

SBF OPEN TO ALL SMALL BUSINESSES THAT CAN PAY BACK

CENTRAL BANK RAISES SMALL BUSINESS LOANS TO SH500M

By Ali Twaha

Bank of Uganda (BOU) has raised the maximum loan size under its Small Business Fund (SBF) to sh500m from earlier limits.

The central bank has also loosened the eligibility rules for small businesses in a bid to revive an initiative that has struggled to gain traction since its launch in 2021.

The revised loan cap of sh500m, up from sh200m under the previous framework, gives small firms more room to finance expansion.

"Whether you are upgrading equipment, increasing inventory, or streamlining your balance sheet, we have the solution for you," the central bank said in a public notice.

The change of fund name to SBF from Small Business Recovery Fund (SBRF) seeks to accommodate post-COVID-19 businesses, according to BOU.

The pricing remains capped at 10% per year, charged on a reducing balance. This means that the interest is calculated on the outstanding loan rather than the original principal, which lowers the effective cost for borrowers over time.

According to the central bank, borrowers can now access funds for up to four years, with a grace period of as much as one year. Experts say that structure matters for firms with uneven cash flows, such as schools, traders or construction businesses, which may need time before repayments begin.

"Following consultations with the Participating Financial Institutions (PFIs) and the finance ministry on how to enhance uptake of the fund, the following amendments have been made to the SBRF memorandum of agreement (MOA): Open the Fund to all small businesses and not limit it to pre-covid pandemic existing businesses, exclude the thresholds on sales and asset turnover, increase maximum loan amount from sh200m up to sh500m," the central bank said.

"Revise Section 7.2 to have the loan period for the Government of Uganda contribution refinanced, to commence on the date of refinancing by Bank of Uganda to the supervised financial institutions (SFI), Clause 9.2 of the MOA (2021) is being amended to allow the SFIs to make provisions of up to 50% (their contribution) since the Government of Uganda's contribution is subject to the Public Finance Management Act."

ACCESS TIGHTENED

Under the original SBFR, access was tightly defined. Firms typically had to employ between 5 and 49 people and fall within a turnover band of sh10m to sh100m. They also had to prove they existed before the pandemic and were directly affected by it. Those thresholds have now been scrapped.

The renamed SBF opens eligibility to all small businesses, whether established before or after COVID-19, as long as they can demonstrate capacity to repay.

Experts said the seemingly

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simple change addresses one of the scheme's core flaws. Many viable enterprises that emerged during or after the pandemic were locked out, even as they faced similar financing constraints.

REPEAT BORROWING ALLOWED

Previously, firms could access the facility only once. Now, repeat borrowing is allowed, provided existing obligations are fully serviced and the borrower can support additional debt according to the central bank.

The fund also permits debt consolidation. A portion of the loan can be used to settle existing commercial borrowing, potentially replacing expensive credit with cheaper funding capped at 10%. For firms carrying high-interest loans, that could ease cash flow pressures quickly, experts say.

These changes follow consultations with financial institutions and the finance ministry, after years of underwhelming uptake. Officials cite low awareness, limited participation by lenders and restrictive eligibility as the main challenges. Although all supervised financial institutions, from commercial banks to microfinance deposit-taking institutions are eligible to participate, only about 10 were active by end-2025.

"As the federation, we are pleased with some of the changes because we recommended some of them to Bank of Uganda. After many years, we can no longer use COVID-19 as a benchmark. Some of the businesses that were affected should have recovered by



BOU governor Atingi-Ego

now," John Walugembe, the executive director of the Federation of Small and Medium-Size Enterprises, said.

"If SACCOS are also going to participate, it's a good thing because it will also be a good incentive for them to get the licences. The changes in terms of turnover are welcome. Increasing the maximum loan to sh500m is a good because it will bring in more smaller companies that need the money."

Joseph Lutwama, the director, research and insights at Financial Sector Deepening Uganda (FSD Uganda), said cheap credit alone does not guarantee uptake.

"The changes are welcome. What we have seen previously is that the fund was accessible to only tier 1 and III. The amendments will expand access and capture of the small businesses," he said.

"But liquidity is just one of the remedies. Some businesses don't have viable business models. The fund needs to be integrated with programmes that focus on markets such as the innovation hubs and skilling centres. That way, we will be able to see the lasting impact to small businesses."

The redesign of the fund attempts to fix both demand and supply. On the demand side, broader eligibility and larger loan sizes make the product more relevant. On the supply side, the inclusion of Tier 4 institutions, particularly SACCOS regulated by the central bank, is meant to deepen reach, especially in underserved areas where formal banking penetration is thin.

BENEFICIARIES

Michael Atingi-Ego, governor at BOU, says so far, the fund has extended sh72.4b to 3,640 enterprises across Uganda, helping pharmacies, schools, hotels, hardware shops and small traders recover and grow.

"We are simplifying eligibility criteria, strengthening financial literacy programmes, urging banks to serve every region equitably, enabling repeat borrowing for sustained growth and intensifying awareness campaigns. The funds exist. The terms are favourable. The only missing ingredient is you," he said during a town hall meeting in the Busoga region on March 7.

STICKY CONSTRAINTS REMAIN

Still, some constraints remain for small businesses. Loans must be

SACCOS NEW SBF CHANNELS

Following the amendment of the Micro Finance Deposit Taking Institutions Act, Cap 58, and the enactment of the Micro Finance Deposit Taking Institutions (Registered Societies) Regulations, 2023, the regulation of large SACCOS has moved to Bank of Uganda (BOU).

All SACCOS with assets above sh1.5b and institutional capital above sh500m fall under BOU. The central bank has so far licensed three large savings and credit co-operatives. Research done by Bank of Uganda indicates that over 90 SACCOS qualify to be regulated.

The SACCOS that have secured BOU licences include: EBO SACCOS, Kyazanga-Kwegatta Microfinance Co-operative Savings and Credit Society Ltd and MADFA Co-operative Savings and Credit Society.

Last month, Bank of Uganda extended the deadline for large SACCOS that meet the licensing criteria to September 30 from March 31. The central bank said there was a need to undertake stakeholder engagement and public awareness on its role in licensing and regulatory oversight of eligible SACCOS.

adequately secured, with collateral requirements set by each lending institution. And agricultural projects remain excluded, as they are covered under a separate Agricultural Credit Facility. That division may avoid duplication, but it also fragments access for businesses that straddle sectors.

"The loans under the SBF are to be adequately secured. The lending SFI shall determine the adequacy of the collateral based on its lending credit policies. For loan amounts below sh20m, SFIs may consider alternative collateral and submit applications under the block allocation arrangement. All potential borrowers should channel their applications through the SFIs of their banks or any SFIs," the central bank said.