

Small and Medium Enterprises Financing

Development Finance Company of Uganda-(DFCU) Model

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Presentation Outline



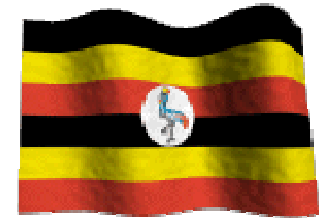
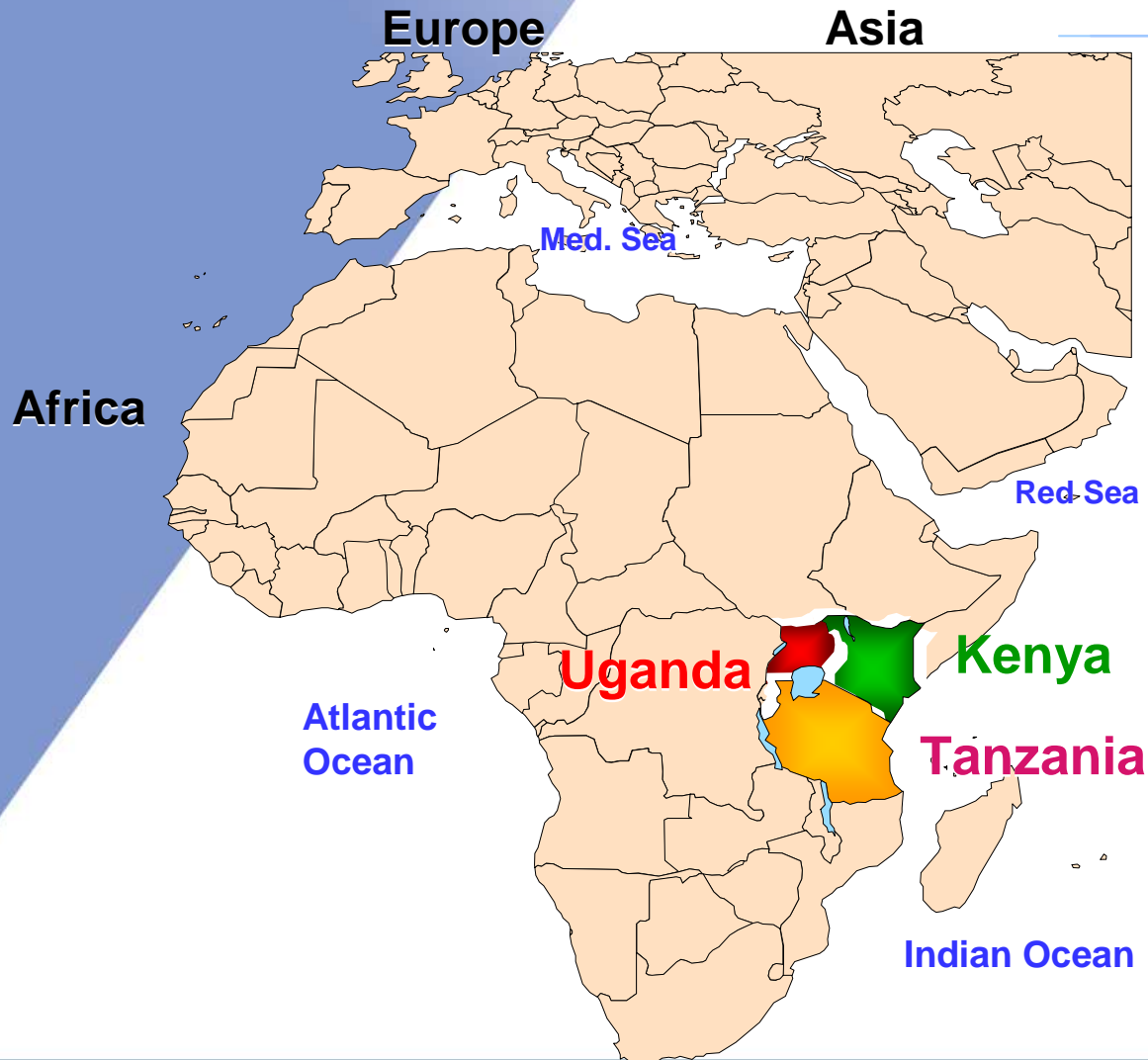
DFCU Headquarters

- ❑ Location of Uganda
- ❑ Uganda Economic Indicators
- ❑ Uganda Financial Sector
- ❑ Uganda Financial Sector Activities
- ❑ Commercial Banking Services
- ❑ Development Finance
- ❑ Products and Services
- ❑ Domestic Resource Mobilisation
- ❑ Foreign Resource Mobilisation
- ❑ Foreign Sources of Funds
- ❑ Funding Challenges
- ❑ Funding Model
- ❑ Source of Technical Assistance





AFRICA-EAST AFRICA-UGANDA



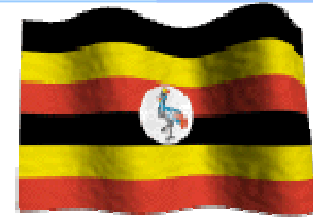
- Economy based on agriculture—Coffee, Cotton, Fish, Horticulture, Tourism etc.
- GDP = US \$ 8.5bn with a growth of about 5.3%.
- Per capita income = US \$ 250
- Population = 27m
- External debt = US \$ 4.9bn
- Inflation = Average 5.3%
- Land locked country





Uganda - Financial Sector

- **Bank of Uganda – Central Bank-Regulator**
- **Commercial Banks – 15**
(Dfcu Group is 4th. Largest)
- **Insurance companies - 16**
- **Forex Bureau - 62**
- **Non-Banking Credit Financial Institutions -7**
- **Development banks -3**
- **Microfinance Institutions – 20**
- **Villages banks/SACCOs**
- **Capital Markets Authority (CMA) – 1996 - Regulator**
- **Uganda Securities Exchange (USE) – Stock Exchange**





Uganda - Financial Sector-Activities 2005



- **Commercial Banks**
Foreign Assets = U.shs. 570.6bn
Net domestic Assets = U.shs. 1999.5bn
Deposits = U.shs.2,212bn
- **Capital Markets**
Market capitalisation of USE was US \$ 1,408
DFCU listed in 2004 and it is valued at US \$ 67m.
There are 6 listed companies
- **Insurance Services** – Modest growth
- **Pension sector** – Source of long term investment – To be liberalised
- **Microfinance services** – Availability and outreach limited
- **Mortgage** – There are two mortgage institutions including DFCU
- **Leasing** – there are three main institutions including DFCU
- **Treasury bill rate 91 days = 8%**
- **Interest rates – 12% to 30% for shs. And 8% to 12% for US \$**
- **Exchange rate – 1 US \$ 1850**

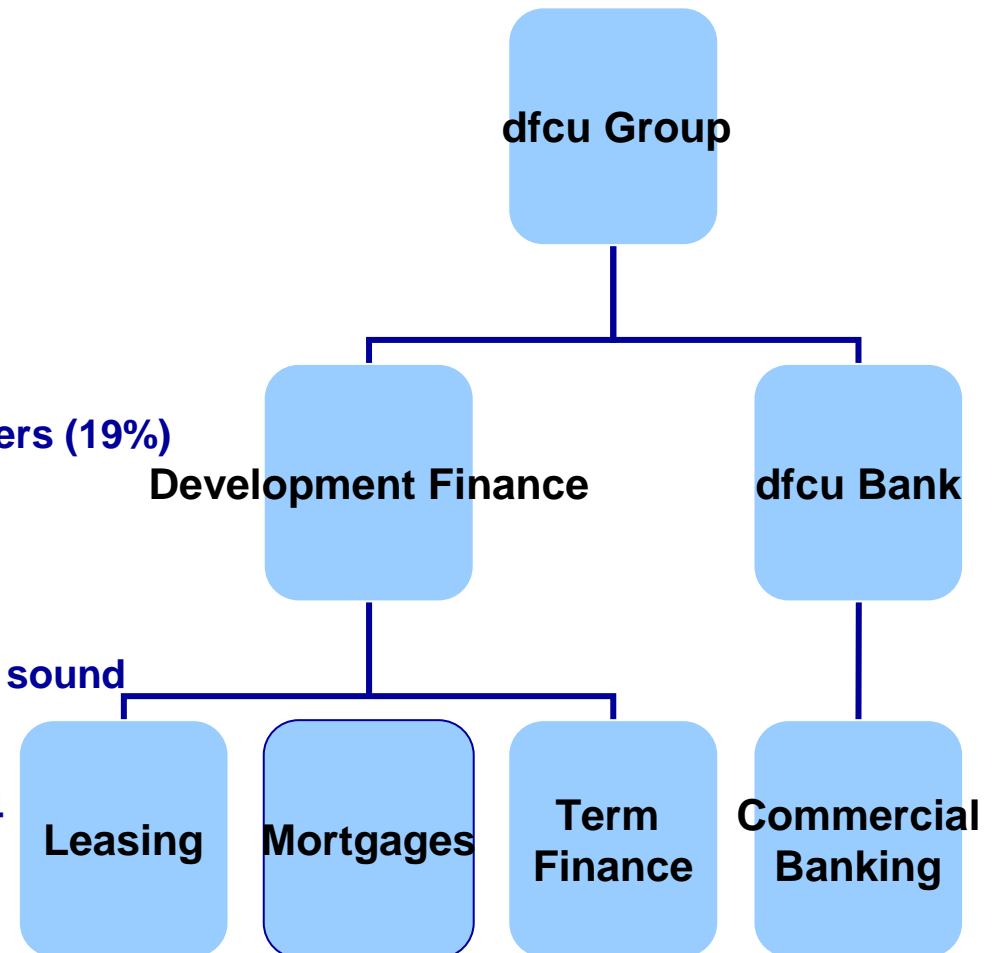
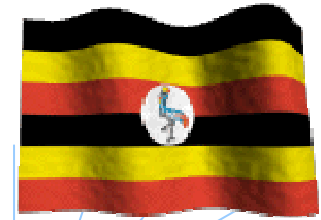


Who we are

█ Established 1964

Shareholders Include:

- █ CDC (60%) - Britain
- █ Norfund (10%) - Norway
- █ NSSF (11%) – Uganda’s Pension Fund
- █ 4,000 other Private & Institutional Shareholders (19%)
- █ Listed on the Uganda Securities Exchange, October 14th, 2004.
- █ Sound, reputable shareholders, good brand, sound track record and respected
- █ Share price at listing shs.230/= October 2004
- █ Share price currently shs.505/= June 2006





Commercial Banking Services

- ❑ Personal/Retail Banking
- ❑ Business Banking
- ❑ Wholesale Banking
- ❑ ATMs





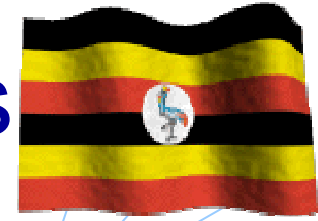
Development Finance Services

- Leasing
- Long Term Finance
- Mortgage
- Microfinance





Products and Services



Leasing

700 accounts – Portfolio shs.39bn (US\$ 21m)

Mortgage

500 accounts-Portfolio shs.39bn (US \$ 21m)

Term Finance

200 accounts-Portfolio shs.72bn (US \$ 38m)

TOTAL PORTFOLIO SHS. 249 bn (US \$ 134m)

DFCU is the only single Financial Institution in Uganda that provides a range of financial services under one roof

Commercial Banking

Portfolio shs.99bn (US \$54m)

26,158 accounts

Personal/Retail

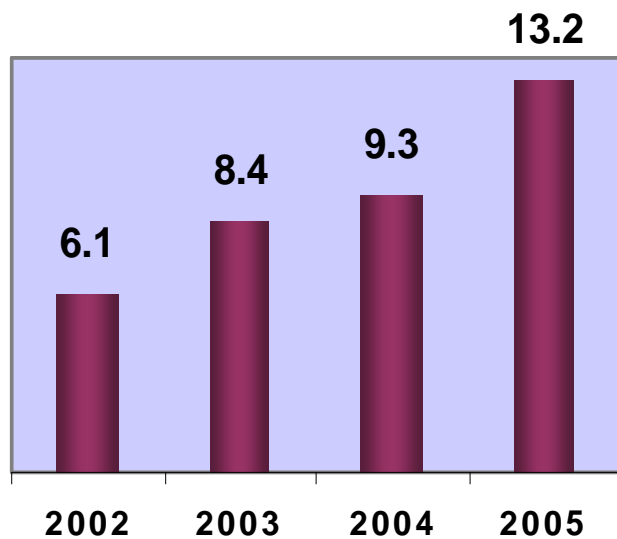
Business Banking

Wholesale Banking

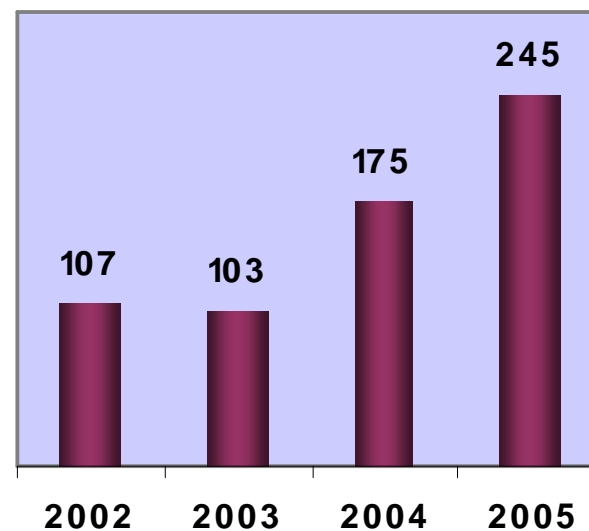




**PAT attributable to
shareholders
(UGX Billions)**



**Advances/Loans
(UGX Billions)**



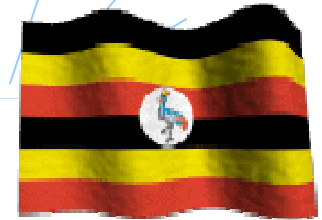
Dividend in 2005 is 40% of UGX 13.2 bn= UGX 5.2 bn (US \$ 2.8m)



Domestic Resource Mobilisation

Local Currency:

- ❑ Deposit from Customers for the Commercial bank
- ❑ Equity
- ❑ Local Commercial Banks – Borrowing
- ❑ Foreign sources in local currency – **EIB, Norfund**
- ❑ Stock Market – Bonds
- ❑ Guarantees
- ❑ Pension fund – Borrowing
- ❑ Insurance Companies – Borrowing
- ❑ Securitisation
- ❑ Government funds
- ❑ Government – conducive environment





Foreign Resource Mobilisation

Foreign Currency;

- ❑ Line of Credit
- ❑ Equity
- ❑ Guarantees
- ❑ Credit Risk Enhancement
- ❑ Technical Assistance
- ❑ Lenders priority-sectors

• *Biscuit factory*



...with pleasure



Foreign Sources of Funds

- ❑ PROPARCO-France
- ❑ IFC
- ❑ European Investment Bank
- ❑ FMO-Netherlands
- ❑ KfW-Germany
- ❑ OPEC FUND
- ❑ NORFUND-Norway
- ❑ DEG – Germany
- ❑ AfDB
- ❑ Shell Foundation
- ❑ Kuwait Fund
- ❑ IDB
- ❑ Saudi Fund
- ❑ BADEA



Loan Agreement of US \$ 5m with OPEC Fund



Loan Agreement with PROPARCO



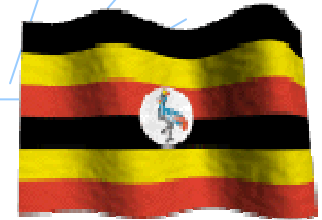


Funding Challenges

- ❑ High cost of funds - **Libor**
- ❑ Currency Restrictions
- ❑ Inappropriate tenor
- ❑ Sector Restriction
- ❑ Borrowers – SMEs
- ❑ BDS providers
- ❑ Economy - status
- ❑ Environmental Risk



Funding Model



- ❑ Commercial Banking services
- ❑ Development Finance services
- ❑ Leasing, Mortgage and Long-term Funding
- ❑ Microfinance – Line of Credit to MFI's
- ❑ DFCU- all banking services under one roof
- ❑ Technical Assistance – needed for Dev. Fin.
- ❑ Government – Working with it
- ❑ Funding – Locally and Internationally
- ❑ Nationwide coverage
- ❑ Negotiating skills and techniques with financiers

Juice Factory

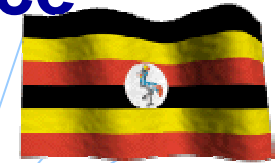




Sources of Technical Assistance

- ❑ IFC/WORLD BANK
- ❑ European Investment Bank
- ❑ FMO-Netherlands
- ❑ Danida - Denmark
- ❑ Dfid - Britain
- ❑ USAID - USA
- ❑ NORFUND-Norway
- ❑ DEG – Germany
- ❑ AfDB
- ❑ Shell Foundation
- ❑ IDB

Tech.Asst. for Capacity Building for Staff and SMEs
YOU NEED TECH. ASST. FOR DEV. FINANCE
Prepare proposals in time with
Development Impact



Beekeeper with a Bee hive



Beekeeping Training





Thank you

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