

aBi in 2017



Consolidating Gains,
Exploring New Opportunities





aBi believes in Clean Technology/Smart farming.



aBi Vision

A competitive, private sector-led agriculture sector in Uganda



aBi Mission

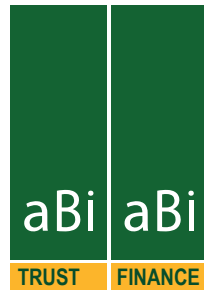
To promote private sector agribusiness development to enhance wealth creation in Uganda

Our Development Partners





aBi in 2017



*Consolidating Gains,
Exploring New Opportunities*

www.abi.co.ug



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aBi Governance

The Agricultural Business Initiative (aBi) holds funds provided by its Development Partners in trust, carefully managing and investing them to improve the performance both of Uganda's agribusinesses and the many small-holder farmers they serve. Funds are disbursed either as grants or loans to agribusinesses or financial institutions for onward lending to agriculture. These activities are implemented in accordance with aBi's founding charter and its corporate guidelines, and involve decision making at the highest levels of the organisation. This keeps aBi focused on its primary goal of supporting small- to medium-size agribusinesses, microfinance operations, and farmer organisations, all of which provide essential services to smallholder farmers across Uganda.

Given the nature of aBi's business, responsible corporate governance and robust risk management procedures are critical elements to success. While often referred to as simply 'aBi', the organisation is actually made up of three related but autonomous legal entities that contribute to achieving a shared mission. These entities – aBi Trust, aBi Finance Limited, and aBi Agricultural Bond Company Limited – all work *"to promote private sector agribusiness development to enhance wealth creation in Uganda"*.

aBi Trust

The Board of aBi Trust has nine Trustees: Ms 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; Ms Sarah Walusimbi; and Ms Nadine Margaret Byarugaba.

During 2017, this Board held five scheduled and two ad hoc meetings. The Board Committees (Audit and Risk, Finance and Programme

Oversight, Nominations and Governance, and Human Resources) met prior to each scheduled Board meeting, with the exception of the Nominations and Governance Committee, which did not meet in 2017. The Board held one joint board meeting with aBi Finance.

aBi Finance Limited

The Board of aBi Finance Limited has four Directors, two of which also sit on the aBi Trust Board: Mrs Lydia Ochieng-Obbo; Mr Warwick Thomson; Mr Andrew Otengo Owiny; and Mr Mads Mayerhofer (Chair). Mr Thomson and Mr Mayerhofer represent the interests of the Royal Danish Embassy, Kampala – the sole source of capital for aBi Finance. The Board held five scheduled meetings and one ad hoc session. Prior to 2017, the aBi Finance Board had no committees, but early in the year it established an Audit, Risk and Compliance Committee that met three times in 2017. Ms Charlotte Rosen, an experienced audit and risk management professional, joined the new Committee as non-Board member.

aBi Agricultural Bond Company Limited

The aBi Agricultural Bond Company Limited was established and registered in 2015 when aBi Finance was considering a capital markets bond issue. To date, market conditions have not been favourable for the issue and so the company is presently inactive. At the start, the company had four Board Members to govern its operations, but in 2017 it was decided that, while aBi wants to have the company available should market conditions change, it requires only two Board members to sustain a watching brief. Ms Lydia Ochieng-Obbo (Chair) and Mr Warwick Thomson have accepted that responsibility. One Board meeting was held in 2017.



aBi Trust (left) and aBi Finance (right) Board members meet several times each year as needed to provide effective governance and oversight of aBi activities and investments.

Board Evaluation

aBi carries out independent external evaluations of its Boards every three years. In the intervening years, the Boards work on improving their efficiency and effectiveness based on recommendations emanating from the independent reviews. The aBi Finance Board was evaluated in 2016, and the aBi Trust Board is due for an evaluation in 2018. However, the Founders of aBi Trust conducted a review of the Trust’s governance in late 2017 (results will be reported in 2018), so the next external evaluation may be postponed to 2019.

Board Succession

aBi has a comprehensive Board succession plan in place that complies with best practices related to Board management. The planning process is overseen by the Nominations and Governance Committee, which regularly identifies potential Board members and maintains a roster of them to draw from when the need arises.

Board Training and Information Sessions

The aBi Boards participated in two information sessions and two field visits during 2017. In March 2017, an information session (a Q&A) was held on aBi activities in Northern Uganda and MRM activities were presented by the Value Chain Development Sub-component of aBi Trust. In August, an information session was held to discuss a potential aBi Finance Repayable Financing Facility.

Field trips included very informative visits by both Boards to Wagagai Floriculture Farm in Entebbe (March 2017), and a field excursion in June that involved visiting six Implementing Partners in Northern Uganda, including: Equator Seeds; Gulu Agricultural Development Company; PostBank (U) Ltd, Nwoya Branch; Delight (U) Ltd; UGAFODE Microfinance Ltd; and A.K. Oils and Fats (U) Ltd, Mukwano.

Founders, Members of the Boards & Company Secretary



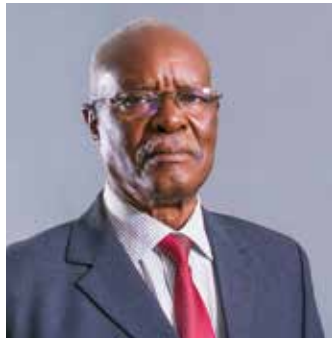
Mr Mads Mayerhofer
aBi Trust Founder,
Chair, aBi Finance



Dr Peter Ngategize
aBi Trust Founder



Ms Lydia Ochieng-Obbo
Chair, aBi Trust,
Director, aBi Finance



Hon Gerald Ssendaula
Vice Chair, aBi Trust



Mr Warwick Thomson
Trustee, aBi Trust &
Director, aBi Finance



Hon Victoria Sekitoleko
Trustee, aBi Trust



**Mr Andrew Otengo
Owiny**
Director, aBi Finance



Ms Sarah Irene Walusimbi
Trustee, aBi Trust



Mr Vincent F. Kaheeru
Trustee, aBi Trust



Mr Nicholas John Okwir
Trustee, aBi Trust



**Ms Nadine Margaret
Byarugaba**
Trustee, aBi Trust



Mr David Kabateraine
Trustee, aBi Trust



Josephine Mukumbya
Acting Group Chief
Executive Officer



Ms Alison Dillon-Kibirige
Company Secretary

Message from the Board Chairs

The Agricultural Business Initiative (aBi) is more relevant than ever before! It is firmly rooted in the logic that environmentally and socially responsible investments in improved productivity, quality and value addition in agribusinesses and among smallholder farmers in selected agricultural value chains will increase income and employment, thereby helping to alleviate poverty in Uganda.

With 70% of Ugandans primarily engaged in agriculture, the justification for aBi remains clear. Impressive steps towards poverty reduction have been made nationally, but much of this progress is fragile and can be ascribed to favourable weather and high commodity prices rather than productivity improvements. It is estimated that over 96% of all farmers in Uganda are smallholders, and that together they contribute about 75% of the country's total agricultural production. Only 20% of Ugandan households farm more than 5 acres of land, and only 7% cultivate more than 10 acres.

It is against this backdrop that value addition, in the form of increased agro-processing, has the potential to enhance Uganda's competitiveness in the world market, boost foreign exchange earnings and employment, and reduce wastage. aBi is well placed in this context to support agriculture and agribusiness development and it has achieved impressive results on many levels.

During the first four years of the 2014-2018 aBi Business Plan, aBi has effectively reached out to 874,420 farmers; increased their collective revenue by UGX 707bn; created 7,696 additional full time equivalent (FTE) jobs; and increased access to financial services for 606,459 new savings clients and 111,962 new loan clients. In addition, aBi has delivered de-

cisively on real inclusion and empowerment of women as decision makers in agriculture and agribusiness. Going forward, aBi will build on these impressive achievements while seeking new ways to enhance its socially responsible profile as a provider of services for the rural poor, including women and youth.

The achievements of aBi have also been highlighted in two independent assessment reports done during the reporting period. A 2017 evaluation of aBi Finance points out that agricultural lending has significantly increased in Uganda and established that aBi Finance interventions contributed to this welcome change. The evaluation recommends that, in order to enhance the developmental impact of aBi Finance, future partnerships with financial institutions should be linked to them engaging in innovative solutions for the delivery of more affordable financial services to the currently underserved populations in the rural areas, including Northern and Eastern Uganda.

Likewise, a 2017 review of aBi Trust emphasises the substantial benefits that aBi Trust has delivered to thousands of smallholder agricultural producers and a great number of agro-processing companies. The review concludes that aBi Trust has provided considerable value for money under its current business plan and that aBi is institutionally fit for purpose to continue its interventions in the years ahead.

aBi ended 2017 as a stronger and more responsive organisation, not least in terms of improved systems and procedures for oversight of grant making, but also in putting stronger financial control mechanisms in place, ensuring compliance, and continuously improving monitoring, evaluation, and reporting systems. Consequently, we are confident that aBi will prove its worth and refine its interventions to

meet the challenges of next year's transition into a new five-year business plan for the period 2019-2023.

For the impressive results they have achieved and their continued work on improving the quality of our partnerships, we wish to give a special thanks to our implementing partners. We also want to thank aBi management and staff for their tireless efforts to enhance the quality of aBi's interventions. We greatly appreciate the aBi Trust Founders – the Governments of Denmark and Uganda – for their support and for creating a strong enabling environment, as well as our Development Part-

ners – the Royal Danish Embassy, USAID, Sida and KFW – for their continued support in 2017.

On a personal note, in 2018 we will both end our tenures as the Chairpersons of the aBi Trust and aBi Finance Boards, respectively. We depart with a sense of accomplishment for what the institution has achieved during our respective tenures and specifically, in 2017. Needless to say, there is still much work to be done, but the future of aBi is bright, as is the future of Uganda's agriculture sector.



Ms Lydia Ochieng-Obbo
Chairperson, aBi Trust



Mr Mads Mayerhofer
Chairperson, aBi Finance

Message from the Group CEO

In many ways, 2017 was a year of fresh beginnings and one of moving forward on a positive note as we progress towards the end of the current Business Plan period (2014-2018). aBi has turned the corner, registering positive evaluations for both aBi Finance and aBi Trust. The aBi Finance evaluation concluded that the comprehensive set of services and products offered have been instrumental in stimulating financial institutions to initiate and/or expand financing of agribusinesses, which in turn has led to improved financial access for targeted end users – the less privileged living in rural areas. The evaluation noted that the questions of additionality and effectiveness were answered positively, while prudent financial management and investment policies led to a financially sustainable organisation.

The aBi Trust evaluation concluded that the Trust scored admirable successes at the result, outcome, and impact levels of its implementing partners and producers. It highlighted that aBi met its programmatic targets and aBi's disbursement efficiency compares favourably with the sample projects, while still looking to improve its efficiency standards. This evaluation has indeed re-energised aBi and will inform the Board-driven strategy formulation and business planning for 2019-2023. These reports summarise the lessons learnt and provide recommendations as to how aBi can become more effective and efficient in delivering relevant interventions that can sustainability impact the agribusiness sector.

The reforms in systems and processes initiated in 2016 began to bear fruit in 2017, resulting in stronger project pipeline development during the year. This is reflected in the awarding of 20 new grants (15 Value Chain Development grants and 5 Financial Services Development grants) valued at UGX 50bn; these new VCD and FSD projects contributed to aBi's total

disbursements of UGX 27bn during the year, up from UGX 23bn in 2016. Our new Grants Management System (GMS) was piloted in the third quarter of 2017 and, by the close of the year, we were able to upload 9 active grants. The GMS provides a strong audit trail, from early inception until the end of a project. It also provides a platform for: tracking project progress; verification of activities (financial, as well as outcomes and impacts); and for general interaction between aBi and its implementing partners in a much more detailed way than has previously been the case. The system is also useful for streamlining proposal appraisal processes, which further enhances transparency and openness.

While the Uganda financial services sector made an impressive recovery from the exit of a large market player in 2016, overall there was less financial support provided to agriculture, which slowed growth in the sector. The emerging challenges facing the agriculture sector, such as the increasing impacts of climate change, the pressure of a bulging youth population, the Fall Armyworm attack, and the growing refugee population in Northern Uganda were incorporated into aBi's 2018 planning process to ensure that specific interventions were considered to address them.

We were reminded by the aBi Trust evaluation that the main threats to agriculture in Uganda are drought, access to finance, fake inputs, and poor extension services. This was further corroborated by a report published in late 2017 by McKinsey & Company¹, which highlighted that, among other things, achieving an agricultural transformation requires sufficient storage infrastructure, smart regulation of

¹ Boettiger, S., N. Denis, S. Sanghvi. 2017. *Readiness for agricultural transformation*. McKinsey & Company. New York, NY, USA. Available online: <https://www.mckinsey.com/industries/chemicals/our-insights/readiness-for-agricultural-transformation>

inputs, the availability of affordable credit, and the effective delivery of agricultural goods and services.

aBi Trust continued to support interventions designed to address these specific constraints or threats in its six priority value chains, and to capitalise on existing opportunities within them in order to promote sector growth and performance, albeit with fewer implementing partners. aBi also participated in a national collaborative effort to refine the National Strategy and Action Plan to address the Fall Armyworm infestation and provided technical input in the development of materials for subsequent dissemination.

aBi Finance continued to promote and further enhance the use of its key products – Lines of Credit and Agribusiness Loan Guarantees – and further strengthened its fund management, all as a means of addressing the challenges of access to finance for agribusinesses and financial exclusion, especially of women and youth. Management also emphasised efforts to ensure that aBi investments are more socially responsible. In 2017, two studies were commissioned to map financial services actors in Northern Uganda, as well as value chain financing opportunities in six specific sub-sectors. The results will be shared with financial institutions early in 2018 to help with refining existing financial products and developing new ones.

The general performance against key business plan indicators for both aBi Trust and aBi Finance remained on course to reach the 2014-2018 Business Plan targets for 2017, indicating both entities are on track for achieving the Plan's overall 5-year targets.

In 2017, aBi bid farewell to the Group Chief Executive Officer, Andre Dellevoet, who served aBi beginning in 2015 and was closely

involved in instituting the reforms that have led to a renewed, strengthened and more accountable organisation. aBi is committed to continuing with the reform agenda in order to achieve more efficient levels of performance. In addition, the newly created position of Chief Operating Officer, Corporate Services, was filled by Simon Belcher, and Francis Chesang was appointed to the position of Chief Operating Officer, aBi Trust.

On behalf of all aBi staff, without whom none of our objectives could be achieved, I take this opportunity to thank the Founders, Board Members, Development Partners, and our Implementing Partners for the positive steps we have taken together in promoting Ugandan agribusiness development in 2017.



Josephine Mukumbya

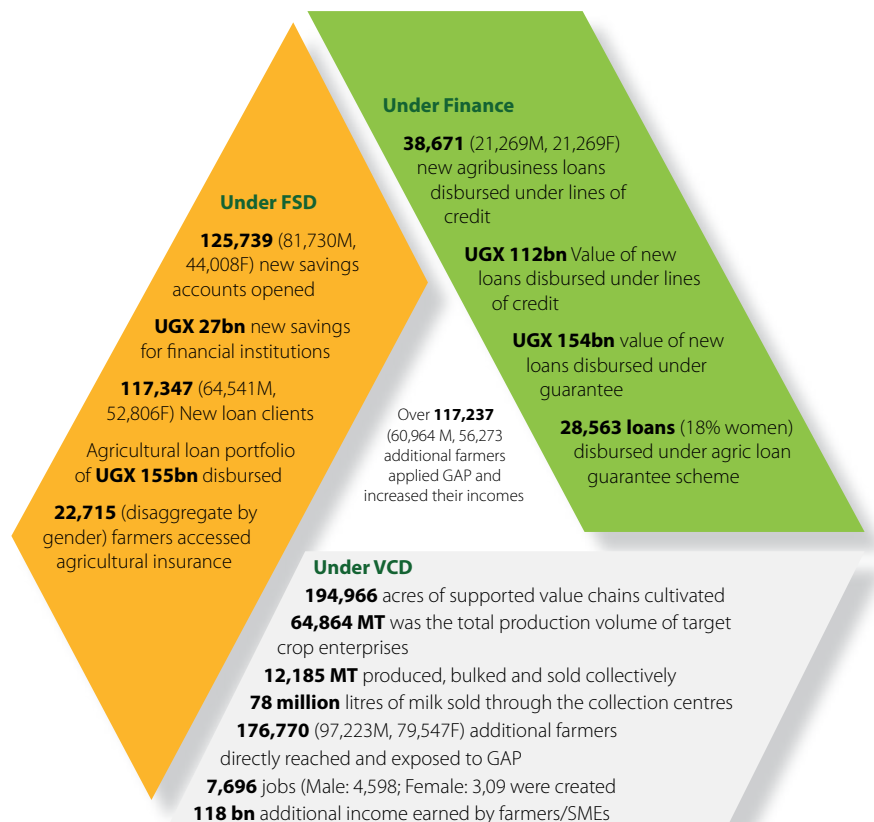
Acting Group Chief Executive Officer

aBi's 2017 Performance at a Glance

Agriculture remains central to economic growth and poverty reduction in Uganda. The sector accounted for 24.9% of GDP in FY 2016/17 and 46% of export earnings. The Uganda Bureau of statistics (UBOS) estimates that about 72% of the country's working population is employed in agriculture. It is a source of raw materials for agro-processing businesses, and the sector provides an important domestic market both for non-agricultural and agricultural products. Investors consider Uganda's agricultural potential to be among the best in Africa, with low temperature variability and two rainy seasons in the southern half of the country that enables multiple crop harvests per year. Still, the effects of climate change are becoming increasingly apparent, mainly in the form of drought and shifting rainfall patterns, as well as the frequency and location of insect and plant disease problems.

According to the FAO, 80% of Uganda's land is arable but only 35% is being cultivated, primarily by smallholder farmers who have, on average, 2-3 acres of land. Much work remains to improve farm-level productivity, increase the availability of affordable credit to agriculture, and strengthen the small- to medium-scale agribusinesses that serve the sector. Even so, the bulk of Uganda's exports (about 80%) are agricultural products, which collectively contribute 46% of the country's export earnings.

In 2017, aBi completed the 4th year of its 2014-18 Business Plan, which emphasises reducing poverty through increased productivity, inclusive growth, and job creation. Key outcomes for the year include:



Key Performance Indicators as of 31 December 2017

The following performance statistics provide an overview of how aBi fared in 2017, and over the years since it began implementing the 2014-2018 Business Plan.

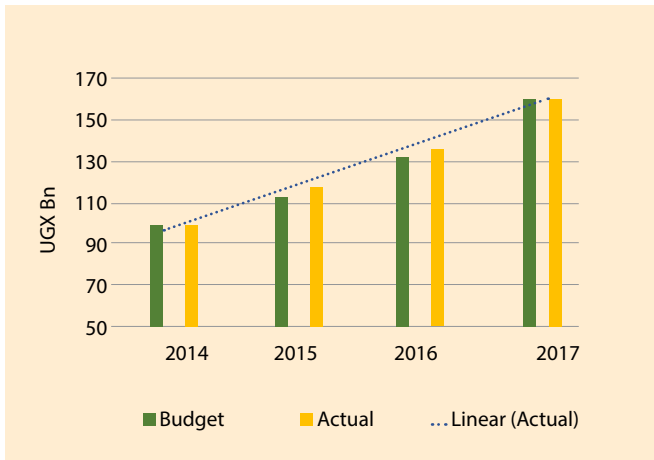


Figure 1: Size of Endowment Fund (2014-2017).

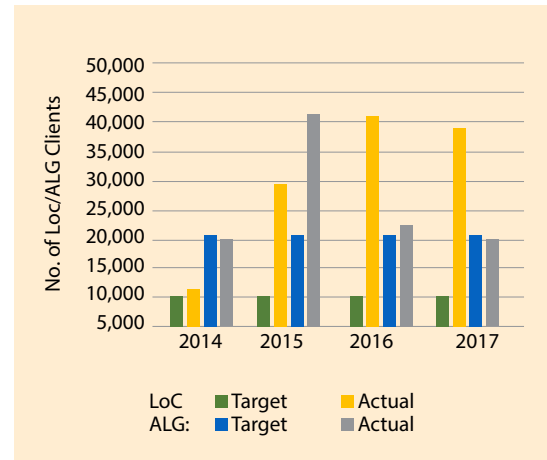


Figure 2: Beneficiaries of LoC/ALG (2014-2017).

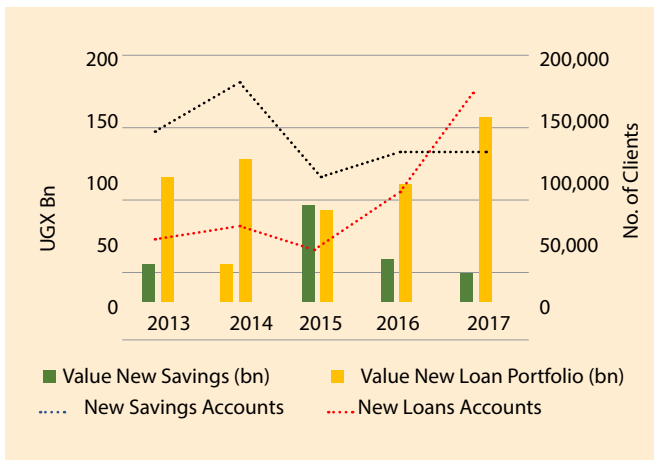


Figure 3: Number and value of savings and loans under the FSD 2013-2017.

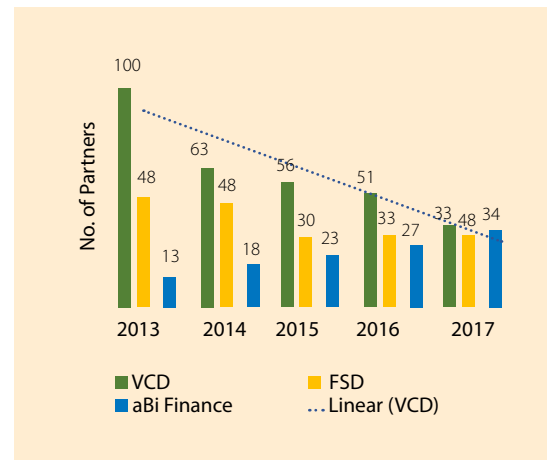


Figure 4: Supported Partners (2014-2017).

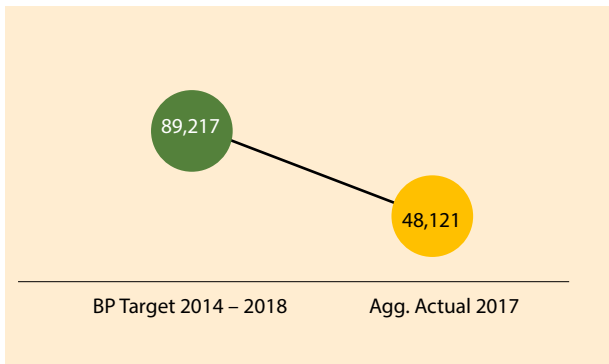


Figure 5: Provisional Additional FTE Jobs¹ created by aBi interventions .

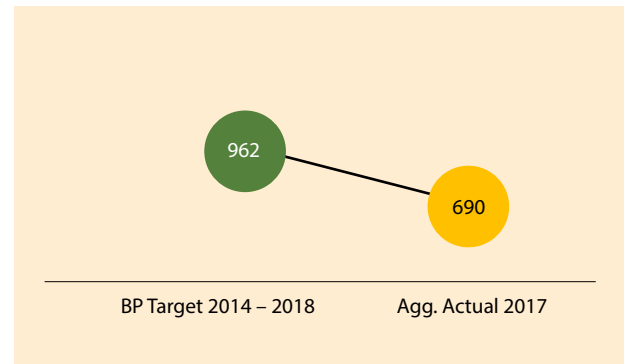


Figure 6: Additional Income² of farmers (UGX billion).

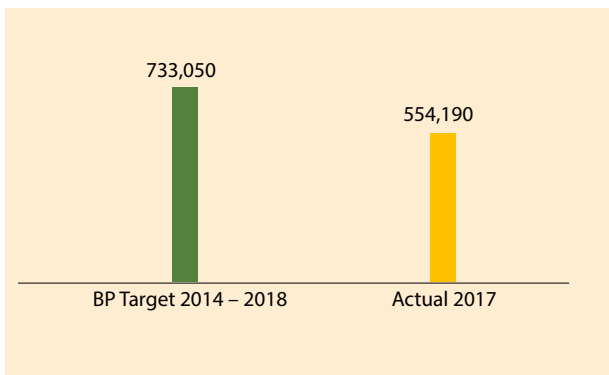


Figure 7: Acreage³ under cultivation for the supported value chains.

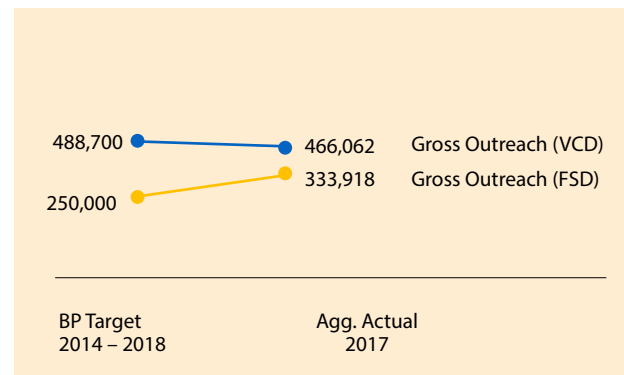


Figure 8: Access (Gross) Outreach.

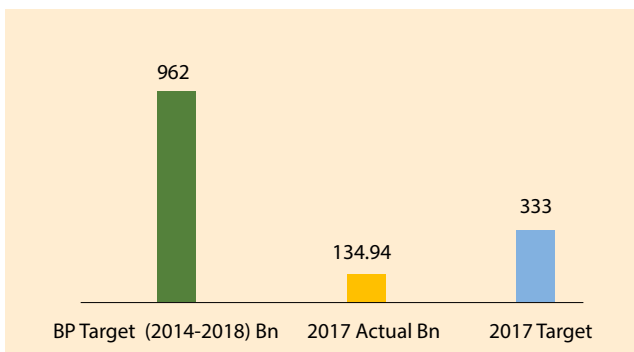
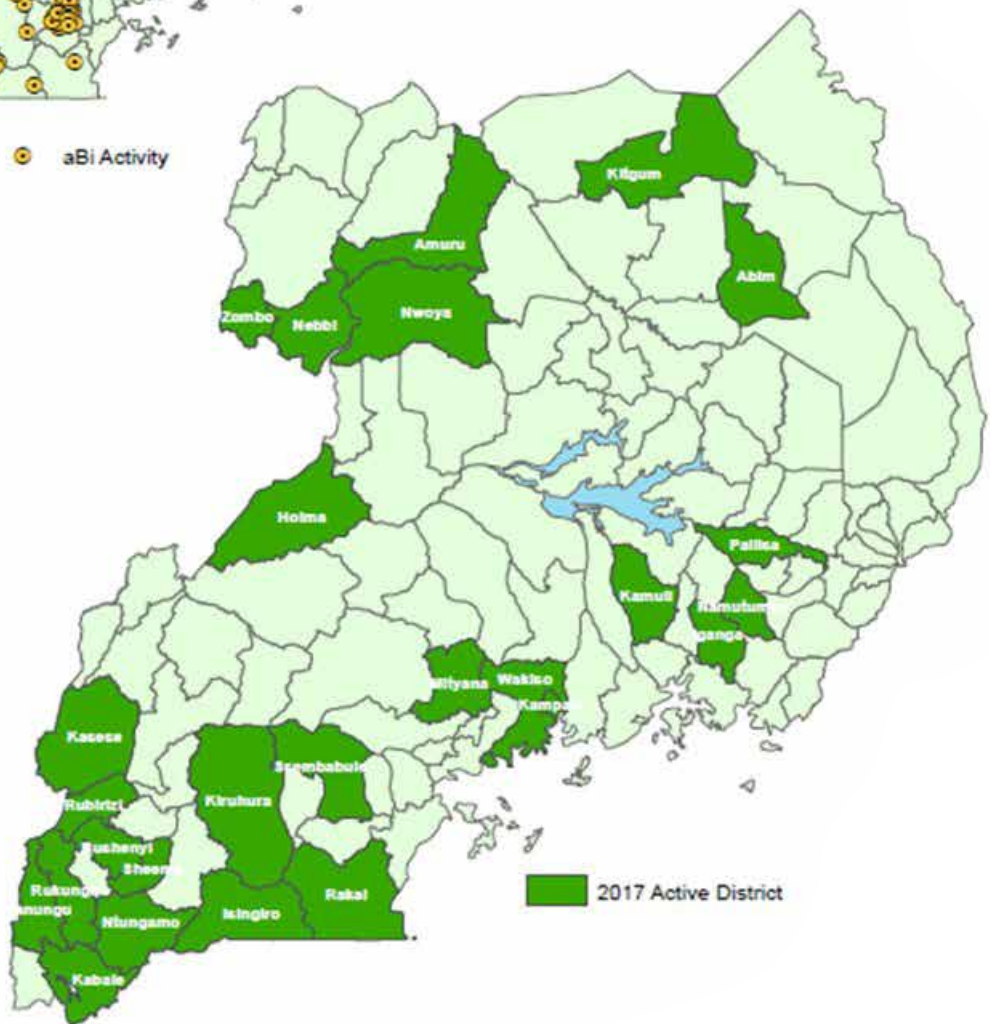


Figure 9: IP net additional income.

aBi Operational Districts 2017



Value Chain Development 2017
aBi Activities Recorded in 25 Districts



The Agricultural Business Initiative (aBi)



The Agricultural Business Initiative (aBi)

aBi was co-founded by the Governments of Denmark and Uganda to boost private sector-led agribusiness development in the country. It was established with the objective to “*promote private sector agribusiness development to enhance wealth creation in Uganda*”. With that aim in mind, aBi is strongly supporting the Government’s efforts to achieve the objectives of its Competitive and Investment Climate Strategy, thereby contributing to poverty reduction via economic growth, wealth and employment creation.

aBi is composed of three separate but complementary legal entities – aBi Trust, aBi Finance Ltd, and aBi Agricultural Bond Company Ltd. Details about the activities, results, and finances of aBi Trust and aBi Finance Ltd are presented in this report. The aBi Agricultural Bond Company Ltd is currently dormant, pending more favourable market conditions.

At the core of aBi Trust is its work on Value Chain Development (VCD). Currently, the VCD Sub-component of the Trust is engaged in strengthening six value chains – Coffee, Oilseeds, Pulses, Cereals (Maize and Rice), Horticulture, and Dairy – with project grants and technical assistance. This work is complemented by the Trust’s Financial Services Development (FSD) Sub-component, which focuses on boosting the availability of much-needed financial services in rural areas. FSD’s work is done primarily in the context of the six value chains supported by the Trust. However, the benefits of its efforts also spread to agribusiness more generally. Improving gender equity and exploring opportunities for green growth initiatives are crosscutting themes for both VCD and FSD.

The primary objective of aBi Finance is to encourage and enable Uganda’s finance sector to make loans to agricultural enterprises. The idea is that providing financial support both to small-scale farming and to micro-, small- and medium-scale agribusinesses (MSMEs) will, in combination with the activities of FSD and aBi Trust, lead to sustainable, systemic changes in Uganda’s agriculture sector. To this end aBi Finance manages a capital endowment, which is held in various interest-bearing financial instruments. Disbursements are made to partner Financial Institutions (FIs) as Lines of Credit and Agricultural Loan Guarantees, both of which are designed to stimulate agricultural lending.

aBi Finance coordinates closely with aBi Trust to support the development of aBi’s six priority value chains. aBi Trust strengthens its project implementation activities by drawing on the services offered by various aBi Support Units – Monitoring and Results Measurement (MRM), Finance, Internal Audit, information and Communications Technology (ICT), and Advocacy and Communications.

aBi Finance manages a capital endowment, which is held in various interest-bearing financial instruments.



Ankole Coffee Producers Cooperative Union (ACPCU) processing plant in Shema District funded by aBi Trust.

aBi Trust 2017

In aBi's 2014-2018 Business Plan, aBi Trust established a target of providing support to private sector agribusinesses through business development and financial services for selected agricultural value chains, offering an integrated approach to value chain development. The primary objective of aBi Trust is to *"strengthen the competitiveness of Uganda's agricultural and agro-processing sector"*. To achieve this objective, the Trust focuses on increasing the productivity of agriculture and the quality of outputs from the sector so that it can play a greater role in the Ugandan economy and the international market. This is in line with the Uganda's Second National Development Plan (NDP II) 2015/16-2019/20, which anchors agriculture in national development.

To achieve its purpose, aBi Trust supports interventions designed to address the specific constraints identified in six priority value chains: *Coffee, Oilseeds, Pulses, Cereals, Horticulture, and Dairy*. The Trust works on identifying constraints in these value chains that limit their ability to capitalise on existing and emerging opportunities; it then systematically targets technical and financial support to resolve them in order to promote the growth and performance of agribusinesses (including smallholder producers) operating in each value chain. This work is organised through two interrelated Sub-components of the Trust: Value Chain Development (VCD) and Financial Services Development (FSD). As VCD and FSD initiatives are planned with aBi's Implementing Partners (IPs), two important crosscutting issues are explicitly addressed: 1) how to improve gender equity in priority value chains, and 2) how to make the most of new green growth technologies and opportunities.

The 2017 aBi Trust Workplan was designed and implemented to fast track recovery from

setbacks experienced in 2016. A deliberate focus was given to bringing on board reputable local agribusinesses and well-organised farmer groups that have significant potential for growth, job creation (especially for women and youth), and that address key market constraints. During the year, VCD targeted its interventions on priority commodities and enterprises (especially coffee and maize) that have the potential to generate wider development impacts. Implemented project activities ranged from supporting the acquisition of inputs, providing technical advice to boost productivity and production, improving water management, and enhancing post-harvest handling to increase the quality of farm produce as well as market access. VCD also addressed issues that cut across individual value chains, such as sanitary/phytosanitary and quality management systems, the integration of gender considerations in IP decision making, and green growth initiatives (e.g., carbon credits, minimum tillage, and energy conservation).

A deliberate focus was given to bringing on board reputable local agribusinesses and well-organised farmer groups that have significant potential for growth, job creation, and that address key market constraints.

Priority was given to IP projects that made strong business cases and those that improve horizontal and vertical value chain integration. In order to build synergies, the Trust tested a 'mixed toolkit' approach, deploying concessional loans and matching grants with one cereals value chain partner (AgroWays Ltd). In addition, aBi Trust focused on addressing IP capacity gaps by providing short-term technical assistance.

In order to further consolidate activities and potential gains, aBi Trust introduced institutional reforms aimed at more effective development and management of its project portfolio. For example, VCD streamlined its internal organisation and decision processes in ways that both strengthened and expedited project planning and financial management and accountability, as well as ensured zero tolerance for fraud. Key among these changes was implementation of a Combined Assurance strategy, which brings the diverse skills and experiences of mixed teams to conducting due diligence, assessing project proposals, and evaluating completed projects.

This consolidation and institutional reform led to notable progress towards improving decision making and turnaround times in project management. Factors that contributed to these improvements included:

- Investment in human resources that resulted in enhanced productivity and professionalism;
- Development, installation and operationalisation of the new Grants Management System (GMS), which provides a strong audit trail and a platform for tracking project progress, verifying activities, and general interaction between aBi and its IPs. aBi staff and new partners were trained in how to use the GMS, and the System will be fully implemented in 2018; and
- Implementation of the Board's guidelines

on cleaning up the existing IP portfolio and the management of the IPs' own contributions so as to eliminate undue delays in the release of funds.

Project pipeline development in 2017 was strong, which is reflected in the expected total disbursements of UGX 33bn during the year. Actual disbursement rates, however, remained lower than anticipated, hampered by the lengthy negotiation and approval processes still in place – stretching from the call for project concepts, to proposal development, to due diligence, to Board and RDE final approval. Delays may also be caused by new partners who are mobilising their own contributions to proposed projects

Performance Compared to Key Results Indicators

VCD started 2017 with 20 projects cleared by the Board and the Royal Danish Embassy (RDE) for resumption of funding. Following Board approval, a Call for Concept Notes was issued with a focus on creating more jobs and income for agribusiness actors. A total of 360 concepts were received, of which 116 were given a go-ahead to submit full proposals. Eighty-four proposals were received, 15 of which were approved, raising the number of supported projects in 2017 to 35 (a notable 75% increase, but one which still fell short of the targeted 67 projects). This achievement, though below target, helped VCD to get back on track.

Table 1 shows the key accomplishments by VCD during the year. It provides a comparison with 2016 and with the 2014-2018 Business Plan targets. Performance relative to key indicators – income and job creation, production and sales, and farmer participation and adoption – is generally on course to achieving the targets established in the Business Plan.

Table 1: Performance by VCD relative to Business Plan Targets².

| Indicator | 2014-18 BP Targets | 2016 Actual | 2017 Target | 2017 Actual | Aggregated Actual 2014- 2017 | Comments |
|--|--------------------|------------------|-----------------|---------------|------------------------------|--|
| Total additional income (UGX billion) for beneficiary IPs | 962 | 72 | 333 | 134.94 (41%) | 707 (73.5%) | BP target likely to be achieved. |
| Total additional Jobs including FTE jobs created at IP level | 89,217 | 6,463 | 19,741 | 7,696 (39%) | 48,472 (54.3%) | More FTE jobs to be created as more IPs are supported. BP target is not likely to be achieved. |
| Total acreage under production (crops) | 733,050 | 74,842 | 201,280 | 194,966 (87%) | 867,280 (1,118%) | Household production has significantly increased |
| Total herd size under production | N/A | 73,000 | 90,000 | 64,783 (72%) | | New partnerships in place to drive this |
| Volume of milk sold through the milk collection centres (million litres) | 357 | 11.6 | 78 ⁴ | 78 (100%) | 286.2 (80.2%) | On course, though side selling is practiced by farmers |
| Total volume of milk produced (million litres) | 377 ⁵ | 149 ⁶ | 156 | 154 (98%) | 303 (80.4%) | On course, milk volumes were enhanced by adequate rainfall, as pasture and water was available |
| Number of farmers adopting at least 3 recommended technologies | 245,340 | 55,317 | 147,395 | 117,237 (80%) | 289,637 | IPs have invested in providing more extension services to farmers |
| Male | 147,204 | 29,872 | 104,775 | 60,095 | 150,611 | |
| Female | 98,136 | 25,445 | 69,850 | 57,142 | 139,026 | |
| Number of IPs supported by VCD | 115 | 51 | 67 | 35 (52%) | 122 (100.6%) | On course |
| Number of farmer beneficiaries reached in all value chains | 488,700 | 169,150 | 224,400 | 176,770 (79%) | 429,779 (88%) | Declined in 2017, but still on course. Target likely to be achieved. |
| Male | 219,915 | 90,552 | 103,224 | 97,234 | 236,378 | |
| Female | 268,785 | 78,598 | 121,116 | 79,547 | 193,401 | |

Source: M&E and GMS Systems

Note: The 2017 data presented here came from only 21 of the 35 supported projects; MRM reporting was reduced because many IPs had not received funding in 2016. While there are concerns about data reliability, there is a clear trend line indicating increased adoption of good practices, and rising production and marketable volumes.

² Data for all outcome/impact indicators is provisional (IP-reported). A more formal impact evaluation will be done in 2018.

Going forward, 2018 will be a year for further consolidation of the gains from earlier achievements, as well as year to implement more change as aBi transitions from the second phase of the DANIDA-sponsored Uganda Growth Programme (U-Growth II) to align with the follow-on Uganda Programme of Sustainable and Inclusive Development of the Economy (UPSIDE). Programme activities will need to respond appropriately and efficiently as new challenges emerge in the country's agriculture sector. These will include an increase in climate change effects, pressure on the availability of land due to a growing youth population, dealing with the Fall Armyworm attack, and the growing refugee population in Northern Uganda for which specific funding has been allocated in 2018. Some past challenges, such as limited access to finance and to quality inputs for production and processing, will continue to be addressed.

Highlights from Priority Value Chain Activities

aBi Trust facilitated private sector agribusiness development by supporting market-driven enterprises operating in specific commodity value chains. In accordance with aBi's vision and mission, the commodity value chains selected align with the national priorities enumerated in the second National Development Plan (NDPII).

Figures 10 and 11 provide a snapshot of the number of supported IPs, and the financial awards by value chain for 2017, with cereals and coffee having the largest number of supported projects and accounting for 37% and 22% of the funds, respectively. The horticulture value chain received the least funds and consequently produced below-target results despite its perceived potential.

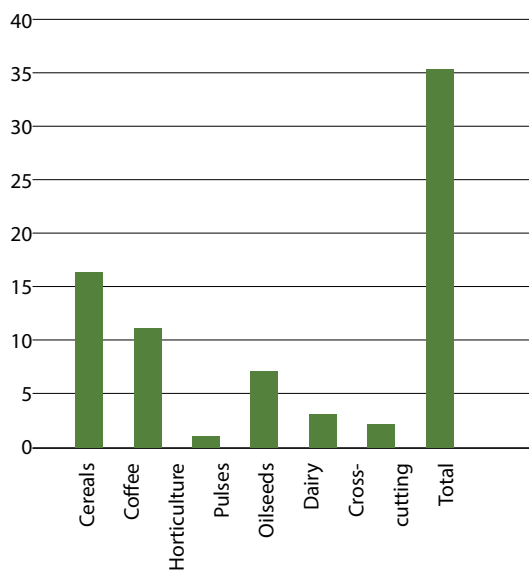


Figure 10: Number of IPs supported by value chain.

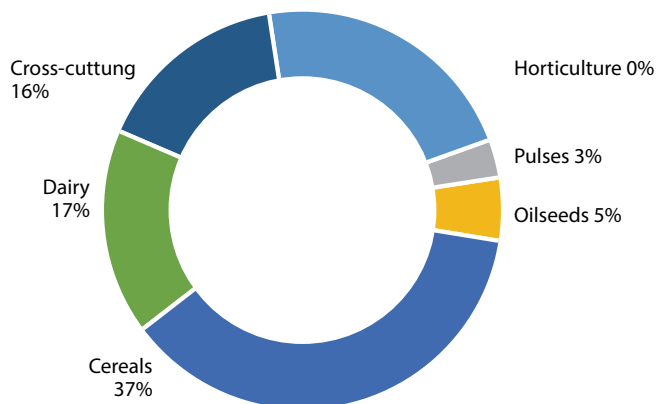


Figure 11: Allocations to priority value chains.

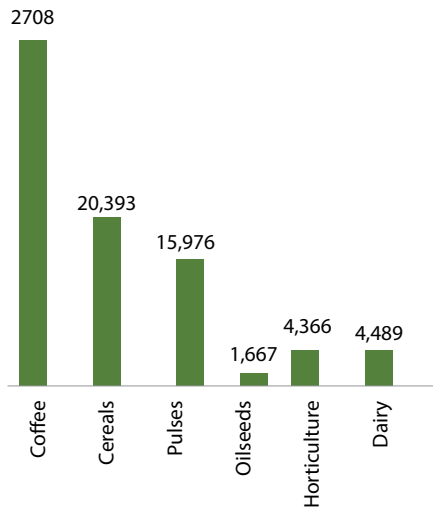


Figure 12: Total farmers reached, by value chain.

As noted earlier, a total of 35 projects out of a projected 67 were supported with grants and grants management technical assistance. Even though the number of projects fell below

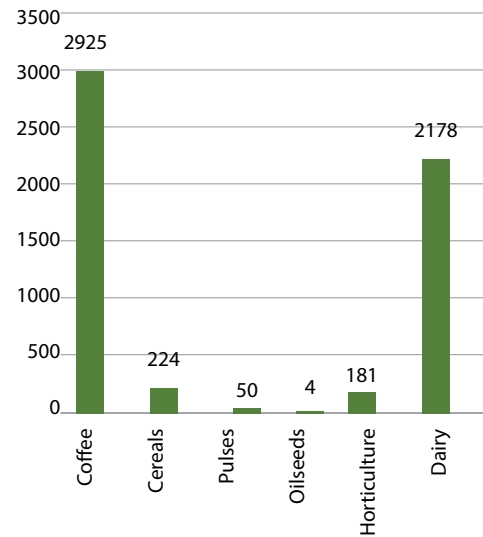


Figure 13: Jobs created, by value chain.

target, those that were funded still provided direct benefits (including financial gain) to 117,237 people (60,095 of them men and 57,142 of them women) who applied good agricultural practices.



The Coffee Value Chain

The Government of Uganda is working to accelerate coffee production, from 3 million 60kg bags to 20 million 60kg bags by 2020 (MAAIF 2020 Coffee Strategy). aBi recognises coffee as the most important export cash crop in the country, and for this reason is prioritising funding to the coffee value chain.

During 2017, aBi supported 10 coffee-related IP projects: Kyagalanyi Coffee, ACPCU, UGACOF, Kawacom, Café Africa, Bushenyi DFA, Kawacom/Armajaro, Rubanga, UCDA, and Sembabule DFA. Included among these are Uganda's top coffee exporting companies. The projects reached 42,708 additional farmers, of which 20,927 (49%) are women. The inte-

gration of gender equity in all project interventions in the coffee value chain has increased the participation of women by about 33% from the previous year.

Activities implemented in 2017 to strengthen the coffee value chain included:

- Training farmers in good agricultural practices (GAPs), certification procedures, bulk marketing, irrigation techniques, farming as a business (Faab), group dynamics, quality control and management, and improved post-harvest handling techniques;
- Establishment of 565 demonstrations and 253 village savings and loan associations (VSLAs) through which farmers have been able to access financial services;
- Construction of post-harvest handling structures;
- Distribution of 200 tarpaulins in West Nile;
- Licensing for UTZ Certification of Ugandan coffee;
- Introductory training for coffee youth teams;
- Construction of 500 energy saving stoves; and
- Increasing production through distribution

of clean planting material/improved coffee seedlings.

In terms of impact, the farmers supported through aBi interventions have become more organised and are handling coffee as a family business. Through the year, 2,925 additional FTE jobs were created (1,656 for men: 1,269 for women); 73,188 new beneficiary farmers realized financial benefits, of which 24,152 (33%) were women; and 6,493 additional acres of coffee were planted. The total volume of coffee produced (of 'Fair Average Quality', or FAQ) was 24,364 MT (406,067 60kg bags) and by the end of the year, 13,244 MT (220,733 60kg bags) of that had been sold, generating a net additional farmer income of UGX 5.5bn. Farmers were enabled to significantly improve coffee production and in more sustainable ways.

One of the key lessons learnt during 2017 is that Uganda should cultivate greater awareness of its high-quality, specialty-grade coffee and tap into the rising global demand for its coffees. This will require additional training for coffee producers, the introduction of sustainable production techniques, and improvements in coffee processing infrastructure.



A productive coffee value chain begins with high quality planting material.

CASE STUDY

Kawacom Uganda, Ltd.

Kawacom's new White Nile wet mill facility, constructed with aBi support in Zombo District in Uganda's Northern Region.

In partnership with Kawacom Uganda Ltd, aBi is helping to build sustainable markets for smallholder coffee farmers in the West Nile Districts of Nebbi, Zombo and Arua. Kawacom is one of Uganda's leading coffee processing and exporting companies. It has a partnership with Starbucks to sell Ugandan coffee (Sipi Falls brand) in all its outlets across the United States. Kawacom supports the farmers from which it buys through the certification process of Organic, Rain Forest, and UTZ and pays them at a premium price that is normally 30% above the market rate.

Kawacom was supported by aBi to construct the White Nile Wet Mill in Zombo, which is being used to process coffee produced in the region for export. The purpose of aBi's intervention was to increase West Nile farmers'

incomes through increased coffee productivity, value addition, and marketing. To date, this intervention has resulted in 460 MT of fully washed coffee being processed by the wet mill, an additional UGX 1.07bn in earnings for farmers, the creation of 47 FTE jobs, and UGX 2.06bn in additional foreign exchange earnings for the country.

In 2017, Kawacom achieved a major milestone when the coffee supplied by smallholder farmers involved in the project started being marketed by Ikea as 'Single Origin Coffee'. Ikea is the world's largest retailer for furniture, kitchen appliances and home accessories. The company will begin sourcing coffee from Uganda as it adds food-related businesses to its social entrepreneur partnerships.

From Bloomberg Business Week:

Ikea has established a three- to five-year partnership with Kawacom Ltd, a coffee processor and exporter in Uganda that works with local farmers in the White Nile region.

"With the deal, Ikea has purchased enough Arabica beans to fill 500,000 250-gram packages of coffee, which will be available in stores in 30 markets beginning this autumn (2017)", said Vaishali Misra, who leads the Ikea Social Entrepreneur Initiatives. It will buy an equivalent amount in its next fiscal year.

The move is part of Ikea's social business initiative, which aims to help marginalised members of society by offering them market access, training and income. The company is already involved in 19 entrepreneur partnerships with smaller-scale suppliers within handicraft and services businesses, each selling goods averaging about 2.5 million euros (\$2.9 million) to 3 million euros a year via Ikea. That translates on average into four to six months-worth of production for the suppliers.

The Ikea long-term partnerships with food-producing communities can help to enhance livelihoods, build sustainable crop production and support communities to become sustainable and self-reliant.

CHANGING LIVES

Since its formation in 2014, members of the **Tur Ber Association** have witnessed a dramatic transformation of their lifestyles, incomes and diet. They buy shares and deposit money



Kawacom technical and marketing professionals are working with Tur Ber Association members and other coffee farmers to help them produce beans that meet export standards and increase their share of the income generated from international sales.

through the Association's treasurer, **Joyce Katho**, 41. The deposits range between UGX 500-2500 weekly and provide cash that is later lent to the members at an interest rate of 10%. So far, the loan default rate is zero. The Association's Chairman, **Kasiano Oyunguro**, says the community is clearly changing for the better. Formerly marginalised women and youth are now becoming economically empowered.

"Previously, housewives used to come with a shopping list," says Oyunguro. "But they are becoming serious agents in boosting family incomes. They are dedicated and committed when it comes to work."

Joyce says she dreams of educating her eight children through university. Her other wish is to leave the grass-thatched hut they are living in and construct a permanent house with electricity and running water, with guidance and financial help from Tur Ber. One of her children is studying agriculture at Nyapeya. She is determined to bring more land under cultivation in the near future to boost her income.

CASE STUDY**Ankole Coffee Producers Cooperative Union (ACPCU)**

John Nuwagaba
General Manager ACPCU

ACPCU was founded by two primary cooperative societies in 2006. It operates in Southwestern Uganda across 7 Districts: Bushenyi, Sheema, Rubirizi, Mitooma, Buhweju, Ibanda and Ntungamo. ACPCU farmers are engaged in both the production of Robusta and Arabica coffee, and most of the farmers under ACPCU are both Fair Trade and Organic certified.

ACPCU received financial support under a cost-sharing arrangement with aBi Trust to implement a project called the “Coffee Factory Project”. The Trust provided 52% of the project funds, amounting to UGX 2,530,421,700, while ACPCU contributed 48% (UGX 2,294,075,000). Through this partnership, ACPCU strengthened the production of sustainable high-quality coffee through enhanced post-harvest handling, improved storage, modernised processing, and climate change mitigation.

Project objectives include: increasing the productivity of coffee; increasing acreage by providing seedlings; improving on the quality of coffee supplied by farmers; constructing micro washing stations for Arabica coffee; constructing a sufficiently large and modern warehouse and grading facility at the Union’s head office to handle export coffee; and inculcating a savings culture among member farmers by establishing VSLAs.

Key project accomplishments

To date, the project has completed the construction of the storage facility (with a capacity of 5,500 MT). It has also established a coffee testing laboratory, a grading facility, and coffee seedling nursery beds. ACPCU has planted demonstration plots, provided coffee seedlings and tarpaulins to farmers, and trained project beneficiaries in various subjects, including good agricultural practices. Other achievements include: 95% achievement of the project’s target for income from the sale of coffee (UGX 5,732,000,000); creation of 1,621 jobs (an 810% achievement of the target), some at the primary society level but most at the processing firm; exportation of 110 MT of coffee. With respect to gender considerations, women and youth involvement in coffee production and other economic activities increased significantly because of the project. A number of women became involved in making household workplans, and women were given preference in the allocation of loans by the VSLA, which has enhanced their status in decision making about their savings programmes and how to spend their money.



ACPCU’s new 5,500 MT coffee storage facility.

CHANGING LIVES



Nyakasambya Primary School coffee garden. Enrollment at the school has increased dramatically thanks to the rising incomes of local coffee farmers.

Gabriel Karamugire, and his wife **Dorcus**, are farmers that live in Rubare village, Mitooma District. They say coffee has changed their family's lifestyle.

"We harvest 3,000 kg annually that are worth UGX 4.8mn per harvest season," says Dorcus. "We have two harvest seasons per year. This has allowed us to educate our children. There are four university degrees in this house. This is in addition to a high rank in the forces. On top of that we have bananas, vegetables and fruits that are in demand across the entire Great Lakes market place."

Nyakasambya Primary School has seen its enrolment shoot up to 350 pupils, from its previous level of 100, all because of coffee. The school gardens are split into sections managed by individual houses named after coffee producing countries like Egypt, Kenya, Ethiopia, Tanzania and Brazil.

"We have school coffee gardens where children

are taught modern farming methods of inter-cropping coffee with trees and bananas," says the Deputy Headmaster, Joab Kanyesigye. "This improves family incomes, nutrition, food security, and the environment in general. But most of all," Kanyesigye says, "with sales of their harvest, the administration has been able to increase the number of teachers to ten, resulting in better academic performance. We expect that, over time, this will help change attitudes and boost private sector investments in the community." In addition, the community receives health care services from a clinic in Sheema, which was constructed by ACPCU. The clinic now serves eight to ten patients per day.

CASE STUDY**Sembabule District Farmers' Association (SEDFA)**

SEDFA is a registered membership-based, non-profit, non-governmental organisation whose mission is to promote improved welfare of rural farmers by providing farmer-driven advisory services on production, financial, marketing and community development. Its current membership comprises 510 groups with a total of 15,327 members (9,144 women and 6,183 men). SEDFA partnered with aBi Trust to implement a coffee project, in addition to mainstreaming gender activities. The project is helping to increase the productivity and quality of coffee produced in the participating sub-counties by promoting value addition from Kiboko to FAQ; strengthening and sustaining market linkages and linking some farmers to the sustainable certified coffee



project; and as well providing good planting materials to farmers. aBi contributed UGX 765,160,000 towards a total project amount of UGX 1,045,110,000 (78%).

According to the End-of-Project evaluation of the first phase, SEDFA produced significant achievements: 94% of the project beneficiaries were trained in and had adopted such skills as pruning, applying manure, soil and water conservation techniques, good post-harvest handling techniques, drying and value addition. In addition, 67% of the beneficiaries achieved increased productivity and 64% were selling FAQ.

A total of 3,068 (1,657 women and 1,411 men), or 51% of the 6,000 targeted farmers, have adopted at least three good agricultural practices for improving productivity, which resulted in an increase in average yield of 2.5 kg per tree. By September 2017, average yield was 1,350 kg per acre against a target of 3,150 kg per acre, where each acre has 450 trees (MRM report, 2017).

A total of 39 MT of coffee beans per quarter were marketed by SEDFA and 97,500 kg of coffee was hulled at the SEDFA facility. SEDFA is exploring market linkages with Kyagalanyi and UGACOF to widen its market base. Going forward, there is a need to strengthen the capacity of cooperatives for easy access to information on the coffee value chain, increase working capital through collective marketing, and strengthen bulking centers to enhance collective bulking and marketing.

**Godfrey Bitaharamwe, Chairman
Sembabule District Farmers Association
(SEDFA)**

CHANGING LIVES

Mr. Ssekitto Joseph is a resident of Miroowa Village in Nsoga Parish, Mijwala sub-county in Sembabule District. Mr. Ssekitto belongs to Miroowa Twekembe Coffee Farmers' Group and is one of the beneficiaries of the aBi-supported coffee project. Mr. Ssekitto joined the group with the aim of improving coffee productivity and production in Miroowa village. By the time he joined the group, he had only 2.5 acres of coffee and was harvesting between 7 to 10 bags of dried coffee per season. After several training sessions on good agronomic practices, quality control and management, water harvesting and irrigation, collective marketing and bulking, and farming as a business, he adopted some of the recommended practices, such as mulching, constructing water harvesting structures, and intercropping his coffee trees with over 200 shade trees.

Currently he harvests 28 to 32 bags of dried coffee which is sold at average of UGX 4,800 per kg (FAQ) in Bukomansimbi at Kibinge Cooperative.

Mr. Ssekitto is happy because he used to earn an average of UGX 1,500,000 to 1,750,000 from his harvest but is now approaching UGX 3,500,000 to 5,300,000 per season. This has encouraged him to increase his area planted to coffee from 2.5 to 4.5 acres. He appreciates SEDFA and the aBi Trust project for the training he received and the demonstrations that were established so he and others like him were able to see firsthand the payoffs of the recommended practices. Before, he could harvest between 2-4 kg per tree, but with the new practices, his yields have increased to 5-7 kg per tree. However, he stresses that to consolidate the progress he has made, emphasis should now be given to controlling diseases and fostering market linkages for coffee farmers. The formation of cooperatives should also be scaled up so as to improve the collective marketing of coffee for increased incomes at the household level.

Farouk Lukyamuzi, 38, sold his motor bike and quit the boda boda (motor bike taxi) business in Kampala in 1994. He moved to Western Uganda, to take up farming in Sembabule. The adjustment from urban to rural life was not easy, but well worth the effort.

As a farmer saw the potential payoffs that could come with collective action with his neighbours. He started Kewerimidde Farmers Group (KFG), which now has 76 members. With savings totaling about UGX 80mn, KFG has been able to get assistance and guidance from SEDFA, which is supported by aBi, to make their lives better in a region that experiences long dry spells.

"My wife and I decided to engage in mixed farming. We have a banana plantation, nine cows, honey processing, and a planted a forest," says Lukyamuzi. "We harvest rainwater to get through long dry spells. In addition, we use ash to contain the banana wilt that is plaguing plantations in the country. We now have a permanent house equipped with biogas fed by dung from the cows. The slurry (residues) is used to fertilise the soil and boost crop production." Lukyamuzi has upgraded from ferrying water on a motor bike to using a *Magulu mukaga* (lorry.) Their three children are attending school. He has a maize huller, a storage facility, and employs three permanent workers.

Through SEDFA, Lukyamuzi has access to storage where he can safely keep his maize, waiting to sell it only when the market price is good. The harvested rainwater keeps his plantation irrigated.



Mr & Mrs Farouk Lukyamuzi



The Cereals Value Chain

aBi Trust's value cereals chain development work focuses on mainly on maize, rice and sorghum. Production is dominated by smallholder farmers who account for 95% percent of total cereals output. Maize is by far the most important cereal crop grown in Uganda. In 2017, it ranked second to coffee among the commodities funded by the Trust. During the year, aBi continued providing grant support to Micro-, Small- and Medium-sized Enterprises (MSMEs) in the cereals sub-sector to improve production, quality standards, and marketing, both domestically and regionally. This prioritisation reflects aBi's assessment of the fundamental importance of cereals production and marketing to Uganda's food security and economic wellbeing, its high potential for growth, and the benefits that can be derived from additional private sector investment in the sub-sector. The Trust provided funding and technical assistance to 11 IPs in the cereals value chain, with interventions focused primarily on training farmers in the use of good agricultural practices, improved post-harvest handling techniques, and collective bulking and marketing. It also supported the establishment VSLAs and helped to procure and develop value addition facilities.

All these interventions were geared towards addressing such constraints as low productivity and production, weak infrastructure and marketing systems, poor quality produce, and limited access to agricultural finance. In 2017, they directly reached 20,393 farmer beneficiaries (11,860 men and 8,533 women), and 224 FTE jobs were created.

About 91% (18,591) of the beneficiaries adopted at least three good agronomic practices; 1,844 MT of extra produce was sold (over and above the amount sold in 2016), generating UGX 868mn in additional net income. This result was achieved in spite of an unanticipated outbreak of Fall Armyworm. Originating in Latin America, this devastating pest threatens the food security and livelihoods of over 3.6 million Ugandan households that depend on producing maize and other cereal crops; by extension, it is also threatening the growth of the agribusiness sector. To help safeguard aBi's investments and recent gains in the cereals sub-sector, it will collaborate with other stakeholders in 2018 to support and complement various initiatives aimed at responding to this outbreak.

CASE STUDY

Busoga Shining Light Association



BSLA's new maize processing facility is enabling farmers to earn more from the maize they produce.

Busoga Shining Light Association is a farmer-owned organisation formed in 2002 and was legally registered in 2004. The organisation was formed with an aim of fighting food and income insecurity at the farm household level in the areas of Makuutu, Ibulanku, and Igombe sub-counties. Its membership has grown to 6,600 (54% women and 46% men). In 2012, aBi Trust awarded a 2-year grant of UGX 176,220,000 to BSLA to implement a project aimed at increasing maize production, quality, and marketing. Under this project, 3,600 small-holder farmers were trained in maize agronomy, post-harvest handling technologies, and marketing approaches.

An evaluation report done by KPMG observed that 86% of beneficiaries adopted recommended practices leading to improved quality and increased production, which resulted in farmers increasing their revenues from an average of UGX 105,500 to UGX 630,000 per farmer per season. Farmers bulked and collectively sold 1,820 MT of quality maize. They were linked to such buyers as Bio Green Investment Ltd. Agrilife, AgroWays, Katuntu Grain Millers, and Agali-awamu produce buyers, who offered better prices; farmers in the project areas were able to sell their maize for UGX 700 per kg compared to those in non-project areas who had to settle for UGX 300-500 per kg.

Support from aBi

Considering lessons learnt from the initial project, BSLA sought more support to scale up its achievements, and to make a value addition facility available to its farmers. BSLA was awarded a grant of UGX 568,050,000 to further improve farmers' agronomic and post-harvest handling practices, strengthen market linkages, increase marketable volumes through collective marketing efforts, and establish a maize milling and packaging facility.

Some achievements and impacts

- The purchase and installation of a maize processing plant was completed that has enabled farmers to obtain better prices by selling a value-added product – maize flour.
- 1,042 farmers were trained in post-harvest handling and farming as a business, as well as collective marketing; 925 farmers adopted the recommended practices, which led to increases both in the volume and the quality of maize produced and marketed through BSLA.
- BSLA benefited from direct training and institutional capacity support that made it more bankable and therefore able to attract other strategic partners. A total of 99.8 MT of maize grain was purchased from BSLA members and local traders at a price of between UGX 680 and UGX 750 per kg,

considerably higher than the prevailing price of UGX 300 before the aBi interventions.

- 59.4 MT of maize flour was processed and packed into 50 kg and 10 kg bags, of which 55.2 MT was sold in the local market.
- 35.4 MT of maize bran was produced as a by-product from processing the maize grain and was sold to local buyers in the region.
- 183.3 MT of maize flour was processed from customer toll milling at an average charge of UGX 140 per kg.
- MANDATE Uganda provided funding for a borehole at the BSLA maize processing plant, which has gone a long way towards overcoming water shortages at the plant.
- BSLA has also contributed to the development of poultry production and marketing by its members.
- 86% of BSLA farmers increased their knowledge and skills in maize production, marketing and value addition, motivated by the potential for increasing their profits.
- The agro-inputs scheme piloted by BSLA reassured its members that there is a way out of the problem of counterfeit inputs on the market.
- The project has demonstrated that collective action by smallholder farmers is the way to go to achieve economies of scale and to compete effectively in the market.



Farmer taking maize for processing at the BSLA maize mill in the town of Nakalama, in Uganda's Central Province.

CHANGING LIVES



Nkoba Swamit, 47, (above) has neatly planted two acres of maize in a row. He has inter-cropped the maize with cabbage, vegetables, coffee, sugar cane and fruits.

"That way I have been able to educate my 15 children and look after their two mothers in their individual homes. The eldest child is in Senior Three and the youngest is in Nursery school," says Swamit. "I have since bought more land and been able to rent gardens at UGX 600,000 for a duration of five years. Besides that, I have constructed a mosque for the community to worship in. The area is now referred to as *Ewe Swaibu ku Muzikiti*."

64 Farmers Group-Nakanda Central Savings

is changing lifestyles and boosting incomes among the subsistence farming community. Each member saves UGX 10,000 per week. In the longer run, members are able to get loans of between UGX 20,000-700,000, which is paid back with interest (10% per month). Talking goals, the majority wanted to move out of grass-thatched houses and build permanent homes, educate their children, and mechanise their farms.

"We need animal traction to clear more land and increase production," said their Chairman, **Sam Nsohya**. "On top of that we want to educate our children in order for them to live better lives tomorrow. Eventually, we will not have to travel to Iganga to buy hoes, seeds, and chemicals when hit by pests," says Nsohya.

"I wish we had extension workers to visit our gardens and teach us how to deal with pests that are becoming resistant to chemicals. We want to diversify from depending on crops by having poultry and goats." Nsohya also decries the poor early warning system currently in place, which leaves them unready to face calamities like drought or floods when they hit.

Each member of the '64 Farmers Group - Nakanda Central Savings' strives to save UGX 10,000 per week, which is used to provide short-term loans to group members who are working to improve their farming businesses.



CASE STUDY**NUMA Feeds Ltd**

NUMA Feeds Ltd is providing jobs in Sheema District (Western Uganda), strengthening the local economy, and is increasing its market penetration by producing value-added soy products.

aBi Trust partnered with NUMA Feeds Ltd in 2016 to implement a project aimed at diversifying livelihoods and nutrition for people of Southwestern Uganda. The project budget is UGX 1,129,892,500; aBi Trust committed UGX 791,542,500 to the initiative and NUMA contributed UGX 338,350,000. The project, which is being implemented in the Districts of Bushenyi, Sheema, Mbarara and Ibanda in Western Uganda, is focusing on strengthening the maize and soybeans value chains.

NUMA feeds Ltd is a medium-scale agribusiness company located in Kabwohe, Sheema District. It processes food for human consumption, as well as animal and poultry feeds. NUMA was established with a goal of adding value to locally available agricultural produce, creating employment for the local community, and opening markets for farm produce.

As of December 2017, aBi's partnership with NUMA has made substantial impacts at the firm and beneficiary farmer levels, as well as in the local rural economy. To date, the project has provided training to 159 farmer groups (with 6,030 members). Training includes: post-harvest handling (3,668 farmers), group dynamics (4,676 farmers), value addition (3,719 farmers), and good agronomic practices (5,670 farmers). One of the key objectives of the project is to strengthen

existing collective marketing systems to increase farmer incomes, and in line with this NUMA has so far formed eight Collection Centres and established six Active Centres.

A total of 1,740 MT of maize and 1,138 MT of soybeans were purchased from farmers participating in the project. NUMA bought 900 MT of maize at UGX 580 per kg and 600 MT of soybeans at UGX 1,400 per kg. This provided farmers with income of UGX 1.56bn in 2017 and also increased the company's profits.

The project has created 156 new FTE jobs and 13 permanent jobs at the factory (9 women, 4 men and 6 youth). In addition, NUMA has conducted a number of training sessions using experts in food nutrition and value addition. A total of 3,719 farmers were trained in how to make flour, cakes, soy milk, soya kawa, soya wine, porridge, poultry feeds, and biscuits as income generating activities, especially for women.

The company has also made notable strides to increase its market share through market development and penetration courtesy of new product development (soy-maize flour, soy-millet flour and baby soy flour), packaging, marketing and distribution. Ultimately, this has boosted NUMA's business fortunes and greatly benefited farmers and the local rural economy.

CHANGING LIVES

Bright Agaba, 23, in Rwengendo village, works three acres of land with a team of nine ambitious women and men.

“We acquired an irrigation facility worth UGX 4mn, which is equipped with three hose pipes that stretch up to a distance of thirty meters,” says Agaba. “Our dream is to supply NUMA with the existing deficit of soybeans and maize by producing throughout the year. I provide the team the land on which the demonstra-

tion garden is, one acre, in exchange for the labour required.”

The NUMA coordinator, Mable Tumwesigye, says they are braving odds like the effects of climate change, poor quality of raw materials as a result of poor post-harvest handling of cereals, and pesticide-resistant insects. “These hurdles hike the cost of production and ignite a price war in the liberalised market place,”

The Pulses Value Chain



In 2017, East Africa experienced high demand for beans, especially from Sudan, which drove prices significantly higher.

Seven IPs operating along the pulses value chain were supported by aBi during the year, though that number dropped to three by year’s end as some were found to be high risk operations (typically farmer/producer organisations). aBi interventions focused on GAP training to increase farmer adoption of more productive practices, training on post-harvest handling techniques, and the collective bulking and marketing of produce (both for domestic and international markets). These interventions reached 15,976 farmers (6,023 men and 9,953 women); because the production of pulses is less resource intensive than other crops, women comprise the majority of producers.

Project evaluations show that 6,198 farmers adopted at least three recommended agronomic practices for the production and post-harvest handling of beans. The area under cultivation was 83,787 acres (an increase of 11% over 2016) and farmers were able to collectively bulk and market 758 MT of beans. A net additional income of UGX 253 million was realized at the IP and beneficiary levels.

The Horticulture Value Chain



During 2017 the horticulture sector received the least funds from aBi Trust, and hence activities in 2017 were limited. Only two IPs [Delight (U) Ltd and Jakana Foods Ltd] were supported, and they reached 4,366 farmer beneficiaries (3,686 men: 680 women). These IPs provided training in good agricultural practices, along with technical backstopping. They also educated farmers about soil fertility management, approaching farming as a

business, promoted establishment of VSLAs, encouraged production of improved mango seedlings and agroforestry tree species, increased awareness about organic certification and Fair-for-Life Trade Certification for farmers, and helped to establish solar driers for fruits and vegetables.

The support provided resulted in the production of 278,180 seedlings of improved mango varieties and 2,300 MT of dried fruits; 181 FTE jobs were created and 87 VSLAs were formed. Some of the farmers however, lost their mango gardens to fire due to the severe dry season and failure to have the bushes cleared.

The Oilseeds (Groundnuts and Soybeans) Value Chain



During 2017, three IPs were supported: Numa Feeds Ltd, Ugachick Poultry Breeders Ltd, and Pallisa District Farmers' Association. All three were continuing projects and the main interventions implemented included: training on and demonstration of good agricultural practices and post-harvest handling techniques; procurement of silos, a grain pre-cleaner, and pulley surveyors; and crop harvesting, bulking and marketing. Others included promoting the establishment of VSLAs, and joint planning and decision making at the household level.

In total, 1,667 new beneficiary farmers were reached through the above interventions, 380 farmers applied recommended practices and 225 engaged in joint household planning and decision making. Four new FTE jobs (2 men and 2 women) were created at the beneficiary level; UGX 3,507,200 in additional net income was earned at the IP level (however, only by NUMA); and UGX 11,560,130 in aggregated additional net income was earned by farmers over the season.

The Dairy Value Chain



aBi continued with its support for the dairy sub-sector, which is one of Uganda's more notable agricultural success stories in recent years; milk is currently the third largest agricultural export after coffee and fish. Given the sub-sector's growing economic importance and its high impact potential for improving livelihoods, in 2017 aBi Trust continued to strategically target the Southwestern milkshed. This area produces the greatest amount of milk in Uganda and has a well-developed industrial milk marketing infrastructure, and good prospects for increasing dairy productivity, production, and processing. This milkshed is where most of the processors and related dairy industry enterprises are concentrated, and where aBi is working with dairy IPs to develop milk collection centres and improve the 'last-mile' marketing infrastructure.

In addition, the existence of strong, dynamic and well-structured dairy farmer cooperatives provides an opportunity for institutional infrastructure to leverage interventions. Moreover, past and current initiatives supported by aBi Development Partners in this area provide opportunities for scaling up the adoption of high-priority dairy development interventions.

A total of four IP projects were supported during the year – JESA Farm Dairy; Rukungiri Dairy, UCCCU, and Alfasan (U) Ltd. The main activities included: procurement and installation of machinery to fill, package, and air-handle the manufacture of veterinary drugs; training of project staff on production process, quality management, quality assurance and other regulatory matters; certification of packaging sizes, and branding for veterinary drugs; building the capacity of milk collection centres to use standardised operations and maintenance systems and related supplies of hardware; and allocating and placing 60 new milk coolers, in addition to completing installation of the initial shipment of 100 coolers. Other activities included holding technical review meetings intended to strengthen governance

and project management systems at cooperative societies and at UCCCU.

aBi's interventions reached 4,489 dairy farmers and as a result, there was near doubling of milk production in 2017 to 155mn litres, up from 83mn in 2016. Of this, 78mn litres were marketed through the IP-operated milk collection centres, with the rest being sold on the side ('side sold'). The average price per litre increased by about 10% to UGX 988 (up from UGX 900 in 2016), resulting in an additional net income for dairy farmers of UGX 83.11bn; and 2,178 new FTE jobs were created (1,125 for men and 1,053 for women).

aBi Trust developed, in concert with relevant stakeholders, a Dairy Value Chain Strategy to remove bottlenecks in order to increase annual milk production by 7%, and to boost processed milk production by 60%. The strategy provides evidence-based recommendations on strategic interventions for aBi Trust in the dairy value chain and will inform its funding window strategy.



Vitally important milk coolers at an aBi-supported milk collection centre.

CASE STUDY**Abesigana Kashari Dairy Farmers' Cooperative Society in Southwestern Uganda**

Abesigana Kashari Dairy Farmers Cooperative Society is among the 140 dairy farmer Cooperative Societies that benefitted from a dairy value chain development project implemented in Southwestern Uganda through the Uganda Crane Creameries Cooperative Union, a third tier Cooperative that brings together over 10,000 dairy farmers spread across 10 Districts in Southwestern Uganda.

The Society was established in 2006 to bring dairy farmers together to collectively market their milk in an effort to negotiate higher prices than they were being offered individually. The Society also sought ways to reduce the loss of milk due to the lack of milk collection infrastructure and production and handling skills. Later on, the Society acquired a cooler through one of the processors. However, the woes of the cooperative were not over because the processor dictated that all the milk collected through the cooler had to be sold to him, yet he offered low prices. In the rainy season, he would not come to pick the milk, even though the cooler was full, and this led to loss of milk because the farmers had nowhere to put it. All this became history with the arrival of aBi Trust, which has helped to ensure farmers with ready access to markets for their milk.

The interventions involved

- Provision of milk coolers, generators, milk testing equipment, milk cans and milk transportation road tankers on a 50% matching grant.
- Capacity building of the cooperatives members in hygienic milk production, handling, transportation, testing and storage; training in good leadership and governance at the Cooperative; and training in financial and business management at the farm and milk collection centre.

**Achievements related to interventions by aBi Trust**

- Membership has increased from a paltry 48 farmers at the start to 150 members today.
- The quality of milk has improved due to the training in hygienic milk production and handling, testing it before receiving it, and chilling it before it is stored. The equipment is very efficient and cools the milk within three hours. This ensures that the quality is maintained.
- As a result, the Society has attracted a number of buyers, with GBK, Pearl Dairies, Amos and Milk traders all converging on the Society in search of milk. The Society has the power to negotiate the best price with them. As a result, the average price received by farmers has increased from UGX 450 to UGX 900 per litre. The average turnover of the Society from the sale of milk has hit UGX 2.9bn per annum.

- Due to good business opportunities and financial literacy training given to the members of the Society and its Board, the organisation has raised enough money to fully repay the loan it acquired from PRIDE Microfinance to meet its 50% contribution required towards the cost of the hardware received.
- Average productivity per cow per day has increased from 3.5 litres to 5.8 litres.
- On average each member earns about UGX 18.3mn per annum from the sale of milk, up from about UGX 9mn before aBi became involved.
- The Society has set up a Savings and Credit department through which members can get loans at a modest interest rate of 2%. This has boosted the availability of capital to invest in farm activities.
- The community has also benefitted from aBi interventions because members of the Society purchase goods and services from local businesses.
- The Society's assets have increased from zero at the start to two buildings, two motor vehicles, and three coolers.
- The Society currently employs 16 full time staff. A number of other people have been employed along the value chain, such as in hand milking of the cows, supply of inputs, and milk transportation among others.

Quoting from the Manager of the Cooperative, "The new coolers are a blessing to our society because we are no longer hostages to anyone. We were required to sell our milk to the owners of the cooler we used to have. There was also no price bargaining. We are now free to choose who we want to sell our milk to. The new coolers have also cut down on our expenses as we had to hire them before."

Social Responsibility Investments (SRIs)

aBi underwent a functional review which prioritized Social and Environmental Responsibility as one of the focal areas for support. Promoting environmentally responsible economic growth (Green Growth) is a major concern within the broader theme of Social and Environmental Responsibility.

At the IP level, VCD continued to encourage the integration of interventions under the crosscutting themes – mainly Gender, Youth, Green Growth and HRBA – right from the start, i.e., beginning at the project design stage and carrying through to project implementation. Organisationally, aBi gave itself the task of conducting a Green Growth situational analysis exercise intended to: 1) assess the status of Green Growth interventions with respect to the six aBi-supported value chains; 2) develop a Green Growth audit tool for identifying and prioritising investment opportunities; and 3) identify 20 priority projects from on-going and pipeline (approved) projects that have high potential to generate significant Green Growth outcomes, and then mainstream Green Growth interventions into the projects. While the groundwork for this study was done in 2017, it will be conducted in 2018.

The Irrigation Investment and Market Analysis

aBi Trust also procured a consultant to identify priority areas for enhancing private sector-led investment and adoption of small- and medium-scale irrigation technologies by MSMEs and smallholder farmers in the six aBi-supported value chains. The consultant's report will be available in 2018 and is intended to provide information needed to help guide the development of aBi Trust's strategy for investing in this area.



Sarah Kaisa, a dairy farmer pumping water using solar energy, in Jinja District.

Lessons Learnt by aBi Trust

In 2017, disbursement rates remained low, amounting to only UGX 6.37bn (out of the projected 31bn), attributed to the slowdown created by increased rigour in the grant management and contracting processes. The transition process to a new organisational structure, hiring new staff, and following new procedures contributed to this under-performance, as did efforts being made to transform aBi into a co-creator and solutions provider rather than just a supply-driven grant maker. Another contributing factor has been the inability of many farmer organisation IPs to provide adequate documentation of expenditures, and their failure to come up with their own cash contributions to projects. Despite these challenges, IPs continued to implement activities to the extent that available resources allowed. Technical support was provided to ensure resumption of funding to all qualifying IPs so that they could implement their activities on time and avoid non-compliance issues. This will continue to require attention in 2018, as aBi prepares for the new UPSIDE programme.

In 2017, most IPs have been found to have gaps in institutional and financial management

capacity, as evidenced by poor internal control systems that led to qualified audit reports, failure to capture data on key project indicators, delays/failure to raise own contribution. Going forward these will be overcome by identifying capacity gaps upfront, that is, during the appraisal process, and incorporating the required support within the project design.

Climate change continues to pose a great risk to production and productivity of the supported value chains by reducing produce quality and quantity due to prolonged drought and outbreaks of pests and diseases. Adapting to climate change will involve farmers adopting a range of good agronomic practices, such as minimum tillage for better soil moisture management, mulching, various agroforestry practices, appropriate intercropping, and planting the right crops and varieties in the right locations, i.e., those that are well suited for their production. Small-scale irrigation will also benefit certain smallholder farmers, mainly those engaged in horticulture, dairy, and (perhaps) coffee production. aBi will continue to emphasise through its current and potential new IPs the importance of promoting smallholder uptake of good agricultural practices, including where appropriate the use of simple irrigation technologies.

SELLER 1

KeyGram

Jacto

Jacto



A client counting money at Post Bank, Anaka Branch, Anaka District.

aBi Finance 2017

aBi Finance 2017

According to the International Monetary Fund (IMF), Uganda registered a 4.4% growth in its Gross Domestic Product (GDP) during the fiscal year 2016/17. This growth was largely driven by improvements in the performance of the agriculture and services sectors, as well as by an easing of financial conditions.

Agriculture, for example, contributed 24.9% to the nation's GDP, up from 23.7% in FY 2015/16. The Bank of Uganda pursued an eased monetary policy over the period and lowered the Central Bank Rate to 9.5% in December 2017, down from 12% in December 2016. This was achieved on the back of subdued inflationary pressures stemming from exchange rate stability and a reduction in food prices. Average annual core inflation for the period was 5.1%, which was very close to the Central Bank's policy target of 5% over the medium term.

In the context of this economic performance, aBi Finance delivered strong performance across all its products:

- Lines of Credit provided to 15 partner Financial Institutions resulted in a total of 38,671 new agribusiness loans being disbursed, compared to aBi's annual target of 20,000 new loans. Forty-five percent of these loans were made to agribusinesses owned by women.
- The Agribusiness Loan Guarantee scheme availed guarantee to 14 partner FIs which resulted in a total of 28,563 new agribusiness loans being disbursed against an annual target of 29,400. The scheme closed the year with an outstanding loan balance of UGX 97bn against a target of UGX 85bn, which translates into a 297% leverage relative to the established target of 265%.
- The overall fund management resulted in an average return of 11.82% for the year, against a target of 11%.

- The Financial Services Development Unit (under the aBi Trust budget) supported 33 Financial Institutions, 6 of which were new partners, against a target of 10. These partnerships resulted in 125,739 new savings accounts (81,730 opened by men, 44,008 by women), with a savings volume of UGX 27.3bn, and 177,347 new loan clients with a loan portfolio of UGX 155.4bn against a target of UGX 70bn.

This performance is indicative of delivery on the aBi Finance mandate to improve access to finance for agribusiness development through a mix of commercial and grant financing.

Table 2 provides a summary of aBi Finance performance in 2017 compared to the Business Plan targets for the year.

Fund Management

The fund size grew by 30% to close at UGX 160bn at the end of 2017, up from UGX 123bn at the close of 2016. This was due to a combination of additional capital contributions (UGX 30bn) received from RDE in the last quarter of the year, as well as returns from prudent investments detailed in the investment portfolio mix in Table 3.

Lines of Credit remain the dominant asset class, followed by fixed deposits which provided more competitive returns than Government paper. Owing to a benign interest rate environment, short- to medium-term placements were favoured over long-term placements as it would not have been prudent to lock in for the longer term at low interest rates.

The portfolio mix provided an average return on investment of 11.82% for the period against a target of 11%.

Lines of Credit

aBi Finance continued to partner with Financial Institutions across all four tiers – com-

Table 2: Performance against revised Business Plan Targets.

| Result | Indicator | Revised 2014-18 BP Targets | 2017 Target | Actual Annual 2017 | Cumulative Progress Against BP as of 31 Dec 2017 | % Attained Against 2017 Target | Variance | Explanation of Indicator Variance for 2017 |
|---|--|----------------------------|-------------|--------------------|--|--------------------------------|----------|---|
| Target Rate of Return on Fund | Ratio of Gross Interest Income to Fund Size | 11% | 11 | 10 | 10% | 91% | -9% | Shortfall due to short-term interest free loan |
| Fund Size | Value of Fund Size (UGX, billions) | 127 | 160 | 160 | 160 | 100 | 0 | Attained |
| Growth in Line of Credit Portfolio | Outstanding Value of LOC Portfolio (UGX, billions) | 84 | 88 | 92 | 76 | 104% | 4% | Attained |
| | % of LoC to Fund | 66% | 55% | 57% | 64% | 103% | 3% | Attained |
| | No. of FIs & Partners | 18 | 15 | 15 | 15 | 15 | 0 | Attained |
| | Number of new loans | 50,000 | 10,000 | 38,671 | 143,844 | 387% | 287% | Attained with specific focus on Tier 3&4 with target to numbers other than high-value loans |
| | Percentage of female beneficiaries | 40% | 40% | 45% | 45% | 113% | 13% | Attained with specific LoC to FIs with a focus on gender |
| | % of beneficiaries in Northern and Eastern Uganda | 15% | 15% | 15% | 31% | 100% | 0 | Attained due to LoC specific to Northern and Eastern Uganda. |
| Growth in Guarantee Portfolio | Outstanding Amount of Portfolio (UGX, billions) | 83 | 85 | 97 | 7 | 114% | 14% | Attained |
| | Leverage | 325% | 265% | 297% | 297% | 112% | 12% | Attained |
| | No. of FIs & Partners | 15 | 15 | 14 | 14 | 93% | -7% | Pipeline development focused on attaining target |
| | No. of new loans | 19,700 | 29,400 | 28,563 | 28,563 | 97% | -3% | Pipeline development focused on attaining target |
| | Percentage of female beneficiaries | 40% | 40% | 18% | 45% | 45% | -55% | Revision of Gender policy in 2018 to support improvement |
| | % of beneficiaries in N & E Uganda | 15% | 15% | 43% | 43% | 287% | 187% | Attained |

mercial banks, credit institutions, MDIs, and SACCOs – in order to improve access to the financing needed for agribusiness development. Through the FI partnerships maintained in 2017, a total of 38,671 new agribusiness loans were disbursed against the annual target of 20,000 such loans. Forty-five per cent of these loans were made to agribusinesses owned and operated by women. Outstanding Lines of Credit amounted to UGX 92bn at the end of the year compared to a target of UGX 88bn, which left aBi 4% over its target.

During the year, monitoring was a key tool used for risk management and helped to maintain a quality portfolio containing non-performing loans (NPLs) of less than 1% as of 31 December 2017. While interest rates were generally deemed favourable due to

the Central Bank's eased monetary policy, the uptake of agricultural credit remained relatively low. This was due to a cautious stance towards agricultural lending by most FIs that in turn resulted from the relatively high NPL rate on agriculture-related loans of 10%. This led to a reduction in lending generally, including for agribusinesses, a circumstance that was further aggravated by risks associated with the vagaries of weather. Table 4 shows cumulative lending by the FIs by Volume, Value, Gender and Location as of 31 December 2017

Tier 1 FIs constitute the highest percentage by both value and volume followed by Tiers 4, 3 and 2, respectively, mainly due to relatively developed systems and structures for agribusiness lending compared to other Tiers.

Table 3: Investments comparison December 2016 and December 2017.

| Investment Type | December 2016 | | December 2017 | |
|--------------------------|------------------------|-------------|------------------------|-------------|
| | Value | % of Fund | Value | % of Fund |
| Treasury Bonds | 11,047,487,556 | 5% | 8,796,245,219 | 5% |
| Fixed Deposits UGX + USD | 17,912,256,075 | 37% | 56,176,393,761 | 35% |
| Lines of Credit | 84,064,767,740 | 58% | 92,065,232,212 | 58% |
| Agribond | 1,136,764,863 | 1% | 1,268,168,727 | 1% |
| Cash | 1,551,649,593 | 2% | 1,432,568,129 | 1% |
| Total (UGX) | 122,764,457,181 | 100% | 159,650,222,952 | 100% |

Source: aBi Finance

Table 4: New loans for period January to December 2017

| Number of New Loans Disbursed | | Gender | | Location | | | |
|-------------------------------|-----------------|--------|--------|----------|-------|-------|--------|
| Current | | Male | Female | Central | East | North | West |
| Volume | Value (UGX) | | | | | | |
| 38,671 | 112,309,729,307 | 21,317 | 17,354 | 9,896 | 6,093 | 5,798 | 16,884 |

Source: aBi Finance Records

Figure 15 shows the performance by gender. As of 31 December 2017. Female performance was high in Tier 4, followed by Tiers 1, 3 and 2, respectively. This is because Tier 4 has a strong presence at the village level and high participation by women compared to the other Tiers.

In terms of regional performance, Western Region continued to dominate in the utilisation of Lines of Credit due to the high presence of all Tiers, followed by Central, Eastern and Northern Uganda, respectively (Figure 16).

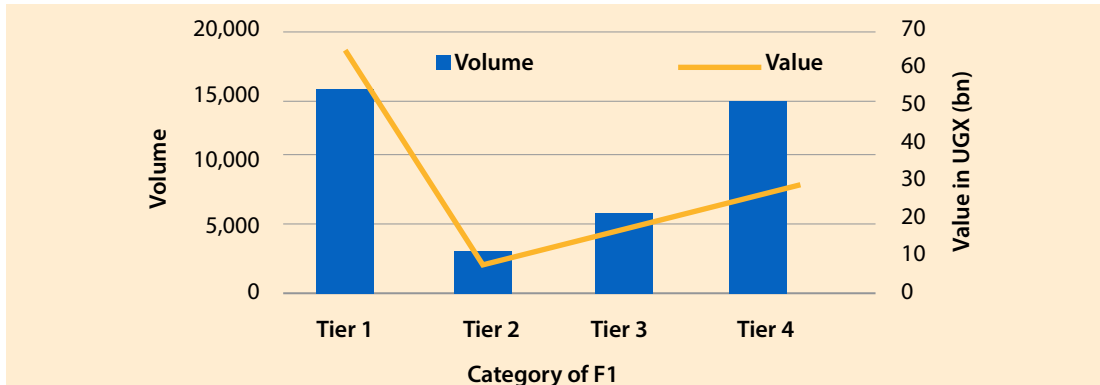


Figure 14: Performance by Tiers.

Source: aBi Finance Records, Dec 2017

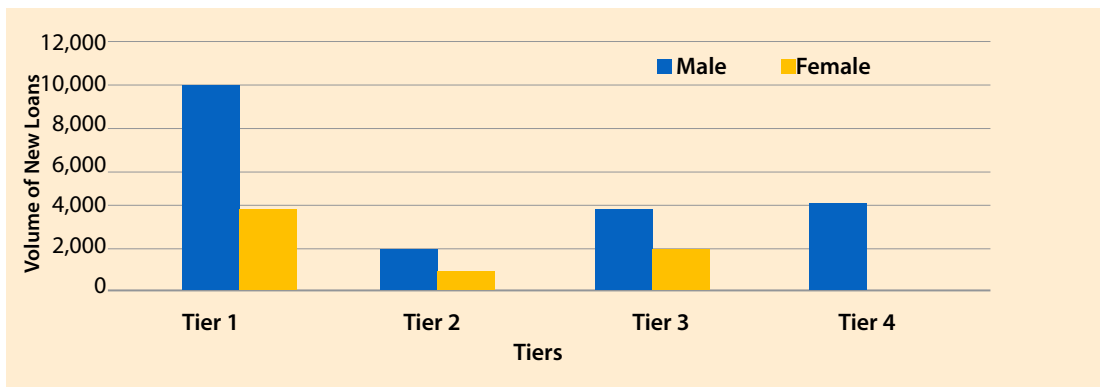


Figure 15: Performance by gender, as of 31 December 2017.

Source: aBi Finance Records, Dec 2017

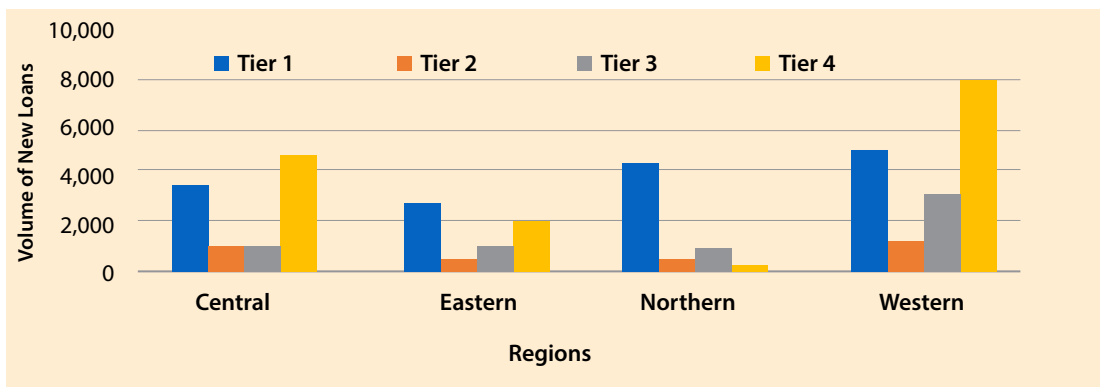


Figure 16: Performance by region, as of 31 December 2017.

Source: aBi Finance Records, Dec 2017



A Solar Now staff demonstrating the use of solar power in powering the digital monitors.

During the year, training and exposure to green growth initiatives and opportunities was conducted by NIRAS consultants with aBi staff and Partners. As a result, and in collaboration with GLZ, three partners joined the Energy Efficiency Network. They benefitted from energy audits, which created opportunity for additional clean technology financing and efficiencies.

Agribusiness Loan Guarantee (ALG) Scheme Performance

The Agribusiness Loan Guarantee Scheme closed the year with an outstanding balance of UGX 97bn against a target of UGX 85bn. This translates into a 297% leveraging of aBi Finance capital compared to a target of 265%. This was bolstered in the fourth quarter of the year when some FIs resumed agricultural lending after the slowdown caused by unfavourable climatic conditions. The loans booked were acquired mainly by MSME agribusinesses for the purposes of production, processing and marketing. Many SMEs struggle to access to credit primarily because of insufficient collateral, hence the partnership with FIs to

Clean Technology Fund

This Fund supports innovations aimed at transferring clean, sustainable and efficient technologies that have the potential to significantly increase the resilience of agribusinesses to climate change and related declines in land productivity, while contributing to a reduction of carbon emissions. In 2017, 2,374 new loans worth UGX 6.7bn were disbursed by the three partner FIs and one SME. Disbursements to agribusinesses owned by women accounted for 53% of the portfolio, notably exceeding to aBi's target of 40%.

Table 5: Clean Technology Fund performance by volume, value, gender and location.

| Number Disbursed | | Gender | | Location | | | |
|------------------|---------------|--------|--------|----------|------|-------|-------|
| Current | | Male | Female | Central | East | North | West |
| Volume | Value (UGX) | | | | | | |
| 2,374 | 6,577,870,480 | 1,121 | 1,253 | 395 | 284 | 136 | 1,559 |

Source: aBi Finance Records

Table 6: New loan beneficiaries Under ALG for the period January-December 2017.

| | Number and Value Under ALG Cover | | Gender | | Region and Number | | | |
|--------------|----------------------------------|-----------------|--------|--------|-------------------|-------|-------|--------|
| | Volume | Value (UGX) | Male | Female | Central | East | North | West |
| Total | 28,563 | 154,328,309,553 | 23,370 | 5,193 | 4,874 | 9,206 | 3,894 | 10,589 |

Source: aBi Finance Records

address this challenge specifically for agribusiness development and to consolidate the gains achieved in preceding years.

By the close of 2017, there were 28,563 ALG new loans against a target of 29,400 and of these, 82% were male and 18% female. Gender inclusiveness (women and youth) is an explicit focus for all aBi products and activities and, to that end, all aBi FI partners across all product lines are given targets for women and youth with access to finance. In general, the aBi target is to have women account for at least 40% of all aBi Finance interventions.

In relation to regional balance and inclusion, the Western Region dominates the product absorption at 37%, followed by the Eastern Region at 32%, and the Central and Northern regions at 17% and 14% respectively. Remarkable progress has been made in Northern Uganda, which closed at 8% in December 2016, and this is a testament to the recovery path the Region has taken since the end of the civil strife in that area.

Only two portable guarantees were approved under the ALG Scheme in 2017, for commodity trading and export companies. There is still a need to educate a number of FIs about how portable guarantees work – that aBi clients can shop around for the financing they need and carry with them the loan guarantee provided by aBi Finance.

Claims made by partner FIs on delinquent agribusiness loans increased marginally from 0.5% to 0.6% of the fund but remained well within the target limit of under 5%. By the end of 2017, UGX 590mn had been settled in agribusiness claims while UGX 38mn was refunded to aBi Finance from recoveries made by partner FIs. The main cause of loan failure and claims was drought, loan diversion to uses other than intended, and multiple borrowings by clients. This points to a need for continued capacity building through training, sensitisation and refresher courses to address causes of loan delinquency.

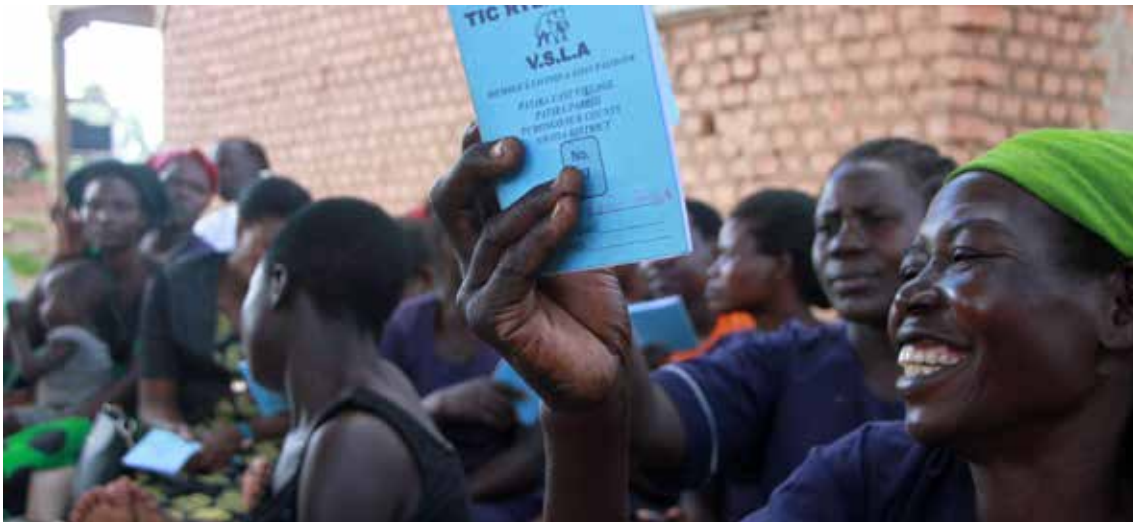
Findings from Reviews and Lessons Learned:

- Additionality is being achieved through use of the ALG Scheme. Most clients of the FIs have been able to access financing (or increased amounts of financing) despite limitations with their collateral/security. In addition, FIs are increasingly accepting unregistered land (Bibanja) and chattels as collateral, which further improves access to finance by agribusinesses.
- The portable guarantee product, which primarily targets the SME agribusiness segment of the market, is yet to achieve its full potential. To that end, there is a need to improve its promotion as well as to have the relevant regulations formally recognize the ALG as a credible de-risking mechanism that will favourably impact the cost of borrowing for SMEs.
- FI partners require frequent monitoring and re-training in order to avoid errors and delays in claim submissions and processing.

Financial Services Development (FSD) 2017

FSD's mandate is to facilitate increased access to financial services by agribusiness value chain actors, including smallholder farmers, and increasing the availability of suitable financial products for agribusiness development.

The Unit is fully integrated administratively into aBi Finance, but its work is funded by aBi Trust. FSD is thus well positioned to strengthen coordination between the two larger entities, to actualize potential synergies, and to serve as the glue helps bind the efforts of aBi Finance and the Trust.



The Tic Ryemo Can Farmers’ Group, which is located in the town of Anaka, Nwoya District, in Uganda’s Northern Region, boasts a vibrant Village Savings and Loan Association that benefits from aBi’s FSD programme business development training.

The function of FSD is to build the business capacity of participating financial institutions – mainly the smaller Tier 4 organisations (SACCOs and VSLAs) – by providing them with business development support (BDS) tailored to their specific needs. Training is done in general business processes; systems development (such as management information systems); and improved governance. FSD also conducts studies on value chain financing issues and supports sector-wide interventions (for example, the Uganda Bankers Association Agency Banking initiative). The Unit’s primary aim is to help FIs qualify for support from aBi Finance (i.e., have the capacity needed to access lines of credit and/or loan guarantees, as well as the Clean Technology Fund).

In 2017 FSD supported 33 Implementing Partners (IPs), categorised as shown in Figure 17.

From the support given to the 33 financial institutions (FIs), 125,739 new savings accounts were registered against a set target of 150,000 for the year. A total of new savings volume of UGX 27.3bn was realized against the set target of UGX 40bn (i.e., a 68% achievement).

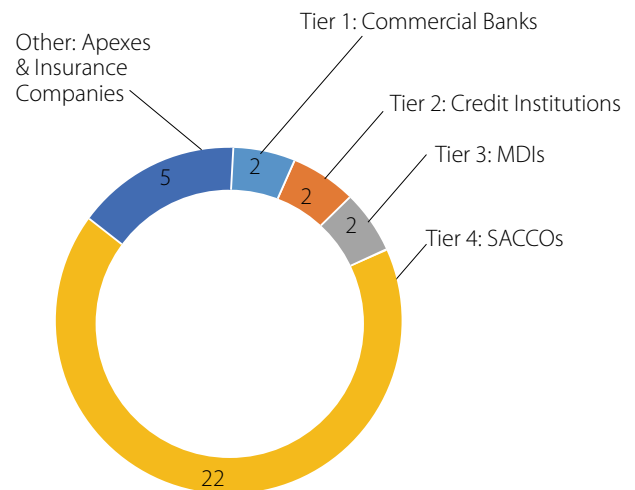


Figure 17: FSD Implementing Partners in 2017 by category.

Source: aBi MRM Database

This comparatively low performance was largely due to sluggish economic growth, as well as the impact of drought and crop pests in parts of the country. In 2017, 177,347 new loan clients were reached (against a set target

of 70,000), and loans totalling UGX 155.4bn were disbursed (against a target of UGX 70bn). These increases can be attributed to the Central Bank's easing of monetary policy, as well as greater borrowing for investments to be made after the end of 2017.

During the year, 6 new IPs were provided with support and overall the total funds disbursed directly to the 33 IPs amounted to UGX 6.7bn, representing 84% of the total UGX 8bn FSD budget for the period. Table 7 shows a summary of results achieved in 2017 relative to the 2018-2018 Business Plan.

As part of consolidating the gains made during 2016, the following are some of the key FSD activities implemented in 2017:

Northern and Eastern Uganda FI coverage:

In the 3rd quarter of the year, FSD commissioned a study on the mapping and analysis of Financial Services Providers (FSPs) in Northern and Eastern Uganda. The aim is to enable aBi to increase its level of investment in these regions as well as to promote financial inclusion among the refugee population. A final report is expected in early 2018, which will inform the strategic interventions for the period 2018 and beyond.

Value chain financing: In the second half of 2017, FSD contracted a Business Development Services (BDS) provider (Financial Access Ltd)

to conduct value chain analyses and/or validations for maize, coffee, rice, sunflower, sesame and chili, as well as identify financing gaps.

This work, which was completed by the end of the year, will help drive innovative product development and will provide a basis for capacity building of at least 150 partner FI staff.

Expansion of branches and branchless delivery mechanisms for financial services:

On the supply of financial services, 3 FIs were supported to implement rural outreach by establishing physical branches, particularly in the North and Karamoja regions (Oyam, Kotido and Ruti). FSD also entered into a 3-year partnership with Uganda Bankers Association in order to facilitate deeper penetration of financial services to rural areas through agency banking. FSD support to agency banking is expected to digitize vast amounts of payment flows and reduce transaction costs across rural economies, thereby contributing to growth in rural areas in the years ahead. On the demand side, FSD continued to support IPs providing financial literacy training for smallholder farmers and SMEs, so as to overcome financial illiteracy and encourage utilisation of formal banking services. Emphasis was given to campaigns aimed at mobilising savings and building a culture of saving among the rural population.



aBi Trust partners with PostBank Uganda Ltd to increase the availability of affordable financial services to the unbanked rural areas of Nwoya and Amolatar in Northern Uganda. A low-cost branch model and the provision of appropriate agricultural loan products are key to PostBank's successful expansion in the region.

Table 7: Progress on the Key Objectively Verifiable Indicators for FSD in 2017.

| KEY Results Indicators | BP Target 2014-2018 | 2017 Target | Actual Annual 2017 | Cumulative Actual 2014-2017 | (%) Attained Against 2017 Targets | % Variance Against 2017 Targets | Explanation of indicator Variance for 2017 |
|--------------------------------------|---------------------|-------------|--------------------|-----------------------------|-----------------------------------|---------------------------------|---|
| New Savings Volume in UGX (billions) | 150 | 40 | 27.3 | 235 | 68% | (32%) | Sluggish economic growth as well as the impact of drought and crop pests in parts of the country resulted in low growth in savings. |
| New Loans Volume in UGX (billions) | 300 | 70 | 155.4 | 659 | 222% | 122% | Growth in loans volume is partly attributed to easing of monetary policy by the BoU, as well as increased borrowing for investments in the latter part of the year. |
| New Savings Accounts Opened | 200,000 | 150,000 | 125,739 | 735,103 | 84% | (16%) | Alternative delivery channels, such as mobile money, are preferred and being used by clients (81,730 men, 44,008 women). |
| New Loan Clients | 100,000 | 70,000 | 177,347 | 600,154 | 253% | 153% | There was an increased number of borrowers partly attributed to easing of monetary policy by BoU as well as increased borrowing for investments in the coming period. |
| New Branch Delivery Mechanisms | 25 | 4 | 3 | 13 | 75% | (25%) | Only 3 new branches were established (PostBank – Kotido, Opportunity Bank – Oyam, Nyakayojo – Ruti) as there is a general shift towards use of DFS to reach the unbanked. |

| Key Results Indicators | BP Target 2014-2018 | 2017 Target | Actual Annual 2017 | Cumulative Actual 2014-2017 | (%) Attained Against 2017 Targets | % Variance Against 2017 Targets | Explanation of indicator Variance for 2017 |
|--|---------------------|-------------|--------------------|-----------------------------|-----------------------------------|---------------------------------|--|
| New Branchless Delivery Mechanisms | 20 | 3 | 1 | 44 | 33% | (67%) | Only Opportunity Bank procured and deployed branchless banking equipment using its Soroti branch as the hub. Implementation of the agency banking project by Uganda Bankers' Association (UBA) was only started in Q4. |
| Number of New Products Developed | 15 | 4 | 0 | 14 | 0% | (100%) | To drive innovative product development, FSD conducted value chain analyses and/or validations for maize, coffee, rice sunflower, sesame and chili to identify financing gaps. This was concluded in Q4. |
| Number of Clients Accessing Agricultural Insurance Product | 12,500 | 7,000 | 22,715 | 69,768 | 325% | 225% | FSD support to the Agricultural Insurance Consortium resulted in increased consumer awareness, as well as capacity building for FI staff, financial trainers, and insurance agents, thereby driving uptake. |
| Number of New FIs Supported | | 10 | 6 | 44 | 60% | (40%) | Focus was more on large grants to apexes e.g., UBA, UIA, and UCCFS, rather than individual entities. |

Source: IP Reports December 2017

CASE STUDY

aBi's Partnership with PostBank Uganda Ltd

In March 2012, aBi Trust partnered with PostBank Uganda Ltd to increase outreach of affordable financial services to the unbanked rural areas of Nwoya and Amolatar in Northern Uganda through a low-cost branch model and development of appropriate agricultural loan products. PostBank Uganda Ltd is a government-owned bank regulated by the Bank of Uganda under the Financial Institutions Act, 2004. The bank focuses on the mass market and currently has 36 branches supported by 9 mobile banking vans. The bank's branch network is supplemented by 41 ATMs, 61 point-of-sale machines, and a number of authorized cash points across the country. The bank's product offering includes savings, loans (including agricultural loans), Kyaapa, solar, money transfers and mobile money services, bill collection, and payments handling. PostBank has been a partner in the aBi loan guarantee scheme since 2013 and has a limit of UGX 8bn.

As a partner of aBi, PostBank has benefited from several products and services – the Agricultural Loan Guarantee Scheme, Lines of Credit, and the Clean Technology Fund. As of March 2017, over 16,300 new agribusiness loans totalling UGX 51bn had been issued under the AGL Scheme since inception; 3,234 of these loans have gone to beneficiaries in Northern Uganda. Under the Line of credit for on-lending to agribusinesses, 2,717 new loans (16% of them in Northern Uganda) worth UGX 6.2bn had been generated. The bank has also

accessed resources from the Clean Technology Fund specifically for Northern Uganda.

The objectives of this project in Nwoya and Amolatar were to: a) increase rural outreach through establishing mini-branches, b) offer affordable financial services, and c) develop suitable and affordable agricultural loan products in a bid to grow the bank's agricultural portfolio in Northern Uganda. The project achieved all its targets and has continued to create impact in the community. A recent End of Project Evaluation rated the project very highly (85%) in terms of its relevance, efficiency, effectiveness, impact, sustainability and gender inclusiveness. aBi's engagement has contributed to stimulating agribusiness lending by PostBank.



Financing provided by PostBank enables small-scale agripreneurs to provide community farmers with mechanised services that would otherwise not be available to them.

| Details | Before aBi Partnership (31/12/2013) | Performance (31/12/2017) | Variance |
|---|-------------------------------------|--------------------------|----------|
| Total loan portfolio (UGX) | 69bn | 185bn | 116bn |
| Agriculture loan portfolio (UGX) | 5.7bn | 28bn | 22.3bn |
| Agriculture loan portfolio as a percentage of total portfolio | 8.2% | 15% | 6.8% |

CHANGING LIVES

Bosco Omony, 42, is a model farmer and a beneficiary of the aBi-PostBank partnership. He cultivates 100 acres of maize, has invested in building *Pacific Lodge* on Aciro Consy Road, and purchased a Tate 7502 tractor and a lorry.

“I have two wives and seven children who I am able to educate in good schools,” Omony says. “The youngest is two years old and the oldest is 22, and now in Senior Six. All this would have not been possible if it was not for the help of PostBank, which gave me a loan of UGX 80mn. I now use my tractor to plough the fields of other farmers, earning UGX 80,000 per acre. In a day, the tractor ploughs 2-3 acres in Agum Village.”

Tic Ryemo Can VSLA Group has a membership of 70, only 20 of them men. The membership entrance fee is UGX 15,000, renewable annually for UGX 5,000. By pooling their savings, members of the Group are able to borrow funds they need to slowly but steadily improve

the productivity and profitability of their farming operations. For example, Group members have diversified from the traditional cropping of cassava, sorghum and maize, venturing into livestock production as well.

The members, which range in age from 20 to 60 years, hope to leave their customary huts behind and build permanent houses for their families. The Group Chairman, Otto Enyasio, says that in a culture where women do not inherit land, many have been able to buy their own parcels at between UGX 600,000-1.5mn per acre.

“Some have begun making bricks and purchasing iron sheets for their dream homes. Single mothers, even though still culturally not accepted, have been empowered financially,” Enyasio adds. “Besides farming, members have started small businesses like salons, eateries, and *dukas* (corner shops).”



Bosco Omony, 42, is a model farmer and a beneficiary of the aBi-PostBank partnership.

CASE STUDY**aBi Grant Support for Establishing Bank Branches – Centenary Bank, Adjumani Branch**

In July 2015, aBi Trust provided Centenary Bank with a grant to help them set up a service centre in Adjumani District. Situated in the West Nile sub-region of the Northern part of Uganda, Adjumani District is approximately 210 km by road, northeast of Arua. It is 460 km north by northwest of Kampala. It is bordered by Moyo, Amuru, Arua and Yumbe Districts. With over 200,000 people, Adjumani District is made up of 9 sub-counties, as well as one Town Council. Agriculture is the backbone of this region, with sorghum and rice growing as the main economic activity. At the start of the intervention, Adjumani District did not have any formal/regulated financial institutions located within it and people had to travel all the way to the neighbouring Arua District to access financial services from a formal financial institution. The project therefore set out, among other things, to offer affordable financial services to the people of West Nile and surrounding areas.

A recent End-of-Project Evaluation conducted in October 2017 points out that Centenary Bank's Adjumani branch has contributed to improving the livelihoods of individuals, evidenced through: a) increased area under cultivation, b) increased agricultural production and productivity, c) an increased loan portfolio, and d) access to quality services through newly established office structures that offer financial services in almost all of the West Nile sub-region and neighbouring Districts.

Centenary Bank is supporting agribusinesses as a strategy of creating markets for local farmers, and it is also supporting farmers by giving loans for agricultural production and other household needs. As of October 2017, the number of savings accounts opened at Centenary Bank's Adjumani branch stood at 5,700, compared to the project target of 3,600. This represents a 158% achievement, which can be largely attributed to the bank's quality and affordable services. In the two years that the Adjumani branch has been operational, it has mobilised a savings volume of over UGX 5bn from its 5,700 savings account clients and reached a loan portfolio of UGX 2.2bn. While the project initially targeted to recruit only 7 staff for the Adjumani branch, to date the branch employs 14 permanent staff due to the high number of clients served. Additionally, the evaluation estimates that over 5,699 jobs (44% of them held by women) have been created in Adjumani and surrounding Districts as a result of this intervention. The table below shows the key achievements of the project:

**Key achievements of the Centenary Bank's Adjumani Branch Project.**

| Impact Areas | Target | Achieved | Percentage of Target Achieved |
|---|----------------|-----------|-------------------------------|
| New clients accessing financial services | 3,600 | 5,700 | 158.3% |
| Loan portfolio growth | UGX 2bn | UGX 2.2bn | 110.0% |
| Mobilisation of new savings | UGX 4.8bn | UGX 5bn | 104.2% |
| Job creation at Centenary Bank, Adjumani branch | 7 new FTE jobs | 14 | 200.0% |
| Number of jobs created (beyond the bank) | | 5,699 | |

CHANGING LIVES



Stephen Iranya 35 (above), is one of Adjumani's success stories for having switched from growing conventional staple crops to planting fruits, spices and food crops that were traditionally imported from neighbouring Districts at very high prices. He has also abandoned conventional subsistence farming and, thanks

to loans from Centenary Bank's Adjumani Branch, which aBi helped to establish, he has invested in planting tomatoes, turnips, beet root, watermelon and white carrots.

"The tomatoes will be ready in 75 days," Iranya says. "I employ six men to open the bushy land, plant and weed. This has been possible because of the UGX 5mn loan I secured from Centenary Bank."

Iranya hopes to move his wife and two children from the grass-thatched hut they currently live in to a permanent house. "I want my children to have a good life and get a good education up to university level," Iranya says.

The farm work is labour intensive, but he hopes to get his operation partially mechanised to minimise labour costs and boost the volume of production and improve efficiency in the long run. He is targeting the increasing demand for spices as refugees from South Sudan, the DRC, and expatriates move into the area.

Support to forums promoting financial services: In 2017, FSD actively participated in and supported forums for promoting financial services and innovations, agricultural insurance, institutional strengthening, and other stakeholder partnerships – notably the inaugural Annual Bankers' Conference, the 23rd World's Savings Bank Institute Regional Group meeting, and the 3rd AMFIUEA Microfinance Summit. Participation in and support for these events increased market awareness and raised the profile of aBi as a key player in supporting Digital Financial Services (DFS) in the microfinance sector. FSD also facilitated two forums for knowledge transfer in Northern and Western Uganda. These gatherings enabled aBi partners and beneficiaries to share their experiences and learn from one another. This also provided a platform for aBi to obtain feedback from IPs and other key stakeholders.

Promotion of skills and leadership development in partner FIs: Financial institutions benefitted from capacity building designed to ensure that they have market-focused strategies, deliver appropriate products and services, and have the culture, structure and talent to perform in agribusiness lending. To this end, four SACCO managers were supported to participate at the 13th Edition of the School of African Microfinance annual two-week training in Mombasa, Kenya. FSD will continue to monitor these leaders to ensure knowledge transfer within their institutions. In 2017, FSD also provided technical assistance to FIs to address gaps identified during due diligence exercises, audits, evaluations and monitoring visits. In liaison with aBi's Finance, MRM and ICT Units, FSD conducted orientation of all its new partners on the new Grants Management System, as well as on reporting.

Increase liquidity within financial institutions for agribusiness lending:

In order to address the challenge of limited liquidity in the rural FIs, FSD maintained three approaches: 1) Continuing to pursue the linkage between FSD and aBi Finance through which lower tier FIs with potential for accessing external wholesale funds are provided with technical assistance to improve their internal systems and to qualify for Lines of Credit from aBi Finance; 2) Value chain financing mechanisms highlighted above that will address liquidity challenges, mainly in small SACCOs that are actively supporting VCD implementing partners; and 3) Continued support for savings mobilisation campaigns to complement the above two liquidity approaches.

Apex model of lower tier SACCOs: Towards the close of 2017, FSD signed a three-year partnership with Uganda Central Co-operative Financial Services (UCCFS) to digitize 200 member SACCOs, enabling them to increase rural financial services delivery through the M-SACCO platform. This will further strengthen the ability of UCCFS to supervise its membership and to apply sound management practices that will lead to increases in their liquidity and ability to lend money to members.

Support for agricultural insurance: During the 3rd quarter of 2017, FSD entered into a partnership with Uganda Insurers Association (UIA) to carry out sensitisation, promotion, and awareness campaigns for utilisation of agricultural insurance. The partnership is expected to build the capacity of 330 FI staff and 150 insurance agents, as well as improve the knowledge of 500 trainers on the agricultural insurance scheme. It will also complement the Government of Uganda's efforts to enable farmers' access to agricultural insurance and increase productivity. This is a key risk mitigation tool that will further bolster the agriculture sector and consolidate agribusiness in Uganda.

In general, one of the key lessons learnt was that, to increase the flow of financing to the agriculture sector, there is need for greater integration of

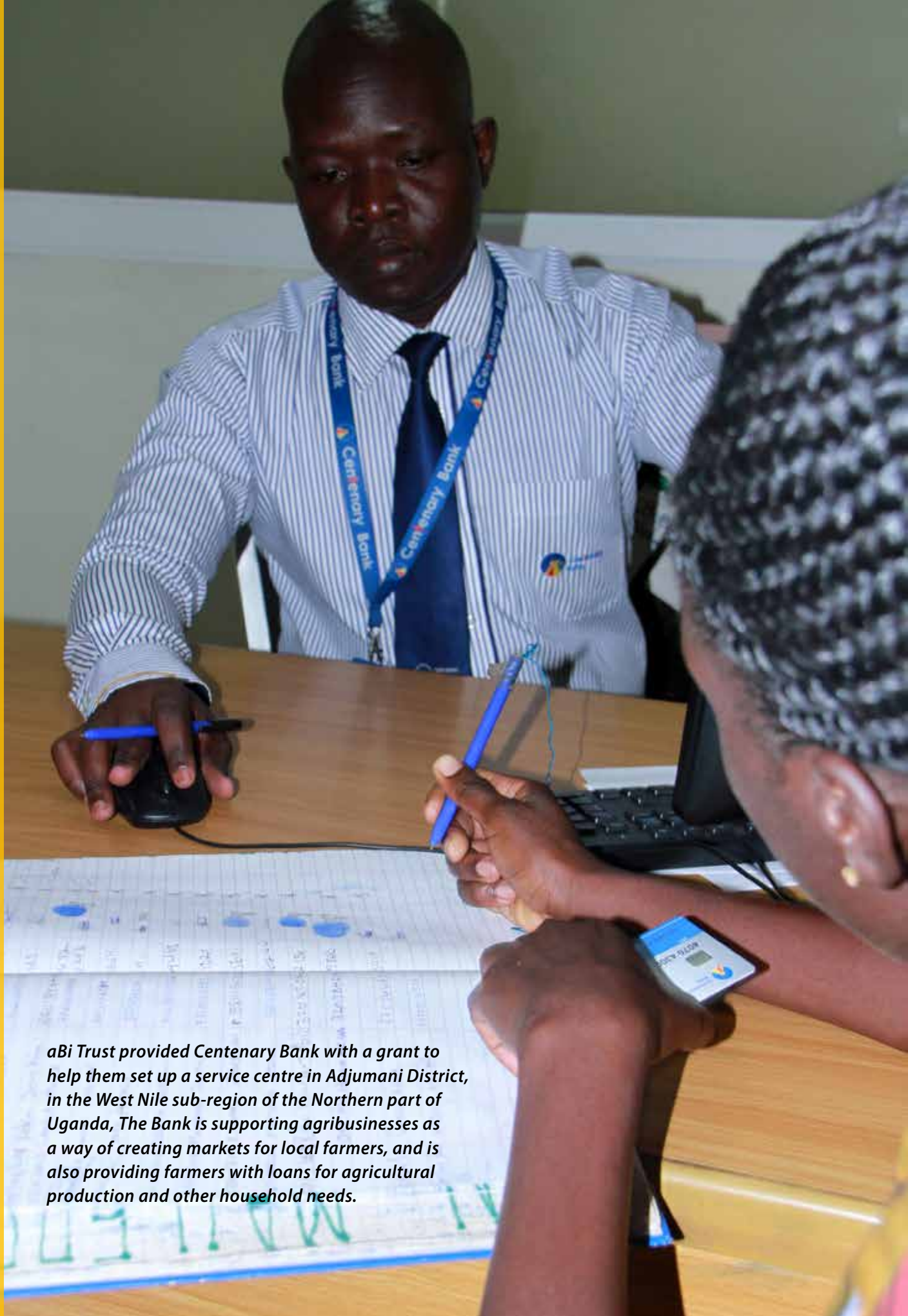
VCD, FSD and aBi Finance to reduce risk, improve efficiency and repayments in financing, and consolidate value chain linkages among value chain actors. This will result in promotion of value chain financing instruments, such as trader credit, input-supplier finance, trade-receivables finance, lease-purchases, insurance, forward contracts, and guarantees. In addition, there is a need both for increased and more regular monitoring of project implementation, as well as a greater scrutiny of IP financial transactions in 2018.

Construction Guarantee Scheme

The investment mix (Figure 18) of the Construction Guarantee Scheme (CGF) provided a solid return of 15.23% on the investor's funds. This was higher than even the comparatively high return fixed deposits, which yielded 11% in 2017.

In the last quarter of 2017, consultants under the Road Industry Council CrossRoads Transition Secretariat initiated an evaluation of the CGF, as well as an assessment of the feasibility of formally establishing the RIC post-2018. The evaluation concluded June 2018 and is expected to guide the fund sponsor, DFID, on the strategic question of the best home for the CGF post-2018. Overall, Fund activity in 2017 – issuing bid bonds, performance guarantees, and advanced payment guarantees – was subdued, which in turn was as a result of low activity in the Uganda Roads sector. Only two new facilities (a performance bond and an advance payment guarantee) with a total value of UGX1.3bn were booked under the scheme in 2017.

CGF activity is strongly affected by the vibrancy of the Ugandan roads sector. This suggests a need for strong and continuous advocacy by the Road Industry Council (RIC) to stimulate investments in road construction and, as well, the need for CGF support in establishing and facilitating the work of the RIC in its infancy.



aBi Trust provided Centenary Bank with a grant to help them set up a service centre in Adjumani District, in the West Nile sub-region of the Northern part of Uganda, The Bank is supporting agribusinesses as a way of creating markets for local farmers, and is also providing farmers with loans for agricultural production and other household needs.

aBi Corporate Services 2017

Corporate Services provides operational support to both aBi Trust and aBi Finance as they work to achieve the desired levels of efficiency and productivity. It comprises the following Units: Monitoring and Results Measurement, Finance, Information and Communications Technologies, Human Resources and Administration, and Legal Compliance and Risk Management

Monitoring and Results Measurement (MRM)

In 2017, major assignments carried out by the MRM Unit included: coordination of the AWPB 2018; finalization of the MRM manual; results and compliance monitoring of Implementing Partners, including IP training; construction of project baselines for new projects; the evaluation of ended projects; due diligence exercises using the mixed team methodology; orientation of new IPs to aBi's mixed team approach; identification of standard key Performance Indicators (KPIs) in the newly developed Grants Management System (GMS); and coordination of the 2018 Annual Work Plan and Budgeting process.

The MRM manual was reviewed and approved by the Board with a number of key additions, including but not limited to: practical guidelines for the Intervention Guide (IG); introducing outreach dimensions; details on the aBi Results Aggregation System (ARAS); guidelines for measuring Systemic Change; and Guidelines for conducting Quarterly Review Meetings (QRMs).

aBi also underwent a pre-audit focused on the DCED standard – a framework of widely accepted good practice in programme management – to determine its level of compliance with the standard in its Monitoring, and Results Measurement System. Findings indicated that aBi has made significant advancement in developing results chains, validating data, integrating MRM processes into programmes, measuring systemic changes, and maintaining some important compliance criteria. The efforts to strengthening the MRM system are now helping to produce better IP work plans and budgets at the outset of new projects, and to design improved measurement plans that will help IPs to deliver on their commitments.

As part of monitoring and data validation, a total of 48 operational projects under aBi Trust and aBi Finance were monitored and supported for effective implementation and delivery of results. As a result of this support, more than 60% of aBi grantees were able to provide timely reports on their projects with no major compliance irregularities; they were also able to implement activities on time in order to achieve the desired results.

Other key achievements of the MRM Unit included: capacity building in results measurement and reporting; evaluation of 34 completed projects; conducting 13 baselines studies; 3rd party verifications of reported data/results for 32 projects using the mixed team approach; reporting and communicating results.

Table 8: Summary progress on Annual Targets .

| Activity | 2017 Target | 2017 Actual | Comments |
|--|-----------------------------|---------------------|---|
| Monitoring and verification visits | 55 | 48 | For FY 2017 only 55 IPs were supported (24 VCD and 31 FSD). Some IPs missed out due to the slow approval process for disbursements. |
| Baseline studies for new projects | 40 | 14 | 14 were completed and an additional 25 baselines were commissioned but will be concluded in FY 2018. |
| Evaluation studies for ended projects | 40 | 34 | 14 were commissioned in 2016 and 20 commissioned 2017. Target not met because project end dates were adjusted due to the delayed disbursements, thus affecting evaluation arrangements. |
| Conduct sector-specific and/or value chain analysis and/or impact studies | 2 | 4 | MRM Team supported four sector studies; Dairy strategy development, Irrigation, Financial services mapping in northern Uganda and Value chain financing study |
| DCED training for staff | 2 | 2 | Done as planned |
| MRM instruments; including manual, Results Chains (RCs) and other tools reviewed | Revised MRM manual approved | Done | Done as planned. Revised MRM manual approved and instruments; including RCs and other tools. |
| Optimisation of MRM DCED System | Mock/ pre-audit conducted | Pre-audit conducted | The full-audit of the MRM System was rescheduled for FY 2018 |

Human Resource Management

Resourcing and Talent Management – In light of the functional review and job evaluation concluded in 2016. Several new positions were created, resulting in a need for the recruitment of qualified staff to fill them; this process took place between 2016 and 2017.

A rigorous competency-based recruitment process was conducted, and the following positions were recruited in 2017: Chief Operating Officer – aBi Trust; Head of Technical/Quality Assurance; Advocacy and Communications Manager; Project

Manager – Umbrella and Government; Project Manager – Farmer Groups; Technical Expert Food Crops; Technical Expert Social and Environmental Responsibility; and Chief Operating Officer – Corporate Services.

The following staff left the organization in 2017: Group Chief Executive Officer, Internal Auditor, Project Officer, and Grants Management Controller. The Interim Chief Operating Officer – Corporate Services left the organization at the end of his contract, handing over to the substantive Chief Operating Officer, Corporate Services.

As part of the performance management process, Management ensured that all staff had KPIs in place that were used as a basis for various performance conversations, such as mid-year reviews, probation appraisals, and annual evaluations. Efforts will continue into 2018 to ensure that this process is meaningful and beneficial, not only in terms of staff development and growth but in aBi achieving set goals and objectives.

Efforts continued, as part of the learning and development strategy, to ensure enrichment of employee skills. Various staff enrolled in specialised short-term courses throughout 2017 with two staff members graduating in the Female Future Programme, a Leadership programme conducted by the Federation of Uganda Employers, in partnership with the Norwegian Fund. Staff were also trained in the areas of risk and fraud awareness, as well as ICT cybersecurity awareness.

To further improve the HR Management function, a new HR information system “People HR” was launched in the 2nd quarter of 2017 and is now in use. This system has digitalised HR records management, leave and absence management, and training records. It is expected to be further developed and adapted for use in performance management, employee recognition, and recruitment.

Business Efficiencies in Corporate Services – A customer satisfaction survey was conducted in the last quarter of 2017 for all shared services within aBi. The aim of this survey was to gauge the level of satisfaction of internal stakeholders with the service received of each department within the shared services. The results of this will form a good basis to initiate efforts in improving efficiencies, as well as overall performance. The aim is to carry out this exercise on an annual basis to monitor levels of user satisfaction with the CS sections.

Information, Communications and Technology (ICT)

A major achievement in 2017 was the operationalisation of an end-to-end Grant Management System (GMS) that encompasses all documentation and processes, from an organisation’s concept note all the way through to the end-of-project reporting. Intensive training has been provided to IPs that are using the system, especially in how to upload their data and how to use the system for their quarterly reporting.

Newly approved IPs (from September 2017) have been entered into the system, and there is now a standardized set of VCD and FSD KPIs that apply across all new projects. It is these indicator outputs that will be used to populate all performance reports from 2018 onwards (for the newly approved IPs). Going forward, all finances for an IP’s project will be captured and managed within the GMS, including monthly cash book reports and quarterly expenditure reports.

During 2017, the development and adaptation of Navision software (also referred to as Microsoft Dynamics Nav) continued, but with a focus on the financial systems used in aBi Trust and aBi Finance. For aBi Finance, a new set of disbursement reports are being designed, whilst in aBi Trust the payroll, bank reconciliation, and creditors modules are being adopted. Over time, all IPs will be individually set up on the system. These changes will enhance financial reporting and budgeting, as well as provide greater internal control through the implementation of more reconciliations.

Advocacy and Communications

The aBi Advocacy and Communications function was rejuvenated during the reporting period to reposition the aBi brand as the champion for agribusiness in Uganda. The Knowledge Management & Learning function was also strengthened towards transforming aBi into a knowledge leader and a learning organisation. As a result, in 2017 aBi played a big role in providing various platforms and avenues to influence and advocate for policy formulation and ensure an enabling environment for the agribusiness sector. Some of the avenues included our collaboration with: The Ministry of Water and Environment and the National Environment Management Agency on the National Climate Change Symposium; the National Agricultural Research Organisation on Farm Clinics; as well as supporting

efforts to create national awareness campaign on the Fall Armyworm.

In 2017, the communications function supported the consolidation of all the new processes and systems through various initiatives aimed at helping stakeholders to understand, embrace, and support the new processes and systems. These included: documenting success stories with compelling evidence and disseminating them in the Daily Monitor; creating awareness through mass media for all key aBi activities; capturing information and stories about impact and lessons learnt using simplified and abridged IEC materials; and staging 7 key advocacy and stakeholder engagements across the country.

During 2017, aBi funded a notable television and radio farming 'edutainment' production



Farmers listen attentively as aBi's George Mutagubya explains the products they offer to farmers during a Farm Clinic in Mbarara.



Delight (UG) Ltd won the Corporate Social Responsibility award, in the agri-business category, at the Private Sector Development Awards 2017, organized by the Private Sector Foundation of Uganda (PSFU). This award was in recognition of the company's role in enhancing improved mango production and marketing as a resettlement strategy in support of formerly internally displaced people in northern Uganda.

called 'Kalonda Mpeke' aimed at positively transforming the national perception and understanding of Uganda's agriculture sector. Given the success of a similar initiative in Kenya, where over 500 episodes of five different TV and radio programmes have been aired in recent years, aBi is confident that this intervention will help close existing knowledge gaps about agribusiness, change negative attitudes towards agriculture (especially among youth), and promote the adoption of sustainable agricultural practices in Uganda, by rural farm households and those engaged in peri-urban agriculture (particularly women and youth). In 2017, aBi's partner, the Mediae Company, carried out a Knowledge, Attitude and Practices (KAP) survey, developed scripts, produced the first 13 of 39 planned episodes (both in Luganda and English), and lobbied sponsors to support the airing of the series. It will be launched during the 2nd quarter of 2018 and will be broadcast throughout the year.

Procurement

As part of the consolidation to enhance efficiency, the entire procurement process was automated using the DOCIT system. This has greatly aided the monitoring and management of all procurements and has increased transparency whilst ensuring safe, efficient and effective procurements for audit purposes. By the end of the year all procurement processes and documentation had been migrated to the new system and are now managed within it.

Legal Compliance and Risk Management

In 2017, the legal and compliance unit played a critical role in developing an effective and sustainable risk management and awareness culture within aBi (see Box).

Legal Compliance and Risk Management 2017

An institution like aBi must carefully toe the line when it comes to complying with contractual obligations and managing risk in an increasingly complex operating environment. It is a matter of reputation and credibility and is of central importance not only to those who invest in and through aBi, but also to those organisations that partner with it and, ultimately, to those who benefit from its work. Because it is so important, compliance and risk management cannot be the sole responsibility of just a few staff working in the Unit, however good they are at their jobs. Everyone in the organisation has a stake in effective legal compliance and risk management, and while not everyone can or should try to be an expert, all must be aware of the issues and involved in dealing with them.

In March 2017, a participatory risk awareness week that involved all aBi staff was successfully conducted. It focused on teaching staff the basics of risk management, fraud awareness and prevention, and the lessons learnt from previous Audits. Staff are now in position to identify and manage risks in their own Units, which is strengthening work performance through better forward planning and anticipation of potential risks. Staff and management agreed that, given the importance of managing risk in an increasingly risky operational environment, a risk awareness week would be held annually.

The Board approved and adopted a new initiative of conducting legal due diligence of IPs before their applications are presented for funding approval. This is paying dividends in a form of major improvements in evaluating gap analyses of prospective IPs by providing aBi with more information on which to base funding decisions. A specific section on risks identified at prospective IPs, along with possible mitigating factors, is included in the Project Document before the project is considered for approval.

The Unit also facilitated various risk exposure orientation sessions in which 18 partners participated. The sessions focused on the risks faced by each partner and provided guidance on how to improve their internal control systems. aBi also conducted legal due diligence on grant applications for 42 entities during the year.

The Unit was also involved in the 3rd party verification exercises that were done, as part of the mixed team approach that aBi has adopted. These exercises are aimed at carrying out independent verification of applications in terms of the adequacy of the internal controls used by the IPs, as well as their reporting and governance structures. The teams identify major financial, administrative, and organisational risks that could prevent an IP from achieving the objectives for which funding is being provided.

During 2017, regular reviews and updates of the aBi risk register were carried out, risk champions were assigned to monitor and manage identified risks, and a 'traffic light system' was adopted for presenting each risk and the steps taken to mitigate it. A 'key risk dashboard' is now updated quarterly and presented at the Audit and Risk meetings. In addition, a 'deep dive' is to be made into the full risk register each year.

With support from the Unit, aBi Management, Board and Development Partners were regularly updated on problematic cases. This clear-headed, dispassionate briefing on the recovery of inadequately supported expenditures and court proceedings proved invaluable in 2017, and four contentious matters were closed amicably.

Internal Audit 2017

In 2017, the Internal Audit Unit concluded of 15 of 18 planned Value Chain Development IP project audits (an 83% completion rate). The three pending audits were in process at the end of the year and will be completed in early 2018. The Internal Audit Plan for 2017 also called for reviews of 10 aBi Finance Guarantee Facilities, of which 6 (60%) were completed before the end of December 2017. Two of the remaining four planned Guarantee audits were underway at the close of the reporting period and will be completed during the first quarter of 2018.

Nearly all the other planned audit activities were completed according to schedule. They included: an audit of the aBi Accounting and Finance Department; providing support to the external auditors who carried out the aBi Financial Audit for 2016; and working with other Units to strengthen the aBi risk management

process. Internal Audit staff participated in and helped to facilitate staff risk awareness training sessions, worked with the Legal Compliance and Risk Management Unit to conduct specific risk assessments, and carried out a procurement-related fraud risk survey. However, the audit of the ICT Unit planned for 2017 was not done and has been rescheduled for early 2018.

Significant Internal Audit resources were also allocated to meeting the requests of the Board and Management. These included: resolving audit issues arising from 11 forensic audits that carried over from 2016, as well as 80 audits done on running projects; conducting background checks on new staff; and supporting the legal team involved in court cases (even attending court proceedings when necessary). Looking forward, the Internal Audit team will remain a critical participant in consolidating and verifying the achievements of aBi's different Departments and Units.

Table 9: Audit challenges encountered during the reporting period.

| Challenges | Strategies in place/Actions to address the challenges |
|--|--|
| Delays in funds release to approved projects | IPs should be encouraged to develop reporting schedules that should be strictly followed to avoid delays that trigger delayed disbursements. |
| Poor reporting by IPs and reporting gaps | Early reminders to IPs; Regularly reviews of the interventions and submitted reports Close supervision and support for weak IPs. |
| A lot of expectation on MRM team yet the team is small | Prioritize on what can realistically be delivered. |
| Most IPs do not have standards, criterion or protocols to support implementation | Close supervision and support for weak IPs. |
| Challenges on collection and reporting on high level outcome indicators | Undertake annual impact studies on high level indicators to reduce reliance on IP self-reported data Go for 6 monthly reporting cycles to be able to report on high-level impact indicators |

Summary of Financial Performance vs Budget



Clients line up to be served at the Post Bank Anaka Branch, Anaka district.

Financial Performance versus Budget Summary

Financial Performance for aBi Trust

This section highlights the financial performance for aBi Trust over the period 1st January to 31st December 2017.

In the period ended December 2017, aBi Trust utilised UGX 17.1bn, which translates to 32% utilisation of the total budget for the

period. These figures have been adjusted for amounts not yet accounted for or recovered from the IPs. These have been derecognised as expenditure and recognised as receivables. The total spend for the year, before these adjustments, is UGX 28bn versus a budget of UGX 53bn.

Table 10: Performance versus budget by activity for the year ended December 2017.

| | Budget 2017 (UGX) | Actual 2017 (UGX) | Var % |
|--|-----------------------|-----------------------|-------------|
| VCD | | | |
| Coffee | 8,689,420,000 | 1,036,671,635 | -88% |
| Cereal | 7,141,500,000 | (469,823,913) | -107% |
| Pulses | 1,781,500,000 | 592,141,186 | -67% |
| Oil Crops | 2,296,000,000 | 155,378,116 | -93% |
| Horticulture | 2,515,000,000 | 208,329,188 | -92% |
| Dairy | 4,297,845,000 | 2,305,968,087 | -46% |
| Cross Cutting Issues | 6,062,600,000 | 4,938,080,566 | -19% |
| Human Resource | 3,460,379,000 | 3,004,217,359 | -13% |
| Unaccounted disbursements | | (4,722,459,513) | 0% |
| Provision for doubtful receivables from IPs | - | - | 0% |
| TOTAL VCD | 36,244,244,000 | 7,048,502,710 | -81% |
| FSD | | | |
| Qualification of borrowers outreach | 3,240,000,000 | 5,311,239,628 | 64% |
| Financers Skills Enhancement for Supp Agribusiness | 406,000,000 | 384,394,533 | -5% |
| Agribusiness Product Development | 400,000,000 | 72,000,000 | -82% |
| Increasing Volumes of Agribusiness Finance | 1,145,000,000 | 703,234,185 | -39% |
| Consolidation of Lower Tier Financial Institutions | 336,000,000 | 15,851,100 | -95% |
| Risk Management Mechanisms in Agribusiness | 1,202,800,000 | 784,187,427 | -35% |
| Human Resource | 1,279,096,000 | 1,023,257,964 | -20% |
| Unaccounted disbursements | | (5,922,747,258) | |
| Provision for doubtful receivables from IPs | | - | 0% |
| TOTAL FSD | 8,008,896,000 | 2,371,417,579 | -70% |
| TRUST OPERATIONS | | | |
| Staff costs | 2,345,761,000 | 2,630,491,825 | -12% |
| Operational costs | 5,385,914,000 | 4,299,367,651 | -20% |
| Capital Costs (incl. capitalised costs) | 455,947,000 | 146,573,488 | -68% |
| TOTAL TRUST OPERATIONS | 8,187,622,000 | 7,076,432,965 | -14% |
| Technical Assistance | 650,000,000 | 623,009,450 | -4% |
| GRAND TOTAL | 53,090,762,000 | 17,119,362,704 | -68% |

Table 11: aBi Trust Statement of Comprehensive Income 1st January to 31st December 2017.

| | YTD Actual | YTD Budget | Var | YTD Actual |
|--|-----------------------|-----------------------|--------------|-------------------|
| | Dec 2017 | Dec 2017 | | Dec 2017 |
| | UGX | UGX | % | DKK |
| INCOME | | | | |
| Grant income | 14,280,417,374 | 52,634,815,495 | -73% | 25,964,395 |
| Grant Income - KFW | 3,089,755,829 | 3,089,755,829 | 0% | 5,617,738 |
| Management fees | - | - | 0% | - |
| aBi Trust Costs recharged to aBi Finance | 2,611,459,348 | 2,010,235,587 | 30% | 4,748,108 |
| Other Income | 40,979,364 | | | 74,508 |
| Total income | 20,022,611,915 | 57,734,806,911 | -65% | 36,404,749 |
| EXPENDITURE | | | | |
| By the Trust | | | | |
| Value chain development | 7,048,502,710 | 36,244,244,159 | -81% | 12,815,459 |
| Financial Services Development | 2,371,417,579 | 8,008,896,000 | -70% | 4,311,668 |
| Technical Assistance | 623,009,450 | 650,000,000 | -4% | 1,132,744 |
| Other trust Operations | 7,076,432,964 | 7,731,675,336 | -8% | 12,866,242 |
| | 17,119,362,703 | 52,634,815,495 | -67% | 31,126,114 |
| By the KFW | | | | |
| KFW disbursements | 3,089,755,829 | 3,089,755,829 | 0% | 5,617,738 |
| | | | | |
| Foreign Exchange loss/ (gain) | (199,160,358) | | | (362,110) |
| Tax Expense aBi | 12,653,741 | 603,070,676 | -98% | 23,007 |
| Total expenditure | 20,022,611,915 | 56,327,642,000 | -64% | 36,404,749 |
| FUND BALANCE FOR THE PERIOD | - | 1,407,164,911 | -100% | - |

1DKK = UGX 550

The Statement of Comprehensive Income for the period ended December 2017 (Table 11), shows grant income comprised of proceeds from RDE for implementation of program activities amounting to UGX 14.3 bn. UGX 2.6bn was a reimbursement from aBi Finance for the recharged costs of corporate services,

while other income of UGX 41million relates to interest earned on the Stanbic Bank accounts. The revaluation gain of UGX 0.2bn, arose from the translation over the year in foreign denominated bank accounts caused by the depreciation of the UGX against the USD over the period.

Table 12: aBi Trust Statement of Financial Position as at 31st December 2017.

| | Actual | Budget | Var | Actual |
|--|-----------------------|----------------------|-------------|-------------------|
| | Dec-17 | Dec-17 | % | Dec-17 |
| | UGX | UGX | | DKK |
| ASSETS | | | | |
| Cash and bank balances | 7,338,936,274 | 2,587,818,253 | 184% | 13,343,520 |
| Other Receivables | 17,622,796,736 | - | | 32,041,449 |
| Tax recoverable | 4,468,718 | | | |
| Project Assets | 7,962,690,180 | | | |
| Equipment | 1,198,604,583 | 1,385,946,500 | -14% | 2,179,281 |
| Total assets | 34,127,496,491 | 3,973,764,753 | 759% | 47,564,250 |
| LIABILITIES | | | | |
| Deferred grants | 5,218,874,762 | 2,566,599,842 | 103% | 9,488,863 |
| Deferred grants - KFW | 2,295,161,897 | - | | 4,173,022 |
| Other payables | 9,008,028,591 | | | 16,378,234 |
| | 16,522,065,251 | 2,566,599,842 | 544% | 30,040,119 |
| CAPITAL AND FUND BALANCE | | | | |
| Fund balance as at Dec 2017 | 18,119,998,060 | | | 32,945,451 |
| Movement on asset reserves | (514,566,820) | | | |
| Fund balance for the period | - | 1,407,164,911 | -100% | - |
| Total liabilities and net funds | 34,127,496,491 | 3,973,764,753 | 759% | 62,985,570 |

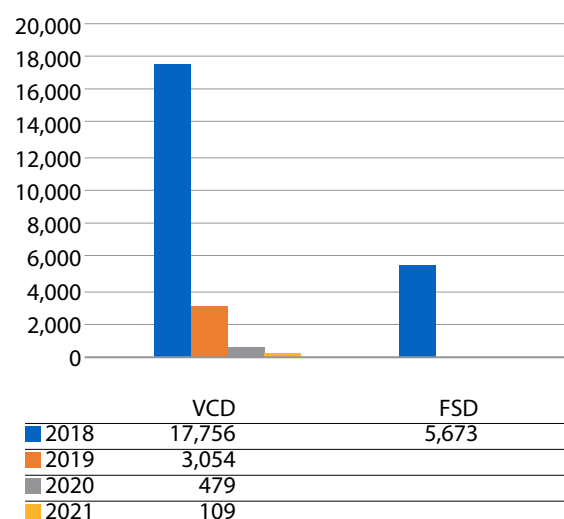
1DKK = UGX 550

In the statement of Financial position of aBi Trust as at December 2017 (Table 12), total assets are reflected as being higher than budget due to;

1. The high closing cash balance of UGX 7.3bn compared to budget of UGX 2.5bn. This was mainly caused by the short term borrowing from aBi Finance to bridge the funding gap as we awaited funds from RDE
2. Other receivables, comprising of receivables from IPs, prepayments, aBi Finance recharge costs receivable, staff gratuity receivable.
3. Project assets, relating to 60 milk coolers procured by the Trust on behalf of implementing partners, which have been capitalized in aBi's balance sheet.

Expenditure on Equipment was below budget by 14% because purchase of GIS/GPS Devices and the GSM Equipment was postponed to the following year.

Deferred grants relate to grants received from Development Partners during the year but remain unexpended at the year end and have

Figure 17: Commitments as at 31st December 2017.

not been identified for using on a particular grant yet. Other payables include staff gratuity, and other accrued expenses.

The graph above shows the level of commitment as at 31st December 2017, in each of the years under which the grants are payable, that aBi Trust has with its implementing partners.

Total commitments for both VCD and FSD, as at December 2017, are UGX 26.8bn.

Financial Performance for aBi Finance Company Limited

This section highlights the financial performance for aBi Finance over the period 1st January to 31st December 2017.

Table 13: aBi Finance Company Limited Consolidated Statement of Financial Position as at 31st December 2017.

| | Actual Dec-16 UGX | Actual Dec-17 UGX | Budget Dec-17 Ushs | Var % | Actual Dec-16 DKK |
|-------------------------------------|-------------------------|-------------------------|--------------------------|------------|-------------------------|
| ASSETS | | | | | |
| Cash and bank balances | 1,882,913,749 | 1,633,946,376 | 1,376,734,410 | 19% | 2,970,812 |
| Government securities | 10,668,928,523 | 8,252,320,090 | 8,400,757,276 | -2% | 15,004,218 |
| Government securities -CGF | 5,874,191,757 | 2,484,433,918 | 2,484,433,918 | 0% | 4,517,153 |
| Fixed Deposits | 25,690,550,144 | 57,263,938,087 | 18,803,652,914 | 205% | 104,116,251 |
| Fixed Deposits- CGF | 5,838,922,183 | 10,506,914,287 | 10,506,914,287 | 0% | 19,103,481 |
| Consessional Loan | | | 6,100,000,000 | | - |
| Line of Credit | 84,287,107,248 | 85,261,064,511 | 90,655,099,006 | -6% | 155,020,117 |
| Agricultural Bond | 1,124,119,177 | 1,262,982,467 | 6,308,129,623 | | 2,296,332 |
| Loan guarantee fees receivable | 32,728,310 | 22,801,878 | | | 41,458 |
| Tax Recoverable | 35,221,506 | | | | - |
| Deferred Tax Asset | 373,045,503 | 764,127,552 | | | 1,389,323 |
| Fixed Assets | 5,674,129 | 4,460,563 | 54,979,022 | -92% | 8,110 |
| Other Receivables | 513,569,639 | 7,790,432,375 | | | 14,164,423 |
| Total assets | 136,326,971,869 | 175,247,422,105 | 144,690,700,457 | 21% | 318,631,677 |
| LIABILITIES AND EQUITY | | | | | |
| Liabilities | | | | | |
| Provisions for bad debt | 2,002,842,676 | 3,371,976,416 | 2,780,026,485 | 21% | 6,130,866 |
| Other payables | 2,067,479,466 | 1,046,698,851 | 700,000,000 | 50% | 1,903,089 |
| Tax Payable | | 1,928,199 | | | 3,506 |
| Staff gratuity | 777,027,305 | 976,046,132 | 685,238,045 | | 1,774,629 |
| Construction Guarantee Fund | 12,019,059,638 | 13,184,690,009 | 13,184,829,112 | 0% | 23,972,164 |
| Total Liabilities | 16,866,409,084 | 18,581,339,606 | 17,350,093,642 | 7% | 33,784,254 |
| Equity | | | | | |
| Capital Grants | 78,412,596,129 | 108,540,058,469 | 78,412,596,129 | 38% | 197,345,561 |
| Retained Earnings | 41,047,966,656 | 48,126,024,030 | 48,928,149,790 | 7% | 87,501,862 |
| TOTAL EQUITY AND LIABILITIES | 136,318,491,444 | 175,247,422,105 | 144,690,839,560 | 21% | 318,631,677 |

1DKK = Shs 550

Total assets of aBi Finance Company Limited as at 31st December 2017 were UGX 175bn versus a budget of UGX 145bn, including the Construction Guarantee fund, implying a higher performance than budget. This is as shown in the Statement of financial position (Table 13). The endowment fund was invested in Lines of Credit, Fixed deposits, Government Securities and the Agricultural Bond. Investment in Fixed deposits with commercial banks was above budget by 205% explained by the preference over Government Securities as they are more liquid. This investment was also higher than budget due to the stalled Agricultural Bond hence these funds were invested in Fixed Deposits. Investments in Lines of credit was below budget by 6%.

Loan guarantee fees receivable is monies not yet paid by some financial institutions and is not budgeted for because it is envisaged that

payments should be paid when they become due. Deferred Tax is a book entry representing temporary differences in the Statement of Financial Position in relation to the taxation asset or liability. Other receivables mainly included funds that were lent to aBi Trust by aBi Finance to bridge the temporary funding gap as funds were being awaited from RDE. Bad debt provisions are above budget by 21% and this is explained by the fact that there is an increase in utilisation on the Guarantee scheme from 63% utilisation in 2016 to 72% utilisation in 2017, and in addition, there is a specific provision that has been made to cover for the non-performance of two facilities, which are now in default, both by eight months as at December 2017. Other payables include accrued expenditure for expenses incurred but not yet paid for, in addition to the payables to statutory bodies.

Table 14: aBi Finance Company Limited Consolidated Statement of Comprehensive Income 1st January to 31st December 2017.

| | YTD Actual Dec-16 UGX | YTD Actual Dec-17 UGX | YTD Budget Dec-17 UGX | Var % | YTD Actual Dec-17 DKK |
|--|-----------------------------|-----------------------------|-----------------------------|-------------|-----------------------------|
| INCOME | | | | | |
| Interest Income | 13,647,388,221 | 15,580,279,211 | 13,896,107,038 | 12% | 28,327,780 |
| Other Interest Income | 211,099,940 | 192,081,647 | 593,300,740 | -68% | 349,239 |
| Loan guarantee fees | 784,739,869 | 703,173,038 | 800,000,000 | -12% | 1,278,496 |
| Management fees from CGF | 316,262,130 | 360,571,800 | 292,000,000 | 23% | 655,585 |
| Grant Income | | | 6,100,000,000 | -100% | |
| Other Income | 1,075,001 | 30,625,534 | | 0% | 55,683 |
| Revaluation Gain/(Loss) | 712,820,296 | 48,584,561 | 0 | 0% | 88,336 |
| Total Operating income | 15,673,385,457 | 16,915,315,791 | 21,681,407,778 | -22% | 30,755,120 |
| EXPENDITURE | | | | | |
| Operating Expenditure | 3,230,581,560 | 2,889,876,888 | 4,467,940,000 | 35% | 5,254,322 |
| aBi Trust recharged costs | 2,307,624,672 | 2,611,459,151 | 2,500,000,000 | -4% | 4,748,108 |
| Provisions for Bad Debts | 189,387,416 | 1,369,133,740 | 951,191,118 | -44% | 2,489,334 |
| Total Expenditure | 5,727,593,648 | 6,870,469,779 | 7,919,131,118 | 13% | 12,491,763 |
| | | | | | - |
| Profit Before Tax | 9,945,791,809 | 10,044,846,012 | 13,762,276,660 | -27% | 18,263,356 |
| Income Tax | 3,046,775,090 | 3,046,394,900 | 4,414,040,333 | 31% | 5,538,900 |
| Net Profit for the period | 6,910,374,044 | 6,998,451,112 | 9,348,236,327 | -25% | 12,724,457 |
| Other comprehensive income | 238,436,872 | 79,606,260 | - | | 183,003 |
| Total comprehensive income for the period | 7,137,453,591 | 7,078,057,372 | 9,348,236,327 | -24% | 12,907,459 |

1DKK = UGX 550

In the Statement of Comprehensive Income (Table 14), the total profit before tax was UGX 10bn versus a budget of UGX 13.8bn resulting in the profit before tax being 27% below budget. This was mainly on account of the grant income that was budgeted in anticipation of concessional loan granting, that never materialised.

Notwithstanding this, performance was better than budget in some areas as stated below;

- i. a higher than budgeted Total Operating Income (excluding UGX 6bn grant income for concessional loans), mainly on account of investments in Fixed deposits ensuring that Interest Income was above budget by 12%..
- ii. an underspend of operating expenditure on budget of 35% mainly on account of the

non-issuance of the Agricultural Bond and hence the non-spend on related consultancy costs.

- iii. lower than budgeted aBi Trust recharged costs by 4%.
- iv. The foreign exchange revaluation gain of UGX 0.05bn, due to the depreciation of the UGX against the USD over the period.

The loan guarantee fees are below budget by 12% on account of a timing difference between when the fees were budgeted and when they actually fall due.

Figure 18 and 19 below, show the mix of the invested funds and the interest income earned. It also compares performance with the same period in the previous years.

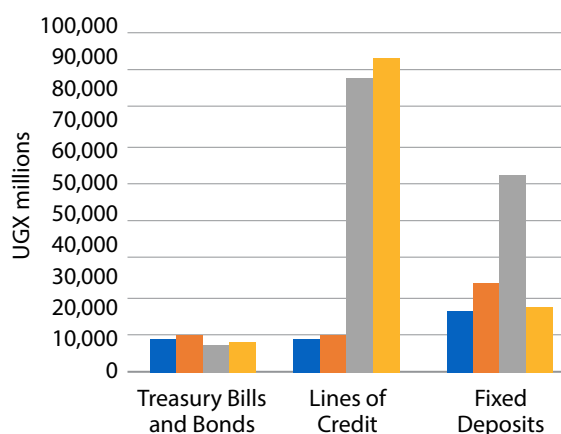


Figure 18: Interest Earning Assets – Balance Sheet.

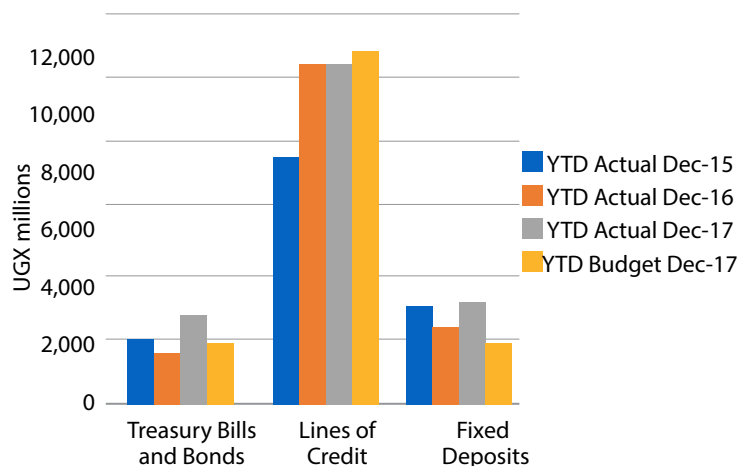


Figure 19: Interest Income.



Solar powerd pump at the Solar Now offices in Jinja District.



A staff member verifying a client's details at the local branch of Post Bank, Anaka District

Funding Status

In the year 2017, aBi Trust received a total of UGX 14bn (DKK 25.6m) from the Royal Danish Embassy (RDE) for the implementation of programme activities. This includes funding from the development partners under the delegated corporation arrangement. The closing bank balance as at December 2017 was UGX 5bn, but with an outstanding amount borrowed from aBi Finance of UGX 7bn to cover the temporary funding gap as funds were being awaited from RDE. During the year, the Capital Fund managed by aBi Finance also received a further injection of UGX 30bn for extending lines of credit to banks and financial institutions for on lending to Agribusiness. Looking forward into 2018 and beyond, it is anticipated that there will be increased funding.

The Construction Guarantee Fund (CGF) facility of UGX 7.2 bn (£2m), that is managed by aBi Finance on behalf of DFID's Crossroads programme, grew by 10% to UGX 13.1bn in 2017 from UGX 12bn in 2016. The fund was predominantly invested in government securities and fixed deposits with a small cash holding.

The overall average rate of return performance for 2017 was 14% against a target of 12%.

Activities under the KfW's Uganda Rural Challenge Fund continued during the year 2017. The original agreement with Frankfurt School 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 utilisation of the remaining funds. During the year 2017, a further UGX 3.8bn was received from KfW for implementation of activities, of which a total of UGX 3.0bn was disbursed to financial institutions in the same period.

(Footnotes)

- 1 Provisional IP-reported data. A more formal impact evaluation will be done in 2018.
- 2 IBID.
- 3 IBID.
- 4 IP target
- 5 IP target, 2014-2017
- 6 Aggregated for 2014-2016



Milk delivery, Abesigana Dairy Cooperative, western Uganda

