

**2020**

# **ANNUAL REPORT**

**Investing to stimulate  
post-pandemic recovery**



**aBi**

# About aBi

aBi is a social enterprise that channels development cooperation funding to agribusinesses and agricultural service providers in Uganda with the aim of building a strong and competitive agriculture sector. It was founded by the governments of Denmark and Uganda in 2010. The aBi consists of two companies limited by guarantee, aBi Development and aBi Finance Ltd.

The focus of aBi Development is to increase agricultural production and value addition by extending matching grants and business development services (BDS) to agribusinesses, farmer organisations and intermediaries. The grants and BDS enhance planning and management, production and business infrastructure, as well as upstream and downstream market linkages of producers and agribusinesses.

On the other hand, aBi Finance expands access to business finance for agricultural producers and agribusinesses by offering to Financial Institutions (FIs) financial incentives and infrastructure that make lending to the agricultural sector more attractive and less risky. The Financial Services Development programme provides matching grants to FIs to build institutional capacity for enhancing the provision of financial services and increase outreach in rural areas.

## Vision

A competitive, profitable and sustainable agriculture and agribusiness sector in support of equitable wealth creation in Uganda



MINISTRY OF FOREIGN AFFAIRS  
OF DENMARK  
*Danida*

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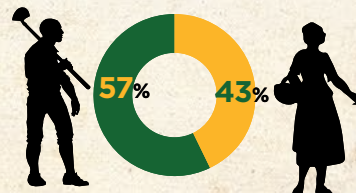
# Highlights of key achievements

This report is an account of accomplishments of aBi against set performance targets in the Annual Work Plan and Budget 2020. It is important to note that the period under review was characterised by many restrictions on movement of goods and services as a result of the Coronavirus pandemic.



**165%**

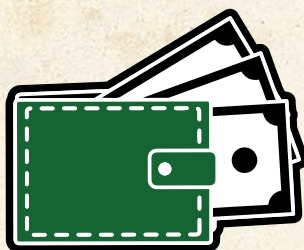
**Farmer reach.** aBi supported 37 projects and reached a total of 200,435 (F-86,943; M-113,492) smallholder farmers (43% female), representing 165% of the 121,614 beneficiary farmers annual target.



**UGX7.9bn**

**Additional income.**

The additional net income realised by the beneficiary IPs (agribusinesses/SMEs) attributable to aBi support was at US\$7.9bn, 66% of the annual target of US\$12bn.



**954**

**Jobs created.** A total of 954 FTE jobs (633 male, 321 female) were created at agribusiness/SME level. This represents 88% of the annual target of 1,083. Most of these jobs (21%) were created by coffee agribusinesses (129 males, 75 females) during collective marketing, produce handling and processing.



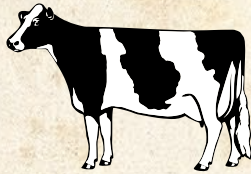
**Covid-19 effect.** Sales of some value chains such cereals remained depressed during the Covid-19 lockdown. Some of produce got held up in stock and were subsequently sold at lower price.



## ➔ Overview of export in aBi supported value chains



**Coffee.** Exports for Nov. 2019 to Oct. 2020 totalled to 5,409,054 bags worth USD5 13.99mn compared to 4,465,534 bags worth USD 435.81mn the previous year.

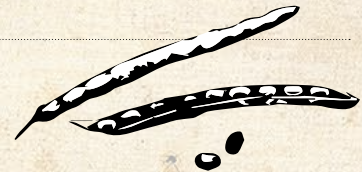


**Dairy.** The value of milk and milk products exported increased from \$5m in 2008 to \$100m per year by June 2019.

# 135,000MT



**Cereals.** Maize was the most traded grain in the region. In the first quarter around 135,000 MT was traded while approximately 48,000 MT of sorghum was traded. In the second quarter Uganda exported 62,000 MT of maize, 49,000 MT of sorghum, and 46,000 MT of rice.



**Pulses.** By July 2020, the value of bean exports for Uganda for 2020 was USD 32.15 million.

## ➔ Key Achievements (Jan to Dec 2020)



# 207,128

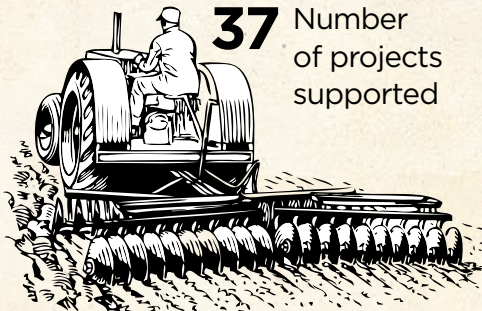
New loans across all products (112,677 FSD, 21,591 LoC and 21,591 ALG).



**165%** Number of smallholder farmers reached: 200,435 (F-86,943; M-113,492)



**Green Growth.** The Board approved the Green Growth strategy and implementation started.



**37** Number of projects supported



**10%** Additional export value for IPs: UGX15bn (10% of 2020 target)

# Financial highlights as at 31st Dec 2020

This report is an account of accomplishments of aBi Finance against set performance targets in the Annual Work Plan and Budget 2020. It is important to note that the period under review was characterised by many restrictions on movement of goods and services as a result of the pandemic.

## ▲ UGX 20.9bn

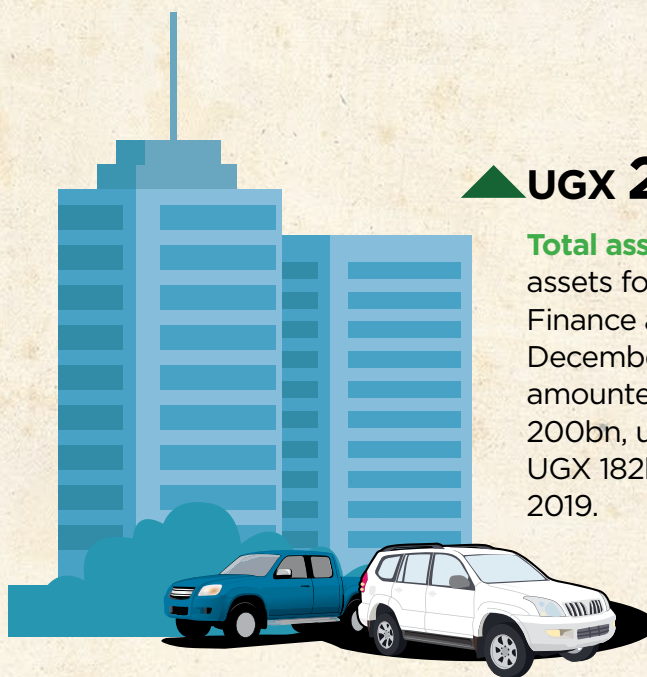
### Interest Income.

aBi Finance made Interest Income of UGX 20,879,693,000 in January- December 2020, up from UGX20,295,949,000 the previous financial year.



## ▲ UGX 200bn

**Total assets.** Total assets for aBi Finance as of 31 December 2020 amounted to UGX 200bn, up from UGX 182bn in 2019.



## ▲ UGX 8.7bn

**Profit.** aBi Finance made an after-tax profit of UGX 8.7bn for the year ended 31 December 2020, up from UGX 7.5 bn in 2019.



## ▲ UGX

**Equity.** As of 31 December 2020, total equity for aBi Finance increased to UGX 184.5bn compared to UGX 174.5bn in 2019, owing to the total comprehensive income of UGX 8.7bn generated in the year.

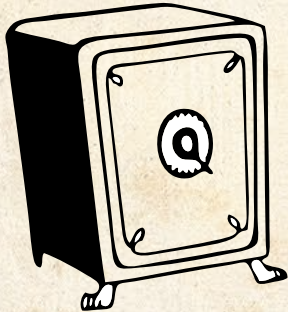
## ▼ 79%

**Line of Credit.** aBi Finance LoC (net of impairments) decreased to UGX 97.9bn from UGX 106.7bn in 2019. The decrease is mainly due to the 79% decrease in loan disbursements to UGX 9.9bn in 2020 from UGX 48bn in 2019.



## ▲ UGX 9.8bn

**Cash balances.** aBi Finance cash and bank balances rose from UGX 1,157,102,000 in 2019 to UGX 9,776,716,000 as of 31 December 2020.



## ▲ UGX67.2bn

**Fixed deposits.** aBi Finance fixed deposits with commercial banks rose from UGX 56,086,056,000 to UGX 67,203,384,000 as of 31 December 2020.

## ▼ UGX 7.8bn

**Expenditure.** The general and operational expenditure of aBi Development Ltd at UGX 7.8bn (UGX 12.4bn less the recharge cost to aBi Finance Ltd and NURI of UGX 4.6bn) was comprised mainly of staff-related costs of UGX 6.2bn, consultancy costs of UGX 1bn and depreciation of UGX 0.9bn.



## ▲ UGX653m

**Covid-19 Relief.** aBi waived US\$ 653M in guarantee fees, rescheduled lines of credit for 21 out of the 28 partner FIs (75%), approved rescheduling of agribusiness booked on the ALG and budget reallocations for 50% of the project under FSD as relief to its partners.



Mr. James Songo operating an irrigation system at his maize farm in Bulambuli District.



# Finding resilience in tough times

The coronavirus pandemic that struck at the end of 2019 laid bare the vulnerabilities of almost all businesses and agri-business was no exception. Yet it also provided opportunities to build back better by reassessing risk, finding ways to help our partners, and allowing us to do things differently. In a world that has changed permanently in many ways, we must find ways not to waste this crisis.



**Ms Sarah Irene  
Walusimbi,  
CHAIRPERSON**

It is still early days. The number of infections and fatalities continue to rise in many parts of the world, vaccination remains slow and the emergence of new variants could roll back gains even in countries that have begun fully re-opening their economies.

Nevertheless, as we contemplate what lies ahead in a post-Covid-19 world, whenever that will be and how it will look, we must reflect on at least three major learnings to inform our interventions and the work we do with our partners.

First, we have learnt that it is important to act fast and decisively. No one could have predicted the massive and unprecedented impact of the pandemic. As the world shut down rapidly, shuttering vital markets for agri-produce and undermining both flows of the farm-to-fork value chain, aBi took measures to protect itself and its partners.

aBi waived fees, restructured or rescheduled facilities, gave repayment moratoria and approved budget reallocations to spend money where it was needed most. The Board also approved a concessional loan to some of our partners in commercial financing for working capital to support their operations.

Secondly, we learnt the need to stress-test our risk models and adjust to a radically changed landscape. The Principles of Engagement developed by aBi to manage risk worked to steady our ship and those of our partners. As we hopefully enter calmer waters, these principles will anchor our efforts to build the resilience of smallholder farmers by ensuring access to agro-inputs in planting

the seeds for recovery.

Third, we were reminded that necessity is the mother of invention and that we must continue to innovate around new and long-standing challenges. We saw that partner financial institutions that have integrated digital payment platforms saw higher recoveries from their clients than those without as lockdowns reduced mobility and increased transaction costs.

As we move forward, we must explore ways to accelerate the adoption of digital technologies in our own operations – as we saw, for instance, through the adoption of remote-working methods – and in those of our partners. The unprecedented nature of the challenge required new thinking and innovative ways to resolve problems. I am glad to see that we did not adopt a business-as-usual approach and trust that this culture of innovation and out-of-the-box thinking will continue to inform us as we go forward.

As this report shows, the pandemic affected our programmes and activities and the results of our work, but it also shows how we responded and our plan to build back better.

There is still a lot of work to do. Inefficiencies remain within the production value chains, entry barriers limit access to certain markets, and the higher risk associated with the agricultural sector keeps credit to it notoriously expensive and impatient.

The negative effects of the pandemic will linger for a long time, and some industries might be changed irreversibly. However, by learning the lessons of the last 12 months and implementing changes to what we do and how we do it, we can accelerate recovery and transformation, ensuring that we plant the seeds for a swift post-pandemic recovery.

# Innovation is key to recovery

The year 2020 tested our core strength and that of the agri-business sector, while pushing us to dig deep within ourselves to find resolve and creative ways to deal with the crisis. It forced us to change our approach, shift our priorities, revise our annual work plan and budget and also find new ways of delivering our services, including through the use of technology.

The year could be divided into two rough patches: The first half saw mobility restrictions due to the pandemic lockdown, which ground most economic activity to a halt although agri-business was a little bit more resilient, having been listed as part of essential services. Then the second half, where some of the restrictions were lifted and volatility emerged, this time from the electoral season.

Not surprisingly, the agri-business sector posted a mixed year. Maize output, in terms of trade was affected by the effects of the lockdown, while non-tariff barriers kept some of our partners in the dairy value chain (e.g., Pearl Dairy) from the Kenyan space where they had previously been rapidly growing their market share.

Nevertheless, coffee exports grew by a million bags between November 2019 and October 2020 (a 22% increase) as farmers began harvesting new fields planted between 2012 and 2017 and paid more attention to rehabilitating and managing their coffee gardens. This output in the coffee value chain was the highest monthly export volume in three decades and justifies the hard work aBi has contributed to this sector over the years through our partners. This is validated by the Systemic Change Study commissioned to assess the impact that aBi interventions have had in the wider market system, which found evidence of change introduced by aBi's



**Mrs Josephine Mukumbya,**  
**GROUP CEO**

## 27%

**DECLINE IN EXPORTS.**

**Uganda's exports contracted by 27% from USD 6.124mn in 2019 (against average growth of 13% in previous nine years) to USD 4.472mn in 2020. Likewise, all our agribusiness partner exporters combined, reported just a tenth of their pre-Covid-19 export projections, due to the impact of the pandemic.**

work in coffee that went beyond the interventions into the wider market systems<sup>1</sup>.

Uganda's exports contracted by 27% from USD 6.124m in 2019 (against average growth of 13% in previous nine years) to USD 4.472mn in 2020<sup>2</sup>. Likewise, all our agribusiness partner exporters combined, reported just a tenth of their pre-Covid-19 export projections, due to the impact of the pandemic.

It was, nevertheless, a busy year for the institution, where a concerted effort to respond to the pandemic was made through the aBi Covid-19 task force plans and activities, which we believe successfully protected staff from direct exposure to the disease.

This year, aBi became carbon-neutral, offsetting what we couldn't save by purchasing 176 tonnes of Plan Vivo carbon credits. They will be used by Ecotrust's Trees for Global Benefits project in Western Uganda. This is in line with our green growth strategy and social performance management to mitigate negative impacts of our activities on the planet.

We continue to work with our partners to reduce our environmental footprint by decarbonising, lowering our greenhouse gas emissions, becoming energy efficient, transitioning to cleaner energy and improving waste management systems as well as inspiring sustainable use of natural resources.

<sup>1</sup> aBi Systemic Change Study, 2021

<sup>2</sup> Knoema, World Data Atlas, 2021



Despite decline elsewhere, coffee exports grew by a million bags between November 2019 and October 2020 (a 22% increase) as farmers began harvesting new fields planted between 2012 and 2017 and paid more attention to rehabilitating and managing their coffee gardens.

In line with aBi's Socially Responsible Investment principles, we continue to promote gender equality in all our interventions. The Gender Policy 2020 was updated and will be implemented through the aBi Gender Strategy 2021 - 2025 in line with the business plan 2019 - 2023.

This year we also noted that implementing partners that had invested in digital service channels were better cushioned against the mobility restrictions. Supporting these and similar innovations offers a path out of the tunnel given that it has been observed to be an efficient way of promoting financial inclusion, regardless of the pandemic.

Stakeholder engagements were a key part of 2020 interventions to ensure continued consultation, involvement and sharing of feedback on aBi's planning processes and programme impact. aBi held an annual stakeholders' forum in March 2020 to celebrate 10 years of existence and unveil its five-year Business Plan (2019/2023), laying down its roadmap, value proposi-

tion, and strategic direction. aBi also engaged value chain actors and tier IV partner financial institutions through online supported meetings (webinars), to discuss business continuity amidst the pandemic, review response interventions, challenges, and opportunities to foster business stability and sustainability. Engagement for advocacy was sustained through sector meetings, national sponsored campaign events including the Climate Change Symposium, Harvest Money Expo and agribusiness television and radio talk shows.

In 2021, aBi will support creating more jobs for women by targeting value chains that mainly engage women, and support women-led agribusinesses. We shall also place a premium on fostering business performance and resilience, turnaround and sustainability of partners and beneficiary farmers.

## 176T

### CARBON CREDIT.

This year, aBi became carbon-neutral, offsetting what we couldn't save by purchasing 176 tonnes of Plan Vivo carbon credits. They will be used by Ecotrust's Trees for Global Benefits project in Western Uganda. This is in line with our green growth strategy and social performance management to mitigate negative impacts of our activities on the planet.

# 1.0 aBi Development Ltd

## 1.1 aBi Development Performance

### Agriculture and agribusinesses environment

**A**griculture grew by 4.2% in FY2019/20 down from 5.3% in FY2018/19 partly due to the triple effect of the pandemic, locust invasion and flooding<sup>1</sup>. Agricultural growth slowed to 2.4% in the first half of FY2020/21, compared to 8.5% growth in the same period of FY2019/20<sup>2</sup>. Notably, growth in food crops that had been boosted by good weather to 8.3% in the first half of FY2019/20, slowed to only 3.4% in the same period of FY2020/21. There was an overall reduction of sales and turnover of more than 30% in seed, fertiliser and veterinary drugs<sup>3</sup>. This slow-down adversely affected livelihoods, given that many who lost jobs in non-farm sectors because of the pandemic – particularly the urban and informal poor – who shifted to agriculture as a buffer against the crisis. The number of poor people in Uganda is projected to increase by 2.6 million in the short-term due to the pandemic.<sup>4</sup>

Cash crops continued to grow robustly at 6.6% in the first half of FY2020/21, with the value of coffee exports increasing by over 7.5%, despite the fall in the annual average price of Robusta coffee from USD 1.62 per kg in 2019 to USD 1.52 per kg in 2020<sup>5</sup>. Poor climatic conditions over the first half of FY2020/21 affected production of both food

and cash crops. The latter was less affected given the higher resilience of perennial crops like coffee which are the bulk of exports.

However, the pandemic increased the urgency to enhance agricultural productivity, given the opportunity presented by agriculture to enhance national revenue streams (agriculture contributed 23.2% to national GDP in 2020), food security and livelihoods as an alternative to the formal jobs and small businesses that were closed in the year as a result of the crises.



<sup>1</sup> MAAIF Annual Draft Annual Performance Report 2020

<sup>2</sup> World Bank Group Uganda Economic Update Draft report May 2021

<sup>3</sup> The Impact of COVID 19 Pandemic on Uganda's Agricultural sector, USAID, 2020

<sup>4</sup> *ibid*

<sup>5</sup> World Bank Commodities Price Data, February 2021

# Performance of aBi-supported value chains

## Key Achievements (January to December 2020)

In March 2020, economic activity began to stall following the lockdown instituted by Government to curb the spread of Covid-19. The lockdown that lasted over four months affected domestic demand and caused disruption in global demand of Ugandan exports. The lockdown affected the achievement of the AWPB2020 results and the performance of the aBi-supported value chains as presented in the subsequent sections of this report.

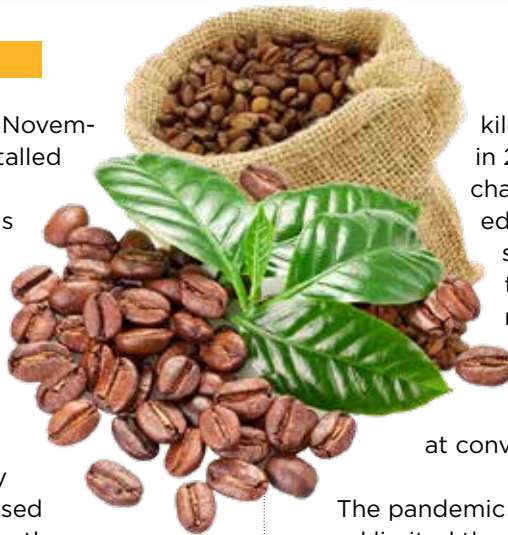
aBi Development supported 37 projects reaching a total 200,435 (F-86,943; M-113,492) smallholder farmers representing 165% of the 121,614 beneficiary farmers annual target for 2020. Of these 43% were female.

The additional net income recorded by IPs (agribusinesses/SMEs) attributable to aBi support in the period stood at UGX 7.9bn, representing 66% of the annual target of UGX 12bn. A total of 954 FTE jobs (633 male, 321 female) were created at agribusiness/SME level. This represents 88% of the annual target of 1,083. Most of these jobs (21%) were created by coffee agribusinesses (129 males, 75 females) during collective marketing, produce handling and processing. Details of performance for the year are summarised below:

### COFFEE VALUE CHAIN

National coffee exports from November 2019 to October 2020 totalled 5.4 million bags worth USD 514m, compared to 4.4m bags worth USD 436m the previous year. This 21% and 18% increase in volume and value respectively was attributed to new coffee planted between 2012 - 2017, favourable weather, and a well-developed and mature supply chain system<sup>7</sup>. There is increased demand for Robusta coffee on the Italian and certified coffees market as indicated by aBi partners (Kyagalanyi Coffee, Ankole Coffee Producers' Cooperative Union), highlighting *the need to invest in certification and quality improvement*.

Uganda increased coffee exports by 972,962 60-



kilogramme bags and USD 79m in 2020 despite pandemic-related challenges. These included limited logistics, delays at the border, suspended marketing activities abroad specifically in China, and cancelled annual audits that enable exporters to earn premium prices, consigning speciality coffees to be sold at conventional prices.

The pandemic slowed down extension services and limited the supply of casual labourers. Reduced imports from China also created a shortage of shipping containers for coffee exports. Nevertheless, IPs adapted and continued to deliver supported interventions including training in production of improved quality planting material, integrated soil fertility management, post-harvest handling technologies, higher value addition and

<sup>6</sup> Note that with the onset of COVID-19, revisions were made to ambitions set at the beginning of the year and revised KPIs are the focus of this report.

<sup>7</sup> Uganda Coffee Development Authority 2020 report.

## 69,983

**BAGS OF COFFEE.**  
aBi-supported farmers produced an additional 69,983 60-kg bags (worth UGX 95bn) in the year and created 204 jobs, 24% for women.

quality of coffee, institutional capacity building, technology dissemination through demonstration gardens, and facilitating market access.

aBi's interventions have significantly contributed to the growth of the sector with aBi-supported IPs contributing 18%<sup>8</sup> of the volume of national coffee exports in 2020. In the year, aBi supported eight IPs namely: Kyagalanyi Coffee Ltd, Rubanga Cooperative Society, Bukonzo Organic Cooperative Union, Uganda Coffee Farmers Alliance, The Edge Trading Company, Ankole Coffee Producers' Cooperative Union, Café Africa and National Union of Coffee Agribusinesses and Farm Enterprises. aBi-supported farmers produced an ad-

ditional 69,983 60-kg bags (worth UGX 95bn) in the year and created 204 jobs, 24% for women.

In the coffee value chain, the Systemic Change Study conducted by aBi in early 2021 indicates a strong linkage between the size of the implementing partner and the likelihood of systemic impact, noting that real success had been registered with the large exporting companies. In 2021, aBi will support and stimulate investments in innovations and focus on supporting production of higher quality and higher value coffees working with partners that are financially and technically able to invest in and manage investments in technology and innovation.



Members of Kwonifur Group (beneficiary farmers of Kyagalanyi) pulping their Arabica coffee in Nyapea Sub-county in Zombo District.

<sup>8</sup> UCDA Monthly Reports 2020



Mr. Kensi Agambe picking ripe cherries at his farm in Mitooma District.

## STORY OF CHANGE

### RUBANGA COFFEE COOPERATIVE

**KENSI AGAMBE**, 57 years, 15 family members

Member of Nyakatete Twetugure Group

Kabira Sub-county, Mitooma District

**K**ensi Agambe, 57, is a member of Nyakatete Twetugure group in Kabira Sub-county in Mitooma District and a coffee farmer for 10 years. He installed a small-scale irrigation system with support from aBi and expanded his coffee plantation to six acres. With irrigation, his yield last season increased from 50 to 80 bags during the long season and 20 bags

in the short season, earning him UGX19.6m in 2020. "I have been able to buy more land to set up a 97-acre mixed farm with coffee, trees and grazing land for cattle," Agambe says. "Other farmers have also benefited from this irrigation as they borrow the equipment and use it on their farms."

“

I have been able to buy more land to set up 97 acres mixed farm with coffee, trees and grazing land for cattle.

— Agambe

**CEREALS VALUE CHAIN**

The seasonal rainfall<sup>9</sup> led to good crop growth but this was tagged back by a desert locust invasion in northern Uganda and Karamoja, as well as movement restrictions due to the pandemic that contributed to uncharacteristic supply, demand, and price patterns across East Africa<sup>10</sup>. Maize prices in April rose 45% year-on-year due to tight domestic supply following below-average 2019 cereal production, coupled with sustained export demand from Kenya and South Sudan. Prices then fell as the pandemic distorted supply chains and kept key consumers, including education institutions, closed.

Regional export demand was below normal due to the economic impact of the pandemic, increased competition from Tanzania given their good harvest in 2019/20, and Kenya's decision in May to permit increased international maize imports<sup>11</sup>. The Eastern African Grain Council continued to provide information to decision-makers in Uganda and the region through its market information system, highlighting the importance of Regional Agricultural Trade Intelligence Network (Ratin) data.

In 2020 aBi supported investment to eight IPs (Aponye, EAGC, Agroways, Acila, Arise & shine, New Kakinga Millers, IITA and Solidaridad). Interventions included training in good agricultural practices, post-harvest handling and quality assurance, village



**45%**  
**MAIZE PRICES.**  
 Maize prices in April rose 45% higher year-on-year due to tight domestic supply following a below-average 2019 cereal production, coupled with sustained export demand.

**217%**  
**INCOME.**  
 Beneficiary farmers also realised UGX35.1 bn against an annual target of UGX16 bn (217%).



Seasonal rainfall led to good crop growth but this was tagged back by a desert locust invasion in northern Uganda, and movement restrictions due to the Covid-19 pandemic.

savings and loan associations, gender mainstreaming and demonstration garden establishment considering that the planting season was still on. Other activities included collective marketing, grain buy-back and governance training for marketing committees and farmer groups. Media programmes were also conducted on pest and disease management especially for the fall armyworm. The warehouse receipt system was also rolled out at Aponye with staff trained in quality

<sup>9</sup> Uganda National Meteorological Authority report, August 2020.

<sup>10</sup> (FEWS NET, June 2020)

<sup>11</sup> Ibid.





Grain packaging inside Aponye Warehouse constructed with support from aBi in Mubende District.

management and control and the EA grain grading system. A total of 38,766 people benefitted, including 18,977 women. Farmers realised good output from the favourable climate and the agro-input support by aBi. Total volume of produce was 19,177 metric tonnes against an annual target of 15,000 MT (128%), with sales of UGX 15bn (40%). Beneficiary farmers also realised UGX 35bn against an annual target of UGX 16bn (217%).

In spite of the good performance, the sector still faces many challenges including lack of finance for farmers to invest in technologies for production efficiency, limited commercial scale and limited communication of market signals as well as low compliance capacity with regional grain standards. The cereals funding win-

dow to be launched in 2021 will seek to address these challenges.

Several opportunities exist in the cereals value chain, including growing demand for Ugandan maize from regional processed food markets, and aid-led food security responses (such as in South Sudan). Uganda also has a competitive advantage and favourable climate, being the only country in East Africa that produces surplus maize against local demand. By comparison, local demand for rice, sorghum, and barley exceeds supply. aBi will leverage government financial and technical resources and private sector investment along the different parts of the sub-sector in its work in 2021.

## 38,766

### FARMER REACH.

For the aBi supported value chain, a total of 38,766 (19,789 males (123%) and 18,977 females (169%) were reached with farmers realising good output from the favourable climate and agro input support by aBi.

## PULSES VALUE CHAIN

Globally, the dry beans market is projected to register a cumulative annual growth rate (CAGR) of 4.3% between 2021-2026. The pandemic led to a surge in demand for dry beans because of their long shelf-life and as an alternative source of protein to health-conscious consumers. The sudden surge in demand made it difficult for producers to maintain a continuous flow of supply (Mordor intelligence, 2021). Globally, Myanmar is the world's leading producer of dry beans, accounting for nearly 20% of total output, followed by India, Brazil, China, Mexico, Tanzania, the United States, Kenya, Uganda, and Rwanda. Major importers include India, China, Bangladesh, the United States, and Egypt.<sup>12</sup>

aBi continued to promote common beans as the major pulse crop by supporting three part-

ners: Grow More Seed and Chemicals Limited, Solidaridad and MMACKS Investments Limited. One additional IP, Eastern Agricultural Development Company, was approved in Q4. Some 18,000 farmers were reached and implementing partners processed 130,000kg of bean grains and seed, earning UGX 0.8bn and creating 206 FTE jobs, half of them for women, four times the annual target of 50. Smallholder farmers registered sales of UGX 3.5bn off 130 tonnes of beans produced. aBi provided business development support (BDS) to five potential partners (EADC, MMACKS, TAABU cooperative, TENMA and Nutreal), which strengthened the organisations. MMACKS and EADC had their grant proposals approved; the rest continue under BDS and will be evaluated in 2021.



Women packing beans in Mubende District.

<sup>12</sup> <https://www.globaltrademag.com/imports-exports/>

# 4.3% ▲

### MARKET.

Globally, the dry beans market is projected to register a cumulative annual growth rate (CAGR) of 4.3% between 2021-2026.



A Dan-Church Aid sunflower demonstration garden in Arua District.

### OILSEEDS VALUE CHAIN

Globally, Soya beans remain the most important oilseed crop accounting for more than 50% of the oilseeds produced and consumed. This is mostly driven by the use of soy in animal feeds, whose importance is growing rapidly in East Africa. Demand and prices bounced back after a sharp decline at the start of the pandemic and have maintained upward momentum since April 2020. Recovering global demand is outstripping supply despite higher production and carry-over stocks. This is expected to support prices for the remainder of 2020–21. The world soybean indicator price is expected to increase by 26% to USD 438 per tonne in 2020–21<sup>13</sup>. In 2020 average farm gate price in Uganda was UGX 1,600 per kg of soybean (USD 438 per tonne).

Feedback from key oilseed players indicates similar trends to those on the global scene, with prices picking up in Q4 as the livestock sector recovered, increasing demand for soya bean and sunflower cake as a protein source for animal feeds. There was reduced production of sunflower in 2020 due to the absence of quality seed following poor crop performance in the 2018/19 season due to changes in weather patterns. The losses incurred by farmers in 2018/19 discouraged many from planting the crop, undermining seed imports in the subsequent season.

There is growing interest in producing for organic markets by some of the major oilseed players pursuing organic certification and being able to produce and sell in the premium organic markets. Currently, only one IP (Gulu Agricultural Development Company) is supported under this value chain. In Q1 2020, aBi set out to launch the oilseeds funding window focusing on soybean production, productivity, and market integration with professional oilseed processing units. However, the lockdown hindered the appraisal of applicants by aBi until the second half of the year. From the existing project, interventions in the oilseed value chain resulted in sales of UGX 13bn of which UGX 4bn (33%) was from beneficiary farmers. Some 4,413 smallholder farmers benefited, including 1,598 women (36%).

The challenges that persist in this value chain include food safety and quality concerns affecting access to prime markets, low production and productivity, limited access and use of quality inputs, low mechanisation, low farmer loyalty and fragmented value chains lacking market integration. Opportunities lie in the growing interest in the organic market and growing commercial feeds industry and emergence of new processors. aBi will address these challenges in 2021 by engaging more partners to improve performance of the value chain.



<sup>13</sup> ABARES 2020,

## HORTICULTURE VALUE CHAIN

Horticultural products were especially vulnerable because of their seasonal labour requirements and high perishability. The temporary closure of borders, and restrictions on important buyers such as schools, hotels, bars and restaurants negatively impacted the value chain. There were only two IPs (FARM Africa and Jakana Foods Ltd) under this value chain and only the former had its project life extending beyond 2020. In a bid to grow the portfolio, a horticulture funding window concept note was developed in line with the BP 2019- 2023 in early 2020 and it is under development. Preliminary stake-



holder consultations revealed the need to focus on increasing quality, safety, and market integration of fruits and vegetable products in Northern and Eastern Uganda. Pandemic restrictions hindered the conduct of a market assessment for development of the funding window definition, which was carried forward to 2021.

The interventions in the horticulture value chain resulted in 70 FTE jobs, 389% of the target of 18, and 13 MT produced by beneficiary farmers against a target of 160MT translating into 8% of the target, with no exports in the reporting period.

## DAIRY VALUE CHAIN

The blockage of milk exports to Kenya affected local farm gate prices leading to significant losses by dairy farmers. For example, the current daily intake for Pearl Dairy Farms limited, the leading processor, is at 300,000 litres/day compared to its installed capacity of 800,000 l/day. This has forced Uganda to explore new markets in North and West Africa in a bid to wean herself off unpredictable regional markets. Besides selling pasteurized milk, Ugandan key processors are now diversifying their product lines to manufacture cheese and other value-added milk derivatives to be able to tap into other markets beyond the EAC regional block.

Although Ugandan milk production has risen sharply in recent years to 2.5bn litres in 2018, per capita consumption is still modest, at just 62 litres per annum<sup>14</sup> compared to the World Health Organisation recommended 200 litres. There is an urgent need to develop external markets for the

huge surplus.

Five IPs were supported: Jesa Farm Dairy Limited, Alfasan Uganda Limited, DI International Limited, Pearl Dairy Farms Limited and Heifer International Uganda. However, out of the six projects under this portfolio, only four had field activities. DI and Alfasan projects were halted pending approval of project expenditures and availability of IP contributions respectively. Jesa project closed at the end of the year.

Through these projects, aBi reached 5,936 farmers (12.8% female). Productivity per cow per day averaged six litres of milk against a target of seven litres, and the total volume produced by participating farmers in 2020 was 33m litres (13%) against a target of 103m, and revenue of UGX 9bn (target UGX 15bn), which was 1.4% of national production.

Of the produced volumes, 6m li-

tres (65%) were processed by agribusinesses against an annual target of 9m litres. The SMEs recorded additional net revenue of UGX 328m against an annual target of UGX 38.6 bn. At impact level, no job was reported at IP level against a target of 1,256. The key challenge facing the sector remains market development for the surplus milk, both locally and internationally. aBi will continue to address low animal productivity by developing a market for the provision of dairy farm support services by private service providers in 2021.

Results from the Systemic Change Study showed that aBi's past interventions in the Southwestern Uganda milk shed caused a paradigm shift for producers and buyers. The huge investment in milk collection centres helped break the monopoly, opened the area to many buyers and exposed farmers to the associated benefits of competition (better prices, timely services, etc).

<sup>14</sup> Dairy Development Authority, 2019.



## CROSS-CUTTING INITIATIVES

aBi's interventions are underpinned by Green Growth (GG), Gender, and Social Inclusion as cross-cutting areas. All aBi-supported projects strive to mainstream these into their activities although these, too, were impacted by the pandemic. Specifically, the following were undertaken in 2020:

### Green growth mainstreaming

Farmers continued to implement agroforestry, proper waste management, use of energy-saving technologies like energy-saving stoves, water-saving technologies, hand coffee pulpers, improved processing facilities that do not pollute the environment, among others. NUCAFE had a 172Kw solar power plant installed in August 2020 which has reduced electricity bills by over 90% and will cut its carbon footprint by 241MT per year. In 2020, the Board approved the GG strategy and implementation started. Specifically, aBi staff, Board and IPs will be sensitised on the benefits of promoting green growth. To set a basis for measuring impact, aBi will conduct a baseline study and develop a roadmap early in 2021. The GG strategy sets out four ambition areas: i) Focus on aBi Business Objectives, ii) Create Economic and Equitable Opportunities; iii) Build Environmental and Climate Resilience, and iv) Social Equity.

### Environment and Social Governance

The ESG screening tool is now an integral part of the due diligence process for new partners with a minimum score of 70% for eligibility to receive aBi's grant support. In 2020, 11 potential organisations for partnerships (*EADC, MMP, Aponye, Grow More Seeds, Water & Pumps International, Adritex, Biyinzika, Gloford Institute for Innovation, Ngetta Tropical Holdings, Taabu Integrated Farmers Coop and Nutrea*) were subjected to ESG screening. The ESG tool is set for further enhancement in 2021 for a

more holistic applicability, including the governance aspects.

### Carbon Neutral aBi

Uganda Carbon Bureau was commissioned to undertake a carbon footprint assessment and guide the process of aBi office carbon neutral certification. aBi was found to have produced **176 tonnes of Carbon dioxide equivalent (tCO<sub>2</sub>e) in 2019**. aBi selected the Ecotrust project in Bushenyi to grow trees and offset her footprint. A review set for 2021 will assess impact. Information on best practices to reduce carbon footprint were shared with all staff for use in the office and at home to foster change in behaviour.

### Gender

The pandemic limited group trainings but IPs used radio to keep in touch with beneficiaries. With the easing of the lockdown in the second half of the year, some group farmer training was undertaken. For example, KCL reported 2,567 households completing their joint household plans.

### Gender strategy Development

The aBi Board approved the five-year Gender Strategy developed by Management. A situational analysis acknowledged the impact of the household approach and VSLAs in including women in decision-making and contributing economically to the wellbeing of families. The goal of the 10-year plan is to promote equality between women and men in sustainable agriculture and agribusiness for equitable wealth creation.

# 241MT

**GREEN GROWTH.** NUCAFE had a 172Kw solar power installed in August 2020 which has reduced electricity bills by over 90% and will cut the partner's carbon footprint by 241MT per year.



aBi Board member, Mr David Kabateraine visiting the CURAD farm where students under the Earn as You Learn programme carry out their horticulture farming business.

**Other cross-cutting initiatives comprise projects that do not particularly fit into the six value chain development interventions as below:**

### **Chemiphar**

As a result of aBi supported intervention, Chemiphar's analytical capacity has been enhanced to enable analysis of pesticides and increase testing parameters from 53 to 68. This represents a 28% growth in analytical capacity to facilitate food safety and compliance, and raised sales to UGX 2.4bn, or 104% of annual target. Additionally, the laboratory received international accreditation in several test parameters. Chemiphar was also able to conduct several trainings in Seed Quality Standards Awareness, Seed Production Practices and Compliance to Seed Standards, Hazard Analysis of Critical Control Points and Quality Management System principles. Some 126 people were trained, and four full-time jobs created.

### **CURAD**

aBi' supported the construction of the agribusiness incubation facility in Namanve Industrial Park and promotion of youth in agribusiness, cumulatively incubating 82 youth businesses. Despite the pandemic, construction was completed in December 2020, ready for installation of equipment, furnishing and certification. The processing equipment is expected in May 2021. Seventy-six farmers (includ-

ing 28 women) were trained on the new high-value crops and international standards for export, coffee quality control, and nursery management.

CURAD also launched applications for the National Agribusiness Innovation Challenge 2020 with a theme 'Building resilience of start-ups, and SME's to Covid-19 through agribusiness incubation'. It also organised a business training and networking event for successful entrepreneurs in December 2020 at its offices with 27 incubators participating (10 females) from various sectors. Fifteen jobs were created, and the incubator reached 747 (326 female) farmers, generating revenue of UGX 192m against an annual target of UGX 440m. Revenues are expected to rise when the Agripark is fully operational.

### **Media Radio and TV Drama Series**

**(Phase 2) - Mpeke Town:** The script review is still ongoing and will be expanded to incorporate Covid-19 messaging with an emphasis on building the resilience of farming families. In 2020, the baseline survey was completed and filming will start once lockdown measures are further eased.

## STORY OF CHANGE

**IRRIGATION (Grow More Seeds & Chemicals Ltd.)**

Target: Improved agricultural practices (commercial production)

Partnership: Setting up demonstration irrigation farms & training

Location: Kabale, Bulambuli and Manafwa districts

To improve commercial bean production, aBi, in partnership with Grow More Seeds & Chemicals Limited as part of an ongoing partnership, set up demonstration irrigation farms in Kabale, Bulambuli and Manafwa districts. The intervention also included planting improved bean varieties and training in improved agricultural practices such as early planting and good post-harvest handling.

After the first season of cultivating beans on the demonstration site, Stella, a local farmer, hired the site

to grow tomatoes, from which she earned UGX 70m. This income, which she used to build a permanent house, almost matched the UGX 82m cost of the demonstration project. Other farmers also benefitted; by harvesting earlier, they received higher farm-gate prices for their beans and saw higher yields thanks to irrigation. Over 1,500 new farmers joined collective marketing groups to sell jointly and in Bulambuli 15 farmers have now installed irrigation on their tomato farms.

**1,500**  
NEW FARMERS.  
Over 1,500 new farmers joined collective marketing groups to sell jointly and in Bulambuli 15 farmers have now installed irrigation on their tomato farms.



Mr. James Songo and a Grow More Seeds field staff at the model farm in Bulambuli District.

**Table 1: VCD outputs and results (January - December 2020)<sup>15</sup>**

VCD STD KPI - Aggregated	Year 2020								
Key Performance Indicator	BP targets (Revised) <sup>19</sup>	Annual Target (Revised)	Q1	Q2	Q3	Q4	Cumulative Actual to Date	% of target	Explanation of variance
New full-time jobs (Male) created by aBi-supported intervention.	<b>6,554</b>	725	284	32	109	208	633	87%	Pace was slowed due to Covid-19
New full-time jobs (Female) created.	<b>2,599</b>	358	105	51	30	135	321	90%	
Additional net income (Bn) generated by IP	<b>156.6</b>	11.8	1.5	0.2	1.3	4.3	7.9	66%	Performance affected by Covid-19 disruptions of supply chains, except for the coffee IPs
Total additional sales value (UGX bn) for targeted enterprise by IP.	<b>926.5</b>	59.1	43	56	29	56	184	311	Sales improved in Q4 largely from domestic market demand
Sales value (UGX bn) for the targeted enterprise by participating farmers	<b>387</b>	44.1	26	17	19	67	129	292	
Number of households implementing Joint household planning.	(169,052) 20%	18,242 (15%)	2,713	2,194	4,257	5,678	14,842	81.4	Performance rose against previous quarters due to effort by IPs.
New/additional (Female) small-holder farmers engaged in collective marketing.	<b>67,631</b>	8,471	1,318	5,174	4,631	2,528	13,651	161	More farmers engaged in collective marketing due to the agro-inputs project.
New/additional (Male) small-holder farmers engaged in collective marketing.	67,285	8,470	2,133	5,714	3,676	3,286	14,809	175	

<sup>15</sup> Figures in this table are provisional and do not include data from five IPs which didn't report in time and whose data is still under review.

<sup>16</sup> Business plan targets (2019 -2023) were revised to align with dynamic realities in the agribusiness environment, including impact of COVID-19 and based on past performance.



VCD STD KPI - Aggregated	Year 2020								
Key Performance Indicator	BP targets (Revised) <sup>19</sup>	Annual Target (Revised)	Q1	Q2	Q3	Q4	Cumulative Actual to Date	% of target	Explanation of variance
New smallholder farmers participating in group-based savings, micro-finance or lending programmes (Male)	34,240	5,360	298	0	2,410	3,631	6,339	118.3	Easing of lockdown restrictions on group activities helped as many farmers were willing to save more in order to overcome tough times.
New smallholder farmers participating in group-based savings, micro-finance or lending programmes. (Female)	31,105	6,440	363	0	6,190	4,457	11,010	171	
New female smallholder farmers receiving agricultural productivity or quality enhancement training.	424,544	60,807	15,448	17,895	26,133	27,467	86,943	143	More farmers were on-boarded as a result of Covid-19 response projects.
New male smallholder farmers who received agricultural productivity or quality enhancement training.	420,717	60,807	23,510	21,476	31,275	37,231	113,492	187	
Total additional export volumes (in MT) for the targeted enterprise.	221,755	31,046	1,119	604	1,626	850	4,119	13.3	Due to the low export volumes, this is only coffee data.
Export value (UGX bn) for targeted enterprise.	1,047	146.3	5.9	3.1	2.1	4.0	15.1	10.3	
New markets for the targeted enterprise established by the IP.	18	10	3	3	1	4	11	110	Achieved and above target because of new opportunities during the pandemic.

VCD STD KPI - Aggregated	Year 2020								
Key Performance Indicator	BP targets (Revised) <sup>19</sup>	Annual Target (Revised)	Q1	Q2	Q3	Q4	Cumulative Actual to Date	% of target	Explanation of variance
New farmer groups or farmers with which the IP or agri-business has a reliable business agreement.	134,915	16,941	414	89	11,318	19,088	30,909	182.5	Target exceeded because of new strong groups formed under agro-inputs projects
Number of projects supported during reporting period	<b>80</b>	31	28	31	35	37	37	119	6 new projects under the agro-inputs project were contracted.

Source: Grants Management System (GMS)

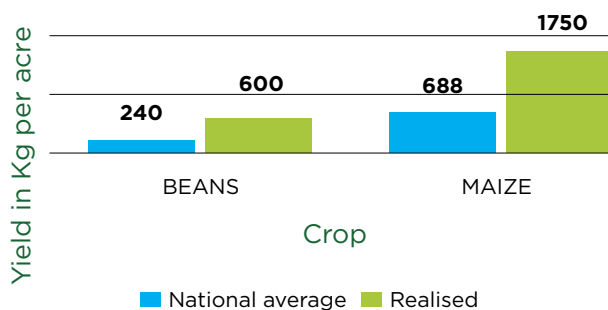
# Covid-19 Response Project: Agro-Inputs

In 2020, aBi rolled out the Agro input project, **'Building Resilience of Smallholder Farmers Through Increasing Access to Agro-inputs'**. It ensures that maize and beans smallholder farmers currently working with aBi-supported partners access fertiliser and seed and, in turn, provide raw materials to SMEs. This initiative was in response to the pandemic's disruption of input and credit supply chains, potentially ruining the staple food value chains and food industry. Designed to reach 36,217 farmers, the agro-input response is currently supporting six partners and 24,012 farmers; efforts are underway to on-board oil seeds partners in 2021. Feedback from Season B 2020 is positive, with farmers witnessing increases in crop yields. Participating farmers are expected to generate additional income of **UGX 36bn** and agribusiness partners **UGX 72bn** over the three seasons of the project.

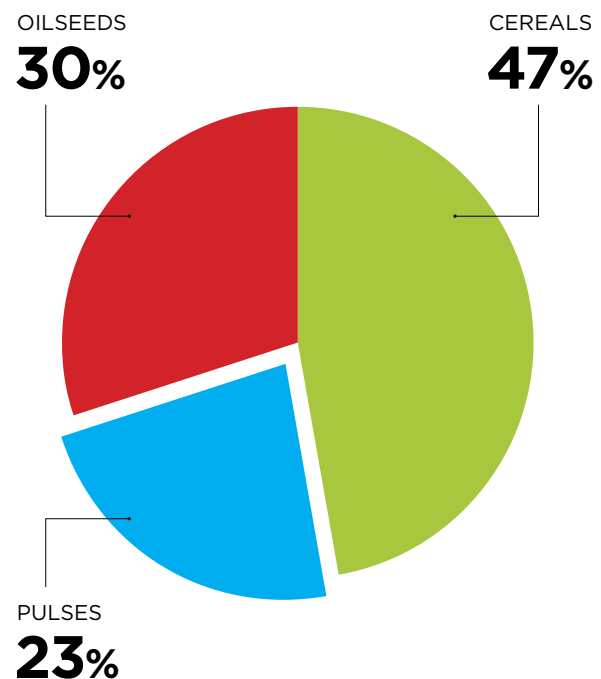
aBi's contribution to the 18-month project has been ring-fenced at UGX 16bn with IPs and farmers contributing UGX 4bn. To ensure that farmers received genuine inputs, the seed and fertiliser were subjected to quality assurance processes using independent and credible laboratories.

In season 2020B 1.2m kilogrammes of fertiliser, 204,168kg of maize seed and 182,850kg of bean seed were distributed to 29,417 farmers. Farmers in the central region saw average yields of 1,750kgs of maize per acre against a national average of 688kg/acre while those in Eastern Uganda averaged 600kg of beans against a national average of 240kg/acre (UBOS 2020). aBi-supported interventions led to the production of 34m kg of maize (9.7m kg being additional) and 6.3m kg of beans (2.4m being additional). Yields in season B 2020 and planned financial allocation in 2021 are presented below.

## Realised maize and beans yields as compared to national averages



## 2021 allocation



## ➔ Challenges faced in implementing the Agro-inputs Project

1. Uganda's fertiliser industry faces supply limitations and is unable to meet demand at short notice. This resulted in delayed deliveries of fertiliser to some IPs. Planning before the season is required.
2. Fluctuation in costs of fertiliser, exacerbated by lockdown measures, saw prices jump by up to UGX 200/kg between May and August 2020.
3. Some seed samples fell below the 85% minimum threshold on the germination test. This challenge was addressed by increasing the seed rate in the field, as recommended by the Ministry of Agriculture, Animal Industry and Fisheries, although this is not standard practice.
4. IPs lack adequate finance to buy farm produce at harvest time due to the high cost of borrowing capital and stringent borrowing terms.
5. There's limited awareness of the use of fertiliser/seeds among smallholder farmers.



Some of the fertiliser and seeds subsidies that were distributed to beneficiary farmers across the country by aBi and its partners.

## ➔ Lessons from implementation of the VCD programme in 2020

- i. The economic slowdown affected agribusinesses' ability to meet their own contribution in time. Efforts to develop a concessional loan product from which IPs can borrow working capital began in 2020, in collaboration with aBi Finance. This facility is yet to meet the needs of intended beneficiaries and sensitisation; partner engagements to further refine the product will be made in 2021.
- ii. There's reduced appetite among some SMEs to invest in smallholder farmer models due to the heightened risk of side-selling that undermines return on investment. VCD will initiate performance-based contracting in the dairy, oil seeds, and coffee value chains in 2021 to incentivise partners to invest in mutually beneficial models with the farmers.
- iii. Women groups are more active in financial inclusion and production but have limited access to land to expand and increase production. aBi will continue integrating VSLAs in its programming and influence spending behaviour to impact this category.
- iv. The use of mobile phone and internet-aided communication extension services, especially for less practical aspects, will be expanded to enhance reach through digital means.

## ➔ Opportunities

The following are emerging opportunities from the implementation of the agro-inputs project:

- i. Strengthened relationship between SMEs and organised farmer structures like area cooperative enterprises (ACEs) and rural producers organisations (RPOs).
- ii. The agro-inputs project attracted many farmers into some cooperatives. For example, over 300 farmers joined JUAKALI Cooperative Society in Masindi because of the agro-inputs that were distributed.
- iii. Structuring of trade through signing of supply contracts. IP's taking advantage of working with farmers organisations (ACEs and RPOs) in a formal way e.g., Acila signed supply contracts with FOs.
- iv. Subsidised agro-inputs (seed, fertiliser, and pesticides) will drive adoption of improved technologies.
- v. Development of community-based village agents/retail outlets for agro-inputs for sustainability.
- v. Mapping/profiling all beneficiary farmers for future engagements and production planning.
- vi. Embracing digital technologies to promote access to agribusiness related products and services such as market information, weather forecasts, insurance, and extension services.
- vii. Capacity building for fertiliser suppliers will enhance their ability to provide technical services to IPs, including promotion of soil testing services for judicious use of fertiliser.



Mr. Crescent Mugisha irrigating his apple orchard and vegetable garden in Kabale District.

## Progress made in season 2020B

### BUDGET EXPENDITURE

aBi disbursed UGX 5.2bn (33%) of its ring-fenced agro-inputs contribution. UGX 3bn remained uncommitted as no oilseeds value chain partner came on board in season 2020B. The table below shows the expenditure on each project on seeds and fertiliser, distribution costs, as well as farmer training:

**Table 2: Project Expenditure Season 2020B**

IP	Overall aBi budget (UGX)	Actual disbursement - season 2020B (UGX)
Acila	1,652,786,510	686,531,611
Agroways	2,253,799,786	936,101,345
Aponye	3,505,910,778	1,456,192,092
Arise and Shine	1,108,874,009	454,602,994
Grow More Seeds	1,647,390,992	684,800,747
MMACKS	2,455,261,985	1,019,801,494
<b>Total</b>	<b>12,624,024,060</b>	<b>5,238,030,283</b>

**Table 3: Expenses incurred during the reporting period for quality assurance**

Name of service provider	Service
Makerere University	Soil testing
Chemiphar Uganda Ltd	Seed testing

Chemiphar Uganda Ltd collected and analysed 30 seed samples out of which 10 scored below the threshold of 85% on the germination test. Over 95% of the tested samples scored above the lower critical limits for purity and moisture content. To address the issue, suppliers were penalised to increase volumes supplied to enable farmers to increase the seed rate in the field and increase the

chances of germination. Though this is recommended by MAAIF, it is not a standard practice. Makerere University laboratory, on the other hand, conducted fertiliser tests and 28 samples met the compositional amounts declared on labels, although some minor variations in the elements were noted. A quality assurance plan is in place to ensure consistency going forward.

**Table 4: Quantities of fertiliser and seed bought and distributed**

Crop	Improved seed (kgs)	Fertiliser (kgs)	No of beneficiaries	Total acreage
Maize	204,316	1,045,500	20,417	20,417
Beans	180,000	192,000	9,000	9,000
<b>TOTAL</b>			<b>29,417</b>	<b>29,417*</b>

\*Note: aBi supports every beneficiary farmer with inputs for one acre hence number of beneficiary farmers equates to total acreage.

**Table 5: Fertiliser Distribution**

IP	Planned quantities (kg)	Actual quantity (kg) distributed	Variance	Planned No. of beneficiaries	Actual No. of beneficiaries	Variance
Maize	1,020,840	973,581	(47,259)	20,417	19,470	(947)
Beans	192,000	192,000	-	9,000	7,200	(1,800)
<b>TOTAL</b>	<b>1,212,840</b>	<b>1,165,581</b>	<b>(47,259)</b>	<b>29,417</b>	<b>26,670</b>	<b>(2,747)</b>

In season 2020B there was a deficit of 47,259kg of fertiliser due to a price increase of about UGX200/kg above budget. As a result, 2,747 smallholder farmers missed out on fertiliser. On

the other hand, all farmers (29,417) received improved seeds, whose prices remained stable and within budget.



Mr. Edward Ssekindu of aBi handing over agro-inputs to Agroways beneficiary farmers in Mubende.

STORIES OF CHANGE



Ms. Loyce Nankunda harvesting beans in her garden in Mubende.

## Doubling harvest

**LOYCE NANKUNDA, 37**, is a member of the Bugalya Bakyalakulanya group in Kitenga sub-county, Bugalya Village, Mubende District. After being trained under the agro-inputs project she received 20kgs of beans seed and 20kgs of fertiliser and has seen her output grow from two to four bags per acre, each worth UGX150,000. She can now feed and educate her children and has diversified into goat-rearing.

## Transformation

**MUSINGUZI JUSTUS, 43**, a farmer in Kasana – Kigando sub-county, Mubende District, used to harvest 100kg of beans. Working with MMACKS over the past two seasons has transformed his enterprise. He received 20kgs of Nambale Naro improved seed variety and 20kgs of fertiliser which he planted on half an acre. He harvested 500kgs of beans and sold 470kg at UGX1,800 each, with the rest consumed by the household. With the proceeds, he bought half an acre of land.



Mr. Fred Kazibwe working in his maize plantation in Mubende.

## Good pay

**FRED KAZIBWE, 47**, is a farmer in Kiyuni Katente sub-county, Mubende District. He received 20kgs of maize hybrid seed and 20kgs of fertiliser from Aponye which he planted on two acres. He harvested 374kgs, which he sold to Aponye at UGX510 per kilo, higher than the market rate, earning UGX4,960,000.





KAWACOM workers drying the speciality coffee in West Nile.

### ➔ Key lessons from the aBi Systemic Change Study 2021

**At programme level, the study identified a number of lessons for delivering systemic impact at scale and will be the focus in the design of interventions, going forward.**

- Partners must have sustainable structures and clear business plans to achieve systemic change.
- Farmer groups are good for building capacity but not necessarily for sourcing.
- Intervention design with customised activities to suit specific partners and built-in flexibility can bring about more impact.
- aBi to align implementation and results measurement activities to achieve direct and indirect impact.
- aBi should clarify an overall theory of change, showing its purpose, causal links and underlying assumptions as well as ensure that combined efforts improve prospects for economic transformation.

# 2.0 aBi Finance



## INTRODUCTION

2020 was a year like no other given the very seismic events surrounding the pandemic which started in 2019 but only came to a head in 2020. The pandemic and its disruptions nearly overshadowed a very key and strategic development for aBi Finance which welcomed two partnerships and investments from the European Union and the Danish Investment Fund for Developing Countries (IFU). These investments resulted in aBi Finance transitioning from a company limited by guarantee to one limited by shares and in the process, was renamed to aBi 2020 Limited, a temporary nomenclature that is expected to conclude in 2021 with the company being renamed to aBi Finance Holdings Limited.

In response to the Covid-19 pandemic challenges, we engaged our partners in order to establish relevant support. This resulted in a Build Back Better (BBB) strategy that was applied across all products. For Lines of Credit (LoC), moratoria were offered on loan repayments, interest rates reduced and short-term working capital offered to address liquidity challenges. In respect of the Agribusiness Loan Guarantees (ALG), the aBi Fi-

nance: FI risk share was raised from 50:50 to 70:30 and all fees and penalties were waived. For the LoC and ALG, negotiations were conducted to ensure that concessions offered by aBi were cascaded to end beneficiaries. The Financial Services Development (FSD) partners were supported through project activity rescheduling and related budget re-allocation to enable continuity amidst COVID 19 disruptions. Frequency of partner engagements

and reporting increased from quarterly to monthly, through emails, phone calls, webinars, surveys and other virtual platforms.

As a result of the BBB strategy interventions mentioned above, our partners were still thriving by year end. Additionally, partners undertook business continuity planning and increasingly digitised their systems to enable remote client transactions.

# Highlights of the year

## Covid-19 Relief Interventions

aBi waived UGX 653mn in guarantee fees, rescheduled lines of credit for 21 out of the 28 partner FIs (75%), approved rescheduling of agribusiness booked on the ALG and budget reallocations for 50% of the project under FSD as relief to its partners. More than 29% of loans on the ALG were rescheduled, allowing FIs to better manage their portfolio quality. The Board also approved a concessional loan to VCD partner SMEs in commercial financing for working capital to support their operations.

## The aBi 2020 Evaluation

In 2020, an evaluation was undertaken on aBi Finance which focus was on aBi Finance products and product mix covering the period between 2018 and June 2020. Two critical aspects were covered which were effectiveness and additionality. In respect of the former, aBi Finance products and its product/service mix were found to contribute positively to stimulating financial institutions to offer financial services (mainly in the form of short-term loans) to farmers and agribusinesses. Partner financial institutions were found to be satisfied with the products/services offered by aBi Finance (Lines of Credit, Agriculture Loan Guarantee and financial services development programme). The need for more IT/ FinTech related support from aBi Finance in the form of technical assistance or grants was expressed while financial institutions end-clients expressed the need for more tailored products. From an additionality point of view, aBi Finance was found to have a strong development objective that gives aBi Finance a unique position in the market. The evaluation confirmed that the demand for aBi products is high. The

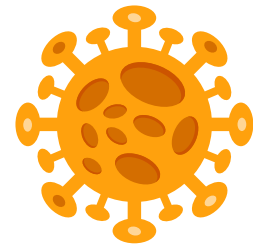
Lines of Credit in combination with the Agriculture Loan Guarantee and grants under the Financial Service Development programme are instrumental in stimulating financial institutions to engage and expand their agricultural financing. aBi Finance was also recognized for its attention to under served regions like Northern and Eastern Uganda.

## Social Performance Management (SPM)

SPM refers to the process by which institutions put into practices, systems and products that translate into their social mission. Capacity building for operationalisation of SPM in aBi and its partners commenced in October 2020. Some of the social goals include reaching larger numbers of poor and excluded people, improving the quality and appropriateness of financial services for clients. Between October 2020 and November 2021, this activity will focus on putting in place systems, processes and products that translate aBi 2020 and FIs' social missions into practice.

## Embassy of the Kingdom of Netherlands (EKN) fund-

The Embassy of the Kingdom of Netherlands (EKN) engaged aBi 2020 for a collaboration in the dairy sub sector to strengthen access to finance for the players such as farmers and cooperatives. EKN intends to offer a grant of EUR 3million to support FIs through Lines of Credit (LoCs) and Business Development Services (BDS). This project intends to enable about 5,000 dairy enterprises access quality and appropriate financial services.



## UGX 653mn

**COVID-19 RELIEF.**  
aBi waived UGX 653mn in guarantee fees, rescheduled lines of credit for 21 out of the 28 partner FIs (75%), approved rescheduling of agribusiness booked on the ALG and budget reallocations for 50% of the project under FSD as relief to its partners

## ➔ Challenges and opportunities

Despite the challenges, there were opportunities to enhance the robustness of partner FIs' risk management protocols such as business continuity plans, delinquency and liquidity management, as well as the effectiveness of digital channels. aBi birthed the following initiatives:

### The Economic Enterprise Restart Fund (EERF)

A partnership with Stanbic Bank started to develop a syndicated economic enterprise re-start fund, with the over-arching aim of stimulating the economy during and after the pandemic. The EERF is targeting sectors such as agriculture and is premised on three principles. These include low cost funding to ensure an affordable cost of fund for the end user, credit enhancement of up to 75% credit risk cover to stimulate the SACCO /VSLA's risk appetite to reach riskier enterprises and digitization of Tier IV FIs. aBi Finance envisages intervening through LoC, ALG and FSD products. This partnership will be effected in 2021 and will bring on board other development partners such as the UN development agencies.

### The NSSF Hi Innovator project

In this partnership, aBi Finance and NSSF aim to address the problem of low survival rates of SMEs in spite of the high growth potential in Uganda. aBi Finance will offer credit guarantees to vul-

nerable SMEs to facilitate access to finance. This partnership will start in 2021.

### The Concessional Facility with VCD partners

The Board approved a concessional working capital facility; a blend of aBi financing instruments including grants, lines of credit, and agribusiness loan guarantees to provide a more sustainable financing of commercial activities with developmental impact to SMEs that need serviceable financing. The facility will be implemented in partnership with Opportunity Bank Ltd (OBUL). The objective is to support select VCD partners under the agro-input project with short-term working capital to buy back agricultural produce from farmers at reasonable prices, for the expected yield of approximately 34,232 MT of maize and 6,330 MT of beans, hence supporting the latter to overcome the effects of the pandemic. Implementation will be effected in 2021.



The Concessional Facility will be implemented in partnership with Opportunity Bank Ltd (OBUL). The objective is to support select VCD partners under the agro-input project with short-term working capital to buy back agricultural produce from farmers at reasonable prices.

# Performance

Table below provides a summary of aBi Finance performance against key performance indicators for the year ended 31 December 2020.

**Table 6: Performance against Targets as at 31 December 2020**

Parameter	AWPB 2020 (Revised)	2020 Actual	% Attained	% Variance (Q3)	Comments
Target yield	8.8%	10.4%	118%	18%	Attained.
Value of Investments (UGX)	198.8bn	194.7bn	98%	(2%)	Not attained, affected by Covid-19.
Outstanding LoC portfolio (UGX)	127bn	103.6bn	82%	(18%)	Not attained. UGX12bn worth of pipeline approved pending disbursement in Q1 21.
% of LoC to the Fund	65%	53%	82%	(18%)	As above.
No. of new LoC Loans	31,777	77,201	243%	143%	Attained. There was high demand for business recovery loans upon easing of restrictions.
Non-Performing Asset Ratio	<5%	2%	100%	0	Attained. Potentially non-performing loan facilities were rescheduled.
Outstanding ALG portfolio (UGX)	88.5	119.8	135%	35%	Attained. FIs resumed cautious lending post-lockdown, hence use of the ALG.
No. of new ALG loans	16,100	21,591	134%	34%	As above.
Claims Pay-out Ratio	<5%	0.64%	100%	0	Attained. Potentially non-performing loans that would have resulted in ALG claims were rescheduled.
Leverage: Use /20% of Fund	228%	310%	136%	36%	Attained.
Turnaround Time on Individual Guarantees (Days)	<3 days	2	100%	0	Attained.
FSD Budget Utilisation (UGX, Bn)	4.1	1.3	32%	(68%)	Not attained. Affected by the need to refine the Climate Smart and Irrigation FW in 2021. UGX800m disbursed to a Tier IV FI was recalled after another partner funded the same activities.

Source: aBi 2020, \*Target adjusted to accommodate the impact of COVID 19 on the business environment.

## Fund Management

The fund grew by 8% to close the year at UGX 194.8bn against a revised target of UGX 198.8bn. The portfolio mix resulted in an annual return of 10.4% against a revised target of 8.8%.

**Table 7: Investments Comparison December 2019 - 2020**

Asset Class	Dec-2019		Dec-2020		AWPB Allocation	Variance
	Value	% of Fund	Value	% of Fund		
Treasury Bonds	10,957,169,665	6%	20,330,307,137	10%	6%	4%
Fixed Deposits	54,766,810,727	30%	65,947,756,142	34%	24%	10%
Lines of Credit	112,122,297,956	62%	103,641,211,147	53%	65%	(12%)
Agribond	1,210,693,299	1%	1,356,803,971	1%	1%	0
Cash	1,155,996,880	1%	1,356,803,971	2%	1%	1
Concessional loan	0	0	0	0%	3%	(3%)
<b>Total (US\$)</b>	<b>180,212,968,527</b>	<b>100%</b>	<b>194,751,404,875</b>	<b>100%</b>	<b>100%</b>	
<b>Total (DKK)</b>	<b>328,256,768</b>		<b>324,423,463</b>			

Source: aBi 2020

## Lines of Credit (LoC)

Agribusiness lending slowed down in the first half of the year before increasingly cautiously in the second half as Covid-19-related restrictions eased. New agribusiness loan beneficiaries grew to 72,860 (2019: 71,453). Disbursement of new loans in terms of value was largely done by Tier I FIs (48%), while Tier II, III and IV disbursed 14%, 14%, and 25% respectively.

However, Tier IV FIs reached more beneficiaries (45%) given their small average loan size of UGX1mn (compared to UGX 5mn for Tier I), followed by Tier II (29%), Tier I (21%) and Tier III (4%). Notably, 70% of new loans were to women against a target of 40%, due to the development of women-centric village group loan products by two partner FIs that are largely subscribed to by women.

## STORIES OF CHANGE

### Banking on mobile money (Rukiga Sacco)

**RUKIGA SAVINGS AND CREDIT SCHEME CO-OPERATIVE SOCIETY LTD** has 21,754 members spread out over Kigezi region in southwestern Uganda. The farmer-owned financial cooperative operates seven branches and employs 51 staff. Since partnering with aBi in 2014, its members, including youth and women, have more than doubled, member savings

**UGX 5.6bn**

**MOBILE MONEY.** Deposits using mobile money grew from UGX 2bn in December 2019 to UGX 5.6bn. Mobile money transactions tripled in value.

have grown almost four-fold to UGX 8bn and the loan portfolio has grown from UGX 2.4bn to UGX 11bn.

With support from aBi, Rukiga Sacco in February 2019 integrated mobile money as part of digitising its operations, which proved timely when the Covid-19 pandemic struck. Deposits using mobile money grew from UGX



Rukiga Sacco head office in Kabale District.

2bn in December 2019 to UGX 5.6bn a year later, and mobile money transactions tripled in value in the last three quarters of 2020. Member savings grew from UGX 6.2bn in 2019 to UGX 7.8 bn in 2020 and the loan portfolio by 24%. Although some members failed to repay their loans on time due to the pandemic, the Sacco remained in operation, kept all its 51 workers, and turned a

profit of UGX445m in 2020.

“The new digital service delivery channels have taught us to be prepared at all times,” said John Bosco Abaho, the Sacco’s general manager. “We have learnt to think differently and change our culture to create winning teams.”

## FARMERS PROFILE



Mr. Crescent Mugisha at his mixed farm in Kabale District.

## Training and investment

**CRESCENT MUGISHA, 31**, head of Rukiga Sacco Youth Council, graduated from university in 2016, borrowed start-up capital from the Sacco and invested in a poultry and piggy farm, as well as growing onions, apples, and vegetables. Mr. Mugisha and other members of the community rely heavily on a small-scale irrigation system installed at a cost of UGX156m with help from the Sacco and the National Agricultural Advisory Services. He has also been trained in Germany and the Netherlands with aBi support.

## FARMERS PROFILE



Mr. Levic Muchunguzi inspecting potato sacks before a delivery at his store in Kabale town.

## Deal for nation-wide seed supply

**LEVIC MUCHUNGUZI KAGGORO** heads the Uganda National Seed Potato Producers Association in Kabale. The association receives seed from the National Agricultural Research Organisation, multiplies it and sells it to other farmers at a profit. In 2020 Naads contracted the association to supply foundational seed to farmers across the country and it earned UGX7.8bn in revenue. Apart from lending to members, the Sacco helps farmers access agricultural equipment, including tractors.

## Agent banking fills the gap (Uganda Bankers Association)

In April 2018, Uganda Bankers Association, with support from partners, launched the Shared Agent Banking System, an interoperable technology platform that allows banks to share infrastructure and reach more unbanked communities across the country.

Three years later, the system is one of the most significant initiatives in the financial services sector. Nineteen financial institutions were on the system by the end of 2020 with 10,600 authorised agents able to serve customers across the country with cash deposits and withdrawals, bill payments, and inter-bank transfers, among others.

**10,600**

**AGENTS.**  
Nineteen financial institutions were on the Shared Agent Banking System by the end of 2020 with 10,600 authorised agents able to serve customers countrywide.

“We encouraged the use of alternative digital channels during the pandemic and agent banking proved resilient and a key tool in increasing financial inclusion at the grassroots,” said Patricia Amito Lubwama, the spokesperson for Uganda Bankers Association. With financial support from aBi and other development partners, media promotions, market visits and capacity building sessions were conducted and provided technical support to help agents resume their businesses and encourage customers to use agency banking services.



**Table 8: Summary of Line of Credit Annual Performance as at 31 December**

New Loans		Tier 1	Tier 2	Tier 3	Tier 4	Total
Volume and Value	No. of New Loans	15,581	21,455	3,070	32,754	72,860
	Volume %	21%	29%	4%	45%	100%
	Value (UGX, bn)	87.4	25.7	24.9	45	183
	Value %	48%	14%	14%	25%	100%
Gender	Male	11,100	747	1,947	7,738	21,532
	% of male borrowers	15%	1%	3%	11%	30%
	Female	4,481	20,708	1,123	25,016	51,328
	% of female borrowers	6%	28%	2%	34%	70%
Regions	Central	3,023	6,408	1,006	21,661	13,407 (44%)
	Eastern	2,529	4,284	189	1,488	4,383 (12%)
	Northern	5,781	4,225	245	0	5,462 (14%)
		4,248	6,538	1,630	10,251	13,698 (30%)

Source: aBi Finance Records

### Clean Technology Fund (CTF)

The CTF closed the year with an outstanding balance of UGX 7.4bn against a revised annual target of UGX 4.5bn. The main activities financed were; use of organic manure, water harvesting, biogas systems and solar-powered irrigation systems.

An impact assessment of the Fund conducted as part of the aBi 2020 evaluation found significant progress in developing policies such as gender and ESG, which are partly being implemented as they link to the CTF. In light of this, aBi can take a leading role in driving adaptation of the same in the financial services sector. Furthermore, the evaluation recommended that aBi considers mainstreaming clean and green technology in all operations as opposed to having a stand-alone fund. This is being implemented under the Social Performance Measurement rollout that began in Q4 2020.

### LoC Portfolio Quality

Due to the impact of the Covid-19 pandemic on the economy, the aBi Board approved a number of concessions to benefit FIs and loan beneficiaries, including repayment moratoria and interest rate cuts. As a result, the LoC portfolio quality has remained relatively stable as FI repayments were re-scheduled. The non-performing loans ratio remained at 2%, well below the aBi threshold of 5%.

### Agribusiness Loan Guarantee Scheme (ALG)

A slight recovery in agribusiness lending led to higher use of the scheme, which closed at UGX 119.8bn against a target of UGX 88.5bn. Most disbursements were for production loans (75%), with marketing and processing loans at 24% and 1% respectively.

Use of the scheme was highest in the eastern region as FIs used the ALG beyond collateral support to extend lending to high-risk areas like greater Mbale and Kapchorwa regions which are large producers of maize and Arabica coffee but are prone to weather vagaries.

## UGX

**LENDING. ALGs closed at UGX 119.8bn against a target of UGX 88.5bn.**

## 2%

**NON-PERFORMING LOANS. The non-performing loans ratio remained at 2%, well below the aBi threshold of 5%.**

**Table 9: Summary of ALG Performance as of 31 December 2020**

Number of New Loans Disbursed		Gender		Location			
Volume	Value (UGX)	Male	Female	Central	Eastern	Northern	Western
21,591	176,106,118,511	16,854	4,737	4,518	7,980	3,047	6,046
100%	100%	78%	22%	21%	37%	14%	28%

Source: aBi 2020 Limited Records \*UDB



Beneficiary farmer of Jessa watering cows at his farm in Kwankwanzi district . A slight recovery in agribusiness lending led to higher use of the Agribusiness Loan Guarantee Scheme.

**Table 10: Outstanding Use of ALG Scheme by FIs as at 31 December 2020**

Financial Institution		Number of Loans		Value of Loans	
Tier	No. of FIs	Total Number of Loans	% of Total Number	Amount Outstanding (UGX)	% of Total Value
Tier 1	6	14,877	86.5	103,409,978,971	86.3
Tier 2	1	1,641	9.5	5,114,619,299	4.2
Tier 3	2	676	3.9	11,023,954,775	9.2
Dev Bank*	1	1	0.6	254,461,639	0.21
<b>Total</b>	<b>10</b>	<b>17,195</b>	<b>100</b>	<b>119,803,014,684</b>	<b>100%</b>

Source: aBi 2020 Limited Records \*UDB

### Claims Settlement

Claims worth UGX 737mn were paid out, which was 51% above 2019 (UGX 489mn) and attributed to increased diversion of funds to non-agricultural purposes at the easing of lockdown restrictions, as well as weather vagaries.

### Financial Services Development (FSD)

Despite the low budget performance (32%) due to the pandemic, ongoing projects performed well with targets exceeded on average by 345% as detailed in the table below.

**Table 11: Progress on Key FSD Results Indicators for 2020**

Indicator	Initial AWPB 2020 Targets	Revised AWPB 2020 Target	YTD Actuals	% attained	Variance	Comments
New savings accounts opened	175,000	19,315	99,432	515%	415%	Attained. Pandemic-driven uncertainty pushed clients to formal financial service providers to open accounts to access business recovery loans, alongside increased financial literacy
New Savings Volume (UGX, bn)	37.79	17.5	26.6	152%	52%	As above.
New loan clients	154,913	20,730	112,677	544%	444%	Attained. There was high demand for business recovery loans.
New loans (UGX, bn)	81.3	65	217.3	334%	234%	Attained. As above
New branch delivery mechanisms	3	2	1	50%	-50%	Not attained. Branch establishment for one FI deferred to 2021 due to Covid-19.
New branch-less delivery mechanisms	5,800	3,901	1,343	34%	-66%	Not attained. Covid-19 disruptions hampered agent recruitment and training.
New financial products developed	2	2	5	250%	150%	Attained.
The number of clients accessing agriculture insurance product.	25,000	20,000	33,941	170%	70%	Attained.
New Funding Window Proposals	N/A	3	1	33%	-67%	Not attained. Affected by the need to refine the Climate Smart and Irrigation funding windows, which will be completed in 2021.

Source: GMS system, 2020 AWPB & Other IP Reports



Launch of Post Bank Kotido Branch built with support from aBi.

## Key FSD activity highlights for 2020

### Branch and Branchless Delivery Mechanisms

A total of 1,343 agents were established through the agent-banking project with Uganda Bankers Association from 19 banks out of the 21 that are fully integrated on the Shared Agent Banking Platform (SABP). This was 34% of the annual target for 2020 with the shortfall due to Covid-19 disruptions. The Association will engage MDIs and Tier IV FIs to encourage them to join the platform. In addition, UBA will increase awareness and use of the SABP to make demand more effective by reducing the information gap between the suppliers and users.

### Agricultural Insurance as a Risk Mitigation Mechanism

Some 33,941 farmers accessed agricultural insurance in 2020, bringing the total number of insured clients to date to 107,138 against a total project target of 80,000. This has mainly been due to continuous engagement with farmers through sharing testimonies on radio talk shows and printed awareness materials translated into different languages.

UGX 138.8bn in loans was booked under the scheme mainly by Tier I FIs against a target of UGX 15.28bn because of an increased number of farmers accessing agricultural insurance during the year.

A digital insurance platform was developed with the Insurance Training Institute under a project with the objective of increasing penetration of agricultural insurance in rural Uganda. User acceptance tests were successfully conducted with insurance companies and SACCOs to ensure the platform's operability. Research to develop more appropriate micro-products for the target clientele will be conducted in 2021 to drive use of the platform.

### Digitisation of Lower-Tier FIs Through Apex Bodies

Some 188 SACCOs against a total project target of 201 benefitted from the digitisation of the SACCOs project with the Uganda Central Cooperative Financial Services (UCCFS). From this, 246,115 individuals subscribed to the mobile lending platform although active users

# 1,343

**AGENT-BANKING.**  
A total of 1,343 agents were established through the agent-banking project with Uganda Bankers Association from 19 banks out of the 21 that are fully integrated on the Shared Agent Banking Platform (SABP).

remained low at 38%. UCCFS will embark on aggressive digital financial literacy in 2021 to increase the use of digital platforms.

### **Business Development Services (BDS) Support to Agribusiness Projects**

Development of an aBi-specific BDS curriculum and tools began in October 2020, closing the year with an approved the modules under the knowledge areas of interest. The curriculum and tools will be easy-to-use documents backed up with well-illustrated graphics to simplify facilitation and learning. The first drafts are expected in Q2 2021. The BDS offered using the developed curriculum and tools will enable IPs to address performance gaps and become more sustainable and attractive to investors.

Business development support to five prospective IPs for the Pulses Funding Window began during the year with the alignment of strategies, review of the business environment, policies and manuals, as well as the development of action plans. In 2021, the IPs will be supported to develop and/or revise business plans, marketing plans, board charters, policies and manuals. BDS was offered to 50 cooperatives under Uganda Coffee Farmers' Alliance (UCFA), to strengthen their internal controls.

Furthermore, a partnership with Enterprise Uganda, Charlestone Media and NTV Business Spark show aimed at addressing challenges faced by farmers, MSMEs and FIs by harnessing opportunities to mitigate the effects of the pandemic on businesses performance, agricultural production and productivity.

### **Implementing Social Performance Management in aBi and IPs**

## **50**

### **COOPERATIVES.**

**Business development support to five prospective IPs for the Pulses Funding Window began during the year with the alignment of strategies, review of the business environment, policies and manuals, as well as the development of action plans. In 2021, the IPs will be supported to develop and/or revise business plans, marketing plans, board charters, policies and manuals. BDS was offered to 50 cooperatives under Uganda Coffee Farmers' Alliance (UCFA), to strengthen their internal controls.**

Operationalizing the social performance management policy (SPM) commenced in October 2020 with the early activities of the inception phase to ascertain aBi's SPM status, which involved desk review of relevant aBi documentation, key stakeholder interviews, as well as partner mapping to ascertain the level of SPM implementation among aBi 2020 IPs. Between October 2020 and November 2021, this activity will focus on putting in place systems, processes and products that translate aBi 2020 and FIs' social missions into practice. Additionally, a product manager in charge of letters of credit with SPM experience was recruited during the year to further support the SPM learning process on a rolling, day-to-day basis.

### **Overall outcome of aBi Finance interventions in 2020**

The independent and positive conclusions made in respect of aBi Finance's effectiveness and additionality in the evaluation of 2020 as well as the strong performance across the aBi Finance products detailed in the output indicators above, reflect aBi Finance's relevance to its partners. This is especially in as far as influencing changes in the wider financial services market system. aBi Finance made a significant contribution to the overall resilience of the financial services sector in a difficult year characterised by economic downturn occasioned by the COVID 19 pandemic. This is inferred from aBi Finance's own strong performance, supported by concessions from its grant's product - FSD as well as aBi Development's value chain development product. aBi Finance's resilience positioned it to be an effective and value adding partner in improving profitability, income and employment of Ugandan farmers and agribusinesses through increased access to serviceable financial services for small holder farmers and agribusinesses.

## ➔ Lessons learned in 2020

- Financial institutions with digital service channels such as Rukiga SACCO, performed better than those which were not digitised. Despite the impact of Covid-19, Rukiga SACCO leveraging on digitalization, mobilized more savings, growing by 26% from UGX 6.2bn in 2019 to UGX 7.8bn in 2020. Total Deposits using mobile money grew by 195% from UGX 1.9bn in 2019 to UGX 5.6bn in 2020. Furthermore, the last three quarters registered 5,034 mobile money transactions worth UGX 3.7bn compared to 2,722 worth UGX 1.3bn in 2019 thus improving the FI's resilience. Further support for FI digitisation and training to drive uptake is crucial and is planned for 2021.
- The pandemic emphasised the importance of business continuity planning for FIs, especially those in tier IV, as part of their risk management frameworks. There is a need to support FIs to build more resilient and agile risk-management models, including business continuity planning.
- Uptake of agency banking has been slower than anticipated. FIs need to invest more in monitoring agents, as well as customer awareness and education if it is to grow. This should be undertaken by Uganda Bankers Association in liaison with commercial banks, with support from aBi under the agent banking project.

## STORIES OF CHANGE

### Agent banking fills the gap (Uganda Bankers Association)

In April 2018, **UGANDA BANKERS ASSOCIATION**, with support from partners, launched the Shared Agent Banking System, an interoperable technology platform that allows banks to share infrastructure and reach more unbanked communities across the country.

Three years later, the system is one of the most significant initiatives in the financial services sector. Nineteen financial institutions were on the system by the end of 2020 with 10,600 authorised agents able to serve customers across the country with cash deposits and withdrawals, bill payments, and inter-bank transfers, among others.

“We encouraged the use of alternative digital channels during the pandemic and agent banking proved resilient and a key tool in increasing financial inclusion at the grassroots,” said Patricia Amito Lubwama, the



**AGENT BANKING.** Centenary Bank customers can withdraw money free of charge through Cente agents in various locations in the country.

spokesperson for Uganda Banker's Association. With financial support from aBi and other development partners, media promotions, market visits and capacity building sessions were conducted and provided technical support to help agents resume their businesses and encourage customers to use agency banking services.

# 3.0 Sustainable Dev't Goals



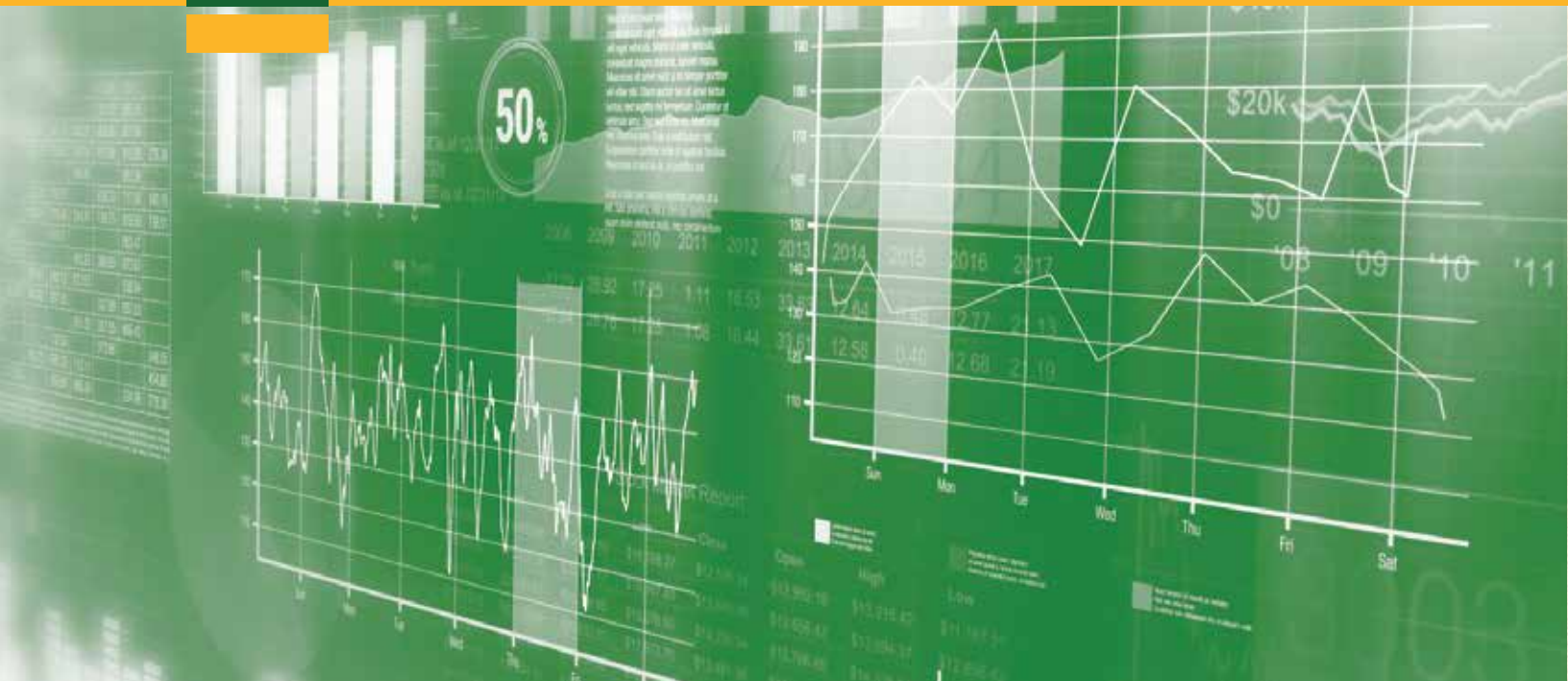
aBi's result areas and interventions are aligned to national and regional priorities as well as the Sustainable Development Goals to address challenges in the agricultural sector.



**Table 12: Alignment of aBi interventions to national strategic goals and SDGs**

Outcome:	Improved profitability, income and employment of Ugandan farmers and agribusinesses.	Contributes to SDGs	3rd National Development Plan	Some of aBi interventions & impact
aBi Result 1:	Increased small-holder farmers' sustainable production, productivity and market integration.	1 - Poverty & 12 - Responsible Consumption & Production	Enhance the productivity and social wellbeing of the population	<ul style="list-style-type: none"> <li>i. Various post-harvest handling interventions implemented across all the value chains.</li> <li>ii. Gender and Green Growth Strategies were developed and rolled out to enhance integration, production and equitable wealth creation</li> </ul>
aBi Result 2:	Beneficiary agribusinesses' overall business performance and sustainability improved.	8 - Decent Work & Economic Growth & 5- Gender Equality	<p>Enhance value addition in key growth opportunities.</p> <p>Strengthen the private sector to create jobs;</p>	<ul style="list-style-type: none"> <li>i. Supported the construction of the agribusiness incubation facility in Namanve Industrial Park and promotion of youth in agribusiness</li> <li>ii. 954 new full-time jobs created by aBi- Development supported interventions</li> <li>iii. UGX 177.4bn total additional sales value for targeted enterprises generated by aBi partners</li> <li>iv. 11 new markets for the targeted enterprises established by aBi's IP; &amp;</li> <li>v. 4,119MT total additional export volumes sold by aBi partner enterprises</li> </ul>
aBi Result 3:	Smallholder farmers and agribusiness access to serviceable financial services increased.	2 - Zero Hunger & 7- Affordable & Clean Energy	Enhance the productivity and social wellbeing of the population.	<ul style="list-style-type: none"> <li>i. UGX 183bn value of new loans (Lines of Credit) issued</li> <li>ii. 207,128 new loans across all products (112,677 FSD, 72,860 LoC &amp; 21,591 ALG).</li> <li>iii. 188 SACCOs benefitted from the digitisation of the SACCOs project with the Uganda Central Cooperative Financial Services (246,115 individuals subscribed to the mobile lending platform)</li> <li>iv. 33,941 farmers accessed agricultural insurance (total number of insured clients to date to 107,138)</li> </ul>
aBi Result 4:	aBi's efficiency, effectiveness and sustainability enhanced	1- Poverty, 2- Zero Hunger, 8- Decent Work & Economic Growth & 9- Industry, Innovation & Industrialisation	Ensure sustainability of aBi and partners to support agribusiness sector	<ul style="list-style-type: none"> <li>i. Selected SME partners met minimum ESG standards before being onboarded by aBi</li> <li>ii. aBi Finance transitioned to aBi 2020 a company limited by shares to attract more investment</li> <li>iii. aBi offset its carbon footprint through purchase of 176 tonnes of Carbon dioxide equivalent (tCO<sub>2</sub>e). aBi acquired carbon neutral certification as a result.</li> </ul>

# 4.0 Financial Performance 2020



## aBi Finance financial performance

aBi 2020 made a profit of UGX 8.7bn for the year ended 31 December 2020, compared to UGX 7.5 bn in 2019. The major reason for the increase of UGX 1.2bn was the difference in the impairment charge on loans which increased by UGX 1bn in 2020 compared to a UGX 4.2bn increase for the year ended 31st December 2019. The impairment charge of UGX1bn consisted mainly of of the loans modification loss of UGX 1.6bn and a reduction in the gross impairment provision of UGX 0.5bn.

**T**otal interest income, increased marginally to UGX 20.9bn in 2020 from UGX 20.3bn in 2019, with most of it being earned on LOC and from fixed deposits. Agricultural Guarantee fees decreased by 30% to UGX 0.7bn from UGX 1bn in the previous year due to the guarantee fees waivers of UGX 0.5bn offered to the Financial Institutions as part of the COVID-19 response 12-month financing concessions which started in Q2 of 2020. Guarantee claims increased slightly to UGX 0.6bn during the year compared to UGX 0.45bn in 2019. FSD grant income and expenditure

decreased to UGX 1.9bn compared to UGX 2.9bn in 2019, although this has a neutral effect on the net profit after tax.

Operating and administrative expenses increased to UGX 7.6bn from UGX 6.6bn in 2019 due to an increase in operational recharge costs due to aBi Development, of UGX 0.9bn in 2020.

Lastly, a fair value gain, amounting to UGX 198mn, was earned due to a re-valuing of all government securities (treasury bonds) held by the company as of the end of the year.

### 20.9bn

**INTEREST INCOME.**

Total interest income increased marginally to UGX 20.9bn in 2020 from UGX 20.3bn in 2019, with most of it being earned on LOC and from fixed deposits.

**Table 13: aBi 2020 Ltd Statement of Comprehensive Income for period 1 January-31 December 2020**

	Actual	Actual	Budget	Variance	Actual
	Dec 19	Dec 2020	Dec 2020	Percentage	Dec 2020
	UGX '000s	UGX '000s	UGX '000s	%	DKK '000s
<b>INCOME</b>					
Interest Income	20,295,949	20,879,693	16,373,359	28%	37,963
Loan guarantee fees	996,053	700,049	267,500	162%	1,273
<b>Total Operating income</b>	<b>21,292,002</b>	<b>21,579,742</b>	<b>16,640,859</b>	<b>189%</b>	<b>39,236</b>
Other Income	469,167	96,458	144,382	0%	175
Grant Income	2,921,078.00	1,910,102	4,137,151	-54%	3,473
Operating Expenditure - aBi 2020 (Direct Costs)	(6,613,208)	(7,591,024)	(7,251,976)	-5%	(13,802)
Financial Services Development	(2,921,078.00)	(1,910,102)	(4,137,151)	54%	(3,473)
Guarantee claims	(454,160.00)	(634,807)	(2,789,449)	77%	(1,154)
Provisions for Bad Debts	(4,213,477)	(1,088,328)	(5,853,756)	81%	(1,979)
<b>Profit Before Tax</b>	<b>10,480,324</b>	<b>12,362,044</b>	<b>890,060</b>	<b>(1289%)</b>	<b>22,476</b>
Income Tax	(3,030,576)	(3,819,542)	(267,018)	133%	(6,945)
<b>Profit for the year</b>	<b>7,449,748</b>	<b>8,542,502</b>	<b>623,042</b>	<b>42%</b>	<b>15,532</b>
<b>Other comprehensive income</b>					
Net Change in Fair Value	(390,213)	198,529	-	(100%)	361
Deferred income tax thereon	117,064	(59,559)	-	100%	(108)
<b>Total comprehensive income for the year</b>	<b>7,176,599</b>	<b>8,681,472</b>	<b>623,042</b>	<b>42%</b>	<b>15,784</b>

\*1DKK = 550 UGX

The table below presents the Statement of Financial Position of aBi Finance as of 31 December 2020. Total assets amounted to UGX 200bn, versus UGX 182bn in 2019, while total equity increased to UGX 184.5bn compared to UGX 174.5bn in 2019 owing to the total comprehensive income of UGX 8.7bn generated in the year.

Other stand-out features included the decrease in LOC (net of impairments) to UGX 97.9bn from UGX 106.7bn in 2019. The decrease is mainly due to the 79% decrease in loan disbursements to UGX 9.9bn in 2020 from UGX 48bn in 2019.

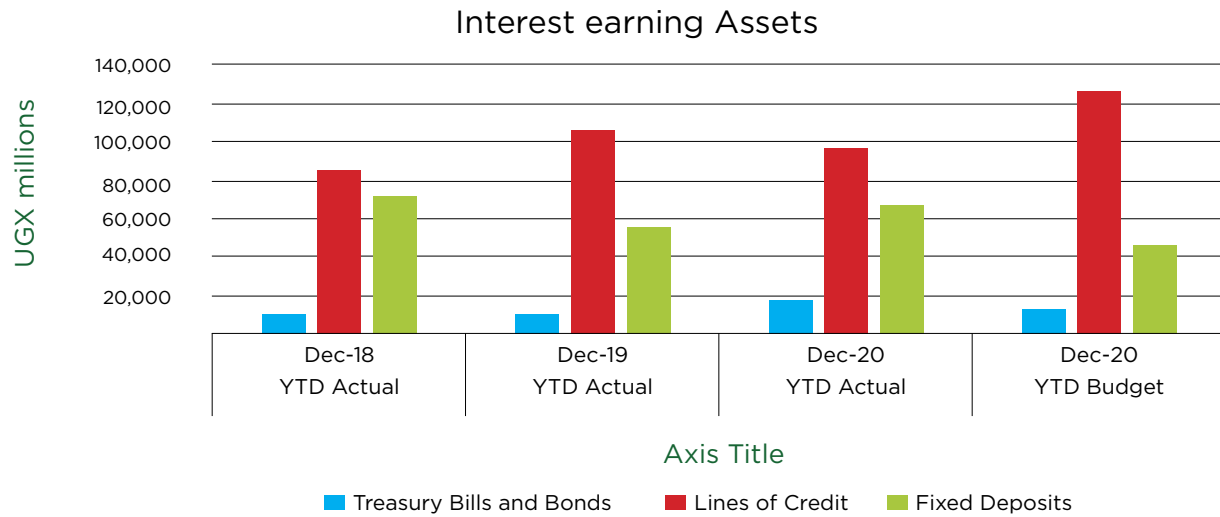
**Table 14: Statement of Financial Position as at 31st December 2020**

	Actual	Actual	Budget	Variance	Actual
	Dec 19	Dec 2020	Dec 2020	Percentage	Dec 2020
	UGX '000s	UGX '000s	UGX '000s	%	DKK '000s
<b>ASSETS</b>					
Cash and bank balances	1,157,102	9,776,716	1,107,850	782%	17,776
Investment in government securities	10,956,085	18,111,925	12,542,019	44%	32,931
Fixed Deposits with Commercial banks	56,086,056	67,203,384	46,801,228	44%	122,188
Concessional Loans - aBi Trust	-	-	5,125,781	-100%	-
Agriculture Bond Investment	-	-	1,404,025	-100%	-
Line of Credit	106,676,484	97,884,873	127,108,368	-22%	180,924
Guarantee fees receivable	163,684	-	-	100%	-
Income tax recoverable	690,903	758,679	-	100%	1,379
Deferred Tax Asset	2,161,686	2,043,960	1,112,393	84%	3,716
Fixed Asset	2,292	23,330	38,492	-39%	42
Right of Use Asset	-	1,072,196	-	100%	1,949
Other Receivables	102,483	237,848	820,651	-69%	461
IP receivable	3,991,399	3,100,533	2,618,757	18%	5,637
<b>Total assets</b>	<b>181,988,174</b>	<b>200,228,882</b>	<b>198,843,249</b>	<b>1%</b>	<b>367,004</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Bad debt provision (Loans and guarantees)	769,932	857,247	11,258,977	-92%	1,559
Other payables	3,274,840	5,944,557	2,541,725	134%	10,808
Deferred grant	3,708,066.00	9,566,155	800,000	1096%	17,393
Construction Guarantee Fund	-	944,113	-	-100%	1,717
<b>Total Liabilities</b>	<b>7,752,838</b>	<b>17,312,073</b>	<b>14,600,702</b>	<b>1237%</b>	<b>31,476</b>
<b>Equity</b>					
Capital Grants	108,540,058	108,540,058	115,539,493	-6%	197,346
Fair Value through OCI reserve	(206,724)	(67,753)	-	-100%	(123)
Retained Earnings	65,902,002	76,068,085	68,703,054	11%	138,306
<b>Total liabilities and net funds</b>	<b>181,988,174</b>	<b>200,288,882</b>	<b>198,843,249</b>	<b>1%</b>	<b>363,976</b>

\*1DKK = 550 UGX

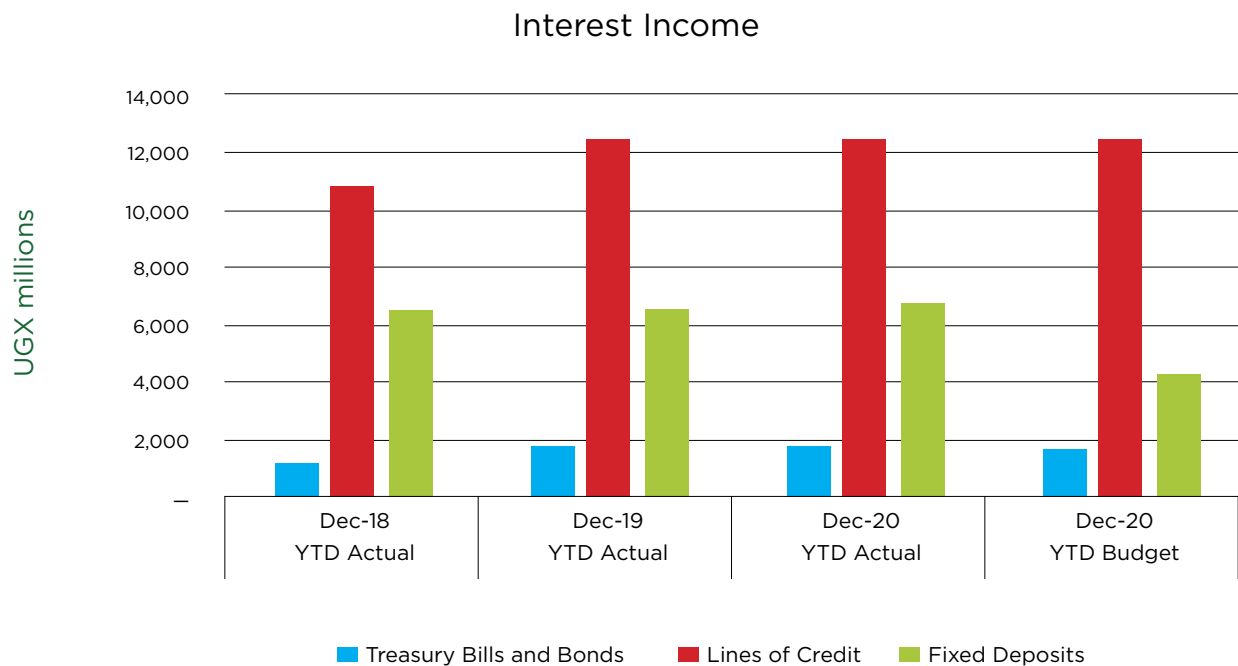
The graphs below show the mix of invested funds and the interest income earned over the last 3 years. There has been a decrease in the lines and increase in fixed deposits and treasury bills due to the 79% decrease in loan disbursements made in 2020.

**Figure 2: Interest-earning assets, 31 December 2018-31 December 2020**



Interest income has followed an upward trend from 2018 to 2020 increasing from UGX 18.5bn in 2018 to UGX 20bn in 2019 and then to UGX 20.8bn in 2020, as shown in the graph below.

**Figure 3: Interest income, 31 December 2018 - 31 December 2020**



# Financial Performance for aBi Development Ltd.

For the year ended 31 December 2020, aBi Development spent UGX 31.3 bn, which was the same as the UGX 31.6bn in 2019. Of this amount; UGX 23.1bn was in relation to grant expenditure, which was nearly unchanged on the 2019 figure of UGX 24.8bn.

The general and operational expenditure at UGX 7.8bn (UGX 12.4bn less the recharge cost to aBi 2020 Ltd and NURI of UGX 4.6bn) was comprised mainly of staff-related costs of UGX 6.2bn, consultancy costs of UGX 1bn and depreciation of UGX 0.9bn.

**Table 15: aBi Development Statement of Comprehensive Income for year ended 31 December 2020 (Rate 1 DKK = UGX 550)**

	Actual	Actual	Budget	Variance	Actual
	Dec-19	Dec-2020	Dec-2020	Percentage	Dec-2020
	UGX '000s	UGX '000s	UGX '000s	%	DKK '000s
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property & equipment	426,080	327,867	787,528	(58%)	596
Right of use assets	3,750,444	<b>1,867,311</b>	-	100%	3,395
Intangible assets	176,349	272,270	-	100%	495
	<b>4,352,873</b>	<b>2,467,448</b>	<b>787,528</b>	<b>213%</b>	<b>4,486</b>
<b>Current assets</b>					
Assets held for sale	300,000	-	-	100%	-
Trade and other receivables	21,409,890	15,408,298	18,242,585	(16%)	28,015
Income tax recoverable	42,768	-	-	100%	-
Cash and cash equivalents	30,372,693	30,579,345	25,420,884	20%	55,599
	52,125,351	45,987,643	43,663,469	5%	83,614
<b>TOTAL ASSETS</b>	56,478,224	48,455,091	44,450,997	9%	88,100
<b>LIABILITIES AND EQUITY</b>					
<b>Capital and fund balance</b>					
<b>Fund balance</b>	-	-	<b>9,644,283</b>	<b>(100%)</b>	-
<b>Non - current liabilities</b>					
Lease liabilities	3,156,445	1,427,045	-	(100%)	2,595
<b>Current liabilities</b>					
Deferred grants	<b>49,509,654</b>	45,285,608	<b>31,562,170</b>	43%	82,337
<b>Lease liabilities</b>	<b>522,112</b>	<b>398,244</b>	-	<b>(100%)</b>	<b>724</b>
<b>Trade and other payables</b>	<b>3,290,013</b>	1,344,194	<b>3,244,544</b>	<b>(59%)</b>	<b>2,444</b>
	53,321,779	47,028,046	44,450,997	6%	85,506
<b>TOTAL LIABILITIES &amp; EQUITY</b>	56,478,224	48,455,091	<b>44,450,997</b>	9%	<b>88,100</b>

## Funding Status aBi Development

As at 31 December 2020, aBi Development Ltd. has a commitment with its IPs of UGX 29.4bn in terms of undisbursed grant funding for contracts signed compared to UGX 23.6bn in 2019, this built up due to the general slowdown in the economy in 2020 due to Covid-19, which meant that pro-

ject activities slowed especially during the lockdown. aBi Development Ltd ended 2020 with significant cash balances of over UGX 30.5bn due to under-disbursements during the year. This included grant funding received of UGX 26.9bn in 2020 from DANIDA.

**Table 16: Actual expenditures reported for VCD in Financial Statements Vs Cash**

Value Chain	2020 Cash	2020 Actual	2020 Variance
	UGX '000	UGX '000	UGX '000
Coffee	2,142,948	7,135,025	4,992,077
Cereal	1,606,728	1,786,661	179,933
Pulses	860,118	897,557	37,439
Oil Seeds	57,475	231,468	173,993
Horticulture	1,230,898	2,516,665	1,285,767
Dairy	1,924,854	1,526,244	(398,610)
Cross Cutting Issues	254,690	208,789	(45,901)
STTA	247,693	247,693	-
Agro Inputs Support	5,273,758	5,148,939	(124,819)
Human Resources	857,358	893,952	36,594
Shared Services	1,584,857	2,209,177	624,320
Provision for Doubtful IP receivables	-	(92,591)	(92,591)
Loss on disposal	-	115,000	115,000
<b>Total VCD</b>	<b>16,041,378</b>	<b>22,824,579</b>	<b>6,783,202</b>

# 5.0 Internal Audit Performance

Internal Audit (IA) is an independent, objective assurance, and consulting function designed to add value and improve aBi's operations. It helps aBi in achieving its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes in accordance with the International Standards for the Professional Practice of Internal Audit.

Despite challenges caused by Covid-19 such as lockdown restrictions in the early part of 2020, Internal Audit reported a much better performance in 2020 compared to 2019 as summarised in the table below. IA utilised more efficient and effective remote working methods to provide assurance and consulting services to both Management and the Board of Directors.

## Analysis of 2020 Performance

Internal Audit was able to complete 18 audits of VCD/FSD projects against the target of 21 projects. The remaining three project audits were at draft report stage pending review and issuance to Management. In comparison to 2019 performance, IA was able to improve its performance from 13 project audits in 2019 (43%) to 18 project audits in 2020 (86%) which include complex investiga-

tive audits as summarised under No. 1. of the table that follows.

In accordance with the revised Internal Audit Annual Workplan 2020, IAD was also able to complete audits of seven Agricultural Loan Guarantee (ALG) facilities, the Finance and Tax for both aBi Development Ltd and aBi Finance Ltd, Information and Communication Technology (ICT), and procurements as indicated under NO. 2, 3, 5 & 9 of the table below.

The audit of Governance and Human Resource practices were commenced during the year while the audits of aBi Finance Investments, M&E, and Risk Management were rescheduled for execution in 2021.



**Table 17: Actual performance against 2019 and 2020 targets for assurance engagements**

No.	Area	Target	Accomplished 2019	Accomplished 2020	2019 % Completion	2020 % Completion
1	Audit VCD & FSD projects.	21 projects	13/30 projects	18/21	43%	86%
2	Audit of Agricultural Loan Guarantees	07 Financial Institutions	Nil/30	07/07	0%	100%
3	Finance and Tax	01 report	Nil/1	02/01	0%	200%
4	Audit of aBi Finance Investments	01 report	01 report	Nil/1	100%	0
5	ICT Audit	01 report	Nil/01	01/01	0%	100%
6	Governance	01 report	Nil/01	In progress	0%	30%
7	HR & Administration	01 report	01 report	In progress	100%	40%
8	M&E	01 report	07 reports	Not started	700%	0%
9	Procurement	01 report	Nil/01	01/01	0%	100
10	Risk Management	01 report	01 report	Not started	100%	0%

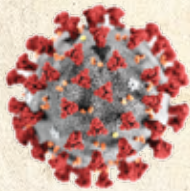
### Other 2020 assignments

aBi Internal Audit successfully underwent the second external quality assessment conducted by the Institute of Internal Auditors of Uganda, which continued to confirmed that aBi Internal Audit engagements are conducted in conformance with

the International Professional Practices Framework (IPPF) of Internal Auditors (The Standards). IA continued to support management with consulting and advisory services under aBi Covid19 Taskforce and in handling of problematic cases including being expert witnesses.

# 6.0 Corporate Services 2020

The pandemic disrupted the world and strained aBi's work environment, leading to adjustments in how we operate. On 27th March 2020, the office was closed ahead of the nationwide lockdown on 1st April.



**COVID-19 TESTING.** While we were not able to do mass testing of staff, we did not report a Covid-19 case among the staff, which was possibly a testament to the efficacy of our interventions.

The HR department was part of the team that developed the Covid-19 Business Continuity Plan and the weekly taskforce meetings that enabled us to closely monitor developments and keep the Covid response in focus, with the involvement of senior management and other key staff. We supported the new remote-working arrangements, a new initiative for the organisation which has presented challenges as well as opportunities for new working practices in future. This eventually led to the development of the remote working guidelines/policy that was approved for inclusion in the Human Resource Policies and Procedures Manual. aBi followed the trends of Covid-19 responses in other organisations. This helped us to develop sound and standard operating procedures for the return to office after the lockdown ended, management of day-to-day operations, hygienic practices in the office, and facilitation of staff field travels.

To ensure that staff were continually engaged, we worked with managers of various departments and units to conduct daily staff roll calls, submit weekly reports and plans, and subsequently realised a need to engage psychosocial support services as various staff were impacted differently by the pandemic. We will retain this service to ensure the continued well-being of staff post-pandemic. We were also able to remotely facilitate the orientation and induction

of four new staff who joined the organisation during the lockdown.

A spike in community transmissions in Q3 after the loosening of controls re-focused our attention, and by the end of 2020 we continued to implement a strict shift working schedule with all the teams to enable business continuity in the event that staff members got infected or exposed.

Working closely with our medical insurance provider, aBi ensured readiness to provide quick support. We also established contact with the Kampala Capital City Authority Covid-19 response team which provided a list of accredited treatment facilities and contacts for surveillance officers in the Kampala metropolitan area.

While we were not able to do mass testing of staff, we did not report a Covid-19 case among the staff, which was possibly a testament to the efficacy of our interventions.

The transition from the in-house staff gratuity scheme to Provident Fund (a fully-fledged retirement benefits scheme) was completed with staff now contributing 4% into the fund on top of the aBi contribution of 8.33%. The fund is now under the management of ICEA Life Assurance and the staff management committee and is a big improvement to the aBi benefits package.

## 7.0 Advocacy and Communications Initiatives



Panelists and speakers at the aBi Annual Stakeholders Forum in March 2020 at Kampala Serena Hotel.

At the start of 2020 aBi marked 10 years of existence and unveiled the 5-year business plan at a colourful stakeholder forum in March 2020 at Kampala Serena Hotel. The forum was presided over by the Minister for Finance, Planning, and Economic Development and attended by a cross section of aBi stakeholders. The forum discussion and outcome are informing aBi's strategy and contributing to our knowledge.

In adherence to the government pandemic social distancing directives and guidelines, physical advocacy and stakeholder engagements were done online. A number of webinars were organised and facilitated and in addition, electronic and print media was used create awareness on the aBi Covid Response Plan to enhance its implementation.

In addition, aBi partnered with the Ministry of Water and Environment, UNDP and Nation Media Group to organise annual Climate Change Symposia aimed at creating awareness on climate change & informing the implementation of the national climate change policy. A virtual symposium was successfully organised and facilitated by a host of key climate change actors includ-



A scene from Mpeke Town , a drama TV Series about agriculture and family livelihood.

ing aBi, and Global Green Growth Institute. Other advocacy collaboration included; Enterprise Uganda and NTV business development services project focused on Covid-19 response of participating agribusinesses and financial institutions, EPRC launch of the Agricultural Finance Yearbook; Aflatoxin mitigation through partnering with NARO and Makerere University etc. Profiling and documentation of achievements and impact of aBi interventions was undertaken in partnerships with the media and through other creative platforms.

aBi in partnership with USAID, Vision Group and Mediae Co Ltd is implementing a multi-million-dollar edutainment project called Mpeke Town farming drama edutainment television. It is a TV and Radio farming drama series targeting wide family rural audiences

as well as urban youth, to inspire them with the idea that farming can be a lucrative business, with the potential for increasing food production and family incomes. The implementation of the 2nd phase of Mediae project got underway in Q1 and most of the preliminary deliverables were successfully completed including the script writing, Knowledge Attitude and Practices baseline survey. The production and broadcasting of both radio and TV episodes is planned for Q2 2021 when COVID related restrictions especially flights, boarder closure and gatherings are relaxed or lifted.

The 2020 Client Satisfaction Survey was conducted to assess satisfaction levels of our stakeholders on the different aBi products and services. The respondents were; aBi's Implementing Partners (aBi Development & aBi Finance); Development Partners; agribusiness actors, aBi Board, Management and staff. The results of the survey, reflected a significant level of customer service satisfaction averaging above 80% across all the variables. The resultant action plan will be implemented in 2021 to address the areas that were rated poorly (2020 Client Satisfaction Survey report can be accessed on our website).

## Mpeke Town

**DRAMA SERIES.** aBi in partnership with USAID, Vision Group and Mediae Co Ltd is implementing a multi-million-dollar edutainment project called Mpeke Town, a TV and radio farming drama series targeting rural audiences and urban youth to inspire them with the idea that farming can be a lucrative business, with the potential for increasing food production and incomes.

## aBi Governance

The Agricultural Business Initiative, while often referred to as 'aBi', is composed of three related but autonomous legal entities, limited by guarantee, that contribute to achieving a shared mission. These are aBi Development Limited, aBi Finance Limited and the Agricultural Bond Company Limited.

aBi Development Ltd, a company limited by shares, was incorporated in 2018 and took over the activities of aBi Trust which wound up in December 2019. Through an application tendered by aBi to the Ministry of Lands, Housing and Urban Development, the Trust was formally terminated on 23rd August 2020 and the termination order was published in the Uganda Gazette on 11 December 2020. Its members are the Kingdom of Denmark and aBi Finance Ltd.

The aBi Development Members Committee met four times in 2020.

In 2020, aBi Finance Ltd, a company limited by guarantee began its transition to a new legal entity limited by shares (with Class A and Class B Shares) that would be established in 2021. The objective is to turn aBi Finance Limited into a commercially-viable organisation able to attract commercial investors and ensure a sustainable business with significant impact in Uganda. This would allow two interested investors namely the Investment Fund for Developing Countries (IFU) and the European Union (EU) to join as Investors.

The Members of aBi Finance are currently the Kingdom of Denmark and Mr Warwick Thomson, representing the Royal Danish Embassy. The aBi Finance Members Committee met five times in 2020.

### Investor Council

At the beginning of 2020, the aBi Investor Council was comprised of rep-

## 04

### MEETINGS.

The aBi Development Ltd Board held four scheduled meetings and one ad hoc meeting, and one Annual General Meeting (AGM). The aBi Finance Ltd Board held four scheduled meetings, two ad hoc meetings and one AGM. The Agricultural Bond Company, which was set up to trade in bonds, was dormant in 2020. One AGM was held in 2020.

representatives of the Royal Danish Embassy, the Government of Uganda, USAID and Sida. By the end of 2020, Sida left and the EU joined. The Investor Council met twice.

### aBi Board Meetings

aBi Development Ltd and aBi Finance Ltd are closely intertwined, sharing the same aBi Members, Board members, Board Committees, Senior Management within aBi, and the organisation's corporate services.

Ms Sarah Walusimbi serves as Chair, Mr Warwick Thomson as Vice-Chair, and members are Mr David Kabataraine, Ms Sophie Nkuutu, Mr Michael Kairumba and Mr Felix Okoboi. Mr Ulrik Jørgensen sits on the Boards as an observer to represent the interests of RDE - currently the sole source of capital for aBi Finance Ltd.

The aBi Development Ltd Board held four scheduled meetings and one ad hoc meeting, and one Annual General Meeting (AGM). The aBi Finance Ltd Board held four scheduled meetings, two ad hoc meetings and one AGM. The Agricultural Bond Company, which was set up to trade in bonds, was dormant in 2020. One AGM was held in 2020.

### aBi Committees

The aBi Boards have three committees:

- a) **aBi Procurement and Investment Committee (PIC)** mandated to sit every last Monday of the month. Fifteen scheduled meetings were



held in 2020. The increased number of meetings was to guide Management's strategic response to the Covid-19 pandemic.

- b) **aBi Audit, Risk and Compliance Committee (ARCC)** which held four scheduled meetings and four ad hoc meetings
- c) **Human Resource Committee (HRC)** held four scheduled meetings.

### Annual Board Evaluation

Since 2019, aBi carries out independent evaluations of the Boards annually on the recommendation of the independent Board Advisor. The 2019 Board Evaluation was positive and during the course of 2020, their commendations were addressed. The 2020 Board Evaluation commenced in December 2020 and was concluded in March 2021.

### Board Succession

aBi has a comprehensive Board succession programme, the planning process is overseen by the aBi Members, who regularly identify potential Board members and maintain a roster of potential Directors for them to draw from when the need arises.

In October 2020, Mr Asger Graae, Chief Finance Officer at the Royal Danish Embassy, joined the Audit, Risk and Compliance Committee, replacing Mrs Hanne Fritzen who left Uganda in August 2020.

### Board Training and Information Sessions

The aBi Boards participated in one information session in August 2020.

In September 2020, the aBi Board and the Senior Management team had a training in best Governance practices and trends through the Board Excellence Programme by Strathmore Business School.

On 29th October 2020, the Board Office organised a team building session, orientation programme and training on new developments in audit, risk and compliance for the ARCC and members of Management in Audit, Risk, Compliance and Finance.

### Board Field Visits

The Joint Boards had two field visits to Alfasan Uganda Limited and Kyagalanyi Coffee Limited in March 2020.

### Directors & Company Secretary

The new joint Board of Directors of aBi Development and aBi Finance Front row (seated): Ms Josephine Mukumbya, Ms Sarah Walusimbi and Ms Sophie Nkuutu. Back row (standing): Mr Felix Okoboi, Mr Warwick Thomson, Ms Joan Abila, Mr Michael Kairumba and Mr David Kabateraine.

# Role of other actors

Many organisations in Uganda other than aBi are making significant contributions to transforming the country's agriculture. Their enormous contributions, especially those supporting and engaged in agribusiness development or complementary work, are fully recognised and appreciated by aBi. Due to space restrictions, only a few can be mentioned here.

A large number of donor countries and development agencies, including Denmark (DANIDA), Sweden (SIDA), the United States (USAID), Belgium (BTC), the European Union (EU), the KfW Development Bank, and the Netherlands Development Cooperation to name only a few, have long invested in developing Uganda's agribusiness sector. Other key international agribusiness investors include the French Development Agency (AFD), the Dutch financial cooperative Rabobank, and the Mango Fund, an impact investing and consulting organisation focused on promoting rural development.

Uganda's National Agricultural Advisory Service (NAADS), under the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), is working with Operation Wealth Creation under the Office of the President to provide quality inputs and improved technologies to farmers across the country. The Agricultural Credit Facility (ACF) was set up by the Government of Uganda in partnership with commercial banks, Uganda Development Bank Ltd, and various micro-deposit-taking institutions and credit providers. ACF is facilitating the provision of medium- and long-term financing to projects engaged in agriculture and agro-processing, focusing mainly on commercialisation and value addition.

Some major private sector companies involved in producing edible oils and oil seed crops, such as Mukwano Industries in Northern Uganda and Bidco Uganda Ltd in Kalangala, have done much and continue to work on strengthening the country's oil seed value chain. Various humanitarian organisations, such as World Vision, and faith-based NGOs like the Catholic Relief Services and Samaritan's Purse, provide strong support at the local, regional and national levels in Uganda to, among many other things, strengthen cereal production and the cereals value chain.

The World Food Programme is also a key player in the grains value chain. With support from AGRA, Kilimo Trust operates across the East African Community

to promote regional solutions that make agricultural markets work better for the reduction of poverty and elimination of hunger. TechnoServe-Uganda partners with many other organisations to seek out and invest in business solutions to poverty. SNV Uganda, in collaboration with the Government's Dairy Development Authority (DDA), has successfully launched the first ever practical dairy training farms in southwest Uganda. The Private Sector Foundation Uganda (PSFU) is the country's apex body for the private sector, representing over 200 business associations and corporate bodies, including many from agriculture. PSFU serves as a focal point for private sector advocacy and provides critically important business development services to companies operating along agricultural value chains.

Other sector platforms include: UNADA, USTA, UOSPA, UHEA, UBPA, and the Grain Council of Uganda. And finally, various organisations are involved in agricultural financing and infrastructure development, including: the Microfinance Support Centre Ltd (MSC), a Government-owned company that is one of the lead agencies in the implementation of Uganda's "Prosperity for All" Programme, which works to transform the rural economy through job creation and increasing household incomes; Rabo Bank, an impact financier with corporate banking products and solutions for food and agribusiness; Kiva, which employs the crowdfunding model as a form of alternative finance; and Grameen Credit Agricole (GCA) Foundation, a social lender aiming at increasing financial inclusion. Other notable actors contributing to this initiative include Soluti Finance East Africa (formerly Stromme Microfinance East Africa Ltd) and Oikocredit.

All of these organizations and many, many more – are working to improve rural lives and livelihoods in Uganda. aBi gratefully acknowledges that the progress being achieved in Ugandan agribusiness is the result of the combined efforts and contributions of all these entities. aBi is proud to be counted among them.



aBi

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DEVELOPMENT PARTNERS



MINISTRY OF FOREIGN AFFAIRS  
OF DENMARK  
Danida