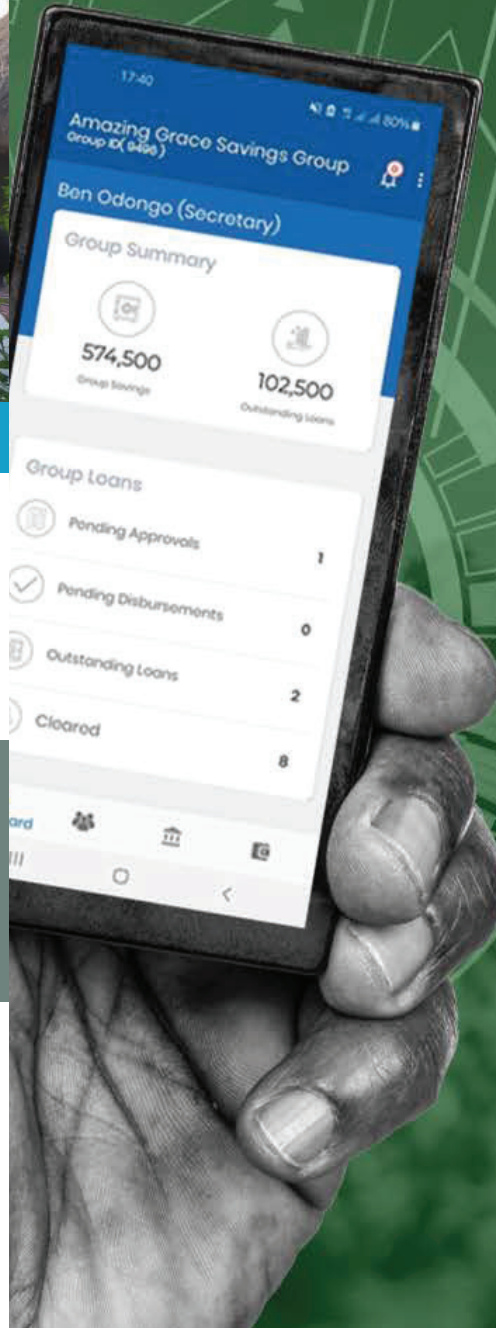


LOAN FEATURES



Loan Amount Range

Dependent on assessment using the credit algorithm



Monthly Interest Rate

1.25% reducing balance/ declining rate



Loan Processing Fee

1% paid up-front



DIGITAL FINANCING SERVICES FOR SAVINGS GROUPS AND SACCOS

Crop Insurance

UGX 30,000 per acre for each loan applicant within the group. This is paid up-front

Loan term

6 months (inclusive of 2 months grace period of only interest)

Repayment Schedule

Monthly Installments



Methodology

A loan to a group, repaid by the group. It's a group guarantee.



Disbursement/ Repayment

Via Group wallet/Mobile Money



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INTRODUCTION

Uganda Development Bank Ltd (UDB), in partnership with Ensibuuko, United Nations Capital Development Fund (UNCDF), the Food and Agriculture Organization (FAO), and European Union (EU) and developed an innovative digital lending solution aimed at easing access to finance by smallholder farmers.

The application, approval, and disbursement processes will all be done digitally, with the funds moving directly to the farmer's e-mobile wallet.

The Partners (UDB, FAO, UNCDF, EU and Ensibuuko) are organizing an official launch of the fintech solution on 27th March 2023, in Yumbe district (to unveil the innovative digital solution to the general public officially but more specifically to the smallholder farmers who are the primary intended beneficiaries).

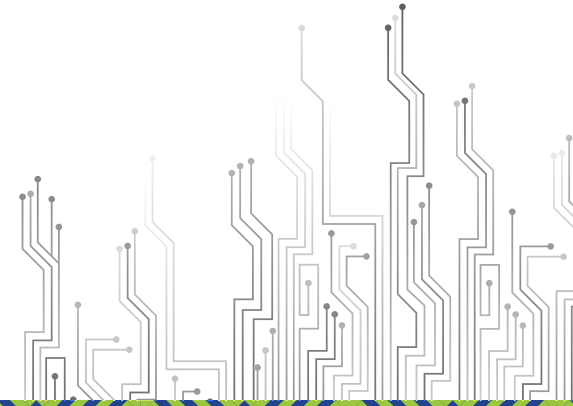
WHAT IS DIGITAL LENDING

Digital lending at its most basic, is a process of quick loan disbursement through electronic medium such as web or mobile. Digital lending today is considered as the most effective and convenient means to disburse loans as compared to traditional methods. The global market size of the digital loans has grown significantly with the opening of new markets via electronic channels. As digital ecosystems mature and enhance the use of analytics, automation, and more, the lending financial institutions rely more on algorithms and automated processes for loan approvals and disbursements.

The United Nations Capital Development Fund (UNCDF) in partnership with Uganda Development Bank Limited (UDBL) and Food and Agriculture Organization of the United Nations (FAO) under an initiative called AGRINVEST, set out to boost private sector investments in the agri-food sectors through increasing the capacity of UDB to de-risk and increase returns on its agriculture lending and investment portfolio. Part of the initiative is this project that involves piloting the use of digital technology to enable access to finance for smallholder farmers.

EXPECTED OUTCOMES

The fintech solution aims to disseminate credit to the mass lower underserved market. The digitized farmer VSLAs will be able to afford and use the platform to access credit and saving products digitally, leveraging the digitally enabled solution and the affordable rates to keep the services operational.



WHY DIGITAL

The shift from the traditional mode of lending to digital can be attributed to the many benefits that electronic channels afford, many of which may not be found in the traditional modes. These include:



Convenient access to credit

It is possible to apply for these loans at anytime and from any place with coverage or access. First time borrowers in particular, will find these benefits attractive owing to their convenience.



Quick Turn Around

The foundation of digital is automation which means, timely processing, scheduled reminders and as such, minimal delays in accessing the credit.



Reduced Paperwork

A lot of the decision-making is based on electronic information such as historical transactions on a platform or even information supplied over a digital platform. The amount of paperwork required is therefore significantly reduced



The Loan Disbursement Strategy/Cycle

1

PRE-APPROVAL

1. Run the algorithm
2. List qualifying VSLAs (preapproval)
3. Inform the VSLAs
4. VSLA is listed on MOBIS



2

VSLA ONSITE VISIT

- (only for first time borrowers)
1. DCO visits VSLA
 2. DCO conducts a Loan Management Training
 3. DCO fills online form or physical form, sends to Ensibuuko
 4. Credit team reviews DCO report
 5. Credit team updates MOBIS
 6. VSLA is informed of the outcome
 7. VSLA may apply for Credit



3

LOAN APPLICATION

1. Members apply for loans
2. VSLA applies for Credit
3. VSLA agrees to terms
4. Ensibuuko Credit Officer reviews/approves/declines
5. VSLA is informed of decision



4

LOAN DRAWDOWN

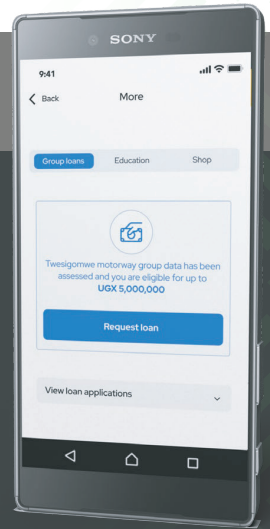
1. VSLA draws down credit
2. Funds are credited to VSLA's wallet
3. VSLA moves funds from wallet to Members Mobile Money Wallets/ Withdraws Cash
4. A loan schedule appears on MOBIS for VSLA



5

LOAN REPAYMENT

1. Members make payments to VSLA
2. VSLA makes payments to Ensibuuko as per the schedule
3. A score for the VSLA is computed/updated



ABBREVIATIONS

DCO	Digital Credit Officer
FAO	Food and Agriculture Organization of the United Nations
MIS	Management Information System
MVP	Minimum Viable Product
UDBL	Uganda Development Bank Limited
UI/UX	User Interface/User Experience
UNCDF	United Nations Capital Development Fund
VSLA	Village Savings and Loan Association