

CALL FOR APPLICATIONS:

PRODUCTION, IMPORT REPLACEMENT & EXPORT PROMOTION

Uganda Development Bank Limited (UDB) is a development finance institution mandated to accelerate the country's socio-economic development through sustainable financial interventions in line with Government's development priorities as outlined in the country's National Development Plans (NDPs) from time to time.

As part of the Government's stimulus package to support recovery of the economy from the impacts of Covid-19, UDB has received funding to support increase in production of essential goods and services for import replacement and export promotion.

Beneficiaries

Small, Medium and Large Enterprises in the sectors of primary agriculture, Agro-Industrialization, and manufacturing aimed at production for local, regional, and international markets shall benefit as categorized below:

- i. Production of essential goods and services, including agriculture production
- ii. Import replacement and export promotion in industries that process and manufacture food & beverages textiles, clothing, leather & footwear (hides & skin); paper, printing & publishing; packaging and wrapping materials; chemical & Industrial products; timber, wood-works & furniture manufacturing; construction materials; pharmaceutical products; human & animal drugs manufacture; electrical.
- iii. Medical equipment and products including machinery, ventilators, Personal Protective equipment (PPE) etc.
- iv. Other industries will be considered on a case-by-case basis owing to their contribution to import replacement and export promotion.

Eligibility Criteria

The Bank will evaluate applications received based on a criteria developed from its credit policy which includes the following;

1. Must operate within the sectors identified above. It should be registered in Uganda and owned by Ugandans with exceptions to projects of a very strategic nature in terms of development impact.
2. The enterprise can be a start-up or existing business seeking to expand.
3. The enterprise promoter must demonstrate feasibility and viability of the project/Business.
4. The sponsors/promoters must be of credible reputation.
5. Compliance with all statutory requirements.
6. The enterprise should have social, environmental and economic viability.
7. Owners' equity contribution of between 10% and 60% may be required depending on project specifics and risks.
8. Owners' collateral is required depending

on project specifics and risks. Loans will be secured using any form of acceptable collateral.

9. Other provisions in the Bank's credit policy shall apply.

Funding in the identified sectors will be applied to the following specific interventions.

- i. **Agriculture** – Funds will be utilized for (a) acquisition of farm inputs (fertilizer, seed, chemicals etc.), (b) acquisition of mechanization equipment (tractors & implements, combine harvesters), (c) improvement in farming methods (acquisition of irrigation systems, valley dams), (d) improvement in breeds and varieties of crop and livestock (purchase of better heifers, better seed varieties), (e) support to general farm activities (working capital for labor expenses), (f) harvest and post handling management (finance purchase harvesting machines, threshing machines, construction of storage warehouses, drying racks, drying yards, purchase of drying tarpaulins among others).
- ii. **Agro-processing** – Funds will be utilized for (a) purchase of agro-processing equipment needed to add value to the agriculture produce, (b) construction of factory warehouses, plant and machinery, (c) provision of needed working capital to finance the operations of the business, (d) purchase logistics fleet to facilitate marketing, (e) financing post-harvest handling such as storage equipment like silos.
- iii. **Manufacturing / Industry** – This is an industry sub-sector, which does not utilize agricultural produce as raw-materials. The import replacement and export promotion industries listed above will be supported under this sub-sector. The specific funding requirements will take the form of (a) purchase of machinery and machinery needed in the manufacturing process, (b) construction of factory warehouses, (c) provision of needed working capital to finance the operations of the business, (d) purchase logistics fleet to facilitate marketing, among others.

Financial and non-financial interventions are provided through UDB'S various products as listed below;

a. Financial Interventions:

- **Term loans** – Mainly for capital investments such as financing purchase of plant and equipment for processing, agriculture mechanization, irrigation systems, construction of warehouses and purchase of trucks etc.
- **Asset finance** - To finance acquisition of equipment & machinery e.g. medical equipment or process machinery. Suitable for enterprises with inadequate collateral to adequately secure the credit

facilities.

- **Farmer Group Lending Model** - This is value chain financing to small holder farmer groups that are organized and registered as a cooperative society, association or company limited by guarantee
 - **Private Equity Investment** - Here, UDBL takes up shareholding in qualifying entities and divesting after a given time. This is suitable for SMEs, start-ups or large-scale projects with high growth potential and/or socio-economic impact but are unable to attract traditional debt capital from banks.
 - **Working Capital and Trade finance** – Uses include, financing bulk purchase of produce during peak periods, structured commodity trade finance products / collateral management. Tailored for existing and operational business in need of short-term finance to bridge an operational gap as well as acquisition of raw materials to support production.
- b. **Non-Financial interventions:**
 - i. **Project Preparation** – For eligible projects, the Bank undertakes planning and preparatory activities for project development with objective of moving projects from identification through concept design to financial structuring and commercial operations.
 - ii. **Business Advisory Services** – This support is mainly targeted to SMEs in order to make them 'bankable' and support includes preparation of business plans and good business management practices among others.

General Terms

- Term loans up to a period of 15 years
- Up to three (3) years of grace period.
- Interest rate shall not exceed 12% for borrowing in Uganda Shillings.
- The minimum lending amounts shall be UGX 100 million. The maximum shall be in line with the Bank's single obligor limit.

Required documents for application procedure

1. Resolution to borrow, articles & memorandum of association, certificate of incorporation.
2. Feasibility report/business plan (business plan guide/outline is available on the website).
3. A copy of each of the last 2 years audited/draft accounts (from an ICPAU/BOU listed audit firm).
4. Cash flow projections/budget estimates and projected financial statements.
5. Bank statement for the past 12 months.
6. Loan statements for all existing loans, if applicable, including copies of loan offer letters or agreements from other financial institutions.
7. Security for the proposed loan, including current valuations of the assets and any encumbrances, if applicable.

8. Credit Reference Bureau report of the company & all its shareholders/directors
9. Current & historical off taker agreements/purchase agreements where significant sales are on credit or under contract, including Pro-forma invoices accompanied by profiles of the proposed suppliers.
10. Proof of NSSF compliance.
11. Latest returns of directors and shareholders (if applicable).
12. Profile of directors & key technical personnel.
13. Tax clearance certificate.

Application procedure

1. The application form can be accessed, completed and submitted either online at <https://forms.gle/Yxveuf1pHayG9EiW6> or hard copies accessed & submitted at UDBL Head Office at Rwenzori Towers, or Post Bank Branch nearest to you.
2. Applications should be submitted together with all the required documents to support the evaluation process.
3. Applicants may be requested to submit additional information during the appraisal phase. If information is not provided by the applicant within the agreed time, the application may be suspended.
4. The evaluation process of an application can be delayed if additional documentation required is not provided in good time.
5. The application will be assessed after which it will be submitted to the relevant management and board committees for a final decision.
6. After assessment of the application, the applicant will be informed of one of the following outcomes:
 - i. Application approved.
 - ii. Application referred for further development in collaboration with the applicant.
 - iii. Application declined.
7. Approval, decline, or referral is entirely at the discretion of UDBL.
8. The loan process will take an average 45 days from application to first disbursement (for processes within the Bank's control). The days may be shorter or longer depending on nature and complexity of the project, completeness and quality of supporting documentation submitted necessitating further queries by the Bank and the responsiveness of the promoters in providing additional information requests.

For more information please visit the Bank's website on www.udbl.co.ug or email clientrelations@udbl.co.ug or call **0414 355 509**.

