

# National Agriculture Finance Day

20th July 2017, National Agriculture Show Grounds, Jinja

## COMMUNIQUE

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**Uganda Agribusiness Alliance**  
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## The National Agriculture Finance Day 2017



*Ms. Irene Sekamwa (Agricultural Finance Policy Advisor at SNV Netherlands Development Organisation) giving a background to the National Agriculture Finance Day.*

The National Agriculture Finance Day (the Agfin Day) was successfully observed on Thursday 20th July 2017, as part of the 25th Source of the Nile National Agriculture Show, which was held at the Agricultural Show grounds in Jinja. The Agfin Day activities were coordinated by the Uganda Agribusiness Alliance (UAA acting in its capacity as the host of the Agriculture Finance Platform (AFP<sup>1</sup>) in Uganda in partnership with Civil Society Budget Advocacy Group (CSBAG), Uganda National Farmers Federation and Ministry of Finance, Planning and Economic Development. UAA leveraged the platform and network provided by the 25th Source of The Nile Agriculture Show at which agriculture finance was identified as one of the thematic areas, to highlight the continuous need to increase investments in

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<sup>1</sup>The AFP is a dynamic, responsive and issue-based multi-stakeholder actions platform whose purpose is to promote effective actions that will increase the depth, quality and absorption of financial services for (and by) all levels & sizes of actors along the agriculture value chains. The AFP is hosted by Uganda Agribusiness Alliance (UAA) and chaired by SNV Netherlands Development Organisation.

agricultural value chain activities and also provided a platform at which one of the stakeholder validation meetings of the agriculture finance mapping report was done and proposals.

The objectives for the National Agriculture Finance Day included;-

- i. Promoting national awareness of the different agriculture finance products and services with a view of ultimately increasing access to agriculture finance in Uganda.
- ii. Promoting national awareness of the different available risk transfer, mitigation tools and mechanisms to improve the bankability of agricultural enterprises including smallholder farmers. This includes managing the challenges caused by climate change, for sustainable agriculture.
- iii. Promoting the sharing of knowledge and best practices with a view of prompting national cooperation on the main challenges impeding access to agriculture finance in Uganda.
- iv. Promoting financial literacy:- enabling the agricultural population to have a clear understanding of the opportunities available in agricultural finance and how to harness them; and
- v. Engaging government on the development of a policy for financing of the Agriculture sector.

The National Agriculture Finance Day's activities included;

- i. Media engagement, particularly through a Supplement that UAA produced in collaboration with the NewVision Newspaper, CSBAG and Stanbic Bank. This supplement was published on 20th July 2017. The media activities also included talk show appearances on NTV and Radio One among others.
- ii. Exhibitions at the 25th Source of the Nile National Agriculture Show, featuring numerous financial institutions and support institutions. These included Bank of Uganda, Uganda Development Bank, Pride Microfinance, Housing Finance Bank, Finance Trust Bank, United Bank of Africa, Finca, Letshego, Stanbic Bank, DFCU Bank, Tropical Bank, aBi Trust, Uganda Insurers Association, Opportunity Bank, Post Bank, FACTS, FIT Insights etc. These presented creative displays of the innovations and ventures that are being initiated by different agriculture finance stakeholders in Uganda. The exhibitions also provided a platform for participating agriculture financing institutions to have face-to-face interactions with the agribusiness industry's lead entrepreneurs, executives, business development service providers, policy makers and many other key actors relevant to their business interests, in the agriculture and agribusiness industry.
- iii. The agriculture finance outreach session which kicked off the day, featured a short financial literacy session and a talk given by the Minister of Finance, Planning and Economic Development, the Executive Director Finance at Bank of Uganda as well as the President of Uganda National Farmers Federation etc.
- iv. A policy dialogue session with focused discussions on "Re-Imagining the Role of Government in financing agriculture in Uganda".

### **Policy dialogue session- "re-imagining the role of government in financing agriculture"**

This half day session brought together more than 300 participants, drawn from the public, private and development sectors as well as civil society organisations in Uganda. They included; (i) the Minister of Finance Planning and Economic Development (MoFPED) and other senior members from the Ministries of Agriculture Animal Industry and Fisheries as well as Trade, Industry and Cooperatives (ii) Bank of Uganda, leading commercial banks, development banks, microfinance institutions, leasing companies and other financial institutions (iii) Institutional investors, Private equity funds and Social impact funds

(iv) Insurance companies (vi) Development Partners & Technical services providers (vii) non-governmental organizations (NGOs), civil society groups, researchers (viii) Members of the Agriculture Finance Platform Steering Committee<sup>2</sup> (ix) Members of the Agriculture Finance Technical Working Committee of MoFPED and (x) other agricultural value chains actors (input providers, farmers, agro-processors, transport & logistics providers, major distributors and marketing agents, traders, buyers).



*Honourable Matia Kasaija, Minister of Finance, Planning and Economic Development, addressing participants*

The Policy Dialogue Session was a follow-up to the Agriculture Finance Diagnostic Mapping exercise (the Mapping) that was commissioned last year by UAA, in its capacity as the host of the AFP, in collaboration with the Ministry of Finance Planning and Economic Development. The Dialogue also built on the keynote address made by the Deputy Governor of Bank of Uganda, Dr Kasekende, at a previous meeting organised by UAA on 30th August 2016. In that keynote address Dr Kasekende gave a fifty-year historical evidence of Uganda's state-run agriculture financing mechanisms as well as risk sharing schemes. This year, Dr Kasekende was invited again to make a special guest presentation that builds on this historical evidence by re-imagining government's role in overcoming many of the supply and demand barriers in agricultural financing in Uganda that should result in significant increases in total agricultural debt

<sup>2</sup>The AFP Steering Committee members include aBi Trust, SNV Netherlands Development Organisation, Bank of Uganda, Centenary Bank, GIZ Uganda, CS BAG, EPRC, The Hunger Project, Uganda National Farmers' Federation, USAID- Feed the Future, Uganda Agribusiness Alliance, TRIAS-Uganda, Ministry of Agriculture, Animal Industries & Fisheries and Ministry of Finance, Planning and Economic Development.

(particularly for the agricultural MSMEs including smallholder farmers), decreasing interest rates on agricultural loans over time, and diversification in the types of institutional support for the sector. Dr Kasekende was this time represented by Mr David Kalyango, Executive Director – Finance, Bank of Uganda.

In her remarks and speaking on behalf of the AFP Steering Committee, Ms. Irene Sekamwa (Agricultural Finance Policy Advisor at SNV Netherlands Development Organisation), gave a background to the AFP including the Platform’s key milestones to-date, before the high level panel that included Honourable Matia Kasaija, Minister of Finance, Planning and Economic Development (MoFPED), who was the Guest of Honour for the Day. Other panelists included Mr Julius Mukunda, Executive Director, CSBAG; Honourable Victoria Sekitoleko, Chairperson, Uganda Agribusiness Alliance; Mr Charles Ogang, President, Uganda National Farmers Federation; Mr David Kalyango, Executive Director - Finance, Bank of Uganda; Ms Patricia Ojangole, Managing Director Uganda Development Bank; Mr Collins Apuoyo, Team Leader of the DFID funded NUTEC Project; and Dr Fred Muhumuza, an independent economist. The session was moderated by Mr Edward Katende, CEO, Uganda Agribusiness Alliance who also doubles as the process facilitator for the AFP.

Speaking at the meeting, Honourable Victoria Sekitoleko stated that, *“Without adequate finance and investments, players across agricultural value chains cannot innovate and improve productivity and competitiveness of the agricultural sector. Therefore, the sector’s potential to deliver food security and contribute to poverty reduction cannot be harnessed”*.

Honourable Matia Kasaija officially opened the Agriculture Finance Day by re-affirming his ministry’s commitment to improving access to agriculture finance in Uganda. The minister promised to, among other things, finalise the agriculture finance policy this year, inject more funds into UDB and the agricultural insurance scheme as well as to ensure that value chains actors, especially the smallholder farmers, can access finance to grow their enterprises.

In the Deputy Governor’s keynote address on “re-imagining the role of government in financing agriculture”, Mr Kalyango noted, that there is need for the government to focus on small holder farmers who are the majority of the agricultural value chain actors in the country with a view of turning them into commercial farmers.

The ambition of the Policy Dialogue Session, was to distil (from the lessons learnt and stakeholders’ feedback) policy recommendations/proposals, for how government can meet the demand for agricultural finance, while driving broader agricultural and economic growth in the country.

The session also sought to;

- Increase appreciation of complementarity of roles of different stakeholders and actors in de-risking and financing the agricultural sector in Uganda;
- Propose solutions on how a coordinated approach in de-risking and financing Uganda’s agriculture can be incorporated in the proposed agricultural finance policy by government.

Over the course of the session, the panel members and delegates alike, put forward and began to coalesce around recommendations for agriculture finance sector development) which government should pursue in its agriculture financing policy (which is being developed by MoFPED). The

recommendations below have been captured to guide government where it can invest (to create public goods), in addressing agriculture financing issues in the country.

It should be noted that government made a budget pronouncement that was made on 8th June 2016 in the Budget Speech read by the honourable Minister of Finance, Planning & Economic Development, that Uganda shall develop an Agriculture Finance Policy and Strategy in the FY 2016/17. An Agriculture Finance Technical Working Committee (TWC) was set up within MoFPED to among others help the Ministry to implement this pronouncement. The following recommendations will therefore be passed on to the TWC for consideration in the Policy development process.

### **Key recommendations on the Role of Government in financing agriculture in Uganda**

- Work with leading private sector and civil society actors to commercialise smallholder farmers who are the majority of the agricultural value chain actors in the country. Agricultural risks are not as high as perceived and there are serious inadequacies in skills in risk measurement and 'layering'. Skills aside, the main issue seems to be about 'scale' as financial institutions in Uganda have focused on financing large and middle scale farmers and shied away from the small scale farmers because of the anticipated risks. Government should therefore;
  - i. Think clearly how a small farmer can access finance to commercialise in order to access even more finance.
  - ii. Promote the organisation of farmers in production groups such as cooperatives or around a major value chain actor such that financial institutions can deal with them more cost-effectively as one entity in a seamless way. This is based on the fact that financial institutions are not necessarily making money every time they raise interest rates but rather passing on costs to those involved in the value chain in order to service a disaggregated clientele. Thus, government must invest in promoting/scaling up farmer organisation models (such as the NUCAFE, Bukonzo East or Kalangala Palm Oil Project models). This should see many smallholder farmers being put together with a common goal thereby increasing their access to agronomical services, financial services, technical assistance, markets, among others, in an organised manner hence providing a critical mass needed to make agriculture production, marketing and finance delivery feasible.
  - iii. Identify value chains in which many smallholders operate, identify commercial level actors within these chains and direct finance to such commercial operators who can then channel value chain financing to smallholders in the chain. The growth of Horticulture in Kenya, and maize production (in Zimbabwe and Zambia) were spurred by financing the commercial agribusinesses that then channelled such finance into the value chain to the smallholders. If fully supported with contract enforcement mechanisms, this has capacity to encourage financing into agriculture. Such support may include access to good agronomic practices, undertaking research and providing genuine inputs, provision of advisory/extension services, markets and trade as well as good financial management across all these stages of the value chain.
  
- Invest in strengthening the institutional capacity of financial institutions in areas such as product development, agricultural risk layering and management, business case development, training loan officers etc., in order to help increase the supply of finance (especially to smallholders). Many financial institutions do not have the capacity to handle agriculture and perceive the

sector as a risky venture. This investment should be provided to financial institutions that have a committed strategy to financing agriculture and are ready to be audited for performance. The support can also be directed jointly to the Uganda Bankers Association and Uganda Insurers Association.

- Invest in establishing risk sharing facilities or other instruments similar to the ACF that enable government to partner with financial institutions to lend to the smallholder, for instance by building into the structure of these schemes incentive systems, technical assistance for the demand side and guarantee mechanisms. For example, government should develop incentive mechanisms that reward financial institutions for performance in agriculture lending. Examples abound in Kenya (PROFIT), Nigeria (NIRSAL) and South Africa of risk sharing mechanisms with potential to spur agricultural lending. *Government should not itself lend directly to agribusiness as this would crowd out private sector financial institutions!*
- Through the Uganda Agriculture Insurance Scheme, increase investment in creating awareness for agriculture insurance across the country, for instance by promoting joint awareness efforts between banks, insurance companies and farmer organisations. In this regard, government should also speedup the drafting of regulations on bancassurance, as a way of encouraging joint efforts between banks and insurance companies to reach out to more farmers.
- Invest in value chain analyses in order to understand the risk involved (risk profiling) and hence attract more private sector investment (both on the agriculture finance demand and supply sides) in the sector. Follow the entire value chain (farming, agro-processing, marketing) as a complete ecosystem that money has to flow through continuously. The value chain is as strong as its weakest link in the chain. This therefore involves understanding all the problems across the agricultural value chain and addressing them wholesomely. More investigation (as a public good) into prioritised agricultural value chains needs to be carried out, their actors, key agricultural investment opportunities therein and map these opportunities and the associated risks at each stage of the chosen value chain. The intervention in this area should also include; an analysis of the constraints and risks at each segment of the prioritised agricultural value chains and showing how these can be addressed; assessing the level of local investment capital available (from government and development partners) and to recognize where this funding is targeted, to also assess the capacity of the human capital available in the various regions and the country overall; discerning what the ideal type of investor/ investment would be for the respective regions/clusters, specifically, and the preponderance of the country, overall. With these analyses, government in collaboration with the Agriculture Finance Platform and other such mechanisms, can then work with financial institutions (along the financial value chain from MFI to Development Banks, private equity firms etc.) to develop appropriate agriculture financing products, instruments and services.
- Invest in agricultural related export and trade mapping studies that highlight local markets, regional markets and international trade markets as well as key players within these markets (producers, processors, traders, off-take and/or international buyers). This should enable identification and design of initiatives that act as further inducements for private companies to pursue the necessary investment projects.
- Support specific interventions that ensure strong linkages between agricultural clusters and zones to existing and future infrastructure and other development projects (rural roads, electricity, water, one stop border posts, rural electrification, and rail and port development).

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