

# Annual Report 2015

aBi



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## Vision

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A competitive private sector-led agriculture in Uganda

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## Mission

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To Promote Private Sector Agribusiness Development to  
Enhance Wealth Creation in Uganda

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## Development Partners

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Ministry of Foreign Affairs of the  
Netherlands





## Our 2015 Achievements at a Glance

**US\$ 80**  
billion new savings

Agricultural loan  
portfolio of  
**US\$ 76bn**  
disbursed

**8**  
New rural FI branches  
established.

**16,000**  
Farmers insured  
themselves

**120,000**  
Clients access mobile  
saving & lending and  
micro-leasing & credits

**US\$ 260bn**  
Additional income to farmers

**15000**  
FTE Jobs Created

**167,000**  
Farming households  
adopting recommended  
agricultural practices  
increased their gross incomes

**86**  
Partners

Farmers sold  
**876,000**  
bags of coffee

Our partners worked with  
**500,000**  
farmers

Farmers sold  
**66 m**  
litres of milk, up 40%  
from 2014

**41,000**  
Loans made because  
our guarantee facility  
underwrote them

**29,000**  
Loans to farmers and SMEs

**12%**  
Capital fund growth

**12.5%**  
growth in aBi  
investments

**20,000**  
Additional Acres under crop  
production

**100**  
Operational Milk Coolers cost  
shared by Milk Collection  
Centres (MCC)

**10**  
Improved road milk tankers

**83**  
new agro dealer  
networks created

**2,195,000**  
stakeholders received  
market information through  
email & SMS

# Our Operations footprint

Operational in 93 Districts



Value Chain Development in 79 Districts







# Table of Contents

Our Achievements at a Glance	iii	<b>4.0 aBi Governance</b>	35
Map of Uganda showing coverage of aBi interventions by district, component and Funding concentration	iv	4.1 aBi Trust	35
Table of Contents	vi	4.2 aBi Finance	35
List of Figures	vii	4.3 Board Evaluation	35
List of Tables	viii	4.4 Board Succession	35
Acronyms and Abbreviations	ix	4.5 Training and Information Sessions	36
Chairpersons' Statement	1	4.6 Recruitment of New Group Chief Executive Officer	36
Statement by Group Chief Executive Officer	3	4.7 aBi Founders, Board Members, GCEO and Company Secretary	36
Year in Review	5	SHARED SERVICES	37
<b>1.0 Value Chain Development</b>	9	<b>5.0 Monitoring and Evaluation</b>	37
1.1 Achievements	9	<b>6.0 Risk and Compliance</b>	41
1.2 Challenges, Opportunities and Lessons Learnt in VCD	18	<b>7.0 Internal Audit</b>	43
1.3 Social Initiatives	19	<b>8.0 aBi Governance</b>	45
<b>2.0 Financial Services Development (FSD)</b>	21	8.1 Human Resource Management	45
2.1 Achievements	22	8.2 Communications	46
2.2 Challenges, Opportunities and Lessons Learnt	26	8.3 ICT	46
<b>3.0 aBi Finance</b>	27	8.4 GIS Project	46
3.1 Background and context	27	<b>9.0 Financial Performance Versus Budget Summary</b>	47
3.2 Achievements	27	9.1 Summary of Financial performance of aBi	47
3.3 Social Initiatives	34	9.2 Financial Performance for aBi Trust	47
3.4 Challenges, Opportunities and Lessons Learnt	34	9.3 Financial Performance for aBi Finance	50

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## List of Figures

---

Figure 1: Trends in value (US\$ bn) of aBi support 2013-2015	5
Figure 2: Additional income to beneficiaries (US\$ 'bn)	6
Figure 3: Number of additional FTE jobs	6
Figure 4: Growth Trends for supported IPs (2013-2015)	6
Figure 5: Changes in number and value (US\$'bn) of savings and loans under FSD support 2013-15	6
Figure 6: Trends in outreach 2013-2015	7
Figure 7: Percent of targeted farmers adopting recommended agricultural practices 2013-2015	7
Figure 8: Total Area (Acre) under crop production 2013-2015	7
Figure 9: Trends in value chain productivity per Kg/Acre 2013-2015	8
Figure 10: aBi value of investments in VCD (bn)	9
Figure 11: FSD Implementing Partners by Category in 2015	21
Figure 12: Changes in new savings volume, new loan portfolio and new accounts (2012 – 2015)	23
Figure 13: Portfolio Mix targets and actual as at 31 <sup>st</sup> December 2015	30
Figure 14: CGF Portfolio Mix as at 31 <sup>st</sup> December 2015	31
Figure 15: Interest Earning Assets – Balance Sheet	53
Figure 16: Interest Income	53

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## List of Tables

---

Table 1: Institutional efficiency and effectiveness	5	Table 14: Progress on Agribusiness Loan Guarantee Scheme	29
Table 2: Performance on Key Results Indicators and Targets for VCD	10	Table 15: Volume and Value of new loans disbursed by FIs over a period 01 Jan - 31 Dec 2015	29
Table 3: Performance against key indicators and targets for coffee- 2014-2015	11	Table 16: Progress on the CGF Scheme as at 31 <sup>st</sup> December 2015	31
Table 4: Performance on Key Results Indicators and Targets for Cereal Value Chain	12	Table 17: Cumulative Performance against targets as at 31 <sup>st</sup> December 2015	32
Table 5: Performance on Key Results Indicators and Targets for Pulses Chain	14	Table 18: Performance on key M&E results and targets	37
Table 6: Performance against targets for Horticulture Value Chain	16	Table 19: Changes in partner reporting quality (timely and showing improvement)	38
Table 7: Performance against targets for Oilseed Value Chain	17	Table 20: Performance Vs Budget by activity for the year ended December 2015	47
Table 8: Performance against Key Results and Targets for Dairy value chain	18	Table 21: aBi Trust Statement of Comprehensive Income 1 <sup>st</sup> January to 31 <sup>st</sup> December 2015	49
Table 9: Volume and value of new loans disbursed through LGS by FIs in 2015 by gender	20	Table 22: aBi Trust Statement of Financial Position as at 31 <sup>st</sup> December 2015	50
Table 10 Performance on Key Results Indicators and Targets for FSD	22	Table 23: aBi Finance Statement of Financial Position as at 31 <sup>st</sup> December 2015	51
Table 11: aBi Finance performance against 2014-2018 targets as at 31 <sup>st</sup> December 2015	27	Table 24: aBi Finance Statement of Comprehensive Income 1 <sup>st</sup> January to 31 <sup>st</sup> December 2015	53
Table 12: aBi Finance performance against 2015 targets as at 31 <sup>st</sup> December 2015	28	Table 25: Grant received versus Expenditure as at 31 <sup>st</sup> December 2015	54
Table 13: Breakdown of disbursements by Volume, Gender and Location as at 31 <sup>st</sup> Dec. 2015	28		



# Acronyms and Abbreviations

aBi	agricultural Business initiative	FI	Financial Institution
ACPCU	Ankole Coffee Producers Cooperative Union	FTE	Full-Time Equivalent
ALG	Agribusiness Loan Guarantee	FO	Farmer Organization
bn	Billion	FSD	Financial Services Development
BOD	Board of Directors	FTE	Full-Time Equivalent
BOT	Board of Trustees	FY	Fiscal Year
BOU	Bank of Uganda	GAP	Good Agricultural Practice
BP	Business Plan	GDP	Gross Domestic Product
COMESA	Common Markets for East and Southern Africa	GIS	Geographic Information System
CGF	Construction Guarantee Fund	GOU	Government of Uganda
CICS	Competitiveness and Investment Climate Strategy	G4G	Gender for Growth
COE	Centre of Excellence	HRBA	Human Rights Based Approach
DANIDA	Danish International Development Agency	IADG	Inter Agency Donor Group
DCED	Donor Committee for Enterprise Development	ICT	Information, Communication, Technology
DFCU	Development Finance Corporation of Uganda	IEC	Information Education and Communication
DfID	Department for International Development	IFDC	International Fertilizer Development Center
DKK	Danish Krone	IP	Implementing Partner
EAC	East African Community	KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
EFU	Energy, Fuel and Utilities	KYAPS	Kyamuhunga People's Cooperative Savings and Credit Society Limited
ESADA	Eastern and Southern African Dairy Association	LOC	Line of Credit
EU	European Union	LTTA	Long Term Technical Assistance
EUR	Euro	M	Male
F	Female	M	Million
FaaFB	Farming as a Family Business	MDI	Microfinance Deposit Taking Institution
FAQ	Fair Average Quality		

MFI	Micro-Finance Institution
M&E	Monitoring and Evaluation
MIS	Management Information System
MT	Metric Ton
NCSC	National Coffee Steering Committee
NDQA	National Dairy Quality Awards
PHH	Post-Harvest Handling
RDE	Royal Danish Embassy
R	Robusta
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 Authority
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

## Chairpersons' Statement



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



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

The agricultural sector contributes about 20.9% to Uganda's Gross Domestic Product (UBOS, National Population and Housing Census 2014 – Provisional Results, November 2014), is the main driver of the country's economy employing about 72% of the total labour force and is an area with substantial growth potential (NDP11). The Agricultural Business Initiative (aBi), is a group of registered entities namely aBi Trust and aBi Finance Ltd, a multi-stakeholder entity, co-founded by the Governments of Uganda and of Denmark in 2010.

Our investment fund developments compliment public and commercial investments, focusing on bottom-line outcomes that serve the rural economy.

Our interventions aim to increase land and labor productivity and market competitiveness which are developed to contribute towards poverty reduction, economic growth, employment, and wealth creation. In addition, aBi provides agricultural finance to the sector by means of lines of credit and loan guarantee schemes channeled through various Financial Institutions.

aBi is catalyzing agricultural transformation, towards a more competitive, productive, sustainable and private sector-led component of the economy. In fact, according to the Business Tendency Index, Agriculture is one of the sectors in which investors have optimistic perceptions

about doing business in the country (MOFED, Performance of the Economy January 2016).

We are keen to continue high quality support to our clients. In this regard, we have gradually brought down the number of implementing partners working with our products from about 148 in 2013 to 86 this year. This is in line with a strategic shift to focus our support to fewer, stronger and bigger impact market actors such as SME's aiming for value addition and exports for deeper and more meaningful relationships.

Last year, we entered a research and development phase of a new agricultural value chain financing instrument-the first ever Agribusiness Bond. This anticipated instrument is projected to boost Uganda's capital markets and most importantly integrate aBi products within the three components Value Chain Development (VCD), Financial Services Development (FSD) and aBi Finance. We also implemented the Kungula Agrinsurance product- leveraging the insurance sector role in support of agriculture and agribusiness in Uganda. aBi will continue to look out for and roll out innovations which optimize the impact of aBi in the agribusiness sector.

We are cognizant of the fact that our clients have expectations which we strive to achieve and to understand this better, we carried out a client satisfaction survey among aBi's stakeholders.



“

We are keen to continue high quality support to our clients. In this regard, we have gradually brought down the number of implementing partners working with our products from about 148 in 2013 to 86 this year. This is in line with a strategic shift to focus our support to few, strong and bigger impact market VCD actors such as farmer organizations for deeper and more meaningful relationships”

The team received a good score with 62% of the respondents rating the products and services as efficient.

aBi's outreach to smallholder farmers registered 18% increase from 422,000 in 2014 to 498,000 reached in 2015. In the process, aBi created more than 15,000 additional FTE jobs and 167,000 farming households, who adopted recommended agricultural practices, are now farming better and have improved their incomes.

Agricultural investment and growth continue to be constrained by a poorly regulated environment, amongst others where fake or sub-standard seed, fertilizer and agri chemicals diminish returns on farmers' efforts and investments, even causing their failure. Our plea is for Government to further strengthen their resolve to improve this situation as a matter of utmost priority.

Lessons we learn from our work lead to improving our engagement in the sector. For example, that we need to expand technical assistance to the processors and traders of agricultural commodities, and that combinations of technical assistance, concessional funding and commercial finance generally provide the strongest solutions. We also recognize that we need to move away

from traditional grant making, focusing instead on insisting that our partners' contributions are stronger. Uganda remains a high risk environment for all forms of investment and 2016 will see aBi's risk management strengthened.

We would like to thank the Founders, the Board of Trustees of aBi Trust, Board of Directors of aBi Finance, aBi management and staff for their continued support in what remains a high potential but often challenging environment. We would especially like to thank our colleagues on the Board of Trustees Eva Mukasa and Charles Ocici, who have diligently served their terms.

We welcome Sarah Walusimbi, Nadine Byarugaba, Nicholas Okwir, and Andrew Otengo Owiny who are new members to the Board. Our gratitude also goes to our Development Partners; the Royal Danish Embassy, USAID, SIDA, the Dutch Government, KFW and DFID for the trust that they have put in aBi to deliver high quality results and "Value for Money". As they say; trust comes as a turtle and leaves as a galloping horse! At aBi we will do our utmost to retain the confidence that our stakeholders have put in us.

Sincerely,



Lydia Ochieng-Obbo  
aBi Trust Chairperson, Director aBi Finance



Albert Bruun Birnbaum  
Founder, Chairperson, aBi Finance

# Statement by Group Chief Executive Officer



**Mr. Andre Dellevoet**  
Group Chief Executive Officer - aBi

I am confident that these results and new developments speak to aBi's commitment to efficient and effective delivery of agribusiness services relevant to the development of Uganda's agricultural and financial services sectors.

It is my pleasure and privilege to report that in 2015, aBi has continued to invest significantly in Uganda's agricultural sector; in an often difficult and challenging environment.

aBi is an organization and a corporate entity that works in perpetuity, with sponsors' funds

provided to deliver specific outcomes within an agreed period. Currently, aBi receives most of its funding to implement the agribusiness ambitions of the multi-donor 2014-18 U-Growth II programme and is well on its way to achieve or supersede those.

Target Business plan 2014-2018	Achievement 2014-2015
Additional income for value chain actors by US\$ 962 bn	US\$ 500 bn <sup>1</sup> in revenues for farmers
Create 89,217 new FTE jobs	35,000 new FTE jobs created
Increase in effective outreach (financial gain) by 488,700 <sup>2</sup> farmers	287,000 farmers.
Increase access to financial services to 200,000 new savings clients, 250,000 new loan clients through financial services development, Guarantees and Lines of Credit (12,500 new agriculture insurance clients) by 2018	288,000 new savings clients 148,000 new loan clients (LOC's, Guarantees under aBi finance and BDS via FSD)

I am happy to report that we conducted a final impact evaluation of our Gender for Growth programme, an innovative EUR 5.3 million DANIDA supported fund to improve incomes of agricultural households by fostering more gender-equitable relations at household and community level. The focus on doing this to improve incomes and resilience generated positive outcomes for more than 200,000 farming households. aBi now applies these

methodologies as standard in its work to support farming households.

## Critical projects and partnerships

In 2016, discussions will commence with aBi's Founders and Development Partners regarding future programmes beyond 2018. We hope that the positive track record of the past years will secure commitments for continued support.

In 2016 we will finalise and implement a restructuring of our organisations and will refresh our funds management instruments and procedures. This will see aBi Trust and

<sup>1</sup> This is based upon preliminary cumulative estimates which will be verified by an impact study planned in 2016.

<sup>2</sup> This is based on farmers who have realized increased gross incomes in their agribusiness as a result of aBi support

aBi Finance working in mixed teams applying a set of financial and non-financial instruments (the “mixed toolkit”) that better respond to agribusiness potentials and challenges. These are some of the changes our partners and clients can expect to see in 2016, from our busy agenda.

In 2015 aBi initiated several strategic partnerships to further increase our outreach, impact and efficiency. One such is with the Private Sector Foundation Uganda (PSFU) for development of a pipeline of PSFU members that would be eligible for aBi support. Other partnerships in early development are with organizations like Enterprise Uganda for business development support to aBi supported enterprises. We are also discussing with several additional opportunities to co-finance commercial agribusiness projects.

I am confident that these results and new developments speak to aBi’s commitment to efficient and effective delivery of agribusiness services relevant to the development of Uganda’s agricultural and financial services sectors. I look forward to achieving even better results together with our partners in the coming years.



Mr. Andre Dellvoët  
**aBi Group Chief Executive Officer**





# Year in Review

A selection of the key performance indicators for aBi are presented in Table 1 below.

**Table 1: Institutional efficiency and effectiveness**

Parameter	2015	Attained
	Target	31/12/2015
<b>aBi Trust</b>		
Total grant value disbursed	67bn	44bn (65%)
Total grant value disbursed - VCD	48bn	28bn (61%)
Total grant value disbursed - aBi	9bn	6bn (71%)
Number of partners	121	86 (71%)
Return on Investment (Additional income to beneficiary farmers)	259bn	260bn
<b>aBi Finance</b>		
Target yield	9%	11.98%
Value of investments (Ush)	112bn	117bn
Leverage: Utilization/20% of Fund	296%	360%
Return on Equity (Profit after tax/Equity)	5%	7%
Non-Performing Assets bad debts ( $\leq 90$ days)/Total outstanding loans	<5%	0%
Cot to income ratio (Operational costs (including bad debts provision)/Gross income)	$\leq 35\%$	31%
Claims Payout Ratio	<5%	1.70%

In Table 1, aBi Trust observed disbursement rates of 65% (VCD 61% and FSD 71%). This performance was due to a slowdown in disbursements when aBi undertook re-evaluation of implementing partners and new strategic thinking of working with a few but high impact IPs. aBi Finance performed well on its efficiency and effectiveness indicators, meeting and or working within its set targets.

**Figure 1: Trends in value (USH bn) of aBi support 2013-2015**

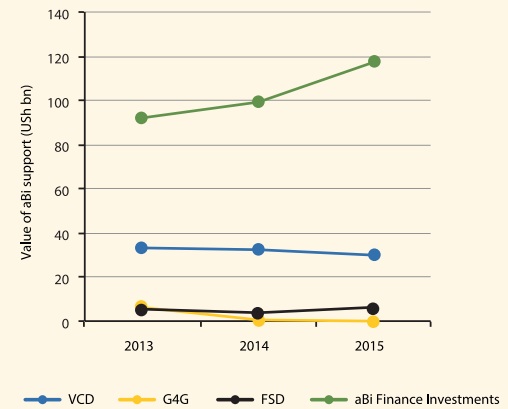


Figure 1 illustrates that aBi investments have grown overall to approx. USH 153bn from USH 136bn in 2013. aBi Finance invested USH 117bn and the rest of the investments of USH 30bn and USH 6bn came from VCD and FSD respectively. G4G standalone funding ended in 2013 and aBi now applies G4G methodologies as standard in its work to support farming households.

**Figure 2: Additional income to beneficiaries (US\$ 'bn)**

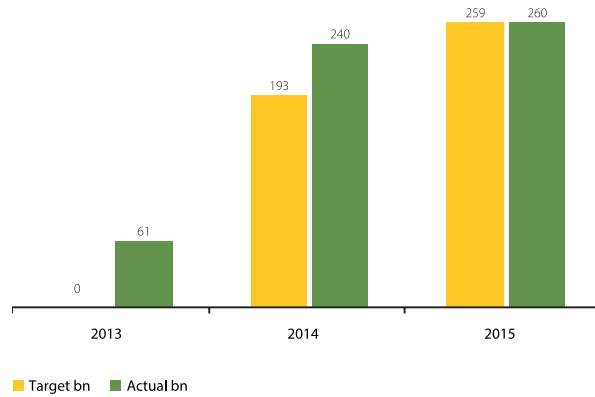
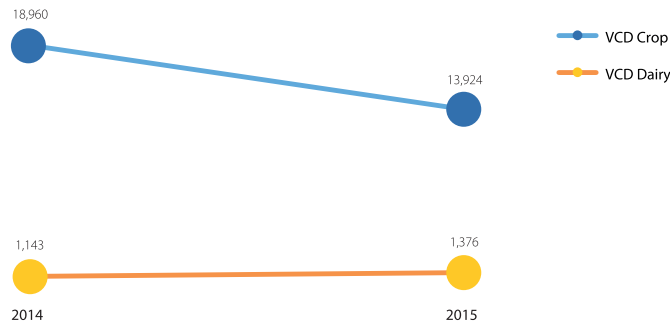


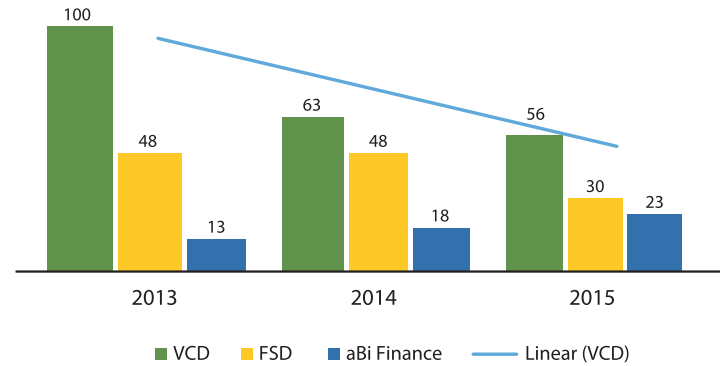
Figure 2 indicates that aBi facilitated an estimated US\$ 260bn total additional income to 167,000 adopting farmers in 2015, a figure US\$ 20bn higher than in 2014 and fourfold the achievement in 2013.

**Figure 3: Number of additional FTE jobs**



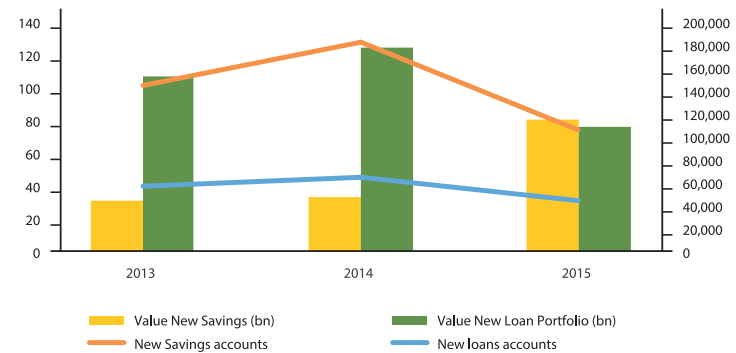
aBi created more than 15,000 additional FTE jobs along the value chains (Figure 3). The dairy value chain is creating an increasing number of additional FTE jobs as illustrated by growth between 2014 and 2015. Fewer partners received support in 2015 as indicated by the 65% disbursement rate thus the observed decline in FTE jobs.

**Figure 4: Growth Trends for supported IPs (2013-2015)**



Significant growth reduction in supported VCD and FSD Implementing Partners from 148<sup>3</sup> in 2013 to 86<sup>4</sup> in 2015 indicated in Figure 4, is a result of steps aBi took to address weaknesses in our pipeline development.

**Figure 5: Changes in number and value (US\$'bn) of savings and loans under FSD support 2013-15**



The observed increasing trend in value of the savings against reducing savings and loan clients in Figure 5 is attributable to a focus on more clients opening up savings accounts so as to access loans under the financial

<sup>3</sup> Includes 13 FIs supported by aBi Finance  
<sup>4</sup> Includes 23 FIs supported by aBi Finance

inclusion campaign. After initial financial literacy trainings in 2014, our emphasis for 2015 was saving more for agribusiness financing.

**Figure 6: Trends in outreach 2013-2015**

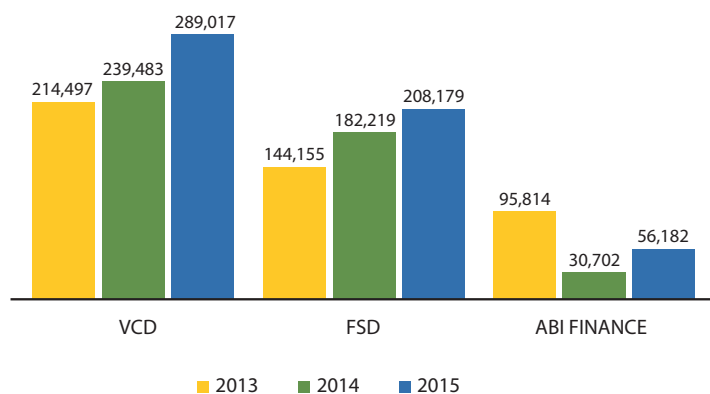
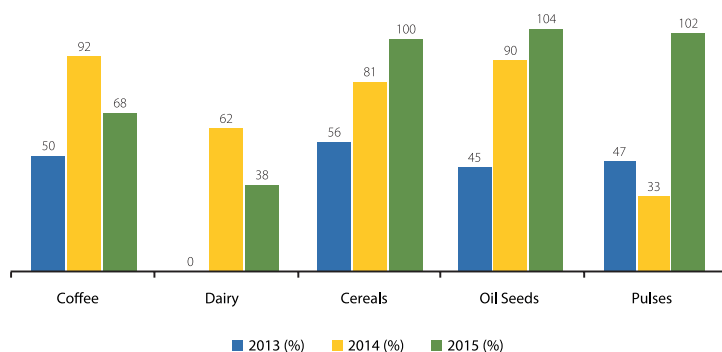


Figure 6, illustrates trends in outreach to smallholder farmers aBi registered a 18% increase in outreach from approx. 422,000 in 2014 to approx. 498,000 beneficiaries reached in 2015, a figure 42% higher the target of approx. 350,000.<sup>5</sup>

**Figure 7: Percent of farmers adopting recommended agricultural practices 2013-2015 against annual targets**



<sup>5</sup> This excludes the aBi Finance outreach which is a subset of VCD and FSD outreach

Approx. 167,000 farmers adopted recommended agricultural practices and increased their gross incomes. Figure 7 illustrates percent of targeted farmers adopting recommended agricultural practices 2013-2015. Cereals, oilseeds and pulses registered high success rate in 2015 due to aBi's emphasis on partnering with strong partners in the market among others. The 19% increase in the number of adopting farmers in cereals in 2015 was mainly due to the addition of the rice VC and working with strong partners in the market. 38% of the targeted 7000 farmers adopted recommended practices mainly related to milk handling and include late adopters that aBi trained and supported in 2014.

**Figure 8: Total Area (Acre) under crop production 2013-2015**

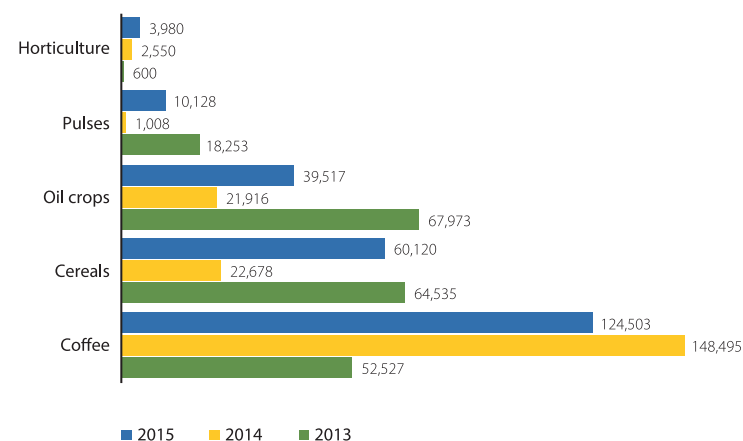
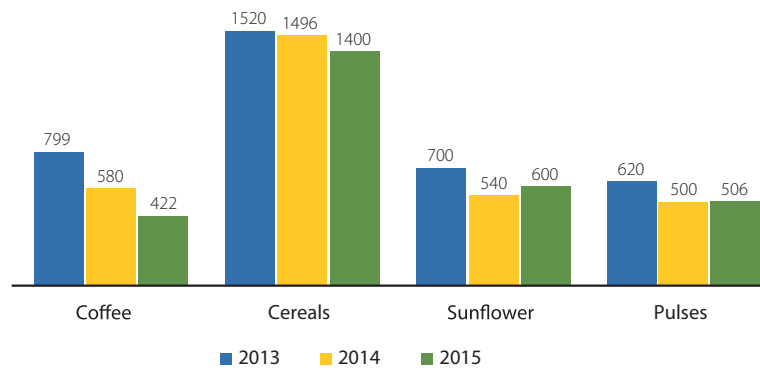


Figure 8 shows that the total area being farmed by farmers receiving aBi support greatly varied in comparison with the previous years. Compared to 2013, coffee and horticulture production increased significantly, while cereals and pulses remained static and oil crops declined. The contraction in total area under coffee from 148,000 Acres in 2014 to 125,000 Acres in 2015 was due to transitioning out of some projects and a focus on secondary production such as supporting quality coffee roasting.



**Figure 9: Trends in value chain productivity per Kg/Acre 2013-2015**



aBi uses partial productivity measures of yield per acre, per Kg, or per cow. A decline in productivity demonstrated in Figure 9 was registered in all value chains with slight deviation in maize where we observed no significant change in output. Given low irrigation utilization levels and limited fodder processing as well as unfavorable weather conditions all continued to affect farming yields.



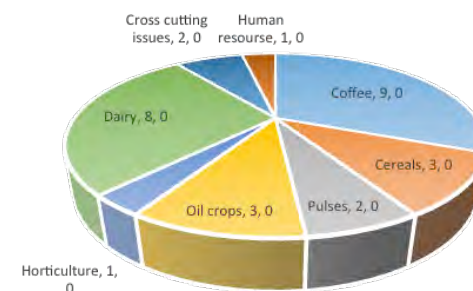
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## Value Chain Development

aBi adopts a value chain approach where small holder farmers and farmer groups are linked to markets, finance, inputs, equipment and information through larger commercial farmers and traders with the capacity to invest in these chains. Key intervention areas supported to-date include; establishment of demo sites or farmer field school as learning centers, value addition and storage facilities, farmer training in various Good Agricultural Practices and Post-Harvest Handling (PHH), support towards sanitary, phyto-sanitary and quality management systems, providing agricultural market information, and, integration of cross cutting themes of gender equity, green growth and financial services.

Value Chain	Number of IPs
Coffee	18
Cereals	15
Pulses	7
Oil seeds	8
Horticulture	4
Dairy	2
Market access	1
Agro inputs	1
<b>Total</b>	<b>56</b>

**Figure 10: aBi value of investments in VCD (bn)**



In 2015, aBi invested US\$29bn in its VCD programme through 56 Implementing Partners (IPs) and reached 290,000 farmers. The distribution of these investments across the six targeted value chains, cross cutting issues and human resources is demonstrated in Figure 10.

aBi has also invested in GIS technology to increase operations monitoring and reporting and in improving the quality of technical assistance to IPs and farmers.

### 1.1 Achievements

Table 2 highlights performance against key results indicators and targets for VCD. The table indicates 52% success against the Business Plan (BP) target of US\$ 962bn and 100% against the annual target in creating additional revenue for farmers and agribusiness enterprises. The growth from 2013 to 2014 reflects aBi's gathering momentum.

Challenges are noted in the area of employment creation where 63% of the indicator target was achieved in 2015 and 39% against BP target. The decline in the additional FTE jobs in the VCD crop value chains in 2015 was due to closeout of projects under U-Growth I. Fewer partners received support in 2015 as indicated by the 65% disbursement rate.

**Table 2: Performance on Key Results Indicators and Targets for VCD**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>6</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
Additional revenue of the farmers (billions)	962	259	260	100	500	52
FTE jobs	89,000	24,000	15,000	63	35,000	39
Acreage under production (Crop)	733,000	208,000	234,000	113	593,000	81
Demos supported	20,000	10,000	10,000	100	15,000	75
Participating farmers adopting improved technologies	489,000	193,000	167,000	87	287,000	59
Implementing Partners supported under VCD	115	84	56	67	119	103

Data Source: IP Progress reports 2015

The data also shows that 87% of participating farmers in 2015 comprising of a total of 167,000 farmers, adopted improved agricultural practices, and earned additional income of approx. US\$ 260bn.

### 1.1.1 Coffee

aBi worked with 18 IPs to implement 20 projects and reached a total of 119,000 farmers with interventions aimed at improving productivity and competitiveness through training farmers in Good Agricultural Practices (GAP); support to production of clean planting materials; support to value addition activities; pest control; certification; market access; integration of gender and Green Growth initiatives.

With aBi support, eight (8) secondary processing facilities are operational and a newly commissioned secondary coffee grading facility and laboratory at Ankole Coffee Cooperative Union (ACPCU) has eased quality assurance challenges.

Interventions supported 143 coffee nurseries which produced over five million disease free seedlings. A total of 1,928 demonstrations on GAP covering soil and water conservation, water harvesting with basic irrigation technologies, fertilizer application, pruning, marketing, postharvest handling were supported. Additionally, 33 micro centers under the Center of Excellence (COE) and approx. 1,400 village savings and loan associations (VSLAs) were established.



<sup>6</sup> All figures in tables are adjusted to the nearest significant figure



Through a joint aBi collaboration with UCDA and technical input from the Coffee Quality Institute (CQI), aBi trained over 40 individuals in Robusta grading and 30 of these are now licensed Robusta graders. Two out of the eight R-certification instructors are Ugandans.

To support the national extension effort, MAAIF's coffee training manuals and guidelines were

printed, distributed and popularized through the district coffee shows in 2015.

aBi supported the finalisation and approval of the National Coffee Strategy by supporting National Coffee Steering Committee (NCSC) and 32 district coffee shows held in 2015.

Lastly, aBi supported efforts to develop and document the Ugandan coffee profile re-

aligned with international standards, specifically in the specialty trade. The profile will further facilitate strategic linkages especially for fine robusta.. One challenge facing farmers is that the documentation has not been produced in local languages, something aBi will consider. Table 3 below illustrates aBi performance against key indicators and targets.

**Table 3: Performance against key indicators and targets for coffee- 2014-2015**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>5</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
Additional FTE jobs created	20,000	11,000	10,000	91	16,000	80
Area under crop in acres	94,000	93,000	125,000	134	273,000	290
Volume produced (60Kg bags)	388,750	1,600,000	876,000	55	2,320,000	
Average yield/acre equivalents	N/a	630	422	67	422	NA
No. of participating farmers adopting improved technologies	89,000	62,000	42,000	68	90,000	101
No. of demos set up	16,000	3,000	2,000	60	4,000	26
No. of farmers benefiting from aBi supported activities	218,000	126,000	125,000	99	235,000	108
No. of IPs supported	55	27	18	66	18	33

Source IP reports

<sup>7</sup> All figures in tables are adjusted to the nearest significant figure.

Adoption of improved agricultural practices registered 68% achievement in 2015, exceeding the business plan's target. This was augmented by the concurrently implemented national replanting programme. The results however indicate that aBi is lagging behind on 2014-2018

targets for number of IPs and number of demos set up. While national campaigns are essential in catalyzing initial uptake, sustained good agricultural practice requires ongoing efforts and resources for continuing farmer development such as the planned demos. The total area

under coffee cumulatively grew to 273,000 acre equivalents by 2015, a figure close to triple the 2014-2018 targets.

As a result, aBi supported coffee production volume grew by 876,000 (60Kg) bags against a target of 1,600,000 (60Kg) bags in 2015, a 55%

achievement. These positive achievements are contributing to Uganda's strengthened position on the high value specialty/fine coffee markets. The raised international market confidence in Ugandan coffee is demonstrated by its entry into 13 new international markets in 2015. aBi supported farmers more than doubled their annual coffee exports from 68 containers to 150 containers between 2013 and 2015. Uganda exported 3.455 million bags worth \$410 M (UCDA

coffee year 2014/15). These results confirms aBi's significant strategic role in the sustained growth of the coffee value chain.

### 1.1.2 Cereals

aBi is supporting sixteen (16) IPs and directly reached 73,651 farmers with interventions aimed at improving productivity and quality by training farmers, agribusinesses and other key actors in

GAP, establishment of demonstration gardens, and post-harvest handling; promotion of marketing and quality enhancement, primarily in maize and rice value chains; support to value added activities through support to production of quality seeds, and strengthening of bulking as a collective marketing practice. About 3,700,000 tonnes of cereal crops were produced in 2014 nationally. Table 4, Performance on Key Results Indicators and Targets for Cereal Value Chain are presented below.

**Table 4: Performance on Key Results Indicators and Targets for Cereal Value Chain**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>6</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
New FTE jobs created	1,244	1,000	1,000	100	2000	156
Total acreage under cereals	28,000	60,000	60,000	100	83,000	291
Total Production volume (MT)	485,000	118,000	84,000	71	118,000	24
Average yield per acre (Kg/acre)	-	1,400	1,400	100	1,400	
No. of farmers adopting GAPs	49,000	60,000	60,000	100	79,000	163
No. of farmers benefiting from aBi supported activities	50,000	92,000	74,000	80	107,000	214
No. of IPs supported	25	25	16	64	32	128

Source: IP reports

<sup>8</sup> All figures in tables are adjusted to the nearest significant figure

Table 4 shows that aBi is meeting its business plan targets for the cereal value chain. This has been mainly enhanced by introduction of rice and barley in 2015. The cereals value chain has witnessed high adoption rates and FTE job creation.

Approx. 60,000 farmers have adopted good processing practices, mainly cleaning, sorting and drying, realizing additional incomes of approx. US\$62bn from the sale of their produce. Adopting maize farmers reported improved gross margins averaging US\$500,000 compared to US\$300,000 reported by non-adopters. Likewise, adopting rice

farmers reported improved gross margins of up to US\$900,000 per Acre up from US\$500,000 per Acre prior to adoption. This observed continuous improvement demonstrates that aBi is on a clear path towards enhancing farmer's income and improved livelihoods through targeted support to agribusiness.

Table 4 further reveals that the total cereal chain production volume was 84,000MT against the planned 118,000MT or 71% of the 2015 annual target indicating 24% progress against the BP target of 485,000MT. aBi is exploring a variety of additional bespoke technical assistance and BDS options to this value chain.

### 1.1.3 Pulses

Characterized by small scale farmers cultivating an average of 0.25 acres to 1 acre, low inputs, and overly recycled seeds are pervasive. Farmers, who are mainly women, perform most of the farm activities including harvesting, threshing, drying, sorting, cleaning and packaging and are located in remote areas. Market access is mainly through middle men/village collectors at farm gates who bulk and resell in bigger towns. Although beans are predominantly considered a food security crop, aBi is influencing a shift in this perception and farmers have started engaging in bean production as a commercial enterprise. Volumes produced and sold are gradually increasing each successive season.

aBi support to this value chain is to improve access to quality seeds, increase production; expand market access through collective marketing to minimize the role of middlemen; improved storage; capacity building; and credit training. Through support to use of VSLAs support, aBi promotes a culture of saving and investment for growth among farmers and a total of 755 operational groups saved a total of USh2.3 bn in 2015.



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aBi support to this value chain is to improve access to quality seeds, increase production; expand market access through collective marketing to minimize the role of middlemen; improved storage; capacity building; and credit training.

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Table 5 below illustrates aBi performance on key results and indicators for the pulses value chain.

In 2015, aBi supported 7 out of the planned 15 IPs. The pulses value chain has to-date created 2000 jobs against the Business plan target of 1600 FTE jobs. It is clear that in the coming years efforts need to be doubled if aBi is to achieve the targets in this VC.

Acreage under pulse cultivation has accumulated to 8,316 Acres which is more than double the BP target. Our production volume target of 4,800,000Kgs was surpassed by 6% and yield per acre was registered at 506Kgs per acre, 94Kg below the targeted 600Kgs per Acre. aBi will continue investing in BDS, aimed at increasing soil productivity. The number of participating farmers adopting improved agricultural practices grew by 23,000, indicating that a

growing number of farmers are increasingly earning additional revenue in this value chain. Community seed multiplication contributed to the production of 400MT of seeds by 1,220 farmers who sold the output produce to seed companies at an average price of US\$2,000 per Kg, earning farmers a total income of US\$800M. The aim was to increase farmers' access to improved seeds.

**Table 5: Performance on Key Results Indicators and Targets for Pulses Chain**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>8</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
New FTE jobs created	1,000	1,600	2,000	106	2,000	193
Production volume (Kgs)	-	4,800,00	5,060,000	105	-	-
Total acreage	4,000	8,000	10,000	122	11,000	261
Average yield per acre	NA	600	506	84	506	
No. of participating farmers adopting improved technologies	22,000	22,000	23,000	102	26,000	121

Source: IP reports

Efforts contributed to average yields of 500 Kg per acre up from 200Kg per acre for non-adopters. Pooled produce attracted an average price of US\$1,500 per Kg sold as compared to US\$1,200 per Kg earned by farmers who sold individually. The adopters reported an average gross margin of US\$500,000 per Acre as compared to gross margins of US\$340,000 per acre of non-adopters.

Overall, 175% of the annual target of creating access to new markets was achieved. Seven new organized markets, including World Food Programme and the export market, were accessed. An example of the export market is the Manyakabi Area Cooperative Enterprise (MACE) which exported 200MT to Rwanda and is a WFP supplier.



<sup>9</sup> All figures in tables are adjusted to the nearest significant figure



## 1.1.4 Horticulture

Horticulture is one of the value chains that has high potential to increase farmers' income. However, it is still constrained by poor inputs/planting materials; quality products for the export and domestic markets and weak organization/ investment at different levels in the chain. Initial support is focusing on support to hot pepper and chillies, in standards compliance and quality enhancement.

**Table 6: Performance against targets for Horticulture Value Chain**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>a</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
Additional FTE jobs created	312	648	461	71	537	172
Total volume produced and exported (MT)	7,500	1800	681	38	1,000	16
No. of participating farmers adopting improved technologies	21,000	20,000	17,000	83	24,000	114
No. of farmers benefiting from aBi supported activities	41,000	20,000	17,000	84	30,000	73
No. of IPs supported	8	5	4	80	7	88

Source: IP reports

Development of the value chain created approx. 460 FTE jobs against the planned 650 in 2015. To-date aBi has created approx.500 FTE jobs against a BP target of 312 FTE jobs.

In 2015, aBi surpassed its targets for setting up greenhouses (8 out planned 5); nurseries (12 out of planned 5 and number of Demos (100 against planned 50). The area under coverage is still at 68% resulting in low productivity at 16%.

The data indicates that aBi achieved 38% of its annual production volume and 16% of its BP target to-date. This performance is due to a sectoral challenge related to horticultural export

standards whereby The Ministry of Agriculture, Animal Industries and Fisheries intervened suspending horticultural export licenses for exporters and re-assessed them to ensure compliance with the EU market requirements.

To improve on sector performance, aBi supported production of clean planting materials, training in GAPs and market requirements, as well strengthening of some hot pepper exporters. Consequent to aBi intervention, farmers are meeting EU standards requirements and were later able to export 519 MT of hot pepper, earning an average farm gate price of US\$8,000 per Kg.

More so, a total of 12 nurseries managed by four IPs were supported and produced about 1,300,000 seedlings of mangoes, oranges, Passion fruits and hot pepper, among others. Close to 17,000 farmers were trained in GAPs, quality management and accessed the clean planting materials.

Close to 17,000 out the planned 20,000 participating farmers adopted improved technologies by end of 2015 and earned additional income from agribusiness in the horticultural value chain.

<sup>10</sup> All figures in tables are adjusted to the nearest significant figure

### 1.1.5 Oilseeds

The Oil crops sub-sector experiences low access to quality inputs, market challenges, inadequate extension services and lack of access to finance. aBi partnered with eight (8) IPs that reached 42,457 farmers with support to GAP in sunflower, soybeans, groundnuts and sesame including establishment of demonstration gardens and introduction of quality seeds; establishment

of collective marketing centers and marketing linkages are supported; gender mainstreaming, and promotion of youth participation. Supported Centers of Excellence (CoE) are now being used as training venues for farmers in oilseeds production, processing and marketing aspects within the regions and are attracting other development organizations. These include: Gulu ZOA, ADRA, Busia VSO, CLUSER International and IFDC.

A total of 23,000 (104%) target farmers adopted recommended agricultural practices. Yields of up to 600Kg per Acre have been registered among adopters compared to 450kg per acre for non-adopters.

**Table 7: Performance against targets for Oilseed Value Chain**

Key Result Indicators	Specific Value Chain	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>9</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
<b>Additional FTE jobs created</b>		2,500	9,000	735	8	1,000	42
<b>Area under crop in acres (Acres)</b>	Sunflower	51,000	45,000	40,000	88	61,000	120
	Sesame						
	Soybeans						
	Groundnuts						
<b>Total volume produced,</b>	<b>Oilseed</b>	200,000	89,000	65,000	73	65,000	33
<b>No. of participating farmers adopting improved technologies</b>	Sunflower	87,000	23,000	23,000	104	61,000	71
	Sesame						
	Soybeans						
<b>No. of farmers benefiting from aBi supported activities</b>	Sunflower	145,000	50,000	42,000	85	111,000	77
	Soybeans						
	Groundnuts						
<b>No. of IPs supported</b>		29	10		80	8	28

Source: IP reports

<sup>11</sup> All figures in tables are adjusted to the nearest significant figure

A total of 23,000 (104%) target farmers adopted recommended agricultural practices. Yields of up to 600Kg per Acre have been registered among adopters compared to 450kg per acre for non-adopters.

With the completion of six (6) bulking centers, there was ease to market access for sunflower in the Lango Sub-region. Both training and marketing interventions contributed to stable prices at an average of US\$1,000 per kg of sunflower compared to US\$600 per kg before intervention. Over 200,000 farmers have been trained in value addition and product development, market access and group management. This contributed to practical knowledge and information on the oil seeds sector among the beneficiaries, hence strengthening of the value chain.

### 1.1.6 Dairy Value Chain

The dairy value chain support focused on support to primary cooperatives by provision of milk coolers, mini labs and other equipment, transportation; extension services; support to productivity enhancement related to herd nutrition, health and genetics. Table 8 illustrates aBi performance against key results and targets for dairy value chain.

“We have had an opportunity of getting a cooler from aBi trust which liberated us from the sole buyer who had monopolized the milk market. But with the new cooler we sell our milk to whoever gives the best farm gate price”.

#### Natumanya, a dairy farmer

**Table 8: Performance against Key Results and Targets for Dairy value chain**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>10</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
New FTE jobs created	5,000	822	1300	168	2519	52
Herd size under production	82,000	97,000	73,000	76	73,000	90
Total volume of milk produced annually (million Ltrs)	357	86	66	77	149	42
Average yield per cow per day	12	9	5	56	5	42
Total volume of milk sold a year (million litres)	250	60	59	98	134	54

Source: IP reports

<sup>12</sup> All figures in tables are adjusted to the nearest significant figure

aBi increased the herd size to approx. 97,000 cows in 2015, successfully accomplishing its 2014-2018 BP target. The dairy value chain succeeded in growing additional FTE jobs as illustrated by a 168% achievement on the 2015 target resulting in a 52% success rate in meeting the 2018 target of close to 5000 additional FTE jobs. The annual volume of milk sold increased by 2015 by 40% compared to 2014 and at improved farm gate

prices (an average of US\$700 up from US\$450 per litre). This is explained by a good performance on the creation of milk collection centers 2015, an area where aBi achieved 124% of its 2015 target. These results speak to the increasing success, we are achieving in enhancing dairy productivity. Our targets for increased milk production were achieved with 77% success in 2015, putting aBi on track to meeting its 357 Million liters of milk sold



## Gender mainstreaming is ensuring value addition

Women in one cooperative group receiving technical assistance in the VCD component, also joined a village savings and loans association (VSLA).

They have now used savings accrued from their VSLA and procured a milk pasteurizer and other equipment which they currently use to add processed milk into yoghurt.

Their enterprise produces 200 litres of yoghurt daily and a planned expansion to 1,000 litres is underway to meet local demand in this particular sub-County of Kiruhura district

Approximately 36% and 28% of our LoC and agribusiness loan guarantee beneficiaries were female in an environment where the value of the new loans also grew by 50% to US\$ 126bn in 2015, up from US\$ 84bn in 2014. These are desirable results for aBi as participation and financial inclusion of marginalized groups in agribusiness remains a cornerstone for current and future aBi programming.

each year by 2018. Less than 50% of the targeted farmers in 2015 adopted recommended practices beyond milk handling leading to less than optimal average yield per cow per day at 5 liters per cow per day influenced by poor breeds.

During the year under review, aBi under a cost-share arrangement, availed technical inputs including 10 road tankers; 100 milk coolers; 92 generator sets and 92 assorted lab kits for dairy farmers under Uganda Crane Creameries Cooperative Union (UCCCU) in south western Uganda. This equipment is improving efficiency and quality of dairy operations. The Ambassador of Denmark and the Deputy Ambassador of Netherlands commissioned this support to the sector. Farmers were also trained in organization development, business planning, productivity enhancement and gender mainstreaming. The support in the dairy sectors leverage aBi's clean technology strategy thus the procured equipment is energy efficient and environmental friendly. In 2016, aBi intends to deepen support and expand intervention coverage to consolidate gains in productivity enhancement.

## 1.2 Challenges, Opportunities and Lessons Learnt in VCD

» During our work, we identified a need to broaden our scope of work within some of the value chains, in particular cereals, to also involve other cereals like rice, sorghum, millet, etc. This lesson has helped us strengthen our strategy by including parts of Northern

and Eastern Uganda in line with cluster specialization/Government zoning and our strategy to work with high impact partners with the necessary technical and financial capacity to implement the projects.

- » Farmers and traders had market opportunities for the increasing horticultural trade. Unfortunately, quality issues hinder the value chain and at times resulted in rejection of consignments to regional markets and/or suspension of the export license by MAAIF. We learnt that aBi has a critical role in enhancing capacity for production of clean planting materials, training in GAP and market requirements, meeting EU standards requirements.
- » Sustaining supply to meet demand is a challenge at individual farmer levels. However we have learnt that village bulking centers can be useful in aggregating produce. This is an opportunity we would like to explore and support further.
- » There is a challenge of consistently producing adequate volumes to meet the growing demand. There is an opportunity to continue working through organized farmer groups to better coordinate capacity building efforts and increase production volumes and quality. The issue of sustaining supply is also related to effects of weather which limits area under production. aBi is exploring ways of supporting irrigation initiatives.

### 1.3 Social Initiatives

The aBi strategy initially developed in 2014, guides 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 through its entities, encourage practices that promote environmental stewardship, consumer protection, human rights and diversity.

#### Gender

A recent evaluation of the Gender4Growth programme showed that “Farming as a Family Business” (FAB) was one of the most important and successful elements of the programme<sup>13</sup>. aBi will therefore continue with FAB and combine it with the promotion of women’s economic and social rights and entrepreneurship skills development. This is expected to result in outcomes at the farm level in the Value Chain through more equal distribution of gender roles and responsibilities in farm management and Good Agricultural Practices (GAP). We have witnessed women plough their benefits from financial inclusion efforts and add value to supported chains.

<sup>13</sup> G4G Evaluation Report, final 2015.

**Table 9: Volume and value of new loans disbursed through LGS by FIs in 2015 by gender**

<b>Number of Financial Institutions</b>		14
<b>Volume of Disbursed Loans by Gender</b>	<b>Male</b>	29,582
	<b>Female</b>	11,777
<b>Volume of New Loans</b>		41,359
<b>Value of Loans (US\$)</b>		126bn

Source: aBi Finance

In 2015, 28% of the agribusiness loan guarantee beneficiaries were females against a target of 40% and this performance was up from 21% in 2014.

Potential opportunities exist to address youth inclusion in access to financial services and promotion of client protection principles in line with Socially Responsible Investment (SRI) principles.

#### Green Growth

The Green Growth Initiative is an area of focus initiated in 2014. Support to Green Growth was integrated into value chain activities, according to guidelines to be developed in 2014. The support activities were associated with financing facilities provided through specific Lines of Credit to banks. Also under consideration is to subsidize green growth interventions by softening financing terms. In 2015, aBi expanded support around promotion of soil and water conservation practices among the 56 VCD supported IPs. We continued promoting Green Growth practices included cover crops, tree planting, digging trenches, minimum tillage, mulching, planting wood lots to conserve energy and improve biodiversity and promotion of energy-saving stoves to mitigate against negative practices such as indiscriminate wood cutting for energy sources.

#### Human Rights and Gender

The HRBA strategy covers a very comprehensive set of possible interventions under aBi. In the previous period, aBi sensitized IPs on employing non-discrimination approaches in all their work and noted positive initial results in the change of behaviour by IPs and beneficiary farmers. aBi is looking to further develop this area in the coming periods to ensure that the three main principles of HRBA are fully integrated in all project level activities and these are; 1) Equality and non-discrimination, 2) Participation and inclusion and 3) Transparency and Accountability.

#### Sanitary and Phyto-Sanitary (SPS) and Quality Management Systems (QMS)

VCD contributed to the performance efficiency of value chain actors and promoted Trade-related Sanitary and Phyto-Sanitary (SPS) and Quality Management Systems (QMS). 120 Mini Labs were availed to milk collection centers. VCD players also trained on quality management of agricultural inputs and facilitated to develop clean crop inputs.



## Achievements in agro inputs

- 2,000 farmers sensitized about genuine agro inputs and linked to licensed agro dealers who sell genuine inputs and also give advisory services
- Worked with 83 new agro dealers
- 1,230 copies of agricultural sector acts and 2000 copies of code of conduct, guides on counterfeit inputs were distributed to input dealers and farmers.
- 44 out 100 Agro dealers acquired licenses
- Masindi DFA trained 156 seed out-growers and 64 seed stockists in seed technology with support from technical NARO leading to production of 363 MT of certified seeds

## Support to improved seeds and agro-input supply

The presence of counterfeit agro inputs in the market and a poor network of agro-dealers are a major constraint to Uganda's agricultural development. Farmers have limited access to affordable and genuine agricultural inputs such as improved seeds, chemicals, fertilizers, and other agro-chemicals needed to increase farm productivity and production in almost all value chains.

aBi support is focused on enhancing business capacities of agro-input dealers in business management and trained 632 Agro-input dealers through the Uganda National Agro-input Dealers' Association (UNADA) coupled with inspection and licensing by MAAIF. The agro-dealers currently provide extension services on input use for the rural farmers who are their customers.

As a consequence of this capacity building, UNADA spearheaded the formation of an agricultural inputs platform that fights counterfeit inputs and acts as a lobby pressure group. The platform's emphasis is to identify and support appropriate interventions for improvement of quality seeds, agricultural chemicals and fertilizers on the market.

## Market Information Systems

One of the main challenges to agribusiness competitiveness in Uganda is inadequate economic information and market information available to smallholder farmers and farmer groups. This gap mainly relates to the lack of up-to-date, location-relevant information on the economic viability and risks of smallholder priority enterprises and affects uptake of improved practices and technologies by participating farmers. We learnt that there is a drive in the financial sector to leverage mobile platforms to stimulate sharing of market information and encourage uptake of agribusiness solutions.

aBi through FIT Uganda is supporting INFOTRADE BASIC tier to continue providing agricultural market information as a public good for a period of 2 years starting April 2015. Initial efforts through this innovation provided market information to approx. 2,195,000 stakeholders through email and Short Message Services (SMS). We look forward to continue exploring other innovative ideas to increase access to market information.



- Real time Commodity price Information
- Live Market Alerts
- Weather Forecast
- Update Agri Input Costs
- Primary Farmer/Trader Profiling
- Tailored Market Analysis
- Financial Literacy
- Information Directory of Market Actors

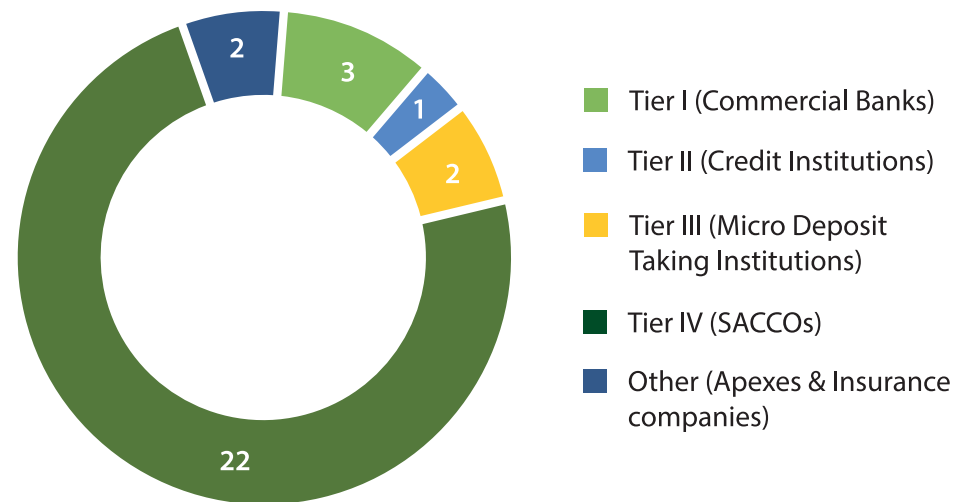
# 02

## Financial Services Development (FSD)

FSD's mandate is to facilitate increased access to financial services by agribusiness value chain actors including smallholder farmers and increased availability of suitable financial products for agribusiness development. FSD partners with Financial Institutions (FIs) on branch and branchless mechanisms (off-site ATMs and

mobile banking), developing suitable agricultural products, and providing technical assistance and capacity building to bridge the gap between the financial services suppliers and the agribusiness value chain actors. During 2015, support was extended to 30 IPs in the categories illustrated in Figure 11.

Figure 11: FSD Implementing Partners by Category in 2015



Source: aBi Management Information System

## 2.1 Achievements

**Table 10: Performance on Key Results Indicators and Targets for FSD**

Key Result Indicators	BP target (2014-2018)	2015 targets	2015 Actual	2015 Actual <sup>12</sup> against target (%)	Cumm. Actual 2014-2015	% against BP target
New savings Volume in USH (bn)	150	30	80	267	113	75
New Loans volume in USH (bn)	300	60	76	127	199	66
New savings Accounts opened	200,000	40,000	106,000	264	288,000	144
New loan clients	100,000	25,000	44,000	176	108,000	108
New Branch delivery mechanisms	25	5	3	60	8	32
New Branchless delivery mechanisms	20	4	6	150	9	45
Number of SACCOs supported	150	30	38	127	66	44
Number of new products developed	15	3	10	333	12	80
Number of clients accessing agriculture insurance product	12,500	2,500	16,000	623	21,000	169

Source: IP reports 2012-2015

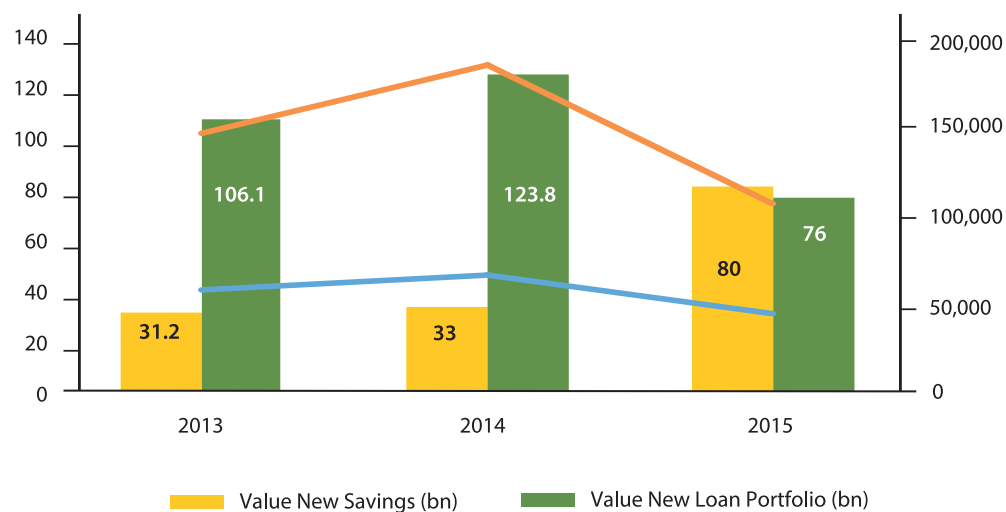
<sup>12</sup> All figures in tables are adjusted to the nearest significant figure

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

Table 10 presents aBi performance on key results indicators and targets for FSD. The data shows that a total of 44,000 new loan clients with a value of US\$76bn were made in 2015 against set targets of 25,000 clients and US\$60bn respectively. aBi successfully facilitated deepening of rural finance service through support to eight 8 additional rural branches, 3 branchless mechanisms (offsite ATMs and mobile banking) and 38 SACCOs. A total of 16000 farmers accessed agriculture insurance through the Kungula Agrinsurance product which aBi helped develop.



**Figure 12: Changes in new savings volume, new loan portfolio and new accounts (2012 – 2015)**



Source: IP reports 2012-2015

Figure 12 illustrates changes in new savings volume, new loan portfolio and new accounts (2012 – 2015). A total of 106,000 new clients opened new accounts compared to a set target of 40,000 for the year 2015. A total of new savings volume of US\$80 bn. was realized exceeding the set target of US\$60bn. This is a good indicator for Financial Institutions because they can on-lend these funds to farmers.

FSD is supporting six (6) FIs to upgrade and install new Management Information Systems as a requisite for branchless delivery mechanisms and improvement on their reporting systems. To

bridge the agricultural SME finance gap, capacity building on both demand and supply was done. 2,355 people were trained in financial literacy by eight FIs (44% women).

### Improvement of financier skills and products for financing agribusiness

According to a study by AMFIU in 2014 on FIs, capacity gaps were identified in the market for middle management teams hindering proper succession planning. FSD supported the following interventions to address the identified gaps:

1. A Training for the BDS providers aimed at streamlining the quality of technical assistance provided to FSD IPs to ensure value for money was held with a total of 18 consultants in attendance representing seven consultancy firms.
2. FSD contracted two (2) BDS providers to facilitate four financial institutions in the development of road maps (Business Plans) to improve their efficiency and effectiveness in the delivery of financial services to the value chain actors.
3. Four (4) SACCOs were supported to send their General Managers to attend the school of African Microfinance in Mombasa which exposed them to best practices by other Microfinance practitioners in the East African region aimed at improving their performance.
4. In addition, the annual IPs workshops were held and presentations, from aBi Finance, M&E department, Finance department and a Consultant on Socially Responsible Investment (SRI) were made in order to improve the skills of the financiers. Thirty (30) partner financial institutions were represented in these workshops. The purpose of these workshops was to increase access to financial services by encouraging innovation. Issues such as training in taxation and Micro-finance regulatory authority to oversee SACCO operations, were addressed at this forum.

As a result of the above interventions, two (2) FIs developed a dairy loan product as a means of integrating FSD with VCD interventions. The uptake of this loan product was affected by the high interest rates resulting from the prevailing inflation.

### **Support towards development of a Discounted Warehouse Receipt System**

Part of our ongoing product development efforts supported the National Policy<sup>15</sup> efforts for deepening and increasing coverage of the Warehouse Receipt System (WRS). The promotion of the system of warehouse receipts (WRs) coupled with support to FIs further strengthens farmers and farmers' organizations to undertake joint activities, especially with respect to marketing. aBi piloted our WR discounting product with One (1) FI in Masindi district. In this model, aBi utilizes a combination of market instruments including financial, insurance and commodity exchange products to take agricultural financing to the next level.

Through this effort, aBi is contributing to mobilizing farmers to increase production and productivity, as well as to engage in higher-level value-chain activities. The system revolves around warehouse receipts (WR), which are issued as evidence that specified commodities of stated quantity and quality have been deposited at particular locations by named depositors. The WRs may be issued to farmers, traders, exporters, or processors as well as individuals or corporate

<sup>15</sup> Uganda National Agriculture Policy 2014



bodies. Warehouse operators or collateral managers, who issue the WRs, guarantee that a bona fide holder of the receipt can take delivery of the underlying commodity. They further warrant that they can make good any value lost through theft or damage by fire and other catastrophes- this is underpinned by the aBi supported Kungula Agrinsurance product. The guarantee is critical to the credibility of the WR system as it allows for the receipt to be pledged or transferred to trade counterparties.

### **Increase in volumes of agribusiness finance through facilitating greater liquidity guarantees and risk management innovation**

FSD recommended six FIs to aBi Finance to access Lines of Credit to increase volumes of agribusiness finance. This is one of the key strategies to address the issue of long-term sustainability of the FIs under support from aBi. So far, a total of US\$9.1bn has been advanced to these six (6) FIs as of December 2015.

Support was extended to three (3) FIs for the development and promotion of savings products targeting poor rural agribusiness clients while three (3) SACCOs, were funded to rebrand their premises to attract more customers. As a result, there has been an increase in number of new clients registered, exceeding the set targets, as well as an increase in the volume of savings resulting in the growth of the respective FIs.

aBi has an ongoing partnership with a group of insurance companies to provide Agrinsurance. In response to the agricultural insurance product service gap in the industry, aBi finances research, development and roll out of the Kungula Agrinsurance product in Uganda. The Agrinsurance product comes in two packages that include; Livestock All Risks Mortality (ARM) Insurance and Crop Indexed Insurance. To access the Livestock ARM Insurance, farmers and investors in Agribusiness pay a premium of 2% to any of the participating insurance companies while financial institutions' premiums



are included as part of the loan package. In 2015, we expanded this partnership to include International Fertilizer Development Center (IFDC) and the United Nations Development Programme (UNDP) who funded 50% of the insurance cost on behalf of farmers as well as facilitate promotional and marketing activities. Lion Assurance received additional funding to promote uptake of the Kungula agribusiness product covering a portfolio of US\$300m and registered 15,583 farmers as clients.

### Rural Challenge Fund

aBi also hosts the Rural Challenge Fund which is funded by KfW and managed by the Frankfurt School of Management. Since the Challenge Fund aims at inducing financial institutions to develop new and innovative financial products

and services to promote financial inclusion, aBi has brought it under the FSD programme. Even though aBi isn't directly financing these activities, it is responsible for the programme and therefore contributes to the achievement of its results.

This Fund has been in operation since 2014. It is currently working with 16 F.I.'s and has reached out to almost 120,000 clients via new services as mobile saving and lending and micro-leasing and credits.

### Financial Inclusion - Gender

aBi and Private Sector Foundation Uganda (PSFU) jointly supported Centenary Bank which developed and implemented a women centric product dubbed "Cente SupaWoman Club", an aBi promoted initiative to enhance financial

inclusion for women either as individuals or in groups. As of December 2015, approx. 1300 women had registered, with a saving of US\$358million. The "Cente Supa Woman Club" product won the Women's Market Champion award given by the Global Banking Alliance (GBA)<sup>16</sup> for Women in recognition of its innovation and support towards women economic empowerment. The GBA is a consortium of financial institutions driving women's wealth creation with membership of more than 135 countries.

<sup>16</sup> The bank received the award during the 14th Global Banking Alliance summit in Brazil in 2015, that drew more than 150 stakeholders from banks and International Finance Institutions, as well as regulators, policymakers and thought leaders from around the world to discuss concrete actions that can be taken to advance the economic inclusion of women around the world, and share best practices, innovations and lessons learnt around serving the Women's Market.



## We learnt that ...

- ◇ FIs are moving away from enabling new branches to increase outreach as it is considered expensive and very limiting. The approval of agency banking provides opportunity to diversify IPs and take services even closer to farmers.
- ◇ In order to compete favorably, a number of FIs are increasing their outreach by using branchless delivery mechanism using digital financial services like ATMs.
- ◇ FIs have realized the importance of providing the right products to the market. With the development of suitable loan products, more loan clients are attracted to these financial institutions. For example; Women banking products, agricultural loan products and Kungula Agri insurance product.

Finance Trust Bank was funded to pilot test the Mama Safe counters which are areas specifically defined for breast feeding and expecting mothers to ease their banking activities when they come into the banking halls.

FSD supported Pride Microfinance to roll out the community banking model which extends financial services to communities. This product is a tool of financial inclusion that allows the clientele to access the Group Guaranteed Loan Scheme away from the branch. The clients access and repay their loans through the E-money transfer solutions with a Pride loans officer employed to supervise their meetings and repayments. So far, a loan portfolio of US\$318m has been disbursed with 58% of it going to females. Also, a total of US\$24m has been registered in rural savings under this community banking model. Eight (8) Financial Institutions were supported to carry out financial literacy training for their clients in order to increase awareness of what to expect from the financial service providers.

## 2.2 Challenges, Opportunities and Lessons Learnt

A single instrument is not a solution to value chain financing, rather mixed instruments are required. FSD and VCD staff will therefore increase collaboration with aBi Finance to optimize uptake and utilization of other financial instruments such as Guarantees, and Lines of Credit. Our FSD team has identified issuance of performance based financing as a potential tool for development of sustainable FIs which aBi will consider.

- i. To increase financial inclusion, there is a need to expand use of digital financial solutions.
- ii. Opportunities for development and promotion of green technology products remain untapped. aBi will consider provision of incentives that can be used to interest the financial sector to promote issues related to green growth.
- iii. Following the approval of the amendment to the Financial Institutions Act (FIA) 2015 which prescribes Agency Banking, Bancassurance and Islamic Banking, aBi has expanded opportunities to further explore and support innovations in the financial sector relating to these new developments.

In 2016, aBi shall pursue collaborations with Financial Institutions to further develop the market for financial services both on the demand and supply side. aBi will work with FIs to set up new cost-effective branches in rural areas where still appropriate, establish branchless delivery mechanisms, support acquisition of functional Management Information Systems (MIS), mainly to SACCOs, carry out financial literacy programmes, develop business plans, provide business development services, develop appropriate financial products, implement dairy financing, promote savings mobilization campaigns, consolidate lower tier FIs and develop risk management instruments. FIs in the respective categories of Banks, Credit institutions, Microfinance Deposit taking Institutions, Micro Finance Institution and SACCOs will be targeted for partnerships but with special focus on the Tier IV sector.

# 03

## aBi Finance

### 3.1 Background and context

The Uganda Annual Investment Abstract 2014/2015 reported 36% investment realization rate compared to 9% the previous year and 171% increase in actual value of investment, good indications of investor confidence and an improving investment environment. The slowdown in the number of new investment projects in the early part of the year demonstrated a 10% improvement in the period July-December 2015. The same report indicated that the agricultural sector registered the second highest number of registered projects after manufacturing, indicating the attractiveness of the sector as an investment choice.

aBi Finance is the investment arm of aBi and supports the same development objectives as the Trust. aBi Finance also implements and/or funds the initiatives of the Trust programmes.

It is run as a separate entity (as a company limited by guarantee) with a separate Board and management to ensure smooth operations.

aBi Finance's core objectives are to provide funding for the aBi Trust to enable it execute its programme activities in a sustainable manner and to promote provision of credit facilities to agricultural based small and medium sized enterprises. This section presents progress against 2015 targets under aBi Finance.

### 3.2 Achievements

In line with the company objectives, aBi Finance registered tremendous achievements for 2015. These are highlighted in Table 11 finance performance against BP targets and Table 12 the business performance report summarised in Table 11 below.

**Table 11: aBi Finance performance against 2014-2018 targets as at 31<sup>st</sup> December 2015**

Indicator	BP target (2014-2018)	2015 targets	2015 Actual	Variance on target
Target yield	12%	9%	11.98%	2.98%
Value of Investments 'bn (US\$)	120	112	117	5bn
Return on Equity (Profit after tax/Equity)	6%	5%	7%	2.00%
Claims Payout Ratio	<3%	<5%	1.70%	3.30%

Source: aBi Finance records; ALG-Agribusiness Loan Guarantee; LOC- Lines of Credit

**Table 12: aBi Finance performance against 2015 targets as at 31<sup>st</sup> December 2015**

Parameter	2015 Target	2015 Attained	Variance on target
Target yield	9%	11.98%	2.98%
Value of Investments (US\$)	112bn	117bn	5bn
No. of LOC Beneficiaries	10,000	29,071	19,071
Value of LOC disbursed	59bn	78bn	19bn
No. of ALG beneficiaries	20,000	41,359	21,359
Outstanding Amount of Portfolio	73bn	78bn	5bn
Leverage: Utilization/25% of Fund*	296%	360%	64%
Non-Performing Assets	<5%	0%	<5%

Source: aBi Finance records; ALG-Agribusiness Loan Guarantee; LOC- Lines of Credit  
\*Reviewed to 20% of Fund in December 2015

### 3.2.1 Lines of credit

**Table 13: Breakdown of disbursements by Volume, Gender and Location as at 31<sup>st</sup> Dec. 2015**

Disbursements	Total number of FIs	15
	Volume of beneficiaries	29,000
	Total Value (US\$)	82bn
Volume by Gender	Total Male(No.)	18,500
	Total Female(No.)	10,570
Volume by Location/Region(No.)	Central	6,000
	Eastern	4,000
	North	6,000
	Western	13,000

Source: aBi Finance records

In the aBi supported lines of credit portfolio, a total of US\$73bn was outstanding to 16 FIs for on-lending to agribusinesses, and from these they have made 29,071 new agribusiness loans worth US\$82bn, against our target of 10,000 loans. These loans have decreased in Median size from US\$ 4.6 million in 2014 to of US\$4 million in 2015. This indicates that aBi credit predominantly serves the small and medium segments of the market and is increasing the penetration down into the small loans market. Larger scale financing is more often supported by our portable guarantees and a few partner FIs focusing on large medium enterprise borrowers.

Female financial inclusion remains a key ambition and deliverable for aBi and further effort will be applied through specially tailored lines of credit and guarantee products to incentivize partner FIs to drive this growth.

### 3.2.2 The Agribusiness Loan Guarantee Scheme (ALG)

Table 14 below, shows the general progress made on the ALG Scheme over the past four years. The scheme registered growth across all key variables both in the volume and value of new agribusiness loans by 110% and 49% respectively between 2014 and 2015.

This performance is attributable both to the increased product utilization by existing partner FIs as well as the growth in the number of FIs utilizing the scheme.



**Table 14: Progress on Agribusiness Loan Guarantee Scheme**

Key OVIs	Dec-12	Dec-13	Dec-14	Dec-15
No. of active FIs	9	12	13	16
No. of beneficiaries as at year end	12,000	10,000	15,000	27,000
Amount outstanding as at year end	28bn	40bn	56bn	76bn
aBi Finance exposure	13bn	20bn	28bn	38bn
Limits	42bn	57bn	87bn	111bn
Volume of new loans in the year	20,000	15,000	20,000	41,000
Value of new loans in the year	44.6bn	69bn	85bn	126bn
New Leverage(Outstanding /20% Fund)	74%	99%	255%	360%
Claims Settled per year (US\$. Million)	177	94	243	390

Source: aBi Finance records

These results are an indicator of the growing efficacy and relevance of the Agribusiness Loan Guarantee Scheme as a sectoral de-risking mechanism which has promoted financial inclusion and access to credit and thereby enhanced further private sector led agribusiness development in Uganda. The value of the new ALG loans grew by 50% to US\$ 126bn in 2015 up from US\$ 84bn in 2014 and 28% of the beneficiaries were female against a target of 40%, up from 21% in 2014. These results indicate increased and improved financial inclusion supported by the agribusiness loan guarantee scheme. A total of US\$390 million was settled in loan claims which translate to a pay-out ratio of 0.50% of the average outstanding Guarantee Portfolio. This is well within the set target of <5%.

**Table 15: Volume and Value of new loans disbursed by FIs over a period 01 Jan - 31 Dec 2015**

Loans Disbursements	Total number of FIs	14
	Total number of new loans	41,359
	Total Value (US\$)	126.7bn
Total Number of Loans by Gender	Total Male(No.)	29,582
	Total Female(No.)	11,777

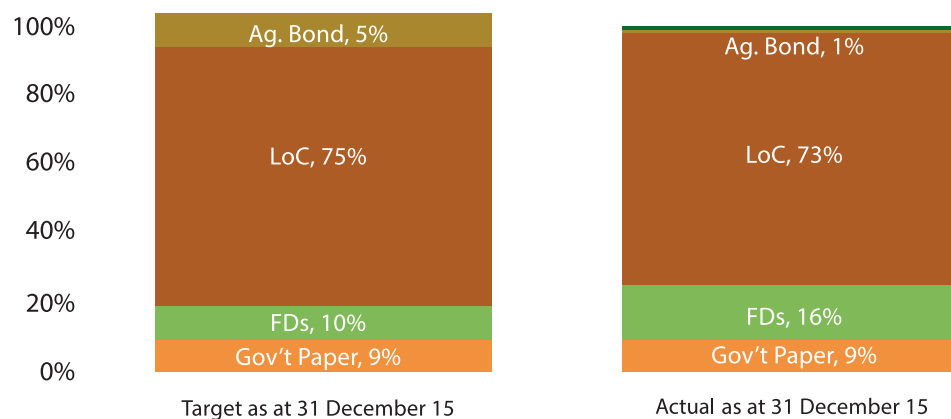
In 2015, 28% of the agribusiness loan guarantee beneficiaries were female against a target of 40% and this performance was up from 21% in 2014. The value of the new loans also grew by 50% to US\$ 126bn in 2015 up from US\$ 84bn in 2014 both movements indicating increased and improved financial inclusion supported by the agribusiness loan guarantee scheme.

### 3.2.3 Endowment Investment Portfolio Mix

The endowment fund investment is critical to the financial health of aBi. As part of aBi Trust's sustainability strategy, each year the aBi lays off 26% of aBi Trust's operating budget from earnings made. The endowment fund investment portfolio mix includes cash, agricultural bond, LOC, Fixed Deposit (FDs) and Government Paper. Figure 13 below illustrates the 2015 portfolio mix and actuals against targets.



**Figure 13: Portfolio Mix targets and actual as at 31<sup>st</sup> December 2015**



Source: aBi Finance

The Endowment Fund asset allocation for 2015 was dominated by Lines of Credit. This is in keeping with the aBi vision of promoting a competitive private sector-led agriculture in Uganda. The end of year loan repayments brought Lines of Credit to two percentage points, below the set allocation limit, thereby creating headroom for further loan disbursements in 2016.

It is important to note that the initial equity investment into the aBi Agricultural Bond Company Ltd (aBi ABC) was made in December 2015 and liquidity management for both Endowment Fund and aBi ABC was done through short term high yielding fixed deposit placements. The asset allocation above resulted in fund performance of 12.50% as of December 2015, translating into an overall annual average

performance of 11.98%. This in turn provided a comfortable margin and maintenance of fund investment value by beating both the target yield and headline inflation of 9% and 9.3% respectively.

### 3.2.4 The CrossRoads Construction Guarantee Scheme

Feeder roads are critical in agribusiness value chain competitiveness through increased access to agricultural inputs and markets. Since 2012, aBi managed DFID's Creating Opportunities for Sustainable Spending on Roads (CrossRoads), a £2million Construction Guarantee Fund that was set up to support the road construction sector. CrossRoads facilitated small and medium sized

Ugandan road contractors to access<sup>17</sup> Bid Bonds (BB),<sup>18</sup> Advance Payment Guarantees (APGs),<sup>19</sup> Performance Guarantees (PB) and asset<sup>20</sup> Finance Leases (FL) from partner Financial Institutions in order to secure road construction contracts. A total of 11 FIs and 2 (two) Insurance Companies qualified and participated in this grant scheme.

Subsequent to the end of the CrossRoads programme in December 2015, aBi Finance continues to indemnify existing facilities pending conclusion of engagements regarding aBi's future role in the CGF fund.

### 3.2.5 Construction Guarantee Fund (CGF) Investment

Similarly to the endowment fund investment portfolio described above, aBi fund makes asset allocations within the CGF. The CGF fund investment portfolio mix includes cash, FDs and Government Securities. The objective is to protect against the inflation rate and maximize return on investment. Figure 14 below illustrates the CGF investment portfolio mix actuals and targets or 2015.

<sup>17</sup> Debt secured by a bidder for a construction job or similar type of bid based selection process for the purpose of providing a guarantee to the project owner that the bidder will take the job if selected.

<sup>18</sup> Form of protection that makes it possible for a buyer to recover any advance payments extended to a seller in the event that the seller fails to abide by the terms and conditions that govern the purchase of goods and services

<sup>19</sup> Bond issued to one party of a contract as a guarantee against the failure of the other party to meet obligations specified in the contract.

<sup>20</sup> Lease in which a finance company is typically the legal owner of the asset during the duration of the lease, while the lessee has not just operating control over the asset, but also, in addition, has a substantial share of the economic risks and returns from the change in the valuation of the underlying asset.

**Figure 14: CGF Portfolio Mix as at 31<sup>st</sup> December 2015**



Source: aBi Finance

Government paper and fixed deposit placements emerged as dominant asset classes in the asset allocation shown. These were marginally above target at the expense of cash in order to maximise the return on investment for the fund on account of the high interest rate regime that prevailed through much of 2015. Important to note is that no claims have been made on the fund from inception to the time of reporting and this informed the decision to reduce the cash holding. The asset allocation resulted in a performance of 17.4% as at December 2015 and an average annual performance of 14.8% for the year thereby beating both the target yield and inflation of 9% and 9.3% respectively resulting in maintenance of fund value.

**Table 16: Progress on the CGF Scheme as at 31<sup>st</sup> December 2015**

Key OVI	As at 31/12/2013	As at 31/12/2014	As at 31/12/2015
No. of active FIs	7	7	8
No. of beneficiaries as at year end	148	279	158
Amount outstanding as at year end (US\$.bn)	4	12	15
CGF exposure (US\$.bn)	2	6	7
Limits (US\$.bn)	41	32	38
Volume of new Bonds in the year	334	259	425
Value of new Bonds in the year (US\$.bn)	11	6	24

Source: aBi Finance

The growth registered in 2015 (**Table 16**) was attributed to increased awareness and utilization of the products by Financial Institutions and contractors, which was achieved through aggressive marketing and publicity of the scheme.

New Bond issuance declined in the last quarter of the year on account of a slowdown in issuance of Government contracts over the period resulting from a restructuring process at the Uganda National Road Authority. Of note was the finance asset lease facility worth US\$ 1.3bn issued in the year which facilitated the acquisition of one used Caterpillar Chain Loader 963C and a Caterpillar Grader140H.

The gender participation in the scheme continued to be 100% dominated by male contractors, with the female to total contractor ratio declining from 1% in the second quarter of the year to 0% by the end of the year.

“The asset allocation resulted in a performance of 17.4% as at December 2015 and an average annual performance of 14.8% for the year thereby beating both the target yield and inflation of 9% and 9.3% respectively resulting in maintenance of fund value.”

Table 17 below, highlights the performance on specific targets since inception.

**Table 17: Cumulative Performance against targets as at 31<sup>st</sup> December 2015**

Key OVI	Attained	2015 target	Variance on target	Comments
Days to issue Guarantee	3	3	0	Attained
No. of Institutions utilizing the scheme	8	8	0	Attained
No. of equipment suppliers utilizing the scheme	0	3	(3)	Slow down on account of wind down of CrossRoads Programme
No. of Contractors	321	300	21	Attained
No. of Bid Bonds	1,254	1,000	254	Attained
No. of Performance Bonds	124	60	64	Attained
No. of Advance Payment Guarantees	19	12	7	Attained
No. of finance leases / pieces of equipment	2	7	(5)	Slow down on account of wind down of CrossRoads Programme
Value of Contracts (US\$)	3,105bn	2,000bn	1,105bn	Attained
Guarantees at risk	0	<10%	-10%	Within limit
Pay out rate	0	<5%	-10%	Within limit

Source: aBi Finance

### Key Elements of the aBi Agribusiness bond

- ◇ The instrument is an opportunity to leverage aBi funds to mobilise local capital for long term Agribusiness financing;
- ◇ The purpose is to provide catalytic longer term financing for medium sized agribusinesses in Uganda.

Over the life of the Construction Guarantee Fund, there has been steady growth across all key performance parameters of the fund on account of increased awareness and utilization of facilities. This was with the exception of the Finance lease product that was introduced in 2015 and did not benefit from the extensive publicity and marketing as the scheme wound down in the same year. The progress towards achieving the target leverage also declined on account of the winding down of the scheme.

### 3.2.6 aBi Agribusiness Bond

The development phase of the aBi Agribusiness bond commenced in 2015. Crucial discussions and negotiations are underway with potential guarantors, equity financiers, investors as well as development of potential beneficiary pipeline for the bond proceeds. Given the prevailing high interest rate regime in the Ugandan economy through 2015, and progress on necessary prior approvals, bond issuance is projected to commence in the third quarter of 2016 when it is



envisaged that interest rates may have fallen to more suitable ranges allowing for a successful issuance.

### 3.2.7 Integrating aBi Trust and aBi Finance interventions

In keeping with the envisaged value chain approach where the three sub-components play interrelated roles in pursuance aBi's vision, aBi Finance in conjunction with VCD and FSD realised the following outputs and outcomes:

#### i) Financing Uganda Crane Creameries Co-operative Union (UCCCU)

In collaboration with the Value Chains Development department, aBi Finance Ltd in 2014 facilitated the financing of Uganda Crane Creameries Co-operative Union with 50% financing for equipment purchase supported by a line of credit of US\$ 3.6bn advanced through a partner Financial Institution, however, as at year end, a 68% disbursement rate was achieved with full disbursement expected to be completed in the first quarter of 2016.

#### ii) LoCs and Technical Assistance to SAC-COs and Micro Finance Institutions (MFIs)

A total of US\$ 6.9bn was approved and disbursed to five MFIs in 2015 up from 2.5bn in 2014, as a way of transitioning them from grants towards more financially sustainable interventions which was coupled with technical assistance from the Financial Services Sub Component in order to ensure sustainable growth and development of these institutions. Focus areas for capacity building included corporate governance, credit risk management and product development.

#### iii) Support to Northern Uganda through facilities to support Agribusiness development

A line of credit worth US\$ 200m was disbursed through one partner MFI in Northern Uganda in a bid to deepen the region's financial inclusion to small agribusinesses and this comes on the back of US\$ 10.2bn that was disbursed in 2014. Further to this, aBi guaranteed a trade finance facility worth US\$ 3.2bn for a seed Company to supply genuine seeds to the oil seeds value chain, supporting over 150,000 small holder farmers from the Acholi and Lango sub-regions in Northern Uganda.

#### iv) Promoting Value Addition in Cereals Value Chain

In collaboration with a Financial Institution, a deal was structured to leverage on an earlier accessed grant facility by Aponye (U) Limited to complete the set up of the processing facility depicted in section 1.1.2.

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“aBi guaranteed a trade finance facility worth US\$ 3.2bn for a seed Company to supply quality seed to the oil seeds value chain, supporting over 150,000 small holder farmers from the Acholi and Lango sub-regions in Northern Uganda.”

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*This Cereal processing facility in Mubende constructed with aBi support (Source: aBi VCD)*



### 3.3 Social Initiatives

#### Clean Technology Fund

The Clean Technology Fund (CTF), one of two multi-donor Trust Funds within the Climate Investment Funds (CIFs), promotes scaled-up financing for demonstration, deployment and transfer of low-carbon technologies with significant potential for long-term greenhouse gas emissions savings. Initiated 2014, aBi invested US\$ 2.8bn in LoC to a partner Financial Institution and one SME to supply affordable solar energy solutions in rural areas which benefitted of over 1,290 agribusinesses.

Results from the field indicate improved work conditions in the dairy sector for example where farmers are experiencing improved lighting for milking activities at dawn. Other potential opportunities exist in the area of irrigation, post-harvest handling (PHH) and food processing.

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“Although I initially did not immediately make the connection between clean technology and VCD, innovations in this area have demonstrated amazing benefits for our agribusiness; it is a huge opportunity that we must not lose sight of.”

**Lydia Ochieng-Obbo- aBi Trust  
Chairperson & Director aBi Finance**

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### 3.4 Challenges, Opportunities and Lessons Learnt

Inflation and loan interest rates by the partner FIs contributed to the performance as far as the disbursement volumes are concerned and the reduction in the average loan size compared to 2014.

- a. Limited implementation of VCD initiatives such as ware house receipting. This was adopted by one FI in 2015 and is therefore not yet available to a substantial portion of the agribusiness proprietors despite its numerous benefits and advantages.
- b. In 2015 aBi registered a decline in the number of female borrowers by 1% from 37% in 2014 to 36% in 2015 which it projects will be turned around and further improved in 2016. We have learnt that this was due to inadequate awareness of availability and / or benefit of the agribusiness financing and could significantly limit inclusion of women in accessing agricultural technical assistance and finance. This area remains a key opportunity for aBi.
- c. Gender participation in the CGF scheme continued to be 100% dominated by male contractors, with the female to total contractor ratio declining from 1% in the second quarter of the year to 0% by the end of the year. The road construction sector still remains male dominated with very slow progress in balancing the trend.



# 04

## aBi Governance

The nature of aBi's 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 three entities aBi Trust, aBi Finance and aBi Agricultural Bond Company Limited.

### 4.1 aBi Trust

The Board of aBi Trust comprises nine Trustees: Mrs. Lydia Ochieng-Obbo (Chair), Mr. Gerald Ssendaula (Vice Chair), Mr. Warwick Thomson, Ms. Victoria Sekitoleko, Mr. Vincent Kaheeru, Mr. David Kabateraine, Mr. Nicholas John Okwir (1st January, 2016) and Mrs. Sarah Walusimbi (25<sup>th</sup> April 2016) and Ms. Nadine Margaret Byarugaba (25<sup>th</sup> April 2016).

During 2015 the Board of aBi Trust (BOT) held five scheduled and two ad hoc BOT meetings. The Committees of the BOT (Audit and Risk, Finance and Programme Oversight and HR Committees) met prior to each scheduled BOT meeting, the HR Committee met twice in December 2015 and did not meet in September 2014.

### 4.2 aBi Finance

aBi Finance is a company limited by guarantee and its Board is comprised of four Directors; Mrs.

Lydia Ochieng-Obbo, Mr. Andrew Otengo Owiny (27<sup>th</sup> April 2016), Mr. Warwick Thomson and Mr. Albert Bruun Birnbaum (the Chair) from the Royal Danish Embassy, Kampala; is the sole source of aBi Finance's capital. aBi Finance does not have Board committees. The Board met 10 times during 2015, five scheduled BOD meetings and five ad hoc.

### 4.3 Board Evaluation

aBi carries out independent evaluations of the Boards every three years. In the intervening years the Boards work on improving the efficiency of the Boards based on the recommendations emanating from the independent evaluations. An independent evaluation of the Board of aBi Trust was carried out in 2015.

### 4.4 Board Succession

aBi has a comprehensive Board succession programme. aBi established a Nominations and Governance Committee to assist the Board Chairs with this role.

aBi Trust - During 2015 two Trustees left the Board: Mrs. Ida Wanendeya in April 2015 and Mr. Moses Opio Ogal in September 2015. Three new Trustees were appointed with effect from the 1<sup>st</sup> May 2015: Ms. Victoria Sekitoleko, Mr. Vincent Kaheeru and Mr. David Kabateraine. They were inducted in June 2015.



Mr. Nicholas John Okwir joined the Board in January 2016 and received induction training in February 2016. In April 2016 Mrs. Eva Nagawa Mukasa and Mr. Charles Ocici will be stepping down from the Board to be replaced by Mrs. Sarah Walusimbi and Ms. Nadine Margaret Byarugaba.

**aBi Finance** – In April 2016 Mr. Charles Ocici will be stepping down from the Board to be replaced by Mr. Andrew Otengo Owiny.

## 4.5 Board Training and Information Sessions

The aBi Boards participated in five in-house training and information sessions on Finance Training for Non-finance Trustees, U Growth, Training in M&E and Value Proposition. Meetings were also held with major stakeholders. Both Boards also held strategy sessions to discuss the strategic direction of aBi.

## 4.6 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 end-of-contract of Mr. Svend Kaare Jensen. Mr. Andre Dellevoet was appointed the new GCEO with effect from 1<sup>st</sup> April 2015.

## 4.7 aBi Founders, Board Members, GCEO and Company Secretary



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



**Peter Ngategize**  
Founder



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



**Gerald Ssendaula**  
aBi Trust Vice Chairperson



**David Kabateraine**  
Trustee



**Vincent Kaheeru**  
Trustee



**Eva Nagawa Mukasa**  
Trustee



**Charles Ocici**  
Trustee, Director aBi Finance



**Nicholas John Okwir**  
Trustee



**Victoria Sekitoleko**  
Trustee



**Warwick Thomson**  
Trustee, Director aBi Finance



**Andre Dellevoet**  
Group Executive Officer - aBi



**Alison Dillon Kibirige**  
aBi Company Secretary

### Monitoring and Evaluation (M&E)

Through the M&E function, aBi monitors its partners to attain feedback on the project implementation results and to define actual or potential success and emerging issues. This function appries management on the status of the intervention services thereby drawing lessons and informing improvements where necessarily.

#### Achievements

A review of the M&E 2015 work plan indicates that 90% of planned monitoring and verification activities (Table 18) were implemented and the desired results achieved.

**Table 18: Performance on key M&E results and targets**

Performance indicator	2015 target	2015 Actual	Performance	Comments on performance
Monitoring & verification visits	85	76	90%	Recent recipients of audited and or programme team visit excluded
Project reviews and evaluations done	50	45	90%	Five projects received no-cost extensions.
Results chains developed, printed and shared	40	32	80%	The new projects were fewer than the target.
Total number of IPs trained in M&E related skills	112	119	106%	The surplus is due to potential partners included in the training.

Source: aBi M&E System

#### Key outcomes

##### Improved data capture, quality and timely reporting on aBi supported interventions

Under this outcome, aBi implemented a number of activities geared towards improving the efficiency of the unit to manage, analyze, report and communicate DCED compliant results to guide the aBi monitoring and evaluation processes.



With the support of a consultant, aBi conducted a system enhancements/upgrades and customization into a more robust and comprehensive system which is linked to the GIS system after which trainings in the fields of results measurement and online reporting were made. For each IP, the unit trained two (2) staff, totaling to 238 participants. The course also exposed Grantees to project management skills, basics of financial management and monitoring; tracking and documentation of project results (outputs and outcomes); and undertaking contractual obligations.

In addition, to improve results-based reporting, M&E organized orientation sessions that benefited 45 partners after which data collection tools were rolled out to help partners manage results from project interventions to generate reports.

As a result, partners recorded better quality and timely submission of project data as shown in Table 19 below:

**Table 19: Changes in partner reporting quality (timely and showing improvement)**

Component	Q1	Q2	Q3	Q4
VCD (%)	56	60	69	80
FSD (%)	46	43	100	94

In an effort to incorporate the recommendations from the DCED audit that was done in December 2013, aBi developed a road map that will see aBi becoming compliant with the DCED standard for results measurement before the upcoming Audit in December 2016.

Ultimately, aBi will be able to compare IP performance and provide evidence based support to those that need targeted interventions to enhance their capacity to deliver quality services.

**On-site monitoring and verification visits undertaken to 76 (90%) aBi Implementing Partners.**

Through monitoring and verification visits to IPs during the period, the team continued to build the capacity of its grantees in areas of compliance, use of project results chains and data collection, timely reporting, selection of performance indicators and comparison with baseline values to gauge progress among others.

As a result, an issues log has been developed, populated and maintained to manage and communicate IP-related issues in a timely manner

Ultimately, aBi will be able to compare IP performance and provide evidence based support to those that need targeted interventions to enhance their capacity to deliver quality services.



so that line units/departments can follow up and take corrective actions with the concerned IP. With this exercise, aBi hopes that there will be further reduction in the noncompliance issues and therefore the grantees will be able to implement their activities on time in order to achieve the set results.

**A total of 45 (90%) ended projects evaluated; findings reveal impact created and significant lessons learnt through aBi funding support.**

During the year, an evaluation of 45 ended projects was undertaken. The evaluations focused on analyzing aBi partners' progress towards achieving the various project objectives, and assess the results and impact, as well as best practices to be replicated.

Arising from the exercise that was undertaken by both internal staff and a team of external consultants, the following general recommendations are made:

- a) The need to ensure commitment of the partner contribution before aBi funds disbursements are made to partners because there was little evidence to suggest that partners were meeting their contributions.
- b) The need for more aBi support to efforts that are intended to transfer new technologies through farmer groups as farmer-to-farmer extension appears to be one of the most effective ways to do so.
- c) The need for future projects where productivity, quality and marketing are key performance indicators to be implemented

for a period of at least 3 years to ensure that the impact of the interventions on quality and yield are repeatable.

**Networking with M&E working groups and platforms focusing on agribusiness and DCED**

aBi Staff participated in numerous activities and functions organized by M&E working groups, platforms and Development Partners workshops, meetings, trainings, consultations and seminars. This strengthened the organization's networking abilities and provided opportunities for shared learning. These interactions further strengthened institutional ties between aBi and the different organizations. It has also increased aBi visibility through representation and participation.

Some of the agribusiness sector platforms that aBi M&E staff were involved in during the reporting period included among others; sharing lessons and experience on Women Economic Empowerment organized by SIDA in Harare, Zimbabwe; Workshop on DCED standard for results measurement organized by MDF in Nairobi; participation in evaluation workshops organized by the ECD/GIZ in partnership with the Uganda Evaluators' Association (UEA).

**Challenges, lessons learnt and opportunities**

Key challenges faced during the reporting period included; limited utilization and follow up on M&E results, inadequate staffing capacity and non-compliance issues by some grant recipients.

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During the year, evaluation of 45 ended projects was undertaken. The evaluations focused on analyzing aBi partners' progress towards achieving the various project objectives, and assess the results and impact, as well as best practices to be replicated.

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# 06

## Risk and Compliance

### Risk Management

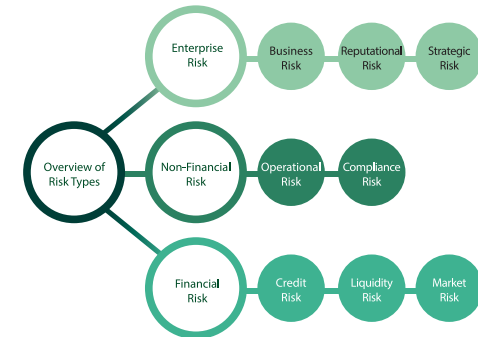
#### Purpose

The aim of aBi's risk management activities is to ensure the long term resilience of the business. These activities create an environment in which aBi can pursue its mission to its fullest potential in a safe way. Risk Management is embedded throughout the organisation. While business managers are primarily responsible for delivering a resilient business approach, they are supported by risk managers, with local business knowledge, to identify, assess and manage risk. At a group level, a risk appetite process is implemented to align aBi's risk profile with the willingness to take risk in achieving its business objectives. During this process each business unit performs a strategic risk assessment to identify and manage potential risks that could impede the realisation of their business objectives. The outcome of these assessments are consolidated and used as input for the Board's own risk assessment and to determine aBi's risk appetite. In order to ensure that such an environment can exist and prosper, a Risk Management Framework has been put in place which underpins the risk processes.

An integration of the strategic risk management objectives as part of the risk appetite, recovery plan, internal capital and liquidity adequacy assessment process was achieved. The monthly Asset and Liability Committees are responsible for assessing the risks associated with interest rate risk, liquidity risk, currency risk and capital management. The credit risk function plays an important role in assessing the risk of new loans and managing the credit/grant risk of the entire

loan and grant portfolios. The assessment of credit risk is as close as possible to the business and the day-to-day operations. The central risk function sets norms, approves large loans and LOC, and monitors the credit risk of aBi's entire loan and grant portfolios.

### Risk Organisation



aBi took important steps to strengthen its risk management organisation in 2015 as reflected in the appointment of the Group Chief Executive Officer, the Corporate Services Manager, the Chief of Staff, and the Senior Risk and Compliance Officer. The Audit and Risk Committee of the Board of Trustees continues to play a crucial oversight role. The Risk and Compliance Manual was approved by the Board of Trustees and operationalized within the year. The aBi risk overview below covers all relevant risks for aBi within the three following risk categories: Enterprise Risks, Financial Risks and Non-Financial Risks. Each risk type covers a number of risk categories (see diagram above).

*aBi Risk Categories (Above)*



**The Enterprise Risk** discipline synthesises all the risks using input from all risk areas, and performs analyses to determine at a strategic level which larger trends can potentially influence aBi's risk profile. aBi manages Enterprise Risk through a risk management cycle: performing strategic risk assessments, determining the risk appetite, assessing capital and liquidity requirements, and monitoring the risk profile through periodic enterprise risk management reporting. Implementing Enterprise Risk Management is still a challenge. Strengthening the risk culture within the organization is a key aspect on the agenda. A risk management and corporate strategy training will be conducted in 2016 for all staff and implementing partners. The training will focus on effective fraud risk management, formulation of a corporate strategy and corporate governance.

**Financial risk** is an umbrella term for multiple types of risk associated with financing the balance sheet. To manage this, financial risk is subdivided in three categories: credit risk, market risk and liquidity risk.

**Non-financial risk** includes all the risks faced in aBi's regular activities and processes that are not Categorised as enterprise or financial risk. aBi has sub-divided this into operational and compliance risk. Monitoring these risks is particularly important to ensure aBi can continue to offer quality financial services to its stakeholders.

A total of 268 implementing partner representatives and aBi staff have been trained in risk management with key aspects on grant risk, fraud awareness and conflict of interest & declaration of personal interest.

## Compliance

aBi has internal policies and procedures to guarantee that aBi complies with relevant laws and regulations regarding its customers and implementing partners. In addition, the compliance department independently monitors the extent to which aBi complies with its rules and procedures.

External aspects of the compliance department primarily concern accepting new implementing and business partners, and monitoring financial transactions. Internal aspects primarily concern preventing and transparently managing conflicts of interest, and safeguarding confidential information. Further it concerns raising and maintaining awareness of for example financial regulations, compliance procedures and fraud and anti-corruption measures.

aBi has a vibrant Compliance and Internal Audit functions providing independent and objective assurance of aBi's corporate governance, internal controls, compliance and risk management systems. In addition, a Third Party due diligence system is fully functional supported by the aBi Fraud and Whistle Blowing Policy.

There were no significant incidents in 2015 concerning compliance and integrity. aBi was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, or data protection.





# 07

## Internal Audit

aBi Internal Audit provides independent and objective assurance and consulting services to aBi Trust and aBi Finance Boards and Management on Governance, risk management and internal control processes. In line with Risk Based Internal Audit Plans 2015 for both entities, Internal Audit executed and accomplished the audit of 32 Implementing Partners (IPs), and a very large audit of 121 ended projects (through outsourcing) under aBi Trust. These audits demonstrated that many IP's face challenges of accountability, which has led to a strengthening of aBi's internal controls and risk management system including a complete overhaul of its grants management system.

Under aBi Finance, Internal Audit executed and concluded the audit of Agricultural Guarantees, Lines of Credit and Investments. In addition, Internal Audit also executed and concluded the

audit of aBi shared operational process such as Finance and Accounting, Procurement, Risk Management and records management. With exception of three audits (Legal and Compliance, Governance and Monitoring and Evaluation), Internal Audit fully implemented its 2015 plans.

Internal Audit recommendations arising out of the above audits and consulting engagements have no doubt added value to the improvement of aBi Governance, Risk Management and internal controls processes. Suffice to note that aBi Boards and Management greatly contributed to the accomplishment of internal audit plans 2015 by ensuring that the independence and objectivity of internal audit is maintained and that implementation of internal audit recommendations is given priority. Internal audit continues to identify issues of integrity as a major challenge to aBi and to the sector, generally.

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In line with Risk Based Internal Audit Plans 2015 for both entities, Internal Audit executed and accomplished the audit of 32 Implementing Partners (IPs), a very large audit of 121 ended projects (through outsourcing) under aBi Trust.

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# 08

## Corporate Services Function

### 8.1 Human Resource Management

Efforts continued to be made in 2015 to turn aBi into a high performance organization as shown below;

**Organizational Review** - In an effort to ensure that the organizational structure supports the needs of aBi, Management commissioned a functional review and job evaluation in the last quarter of 2015 which will be concluded in the second quarter of 2016. This process will ensure an alignment of the business processes with the strategic direction of aBi to ensure that organizational goals are achieved.

**Training and Development** - For continuous enrichment of employee skills, various staff have enrolled in specialized short-term courses throughout the year under review. Two members graduated in the Female Future Programme, a Leadership programme conducted by the Federation of Uganda Employers in partnership with the Norwegian Fund. Management of aBi was also trained on Value Proposition to enable the leadership team learn how to avail better customer experiences through marketing the organization in line with achieving set targets.

**Ethics and Integrity** - In an effort to continuously promote a culture of transparency and accountability, aBi staff were trained in Ethics and

Integrity. The training was aimed at enriching employee knowledge and awareness of behavior that upholds the values and ethical standards of the organization.

**Recruitment** -The following positions have been recruited in 2015: - Corporate Services Manager, Procurement and Administration Officer, Dairy Officer, Monitoring & Evaluations Officer, Financial Services Officer, Driver, Technical Manager, Chief of Staff, Senior Risk and Compliance Officer and Legal and Compliance Manager.

### 8.2 Communications

Furthering the visibility of the organization has been a main objective of the Communications unit.

Sharing of knowledge and information has been implemented through support and participation in sector platform events such as the National Agricultural Trade fair, the Banking, Finance and Insurance Expo 2015, AgriProFocus stakeholders, NUCAFE National Coffee Festival, Annual Uganda Investment Authority Business to Business (B2B) conference and aBi's Gender for Growth (G4G) evaluation dissemination workshop, among others. An exchange visit such as the Micro Enterprises Support Programme Trust Management and Board tour of the dairy value chain in South Western Uganda was a highlight in knowledge exchange and benchmark opportunity.



Documentation of aBi's successes was enhanced through featuring in mainstream print, electronic and new media, thereby advancing the profile of the organization. The above Brand exposure is bolstering aBi's brand equity and boosted the image of the organization.

aBi has formed partnerships with ten (10) community based radio stations to strengthen information dissemination and awareness in five local languages and this is to help value chain actors in decision making and price negotiations.

### 8.3 ICT

Fundamental to the success of aBi's future growth plans, is the expansion in capacity and resources of the ICT department. An IT audit was carried out by external consultants, providing a road map to an absolute water tight system that can also give the required functionality for all departments to achieve their project goals. To support this and act on the findings from the audit, a Technical Manager has been recruited to oversee and guide the introduction of new systems and further strengthen our entire ICT landscape. This began with formulating a Disaster Recovery Plan (DRP), which backs up aBi's entire server environment, off-site.

The end of 2015 saw the completion of a comprehensive ICT work-plan, detailing the introduction of several new systems, critical to ensuring aBi will satisfy the outputs of its 5- year strategy. Amongst others, general best practice changes to be implemented comprise of a Grants Management System and an Electronic

Archiving and Document Management System, which will help streamline and automate all aBi administrative and accounting procedures. The identified projects are all set for completion by the end of Q3 2016.

### 8.4 GIS Project

Throughout the first half of 2015, a GIS capacity was installed within aBi head office, and all aBi IPs were trained on how to report on their agribusiness activities using GPS smartphone devices. As an additional interim reporting format beyond the quarterlies, the results from these reports are used to monitor and evaluate the progress of aBi partners with maps, statistics and photo evidence of aBi supported activities. The primary custodian of the GIS cell and its components reside within the M&E department, with a trained GIS manager tasked with maintaining and updating the system. Further to a structured GIS training and installation programme across the 6 month project, the GIS Manager is now primed to provide supporting material in the form of hard-copy maps, web maps, statistics and basic geographical analysis for all departments.



# 09

## Financial Performance Versus Budget Summary

### 9.1 Summary of Financial performance of aBi

aBi Finance posted a net income of Ushs 7.4 Bn for the year ended 2015 which was a 29% increase from a net income of 5.7Bn in 2014. aBi Trust posted a grant utilization rate of 65% (VCD 61%, FSD 71% and Trust operations 79%). Planned ratio of programme costs to overall budget of 85% was actualized at 82% indicating efficient operations.

### 9.2 Financial Performance for aBi Trust

This section highlights the financial performance for aBi Trust over the period 1<sup>st</sup> January to 31<sup>st</sup> December 2015.

**Table 20: Performance Vs Budget by activity for the year ended December 2015**

	Budget 2015 (Ush)	Actual 2015 (Ush)	Var %
<b>VCD</b>			
Coffee	9,999,123,000	9,357,918,747	-6%
Cereals	8,449,625,000	3,209,639,146	-62%
Pulses	3,015,850,000	1,553,761,073	-48%
Oilcrops	2,935,750,000	2,904,414,074	-1%
Horticulture	2,780,000,000	1,001,690,216	-64%
Dairy	15,831,886,000	8,435,934,494	-47%
Cross Cutting Issues	1,879,000,000	1,879,604,522	0%
Human Resource	3,563,500,000	1,359,666,283	-62%
Technical Assistance	-	1	
<b>TOTAL VCD</b>	<b>48,454,734,000</b>	<b>29,702,628,556</b>	<b>-39%</b>
<b>FSD</b>			
Qualification of borrowers outreach	3,414,100,000	3,283,969,424	-4%
Financers Skills Enhancement for Supp Agribusiness	416,000,000	283,946,400	-32%
Agribusiness Product Development	770,000,000	251,910,375	-67%
Increasing Volumes of Agribusiness Finance	2,060,000,000	1,150,585,000	-44%
Consolidation of Lower Tier Financial Institutions	740,000,000	310,172,000	-58%
Risk Management Mechanisms in Agribusiness	510,000,000	210,000,000	-59%
Component Human Resource	710,000,000	660,140,330	-7%
<b>TOTAL FSD</b>	<b>8,620,100,000</b>	<b>6,150,723,529</b>	<b>-29%</b>
<b>TRUST OPERATIONS</b>			
Staff costs	3,400,540,000	2,220,827,609	-35%
Operational costs	3,217,871,000	3,589,640,360	12%
Capital Costs	672,600,000	193,940,117	-71%
Monitoring & Evaluation	702,580,000	1,222,962,607	74%
Tehcnical Assistance	1,740,000,000	454,710,930	-74%
<b>TOTAL TRUST OPERATIONS (inc tax)</b>	<b>9,733,591,000</b>	<b>7,682,081,623</b>	<b>-21%</b>
<b>GRAND TOTAL</b>	<b>66,808,425,000</b>	<b>43,535,433,708</b>	<b>-35%</b>



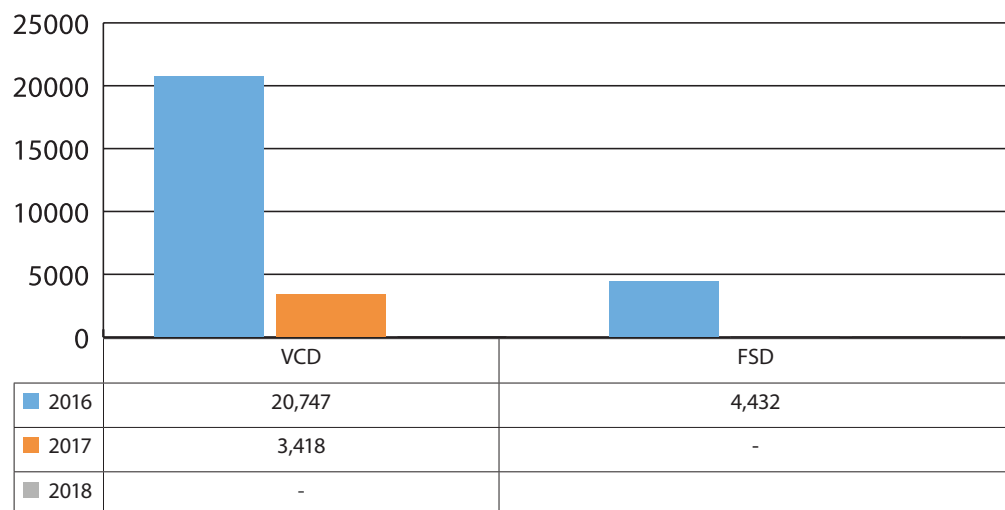
In the period ended December 2015, aBi Trust utilized US\$43.5bn, which translates to 65% utilization of the total budget for the period. In the VCD section, utilization in the year was very low particularly in the cereal and horticulture value chains due to lack of credible IPs. The under performance in the dairy value chain was impacted by a delay in the procurement of equipment completed in the fourth quarter of 2015. This resulted in 53% utilization in the dairy

value chain with a large amount of the remaining funds being committed for disbursement in 2016. Performance in the FSD section was below budget by 29% due to the limited number of credible proposals being submitted by IPs in this section.

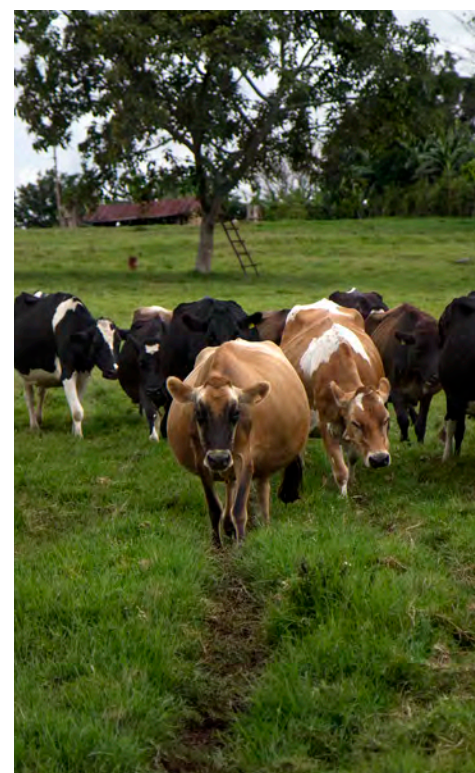
With total commitments for both VCD and FSD US\$28.6bn, the observed utilization rates resulted in a carryover of US\$ 24.2bn to be disbursed in 2016 and 2017 as shown below.

The under performance in the dairy value chain was impacted by a delay in the procurement of equipment completed in the fourth quarter of 2015.

#### Programme Commitments (US\$ millions) as at 31<sup>st</sup> December 2015



The graph shows the level of commitment as at 31<sup>st</sup> December 2015, in each of the years under contract, that aBi Trust has with its IPs.



**Table 21: aBi Trust Statement of Comprehensive Income 1<sup>st</sup> January to 31<sup>st</sup> December 2015**

	YTD Actual	YTD Budget	Var	YTD Actual
	Dec-15	Dec-15		Dec-15
	Ush	Ush	%	DKK
<b>INCOME</b>				
Grant income	42,710,433,705	66,135,825,344	-35%	77,655,334
Grant Income - KFW	2,855,240,328	2,855,240,328	0%	5,191,346
Interest Income - aBi	372,036,733			676,430
Management fees	587,921,083	560,000,000		1,068,947
Other grant income	20,222,419			36,768
aBi Trust Costs recharged to aBi Finance	1,891,824,027	1,903,457,698	-1%	3,439,680
Other Income	-			-
<b>Total income</b>	<b>48,437,678,295</b>	<b>71,454,523,370</b>	<b>-32%</b>	<b>88,068,506</b>
<b>EXPENDITURE</b>				
<b>By the Trust</b>				
Value Chain development	29,702,628,556	48,454,734,200	-39%	54,004,779
Access to Agricultural finance	6,150,723,529	8,620,100,000	-29%	11,183,134
Technical Assistance	454,710,929	1,740,000,000	-74%	826,747
Other Trust Operations	6,402,370,691	7,320,991,144	-13%	11,640,674
	<b>42,710,433,705</b>	<b>66,135,825,344</b>	<b>-35%</b>	<b>77,655,334</b>
<b>By the KFW</b>				
KFW disbursements	2,855,240,327	2,855,240,327	0%	5,191,346
Foreign Exchange loss/ (gain)	(1,262,949,298)			(2,296,271)
Tax Expense aBi	266,457,310	739,037,310	-64%	484,468
<b>Total expenditure</b>	<b>44,569,182,045</b>	<b>69,730,102,981</b>	<b>-36%</b>	<b>81,034,876</b>
<b>FUND BALANCE FOR THE PERIOD</b>	<b>3,868,496,250</b>	<b>1,724,420,389</b>	<b>124%</b>	<b>7,033,630</b>

1DKK = US\$550

The Statement of Comprehensive Income for the period ended December 2015 Table 21 above, shows that grant income comprised of proceeds from RDE for implementation of program activities amounting to US\$42.7bn.

aBi Trust posted a total of US\$372m interest income earned from investment of excess funds that were available at the beginning of the year in fixed deposits. In addition, the Trust earned management fees of US\$588m from KfW for services offered under the Rural Challenge Fund. Inflows of US\$1.9bn came from aBi Finance as recharged costs. Other income of US\$20m relates to the assets handed over to the Trust by DANIDA.

The Statement of Comprehensive Income for the period ended December 2015 Table 20 above, shows that grant income comprised of proceeds from RDE for implementation of program activities amounting to US\$42.7bn.

**Table 22: aBi Trust Statement of Financial Position as at 31<sup>st</sup> December 2015**

	<b>Actual</b>	<b>Budget</b>	<b>Var</b>	<b>Actual</b>
	<b>Dec-15</b>	<b>Dec-15</b>	<b>%</b>	<b>Dec-15</b>
	<b>Ushs</b>	<b>Ushs</b>		<b>DKK</b>
<b>ASSETS</b>				
Cash and bank balances	8,114,252,883	2,958,210,888	174%	14,753,187
Other Receivables	498,804,498			906,917
Equipment	1,321,302,487	1,602,600,000	-18%	2,402,368
<b>Total assets</b>	<b>9,934,359,868</b>	<b>4,560,810,888</b>	<b>118%</b>	<b>18,062,472</b>
<b>LIABILITIES</b>				
Deferred grants	(1,457,945,502)	2,836,390,500	-151%	(2,650,810)
Deferred grants - KFW	853,253,513			1,551,370
Other payables	383,507,285			697,286
	<b>(221,184,704)</b>	<b>2,836,390,500</b>	<b>-108%</b>	<b>(402,154)</b>
<b>CAPITAL AND FUND BALANCE</b>				
Fund balance as at Dec 2014	6,287,048,323			11,430,997
Fund balance for the period	3,868,496,249	1,724,420,388	124%	7,033,630
<b>Total liabilities and net funds</b>	<b>9,934,359,868</b>	<b>4,560,810,888</b>	<b>118%</b>	<b>18,062,472</b>

1DKK = US\$550

In the statement of Financial position of aBi Trust as at December 2015 (Table 21), total assets were 118% higher than budget due to the high closing cash balance of US\$8bn compared to the budget of US\$3bn and also due to the higher closing fund balance caused by the revaluation gain on the foreign currency denominated assets. Expenditure on equipment was below budget by 18% because the purchase of the electronic document system was postponed to next year to allow holistic review of the Management Information System and minimize stand-alone systems. The negative position on the deferred grant shows that a total of US\$1.5bn, over and above what has been received from RDE for the implementation of programme activities, has

been disbursed to IPs. Funds used were received from other sources as shown in Table 21 above.

### 9.3 Financial Performance for aBi Finance

This section highlights the financial performance for aBi Finance over the period 1<sup>st</sup> January to 31<sup>st</sup> December 2015.

aBi total assets as at 31<sup>st</sup> December 2015 amounted to US\$116.5bn versus a budget of US\$110.7bn, including the Construction Guarantee Fund, implying a higher performance than budgeted. See details in aBi Finance's Statement of financial position in Table 23 below.

Expenditure on equipment was below budget by 18% because the purchase of the electronic document system was postponed to next year to allow holistic review of the Management Information System and minimize stand-alone systems.



**Table 23: aBi Finance Statement of Financial Position as at 31<sup>st</sup> December 2015**

	Actual Dec-14 Ushs	Actual Dec-15 Ushs	Budget Dec-15 Ushs	Var %	Actual Dec-15 DKK
<b>ASSETS</b>					
Cash and bank balances	739,948,974	691,296,027	480,799,343	44%	1,256,902
Government securities	17,908,619,019	9,498,449,346	17,294,772,007	-45%	17,269,908
Government securities -CGF	4,960,536,255	5,380,672,117	5,380,672,117	0%	9,783,040
Fixed Deposits	22,393,615,414	17,755,856,174	15,020,869,049	18%	32,283,375
Fixed Deposits- CGF	4,708,245,564	5,161,819,081	5,161,819,081	0%	9,385,126
Fixed Deposits- ASDF		-	2,045,000,000		-
Line of Credit	47,390,406,864	76,818,361,821	60,031,107,159	28%	139,669,749
Agricultural Bond		1,003,167,123	5,200,000,000		1,823,940
Loan guarantee fees receivable	91,541,093	19,098,170	-		34,724
Deferred Tax Asset	(18,707,228)	(18,707,228)			(34,013)
Fixed Assets	435,000	9,636,153	44,500,000	-78%	17,520
Other Receivables	189,165,450	215,616,690			392,030
<b>Total assets</b>	<b>98,363,806,406</b>	<b>116,535,265,474</b>	<b>110,659,538,756</b>	<b>5%</b>	<b>211,882,301</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Bad Debt	739,648,109	1,813,455,260	1,288,498,572	41%	3,297,191
Other payables	433,155,231	852,676,599			1,550,321
Tax Payable	(734,431,279)	(353,489,938)			(642,709)
ASDF			2,045,000,000		-
Construction Guarantee Fund	9,715,318,008	10,664,709,504	10,664,709,504	0%	19,390,381
<b>Total Liabilities</b>	<b>10,153,690,069</b>	<b>12,977,351,425</b>	<b>13,998,208,076</b>	<b>-7%</b>	<b>23,595,184</b>
<b>Equity</b>					
Capital Grants	61,564,867,581	69,515,798,976	69,165,867,581	1%	126,392,362
Retained Earnings	26,645,248,755	34,042,115,073	29,495,463,099	7%	61,894,755
			(2,000,000,000)		-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>98,363,806,405</b>	<b>116,535,265,474</b>	<b>110,659,538,756</b>	<b>5%</b>	<b>211,882,301</b>

1DKK = US\$550

The endowment fund was invested in Lines of Credit, Fixed deposits, Government Securities and more recently the Agricultural Bond. Investments in Lines of credit was above budget by 28% hence a lower than budget performance on investments in Government securities. Investments in Fixed deposits with commercial banks was above budget by 18% explained by the preference over Government Securities as they can be more readily converted when needed.

The endowment fund was invested in Lines of Credit, Fixed deposits, Government Securities and more recently the Agricultural Bond.

**Table 24: aBi Finance Statement of Comprehensive Income 1<sup>st</sup> January to 31<sup>st</sup> December 2015**

	YTD Actual Dec-14 Ushs	YTD Actual Dec-15 Ushs	YTD Budget Dec-15 Ushs	Var %	YTD Actual Dec-15 DKK
<b>INCOME</b>					
Interest Income	10,028,640,096	11,831,264,580	9,082,759,290	30%	21,511,390
Interest Income - Staff gratuity		34,459,889	0		62,654
Line of Credit Fees	45,319,600				-
Loan guarantee fees	612,107,742	649,076,711	770,000,000	-16%	1,180,139
Management fees from CGF	203,079,444	286,287,803	280,000,000		520,523
Other Income	18,047,945	71,103		0%	129
Revaluation Gain/(Loss)	817,507,447	2,025,749,459	0	0%	3,683,181
<b>Total Operating income</b>	<b>11,724,702,274</b>	<b>14,826,909,545</b>	<b>10,132,759,290</b>	<b>46%</b>	<b>26,958,017</b>
<b>EXPENDITURE</b>					
Operating Expenditure	1,470,843,093	1,704,233,487	2,217,355,000	23%	3,098,606
aBi Trust recharged costs	1,900,525,522	1,891,824,027	1,903,457,698	1%	3,439,680
Provisions for Bad Debts	455,220,363	1,073,807,151	643,365,982	-67%	1,952,377
<b>Total Expenditure</b>	<b>3,826,588,978</b>	<b>4,669,864,665</b>	<b>4,764,178,680</b>	<b>2%</b>	<b>8,490,663</b>
					-
<b>Profit Before Tax</b>	<b>7,898,113,296</b>	<b>10,157,044,880</b>	<b>5,368,580,610</b>	<b>89%</b>	<b>18,467,354</b>
Income Tax	2,130,370,122	2,731,186,539	1,803,585,298	-51%	4,965,794
<b>Net Profit for the period</b>	<b>5,767,743,174</b>	<b>7,425,858,341</b>	<b>3,564,995,312</b>	<b>108%</b>	<b>13,501,561</b>
Other comprehensive income	-	-	-		-
<b>Total comprehensive income for the period</b>	<b>5,767,743,174</b>	<b>7,425,858,341</b>	<b>3,564,995,312</b>	<b>108%</b>	<b>13,501,561</b>

1DKK = US\$550

aBi Finance posted a total of UGX 12 bn in income earned, a figure 18% higher than the prior year interest income of UGX 10Bn. The figure illustrates increasing fund investment in LoC, which is in line with the aBi Investment policy.

In the Statement of Comprehensive Income Table 24 above, the total profit before tax was US\$10.2bn versus a budget of US\$5.4bn ensuring that the profit before tax is 89% above budget. This was mainly due to;

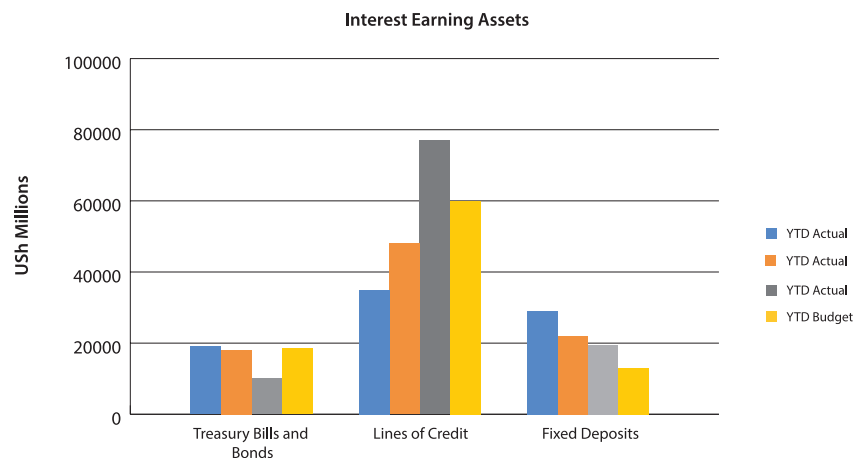
- i. a higher than budgeted Total Operating Income, mainly on account of investments in lines of credit ensuring that Interest Income was above budget by 30%.
- ii. An under-spend on operating expenditure of 23%, mainly on account of the delay in the issuance of the Agricultural Bond and hence the related consultancy costs.
- iii. The revaluation gain of US\$2bn, due to the depreciation of the Uganda Shilling against the US Dollar over the period.

The loan guarantee fees are below budget by 16% on account of a timing difference between when the fees were budgeted and when they actually fall due. Provision for bad debts was higher than budget by 67% on account of the higher than budget portfolio on Lines of Credit and the Guarantee scheme.

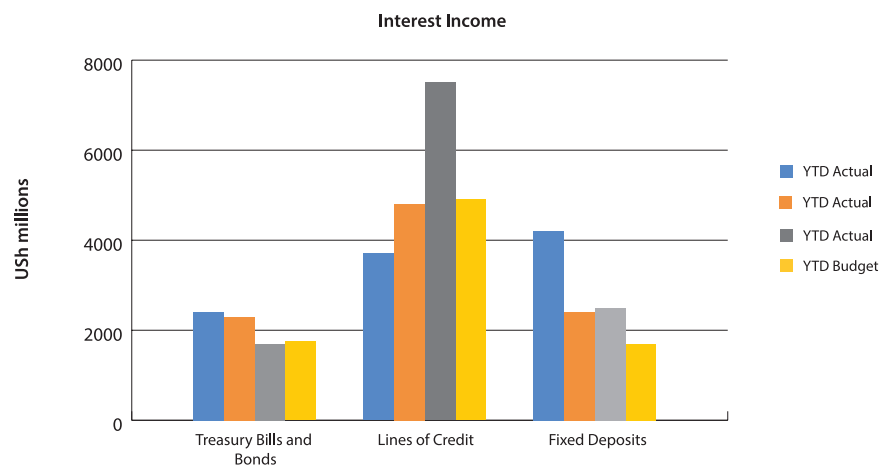
Figure 15 and Figure 16, show the mix of the invested funds and the interest income earned. It also compares performance with the same period in the previous years. aBi Finance posted a total of UGX 12 bn in income earned, a figure 18% higher than the prior year interest income of UGX 10Bn. The figure illustrates increasing fund investment in LoC, which is in line with the aBi Investment policy.



**Figure 15: Interest Earning Assets – Balance Sheet**



**Figure 16: Interest Income**



### 9.3.1 Funding Status

In the year 2015, aBi Trust received a total of US\$42.7bn (DKK 77.7m) from RDE for the implementation of programme activities as shown in Table 5. This includes funding from the development partners under the delegated corporation arrangement. However, it should be noted that by the end of the year all the funds received from the RDE for implementation of programme activities, were disbursed to IPs. An additional US\$1.5bn was utilized by aBi Trust and these funds come from other development partners including; USAID and SIDA. aBi Trust has over the years, received a total of US\$8bn from other income streams including aBi Finance, KFW and CGF. The closing bank balance as at December 2015 was US\$7bn which is to be carried forward to the next work plan period. During the year, the Capital Management component managed by aBi Finance also received a further tranche of US\$8bn to the endowment fund. Discussions got underway between the RDE and prospective development partners interested in aBi as an appropriate vehicle for management of funds and programmes in support of the agribusiness development. Looking forward into 2016 and beyond, it is anticipated that there will be increased funding.

In 2012, the Embassy of the Kingdom of Netherlands pledged to support aBi Trust in the dairy value chain with an intervention of Euro 6.5m, through the delegated cooperation

The Construction Guarantee Fund (CGF) facility of USh7.2bn (£2m) that is managed by aBi Finance on behalf of DfID's Crossroads programme grew by 9.8% to USh10.7bn in 2015 from USh9.7bn in 2014. The fund was predominantly invested in government securities and fixed deposits with a small cash holding.

arrangement with the RDE. This support was targeted at challenges related to market access. The final batch of the funds were released during the year 2015 and these went towards contributing to the purchase of the dairy equipment.

The Construction Guarantee Fund (CGF) facility of USh7.2bn (£2m) that is managed by aBi Finance on behalf of DfID's Crossroads programme grew by 9.8% to USh10.7bn in 2015 from USh9.7bn in 2014. The fund was predominantly invested in government securities and fixed deposits with a small cash holding. The overall performance for 2015 was 14.83 against a target of 9%, up from a performance of 13% the previous year.

Activities under the KfW's Uganda Rural Challenge Fund continued during the year 2015. The original agreement with Frankfurt School of Management to manage the project ended in November 2015 and upon the request of aBi Trust, approval was given by KfW to extend it for a further two years. The extension was needed to enable the smooth running of the project until full utilization of the remaining funds. During the year 2015, a further USh3.6bn was received from KfW for implementation of activities of which a total of USh2.9bn was disbursed to Fls.

Table 24, shows the actual funds received from DANIDA to the Trust, fund utilization by the business units over the course of the year and the balance carried into the 2016 work plan period.

**Table 25: Grant received versus Expenditure as at 31<sup>st</sup> December 2015**

	<b>At year end</b>	<b>Received</b>	<b>Utilized</b>	<b>At the year end</b>
	<b>Ushs</b>	<b>Ushs</b>	<b>Ushs</b>	<b>Ushs</b>
	<b>Dec-14</b>			<b>Dec-15</b>
<b>Income streams from RDE</b>				
Value chain development	12,878,673,970	22,631,171,363	29,702,628,556	5,807,216,777
Access to Financial services development	986,813,910	1,899,940,000	6,150,723,529	(3,263,969,619)
Trust Operations	713,328,000	2,142,560,000	6,857,081,620	(4,001,193,620)
	<b>14,578,815,880</b>	<b>26,673,671,363</b>	<b>42,710,433,705</b>	<b>(1,457,946,462)</b>
<b>Other income Streams</b>				
Management fees - KfW	1,084,491,406	587,921,083	-	1,672,412,489
Management fees - CGF	424,915,228	-	-	424,915,228
aBi Finance	3,319,058,822	1,906,884,837	-	5,225,943,659
Interest Income	441,765,396	300,270,000	-	742,035,396
	<b>5,270,230,852</b>	<b>2,795,075,920</b>	<b>-</b>	<b>8,065,306,772</b>
<b>GRAND TOTAL (Ush)</b>	<b>19,849,046,732</b>	<b>29,468,747,283</b>	<b>42,710,433,705</b>	<b>6,607,360,310</b>
<b>TOTAL (DKK)</b>	<b>36,089,176</b>	<b>53,579,541</b>	<b>77,655,334</b>	<b>12,013,382</b>

1DKK = USh550

## aBi Founders, Board Members, GCEO and Company Secretary



**From left to right:** Alison Dillon Kibirige (aBi Company Secretary), Nicholas John Okwir (Trustee), Albert Bruun Birnbaum (Founder, Chairperson aBi Finance), Lydia Ochieng Obbo (aBi Trust Chairperson, Director aBi Finance), Vincent Kaheeru (Trustee), Eva Nagawa Mukasa (Trustee), Warwick Thomson (Trustee, Director aBi Finance), Charles Ocici (Trustee, Director aBi Finance), Gerald Ssendaula, (aBi Trust Vice Chairperson), David Kabateraine (Trustee), Andre Dellevoet (Group Executive Officer - aBi).





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