Project Summary
The European Investment Bank (EIB) supports the European Union's cooperation and development policies in the African, Caribbean and Pacific (ACP) regions under the Cotonou Partnership Agreement between the EU and the ACP countries. The EIB manages the ACP Investment Facility, a EUR 3.5 billion risk-bearing instrument financed from the European Development Fund and geared specifically to fostering private sector investment in the ACP countries.

With private credit ranging only at 9% of GDP, Uganda is suffering from being under-banked by any standard. This is due to both a low ratio of deposits per GDP and a low utilization of these deposits to provide credit. In addition, insufficient quality of business planning, weak financial control and lack of specific management skills in Ugandan SMEs reduce the success of investment projects and negatively affect both the banks' ability to lend to these businesses and the credit risk of extended loans.

Since the mid-1990s the EIB has been a major provider of long-term funds to Ugandan banks by way of credit lines for the purpose of co-financing investment projects of small and medium enterprises (SMEs) including business expansion, modernisation, diversification, relocation, rehabilitation or start-up.

The Private Enterprises Finance Facility II (PEFF II) is a EUR 40 million credit facility in favour of Ugandan banks (so called “financial intermediaries” or 'promoters') for on-lending to Ugandan SMEs (so called “final beneficiaries”). The finance agreement between the EIB and six leading Ugandan Banks has been signed on 28 April 2011.

The PEFF II facility is providing long-term funding in Euros, US Dollars and Ugandan Shillings for co-financing projects of Ugandan companies. These projects can either be investments in business expansion, modernisation, diversification, relocation or start-ups. The final beneficiaries have to be involved in sectors eligible under the PEFF II facility namely manufacturing, agriculture, fishing, food industry, infrastructure, transport, tourism, health, education and services sectors related to all these industries. The tenor of the facility ranges between four and ten years. Small companies can make use of three-year loans. As rule, the EIB financing should not exceed 50% of total project costs. The balance of the financing is to be sourced from the final beneficiary or other external financiers.

Project Objective
The overall objective of this project is to support the development of selected private SMEs in Uganda through capacity-building trainings and counselling sessions. This should enhance the utilisation and quality of loan allocations under EIB's PEFF II credit facility extended to the Promoters.

Services provided
- Provision of training during workshops to existing or potential future SME clients identified by the Promoters and that are active in sectors eligible for EIB funding i.e. manufacturing, agriculture, fishing, food industry, infrastructure, transport, tourism, health, education and services sectors related to all these industries ("Eligible SMEs"). The topics to be covered in the trainings ("classroom trainings") are (i) business plan/financial forecasts planning and preparation, (ii) financial management (including accounting) and (iii) general corporate governance.
- Provision of individual counselling sessions for those Eligible SMEs that specifically request it (and that provide a minimum self-contribution) in preparing bankable business plans and other documents relevant to the project preparation or implementation such as feasibility or market studies and permits.