

PRODUCT UP-SCALING SUPPORT – FACTSHEET

Product Up-scaling Support	2019–07 Warehouse Receipts Financing
Country / Region	Uganda / East Africa
Partner Financial Institution/s	Venture South Uganda
Grantee	Venture South International
Overall Budget	CHF 162'191.63 (27% self-contribution)
SCBF Contribution	CHF 118'190 (73% SCBF funding share)
Date of Approval	07.11.2019
Duration	12.2019 until 05.2021, extended to 05.2022
Context	<p>The National Financial Inclusion Strategy (NFIS) 2017-2022 is Uganda's holistic strategy for promoting financial inclusion with emphasis on five pillars:</p> <ul style="list-style-type: none"> i) Reduce financial exclusion and barriers to access financial services ii) Develop the credit infrastructure iii) Build the digital infrastructure iv) Deepen and broaden formal savings, investment and insurance usage v) Protect and empower individuals with enhanced financial capability. <p>Agriculture finance has been considered higher risk and less profitable than other forms of microfinance. In addition, smallholder farmers tend to face particularly high hurdles to access finance due to the lack of bankable assets or collateral. Warehouse financing creates the opportunity for them to lend against their farm products.</p> <p>There is very little warehouse financing in the country and what financing there is, is done by large banks. Banks are financing US\$ 500,000 and more. The market does currently not provide trade finance for agricultural commodity trades in the range of US\$ 5,000 to US\$ 30,000.</p>
Current Status of the MFI	<p>Venture South Uganda is owned 50% by Venture South International S.A., 50% by a local investor. It is a start-up based in Kampala. The current product offer is solar lending in partnership with solar distributors. With Venture South Kenya (BnF) purchasing a controlling stake in VSU, the two companies will be integrated to a great extent. VSU will leverage BnF balance sheet and funding relationships to raise capital.</p> <p>The capacity building support of SCBF is essential to fully assess the business case of this novel lending product targeted at providing finance to an essential sector of the economy – agriculture – and its most vulnerable players – smallholder farmers.</p>
Objective and Main Activities	<p>The substantive aim of this project is to provide trade finance to Ugandan farmer cooperatives, whose members are smallholder farmers, to enable warehousing of farming products and their sale and delivery to Ugandan processors and traders. The project has three phases:</p> <ul style="list-style-type: none"> Phase 1 - Project review: market assessment & business case Phase 2 – Loan product design: product design and documentation Phase 3 - Pilot loans: lending of \$400k in 60 loans to farm coops <p>Upon project conclusion, the financial institution should be in a position to scale lending and fundraising for lending to provide trade finance to farm coops serving smallholder farmers.</p>