The role of UDB in Uganda’s socio-economic development

The Uganda Development Bank Limited (UDB) was established in 1972, purposely to finance technically feasible, economically viable and socially desirable projects. Between 1973 and 1985, UDB financed 691 projects worth US$170 million with major investments in the industry, livestock, fish processing, tea, coffee, cotton, sugar, and cement sectors among others. The civil unrest that the country experienced in the 1970s and early 1980s adversely affected the Bank’s performance creating a slowdown in project implementation and supervision resulting in a distressed investment portfolio.

By 1996, the Bank had suffered huge accumulated losses resulting in high rates of non-performing loans (NPLs) linked to poor collections at the time. In 1997, the Government of Uganda commenced the implementation of various deliberate efforts to revamp UDB operations. In 2000, the Bank was restructured purposely to turn it into an efficient and self-sustaining institution, well-capitalized and with adequate reserves. New lending was frozen at the time. In May 2001, Uganda Development Bank was incorporated becoming Uganda Development Bank Limited and the Bank’s turn-round process commenced.

The Bank’s mandate was redefined to profitably promote and finance viable economic development projects in Uganda. The newly incorporated UDB retained profitable projects while the Non-Performing Assets (NPAs) were moved to the Non-Performing Assets Recovery Trust (NPART). From 2013 to date, there has been a renewed growth trajectory year-on-year across the entire institutional portfolio (including capital, lines of credit and investment of reflows, asset base, profitability, human resources, and technology among others). With attribution to good governance, astute leadership, and strict adherence to compliance, the Bank’s total assets increased by 50.4% from Ush199.3 billion in 2013 to Ush1.2 trillion in 2021.

UDB Mandate

Uganda Development Bank Limited is the country’s Development Finance Institution charged with the mandate to catalyze the socio-economic development of Uganda. The Bank provides financial and non-financial services to enterprises in the key growth sectors including Primary Agriculture, Agro Processing and Manufacturing. The Bank also undertakes specific interventions in other sectors including Tourism, Human Capital Development (mainly technical/ vocational education and health services) and Infrastructure including ICT. In undertaking its investments, the Bank makes special considerations to support projects that deliver tangible development outcomes (including job creation and tax contribution), are climate-conscious, and promoting SMEs, Women and Youth enterprises, with the aim of contributing to reducing poverty, building a sustainable food system and industrializing Uganda, as we strive to improve the lives of Ugandans.

Financial Interventions

The financial products offered by the Bank include term loans and private equity as well as innovative and specialized product structuring including asset finance, trade and working capital facilities, project finance and farmer group financing. The Bank launched specialized financing initiatives specifically targeting the under-served segments in the country including SMEs, Youth and Women.

Non-Financial Interventions

The financing solutions are complemented by the Business Accelerator for Successful Entrepreneurship program that aims to assist enterprises to formalize as well as professionalize their operations to ensure business sustainability and project preparation services to fill the gap of inadequate stock of bankable projects that are required to propel development, including public projects.

Facilitating Social and Economic Development Fundamentally

UDB has played a key role in addressing the key failures and distortions in the credit market through provision of cheaper loans for medium to long term projects. Currently, the Bank provides concessional loans, 10-12 percent interest rates per annum, stretching up to 15 years tenor, and with a grace period of up to 3 years. UDB continues to play a counter cyclical stabilization role by scaling up its lending operations when other financial institutions experience temporary difficulties in providing credit to private sector.

Stimulating economic recovery

At the onset of the pandemic in 2020, the Government implemented a raft of measures to support the resilience and a faster recovery of the country’s economy. As part of these measures, the government committed to capitalize UDB with Shs1 trillion. Ush1.589 billion was extended as a stimulus package towards the Bank and it was entirely disbursed to key growth sectors between August 2020-December 2021.

To enhance economic recovery, the Bank supported the hardest hit sectors such as tourism and education. In 2020 and 2022, UDB in partnership with European Union, allocated funds in form of grants attached to a loan to enable the tourism sector to recover from the hardships of the Covid-19 pandemic. The Bank also offered moratorium to the education sector and increased support for the manufacturing sector, in a drive to promote import substitution and export-oriented production during Covid-19 crisis.

Direct Impact

UDB continues to play a fundamental role towards Uganda’s sustainable socio-economic transformation and growth with specific emphasis on job creation, output value, forex, and tax generated by enterprises supported by the Bank.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Y2019</th>
<th>Y2020</th>
<th>Y2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs created and maintained</td>
<td>28,313</td>
<td>26,013</td>
<td>41,338</td>
</tr>
<tr>
<td>Output value (Ush Trillion)</td>
<td>1.755</td>
<td>2.048</td>
<td>4.244</td>
</tr>
<tr>
<td>Tax revenue contribution (Ush Billion)</td>
<td>141.0</td>
<td>160.0</td>
<td>84.0</td>
</tr>
<tr>
<td>Foreign exchange (Ush billion)</td>
<td>350.0</td>
<td>175.0</td>
<td>405.0</td>
</tr>
</tbody>
</table>

Data Source: UDB

Partnership with the private sector

The Bank co-finances with the private sector, mainly in development projects that need relatively large capital. UDB has an equity unit that can invest up to 25%, into identified projects that require equity to unlock their potential.

UDB Capitalization

The government of Uganda remains a key lever in strengthening the Bank’s capital base. To date, the Government has made capital contributions amounting to UGX1.073 Trillion. It is this support that provides the financial foundation against which the Bank has become a model for development financing in the region and globally.

UDB is recognized as the most transformed national development bank on the continent and was in December 2021 awarded “The Sustainability Leader of the Year Award” at the Karlsruhe Sustainable Awards. It is with this trust that the Bank continues to attract key funding partners to include Arab Bank for Economic Development in Africa (BADEA), African Development Bank, Islamic Development Bank, Export and Import Bank of India, OPEC Fund for International Development, Kuwait Fund, and European Union among others.

Commitment To Uganda

As Uganda celebrates its 60th Independence Anniversary, UDB is resolute to continue creating sustainable financial solutions for the everyday Ugandan. As we do so, we remain committed to our mandate to improve the quality of life of Ugandans.