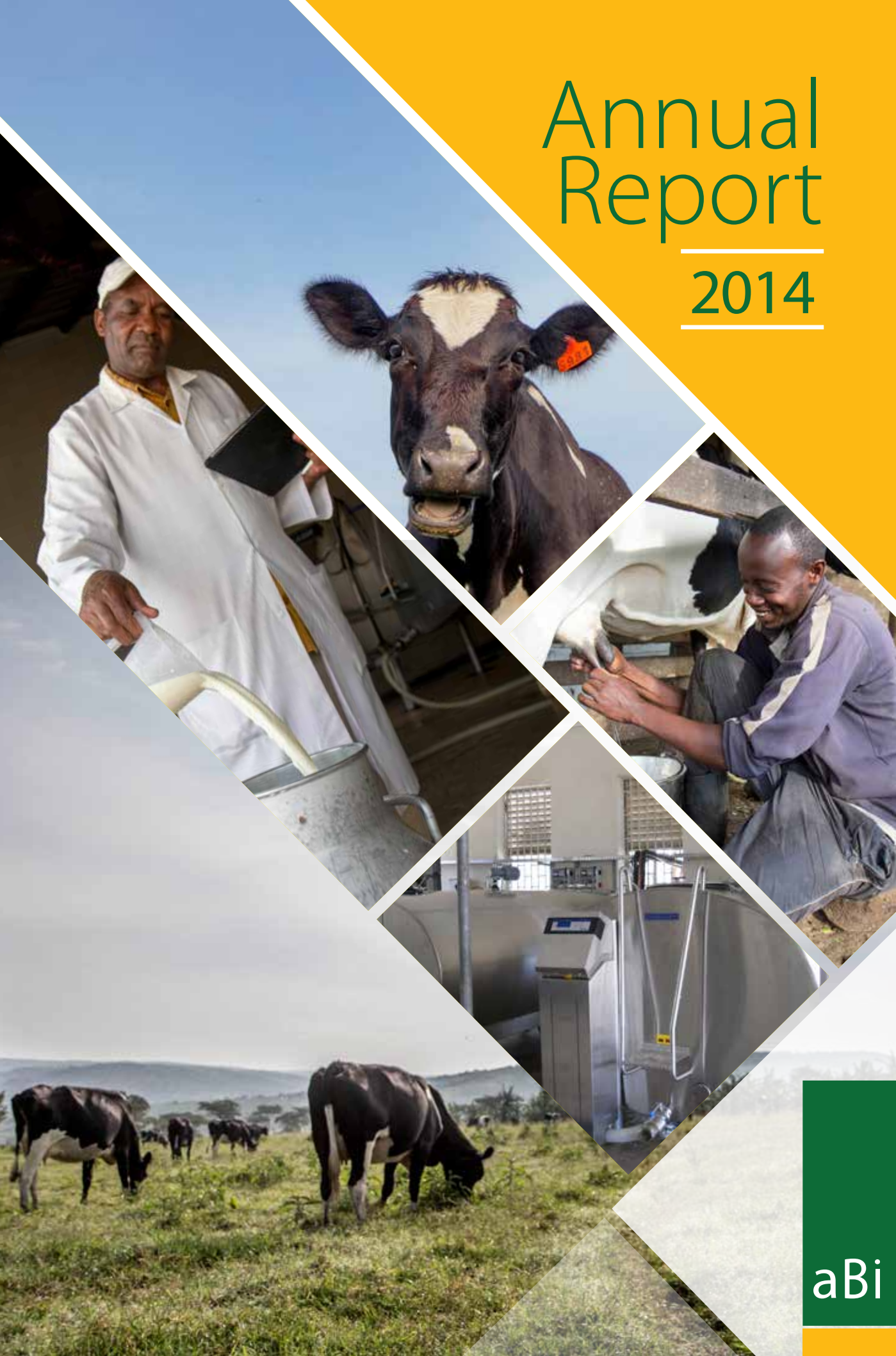


Annual Report

2014



aBi

Development Partners



Our Operations footprint

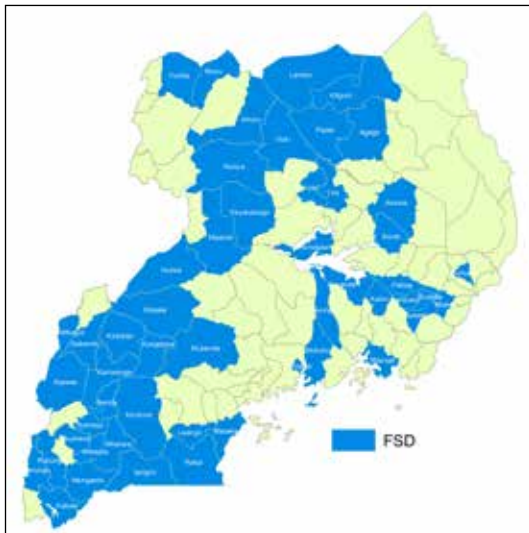
Operational in 93 Districts



Value Chain Development in 79 Districts



Financial Services Development in 57 Districts



Gender for Growth in 72 Districts

G4G, as of 2014 is now incorporated across all sub-components



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Acronyms and Abbreviations

aBi	agricultural Business initiative
ACPCU	Ankole Coffee producers Cooperative Union
ALG	Agribusiness Loan Guarantee
bn	Billion
BOD	Board of Directors
BOT	Board of Trustees
BOU	Bank of Uganda
COMESA	Common Markets for East and Southern Africa
CGF	Construction Guarantee Fund
CICS	Competitiveness and Investment Climate Strategy
COE	Centre of Excellence
DANIDA	Danish International Development Agency
DCED	Donor Committee for Enterprise Development
DFCU	Development Finance Corporation of Uganda
DfID	Department for International Development
DKK	Danish Krone
EAC	East African Community
F	Female
FaaFB	Farming as a Family Business
FAQ	Fair Average Quality
FI	Financial Institution
EFU	Energy, Fuel and Utilities
ESADA	Eastern and Southern African Dairy Association
EU	European Union
EUR	Euro
FO	Farmer Organization
FSD	Financial Services Development
FTE	Full-Time Equivalent
FY	Fiscal Year

GAP	Good Agricultural Practice
GDP	Gross Domestic Product
GIS	Geographic Information System
GOU	Government of Uganda
G4G	Gender for Growth
HRBA	Human Rights Based Approach
IADG	Inter Agency Donor Group
ICT	Information, Communication, Technology
IEC	Information Education and Communication
IFDC	International Fertilizer Development Center
IP	Implementing Partner
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
KYAPS	Kyamuhunga People's Cooperative Savings and Credit Society Limited
LOC	Lines of credit
LOP	Life of Programme
LTTA	Long Term Technical Assistance
M	Male
M	Million
MDI	Microfinance Deposit Taking Institution
MFI	Micro-Finance Institution
M&E	Monitoring and Evaluation
MIS	Management Information System
MT	Metric Ton
NDQA	National Dairy Quality Awards
PHH	Post-Harvest Handling
RDE	Royal Danish Embassy
SACCO	Savings and Credit Cooperative Organisation

SME	Small and Medium sized Enterprises
SPS	Sanitary and Phyto-Sanitary
STTA	Short Term Technical assistance
TA	Technical Assistance
TO	Total Operations
UBOS	Uganda Bureau of Statistics
UCCCU	Uganda Crane Creameries Cooperative Union
UCCFS	Uganda Central Cooperative Financial Services
UCDA	Uganda Coffee Development
UCE	Uganda Commodity Exchange

UGAFODE	Uganda Agency for Development Limited
UNADA	Uganda National Agro-input Dealers' Association
UOSPA	Uganda Oilseeds Producers & Processors Association
USAID	United States Agency for International Development
USD	US Dollar
USh	Uganda Shilling
VCD	Value Chain Development
VSLA	Village Savings and Loan Association

Members of
the Boards
and Company
Secretary.



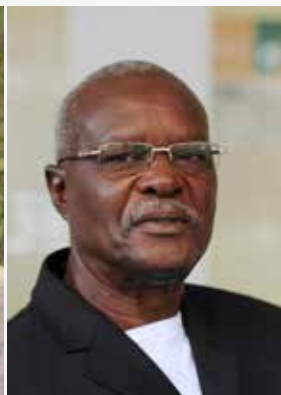
Lydia Ochieng-Obbo - aBi Trust
Chairperson, Director aBi
Finance



**Albert Bruun
Birnbaum** - Founder,
Chairperson, aBi Finance



**Peter
Ngategize**
Founder



**Gerald
Ssendaula**
aBi Trust Vice Chairperson



**Warwick
Thomson** - Trustee,
Director aBi Finance



**Charles
Ocici** - Trustee,
Director aBi Finance



**Eva
Mukasa**
Trustee



**Ida
Wanendeya**
Trustee



**Moses
Opio Ogal**
Trustee



**Alison Dillon
Kibirige**
aBi Company Secretary

Chairpersons' Review

On behalf of the aBi Group Boards permit us to present the 2014 Annual Report for the aBi Group with distinct gratitude to our development partners, Boards, Implementing Partners (IPs) and Employees.

In line with the vision ***"A Competitive private sector led agriculture in Uganda"*** aBi continued to address the bottle necks that were defined in the new Business Plan 2014 -2018. 2014 marks the first year of implementation of the Business Plan and a renewal of funding from the development partners under the U Growth II.

The increased demand for aBi support has witnessed development partners and Government showing interest in the activities being implemented. The uptake of this support has resulted into increased lending for aBi Finance's Lines of Credit from 15bn to 17bn. The increased usage of the organization's risk management instruments of the Guarantee Scheme enabled 19,706 farmers to benefit from aBi's support leading to increased productivity and income.

This effort translated into 239, 483 beneficiaries who accessed support from VCD, 182,219 clients accessing financial services under FSD and 10,996 clients who accessed loans under our Lines of Credit.

Market conditions continue to be a key challenge as reflected in the turbulent prices in the year under review, thus affecting the profitability of some of the value chains that aBi supports.

Despite this challenge, aBi continues to demonstrate strong leadership in the agricultural development of Uganda. Notwithstanding the transitional process from U-Growth I to U-Growth II, the following effort was realized as evidenced in the following facts;

Evidence of Impact

An impact assessment was done to validate and assess the impact attained as a result of aBi' activities. Results indicate an increased rate of adoption of Good Agricultural Practices of 50%, and increased acreage of crop production under the value chains supported.

The financial services component has increased in savings and loan utilization by 182,219 clients and 64,058 respectively, aBi's investment arm - aBi Finance achieved 80% of the planned activities, reflecting an investment of 17bn being disbursed to a total of 10,996 clients, The Guarantee was accessed by 19,706 clients against a target of 20,000.

Increased Levels of Activity

In 2014, aBi extended support to 119 IPs across the country. They ranged from VSLAs to the largest Commercial Banks and from small Producer Organizations to the largest agro-industries and traders in Uganda.

Whilst working with IPs, aBi aims at ensuring that farmers become profitable and more Ugandans are employed in the agricultural sector. As a result of successfully installing the dairy coolers in

South Western Uganda between 2013-2014, there is a growing demand from other regions for the expansion of the dairy value chain due to the impact being recognized in the primary cooperative societies.

In line with the development objectives of aBi's funders, focus has been in the investment areas of Green Growth, Human Rights Based Approaches and Gender in aBi's supported projects. The development of a clean technology fund is a commitment towards climate -Smart agriculture in Uganda

Outlook

aBi's mandate remains to support the private sector actors to increase their contribution to the agricultural sector by increasing land and labour productivity, and market competitiveness, thereby contributing to poverty reduction through economic growth, wealth, and employment creation.

As an organization, we are developing a strategy that will drive the aBi's commitment in the next years and provide a solid foundation for the growth of our activities, which includes a number of new initiatives.

The introduction of the Agribusiness Bond in 2015, Portable Guarantee, and delivery of mixed instruments to SMEs will facilitate an integration of aBi products within the three components of Value Chain Development, Financial Service and aBi Finance.

Appreciation

aBi is indebted to its implementing partners who support us in achieving our vision; the farmers, small business owners and traders, bankers, insurance players and agricultural industry players.

We take this opportunity to reiterate our my sincere appreciation to our development partners (Denmark, USAID, the European Union, the Netherlands, Sweden and Belgium) and the continued support from the Government of Uganda. We also thank DFID's Crossroads Guarantee Fund and Germany's KFW Rural Challenge Fund through direct fund-management relationships.

For the members of the Boards (aBi Trust and Finance), we express appreciation for the strong guidance during the year and a special thank you and farewell to Ida Wanendeya who has served diligently and will be retiring from the Board and a warm welcome to Victoria B. Sekitoleka, Vincent F. Kaheeru and David Kabateraine.

Further appreciation is extended to the Management and Staff of the aBi Trust and aBi Finance for their continued professionalism, enthusiasm and commitment to the Vision and Ethical Standards of aBi and the excellent results achieved for the period under review.

On behalf of the Board,
we thank you.



Albert Bruun



Lydia Ochieng-Obbo

Word from the Group Chief Executive Officer



According to the 2012/13 Uganda National Household Survey (UNHS), 80 per cent of Uganda's total labour force remains predominantly self-employed, with the majority of up to 72 per cent in the agriculture sector overall, and an estimated 66 per cent engaged in agribusiness.

Uganda's population is currently estimated at 37 million and projected to hit the 100 million mark by 2050, raising increased demand for food. At the same time the food production has been declining over the last decade.

This population forecast strongly underlines the urgent need for investment in commercialization and modernization of the agricultural sector.

In addition there will be an extra demand for policy actions that not only increase activities and services for the labour force but significantly, also secure access to finance for the rural population. Access to financing of agribusiness is one of the keys to unlocking the sector to ensure food security, contribute more the country's GDP thereby transforming the economy.

According to the Bank of Uganda, the overall agricultural lending portfolio rose steadily at an average annual rate of 20 per cent from Ush400 billion to Ush700 billion in 2013 with aBi Finance supported loans accounting for 22 per cent of this portfolio.

After four years of aBi's existence, impact assessment results indicate an increased rate of adoption of Good Agricultural Practices of 50% and increased acreage of crop production under the value chains supported.

The financial services component has increased in savings of 182,219 clients and loan utilization of 64,058 clients. aBi Finance has made a tremendous achievement reflecting an investment of

17bn being disbursed to a total of 10,996 clients whilst the Guarantee was accessed by 19,706 clients.

This mitigates the constraint of inadequate access to finance to agribusiness and rural development.

As a key partner to Government of Uganda in supporting the private sector's Small and Medium Enterprise (SME) agribusinesses and small holder farmers to raise incomes at household level, create employment and ultimately, the country's economic growth, aBi Group clearly exhibits commitment to the development of Uganda agribusiness sector thus becoming increasingly relevant.

Emphasis on climate-smart agricultural techniques has been and will further be integrated in the new investment areas of Green Growth, Human Rights Based Approaches and Gender for aBi's supported projects. Greening the growth has been deepened by a clean technology fund which exhibits aBi's socially responsible commitment towards the environment in which we operate.

Due to the massive population growth, and other agricultural challenges such as high costs of inputs, poor production techniques, limited extension services, limited access to markets, land tenure issues, and limited access to finance, it is of utmost importance that the growth in the agricultural sector is done without undermining the natural resource base.

The introduction of new financing instruments for facilitating value chain backing has been adopted hence the launched process of issuing the first ever Agribusiness Bond in 2015 that

will boost Uganda's capital markets but most importantly will integrate aBi products wit in the three components of Value Chain Development, Financial Services Development and aBi Finance thereby presenting opportunities for the agribusiness sector in Uganda.

The uniqueness of aBi's interventions in the agricultural sector accounts for creation of employment, augmented incomes for farmers, changes in the yield and cost of production, ease of access to credit, new marketing approaches and training in use of Good Agricultural Practices. However the efforts of aBi require supplementary policy support for the sector if the future challenges are to be addressed.

aBi's long-term commitment as both a catalyst in support of the Ugandan agricultural sector remains a key conduit through which development partners and investors can build the capacity of the agricultural sector.

Whilst this Annual Report provides a comprehensive overview of the interventions accomplished in 2014, it is in the same spirit that I call upon Implementing Partners to continue working with aBi in pursuit of enhancing wealth creation in Uganda's households.



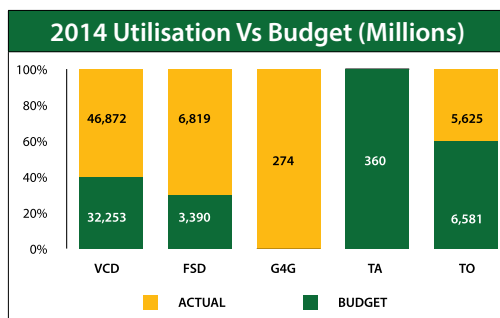
Svend Kaare Jensen
Group Chief Executive Officer - aBi

Executive Summary

The aBi Group is pleased to present their 2014 Annual report which highlights the progress towards the 2014 targets but also shows the progress towards achieving the five year organizational business plan targets, 2014 being the baseline year of the business plan period and U-Growth II programme implementation.

Budget

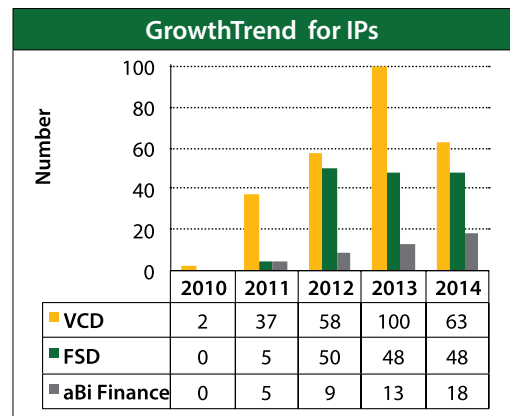
In the period ended December 2014, aBi Trust utilized US\$ 42.5bn, which translates to 70% utilization of the total budget for the period. Overall utilization in the year has been above average as shown in the chart below.



Gender expenditures in the year though non budgeted were carry over expenses on evaluation of the grant and pending balances to implementing partners who benefited from the Gender for Growth Grant.

The Technical Assistance budget was planned to cover costs of the design for Green Growth and Human Rights Based approaches Initiatives which is work in progress together with the new aBi strategy.

Programming



aBi worked with industry champions and other prospective partners as shown in the chart aside. There was a 37% drop in the number of Implementing Partners(IPs) supported due to the fact that aBi's current concentration is working with larger and stronger partners which are less risky.

Value Chain Development (VCD)

VCD made substantive progress on meeting its objective of improving performance of value chain actors in specific value chains of Coffee, Oilseeds, Maize, Pulses, Horticulture and Dairy by supporting 63 projects that reached a total of 239,483 additional farmers in the reporting year. Software¹ and hardware² interventions were supported in the year.

- 1 Software activities include training of farmers in Good Agricultural Practices (GAPs), Post-Harvest Handling (PHH), collective marketing, Village Savings and Loans Association (VSLA) management, entrepreneurship skills and milk handling.
- 2 Hardware activities included establishment of demonstration gardens and value addition facilities, agro inputs, commercial seed production, multiplication of clean planting materials.

As a result, some of this support coupled with weather and market trends contributed to the improvement in agricultural and economic growth indicators such as income, jobs created, acreage, adoption rates among others as shown in the following table.

	Key Result Indicators	2014 Target	2014 Actual
1	Additional revenue of the farmers (US\$ billions)	193	240
2	FTE jobs created	49,565	20,103
3	Acreage under production (crop)	148,246	*359,224
4	No. of participating farmers adopting improved technologies	136,300	120,024
5	No. of demonstrations set up	6,816	4,893
6	No. of beneficiaries reached under aBi Trust supported activities	271,500	239,483
7	No. of Implementing partners supported under VCD by aBi Trust	64	63

* Average acreage per farmer is 1.5.

Cross-Cutting Initiatives:

Green Growth

Green Growth is an evolving area of focus in aBi supported interventions and in 2014, 50% of the IPs were supported to implement activities in soil and water conservation, planting of woodlots to conserve energy and improve biodiversity, production of speciality and fine coffees, water harvesting, wetland preservation, renewable energy initiatives with Kyagalanyi coffee, ACPCU, Kawacom and UGACOF. Additional activities such as tree nursery introduction and planting of fruit trees, bricks and energy saving stoves/

technologies, green house nurseries and irrigation by gravity and piped systems are in the initial stages to contribute to green growth. 16 partners successfully implemented interventions that promoted green growth.

Gender

The household approach in agribusiness was mainstreamed in supported interventions by 52 implementing partners under value chains through which a total of 14,015 households were trained and sensitized by 716 change agents on joint planning and decision making. A total of 4,437 households now plan together and have embraced farming as a family business.

Human Rights Based Approach (HRBA)

Implementing partners were sensitized to employ non-discrimination approaches in all their work whereby they encourage participation of all categories of people such as youth, females, PWDS and people living with HIV/AIDS.

Issues of transparency, accountability, equity and labour rights are being addressed within the supported interventions. Positive results are beginning to be observed in form of attitudinal change, social responsibility especially by the IPs and farming communities.

Financial Services Development (FSD)

The FSD subcomponent formed strategic partnerships with IPs to implement strategies to address constraints that hinder access to rural financial services. As a result, there was improvement in the savings and loan portfolio and clientele of FIs as shown below.

	Key Result Indicators	2014 Target	2014 Actual
1	New Savings (Volume)-USh bn.	30	33
2	New Loans (Volume)-USh bn.	60	123
3	New clients (Savings)	40,000	182,219
4	New clients (Loans)	25,000	64,058
5	New Branch delivery mechanisms	5	5
6	New Branchless delivery mechanisms	4	3
7	Number of SACCOs supported	30	28
8	Number of new products developed	3	2
9	Number of clients accessing agriculture insurance product	2,500	5,580

This significant growth is attributed to aBi supported interventions in the virgin rural areas where access to financial services was not available.

aBi Finance

aBi Finance achieved over 80% of its 2014 programme targets. A total of 10,996 agribusiness loans worth USh 17bn were disbursed to agribusiness beneficiaries against a target of 10,000 loans and a volume of USh22bn under the lines of credit scheme .

The guarantee scheme covered a total of 20,983 agribusiness loans worth USh20bn issued by FIs in 2014 against a target of 20,000 loans and a volume of USh 18bn respectively.

	Key Result Indicators	2014 Target	2014 Actual
1	New LOC Loans Volume (USh bn)	21.7	17
2	New Guarantee Loans Volume (USh bn)	18.4	20
3	New LOC loan clients	10,000	10,996
4	New Guarantee Loan clients	20,000	19,706

Monitoring and Evaluation (M&E)

In 2014, results measurement was strengthened further by improving data collection and reporting mechanisms to monitor, evaluate and report the results of the aBi support. Below are some of the indicators tracked under the results measurement function.

	Key Result Indicators	2014 Target	2014 Actual	Comment
1	No. of projects evaluated	60	35	The underperformance was because part of the time was allocated to supporting the due diligences for new project proposals which were not planned for. Annual report and project results chain development were also major activities that took up a lot of time
2	No. of projects monitored and validated	108	51	
3	No. of projects assessed under the due diligence exercises	0	32	This activity had not been planned for because M&E was not initially part of the due diligence and appraisal processes for new projects
4	No. of projects visited under the third party verification/ validation exercises	13	13	This activity was mainly for the aBi Finance supported projects
5	% of projects with results chains prepared	100%	80%	

Compliance with the Donor Committee for Enterprise Development (DCED) standard for results measurement, is key and both staff and IPs have been trained and mentored to use the results chains as monitoring and management tools in project implementation.

On line reporting and the GIS integration was also started in 2014. Implementation of the two systems will enable aBi communicate timely, accurate, location specific monitoring data and generate automated reports from the system.

During the year, aBi made significant strides in achieving its 2014 targets on some key performance indicators and has already surpassed the expected 25% of the 2014-2018 business plan targets.

A total of US\$ 240bn additional revenue was realized by the 239,839 supported farmers across the six value chains and a total of 20,103 new full time equivalent jobs were created along the entire value chain.

This is a clear indication that the programme is off to a good speed to sustainably contribute to growth and poverty reduction in the remaining 4 years of the business plan and the U-growth II programme.

aBi Background

Agricultural Business initiative (aBi), a group of registered Companies namely aBi Trust and aBi Finance, is a multi- stakeholder entity co-founded in July 2010 by the Governments of Uganda and of Denmark with the objective to *“Promote Private Sector Agribusiness Development to Enhance Wealth Creation in Uganda”*.



About aBi Trust

The Agricultural Business Initiative (aBi) Trust was set up by the Governments of Denmark and Uganda to deliver one of three components of the U-Growth programme called ‘Agribusiness Initiative’ to support private agribusiness development to achieve the Government of Uganda’s Competitiveness and Investment Climate Strategy (CICS) objective.

The aBi Trust through its implementing partners continues to support an increase in land and labor productivity, and market competitiveness to contribute to poverty reduction, economic growth, employment and wealth creation.

Vision and Mission

The aBi Trust’s vision is “A competitive private sector-led agriculture in Uganda” and its mission is “To promote private sector driven agribusiness development to enhance wealth creation in Uganda”.

Development Objectives

The Trust’s overall development objective is to “build a self-sustaining export-led economy in which the benefits are shared by all Ugandans” with its immediate objective being “to strengthen the competitiveness of Uganda’s agricultural and agro- processing sector”.

Supported Value Chains

In line with its vision and mission to achieve the above objectives, aBi Trust supports six value chains: Coffee; Cereals; Oilseeds; Pulses; Horticulture and Dairy, strengthening the value chains' competitiveness through three interrelated sub-components:

1. Value Chain Development (VCD), contributes to performance efficiency of value chain actors and non-financial service providers and to promote trade-related Sanitary and Phyto-Sanitary (SPS) and Quality Management Systems (QMS).
2. Financial Service Development (FSD) promotes the expansion of financial services in support of agribusiness development focusing on the relation between financial service providers and value chain actors.
3. Investments by aBi Finance.

The VCD and FSD sub-components were designed to contribute to the Trust's specific five year business plan 2014-2018 objectives as follows:

1. To Increase additional incomes by US\$ 962 bn for aBi supported value chain actors by 2018
2. To create 89,217 new Full Time Equivalent jobs among the aBi supported beneficiaries by end of 2018
3. To increase outreach (where outreach is defined as the number of farmers who have realized a financial gain as a result of aBi support) by 488,700 for the aBi supported interventions by 2018
4. To increase access to financial services to 200,000 new savings clients, 250,000 loan clients through BDS, guarantees and lines of credit and 12,500 new agricultural insurance clients by 2018

About aBi Finance

aBi Finance Limited (formerly called the Agribusiness loan Guarantee Company) is the investment arm of aBi Trust, which manages an endowment fund that was set up to ensure that the Trust exists in perpetuity. The primary objective of aBi Finance is to provide funding for the aBi Trust to enable it execute its programme activities in a sustainable manner.

In addition aBi Finance plows part of the capital endowment in financial instruments such as lines of credit and agricultural loan guarantees in partner Financial Institutions to stimulate agricultural lending. In this regard it supports the attainment of the overall objectives of the aBi.

aBi Finance Products

Lines of Credit-

aBi Finance lends to financial institutions for on-lending to agribusiness to stimulate increased access to finance for this underserved sector.

Agribusiness Loan Guarantees-

Focusing on Small & Medium Agribusiness Enterprises, aBi Finance partners with Financial Institutions to provide 50% cover for loans provided to Small & Medium Agribusiness Enterprises in a bid to lay off risks inherent in this sector.

Construction Guarantee Fund (CGF)- aBi Finance manages Crossroads' (Creating Opportunities for Sustainable Spending on Roads), Construction Guarantee Fund (CGF) intended to strengthen financial

institutions' ability to finance the national road construction and maintenance sector with a focus on SME Road Contractors and Consultants.

Development in the Agricultural Sector and Economy

Structural change of Uganda's economy is strongly contingent on increasing productivity in the agricultural sector but also on expanding job opportunities in higher-value sectors such as construction and manufacturing to allow a steady movement of labor force out of the agricultural sector.

The agricultural sector continues to employ the largest share of the country's labor force (72 percent) despite its declining contribution to GDP, currently estimated at 22.2 percent according to the Background to the Budget 2014/2015. This indicates that the 28 percent of the labor force that works outside the agricultural sector helps to generate over 77 percent of the total GDP.

However, earnings from the sector have recently increased on account of higher agricultural prices and demand for agricultural goods from neighboring COMESA and EAC trading partners. The share of monetary agricultural GDP to total agricultural output remains at around 60 percent.

The Uganda Commodities Exchange (UCE) has expanded and deepened market access both domestically and regionally. Through the UCE, Government has improved quality standards and made the agricultural sector more attractive to commercial banks, allowing increased financial penetration through the Warehouse Receipt System (Background to Budget 2014/2015)

Enhancing Agricultural Production and Productivity

In Uganda it is estimated that only 1kg of fertilizer is used per hectare of land, compared to 6kgs per hectare in Tanzania and 32kgs per hectare in Kenya. Smallholder farmers, who dominate the agricultural sector, face particularly acute constraints which include unpredictable climate, poor quality inputs, pests and diseases, inadequate storage, lack of relevant knowledge, and use of rudimentary technology.

This undermines both the quantity and quality of their agricultural produce and the stability of their incomes. But it also means that existing agribusinesses cannot be adequately supplied by local producers.

Agribusinesses, therefore, often fail to expand and invest in more mechanized processing of agricultural commodities leading to low value addition and low output growth in agriculture.

Facilitating the development of a well-functioning integrated value chain for various commodities requires structures that support the alignment of agricultural produce at the local level to production needs of agribusinesses and that they are able to obtain appropriate financing that allows them to achieve higher levels of productivity.

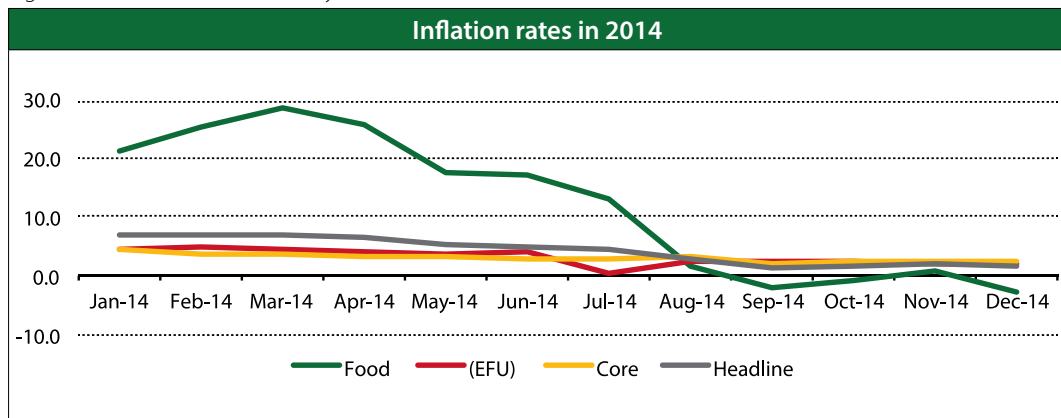
Inflation

Annual headline inflation for the year ending May 2014 was 5.4 percent. This is higher than the 3.7 percent registered in the preceding 12-month period ending May 2013, but significantly below the East African Monetary Union convergence criteria benchmark of 8 percent. The increase in headline inflation was on account of a spike in food crop prices

in August and September 2013, due to prolonged dry spells in parts of the country which constrained supply.

As of December 2014, inflation was at 1.8% (headline inflation). The average headline inflation for the first half of the FY 14/15 averaged at 2.4%. Inflationary pressures are projected to remain relatively stable over the medium term, with annual inflation projected to remain within single digits.

Figure 1 : Annual Inflation, January - December 2014



Source: BOU report, 2014

Exchange Rate (BOU)

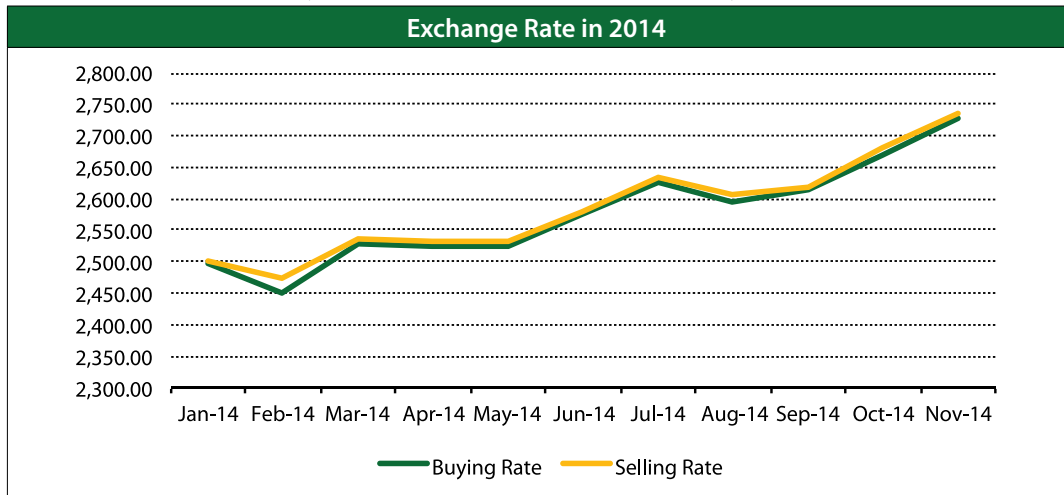
The Uganda Shilling continued to appreciate gradually in FY2013/14, largely supported by an increase in portfolio investment and low corporate demand for US Dollars. The average mid-market exchange rate in April 2014 was US\$ 2,529.8 per US Dollar, which represents an appreciation of 2.4 percent from US\$ 2,593.1 per US Dollar recorded in June 2013.

There was stronger appreciation of 4.7 percent up to February 2014, but this was partly reversed in March, following the announcements of donor aid cuts prompted by the enactment of new legislation.

As of December 2014 the exchange rate was at \$/US\$ 2,768 which represented a 10% depreciation from \$/US\$ 2,512 in December 2013.

Currently the exchange rate is hovering at a weekly average midrate of \$/US\$ 2,812.9 due to increased corporate demand mainly from oil, manufacturing and offshore sectors. In addition, the global strengthening of the US dollar has also contributed to the depreciation.

Figure 2 : Exchange Rate January to December 2014 showing Selling and Buying Rate



Source: BOU report, 2014

Price Trends

This section provides a 2014 picture of the price trends for the value chains of maize and beans

Figure 3 : Maize Whole Sale Prices for January to December 2014

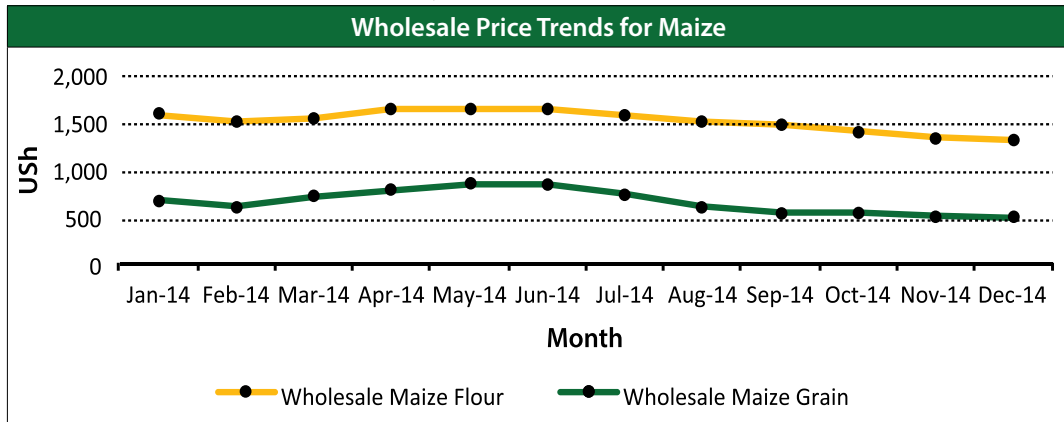
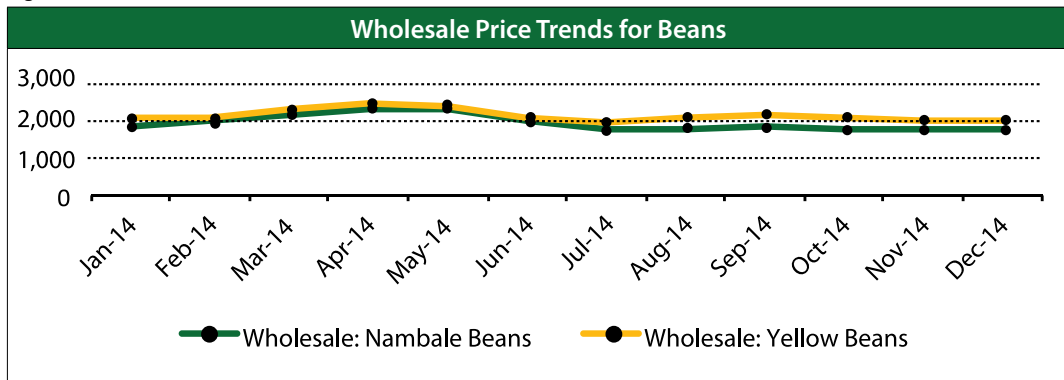


Figure 4 : Beans Whole Sale Prices for Yellow and Nambale 2014



1.0

aBi Progress

January to December 2014

This section presents the 2014 results for the aBi components of VCD, FSD and aBi Finance. It also details progress of the units; M&E, Corporate services, Finance, Risk Management, and Internal Audit for selected indicators.

1.1

Value Chain Development Performance

In 2014 the VCD sub component whose main objective is to improve efficiency among value chains and actors supported 63 projects (coffee 18, cereals 16, pulses 5, oil seeds 8, horticulture 3, dairy 2, and business plans 11) benefiting 239,483 farmers.

Main intervention areas included; establishment of demo plots, value addition, storage facilities, farmer training in various GAPS and PHH, Sanitary & Phyto-Sanitary, and quality Management Systems.

Initiatives were also taken to promote cross cutting issues which included gender mainstreaming using household approach, Green Growth and Human Right Based Approaches. Marketing efforts for crops, support towards use of improved inputs, savings culture and marketing infrastructure for dairy were among key intervention areas as well.

Support towards provision of information and knowledge under oil seeds and coffee Centers of Excellence were also implemented. As a result, there was improved performance for new farmers for selected indicators as discussed below:

Coffee:

Additional 2,097 acres of coffee were planted and mature gardens registered an increase in average yield per acre from 504 kg per acre in 2013 to 580 kg per acre of FAQ.

Cereals:

Maize productivity increased from 0.75 MT in 2013 to 1.49 MT in 2014 per acre and average acreage per farmer increased from 1.3 acres in 2013 to 1.39 acres in 2014. A new value chain, rice, was added to the cereals portfolio in 2014.

Pulses:

48% of the beans farmers reached, adopted new practices and collectively bulked and sold 602 MT at average price of USh 1,600 per Kg.

Oil seeds:

Emphasis on improvement in storage and value addition facilities with six village collecting centers of individual capacity of 600MT was constructed in Northern Uganda.

Horticulture:

A total of 368 MT of hot pepper worth USD 589,567 contributed to export volumes from Uganda in 2014 as a result of aBi support to horticulture Implementing Partners.

Dairy:

Farmers were able to earn higher prices of between USh 800-1000 per liter of milk during the dry season, up from between USh 400-500 during the wet season and before the marketing efforts and acquisition of private cooling systems.

Cross-Cutting Initiatives:

Gender mainstreaming efforts saw 14,015 households trained to develop and implement joint plans while the integration of Human Rights Based approaches and Green Growth initiatives was also taken on among 17 implementing partners.

Table 1: Selected VCD Performance Indicators

Key Result Indicators	Unit of measure	LOP target 2014-2018	2014 targets	2014 Actual attained	%get attained against 2014 targets	Level attained (%) against LOP target	Comments
Additional revenue of the farmers (US\$ billions)*	US\$	962	193	240	124%	25%	Calculated as Total Revenue
FTE jobs created (crop)	No.	*57,467	*17,815	18,960	106%	33%	On course. Targets were revised considering introduction of dairy
FTE jobs created (Dairy)			*6,000	1,143	19%		
Acreage under production (crop)	Acre	733,050	271,500	359,224	132%	49%	Target achieved, Assumption that @ farmer has 1.5 acres
Herd size under production	No.		97,33	56,95	56%		On course
No. of participating farmers adopting improved technologies	No.	245,340	136,300	120,024	88%	49%	On course
No. of beneficiaries reached under aBi Trust supported activities	No.	488,700	271,500	239,483	88%	49%	On course
No. of IPs supported under VCD by aBi Trust	No.	115	64	63	98%	55%	Includes business plans and TA given. Some IPs have more than 1 project
No. of new demonstrations set up	No.	20,448	6,816	4,893	72%	24%	On course

Source: IP reports

It should be noted that most of the supported projects in 2014 were already on going and contributed to the achievements registered now during implementation. Furthermore, the available funds could not allow taking up new partners in the first three quarters of the year.

1.1.1 | Coffee



In the year 2014, aBi worked with 18 implementing partners reaching a total of 109,834 farmers with interventions to mitigate the challenges in the coffee sector.

The interventions supported were; setting up of four nurseries which produced 864,611 clean planting materials, setting up of 2,347 demonstrations, conducting trainings to improve farmers' knowledge on production, marketing, postharvest handling, and quality enhancement.

Additionally, the IPs set up one value addition facility, and supported 1,567 Village Savings and Loans associations.

VCD supported hardware equipment purchase, promoted QMS and SPS and supported a Centre of Excellence, platforms, and policy issues to create an enabling environment for value chain actors in the coffee sector.

The aBi supported interventions together with interventions from other sector players contributed to improvements in coffee quality and production as reflected in the national annual average production of 3,499,829m 60kg-bags, valued at US \$ 394 m for the last coffee year 2013-14.



A supported coffee nursery by KAWAKOM in Zombo district

Other qualitative and intermediate results are shown in table 2 below.

Table 2 : Intermediate Results of the aBi coffee supported activities

Intervention	Intermediate outcome
CoE	UCDA set up 16 technology and knowledge transfer demonstration sites which have contributed to improved quality inspection and assessment along the value chain.
VSLA	Group cohesion among participating farmers has improved and saving culture has improved e.g. annual average saving per farmer has grown from USh 0 before intervention support to USh240,000 with the intervention support
Development of coffee IEC materials	National training materials for coffee production which was supported through National Coffee Steering Committee was approved by the MAAIF in 2014.This will facilitate the extension service delivery system in the country.
QMS/SPS	Code of practice for coffee was approved by the Uganda National Bureau of Standards (UNBS) and is being used to guide quality management standards
Sector Platforms	Collaborative efforts between Coffee Quality Institute and UCDA have improved the quality control technical capacity in the country with 25 R graders certified leading to an export quality improvement assessed at 15% by UCDA.
Green Growth	Green Growth interventions such as promoting shading of coffee, eco- pulper wet mills, water harvesting and irrigation techniques, sustainable soil and water management techniques, and energy saving stoves/technologies contributed to soil fertility improvement and farmers are able to reduce tree cutting by saving energy hence conserving the environment
Equipment support	A private laboratory and conformity assessment facility at Africa Coffee Academy was supported and has enabled 18 exporters carry out proximate and qualitative analysis that allowed them to access markets worth over USD 600,000. In addition, 6 IPs were supported with equipment for processing and value addition.



Grading equipment at ACPCU factory in Kabwohe Sheema district

Table 3 : Key Result Indicators under the Coffee Value Chain

Key Result Indicators	Unit of measure	LOP target 2014-2018	2014 targets	2014 Actual attained	% attained against 2014 targets	%attained against LOP target	Comments
Total additional revenue at farm level USh (Million)	USh	496	239	172	72%	35%	Farmers not yet sold coffee from second season harvests
Additional FTE jobs created	No	19706	9,504	5,502	58%	28%	New jobs will gradually increase.
Area under crop in acres	Acres	93,807	77,175	148,495	192%	158%	More seedlings distributed and planted than anticipated
Average yield/acre in Kg/acre	Kgs		629	580	92.2%		Long drought affected subsequent yields
Total volume bulked & collectively sold (60- kg bags)	MT		43,750	20,929	47.8%		Uptake is a gradual process, More farmers yet to bulk and sell
No. of participating farmers adopting improved technologies	Nos	88,906	51,450	47,499	92%	53%	On track
No. of demos set up	Nos	16,164	3,193	2,347	74%	15%	
No. of farmers benefiting from aBi supported activities	Nos	217,728	105,000	109,834	104%	50.4 %	
No. of IPs supported	Nos	55	27	18	66 %	34 %	More will be put on board in 2015

1.1.2 Dairy



The dairy sector under the VCD, did not perform so well against its targets for 2014. The targets set for the year were based on three IPs namely; UCCCU, Pearl, and Amos dairies. However the latter two failed to meet the partnership criteria and were deferred until they meet the criteria.

All the dairy equipment ordered for in 2013, that is; 100 milk coolers, 92 sets of laboratory equipment, 1500 metallic cans and insulated milk tanks were delivered. Installation of the dairy equipment in ready sites commenced but it was also slow due to internal challenges within the IP.

So by the end of the year, only 58 out of the 100 sites had the equipment installed. However, where the installations have been completed, farmers are happy and this has led to considerable savings. The generators were carefully selected to ensure fuel efficiency and reduction in carbon emissions thereby reducing milk chilling costs from an average

consumption of 24 litres of diesel per day to 6 litres per day. Capacity building interventions were also carried out with focus on skills that will lead to increased milk production and productivity, quality management during production and transportation, milk business management, governance and leadership in cooperatives.

The establishment of MCCs has enabled the cooperative to pay competitive farm gate prices to its members for instance, currently a price between US\$800-1000 is paid compared to the price of US\$ 400-500 before aBi's intervention.

The price increase is due to factors such as the competition created among the processors, most farmers delivering their milk through the MCCs, quality of milk improvement and the MOUs which stipulate a negotiated minimum price of US\$ 700 as a condition.

Table 4 : Intermediate Results of the aBi Dairy supported activities

Intervention	Intermediate outcomes
Use of energy efficient coolers generators	The milk chilling costs reduced an original average consumption of 24 litres of diesel per day to 8 litres per day.
Establishment of MCC	Price competition between MCC and Cooperatives which has benefited the farmer. New farm gate price is an average of USH 800 up from USH 500
Trainings in leadership and governance	Increase in responsibility and control of business by the cooperatives and their leaders
Linking Cooperatives to three Financial Institutions to borrow loans to match the 50% grant provided by the project on the hardware procurement	9 cooperatives had accessed loans to the tune of UShs.530m and had raised UShs.69.3m from their own savings for the investment. One of the Unions paid for all the hardware received amounting to USH. 106m. Farmers' contribution to the purchase of the hardware has brought in a sense of ownership of the project and responsibility which are necessary for sustainability.
Introduction of drought resistance pastures	19 pasture demonstrations gardens of two acres each were set up. As a result, there has been some reduction in differences in milk produced during the wet and dry seasons.
Support Sector platforms like NDQ awards, ESADA, IADG	A number of local and international participants attended these platforms and were informed about the untapped potential of dairy sector in Uganda.
Change of business model from Union to MCC business model	Attracted 297 new farmers and 1,231 old members who had abandoned the Cooperatives.



Coolers installed by dairy farmers' cooperative union in Ntungamo district.

Table 5 : Key Result Indicators under the Dairy Value Chain

Key Result Indicators	Unit of measure	LOP target 2014-2018	2014 targets	2014 Actual attained	% attained against 2014 targets	% attained against LOP target	Comments
Additional income at farm level in USh (billion)	USh (billion)	175	99	3.64	3.7	2.1	The underperformance is because a good number of the coolers is yet to be installed. Will be realized as more coolers are installed and more IPs come on board
New FTE jobs created	No.	4,890	2,890	1,143	40%	23%	This will increase as more sites are installed
Herd size under production	Number of cows	81,507	97,336	31,312	32%	38%	The aim is to reduce herd size of the local breed and improve the breeds
Total volume of milk produced in	Liters (million)	357	211	83.4	40%	23%	The performance is because not all the coolers have been installed but this will increase as more coolers are installed
Average yield per cow	Liters per cow	12	8	4	50%	33%	Yield will increase as the intervention gets to maturity
Total volume of milk sold	Liters (million)	250	141	75	53%	30%	actual interventions are still ongoing
No. of Participating farmers adopting recommended practices	No		8,000	4,935	61.7%		Uptake will increase in long term
No. of Coolers procured and delivered	No		200	100	50%		Procurement of more coolers could not go on because of the reasons highlighted in the narrative
No. of Generators procured and delivered	No		192	92	47.9%		performance was below target because of the defer of the two IPs
No. of Cooperatives supported	No		92	89	96.7%		Achieved
Famers reached with training activities	No		10,000	6,436	64.4%		On course
No of MCCs reached	No		100	124	124%		Achieved
New market outlets opened	No		7	5	71%		On course; Pearl, Hillside Amos Dairies and JESA are the new Buyers.
No of demonstrations in dry season feeding			16	19	118		Rhodes and desmodium grass were demonstrated
No. of FIs rendering Financial Services to MCCs	No		5	3	60		PRIDE Micro Finance , Centenary and DFCU

Source: aBi Trust IP Progress reports



The VCD supported two cereals in 2014 with rice being the latest addition in the period under review to the existing maize enterprise since 2010. A total of 16 IPs were supported of which only two implemented the activities in the rice value chain.

aBi supported interventions for value addition with hardware activities such as establishment of a processing facility and a warehouse of 5,000 MT capacity in Mubende, purchase of a 10MT per day milling equipment, establishment of a 20,000 MT storage and processing facility, establishment of 9 MT per hour milling facility and procurement of a seed cleaner, solar drying bags, a color sorter and sealer/bagging system.

The establishment of processing and storage facilities in the country will improve milling and storage services offered which is expected to translate into farmers earning additional US\$ 200/kg for processed grain in addition to the average of US\$ 300/kg for non-processed grain.

Other benefits expected for 2015 include reduced cost of production, improved quality of grain, increase markets for the products. Software activities like training in good agricultural practices have partly contributed to improved average productivity of 1.49 MT per acre up from 0.75MT per acre for new farmers.

This has partly encouraged farmers to open up bigger acreages of maize fields of average 1.39 acres per farmer in anticipation of bigger returns.

In an effort to enhance cereals export opportunities within the region and beyond, VCD participated in the harmonization of 12 grain standards which are now fully adopted within the EAC and aBi is a member of the National Cereal Platform.

In line with this, grading, sampling and testing methods have been developed to foster cross border trade among Uganda, Kenya, Sudan and Rwanda. The key result areas are reflected in the table below.

Table 6 : Key Result Indicators under the Cereals Value Chain (maize)

Key Result Indicators	Unit of measure	LOP target 2014-2018	2014 targets	2014 Actual attained	%attained against 2014 targets	%attained against LOP target	Comments
Total additional revenue at farm level USh (Billion)	USh	388	38	33	88%	9%	Low pricing of maize grain during first season led to low revenues.
Additional FTE jobs created	No.	1,244	600	673	112%	54%	Value addition interventions greatly contributed to creation of jobs, both casual and formal.
Area under crop in acres	No.	28,443	23,400	22,678	97%	79%	On course
Average yield/acre in Kg/acre	Kg		1,390	1,496	107%		Recommended practices and technologies led to realization of good yields among the adopters.
Average price at farm level in USh	USh		800	550	69%		On course
Total volume bulked & collectively sold (MT)	MT	9,891	4,770	4506	94%	44%	Farmers are progressively adopting collective marketing practice.
No. of participating farmers adopting improved technologies	No.	48,522	23,400	19,047	81%	39%	Adoption rate is gradual increasing
No. of farmers benefiting from aBi supported activities	No.	50,000	36,000	33,545	93%	67%	On course
No. of IPs supported	No.	25	11	16	145%	64%	Achieved though most of them ended during the year.



Newly installed value addition equipment at Eastern Rice in Tororo

1.1.4 | Pulses



Production of pulses in the country is primarily by small-scale farmers who don't use improved seed varieties and fertilizers and who consume about 65% of what they produce.

aBi intervenes by contributing to promotion of improved seed varieties, other complementary agro inputs, trainings in GAP, bulking and collective marketing.



Improved bean seed varieties produced by of NASECO

Efforts contributed to at least 48% of the participating farmers practicing two or more of Good Agricultural technologies which has increased productivity and incomes for participating farmers.

Farmers collectively bulked and sold 602 MT at average price of US\$ 1,600 per Kg. The rest is not recorded and bulked but sold by individual farmers to private buyers.

Gender was mainstreamed in the project activities and this contributed to increased participation of adult males & females, as well as youth in planning and decision making.

This further contributed to increased production, productivity and marketing of beans as a result of household members working together. Indicators of success are given in table below.

Table 7 : Key Result Indicators under the Pulses Value Chain (Beans)

Key Result Indicators	Unit of measure	LOP target 2014-2018	2014 targets	2014 Actual attained	% attained against 2014 targets	% attained against LOP target	Comments
Total additional revenue at farm level USh (Billion)	USh	48	10	4	39%	8%	The year was characterized by a dry spell which affected production and besides, only one IP was in full project implementation which ended in 3rd quarter of year. 4 new IPs came on board during 4th quarter and hence their projects had not started yielding visible results on income by end of 2014. This data is for the bulked and collectively sold beans but much of the beans is sold individually to middlemen while a big of the beans also consumed at home
Additional FTE jobs created	No.	1,040	500	248	50%	24%	Having few Implementing partners during 2014 led to creation of fewer FTE jobs than was anticipated. However, targets will be achieved in the subsequent years with the newly approved grants to the 4 IPs.
Area under crop in acres	No.	4,268	3,511	1,008	29%	23%	Results here are for only one partner since the rest of the projects came on board in the last quarter of the year
Average yield/acre in Kg/acre	kg		650	500	77%		
Average price at farm level in USh	USh/Kg		1,200	1600	133%		Farmers got good price due to low harvests that created high demand during the first season.
Total volume bulked & collectively sold (MT)	MT	1,950	941	602	64%	31%	4 out of 5 IPs' project commenced in 4th quarter and hence had not harvested for bulking
No. of participating farmers adopting improved technologies	No.	21,670	10,450	3,398	32%	16%	these are results of only one partner since the rest of the partners were recruited in the last quarter of the year
No. of farmers benefiting from aBi supported activities	No.		20,000	7,079	35%		
No. of IPs supported	No.		5	5	100%		One project ended 3rd quarter and four new ones commenced in 4th quarter.

As the public gets to know that pulses (beans) is one of the supported value chains at aBi, there is increasing interest in this value chain as a commercial enterprise as reflected in the growth in number of proposals received from one (01) at the beginning of 2014 to five (05) by the end of the year, and more are expected in 2015.

1.1.5 | Oilseeds



The oilseeds Portfolio comprised of sunflower, sesame, soy beans and groundnuts in 2014 and reached 50,389 beneficiaries with several interventions under the oilseeds sector such as training in GAPs, PHH, marketing, quality management and VSLA. Hardware interventions included establishment of storage facilities and value addition equipment and facilities. As a result, construction of 6 village collection facilities of an individual capacity of 600MT was completed in the year.

On the production side, 27,906 farmers (15,627 male & 12,279 female) adopted at least two of the recommended good agricultural practices namely; timely planting and in lines, weeding, use of improved inputs, and drying on tarpaulins. Other practices include drying to the correct moisture levels, record keeping and collective bulking at group level.

Sesame



Sesame interventions reached 4,241 farmers (1,399 male and 2,842 female) who were supported to increase production and marketing for livelihood improvement in Northern Uganda.

During the reporting period, at least 2,107 farmers adopted recommended practices of drying produce using tarpaulins, saving and acquiring credit for purchase of oxen and ox ploughs, bulking and marketing

Soybeans



During the year, 10,354 soybean farmers (4,245 male & 6,109 female) were reached. Out of these 2,107 farmers (990 male & 1,117 female) adopted recommended practices such as; collective bulking and marketing, PHH, GAPs and VSLA.

Farmers bulked and sold collectively 121 MT of soy bean at an average price of USh 1,250/kg to a number of buyers including; Masindi Seed Company, Redcon, Busoga Farmers Trust, Nile Agro Industries, East African Basic Foods with most farmers

selling directly to buyers and not through bulking system. With support to value addition, one soymilk processing facility of capacity 75MT/day was supported at RECO industries in Kampala. This will provide a reliable market for at least 15,000 soya bean farmers.

Construction of eight silos has been completed and they are in use. It is expected that soybean production will increase due to assured market access. Functioning of this facility has enabled Uganda Oilseed sector and in particular RECO Industries gain a competitive edge within Uganda and also a market share within EAC region.



Ground nuts

Interventions in this enterprise, reached 4,043 farmers who were trained in Groundnuts GAP through demonstrations gardens. Other areas of support were through trainings in PHH, provision of value addition equipment that included 9 shellers, 9 moisture meters, tarpaulins and weighing scales which boosted quality and marketing efforts at 9 collecting centers in Tororo district.

Efforts contributed to increase in yield from an average of 4 unshelled bags per acre of red beauty before intervention to 8 unshelled bags per acre. A new variety of Serenut 2 was introduced in the district with a yield of 15 unshelled bags per acre in season 2014 A.

Each bag of unshelled groundnuts is sold at an average price of US\$ 80,000.



A completed Village collection Center at Otwal



Food Processing facility at RECO Industries in Nakawa

This implies that the average revenue for farmers increased from US\$ 320,000 to US\$ 640,000 per acre.



Oil seeds Centre of Excellence

Through a Centre of Excellence managed by UOSPA, 3 regional value addition and processing centers were supported and started processing in Mbale, Bukedea and Lira to support 27,300 farmers to boost their income through collective value addition. Additional benefit is access to knowledge and information which improves business conditions and encourages competition.

An information exchange portal for dissemination of information to over 17,000 farmers was completed and a fully equipped laboratory testing facility was established in Lira. Three sets of mobile VICUM Virtu Tm aflatoxin kit, a min lab with accessories, 10 rapid soil testing kits, and moisture meters already used by farmers to test quality.

The quality assurance through the laboratory has enabled access to new market in South Sudan, Kenya, India and China. A total of 100 Farmer Field Schools have been set up in Acholi sub region and Kumi to promote GAPs among 8,600 targeted farmers. This has also improved on the quality of grain received by oil processors in the country.

The summarized key results are highlighted in the table below;

Table 8 : Key Result Indicators under the Oilseeds Value Chain

Key Result Indicators	Specific Value Chain	LOP target 2014-2018	2014 targets	Actual attained	% attained against 2014 targets	% attained against LOP target	Comments
Total additional revenue at farm level US\$ (Million)		91	44	23	52%		The biggest part of the year was characterized by dry spell that affected production especially in the oilseed producing areas
Additional FTE jobs created		2,489	1,200	312	26%	13%	
Area under crop in acres (Acres)	Sunflower	51,050	42,000	15,998	52%	43%	Majority of beneficiaries of CoE are sunflower growers hence taking the biggest percentage
	Sesame			815			Few IP are involved in the enterprise
	Soybeans			3,589			Most of soya bean projects ended in season 2014A
	Groundnuts			1,514			Most of supported groundnuts projects ended in season 2014A
Total volume bulked & collectively sold (MT)	Sunflower	1,300	630	142	67%	33%	Establishment of village bulking centers has greatly encouraged the produce pooling practice
	Sesame			85			Practice of collective marketing is steadily being adopted
	Soybeans			121			
	Groundnuts			76			
No. of participating farmers adopting improved technologies	Sunflower	87,090	42,000	27,906	90%	44%	Establishment of CoE led to a big outreach and subsequent big numbers of adopters
	Sesame			2,107			
	Soybeans			5,822			Majority of farmers have adopted Maksoy 3N variety because of its high oil content.
	Groundnuts			2,130			
No. of farmers benefiting from aBi supported activities	Sunflower	145,152	70,000	50,389	98%	48%	Establishment of CoE led to a big outreach especially with sunflower farmers compared to other oil crops.
	Sesame			4,241			
	Soybeans			10,354			
	Groundnuts			4,043			
No. of IPs supported		29	14	8	57%	28%	No new partners were taken on

1.1.6 Horticulture



The horticulture sector performed fairly well and significant growth in exports was realized in the 1st half of the year. A total of 688 MT of hot pepper worth about USD1.3m were exported through 2 implementing partners. The two IPs reached a total of 26 farmer organizations and distributed 90,000 seedlings from the supported 4 nurseries. As a result, an additional 121 acres of hot pepper were planted by 16 farmer groups in 4 districts.

Two micro irrigation schemes were set up in Kalungu and Lwengo districts and these contributed to increase in hot pepper yield by 40%. Compliance was promoted through training on the Code of Practice for Horticulture for 26 exporters in collaboration with the Ministry of Trade and Industry and Uganda National Bureau of Standards.

In 2014, 13,564 farmers received training through 3 IPs, emphasis was on compliance to the code of practice

on horticulture and the introduction of residue monitoring in 7 certified farms producing for export.

KK Fresh has also added value to hot pepper to produce at least 249 tons of hot pepper pulp for export to France, Belgium and Britain in addition to producing chilli source. Two implementing partners were supported to promote right/clean planting materials for citrus and mangoes in Eastern and Northern Uganda respectively that are required by the market.

It should be noted that the sector was faced and still has a challenge of pests and diseases, specifically the False Codling Moth (FCM) which has affected the quality and safety of hot pepper from Uganda. This led to a ban on all exports of fresh horticulture produce to the EU in September 2014. The pest has affected production in chilies, hot pepper, garden egg and bitter tomatoes and requires urgent attention.

aBi in collaboration with sector players is part of the National Steering Committee to resolve this problem. KK fresh and Zijja fruits have been supported to fight the pest with pesticide spray kits and so far at least 127 acres are free of the moth.

As a result of efforts in the negotiations between the EU, Ministry of Agriculture and the private sector, the ban was lifted conditionally and a few limited exporters can access the EU market.

Other outstanding challenges include; cold chain management and pre export inspection, improvement of packaging facilities at each exporter's premises and testing facilities to monitor compliance to international safety standards.

The major key result areas in the horticulture value chain with a focus on hot pepper are highlighted below;

Table 9 : Key Result Indicators under the Horticulture Value Chain focusing on hot pepper*

Key Result Indicators	Unit of measure	LOP Target 2014-2018	2014 targets	Actual attained	% attained against 2014 targets	Level attained (%) against LOP target	Comments
Total additional revenue at farm level USh (Billion)	USh	24.4	5	4	81%	17%	Ban on horticultural exports antagonized export business leading to achieving less of the planned target.
Additional FTE jobs created	No.	312	150	76	51%	24%	
Area under crop in acres	No.	3,732	2,160	2,550	118%	68%	Achieved. The LOP targets to be revised upwards and 2015 as well.
Average yield/acre in Kg/acre	kg		695	540	78%		Drought in some of production areas negatively affected yields.
Average price at farm level in USD per MT	USh			1,840	57%		Prices fluctuated due to volumes
*Total volume produced and exported (MT)	MT	7,500	1,500	688	46%	9%	The figure captured is for only hot pepper and hot pepper pulp exported
No. of participating farmers adopting improved technologies	No.	20736	10,000	7,180	72%	35%	Targets for 2014 were revised from 1000 to 10000. More improvement will be done in 2015
No. of farmers benefiting from aBi supported activities	No.	41,470	20,000	13,564	68%	33%	Only three partners were on board instead of four that were planned. The 3rd one came on board in 4th quarter and is just starting implementation
No. of value addition facilities set up			1	2	200%		Processing, packing and cold storage facilities set up. Pulp plant at KK Fresh completed
No. of IPs supported	No.	8	4	3	75%	38%	KK Fresh, Zijja and Build Africa

1.1.7

Cross-cutting initiatives in Value Chains



Market Information System (MIS):

The project to increase public Access to Agricultural Market Information implemented by FIT Uganda was supported to bridge the gap in agricultural market information systems.

During the year, 2,105,000 stakeholders received market information through email and short message services (SMS).

Ten (10) community based radio stations were engaged to strengthen dissemination and they reached an estimated 2.4 million recipients in 4 local languages across 17 districts.

The information flow helped chain actors in decision making and price negotiations.

Support to improved seeds and Agro-Input Supply:

Agribusiness sector suffers from lack of genuine seeds and other agro inputs available in the market. NASECO Seed Company and Uganda National Agro input dealer association (UNADA) were supported to create a good micro business environment that enables all actors in agro input industry do their business in a competitive manner.

Efforts to fight the sale and distribution of fake seeds through awareness creation, inspection of business premises and enforcement of fighting fake inputs has contributed to trading of genuine farm inputs and other related services to farmers. Results are given in the table below;



NASECO testing Maize seed Germinability.

Intervention	Results	Remarks
Other aBi IPs supported by UNADA to access agro inputs	4 IPs	4 IP staff and 22 beneficiaries received training on safe use and handling of agro chemicals
MAAIF facilitated to inspect agro dealer premises and give them licences	358 premises inspected	Out of 358 inspected, 128 passed technical evaluation out of which 44 were approved for licencing
Sector acts disseminated to a agro dealers	1810 copies given out	Increased awareness on laws and regulations governing agro inputs
Training of agro dealers in safe use and handling of chemicals and business environment	750 agro dealers	Are positioned to compete in the agro input sector

Support to business plans.

In order to create more sustainable and competitive organizations in the agricultural sector. Support was extended to development of eleven business plans for 11 SME (coffee 5, cereals 4, and pulses 2). These plans act as documents for prioritization of actionable points the SME may need to take in order to have a clear roadmap for sustainable and profitable growth. They detail the viability of undertaking investment in the planned business activities. This has enabled SMES to gain competitive positions in their respective value chains as they do focused agricultural business.

Green Growth

VCD intervened to contribute to efforts of combating climate change. In some supported projects, farmers were trained in soil and water conservation. Some projects promoted planting of woodlots to conserve energy and improve on biodiversity.

Among coffee projects there was production of speciality and fine coffees and progress continued to be observed in renewable energy with Kyagalanyi coffee, ACPCU, Kawacom and UGACOF at fore front. Some partners like A.K. Oils and Fats constructed boreholes to benefit surrounding communities at the 6 village collecting centres.

Water harvesting, wetland preservation, tree nursery introduction and planting of fruit trees were introduced by one IP in horticulture and 4 IPs of oilseeds. Green house nurseries and irrigation by gravity and piped systems were also introduced in Kalungu and Masaka districts. All the value addition equipment supported by aBi are green growth compliant by putting in mechanism of affluent treatment plants (lagoons). Energy efficiency systems such

as biogas, solar energy and energy efficient generators are also part of the green growth initiatives.

Human Rights Based Approach (HRBA)

Implementing partners are supported to employ non-discrimination approaches in all their work whereby they encourage participation of all categories of people such as youth, females PWDS and people living with HIV/AIDS. Issues of transparency, accountability, equity and labour rights are addressed despite critical challenges encountered. Positive results are beginning to be observed in form of changing mind-sets by IP staff and also beneficiary farmers.

Gender mainstreaming in Value Chains

Coffee, cereals, pulses, horticulture and dairy value chains integrated gender mainstreaming as a core part of their projects, using the household approach and gender in development approach. Use of community based change agents as drivers of gender messages are encouraged and is a basis of sustainability for gender activities.

During the year, 781 change agents were supported to promote gender mainstreaming. A total of 14,015 households are implementing joint planning and farming as a family business. A total of 3,200 Households (HH) were sensitized on joint planning, working together and decision making by the change agents out of which 1,237 adopted implementation of joint plans and farming as a family business. Results show that cases of family violence have reduced among the beneficiary households and this is attributed to the household approach.

2.0

Financial Services
Development (FSD)

2.1

Financial Services Development (FSD)



Customer Service Officer in Finance Trust Bank in Kapchorwa

In 2014 FSD steered well with its mandate to increase access to financial services to the value chain actors. This mandate was boosted through continuous support to 48 Financial Institutions with various interventions to include setting up of branches in different locations in the country, launching of a mobile banking van and other branchless delivery mechanisms like Mcash and ATM all over Uganda.

Additionally, interventions to improve the efficiency of the FIs like training for staff and management of the FIs, and products development were implemented.

Lastly, the FSD also linked SACCOs to aBi Finance to access liquidity in terms of Lines of Credit and Guarantees

As a result, a total of 182,319 farmers (43% female and 57% male) had opened new accounts and had accumulated savings volume of US\$ 33 bn representing 7% growth in the new savings.

Loan uptake was also registered with a total of 64,058 farmers taking new loans with an equivalent new loan portfolio worth US\$ 123bn. This has seen a growth in the average loan size per farmer from about US\$ 1m to US\$ 2m for the old clients.

A total of 295 staff received training in marketing, assessing and administration of agribusiness loans plus proper management of SACCOs so as to improve financier skills for financing agribusiness products.

An innovative weather insurance product, Kungula Agrinsurance which was launched in 2013 gained momentum in 2014 forging alliances with other partners with support from aBi. To date, a total of 5,580 farmers are enrolled under the Kungula Agrinsurance product to access input credit from Pride Microfinance and farm inputs from IFDC.

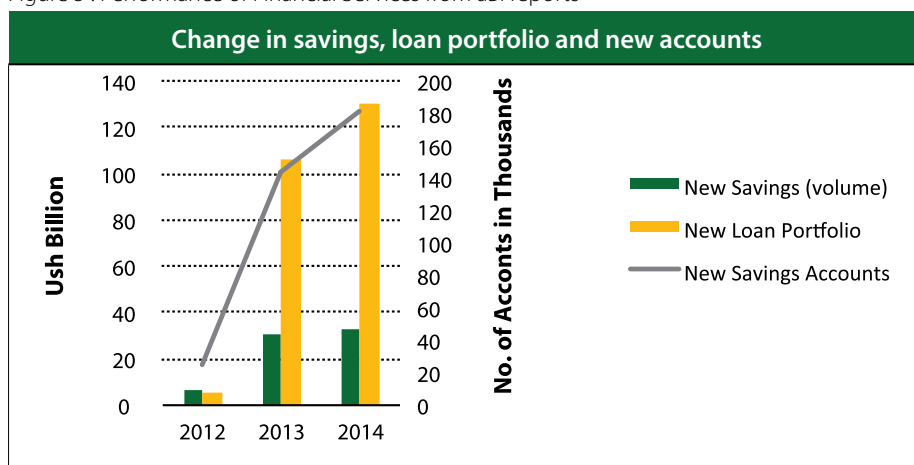
The Integration of aBi Finance and FSD picked up in 2014 and to date, FSD has graduated and recommended three FIs to benefit from LoC totaling US\$ 2 bn from aBi Finance. All the US\$ 2bn was disbursed in 2014.

FSD supported 3 FIs to carry out training and awareness of Green Growth and HRBA as well as promotion of clean energy financing that includes access to sustainable sources of clean, reliable and affordable energy. 2 FIs were supported to develop women specific products so as to increase the access to finance of women and youth

Table 10 : Achievements by FSD cumulative (January -December 2014)

Type of Partner (e.g. FI, SACCO etc.)	Number of Partners reached	Total Clients Served	New Clients	Total Savings	New Savings	Total Loan Accounts	New Loan Accounts	Total Loan Amount	New Loan Amount
Banks, Credit Institutions, MDIs and SACCOs	48	1,799,558	182,219	217 bn	33bn	200,226	64,058	367 bn	123.8bn

Figure 5 : Performance of Financial Services from aBi reports



Identification of rural loan opportunities, the expansion of branches and branchless delivery mechanisms for financial services

FSD in partnership with Housing Finance Bank opened up additional 54 Point of Sale device networks for the M-cash product in different parts of the country. A mobile Banking Van was launched by Bank of

Africa to operate in the northern part of Uganda. Five FIs were also supported to set up branches in various parts of the country namely, Hoima, Lira, Gomba and Pader.

Improvement of financiers' skills and the products for financing agribusiness

Agricultural lending is aBi's core message to the supported FI. To this regard, 5 FIs trained their staff in the fundamentals of agricultural lending to increase knowledge and awareness in this area. In relation to the consolidation of lower tier SACCOs under the umbrella of UCCFS, five regional workshops were held for the initial pilot phase comprising of 25 SACCOs who later

trained a total of 142 board members and 60 management staff collectively.

Three SACCOs (KYAPS, Muhame and EBO) received strategic training and mentorship as one of the activities in building their capacity for handling increased volume of business arising from aBi support through the FSD and aBi Finance.

Increase in volumes of agribusiness finance through facilitating greater liquidity, guarantees and risk management innovations

In regard to liquidity, a total of 6 tier IV FIs with 3 new ones in 2014 have been recommended to aBi Finance for Lines of Credit disbursement. A total of US\$ 2bn was disbursed in 2014 to increase the volumes of agribusiness finance available for agribusiness financing.

These Lines of Credit are coupled with Technical Assistance needed to close the gaps faced by these institutions in order for them to efficiently serve their clients. 2015 may see the graduation of 7 FIs that

are already partnering with FSD to access guarantees from aBi Finance as a way of managing the risk that comes along with lending to agricultural clients. FSD also acted as a catalyst in the formation of critical alliances among Pride Microfinance, Lion Assurance and IFDC.

This alliance enabled 5,580 farmers access input credit from PML called “access2agric” while being insured under the Kungula Agrinsurance product and finally accessing farm inputs from IFDC.

Table 11: Key Result Indicators and Targets for FSD

KEY Results Indicators	LOP target 2014-2018	2014 target	2014 Actual	(%) attained against 2014 target	(%)attained against LOP targets	Explanation of indicator Variance
New savings Volume in US\$ (bn)	150	30	33	110%	22%	Achieved
New Loans volume in US\$ (bn)	300	60	123	206%	41%	Over achievement attributed to LoC from aBi Finance, new loan products and increased financial literacy.
New savings Accounts opened	200,000	40,000	182,219	455%	91%	Over achievement partly attributed to FIs venturing into virgin unbanked areas and aggressive savings mobilization campaigns
New loan clients	100,000	25,000	64,058	256%	64%	Achieved
New Branch delivery mechanisms	25	5	5	100%	20%	Achieved
New Branchless delivery mechanisms	20	4	3	75%	15%	the development process take a while for branchless banking
Number of SACCOs supported	150	30	28	93%	17%	On course.
Number of new products developed	15	3	2	66%	13%	Product development process takes a while but also there was a delayed funding
Number of clients accessing agriculture insurance product	12,500	2,500	5,580	223%	45%	Over achievement attributed to the alliance of PML, Lion Assurance and IFDC which is supporting 5,000 farmers.

Source: IP reports

Savings Cooperative: Investing in Women, Transforming Lives

SUCCESS STORY

As a clergyman at Kitanga Parish in Kabale Diocese, Reverend Father Gaetano Batanyenda experienced a daily challenge of women who sought refuge at his church due to domestic violence after their husbands have sold the family harvest but use the money to drink alcohol without taking care of the home.

“The number of cases of domestic violence was rising by the day and as a priest, I had no stable income to support the emergent number so I encouraged eight (8) women to start saving money from their harvest in a wooden box that I kept in church and this is how Rukiga Savings and Credit Scheme Cooperative Society was born” reminisces Fr. Batanyenda.



Members of a VSLA meet for their weekly contributions

11 years down the road Rukiga Savings and Credit Scheme Cooperative Society (RSACCO) is now composed of 8,443 members of which 3,481 are men, 1,975 women, 1,534 groups, 1,282 Youth and 171 institutions. RSACCO is a member owned financial institution, is registered as a Cooperative Society under the 1991 Co-operative Act and formalized operations in 2003, this helped differentiate itself from other financial institutions through successfully beginning with women. John Bosco Abaho, the General Manager of RSACCO notes that before aBi intervention

the SAACO's cash flow was dwindling and had no collateral hence prompting Rev. Fr. Batanyenda to mobilise the church leadership for resources from time to time to keep the business going.

“In July 2012, aBi Supported RSACCO with a grant of US\$ 129 million to upgrade to a branch facility, train staff in credit management and savings mobilization, financial literacy for members and; to purchase equipment such as computers and motorcycles and this intervention has transformed lives of our members” he adds.

Growth

After two years of aBi support, RSACCO grew by 114% with an annual average growth of 57% which demonstrates enhanced growth acceleration by 26% per annum on the existing growth rate of 31% per annum.

Guided by bye-laws as part of governance measures, the savings of RSACCO have since grown by 149%, its membership by 55%, Loan portfolio by 124% and the loan clientele by 121% compared to 2010 when its membership was at 1,812, savings at 359,651,607, loan portfolio at 432,465,630, and loan clientele at 115.

Located in South Western Uganda, RSACCO serves a densely populated Rukiga County in Kabale District. Within 11 years of operation the organization has opened seven (7) new branches in catchment sub counties of Rwamucucu, Kashambya, and Kamwezi, Bukinda, and Muhanga town council stretching further to Kaharo and Kyanamira sub counties that border Ntungamo and Rukungiri Districts respectively.

Displaying entrepreneurial fruition, the SACCO share capital base is over US\$ 800 m with savings totaling over 1.7 billion. As at December 2014, RSACCO had an outstanding loan portfolio totaling UGX 2,141,687,900 to support its members in increasing agricultural activities at the farmer group and individual farmer level. This is good for development leading to increase incomes thus improving lives.

Challenges

Despite challenges of; financial illiteracy among its new members, issues with the MIS (loan performer) that forces RSACCO to run computerized and manual systems concurrently, unstable power supply in

the region, loan defaulting particularly in agriculture due to climate seasonal changes and the poor saving culture, RSACCO has steadily grown financially, has improved members' livelihoods with farmer participation in agriculture, increased outreach and bringing services nearer to the people through branches, governance & management have improved thereby re organizing their operations and service delivery not to mention the fact that the rate of domestic violence cases reported has decreased over the years.

Future plans

Being a model SACCO in Uganda with reliable and efficient financial services, Abaho says "the future looks bright for RSACCO with plans to upgrade software and network all our branches, continuously build capacity and train our members in financial literacy whilst mobilizing and training farmers in good farming practices".

Due to the remarkable resilience and financial development exhibited, aBi supported RSACCO with an additional grant of 131 million in December 2014 to reposition the business and consolidate financial inclusion to increase access to finance for farmers but also in fulfillment of the mission of aBi to promote private sector agribusiness development to enhance wealth creation in Uganda.

"It is my prayer that one day RSACCO will translate into an MDI and; the 'Women in Business' approach expansion strategy will transform all the women members into Small Medium Entrepreneurs (SMEs) thereby transforming lives of other women beyond Kabale district" concludes Rev. Fr. Batanyenda.

3.0

aBi Finance

aBi Finance is the investment arm of aBi Trust and supports the same development objectives. This section presents progress against 2014 targets.

3.1

Summary utilization of the Fund

aBi Finance increased availability and use of financial services to value chain actors through availing Lines of Credit and Credit Guarantees. Performance highlights of 2014 are shown in Table 12.

Table 12: Performance against targets as at 31st December 2014

Parameter	LOP Target 2014-2018	2014 Target	Actual attained	Variance Against Target	Variance against LoP	Comments
Target yield*	12%	12%	12.1%	0.1%	0.1%	Attained
Value of Investments (US\$)**	120bn	99bn	99bn	0	(21bn)	Attained
No. of Lines of credit beneficiaries	50,000	10,000	10,996	996	(39,004)	Attained
Value of LOC	82bn	21.7bn	17.3bn	(4.4bn)	(64.7bn)	below target
No. of ALG new loan beneficiaries	100,000	20,000	19,706	(294)	(80,294)	On course to achieve in subsequent period
Value of additional ALG loans disbursed	92bn	18.4bn	20bn	1.6bn	(72bn)	Introduction of new product to improve utilization
Leverage: Utilization/50% of Fund**	300%	296%	255%	(41%)	(36%)	Within limit
Non-Performing Assets**	<5%	<5%	0%	<5%	<5%	Attained

*To note that this is before tax. ** Attained as at 31/12/2014

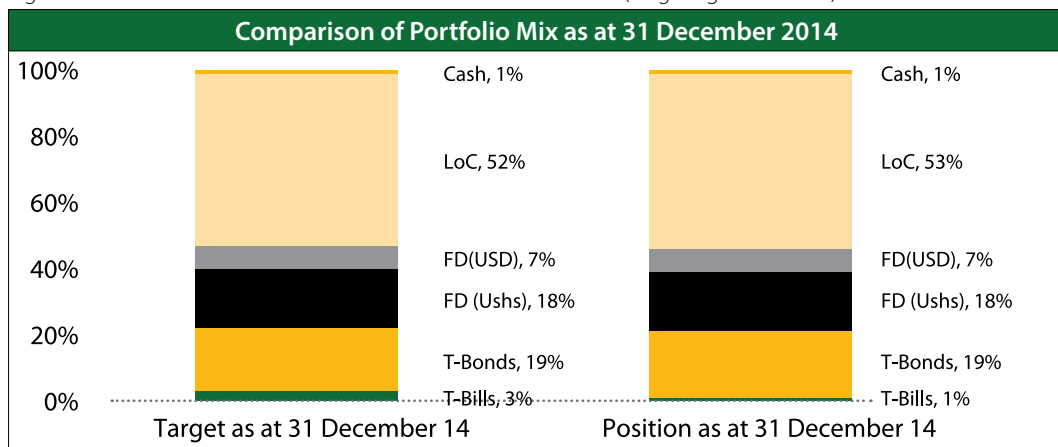
3.2

Endowment Investment Portfolio Mix

The fund portfolio mix was attained except for the slight skew in favor of Lines of Credit as opposed to Government Securities of one percentage point, Figure 6. This was a welcome development since Lines of Credit are core to meeting the aBi strategic objective of supporting agribusiness

financing and are expected to grow to 60% of the fund by the end of 2015. The fund was prudently invested to earn an average return of 12.1% in 2014 against a target of 12% to contribute to the overall sustainability of aBi.

Figure 6 : Performance of Endowment Investment Portfolio Mix (Target against Actual) as at 31/12/2014



3.3

Lines of Credit

The Lines of Credit target in terms of percentage of the endowment fund was exceeded by one percentage point having closed at 53% of the fund at 31st December 2014. At the close of 2014, a total of US\$46 billion was outstanding to 13 Financial Institutions as Lines of Credit for on-lending to Agribusinesses which was consistent with the work plan target of US\$ 46 Billion. 10,996 new agribusiness loans worth US\$51 billion were disbursed with an average loan size of US\$ 4.6 million.

This slightly exceeded the annual target of 10,000 by 10%. 37% of the agribusiness beneficiaries were female, falling short of the 40% work plan target by three percentage points. That said, the female participation on a year on year basis between 2013 and 2014 improved from 34% to 37%.

Penetration into Northern Uganda (i.e West Nile, Acholi, Lango and Karamoja sub-region), remains a challenge and in a bid to improve this position, US\$ 10bn was specifically earmarked for lending

in Northern Uganda and disbursed through one Financial Institution which as at year end had resulted in 1,757 beneficiaries. The overall Northern Uganda participation on year basis commendably grew by 15 percentage points from 8% of total beneficiaries in 2013 to 23% in 2014. Plans are underway to consolidate this achievement in collaboration with

the Financial Services Development Sub-component which shall subsidize and support the Financial Institutions' Agribusiness Product Development and branch expansion into Northern Uganda.

Table 13 below represents the number of agribusiness loan beneficiaries in 11 FIs for the period ended 31st December 2014.

Table 13: FI lending by Volume, Gender and Location January –December 2014

FI	Number Disbursed		Gender		Location			
	Current		Male	Female	C	E	N	W
	Volume	Value (US\$)						
1	979	4,059,420,000	838	142	210	225	140	404
2	17	11,852,260,000	17	0	15	0	1	1
3	3,372	8,163,388,357	2,104	1,268	877	392	540	1,563
4	507	1,740,600,000	428	79	61	0	0	446
5	1,423	4,276,710,000	23	1,400	553	550	52	268
6	1,757	6,756,416,199	1,484	273	0	0	1,757	0
7	40	8,829,721,368	32	8	12	8	0	20
8	1,909	2,929,070,000	1,277	631	0	0	0	1,909
9	449	691,041,887	349	100	0	0	0	449
10	234	569,070,000	161	73	0	0	0	234
11	309	777,800,000	205	104	0	0	0	309
TOTAL	10,996	50,645,497,811	6,918	4,078	1,728	1,175	2,490	5,603

3.4

Performance of the Guarantee Scheme

The Agribusiness Loan Guarantee Scheme

In 2014, a total of 19,706 new agribusiness loans were underwritten compared to 15,061 loans in 2013, translating into a 31% increase between 2013 and 2014.

Table 14: Progress on Guarantee Scheme as at 31/12/2014

Key Result Indicators	2012-Dec	2013-Dec	2014-Dec
No. of active FIs	9	12	13
No. of beneficiaries as at year end	12,028	9,907	14,746
Amount outstanding as at year end	28,873,011,723	40,860,924,954	56,485,743,113
aBi Finance exposure	13,626,988,277	20,333,398,182	28,242,871,557
Limits	42,500,000,000	57,500,000,000	67,050,000,000
Volume of new loans in the year	19,902	15,061	19,706
Value of new loans in the year	44,646,742,870	69,427,360,271	84,848,850,964
New Leverage(Outstanding /25% Fund)	74%	99%	255%
Claims Settled per year	177,027,093	93,572,428	243,205,106

Source: aBi Finance Records

Table 14 above shows the general progress made on the Agribusiness Loan Guarantee Scheme over the past three years with new agribusiness guarantee beneficiaries growing by 31% between 2013 and 2014 from 0 to 19,706. Three Financial Institutions joined the scheme in 2014, although two were yet to become active by year end. The introduction of the Portable Guarantee late in 2014 along with the usual training and sensitization of relevant officers for the less active Financial Institutions on the scheme, is expected to improve utilization in the course of 2015.

The above mentioned Portable Guarantee Product was introduced in 2014 in a bid to improve the product offering and relevance in the market as well as provide opportunities for meaningful

integration of services with the Value Chain Development sub-component. In the course of the year, two portable guarantees to the tune of US\$ 1.1bn were approved, though only one was issued.

Important to note is that allocation of the endowment fund backing the Guarantee Scheme was revised downwards to 25% in 2014 from 50% which partially explains the significant jump in the leverage from 99% to 255% between 2013 and 2014.

The claims settled from 2010 to 2014 amounted to US\$ 598m, hence accounting for 0.67% of the fund as at 31st December 2014. The Guarantees at risk ratio as at 31st December 2014 was at 4.1% which is well within the 10% limit.

Table 15: Volume and Value of new Loans disbursed under Guarantee Scheme January – December 2014

FI	No. of Loans by Gender		Total No. of New Loans	Value (USh)
	Male	Female		
1	5,747	510	6,257	38,642,005,426
2	40	5	45	1,802,518,252
3	1,050	220	1,270	7,946,777,305
4	21	3	24	948,445,983
5	4	0	4	522,129,206
6	4,060	2,184	6,244	7,287,181,677
7	2,403	460	2,863	8,047,130,936
8	306	91	397	1,923,250,000
9	359	84	443	10,007,392,104
10	102	26	128	981,290,833
11	1,412	619	2,031	6,740,729,242
Total	15,504	4,202	19,706	84,848,850,964
DKK				181,300,964

Table 15 details new volumes and values generated by partner Financial Institutions by year end.

Figure 8 graphically illustrates number of Agribusiness beneficiaries reached against the 2014 work plan target.

The Construction Guarantee Scheme

aBi Finance was contracted by the CrossRoads program to manage the £2m guarantee fund that supports the road construction sector.

Figure 9 : Performance of the CGF Investment Portfolio Mix

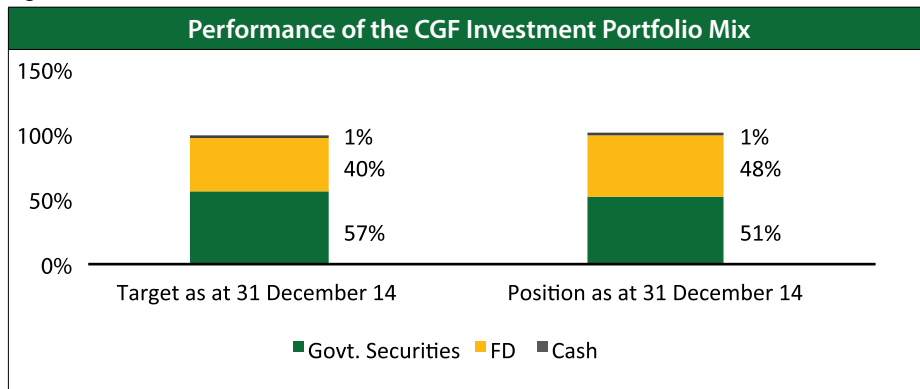


Figure 10 above illustrates that the Fixed Deposit asset allocation was higher than the targeted allocation in order to make shorter term investments aligned to the tenure of the project. The fund earned an average yield of 13.03% against a target of 12% for 2014.

Table 17: Progress on Construction Guarantee Scheme as at 31/12/2014

Key Result Indicators	As at 31/12/2013	31/12/2012	As at 31/12/2014
No. of active FIs		7	6
No. of beneficiaries as at year end		148	279
Amount outstanding as at year end		4,388,008,235	12,057,614,664
CGF exposure		2,194,004,117	6,028,807,332
Limits		40,500,000,000	32,300,000,000
Volume of new Bonds in the year		334	259
Value of new Bonds in the year		10,662,008,235	5,693,394,882
Leverage(Total Outstanding Bonds /Fund)		48.5%	121.8%

The Construction Guarantee Scheme increased utilization in 2014 compared to 2013, primarily due to the increased awareness about the scheme to Financial Institutions and Contractors as well as reduction in limits for institutions which were underutilizing. Table 18 below highlights the performance on specific targets since inception.

Table 8: Cumulative Performance on Indicators against 2014 targets as at 31/12/2014

Key Result Indicators	Attained	2014 targets	Variance on target	Comments
Days to issue Guarantee	3	3	0	Attained
Leverage	297%	300%	(3%)	On course to be attained
No. of Institutions utilizing the scheme	7	8	(1)	50% of signed up institutions were active
No. of Contractors	279	36	243	Attained
No. of Bid Bonds	910	30	880	Attained
No. of Performance Bonds	55	36	19	Attained
No. of APGs	9	8	1	Attained
Value of Contracts (US\$)	2,134bn	300bn	1,834bn	Attained

In the course of 2014, CrossRoads informed aBi about an extension of the project by a year to the end of 2015, at the end of which a final decision would be taken regarding the continuity of the scheme. In the same period, efforts were made to introduce a finance leasing product for construction equipment, whose outcome is expected early in 2015.

3.5

Integrating aBi Trust and aBi Finance interventions

Financing Uganda Crane Creameries Cooperative Union (UCCCU) farmers to meet their 50% contribution

In 2014, aBi Finance Ltd facilitated the financing of Uganda Crane Creameries Cooperative Union with 50% for equipment purchase supported by a Lines of credit of US\$ 3.6bn advanced through a partner Financial Institution for on lending to primary societies.

By 31st December 2014, 15 primary societies out of 59, in total had been advanced credit facilities, with 2 approved for disbursement while 16 were under appraisal by year end. Towards year end, a joint meeting was held for all stakeholders and specific steps to ensure expedition and processes agreed.

Additionally, a second partner Financial Institution was selected to join the scheme in offering loans to the primary societies and the Lines of credit will be disbursed early Q1 2015. This was done in collaboration with Value Chain Development Sub Component providing equipment and technical assistance to improve dairy farming in south western Uganda.

Lines of Credit and Technical Assistance to SACCOS and MFIs

A total of US\$ 1.2bn was approved and disbursed to 5 MFIs in 2014 as a way of transitioning them from grants only towards more financially sustainable interventions. This was coupled with technical assistance from the Financial Services sub-component in order to ensure that the management and staff of the

SACCOS manage the transition to achieve desired growth and progress. Focus areas included corporate governance, credit risk management and agribusiness product development.

Support to Northern Uganda through Lines of credit to support Agribusiness development

A lines of credit worth US\$ 10bn was approved for disbursement through one partner Financial Institution, which contributed to the commendable growth in the Northern Ugandan participation on year on year basis of 15 percentage points (from 8% in 2013 to 23% in 2014).

At the same time, Financial Services Development provided matching grants to the same institution to ensure improved transparency in serving its customers.

aBi Portable Guarantee Facility

In 2014, aBi Finance commenced the issuance of portable guarantees and received referrals from the Value Chains Development sub-component (VCD), closing the year with two approvals to the tune of US\$ 1.1 billion in support of two SME players dealing in agro inputs and maize grain value addition respectively.

The agro inputs company had successfully handled a project with VCD for the promotion of use of ACTARA insecticide in controlling coffee twig borer covering 19 districts of the Central Region (Buganda and Busoga districts). The training covered 1,211 farmers and representatives from 4 organizations of Hanns Neumanm, Bulu United Farmers, Kyagalanyi and Sembabule

Farmers Association. The intervention triggered demand for the product, which the input company is looking to meet to enable farmers access genuine agro inputs.

3.6

Significant Developments/Events

aBi Agribusiness Bond Issuance

A bond framework advisor was appointed in 2014 to guide aBi Finance on the legal and institutional structure of an Agribusiness bond; identification of potential investors, guarantors and loan distribution channels, suitable pricing and tenor of the bond, cost estimates of the entire transaction and a tentative timetable and activity plan for the completion of the transaction. The assignment was duly delivered to the satisfaction of management and board, and paved the way for the issuance stage in 2015

Socially Responsible Investments

A draft strategy was developed in 2014 to guide aBi Finance on the incorporation and implementation of socially responsible investments which are defined as sustainable, socially conscious, "green" or ethical investments that seek to consider both financial return and social good. The idea is to have aBi Finance encourage practices that promote environmental stewardship, consumer protection, human rights and diversity.

Though the final strategy and guideline is expected in Q1 2015, aBi Finance seized an opportunity to approve a lines of credit worth US\$ 1.5bn to an SME supplying affordable solar energy solutions in the rural areas. Loan disbursement is expected to be completed in Q1 2015.

Beyond the usual domestic equipment distributed by the company, the idea is to introduce agribusiness related equipment like solar dryers which can be directly linked to beneficiaries in VCD for improved PHH practices.

aBi Finance Stakeholder Recognition Event

Towards the end of the year, a dinner event was organized to appreciate and recognize key stakeholders like partner Financial Institutions, Sponsors, Management and staff for their contributions to the promotion and attainment of the aBi Finance objectives.

Outstanding performance was also recognized and celebrated by way of an awards ceremony and the notable winners included Opportunity Bank, PRIDE Microfinance, Equity Bank and Ebirungi birug'omutuutu (EBBO) SACCO and Centenary Bank as shown in figure 10 below:

Figure 10 : Photo of award winners at aBi Finance Stakeholder Award Event



Dr. Louis Kasekende, Deputy Governor Bank of Uganda (middle) poses with winners of the aBi Finance Awards alongside aBi's Development Partners during the Stakeholders Dinner.

ABi Finance Customer Satisfaction Survey

In December 2014, a client satisfaction survey was conducted among the financial institutions that are partnering with aBi Finance in the areas of Lines of Credit, Agribusiness Loan Guarantee facility and the CrossRoads Construction Guarantee Facility.

A 75% response rate was attained in total and aBi Finance was pleased to receive a good scorecard on the product and service offering with 68% of the respondent awarding the products and services as very efficient.

The report also highlighted areas of improvement like loan interest rates, turnaround time for claim settlements and individual guarantee assessments. These issues were taken under consideration for improvement in 2015 and beyond.

4.0

Monitoring
and Evaluation

M&E unit continued to work with the respective sub-components in aBi Trust and aBi Finance throughout the year by overseeing and managing a number of results measurement activities namely; timely reporting, conducting impact studies and evaluations, maintaining the M&E Database, providing technical support and conducting field monitoring and validation visits. Details are shown in the table below:

Table 20 : Key Performance Indicators for the M&E Unit

Result Indicator	2014 Targets	Actual attained	Comment
Compilation of 2015 AWPB	1	1	Finalized and approved by BOD
Reporting	4	7	<ul style="list-style-type: none"> • Compiled and distributed 2013 Annual Report, • Compiled 2 Quarterly Reports, • Compiled 1 Semi-annual Report, • Compiled a report on Action points for key recommendations of the impact studies, • Recommendations of the DCED audit report, • Annual Report – USAID/FtF, aBi Trust contribution.
On-line reporting	-	72	VCD – 37 & FSD – 35 IPs trained to input data in the database and report on line. On average, 36 IPs have input and submitted reports online. This is an on-going exercise and more partners will eventually report on-line.
Impact Studies	2	2	Provided support to finalize the aBi Finance Impact study and G4G assessment
Evaluations:	60	35	<ul style="list-style-type: none"> • KPMG Uganda Ltd evaluated 16 ended projects under VCD and 6 projects under FSD
• External end of Project			<ul style="list-style-type: none"> • M&E Team carried out internal evaluations for 11 ended projects under VCD
• Internal end of project			<ul style="list-style-type: none"> • External evaluation of the Market Information project implemented by FIT Uganda
• Special evaluation			<ul style="list-style-type: none"> • Mid-term reviews for the Coffee project implemented by Hanns R. Newman, and Center of excellence on Oilseeds implemented by UOSPA
• Mid-term reviews			
Third-party verification	13	13	FIs supported under FSD and aBi Finance were verified.
M&E Database	1	1	Functional and well maintained by Data Care. The process to enhance it with a GIS component has commenced with the consultant on board.
Monitoring and Validation visits	108	51	Below target as activity commenced in the last half of the year. More IPs will be reached next year.
Technical Support to Staff:	-	32	<ul style="list-style-type: none"> • To review the eligibility of potential IPs; • Support is on-going in various aspects
• Due diligence			
• Result Chains			
Technical Support to Implementing Partners	-	34	Orientation on programme and financial reporting procedures to new and continuing VCD partners.
Capacity building for M&E Team	3	3	<ul style="list-style-type: none"> • 3 Participated in training sessions on evaluation - organized by Uganda Evaluators Association/GIZ. • 1 Trained on MRM in Denmark and 2 on DCED in the Netherlands.

Key findings from evaluations:

A total of 35 end of project evaluations were carried out through internal and external processes based on the DAC criteria of evaluations and the following were the major findings/conclusions and recommendations:

Results indicated that average productivity (yield per acre) increased from; 929Kg per acre to 1,314 for coffee; 658Kg per acre to 1242 for Cereals; 305Kg per acre to 403 for Pulses; and Soybean productivity reduced from 450Kg per acre to 350 (one IP).

Adoption of improved agricultural technologies or practices was rated at; 74% for coffee; 72% for the Cereals; 88% for pulses and 33% for the oilseed.

Average income (gross) per acre per season, increased from; USh1,196,500 to USh2,096,462 for coffee; USh403,600 to USh1,322,600 for Cereals; USh324,756 to USh769,115 for Pulses, and USh660,000 to USh925,000 for Oilseed (Soybean).

Other findings:

- a) Capacity of the beneficiaries (Training, skills adoption rates) is high
- b) Support structures at beneficiary and IP level include; Demonstration sites; Extension Link Farmers; Market linkages; Bulk marketing centers; SACCO; Nurseries (Coffee);
- c) Alternative sources of Income for IP include; Commission, input shops etc.
- d) There is strong collaboration of IPs with Local governments, NGOs and Private sector.
- e) Validity of project objectives; projects addressed beneficiary needs and expectations
- f) The projects were consistent with intended Effectiveness and Impact as demonstrated by high adoption levels of improved technologies/practices, and results
- g) The projects were consistent with overall aBi goals and objectives with most projects goals and objectives met
- h) Major factors affecting non achievement of objectives include; Weather changes, Pests, Diseases, declining soil fertility, Prices fluctuations and Market access challenges.
- i) Bulk marketing and marketing centers not well achieved. Non-compliance with Grantee guidelines for expenditure procedures (Reconciliations, Audit reports, Procurement)
- j) Non Compliance with statutory laws and regulations (NSSF; and PAYE)
- k) Processes, Systems and Structures; There is need to strengthen M&E System(M&E Guidelines, Work plan, Quality/Timeliness of monitoring data, Tracking of M&E issues, M&E databases/reporting templates).
- l) Financial Management Systems (Budgeting, Reporting, Reconciliations, Audited accounts, Bank a/c, Automated vs. Manual systems –back-up) for some IPs need strengthening
- m) Weak Procurement systems (Process review i.e. competitive bidding, transparency, authorization, conflict of interest and value for money)
- n) Administrative/ Governance systems (Employee contracts, Job descriptions, payroll, staff training) are functional in a few IPs evaluated

Results of the Third Party Verification under the aBi Finance

In 2014, a 3rd party verification was commissioned with the objective of verifying if the intended benefits of aBi Finance interventions were being achieved.

A total of 13 FIs were purposively sampled of 17 FIs, the remaining four had been earlier selected in an impact assessment study done in 2013. At the t beneficiary level, simple random sampling was done and 3 loan beneficiaries per FI were selected and visited. Data collection methods involved; interviews and discussions with the respective FIs, review and analysis of secondary data at FI level, site visits and interviews with the beneficiaries. Highlights of these verification reports are presented hereunder:

- 1 Most of the institutions had been able to grow their Agribusiness portfolios, but specifically in one instance, the level of growth could not be fully attributed to aBi Finance's participation given the volumes generated by the Bank compared to guarantee amount.
- 1 With a few exceptions, it was noted that overall the non-performing assets ratio for agricultural sector remained lower than that of the whole loan portfolio to give confidence to Financial Institutions that Agribusiness risk could also be well mitigated.
- 2 With the exception of one institution, it was observed that there were recognizable benefits accrued from agribusiness loans including but not limited to income growth, acquisition of assets mainly farm land, cattle and motorcycles, improvement in livelihood, housing and ability to provide education to dependents. However, it was noted that these benefits could well be hampered by high borrowing rates, insufficient loan amounts, unpredictable weather patterns and fluctuating farm gate prices.
- 3 Most of the lower tier institutions were complaining about the pricing of the facilities, given that aBi Finance would not want to distort the market. Nonetheless considerations for improved pricing were put in place within the 2015 yield plan to ensure excuse for highly priced Agribusiness loans is addressed.
- 4 Integration of aBi interventions though cited, in many of the institutions, was missing in some, which is why it was deliberately planned with specific targets for the work plan period 2015.
- 5 Recommendation for use of Kungula agribusiness Product by various partners with increased publicity access usage and coverage was strongly given for due consideration, aligning well to 2015 plan.
- 6 The appreciation and support of socially responsible investments (green growth and HRBA) was noted to be very low, confirming the need to finalise the strategy for implementation early in 2015.

5.0

Institutional
Development

5.1 Governance

Institutional Arrangements

The nature of aBi business, with management of trusted capital and disbursement of substantial funds to implementing partners, means that corporate governance arrangements and risk management procedures are critical. aBi is made up of two entities aBi Trust and aBi Finance.

aBi Trust

The Board of aBi Trust comprises seven Trustees. The aBi Trust Board of Trustees (BOT) held nine BOT meetings in 2014 five scheduled and four ad hoc. The Committees of the BOT (Audit and Risk, Finance and Programme Oversight and HR Committees) met prior to each scheduled BOT meeting. HR Committee did not meet in September 2014

The BOT conducted a Board Evaluation for 2014 which was carried out by Japheth Katto Consult. The results of which were shared with the Board and the Founders.

The Board of Trustees introduced a succession programme for the Board of Trustees as from April 2015 the Board is due to be refreshed. Three new Trustees will be appointed with effect from the 1st

May 2015. They are Victoria B. Sekitoleko, Vincent F. Kaheeru and David Kabateraine. Mrs Ida Wanendeya will be stepping down from the Board with effect from 15th April 2015.

aBi Finance

The aBi Finance Board comprises four Directors and the Board met six times during 2014.

Board Training and Information Sessions

The aBi Boards participated in five in-house training and information sessions on Audit and Risk, Options for Long-term Financing-the Agricultural Bond, Governance and emotional intelligence, Human Rights Based Approach to Development and the aBi grants approval process. Both Boards also held strategy sessions.

Recruitment of New Group Chief Executive Officer

The aBi Boards and Founders of aBi Trust conducted a recruitment process for a new GCEO following the retirement of Mr. Svend Kaare Jensen. Mr. André Dellevoet has been appointed the new GCEO with effect from 1st April 2015.

5.2

Risk and Compliance

Risk and Compliance in aBi is practiced in accordance with the approved Risk Management Framework. By and large the focus of the risk function during the year was focused on monitoring the risks identified in previous periods and reporting on them to management and the BOT.

aBi carried out an annual organization wide risk register update involving identification and assessment of the effect of risks within aBi, with the BOT and staff respectively. Risks associated with governance were compiled and assessed during the first quarter of 2014 and included in the risk register and subsequent reports to management and the BOT.

A risk identification workshop, which also acted as a refresher training for old and new staff, was held in quarter one of 2014 in order to update the risk register. This, was in addition to other sources of risk identification like reports by internal and external audit, monitoring and evaluation, due diligence and other management reports.

This has enabled staff to carry out risk based due diligence, monitoring and mentoring. aBi also managed to have a risk management module during the training for new partners in 2014 at Fairway hotel in December 2014.

aBi has begun the process of updating our risk management framework to bring it in line with COSO and ISO best practices. This will involve developing a new Risk and Compliance Manual which is expected to be finalized in quarter one of 2015.

Below is a summary of the top 5 risks facing aBi in 2014.

Table 21 : Key Risks and Mitigation strategies

No.	Description	Risk	Treatment
	Enactment of laws, changes to government policy and other actions by government which are contrary to development partner values.	Loss of future sponsorship by partners.	<ol style="list-style-type: none"> 1. BOT/BOD to communicate with and lobby development partners and government to ensure continued support to aBi. 2. Regular communication with stakeholders to share aBi contribution to agribusiness development.
	There is a limited pool of people who meet the criteria to be appointed to the Board.	Failure to secure new board members with the appropriate skills and experience	<ol style="list-style-type: none"> 1. aBi has hired an external consultant to help identify suitable candidates. 2. There may be a need to broaden the catchment area. 3. Look for potential board members and mentor them. 4. The board has a succession plan in place (section 4.1 of the governance manual).
	Failure of Board to meet oversight role to the Trust and Founders	Misuse of funds by Implementing Partners.	<ol style="list-style-type: none"> 1. The BOT grants committee will approve all grants above US\$ 800 million and will comment on any grant that has been approved by the management grants committee. 2. Monthly management briefs. 3. Internal Auditors reports. 4. Quarterly board reports. 5. Adequate policies and procedures to be put in place 6. Field visits by the BOT
	The Group CEO and members of the senior management team leaving aBi	Failure to identify and recruit suitable candidates for top management roles in a timely manner.	<ol style="list-style-type: none"> 1. Implement the staff succession plan in the HR Policies manual. 2. Hire a competent firm to shortlist candidates in case of a departure.
	Unethical conduct by staff members including collusion, bribery, kickbacks, fraud etc.	There is possible financial loss and poor reputation for aBi.	<ol style="list-style-type: none"> 1. Staff have signed the code of ethics and it is prominently displayed in the office, 2. The whistle blower policy has been developed and will be referred to in all our documentation, the website and during trainings and meetings with stakeholders. 3. Zero tolerance for corruption.

5.3 Internal Audit Function

The aBi Internal Audit function continued to provide assurance and consulting services to both aBi Trust and aBi Finance Ltd on governance, risk management and internal control processes as per the Internal Audit plan 2014 including; the audit of aBi Governance, Information and Communication Technology (ICT), Risk Management, Financial Management, Human Resource (HR) processes, and aBi Finance investments and loan guaranties.

In addition, Internal Audit also offered support in policy reviews and ethics training.

Consequently, Internal Audit made recommendations for further enhancement of aBi governance, risk management and internal control processes.

Internal Audit however, had a shortfall in the audit of Implementing Partners (IPs) which led to an overall Internal Audit performance of 75% against the 2014 Internal Audit plan. The shortfall in the performance was attributed to the resignation of the Chief Internal Audit which affected Internal Audit performance in mid-2014.

5.4

Corporate Services Function

Human Resource Management

aBi has continued to retain and motivate its key Human Resources and put in place HR initiatives with the aim to achieve business success in the long term. The Board of Trustees approved the Human Resource Policies Manual that is focused on implementing these initiatives within the aBi.

A Code of Ethics workshop and sensitization was undertaken during this period in a bid to promote the culture of Accountability, Transparency and Non-Discrimination within aBi.

ICT

Following a comprehensive assessment of the ICT Infrastructure, aBi implemented a backup and storage solution to manage IT risk and continuously capture and track data modifications and store changes independent of the primary data source.

Through the procurement of the solution, aBi has acquired a significant infrastructure that will enable it to cope with the ongoing and rapid changes in the technology landscape including increasing business use of technology as well ensure business continuity.

Communications

Visibility of aBi through print and electronic media has been reinforced in 2014 and visibility has highly communicated aBi interventions mainly through niche agribusiness magazines and the mainstream media.

The aBi website was redesigned to meet current digital trends. A customized intranet system is under development to suite our needs. aBi's presence at launches, workshops and other events has boosted the brand profile.

6.0

Financial Performance Versus Budget Summary

6.1

Financial performance for aBi Trust

The section highlights the financial performance for aBi Trust over the period 1st January to 31st December 2014. Details are shown in table 22.

Table 22 : Performance versus budget by activity for the year ended December 2013

	Actual 2014 (Ush)	Budget 2014 (Ush)	Variance (%)
VCD			
Coffee	7,924,925,235	9,648,920,000	-18%
Cereal	4,890,843,295	4,157,823,000	18%
Pulses	475,810,775	1,460,317,000	-67%
Oil Seeds	2,826,955,388	3,217,000,000	-12%
Horticulture	1,033,300,315	1,602,000,000	-35%
Dairy	12,246,008,829	23,095,107,000	-47%
Cross Cutting Initiatives	2,215,749,637	2,731,000,000	-19%
Human Resource	639,703,433	960,000,000	-33%
Technical Assistance	-	-	
TOTAL VCD	32,253,296,907	46,872,167,000	-31%
FSD			
Qualification of borrowers outreach	1,765,391,365	3,029,000,000	-42%
Financers Skills Enhancement for Agribusiness	45,000,000	240,000,000	-81%
Agribusiness Product Development	75,470,000	455,000,000	-83%
Increasing Volumes of Agribusiness Finance	72,376,911	225,000,000	-68%
Consolidation of Lower Tier Financial Institutions	395,912,925	1,800,000,000	-78%
Risk Management Mechanisms in Agribusiness	-	330,000,000	-100%

	Actual 2014 (Ush)	Budget 2014 (Ush)	Variance (%)
Component Human Resource	1,035,557,839	740,000,000	40%
TOTAL FSD	3,389,709,040	6,819,000,000	-50%
G4G			
Fairer gender relations in select value chains	60,291,209		
Increased comp of women farmers and entrepreneurs	96,314,450		
Economic and legal justice for women	36,987,615		
Quality enhancement, learning, communication	33,511,450		
Inception management and G4G fund manager	46,912,750		
TOTAL G4G	274,017,474		
TRUST OPERATIONS			
Staff costs	1,597,902,592	1,989,169,000	-20%
Operational costs	3,910,105,440	3,052,539,000	28%
Capital Costs	555,430,145	1,138,591,000	-51%
Monitoring & Evaluation	480,947,680	583,740,000	-18%
Technical Assistance	989,297,297	360,000,000	175%
Income Tax	216,188,807	-	
TOTAL TRUST OPERATIONS	7,749,872,001	7,124,039,000	9%
GRAND TOTAL	43,666,895,422	60,815,206,000	-28%

1DKK = US\$ 450

In 2014, aBi Trust utilised US\$ 43.5bn, representing 72% utilization of the total budget for the period. Utilization in the year has generally been low due to a delay in receipt of funds that awaited the conclusion of the U-growth II agreement. The over spend on the human resources under the FSD was due to the retention of the NIRAS consultant.

The expenditure under G4G is a spillage of the old commitments made in the previous year that was paid off in 2014. These were final disbursements for the last activities of some projects under the programme. Although the G4G was not in the 2014 work plan, the funding for these disbursements was provided separately by the RDE under the G4G Fund.

Figure 11 : 2014 Financial Performance

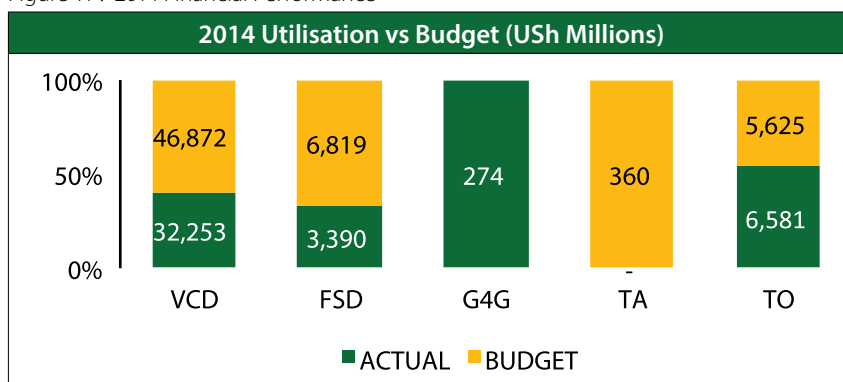


Table 23 : aBi Trust Statement of Comprehensive Income 1st January to 31st December 2014

	YTD Actual	YTD Budget	Variance	YTD Actual
	Dec 2104	Dec 2104		Dec 2104
	US\$	US\$	%	DKK
INCOME				
Grant income	43,450,706,611	59,676,616,328	-27%	96,557,126
Grant Income - KFW	1,242,519,292	560,000,000	122%	2,761,154
Interest Income - aBi	192,152,396			427,005
Management fees	528,476,960			1,174,393
Other grant income	25,050,214			55,667
aBi Trust Costs recharged to aBi Finance	1,900,525,522	1,462,616,722	30%	4,223,390
Other Income	-			-
Total income	47,339,430,995	61,699,233,050	-23%	105,198,736
EXPENDITURE				
By the Trust				
Value chain development	32,253,296,906	46,872,167,398	-31%	71,673,993
Access to Agricultural finance	3,389,709,040	6,819,000,000	-50%	7,532,687
Trade related SPS and QM management				-
Gender for Growth Fund	274,017,474			608,928
Technical Assistance	989,297,297	360,000,000	175%	2,198,438
Other trust Operations	6,544,385,894	5,625,448,930	16%	14,543,080
	43,450,706,611	59,676,616,328	-27%	96,557,126
By the KFW				
KFW disbursements	1,242,519,292			2,761,154
Foreign Exchange loss/ (gain)	(1,144,852,924)			(2,544,118)
Tax Expense aBi	216,188,807	606,785,015		480,420
Total expenditure	43,764,561,786	60,283,401,343	-27%	97,254,582
FUND BALANCE FOR THE PERIOD	3,574,869,210	1,415,831,707	152%	7,944,154

Table 24 : aBi Trust Statement of Financial Position as at 31st December 2014

	Actual	Budget	Var	Actual
	Dec-14	Dec-14	%	Dec-14
ASSETS	US\$	US\$		DKK
Cash and bank balances	2,879,248,820	2,718,647,394	6%	6,398,331
Fixed Deposits - aBi	17,000,000,000			37,777,778
Receivables	192,152,396			427,005
Other Receivables	802,237,161			1,782,749
Equipment	924,728,340	1,778,590,944	-48%	2,054,952
Total assets	21,798,366,717	4,497,238,338	385%	48,440,815
LIABILITIES				
Deferred grants	14,578,816,840	3,081,406,633	373%	32,397,371
Deferred grants - KFW	137,021,996			304,493
Other grants	20,222,419			44,939
Other payables	775,257,098			1,722,794
	15,511,318,352	3,081,406,633	403%	34,469,596
CAPITAL AND FUND BALANCE				
Fund balance as at Dec 2013	2,712,179,112			6,027,065
Fund balance for the period	3,574,869,209	1,415,831,705	152%	7,944,154
Total liabilities and net funds	21,798,366,673	4,497,238,338	385%	48,440,815

In the statement of Financial position of aBi Trust as at December 2014 (Table 24), total assets were 385% higher than budget due to the high closing cash balance of US\$ 20bn, of which US\$ 17bn was invested in Fixed deposits. These funds were received towards the end of the year and could not be utilized by the end of the year. The underspending on equipment was because items like Vehicle and furniture were not procured.

Differed grants are funds that have been received from RDE but not yet disbursed to implementing partners

The Grant income in the Statement of Comprehensive Income for the period ended December 2014 (table 23), comprised of proceeds from RDE for implementation of program activities amounting to US\$ 43.5 bn and other income of US\$ 25m relating to the assets handed over to the Trust by DANIDA. A total management fee of US\$ 528m was earned from KFW and US\$ 1.9bn earned from aBi Finance for the recharged costs.

6.2

Financial Performance for aBi Finance

The section highlights the financial performance for aBi Finance over the period 1st January to 31st December 2014

Table 25 : aBi Finance Statement of Financial Position as at 31st December 2014

	Actual Dec-13 USh	Actual Dec-14 USh	Budget Dec-14 USh	Var %	Actual Dec-14 DKK
ASSETS					
Cash and bank balances	690,701,349	739,948,974	672,292,797	10%	1,644,331
Government securities	18,255,736,563	17,908,619,019	22,061,608,453	-19%	39,796,931
Government securities - CGF		4,960,536,255	4,960,536,255	0%	11,023,414
Fixed Deposits	28,941,772,549	22,393,615,414	19,822,716,683	13%	49,763,590
Fixed Deposits- CGF		4,708,245,564	4,708,245,564	0%	10,462,768
Lines of credit	34,886,670,546	47,390,406,864	46,199,152,424	3%	105,591,720
Loan guarantee fees receivable	36,561,363	91,541,093			203,425
Deferred Tax Asset	303,795,000	(18,707,228)			(41,572)
Fixed Assets		435,000	40,150,000	-99%	967
Other Receivables	350,315,915	189,165,450			420,368
Total assets	83,465,553,284	98,363,806,406	98,464,702,176	0%	218,586,236
LIABILITIES AND EQUITY					
Liabilities					
Bad Debt	510,323,466	739,648,109	1,774,991,524	-58%	1,643,662
Other payables	368,290,082	433,155,231			962,579
Tax Payable	173,558,855	(734,431,279)			(1,632,070)
Construction Guarantee Fund		9,715,318,008	9,715,318,008	0%	21,589,596
Total Liabilities	1,052,172,403	10,153,690,069	11,490,309,532	-47%	22,563,756
Equity					
Capital Grants	61,564,867,581	61,564,867,581	61,565,867,581	0%	136,810,817
Retained Earnings	20,848,513,300	26,645,248,755	25,408,525,063	7%	59,211,664
Total liabilities and net funds	83,465,553,284	98,393,806,405	98,464,702,176	1%	218,586,236

In the statement of financial position (Table 25), the total assets of the company, as at 31st December 2014 were USh 98.3bn versus a budget of USh 98.5bn implying a slightly lower performance than budget. The under expenditure on the fixed assets budget line is because some equipment like Safe, Filing cabinets and scanner were not procured.

The company funds were invested in Lines of Credit, Fixed deposits and Government Securities. Investments in Lines of Credit and Fixed Deposits were above budget by 3% and 13% respectively. During the year 2014, there were new lines of credit extended to Post Bank, Crane Bank, Pride Microfinance, Centenary Bank, HOFOKAM, Agaru SACCO, Mushanga SACCO and Encot Limited.

Table 26 : aBi Finance Statement of Comprehensive Income 1st January to 31st December 2014

	YTD Actual Dec-13 USh	YTD Actual Dec-14 USh	YTD Budget Dec-14 USh	Var %	YTD Actual Dec-13 DKK
INCOME					
Interest Income	10,530,498,225	10,028,640,096	10,822,662,728	-7%	22,285,867
Lines of credit Fees	159,000,000	45,319,600	167,000,000	-73%	100,710
Loan guarantee fees	356,121,881	612,107,742	687,500,000	-11%	1,360,239
Management fees from CGF		203,079,444			451,288
Other Income	12,995,907	18,047,945		0%	40,107
Revaluation Gain/(Loss)	(502,326,468)	817,507,447	0	0%	1,816,683
Total Operating income	10,556,289,544	11,724,702,274	11,677,162,728	1%	26,054,894
EXPENDITURE					
Operating Expenditure	668,870,820	1,470,843,093	1,901,992,000	23%	3,268,540
aBi Trust recharged costs	1,509,082,170	1,900,525,522	1,462,616,722	-30%	4,223,390
Provisions for Bad Debts	(1,483,734,988)	455,220,363	1,315,979,538	65%	1,011,601
Total Expenditure	694,218,002	3,826,588,978	4,680,588,260	18%	8,503,531
					-
Profit Before Tax	9,862,071,542	7,898,113,296	6,996,574,468	13%	17,551,363
Income Tax	2,301,695,000	2,101,378,099	2,493,766,202	16%	4,669,729
Net Profit for the period	7,560,376,542	5,952,576,435	4,502,808,266	29%	12,881,634
Other comprehensive income	-	-	-	0%	-
Total comprehensive income for the period	7,560,376,542	5,952,576,435	4,502,808,266	29%	12,881,634

In the Statement of Comprehensive Income (Table 26), the total profit before tax was US\$ 7.9bn versus a budget of US\$ 7bn which is 13% above budget.

This was mainly due to;

- i. An under spend on budget of 23%.
- ii. a lower than budgeted provision for the impaired loan asset of guarantee beneficiaries that was made because of improvements in the loan books of the FIs
- iii. the revaluation gain of US\$ 817m due to the depreciation of the US\$ against the USD over the period,
- iv. and the management fee earned from the Construction Guarantee Fund

Total operating income was about the same as was budgeted. Lines of credit fees, though initially budgeted for, stopped being an income stream to comply with the money lenders Act. The general trend of Interest rates during the year was downward. The average yield on investments for the year 2014 was 12% compared to 13.22% in the previous year.

Figure 12 and 13 below, show the mix of the invested funds and the interest income earned. It also compares performance with the same period in the previous years. It can be seen that increasingly more of the funds are being invested in Lines of Credit, which is in line with the Investment policy.

Figure 12 : Interest Earning Assets – Balance Sheet

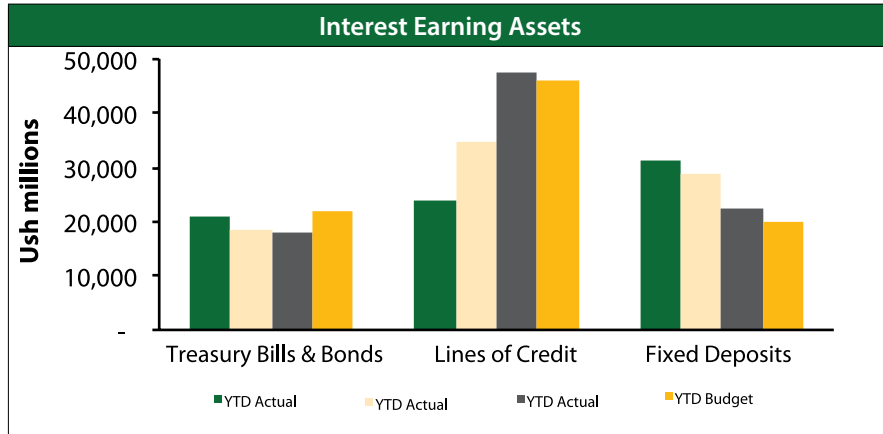
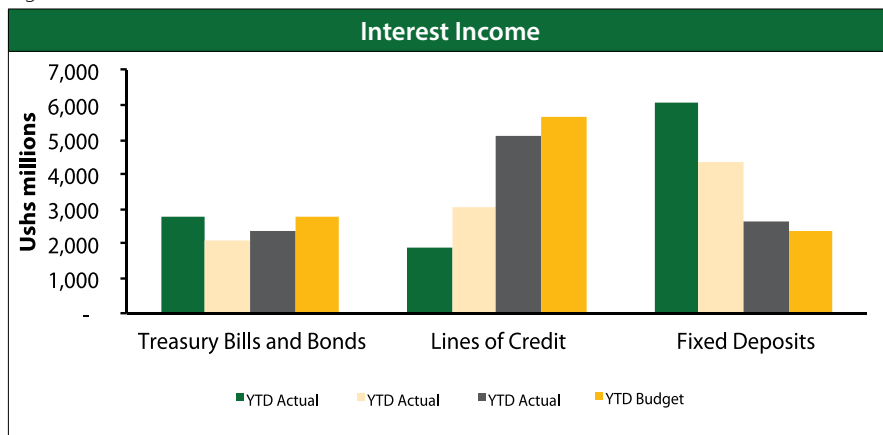


Figure 13 : Interest Income



6.3

Funding Status

During the year 2014, aBi Trust continued to get funding from development partners through the Royal Danish Embassy under the delegated corporation. The total funding received during the year for all programme activities was US\$ 41bn (DKK 91m).

The Royal Danish Embassy also concluded on the formulation of Phase II of Danida's support to the U-Growth Agribusiness Initiative Component. The support will continue to be for activities in the Value Chain Development subcomponent (VCD), Financial Services Subcomponent (FSD) and the Capital Management Subcomponent.

The activities supported will include elements of Green Growth and Human Rights Based approaches integrated into the interventions. The Capital Management component will be managed by aBi Finance, a capitalized institution extending lines of credit to banks and financial institutions for on lending to Agribusiness. In the course of the year, discussions got underway between the Royal Danish Embassy and prospective development partners interested in aBi as an appropriate vehicle for management of funds and programmes in support of the agribusiness development with emphasis in Northern Uganda.

The agreement signed in 2012 under the delegated cooperation between the Royal Danish Embassy and Embassy of the Kingdom of the Netherlands to support the Dairy sector in Uganda, continued to be in operation. This intervention of Euro 6.5m, was to run over three years.

However, this support only targets challenges related to market access and does not address the challenges related to production and productivity in the dairy value chain. Part of Danida's funds will be deployed to cover some of these shortfalls.

The management of UKaid's Crossroads programme that was contracted to aBi Trust in 2012 to manage a Construction Guarantee Fund (CGF) facility of US\$ 7.2 bn (£2m), was officially transferred to aBi Finance effective 1st January 2014. The facility is aimed at providing guarantees to SMEs in the road construction sectors through financial institutions. Under the management of aBi Finance, the funds continued to be invested in Treasury Bills and Fixed Deposits with an average yield of 13% against target of 12%. The fund has grown from a value of US\$ 7.2bn to US\$ 9.7bn.

Since November 2012 aBi Trust is the Project Executing Agent for the German development bank KfW's Uganda Rural Challenge Fund of EUR 8 million that provides matching grants between EUR 50,000 and 250,000 to Ugandan financial institutions for the development of innovative financial products and business approaches for rural financing. The fund was officially launched in April 2013. During the year 2014, US\$ 1.2bn was disbursed to financial institutions.

Table 27, shows the actual funds received from Danida to aBi, fund utilization by the business units over the course of the year and the balance carried into the 2015 work plan period.

Table 27 : Income received versus Expenditure as at 31st December 2014

Income streams from RDE	At year end	Received	Utilised	At the year end
	US\$	US\$	US\$	US\$
	Dec-13			Dec-14
Value chain development	18,333,888,793	27,868,583,512	32,253,296,906	13,949,175,399
Access to Agricultural finance	693,502,482	3,683,020,468	3,389,709,040	986,813,910
Trade related SPS and QM management	(1,070,501,429)		-	(1,070,501,429)
Gender for Growth Fund	(582,974,037)	856,991,511	274,017,474	-
Trust Operations	(1,117,532,577)	9,364,544,728	7,533,683,191	713,328,960
	16,256,383,232	41,773,140,219	43,450,706,611	14,578,816,840
Other income Streams				
Management fees - KFW	556,014,446	528,476,960	-	1,084,491,406
Management fees - CGF	424,915,228	-	-	424,915,228
aBi Finance	1,509,082,000	1,809,976,822	-	3,319,058,822
Interest Income	249,613,000	192,152,396	-	441,765,396
	2,739,624,674	2,530,606,178	-	5,270,230,852
GRAND TOTAL (US\$)	18,996,007,906	43,576,688,365	42,498,343,704	20,074,352,567
TOTAL (DKK)	42,213,351	96,837,085	94,440,764	44,609,672

In the year 2014, aBi Trust received US\$ 41bn (DKK 91m) from the Royal Danish Embassy, including funding from the development partners under the delegated corporation arrangement, for programme activities. However, by the end of the year 2014, US\$ 15m (DKK 33m) was not yet disbursed to the implementing partners. In the Value Chain development section, the undisbursed funds relate mainly to funds for the dairy value chain activities.

aBi Trust has over the years, also received a total of US\$ 5bn from other income streams including aBi Finance, KFW and CGF. The closing bank balance as at December 2014 was US\$ 20bn (DKK 45m) which is to be carried forward to the next work plan period.

7.0

Summary of
Lessons Learnt

Value Chain Development

1. Our support to market driven Implementing partners have proved to be a good entry point since these partners have a clear business plan which is sustainable and their work provides a forward and backward linkage to the ultimate beneficiary. These Implementing Partners also trigger production and productivity by acting as the market for small holder farmers.
2. Continuous building of capacity to farmer groups in record keeping and data capture need strengthening as this reduces costs associated with data collection and preserves project memories by implementing partners. In 2015, VCD will introduce yearly grantee experience sharing workshops where all IPs will be brought together to share their experiences and success formulas, including those in record keeping.

Financial Services Development

1. Management Information System (MIS) is a major challenge for most partner FIs and will be addressed in aBi interventions. MIS is also an important tool for integrating HRB issues as a cross cutting element in order to be transparent to their clients and also to address the constraints in the development of innovative products.
2. To achieve more impact as far as consolidation of lower tier FIs is concerned, we learnt that partnering with smaller apex organizations is more effective and is the approach to be used in 2015.
3. Integration of VCD, FSD and aBi Finance has shown significant impact and we plan on concentrating on this in 2015.
4. In order for our IPs to take up the integration of Green growth and HRBA activities into their interventions, there is a need to greatly subsidize these activities for now.

8.0

Highlights of
2014

Value Chain Development

Interventions to enhance productivity on the 6 supported value chains will be implemented in addition to mainstreaming activities of Green Growth, Human Rights and Gender. VCD will also continue to work with its existing SMEs and FOs/NGOs partners with strong linkages and maximum impact on economically active smallholder farmers. A few larger partners will be added in areas that are not well covered to maximize the attainment of targets while maintaining a manageable administrative burden. The key result areas are showed in Table 28

Table 28: Key Result Indicators and Targets for VCD

	Key Result Indicators	LOP Target 2014-2018	2014 Actual as at 31/12/2014	2015 targets
1	Additional revenue of the farmers (US\$ billions)	962	240	259
2	FTE jobs created	57,467*	20,103	24,185
3	Acreage under production (crop)	733,050**	359,224	208,480
4	No. of participating farmers adopting improved technologies	245,340	120,024	193,478
5	No. of demonstrations set up	20,448	4,893	9,830
6	No. of beneficiaries reached under aBi Trust supported activities	488,700	239,483	350,250
7	No. of Implementing partners supported under VCD by aBi Trust	115	63	84

It is assumed that Indicators 2, 4, 6 and 7 will increase by 20% every year, while indicator 3 in the table will increase by 5% every year and indicator 5 by 50% every year. Indicator 1 in the table is a business plan projection

Financial Services Development

In 2015, FSD will continue to support new and existing partner interventions aimed at increasing the availability of financial services through wider and deeper delivery mechanisms. Support will be given to the development of appropriate financial services products in the areas of savings, lines of credit to lower tier financial institutions to complement those supported under investment, skills development, insurance and other innovative ideas targeting the effectiveness of value chain actors.

Table 29: Key Result Indicators and Targets for FSD

	Key Result Indicators	L OP Target 2014-2018	2014 Actual	2015 Targets
1	New Savings (Volume)-US\$ bn	150	33	30
2	New Loans (Volume)-US\$ bn	300	123	60
3	New clients (Savings)	200,000	182,219	40,000
4	New clients (Loans)	100,000	64,058	25,000
5	New Branch delivery mechanisms	25	5	5
6	New Branchless delivery mechanisms	20	3	4
7	Number of SACCOs supported	150	28	30
8	Number of new products developed	15	2	3
9	Number of clients accessing agriculture insurance product	12,500	5,580	2,500

aBi Finance

I.) Bond Issuance

The process leading to the issuance of the Agricultural Bond is expected to kick off early in 2015 as per the time table detailed in Figure 14 below:

Figure 14 : Agribusiness Bond issuance plan

BOND ISSUANCE PROJECT PLAN					
Building the pipeline of credible borrowing and garnering strong investor support will be key					
Pre-issuance 1	Laying the Foundation 2	Pre Launch Preparations 3	Due Diligence 4	Investment Roadshow 5	Issue and Close 6
Nov '14 - Jan '15	Feb '15 - July	July '15 - Oct	July '15 - Oct	November	Nov - Dec
Finalisation of Bond Issuance Feasibility Report	Borrower Identification, assessment and capacity building	Appointment of Advisers	Borrower selection	Formal marketing Roadshow	Document Signing
aBi board meeting and approvals	Investor roundtable and pre-marketing	Structuring	Loan portfolio due diligence	Pre-selling	Listing
Stakeholder workshop/ roundtable		Negotiations	Stress testing		Closing
		Drafting Documents and opinions			
		Pricing			

II.) Clean Technology Fund

A clean technology fund shall be established to promote green-growth investments that impact agribusiness, tentatively US\$ 9bn is being set aside for project (for example) efficient production for agri-industry, renewable energy generation and application, the reduction of air and water emissions, moisture and soil conservation innovations.

III.) Socially Responsible Investments

The Socially Responsible Investments Strategy shall be finalized for implementation early in 2015.

Table 30: Key Result Indicators and Targets for aBi Finance

	Key Result Indicators	LOP Target 2014-2018	2014 Actual	2015 Targets
1	New LOC Loans Volume (US\$ bn)	82	17	16
2	New Guarantee Loans Volume(US\$ bn)	92	20	18
3	New LOC loan clients	50,000	10,996	10,000
4	New Guarantee Loan clients	100,000	19,706	21,000

Monitoring and Evaluation

In the coming year, key M&E activities will include the following;

	Key Result Indicators	2015 Targets
1	No. of monitoring and validation visits conducted	80
2	No. of Baselines facilitated	68
3	Sector Studies (aBi Trust) conducted	2
4	No. of internal evaluations conducted by M&E staff	56
5	No. of External Evaluations facilitated	48 (30% of IPs)
6	No. of External third party verification facilitated	48 (30% of IPs)
7	GIS and M&E Database development and rollout	continuous
8	DCED training for staff, IPs	Continuous

Internal Audit

In 2015 the Internal Audit role will continue to give assurance on the effectiveness of risk management, internal control system and governance processes of aBi. Major Key activities and targets in the audit function are shown in the table 31 below.

Table 31 Key Performance Indicators for Internal Audit

Key Performance Indicator	Target 2015
No. of IPs audited	30% of the total IPs in aBi Trust and 30% of the IPs in aBi Finance
No. of operational processes audited	10 audit reports on operational process such as(Grants Management Process, Monitoring & Evaluation, Procurement, Accounting & Finance Management Process, Human Resource Management, Administration, Information Technology, Governance Processes, Risk Management, and Legal & Compliance as well as aBi Finance products) submitted

Corporate Services

Table 32 : Key performance Indicators for Corporate Services

Key Performance Indicator	Target 2015
Employee Turnover	≤ 5%
Employee Learning and Development	75% of all Employees
Job Analysis and Evaluation	Job Structures and Job Grades in place
Public Relations (Media Engagements)	20 articles both in print and digital media
Production of Publications	Timely production of publications Quality of publications
Internal Communications /Employee Engagement	Bi annual newsletter for internal staff communications
Document archiving	Electronic Document archiving System
Data Backup Procedures	Strengthening of the offsite DRP in place by March 2015
Disaster recovery plan(DRP)	Implementation and having all staff trained in DRP by March 2015
ICT Vulnerability Testing	Tools will be in place to carry out vulnerability testing by March 2015

Pictorial Highlights



Svend Jensen, aBi Group CEO and P.K Gupta, MD Crane Bank sign contract for the Road Construction Guarantee Scheme. Looking on is Alex Mugova (on the right) of CrossRoads and (on the left) Josephine Mukumbya, aBi Finance COO next to Joytsna Ruparelia of Crane Bank (far left)



Opportunity Bank CEO receives grant worth 830 million from aBi's Peter Patel Ochienghs on behalf of KfW's Rural Challenge Fund.



aBi Group led by Peter Patel Ochienghs together with Anja Kramer of KfW to witness launch of Rural Challenge Fund partnership with Post Bank. Stephen Mukweli, MD Post Bank officiated.



aBi Development Partners joined by aBi Board in a group photo after a meeting at aBi office.



Official Launch of Bank on Wheels for Bank of Africa in Lira. aBi Funded this branchless banking mechanism to reach out to the unbanked population in Northern Uganda.



Hon. Gerald Ssendaula, aBi Board Vice Chairperson assists a dairy farmer to hold bicycle as he offloads a milk can at a Milk Collection Centre during the Board visit in South Western Uganda.



Some of the aBi Board of Trustees observe small scale coffee equipment operated by a farmer in Kigangaizi Coffee Farmers Association, Ssembabule.



Julius Omoding, CEO FINCA receives a partnership agreement for financing rural micro energy from Svend Jensen Group CEO at aBi.

A cross section of aBi Board of Trustees with a representative from Kyagalanyi during a coffee cupping session at Kyagalanyi Coffee factory in Mbale.



Albert Bruun, aBi Finance Board Chairperson examines a coffee plant at a farm in Sembabule during the Board field visit.



aBi Board Members observe a coffee nursery at a beneficiary's seedlings farm in Sembabule during Board field visit.

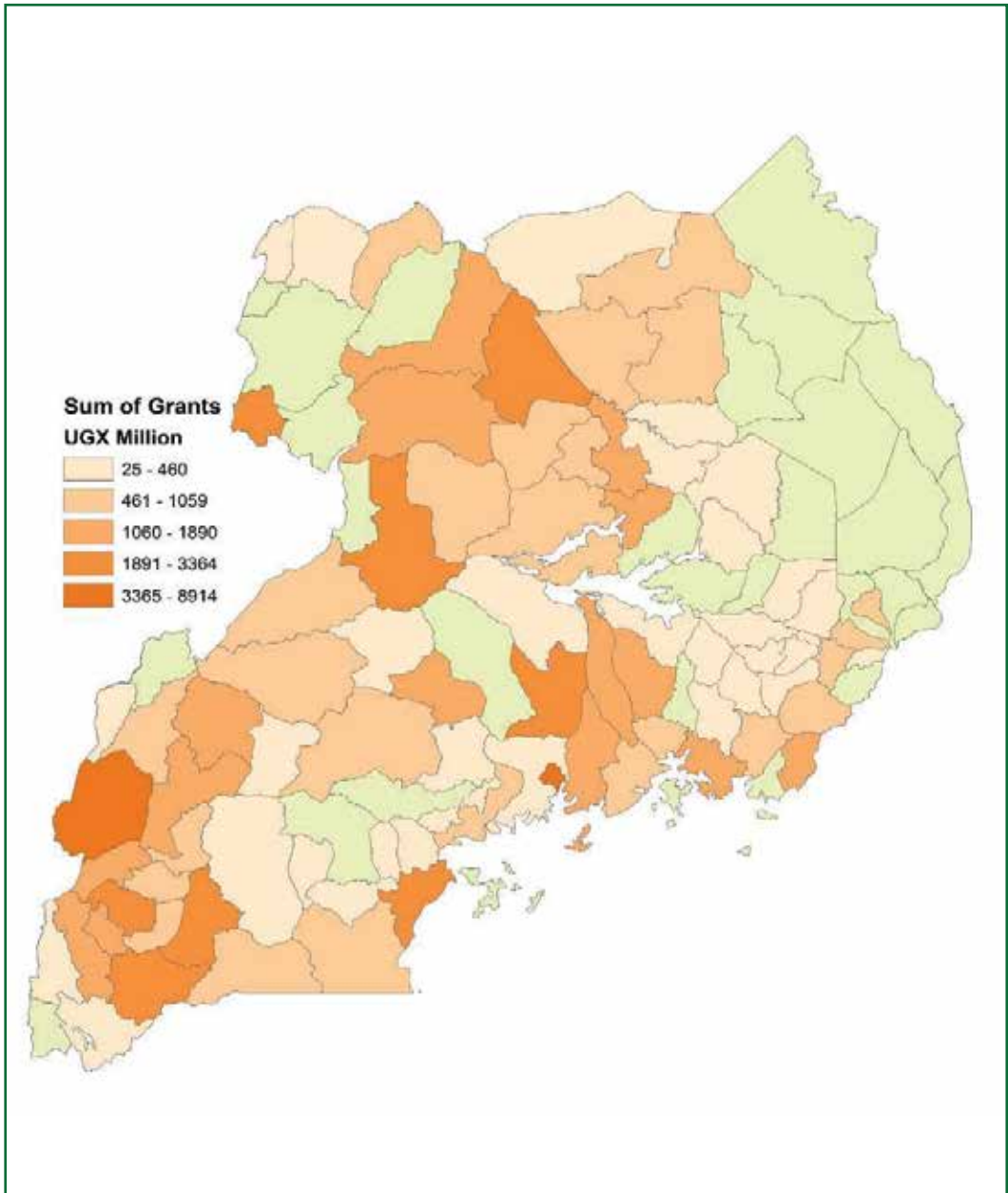


aBi Board members, Staff and Finance Trust Staff pose for a group photo in front of Finance Trust Bank after touring the Bank facility established with financial support from aBi to boost financial access to farmers in Kapchorwa District.

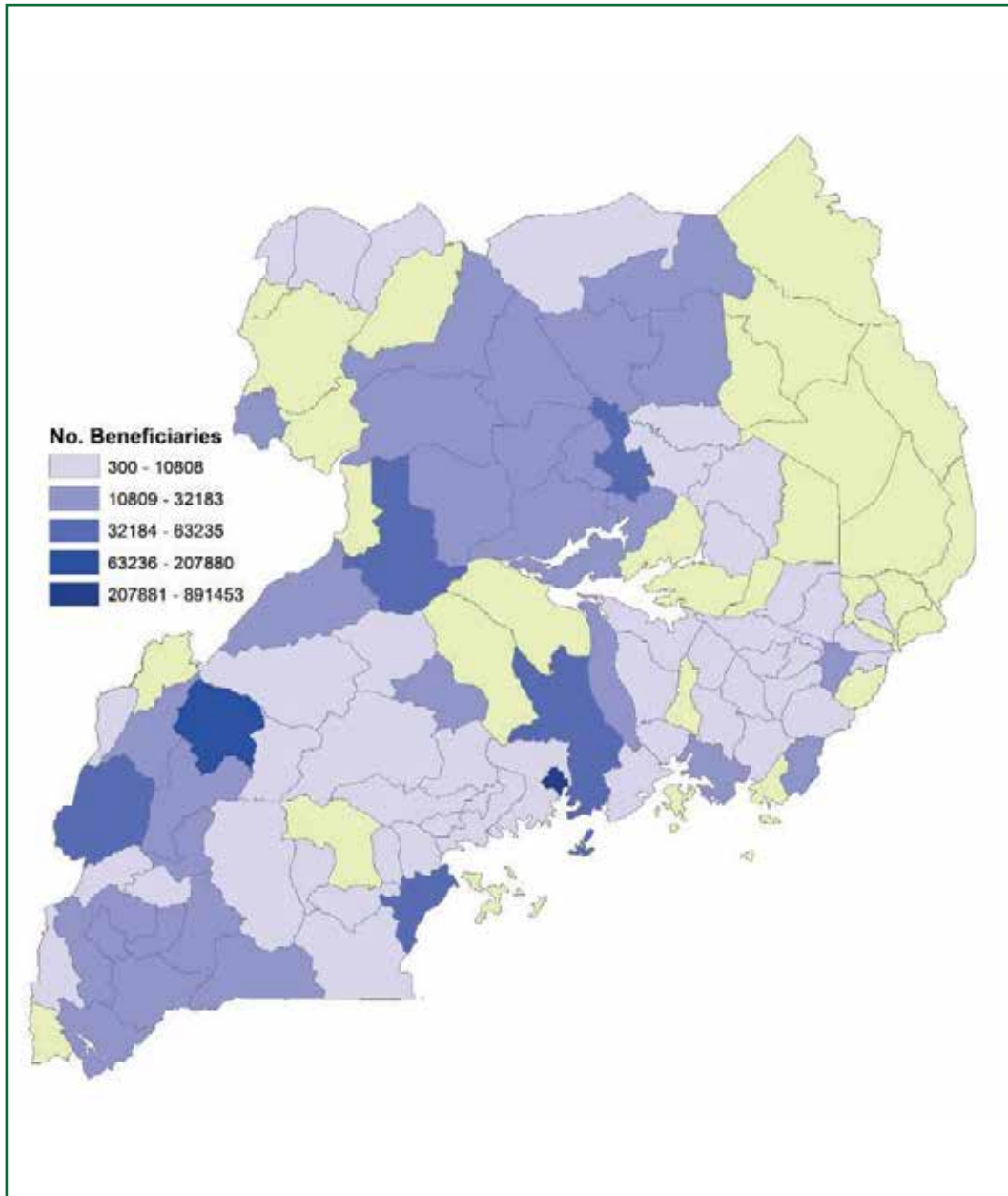


Appendices

APPENDIX I:
Map Showing the Grant Spread in the Districts in Uganda.



APPENDIX II:
Map Showing Beneficiaries in the Districts in Uganda





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