

Q3 and Q4, 2020
LEARNING & KNOWLEDGE
MANAGEMENT BRIEF



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1. Introduction

This is the second in a series of semi-annual learning briefs intended to promote internal knowledge sharing to support learning and improvement based on evidence from implementation experiences and studies within aBi and external sources. The purpose of the LKM briefs is to promote knowledge aided problem-solving and a culture of critical thinking aimed at maximizing business performance and social impact. This report focuses on learning in five program areas: a) Reducing post-harvest losses in the cereals value chain, b) Implementing the agro-input project in the last 6 months, c) An evaluation of the private sector warehousing/storage services model implemented by Aponye Ltd in partnership with aBi for the last 2 years, d) Adapting business development services (BDS) for SMEs in the post Covid19 era within the broader aBi response plan for the last 8 months, and e) Evidence from our Financial Services Development (FSD) team on how agent banking is driving financial inclusion in Uganda

2. Learning Summaries and Recommendations

Learning Area 1: Challenges, Opportunities and Strategies for Reducing Post Harvest Losses in the Cereals Value Chain

Intended beneficiaries and uses

aBi management, VCD for developing the Cereals Funding Window, and IPs for enhancing partnerships with farmers and institutions promoting post-harvest technologies

Background

The government of Uganda under the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) has launched a 5-year National Strategy for Post-harvest Loss Reduction in Grains (2020/21- 2024/25)¹. The Strategy, prepared by MAAIF with the support from the Food and Agriculture Organization of the United Nations (FAO), World Food Programme (WFP) and the International Fund for Agricultural Development (IFAD), has a focus on reducing post-harvest losses in grains, which are critical for food security and household income generation. The national strategy highlights priority areas of intervention which informs aBi efforts to achieve result area 1 (*Smallholder farmers' sustainable production, productivity and market integration increased*), and specifically output 1.1 (*Beneficiary smallholder farmers adopt and apply appropriate technologies that increase production, productivity and produce quality as per market requirements*).

This brief documents lessons from the strategy and a review of related research, and suggests opportunities for aBi to benchmark its plans to design the cereals funding window. The Strategy addresses five key issues (i) Increase general awareness and trigger a mindset change

¹ FAO, (2019) [Government of Uganda, FAO, WFP, IFAD make strides in development of a comprehensive strategy plan to reduce post-harvest losses in grains](https://www.fao.org/uganda/news/detail-events/es/c/1198628). Food and Agricultural Organization (FAO) (2019) website: www.fao.org/uganda/news/detail-events/es/c/1198628

towards grain post-harvest management, (ii) Enhance the knowledge and skills of post-harvest management practices (iii) Increase availability, accessibility, adoption and utilization of appropriate and improved grain post-harvest and quality enhancing technologies and (iv) Strengthen coordination and collaboration for efficient and effective implementation of post-harvest management actions. The strategy's core grains value chain, including cereals such as maize, sorghum, millet, rice and wheat; pulses such as beans, peas and oil crops such as groundnuts, sesame and sunflower.

According to FAO data², annual post-harvest loss stands at 17.6 percent for maize, 12.4 percent for millet, and 13.5 percent rice. The high post-harvest losses are mainly attributed to poor handling. This is mainly due to lack of knowledge on best practices, poor technologies or limited access to equipment, inadequate post-harvest infrastructure and limited linkages amongst value chain actors.

Lessons Learned

1. Research indicates that the highest losses along the cereals supply chain occur during storage on farm – the main determinants of on farm losses are farmer knowledge of PHH technologies, use of tarpaulins and improved storage structures. Low post-harvest losses of maize were found to be statistically associated with high levels of education and training in PHH, use of tarpaulins for drying, and use of improved storage structures³
2. High prevalence of aflatoxin contamination observed to be associated with low adoption of recommended PHH practices - An on-farm study in three districts (Kamuli, Apac and Nakasongola)⁴ revealed that Sorghum, Cassava, Groundnuts and Maize were found to have the highest aflatoxin contamination levels – Sorghum (91%), Cassava (60%), Groundnuts (55%), Maize (44%)
3. Evidence from an impact study shows that aBi interventions could reduce PH losses by at least 10% for 45% of cereal farmers (Annual Impact Study 2018). This is mainly attributed to high adoption of promoted best practices and to market integration among beneficiaries, notably: post-harvest handling technologies (97%) and collective use of storage (87%) (aBi Annual Report 2018 pg. 9).
4. Use of hermetic grain storage equipment (HGSE) can reduce losses to 90-100% according to research by the World Food Program (WFP). However, its adoption has faced challenges: low adoption due to high cost of the technology and low willingness to pay by farmers. The

² FAO (2019) op cit.

³ Apurba Shee¹ & Sarah Mayanja² & Eria Simba³ & Tanya Stathers¹ & Aurelie Bechoff¹ & Ben Bennett¹ (2019) Determinants of postharvest losses along smallholder producers maize and Sweet potato value chains: an ordered Probit analysis. *Food Security* (2019) 11:1101–1120, <https://doi.org/10.1007/s12571-019-00949-4>

⁴ Tibagonzeka, J.E., Akumu, G., Kiyimba, F., Atukwase, A., Wambete, J., Bbemba, J. and Muyonga, J.H. (2018) Post-Harvest Handling Practices and Losses for Legumes and Starchy Staples in Uganda. *Agricultural Sciences*, 9, 141-156.

technology has a very high rate of return (225%) and a short payback period of 3 harvests⁵, hence it is commercially viable, albeit private sector investment is slow. This is mainly attributed to:

- Manufacturers and distributors face high entry barriers due to high initial costs and low returns due to low uptake
- MFIs still unfamiliar with market, hence the lack of credit products tailored to farmers
- No incentives for private players to invest in costly promotion campaigns

Recommendations

1. Scaling up support to enhance farmer knowledge and skills in PHH, demonstrating the benefits of private sector investments in storage quality standards
2. Conduct a study to assess the social aspects that promote or hinder the uptake and use of proven technologies.
3. Promoting investments in hermetic grain storage equipment for small scale farmers through:
 - Awareness and marketing campaigns
 - Enhancing access to finance and tailored credit products and for distributors and farmers (e.g. a concessional loan facility, loan guarantee)
 - Revisiting the policy of direct subsidy because it distorts farmer perceptions into thinking that the program is promoting free handouts, instead direct it at achieving proof of concept and marketing the technology
4. Aflatoxin - increase awareness about aflatoxin risks, promoting adoption PHH practices, accelerating research efforts in validation and adaptation of aflatoxin reduction technology (Aflasafe)

Learning Area 2: Lessons learned from the Agro-input project

Source Material: Agro-input project learning agenda report, October 2020

Background

The novel corona virus (COVID-19) broke out in China in 2019, and spread around the World, reported to have reached Uganda in March 2020. A global economic recession is already a reality, and it is unclear how deep that will be, or how long it will take for recovery to begin. The impact on Uganda's economy is already significant as highlighted by the reduction in GDP growth from 6.8 percent in 2019 to 3.1 percent by September 2020 (Bank of Uganda, 2020)⁶. Although the Agricultural sector has been more resilient so far than other sectors, studies show that the gains made over the last 5-10 years are threatened if the negative impacts of COVID 19 and the recession continue unabated. This will have a profound effect on livelihoods of 70% of the population who depend on agriculture, agribusiness survival and growth. Key indicators of threats to sector growth include:

⁵ Agustin Viola (2017) Scaling Up Post-Harvest Losses Interventions in Uganda Through Market Forces. Harvard J.F Kennedy School of Government

⁶ State of the Economy Report, September 2020, Bank of Uganda

- Contraction in private sector credit to agriculture which is viewed as more risky by financial institutions. According to Bank of Uganda, annual private sector credit to the agriculture sector declined from 15.2 percent in the first quarter of 2020 to 9.5 percent by June 2020 (Bank of Uganda, op cit.)
- Reduction in agribusiness incomes by over 50 percent during the lockdown, and job losses especially in commercial agriculture⁷
- Reduction in turnover and sales of agroinputs (seeds, fertilizers, veterinary drugs) by more than 30 percent⁸

According to reports from aBi partners, funds absorption by IPs is likely to remain around 50%, mainly on account of inability to generate enough revenue to finance own contribution to project budgets. To boost the incomes of supported agribusinesses and farmers and build resilience, aBi is supporting a package of emergency measures under the project: **“Building the Resilience of Smallholder Farmers through Increasing Access to Agro-Inputs”**. The strategy is: farmers boost production and productivity, IPs increase volumes of commodities sourced and meet contract obligations; as a result both increase their incomes and prevent job losses; at the same time avert a downward spiral in food production and food and nutrition security for low income households. The project supports procurement and supply of improved seeds and fertilizers to beneficiary farmers supported by IPs through market linkages between farmers, farmer organisations, IPs and input suppliers. By the time of exit in two years, it is expected that both farmers and agribusiness will have recovered from the impacts of COVID 19 and developed resilience to sustain their businesses in a COVID adapted business environment.

Intended beneficiaries and uses

aBi, IPs and smallholder farmers

Lessons learned

Challenges:

1. The fertilizer industry in Uganda faces supply side limitations in meeting demand at short notice. This resulted in delayed deliveries of fertilizers to some IPs. Most fertilizer suppliers were importing fertilizers from countries like Kenya, Japan, Russia and during scarcity of the fertilizer ability of the suppliers to make quick deliveries is a challenge. The agro-inputs (seeds and fertilizers) acquisition lead time of one month from suppliers

⁷ <https://eprcug.org/research/the-uganda-business-climate-index/652-how-has-the-covid-19-pandemic-impacted-ugandan-businesses-results-from-a-business-climate-survey/download>

⁸ The impact of the COVID-19 pandemic on Uganda’s agricultural sector; Martin Fowler Agriculture Adviser, United States Agency for International Development Kampala, September 1st 2020. Source: https://www.theigc.org/wp-content/uploads/2020/09/3_3_Fowler-Impact-of-COVID-19-on-Ugandas-agricultural-sector.pdf (accessed 18.01.2020)

to recipient entities was too short hence leading to unfulfilled promises by some suppliers like Grain Pulse East Africa Ltd. It is probable that the supply orders for Grain pulse East Africa Ltd was overwhelming to them thus leading to making of supplies in portions that left some beneficiary farmers receiving the fertilizers late or some not receiving any at all.

2. Increase in the Prices of fertilizers by up to US\$200 per kg between May 2020 and August 2020 affected the quantities supplied resulting in a few farmers receiving only seeds and not fertilizers.
3. Low seed germination percentage was observed from some supplies made. Some seed samples fell below 85% minimum standard on the germination test as some of the samples were found to have relatively higher moisture content (above 13.5%), or dead seeds, abnormal seed or hard seed coat (preventing seed emergence). This challenge was addressed by increasing the seed rate in the field.
4. For quality assurance, some companies could also re-analyse fertilizer samples before labelling on their blended packages or bags to guide the users of the product.
5. The requirements for nutrient composition vary among IPs, this needed to be planned beforehand to ensure the correct fertilizer blends are supplied
6. Most Agroinputs suppliers are based in Kampala and this could affect logistical cost or cost of access by farmers.
7. IPs expressed challenges of limited finance to procure the farmers produce at the harvest time.
8. Limited awareness of the use of fertilizers/seeds among the smallholder farmers was observed
9. There is limited focus on Post Harvest Technology in the project yet there are considerable PHH challenges at the farmer level, cooperatives level, and at aggregation centres.
10. The delayed payment of suppliers by aBi has somehow affected the trust IPs had with them. Contractually, aBi was to make payments in 10 days upon suppliers' delivery of inputs (seeds or fertilizers), IPs reported that aBi took longer to process the payments, leaving IPs pleading with the suppliers to be patient on the payment. The delay in payment affected particularly the cash flow of the smaller suppliers.
11. It was learnt that in the TESO sub-region there is still low uptake of improved technologies such as fertilizers and seeds hence need to further promote adoption messages through radios talk shows and organized trainings.
12. It was learnt that some IPs such as Arise and Shine had challenges buying back all the produce from beneficiary farmers. The IP has only four box body trucks that are mainly involved in distribution of maize flour to its clients and farmers, grain is only picked when the amount is a minimum of 12 tonnes and delivered to Kampala where it is subjected to quality tests before payments are made. Therefore the project needs to include strategies to assure a market to absorb the increase in production due to use of improved inputs.

Opportunities and emerging knowledge

1. It was learnt that when the IP works with organized structures or groups such as Area Cooperative Enterprises (ACEs), goods and services reach faster to farmers since they are members to the groups and cooperatives.
2. It has been learnt that working with genuine agro-inputs dealers who are directly linked to farmers' groups and offering subsidized prices promotes the use and adoption of technologies being promoted.
3. As part of project management, it is crucial to have a profile of farmers and prior planning since they are critical to in-puts distribution and monitoring of project activities. A learning example which can be emulated by IP is Omia Agribusiness Group Ltd based in Arua who have establish an online database profiling 2500 farmers across west Nile and use it to conduct advisory services and help farmer to sell their produce.
4. It was learnt that the agro-inputs project attracted many farmers into some cooperatives. For example, over 300 farmers joined JUAKALI Cooperative Society in Masindi as a result of the agro-inputs that were distributed.
5. There were other development partners that distributed in-puts. For example, in Bulambuli district where Grow More Seeds operates, Kilimo Trust distributed fertilizers (NPK) for cereal production trials and NAADS through Operation Wealth Creation distributed the seeds, fertilizers and pesticides at subcounty levels through political leaders
6. ACILA intends to meet the cost-share element of the project on behalf of farmers in the subsequent seasons and later recover the costs from farmers during purchases. Supply contracts have been signed and thus somewhat guarantees the relationship!
7. Some IPs such as Aponye and Arise and Shine made farmers to make a small financial contribution for the inputs distributed. The reasons advanced were; to instill a sense of ownership and sustainability right from the start. The IPs plan is that the contribution will cater for part of the 20% farmer contribution for Season 2021A. In the case of Arise and shine part of the payments acted as subscription for membership to the cooperatives for some members who had not yet subscribed, the ACEs made it mandatory for farmers to pay subscription fees before accessing the inputs
8. There is a likelihood of increased production/yields by farmers due to use of improved technologies such as seeds and fertilizers. However, a holistic approach to project implementation needed to have been considered whereby pests and other inputs would have been included on the package to beneficiary farmers.
9. The strengthened bond between farmers and IPs as a result of the agro-inputs project is worth noting. However, in some instances where low quality seeds were supplied and other farmers left out during the distribution, the relationship is at stake. It is worth noting that the number of farmers targeted per IP was in all instances smaller than the network of farmers the IP is working with.

Recommendations

Overall it is recommended that improvements are made in the strategy and implementation approaches, new activities are introduced, and the budget is revised accordingly. The following are specific recommendations:

NO.	KEY ISSUE	RECOMMENDATION	RESPONSIBLE ENTITY
1.	Pesticides	In the next planting season, pesticides/herbicides and spray pumps should be considered as part of the agro-inputs due to high rates of invasion by pests and diseases which affect farmers yields and production.	aBi
2.	Post-Harvest Handling Losses	Post-Harvest Handling equipment like tarpaulins need to be considered as part of the agro-inputs as quality assurance is key yet still a challenge among most farmers.	aBi
3.	GAPs	Promotion of crop rotation through partnerships among IPs operating in the same geographical areas such as Aponye, MMACKS and Agroways	IPs
4.	Geographical mapping	Geographical operational areas for IPs need to be mapped and clustered to avoid duplication of services offered to farmers and unhealthy competition. This has also resulted into double reporting to aBi.	aBi and IPs
5.	Technological Advancement	The project should promote access to market and weather forecasting information service providers such as USS Code through Africa and other platforms	aBi and IPs
6.	Inputs supplies and distribution	Suppliers should be asked to produce quality assurance certificates obtained from UNBS and from other certification bodies such as ISO as well as regular lab test results as a mechanism for quality inputs assurance.	aBi, IPs and Suppliers
		Timely delivery of in-puts is key to such projects due to their seasonality in nature	aBi, IPs and Suppliers
		Also offloading and distribution costs need to be catered for in the budgets. Some IPs such as Arise and Shine charged a flat fee of Sh 5,000 per farmer as offloading fees at the ACE distribution pint.	aBi and IPs
7.	Provision of Subsidies	Subsidization of agro-inputs (seeds, fertilizers and pesticides) will enhance adoption of improved technologies.	aBi and IPs
8.	Weather	Unusual weather patterns, such as drought, a prolonged rainy season, early or late rains and	aBi and IPs

NO.	KEY ISSUE	RECOMMENDATION	RESPONSIBLE ENTITY
		other factors can ruin crops and bring productivity down hence need to be planned for through prior planning including early planting, drip irrigations systems and use of drought resistant seeds	
9.	Direct technical support to ACE's	There is need to train ACE's in business management, development of business plans as well as supporting them to procure milling machines to enable them add value to the bulked grains.	aBi
10.	Monitoring and support supervision	The Monitoring and support supervision function of IPs and aBi need to be strengthened to continuously document and technically support project management	aBi and IPs
11.	Reducing distribution gap	Support Agroinputs dealers to establish regional branches for ease of accessibility or partner with regional dealers to reduce logistical cost for those operating from a distance, include financial model for ease of accessibility.	
12.	Capacity building on fertilizer promotion	Support capacity building initiative for fertilizer suppliers to offer technical services for the IPs implementing the projects	
13.	Soil testing services	Conduct soil analysis before and recommend specified fertilizer nutrient requirement for the specific plant nutrient requirement of the soils.	
14.	Agroinputs platforms	Support establishment of Agroinputs platforms that can develop agroinputs sector Nationally and Regional Level	

Learning Area 3: Adapting business development services (BDS) for SMEs in the post Covid19 pandemic era.

Source Material:

1. Inclusive BDS service provision in Uganda - Lessons Learned (September 2016).
2. Evaluation of PUM BDS missions to VCD implementing partners report (December 2019).
3. BDS needs assessment for 2019 Pulses Funding Window applicants report (August 2020).

Background (Context, Actions, Results)

In Uganda, discussions about BDS often focus on Small and Medium Enterprises (SMEs). Industry statistics indicate that SMEs in Uganda constitute 90% of the private sector and

contribute approximately 75% of GDP signifying their importance in the economic development of the country⁹. Unfortunately, about 78% of all new SME's in Uganda do not survive beyond their first year due to being highly informal. Most SMEs are characterized by; poor business planning, poor business records management, deficient corporate governance, poor banking and borrowing history, limited access to affordable finance, limited compliance to business contracts, lack of financial discipline by business owners and short-term business outlook¹⁰. Survival of SMEs is going to be worsened by the COVID19 pandemic. Currently agribusiness SMEs are becoming more financially and operationally fragile with their revenues affected by COVID19 pandemic containment measures, drastic drop in demand and workforce disruptions leading to inability to serve the remaining customers. Thus, these SMEs must transform from informal to a formal professional business to survive. This will require good business management skills, knowledge, focus, strategy and procedures, hence the need for timely SME tailored BDS. aBi and its partners such as PUM have been offering BDS support to implementing partners (IPs), majorly SMEs to help them operate and grow their businesses sustainably¹¹. The BDS offered aims at improving the quality and viability of business ideas, developing and utilizing strategic or business plans, differentiating their products, participating in competitive markets, to establish or strengthen linkages with business partners and improve access to capital. Below are some of the lessons learnt in the course of providing BDS to IPs.

Intended beneficiaries and users

The intended beneficiaries for this brief are aBi Board and staff. The lessons learnt and recommendations will enable aBi to develop and offer more suitable Business Development Services and related interventions needed by SMEs in the post COVID19 pandemic era.

Lessons Learned

- For BDS to be effective, it has to be tailor-made to match the IPs needs. Tailor-made BDS involves analytically assessing needs of an IP and then developing an IP specific curriculum on which to base the training, coaching or mentoring efforts targeting the areas to be improved.
- There is more uptake of BDS recommendations when the IPs are assured of accessing financing from or through the BDS provider. During the needs assessment, we found out that most of the IPs had received BDS from several business accelerator and incubation programs. However, very few IPs were implementing the recommended business practices, because the BDS did not support the IPs to access financing.
- Peer to peer learning is necessary. SMEs owners are more open and easily pick business ideas and solutions to their SMEs from fellow SMEs owners. In the course of interacting with IPs, they often referred to some actors in the same business who were performing

⁹ Inclusive BDS Service Provision in Uganda - Lessons Learned (September 2016). Link: <https://www.inclusivebusiness.net/ib-voices/inclusive-bds-service-provision-uganda-lessons-learned>

¹⁰ BDS needs assessment for 2019 Pulses Funding Window applicants report (August 2020).

¹¹ Evaluation of PUM BDS missions to VCD implementing partners report (December 2019).

very well. The IPs also expressed the need to link up and learn from the well performing actors.

- To unlock willingness by SMEs to voluntarily procure BDS, there is need for initial subsidized BDS that quantitatively highlights how much the SME loses by not adopting good business practices. Some of SME losses that ought to be referenced include loss of revenue or profits due to; targets not being met, breach of contracts, poor quality products, breach of company values and policies by staff.
- There is need to follow-up and monitor utilisation of BDS outputs such as knowledge from trainings and the developed tools (such as manuals, policies and business plans) to attain full impact of BDS. Incidentally, most BDS activity schedules range from a few days to six months which is only enough for trainings and development of business tools.

Recommendation

- In Uganda, many BDS service providers do not provide funding as part of their products yet nearly 100% of the BDS recipients mention affordable funding as a key need to nurture their businesses or invest in the recommended business practices¹². Post COVID19, aBi can harness this opportunity by positioning SMEs who have received BDS to access its financial products namely; grants, lines of credit and loan guarantees. aBi can develop specialized funding windows (under VCD and FSD) to focus on cohorts of SMEs who have received BDS within a specific value chain or intervention. This could include getting into partnership with entities like the NSSF HII and Enterprise Restart Fund, and setting up of the BDS curriculum and operationalizing it as planned for 2021. Thus, BDS will not only improve performance of IPs, but will also become a strategic intervention for aBi pipeline development.
- There is need to facilitate more peer-to-peer learning for IPs as it is evident that SME owners easily pick business ideas and solutions from their fellow SME owners. aBi can offer the logistics and avail the needed training materials and tools to enable a quality peer to peer learning experience.

Learning Area 4: Agent Banking Driving Financial Inclusion in Uganda

Source Material:

1. Bank of Uganda - Working Paper No. 24/2020: Financial Innovation in Uganda: Evolution, Impact and Prospects, June 2020.
2. Alliance for Financial Inclusion: Uganda's Journey to Inclusive Finance through Digital Financial Services, July 2019.
3. UN Capital Development Fund: Introducing Agent banking in Uganda report, February 2019.

¹² Inclusive BDS Service Provision in Uganda - Lessons Learned (September 2016). Link: <https://www.inclusivebusiness.net/ib-voices/inclusive-bds-service-provision-uganda-lessons-learned>

4. GIZ: Assessment of Agent Banking Awareness and Sensitization in Acholi, Lango and Teso Sub-regions, 2019.
5. Uganda Bankers Association: Agent Banking Project report, June 2020.

Intended beneficiaries and uses

The intended beneficiaries are aBi Finance partner FIs and agribusiness SMEs. aBi Finance will utilize the learning to develop new funding proposals and/or improvements in the design of interventions for promoting agent banking and other digital platforms and innovations to drive financial inclusion.

Background (Context, Actions, Results)

The amendment of the Financial Institutions Act 2016 allows for the provision of Agent Banking Services by regulated FIs, a model that gives FIs a chance to compete within a Mobile Network Operators' (MNOs) dominated financial services market with greater efficiency, speed, reach and lower capital expenditure, while being compliant with regulation. Financial institutions (FIs), especially the new entrants and those with lower brick and mortar branch coverage are focusing on capturing market share based on better products, customer experience and price, while leveraging the (operationally) lower-cost agent networks¹³, thus banks are providing financial services through contracted third parties called agents. To become an agent, the entity should hold a business account with any of the banks connected on to the system, should be a registered and licensed business with a physical address, and should have been engaged in a commercial activity for at least 12 months¹⁴.

To drive operational efficiency, the Uganda Bankers' Association (UBA), with the support of aBi, established a country-wide inter-operable agent-banking shared platform that connects all its member banks across the country. This agent -banking platform enables a bank agent to serve customers of any other member bank. By June 2020, 20 out of 25 FIs had onboarded the shared platform out of which 14 were active. In the same period, UBA reported that 9,970 new branchless points of sales had been established, 8,925 (31% female) additional fulltime jobs created¹⁵. By March 2020, it was revealed that the amount of money transacted through agent banking stood at US\$ 2.2 trillion per month way higher than the US\$ 800b transacted through the ATMs over the same period, according to Uganda Bankers Association (UBA)¹⁶. Below are the lessons learnt about inception and implementation of agent banking in Uganda.

Lessons Learned

¹³ Alliance for Financial Inclusion: Uganda's Journey to Inclusive Finance through Digital Financial Services, July 2019.

¹⁴ Self-registration for Agent Banking services. Link: <https://www.centenarybank.co.ug/index.php/page/agency>

¹⁵ Uganda Bankers Association report on performance of the UBA Agent Banking Project as at 30 June 2020.

¹⁶ Agency banking value grows to Shs2.2 trillion. Link: <https://www.monitor.co.ug/uganda/business/finance/agency-banking-value-grows-to-shs2-2-trillion-1879994>

Between 2018 and 2020, a number of lessons have been learnt in regards to the agent banking model and these include;

- i. Agent banking regulations require that agent candidates hold an active Bank of Uganda-regulated account for a minimum of six months prior to their application. However, in rural areas, otherwise-eligible businesses cannot meet this requirement as they often rely on mobile money or Savings and Credit Cooperatives (SACCOs) for their financial services. There is therefore need to revise this requirement to consider mobile money accounts to foster inclusion in rural areas.
- ii. Given the requirements of an entity to become an agent, Savings and Credit Cooperatives (SACCOs) are ideal, hence create a viable path for agent banking to reach rural communities since they have sufficient liquidity for minimum float requirements and adequate customer transaction volumes.
- iii. The uptake of agent banking by the masses has not been as fast as had been envisaged as exemplified by the dismal achievement of 38% (target – USh 6 million, achieved – USh 2.3m) for the number of customers transacting through agents and 6% (target USh 36million, achieved USh2.3 million) volume of transactions per customer through agents¹⁷. on the agent-banking project; hence divergent from the previously held perception that agent banking is a plug-and-play solution for banks. As such, it is crucial that FIs invest more in monitoring agents, as well as customer awareness and education if agent utilization is to grow.
- iv. Fewer women adopt the channel, but when they do, they transact regularly. Data from one partnering bank indicated that, while female customers represented only about 20 percent of all customers, 94% of them were active, in contrast to just 56% of male customers¹⁸.
- v. A large proportion of transactions are deposits, whose recipients go to bank branches to withdraw as large amounts, which are typically beyond the agent transaction limits. This situation creates a liquidity asymmetry for agents and thus a need for regular rebalancing.
- vi. Payments for utilities and/or fees were highly appreciated for saving the time spent previously queueing in banks. However, additional services for paying for more goods and services should be explored along established value chains to increase adoption and utilization of banking agents by new customer segments.

Recommendation

¹⁷ Uganda Bankers Association report on performance of the UBA Agent Banking Project as at 30 June 2020.

¹⁸ UN Capital Development Fund: Introducing Agency Banking in Uganda report, February 2019. Link: <http://www.ruralfinanceandinvestment.org/sites/default/files/04.03.19-Agency-Bank-Uganda-mm4p%20%281%29.pdf>

Since reaching rural areas is still not an easy task for banks, aBi can;

- i) Support direct market actors doing business in agricultural value chains, such as rural traders (with focus on women and youth) to enroll as banking agents in their vicinities to leverage the sales and purchases transactions for both inputs and produce.
- ii) Support more SACCOs in underserved areas to become agents in order to leverage both their customer base as well as their investment capacity and network.