



Q1 and Q2, 2021

LEARNING & KNOWLEDGE

MANAGEMENT BRIEF

October, 2021

Table of Contents

Introduction.....	3
LEARNING SUMMARIES AND RECOMMENDATIONS	3
Learning Area 1:	3
Improvement in Dairy Value Chain production and productivity amidst COVID-19 and other challenges	3
Learning Area 2:	5
COVID-19 and aBi Finance Services Development	5
Learning Area 3:.....	7
Business Development Services, a process for FI services improvement.....	7
Learning Area 4:	9
Systemic change, an approach to sustainable market systems	9

Introduction

aBi prides in sharing agricultural and agribusiness processes and results of supported interventions at partner and district levels to inform possible replication of best practices and sustainability of desired outcomes. The third edition (Quarter 1&2-2021) of the Learning and Knowledge Management (LKM) brief focuses on learning generated from aBi's Value Chain Development, Financial Services Development supported as well as Results Measurement, Research and Development. Lessons, gaps and recommendations generated will inform program operational, strategic decisions and advocacy for policy influencing at the national level.

Evidence to this learning brief was generated through monitoring and research findings as well as desk review of project reports, in addition to review of national reports on agriculture, agribusiness trade and markets.

LEARNING SUMMARIES AND RECOMMENDATIONS

Learning Area 1:	Improvement in Dairy Value Chain production and productivity amidst COVID-19 and other challenges
Source Material: aBi Development Semi-annual report,2021 Systemic Change Study, 2021.	

Purpose of the brief

This brief highlights lessons learned from the dairy value chain to inform further efforts for increased profitability and productivity of dairy products.

Intervention Overview

Compounded by effects of climate change, Foot and Mouth Disease, trade restrictions and COVID-19 restrictions, the dairy value chain production and productivity has seen a decline since October 2021 Uganda. aBi-supported interventions yielded cumulative total milk production of 32,181,213 litres, only 31% of her annual production target. Of this, 37.8%

were processed into dairy products (aBi-Development Semi-Annual Report, 2021). The intervention was implemented in partnership with Pearl Dairy Farms and Heifer Project International.

Lessons Learned

- a) Farmers' positive response to fodder production, processing and use of silage demonstrated that farmers are willing to embrace technological change if they think the changes will benefit them. In addition, fodder and pasture preservation and conservation practices are recommended because of the annual dry spells experienced in the cattle corridor¹.
- b) Trade impasse between Uganda and Kenya has slowed down efforts towards promotion of value addition in the milk value chain and export of dairy products².
- c) Public – private sector and research institutions engagement in the implementation of disease control and mitigation policies to contain spread and mitigate adverse disease incidence.
- d) Fodder production and the use of silage reduces pressure on natural pastures during the dry season especially in the event of high animal population density will sustainably ensure milk production during the dry season when production is often low. Farmer capacity to embrace fodder production provides a more sustained animal feeding pattern for increased production and incomes from milk sells.

Recommendations

Over the 12 months, overall national level dairy value chain performance has realized a decline in production and productivity due to export limitations to the Kenyan market and setbacks occasioned by the COVID-19 pandemic as well as prolonged drought.

¹ Scientists suggest that increasing temperatures and decreasing rains in the cattle corridors will likely lead to increased heat stress in livestock, drying of surface water sources and decrease in quality of pasture, all of which may result in reduced livestock productivity. (B. Oweyesigire et al, 2016, in "Trends in Variability and the extremes of Rainfall and Temperature in the Cattle Corridors of Uganda" - The Uganda Journal of Agricultural Sciences 2016.

² Since 2018, Uganda and Kenya have been at loggerheads, following Kenya's ban on Uganda's exports, something which angered and inconvenienced the Ugandan business community so much, they sued Kenya for violating the East African Common Market Protocol.

It is important for aBi to increase support towards value addition with the aim of mopping markets of excess milk production and improving shelf life to ensure market stability and continued production by smallholder farmers.

Promotion of multi-stakeholder engagement through lobby and advocacy with the Ministry of Trade and Industry, East African community affairs and MAAIF along with counter-parts in Kenya to agree on, and implement guidelines and standards for the resumption of Uganda dairy products exports is critical for the dairy value chain growth.

aBi interventions in the dairy value chain could include components for promotion of local milk consumption with integrated health benefits; as an alternative to lost export markets through improving the cold chain infrastructure so that milk can efficiently be moved from high production zones into low production zones for sustained incomes generated from sell of dairy products and better health outcomes.

Learning Area 2:	COVID-19 and aBi Finance Services Development
Source Material: aBi analysis of COVID19 impact on Tier4 Financial services, 2020/21	

Purpose of the brief

This brief highlights the lessons learnt from aBi Financial Services Development interventions extended through Financial Institutions to reach the last mile beneficiaries with Agricultural Loans Guarantee (ALG) and Lines of Credit (LoC) in January – July 2021. The lessons learned presents opportunities for enhanced agribusiness support during the COVID19 pandemic.

Intervention overview

Through implementation of the Agribusiness Loan Guarantee and Lines of Credit Schemes, aBi targets to stimulate financial institutions risk appetites to lend to specific sectors where it would not have been possible in the absence of a guarantee and expand FIs access to finance for agribusinesses and small holder farmers particularly through liquidity and technical assistance.

Lessons Learned

- a) Financial Institutions stakeholder's engagement enables coordination of capacities and needs for targeted aBi financial services development interventions at regional level. For instance, an analysis of Tier IV financial institutions in Northern region showed that most FIs still require business Ddevelopment services capacity enhancement to enable access to aBi Finance products.

- b) Lack of adequately structured financing for capital investment and other non-financial services are some of the major contributors to the limited mechanization and application of new technologies, which are critical to improving agricultural yields, productivity and incomes, as well as to addressing the risks of climate change along the entire agricultural value chains.

- c) A reduction in some Tier 4 capitalization occasioned by inadequate financing for capital investment and other non-financial services contributes towards limitations in agricultural innovations and productivity as the last mile beneficiaries face limited financing opportunities.

- d)** Partnerships remain key for successful and efficient business development - Through partnerships, with institutions such as the EERF, NSSF Hi Innovator, apex bodies, aBi Finance will continue expanding its reach to agribusiness SMEs and FIs that would ordinarily not be able to access funding directly from aBi.

Recommendations

aBi should consider allocation of more capital fund to the Lines of Credit as a deliberate effort to increase financial services reach to the last mile beneficiaries.

The aBi Finance strategic initiative for the next business plan has aligned innovative financial products such as the private equity financing and Mezzanine financing. These packages will be address regional FI need and other context variations will be informed by the FIs capacity needs assessment exercise for targeted interventions.

aBi is developing a business development academy with a robust curriculum and training materials to build capacities of our IPs. Additionally, expanding the curriculum to align it with strategic direction and focus of aBi in lieu of the Green Growth strategy. BDS support is approved as an auxiliary component (a given) supplementing LoC and Guarantee instruments.

Learning Area 3:	Business Development Services, a process for FI services improvement.
Source Material:	
1. aBi Finance products (2018-2020) evaluation report by Carnegie Consult. Published 2021	
2. Access to agricultural finance in Uganda report by FDSU. Published 2021	
3. aBi investment and grants manuals and Guidelines	

Intervention Overview

Over the last eight (8) years, aBi, through its Financial Services Development (FSD) interventions has supported acquisition of banking infrastructure and offered Business Development Support (BDS) to FIs staff to better manage savings and loans for their agribusiness clients in Uganda. In 2019, aBi injected over UGX 2.8 billion to support the expansion of financial services in Uganda's northern and eastern regions to improve partner FIs' governance and management, outreach and expansion, financial performance, product development, capacity building, installation and upgrading of management information systems, and the strengthening of strategic partnerships.

Lessons learnt:

- a) Investment in acquisition of banking infrastructure and Business Development Support (BDS) to FIs staff to better manage savings and loans for their agribusiness clients has stimulated FIs to pay more attention to agricultural financing; and reach to rural-based end-clients and smallholders with financial services (mainly loans), hence increasing the agribusiness portfolios profits for FIs and the wholesale lenders³. Consequently, the growth in agribusiness portfolios has enabled increased availability and accessibility of financial services to SMEs and farmers.

- b) The financial services development intervention has strengthened strategic partnerships and linkages with financial institutions across Uganda to enable availability and access to agricultural and agribusiness credit facilities, making credit more affordable.

- c) FSD and BDS support to financial institutions is awarded based on the minimum threshold score for aBiF's commercial products such as Lines of Credit (LoC) and Agribusiness Loans Guarantees (ALGs) for de-risking borrowers. Henceforth, the minimum threshold does not favor growth of liquidity strapped FIs who would have otherwise benefited from governance and management systems strengthening.

Conclusion

Conclusively, access to capital remains a daunting challenge to most agribusiness actors who join Savings Credit and Cooperative Societies (SACCOs) and/or commercial banks with intent to access credit. This prompts the SACCOs and any other liquidity-challenged financial institutions (FIs) to borrow for on-lending to meet demand for agribusiness loans.

³ Bi Finance products (2018-2020) evaluation report.

Recommendations

Going forward, it is hoped that the following recommendations will go a long way in causing much-needed improvements in this highly critical sector.

There ought to be a review of the FSD and BDS support strategy to design interventions that are phased with the intention of strengthening the FI governance, proper structure of loan products and internal controls. As these FIs' liquidity, loan products, internal controls and governance structures improve, they will automatically demand for Credit and Agricultural Loans Guarantees to service the agribusiness capital needs of the SMEs and farmers.

Through dedicated funding windows, cohorts of FIs that initially do not qualify for loans and ALGs should be offered BDS, and their performance monitored for a specified period, say 12 – 24 months. This approach thus actualizes aBi and other wholesale lenders' commercial objectives while espousing the sustainable agribusiness development agenda in the short, mid, and long term.

SECTION 3: RESULTS MONITORING AND RESEARCH DEVELOPMENT

Learning Area 4:	Systemic change, an approach to sustainable market systems
Source Material: Systemic Change Report, July 2021	

Purpose of the brief

This brief summarizes lessons learned and challenges from a systemic change study report of July, 2021. The brief highlights how the system change approach influences sustainable growth in the agribusiness sectors.

Study over-view

aBi commissioned a study to assess the impact that aBi interventions have had in the wider market system: both in agriculture and in finance. Specifically, aBi was interested in defining the early signs of system wide impact that its Results Measurement (RM) system had identified, measure the extent of this system wide impact, and explore the question of why some interventions contributed to this impact and some did not. The study points out most prominent changes in FSD, dairy and coffee interventions.

Lessons Learned

- a) The small segment of Financial Services Development (FSD) interventions studied shows significant increases in the number of products and number of clients working in agriculture. The partners have also shown significant initiative in adapting their business models to seize emerging business opportunities. These changes have a strong connection to how aBi approaches intervention design and implementation in their FSD portfolio. It is clear that aBi has taken a much more focused approach in agricultural finance that addresses the demand and supply sides effectively.
- b) aBi's interventions in the procurement of Milk Collection Centres (MCCs) helped break the monopsony, opened up the area to a large number of buyers and exposed the farmers to the associated benefits of competition like better prices, timely services and the like. However, this may compromise medium-to long-term sustainability of the interventions if not integrated with software interventions such as capacity strengthening and policy influencing. Though it is known that MCCs open up new supply areas and kick-start a virtuous cycle that generates improved yields, quality, and ultimately, increased incomes work. However, the question of how to capitalise on this proof of concept more sustainably lies ahead of aBi.
- c) Working with sustainable business models, quality of intervention design, and working against a strategy were influential factors behind some interventions achieving systemic impact more than others. The interventions that worked with businesses who had viable business models and the basic capacity to invest in and manage the changes introduced showed strong signs of sustainability and connection to systemic impact.

Conclusion

As with all other focus areas, aBi's value addition in cereals development lies in driving innovation that strengthens the demand side. This means more investments in processing companies to improve processing and value addition of value chains. For processing to advance greater innovation in support services (such as food safety testing, storage, transportation, finance) is no substitute. Conducive policies and related implementation to enhance agribusiness market potential are critical pre-requisites.

Recommendations

Analysis of aBi's additionality to the supported value chain poses specific barriers to achieving systemic impact. Compounded with limited efforts in documenting intervention processes to inform further knowledge base for adapting and scale up appropriate practices. It is adequate for aBi to pursue a strategy based on evidence to generate adaptive impact in the agribusiness sector.

Collaboration with government agencies is core in informing and influencing policy for continued growth of agribusiness and agricultural sector. These engagements provide a fertile ground for collaboration and partnership between government and other key actors for the achievement of NDPIII targets and the SDG 1 & 2.