

SUPPORT TO AGRICULTURE

1. AGRICULTURE AND AGRO PROCESSING SPECIAL FUND

The Government of Uganda through the Ministry of Finance, Planning and Economic Development has provided Ugandan Shillings worth 30 billion in the Financial Year 2009/10 National Budget for the **Agricultural Loan Facility** to stimulate Commercial Farming and Agro Processing as a strategy for increased production and productivity in Agriculture. The participating Commercial banks are cofinancing Ugandan Shillings worth 30 billion as well, making a total of Ugandan Shillings 60 billion for the Facility.

2. PSFU'S EFFORT IN ADVOCACY FOR THE FACILITY TO BE IN PLACE

In her advocacy agenda through the major policy document "Platform for Action" 2009, Private Sector Foundation Uganda recommended that the Government of Uganda should support and ensure sufficient business finance to the business community by providing incentives for current financiers to lend to agriculture-guarantee scheme for agribusiness¹. It is advanced that Uganda's growth strategy must have specific interventions aimed at enhancing productivity of the agricultural sector if indeed rural poverty is to be eliminated². In this regard, PSFU recommended that a **special fund** to support MSMEs engaged in **agro-processing** is instituted to enable them acquire processing equipments and machinery to raise production capacity, meet and exploit the high and increasing demand of Uganda's organic processed products.

3. DETAILS ON HOW THE FUND WILL OPERATE

As noted in the above, a fund amounting to UGX 60 billion financed equally by the Government of Uganda, represented by the Ministry of Finance, Planning and Economic Development (Ugandan Shillings worth 30 billion) constituting of a 50% risk cover; and participating credit and financial institutions (Ugandan Shillings worth 30 billion) will be created to support **agriculture expansion and modernization**. The Government contribution of UGX 30 billion will be deposited in Escrow account at Bank of Uganda which will administer its usage by the participating financial institutions³.

Note: Eligible borrowers will include farmers, agro processors and related services to agriculture. The detailed categories of beneficiaries will be agreed between the banks and bank of Uganda and the Government of Uganda prior to commencement of the scheme.

¹ See the PSFU 'Platform for Action' policy document for detailed recommendations, 2009

² Over 73% of Ugandans and mainly the rural poor depend on the agricultural sector for a living

³ For details on how facility will work, please refer to PSFU Policy Advocacy Department