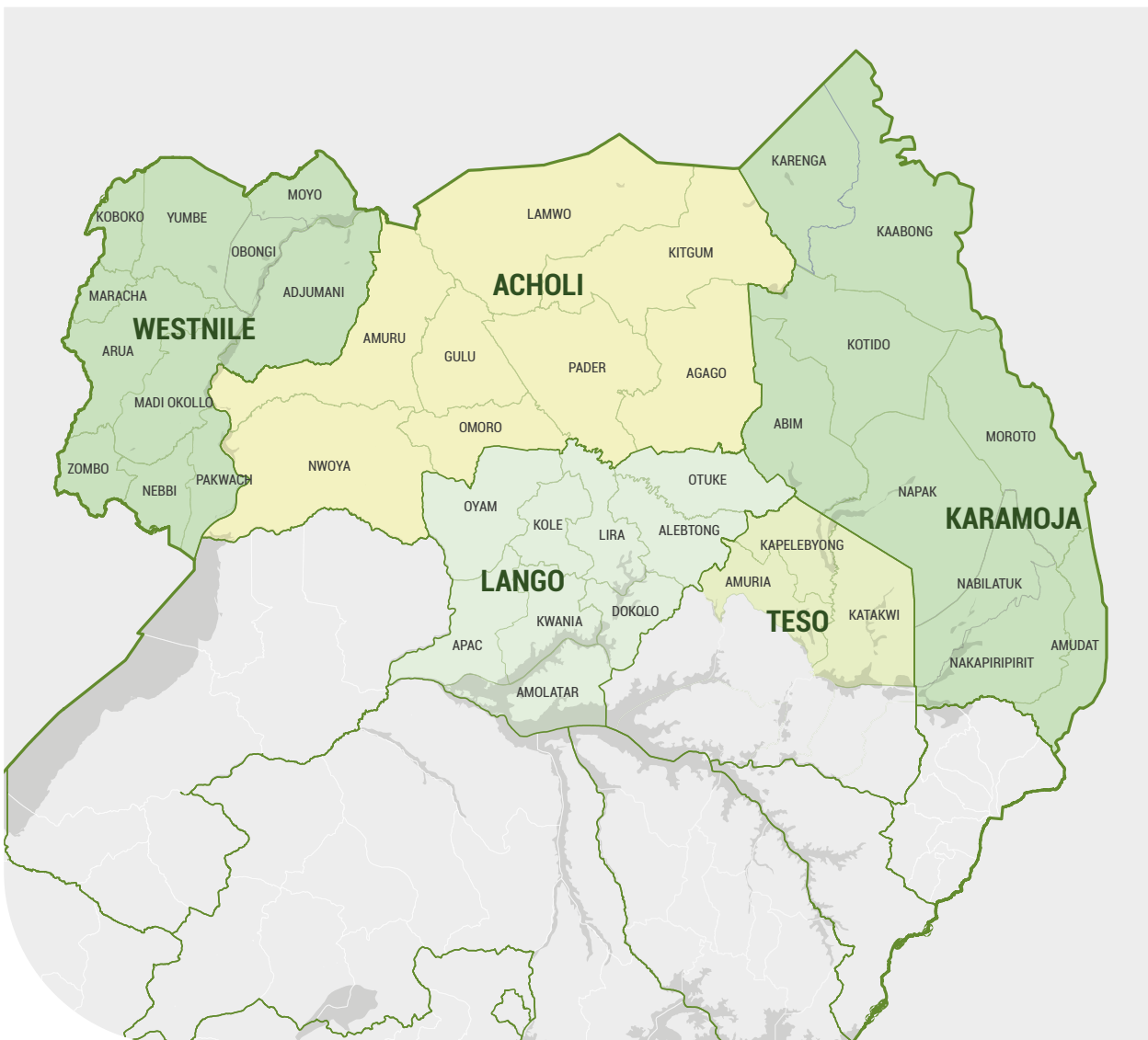
02

GUIDELINES TO APPLICANTS FOR START FUNDING

2.1 GEOGRAPHIC COVERAGE OF START FACILITY

The geographic coverage of START is aligned with the geographic coverage of the DINU programme and comprises 40 districts in Northern Uganda as indicated below. START will support development and financing of capital-intensive agricultural projects promoted by small and medium enterprises that add value in storage and processing of agricultural produce. START will take into account the impact of the complementary activities for food production and commercial agriculture.

FIGURE 1 THE 40 ELIGIBLE DISTRICTS FOR THE START FACILITY



2.2 APPLICANT/DEVELOPER

- Must be a legally registered person
- An agribusiness company registered in Uganda under the Companies Act, a cooperative formed under the Cooperative Societies Act, trade association or similar business representative organization legally established in Uganda
- Directly responsible for the preparation and management of the activities with their partners and not acting as an intermediary
- Stable and have sufficient financial resources to ensure the continuity of their organization throughout the project
- Able to demonstrate their experience and capacity to manage activities corresponding in scale and complexity with those for which financial support is requested
- Can provide contribution either from its own resources or in combination with other shareholders, equity equal to at least 25% of the total cost of the project.
- Have demonstrable/verifiable ownership of title or right of beneficial use of assets on which the project will be carried out
- Does not use or tolerate forced or compulsory labor or child labor

2.3 DEVELOPER'S EQUITY CONTRIBUTION

The equity contribution is mandatory and may come in a variety of forms (e.g. land, plant & equipment, not only cash). This requirement should be viewed in light of the considerate collateral requirement of the START Facility given the guaranty of future financial flows. If the equity contribution is produced in kind, in form of physical assets and/or other products resulting from prior activities, the applicant **must prove the relevance of these assets for the project and produce evidence of ownership of such assets.**

Below is a non-exhaustive overview of assets and other products that may be considered as part of the equity contribution.

PHYSICAL ASSETS



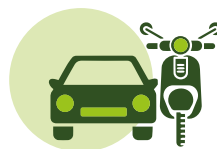
Land



Buildings



Machinery
And equipment

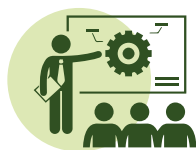


Vehicles
(including motorcycles)

OTHER PRODUCTS



Feasibility
studies



Training and skilling
of personnel



Patents



Trademarks



Management systems complete
with required software and equipment
(databases, accounting, planning, etc.)

2.4 CONCESSIONAL LOAN FINANCING TERMS

Capital expenditure required must be at least

75% and above

Non-capital costs which are direct to the project and necessary for carrying out the project may be accepted

up to 25%

Pre-award costs, cost of idle facilities, fines & penalties, cost of advertising & fundraising, entertainment, debts & provisions for losses are ineligible.

Financing gap requested from UNCDF may range from

UGX40m - UGX400m

However, total project size can be three times the financing gap. UNCDF will seek to leverage extra funds from other financial institutions such as UDB where necessary.

SMALL INVESTMENT WINDOW

to cover the financing requirement from

€10,000 to €50,000

(approximately from USh40 million to USh200 million).

MEDIUM INVESTMENT WINDOW

to cover the financing requirement above

€50,000 to a maximum of €100,000

(approximately from USh200 million to USh400 million).

2.5 ELIGIBLE SECTOR



Value addition in storage and processing of agricultural produce

(including handling and packaging) taking into account the impact of the complementary activities for food production and commercial agriculture.



Priority will be given to the following value chains:

- cassava,
- coffee,
- soya,
- sesame,
- sorghum,
- rice,
- apiary,
- vegetables,
- groundnuts and
- livestock.



Ineligible if involved in activities/sectors, such as **manufacture, sale or distribution of alcohol, tobacco or tobacco products** as well as manufacture,

sale or distribution of substances subject to **international bans or phase-outs**, and **wildlife** or products regulated under the CITES8

Both Greenfield or brownfield project in highlighted sectors are acceptable

2.6 CHARACTERISTICS OF PROJECTS SUPPORTED BY START FACILITY

- Capital intensive (i.e., its capital cost is relatively high in relation to annual sales)
- Employs proven technology
- Has a relatively long physical and economic life
- Has an economic output that is determined primarily by its design and successful construction
- Revenues are in the form of commercially reasonable charges for its output, sufficient to pay all project operating expenses and debt service (if applicable), plus provide an adequate return on equity to the project's investor(s)

2.7 TECHNOLOGIES SUPPORTED UNDER START FACILITY

- Post-harvest handling equipment/technology
- New quality control equipment
- Small-scale irrigation systems
- Mobile primary processing and packaging equipment
- Secondary processing and packaging equipment
- Upgrade or improvement of the existing old processing technologies (machinery and equipment)
- Design, fabrication and production of packaging machinery
- Technologies for effective storage chains, including mobile storage units, combined drying/storage systems
- Effective cold chain management systems
- Application of solar and other types of green energy to handling, processing and storage
- Application of digital technologies to handling, processing and storage

2.8 ELIGIBLE COSTS FUNDED UNDER START FACILITY

START funding is primarily designed to cover the capital costs of the project but may be used to cover to a limited extent non-capital (Working Capital) costs core to the business. Below is a non-exhaustive list of costs that may be considered eligible.

CATEGORY	COMMENT
Technical Assistance Grants (Training, Systems upgrades, product development, market access e.t.c)	Up to 10% of the total project budget
Capital costs	Up to 75% of total project Budget
1) Land (purchase or rent)	• Not eligible
2) Machinery and equipment	• Eligible only if direct costs to the project.
3) Construction works	• Eligible only if direct costs to the project.
4) Vehicles (specialized vehicles, e.g. milk tankers)	• Eligible only if direct costs to the project.
5) Furniture and fittings	• Eligible only if direct costs to the project.
Non-capital costs	Up to 25% of total project budget
1) Pre-award costs	• Not eligible
2) Fines & penalties	• Not eligible
3) Advertising & fundraising	• Not eligible
4) Entertainment	• Not eligible
5) Debts and provision for losses	• Not eligible
6) Training and skilling	• Eligible only if direct costs to the project.
7) Working capital	• Eligible if direct costs to the Project and should not be above 25% of the budget in total. Working capital includes cost of raw materials, production costs, staff costs, administration costs that are relevant to the project.

UNCDF reserves the right to revise and adjust the proposed budget categories and amounts without jeopardizing the financial viability of the project.

2.9 REQUIRED ECONOMIC & SOCIAL IMPACT

- a) Development of the local food supply chain
 - Improved quantity and quality of local food production
 - Improved effectiveness of local food markets
 - Improved position of women and young people in the local food supply chain
- b) Local economic impact
 - Increase in locally retained monies
 - Increase in household revenues
 - Increase in demand for local primary production
 - Improved local resilience and adaptation to climate change
- c) Transformative impact
 - Increase in the added value of a product created locally
 - Application of new technologies
- d) No adverse social and environmental impacts (see Section 5.1 for more details)

Being a development finance facility, START requires all projects to demonstrate strong economic and social impact, in particular in three areas in accordance with its key objectives: i) socio-economic empowerment of women and youth, ii) food security, and iii) environment and green economy. To guide identification of the social and economic benefits, the applicants should consider the following questions:



GUIDING QUESTIONS TO IDENTIFY SOCIAL, ECONOMIC AND ENVIRONMENTAL BENEFITS

SOCIO-ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH

Does the project contribute to socio-economic empowerment of women and young people by, for example:

- Focusing on sectors where women/youth may have a comparative advantage (e.g., traditional processing activities, new technologies, etc.);
- Opening up new sectors for gainful employment of women/youth that have not been represented in this particular locality;
- Creating conditions and facilities that attract the employment of women/youth (e.g., child care facilities);
- Establishing ownership and/or management structures that empower women/youth;
- Facilitating access of women/youth to productive assets and finance (by enabling linkages to inclusive finance and financial literacy)
- Skilling women/youth in new technologies, methods of production, etc. (aiming at value adding activities)
- Specifically promoting employment of women/youth, including in host and refugee communities (e.g., through gender/age employment quotas)
- Offering women/youth workers' wages above the minimum (average) wages in a particular locality

FOOD SECURITY

Does the project contribute to food security by, for example:

- Reducing post-harvest losses (e.g., offering storage facilities, more effective processing technologies, reducing distance to processing sites, offering additional processing capacity to cover excess of primary production)
- Improving the use of local food resources (e.g., by increasing the output due to more advanced technologies, prolonging the shelf life of finished products, stimulating primary production based on a more economic use of available land and water resources, etc.)
- Stimulating primary production (e.g., creating processing opportunities that require an increase in primary production or new type of primary agricultural products)
- Diversifying the diet out of starchy food (e.g., increased availability and access to protein-rich food, vitamins, etc.)
- Increasing at the gate prices for primary producers
- Offering finished products at lower prices than comparable products present in the market
- Improving local food chain efficiencies (e.g., directly linking producers to processors to internal and external markets and reducing transaction costs)

ENVIRONMENT AND GREEN ECONOMY

Does the project contribute to reducing environmental risks and ecological scarcities, and promoting green economy by, for example:

- Reducing pollution (e.g., the technologies employed result in reduced generation of waste and/or allow its re-use or recycling, such as waste to energy generation)
- Reducing greenhouse emissions (e.g., use of green energy sources, such as solar, hydro and wind)
- Improving energy and resource efficiency (e.g., the technologies and equipment ensure reduced consumption and/or recycling of energy and resources (water, land, etc.) providing for significant opportunities in terms of competitiveness, cost reduction, improved productivity and security of supply)
- Reducing local vulnerability to climate change (e.g., adapting the project design and/or production to take into account changing weather patterns, climatic risks, etc.)
- Supporting protection and/or restoration of land/water resources (e.g., involving organic production and sparing tillage techniques, tree planting, reforestation, cleaning and protection of water sources, etc.)

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

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

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



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

03

START FACILITY PROCESS

3.1 OVERVIEW OF THE START FACILITY PROCESS



Call for proposals – The application process starts with the call for proposal (CfP) which is issued annually and requires applicants to download submission forms at <http://www.psfuganda.org/start-facility-submission-form/> and submit your completed form to PSFU via e-mail: cfpstart@psfuganda.org.ug and copied to: cfp.start@uncdf.org. Make sure that your proposal complies with the required standard and is submitted on time. You will receive an electronic acknowledgement receipt for your submission. UNCDF is planning to digitize the START Application process and will share details once this is completed as well as build capacity of applicants to use the online system to submit applications.



Project identification – PSFU will carry out the first screening to make sure that your proposal meets key (basic) submission criteria. You may be contacted by PSFU for additional information if necessary. If your proposal fails, you will be notified and appropriate general BDS support provided for future improvement.

If your proposal passes this stage, it will be forwarded to UNCDF for the second screening and due diligence to verify the information in the submitted proposal as well as establish both the commercial and technical viability of the project. Based on the results of the 2nd screening and due diligence, UNCDF will select the projects to form the pipeline for full proposal development. If your project is selected, an Investment Officer will be assigned to work with you to prepare the full proposal. Unsuccessful projects will be notified and given appropriate pre-investment BDS Support to overcome their weaknesses to submit bankable proposals in subsequent call.



Project development – The Project Investment Officer will carry out detailed due diligence and business case analysis for your project and will provide required support to the developer including:

- Project development (feasibility studies, business plan, financial model);
- Project structuring (governance, incorporation);
- Project financing arrangements (financial structure and sources of finance).

The full proposal shall be submitted to the START Facility Management Board for further review and recommendation for financing



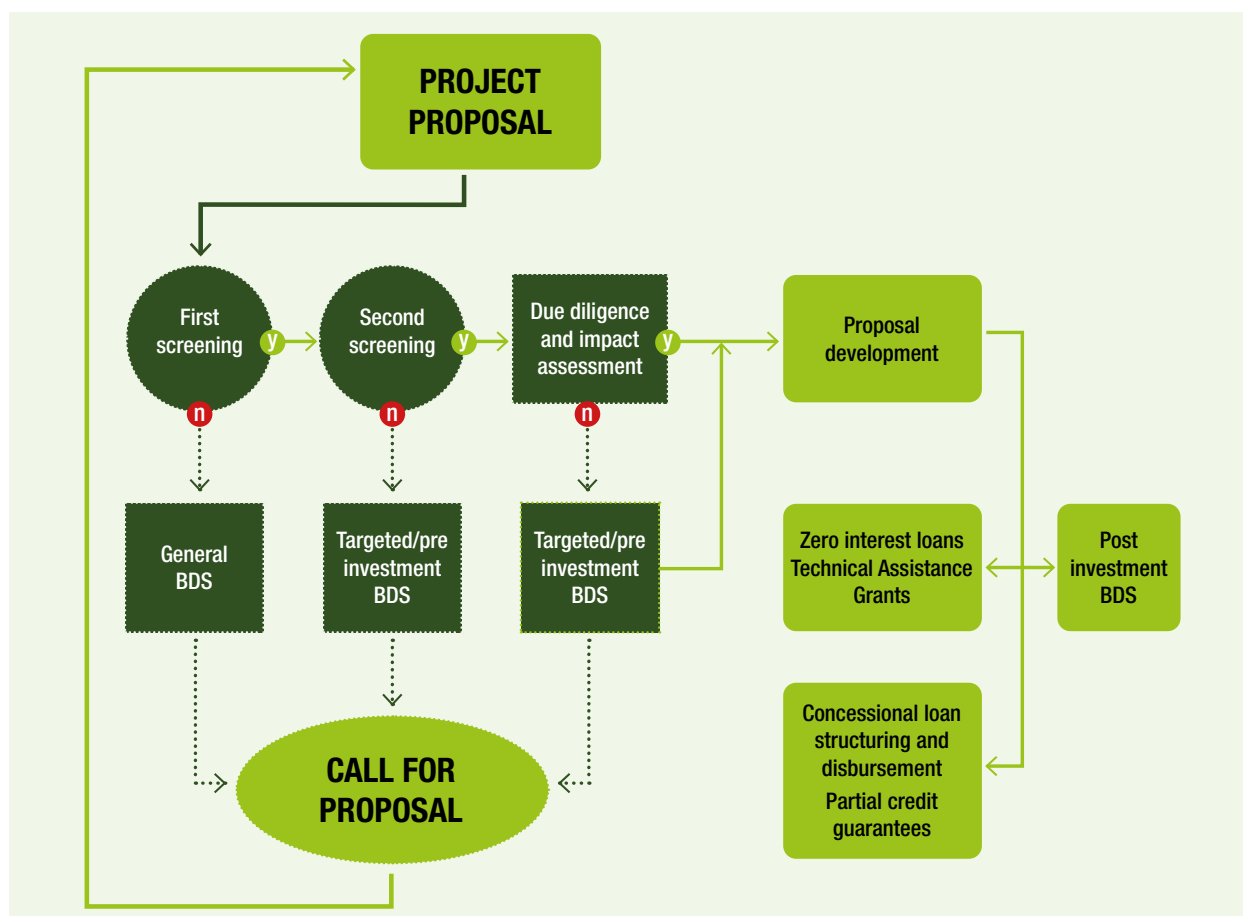
Project financing – The Investment Officer will prepare, negotiate and submit a loan application or an equity agreement (where applicable) with UDB or other financiers for your project. Financing may include concessional loans or zero-interest loans/reimbursable grants (under special circumstances) and partial credit guarantees and technical assistance grants (where necessary). Once approved by the financier(s), your project will receive financing as specified in the respective project financing agreement(s).



Post-investment support – UDB and partners will monitor the performance of your project and its debt servicing progress. In addition, UNCDF and PSFU will continue to provide technical assistance to address the identified technical and/or financial issues during the life of the project to ensure the business becomes economically and financially sustainable.

3.2 START FACILITY PROCESS ACTIVITY FLOW

FIGURE 2 START FACILITY PROCESS FLOW



The START facility Approval process may take 6-9 months from the final day of submitting proposals to the time when the project receives financing depending on the readiness of the applicant to provide the required information.

3.3 START FACILITY PROCESS TIMELINE

The table below provides an indication of the timeline of the application process from the issuance of the call for proposals to the finalization of the award. The timeline below was followed during the second call for proposals issued in July 2019 and will guide all the subsequent calls.

STAGE	MILESTONE	RESPONSIBLE ORGANIZATION	MAXIMUM DURATION (CALENDAR DAYS)
1	Publication of call for proposals and submission of applications	UNCDF/ PSFU	90
2	1 st screening of applications (long-listing)	PSFU	45
3	2 nd Screening of longlisted applications (shortlisting)	UNCDF	45
4	Due diligence on shortlisted companies	UNCDF	30
5	Full proposal development for selected pipeline projects	UNCDF	90
6	Project structuring & financing	UDBL	60

Note: Business development services ranging from general BDS to pre & post investment BDS services are provided by the START facility to potential beneficiaries throughout the six-stage process.

04

HOW TO APPLY FOR START FACILITY SUPPORT

A call for proposal is issued through the mainstream media including leading daily newspapers (New Vision, Daily Monitor and local language papers) as well as online via the partner websites i.e. UNCDF, PSFU and UDB. The call for proposals from prospective companies will be issued at least once every calendar year. The following are critical for applicants to the START facility.

- Applicants should provide the budget and all other figures in Uganda Shillings (UGX) and if possible, as round figures.
- Applicants **MUST** submit their project proposals in English language only.
- Applications must be completed carefully to ensure all the required information is provided. Submission of incomplete information disqualifies the application.
- Only one application per entity and per proposal will be accepted.
- Any significant errors or any major inconsistency in the submission may lead to the rejection of the proposal.

Warning to Applicants: No applicant should accept to pay any fees/commission to any individual/consultant to the extent that they will be assisted to get approval / funding under the START Facility.

INSTRUCTIONS FOR SUBMITTING PROPOSALS

Important Notice

1. **Language of proposal:** Proposals must be submitted in English
2. **Deadline for submission:** The deadline for submission of the investment proposals is usually after the end of **three months** following the issuing of Cfp.
3. **Please note:** Applicants who do not submit within the deadline will not be considered, and successful applicants will be contacted after the deadline.
4. **Successful longlisting:** START will endeavour to inform successful and unsuccessful applicants for the longlisting within 45 days following the end of submission date. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
5. **Successful shortlisting:** START will endeavour to inform successful and unsuccessful applicants for the shortlisting within **45 days** after longlisting. Those applicants who will not have been contacted by then should consider their proposals unsuccessful.
6. **Inquiries:** For additional inquiring about the application process please send your inquiry to: cfpstart@psfuganda.org.ug and cfp.start@uncdf.org with the subject **"INQUIRY"**.
7. **Acknowledgement of receipt:** START will acknowledge receipt of your email by replying to the email address from which the application was sent.
8. **Caution to Applicants:** No Applicant should accept to pay any fees/commission to any individual/consultant to the extent that they will be assisted to get approval under the START Facility.

For further instruction on submission please refer to the Call for Proposal document.

05

SELECTION OF PROJECTS



Projects selected for START Facility support will go through a five-stage process.

1. First screening (longlisting) by PSFU
2. Second screening (shortlisting) by UNCDF
3. Due diligence and impact assessment by UNCDF
4. Full proposal development by UNCDF
5. Final project appraisal, structuring and disbursement by UDB

5.1 FIRST SCREENING (LONG-LISTING)

This desk screening will be carried out by PSFU following the receipt of applications through the call for proposals. PSFU will examine the compliance of the project proposals with the mandatory eligibility criteria specified in the call for proposals focusing on the following:

TABLE 1 MANDATORY CRITERIA FOR INITIAL SCREENING OF APPLICANTS

	DESCRIPTION OF CRITERIA
1 Legal status	The entity must be a registered company, cooperatives or association
2 Eligible activity	The entity must be involved in agricultural value addition
3 Geographical scope	The entity must be located and/or have its operation in one of the 38 approved districts in Northern Uganda
4 Complete submission	The application must contain all required mandatory data including historical financial performance (for existing businesses) and projections; minor omissions can be allowed to the extent that they do not impair adequate appraisal
5 Eligible Value Chain	Priority is given to the approved value chains; Cassava, Coffee, Soya, Sesame, Sorghum, Rice, Apiary, Vegetables, Groundnuts, and Livestock. Other value chains may also be considered
6 Developer's contribution at least 25%	Own contribution must be indicated in the application
7 Financing is within the range	Financing gap ranging from UGX40m - UGX400m±10%. The total project size can be up to three times the financing gap. Leveraging extra funds from other institutions should be sought where necessary.
8 Eligible non-capital expenditure below 25%	Eligible non- capital (working capital) costs are costs direct to the project and necessary for carrying out the project, and must not include pre-award costs, cost of idle facilities, fines & penalties, cost of advertising & fundraising, entertainment, debts & provisions for losses.
9 Not involved in any prohibited activities	Does not engage in any act of fraud or corruption or is involved in a criminal organization or any other illegal activity under Ugandan law and the entity and/or its owners are not on the United Nations Security Council Sanctions List
10 No adverse social or environmental impact	Project implementation (construction and/or operation and/or eventual decommissioning) will not lead to any negative social or environmental consequences, such as <ul style="list-style-type: none"> • adverse social impacts to local communities or other project affected parties • significant displacement and/or resettlement • adverse impact to the rights, lands, resources and territories of indigenous peoples • adverse impact to critical habitats • significant adverse impacts to cultural heritage • environmental pollution • deforestation and land degradation • emission of significant quantities of GHGs

A score matrix showing the performance /rating of applicants against the above criteria shall be prepared by PSFU and shared with UNCDF for further review.

5.2 SECOND SCREENING (SHORT-LISTING)

This screening will be done by UNCDF following receipt of the long-listed project proposals from PSFU. UNCDF will focus on the assessment of the project using the criteria below and including **explanatory notes & scoring criteria**:

TABLE 2 CRITERIA FOR SHORTLISTING & EXPLANATORY NOTES

CRITERIA	GUIDING QUESTION(S)	EXPLANATORY NOTES & SCORING THE CRITERIA
CRITERIA 0 Information Required	Has the company shared all the requested critical additional information that affects the selection decision?	SCORING CRITERIA: Yes/No
CRITERIA 1 Capital Intensive	Is the capital structure sufficient for the project success? Is the capital cost relatively high in relation to annual sales?	SCORING Detailed analysis of the project capital expenditure and availability of the developer's contribution: CRITERIA: Yes/No
CRITERIA 2 Proven Technology	Do the project characteristics allow application of project financing (Capital intensive, employs proven technology)? Has a documented track record for a defined environment?	Such documentation shall provide confidence in the technology from practical operations, with respect to the ability of the technology to meet the specified requirements SCORING CRITERIA: Yes/No
CRITERIA 3 Environment & Social Risks	Are the resulting environmental and social risks created by the project mitigated?	SCORING CRITERIA: Yes/No
CRITERIA 4 Technology Employed	Is the technology employed in line with that targeted by the START Facility as per the Eligibility Criteria?	<i>Refer to sect. 2.7</i> SCORING CRITERIA: Yes /No
CRITERIA 5 Commercial viability	Is the project Commercially viable?	Analysis of project revenues and costs to retain cash flow to pay back the loan - Does the high level review qualify? SCORING CRITERIA: Yes /No
CRITERIA 6 Availability of raw materials	Is the knowledge of project implementation area indicate existence of the required raw materials?	SCORING CRITERIA: High: The proposal gives specific geographic source of raw materials, types of suppliers, relationship with the suppliers or existing contracts; Medium: The proposal gives specific information about intended source of raw materials, but with no specific relationship with suppliers; Low: Proposal gives general information about raw materials; None: Proposal has no information on source of its raw materials

CRITERIA	GUIDING QUESTION(S)	EXPLANATORY NOTES & SCORING THE CRITERIA
CRITERIA 7 Market Availability	Has the project demonstrated market availability?	<p>SCORING CRITERIA:</p> <p>High: Proposal is specific about existing contracts with off takers, description of market partners and existing relationships with customers;</p> <p>Medium: The proposal gives specific information about market for its products, but with no specific relationship with the customers;</p> <p>Low: Proposal gives general information about existing market for its products;</p> <p>None: Proposal has no information about market for its products.</p>
CRITERIA 8 Project Additionally	Is the project additionally justified?	<p>Without public support, the private enterprise would not undertake the action or investment, or would not do so on the same scale, at the same time, in the same location or to the same standard. The supported action should not crowd out the private sector or replace other private financing.</p> <p>SCORING CRITERIA:</p> <p>High: Project cannot be implemented without public support.</p> <p>Medium: Project is very unlikely to be implemented without public support;</p> <p>Low: Project is unlikely to be implemented without public support; None: Project can be implemented without public support;</p>
CRITERIA 9 Ecological scarcities and green economy	What is the Level of project's contribution to reduction in ecological scarcities and contribute to green economy?	<p>SCORING CRITERIA:</p> <p>High: Project indicates application of clean energy sources, integration of anti-pollution devices, environment restoration activities and contribution to green economy;</p> <p>Medium: Project indicates utilization of some clean energy solutions and contribution to green economy though to a lower extent;</p> <p>Low: Project simply mentions about clean energy without any indication of utilization or its contribution to green economy;</p> <p>None: Project does not mention any contribution to ecological scarcities and green economy.</p>
CRITERIA 10 Contribution to Food Security	To what extent does the project contribute to each of the food security dimensions: Availability, Accessibility & Stability?	<p>SCORING CRITERIA:</p> <p>Project contribution to each of the 3 food security dimensions (Availability, Accessibility & Stability) earns 1 point. Therefore High: Score=3; Medium: Score=2; Low: Score=1; None: Score=0.</p>
CRITERIA 11 Contribution to local primary production	Does the project contribute to development of local primary production in Northern Uganda?	<p>SCORING CRITERIA:</p> <p>None: No purchase of raw materials from Northern Uganda;</p> <p>Low: Project purchases less than 50% of its raw materials from Northern Uganda;</p> <p>Medium: Project purchases more than 50% of its raw materials from Northern Uganda;</p> <p>High: Project purchases Most/all agricultural raw materials from Northern Uganda.</p>

CRITERIA	GUIDING QUESTION(S)	EXPLANATORY NOTES & SCORING THE CRITERIA
CRITERIA 12 Benefits for women and youth	To what extent does the project create specific benefits for women and youth?	<p>Project describes deliberate actions to benefit Women and Youth (Involve them as suppliers, designate a percentage of Direct employment for them, empower youth or women participation in the governance structures of business, creating employment conditions that facilitate participation of women e.g. child care facilities, paying maternity leave, providing vocational trainings, commits to provide training in use of machinery. Product addresses the challenges of women and youth, etc.);</p> <p>SCORING CRITERIA:</p> <p>High: Project is specific about actions to be taken in more than 3 of the above mentioned areas;</p> <p>Medium: Project indicates actions to be taken in at least 3 of the above mentioned areas;</p> <p>Low: Project indicates actions to be taken in at least 1 of the above mentioned areas;</p> <p>None: Project doesn't mention any direct benefit to women and youth.</p>
CRITERIA 13 Benefits to refugees and hosting communities	Is the Project benefiting of refugees and host communities?	<p>SCORING CRITERIA:</p> <p>None: Project is not located in a refugee camp or refugee hosting district;</p> <p>Low: Project is located in a refugee camp or refugee hosting district and employs people from only the host communities;</p> <p>Medium: Project is located in a refugee camp or refugee hosting district and creates less than 50% direct and or indirect employment for refugees</p> <p>High: Project is located in a refugee camp or refugee hosting district and creates more than 50% direct and or indirect employment for refugees.</p>

GUIDE FOR SCORING CRITERIA 6-13

Legend	Rank (Score)
(0=None)	0
(0<30% - Low)	1
(30%-50% - Medium)	2
(>50% - High)	3

Cut-off points for projects to be shortlisted

- Any project that scores **NO** on Criteria **0 to Criteria 5** is automatically rejected.
- Projects that score **YES** on all **Criteria 0 to 5** will be ranked based on the Total Score. Projects to be short-listed will be required to score at least 50% and above.



5.3 DUE DILIGENCE ON THE SHORTLISTED APPLICANTS

UNCDF will undertake a field due diligence on all the shortlisted companies prior to undertaking detailed proposal development. While the information contained in START submission form is vital for preliminary screening, it is neither verified nor sufficient for the subsequent proposal development phase. Therefore, due diligence is necessary not only to verify the information received through the application but also obtain any other relevant information for subsequent actions/ decisions.

Besides, the due diligence process is aimed at gaining a better understanding of each of the shortlisted companies and their businesses. The process also allows for the identification of any challenges faced by these companies (to enable UNCDF to build their capacity through business development support at a later stage) as well as verify the commercial viability of the proposed projects.

Key business aspects assessed during the due diligence process

The due diligence process does not follow any specific pattern of questions due to uniqueness of the individual companies. However, a more generalized guide is followed during the assessment with key aspects listed below. Detailed questions and discussions are derived from responses provided by the companies thus enabling the due diligence team to understand and acquire as much information as possible.

Company History	<ul style="list-style-type: none"> a) Business Overview (General explanation of the business, brief background/history, greenfield or expansion) b) Registration, shareholding/membership c) Management and staffing d) Licenses and Permits /certifications e) Investment Opportunity
1) Industry Analysis	<ul style="list-style-type: none"> a) Macroeconomic (Country and Sector) b) Microeconomic (Regional and Product Specific)
2) Supply	<ul style="list-style-type: none"> a) Availability b) Supply relationships c) Sourcing Plan <ul style="list-style-type: none"> • Human Resource Requirements • Infrastructure Requirements d) Competition e) Pricing and Payment Dynamics
3) Process	<ul style="list-style-type: none"> a) Location b) Processing Description c) Equipment Requirements, capacity, suppliers d) Working capital Requirements e) Personnel Requirements
4) Market	<ul style="list-style-type: none"> a) Products <ul style="list-style-type: none"> • Product Mix • Competition • Target Market • Pricing b) Sales Distribution Strategy <ul style="list-style-type: none"> • Human Resource Element • Distribution Requirements
5) Historical Financial Overview	<ul style="list-style-type: none"> a) Revenues, Revenue composition, b) Cost of Goods Sold c) Operating Costs d) Profitability Analysis e) Capital Expenditure (land, buildings)
6) Company Management and Financial Structure	<ul style="list-style-type: none"> a) Investment Requirements b) 25% contribution c) Financial Projections d) Financing Structure
7) Compliance	<ul style="list-style-type: none"> a) Tax compliance b) Compliance with URSB Requirements c) Social Security Compliance d) Compliance with local authority and industry requirements e) Internal control systems
8) Risks and Mitigations	
9) Development Impact	<ul style="list-style-type: none"> a) Social economic b) Environmental



5.4 PROJECT PROPOSAL DEVELOPMENT

Project development is undertaken by UNCDF on the pipeline of projects before submission to UDB for project structuring, financing and monitoring. Project development includes working with project developers, to prepare the following project documentation for the projects in accordance with the START rules and procedures:

1. Prepare the project financial model(in Excel) for the base case and sensitivity analyses (revenue breakdown, profitability and returns, deal structure etc.); the financial model should suggest a financing structure adapted to the project's nature and capacity and make use of credit enhancement mechanisms (e.g. concessional loan, partial credit guarantees) and alternative sources of finance (commercial banks and/or investors) as appropriate.
2. Prepare a Project Information Memorandum (business plan) both the preliminary version and the detailed final version
3. Recommendation of funding sources for the projects if applicable and strategies to help the project to reach financial close with external investors (commercial banks, investors, lawyers, contractors, and other third parties).
4. Highlight any specific areas that require capacity building through technical assistance grants

5.5 PROJECT FINAL APPRAISAL, STRUCTURING & DISBURSEMENT

UDB is responsible for the final appraisal of the projects submitted by UNCDF, structuring the financing and final disbursement to the beneficiaries. This involves the following:

- a) Credit analysis and evaluation: An in-house process that specifies the degree of credit exposure (credit risk) that the bank would hold if the client's project is financed. It analyses the risks held by the Bank from the following factors:
 - i) Business and Financial Analysis (Debt Service Coverage, Leverage, Company's liquidity position, Asset quality, Cash & Earning Trends)
 - ii) Credit history for the company, company management structure and shareholding (character, experience in respective sector, board/management structure (family involvement in shareholding)
 - iii) Conditions facing agribusiness in Northern Uganda
 - iv) Risk Analysis (Balance Sheet, Currency and environmental risks associated to the project).
- b) Evaluation of probable social economic impacts – key factors considered in this analysis include:
 - i) development of the local food supply chains (improved quantity and quality of local food production; improved effectiveness of local food markets; improved position of women and young people in the local food supply chain);
 - ii) local economic impact (increase in locally retained monies; increase in household revenues; increase in demand for local primary production; improved local resilience and adaptation to climate change);
 - iii) transformative impact (increase in the added value of a product created locally; application of new technologies)
 - iv) any other factors deemed necessary by UDBL, e.g. anticipated jobs to be created from project (directly and or indirectly), use of local raw material in the project, energy efficiency, anticipated degree of import substitution and or FCY flows into country from the project, distance of project from CBD (reflection of decongestion from the city center).
- c) Loan pricing: Using the pricing model agreed upon through the MoU between the bank and UNCDF.
- d) Preparation of the term sheet and loan agreement: The loan agreement is signed by both parties (the Bank and the client) once:
 - i) term-sheet is accepted and signed off by the client
 - ii) project is approved by the Bank.
- e) Security and its perfection: An undertaking by the legal department (registration of the security provided by the client).
- f) Disbursement and administration of the concessional loans: Includes billing, collections and all related operations of the loan by the Bank.
- g) Monitoring and evaluation of the loan project during project implementation and operation in line with the guidelines stipulated in the Bank's policy around supervision of the project.
- h) Identification of loan payment issues and their referral to UNCDF: includes reconciliation of interest and principal payments from the project promoter against the outstanding amounts and subsequent reports (quality and quantitative reports to UNCDF).

06

BUSINESS DEVELOPMENT SUPPORT TO SMEs



6.1 THE NEED FOR BUSINESS DEVELOPMENT SERVICES UNDER THE START FACILITY

Many SMEs across the country experience grave systemic issues and this is not an exception in Northern Uganda. Businesses do not keep proper financial records, lack proper governance structures, lack qualified staff to run business activities, and only conduct minimum accounting for tax purposes and under-declare profits etc. This results in inaccurate information, which does not support management decisions and processes and makes it hard for these SMEs to prepare bankable proposals. Basic requirements such as registration of businesses, understanding the information required to submit project proposals, understanding the business expenses, enterprise selection among others remain a challenge to many in the START target areas.

Therefore, a well elaborated and structured approach to provision of business development services to the SMEs targeted under the START facility is extremely important. Specific guidelines to BDS support have been developed to help address both the basic and complex business challenges to enable SMEs access START facility funding as well as funding from other financial institutions.

6.2 FORMS OF BUSINESS DEVELOPMENT SERVICES (BDS) UNDER THE START FACILITY

The START facility process provides for general BDS, pre-investment BDS and post-investment BDS all of which are critical components of the process.

a) General BDS Support

This is the basic form of capacity building support to enable SMEs fulfill the basic (first) screening requirements under the START facility. Therefore, at the end of the general BDS support process, the SMEs should be able to fulfill the relevant elements of the first screening checklist under section 5.1 above. This BDS is available to SMEs aspiring to apply for the START facility funding or have applied but failed the first screening process. This BDS support is provided by PSFU through business clinics and START facility awareness events.

b) Pre-investment BDS Support

Pre-investment BDS is mainly designed to address both the “operational” and “strategic” business aspects that may affect the project from proceeding to full proposal development and benefiting from START facility financial support.

Operational services are those needed for day-to-day operations while strategic services, on the other hand, are used by the enterprise to address medium- and long-term issues in order to improve the performance of the enterprise, its access to markets, and its ability to compete. For example, strategic services can help the enterprise to identify and service markets, design products, set up facilities, and seek financing.

The most common aspects of the business covered under the pre-investment BDS support to SMEs include financial management, business management, operational processes, governance, compliance, etc. This support is mainly provided by UNCDF through selected service providers and is available to shortlisted businesses.

c) Post Investment BDS Support

The BDS support provided under this category is designed to address issues that may be identified during the preparation of full proposals by UNCDF or after accessing financing. The support is available to businesses receiving funding under the START facility and may include services in aspects such as policy and advocacy, input supply, training and technical assistance, technology and product development, alternative financing mechanisms, infrastructure product development, trade negotiations, risk management, regular performance monitoring etc.

d) Technical Assistance Grant

Technical assistance grants are funds set aside by START Facility to hire services on behalf of selected businesses receiving concessional loans or partial credit guarantees to address identified challenges such as procuring and setting up accounting systems, system up-grades, digitization of value chains, computer hardware & software, system up-grades, carrying out market studies & research, product developments, hiring internal SME staff as part of capacity building, carrying out market studies, product developments etc. Technical assistance grants available under the START Facility are capped at €10,000 per business.

07

FINANCIAL INSTRUMENTS AND THEIR APPLICATION

START facility will apply appropriate financing instruments to cover the financing gap of eligible projects, in addition to the mandatory 25% contribution of the project developer. A project may benefit from technical assistance grants and **only one** of the other financial instruments described below, i.e. if a project receives a partial credit guarantee, it cannot benefit from a concessional loan and vice-versa.

7.1 FINANCING INSTRUMENTS

Technical Assistance grants: are designed to pay for external services provided by third parties, such as, procuring and setting up accounting systems, system up-grades, digitization of value chains, computer hardware & software, system up-grades, carrying out market studies & research, product developments, hiring internal SME staff as part of capacity building, carrying out market studies, product developments etc. The project development grant should not exceed € 10,000 per project/SME regardless of the total size of the project.

Partial Credit Guarantees: UNCDF may apply partial credit guarantees as a credit enhancement measure. Such guarantees will be extended to the lending institution (including UDB). The PCG is designed to increase both credit or financial additionally once implemented. Credit additionally refers to the extra loans that would not have come about without the credit guarantee scheme. The PCG will also offer an opportunity to contribute not only to credit additionally, but also to economic additionally, e.g. increases in profit and/or employment. By improving access to formal credit, the facility will help enterprises acquire finance for investments which can increase productivity. Although guarantees are a contingent liability that may or may not be expended, the amounts ring-fenced for guarantees that will have been expended are not recoverable from the project developer. The actual amount of the funds disbursed as a guarantee will be determined by the terms and conditions of the START Facility guarantee guidelines. UNCDF will guarantee up to 50% of the project financing requirement.

Reimbursable grants: these are special working capital loans extended the Small Business Recovery Fund (SBRF) initiative to START facility shortlisted SMEs that are facing severe impact as a result of COVID-19 and related restrictions. The amount of funding available per successful SME is UGX. 40,000,000 repayable in 12 months at zero interest.

Concessional loans: As described in the previous section, UDB will apply such loans to eligible project based on its internal credit risk analysis. The annual interest rate for concessional loans issued by UDBL shall be 10-12% annually depending on the project risk with a maximum tenor of 5 years and a maximum grace period of 1 year. In principle, the concessional loan may go as high as 75% of the total financing requirement. However, to maximize the available funding, the START facility may seek to mix the concessional loan with other types of financing (equity or debt) provided by external sources.

7.2 APPLICATION OF THE FINANCING INSTRUMENTS

In line with the overall objective of leveraging domestic finance for development, START will apply the following guiding principles to loans and guarantees.

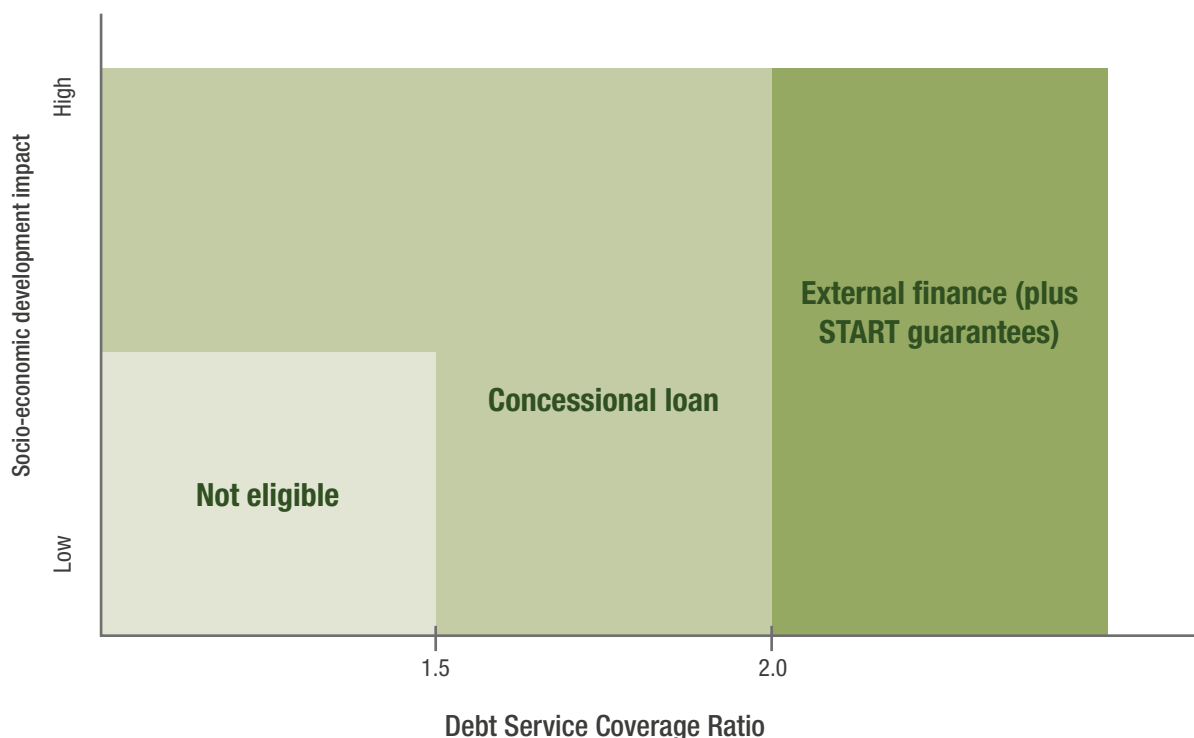
The primary consideration for the type of financing to be issued is the project debt service coverage ratio (DSCR) (debt service coverage ratio), based on the project capacity to repay the funds as well as the socio-economic impact of the project on the community.

The following rule of thumb is then applied:

- a) If DSCR is around 2.0 and above, START may seek for external finance (including for example UDB regular loans) supported by a START guarantee if necessary
- b) If DSCR is around 1.2-2.0, the project is given a concessional loan from START
- c) If DSCR is below this threshold but with high socio-economic impact, then the project may benefit from concessional loan subject to the three simultaneous conditions : (1) economic empowerment of women and youth (at least 30% of the employment created by the project); (2) application of digital or clean energy technologies; (3) creation of employment for refugee communities (at least 30%).
- d) If the project does not meet these requirements and its DSCR is low, it should be rejected.

The following chart illustrates the application of the general principles explained in this section.

FIGURE 2 APPLICATION OF PROJECT FINANCING INSTRUMENTS



APPENDIX 1: START APPLICATION FORM

Call for Investment Proposals under the START Facility of the Development Initiative for Northern Uganda (DINU) Programme

General Company and Project Information				
Company / Organization Name				
Type of Incorporation/Company – Tick as appropriate	Company	Cooperative	Association	Other (Specify)
Year established / Incorporated				
Type of entity (Private, Public)				
Project Name				
Agribusiness Value Chain				
Total Project Size (Uganda Shillings)				
Funding Required (Uganda shillings)				
Applicant's contribution (Shillings)				
Company Physical address				
Project Location (District, Sub-county)				

1. Contact details	
<i>[Provide details of contact person for the applicant]</i>	
Name	
Job title/position	
Active Email address	
Telephone contacts	
2. Project Description/Summary	
<i>[Provide a brief description of the project, including objectives, expected outcomes, revenue and profits, developmental impact(s) to affected communities and funding requirements]</i>	
Background: Describe business background and current business activities	
Objective(s)	
Expected outcome(s)	
Revenue generation and profits: Describe how you will generate revenue and profits.	
Developmental impact(s)	

3. Information on Sponsorship and Management

[Provide a profile of the sponsors involved in the project and the management team of investors/company. In case of a greenfield project (Start-up), and management is currently not in place, indicate any plans to the extent possible]

List of the company shareholders/members

Name of Shareholder	Percentage Shareholding

Senior Management team

Job Title/Position	Name	Qualification and Experience

4. Supply Dynamics and Strategy

[Provide basic supply information including the following: potential suppliers, sources of raw materials and supply channels to be used; competitors for raw materials and anticipated competitive environment); Relationship with individual farmers/farmer groups/associations etc]

Potential Suppliers	
Sourcing raw materials and services	
Management of supply channel(s)	
Supply strategy	
Competitors for supplies and supply environment	

5. Market Dynamics and Strategy

[Provide basic market information including the following: potential customers/users of the products/services and distribution channels to be used; competitors and anticipated competitive environment); market positioning and penetration strategy for future growth]

Customers/users	
Products/services	
Distribution channel(s)	
Marketing strategy	
Competitors	

6. Prior period performance

[Complete this section if you have prior period operations. Insert information regarding past financial performance below including description of activities carried out and indicate critical factors that determined profitability. Where possible, please attach the prior period financial statements as indicated in section 13]

Prior period performance (Uganda Shillings)

Provide a brief description of your prior period performance: (including number of units produced, cost per unit etc)			
Financial Year	Prior Period 3	Prior Period 2	Prior Period 1
Statement of Comprehensive Income			
Revenue (A)			
Cost of goods (B)			
Gross Profit C=(A-B)			
Administrative & other expenses (D)			
Profit Before Tax / Loss (C-D)			
Statement of financial Position			
Current Assets			
Non-Current Assets			
Current Liabilities			
Non-Current Liabilities			
Total Share Capital			
Retained Earnings			

Applicant Credit History for the last 3 years (where applicable)

Lender	Loan Facility Details			
	Date Borrowed	Amount	Outstanding Balance	Completion Date

7. Investment and Funding Requirements and Returns

[Describe the project cost breakdown, financial plan indicating expected sources of funding, financial projections with calculations of return on investments (if applicable), and identification of critical factors determining profitability]

Total Project Cost Breakdown (Uganda Shillings)

Expenditure Item	Capacity	Total Cost (UGX)	Your Contribution (UGX)	Financing Gap (UGX)
Total				

Financial projections (Uganda Shillings)

Provide a brief explanation of the basis for your project projections: (including number of units produced, cost per unit etc)					
Financial Year	FY 0	FY 1	FY 2	FY 3	FY 4
Statement of Comprehensive Income					
Revenue (A)					
Cost of goods (B)					
Gross Profit C=(A-B)					
Administrative & other expenses (D)					
Profit Before Tax / Loss (C-D)					
Statement of financial Position					
Current Assets					
Non-Current Assets					
Current Liabilities					
Non-Current Liabilities					
Total Share Capital					
Retained Earnings					
Factors determining profitability					

8. Technical Feasibility, Resources and Environment

[Provide a brief description of operations, potential suppliers and environmental issues that may arise and plans to address them]

Operations	
Suppliers	
Environmental issues	
Other	

9. Detailed implementation plan

[Provide an implementation plan including details of all steps/tasks to project completion, status of the tasks e.g. completed/in progress and the expected time or date of completion of each task]

10. Regulatory Framework Information/Compliance

[Provide an analysis of the project in the context of government regulations, including any specific incentives or other types of support to the project that may be available]

11. Development Impact

[Describe the expected development impact(s) from the investment accruing to the affected communities, e.g. job creation, income generation, empowerment of disadvantaged groups, including women and youth and rural populations, trade and market access for agricultural produce, etc.]

Provide a description of the out growers and individual farmers you intend to engage in supply of raw material.	
How will farmers, individually or in groups benefit from your product or service?	
Describes the new jobs that will be directly created in your company/ organization.	
How will women benefit from your product or service?	
How will the youth benefit from your product or service?	
How do you intend address environmental and social risks in your project?	
Describe any other development impacts.	

12. Estimated Timeline

[Provide an estimated timeline for completing the project]

13. Additional documentation submitted

[Please indicate which other types of supporting documentation you are submitting with your proposal]

Documentation	Submitted	
	Yes	No
Business plan		
Financial/Cash flow analysis		
Detailed implementation plan		
Feasibility study (market and/or technical)		
Audited financial statements (established entity/company)		
Entity Registration Documents		
Other		

*** Note:** Effective 2020, the manual application form was phased out. The application is now accessed online at: <https://start.go.ug/>

APPENDIX 2: START FACILITY FREQUENTLY ASKED QUESTIONS (FAQS) ANSWERED

BACKGROUND INFORMATION

Support to Agricultural Revitalization and Transformation (START) is a blended financing facility supporting SMEs in agricultural value addition in Northern Uganda by offering affordable medium-term finance through provision of Business Development Services, project structuring and transaction services, and financial products. These three lines of business are managed by the three participating institutions Private Sector Foundation Uganda (PSFU), United Nations Capital Development Fund (UNCDF) and Uganda Development Bank Limited (UDBL) respectively.

The START facility supports the implementation of the Development Initiative for Northern Uganda (DINU), a government of Uganda programme overseen by the Office of the Prime Minister and financed by the European Union.

GENERAL QUESTIONS

1. How is the START facility solving issues of the bank's willingness to lend to SMEs and the high costs of financing?

START's Technical Assistance for selected projects helps reduce the risks associated with these projects so that the cost of financing is low. START charges loan interest of 10% and one-off loan processing fees of not more than 1%.

2. What type of external financiers will START facility link projects to?

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

3. What is the minimum/maximum loan that START facility can provide?

START facility targets projects that need additional loan funding from approximately UGX 40 million to UGX 400million. UNCDF has partnered with other financing institutions to support projects whose financing requirement exceeds the €100,000 maximum limit available under the START Facility. Projects in this category are also encouraged to apply. The project developer's equity contribution should be at least 25% of the total project cost.

4. 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 e.t.c. At the same time START facility sets generous collateral requirements due to collateralization of future financial laws

5. 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.

6. Must you own the land for the project?

Yes. Project developers will need to provide evidence of ownership.

7. Do land agreements qualify as collateral for the loans?

Land agreements are not sufficient evidence; In addition to land agreements, you will need at least a Certificate of Customary Ownership that are in the individual/company/cooperative/association names.

8. 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 the former. Eligible non-capital expenditure such as working capital must be up-to 25% of the total financing required. Eligible non-capital costs are costs direct to the Project & necessary for carrying out the Project, and must not include; pre-award costs, cost of idle facilities, fines & penalties, cost of advertising & fundraising, entertainment, debts & provisions for losses.

9. How frequently are START facility calls for proposal published?

START facility will hold one call for proposal per year for the 4 years of the Facility. Two call for proposals have already been issued in 2018 and 2019. You can find all information on the START call for proposals on the websites of PSFU; www.psfuganda.org.ug and UNCDF; www.uncdf.org which are regularly updated. The call for proposals will also be published in the national newspapers.

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

PSFU and the other START facility partners will provide technical assistance to project developers to enable them to prepare their applications. START facility team conducts sub-regional call for proposal sensitization workshops where project developers are trained on how to complete the submission form and seek clarifications.

Due to the COVID-19 pandemic, Private Sector Foundation of Uganda and UNCDF will not hold physical pre-submission information and instruction sessions as has been in previous Calls for Proposals (CfPs) to mitigate the spread of COVID-19. Alternative communication and information sharing channels will be used including:

1) local radio stations,

2) bi-weekly Zoom Conference meetings,

3) social media (Twitter, WhatsApp),

4) District Commercial Offices

5) Telephone and

6) email. Please refer to the PSFU and UNCDF websites www.psfuganda.org.ug and www.uncdf.org for more information.

WHO CAN APPLY

11. Which districts are eligible?

The START facility is open to applicants from the 40 districts under the Development Initiative for Northern Uganda (DINU) programme. These include: Abim, Amudat, Kaabong, Karenga, Kotido, Moroto, Nakapiripirit, Nabilatuk and Napak in **Karamoja sib-region**; Agago, Amuru, Gulu, Kitgum, Lamwo, Nwoya, Omoro and Pader in **Acholi sub-region**; Alebtong, Amolatar, Apac, Kwanja, Dokolo, Kole, Lira, Otuke and Oyam in **Lango sub-region**; Amuria, Kapelebyong and Katakwi in **Teso sub-region**; Adjumani, Arua, Pakwach, Koboko, Maracha, Moyo, Obongi, Nebbi, Madi-Okollo, Yumbe and Zombo in **West Nile Sub-region**.

12. Do new districts recently carved out of the listed 40 districts qualify?

Yes, the geographic coverage for START is aligned with the geographic coverage of DINU and comprises 40 districts in Northern Uganda, this geographical area will be maintained. Therefore, projects from the new districts as a result of split of DINU districts qualify.

13. Are individuals eligible?

Individuals are not eligible under the START facility. START facility targets the following project developers: a **company** registered in Uganda under the Companies Act, 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.

14. 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 with projects that meet the eligibility criteria will be supported. Priority is given to projects that contribute to economic empowerment of women and youth as well as to projects that aim at reducing environmental risks and ecological scarcities.

15. 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** registered in Uganda under the Companies Act, 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.

16. Do foreign investors also qualify for START facility support?

Yes, as long as their companies meet the eligibility criteria under START facility.

17. Do project Startups (Greenfield) qualify for START Services?

YES, startup projects (Greenfield) qualify as long as the developer demonstrates the 25% contribution and project qualifies per START facility's Eligibility criteria.

APPLICATION AND SUBMISSION

18. Where can I find the application form?

When the call for proposal window is open, effective the 3rd CfP in 2020, An on-line application form 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 and UNCDF websites www.psfuganda.org.ug and www.uncdf.org. Proposals submitted in hard copy form or by mail will not be accepted.

19. Can you submit supporting documents to your application after the deadline for submission?

Applications and supporting documents submitted past the deadline will not be considered.

20. 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.

21. Can an organization submit more than one proposal?

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

22. In what language should the application be completed?

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

23. What's the timeframe from close of call for proposal to final selection?

After the close of submissions, it 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.

24. Is it possible to get feedback if my project is rejected?

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

25. 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.

26. 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 is provided to support the project developer identify 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 at least four months from the last date application to project financing.

For more information on START Facility, please contact

1. Mr. Deus Tirwakunda – deus.tirwakunda@uncdf.org cfp.start@uncdf.org
2. Mr. Daniel Kisekka – dkisekka@psfuganda.org.ug cfpstart@psfuganda.org.ug

APPENDIX 3: START MANAGEMENT BOARD



GIDEON BADAGAWA
Executive Director,
Private Sector Foundation
Chairperson 2019-2020



PATRICIA OJANGLE
Chief Executive Officer,
Uganda Development Bank
Chairperson 2018-2019



DMITRY POZHIDAEV (PHD)
Head of Office UNCDF
Uganda Country Office



GUDULA NAIGA BASAZA (PHD)
Independent Board Member



DENNIS KIYIMBA
Independent Board Member



ADOLFO CIRES ALONSO
European Union Delegation
to Uganda (Observer)

APPENDIX 4: START FACILITY TEAM



JENIFER BUKOKHE WAKHUNGU (PHD)
Programme Manager UNCDF
DINU/ Deputy Head of Office



DEUS TIRWAKUNDA
START Facility Manager
Secretary START
Management Board



IVAN DDAMULIRA
Investment Officer
START Facility



FRED MANDE
Investment Officer
START Facility



JOAN ALUPO
Communications & Knowledge
Management Specialist



DANIEL KISEKKA
Grant Manager
START Facility



ALEX GUMISIRIZA
Business Advisor
Agribusiness



JOHN PETER EMOI
Investments Manager
Agriculture sector



ALEXANDER NSANZUMUHIRE NSABA
Investment Officer
Agriculture sector

APPENDIX 5: ABOUT PARTNERS



UNITED NATIONS CAPITAL DEVELOPMENT FUND (UNCDF)

The **United Nations Capital Development Fund (UNCDF)** aims to make public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's financing models work through three channels:

- inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyse participation in the local economy, and provide tools to climb out of poverty and manage financial lives;
- local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development;
- investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

By strengthening how finance works for poor people at the household, small enterprise, and local infrastructure levels, UNCDF contributes to the Sustainable Development Goals—SDG 1 on eradicating poverty and SDG 17 on the means of implementation. By identifying those market segments where innovative financing models can have transformational impact in helping to reach the last mile and address exclusion and inequalities of access, UNCDF contributes to a broad diversity of SDGs.

UNCDF's work on Local Development in Uganda

UNCDF's DINU framework is grounded in UNCDF's global approach to local development finance in LDCs. This approach recognises the need to unlock the existing sources of capital and attract new investment capital to address development challenges at the local level. To this end, UNCDF applies its seed capital and technical assistance to develop innovative solutions that leverage or mobilize, allocate, and invest resource flows to the local level for local development, thus meeting the capital funding gap (annex 2).

Since 1985, UNCDF has been providing support to decentralization and local development in Uganda. An approach to financing local economic development (LED) by tapping into existing domestic capital was introduced under the name of the Local Finance Initiative (LFI). Since 2015, LFI has been implemented in Uganda as part of a Global Programme that has the overall objective of increasing the effectiveness of financial resources for local economic development through mobilization of primarily domestic private capital and financial markets in developing countries to enable and promote inclusive and sustainable local development. LFI supports infrastructural projects that are catalytic for LED through technical assistance in project development and last mile financing to make the projects bankable.



UGANDA DEVELOPMENT BANK

Uganda Development Bank (UDB) is a Development Finance Institution (DFI) focused on accelerating socio-economic development through sustainable financial interventions in line with the country's development priorities. They provide innovative financial solutions with emphasis on value chain development in infrastructure, industry, agriculture and other sectors. UDB's comprehensive approach to private sector development helps businesses innovate and create jobs and opportunities for people in Uganda. We are making a difference across Uganda.



PRIVATE SECTOR FOUNDATION UGANDA

Private sector Foundation Uganda (PSFU) is Uganda's umbrella body for the private sector made up of 230 Business Associations, Corporate bodies and the major Public Sector Agencies that support private sector growth. Since its founding in 1995, PSFU has served as a focal point for private sector advocacy as well as capacity building and continues to sustain a positive dialogue with Government on behalf of the private sector. PSFU is also Government's implementation partner for several projects and programmes aimed at strengthening the private sector as an engine of economic growth in Uganda.

PSFU's competitiveness agenda is driven by the urge to increase private investments and productivity. These two are supported by a robust business environment that attracts and protects investment capital. The business environment is better where there is: effective government, efficient markets, and strong human development. The Ugandan private sector appreciates the Government of Uganda is moving steadfast to establish such an environment and both local and Foreign Direct Investments have taken advantage of the stable business environment.

PSFU as the apex body has now expanded and scaled up its reach from merely providing business information, managing projects/grants, training and Business development support, to a diverse private sector think tank and innovation hub with a new stable platform for growth and sustainable development. This is being done in full collaboration with the government of Uganda and the UNDP. PSFU is a value-based and ethically driven entity premised on 10 sectors that drive Uganda's economic growth.

The foundation is also the focal point for the East African Business Council and the COMESA Business council. Using this platform, PSFU has spearheaded the Trade Policy and Trade Development agenda on behalf of the Uganda business community, directly engaging with regional policy platforms.

Key Mandate

1. Research and advocacy on policy issues that affect private enterprise
2. Maintain institutionalized dialogue with government on behalf of the private sector in Uganda.
3. Review of business legislation and regulation to make it more efficient for private sector operations
4. Business development support for SMEs i.e. product development, standards improvement, market access, technology acquisition and application, skills training

UN CAPITAL DEVELOPMENT FUND, UGANDA COUNTRY OFFICE

Plot 4 Ngabo Road Kololo | Kampala, Uganda

+256 322 200241  www.uncdf.org  @UNCDFDINU



For more information: Deus Tirwakunda START Facility Manager deus.tirwakunda@uncdf.org