

Q1 & Q2, 2020
LEARNING & KNOWLEDGE
MANAGEMENT BRIEF



Final Report
August, 2020

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1. Introduction

Beginning from the first quarter 2020, aBi initiated a new process that is intended to formally collate, disseminate, publish and learn from both internal knowledge gained from implementing the Business Plan 2019-23 as well as external sources. The purpose of the LKM briefs is to promote use of evidence to address development problems at policy, strategic and operational levels. Initially the briefs are intended for internal use within aBi to serve learning needs of management and staff. The learning process is progressive and additive. This is the first of a series of Quarterly Learning Briefs. It outlines the main areas with priority learning needs, lessons so far learned, learning gaps and an action plan for implementing recommendations.

Each LKM brief shall be published on aBi's 'Knowledge Management' IntraNet. All of the material, documents and any other reading cited within an LKM Brief are recorded in aBi's Document Management System with its own database, available to all staff and available upon request by third parties through the organisation's Communications Department.

2. Learning Summaries and Recommendations

Learning Area 1: COVID19 and aBi Finance

Source Material: Economic Policy Research Centre (EPRC)'s Business Climate Index (BCI).
Date published: 1st May 2020

Background

This brief highlights the impact of COVID 19 on SMEs, key challenges faced in access and utilization of financial services and lessons learned on effectiveness of response measures by the government and financial sector. The lessons learned present opportunities within the mandate of aBi to develop response packages to agribusiness SMEs.

Intended beneficiaries and uses

The intended beneficiaries are aBi Finance partner Financial Institutions and Agribusiness SMEs. The FSD unit will utilize the learning to develop new funding proposals and/or improvements in the design of interventions for addressing the challenges due to COVID 19. This learning will be complemented with findings from an on-going study to assess and monitor the impact of COVID 19 on IPs and beneficiaries of aBi Finance

Lessons Learned

The Corona Virus Disease (COVID-19) has continued to spread across the world causing death and economic devastation. The measures against the spread of the virus have affected business operations. This report, based on a survey of firms using the Economic Policy Research Centre (EPRC)'s business climate index (BCI) methodology, examines the effect of the risk presented by COVID-19 pandemic on Uganda's businesses.

- i) Small and medium businesses have experienced the largest effects of the risk associated with COVID-19 compared to large-scale businesses. The decline in small and medium businesses is due to the inability to cope with containment measures instituted by government (nine out of ten businesses report experiencing an increase in operating expenses).
- ii) With respect to the future outlook, the major concerns highlighted by businesses in the event that the COVID-19 situation persists for more than 6 months relate to reduced product demand and potential inability to meet costs of operations. In particular, majority of micro and small businesses indicate that they would exit business in 1 to 3 months in the event the current situation persists.
- iii) On the other hand, majority of the medium and large firms do not foresee closure. Furthermore, there is a slightly higher resilience among agriculture and manufacturing firms compared to service sector firms. It is projected that in the event that COVID-19 persists for the next six months, about 3.8 million workers would lose their jobs temporarily while 0.6 million would lose their employment permanently (especially from the service sector and mainly from Kampala).

Recommendations

- i) aBi needs to develop content for a fiscal stimulus package to support its IPs to address immediate liquidity challenges, reduce layoffs, and avoid firm closures and bankruptcies. The support should target the most affected firms to preserve scarce fiscal resources and help to ensure that firms receive an adequate level of support in line with their immediate needs, given the short-term effect of the shock.

Learning Area 2: FSD - aBi Branchless Delivery Mechanisms

Source Material:

1. Uganda Bankers' Association progress report/ 2019 aBi Annual Report
2. Economic Policy Research Centre (EPRC)'s Business Climate Index (BCI) - Published: 1st May 2020

Background

This brief highlights the lessons learned in supporting branchless mechanisms in COVID 19 era and the opportunities for aBi support to leverage branchless mechanisms to mitigate the impacts of COVID 19 on access to financial services

Intended beneficiaries and uses

The intended beneficiaries are aBi Finance partner financial institutions and agribusiness SMEs. The FSD team will use the knowledge to develop new funding proposals and/or improvements in the design of support to branchless mechanisms for addressing the challenges due to COVID 19

Targeted Program Areas

IP Name	Project
All beneficiary FIs (Centenary Bank, Dfcu Bank, Opportunity Bank, Postbank Uganda Ltd, Exim Bank, Housing Finance Bank, Finance Trust Bank, Bank of Africa, NC Bank and United Bank of Africa)	Agent Banking

Lessons Learned:

In 2019, substantial performance was registered under branchless delivery mechanisms where, for an overall grant financing cost of US\$ 3.6Bn, 8,422 new agent banking access points were activated on the shared agent-banking platform run by the UBA against an annual target of 4,800. This was due to increased investment in the business model (crowding in) by FIs that saw an additional six FIs gaining active status on the platform closing 2019 with 13 active FIs out of the 19 FIs integrated on the platform. The lessons include,

- i) The increased investment by FIs in the shared platform comes off the back of the model's value proposition of giving UBA member banks an opportunity to compete with the mobile network operators that dominated this space due to greater efficiency, speed and reach, without spending on brick and mortar as well as lower capital expenditure. This model has proven successful by increasing extension of financial services, more so in rural areas, and has also contributed to job creation by way of various agents across the country.
- ii) Currently Agent Banking and the related shared platform is only utilizable by FIs that fall under the supervision of the Central Bank, which automatically excludes Tier IV FIs. However, aBi should work with Tier IVs, most of which are in rural areas and engaged in agent banking as agents for their higher tier partners thus, increasing the flow of finance to previously neglected poor rural households.

Recommendations

As part of the COVID recovery, mobile money and other e-platforms should be leveraged to simplify loan application processes and to reduce turn-around times of MSME loans.

Additionally, financial institutions could leverage online platforms for conducting reverse-factoring transactions that could facilitate supply-chain finance to MSMEs and shorten the maturity of the payments involved.

aBi should put in place a support package to accelerate access and uptake of FINTECH innovations and products in rural areas targeting less served areas. A rapid appraisal will be conducted to identify underserved areas.

Learning Area 3: Lessons from Evaluation of aBi support to Village Saving and Loan Associations (VSLAs) from 2014 to 2018

Source Material: Evaluation of Village Savings and Loan Associations as a VCD Approach, 2018 by aBi

Background

This brief, highlights lessons learned regarding opportunities for enhancing the impact of VSLAs through aBi support. The lessons learned are from an evaluation of 36 VSLAs (24 aBi-supported and 12 not-supported) conducted between Q4 2019 and Q2 2020. aBi has supported VSLA formation and strengthening for over 10 years. The main target of support to VSLAs are smallholders and poor households who have limited or no access to formal financial products and services. These households comprise a majority of beneficiaries of aBi supported projects. Between 2014 and 2018 aBi supported 3,082 VSLAs engaged in agriculture across Uganda. The VSLAs have trained members not only in financial literacy but also in other areas mainly good farming practices.

There is some evidence on VSLAs as major determinants of project success from individual project evaluations, however there is no documented empirical research to support learning from this extensive experience to account for impact and inform future investments and approaches. In the 2019-23 business plan support to Tier 4 financial institutions (which includes SACCOs and VSLAs) constitutes approximately a quarter of investments.

Intended beneficiaries and uses

Both aBi Development and Finance will utilize the evidence to identify funding opportunities and develop new funding proposals and/or improvements in the design of interventions for promoting VSLAs and related FIs. In line with the current strategy to

focus more effort on supporting tier 4 financial institutions, this learning is pivotal in guiding the design of a funding policy and strategy for VSLAs.

Summary of Lessons Learned

(a) Relevance

- There were no projects supporting VSLAs in Northern region from 2014 to 2018
- 77% of smallholders have received credit from a VSLA
- Whereas the aim of promoting VSLAs was to increase access to agricultural finance, a majority (58%) of farmers borrowed money to pay school fees and only 18% borrowed to finance agricultural activities (mainly buying inputs and land)
- VSLA members who have participated longer are less likely to utilize VSLA services.

(b) Effectiveness

- Before aBi support to the VSLAs approach, only 34% of the smallholders had access to credit, currently 88% have access of whom 92% get it from VSLAs.
- Approximately 21% of aBi beneficiaries have fully achieved their objectives of joining VSLAs, and 63% have partially achieved their objectives
- VSLAs provide smallholder farmers the best option for where to keep their savings, with about 57% saving in VSLAs amounts beyond the mandatory weekly/monthly deposits.

(c) Efficiency

- The benefit cost ratio is 1.4, implying a net present value of 40% from the investment
- The number of beneficiaries exceeded the target by about 48%.
- Deposits collected are immediately borrowed, hence banking costs are minimal.
- It takes 0-4 days to get credit from a VSLA as compared to other rural financial institutions which may take up to 14 days.

(d) Impact

- Since 2014 savings have increased by 400-900% from a weekly average of Sh. 1,000 per member to Sh 5,000 – 10,000
- Majority of member beneficiaries (86.2%) have registered increase in profitability of their businesses through increased investment using savings and credit from VSLAs.
- The businesses of beneficiaries have been growing at 25% p.a. compared to 18% p.a. for the non-target beneficiaries.
- The demand for agricultural inputs has increased by about 43% from 23% before members joined the VSLA.
- About 35% of beneficiaries have invested the VSLA credit in commercial farming, with 78% reporting increased yields as a result.

- Over 50% agree that the VSLA approach has increased farm output and productivity, profitability, incomes, and has contributed to educating their children.
- About 56% of beneficiaries and 41% of non-target beneficiaries agree that there has been an increase in market participation
- Due to mandatory weekly saving with limited sources of income, some members are forced to sell food reserved for household consumption, leaving the household food insecure
- Some women have neglected their work and reallocated their time to hired labour to raise money for weekly contributions
- Employment has increased but for only unskilled labour, not for semi-and skilled labour.

(e) Sustainability

- There is an increasing trend in savings resulting from annual increments in member-accumulated savings.
- Keeping interest rates relatively low, no collateral requirement, and easy credit access has helped to withstanding competition from similar institutions such as SACCOs and MFIs
- New VSLAs have been formed having realised the benefits and impact to members.
- Majority of members lack formal education, so the VSLAs lack capacity to upscale their services and to forge productive linkages with formal and larger financial institutions where they can benefit from a variety of financial services.
- Members have limited businesses to increase income and savings.

(f) Equity

- The approach deliberately trains members in gender relations to promote family and social cohesion.
- Family pressures and social constraints have been reduced, women's access to and control of resources has increased, their savings have increased and they currently contribute directly to household expenditure.
- There is a positive impact on leadership skills for women and youth.
- Men have increasingly been sensitised and they appreciate the contribution of women more than before.

Recommendations

- (a) Given that only 21% of aBi beneficiaries have fully achieved their objectives of joining VSLAs, there is need for interventions targeting an unmet need of 37 to 79 percent among the bottom of the pyramid farming households

- (b) Targeting agriculture oriented VSLAs has been effective, however most farmers are investing a larger proportion of resources in non-agricultural enterprises. This calls for including a component/module of Financial Services Development (FSD) support to non-agricultural enterprises in aBi funding windows
- (c) Management should consider adding support to VSLAs in the agro-inputs project
- (d) Future funding should include affirmative action prioritising interventions that empower women to reduce the negative impacts of participation in VSLAs
- (e) The future strategy of funding VSLAs should include specific provisions for creating/strengthening linkages with formal financial institutions to improve access to financial services and sustainability of the VSLAs model.

Learning Area 4: Systemic change as a lens for uncovering MSD impacts

Source Material: aBi Annual Impact Assessment report 2018; Beam Exchange. "Systemic change in market systems development"¹

Background

In its 2019-23 business plan, aBi adopted market systems development (MSD) as a pillar approach across all its programmes. By design MSD programs aim to achieve systemic change. Though loosely cited frequently as being implemented by aBi in past interventions, and a definition developed in the MRM manual, there is limited understanding of how aBi interventions work to influence change in market systems, what are the indicators of systemic change, and how interventions can be sharpened to achieve equitable MSD. Research by the Beam Exchange expresses concern that widespread lack of a common understanding of what constitutes systemic change and how change happens in market systems negatively influences how programmes are funded and designed and poses challenges to programme monitoring and evaluation².

¹ <https://beamexchange.org/practice/research/systemic-change/systemic-change-market-systems-development/>

² <https://beamexchange.org/practice/research/systemic-change/systemic-change-market-systems-development/>

This brief summarizes lessons learned from a preliminary assessment of systemic change in the 2018 annual impact study, and gaps in knowledge. The purpose of the brief is to highlight key elements of a learning agenda to institutionalize systemic change in aBi.

Intended beneficiaries and uses

The immediate beneficiaries are aBi Policy makers, Managers and technical staff. The information and knowledge will be used as follows:

- aBi managers and the Board to develop a policy for institutionalizing the market systems development approach
- aBi managers to develop investment guidelines for ensuring funding windows and project interventions achieve systemic change
- RMRD team to develop a learning agenda for enhancing systemic change

Lessons learned

The first attempt at measuring systemic change was in the 2018 annual impact monitoring study of 30 aBi projects. The impact assessment made an attempt for the first time for aBi to sense the probable systemic change impact of the projects. The study was not intended to capture total systemic change aspects but to understand the systemic change dynamics and trying to sense the depth and trend of probable systemic changes.

- One third (34%) of the projects showed early signs of systemic change. These were projects which started 3-5 years earlier. Hence, approximately 5 years are required to achieve wider market systems change.
- In some cases, it was found that although the yields of the treatment farmers was increasing due to applying the promoted agricultural practices or technologies, the overall profit was not increasing following the same trend.
- In some cases, it was still found that the implementing partners are playing their role implementing the projects activities as planned, but their profitability was not increasing as expected. The incentive for the implementing partner is one of the most important factors for the sustainability of the interventions. If the partners cannot make satisfactory additional profits from the interventions, they will not be interested in continuing the new practices.
- From the beneficiaries, there is positive influence of the interventions on the women economic empowerment situation and their improved participation in the decision-making processes. However, one concerning learning was the low ratio of positive trend.

Recommendations

- i. Develop and communicate to aBi managers and technical staff an information brief on what constitutes systemic change, how change happens in market systems, and guidelines to ensure that design of funding windows and project appraisals assures causation of systemic change by aBi investments
- ii. Develop a set of KPIs and reference sheets for monitoring and evaluation of systemic change. Incorporate review of systemic change KPIs in annual impact assessments and reviews
- iii. Conduct a fully-fledged systemic change assessment for mature interventions to capture wider impact on the market systems
- iv. Produce and disseminate a research brief on the status of systemic change in targeted markets, how aBi interventions work to influence change in market systems, and how investments can be sharpened to achieve equitable MSD

3. Agribusiness News: Events, Seminars, Innovations and Publications

Source Material: aBi calendar, external events by peer institutions, Funders & Board referrals

Background

This section contains highlights of new developments, upcoming events and fora in the Agribusiness sector in order to enhance cross learning among all staff. Also, to promote aBi staff participation in similar events and pick best practices for replication.

Upcoming events

(a) aBi Value Chain Development Webinar;

aBi Value Chain Development (VCD) will conduct a Webinar on 25th August 2020. The Webinar that is intended to review the progress of aBi COVID-19 Response interventions will be attended by the aBi Implementing Partners, staff, Management as well as some members of the Board. Two (2) select IPs – ACPCU and MMACK will make presentations to kick start the discussion.

(b) “Agri-tech and Agribusiness in Africa; East Africa outlook” webinar

Organized by the Innovation Norway East Africa, the webinar will feature speakers from Tanzania, Kenya and Uganda. Represented by the Group CEO, aBi will feature to discuss an outlook of agri-tech and agribusiness in Uganda. This event will take place on 20th August 2020.

(c) Webinar on COVID-19 Coping Mechanisms for Microfinance Institutions

This was organized by AMFIU on 8th July 2020. aBi participated at this webinar as a speaker, represented by the Chief Operating Officer, aBi Finance.

New developments

(d) There is **use of drones in agriculture** to improve efficiency, productivity, profitability and incomes of small holder farmers in Uganda. Though still at a small scale, there is need to promote this technology amongst aBi supported farmer groups.

(e) **A 172kW coffee factory was installed** in Mukono, central Uganda, to enhance coffee processing, value addition and improved export benefits. The solar power-supported plant is an effort of Astonfield Solar, NUCAFE and other investment agencies and will see increased employment opportunities for the youth.

4. Action Plan for Implementing Recommendations

The LKM agenda will be implemented through quarterly work plans which will be informed by the LKM briefs. An action plan for implementing agreed actions will be developed by the LKM team in consultation with action owners. This being the first brief, the action plan developed and implemented as follows:

	Activity	Person Responsible	Completion date
1.	Share learning summaries and knowledge materials with all users	Manager, Comms	31/08/2020
2.	Consultation and development of action plan for Q3 and Q4	LKM Team	31/08/2020
3.	Present action plan to senior management and agree on key management responses to implement recommendations	LKM Team	07/09/2020
4.	Share Q3-Q4 KLM plan with all users	Manager, Comms	15/09/2020

5.	Implement management and user actions for Q3	Managers	30/09/2020
6.	Collect, analyse data and prepare learning summaries for Q3	Head RMRD and Manager Comms	15/10/2020
7.	Hold monthly LKM review meetings	LKM Team	-
8.	Hold quarterly LKM review meeting	LKM Team	31/10/2020 31/01/2021

5. Learning Areas for Q3 LKM Brief

	Learning Area
1.	Post-Harvest Handling and Losses in Uganda
2.	Strengthening resilience of aBi target value chains and markets post COVID19
3.	Lessons learned from evaluation of aBi support to Farmer learning through demonstration gardens and FFS from 2014 to 2018
4.	Lessons learned from evaluation of aBi support to Farmer learning through demonstration gardens and FFS from 2014 to 2018
5.	Lessons learned from the Agro-input project
6.	Lessons learned from past evaluations of support to capex grants
7.	