THE UGANDA FARMERS COMMON VOICE PLATFORM

UFCVP

"A Farmers voice for sustainable livelihood"

Assessment of the Accessibility of the Agriculture Credit Facility (ACF) to Farmers (Smallholder Farmers)

caritas Uganda

Caritas Uganda
Uganda Catholic Secretariat,
Nsambya
P.O. Box 2886 Kampala,

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List of the Abbreviations

ACAO	Assistant Chief Administrative Officer
ACF	Agriculture Credit Facility
AMFIU	Association of Microfinance Institutions of Uganda
BMAU	Budget Monitoring and Analysis Unit
BoU	Bank of Uganda
CAO	Chief Administrative Officer
CBOs	Community Based Organisations
CDOs	Community Development Officer
CIDI	Community Integrated Development Initiative
CIs	Credit Institutions
DCDO	District Community Development Officer
DCO	District Commercial Officer
DEC	District Executive Committee
DFF	District Farmers Federation
DLG	District Local Government
DPO	District Production Officer
FBOs	Faith Based Organisations
FGDs	Focus Group Discussions
FY	Financial Year
GoU	Government of Uganda
KIIs	Key Informant Interviews
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MDIs	Micro Deposit Taking Institutions
MFSC	Micro Finance Support Centre
MSCL	Microfinance Finance Support Centre
MoFPED	Ministry of Finance, Planning and Economic Development
MoU	Memorandum of Understanding
NGO	Non-Governmental Organisation
OAG	Office of Auditor General
PELUM	Participatory Ecological Land Use Management
PFIs	Participating Financial Institutions
RDC	Resident District Commissioner
S/C	Sub County
SACCO	Savings and Credit Cooperative Organisation
SAS	Senior Assistant Secretary
SMEs	Small and Medium Sized Enterprises
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Cooperative Savings and Credit Union
UDBL	Uganda Development Bank Ltd
UFCVP	Uganda Farmers Common Voice Platform
UGX	Uganda Shillings
UNFFE	Uganda National Farmers' Federation
VSLA	Village Savings and Lending Association

Executive Summary

The Agriculture Credit Facility (ACF) was established in 2009 by Government of Uganda (GoU) in partnership with Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions to provide medium and long term loans to projects engaged in agriculture and agro-processing on more favourable terms. Government's contribution to the ACF is interest-free to the participating financial institutions (PFIs). The scheme is administered by the BoU, which does not deal directly with the ACF beneficiaries, but rather relies on the PFIs to select the eligible projects for financing.

Studies conducted by Caritas Uganda and other stakeholders indicated a number of bottlenecks towards the effective implementation of the scheme. Caritas Uganda through the Uganda Farmers Common Voice Platform (UFCVP) and other stakeholders, have been engaging government and sensitising stakeholders (including smallholder farmers) on improving access of the ACF loans. Consequently, the Memorandum of Understanding (MoU) was revised so as to broaden the scope of the facility to cover a wider range of activities including among others; investment in biological assets, grain trade, provision of working capital, and increase in access to the facility by MDIs and SMEs.

This study was undertaken to ascertain and assess the accessibility of the ACF to farmers (smallholder farmers). The study provides evidence on accessibility of ACF by smallholder farmers, challenges affecting uptake of the facility from both the supply and demand side and proposes ways to improve uptake of the facility.

The study was carried out both at national and district level. The ten districts include; Amuru, Arua, Buliisa, Iganga, Isingiro, Katakwi, Manafwa, Moroto, Mubende, and Oyam. In each district, the study collected data from farmers (especially smallholder farmers), local government officials, financial institutions, private sector actors and NGOs.

Evolution of ACF
The ACF has been revised five times and is now in the fifth phase with 16 financial institutions participating. The fifth phase (ACF V), accommodates more farmers and agro-processors under the Small and Medium Enterprises (SMEs) and has brought on board Grain trading. Government is in the process of initiating more changes to the ACF in order to improve access by the smallholder farmers. Some of the proposed changes include; introducing block fund allocation for MDIs and Credit Institutions (CIs), widening the eligibility scope to cover more items along the agricultural value chain and introducing alternative collateral arrangements.

Legal, Policy and Institutional framework
The policy and legal framework for the ACF is inadequate partly because there is no statutory instrument governing the scheme. The facility is governed by the MoU between GoU and PFIs, and the Financial Institutions Act 2004. The lack of clear policy and legal framework has led to implementation challenges such as: lack of guidelines on the time GoU contribution should be held on the Escrow account; lack of guidelines in dealing with delinquent loans; inadequate measurement of performance; and placing too much responsibility on the PFIs.

In addition, there are weaknesses in the institutional framework. For instance, Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) which is responsible for the development of

the agricultural sector, has no specific role in the scheme and is not participating in providing strategic guidance to the implementation of the scheme.

Performance of ACF
As of June 2017, the total disbursements amounted to UGX 236.55 billion which had been extended to 378 eligible projects countrywide. GoU had contributed UGX 117.34 billion and UGX 9.11 billion had been committed for projects pending receipt of proof of disbursements in order to refinance the PFIs. However, there was a significant decline in the disbursements from UGX 41 billion in 2009/10 to UGX 28 billion in 2016/17 due to the increase in the interest rate from 10 percent to 12%. The GoU remittances to the scheme have also not been consistent. Over the last eight years; GoU has only remitted UGX 141.07 (averaging UGX 18 billion annually) to the scheme.

The ACF has funded a wide range of activities with most funding going to Agro-processing machinery (56 percent); Farm expansion (26 percent); financing capital for grain trade (15 percent); Post-harvest management (5 percent); and livestock (2 percent). However, the scheme has mainly benefited medium and large-scale borrowers mainly in the central region (49 percent), and western region (32 percent).

The scheme has registered some achievements such as: instilling a level of confidence in agricultural finance to the financial institutions; contributing to the expansion of bank lending to the agricultural sector; promoting commercialisation and mechanisation/modernisation of the agricultural sector. However, there are factors constraining the ACF implementation which include; low uptake by MDIs, inadequate absorption of ACF loans, inadequate marketing of the scheme, increasing number of delinquent loans, inadequate monitoring and supervision of beneficiaries and failure by PFIs to adhere to conditions of the MoU.

Utilisation of ACF
This study found that the smallholder farmers have not adequately benefited from the scheme. This is largely due to limited awareness of the scheme by most farmers, especially smallholder ones. Only 9.4 percent of smallholder farmers in 10 districts were aware of the ACF. The lowest level of awareness was reported in Moroto, Mubende, and Buliisa at 0 percent, 1.4 percent and 1.4 percent, respectively. Consequently, only 7 percent (13 in number) of the smallholder farmers interviewed in the 10 districts, had applied for ACF loans. No smallholder farmer in Amuru, Arua, Buliisa, Iganga, Mubende, Moroto, and Oyam had applied for ACF loan. The responsibility of marketing the scheme is largely placed in the hands of the PFIs, however, most of them are not doing it, and they instead market their own loan products.

Challenges affecting uptake of the ACF
Besides limited awareness, there are a number of challenges that hinder smallholder farmers from accessing agricultural loans including; ACF such as lack of adequate collateral, lengthy procedures for accessing loans, absence of formal financial institutions in rural areas, negative perceptions about commercial banks by farmers and unpredictable weather patterns which make farming highly risky. From financial institutions, factors that hinder them from providing ACF loans include: unfavourable pricing of the ACF loans (12 percent interest which is less than the market rate); inadequate appraisal by some of the PFIs leading to delays in the loan approval process; some PFIs prefer to market their own agricultural loans on commercial basis; and bureaucratic processes of accruing ACF loan and dealing with delinquent loans.

Recommendations

Based on the above-mentioned findings, we provide the following recommendations:
Government

a. BoU should ensure effective implementation of the ACF marketing strategy to increase awareness about the existence of the scheme.
b. BoU should ensure that PFIs adhere to the terms and conditions stipulated in the MoU, especially interest rates and other charges on the ACF loans.
c. BoU should increase staff in the ACF department to ensure quick verification of loan applications and supervision of PFIs.
d. BoU and PFIs should ensure that loans are issued in a currency for which transactions are to be made.
e. The ACF should be revised to offer block fund allocations to Credit Institutions (CIs) and MDIs so as to support SMEs and small-scale borrowers.
f. The MoU should be revised to include clauses that would benefit smallholder farmers, for instance, include provisions for use of tripartite agreements as collaterals.
g. The ACF should leverage the Uganda Agricultural Insurance Scheme through partnering with the banks to cover systemic risk faced by the majority of smallholder farmers.
h. MoFPED should expedite the development and enactment by parliament the statutory instrument for the ACF.
i. MoFPED should put measures to ensure effective monitoring of the entire operations of the scheme.
j. MoFPED should develop and implement the Agricultural Finance Policy and strengthen mechanisms through establishing a specific high-level coordination body.
k. MoFPED needs to consider transforming the ACF and other scattered agricultural financing initiatives into a rural or agricultural development bank.

Financial Institutions

a. Should adhere to conditions of the MoU, especially interest rate and other charges on the ACF loans.
b. All financial institutions in Uganda should embrace the scheme and fully support its implementation by participating in the scheme.
c. Should embrace the use of tripartite agreements as collaterals.
d. Should increase awareness of farmers about the ACF through extensive dissemination of correct information on the scheme through use of media (radio and TV talk shows) and other appropriate communication channels.
e. Should sensitise smallholder farmers, teach them how to develop bankable projects and give them financial literacy training sessions to enable them access and effectively utilise borrowed funds.
f. Should employ and train agricultural loans officers who can interact and understand farmers better and can provide appropriate advice on borrowing and utilisation of borrowed funds.
g. Should develop innovative approaches and appropriate lending methodology that enables them lend to smallholder farmers.

Farmers

a. Farmers' organisations should disseminate information about available financial products such as ACF amongst members.

b. Farmers should organise themselves in cooperatives and producer associations in a bid to increase access to agricultural credit.
c. Develop a saving culture among themselves through VSLA and SACCOs.
d. Ensure proper record keeping for any enterprise they are engaged in and enhance their financial literacy.

Caritas and UFCVP partners

a. Disseminate information about ACF to specific target groups that they are working with to increase farmers' awareness about the facility.
b. Should sensitise and train farmers on how to form groups / associations through which they can access agricultural loans including ACF.
c. Should sensitise smallholder farmers, teach them how to write proposals and give them financial literacy training sessions to enable them access and effectively utilise borrowed funds.
d. Build capacity of emerging groups, especially VSLAs and SACCOs and raise their financial and entrepreneurial capacities.
e. Advocate for the rural or agricultural development bank that will explicitly focus on farmers' credit needs, hedge against risks like crop failures and volatilities in the prices of agro products.
f. Advocate for a designated institutional home fully mandated to handle agricultural finance policy in Uganda.
g. Should lobby to become members on the Agricultural Finance Platform whose members include most stakeholders involved in agricultural financing in Uganda.

Section 1: Introduction

1.1 Background

Caritas Uganda is the pastoral and social services development arm of the Uganda Episcopal Conference/ the Uganda Catholic Secretariat coordinating development activities in all the districts of Uganda throughout the 19 Catholic Dioceses. Caritas targets the poor and disadvantaged so as to improve their social, spiritual and economic status and wellbeing guided by the values and social teaching of the Church, Uganda's National Development Programmes/ Plans and the United Nation's Sustainable Development Goals.

Caritas Uganda has been working to improve the situation of farmers in Uganda, especially the "Smallholder Farmers" that constitute the majority of farmers in Uganda. In doing this, Caritas Uganda has partnered with a number of stakeholders including but not limited to; the Government of Uganda through the different line Ministries, Departments and Agencies (MDAs), Civil Society Organisations, Religious Institutions/ Leaders, the Media and Traditional and Cultural Institutions/ Leaders.

The Uganda Governance and Poverty Alleviation Programme (UGOPAP)
The UGOPAP is a joint Caritas Denmark/ DANIDA supported programme which aims at improving livelihoods by promoting civil society strengthening, good governance and increased food security, among others, through sustainable market oriented agricultural production and advocacy. The programme is implemented by four partners namely; Caritas Uganda, the Central Archdiocesan Provincial Caritas Association (CAPCA), the Eastern Archdiocesan Development Network (EADEN) and Community Integrated Development Initiative (CIDI), Soroti. Each of the four traditional partners above has its thematic area of participation. Caritas Uganda has the cross-cutting mandate and responsibility of championing and coordinating advocacy on all partner-related activities and issues at the national level.

The Uganda Farmers Common Voice Platform (UFCVP)
Caritas Uganda and the 3 UGOPAP partners spearheaded the formation of the Uganda Farmers Common Voice Platform to effect the function of advocacy. The platform is a coalition of like-minded Civil Society Organisations (CSOs) and farmers working on critical issues affecting farmers in Uganda with a view to ensure that policy and legislative issues are responsive to the needs of farmers and Ugandans as a whole.

The platform has four (4) regional chapters i.e. in Northern Uganda, coordinated by Volunteer Efforts and Development Concerns (VEDCO), Eastern Uganda, coordinated by Community Integrated Development Initiatives (CIDI), Western Uganda, coordinated by Caritas Mbarara and Central Uganda coordinated by Eastern and Southern Africa Small-Scale Farmers' Forum (ESSAF), Uganda; all with a seven-member steering committee that in addition to the traditional partners delivers issues for engagement from the local governments and other lower levels.

Caritas Uganda through the Uganda Farmers Common Voice Platform, therefore, contributes to the achievement of the above advocacy goal by positively influencing policies and laws geared towards enhancing the contribution of agriculture to the economic and social welfare of Ugandans through personal prosperity and economic growth, increased innovation, productivity, investment and trade, employment creation and ensuring food security.

1.2 Gist of the Study

Agriculture is the backbone of Uganda's economy. The sector is the biggest source of foreign exchange[1] and a major source of raw materials to the local industries. The agricultural sector is still the biggest earner of export revenues; export revenue from Agriculture was US$ 1.82 billion in 2015 (UBOS, 2016). Agriculture is the most important source of employment, income and overall-wellbeing in Uganda. According to Uganda Bureau of Statistics (UBOS), 72 percent of the working population was engaged in the agricultural sector in 2012/13. Although agriculture accounted for only 26.0 percent of Uganda' Gross Domestic Product (GDP) in 2015 (UBOS, 2016), the sector still provides the basis for growth in other sectors such as manufacturing and services.

Despite the importance of agriculture to Uganda's economy, the sector's performance has not been impressive in the last ten years. Whereas the industrial and services sectors grew on average by 6.2 percent and 6.9%, the average growth of the agricultural sector was only 1.9%. The lowest growth was under the food crops and fishing sub-sectors. This is worrying given the fact that hunger is still a big challenge in Uganda. The Cost of Hunger in Africa report (2014) noted that nearly one out of every seven reported child deaths (under five) is associated with under nutrition. It adds that 54 percent of the working age population in Uganda is currently stunted.

Agriculture in Uganda is dominated by smallholder farmers who occupy the majority of land and produce most of the crop and livestock products. According to Africa Development Bank (2010), smallholder farmers can be categorised on the basis of: (i) the agro-ecological zones in which they operate; (ii) the type and composition of their farm portfolio and landholding; or (iii) on the basis of annual revenue they generate from farming activities. In areas with high population densities, smallholder farmers usually cultivate less than one hectare of land, which may increase up to 10 hectares or more in sparsely populated semi-arid areas, sometimes in combination with livestock of up to 10 animals.

A study by Benin S et al (2007), showed that the shortage of capital and credit is the single biggest constraint to improving farming. Without access to loans, farmers are unable to invest in future production, to expand their farming or to take a risk (Action Aid, 2010). Despite some efforts, government is not investing enough resources in providing credit to farmers, but neither are private banks lending in sufficient quantities. The result is a massive gap in funding for agriculture that is locking millions of farmers in a poverty trap (Caritas Uganda et al, 2013).

The Agriculture Credit Facility (ACF) was established to address the long-standing challenges of agriculture in Uganda of low production and productivity stemming from inadequate financing by both the public and the private sector. The ACF was established in 2009 by the Government of Uganda (GoU) in partnership with Participating Financial

[1] Contributed about 40 percent of the total goods export earnings in 2012

Institutions (PFIs[2]) to facilitate the provision of medium and long term loans to projects engaged in agriculture and agro-processing on more favourable terms (Bank of Uganda, 2009.

However, studies conducted by Caritas Uganda and other stakeholders indicated that there were a number of bottlenecks still militating against the success of the initiative (CSBAG, 2014). They include: Wide information gap both between the supply and the demand sides for the ACF; Farmers didn't know how they could benefit from the facility; Stringent terms and conditions limiting access by smallholder farmers (Caritas Uganda et al., 2013); Preference by PFIs to market their own similar products over the ACF; and lastly, limitation of ACF to only formal financial institutions.

Having identified the above challenges, Caritas Uganda through the Uganda Farmers Common Voice Platform and other stakeholders engaged the Bank of Uganda (BoU) and implemented a number of activities with the major aim of sensitising stakeholders (including smallholder farmers) on the ACF and how to improve access to the same. These engagements eventually led to the revision of the Memorandum of Understanding (MoU) i.e. the Addendum to the ACF guidelines which broadened the scope of application of the facility to cover a wider range of beneficiaries. The facility now covers, among others; investment in biological assets such as financing inputs, restocking chicks, grain facilities investments, value-chain financing, the provision of working capital and increase in access to the facility by MDIs and SMEs.

It is against this background that Caritas Uganda through the Uganda Farmers' Common Voice Platform (UFCOVP), undertook this study to ascertain and assess the accessibility of the Agriculture Credit Facility (ACF) to farmers (smallholder farmers).

1.3 Objectives of the study

The major objective of the study was to provide evidence on accessibility of ACF by smallholder farmers; challenges affecting uptake of the facility from both the supply and demand side and propose ways to improve uptake of the same.

The specific objectives included:

a. Establishing if the ACF is meeting its set objectives and benefiting the intended beneficiaries as well as the smallholder farmers.
b. Assessing smallholder farmers' knowledge of the ACF.
c. Assessing the adequacy of the policy and legislative framework for the facility.
d. Establishing the type of beneficiaries accessing and utilising the facility (with a keen interest in the participation of smallholder farmers).
e. Examining the suitability of the qualification criteria for the facility by the intended beneficiaries.

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[2] ABC Capital Bank, Barclays Bank, Bank of Africa, Bank of Baroda, Cairo Bank, Centenary Bank, Citi Bank, Diamond Trust Bank, Dfcu Bank, Ecobank, Equity, Fina Bank, Finca, Global Trust Bank, Housing Finance Bank, Kenya Commercial Bank, Mercantile Bank, Orient Bank, Post Bank, Pride Microfinance, Stanbic Bank, Standard Chartered Bank, Tropical Bank, UDBL, United Bank for Africa, and Uganda Finance Trust.

f. Establishing strategies that can be used to improve knowledge and access of the facility by farmers/ Ugandans.
g. Establishing challenges affecting uptake of the facility from both the supply and demand side.
h. Providing disaggregated and appropriate recommendations for improvement of the facility.

1.4 Structure of the Report

This report is divided into sections. Section one gives the introduction, objectives, and gist of the study. Section two gives the methodology and scope of the study. Section three reviews the ACF; background, objectives and modalities; performance, major achievements; and factors constraining the ACF. Section four discusses utilisation of ACF; awareness and access by smallholder farmers in 10 districts. Section five documents the challenges affecting uptake of the ACF from both the supply and demand side. Section six provides conclusion and recommendations to various stakeholders.

Section 2: Methodology

2.1 Data collection methods

The study employed both quantitative and qualitative approaches – mainly making use of document review, interviews, focus group discussions and survey. The study engaged and interviewed relevant stakeholders both at national and in 10 districts. The approaches used in undertaking the study are described below:

a. *Document review:* This involved collection and analysis of secondary sources of data that included among others: ACF strategy documents, revised MoUs between BoU and financial institutions, revised guidelines for the implementation of ACF, ACF performance reports, and relevant publications by government and other agencies on ACF and agricultural financing in Uganda. The list of documents reviewed is reflected in the References.

b. *Assessment:* An assessment of financial institutions was conducted to collect data on their involvement in the ACF. The survey targeted participating financial institutions (PFIs) at national and in 10 districts.

c. *Key Informant Interviews (KIIs)***:** The document and literature review was complemented with interviews with relevant stakeholders who included government officials, donors, CSOs, academia, farmers and private sector. Through the interviews, the study was able to capture stakeholders' view on the ACF accessibility, challenges and remedies. The list of respondents is attached in the Annex.

d. *Focus Group Discussions (FGDs)*: Through the FGDs, we were able to capture farmers' views. The FGDs were held with selected smallholder farmers' representatives. One FGD per Sub County was organised with farmers in each of the study districts. On average, each FGD was attended by 15 people (including men, women and youth). The FGDs were conducted in local languages to ensure active participation of all respondents. The list of FGD participants is attached in the Annex.

e. *Farmers' Survey:* The survey targeted smallholder farmers at household level in ten sub counties. The survey was conducted in the form of a one-on-one interview. The interviews were carried out in local languages with responses recorded by the enumerator on Android phones/tablets. Due to the absence of a complete listing of all farmers in the selected sub counties, the respondents were selected through systematic random sampling. Starting at the sub county headquarters, the research assistants randomly picked the first household for an interview, and skipped two households and interviewed the next household[3]; this was done until the targeted sample was complete. One respondent per household was interviewed.

2.2 Scope and Coverage

The study was carried out at both the national and district level. At the national level, the study focused on government institutions, PFIs and UFCVP partners. At the district level,

[3] Using a skip interval brings more variety into the cluster, while still keeping it reasonably compact.

the study was carried out in ten (10) districts; and 10 sub counties. The districts and sub counties were purposely selected by Caritas Uganda; considering regional representation and areas of operation for the UGAPAP project. In each district, the study collected data from local government officials, financial institutions, NGOs, CBO, farmers (especially smallholder farmers) and other relevant stakeholders. The study was undertaken from July to October 2017.

In total, the study conducted interviews from 1,096 respondents at the national and district level as shown in *Table 1*.

Table 1: Number of Respondents

District	Sub County	Farmers' Survey	FGDs	KIIs				
				Central Gov't	**Financial Institutions**	**LG Officials**	**Private Sector and NGOs**	**Total**
Amuru	Atiak	77	16		3	4	2	102
Arua	Logiri	81	14		5	8	5	113
Buliisa	Buliisa	80	14		1	7	5	107
Iganga	Nakalama	81	11		3	7	5	107
Isingiro	Kabuyanda	79	17		1	8	5	110
Katakwi	Kapujan	80	9		2	5	3	99
Manafwa	Sibanga	80	27		3	7	1	118
Moroto	Nadunget	81	9		3	5	1	99
Mubende	Kasambya	78	15			7	6	106
Oyam	Kamdini	80	20		3	7	3	113
National Level				3	15		4	22
Total		**797**	**152**	**3**	**39**	**65**	**40**	**1,096**

2.3 Data Analysis

Data analysis involved a critical review of information gathered to identify answers to the study objectives. Qualitative data from literature review, FGDs, and key informant interviews was consolidated and analysed manually using content and interpretive techniques. Qualitative information was transcribed and was used to get stakeholder perceptions and experiences of the ACF. This information was analysed so that themes or patterns were identified to come up with a summarised and meaningful text. The information was then organised into coherent categories from which conclusions have been drawn. Quantitative data from the farmers' survey was analysed using STATA, and Microsoft Excel. The quantitative information was triangulated with qualitative information and conclusions and recommendations made.

2.4 Challenges faced while undertaking the study

During the course of the study, the following challenges were encountered:

a. Failure by some financial institutions to provide information on their ACF operations claiming it's only BoU that has a right to access such information. Some questioned the intention of Caritas in undertaking the study; thus refused to provide information unless they got clearance from BoU.
b. Lack of concrete information on ACF by some financial institutions. Some ended-up providing general information on their agricultural loans products.

c. Lengthy bureaucratic process to obtain interviews with banks and government officials. Most financial institutions' branches in the districts required clearance from their headquarters. For government institutions, the researchers had to persistently remind the responsible officials to obtain some information. This derailed the speed of the research.
d. Difficulty in obtaining copies of official policy documents (such as ACF MoU and addendum, Annual Performance Report etc.) and current financial data, hindered effective analysis of the facility.
e. Lack of most current detailed information on ACF financing. This study was not able to obtain the most current detailed financial information on the ACF from BoU and MoFPED.
f. This study was not able to interact with the ACF beneficiaries; because we could not obtain the contacts of the beneficiaries.

Section 3: Agricultural Finance Facility (ACF)

3.1 Background, Objectives and Modalities

The ACF was set up by the Government of Uganda (GoU) in partnership with Commercial Banks, Uganda Development Bank Ltd (UDBL), Micro Deposit Taking Institutions (MDIs) and Credit Institutions all referred to as Participating Financial Institutions (PFIs) to facilitate the provision of medium and long term loans to projects engaged in agriculture and agro-processing on more favourable terms than are usually available from the PFIs (BoU, 2009). The main objective of the scheme is to promote commercialisation of agriculture through provision of medium and long-term financing to the agricultural sector focusing mainly on value addition (BoU, 2017). Government's contribution to the ACF is interest-free to the participating financial institutions. The scheme operates on a refinance basis in that the PFIs disburse the whole loan amount to the sub-borrower and applies to BoU for the 50 percent GoU contribution.

The ACF is accessible to all farmers and agro-processors in Uganda with bankable projects, provided that the intended activity is eligible and within the ACF framework.

Box 1: Expected Outputs of the ACF

- Enhancing farmers and agro-processors access to affordable credit facilities from PFIs.
- Increasing food production on a commercial basis hence increasing food security.
- Increasing value addition to agricultural produce thereby leading to the improvement of farmers' income.
- Creating employment, increasing agricultural productivity and production.
- Attracting lending to agriculture and agro-processing sectors and increasing financial institutions' confidence in the agricultural sector.
- Reducing the risks in agricultural and agro-processing sectors.

Source: Bank of Uganda

The Scheme has been revised five times. It is now in its fifth phase with 16 PFIs[4] participating. Table 2, shows the evolution of the ACF since 2009 to-date. The fifth phase (ACF V), accommodates more farmers and agro-processors under the Small and Medium Enterprises (SMEs). It also brought on board Grain trading through providing funding for working capital and infrastructure projects in grain trading.

[4] As of June 2016, these were: Stanbic Bank, FDCU, Bank of Baroda, UDB, Bank of Africa, Post Bank, Housing Finance, Tropical Bank, Centenary Bank, Standard Chartered, KCB, DTB, Orient Bank, Barclays Bank, Opportunity Bank, & Global Trust Bank.

Table 2: Evolution of the ACF

Phase	FY	Terms	Interest Rates
ACF I	2009/10	50% equal contribution to loan pool by GoU and PFIs	10%
ACF II	2010/11	33.3% contribution to loan pool by GoU and 66.7% contribution by PFIs	12%
ACF III	2011/13	50% equal contribution to loan pool by GoU and PFIs	10%
ACF IV	March 2013 – Nov, 2015	50% equal contribution to loan pool by GoU and PFIs	12%
ACF V	Nov 2015 to date	- 50% equal contribution to loan pool by GoU and PFIs. - MDIs and Credit Institutions contribute only 30% and GoU 70%	12%

According to Bank of Uganda, government is in the process of initiating more changes to the ACF in order to improve access by the smallholder farmers. Some of the proposed changes include; introducing block fund allocation for MDIs and Credit Institutions (CIs); widening the eligibility scope to cover more items along the agricultural value-chain; introducing alternative collateral arrangements.

The scheme is administered by the BoU which does not deal directly with the ACF beneficiaries, but rather relies on the PFIs to select the eligible projects for financing. BoU responsibilities include (BoU, 2017);

- Reviewing of the loan applications against the terms and conditions of the scheme in accordance with the MoU.
- Disbursing funds (refinancing) the PFIs in respect to the eligible projects.
- Ensuring timely collection of repayments from PFIs and a sound database on the lending activities.
- Providing reports and other information to the stakeholders of the scheme.

Some stakeholders have urged that BoU is not best suited to offer ACF loans to the agricultural sector. However, according to Bamwine Rossete (2016), BoU has acted as a catalyst for the financial institutions to venture into agricultural financing which most of them have now embraced even without the Government guarantee. She adds that the developmental function and monetary management are mutually complementary and the neglect of one would lead to underdevelopment and agriculture, being the backbone of the economy, has to be given special priority. Furthermore, she noted[5] that it's easy to supervise the PFIs, given the Bank's supervisory mandate of all financial institutions in Uganda.

All ACF loan applications are channelled through the PFIs that are fully responsible for appraisal of the loan requests in line with their credit policy to ensure that only eligible projects are financed. If satisfied, the PFIs disburse their own funds upfront and request for re-imbursement of the GoU contribution from BoU.

[5] Interview on 4th Oct, 2017

Box 2: Procedure of accessing the ACF Loan

- The client forwards his/her loan application to any PFI of his/her choice.
- The PFI will then advise him/her on the terms under the ACF.
- A detailed bankable project proposal/feasibility report may be required by the PFI (depending on the loan amount applied for).
- Issues to do with the security/collateral will be negotiated with the client's PFI/bank and not with BOU.
- If the Loan application meets the requirements of the ACF, then the PFI will forward the application to BOU on behalf of the client for approval.
- BoU reviews the application for compliance in accordance with the guidelines governing the administration of the scheme;
- On approval by BoU, the PFI will disburse the funds to the client and request BoU for a re-imbursement.

Source: Bank of Uganda: ACF-Brief to Clients

The Participating Financial Institutions are responsible for (BoU, 2017):

- Sensitising the clients on the Scheme since they are the first point of contact.
- Appraising/analysing the projects to ascertain viability, feasibility and eligibility.
- Managing collateral requirements.
- Ensuring the recovery of the loans; full responsibility of the loan recovery on the PFIs.
- Repayments of the GoU contribution from the PFIs are made on a half-yearly basis.
- Submit reports (on the performance of the projects) to BoU on quarterly basis.

According to BoU, eligible projects that can benefit from ACF, include: acquisition of agriculture machinery and post-harvest handling equipment, storage facilities, agricultural inputs that include: pesticides, and fertilisers, land opening, paddocking, biological assets like; banana suckers, fruit seedlings, chicks, piglets, cows and goats for restocking the farm, agro-processing facilities, and any other agricultural and agro-processing related activities.

Working capital required for operating expenses can be considered provided this component does not exceed 20 percent of the total project cost for each eligible borrower. These include among others; wages for hired farm labour, overhead costs like utilities and installation costs, and hiring of specialised machinery for farming activities. However, this condition eliminates most of the smallholder farmers, since they are largely involved in primary agricultural production and operating capital is their biggest bottleneck. The maximum loan amount to an eligible borrower for biological assets cannot exceed UGX 80 million.

The Scheme cannot be used for financing working capital for purchase of land, forestry, refinancing existing loan facilities, and trading in agricultural commodities with the exception of grain. The scheme provides financing for working capital and infrastructure for projects engaged in grain trading.

Table 3: Terms and conditions of sub-loans

Terms	Conditions	Remarks

Terms	Conditions	Remarks
Loan Amount	– Maximum loan amount ≤ UGX 2.1bn.(can go up to UGX 5 billion on a case by case basis) – No minimum loan amount to the final borrowers.	– Operating expenses cannot exceed 20% of the total project cost and UGX 80 million for each eligible borrower. – Minimum loan amount BoU can reimburse a PFI is UGX 10 million
Loan Period	– Maximum – not exceeding 8 years – Minimum – 6 months	
Grace Period	– Maximum – 3 years	
Interest Rate	– Up to 12 per annum and fixed through the period – Working capital for the grain portion is at 15%.	The PFIs are not required to pay interest on the GoU contribution reimbursed to them.
Facility Fees by PFIs	– Charges should not exceed 0.5% of the total loan amount	Legal documentation and registration costs borne by the borrower.
Financing the Grain Trade	– Maximum financeable amount to a single borrower and related parties – UXG 10 billion. – Maximum tenure of a loan for working capital – 24 months (from date of disbursement). – Maximum loan capital expenditure – 8 years (from date of disbursement) with a grace period of 3 years. – Maximum interest rate – 15% per annum (financing grain trade) and 12% per annum (financing capital expenditure).	

Source: BoU (2017), Agricultural Credit Facility Brochure

The primary security for the credit facilities are machinery and equipment financed, where applicable, and other marketable securities provided by the borrower if required. PFIs may seek additional security based on their evaluation of the risk profile of the project being financed. The PFIs ensure that the loan is adequately secured as per their credit policy to protect the interests of the PFI, BoU and Government. In addition, the borrower has to contribute a minimum of 10 percent of the cost of the sub-project/assets to be acquired.

3.2 Legal, Policy and Institutional framework

The policy and legal framework for the ACF is inadequate partly because there is no statutory instrument for the ACF. The facility is governed by the Memorandum of Understanding (MoU) between Government of Uganda (GoU) and PFIs, and the Financial Institutions Act 2004. The lack of clear policy and legal framework has led to the following challenges:

- Lack of guidelines on the time GoU contribution should be held on the Escrow account of the scheme before subsequent transfer to the capital account. According to the OAG report 2014, releases to the Escrow account in BoU are capitalised and recorded by MoFPED as transfers to other government units and expensed immediately instead of recording them as grants such that upon closure of the scheme, any outstanding balances are credited on that account and finally remitted to the consolidated fund. The same OAG report noted that UGX 20.8 billion was transferred from the Escrow account to the capital account of the scheme without the authorisation of escrow account signatories who are the Accountant General and the Commissioner Financial Management Services. Unauthorised transfers of funds from the Escrow account without following laid down banking procedures points to weaknesses in the internal control systems within BoU.

- Lack of guidelines in dealing with delinquent loans leading to lengthy bureaucratic processes involved in writing off non-performing loans. In addition, there are no guidelines on how "reasonable costs" arising out of forceful recoveries from defaulting beneficiaries would be derived and charged by PFIs.

- The MoU required PFIs to make monthly recoveries from beneficiaries upon expiry of the agreed grace period yet their repayments to BoU are bi-annual. This implies that PFIs use public funds interest-free over the ten months of the year when no remittances are made to BoU.

- Design and measurement of performance: There were no records to indicate that a feasibility study and a baseline survey were undertaken during the design of the ACF. All the literature about the ACF accessed by this study, was silent on how the objectives of the scheme were arrived at, the potential risks and mitigating measures pertaining to the implementation of the scheme. The outputs of the scheme also lack clearly defined targets, performance indicators and timelines.

- The MoU gives a lot of responsibility of implementing the ACF to the PFIs, who may not necessarily put the interest of farmers first, but rather their commercial interests.

There are also weaknesses in the institutional framework. The main institutions responsible for the ACF are BoU, MoFPED and PFIS. However, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), which is responsible for the development of the agricultural sector has no specific role in the scheme and is not participating in providing strategic guidance to the implementation of the scheme. For instance, MAAIF's Agriculture Sector Budget with the Agriculture Sector Strategic Plan 2015/16 - 2019/20, is promoting strategic interventions towards agricultural development in Uganda which requires sufficient funding. However, the ACF lending is not aligned with these strategic interventions.

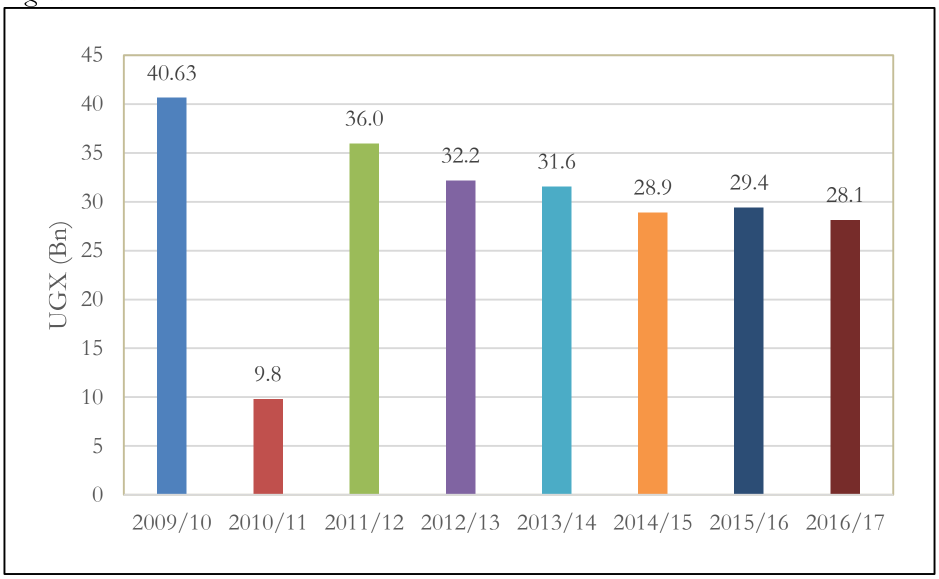
Currently, there is no designated institutional home fully mandated to handle agricultural credit financing in Uganda leading to duplication of efforts. A number of stakeholders such as financial institutions, MFIs, development partners (such as Abi Finance), and government are offering credit to agricultural sector through guarantees and other forms. However, there is no mechanism of tracking who is doing what. During the study, we were informed of the Agricultural Financing Platform but it lacks full involvement of government.

3.3 Performance of the ACF

Financial performance

According to BoU, as of June 2017, the total disbursements amounted to UGX 236.55 billion, extended to 378 eligible projects countrywide. Government of Uganda (GoU) had contributed UGX 117.34 billion, and UGX 9.11 billion was committed for projects pending receipt of proof of disbursements in order to refinance the PFIs. Figure 1 shows the loan disbursement since 2009. However, there was a significant decline in the disbursements from UGX 41 billion in 2009/10 to UGX 28 billion in 2016/17 due to the increase in the interest rate from 10 percent to 12%.

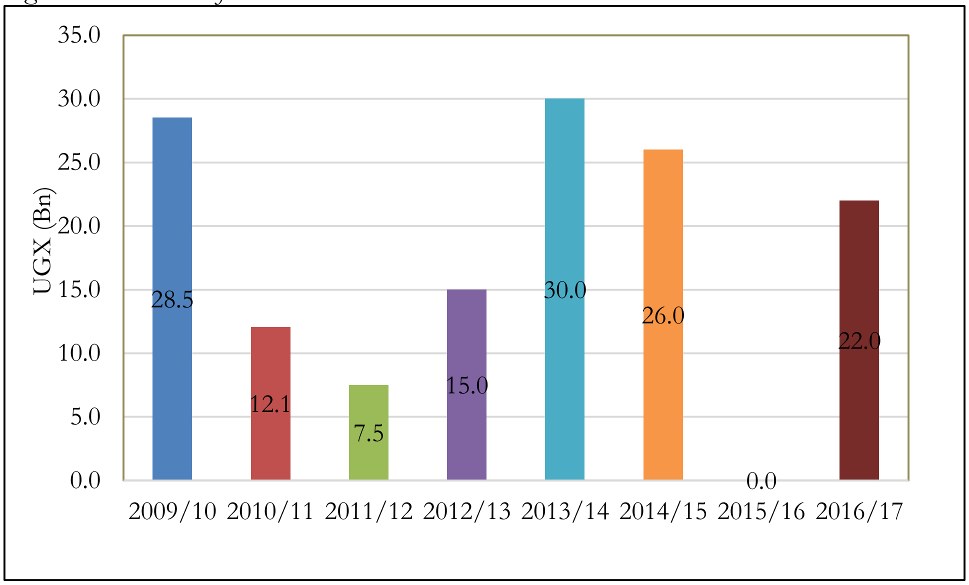
Figure 1: ACF Loan Disbursements



Source: Bank of Uganda

The ACF is a revolving fund; that is loan repayments are ploughed back into the scheme to replenish GoU contribution which is done on a need basis upon request by BoU. However, GoU (through the MoFPED) remittances have not been consistent. Since inception, GoU has remitted UGX 141.07 billion to the scheme (see Figure 2). The lowest remittance was in FY 2011/12, where GoU remitted UGX 7.5 billion, while in FY 2015/16 there were no remittances.

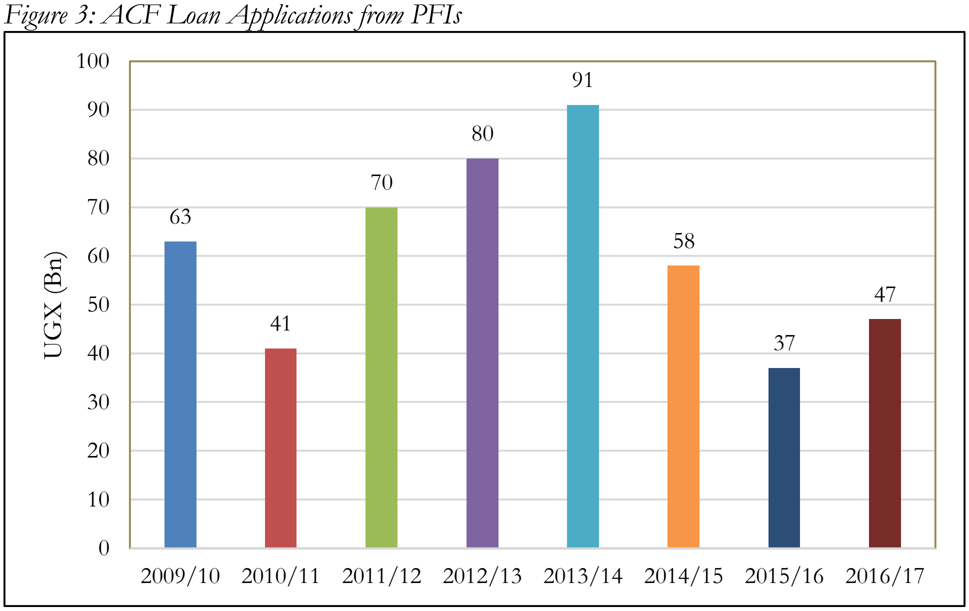
Figure 2: GoU Transfers to the ACF Account



Source: Bank of Uganda

By June 30th 2017, a cumulative total of 487 loan applications had been received at BoU (see Figure 3). A cumulative total of 378 eligible projects worth UGX 236.55 billion (GoU contribution is UGX 117.34 billion) had been funded under the scheme across the country.

Figure 3: ACF Loan Applications from PFIs

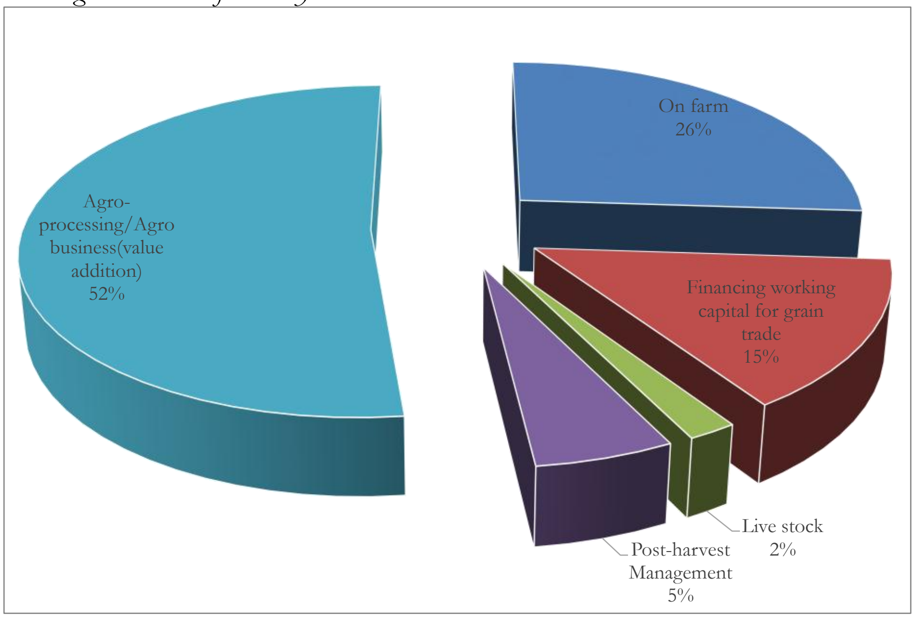


Source: Bank of Uganda

Areas funded by ACF

A wide range of activities have been financed under the scheme with most funding going to Agro-processing machinery (wheat, tea, rice, maize, milk, cotton, etc.); Farm expansion (poultry houses, farm structures, modernisation of the farm etc.); financing capital for grain trade; Post-harvest management; and livestock (see Figure 4). The large spending on agro-processing is consistent with one of the scheme's key objectives, namely, value addition.

Figure 4: Areas funded by ACF

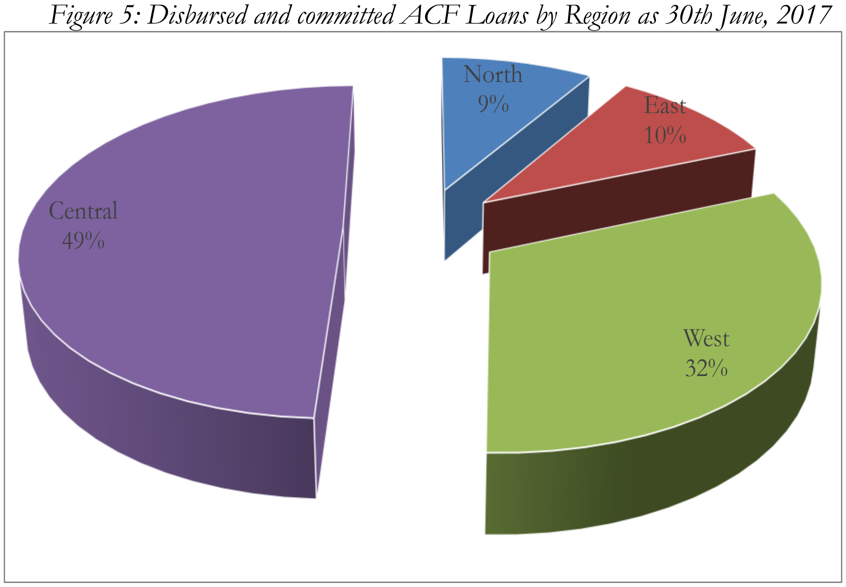


Source: Bank of Uganda

Regional Distribution of the ACF

The Central region has since registered the highest number of projects funded, followed by the Western region (see Figure 5). According to Bank of Uganda, this is partly attributed to the land tenure system that encourages individual land ownership which land is used as collateral to secure the loans.

Figure 5: Disbursed and committed ACF Loans by Region as 30th June, 2017



Source: Bank of Uganda

3.4 Major Achievements of the ACF

According to Bamwine Rosette (2016) and BoU (2017), the scheme has so far made the following achievements:

- The scheme has instilled a level of confidence in agricultural lending by financial institutions that has resulted into their willingness to lend to the agricultural sector even without the Government guarantee. As a consequence, some PFIs have established Agriculture Departments, developed innovative programmes in agricultural finance, and improved risk management tools towards agricultural lending.
- The ACF appears to have contributed to an expansion of commercial bank lending to the agricultural sector. According to the BoU (Statistics Department[6]), between March 2010 and March 2017, total Shilling denominated lending by the commercial banks to the agricultural sector increased by 317 percent. This is a faster rate of increase than Shilling denominated bank lending to all sectors of the economy, which increased by 212 percent during the same period. All of the ACF lending was denominated in Shillings.
- Some development partners such as Abi Finance have come on board with guarantee packages to support financial institutions to lend to the agricultural high risky areas.
- Increased value to agricultural projects resulting into improved produce that attracts better prices thus increasing farmers' income. This is depicted in the increased Ugandan made product range, especially in the Dairy sector that now produces packed milk, skimmed milk, yoghurt, ghee, cheese and the Tea sector that produces processed tea, packed tea bags, spiced teabags, among others.
- Enhanced farmers and agro-processors access to affordable credit facilities from Participating Financial Institutions.
- Promoting commercialisation and mechanisation/modernisation of the agricultural sector.
- Increased employment; more people are employed in commercial farms and other Agribusinesses financed activities such as grain trade. This has led to an increase in people's income and tax revenue.

3.5 Factors Constraining the ACF implementation

Low uptake of the ACF by MDIs

The Micro Deposit Taking Institutions (MDIs) are better suited to lending to smallholder farmers than commercial banks and development banks, because they can use innovative lending technologies such as group lending which obviate the need for physical loan securities. However, despite government guaranteeing 70 percent of the ACF loans, MDIs have not fully embraced the scheme. For instance, among the 16 PFIs, there is no MDI. This is partly attributed to the fact that the cost structure of the scheme is not suited to them. Most MDIs incur much higher transaction costs of administering loans than banks, yet the fixed interest rate which can be charged on borrowers is much lower than what these institutions borrow from commercial banks and other sources.

Some financial institutions are less willing to co-finance the ACF

[6] Accessed at: https://www.bou.or.ug/bou/rates_statistics/statistics.html on 2rd Nov, 2017

Out of the over 33 financial institutions, only half (16) were participating in the ACF as of June 2017. This is partly attributed to the fact that most of them have easier and higher yielding portfolios where to invest their funds than ACF, whose interest rate is considered low at less than 12 per cent.

Inadequate absorption of ACF loans

According to the OAG Report 2016, the loan absorption capacity for the funds provided by GoU falls short by UGX 90.93 billion. Since inception of ACF in 2009/10, the GoU has allocated UGX.210 billion and released UGX 119.07 billion to Escrow account for utilisation, implying an under absorption of 57 percent of the envisaged funds. Table 4 shows the utilisation capacity of the funds. The low absorption of loans implies that the scheme is not operating as envisaged.

Table 4: Utilization of ACF

FY	Allocated (UGX)	Released (UGX)	Gap (UGX)
2009/10	30	28.5	1.5
2010/11	30	12.1	17.9
2011/12	30	7.5	22.5
2012/13	30	15.0	15.0
2013/14	30	30.0	-
2014/15	30	26.0	4.0
2015/16	30		30.0
Total	**210**	**119.1**	**90.9**

Source: OAG (2016)

However, according to BoU, the ACF is a revolving fund and operates in such a way that repayments from PFIs are reinvested to finance other projects that may require funding. Therefore, any amount remitted to BoU from Ministry of Finance is on a needs basis and not according to amounts allocated. Therefore, BoU needs to put more efforts to increase the demand for ACF loans.

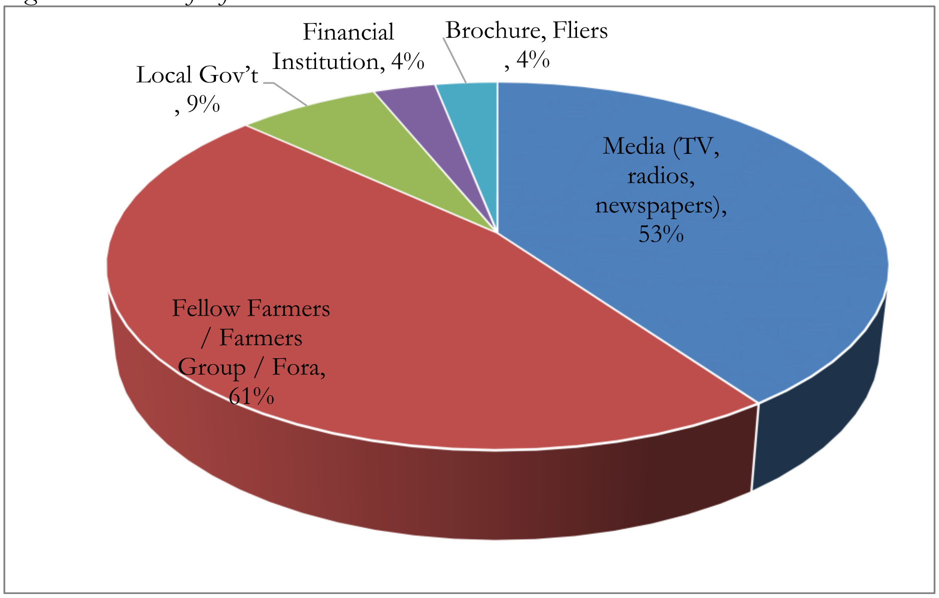
Inadequate marketing of the scheme

The inadequate marketing of the scheme was attributed to the weakness in the MoU which did not clearly specify how marketing was to be handled by both BoU and PFIs. Interviews with BoU officials revealed that it's the role of the PFIs to market the scheme. However, the PFIs are not doing a good job towards marketing the scheme. Only 4 percent of the farmers interviewed during this study got to know about the ACF from PFIs.

> *"I think the serious challenge with ACF is its poor dissemination of the information regarding its existence, accessibility and payment in case a farmer is interested.*" - RDC Katakwi District.

As much as BoU had developed brochures for ACF, they had not been widely distributed to the PFIs and the public. Again only 4 percent of the farmers interviewed during this study got to know about the ACF through brochures (see *Figure 6*). Inadequate marketing and dissemination of information about the scheme has led to public ignorance and limited access to scheme funds by potential borrowers leading to low absorption of the scheme funds.

Figure 6: Sources of information about ACF



Source: Farmer's Survey

Some stakeholders interviewed at local levels during this study noted that, the dissemination of information on ACF is ineffective, partly because, they left out extension workers who are in direct contact with the smallholder farmers. Using extension workers is critical given the fact that this study found that 61 percent of the farmers interviewed got to know about the ACF through fellow farmers.

> "*They left out a key channel of dissemination of information to farmers; the agriculture extension workers; yet they have direct access to smallholder farmers.*" – NGO Leader, Iganga district.

> *"The banks do not provide information on the ACF loan to people who approach them for agricultural loans, thus making few people aware of the facility."* –District Leader, Buliisa District.

To address that challenge, the MFPED and BoU had developed a marketing strategy, to make more visible the presence and importance of the scheme. During FY 2017/18, UGX 600 million was earmarked to facilitate the implementation of the marketing strategy. However, the budget allocation is insufficient to market the scheme across the entire Uganda.

Increase in number of delinquent loans

The MoU provides that the PFIs under which the delinquent loans[7] are taken should provide BoU with indications of all actions taken to recover the loans. However, there has been an increase in delinquent loans from UGX 2.22 billion in 2014/15 to UGX 3.13 billion

[7] a situation where a borrower is late or overdue on a payment

2015/16. The verification exercise of the delinquent loans under the scheme by the Office of Auditor General (OAG) in 2015/16, found that nine (9) loans valued at UGX 2.22 billion had been recommended for write-off by PFIs due to non-performance. However, only two (2) loans valued at UGX 21.4 million could qualify for the commencement of the write-off process as laid down in the Public Finance Management Act, 2015 (as amended). According to BoU, the increase in delinquent loans is largely due to inadequate capacity by some PFIs to rigorously monitor borrowers to ascertain the performance of loans and uncertainty in the weather and market conditions. To address the latter, Government of Uganda in partnership with the Insurance companies has established an agricultural insurance scheme to provide premium subsidy to farmers. The agricultural insurance scheme is expected to mitigate the risk of the financial institutions lending to the risky areas in agriculture.

Inadequate Monitoring and Supervision
BoU is managing the fund, but it is also responsible for monitoring and supervision of the scheme. In addition to creating a conflict of interest, BoU has inadequate capacity (especially the human resource) to effectively monitor and evaluate the scheme, especially PFIs. Although to some extent monitoring is done by MoFPED (through the BMAU), it's inadequate and irregular. Inadequate monitoring and supervision increases the risk of loss of scheme funds arising from delinquent accounts and failure by BoU to report accurately and regularly on the actual performance of beneficiary projects. For instance, according to the OAG report of 2014, loans totalling to UGX 499 million which had been written-off by PFIs were not reflected in the scheme's financial statements as of 30th June 2013.

Changes in interest rates
Under the ACF 1, interest rate to the final borrower was up to a maximum of 10%. However, in 2013, the rate was revised to 12%. PFIs argued that the costs associated with the loan appraisal, recovery and monitoring were high and not commensurate with loan pricing. Changes in interest rates not only made it difficult for existing farmers to apply for top up loans to revamp their investments, but also discouraged potential ACF loan applicants. According to BMAU (2013), some beneficiaries such as Pearl Mixed Farm, and Formula Feeds had to liquidate some of the farm assets to repay the loans in time.

Failure by PFIs to adhere to conditions of the MoU
Although the MoU requires PFIs to provide credit to beneficiaries at the subsidised rates stipulated under the MoU, however, OAG report 2014, showed that some beneficiaries were charged interest rates which were far above the rates provided under the MoU. In addition, some PFIs charge facility fees higher than the recommended 0.5 percent and do not provide a grace period on interest payment. Furthermore, some borrowers noted cases where the financial institutions charge different interest rates; one at the beginning (before the loan is approved by BoU), and the ACF interest (when the loan is approved). This is attributed to failure by BoU to closely monitor the PFIs, weaknesses in the review and approval process within BoU, coupled with the fact that BoU does not undertake monitoring and follow-up on beneficiary projects once loans have been disbursed by PFIs.

Issuance of loans in Uganda Shillings leading to exchange losses
Loans are issued in Uganda shillings notwithstanding the fact that some transactions are made in foreign currency leading to incredible losses by borrowers. Most agricultural equipment is purchased in foreign currency, yet the loan is acquired in Uganda shillings and

due to weakening of the Uganda shilling against major foreign currencies, borrowers make losses. Unfortunately, no adjustments are permitted to minimise these losses hence affecting cash flows of borrowers.

Section 4: Access to ACF

4.1 Criteria for accessing the ACF

The main objective of ACF is to promote commercialisation of agriculture through provision of medium and long-term financing to the agricultural sector focusing mainly on value addition. This aspect presupposes that the kind of farmers the scheme is looking at are mainly medium to large-scale farmers. However, most of the farmers (90 percent) in Uganda are smallholder farmers who mainly engage in subsistence farming with very low levels of commercialisation. The small-scale farmers can only qualify for small-scale loans (less than UGX 5 million). However, the minimum loan amount BoU can reimburse a PFI is UGX 10 million. Consequently, majority of the loans have mainly been extended to larger commercial farmers and agro-processors yet many of them are well established companies that already have access to bank finance.

> *"Banks set tough conditions for loan acquisition for small-scale borrowers; they are interested in offering big amounts of loans to mainly large-scale borrowers."* – NGO Leader, Iganga District.

The criteria of accessing ACF is set by PFIs. The modalities set by these institutions to access loans under the ACF are not suitable for smallholder farmers. For example, the PFIs require borrowers to provide collateral security for the credit facilities in form of machinery and equipment financed and other marketable securities (such as land titles). In addition, potential borrowers have to provide a sound business proposal that clearly shows the viability of the project. However, smallholder farmers cannot meet such conditions. Even the various LG offices such as the District Commercial Officers who would help the farmers, don't have the capacity to develop business proposals.

Box 1: Experience on ACF loan application

We (Kabuyanda Dairy Cooperative) got information on ACF scheme from DFCU bank. They told us that we could benefit from the scheme since it targeted farmers. We wanted to buy cows and cowsheds as an input. We registered our Diary cooperative society and also prepared our books of account. In the application for the loan, we submitted the books of account and certificate of registration. The bank told us that they would have to combine two loans; agricultural loan under ACF and business loan which they were to give us at an interest rate of 18%. However, they requested us to present a land title as collateral or we had to first save 30% of the amount being applied for. We could not meet these conditions since we did not have the land title for the cooperative and our business was too young to provide 30% savings.

Source: Chairman Kabuyanda Diary Corporation, Isingiro District

Some stakeholders talked to during this study argued that the ACF was not meant for smallholder farmers, but for medium and large-scale farmers. Through the trickledown effect, the credit provided to medium and large-scale farmers, for instance for investment in better processing facilities, would benefit the smallholder farmers by expanding the market for their produce, thus boosting farming incomes, over time. This was confirmed by the

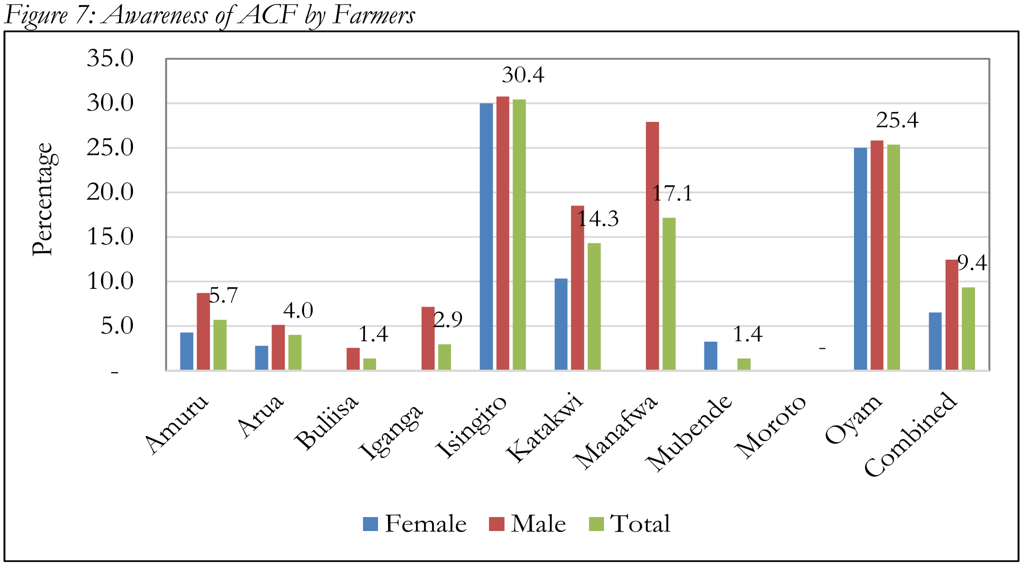
Business Manager of one PFI in Gulu, who noted that the ACF is mainly benefiting the large-scale farmers with large chunks of land and capital. He added that his branch has helped a number of farmers in Amuru district acquire tractors and combine harvesters through ACF.

> *"…in Amuru and Nwoya, we have given combine harvesters each costing UGX 200,000,000 and 280 Motor bikes in Amuru used to transport produce."*- Manager PFI- Gulu.

4.2 Awareness about ACF

Majority of the farmers and stakeholders interviewed in the 10 districts during the study were not aware of the ACF. Majority of smallholder farmers have never heard of the ACF; only 9.4 percent were aware of the ACF**.** The lowest level of awareness was reported in Moroto, Mubende, and Buliisa, at 0 percent, 1.4 percent and 1.4 percent, respectively. Male respondents were more aware of ACF at 12.5 percent, compared to Female respondents at 6.5 percent (see *Figure 7*). The high level of awareness amongst males might be partly attributed to the fact that men have more access to information channels such as radios and TVs compared to women.

Figure 7: Awareness of ACF by Farmers



Source: Farmer's Survey

It should be noted that the higher level awareness in Isingiro, Katakwi and Oyam might not reflect the true picture since some financial institutions do not explicitly inform their borrowers that they are providing ACF loans, but rather term them as agricultural loans. Not all the agricultural financing provided by commercial banks is under ACF. Thus, some farmers might not be able to differentiate the type of loan they are getting.

> "…*the ACF is not supporting us because we do not know about it."* - Elderly Male FGD Participant, Buliisa S/C, Buliisa.

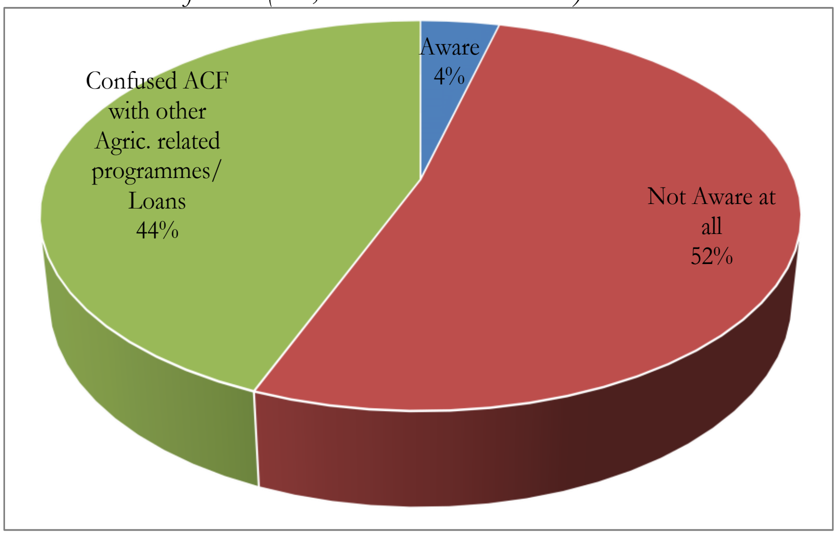
FGD meeting in Bedlworo Parish Kamdini S/C Oyam District

Most smallholder farmers interviewed noted that knowledge about the ACF was a privilege to a few, especially those with banks accounts in PFIs and those who have connections with informed and highly placed persons in Kampala and nearby towns.

> "*I think that money is meant for those with accounts in banks and large chunks of land which can be used as security; we small farmers can't be given that money"* - Male FGD Participant, Atiak S/C Amuru.

On the side of key informants (LG officials, NGO actors and private sector), only 4 percent of the respondents in 10 districts were aware of the ACF (had knowledge of the criteria / modalities of the facility) (see *Figure 8*). However, 44 percent of the people interviewed pretended to know the ACF, but on further probing it was discovered that they confused the facility with other agricultural related programmes such as Operation Wealth Creation (OWC), Youth Livelihood Programme (YLP) and other agriculture loans offered by financial institutions. Those who pretended to know about the ACF, had a lot of misconception about the facility, some said, one has to belong to a farmer's group or SACCO, must have an acre of land, must prepare land before accessing the loans, preference is given to youth and women, the borrower must be endorsed by community leaders, among others. 52 percent of the people interviewed acknowledged that they were not aware of the facility. These included: district leadership such as RDCs, LCV Chairpersons and CAOs.

Figure 8: Awareness of ACF (LG, NGOs & Private Sector)



Source: Key Informant Interviews

Some district officials interviewed during this study, noted that the deliberate none involvement of LG leaders on the availability of the ACF (which is not like other government programmes and interventions) may have been a strategy to ensure that the facility benefits only the commercial banks and a few individuals.

> *"…usually these programmes come and we are so much involved; I am not aware of ACF yet it's my role to help our smallholder farmers access credit and better practices"* – Sub County Official, Nadunget S/C Moroto.

> "*ACF approach did not appropriately use local governments and that is why most farmers are not aware of the facility…you can imagine, even we, the political leaders, are not aware of the facility*" – District Leader, Arua.

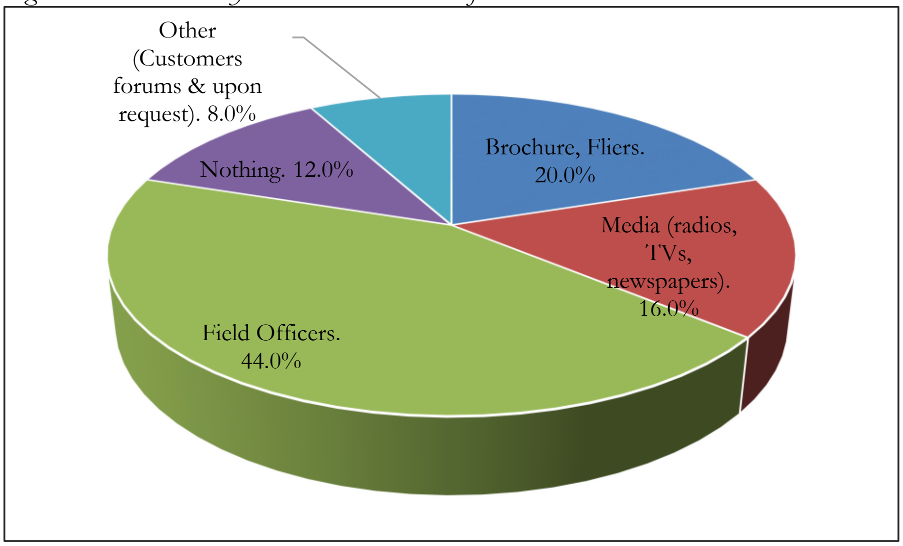
The challenge of limited awareness about ACF is partly caused by the fact that the PFIs are not effectively informing their customers about the availability of ACF loans. Financial institutions interviewed during this study reported to be disseminating information on ACF through their field Officers (44 percent), media (16 percent), and brochures (20 percent). However, 12 percent were not doing anything in terms of dissemination of information (*Figure 9*). However, their field officers don't explicitly inform their clients of the availability of ACF loans, but rather their other agricultural loan products.

> *"We have problems with banks. They do not give information on ACF to us the ordinary people"*- Youth Male FGD Participant, Kasambya S/C Mubende.

> *"I came to know about ACF from a colleague that works in BoU currency centre in Mbale; commercial banks never mentioned the presence of ACF but rather forwarded their products"*- *District* Official, Manafwa DLG.

"The banks have a tendency of only preaching about their profitable bank products and leaving out those that are less profitable" –Youth Male FGD Participant, Nakalama S/C Iganga.

Figure 9: Means used by PFIs to disseminate information on ACF



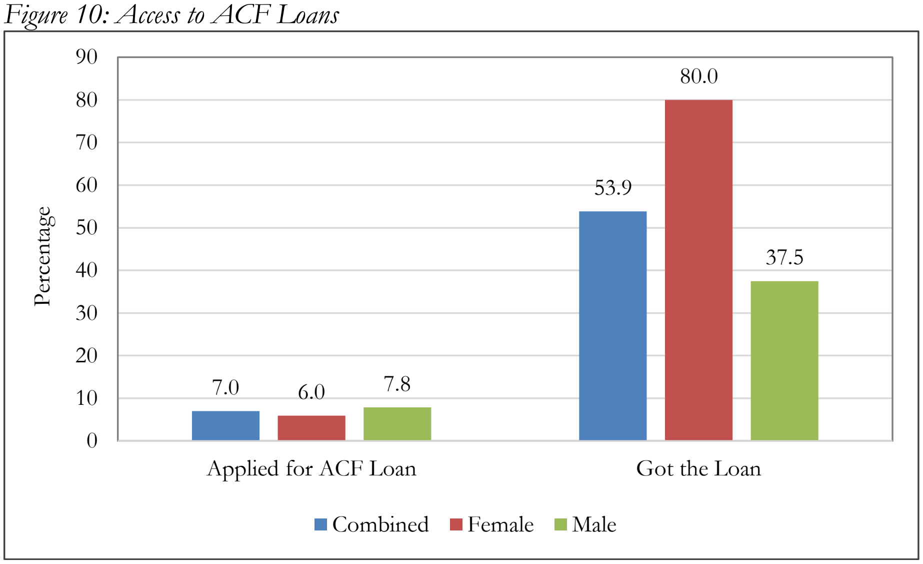
Source: Financial Institutions Survey

4.3 Access by smallholder farmers

This study found that only 7 percent (13 in number) of the smallholder farmers interviewed in the 10 districts, had applied for ACF loans, of which only 54 percent (7 in number) had actually got the loans (see *Figure 10*). No smallholder farmers in Amuru, Arua, Buliisa, Iganga, Mubende, Moroto, and Oyam had applied for ACF loans. Those who tried to apply for ACF loans did not get them because they were tossed up and down until they lost interest.

"I tried to apply for the ACF loan, but did not get it because I was tossed left and right. I got frustrated. So, I gave up." - Male FGD Participant, Sibanga S/C Manafwa.

Figure 10: Access to ACF Loans



Source: Farmer's Survey

Some financial institutions' up-country branches don't offer ACF loans; those interested in borrowing have to apply at their headquarters in Kampala. "…*when the farmer approaches the bank, they are told that ACF loans are not offered at the branch but at the Headquarters in Kampala, which makes it hard for the farmer to access the loan."* – NGO Leader, Iganga.

The major reasons reported by farmers as to why they have not applied for ACF loans included: lack of information on how to access the ACF loans; not interested/ fear to borrow / risky to borrow; lack of collateral; failure to meet the criteria for accessing ACF loans; the financial institutions in my area don't provide such loans; and high interest rates (Table 5).

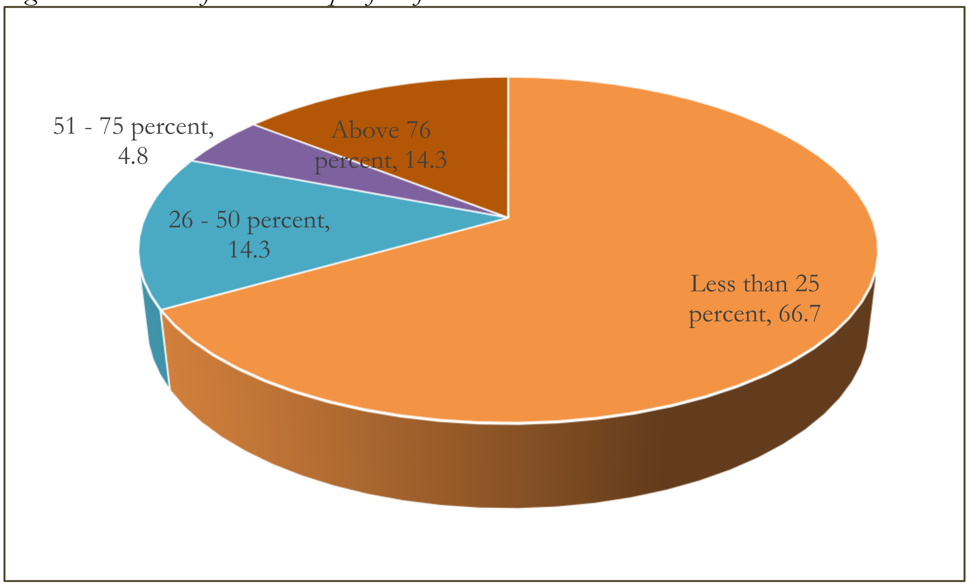
Table 5: Reasons why small holder farmers don't apply for ACF Loans

Reason	Amuru	Arua	Buliisa	Iganga	Isingiro	Katakwi	Manafwa	Mubende	Moroto	Oyam	Combined
Lack of information on ACF loans	63 %	63 %	63 %	62 %	58 %	65 %	61 %	63 %	60 %	68 %	63%
Not interested/ fear to borrow / risky to borrow	37 %	35 %	36 %	38 %	31 %	38 %	37 %	36 %	39 %	33 %	36%
Lack of collateral	17 %	18 %	17 %	18 %	20 %	8%	17 %	17 %	18 %	19 %	17%
Do not meet the criteria for ACF loans	10 %	9%	9%	10 %	8%	11 %	8%	10 %	10 %	8%	9%
Financial institutions in my area don't provide such loans	9%	8%	8%	9%	8%	7%	7%	8%	9%	10 %	8%
High interest rates	9%	7%	8%	8%	7%	9%	7%	8%	9%	9%	8%
Short repayment period	2%	1%	2%	2%	1%	2%	2%	2%	2%	2%	2%
Other	7%	7%	6%	6%	8%	4%	7%	7%	7%	6%	6%

Source: Farmer's Survey

Commercial banks which would be the major channel of agricultural credit finance to smallholders have not taken a deliberate effort to understand smallholder farming and the type of financial products they require to improve access. Commercial banks complain of the lengthy time required to develop tailor-made products for small-scale borrowers and educating borrowers on available credit and how it works. Most financial institutions limit their exposure to lending to small-scale borrowers. As shown in *Figure 11*, over two-thirds of the financial institutions interviewed during this study reported to only providing less than 25 percent of their ACF loan portfolios to small-scale borrowers.

Figure 11: Portion of ACF loan portfolio for small-scale borrowers



Source: Financial Institutions Survey

Section 5: Challenges affecting uptake of the ACF

5.1 Challenges of PFIs

Some of the factors hindering provision of ACF loans by financial institutions include:

a. *Pricing of ACF loans*. The interest rate for ACF loans which is 12% is far much less than the interest rate (of over 15%), which financial institutions borrow in the open market. This makes it hard for them to fully embrace the ACF. This challenge notwithstanding, the central bank rate (CBR) has been reducing over time and now stands at 10% which is less than the ACF interest rate cap.

b. *Moral hazard*: A moral hazard occurs when one party in a transaction has the opportunity to assume additional risks that negatively affect the other party. Some financial institutions are fearful of the danger of some borrowers deliberately failing to pay, on the pretext that ACF is government money. Experiences from previous government financial schemes are decipherable by most financial institutions. However, the moral hazard challenge is also a key concern for borrowers, since some financial institutions can also use the ignorance of borrowers to their advantage, especially when setting interest rates and other charges.

c. *Inadequate appraisal* by some of the PFIs leading to delays in the loan approval process thereby lowering the number of loans approved under the Scheme. This is partly caused by inadequate skills in agricultural lending i.e. inexperienced loans officers fail to effectively screen their clientele.

d. *Conflict of interest by some PFIs:* Some PFIs prefer to market their own agricultural loans on commercial basis which are profitable and yield higher interest compared to loans given under ACF. This is partly caused by poor attitudes of some officials who, sometimes, discourage farmers from applying for ACF loans.

> *"The loan officer informed me that the ACF product is there but it is not easy to access it because of the length application process yet the one that Centenary bank gives takes a shorter time to be accessed. So, they advised me to drop the ACF and go for the one offered by Centenary Bank*" – District Official, Manafwa.

e. *Bureaucratic processes:* Processing an ACF loan and dealing with delinquent loans take a lot of time. PFI staff are required to follow-up with BoU which makes the administrative costs of securing ACF high yet BoU requires that charges do not exceed 0.5 percent of the total Loan amount. Thus, most financial institutions end up promoting their own agricultural loan products other than ACF loans.

> "*People come here to get money without delay so the rigour of filling ACF files and the waiting for reply is what many clients can't gauge. So they resort to applying for our in-house loan facilities like salary loans and agricultural loans*" – Manager PFI, Moroto.

In addition, the procedure for delinquent loans has to follow the provisions in the Public Finance and Management Act, which to some banks is too bureaucratic and time consuming.

f. Expansion of scope of activities that ACF can finance, though this is key to expansion of credit to agricultural value-chain, some financial institutions think it has made provision and follow-up on ACF loan more difficult since their entire agricultural loan portfolio qualities for ACF interest rates.

g. Commercial banks, given their cost structures, are not the most suitable financial institutions to provide credit to smallholder farmers. Providing credit to smallholder farmers involves large transaction costs and high risks for financial institutions.

h. Smallholder farmer borrowers are not attractive to commercial banks as they are perceived as high risk borrowers. Most smallholder farmers do not usually have bankable projects attractive to the PFIs.

i. *Location*: Most financial institutions are located in urban or pre-urban (town centres) which cannot be accessed by those farmers in remote areas.

5.2 Challenges of Smallholder Farmers

Some of the factors hindering smallholder farmers from accessing ACF loans include:

a. *Inadequate information about the ACF*. As noted, most stakeholders and farmers at local levels are not aware of the ACF and how to access it.

> "*I have not applied for ACF because the information regarding ACF loans is not clear. I don't know where to start from*" – Female FGD Participant, Kapujan S/C Katakwi.

b. *Lack of adequate collateral*. Smallholder farmers have to present collateral if they are to acquire any loan, yet many of them don't have sufficient collateral. The most common collateral farmers have is land, however, the current land tenure system, gender bias towards access and ownership of land makes it hard for the farmers, especially women to use land as collateral.

> "*We don't have collateral security to get loans because when I need a big loan, they will ask for my house, a land title and a guarantor who I cannot get to stand in for me*"- Female FGD Participant, Sibanga S/C, Manafwa.

> *"Since we women culturally do not own land, I have less or nothing to offer as collateral security. Your husband cannot let you offer the land as collateral with the mind-set that you might leave the marital home anytime."* – Youth Female FGD Participant, Logiri S/C, Arua.


FGD meeting at Bugana Parish, Buliisa S/C, Buliisa District.

c. *Lengthy procedures*: Smallholder farmers noted that the process of applying for a loan facility, especially for agricultural purposes is tedious and unpredictable owing to the requirements needed by the financial institutions. Farmers have to travel several times to fulfil all the requirements, but don't even get the loans. This discourages farmers from applying for agricultural loans including ACF.

"*I have not applied for the ACF loan due to the lengthy procedures followed to access the ACF loan from the banks.*" – Youth Male FGD Participant, Buliisa S/C, Buliisa.

"*The procedures are too long and the terms used are too complicated for smallholder farmers and agro-processors, given the high levels of illiteracy*" – District Leader, Buliisa.

d. *High interest rates:* Despite the fact that interest on ACF loan is 12 percent, however, most farmers complain that it's still high given the nature and risks associated in Uganda.

> *Bank interest and charges are high. Most times, an individual will find it hard to raise both the principle and interest from the same project."* - Young Female FGD Participant, Buliisa S/C Buliisa.

e. *Absence of formal financial institutions*. The absence of financial institutions in districts like Amuru, Oyam and Katakwi has had a tow on access to agricultural credit including ACF. Farmers that are interested in borrowing have to move long distances to access banks, which is very costly.

> "*...the challenge is the long distance to Arua town which is estimated at 70Kms. This makes it hard for us to access credit and since we are already poor, we are not in position to meet the different costs associated with the borrowing"* - Elderly Female FGD Participant, Logiri S/C Arua.

> *"…the long distance travelled to access the loan is so much; the points I can borrow from are in Hoima and Masindi; transport to and fro Hoima is UGX 30,000 which is expensive since one*

has to make numerous trips to the Bank to process the loan and thus not being cost effective. I might spend UGX 120,000 on transport to get a loan of UGX 600,000 which is not viable." – Youth Male FGD Participant, Buliisa S/C, Buliisa.

Even when financial institutions are present in the districts like Arua, the costs needed to maintain accounts by the smallholder farmers discourage them from using commercial banks.

"…we lack financial service providers, especially commercial banks within that could offer financial support to the farmers"- Female FGD Participant, Atiak S/C, Amuru.

"We don't have banks in this area so it is not easy for us to access loans as all banks are in Mbale town and transport is high, so some of us have given up on loans." - Male FGD Participant, Sibanga S/C, Manafwa.

f. *Negative perceptions about commercial banks*. The phobia of losing property was emphasised by all farmers during FGDs. Many smallholder farmers fear to lose their property like homes, household items and land, in case of failure to pay back loans. This is partly due to the past experiences with financial institutions where some of their colleague's lost property to banks after failing to pay back loans.

"*…farmers fear to lose their assets like land and houses so most of them get afraid to access the loans because in case of failure to repay, the banks acquire these assets*"- Official, Open Gates Cooperative, Oyam.

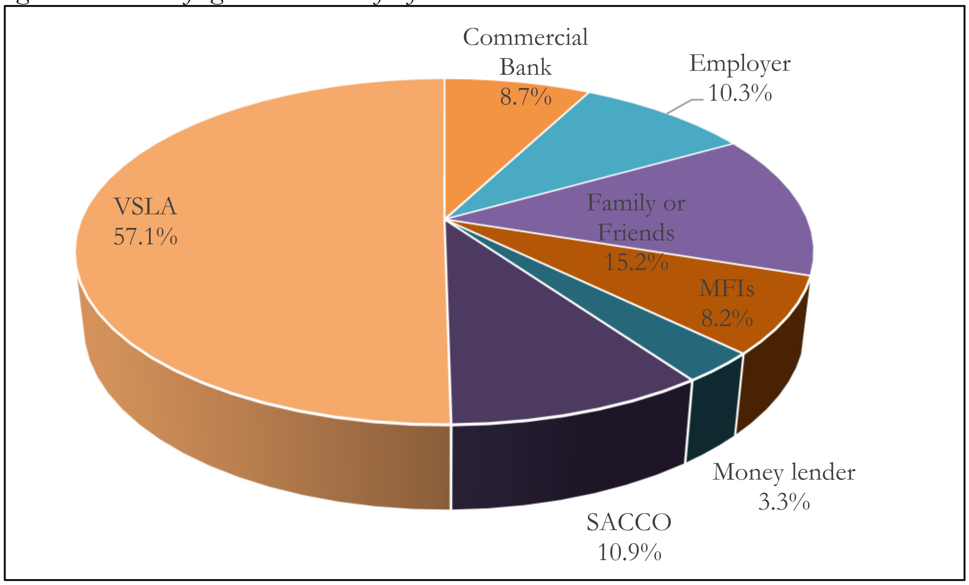
"In Karamoja, smallholder farmers fear to borrow from formal institutions such as banks owing to the fact that they are most likely to be arrested and prosecuted once they fail to clear the loans and so this hampers the uptake of the agricultural loan facilities in the region"- Male FGD Participant, Nadunget S/C Moroto.

Most smallholder farmers, especially women talked to during this study, noted that most formal financial institutions are unfriendly to them and can't listen to them (farmers) when they fail to meet their loan payment obligations.

"I am sceptical about borrowing from banks since they can't understand us…its better you borrow from our VSLA which we know we can easily negotiate with them on the terms of repayments and this is very convenient and affordable for someone whose crop has failed." – Youth Male FGD Participant, Logiri S/C, Arua.

Thus, majority of the farmers don't consider banks as a viable source of credit. This study found that only 8.7 percent of the farmers interviewed had borrowed money from a commercial bank in the last one year (see *Figure 12*). Most smallholder farmers prefer to borrow from their Village Savings and Loan Associations (VSLA).

Figure 12: Source of agricultural credit for farmers



Source: Farmer's Survey

g. *Unpredictable weather patterns*: Farming in Uganda is highly dependent on weather which has become increasingly unreliable. In addition, the vulnerability of agriculture to the pests and diseases makes farming risky. Thus, borrowing money for agriculture is very risky for farmers since they unavoidably struggle to repay loans.

> *"Natural disasters like drought and floods destroy crops, yet you are required to pay the loan using proceeds from the same crops that have been destroyed"*- Chairman Kapujan Producers and Marketing Association, Kapujan S/C- Katakwi.

> "*…we have the worst climate here for us to benefit from farming; some banks want us to irrigate our farms which is expensive. We can't afford it*" – Male FGD Participant, Nadunget S/C Moroto.

> "*… many of us fear going for loans, especially for agriculture since we are normally disappointed by the unreliability of rain which causes poor harvest….if you are using a loan to spur the production, then you will definitely put a rope on your neck* " - Elderly Male FGD Participant, Logiri S/C, Arua.

h. *Attitudes of bank officials*. Smallholder farmers complained that some banks undermine them since they are considered illiterate and poor. Thus, they (banks) don't give them (farmers) priority and don't event inform them about the loan products they have.

> "*Many times, we are not given priority due to our socio-economic status. They prefer the established businesses to us thus being discouraged to take on loans to finance our activities*."- Youth Female FGD Participant, Buliisa S/C, Buliisa.

Section 6: Conclusions and Policy Recommendations

6.1 Conclusion

The ACF was a good strategy for agricultural financing in Uganda by promoting commercialisation of agriculture through provision of medium and long-term financing to the agricultural sector. As of June 2017, UGX 236.55 billion had been disbursed to over 378 eligible projects countrywide. However, GoU (through the MoFPED) remittances to the scheme have not been consistent. Over the last eight years, GoU has only remitted UGX 141.07 billion (averaging UGX 18 billion annually) to the scheme. In addition, only 16 financial institutions (all commercial banks) are participating, with no involvement of the MDIs and MFIs that are much closer to small-scale borrowers.

Consequently, smallholder farmers have not adequately benefited from the scheme. This is largely due to limited awareness of the scheme. This study found that only 9.4 percent of smallholder farmers in 10 districts covered were aware of the ACF. The lowest level of awareness was reported in Moroto, Mubende, and Buliisa. The responsibility of marketing the scheme is largely placed in the hands of the PFIs, however, most of them are not doing it, and they instead market their own loan products.

Besides limited awareness, there are a number of challenges that hinder smallholder farmers from accessing agricultural loans including ACF such as; lack of adequate collateral, lengthy procedures for accessing loans, absence of formal financial institutions in rural areas, negative perceptions about commercial banks by farmers and unpredictable weather patterns which make farming highly risky.

6.2 Policy Recommendations

6.2.1 Government

a. BoU should ensure effective implementation of the ACF marketing strategy to increase awareness about the existence of the scheme. Radios are one of the commonest means of dissemination of information at local levels, thus they should be used comprehensively.
b. BoU should ensure that PFIs adhere to the terms and conditions stipulated in the MoU, especially interest rates and other charges on the ACF loans.
c. BoU should ensure that the time taken to verify loan applications is shortened since agriculture related businesses are seasonal in nature. BoU should increase staff in the ACF department to ensure quick processing of claims from financial institutions and disbursement of the funds.
d. BoU should comply with laid down procedures for the management of the Escrow account so as to mitigate the risk of possible diversion of ACF funds to non-eligible activities.
e. The MoU should be revised to reduce the amount BoU can reimburse a PFIs to at least UGX 2 million.
f. BoU should build the capacity of financial institutions in agricultural lending.

g. BoU and PFIs should critically assess the foreign exchange market, forecast, and guide borrowers to make appropriate decisions. Loans should also be issued in a currency for which transactions are to be made.
h. BoU should endeavour to publish information on ACF especially funding and beneficiaries in a timely manner.
i. The ACF should be revised to offer block fund allocations to Credit Institutions (CIs) and MDIs that have well performing SME portfolios for onward lending to small-scale projects whose funding requirements do not exceed UGX 5 million in order to increase outreach to smallholder farmers.
j. The MoU should be revised to include clauses that would benefit smallholder farmers, for instance, include provisions for use of tripartite agreements as collaterals: where a legal agreement exists between the farmers/ farmer co-operative, buyer and bank, thus farmers are advanced loans based on the agreement. In addition, when big players borrow, the lending agreement should have a clause that requires that raw materials for the factory be bought from smallholder farmer groups.
k. MoFPED should undertake a comprehensive review of the performance (especially financing) of the ACF to ascertain whether it's meeting the set objectives.
l. MoFPED and BoU should ensure that they involve more stakeholders especially farmers in the revision of the ACF MoUs.
m. The ACF should focus more on financial institutions, especially MDIs and MFIs which specialise in small savings and loan facilities, and which have strong local roots, which are better suited to delivering agricultural credit on a sustainable basis.
n. ACF should provide more funding towards on farm activities (such as labour, and inputs), and working capital.
o. The ACF should leverage the Uganda Agricultural Insurance Scheme (which is currently under the pilot phase across the country) through partnering with the banks, to cover systemic risk faced by the majority of smallholder farmers such as a general epidemic or extreme weather conditions.
p. The ACF MoU should incorporate gender concerns – for example, giving women more priority in acquiring ACF loans since they are mostly engaged in agriculture.
q. MoFPED should expedite the development and enactment by parliament the statutory instrument for the ACF in order to solve some of the legal lacunas and challenges affecting the implementation of the scheme.
r. MoFPED should put measures to ensure effective monitoring of the entire operations of the scheme. By doing this, the Ministry will receive regular feedback on major complaints in order to take the necessary corrective action.
s. MoFPED should develop and implement the Agricultural Finance Policy and strengthen mechanisms through establishing a specific high-level coordination body.
t. MoFPED needs to consider transforming the ACF and other scattered agricultural financing initiatives such as Microfinance Finance Support Centre (MSCL) programme into a rural or agricultural development bank managed under PPP framework. This Rural or agricultural development bank should provide different products for different farmer groups at different levels covering the entire agricultural value-chain.
u. Government should provide more incentives for more financial institutions, especially MDIs to participate in the scheme.
v. Government should ensure strong institutional collaboration when implementing agricultural financing programmes, for instance, MAAIF should have a stronger role in the ACF. In addition, Agricultural extension staff should be engaged in the

dissemination of information on ACF. Furthermore, information on ACF should be translated in local languages.

w. Government should incorporate a holistic approach towards agriculture development; for instance subsidising activities which clearly have the characteristics of public goods, such as strengthening land rights, research and extension services, strengthening warehouse receipt system and training farmers in financial literacy.

6.2.2 Financial Institutions

a. Should adhere to conditions of the MoU, especially interest rate and other charges on the ACF loans.
b. All financial institutions in Uganda should embrace the scheme and fully support its implementation by participating in the scheme.
c. Should simplify procedures for accessing ACF loans to enable smallholder famers to access the loans.
d. Should embrace the use of tripartite agreements as collaterals: where a legal agreement exists between the farmers/ farmer co-operative, buyer & Bank, where farmers are advanced loans based on the agreement. This will de-risk agriculture so that they can lend with confidence.
e. Should increase awareness of farmers about the ACF through extensive dissemination of correct information on the scheme through use of media (radio and TV talk shows) and other appropriate communication channels (such as public notice boards). Should work with NGOs, CBOs, religious leaders and LGs to disseminate information on ACF.
f. Besides providing loans to the farmers, financial institutions should sensitise smallholder farmers, teach them how to develop bankable projects and give them financial literacy training sessions to enable them access and effectively utilise borrowed funds.
g. Should explore the mobile banking and leverage technology to solve market information deficiencies and deliver financial services in a more cost effective manner.
h. Should provide loans to farmers in groups rather than individuals in order to enhance debt recovery and reduce risks.
i. Should employ and train agricultural loan officers who can understand farmers better and can provide appropriate advice on borrowing and utilisation of borrowed funds.
j. Should open more branches, especially in underserved places and rural areas where most farmers are located. They can also adopt mobile banking services (such as village banks), especially in very remote areas.
k. Should provide financing based on the whole agricultural calendar and adapted to the farming cycle.
l. Should decentralise information on ACF to all their branches, and where possible, provide agricultural loans including ACF at the branches.
m. Should develop innovative approaches and appropriate lending methodology that enables them lend to smallholder farmers such as; focusing on commercially oriented farmers irrespective of the size of their operation, self-liquidating loans, micro agricultural business loans for financing production inputs, loan products for farm equipment such as ox ploughs, tractors and other farm equipment.

6.2.3 Farmers

a. UNFFE and UCA should disseminate information about available financial products such as ACF amongst members.
b. Ensure proper record-keeping for any enterprise they are engaged in and enhance their financial literacy.
c. Studies have shown that farmers groups that are organised around a common enterprise value-chain such as coffee, maize, etc., that are market-linked are more likely to succeed in improving access to financial services than individual farmers. Therefore, there is need for farmers to organise themselves in cooperatives and producer associations in a bid to increase access to agricultural credit.
d. Share success stories of their fellow farmers who have borrowed money for agriculture and reaped big to help overcome the fear for borrowing for agriculture.
e. Use their interaction with banks as a capacity building exercise, which can enable them to access loans easily.
f. Articulate their needs: know what they want, for what and under which conditions: The question is not: how much can the bank give them? But rather, how much money is their enterprise or activity worth? And are they capable of making it worth?
g. Develop a saving culture among themselves through VSLA and SACCOs.
h. Change mind-set from waiting for hand-outs from government and development partners to working hard to improve their livelihoods.

6.2.4 Caritas and UFCVP partners

a. Advocate for increased access to information on ACF especially on financing (disbursements) and beneficiaries.
b. Lobby to ensure their participation in the development of polices on ACF (such as statutory instrument, agricultural financing) and revision of the MoU.
c. Disseminate information about ACF to specific target groups they are working with to increase farmers' awareness about the facility. They should leverage on religious leaders to disseminate information to their congretations.
d. Should facilitate farmers to form groups / associations through which they can access agricultural loans including ACF.
e. Should sensitise smallholder farmers, teach them how to write proposals and give them financial literacy training sessions to enable them access and effectively utilise borrowed funds.
f. Should encourage and assist smallholder farmers to adopt commercial farming techniques, even on a limited scale, in order for them to achieve higher agricultural productivity.
g. Build capacity of emerging groups, especially VSLAs and SACCOs and raising their financial and entrepreneurial capacities.
h. Should advocate for the government to strengthen the VSLA/village banks and SACCOs since UCA, UCSCU and AMFIU that are supposed to support the VSLA/village banks and SACCOs are too limited in resources and mandate to do so properly.

i. Provide support and linkages in making the agricultural activities more profitable and less risky through technical training, market information services, storage facilities and positioning farmers in the market / value-chain, and linking of different players.
j. Advocate for the rural or agricultural development bank that will explicitly focus on farmers' credit needs, hedge against risks like crop failures and volatilities in the prices of agro products.
k. Advocate for a designated institutional home fully mandated to handle agricultural finance policy in Uganda.
l. Should lobby to become members of the Agricultural Finance Platform who include most stakeholders (financial institutions, development partners, government, private sector), involved in agricultural financing in Uganda.

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Annexes

A. Key Informant Interviews

Government Officials

National Level

S/N	Name	Title & Institution
1.	Ms. Rosette Bamwine	ACF- BoU
2.	Mr. Titus Kajura	Senior Economist/Agriculture Desk Officer - MoFPED
3.	Mr. Ambrose Lotyang	Senior Economist/ ACF Desk – MoFPED

Amuru District

S/N	Name	Title & Institution
1.	Mr. Obina Godfrey	DPO
2.	Mr. Amone Denish	Agricultural Officer, Atiak S/C
3.	Mr. Okello Martin	Secretary Community Development, DLG
4.	Mr. Komakech Michael Comboni	SAS, Atiak S/C

Arua District

S/N	Name	Title & Institution
1.	Mr. Ezemu John	DCO
2.	Mr. Genesis Achema	Vice Chairperson, LCV
3.	Mr. Simon Ababu	ACAO
4.	Mr. Herbert Anguthuku	DPO
5.	Mr. Peter Dibele	RDC
6.	Mr. Atiko David	Assistant Agricultural Officer, Logiri S/C
7.	Mr. Jimmy Ali	SAS, Logiri S/C
8.	Mr. Bosco Odama	Chairperson LCIII, Logiri S/C

Buliisa District

S/N	Name	Title & Institution
1.	Mr. Bamuturaki Gerald	Assistant CDO
2.	Mr. Ronnie Agondwe	Deputy Chief Administrative Officer
3.	Mr. Kaahwa Robert	District Production Officer
4.	Mr. Biribonwa Peter	RDC
5.	Mr. Byahuka Geoffrey Matugo	LC5 Vice-chairperson
6.	Mr. Kubalirwa Nkuba	LC3, Buliisa S/C
7.	Mr. Balemesa Rogers	SAS, Buliisa S/C

Iganga District

S/N	Name	Title & Institution
1.	Mr. Ogaza Gozom	District Agriculture Officer
2.	Mr. Batuuka Samuel	DCDO
3.	xxx	Chairperson, LC 5
4.	Mr. Muhindo Pulkeria	RDC
5.	Mr. Mugolofa Ramathan Gaboli	SAS, Nakalama S/C
6.	Mr. Farid Ali	Agriculture Officer, Nakalama S/C

7.	Mr. Kibwika Michael	Vice Chairperson, LC III - Nakalama S/C

Isingiro District

S/N	Name	Title & Institution
1.	Mr. Muhangi Herbert	RDC
2.	Mr. Eswilu Donath	CAO
3.	Mr. Ndemerire Bernard	District Commercial Officer
4.	Mr. Kamurali B. Jeremiah	Chairperson, L.C.V
5.	Mr. Mugarura Edward	DCDO
6.	Mr. Karugaba Aloysias	DPO
7.	Mr. Byensi Justus	L C III, Chairperson, Kabuyanda S/C
8.	Mr. Arinitwe Silver	CDO, Chairperson, Kabuyanda S/C

Katakwi District

S/N	Name	Title & Institution
1.	Ms. Alupo Scholar	Assistant CAO
2.	Mr. Ambrose Mwesigye	RDC
3.	Mr. George Osege	District Agricultural Officer
4.	Mr. Okello Martin	LC 3 Chairman
5.	Mr. Okany Henry	SAS, Kapujan S/C

Manafa District

S/N	Name	Title & Institution
1.	Mr. Charles Otai	CAO
2.	Mr. P Mike Yoga	Deputy CAO
3.	Ms. Doreen Khakusuma	District Commercial Officer
4.	Dr. Okello Denis Odongo	DPO
5.	Ms. Mika Mukoye	SAS Sibanga S/C
6.	Mr. Masa Emmanuel	Agricultural Extension Officer- Sibanga S/C
7.	Mr. Nangoli Palid	LC 3 Chairman Sibanga S/C

Moroto District

S/N	Name	Title & Institution
1.	Ms. Magie Lolem	DCDO
2.	Ms. Longok Emma	District Labour Officer
3.	Mr. Akot Christine	District Vice Chairperson
4.	Mr. Opolot Patrick	Agricultural officer- Nadunget S/C
5.	Mr. Mor John Bosco	ACAO

Mubende District

S/N	Name	Title & Institution
1.	Ms. Lillian Nakamatte	CAO
2.	Ms. Ndagire Maria	DCDO
3.	Ms. Namirembe Sylvia	DCO
4.	Mr. Ssebudde James	DPO
5.	Mr. Birungi Zziwa Edward	Vice Chairperson, LC 5
6.	Ms. Kiiza Evelyn	RDC
7.	Ms. Nankabirwa Mary Jessica	SAS, Kasambya S/C

Oyam District

S/N	Name	Title & Institution
1.	Ms. Akuma Susan	Assistant CAO
2.	Mr. Ogwal A. Cox	DPO
3.	Mr. Adea Nelson Akar	District Chairman
4.	Mr. Otim Clement Emmanuel	Secretary Finance Planning & Administration
5.	Mr. Ochen Jimmy	Agriculture Financing Head Officer
6.	Mr. GeofreyOketch	SAS, Kamdini S/C
7.	Mrs. Akello Gloria	Assistant Agricultural Officer, Kamdini S/C

Private Sector & NGOs

National Level

S/N	Name	Title & Institution
1.	Ms. Josephine Mukumbya	Chief Operating Officer/ Abi Finance
2.	Ms. Nabagala Ruth	Agriculture Market Officer, PELUM
3.	Mr. Augustine Mwendya	Chief Executive, UNFFE
4.	Mr. Samuel Musisi Lukanga	CIDI

Amuru *District*

S/N	Name	Title & Institution
1.	Mr. John Bosco Komakech	Head Caritas Gulu
2.	Mr. Patrick Okello	Team Leader, Acholi Private Sector Development

Arua District

S/N	Name	Title & Institution
1.	Mr. Alex Aribo Achidiri	Arua District Farmers Association (ARUDIFA)
2.	Mary Dawarnu	Extension Officer, West Nile Private Sector Development Promotion Ltd (WENIPS)
3.	Mr. Gabriel Onencan	Coordinator, Uganda Cooperative Alliance (UCA) Arua Regional Field
4.	Mr. Juma Jumbe Tialio	District Coordinator, Community Organization for Rural Enterprise Activity Management (CREAM)
5.	Mr. Peter Yiki	Programme Officer, Community Empowerment for Rural Development (CEFORD)

Buliisa District

S/N	Name	Title & Institution
1.	Ms. Doreen Kabajulizi	Project Coordinator, Buliisa Initiative for Rural Development (BIRUDO)
2.	Mr. Murungi Frank	Operations Manager, Buliisa District Farmers Association
3.	Mr. Mujuni Steven	Secretary, Buliisa Livestock Farmers Cooperative Society
4.	Mr. Mugume Macris Kakindo	Manager, Orphans' Care
5.	Mr. Godfrey Opira	Executive Director, Soft Power

Iganga *District*

S/N	Name	Title & Institution

1.	Mr. Bisiki Paul	Coordinator; District Farmer Association (DFA)
2.	Mr. Muhwezi Godfrey	Area Manager, Eastern Archdiocesan Network (EADEN)
3.	Mundagha Andrew	Asst. Program Officer HUNGER PROJECT
4.	Mr. Musulo Ayubu	Executive Director, Multi-Purpose Training and Community Empowerment Association (MTCEA)
5.	Ms. Nakyema Shadia	Field Facilitator, Network for Organic Agriculture Research in Africa (NOGAMU)

Isingiro District

S/N	Name	Title & Institution
1.	Mr. Muhereza Denis	Vice Chairperson, Isingiro District- Nyamiyaga - Caritas Farmer Group
2.	Mr. Tumutegyerize Francis	Chairperson, Kabuyanda Sub County Farmers' Association
3.	Mr. Robert	Chairperson, Kabuyanda Diary Farmer's Group
4.	Ms. Tusingwire Susan	Administrator, Samaritan Purse
5.	Mr. Katera Frank	Member, Bataka Coffee Growers Group

Katakwi District

S/N	Name	Title & Institution
1.	Mr. Osele Joel	Chairman, Kapujan Youth Farmers Group
2.	Mr. Okiror Robert	Kapujan Producers and Marketing Association
3.	Mr. Omoket Joseph	Chairman, Kapujan Fruit Growers Cooperative

Manafwa District

S/N	Name	Title & Institution
1.	Mr. Bwayo	Agricultural Extension Officer EADEN

Moroto District

S/N	Name	Title & Institution
	Mr. James	Manager, Moroto Youth Diary Association

Mubende District

S/N	Name	Title & Institution
1.	Mr. Kasumba John	Field Staff, Children and Wives of Disabled Soldiers (COWADISA).
2.	Ms. Lumbuye Steven	Acting Chairperson, Mubende District Farmers' Association
3.	Ms. Namirimo Irene	Area Manager, Kiss Development Association
4.	Ms. Nambuusi Teddy	Nature Africa, Projects Officer
5.	Ms. Nnakiruuta Hadijah	Program Manager, Sorak Development Agency
6.	Mr. Mutebi Adolf	Chairperson, Youth Skills Development Group

Oyam District

S/N	Name	Title & Institution
1.	Mr. Engur Chris	General Secretary, Open Gate Producer Organization Cooperative Society
2.	Mr. Christopher Apunyu	WiloboPeOngeo Agro Producers and Processors Cooperative
3.	Mr. OloboCeaser	Chairman- Okini Cooperative

Financial Institutions

Kampala

S/N	Name	Title & Institution
1.	Mr. Kulabako Samuel	Team Leader Corporate Credit Analysis Tropical Bank
2.	Mr. Ssentongo Patrick	The Agri-business Analyst Stanbic Bank
3.	Mr. Evans Nakochocho	Head of Agri-business Centenary Bank
4.	Mr. Seguya Eric	Manager Agro-business Housing Finance
5.	Mr. Obal Andrew	Head of Marketing Orient Bank
6.	Mr. Wandera Godfrey	Business growth manager Post bank
7.	Mr. Kaggwa Andrew Nkambo	Relationship Manager Diamond Trust Bank
8.	Mr. Kayongo Joseph	Investment Officer Stromme Microfinanc
9.	Mr. Mutumba Lawrence	Lending Manager FINCA Agriculture
10.	Mr. Kennedy Bayo	Head of Public Sector Ecobank
11.	Mr. Mpoda Charles	Credit Manager KCB Bank
12.	Ms. Mutyaba Irene	Acting Head of Global Banking Standard Chartered Bank
13.	Mr. Sempa Richard	Senior Relationship Manager Agriculture Dfcu Bank
14.	Mr. Malik Asif Russd	Head of Credit BRAC UGANDA
15.	Mr. Lubwama Emmanuel	Agriculture Finance Manager Opportunity Bank
16.	Mr. Lwanga Joseph	Senior Manager Agriculture Lending Pride Microfinance

Amuru

S/N	Name	Title & Institution
1.	Ms. Susan Lakop	Branch Manager DFCU Bank
2.	Mr. Vincent Oneka	Business growth Manager Post bank
3.	Mr. Latif Mugisha	Business Growth Manager Post bank

Arua

S/N	Name	Title & Institution
1.	Mr. Newton	Branch Manager, Bank of Africa
2.	Mr. Muller Albert clay	Branch Manager, Centenary Bank
3.	Mr. Abiti Francis	Branch Manager, DFCU Bank
4.	Mr. Okello Desmond	Branch Manager, Post bank
5.	Mr. Dranni Philliph	Branch Manager, Pride Microfinance

Buliisa

S/N	Name	Title & Institution
1.	Ms. Nyandera Esther	Loans Manager Stanbic Bank

Iganga

S/N	Name	Title & Institution
1.	Mr. Paul Kato	Credit Administrator Centenary Bank
2.	Mr. Kabenge Davie	Branch Manager, Finance trust bank
3.	Ms. Namutebi Faudah	Branch Manager, Opportunity Bank

Isingiro

S/N	Name	Title & Institution

1.	Mr. Justice Nuwagira	Branch Manager, DFCU Bank

Katakwi

S/N	Name	Title & Institution
1.	Mr. Venancio Mabanza	Branch Manager, Finance Trust Bank
2.	Mr. Okello Emmanuel	Branch Manager, Pride microfinance

Manafwa

S/N	Name	Title & Institution
1.	Mr. James Okello	Loan Officer, Bank of Africa
2.	Mr. Wabomba Mark	Agricultural Loans Officer, Finance Trust Bank
3.	Mr. Robert Kiwalabye	Branch Manager, Finance trust Bank

Moroto

S/N	Name	Title & Institution
1.	Asalo Christine Rose	Stanbic Branch Manager
2.	Opero David Moses	Centenary Bank Branch Manager
3.	Lydia Nambuya	Business Growth Manager Post Bank

Oyam

S/N	Name	Title & Institution
1.	Mr. Mugisha Bruce	Accounts Relationship Supervisor; FINCA, Uganda, Lira Branch
2.	Mr. Francis Xavier Okello	Customer Service Officer; DFCU Bank, Lira Branch
3.	xxx	Post Bank, Lira Branch

B. FGD Participants

Kal East Parish, Atiak S/C, Amuru District

S/N	Name	Gender
1	Arop Charles	Male
2	Anek Grace	Female
3	Opio David	Male
4	Aken Siraj	Male
5	Lwak Phillip	Male
6	Oloya Richard	Male
7	Komakech Alex	Male
8	Laker Christine	Female
9	Amono Jocy	Female
10	Abalo Betty	Female
11	Adong Mary	Female
12	Lalam Agnes	Female
13	Okong Nelson	Male
14	Lamwaka Stella	Female
15	Alanyo Grace	Female
16	Ocitti Martin	Male

Arua District, Logiri Sub County

S.N	Name	Gender
1.	Adaku Chalisi	Male
2.	Alima Felix	Male
3.	Jenty Odaru	
4.	Candia Jino	
5.	Jino Avini	
6.	Nyaku Samuel	Male
7.	Okunduyo Beatrice	Female
8.	Ajiko Betty	Female
9.	Okudia Night	Female
10.	Kizza Liberty	Male
11.	Adule Samuel	Male
12.	SaaruVebansio	Male
13.	Ebaci Si	Male
14.	Edema Acidri Joseph	Male

Buliisa District, Buliisa S/C, Bugana Parish

S/N	Name	Gender
1.	Bamuturaki Gerald	Male
2.	Opio Francis	Male
3.	Birungi Immaculate	Female
4.	Katusiime David	Male
5.	Bujuni Alice	Female
6.	Ndorelilwe Ronald	Female
7.	Kabagambe David	Male
8.	Abigaba Amon	Male
9.	Kusiima Doreen	Male
10.	Kiiza Alfred	Male
11.	Tumwesige Owen	Male
12.	Tibeita Eryabu	Male
13.	Muganye Norriet	Female
14.	Tumusiime Gilbert	Male

Iganga District, Nakalama S/C, Akson Trading Centre

S/N	Name	Gender
1.	Ikoona Musa	Male
2.	Tigasitwa Hasani	Male
3.	Okurut Gonzaga	Male
4.	Bakwesegha Moses	Male
5.	Nakwanga Scovia	Female
6.	Namuwaya Topi	Female
7.	Kagoya Edisa	Female
8.	Mutebi Latifu	Male
9.	Mukungu I Muzahamu	Male
10.	Lwabuga Asuman	Male
11.	Balikowa Thomas	Male

Isingiro District, Kabuyanda S/C, Kabugu Parish

S/N	Name	Gender
1.	TukwasibweVenansio	Male
2.	Nzuyuvira Edward	Male
3.	Beinenama Annet	Female
4.	Atuhire Moses	Male
5.	Ninsiima Racheal	Female
6.	Tugume James	Male
7.	Ensinikweri Deus	Male
8.	Tindibulwa. P	Male
9.	Nshekanabo Naris	Male
10.	Maguru Selt	Male
11.	Acayo Doreen. K	Male
12.	Ngambeki Juma	Male
13.	Kagyenda Eliphazi	Male
14.	Ndyomugyenyi John	Female
15.	Niwagaba Frank	Male
16.	Jesica Niwabine	Male
17.	Arinitwe Silver	Male

Katakwi District, Kapujan S/C, Orimai Parish

S/N	Name	Gender
1.	Omoket Joseph	Male
2.	Asele Margaret	Female
3.	Esoku John	Male
4.	Okello Martin Mark	Male
5.	Amongin M Margaret	Female
6.	Akello Frances	Female
7.	Araat Christine	Female
8.	Ocen David Solomon	Male
9.	Otim Aaron Alfa	Male

Manafwa District, Sibanga S/C, Sibanga Parish

S/N	Name	Gender
1.	Massa Emmanuel	Male
2.	Waninda James	Male
3.	Busuku George	Male
4.	Mwalye John	Male
5.	Wamumbi Patrick	Male
6.	Welikhe Moses	Male
7.	Mukhooli Alfred Perezi	Male
8.	Wepukhulu Emma	Male
9.	Khatuli Martin	Male
10.	Khaney Wamela C.J.	Male
11.	Buyela Charles	Male
12.	Salekwa Deo	Male
13.	Nasipwondi Irene	Female
14.	Khakasa Robina	Female
15.	Muyelelo Tom	Male
16.	Tsokina David	Male

17.	Mutonyi Sylivia	Female
18.	*Khanyelele Getulita*	Female
19.	Walimbwa Muketsi	Male
20.	Wakhabi Robert	Male
21.	Zeridah Wafula	Male
22.	Jesika Kisaka	Female
23.	Mukhilendu Vicent	Male
24.	Balayo Lawrence	Male
25.	Butoto Angela	Female
26.	Wangwe Petina	Female
27.	Mafabi Paul	Male

Moroto District, Nadunget S/C

S/N	**Name**	**Gender**
1.	Loro Jamis	Male
2.	Lotee Lokorikwamu	Male
3.	Moru Nanyoun	
4.	Lopeyok Paul	Male
5.	Abura Kela	
6.	Longok Anna	Female
7.	Santina Adome	
8.	Iriama Paulina	Female
9.	Lokwang Katalina	

Mubende District, Kasambya S/C, Kirolero Parish

S/N	Name	Gender
1.	Ntibatekyeleza Chalisi	Male
2.	Hanyurwa David	Male
3.	Ssebalire Christopher	Male
4.	Manirasaba Innocent	Male
5.	Zirabamuzale Josephat	Male
6.	Tumusiime John	Male
7.	Nyirimkindi Dominic	Male
8.	Balongo Julius	Male
9.	Kizanye Maria	Female
10.	Kamaali Aloysius	Male
11.	Mbidde Meddie	Male
12.	Kyagulanyi	Male
13.	Hakiiza Tomasi	Male
14.	Kayitesi Jovia	Female
15.	Aine Irene	Female

Oyam District, Kamdini S/C, Bedlworo Parish

S/N	Name	Gender
1.	Ocen Mungu	Male
2.	Ayo Innocent	Female

3.	Okelo Nelson	Male
4.	Susan MWA	Female
5.	Santina Okello	Male
6.	Karomela Awil	Female
7.	Scovia Otoo	Female
8.	Florence Olinga	Female
9.	Jenneth Arido	Female
10.	Florence Opio	Female
11.	Ojok willy	Male
12.	Nure John	Male
13.	Okello Denis	Male
14.	Akot Kerobin	Female
15.	Scovia Ogwal	Female
16.	Winny Okello	Female
17.	Harriet Opio	Female
18.	Nithy Adeo	Male
19.	Milly Ocen	Male
20.	Ameng Ronald	Male