

aBi in 2018



**Building a Competitive
& Sustainable
Agribusiness Sector**

aBi



aBi Vision

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

Our Development Partners



**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
Danida



aBi in 2018

**Building a Competitive
& Sustainable
Agribusiness Sector**



aBi

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aBi Directors & Company Secretary



aBi Board members meet several times each year as needed to provide effective governance and oversight of aBi activities and investments: The new joint Board of Directors of both aBi Development (formerly aBi Trust) and aBi Finance

Front row (seated): Ms Josephine Mukumbya, Ms Sarah Walusimbi and Ms Sophie Nkuutu

Back row (standing): Mr Felix Okoboi, Mr Warwick Thomson, Ms Joan Abila, Mr Michael Kairumba and Mr David Kabateraine



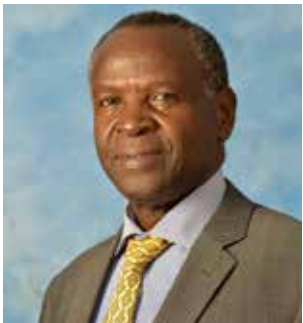
Ms Sarah Irene Walusimbi
Chairperson



Mr Warwick Thomson
Vice Chair



Mr Felix Okoboi
Director



Mr David Kabateraine
Director



Ms Sophie Nkuutu
Director



Mr Michael Kairumba
Director



Ms Josephine Mukumbya
Group Chief Executive Officer



Ms Joan Abila
Company Secretary

Message from the Board Chairperson



On behalf of the joint aBi Board, I present to you the aBi 2018 Annual Report. Given that 2018 marked the end of the Business Plan 2014/18, this Annual Report provides a special focus on aBi's performance over that 5-year period. aBi is currently composed of two independent, but highly complementary limited by guarantee companies: aBi Development Ltd (formerly aBi Trust) and aBi Finance Ltd.

Performance

aBi is a social enterprise that channels development cooperation funding to agribusinesses and agricultural service providers in Uganda. Over the 2014-18 Business Plan period, it fulfilled its mandate to build a competitive, profitable and

sustainable agriculture and agribusiness sector in support of equitable wealth creation in the country. aBi Development channelled development funding to agribusinesses in the form of matching grants and business development services to enhance their management, production and productivity, as well as increase value addition. Investments were made in support of six major value chains: coffee, cereals, pulses, oil seeds, horticulture and dairy. During this period, aBi Development implemented over 130 matching grant projects with a total value of about UGX 345bn. Over this same 5-year period, aBi Finance provided liquidity, de-risking instruments and technical assistance to financial institutions that in turn disbursed 812,000 new agribusiness loans worth UGX 1.7tn.

The above-mentioned interventions by both aBi Development and aBi Finance reached over 1.1m smallholder farmers and agribusinesses, contributing to increased employment as well as higher household incomes and profits.

During the 2014/18 Business Plan period, a number of reviews and appraisals were conducted to ascertain the performance and relevance of aBi. The 2017 aBi Finance review concluded that year after year, from 2014 to 2017, aBi Finance turned in excellent results. An independent KPMG review of aBi Development for the 2014-2018 period concluded that most of the Business Plan targets were achieved and that its efforts had a positive impact on smallholder farmers and on the growth of agribusiness enterprises. As a result, our Development Partners endorsed continued funding for aBi's work, and following this expression confidence, a new 5-year

Business Plan (2019/23) was developed in 2018. In addition, aBi conducted an annual impact assessment in July 2018 to validate the impact of our interventions and results. This report highlights some of the outcomes from that assessment, as well as key lessons learned that will guide aBi's hand going forward.

Outlook

The future of aBi appears strong, exciting and promising. aBi is one of three components under the new Danida-supported Uganda Programme on Sustainable and Inclusive Development (UPSIDE 2018-2022). In addition, aBi finally and unconditionally secured approval from its Development Partners to diversify its sources of funding, paving the way to becoming a real self-determining institution. This is a true indication of the Development Partners' trust in aBi as a competent and fit-for-purpose vehicle for creating a competitive, profitable and sustainable agriculture and agribusiness sector.

aBi's Board and Management are encouraged by this support and are committed to safeguarding and stimulating growth, innovation and wealth creation in the agriculture sector. The new Business Plan 2019/23 will drive aBi's efforts to realize its objectives and build on the solid foundation that has been already laid. aBi will continue to build the capacity of its Implementing Partners under the new Business Plan to harness the new opportunities before us.

It is worth noting that, during 2018, Uganda's agricultural sector was hit by global and regional price fluctuations for maize and coffee. aBi is positioning itself to help mitigate the losses incurred and other effects associated with such business disruptions to ensure business sustainability. However, we

are encouraged by the improvements we are seeing in the agricultural sector, especially in the dairy sub-sector where aBi has made substantial contributions and investments (such as the provision of equipment, and support for bulking and for market linkages with processors).

Appreciation

I wish to sincerely thank all our Development Partners, including Danida, USAID, SIDA, KfW and UK Aid, for all their support and guidance as we implemented the 2014/18 Business Plan. In addition, we thank the Government of Uganda for creating a positive enabling environment for our work and for its collaboration since aBi's inception.

I also want to take this opportunity to recognize and thank all our Implementing Partners, without whom we would not be able to achieve our vision.

Further appreciation is extended to the long-serving Board Chair Mrs Lydia Obbo-Ochieng and the Hon Gerald Ssendaula (Vice Chairperson) and their colleagues for their diligent and committed service to aBi during 2018 and the entire Business Plan 2014/18 period. I also wish to welcome the new members on the joint aBi Board.

On behalf of the Board, I thank you.



Ms Sarah Walusimbi
Board Chairperson

Message from the Group CEO



The final year of the aBi 2014-2018 Business Plan saw strong performance, ensuring that aBi caught up on certain key deliverables. We exceeded expectations with respect to the number of farmers and agribusinesses benefitting from our work, achieving 124% of the Business Plan target. We also achieved 158% of the total acreage under production target. On the other hand, total additional income over the 5-year period was UGX 808bn compared to a target of 962bn, and 54,000 additional full-time jobs against target of 89,000 – 84% and 61% of the targets established in the Plan, respectively.

We achieved our target yield and the desired size of the capital fund, as well as our target for the number of beneficiaries of Lines of Credit and Agribusiness Loan Guarantees, two of our key products. However, our target for

the portfolio mix was not achieved because of the slowdown in lines of credit disbursements towards the end of the 5-year Business Plan period.

In 2018 specifically, aBi recorded a 101% fund utilization performance against the 2018 Annual Work Plan & Budget's (AWPB) UGX 49.9bn as of December 31, 2018, up by 53% from the previous reporting period. The operational efficiency ratios were within the planned 2018 operational costs as a percentage of the total budget: 9% against the 11% target.

2018 marked the beginning of a planning process across the entire organization in response to the aBi Trust Value Chain Development Review of 2017. All key stakeholders were engaged in a process that resulted in an aBi Member- and Board-approved Business Plan 2019-2023. Under this Plan, aBi intends to grow prudently, leveraging on the achievements of the past to: enhance the quality of service delivery and results management; strengthen the care of its partners; and increase the wider social, economic and environmental impacts from its operations. aBi will continue to focus on mid- and upstream value chain actors, as well as linkages between them and large traders and exporters.

The new Plan has four results areas, with the fourth focusing on operational efficiency and sustainability of aBi and her partners, an aspect not highlighted in the 2014-2018 Plan, but one considered critical to ensure sustainability.

2018 was also a year of transition in which the process of winding down aBi Trust began in response to recommendations in the 2017 Review. In its stead, aBi Development Limited

was created to assume the work of aBi Trust going forward.

In 2018, preparations for the Donor Community Enterprise Development (DCED) Audit commenced, alongside which several impact assessments of VCD and FSD were conducted to: evaluate the performance of interventions; ensure Good Research Practices, as per the 2017 pre-audit recommendation; and to obtain learning and knowledge of what works and what requires improvement. Key recommendations included, but were not limited to:

- aBi should ensure sustainability of the interventions by incentivizing IPs with a satisfactory additional profit from the interventions; and
- aBi should work with sizable partners of the market shareholders to create effective systemic change.

We hope that a positive outcome from this critical DCED Audit will be delivered in 2019 to inform further improvements in aBi's results measurement and to enhance her credibility.

In 2018, the Uganda Rural Challenge Fund was closed. This Fund was established by the Governments of Germany and Uganda, with aBi as the Fund's Programme Executing Agency (PEA). Matching grants, worth €3,130,829, were extended to 17 Partner Financial Institutions (PFIs) to improve access to sustainable and demand-driven financial services for the rural population and rural micro- and mid-sized SMEs in Uganda. As a result, 781,595 Ugandan households were impacted by increased physical outreach, the introduction of a range of products, and improved financial sector links between VSLAs and SACCOs to commercial Banks, all of which led to increased family incomes.

The 2018 DANIDA Appraisal found that aBi had adequately addressed the recommendations of the Country Programme Appraisal in 2017 and recommended that it could be funded.

Looking forward, aBi will strengthen its SRI (socially responsible investment) engagement with its partners by obtaining an overview of the various global SRI reporting standards and carefully assessing them to adopt the most suitable ones for meeting our business plan objectives. 2019 will be the year for a) assessing the relevance, clarity and practical applicability of aBi's SRI principles and guidelines, b) identifying gaps and proposing recommendations for improvement of our guidelines, c) recommending and formulating a suitable SRI policy and framework for aBi, and d) recommending and/or developing a suitable methodology for the effective monitoring and measurement of SRIs among aBi's Implementing Partners and beneficiaries.

In addition, 2019 will see aBi formally integrating the use of Environmental, Social and Governance (ESG) analysis tools in its due diligence and application processes to inform investment decisions improve reporting.

On behalf of all the staff at aBi, without whom all this would not have been done, I take this opportunity to thank the Members, Directors, and Implementing Partners in equal measure for being part of yet another aBi milestone period. We continue to be open to learning and improving our efforts for a better agribusiness sector in Uganda.



Ms Josephine N. Mukumbya

Group CEO

aBi's 2018 Performance at a Glance

Under aBi Finance

UGX 171bn value of investments
11.34% Yield

55,830 (26,410 M; 29,420 F)
new agribusiness loans disbursed
under lines of credit

UGX 151bn value of new loans
disbursed under lines of credit

UGX 6.3bn value of new Clean
Technology Fund loans disbursed

1,613 (1,204 M; 409 F)
new Clean Technology loans

UGX 140bn value from 21,711
(17,290 M; 4,421 F) new loans
disbursed under guarantee

UGX 43bn
disbursed in grants to

71
VCD & FSD IPs

UGX 50bn
(101%) - total value of fund
utilization against 2018
Work Plan and Budget

157,934 new savings
accounts opened

UGX 46bn new savings
volume for financial institutions

90,395 new agribusiness
loans

UG 147bn value of new
agricultural loans disbursed

31,933 clients accessed
agriculture insurance product

Under FSD

UGX 101bn additional income
earned by beneficiary IPs

5,888 jobs were created by
interventions

295,067 acres of supported
value chains cultivated

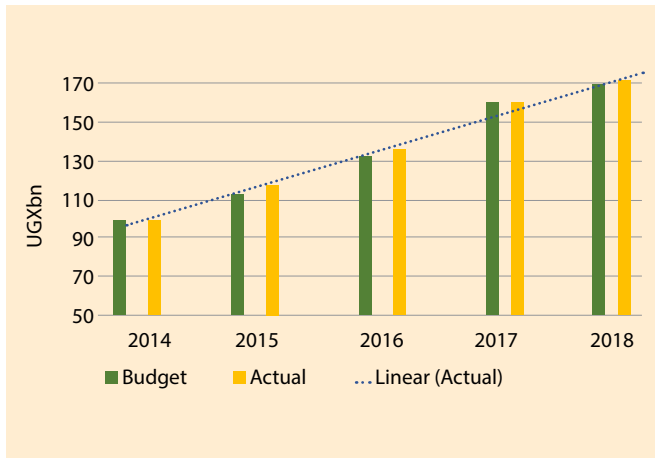
36m litres of milk sold through
the collection centres

274,644 additional farmers
applied GAP and increased their
incomes

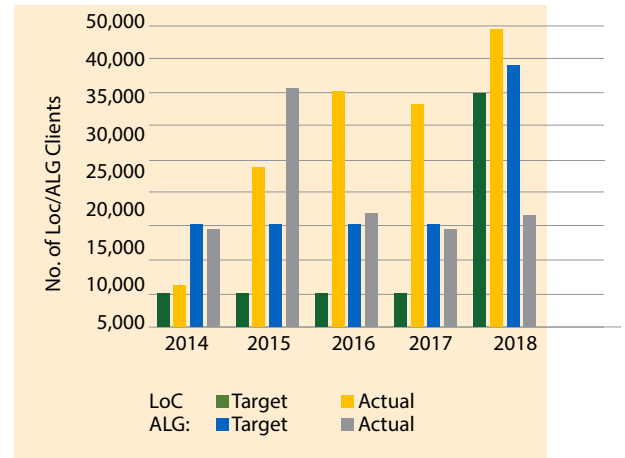
178,747 additional farmers
directly reached and exposed to
Good Agricultural practices (GAP)

Under VCD

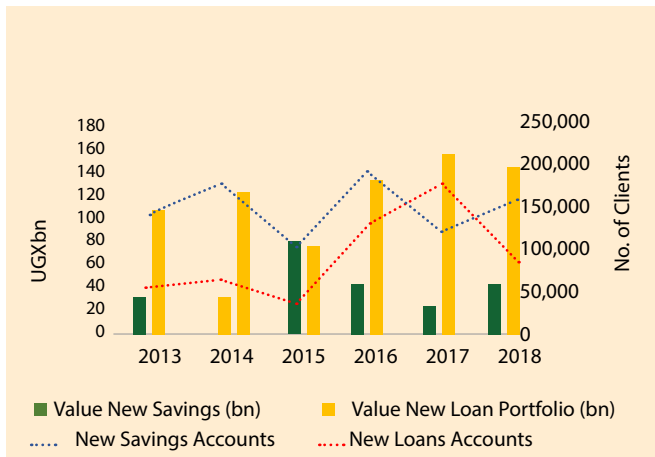
Key Performance Indicators as of December 31, 2018



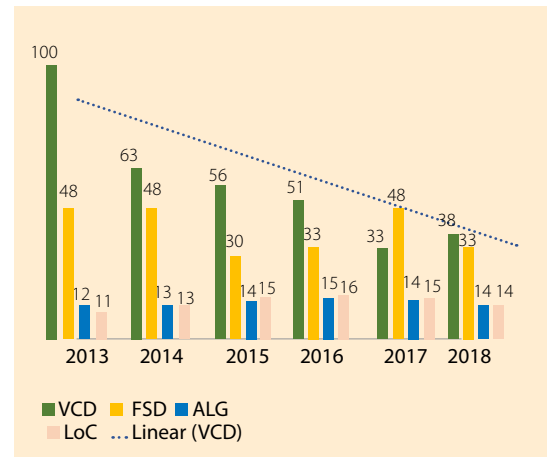
Size of Endowment Fund (2014-2018)



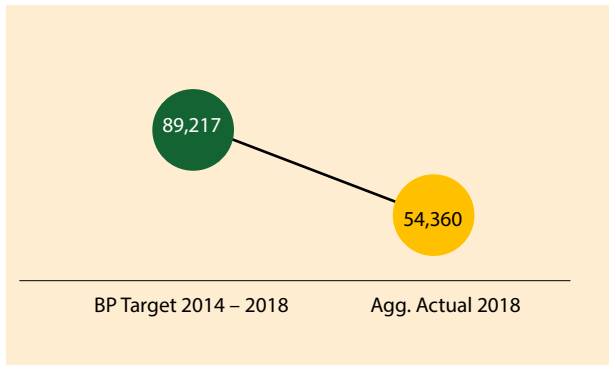
Beneficiaries of LoC/ALG (2014 – 2018)



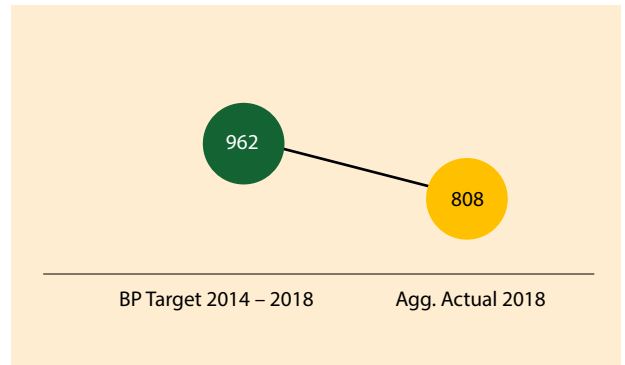
Number and value of savings & loans under the FSD 2014-2018



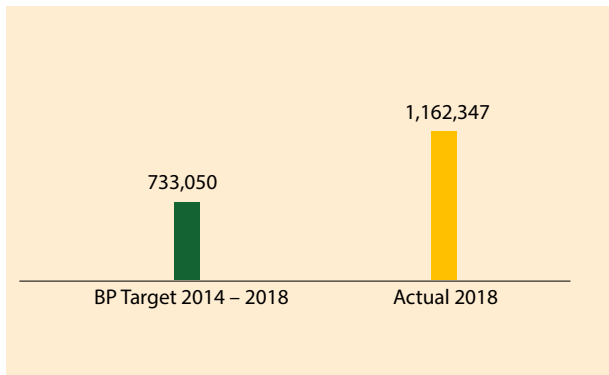
Supported partners (2014-2018)



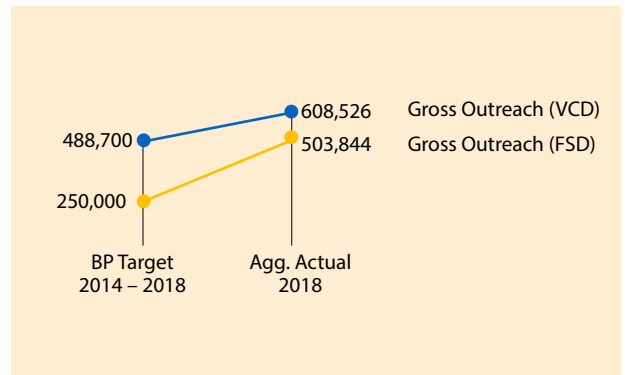
Additional FTE Jobs created by aBi interventions



Additional Income of IPs/farmers (UGX bn)



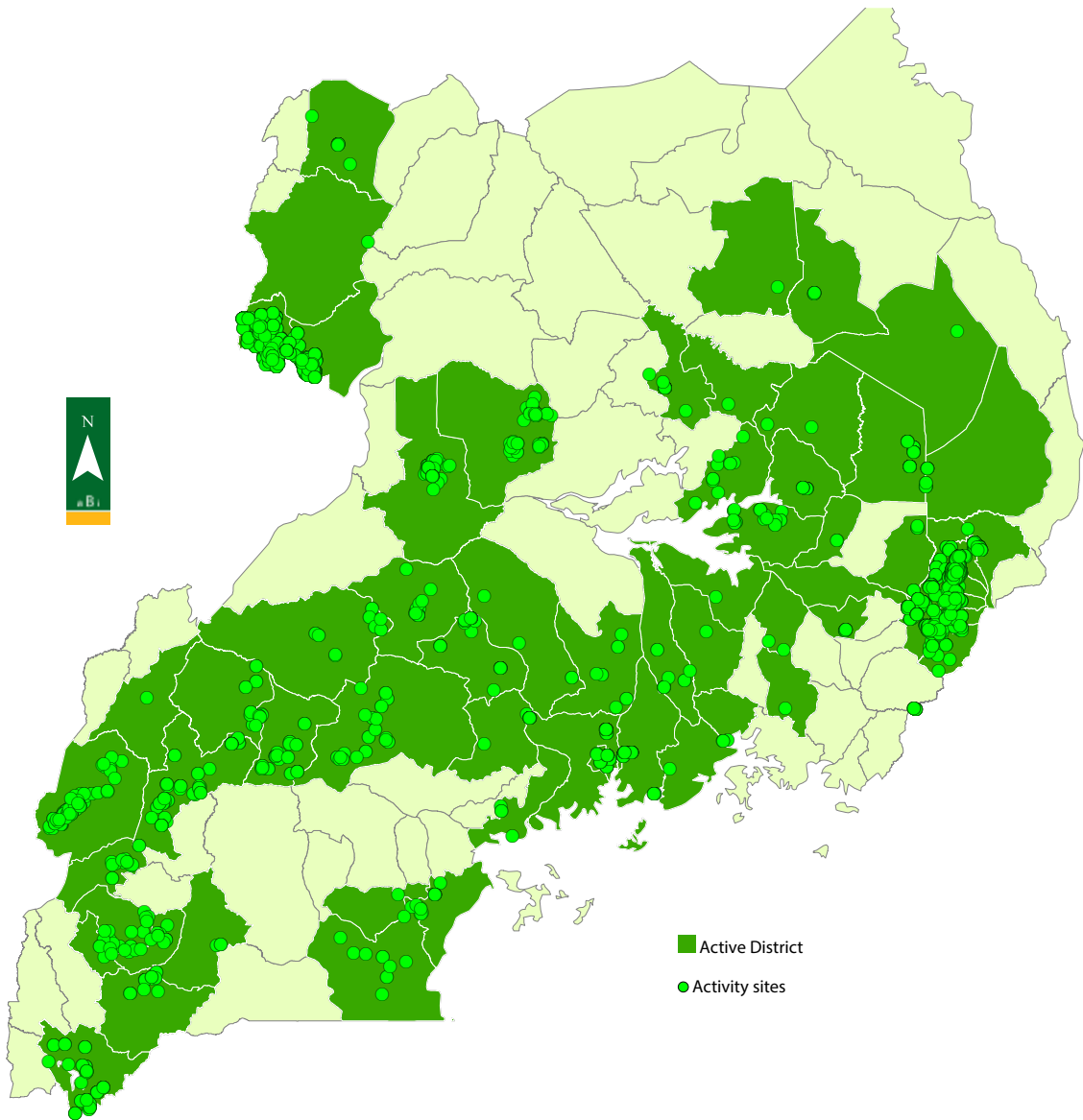
Area under crop production (acres)



Performance against business plan target (Gross Outreach)

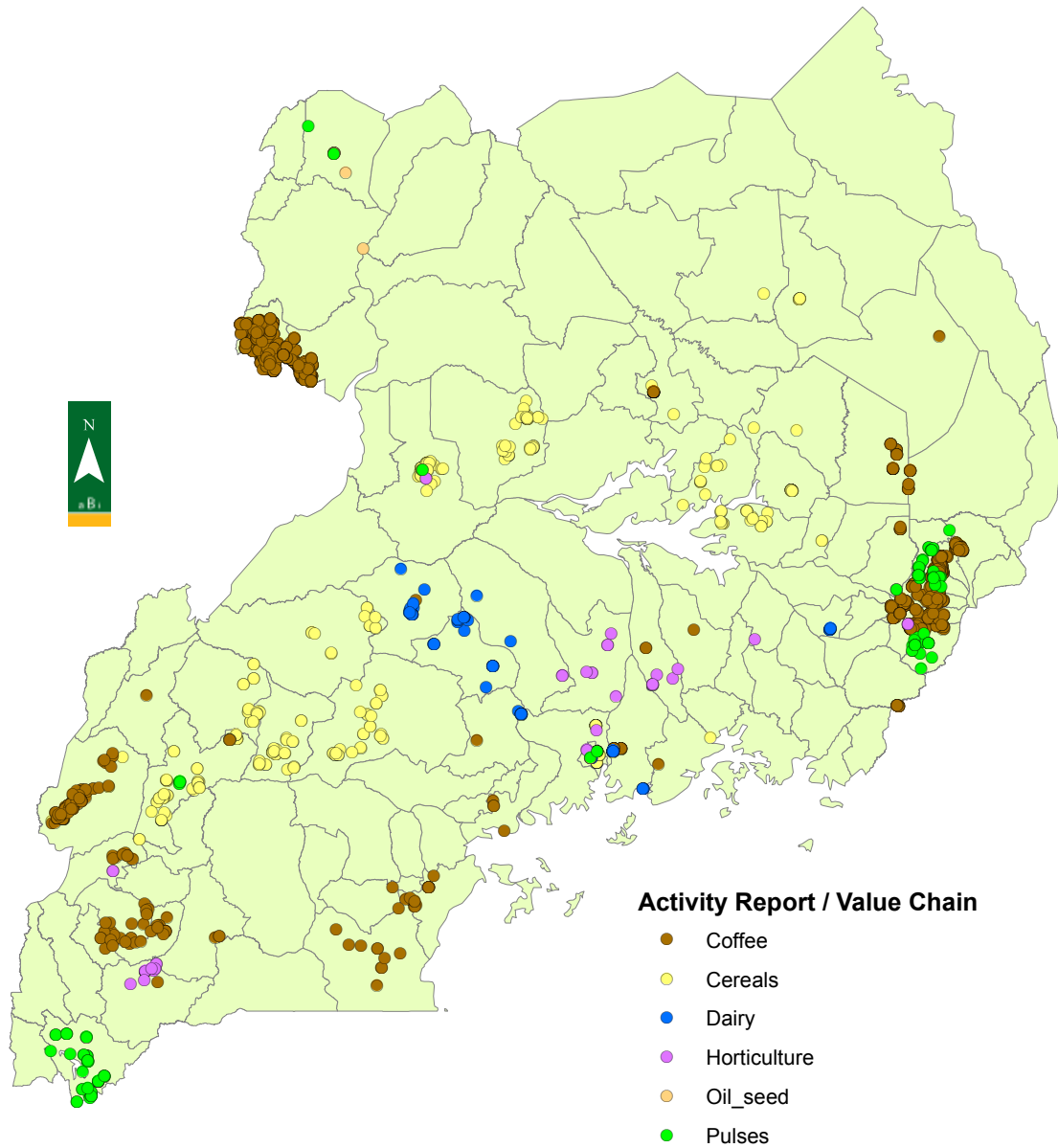
aBi Development VCD Coverage 2018 – 61 Active Districts

4,356 Activity Reports Received

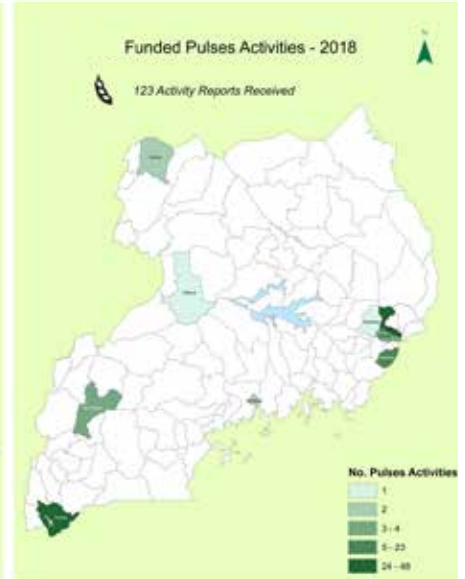
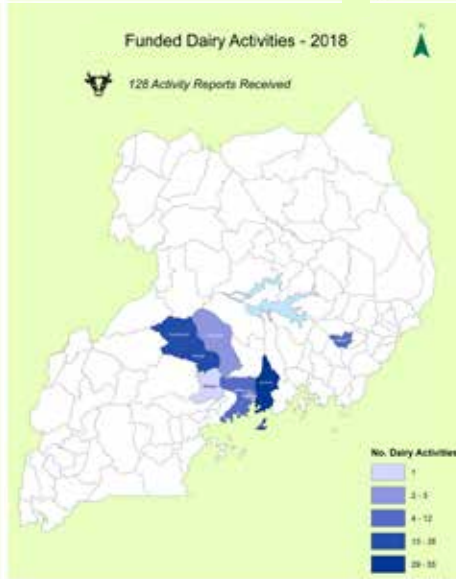
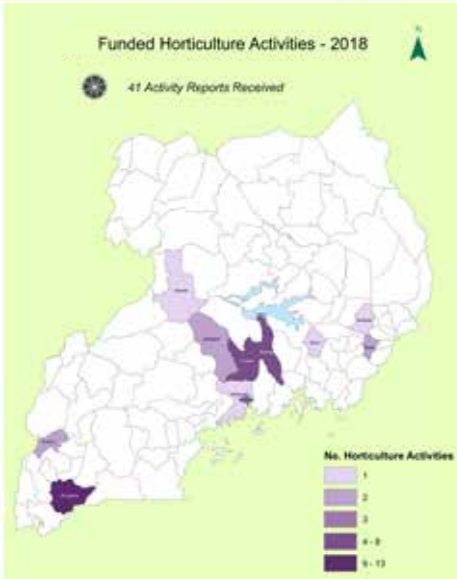
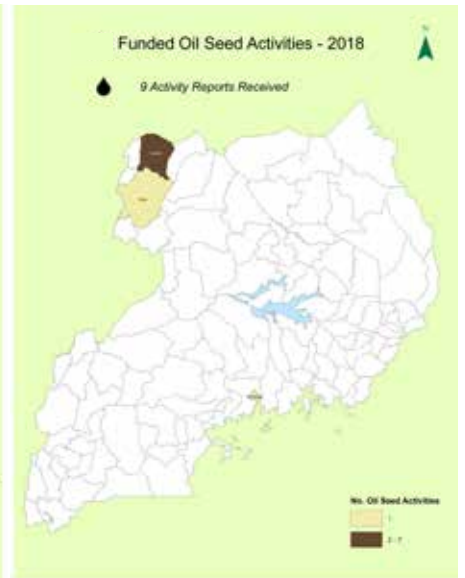
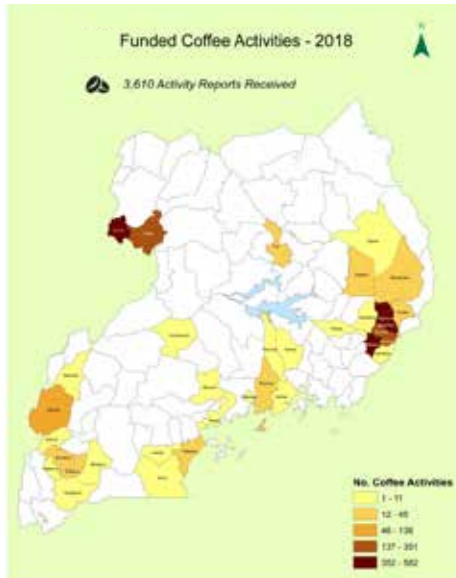


aBi Development VCD Coverage 2018

4,356 Activity Reports Received



aBi-funded Activities 2018



Macroeconomic and
Agribusiness Sector Review

01

Macroeconomic and Agribusiness Sector Review

Sector growth

The Agriculture, Forestry and Fishing sector grew at an average of 2.6% per year between 2014 and 2018 according to the Uganda Bureau of Statistics¹. This is below the country's population growth rate of 3.0%, which implies that the sector is highly vulnerable to production shocks, especially in the absence of food reserves. A notable development is the growth of the cash crops sub-sector at an average of 6.0%, which is more than twice the average sector growth; and financial and insurance activities (average 8.3% growth per annum). Both indicate that the agribusiness sub-sector and financial services development have picked up momentum.

Growth in value addition

According to the Index of Production (IoP)², during the period 2014-17 the agricultural processing enterprises that achieved the highest average annual growth were Fish Processing & Preservation (56.5%), Bakery Production (46.5%), and Coffee Processing (11.8%). Of concern are enterprises under aBi-supported value chains that grew at less than the average industry growth rate, namely Animal Feed Production (-16.1%), Edible Oils & Fats Production (0.3%), Grain Milling (0.8%), and Dairy Processing (1.6%). The relatively low levels of value addition in these industries calls for identifying and promoting more effective and efficient value addition interventions.

Growth in agricultural exports

According to Bank of Uganda statistics³, agricultural exports increased at an average



Rice has become both a major food security crop as well as an important cash crop in Uganda

of 4.3% from 2014 to 2018. The share of agriculture in total exports has declined from 52.7% in 2014 to 47.1% in 2018. Compared to other agricultural commodities, aBi-supported commodities exhibited the highest average annual growth in exports from 2014 to 2018 (Table 1), notably: Ground nuts (216.4%), Beans (56%), Dairy, including eggs (42.5%), Soybean and other pulses (27.1%), Maize (26%), Fruits & Vegetables (21.8%), and Simsim (17.6%). This affirms the alignment of aBi's choice of value chains with sector performance.

1 UBOS Statistical Abstract 2019, page 225

2 UBOS Statistical Abstract 2019, page 203

3 http://www.bou.or.ug/bou/rates_statistics/statistics.html

Table 1. Growth in exports of aBi-supported commodities, 2014-18

Commodity	Annual Percentage Change					Average 2014-18
	2014	2015	2016	2017	2018	
Groundnuts	-	817.7%	-81.1%	34.5%	94.4%	216.4%
Beans	56.7%	114.5%	-29.0%	120.1%	17.6%	56.0%
Dairy Products (including eggs)	15.0%	38.5%	37.0%	42.6%	51.7%	42.5%
Soybean and other pulses	47.1%	9.5%	53.1%	-11.1%	36.9%	27.1%
Maize	12.3%	92.5%	-22.9%	36.7%	11.4%	26.0%
Fruits & Vegetables	25.5%	54.5%	34.6%	-11.0%	5.6%	21.8%
Simsim	92.6%	-5.3%	-72.2%	18.9%	54.1%	17.6%
Crude Vegetable Oil (Simsim, Sunflower, Palm)	-14.0%	-8.3%	9.6%	15.8%	25.1%	5.7%
Coffee (Value)	-4.2%	-1.2%	-7.7%	49.5%	-21.4%	3.0%
Rice	-22.2%	-14.9%	-16.7%	32.8%	-0.4%	-4.3%
Edible Fats and Oils	20.4%	-33.9%	-53.4%	4.9%	-19.4%	-16.3%
Total Agriculture Exports	0.6%	-1.7%	-4.4%	25.2%	1.6%	4.3%
Agric Share of Total Exports (%)	4.4%	0.4%	-12.7%	6.0%	-3.7%	-1.1%
Coffee share of Agric Exports	-4.8%	0.6%	-3.5%	19.4%	-22.7%	-2.2%
Coffee share of Total Exports	-0.6%	1.0%	-15.7%	26.6%	-25.6%	-2.9%

Source: Computed from Bank of Uganda Export Statistics

Income and employment

Given that the agriculture sector employs 72% of Uganda's population, job creation and income enhancement are a top priority in the economic development of the country. According to the UNHS 2016/17, the average annual income of rural households increased by UGX 731,712 from 2012/13 to 2016/17, i.e. an average of UGX 182,928 per year. In comparison, the average income of aBi beneficiary farmers increased by an average of UGX 315,830 per annum from 2014 to 2018 (a rate that is 73% higher than the national average).

Agricultural financing

The proportion of total commercial bank lending to the agriculture sector has increased significantly, from about 8% at the beginning of 2014 to over 12% at the end of 2018 (Figure 1). This is an indicator of increased confidence in the sector, increased access to credit by farmers and agribusinesses, and a favourable trend in interest rates (Figure 2). The period coincides with aBi's increased investment through participating financial institutions to make lending to the agricultural sector more attractive and less risky.

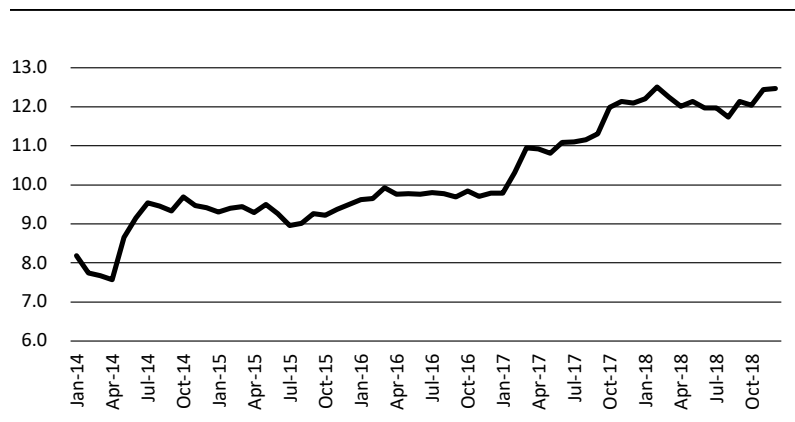


Figure 1. Agriculture sector share of total commercial bank credit to the private sector (percent) Source: Bank of Uganda Statistics Department (http://www.bou.or.ug/bou/rates_statistics/statistics.html)

According to Bank of Uganda statistics, lending rates have been declining since January 2016 together with the interest on treasury bills and the CBR (Figure 2). The general decline in interest rates has contributed to improvement in the terms of lending to agriculture and continues to present increased opportunities for financial inclusion. The FinScope survey 2018 findings indicate that 78% (14.4m) of

Ugandan adults are financially served whilst 22% (4.2m) are financially excluded. This includes both formal and informal financial inclusion. Financial inclusion is higher in urban areas (86% of adults) compared to rural areas (75%). Slightly more than half of Ugandan adults (58%) have taken up formal financial services, hence there is need for intensifying formal financial inclusion.

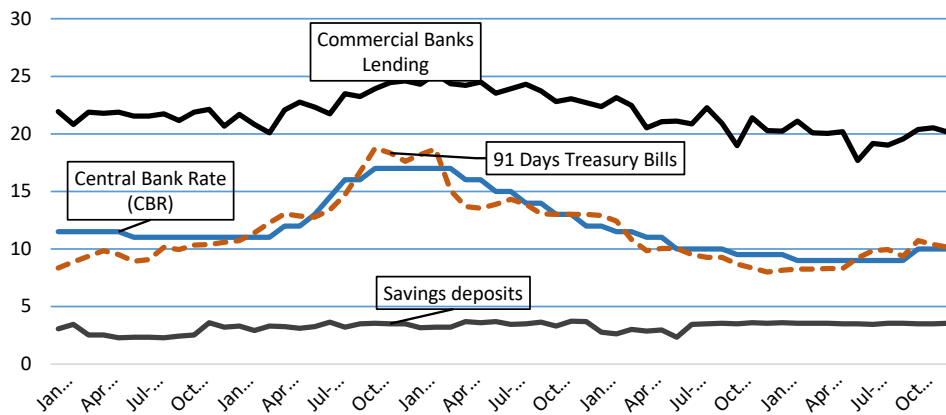


Figure 2. Structure of interest rates (2014-18) Source: Bank of Uganda Statistics Department (http://www.bou.or.ug/bou/rates_statistics/statistics.html)

Areas of potential leveraging of public investments

There are several major public investments relevant to aBi's work that could be potential pivots points for its investments, beginning in 2019. These include:

- The fruit factory in Soroti – this factory is co-owned by farmers through the Teso Tropical Fruit Growers Cooperative Union and the Government through UDC.
- The phosphate plant in Tororo – this plant has an annual capacity of 300,000 tonnes of phosphate fertilizer.
- The Ugandan Cabinet approved a National Irrigation Policy aimed at achieving an additional 1,500,000 ha under irrigated agriculture (constituting 50% of irrigation potential) by 2040. The Government plans to design 20 irrigation schemes across the country.
- A rural poultry development programme targeting rural youth, widows, women and the disabled will commence in 2019 in the Central, Eastern, Northern Regions in order to improve their incomes through improved poultry genetics.
- The Government signed a MoU with the Grain Council of Uganda to construct grain silos countrywide to help in maintaining good grain quality standards. The project is supported by TradeMark East Africa, one of the 3 Danida UPSIDE-supported components.
- The Support to Agricultural Revitalization and Transformation (START) Facility has been launched, an initiative by the United Nations Capital Development Fund (UNCDF), in partnership with Private Sector Foundation Uganda (PSFU) and Uganda Development Bank Limited (UDBL), with support from the European Union. START will offer access to affordable medium-term finance for agricultural value addition projects in Northern Uganda through provision of Business Development Services, as well as seed capital in the form of concessional loans, grants and partial guarantees. START will support the development and financing of capital-intensive agricultural projects promoted by SMEs in storage and processing of agricultural products.



The Osukuru phosphate mining project in Tororo District is Uganda's biggest mining venture in more than 30 years, and its first batch of fertilizers hit the market in October 2018

Agricultural Business
Initiative & Business Plan
2014/18 Review

02

Agricultural Business Initiative & Business Plan 2014/18 Review

The Agricultural Business Initiative is a social enterprise with the overall vision to contribute to ***'a competitive and sustainable agriculture and agribusiness sector in Uganda in support of equitable wealth creation in Uganda'***. aBi consists of two companies limited by guarantee – aBi Development Ltd (formerly the aBi Trust) and aBi Finance Ltd.

The main focus of aBi Development Ltd is to increase agricultural production and value addition by extending matching grants and Business Development Services (BDS) to agribusinesses, farmer organizations and intermediaries. The grants and BDS enhance planning and management, production and businesses infrastructure, and upstream and downstream market linkages of producers and agribusinesses. aBi Development targets six value chains (VCs): coffee, cereals, pulses, oil seeds, horticulture and dairy.

aBi Finance Ltd expands access to business finance for agricultural producers and agribusinesses by offering financial institutions (FIs) certain financial incentives and infrastructure that make lending to the agricultural sector more attractive and less risky.

aBi was established by its founders in 2010 as an independent institution that would propel agribusiness development in Uganda on a sustainable basis, at scale and more reliably and efficiently than can be realized by traditional development programmes.

Sustainability has been achieved by the fact that aBi is incorporated as two companies that are meant to exist in perpetuity. Scale has been achieved by offering diverse development partners a single competent platform to

receive, manage and deliver social impact from the agriculture and agribusiness development funds they entrust to aBi. This is creating economies of scale, management efficiencies, and a more long-term and stable funding stream not disrupted by the project cycles of different development partners.

Efficiencies are further achieved by the capital base of aBi Development and aBi Finance, which was originally endowed to aBi by DANIDA and which grows through a prudent investment policy. A portion of the proceeds from these investments is used to cover some of the operational costs of the two companies, thereby providing a favourable cost/benefit ratio to development partners.

Core funding for aBi has been provided by DANIDA under the U-Growth I programme (2010-2013) and subsequently under U-Growth II (2014-2018). Several Development Partners have contributed funds through Delegated Cooperation Agreements with the Royal Danish Embassy, and a few signed direct Fund Management Agreements with aBi. Using this start-up capital, aBi has built a comprehensive portfolio of grants and financial instruments to become a major player in the agribusiness development sector in Uganda.

Performance vs Business Plan 2014/18

The overall objective of aBi is to strengthen the competitiveness of Uganda's agricultural and agro-processing sectors. The specific objectives of the 2014/18 Business Plan were:

- 1) To increase income of farmers for aBi-supported value chains by UGX 962bn;
- 2) To create 89,217 new FTE jobs among the aBi beneficiary communities;
- 3) To increase outreach by 488,700 farmers;

- 4) To increase access to financial services to 200,000 new clients, 250,000 loan clients through BDS, Guarantees and LoCs, and 12,500 new agricultural insurance clients.

Objectives 1 through 3 were achieved jointly through the two entities, aBi Development and aBi Finance, while objective 4 is the mandate of aBi Finance.

aBi Development Ltd Business Plan 2014/18 Review

aBi Development matching grants are designed to achieve the BP objectives by supporting provision of business development services to agribusinesses, farmer organizations, and individual farmers, technical assistance to enhance agribusiness capacity, and infrastructure development for value addition. The BP strategy was informed by a review of U-Growth II, as well as an impact assessment in 2013.

During the first three years of the BP, emphasis was given to supporting upstream and middle level value chain actors; later on, more attention was given to downstream actors. During the BP period, aBi Development executed over 130 matching grant projects with a total value of approximately UGX 345bn, of which UGX 162bn (47% of the total value) was contributed by aBi. The coffee VC received the highest portion of funding (47%), followed by cereals (24%) (Figure 3). The relatively small share of financing going to the other four VCs is mainly due to weak agribusiness capacity, weak business cases presented in proposals, and limited commercial scale, and hence low potential impact on the BP objectives.

Most of the grant recipients were SMEs (44%) and Farmer Organizations (34%); NGOs accounted for 11% and others 11%. The bias towards SMEs is in line with the aBi mission

to promote private sector agribusiness development. The portfolio mix was heavily influenced by preference for commercially strong businesses. Most projects that pass the appraisal processes are larger and operate in more commercially developed regions. The strategy for FOs and NGOs was an attempt to serve the weaker and less commercially developed value chain actors. FOs and NGOs were supported to promote good agricultural practices (GAPs) and mobilize producers to strengthen market linkages. However, this strategy has not been very successful in transforming FOs into competitive players in market systems. The strategy will be revisited to identify more innovative financing models to strengthen the agribusiness capacity of FOs.

Approximately 55% of the projects were located in the Western and Central Regions of Uganda (Figure 4). This is due to their more vibrant agribusiness environment compared to the Eastern and Northern Regions of the country. More emphasis will be placed on identifying and supporting high potential agribusinesses in those regions.

Grant financing included a significant proportion of capital expenditure, aimed mainly at storage and value addition infrastructure. This was intended to fill a gap created by the weak penetration of financial markets. As a result of improvements in access to finance, capital financing through grants will be gradually reduced to projects with strong justification of additionality.

Achievement of Business Plan Targets

An independent review in 2018 concluded that aBi Development largely achieved its operational targets (Table 2).

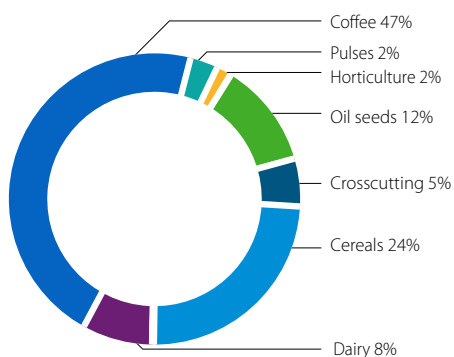


Figure 3. Percent of aBi grant funding allocated by value chain

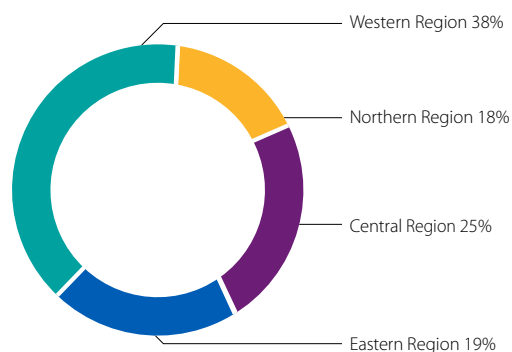


Figure 4. Regional distribution of grant projects

Table 2. Targets and actual performance of aBi Development

Indicators	BP 2014-2018	Actual Cumulative (2018)	% Attainment
No of farmers reached	488,700	608,526	125%
Total additional income for beneficiary IPs (UGX bn)	960	808	84%
Additional Full Time Equivalent (FTE) Jobs Created by Interventions	89,217	54,360	61%
Acreage under crops	733,050	1,162,347	159%
No. of Participating farmers adopting improved technologies	245,340	564,281	230%
Projects with gender integrated	95	59	62%
Projects with GG integrated	50	44	88%

Outcomes and impacts

As reflected in the review and internal evaluations done in 2018, aBi development largely achieved its outcome targets, albeit to varying degrees. The most significant outcomes cited by IPs are: improved product quality, increased customer base, greater market volume, improved collaboration with producers (market linkages), and enhanced gender equity. The IPs gave lower scores to aBi's contributions to increasing the profitability and bankability of their businesses. This is mainly attributed to focusing funding on short-term projects instead of business planning. The future design

of funding windows will be more cognisant of longer-term sustainability needs in IP business plans.

In addition, an impact assessment survey of beneficiary farmers was conducted in 2018. The most significant project outcomes cited are: increased household income (59%); 32% of beneficiary agribusinesses increased their profits by more than 30%; increased lending to agribusiness (40%) and Increased productivity (for all supported value chains); increased farm production levels among smallholder farmers (43%), and increase in value of gross profitability of supported agribusinesses



Claire Kabakyenga of Manyakabi Area Cooperative Enterprise (MACE), South Western Uganda

(64%). Improvements in markets for produce was cited least (3%). Whereas farmers rated increased market volumes as a major outcome of their participation in aBi projects, it is not specifically recognized as a contributing factor to improved farmer incomes. Farmers also observed that, whereas a lot of emphasis was given to training on producing for the market, markets and prices remained unreliable.

Increased production and income at the producer level is attributed to high adoption of promoted best practices and to market integration among beneficiaries, notably: post-harvest handling technologies (97%); GAP (100%); use of purchased inputs (98%); collective marketing (93%); climate-smart agriculture (100%); collective use of storage (87%); and Intra-household gender collaboration (100%).

Agribusinesses and producers highlighted the limited success of aBi projects in improving their resilience to production and market risks. To address this, more effort will be placed on rigorous appraisal of market risks and project interventions that ensure built in resilience; investments in forecasting and dissemination of production and market risk information; further strengthening of linkages between farmers, input suppliers and buyers; and increasing

access and utilization of agricultural insurance products.

The 2014/18 BP included strong elements of social responsibility investments (SRI) aimed mainly at enhancing gender equity, green growth, and Human Rights-Based Approaches (HRBA). Farmers and agribusinesses indicated that the most notable social outcomes of aBi interventions was increased gender equity and intra-household cooperation. Climate-smart agriculture outcomes were highly rated by farmers but scored low by agribusinesses. There was no evidence of HRBA outcomes from either farmers or agribusinesses. The lack of HRBA outcomes is attributed to limited integration in project interventions.

Returns to investment and value for money

The 2018 review estimated financial returns to aBi investments to be high and comparable to similar interventions in East Africa. The combined investment of aBi and its IPs is estimated to generate an immediate return between 1-2 times the original investment. The cost of service delivery (overhead) by aBi was between 20-25%, which is competitive compared to similar programmes executed through other grant delivery mechanisms.

aBi Finance: Business Plan 2014-2018 Review

Since its inception, the core business of aBi Finance has been the provision of Lines of Credit (LoCs) to intermediary Financial Institutions (FIs) for on-lending to agribusinesses across the entire value chain, and Agriculture Loan Guarantee Schemes (ALGs) to serve as a mechanism for sharing losses incurred through defaulting loans.

In 2018, the decision to house the grant-making component, Financial Services Development (FSD), under aBi Finance, alongside LoCs and ALGs was implemented. FSD focuses on providing technical assistance to partner Financial Institutions.

As of December 2018, LoCs and ALGs generated over 308,700 new loans to

producers and businesses, and leveraged the amount set aside to indemnify the ALG Scheme by a factor of three. The claims on the loan guarantees were maintained below 1% of the coverage, which was well below the established upper threshold of 5%.

Over the same period, aBi Finance provided matching grants through FSD to over 48 FIs to build institutional capacity, which has deepened the provision of financial services and increased outreach in rural areas from 111,539 accounts in 2013 to a total of 764,393 accounts in 2018. As of December 2018, about UGX 25bn in grants was disbursed to 48 FIs, of which 37 (against BP target of 30) were SACCOs. Of these grants, 57% went to branch expansion and branchless mechanisms (ICT systems), which expanded financial inclusion in rural areas. This argument is supported



Pastor Robert, a Solar Now Uganda client, using solar energy at his poultry farm in Jinja District

by the Evaluation Report of 2017, which asserts that a relatively large number of LoCs have indeed resulted in FIs commencing and expanding financing agricultural business to the rural areas of Uganda. A number of those FIs are indeed strong, financially healthy institutions with adequate resources to enter rural and agriculture finance but rather reluctant to do so. Following the aBi support, FIs invested in the appointment and training of credit officers and their (IT) systems to make growth in this segment possible. The success of the aBi Finance products led to demand for renewal of LoCs (with most partner FIs) and expansion of the ALGF. Automatic renewal of LoCs and expansion of the ALGF are commercially attractive but turns aBi Finance automatically into a general financial institution with the risk of losing its developmental role.

Other major investments were made in management information systems, financial literacy and savings mobilization, product development, and risk management.

This overall performance is in keeping with the findings of the 2017 aBi Finance evaluation done by Carnegie Consult, which concluded the following:

- From an effectiveness point of view, the mix of services offered by aBi to FIs is effective in expanding and deepening financing of agricultural businesses and producers and their organizations and leads to better use of such services by agricultural businesses and producers.
- In addition to its interventions focussed directly on agribusiness financing, aBi

Table 3. Targets and actual performance of aBi (2014-2018)

Indicators	BP 2014-2018	Actual Cumulative (2018)	Percentage of attainment
FSD	Target 2014-2018	Actual 2014-2018	
No. of new savings clients	200,000	764,393**	382%
No. of new loan clients	250,000	503,844**	202%
Increased loan portfolio (UGX bn)	300	635**	212%
Increased savings volume (UGX bn)	150	231**	154%
No. of clients accessing agriculture insurance products	12,500	84,182**	673%
Lines of Credit (LoCs)			
No. of new LoC loans*	155,160	175,522	113%
Value of LoC portfolio (UGX bn)*	116	85	73%
ALGs			
No. of loans guaranteed*	164,877	133,219	81%
Guaranteed loan volume (UGX bn)	92	103	112%
Capital fund			
Total volume (UGX bn)*	166	171	103%
Yield on investment	11.0%	11.3%	103%

* Revised upwards in 2017

** Figures restated to correct cumulating error in 2017 figures

Finance has provided significant support to other developments in the financial services sector geared towards furtherance of financial inclusion. aBi has been instrumental in the development of agricultural insurance, considered an agricultural bond for the capital markets, and is a major contributor to the development of agency banking in Uganda.

By 2018, the total assets of aBi Finance had grown to UGX 171bn against a target of UGX 166bn (Figure 5). This growth resulted from a combination of capital injections received over the period as well as through organic growth from interest and non-interest income derived from the various prudent fund investments in LoCs, fixed deposits with FIs, government securities and the ALGs. Of this, UGX 85bn was extended in LoCs and 20% was set aside to indemnify loans under the ALG facility. Although the aBi LoC volume increased over time, the loan volume as percentage of total agricultural lending by formal FIs declined because of the increased size of their agricultural loan books.

This further indicates an increased FI appetite for agricultural lending, a trend that was further confirmed by the main finding of the 2017 aBi Finance Evaluation, which concluded that the comprehensive services and products offered by aBi Finance – Lines of Credit (LoCs), Agricultural Loan Guarantees (ALGs) and Financial Services Development (FSD) – have indeed been instrumental in stimulating FIs to initiate and/or expand financing of agricultural businesses and producers. This support to participating FIs enabled their expansion of agricultural finance, which in turn has led to

improved conditions for end users, i.e. the less privileged among the rural/agro producers. Simultaneously, as a result of prudent financial management and investment policies, aBi Finance has become a financially sustainable organization.

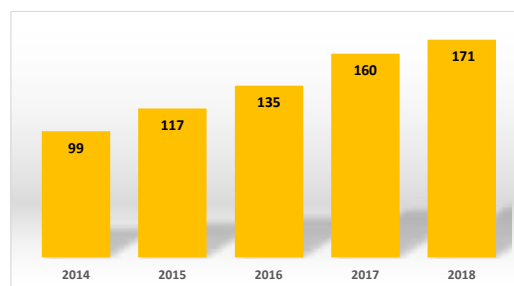


Figure 5: growth trend in the total assets of aBi Finance (UGXbn)

The review also noted that, following the support of aBi Finance, FIs increasingly invested in the appointment and training of credit officers and their IT systems to make growth in this segment possible. Given its present stage of development in terms of size, volume, outreach, acceptance by the market in general, and the effects of its strategy, aBi Finance is indeed in a position to attract other investors in the future.

As it stands, aBi Finance is an efficient, stable and profitable entity. And because it is a development finance institution that enjoys a zero cost of funding, it is primed to remain a risk-willing, innovative leader within the agribusiness financing sector, meant to stimulate the market to deepen its demand and provision of relevant and suitable development and financial services for agribusiness development.

aBi Annual Impact
Assessment

03

aBi Annual Impact Assessment

aBi commissioned an annual impact assessment of mature interventions (i.e. those that have started showing results) in July 2018 in accordance with good research practices. A sample of 30 interventions (20 from VCD and 10 from FSD) were identified as being mature enough to go through an impact assessment.

The evaluation team applied different attribution strategies for different types of interventions based on the nature of those interventions. For VCD interventions, a comparison group method was used because agricultural production performance is dependent on many internal and external factors. The Quasi Experimental Design was not chosen because recalling the baseline values for the treatment and control farmer groups seemed quite complex due to the characteristics of the interventions.

The Before and After Comparison with Opinion (BACO) methodology was applied in cases where no suitable control group was applicable, and the attribution depended mainly on changes in farm performance. It was applied mostly for the FSD interventions where it was necessary to identify the specific difference caused by the applied access to finance options. The sample size for the study was defined considering a 90% confidence level, 10% margin of error and 50% response distribution. For control purposes, a minimum of 30 samples were taken per intervention, which is the minimum number of samples suggested by good research practices. A total of 2,845 samples were collected following good research practices for sample size selection.

The treatment samples taken were representative of the working areas, while control samples were selected based on the profile of the treatment respondents.

Control samples were taken from the adjacent locations of the working areas to ensure that all the external factors are same for both treatment and control. Evidence from the assessment revealed the following:

For 33% of projects assessed, systemic change⁴ was evident and ready to be captured. However, it should be noted that the assessment was not designed to capture the systemic change through a proper methodological approach and the two types of assessments are quite different in nature. Systemic change assessment is a special type of assessment in which the focus remains on the impact of the intervention on the wider market, i.e. how other service providers and farmers are responding to the market changes brought by the intervention. For this specific exercise, an investigative approach is required, and not through a structured survey such as an annual impact assessment. Nonetheless, the assessment identified 10 projects that are due for a proper systemic change assessment.

Significant impact on employment has been generated by 77% of the assessed projects. Data on both part-time and full-time employment was collected and a standard FTE calculation method⁵ was used for calculating employment. 9,072 additional jobs were created at the farmer and partner level; 8,629 and 443 respectively during the assessment period with coffee farmers (2,720) and oilseed farmers (2,242) as the highest employment generators among the assessed sub-sectors. At the partner level, MFIs (241) and SACCOs (100) were the highest employment generators.

The assessment also shows a remarkable increase in the size of lending towards agriculture by partner financial institutions.

⁴ Systemic change – change in the underlying causes of market system performance that leads to a better functioning, more pro-poor market system. A systemic change must have three characteristics: scale, sustainability and resilience.

⁵ <https://www.wikihow.com/Calculate-FTE#/Image:Calculate-FTE-Step-4-Version-2.jpg>



NUCAFE is working closely with aBi Development to digitalize project management and implementation for real-time efficiency in serving smallholder coffee farmers in Uganda

On average, assessed MFIs have increased their agricultural loan portfolio by 66% and the SACCOs have increased their agricultural loan portfolio by 24%. Overall, UGX 37,943,015,948 was disbursed as loans for agriculture by MFIs and SACCOs during the period (2017/18). MFIs disbursed UGX 26,267,797,438 and SACCOs disbursed UGX 11,675,218,510. These financial interventions largely performed well. The farmers taking loans from new financial sources in their locality are investing that money in agricultural works, as well as other activities like paying tuition and trading.

Overall, 50% of the farmers surveyed have increased production during the period, with 43% of them raising their production by more than 10%. Compared to other sub-sectors, cereal producers (66%) have increased their production the most.

Another key positive finding was that 58% of aBi-supported agribusinesses have experienced an increase in the value of sales during the assessment period. Coffee and cereal agribusinesses are among the top tier of those with higher value of sales compared to other sub-sectors.

There was a mixed result on the profitability of the implementing partners (agribusinesses). In 36% of the projects, it was evident that the partners are playing their role as implementers, but their profitability was not increasing at the expected rate. Still, 64% of the aBi-supported agribusinesses did increase their profitability. Among the sub-sectors, the highest percentage of profitability was generated by dairy agribusinesses (174%). The profitability incentive for the partner is one of the most important factors for ensuring

the sustainability⁶ of the interventions. If the partners cannot make satisfactory additional profit from the interventions being implemented, they will not be interested in continuing with the new practices. Going forward, aBi will focus on interventions that help improve profitability of the implementing partners, as well as provide positive impacts for farmers.

One other key finding that calls for aBi's immediate attention is the low ratio of positive impact of the projects on 'usage farmers'⁷. It is understood that the ratio of positive impact is very important in measuring the impact of any intervention. If 50% of the usage farmers are enjoying better results, that also says that the remaining 50% of the usage farmers are actually experiencing losses compared to the counterfactual results. In general practice, any usage-to-benefit ratio below 80% should be of concern and aBi should carefully revisit the performance of those interventions, as many fall in this category.

The assessment also revealed that male farmers are doing better than female farmers. It was evident that supported interventions were having a tremendous impact on the economic empowerment of women across communities. Women are now more engaged and participate in decision-making in the production and post-production processes, which is having a positive impact on their lives. However, aBi needs to focus on improving the efficiency of women farmers, especially in the adoption and use of cultivation practices, and will plan special activities to grow those skills among the female farmers.

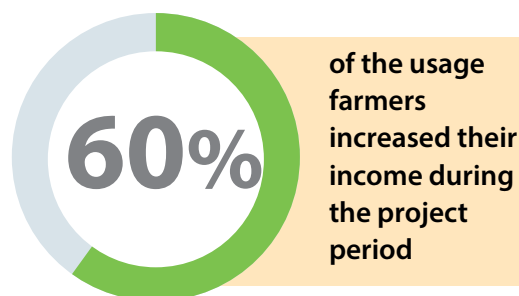
6 The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. For measurement purposes, sustainability will be indicated by continuation of benefits at least two years after the end of a project.

7 Farmers adopting the good agricultural practices (GAP) being promoted.

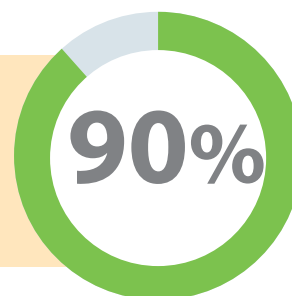
Key findings from the internal evaluation of ended projects

In 2018, aBi completed the evaluation of 20 VCD and FSD ended projects. The following are the key findings, some of which resonate with those from the impact assessment above:

- 60% of the usage farmers increased their income during the project period.
- Adoption of GAP and post-harvest handling techniques in all supported value chains evaluated increased by over 90%. This is attributed to capacity building initiatives, the participation of farmers in setting up demonstration gardens, and improved access to information, especially on inputs.
- While women empowerment initiatives have been integrated into every evaluated project and are manifest in the joint planning and decision-making being done at the group level (89%), there is high dominance of male farmers in supported agribusinesses.



Increase in adoption of GAP and post-harvest handling techniques in all supported value chains evaluated



aBi Development Ltd
Performance in 2018

04



ACILA Enterprise Ltd warehouse in Soroti District which, with aBi support, has increased its storage capacity for maize and sorghum

aBiDevelopment Ltd Performance in 2018

Value Chain Development (VCD)

In 2018, VCD continued to support the six value chains prioritized by aBi – coffee, cereals, oilseeds, horticulture, pulses and dairy. VCD continued to use a mixed-teams approach, which in this case meant combining the efforts of staff from the Monitoring and Results Measurement Unit along with those from the Finance and Risk Management Units, as well as from aBi Finance Ltd. Importantly, the support that VCD provided to IPs increasingly focused on the business case and making evidence-based decisions to support project design. During the year, VCD supported a total of 38 IPs (including 7 new ones), utilising a total of UGX 30.73bn against a budgeted UGX 29.2bn (105%). Business development and technical interventions were supported to achieve increased production and productivity. To increase competitiveness of products in the market, support was directed towards development of infrastructure and the establishment of facilities for value addition and quality improvement.

To enhance sustainability and strengthen institutions, support was directed towards addressing governance issues and access to information and knowledge. Results measurement remained a key component of all interventions.

Overall performance relative to key indicators for VCD

Table 4 provides details about VCD performance relative to key indicators for 2018 and also allows comparison with 2014-2018 Business Plan targets. In 2018, VCD supported a total of 38 of the 51 targeted interventions across the six value chains, reaching a total of 178,747 beneficiaries (86% of the 209,000 target). Supported IPs realized a total of UGX 101.1bn in additional net income against a target of UGX 235bn for the year, largely due to instances of slow implementation over the BP period and supporting lower than anticipated number of IPs in 2018. An additional 5,888 FTE jobs (40% of them for women) were created during the year. In addition, seven contracts were signed with new IPs.

Table 4. Performance by VCD relative to Business Plan targets

Key Performance Indicators	BP Targets 2014 - 2018	2018 Target	2018 Actual	Cumulative Actual 2014-2018	Comments
Implementing Partners supported under VCD	115	51	38	127 (111%)	In 2018, a lower than anticipated number of IPs were supported in the pulses, oilseeds, dairy and horticulture VCs.
Total number of smallholder farmers reached in all value chains	488,700	209,000	178,747	608,526 (124%)	Overall, the number of IPs supported exceeded the BP targets, hence the increased number of farmers reached.
Total additional income for beneficiary IPs (UGX bn)	962	235	101	808 (84%)	Overall, good progress made amidst instances of slow implementation over the BP period. In 2018, the number of IPs supported was less than planned.
Additional Full Time Equivalent (FTE) jobs created by interventions	89,217	13,328	5,888	54,360 (61%)	Not attained. In 2018, the number of IPs supported was less than planned for.
Total dairy herd size under production	N/A	90,000	840	151,426	The annual result is only for 2 IPs supported during 2018, instead of the target of 5.
Total acreage under production (crops)	733,050	154,000	295,067	1,162,347 (158%)	Household production has significantly increased due to increased land productivity and the opening up of new land for agriculture.
Volume of milk sold through milk collection centres (mn litres)	357	92	36	322 (90%)	Good progress made. New partnerships to be forged in the new BP.
Number of participating farmers adopting ⁸ improved technologies	245,340	127,050	274,644	564,281 (230 %)	IPs have invested in providing more extension services to farmers.

Source: M&E & GMS System s

⁸ This indicator measures the total number of direct beneficiary farmers and other primary sector producers (of food and nonfood crops and of livestock products), as well as individual processors (not firms), rural entrepreneurs, traders, natural resource managers, etc. that applied improved technologies anywhere within the system as a result of aBi support during the reporting year. This includes innovations in efficiency, value-addition, post-harvest management, marketing, sustainable land management, forest and water management, managerial practices, and input supply delivery. Technologies and practices to be counted here are agriculture-related, including those that address climate change adaptation and mitigation (including, but not limited to, carbon sequestration, clean energy, and energy efficiency as related to agriculture).



A Veterinary Officer carries out a transaction with a client at one of Alfasan drug outlets in Mbarara

Highlights from priority value chain activities

Table 5 and Figure 6 provide a snapshot of the funds disbursed to each value chain in

2018, with coffee receiving the largest share (42%).

Table 5. Allocation of funds to priority value chains in 2018

Value Chain (VC)	Total Budget 2018 (UGX)	Actual Disbursements 2018 (UGX)	% Disbursed per VC
Coffee	6,608,953,027	12,941,446,847	42.1%
Cereals	6,130,000,000	4,990,937,651	16.2%
Pulses	1,558,500,000	502,834,768	1.6%
Oilseeds	2,137,800,000	1,226,120,159	4.0%
Horticulture	4,011,000,000	2,910,554,023	9.5%
Dairy	1,678,600,000	2,551,922,993	8.3%
Cross-cutting Issues	7,083,600,000	5,607,401,001	18.2%
Total	29,208,453,027	30,731,217,442	100%

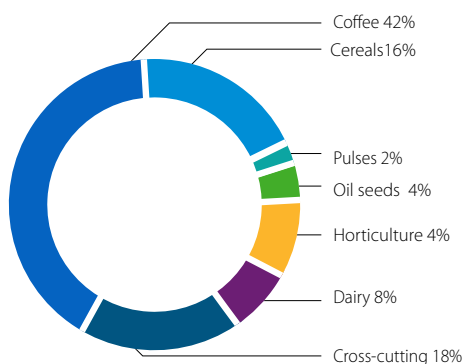


Figure 6. Share of funds disbursed in 2018 for each value chain



Roasted coffee beans about to be crushed into coffee powder at Kisinga Coffee Station

Coffee Value Chain

Coffee is the most important export cash crop in the country, and for this reason aBi is prioritizing funding to interventions in the coffee value chain. This is aligned with the Government of Uganda's ambitions to produce 20 million 60kg bags of coffee by 2030⁹, which is projected to generate export revenues of USD 2.5bn (Uganda Coffee Roadmap, April 2019).

In 2018, aBi supported 9 coffee IPs with a total investment of UGX 12.9bn against the budgeted UGX 6.6bn. This was largely because the coffee IPs had stronger business cases than applicants from the other value chains. Key activities during the year included establishing value addition centers, producing clean planting materials, improving market access for smallholders, and providing training for farmers aimed at enhancing coffee productivity and capitalising on quality improvement technologies. Other activities included holding district coffee shows and organizing coffee farmers into viable economic units.

aBi's interventions for the year increased export volumes by 1,177 MT (19,617 60kg bags) by its coffee IPs, primarily of specialty coffees, and resulted in total additional net income of UGX 73.86bn. These interventions

reached 162,961 additional farmers, of which 52,213 (30%) were women.

Farmers continued to learn about good agricultural practices (GAPs) from 641 demonstration plots established by aBi-supported IPs, and 66,173 farmers adopted the recommended practices. A total of 11,248 households implemented joint household plans for both income and expenditure, which is 93% the number targeted for the year (12,005).

Outcomes and impacts

In terms of impact, farmers supported by aBi interventions have become more organized and are handling coffee as a family business. During reporting period, 1,707 additional FTE jobs were created; 73,188 new beneficiary farmers realized financial gains (33% or 24,152 of which are women); and 6,493 additional acres of coffee were planted¹⁰.

The overall acreage under coffee production has increased by an average of 1.59 acres per farmer for Robusta coffee (this number includes the establishment of new coffee fields and the rehabilitation of old fields). The average increase in yield of Robusta coffee yield per farmer was 0.52kg per tree, whilst for Arabica coffee it was 2.2kg per tree. This is attributed to increased investments by aBi in the productivity of coffee farmers.

⁹ Originally the target of 20 million bags was to be achieved in 2020, but during the Uganda Coffee Roadmap rapid design phase in 2017, the target year was moved to 2030, with an intermediate goal of 6-8 million bags by 2020 and 14-20 million bags by 2025

¹⁰ Internal evaluations of ended projects in 2018

SUCCESS STORY

Kyagalanyi Coffee – Rwenzori Region



A labourer gets ready to pile up sacks of coffee beans at Kisinga Coffee plant

Kyagalanyi Coffee Ltd is one of the leading coffee exporters in Uganda. In partnership with aBi Development, the company has professionalized and expanded its farmer support programme with a primary objective of sustainably improving the livelihoods of smallholder coffee farmers through increased yields and higher produce quality. In the past 3 years, Kyagalanyi has grown its existing schemes in Mt. Elgon and West Nile and started new schemes in the Rwenzori and Masaka areas. Overall, the number of Arabica farmers it supports has grown by 75% to over 17,000 households by December 2018. All Arabica schemes are certified under UTZ and/or Rainforest Alliance¹¹. In May 2018, the Rainforest Alliance recognized Kyagalanyi's exceptional commitment to sustainability and improving livelihoods by awarding the company with one of its Sustainable Standard Setter Awards. Kyagalanyi is the first coffee company in Africa to have received this prestigious award and this is attributed to aBi's support.

To ensure economic sustainability, at both the farmer and company levels, Kyagalanyi builds long-term relations with the farmers

it supports. This translates into mutual trust, loyalty, adoption of good practices and better coffee volumes and quality. The West Nile and Mt. Elgon schemes show the impact of this approach with impressive growth and impact figures: average coffee yields have grown by 50% and 72% in West Nile and Mt. Elgon, respectively, to 2.1 and 2.5 kg of cherries per tree in the 2017/18 season. Good adoption of stumping in both regions and more fertilizer use in Mt. Elgon are key reasons for the higher yields. Better production and quality improvements resulted into average member households earning UGX 0.7m more from coffee in West Nile and UGX 2.8m more in Mt. Elgon. In total, Kyagalanyi's farmer support work in the 2017/18 season alone resulted in an impressive UGX 27.5bn extra coffee income for member farmers. Harvests of 6-12 kg of cherries per tree on the best demo plots and model farms showcase that a lot more growth is possible. As a result of scheme expansion, growing coffee production, and increasing loyalties, Kyagalanyi has seen its export volumes of certified and/or traceable coffees grow by 300% in the past 3 years. Volume and quality growth, combined with visual impact in the field, is attracting new clients.

¹¹ The Rainforest Alliance is an international non-profit organization working at the intersection of business, agriculture, and forests to make responsible business and committed to creating a world where people and nature thrive in harmony.

In 2016, Kyagalanyi and its partner, Agri Evolve Uganda Ltd., started operations in the Rwenzori's. Traditionally, this area is home to Uganda's 'drugars': naturally processed Arabica coffee with a challenging quality reputation. Together, the companies built Kisinga coffee station, which produces high quality drugars as well as washed Arabicas, while also buying and primary processing home processed drugars and parchment. Kisinga station is transforming the Rwenzori coffee value chain by demonstrating to farmers and clients that good harvest and post-harvest handling can change a low-grade product into high quality coffee with a much better price.

In the 2017/18 season, Agri Evolve started rolling out a farmer support programme and over

1,000 households were UTZ certified, 32 demo plots and 5 model farms were established, the first group trainings on stumping, parchment production and gender were started, and over 1,000 individual household trainings had taken place. Following the successes of the gender and coffee youth team projects in Mt. Elgon and West Nile, these projects have also been initiated in the Rwenzori scheme. By the end of 2018, 5 coffee youth teams had been formed and 32 gender ambassadors were encouraging female participation in training. Kyagalanyi Green Growth efforts focus on increasing farmer resilience to climate change through improved drought and soil management practices to improve yields, waste water management and reduction of fuel use.

CHANGING LIVES

Special project on coffee youth teams:

In 2018, Kyagalanyi worked with 37 coffee youth teams. With the support of aBi, DEG and Kyagalanyi, the 117 youth participating in these teams have created their own employment. They provide commercial farm management services to farmers. Since they have the right equipment and knowledge, rejuvenating or spraying a whole field of coffee is an easy job for them. The teams are key to promoting the adoption of stumping, fertilizer use and leaf rust control. The best teams now run their own agro-input stores and help to increase the availability of genuine agro-inputs to the farming community in their area.

Victoria Muhindo, a mother of four, now has 197 trees from which she expects a bumper harvest after applying fertilizers and adopting better farming methods

like pruning, weeding and intercropping. "I plant beans, pumpkins and cassava to supplement the family food requirement", says Muhindo. "I have great expectations in my next harvest as I am seeing fat cherries that will produce three kilograms per coffee tree. That way I will be able to sustain my family and buy farm inputs like spades, rakes and sprayers."

She says extension workers monitor her garden, spray the pests and advise her on how things are supposed to be done. In her garden are Nakitembe banana trees, vegetables and other food crops. "The rules are very clear", confides Muhindo. "There is no picking of unripe cherries or drying them on the bare ground as our forefathers did. This is the only way to benefit on the bonus offered at Kyagalanyi Coffee Limited."

Cereals Value Chain



In 2018, a total of 12 cereal value chain IPs were supported and 1 additional IP was approved for resumption of funding effective January 2019. Support to the cereals value chain continued to focus on increasing the productivity, quality and profitability of enterprises. Thus, support was extended to farmer training in good agronomic practices, post-harvest handling (PHH) and grain quality management, and demonstrations and other farmer learning events. Farmer mobilization and registration, records management, and other aspects of farming as a business, as well as how to establish and operate a village savings and loan association (VSLA), were also supported.

To enhance the skills of traders involved in grain quality management, and to promote competitive grain export trading, the Eastern African Grain Council (EAGC) organized a training event in Masindi (Western Region) at which 120 smallholder farmers learned about East African grain standards. A total of 22 trainees from 14 EAGC member countries were trained in grain handling and storage; the management of pests, inventory, and collateral; how to capitalize on the Council's G-Soko trading system; and the EAGC code of conduct. Three new warehouses, each with a capacity of 2,700 MT, were constructed, bringing the total to 38 warehouses. Aponye (U) Ltd was also able to complete the

construction of a 10,000 MT grain storage facility in Nalukolongo locality, in Kampala.

During the year, some 13,189 acres of land were opened up for grain cultivation and, because improved inputs (seed, fertilizer) were used, along with good agricultural practices and more effective post-harvest handling, a 5-fold increase in production was achieved. Farmers received a sale price ranging from UGX 300-650/kg. On the marketing side most of the cereals (11,392 MT), and especially maize, were sold in local markets; the average price for maize was UGX 650/kg. Through the VSLAs, project beneficiaries were able to save about UGX 517m for the year.

However, there was a general increase in the supply of cereals, which led to a decline in prices for cereals (especially maize) to as low as UGX 100/kg. This decline is in large measure attributed to poor post-harvest handling across many parts of the country. During the year aBi made considerable investments in grain storage infrastructure and in supporting national platforms for grain traders and key stakeholders to improve market coordination. Still, there is a need for further investment by aBi in these critical areas.

Outcomes and impacts

aBi's interventions in the cereals value chain generated total additional net income of UGX 2.4bn in 2018 sales to participating SMEs, and to the creation of 4,347 new FTE jobs at the IP level. Land area used for maize production increased by 1.35 acres per farmer, which was attributed to increased training on GAPs and in financial management. Furthermore, the efforts directed towards value addition, as well as bulking and storage, increased farmers' incomes because of the benefits inherent in being able to store grain on a prolonged basis and to engage in bulk marketing.

SUCCESS STORY

Acila Enterprises Limited



A smallholder farmer looks on as her produce is weighed at Acila Enterprises Limited, Soroti District

ACILA Enterprises is a registered limited liability company operating in Soroti District dealing in improved farm seeds, produce buying and selling in bulk, as well as agro-inputs and implements. The company's initial business was sale of agricultural inputs, but later on it diversified into bulking and marketing of farmer produce. This diversification was in response to farmers' demand for produce markets. The enterprise later added seed and agro-chemicals to their offerings, with the intention of enhancing smallholder farmer groups' access to quality agro-inputs in Teso and Karamoja sub-regions.

Acila Enterprises has since grown and earned the confidence of small-scale farmer groups, buyers such as the World Food Programme (for maize), non-governmental organizations such as aBi Development Limited, Goal Uganda, the International Fertilizer Development Centre (IFDC), World Vision, NAADS, Save The Children (for supplying assorted agro-inputs), and local and regional seed companies such as NASECO 1996 Limited, Sim-law Seeds, Pearl Seeds, East African Seeds Ltd, Rwenzori Seeds, and

Lira Farmers Centre (to multiply foundation seed with local farmers on their behalf, for subsequent resale to seed companies for dressing, packing and sale-back as seed to local farmers).

With support from aBi Development Ltd, Acila Enterprises is currently implementing a project entitled "Improving smallholder production, quality, bulking capacity and marketing of maize and sorghum" in Amuria, Ngora, Kabermaido, Serere, Abim and Agago districts.

The objectives of this aBi-supported project are to: improve the maize and sorghum production and productivity of the 9,000 participating smallholder farmers in the target districts; increase storage capacity from the current 1,500 MT to 11,500 MT by September 2020; to increase the volume of quality sorghum and maize purchased, processed and marketed by September 2020; and to empower women and youth to improve their livelihoods through the development of agro-based enterprises.

To date, the project's achievements include: 55 demonstration plots for maize and sorghum established; 1,650 farmers benefitted through learning best practices on GAP and PHH; 300 lead farmers trained in fertilizer use, improved seed, and climate-smart agriculture; increased fertilizer sales by Acila, from 3 MTs in 2017 to 12.5 MTs by the end of 2018; 4,950 farmers trained on pest and disease management, and pre- and post-harvest handling; 60 women and youth groups trained in entrepreneurship skills and business plan development; and improved grain quality, as required by clients such as Nile Breweries Ltd, due to use of project-supported technologies. e.g. moisture meters, fumigation sheets and other warehouse equipment.

CHANGING LIVES

Edward Etedu, of Akolrioto Agro Inputs in Olio, beams with satisfaction while talking about the changes in his life between 2017 and 2018. "I have been able to build a commercial house in Olio trading centre where the produce is delivered by subsistence farmers", says Etedu. "I am supplied by more than 400 farmers from different corners of the neighbourhood. We meet once every month to address our challenges and share business ideas and trends in the market."

Besides buying oxen to ease the opening of new farmland, Etedu's business has increased from collecting only hundreds of kilos of seed to about 3 MT per year. Parents who struggled to pay for the food, medical treatment and school fees of their families are now able to do so.

Enoch Erugu's achievements are no mean feat either. He is now ably feeding, accommodating and educating his two wives and 14 children, even as the the cost of living has gone up.

"The cost of living is too high, but sorghum has enabled me to brave all the odds in my life", says Erugu. "After adopting climate-smart farming methods I am almost completing building a two roomed house after buying four bulls to enable me address the shortage of workers to open up land for farming." He intends to equip it with solar energy to end dependence on firewood, which has health and environment hazards. The household is visibly equipped with cooking gear, cutlery and furniture to enable its residents to have a decent life. They intend to move into a more spacious house that is still under construction. "Using solar or biogas, in future, the children will have more hours to read their books at night", says Erugu. "And my wives will not have to breathe in the smoke that makes them tear when cooking."



Mr Edward Etedu, a beneficiary farmer of ACILA Enterprises, tending to his maize garden



Pulses Value Chain

In 2018, East Africa experienced high demand for beans, especially from South Sudan and the Democratic Republic of Congo, and this drove farm gate prices significantly higher, from UGX 1,400/kg to UGX 1,900/kg. Five IPs in the pulses value chain were supported by aBi during the year.

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 15,701 farmers. Notably, the

production of pulses is less resource intensive than other crops, and women comprise the majority of producers.

Outcomes and impacts

Project evaluations show that 7,184 farmers adopted at least three recommended agronomic practices for the production and post-harvest handling of beans. The area under cultivation was 50,632 acres and farmers were able to collectively bulk and market 2,347 MT of beans. An aggregated net additional income of UGX 1.3bn was realized at the IP and beneficiary levels¹².

¹² Internal evaluations of ended projects in 2018

SUCCESS STORY

Tororo District Farmers Association

Tororo District Farmers Association [TODIFA] is an umbrella body for the Tororo District Farmers that was registered in 1998 and is working to transform the farming community of Tororo into commercially oriented producers at the household level. The DFA currently has a total membership of 7,000 farmers (47% females and 53% males). The DFA, with support from aBi, has been implementing programmes targeting groundnut farmers and focuses on orienting them to commercialization. aBi also supported the DFA business wing (TODIFA Agro-input shop) based in the town of Tororo, and this greatly improved the performance of the DFA farmers, especially in increasing access to agricultural inputs and resolving the problem of fake and/or counterfeit inputs.

aBi gave another grant to TODIFA to implement a groundnut value chain project aimed at improving the livelihoods of farmers engaged in groundnut production and

marketing in Tororo District. This groundnuts value chain project ran from 2015-2018 and targetted 7,000 farmers in 12 sub-counties with training in: agronomy, post-harvest handling, gender, village saving and loan methodology, environmental conservation, market enhancement and linkage creation, and procurement of agricultural inputs.

Owing to these interventions, by 2018 the project had realised the following results: the capacity of about 5,000 farmers was strengthened in agronomy, PHH, gender awareness, and environmental conservation; the quality of farmer produce has greatly improved due to provision of PHH materials like tarpaulins, moisture meters and weighing scales; over 200 groups were trained in VSLA and 105 groups (3,150 farmers) were provided with saving kits; farmers are now saving and borrowing from their VSLAs with weekly average savings per farmer of UGX 5,000, up from UGX 2,000; over 5,000 farmers are accessing and buying quality agricultural inputs from TODIFA; yields have improved from 5 bags per acre to 10-15 bags and average acreage increased from 1 to 2 acres; and 32 seed multiplication demos were planted. By the end of 2018, a 42 kg bag of unshelled groundnut seed cost UGX 300,000 and seed multiplication farmers were grossing up to UGX 3,600,000, making a profit of about UGX 2,000,000 with 12 bags from 1 acre compared to UGX 320,000 at the beginning of the project. In addition, over 2,000 farmers have adopted new technologies of line planting, fertilizer use, use of pesticides, and proper weeding, among other agronomic practices.

Among the lessons learnt, there is need to build on the seed multiplication strategy for organizational sustainability. Farmers earn more money if they add value to their groundnuts, rather than selling them raw.



Tororo DFA workers winnow dust from groundnuts

CHANGING LIVES

Ochieng, in Opeta village, is now a successful model farmer in the community. “The harvest has more than doubled since I began applying new recommended farming methods while planting, spraying and applying better post-harvest handling methods on this farm sitting on seven acres of land”, said Ochieng. “I have joined a group of farmers, who among us, we share the market trends in price and preference. We pool our harvest and deliver in bulk if a client requires so. This has improved our incomes, food availability and the access to required farm inputs.” Ochieng has lately bought seven cows, is building a permanent house for his family to replace their grass thatched hut. His garden has crops that have braved the common occurrence of droughts and pests in the area. “It is because of farming that I have been able to take my children to school and avail them the academic requirements,” says Ochieng.

David Okware, in Podut Village, beams with satisfaction while talking about his groundnut farming experience in 2018. “The groundnut market is there and the price of UGX 6,000-8,000 makes economic sense”, says Okware. “Things have changed as the market gets sophisticated. I have to dry the groundnuts on a tarpaulin if I am to get the highest price out there. I plant rice and have bought cows to diversify the source of income. That is the way I can support my seven children.”

To Okware, getting food and household income to buy essentials are no longer a problem. He is ably sustaining his family with food, clothing and other requirements. “My dream is to educate our children to the highest standards, build a permanent house and leave them something to inherit. They are enrolled in good schools and I am proud of where they have reached.”



Chili peppers grow quickly in Uganda, requiring only about three months to mature. The crop is drought resistant and is in high demand in local and export markets

Horticulture Value Chain

During the year, three horticulture value chain partners were supported to implement activities in the Northern, Central, Eastern and Western Regions of Uganda.

A total of 5,349 smallholder farmers (about 38% of the 14,000 target) were directly reached with such interventions in the horticulture value chain as training in good agricultural practices and how to more effectively access markets. Agricultural extension through training has significantly influenced the behaviours of smallholders, as demonstrated in the number of smallholders who adopted and applied at least one improved agricultural practice. Out of a 2018 target of 10,500 smallholders, almost 2,000

farmers (19% of the targeted number) adopted and applied at least one recommended technology or improved management practice. Most of these early adopters applied improved technologies, including the use of elite seed varieties. Adoption of improved practices will take root over time as other farmers see the benefits from their early adopting counterparts. As for instilling a savings culture among farmers, a total of 1,875 (13%) of the targeted 14,000 farmers were mobilized and formed VSLAs.

The volume of horticultural products sold by implementing partners increased to about 125% of the 2018 target of 6,000 MT (7,471 MT). Improved performance by farmers and IPs engaged in the horticulture value chain have resulted in job creation and increased earnings, both at the enterprise and the farmer levels.

Outcomes and impacts

By the end of 2018, 423 FTE jobs had been created (604% of the annual target); in the fourth quarter alone, 137 additional FTE jobs were created as a result of increased activity. Partners in the horticulture sector reported earning UGX 6.247bn in additional net income during the year (this amounted to 89% of the UGX 7bn annual target). aBi's interventions in Northern Uganda have improved socioeconomic relationships between local communities and the implementing agribusinesses. For example, the intervention made by Delight Uganda Ltd and Jakana Foods Ltd resulted in the local community being mobilized to engage in agricultural production and marketing, mainly by supplying off-takers. This mobilization has enabled community members to earn income and learn more about financial management and encourage their interest in learning about and joining VSLAs in which there has been full



DCA sunflower demonstration farm in Yumbe District

farmer participation.

Oilseeds Value Chain

In 2018, aBi continued to support four partners in the oilseeds value chain. aBi's support focused on facilitating key triggering interventions, including provision of agricultural extension training and establishment of demonstration plots for technology transfer, enhancing access to improved seeds and providing market access for smallholder farmers. Other interventions included engaging and organising smallholder farmers into savings groups, as well as training in productivity enhancement and quality improvement. As a result of these interventions, aBi achieved 84% of its annual target, with some 25,125 smallholders directly benefiting from the aBi support.

Farmer training was enhanced by establishing and using 167 demonstration plots for practical hands-on training about best agronomic and management practices. More farmers are learning about and applying better skills; 55% (11,629) of the farmers assessed had applied at least one recommended technology or improved practice. To boost household income and enhance access to financial

services, aBi's interventions mainstream savings and loan activities through VSLAs. About 6,100 smallholders were mobilized into 244 VSLA groups, which amounted to 24% of the 2018 annual target of 1,000 VSLA groups.

Outcomes and impacts

The interventions made in 2018 resulted in additional net income of UGX 1.7bn to the supported IPs, which was 43% of the UGX 4bn target for the year. There was a 29% increase

in income as a result of the interventions of aBi Development, especially in the area of groundnut projects. Furthermore, 18.5% of farmers reported an increase in income due to aBi's interventions, compared to the farmers who were not beneficiaries. As a result of the focus on good agronomic practices, there was an increase in crop productivity. For example, in Tororo District the quantity of produce harvested per acre increased to an average of 1,637 kg/acre, up from 257 kg/acre.

SUCCESS STORY

Dan ChurchAid (DCA)



DCA beneficiaries on their sunflower farm in Yumbe District

DCA provides emergency relief in disaster-stricken areas and long-term development assistance in poor regions to create a more equitable and sustainable world. It has partnered with both aBi and Mukwano Group on a project called; "Catalysing Inclusive Market Development in Yumbe District through Self-sustained Oilseed Production by Refugees and

Farmer Communities". The overall objective of the project is to stimulate the oilseed sector in order to spur industrial development, market-driven sustainable growth, and increased employment within the oilseed value chain, and thereby improve livelihood opportunities for farmers, refugees, producers, traders, and investors through joint partnerships. It aims to

develop the oilseed value chain and stimulate market development by strengthening the production capacity of farmers and farmer groups to grow and sell sunflower seeds. It also works to create an enabling business and market environment that leads to sustainable and inclusive economic development, job creation, and responsible investment.

Oilseeds production in Yumbe began in 2018 in the host community of Yumbe District and the Bidibidi refugee settlement, in partnership with Mukwano Group of Companies. In 2018, 20 acres were planted with oilseeds by refugees in Bidibidi refugee settlement and 480 acres were planted by the host community. Farmers bought packets of 1.8 kg of sunflower hybrid seed at a subsidized price (farmers paid UGX 70,000 and DCA paid UGX 30,000), enough to plant one acre of sunflower. Farmers also planted soybeans as a rotational crop in the fields where sunflowers were grown in the previous season, a crop that Mukwano is also interested in buying. Under the Mukwano and DCA partnership initiative, oilseeds are being grown in the 12 sub-counties of Yumbe, courtesy of aBi support.

In 2018, DCA realized a harvest of 120 MT of oilseed grain from the refugees and host community in 12 sub-counties of Yumbe District. The sunflower and soybean grain was used mainly as raw oilseeds in oil processing by Mukwano Group. During the reporting period, the farmers in Yumbe and Bidibidi earned UGX 88,000,000 from selling oilseed to Mukwano, and the demand and capacity for oilseed production is still vast. As part of developing linkages to financial institutions and information support to the private sector, a total of 260 VSLA groups were organized

in 2018 and a contract was signed with Mukwano for sunflower production and marketing. Cumulative farmer savings from the first year was UGX 143,000,000. The VSLA groups are being profiled for digitization and linkages to the private sector, and efforts are underway to link the groups to banks or other financial institutions to save and to access credit needed for procuring agricultural inputs, for land tillage, and other related activities.

DCA signed an MOU with Ensibuuko Tech Ltd to implement market information sharing to farmers through mobile phone messaging. The industrial capacity gap of over 65-70,000 MT of oilseeds required by Mukwano provides a market opportunity worth about UGX 845bn annually to West Nilers living in host communities and refugee settlements. DCA and Mukwano therefore believes that a partnership to guarantee a market for the farmers' produce will unlock host communities' and refugees' potential to participate in the value chain by engaging them as producers, entrepreneurs, workers, and consumers, while Mukwano accesses a new sourcing channel.

During the reporting period, the project was faced with a few challenges including: lack of an assured market for their produce, leading to exploitation; land opening due to many trees in the area and the rocky terrain; lack of storage facilities for post-harvest handling; and the high cost of hybrid seeds. This intervention by aBi will further promote humanitarian development and a peaceful co-existence nexus between refugees and host communities, which will lead to sustainable economic development in Uganda.

CHANGING LIVES



Rashid Banduga, a model farmer, passes on knowledge to other farmers about how to space sunflower during planting

Rashid Banduga, 45, farms on ten acres of land and has been elevated to a model farmer in his Obologofuku village community. Life for him will never be the same after he switched to sunflower farming in 2017. He says that, at a market price of UGX 1,300 per kilo, his peers are also switching preferences.

“By 2018 I had recruited 30 new entrants in planting sunflower”, says Banduga. “The crop is not labour intensive like cotton or tobacco, yet the demand is massive as Mukwano Oil Seed needs 18,000 MT per day. As more women are getting interested, we expect household incomes to improve in Obolofuku.” Banduga says that, given a good harvest on his expansive sunflower farm, he expects to build a permanent house, educate his children and live a better life. This will be in addition to diversifying his income with livestock and poultry and, using proceeds from oilseeds he is already growing, he will also grow food crops like cassava, vegetables and cereals.

Mbako Zakia, a refugee in Bidibidi Camp, has not spared his energy in 2017 to open up farmland in the forest given to them by the Office of the Prime Minister (OPM.)

“By 2018 I became an established farmer from being a businessman in Yei previously”, laments Mbako. “But I lost everything because of the raging war in South Sudan. I have no choice but to plant sunflower if I am going to cater for my family adequately.” Mukwano provides the farmers with seeds for planting, tarpaulins for drying the seed, empty bags and technical services.

“There is an agreement between us farmers and Mukwano Factory”, said Mbako. “The basis of such arrangement is a commitment on the part of the farmer to provide a specific commodity in quantities and at quality standards determined by the purchaser and the commitment of the company to support the farmers’ production and to purchase the commodity.”



Dairy Value Chain

In 2018, aBi worked with two dairy value chain IPs: Jesa Farm Dairy Ltd and Alfasan (U) Ltd. Supported activities during the year included the provision and installation of milk coolers, trainings about ensuring milk quality, financial and herd health management, and best cooperative governance practices for Jesa Farm Dairy Ltd partner cooperatives.

As of the end of 2018, Jesa had installed three of the four milk coolers procured through aBi for distribution to dairy farmers' groups willing to supply milk to its processing plant. The coolers were placed and are now operational at Dwaniro Dairy Farmers Cooperative Society, Kiboga Livestock Dairy Farmers Cooperative Society at Kyamukweya, and Butemba Cooperative Society. The fourth cooler is set for installation at the cooperative site in Ngoma in the first quarter of 2019. Jesa was able to reach 140 farmers (49 women and 91 men) through training, and they purchased 238m litres of milk from the supported Milk Collection Centers (MCCs) at an average price of UGX 700/litre.

In the case of Alfasan, the main activity during the year involved completing the installation, testing and commissioning of equipment needed for the manufacture of assorted veterinary drugs. A fully functional factory is now in place. During the year, the plant was

commissioned by His Excellency the President of the Republic of Uganda. However, by the end of the year, no sales had been made because the company was awaiting a selling certificate from National Drug Authority (NDA) following inspection of the plant and product analysis done by the regulatory body.

In 2018, Alfasan started field extension work meant to enhance dairy production and productivity, and the safe use and disposal of veterinary drugs. The company supplied 10 artificial insemination kits to distributors and as a result 1,800 cows were inseminated.

During the reporting period, aBi management decided to dispose of all the remaining hardware (coolers, gensets and lab kits) including 10 milk road tankers that were part of the second consignment under the dairy value chain project in Uganda. The disposal was opened to private milk traders and processors in all milk sheds of Uganda. By close of 2018, sixteen units had been sold through this process.

Other key 2018 activities were the development of a dairy funding window for dairy production and productivity enhancement in the three milk-sheds of south western Uganda, Central Uganda and the Rwenzori Region. The funding window is aimed at increasing the supply of raw milk by 37% per year, effective in 2019. It is envisaged that the performance of the dairy value chain will improve in the future as more implementing partners are identified and contracted by aBi.

Outcomes and impacts

aBi funding to dairy value chain IPs created 372 FTE jobs in 2018 and net attributable income of UGX 631m at the IP level. Also, the volumes of milk collected increased and this in turn increased the overall income of dairy farmers, thanks to the purchase and installation of

equipment that increases the shelf-life of milk. Impact assessment conducted by aBi in 2018 shows improved economic empowerment of women in households due to aBi interventions. Project activities have helped women earn more money, increase their savings and raise their living standards. They have also enabled participating women to gain new knowledge and learn new skills. The project has increased the knowledge of farmers about best farm practices, which has increased their milk production and improved household incomes. The average income per dairy farmer from selling milk was UGX 8m. Taking a longer perspective on aBi's interventions in the dairy VC especially during the BP2014/18 period, there is evidence of impact. For instance, in partnership with UCCCU, average rearing cost per cow (including cost for inputs, labour, etc.)

was UGX 1,466,443 in 2016 (UGX 886,014 for control farmers). In 2017, the farmers produced an average of 1,052 litres of milk per cow (771 litres for control farmers). 51% of the usage farmers reported attributable increased income. The average income per farmer from selling milk was UGX 801,012 (UGX 550,888 for control farmers). Among the benefited farmers, around 51% increased their income by over 30% compared to the control farmers. In 2016, sales by UCCCU decreased by 2% compared to 2017. Their profit was UGX 207,292,032, which is 4% lower compared to the previous year (UGX 215,929,200). No additional jobs were created at the partner level, but 22 additional jobs were created at the farmers' level. Average savings in 2017 were UGX 9,444,167 per farmer, and 48% of the farmers increased their savings by 9% compared to 2016.



A JESA beneficiary dairy farmer delivers his milk at one of the collection points in Kiboga District

SUCCESS STORY

Jesa Dairy Ltd

Jesa conducted a needs assessment in 2017 in the milk collection districts of Kiboga, Luwero and Kyankwanzi. The findings revealed that Jesa receives approximately 47,500 litres of milk daily during the rainy season from organized farmer groups and the middle men in these areas, which drops to 25,000 litres during the dry season. The Mbarara route axis (southwestern Uganda) contributed about 60% of the daily milk supplies to Jesa. Milk from the southwestern route was expensive (an extra UGX 100 per litre had to be paid to suppliers from this route). Further analysis indicated that Jesa's installed storage capacity stood at 200,000 litres with a processing capacity of 145,000 litres per day. The assessed potential capacity of farmers and middlemen to supply milk stood at 90,000 litres per day from Kiboga, Luwero and Kyankwanzi in the rainy season. Jesa sourced most of its milk through middlemen (83% of total receipts) and less from farmers, which not only presented barriers to the sustainable supply of milk to the Jesa processing plant, but also exposed the company to major risks within the supply chain. The sector is populated by farmers lacking in quality inputs for their meagre stock, poor rural infrastructure, huge socio-cultural diversity and drastic climatic variations. Such a situation made the process of milk production and procurement/supply extremely complex.

Jesa identified existing business opportunities to increase collections/supplies of high-quality chilled milk from farmers within the districts to enhance its competitiveness. However, farmers were faced with various challenges, including delayed payments, low prices, and communication gaps between the processor and middlemen. In addition, the farming communities lacked farm development



William Bunyonyi, of Butamba village in Kiboga District, watering his cows at a borehole he constructed

services, extension services, inputs and ready access to credit and other financial services. While Jesa provided a ready market for farmers' milk, tremendously improving the lives of men and women involved in the Jesa dairy value chain and making a positive impact on the community, various challenges still merited project interventions. Jesa proposed a milk supply business hub trajectory model as a commercially viable strategy to meet daily milk supply requirements while ensuring improvements in the incomes of farmers and milk suppliers.

Beginning in 2018, Jesa, in partnership with aBi, has been implementing a project: *Establishing a Sustainable Milk Supply Business Model for Jesa Farm Dairy Ltd*, covering Kiboga, Kyankwanzi and Nakaseke Districts. The main goal of the project is to increase the quantity, quality and consistency of milk supply within a radius of 100 km of the Jesa plant. Specific objectives include: creating at least 1,275 direct and indirect employment opportunities in the dairy VC; gradually reducing dependency of the Jesa processing plant on expensive and risky milk supplies from the Mbarara route axis; forming four strong, well managed member-

based organizations that have the capacity to set up and efficiently manage rural milk bulking and chilling; and enhancing milk production, productivity and quality assurance in the targeted areas.

During the reporting period, the project registered the following results:

- Development of a mobilization strategy through mapping of dairy farmers around milk collection points and, as a result, attachment of 764 dairy farmers to 4 member-based organizations that are actively engaged in milk bulking and transportation to Jesa.
- A commercially viable strategy (Hub Trajectory model) was rolled out by Jesa to improve the incomes of farmers involved in the extension of Business Development Services (BDS) to the supported groups and, as a result, 87% of the supported farmers can now obtain soft loans and vaccines for their animals from their SACCO, as well as drug shop services established using a checkoff system at the cooperative.
- With farmer enrollment into the supported cooperatives, direct commercial links between farmers and the processor (Jesa) have been established through the cooperatives where farmers collectively advocate for favourable prices for their milk, depending on prevailing market prices. As a result, the average price paid to farmers in the project catchment areas has increased from UGX 650 per litre (2017) to UGX 900 (2019). This has greatly improved the competitiveness of the established cooperatives in the dairy value chain.
- 72.9% of the beneficiary farmers have received training in Productivity Enhancement Technologies (PETs) and

currently 56.9% are rearing improved breed animals. The yield of milk per productive cow per day for the beneficiary farmers has doubled from 2 litres to 4 litres in 2018 and 2019, respectively. The volume of milk from the project catchment areas that is rejected by Jesa for quality reasons has decreased from 187,400 litres (2018) to 25,000 litres (2019), and the volume of milk produced by beneficiary farmers has increased by 1,012,096 litres, from 499,146 litres (2018) to 1,511,242 litres (2019); over UGX 129,878,400 in net income earned by supported MCCS is attributable to project interventions.

Challenges: The project catchment area is characterized by a long dry spell (the most recent lasting over five months), and with 81.9% of farmers currently adopting water harvesting for production purposes, the capacity of water harvesting structures per household cannot sustain the livestock units per household through the long dry seasons.

Among the lessons learned: emphasis needs to be put on interventions that will enable farmers to adequately prepare for and mitigate the effects of the dry season through commercializing fodder production (hay and silage) and water harvesting. Thus, there is a need for the project to go a step further to guide farmers on fodder and water budgeting per livestock unit, including consideration of water loss due to evapotranspiration (usually estimated to be about 7%, holding other factors constant). IEC materials need to be translated into local languages so that farmers can more easily comprehend the subject matter. Our supported MCCs need to put considerable emphasis on providing Business Development Services in order to strengthen membership loyalty and retention.

CHANGING LIVES

William Bunyonyi, Butamba village in Kiboga, says in 2017 his life had depended on one cow, but it has since transformed for the better. “We now want investment in livestock which makes economic sense”, says Bunyonyi. “Instead of keeping huge herds of animals for prestige in the community, I would rather keep those I can graze and water well to produce ten times more milk than having hundreds producing a few litres.” He now produces 166 litres of milk per day from local cows, up from 1-2 litres per day from his one cow. The crossbreeds are able to brave the hurdles created by climate change. “I dug a bore hole worth UGX 25m and a water dam to contain the fatal effects of water shortages that are a common occurrence”, says Bunyonyi. “Through

workshops I learned that, unlike our ancestors, it is time to plant pasture for the animals rather than grazing them on wild ones.” His farm is partitioned, and he does crop rotation.

John Kanike in Lubhale Village Kyankwanzi turned into a mixed crop-livestock farmer between 2017-2018 on 70 acres of land and harvests 40 litres of milk per day. “This is from 50 cows”, says Kanike. “We are challenged to keep them free from ticks, tough grass that breaks their teeth and other diseases.” Adding that, “I wish the Cooperative could avail us soft loans to enable us to foot the bills for water source alternatives like bore holes or digging dams, because when the cows walk long distances they are stressed and produce less milk.”

Under socially responsible investments, aBi initiated various interventions, including the development of a green growth strategy as well as a gender strategy.

During the year, three IPs were supported in relation to SRI interventions. These were the Consortium for Enhancing University Responsiveness to Agribusiness Development Limited (CURAD), Jabba Engineering Limited, and the Mediae Project:

Consortium for Enhancing University Responsiveness to Agribusiness Development Limited (CURAD): Over the reporting period, aBi supported the Agribusiness Incubator and Agri-park Project for fruits, vegetables and coffee. This project is intended to overcome challenges facing agribusinesses and processing companies by providing space, equipment for hire, and market-driven business development services. CURAD was able to begin the construction of an agri-park in Namanve (Central Uganda) and trained farmers to supply horticultural produce to incubatees in Kapeeka (Nakaseke

District in Central Uganda). The project activities generated 46 FTE jobs (22 for women and 24 for men). CURAD also selected 25 incubatees (7 women and 18 men) for the agribusiness incubation programme in 2019.

Jabba Engineering Limited (JEL): In 2018, JEL – implementer of a transformational project focused on on-farm soil nutrient testing for improved crop productivity – established 46 demonstration gardens (32 in Kasese and 24 in Mbale) and trained a total of 3,059 farmers in soil nutrient testing and optimal fertilizer application. JEL also fully developed and commissioned the first soil test results database, which is poised to enhance user access to soil nutrient testing data and to generate relevant reports. Awareness creation was also done, mainly using the medium of radio. To enhance the quality of soil testing services, JEL has initiated efforts to obtain ISO 9001 certification of its laboratories; this is expected to be concluded by June 2019. Additional net income from UGX 14m in sales from offering soil testing services was generated at the agripreneur level.



A Jabba Engineering Officer explains to a farmer what kinds of fertilizer and how much of them should be applied to his soil

SUCCESS STORY

Jabba Engineering Ltd

Uganda's agricultural sector is increasingly characterized by decreasing crop productivity due to declining soil fertility; most agricultural households do not use inorganic fertilizers as a key agricultural input. Where it is used, fertilizer application is not informed by soil testing results and therefore nutrients are either over added or under added, leading to variations in crop yield levels. This is coupled with limited access to fertilizer-specific extension services, limited scientific soil testing technologies and inadequate market information, and inadequate advice to farmers on optimal nutrient deficiencies.

Jabba Engineering Ltd (JEL) entered into partnership with aBi in 2017 to implement a "Transformational On-Farm Soil Nutrient Testing for Improved Crop Productivity" project in Western and Eastern Uganda, coordinated at the regional laboratories located in Kasese

and Mbale Districts, respectively. The Western project area covers the Districts of Kasese, Bunyangabu, Rubirizi and Kamwenge, whereas the Eastern project area covers the Districts of Mbale, Sironko, Bulambuli and Kapchorwa. The project aims to increase crop production in the maize and coffee value chains through transformational soil nutrient testing and scientific use of fertilizers in measurable optimal quantities and therefore control nutrient antagonism while promoting nutrient synergism.

By the close of 2018, the following results had been registered:

- 6,132 farmers in 264 organized farmer groups were trained in the importance of soil nutrient testing, application of soil testing recommendations on the farm, and general good agronomic practices in coffee and maize and, as result, the



number of soil samples tested by JEL laboratories has increased from 380 in 2017 to 1,697 by the end of 2018.

- Establishment and equipping of two soil testing laboratories in Kasese and Mbale, which has improved access to soil testing services and greatly enhanced adoption of soil testing practices among farmers with the waiting time for the test results reduced from 21 days to 7 days.
- 72 maize and coffee demonstration plots have been established for practical demonstration of importance of soil testing to determine the adequacy of soil nutrients compared to the crop requirements.
- 12 agripreneurs, 12 agro-dealers and 60 promoters have been trained in soil testing, interpretation of soil report recommendations, and determination of

fertilizer types and quantities. Accuracy and integrity soil testing results is assured as they meet international operating standards and Quality Management Systems. However, given that it is a new innovation, traction in terms of usage by the farmers through the agripreneurs is expected to improve in 2019.

The partnership of aBi and JEL greatly increased access to soil testing services for farming communities in the greater Rwenzori and Elgon regions, increased awareness on the importance of soil testing, promoted optimal application of fertilizers, and is creating soil nutrient data that will be used to enhance the fertilizer and agricultural extension policy in Uganda. JEL is now a key player in the soil testing industry and has embarked on a number of collaborations with district local governments, researchers and universities, NGOs and government agencies.

CHANGING LIVES

Jabba Agronomist **Annet Kapune** says the service has generally boosted production in coffee and maize in the region. There are promoters spread in Kasese communities challenged to spread the need for soil testing and the practice is working miracles.

Given a laboratory in Kasese, agronomists can now stock fertilizers that are lacking in the area and are likely to be needed by the farmers. "Soil testing results are now available in seven days," says Kapune. "The agro-dealers are now able to stock what a particular area lacks instead of what may not be desired in a given locality."

Farming drama TV and radio series by the

Mediae Company: The Mediae drama series dubbed "Kabulonda Mpeke" or "Mpeke Town" was officially launched on June 13, 2018. The series began airing June 14 on Bukedde TV and Urban TV, and the first season of the series was concluded before the end of the year. The series sought to reach wide family rural audiences in Central Region, Uganda, as well as urban youth, and inspire them with the idea that farming can be a lucrative business with the potential for increasing food production and family incomes. The series is estimated to have reached an audience of 1.5 million. The first season of the Mediae drama aroused the interest of the public and began to build the audience. It is expected that subsequent seasons, and perhaps spinoff series, will increase audience reach with a more focused approach to meeting the information needs of viewers.

The impact of the TV drama, plus complimentary communication interventions (radio, SMS, leaflets, mobile phone downloads, website and social media) caused changes to attitudes surrounding farming, as well as preliminary farming technology and technique adoption. A post-knowledge, attitude and practices survey¹³, which was conducted by IPSOS (a global market research and consulting firm with headquarters in France), highlighted the following:

- Over half of the youths interviewed expressed a positive change in attitude concerning farming as a business after exposure to the drama series, with 19% saying their views had changed to a great extent.
- 37% of rural farmers who have seen the programme said their perception of farming

¹³ Mediae Phase I post broadcast survey report 2018



On the filming site for Mpeke Town drama TV series in Jinja District

being a business with money making potential has changed for the better.

- 65% of urban youth who have seen information on farm budgeting on television said that they started budgeting on their farm.
- 91% of rural farmers who viewed the programme said they have changed their dietary habits after watching the programme.

Similarly, viewers took positive steps with respect to the production of maize and iron-rich beans, with 42% of viewers saying they have changed their fertilizer and pesticide applications on their maize crop and 16% saying the same for their bean crops.

Other VCD activities included training for IPs on agribusiness and post-harvest management. 11 IPs underwent training at the Galilee International Management Institute, Israel, covering a) innovative technologies and methods for funding private sector agribusinesses, b) creative and effective linkages for increasing agriculture production, and c) the economic feasibility of including computations for payback, Net Present Value (NPV), and Internal Rates of Return (IRR) in project analysis.

Lessons learned by aBi Development

In 2018, disbursement rates picked up as aBi continued to streamline its internal organization and decision processes in ways that both strengthened and expedited project planning and financial management and accountability. The use of the Grants Management System (GMS) has led to effective & efficient project management and implementation. Intensive training on the system has been done with IPs to make sure that all quarterly reporting and finances for an IP's project are captured and managed within the GMS.

There have been a few delays in project implementation with some IPs who have had difficulty in mobilizing their own cash contributions. aBi has however, witnessed growing interest in concessional loans on the part of IPs, suggesting increased need for this product.

Climate change continues to pose a great risk to production and productivity of the value chains supported by aBi. Shifting and unpredictable weather patterns caused by climate change are 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. Small-scale irrigation will also benefit certain smallholder farmers, mainly those engaged in horticulture, dairy, and (perhaps) coffee production. aBi will continue to emphasize 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.

Based on the recommendations of the aBi review and Annual Impact Assessment 2018, VCD initiated the process of rationalising the procurement of new IPs through the design of funding windows. Going forward, VCD will continue to use restricted calls for proposals through the funding windows for efficiency in portfolio development. To speed up the grant award process the unit will make use of short-term external expert teams.

VCD will seek to improve the frequency, consistency and quality of the interactions with IPs to ensure that the partners are not conducting the activities just for the sake of the grants but also that it is actually becoming additional profit-generating for them for sustainability.

aBi Finance Ltd Performance
in 2018

05

aBi Finance Ltd Performance in 2018

The major activities undertaken by aBi Finance during 2018 are summarized here, with performance indicators presented against targets set forth in the aBi Business Plan 2014-

2018, as well as Uganda's macro-economic and market environments. Table 6 provides a synopsis.

Table 6. Synopsis of performance against targets as of December 31, 2018

Parameter	Revised 2014-2018 BP Targets	2018 Target	2018 Annual Actual	Cumulative performance against BP Targets	% Attained against 2018 Target	% Variance against 2018 Targets	Comments
Target yield	11%	11%	11.34%	11.34%	103%	3%	Attained
Value of Investments (UGX)	166bn	168bn	171bn	171bn	103%	3%	Attained. A review of targets was done mid-way after an injection of DKK 30M into aBi Finance
No. of new LoC Loans*	155,160	44,000	55,830	175,522	113%	13%	Attained. Due to recovery of the economy thus increased lending to agribusinesses.
Value of LoC portfolio outstanding (UGX) *	116bn	117bn	85bn	85bn	73%	(27%)	Shortfall due to delayed registration of disbursement documents.
% of LoC to the Fund	70%	70%	50%	50%	71%	(29%)	Shortfall due to delayed registration of disbursement documents.
LoC Non-Performing Asset Ratio	<5%	<5%	<1%	<1%	100%	0	Attained
LoC - Percentage of beneficiaries to Northern and Eastern Uganda	15%	15%	28%	28%	187%	87%	Attained

Parameter	Revised 2014-2018 BP Targets	2018 Target	2018 Annual Actual	Cumulative performance against BP Targets	% Attained against 2018 Target	% Variance against 2018 Targets	Comments
LoC -Percentage of female beneficiaries	40%	40%	53%	53%	133%	33%	Attained. Mainly attributed to on-boarding of FIs with a specific focus on women
Value of ALG portfolio outstanding (UGX) *	91bn	91bn	103bn	103bn	113%	13%	Attained. Due to recovery of the economy thus increased lending to agribusinesses.
No. of new ALG Loans *	164,877	44,000	21,711	133,219	81%	(19%)	Shortfall on account of increased average loan
ALG - Claims Pay-out Ratio	<5%	<5%	0.44%	<1%	100%	0	Attained
Leverage -Utilization/ 20% of Fund	325%	276%	302%	302%	109%	9%	Attained
ALG -Percentage of beneficiaries to Northern and Eastern Uganda	15%	15%	33%	33%	220%	120%	Attained. Due to interventions specifically targeting N&E Uganda e.g LoCs to the region.
ALG -Percentage of Female beneficiaries	40%	40%	19%	19%	48%	(52%)	Slow uptake of financial products by females mainly due to cultural limitations.

*Targets revised upwards in 2017

Source: aBi Finance

Inflation

In 2018, inflation dropped mainly because of a decline in food crops inflation, as well as for goods, services and solid fuel.

Exchange rate

The Ugandan shilling (UGX) strengthened in 2018, a trend driven by increased dollar inflows, mainly from coffee exports, offshore investors, and private transfers, as well as project flows from non-governmental organizations.

Table 7. Annual inflation developments from December 2017-December 2018

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Inflation Rate Headline	3.3	2	2.2	3.7	2.2
Inflation Rate Core	3	1.7	0.9	3.9	2.8
Central Bank Rate (CBR)	9.5	9	9	9	10

Source: Bank of Uganda

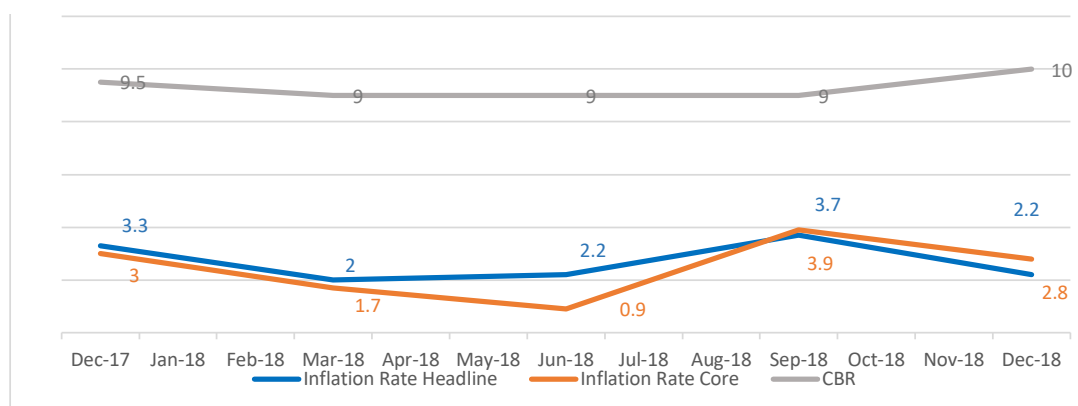


Figure 7. December 2017-December 2018 inflation and CBR trend analysis

Source: aBi Finance Records

Table 8. Exchange rate movements from December 2017-December 2018

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
\$	3,621	3,678	3,875	3,816	3,710
£	5,092	5,202	5,094	5,031	4,689
DKK	601	612	603	601	566
€	4,474	4,558	4,492	4,483	4,230

Source: Bank of Uganda

Interest rate trend

The Central Bank Rate closed the year at 10%, up from 9.5% in January 2018. Commercial bank interest rates, however, averaged 22%, up from 21% the previous year. Interest rates and yields on government paper declined across all tenures following the surplus market liquidity and an eased monetary policy stance.

Impact of economic and other conditions on aBi Finance operations

Private sector credit (PSC) growth continued on a recovery trajectory, in part supported by the recovery of the economy and declining supply-side constraints reflected in part by a reduction in non-performing loans (NPLs). This PSC growth greatly impacted the risk appetite of FIs, especially in the agribusiness space, and thus their willingness and ability to extend credit to agribusinesses; this increased the utilization of such aBi products as Lines of Credit (LoC) and Agribusiness Loan Guarantees (ALG). The improving trend is summarized in Table 9.

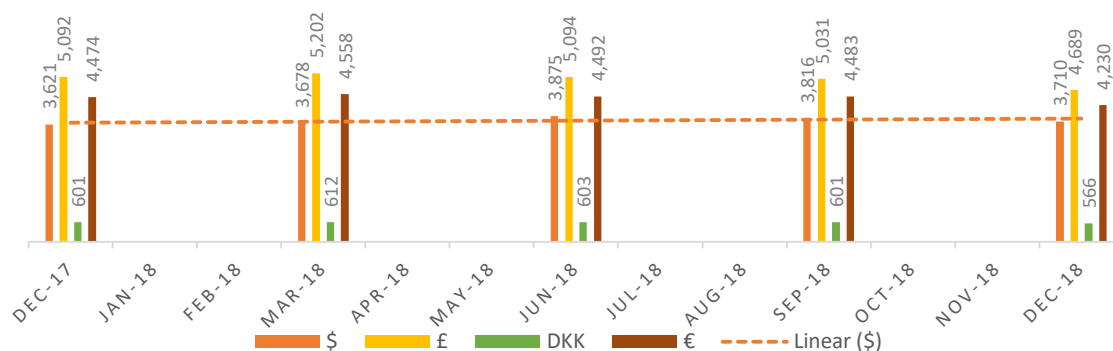


Figure 8. December 2017-December 2018 currency trend analysis

Source: aBi Finance Records

Table 9. Private sector credit growth from December 2017-December 2018

	Total Amount of PSC per Tier (2017)	Amount of PSC channelled to Agric lending (2017)	% of Agric lending from PSC (2017)	Total Amount of PSC per Tier (2018)	Amount of PSC channelled to Agric lending (2018)	% of Agric lending from PSC (2018)
Commercial FIs	12tn	1.5tn	12.1%	13.5tn	1.6tn	12.5%
Credit Institutions	312bn	54bn	17.3%	408bn	78bn	19.1%
MDIs	283bn	64bn	22.8%	312bn	70bn	22%

Source: Bank of Uganda Statistics

Endowment Fund Management

The Fund closed at UGX 171bn, 1% above the target of UGX 168bn. This was due to a well-balanced portfolio mix that produced a return of 11.34% against a target of 11.0%. Table 10 provides a breakdown of the Endowment

Fund portfolio mix between December 2017 and December 2018.

Table 11 shows the real fund value of the aBi Endowment Fund, taking into consideration the impact of inflation on the Fund's investments.

Table 10. Investments comparison December 2017 and December 2018

	December 2017		December 2018		Investment Limits
	Value	% of fund	Value	% of fund	
Govt Securities Bonds	8,796,245,219	5%	11,128,969,963	7%	Up to 10%
Fixed Deposits	56,176,393,761	35%	66,064,125,848	39%	Up to 30%
Lines of Credit	92,065,232,212	58%	85,833,942,846	50%	Up to 70%
Agribond	1,268,168,727	1%	1,262,209,929	1%	Up to 5%
Cash	1,432,568,129	1%	862,327,973	1%	Up to 3%
Concessional loans	0	0%	5,211,056,133	3%	Up to 5%
Total (UGX)	159,650,222,952	100%	170,362,632,693	100%	
Total (DKK)	274,539,522		300,994,051		

Source: aBi Finance

Table 11. Real Fund Value of the aBi Endowment Fund, December 2017 and December 2018

	December 2017	December 2018
Endowment Size (at start of period) - UGX	108,552,122,783	108,552,122,783
Increase from New endowment - UGX	0	0
Profit/loss from Investments - UGX	51,098,100,169	61,826,613,064
Profit/loss - UGX from Inflation	(419,851,582)	(2,846,858,592)
Growth of Fund - UGX	50,678,248,586	58,979,754,472
Real Fund value - UGX	159,230,371,369	167,531,877,255

Source: aBi Finance

Lines of Credit (LoC)

As of December 2018, aBi's LoC product closed at UGX 85bn, representing 50% of the Endowment Fund against work plan targets of UGX 116bn and 70%, respectively – a shortfall of 20%. This was mainly due to delays in FIs addressing issues raised during appraisals. The shortfall in amounts notwithstanding, 55,830 new agribusiness loans worth UGX 54bn were disbursed (compared to a target of 44,000) through 14 partner FIs. This increase is mainly attributed to the recovery of the economy and favourable weather conditions, and thus a resumption of lending to the agribusiness sector that had slowed in the last 2 years.

The highest disbursements were registered in Tier I FIs (47% of the new loans), followed by Tier II (23%), Tier III (22%), Tier IV (6%) and SMEs (2%). By gender, 53% of the new agribusiness loans were made to women-owned agribusinesses, against work plan target of 40%. Furthermore, regional utilization continued to be dominated by the Western region (48%) followed by the Central (24%), Eastern (14%) and Northern regions (14%).

Non-performing loans remained below 1% with two financial institutions in default.

Clean Technology Fund (CTF)

The CTF closed at UGX 5bn and with 6 partner institutions (3 SMEs and 3 FIs). During the year, 1,613 new loans worth UGX 6.3bn were disbursed, 25% of which were to women-owned clean technology initiatives. Utilisation continues to be dominated by men due to cultural constraints to women owning assets in families. By region, Western Uganda continued its dominance due to the presence of FIs supporting the uptake of the product with credit facilities. Typical initiatives supported by the clean technology fund since inception in 2015 have tended to be towards interventions mostly at the production end of the value chain like mulching, organic manure, water harvesting and biogas systems. An impact assessment is planned in 2019 that will provide an in-depth assessment of these interventions and their outcomes in order to inform future funding lines. Table 13 gives a summary of the CTF performance.

Table 12. New beneficiaries of Lines of Credit for the year ending December 2018

Number Disbursed		Gender		Location			
Current		Male	Female	C	E	N	W
Volume	Value (UGX)						
55,830	151,139,650,433	26,410	29,420	13,427	7,709	7,849	26,845

Source: aBi Finance Records

Table 13. New Clean Technology Fund loans by volume, value, gender and geographical location for 2018

Number Disbursed		Gender		Location			
Volume	Value (UGX)	Male	Female	C	E	N	W
1,613	6,311,744,200	1,204	409	358	115	120	1,020

Source: aBi Finance Records

Agribusiness Loan Guarantee scheme (ALG)

As of December 31, 2018, the amount outstanding in guaranteed loans stood at UGX 103bn, against a target of UGX 91bn. This was 13% above target and attributed to increased lending to the agribusiness sector for reasons highlighted under the LoC section above. Leverage stood at 302% against a target of 273%, 29% above target, on account of increased utilization by new entrants to the scheme, as well as increased global limits by some FIs. UGX 140bn was deployed in the form of 21,711 new loans, compared to a target of 44,000; 20% of these loans were made to female beneficiaries, against a target of 40%. As to utilization by region, Western Uganda maintained its dominance at 40%, followed by the East (at 25%), Central (at 25%) and the Northern region (at 10%). By value chain node, 78% of the loans were in support

of agricultural production, the main consumers of micro-agricultural loans, 20% to marketing and 2% to processing. Performance by tier showed Tier I FIs continuing to book the most volume (74%) and Tier II the highest number of loans (46%), as detailed in Table 14. Tier II FIs booked many small loans under the portfolio cover compared to Tier I FIs, which booked larger loans.

Table 15 details the volume and value of new loans disbursed under the ALG scheme between January and December 2018.

Claims settlement

Claims worth UGX 454m were settled during the year, bringing the cumulative pay-out since ALG inception to UGX 3.2bn, as detailed in Table 16. This performance resulted in a cumulative annual pay-out ratio of 0.44%, against a target of < 5%.

Table 14. Utilization of the ALG scheme by financial institution tier, as of December 31, 2018

Financial Institution		Number of Loans		Value of Loans	
Tier	No. of FIs	Total Number of Loans	Percentage of Total Number	Amount Outstanding (UGX)	Percentage of Total Value
Tier I	8	8,330	45%	76,025,410,739	74%
Tier II	2	8,495	46%	19,698,008,040	19%
Tier III	2	465	2%	4,772,414,574	5%
Tier IV	2	1,316	7%	2,525,033,419	2%
Total	14	18,606	100%	103,020,866,772	100%

Source: aBi Finance Records

Table 15. Volume and value of new loans disbursed, January 1-December 31, 2018

Number Disbursed		Gender		Location			
Volume	Value (UGX)	Male	Female	C	E	N	W
21,711	140,100,219,445	17,290	4,421	5,471	5,394	2,232	8,614

Source: aBi Finance Records

Table 16. ALG claims pay-outs as of December 31, 2018

	ALG Limit as of Dec 31, 2018 (UGX m)	Claims Settled Q4 2018 (UGX m)	Claims Settled Jan –Dec 2018 (UGX m)	Total Cumulative Value of Claims Settled 2010 – Dec 2018 (UGX '000)
Total	129,000	103	454	3.284

Source: aBi Finance Records

Construction Guarantee Fund (CGF)

The investment mix returned 10.62% against a target of 11%, with fixed deposits dominating the portfolio. Details of the investment portfolio mix are highlighted in Table 17.

aBi's CGF Fund management mandate on behalf of DFID expired in December 2018. The official handover of the Fund to DFID is expected during 2019 following settlement of all CGF expenses due and the completion of the Fund audit; it is also necessary to effect the maturation of fixed deposits for prudent liquidity management, as well as for value maintenance.

Financial Services Development (FSD)

During 2018, FSD facilitated increased access to financial services by agribusiness value chain actors, including smallholder farmers, and increased the availability of suitable financial products for agribusiness development. FSD supported 33 Implementing Partners which resulted in the performance summarized in Table 18 and Figure 9.

Table 17. Comparison of the CGF investment portfolio mix between December 2017 and December 2018

	December 2017		December 2018	
	Value	Percentage of Fund	Value	Percentage of Fund
Treasury Bills & Bonds	2,600,128,771	19%	0	0%
Fixed Deposits UGX + USD	9,931,628,977	79%	11,909,534,562	93%
Cash	193,341,805	1%	869,059,054	7%
Total (UGX)	13,366,502,443	100%	12,778,593,615	100%

Source: aBi Finance Records

Table 18. Progress on key FSD performance indicators

Indicator	BP Target 2014-2018	Target 2018	2018 Actuals	Cumulative Actual 2014-2018	% attained against 2018 Target	% YTD attained against BP Target	Comments
New Savings Volume (UGX, Bn)	150	40	46	231	115%	154%	Attained. The increase in branchless delivery mechanisms coupled with aggressive financial literacy training initiatives has also contributed to the surge in savings volumes
New Loans Volume (UGX, Bn)	300	75	147	635	196%	212%	Attained. This is attributed to easier accessible delivery channels like bank agents and mobile platforms as well as better tracking of loans in tier 4 institutions with newly installed automated MIS
New savings accounts opened	200,000	150,000	157,934	764,393	105%	382%	Attained. Attributed to increase in outreach using branchless delivery mechanisms like agent banking and mobile banking has also contributed to the number of people opening accounts in FIs
New loans clients	250,000	75,000	90,395	503,844	121%	202%	Attained. Same as above
New branch delivery mechanisms	25	2	3	14	150%	56%	Slowdown in investment in brick and mortar for branchless mechanisms. Branchless is more operationally efficient. Reaches more people at less cost
New branchless delivery mechanisms	20	1,500	2,145	2,155	143%	10,775	Advancements in technology resulted in greater investment in these mechanisms
Number of new financial products developed	15	2	1	15	50%	100%	Attained
Number of clients accessing agriculture insurance product	12,500	20,000	31,933	84,182	160%	673%	Attained. Bolstered by the government subsidy and investment in awareness creation
Number of new Financial Institutions (FIs) supported	150	8	6	43	75%	29%	Support given to apex bodies for wider reach

Source: aBi Finance Reports

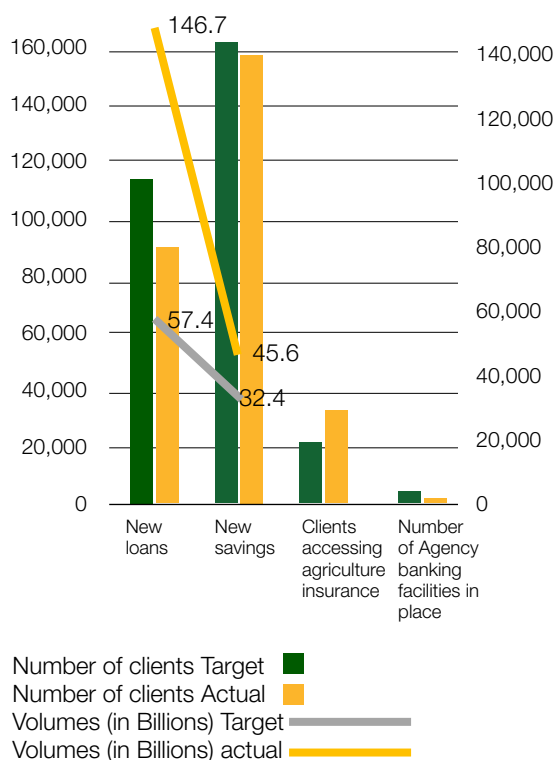


Figure 9: Key performance indicators for FSD in 2018

Source: aBi FSD data

FSD can point to a number of key achievements for 2018.

Increase in agricultural value chain financing:

- 1) Value chain analyses were conducted for six aBi-supported value chains, i.e. the maize, coffee, rice, sunflower, sesame and chili value chains, which culminated in training for 101 staff from 15 FIs in agricultural value chain financing that focussed on credit risk analysis and management, as well as product development. This was followed by a meeting for the FI CEOs and Heads of Product Development from these 15 institutions to ensure support for further innovative product development by the partner FIs.

- 2) aBi Finance supported an FI partner to develop an agricultural loan handbook in order to standardize the process of appraising and handling of agricultural clients as a means of strengthening credit risk analysis and management. The partner continues to increase their uptake of aBi Finance products, on the back of improved credit risk management. By the end of the year, the partner had requested an increase in their ALG limit to UGX 20bn, up from UGX 12bn.
- 3) Still, in a bid to bridge the gap between agriculture value chain actors and financial service providers, FSD supported another partner FI to upgrade its credit scoring engine by creating an agriculture-focused scoring tool. This has resulted in an increase in the uptake of agricultural loan products by UGX 10bn to 1,247 clients.

Branch delivery mechanisms:

Opportunity Bank, Koboko SACCO, Postbank, and Alutkot SACCO launched their branches in Oyam, Koboko, Kotido and Kole Districts located in northern and northeastern Uganda. As of the close of 2018, all four branches had a total of 5,975 new clients with UGX 6.3bn in savings and UGX 7.9bn disbursed to 3,113 new loan clients.

Branchless delivery mechanisms:

Uganda Bankers’ Association launched the shared agent banking platform under the aBi-supported Agent Banking Project. Thirteen banks were fully integrated into the platform with a total of 2,145 agents set up across the country against a target of 1,500 agents. However, stringent Know Your Customer (KYC) requirements for agents, internal bureaucracies in partner FIs, and sluggish agent approvals by the Central Bank have slowed the rolling out of more agents. In 2019, aBi will work with the key actors in this area to address these challenges.

SUCCESS STORY

Agent Banking

Following the passing of the Financial Institutions (Amendment) Act 2016, which provided for agent banking and the gazetting of Agent Banking Guidelines developed by the Bank of Uganda, agent banking became operational in Uganda in 2017. The fundamental role of agent banking is to extend and deliver banking services outside traditional bank branches through strategic arrangements with existing businesses, including farmer groups and associations. In 2017, Uganda Bankers' Association (UBA), the umbrella body for commercial banks in Uganda, partnered with aBi to implement the Agent Banking Project. The Project's aim: to establish a country wide interoperable agent network and agent banking technology platform that connects all UBA member banks across the country. This platform is enabling banks to drive financial inclusion by increasing access to affordable financial and banking services, targeting more of the unbanked and underserved population groups.

The interoperable Shared Agent Banking System (SABs) was launched in 2018, and is enabling agents of member banks connected on the platform to serve customers of other member banks, as well as non-bank customers who wish to access financial services. This is contributing to reducing financial exclusion and barriers to access to financial services in the country.

The industry currently has a total 8,805 agents approved by the Central Bank of Uganda. Of these, the number of active agents is 6,584, with current average monthly value of transactions at UGX 738bn as of March 2019. These agents are delivering services on behalf of Barclays Bank, Housing Finance Bank, Finance Trust Bank, DFCU Bank, Diamond Trust Bank, Equity Bank, Centenary Bank, Stanbic Bank, Post Bank, Exim Bank and KCB Bank who have actively rolled out Agent Banking. The services currently offered through agents include cash deposits, cash withdrawals,

Official launch of agent banking at the UBA head office in Kampala, Uganda



utilities payments, school fees payments, account balance statements and account opening origination. Through such services, agents have the potential to also increase agricultural credit by receiving agricultural loan applications on behalf of their banks, as well as helping banks disburse the approved loans.

New customer growth, improved deposit mobilization, branch decongestion, increased outreach, increased affordability and customer service are some of the results shared by financial institutions attributed to the Agent Banking Project. Various communications and awareness activities were rolled out in 2018 by UBA and other financial institutions using various platforms. Agents and bank staff received training on agent banking, and capacity building sessions will continue in 2019, along with co-branding, joint public awareness, and sensitization programmes to drive shifts in usage and behaviour.

Support from aBi for the Agent Banking Project has contributed to deepening and broadening the range of financial products and service supporting agricultural value chains, such as formal savings, credit services and insurance usage. This has been critical to increasing access to agricultural finance and building a secure and robust financial system in rural areas that will support inclusive growth and improved agriculture production.

The different roles being played by member banks, the Development Partners (aBi Finance,

FSDU, FSDA, CGAP, GIZ, IFC), Eclectics (the technology partner), Fintechs and Telecom partners have ensured that the shared agent banking technology platform is up and running.


Despite the progress made since the launch of agent banking, there are still obstacles to deepening financial inclusion through agent banking, especially in rural areas. Indeed, 99% of all the agents recruited so far are located in urban or peri-urban areas, with Kampala having over 60% of the total. However, efforts are being made to extend agent banking to rural areas, where the majority of farmers live, and this will increase the financing of agriculture and related activities. The one and a half years of operationalizing agent banking in Uganda has enabled financial sector operators to identify regulatory hurdles in the agent banking guidelines that are impeding the smooth roll-out of services. Such hurdles include 1) the lengthy agent approval process, 2) the Know Your Customer (KYC) requirements, and 3) the costs involved in, for example, printing transaction receipts.

In 2019, UBA will embark on strategies to scale up agent banking, such as agent acquisition and network management, community sensitization and financial education, and regulatory reforms to reduce the time it takes to approve agents as well as the cost of doing agent banking business.

Support for facilitation of risk management innovations through agri-insurance uptake

The volume of loans booked under Uganda's Agricultural Insurance Scheme project, which is being implemented by the Uganda Insurers Association (UIA), amounted to UGX 84bn, with a total of 31,933 farmers

accessing the agricultural insurance product. UIA continues to engage in awareness campaigns, sensitisation workshops and training aimed at informing the public and increasing the uptake of agricultural insurance.



Climate-related risks, such as prolonged dry seasons, are becoming more frequent and intense in Uganda, leading to negative impacts on smallholder livelihoods, sustainability and food security. Agricultural insurance can help, but more must be done to raise farmers' awareness of the need for such insurance

SUCCESS STORY

Uganda Agriculture Insurance Scheme (UIAS)

The agriculture sector's growth over the years has largely underperformed due to a number of challenges and varying risks faced by farmers in Uganda. Some of these risks have been catastrophic in nature, with adverse effects (including over the long term) on the farmers and the economy at large. Agricultural risks range from, but are not limited to poor quality inputs, climatic weather changes, pests, diseases, infrastructure risks (i.e. post-harvest losses), and price and market risks, all of which make investments in agriculture unattractive.

In a bid to de-risk the sector in order to unlock credit, and consequently increase investment in the sector, a consortium called Kungula Agrinsurance introduced weather-related agricultural insurance in November 2013. aBi then partnered with Lion Assurance Co. Ltd and provided a grant under Kungula Agrinsurance to design and develop insurance products offered on a pilot basis; the grant also covered a large share of the operational costs associated with the partnership. The pilots demonstrated the huge potential for agricultural products and in turn got the attention of other key actors. Using lessons and challenges extracted from these pilots, the Uganda Agriculture Insurance Scheme (UIAS) was established by the government.

UIAS was established as a public-private partnership between the Government of

Uganda, private sector stakeholders and farmers. Under the scheme, the Government is providing premium subsidy funds to undertake publicity, sensitization, and training of farmers across the country to embrace agricultural insurance. Agricultural insurance in Uganda currently covers most production risks, such as drought, excessive rainfall, hail, frost, floods, and other similar risks by transferring such risks to the insurance companies. It has provided a 50% premium subsidy to small-scale farmers, 30% to a large-scale producers and up to 80% to farmers in disaster-prone areas like Isingiro, Kasese, parts of Mt Elgon, Teso, Karamoja and West Nile. The crops insured were selected from the 12 priority enterprises highlighted by the Agricultural Sector Strategic Plan 2015/16-2019/20 & NDP 11, notably: coffee, tea, maize, rice, cassava, beans, bananas, fish, meat, milk, fruits, vegetables, cotton, oil palm, oilseed and cocoa.

aBi again partnered with Uganda Insurers Association in 2017 to support efforts to create awareness and to sensitize farmers on agricultural insurance as an integral part in managing farm risks. During 2018, this partnership ensured that Ugandan farmers were largely protected against production risks by offering sufficient indemnity to keep farmers in business through making agriculture insurance affordable and increasing farmer

access to credit. Owing to the interventions and support from the GoU and aBi, the following results have been achieved: insured agriculture loans grew to UGX 325.2bn; an increase in agricultural insurance premiums of UGX 10.4bn; an increase in the number of insured farmers to over 68,361; an increase in the number of farmer contacts to 500,000; and an average 5% reduction in premiums. In addition, these interventions have made it possible to provide agricultural insurance to smallholder farmers, in lieu of more expensive conventional (individual) insurance. Training sessions have also been carried out for financial institution staff and insurance agents to help realize their potential

as promoters and a source of information to the public.

Some of the lessons learnt during implementation of the project in 2018 include: a need to cover other risks, such as theft, health, death, disability, critical illness, floods, hail storms, flooding and wind storms; need to increase awareness of the product and address capacity building needs for banks and financial institutions; need to leverage on technology to distribute insurance products to farmers; and need to adopt new channels of distribution (such as embedding insurance with inputs) that will be facilitated through the mobile money platform.

CHANGING LIVES

To salvage **Alino Farm** in Nakaseke from the effects of droughts in 2017 and 2018, agricultural insurance has been a life saver. This remains a typical example of the challenges farmers face as a result of unpredictable climate, pests, diseases, poor infrastructure, unstable market prices and poor post-harvest handling, which makes farming so undesirable. This made many financial institutions steer clear of farmers until the establishment of the Uganda Agriculture Insurance Scheme (UAIS), all thanks to the Government of Uganda and other key partners like aBi. **Bonafatiri Nakalema** of Nakasake, had already

subscribed to UIAS when she lost her bean crop to drought.

“Good enough I had enrolled for UAIS”, recounts Nakalema. “I was protected and when I saw my shamba wither and lost hope, I was saved by the insurance policy.

Mubarak Kiggundu lost two acres of maize to the effects of droughts and floods. “Good enough the insurance is affordable”, says Kiggundu. “When it comes to floods and droughts that are a common occurrence – farming is a very risky venture today. Today I understand why there is need to be insured as a farmer.”

Apex model of lower tier SACCOs

Uganda Central Co-operative Financial Services (UCCFS), under the aBi-supported project ‘*Digital Financing for Cooperatives*’, trained and connected 235 SACCO branches to Savings Plus Management Information Software (MIS), which helps the member SACCOs improve their reporting efficiencies and transparency.

Under this same project, UCCFS also launched M-SACCO, which is a mobile banking platform for SACCOs to which 127 SACCOs were connected and are now able to provide mobile banking services to their clients, hence deepening financial inclusion as demonstrated by the new savings volumes attained in 2018 (UGX 3.1bn against a target of UGX 1.2bn).



UCCFS agent trains farmers on the use of the M-SACCO platform in Igayaza, Kakumiro District

SUCCESS STORY

Digital Financing through Cooperatives (DIFICO) Project

The partnership between aBi and the Uganda Central Cooperative Financial Services (UCCFS) began in 2013 with the *Financial Empowerment through Savings and Credit Cooperatives* (FESCO) Project, which provided support to both UCCFS and 25 SACCOs in a bid to build their capacities. The FESCO Project was implemented between 2013-2014 and it was followed with another 2-year project called the *Capacity Building Initiative* (CBI), which worked to strengthen the capacity of UCCFS and 125 member cooperatives (SACCOs) to provide efficient and sustainable financial services.

In 2017, aBi partnered with UCCFS to implement the *Digital Financing through Cooperatives* (DIFICO) Project, which aimed to address several challenges: 1) difficulties

in reaching out to remote rural-based clients in an efficient and low cost manner; 2) the lack of secure, low cost and reliable means of capturing transactional data; 3) difficulty in transferring funds efficiently and accessing more convenient banking services, including faster processing of loans and farmers' access to savings in cooperatives/SACCOs; and 4) the lack of a reliable ICT platform that links the supervising (apex) body – UCCFS – with its members. These and other challenges were to be resolved by enhancing digital financing and expanding the delivery of basic financial services to the financially excluded using innovative technologies like mobile phone-enabled solutions and digital payment platforms through SACCOs.

A number of interventions have been made, including: conducting regional sensitization meetings; conducting a baseline survey; setting up a data centre that is linking all participating cooperatives to UCCFS; and conducting customized training with participating SACCOs. The Project has also provided logistical support, including computers, printers and solar power systems, as well as software (Savings Plus). Over 126 SACCOs are now connected to the Savings Plus core banking software and in 2018 experienced notable improvements in the major Project KPIs. 3,015 staff members from the connected SACCOs have been trained in MIS and are now able to use Savings Plus.

Reporting and monitoring have both greatly improved at the SACCO level.

By the end of 2018, more than 30 SACCOs had begun transacting with the mobile banking platform M-SACCO on both MTN and Airtel, and 50 SACCOs already had MTN and Airtel IDs ready for transactions. UCCFS has started earning a commission from M-SACCO transactions amounting to an average of UGX 600,000 per month. UCCFS is now setting up a secondary server and dashboard to continue the close monitoring of SACCO transactions, providing all necessary feedback instantly for decision making as well as ensuring the safety of members' data.

CHANGING LIVES

Festus Byomugambi, in Kiseke Village, Gayaza, farms 26 acres of land and juggles his time in hospital as a dentist. He confides about his excitement when the mobile phone became a farm tool. "We can now apply for loans and service them using mobile money", said Byomugambi. "I have coffee, maize and bananas. There are times when I need cash to weed, buy chemicals to get rid of pests and buy farm inputs – RIDO serves as a bank and offers extension services. It is just a matter of pressing buttons and I am financially supported. They monitor the gardens." This is how the enterprising Byomugambi has added four acres of eucalyptus trees, dairy cows, beans and maize to his operation.

Festus Rweikongo is a mixed crop-livestock farmer working 30 acres of land, which supplies the neighbouring town with pineapples, mangoes, banana, coffee cherries and sugar cane. Rweikongo has been elevated to the status of a model farmer as the nearby community depends on his farm for fruits, milk and bananas. "Through mobile phones I can supervise my ten staff on the farm while I am away delivering produce at the store or consumer in the trading centre", says Rweikongo. "This is the only way I can manage and follow up all the agribusinesses I am involved in, including: 20 goats, 13 acres of coffee trees, 6 acres of bananas and the 7 acres of trees. RIDO has always been there whenever I need financial assistance to weed, buy chemicals or purchase farm inputs."

Concessional loans

Under an initial pilot, an MoU was signed with an FI partner in order to structure a concessional loan facility for a processor in the maize grain value chain. The venture is envisioned to run for three years, starting in

2019, and is worth UGX 7.1bn. aBi Development is providing UGX 2.2bn in funding while the processor is financing the balance (UGX 4.9bn), thus the need for the facility.



Mr. Robert Kabushenga, CEO, Vision Group (left) with Ms. Josephine Mukumbya, Group CEO (right) during the launch ceremony of a partnership to promote agriculture through the Harvest Money platform

Business Development Services (BDS) support to agribusiness projects

An inventory with over 30 BDS providers was developed in 2018, with the providers offering various services, including corporate governance, financial management, rural financing, microfinance capacity building, agribusiness product development, agribusiness strategy development, grants management, training in social and environmental responsibility, agribusiness incubation, quality management and agribusiness knowledge management. The service providers were prequalified with the view to requesting formal applications as and when the need arises to provide technical assistance to various partners.

aBi Finance lessons learned in 2018

1) Leveraging on apex bodies and wholesale lenders provides a conduit for aBi Finance services, which would otherwise not be accessed by FIs that

do not meet the qualifying criteria by way of size of membership, savings volume, and loan books. Apex bodies like UCCFS and AMFIU have built the capacities of underlying members to the extent that 4 new partner FIs have emerged from the apex bodies to individually apply for facilities under Lines of Credit upwards of UGX 500m each.

- 2) Training in value chain financing remains one of the key factors in promoting the uptake of agricultural finance, as it builds the skills and improves the appetite and confidence of FIs for lending to the sector.
- 3) Blended financing (a combination of commercial and grant financing) is effective in deepening and extending affordable financial services to the agribusiness sector.
- 4) Technology needs to be harnessed to increase financial inclusion and reduce costs.

Socially Responsible
Investments (SRIs)

06

Socially Responsible Investments (SRIs)

aBi is a social enterprise in nature and therefore, its returns on investments are measured in terms of both their financial and social/environmental outcomes. The latter are pursued by ensuring that aBi investments are socially responsible. In 2017, guidelines for Socially Responsible Investments (SRIs) which contain five key SRI principles were adopted in aBi Finance operations. The approved SRI principles are indicated in the diagram below.

The SRI principles are in use and preliminary experience shows that aBi staff, partners and

stakeholders have difficulty in translating the SRI principles into practical investment decisions and actions because of the absence of a minimum reporting standard and tools for measuring them, or how to target and measure SRI and environmental indicators. Still, in 2018 (and extending into 2019) the process of adopting a suitable SRI reporting standard commenced and will continue, and upon completion, will allow for accurate SRI data collection and analysis in order to inform strategies for closing identified gaps, resulting in more effective partnerships and interventions with our FI partners.

SRI Principles



aBi Corporate Services

07

aBi Corporate Services

Corporate Services provides operational support to both aBi Development and aBi Finance to ensure the organization meets its goals economically and efficiently. The department includes the following sections:

Finance and Procurement

The Finance Unit continued the rapid catch-up process in producing unqualified annual financial statements, for both aBi Trust and aBi Finance Ltd, with the 2017 annual financial statements, both of which were approved by the Board in Q3 2017¹⁴.

Forecasts of remaining U Growth II grant funds that still needed to be committed before December 31, 2018 were tracked and presented throughout the year to enable management to plan adequately for the amount of new grants to sign in 2018, as well as the Board to provide necessary oversight. As a result, aBi successfully committed all of the four-year DANIDA U Growth II grant funding by the end of 2018.

The AWPB 2019 was produced in time for the Q4 2018 Board meeting with improved formatting of the key expenditure statements, which now more clearly delineate the programmatic from the operational costs incurred and allow for easier tracking of performance against business plan targets for operational efficiency.

The 2018 grant disbursement figure was the highest since 2015 and marks the return of aBi to the forefront of supporting private sector agricultural development in Uganda.

Human Resource Management and Administration

The aBi staff head count stood at 53 people as of December 31, 2018 compared to 52 staff at the end of the previous year.

As a result of strategic reviews and the new Business Plan 2019-2024 developed in 2018, changes were made to aBi's organizational structure and reporting lines. In particular, IT now reports directly to the COO-CS because of the continued development of aBi's financial reporting systems and the grants management system, which interfaces directly with the Grant Management Control section for IP financial reporting and thus strategically improves both internal controls and supervision of the IP's accountability.

In 2018, efforts were made to build employee skills in order to consolidate the gains made in staff development as part of aBi's learning and development strategy, which aims to build the in-house talent pool by equipping staff with the skills they need to directly better carry out their jobs, and providing a pipeline for career development through succession planning.

As a result of the transition of aBi Trust to aBi Development Ltd, which occurred at end of the year, 42 aBi Trust staff were transferred to aBi Development Ltd and 2 FSD staff from aBi Development to aBi Finance Ltd, respectively.

Grants Management

In 2018, aBi took significant steps towards improving the control and reporting of IP grant funding. Included amongst the new initiatives was the establishment of a new Grant Management Control (GMC) section. This section aims to ensure the rapid clearing of the backlog of IP accountability and faster processing and turnaround of IP accountability, and in so doing assist aBi in meeting its grant disbursements targets more consistently in the future. It has also established closer working relations between FSD/VCD and Finance, and is fostering an environment of closer working relationships with IPs, either through on-site visits or the IP regularly coming into aBi to provide accountability and gain guidance on

¹⁴ The DED requires that the aBi annual audited statutory financial statements will be submitted to the aBi Boards, the Members of aBi Development and aBi Finance and the development partners no later than six months after the end of the calendar year.



aBi invests time, energy and money in implementing its learning and development strategy, which is focused both on equipping staff with the skills they need to better carry out their jobs, and on facilitating their career development

using the GMS. This is part of aBi's strategy to create a more tightly controlled IP financial reporting structure, but one that at the same time makes the grant process easier and quicker for IPs to follow, which is essential to the aBi mission. Faster identification of reporting errors reduces the ability of an IP to carry out fraud and ensures that committed grant expenditures remain within the grant funding budget.

The external auditors visited 41 aBi IPs and 9 aBi Finance FIs who had received aBi disbursements in 2018. The overall results were encouraging, with unsupported and ineligible grant funding being less than 2.5% of the funds disbursed during the year. This tighter level of supervision on IP grant expenditures

has served to deter fraud and enhance adherence to grant guidelines.

Legal Compliance and Risk Management

In addition to the usual activities of providing legal services for contract management and risk and compliance management, the section was heavily involved in the process of setting up the successful transition of the majority of aBi Trust assets and liabilities to aBi Development Ltd.

Following the IP audits that were conducted in 2015-2017, aBi had a total of 45 problematic cases as of Q4 2018 that resulted from misappropriation of funds from historical exceptional findings, which included

unsubstantiated IP expenditures totalling approximately UGX 10bn. Through the recovery proceedings carried out by aBi, a total of UGX 421m was recovered during the year, whilst incurring UGX 15m in professional legal fees.

In August 2018, aBi launched a Fraud Risk Assessment exercise with the objectives of: identifying the different Fraud Risk Factors (FRF) at aBi; identifying fraud risks in aBi and where it is most vulnerable; and assessing the adequacy of the controls in place. The assessment alerted management to certain areas that need to have sufficient controls in place to prevent, deter and/or detect fraud at an early stage.

As part of the risk assessment and mixed team initiative of implementing partners, the section conducted a number of risk exposure orientation sessions in which 10 IPs participated. These focused on the risks faced by each partner and provided guidance on how to improve their own internal control systems.

aBi also conducted legal due diligence on grant applications for 22 entities during the year.

Advocacy and Communications

The review of aBi Development in 2018 and aBi Finance in 2017 generated some important lessons and demonstrated that aBi and its partners were having a big impact on the agribusiness sector in Uganda. In 2018, we shared the review findings with our stakeholders to create national awareness and appreciation of aBi's relevancy in developing a viable agribusiness sector, informing aBi's programmatic strategies and influencing policy. This was part of taking stock of aBi's achievements since its inception in 2010, and especially during the Business Plan 2014-2018 period.

As part of supporting national platforms and in pursuance of our vision, aBi supported different critical agribusiness actors, including public institutions such as Makerere University and the National Agricultural and Research Organization (NARO) efforts to promote scientific research aimed at boosting agriculture, and the Ministry of Agriculture efforts relative to the Fall Army Worm outbreak and its management.

During the year, aBi undertook various advocacy and communications initiatives with critical partners including: the Seeds of Gold and Harvest Money platforms, in partnership with the Daily Monitor and New Vision, respectively, to facilitate learning and knowledge sharing among aBi, its partners and with other agribusiness stakeholders in Uganda. These initiatives have had a positive impact on stakeholders in terms of improving their knowledge and taking advantage of existing agribusiness opportunities at aBi, as well as informing policy for a more viable agribusiness sector in Uganda. aBi also attended different strategic fora within Uganda and the region to share its lessons learned. In 2019, aBi will further develop and integrate existing Knowledge Management System (KMS) tools, with the aim of becoming a recognized knowledge leader on agribusiness.

In 2018, aBi partnered with the Ministry of Finance, Planning and Economic Development to hold two National Competitiveness Forums that informed the budget planning process for the Financial Year 2019/20 National Budget. aBi also actively participated as a member of the National Private Sector Competitiveness Taskforce, which has a mandate to promote private sector economic competitiveness in Uganda.

Information Communications Technology

During 2018, the rollout and implementation of the Grant Management System (GMS) continued. Out of a total portfolio of 43 active IPs as of Q4 2018, 30 were reporting within the GMS using standardized KPIs that can be aggregated for results measurement. The remaining 13 IPs are legacy projects from before the GMS was introduced and are now being phased out. These projects are expected to close out by the end of 2019 and thereafter all IPs will report using the GMS. In order to add another layer of reporting beyond the quarterly KPI, RM-R&D and financial reports, IPs trained (or in training) on the GMS were provided with GPS devices so that they can record the precise location of their aBi-funded activities from the field. In 2018, IPs recorded a total of 4,356 activities across 67 Districts, accompanied with photographic evidence and profiles of each activity.

The aBi website was completely redesigned, accommodating recent corporate changes with the transition of aBi Trust to aBi Development Ltd. The new website also greatly facilitates grant making, with calls for proposals sought through the site and linking applicants directly to the GMS, providing an end-to-end digital platform for the entire grant-making process.

Results Measurement – Research & Development

Following the 2017 aBi review that recommended strengthening of the MRM unit, the Technical and Quality Assurance unit and the MRM unit were merged to form a new Results Measurement – Research & Development unit. During 2018, the RM-R&D unit carried out some major assignments, including: coordination of the AWPB 2019;

monitoring and data validation of projects; construction of baselines for new projects; evaluation of ended projects; project inception and quarterly reviews; due diligence exercises for new projects, using a mixed-team approach; and refinement of key performance indicators and data collection tools for use in reporting through the GMS.

Other key interventions for the unit included: reporting; capacity building for staff of aBi and its IPs through a number of training sessions on results measurement, market analysis, and the DCED standard; supporting sectoral studies on irrigation investment and market analysis; dairy value chain scoping in Rwenzori sub-region for value chain financing; mapping of financial services in northern and eastern Uganda, among others; and maintenance of the results measurement system and updating of project management tools, such as the Intervention Guides.

During 2018, aBi also undertook collection of annual impact data for all high-level indicators for 30 mature projects in VCD and FSD. The outcome of this exercise informed preparation of the new Business Plan 2019-2024 and the DCED audit of aBi's results measurement system.

As part of monitoring and data validation, a total of 34 active projects under VCD and aBi Finance were monitored and supported for effective implementation and delivery of results.

The RM-R&D unit completed a baseline study for 25 new projects under VCD and aBi Finance and the reports were disseminated for use. Evaluation studies on 20 projects under VCD and aBi Finance that have ended were also completed.

Internal Audit Performance

08

Internal Audit Performance

During the reporting period, the Internal Audit unit played its independent, objective assurance and consulting function, which added value and improved aBi's operations through supporting the realisation of set objectives that ensure a systematic, disciplined approach to evaluating and improving the effectiveness of existing risk management tools, internal controls and governance processes. To promote efficiency and effectiveness of audit efforts during the year, a risk-based audit approach and combined assurance model was used to coordinate aBi assurance efforts.

About 64% of the Annual Internal Audit Plan for 2018 was completed by December 31. The completed assignments highlighted areas of potential risks and recommended improvements in internal control and governance processes. Three investigations arising from whistle-blower complaints and management requests were handled.

In 2018, aBi focussed on building Internal Audit capacity to audit Information and Communication Technology (ICT), in line with aBi's drive to automate key processes. To this end, relevant staff were enrolled in certification programmes in such areas as Ethical Hacking certification, Certified Information Systems Audit (CISA), and Certified Internal Auditor (CIA).

Table 19. Performance against the Internal Audit Plan for 2018

No	Area	Risk Rating at Planning	Level of Completion
1	Audits were done on 30 VCD & FSD projects out of 71 planned for 2018 (49 of which are VCD and 22 are FSD)	High	Partly Completed
2	Agricultural Loan Guarantee (10 FIs)	High	Completed
3	Finance and Tax	Medium	Not done
4	Investments (LoC, Clean Technology, FD, and Government Bonds)	High	Not done
5.	Information Technology	High	Completed
6.	Governance	Medium	Completed
7.	HR and Administration	Medium	Completed
8	RM-R&D	Medium	Ongoing
9	Procurement	High	Completed
10	Risk Management	Medium	Ongoing
11	Repayable Grants	High	Not done

Financial Performance
versus Budget Summary
in 2018

09

Financial Performance versus Budget Summary

aBi Trust Performance

This section highlights the financial performance of aBi Trust over the period 1 January to 31 December 2018.

Table 20. aBi Trust financial performance vs budget, by activity, for the year ended December 2018

		Budget (UGX)	Actual (UGX)	Variance (UGX)	% Variance
1	VCD				
1.1	Coffee	6,608,953,027	10,080,192,718	3,471,239,691	53%
1.2	Cereals	6,130,000,000	3,558,053,431	(2,571,946,569)	-42%
1.3	Pulses	1,558,500,000	486,608,784	(1,071,891,216)	-69%
1.4	Oilcrops	2,137,800,000	1,237,797,425	(900,002,575)	-42%
1.5	Horticulture	4,011,000,000	2,568,066,002	(1,442,933,998)	-36%
1.6	Dairy	1,678,600,000	6,273,719,588	4,595,119,588	274%
1.7	Cross-cutting Issues	7,083,600,000	5,469,069,107	(1,614,530,894)	-23%
1.8	Human Resource	3,790,616,000	3,478,918,850	(311,697,150)	-8%
	Provision for doubtful receivables from IPs	-	2,173,027,096	2,173,027,096	100%
		32,999,069,027	35,325,453,000	2,326,383,973	7%
2	FSD				
2.1	Qualification of Borrowers and Outreach	4,605,000,000	7,239,860,431	2,634,860,431	57%
2.2	Financers Skills Enhancement for Supp Agribusiness	520,000,000	789,180,371	269,180,371	52%
2.3	Agribusiness Product Development	346,999,000	111,362,506	(235,636,494)	-68%
2.4	Increasing Volumes of Agribusiness Finance	460,417,000	32,631,064	(427,785,936)	-93%
2.5	Consolidation of Lower Tier Financial Institutions	200,000,000	-	(200,000,000)	-100%
2.6	Risk Management Mechanisms in Agribusiness	1,091,826,000	235,811,377	(856,014,623)	-78%
2.7	Component Human Resource	1,321,499,600	1,027,907,251	(293,592,349)	-22%
		8,545,741,600	9,436,753,000	891,011,400	10%
9	TRUST OPERATIONS				
9.1	Staff Costs	2,348,373,021	2,265,118,169	(83,254,852)	-4%
9.2	Operational Costs	5,174,878,792	4,168,375,324	(1,006,503,468)	-19%
9.3	Capital Costs	168,100,000	137,461,459	(30,638,541)	-18%
9.5	Technical Assistance	650,000,000	516,151,336	(133,848,664)	-21%
	TOTAL TRUST OPERATIONS	8,341,351,813	7,087,106,288	(1,254,245,525)	-15%
	GRANT TOTAL	49,886,162,440	51,849,312,288	1,963,149,848	4%

In 2018, aBi Trust utilized UGX 51.9bn against a budget of UGX 49.9bn, therefore exceeding its budget by 4% over the year.

Table 21. aBi Trust Statement of Income and Expenditure for the year ended 31 December 2018

	YTD Actual	YTD Budget	Var	YTD Actual
	Dec 2018	Dec 2018		Dec 2018
	UGX 000's	UGX 000's	%	DKK 000's
INCOME				
Grant Income	47,680,258	49,886,162	-4%	83,650
Grant Income - KFW	535,825			940
Management fees	93,453	-	0%	164
aBi Trust Costs recharged to aBi Finance	3,650,964	1,956,045	87%	6,405
Other Income	608,665			1,068
Total income	52,569,165	51,842,207	1%	92,227
EXPENDITURE				
By the Trust				
Value chain development	35,325,453	32,999,069	7%	61,974
Financial Services Development	9,436,753	8,545,742	10%	16,556
Technical Assistance	516,151	650,000	-21%	906
Other Trust Operations	6,570,955	7,691,352	-15%	11,528
	51,849,312	49,886,163	4%	90,964
By the KFW				
KFW disbursements	535,825			940
Foreign Exchange loss/ (gain)				-
Tax Expense aBi	184,028	586,813	-69%	323
Total expenditure	52,569,165	50,472,976	4%	92,227
FUND BALANCE FOR THE PERIOD	-	1,369,232	-100%	-

DKK 1 = UGX 570

The aBi Trust Statement of Income and Expenditure for 2018 (Table 21) shows grant income proceeds from RDE for implementation of programme activities

amounting to UGX 47.7bn, with UGX 3.6bn being earned from aBi Finance for recharged costs of corporate services for the year.

Table 22. aBi Trust Statement of Financial Position as of 31 December 2018

	Actual	Budget	Var	Actual
	Dec-18	Dec-18	%	Dec-18
	UGX 000	UGX 000		DKK 000
ASSETS				
Cash and bank balances	23,935,566	2,723,442	779%	41,992
Other Receivables	22,445,316	-		39,378
Tax recoverable	17,655			
Project Assets	931,878			
Equipment	2,040,000	1,082,850	88%	3,579
Total assets	49,370,415	3,806,292	1197%	84,949
LIABILITIES				
Deferred grants	33,328,159	2,437,060	1268%	58,470
Deferred grants - KFW	1,759,338	-		3,087
Other payables	2,600,177			4,562
	37,687,674	2,437,060	1446%	66,119
CAPITAL AND FUND BALANCE				
Fund balance as at Dec 2017	17,605,431			30,887
Movement on asset reserves	(5,922,690)			
Fund balance for the period	-	1,369,232	-100%	-
Total liabilities and net funds	49,370,415	3,806,292	1197%	97,005

DKK 1 = UGX 570

In the aBi Trust Statement of Financial Position as of December 2018 (Table 22), total assets are shown as being higher than budget due to:

- 1) The high closing cash balance of UGX 24bn compared to budget of UGX 2.7bn due to RDE disbursing the bulk of the remaining funding due to aBi Trust under U Growth II.

- 2) Other receivables, made up mostly of IP receivables, amount to UGX 17.7bn, plus fees owing from aBi Finance for management recharges of UGX 2.1bn.

- 3) Project assets (mainly the remaining milk coolers procured by the Trust on behalf of implementing partners) have been capitalized in aBi's balance sheet based on net realisable value.

Deferred grants are those received from Development Partners during the year, but still unexpended at the end of the year.

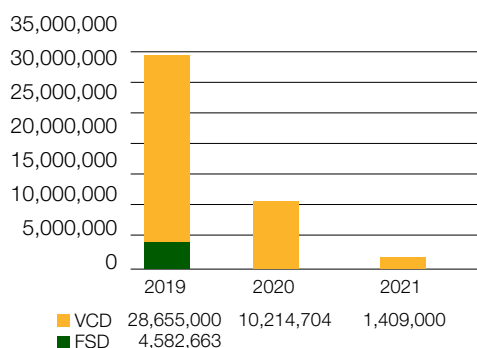


Figure 10. Programme commitments as of 31 December 2018

Figure 10 shows the level of commitment that aBi Trust has with its IPs as of 31 December 2018 and the amounts payable in each of the years in which funds will be due. Total commitments for both VCD and FSD, as of December 2017, are UGX 44.8bn.

aBi Finance Ltd Financial Performance

This section highlights the financial performance for aBi Finance Limited for the 12 months ended 31st December 2018.

Table 23. aBi Finance Limited Consolidated Statement of Financial Position as of 31 December 2018

	Actual Dec-17 UGX 000	Actual Dec-18 UGX 000	Budget Dec-18 UGX 000	Var %	Actual Dec-18 DKK 000
ASSETS					
Cash and bank balances	1,613,163	1,724,894	2,450,218	-30%	3,026
Government securities	10,736,754	10,326,595	8,307,257	24%	18,117
Fixed Deposits	67,770,852	83,794,475	46,704,054	79%	147,008
Concessional Loan			5,000,000	-100%	-
Investment in Subsidiary	1,000,000	1,000,000	1,000,000	0%	1,754
Line of Credit	83,926,965	85,236,385	116,554,695	-27%	149,538
Loan guarantee fees receivable	22,802	2,535			4
Tax Recoverable	79,559	682,022			1,197
Deferred Tax Asset	764,127	748,592	268,770	179%	1,313
Fixed Assets	4,460	3,878	22,752	-83%	7
Other Receivables	7,774,835	888,034	300,000	196%	1,558
Total assets	173,693,517	184,407,410	180,607,745	2%	323,522
LIABILITIES AND EQUITY					
Liabilities					
Provision for unpaid loan guarantees	2,037,876	821,980	5,078,644	-84%	1,442
Other payables	1,975,311	4,242,476	2,489,457	70%	7,443
Tax Payable		-			-
Construction Guarantee Fund	13,184,690	12,508,283	12,508,283	0%	21,944
Total Liabilities	17,197,877	17,572,739	20,076,384	-12%	30,829
Equity					
Capital Grants	108,540,058	108,540,058	108,208,596	0%	190,421
Available for Sale Revaluation reserve	246,512	66,425			117
Retained Earnings	47,709,070	58,228,188	52,322,765	7%	102,155
TOTAL EQUITY AND LIABILITIES	173,693,517	184,407,410	180,607,745	2%	323,522

DKK 1 = UGX 570

Total assets of aBi Finance Limited as at 31st December 2018 were UGX 184bn versus a budget of UGX 181bn, including the Construction Guarantee Fund of UGX 12.5bn, whilst total equity increased to UGX 167bn from UGX 156bn in 2017, an increase of 7.1%. The budget figure for total equity in aBi Finance Limited as at 31/12/18 was UGX 160.5bn, so this was also a 4.1% improvement compared to budget. This is as shown in the Statement of Financial Position (Table 23). The Endowment Fund totalled UGX 171.5bn 31/12/18 compared to the budget of UGX 168.4 bn and was invested in Lines of Credit at UGX 86bn (50%) and fixed deposits of UGX 72bn (42%) whilst UGX 10.3bn (6%) was held in GOU securities. The Agricultural Bond was

dormant again over the financial year with the investment of UGX 1.1bn being held in fixed deposits. Lines of Credit ended the year at 26% below the forecast level owing to delays in FI's accessing the facilities agreed with aBi Finance Ltd but there was a pipeline of UGX 24bn as at year end so they are expected to rise rapidly in 2019. The balance of unused LoC's was reflected in the higher balances held in fixed deposits.

Also of note in the SOFP was a significant deferred tax asset of UGX 0.8bn at the end of the year which will be utilized in 2019. Other receivables decreased from UGX 7.8bn in 2017 to UGX 0.9bn in 2018 as aBi Trust repaid the UGX 7bn funding which aBi Finance had temporarily provided in 2017.

Table 24. aBi Finance Limited Consolidated Statement of Comprehensive Income for the 12-month period ended 31 December 2018

	YTD Actual Dec-17 UGX 000	YTD Actual Dec-18 UGX 000	YTD Budget Dec-18 UGX 000	Var %	YTD Actual Dec-18 DKK 000
INCOME					
Interest Income	15,625,631	18,520,706	17,834,015	4%	32,492
Loan guarantee fees	703,173	716,756	949,000	-24%	1,257
Total Operating Income	16,328,804	19,237,462	18,783,015	2%	33,750
Other Income	439,511	672,310	292,000	130%	1,179
Operating and Admin Expenses	-4,967,275	-5,860,723	-7,847,584	-25%	(10,282)
Guarantee Claims	-516,923	-445,947	-500,000	-11%	(782)
Impairment Charge for Credit loss	-1,369,134	-58,220	-1,318,903	-96%	(102)
Profit Before Tax	9,914,983	13,544,882	9,408,529	44%	23,763
Income Tax Expense	-2,996,301	-3,958,952	-3,368,229	18%	(6,946)
Total Operating income	6,918,682	9,585,930	6,040,300	59%	16,817
Other comprehensive income					
Fair Value Gain on available for sale financial assets	113,723	(257,267)	-	0%	(451)
Deferred income tax thereon	(34,117)	77,180	-	0%	135
Total comprehensive income for the period	6,998,288	9,405,843	6,040,300	56%	16,501

DKK 1 = UGX 570

The exposure to the ALG scheme is not reflected on the SOFP other than through the provision calculated under IFRS 9 but the exposure is capped at a maximum of 20% of the endowment fund under aBi fund management parameters, whilst the annual payout ratio for the year at 0.5% was well below the allowable maximum of 5% of the outstanding value of loans guaranteed (UGX 103bn as at 31/12/18). The bad debt provision which related to unpaid loan guarantees reduced slightly to UGX 1.8bn vs UGX 2bn in 2017. IFRS 9 was adopted for the first time in 2018 which resulted in a write back to retained profits of UGX 0.4bn and thus the opening equity for the year. Other payables include accrued expenditure for expenses incurred but

not yet paid for, in addition to the payables to statutory bodies.

In the Statement of Comprehensive Income (Table 24), the total profit before tax was UGX 13.5bn versus a budget of UGX 9.4bn resulting in the profit before tax being 45% above budget. This was mainly on account of the increase in interest income to UGX 18.6bn from UGX 15.8bn in 2017, although this was offset by higher operating charges of UGX 5.9bn in 2018 compared to UGX 5bn in 2017.

Figures 11 and 12 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.

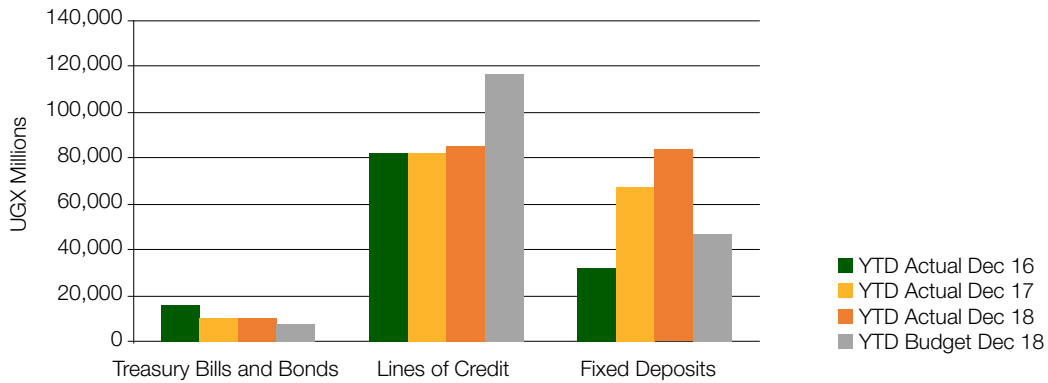


Figure 11. Interest-earning assets – balance sheet

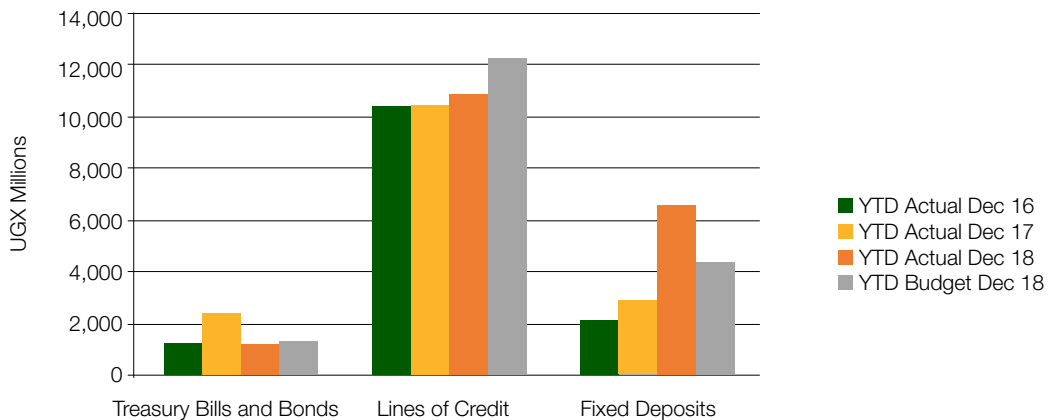


Figure 12. Interest income



Funding status

In 2018, aBi Trust received a total of UGX 70bn (DKK 122.6mn) 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 2018 was UGX 24bn. This was on account of RDE disbursing the majority of the outstanding funding in respect of the U Growth II programme which ended on 31/12/18. During the year, the Capital Management component managed by aBi Finance received no further funding from RDE.

The Construction Guarantee Fund (CGF) facility of UGX 7.2 bn (£2m), which is managed by aBi Finance on behalf of DFID's Crossroads programme, stood at UGX 12.6bn in 2018 compared to UGX 13.1bn in 2017 owing to a mixture of project disbursements and returns from investments in which the funds

are managed by aBi Finance Ltd. The fund was predominantly invested in government securities and fixed deposits with a small cash holding.

Activities under the KfW's Uganda Rural Challenge Fund continued during the year 2018, which is the final year of operations before the project closes. The original agreement signed with the 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. to enable the smooth running of the project until full utilization of the remaining funds. During 2018, no further funding was received from KfW but a further UGX 0.5bn was used for the implementation of activities. The closing balance on the funds as of 31/12/18 was UGX 1.76bn.



Annexes

aBi Governance

The Agricultural Business Initiative (aBi) holds funds provided by its Development Partners, carefully managing and investing them to improve the performance both of Uganda's agribusinesses and the many smallholder 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 organization. This keeps aBi focused on its primary goal of supporting small- to medium-size agribusinesses, microfinance operations, financial institutions and farmer organizations, 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 organization is actually composed of four related but autonomous legal entities that contribute to achieving a shared mission.

2018 saw changes in aBi's governance aimed at making it stronger, more efficient in its decision making, and more sustainable. These changes emanated from a review of aBi's governance carried out by The Royal Danish Embassy, aBi's majority investor. aBi is now made up of four autonomous legal entities that all work *"to promote a competitive, profitable and sustainable agriculture and agribusiness sector in support of equitable wealth creation in Uganda"*. These legal entities are aBi Trust, aBi Development Ltd, aBi Finance Ltd and aBi Agricultural Bond Company Limited.

aBi Trust Ltd

The founders of aBi Trust are the governments of Denmark and Uganda. At the beginning of 2018, the Board of aBi Trust comprised nine Trustees: Mrs Lydia Obbo-Ochieng (Chair), Hon Gerald Ssendaula (Vice-Chair), Hon Victoria Sekitoleko, Mr Warwick Thomson, Ms Sarah Walusimbi, Mr Vincent Kaheeru, Mr Nicholas Okwir, Mrs Nadine Margaret Byarugaba and Mr David Kabateraine.

The composition of the aBi Trust Board changed in 2018:

- The Board Chair, Mrs Lydia Obbo-Ochieng, retired as a Trustee effective 25 April and was succeeded in the Chair by the Honourable Gerald Ssendaula, from 25 April to 31 December 2018. The current Chair, Ms Sarah Walusimbi, was appointed with effect from 1 January 2019.
- Effective 31 December 2018, the Hon Gerald Ssendaula, Hon Victoria Sekitoleko, Mr Vincent Kaheeru, Mr Nicholas Okwir and Mrs Nadine Margaret Byarugaba all retired as Trustees.

On 1 January 2019, two new Trustees – Mr Ulrik Jørgensen and Mr. Henrik Jerspersen – were appointed by the founders of aBi Trust. During 2018, the Board of aBi Trust held five scheduled and five *ad hoc* meetings.

In September 2018, aBi Trust completed its transition to a new vehicle called aBi Development Ltd, a company limited by guarantee. The Trust's founders plan to wind up that organization as soon as is practicable.

The Board of aBi Trust had established four Board Committees, which operated until June 2018. These were:

- The Audit and Risk Committee, which held two regular meetings and one *ad hoc* session during the year;



- The Finance and Programme Oversight Committee, which held five regular meetings;
- The HR Committee, which held two regular meetings; and
- The Nominations and Governance Committee, which did not come together in 2018.

Two new Board committees were established in June 2018 as part of the governance restructuring – the aBi Procurement and Investment Committee (PIC), and the aBi Audit, Risk and Compliance Committee (ARCC).

aBi Development Ltd

aBi Development Ltd was incorporated in 2018 as a company limited by guarantee, and assumed the activities of aBi Trust, following recommendations of the 2017 Review of aBi Trust. Its Members are the Kingdom of Denmark and aBi Finance Ltd. The Board of aBi Development includes seven Directors: Ms Sarah Walusimbi (Chair, aBi Boards), Mr Warwick Thomson (Vice-Chair, aBi Boards), Mr David Kabateraine, Mr Michael Kairumba, Mr Felix Okoboi, Ms Sophie Nkuutu and Mr Tom Adlam. This new Board held two meetings in

2018, both of them conducted jointly with the aBi Finance Board.

aBi Finance Ltd

aBi Finance Ltd is a company limited by guarantee. Its Members are the Kingdom of Denmark and the Royal Danish Embassy, with Mr Warwick Thomson representing the latter. At the beginning of 2018, the aBi Finance Board had four Directors: Mr Mads Mayerhofer (Chair), Mr Warwick Thomson, Mrs Lydia Ochieng-Obbo and Mr Andrew Otengo Owiny.

During the year, a number of changes were made to the aBi Finance Board:

- Mrs Lydia Obbo-Ochieng retired as a Director on 25 April 2018;
- The aBi Finance Board Chair, Mr Mayerhofer, resigned as a Director on 31 July 2018. He was succeeded as Chair by Mr Warwick Thomson from then to November 20, 2018. The current Chair, Ms Sarah Walusimbi, was appointed on 20 November, having become a Director on 21 June of that year;
- Mr Andrew Otengo Owiny retired as a Director on 5 September 2018;



Representatives of the aBi Investor Council, which includes the Development Partners that fund aBi's work, join members of the Board and of the Management team on a field tour aimed at monitoring activities by Implementing Partners in Western Uganda

- Mr Felix Okoboi was appointed as a Director on 5 September 2018; and
- Mr David Kabateraine, Mr Michael Kairumba, and Ms Sophie Nkuutu were appointed as Directors on 1 December 2018.

The aBi Finance Board held four meetings in 2018. The Board's Audit, Risk and Compliance Committee met twice during the year, and was replaced in June 2018 by an aBi Audit, Risk and Compliance Committee.

Joint Governance Arrangements for aBi Development and aBi Finance

aBi Development Ltd and aBi Finance Ltd are closely intertwined, sharing the same aBi Members, Board members, Board committees, senior management within aBi, and the organization's corporate services.

To achieve more effective decision making, the Boards of aBi Development and aBi Finance (the aBi Boards) schedule joint meetings in order to facilitate discussion of issues affecting both companies. However, the Boards of Directors have been advised of their duties to their respective legal entity and meet separately when there are company-

specific decisions to be made. Separate minutes reflecting this are developed for each organization. In 2018, the aBi Boards held two joint meetings.

aBi Agricultural Bond Company (ABC)

The aBi Agricultural Bond Company Ltd is a company limited by shares. Its shareholders are aBi Finance Ltd and Mr Warwick Thomson. At the beginning of 2018 the Directors were Mrs Lydia Ochieng Obbo and Mr Warwick Thomson. Mrs Ochieng Obbo ceased to be a Director of aBi ABC on 25 April 2018 and was replaced by Mrs Josephine Mukumbya. It held three meetings in 2018.

Investor Council

As part of the 2018 aBi governance restructuring, an Investor Council was established which will include the Development Partners that provide funds to aBi. A representative of The Royal Danish Embassy (RDE) serves as the Chair of the Council and a representative of the Government of Uganda is the Deputy Chair. This reflects the close working relationship aBi and RDE have with the Government of Uganda.



Key financial institutions and other agribusiness actors that are working with aBi were recognized by the Bank of Uganda for their innovations and performance during the May 2019 BoU Agricultural Credit Facility Awards; the Facility was established by the Government in 2009 to promote commercialization of Ugandan agriculture by improving access to more affordable credit

Other Actors Working to Improve Ugandan Agribusinesses

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

A large number of donor countries and development agencies, including Denmark (**DANIDA**), Sweden (**SIDA**), the United States (**USAID**), Belgium (**BTC**), the European Union (**EU**), the **KfW Development Bank**, and

the **Netherlands Development Cooperation** to name only a few, have long invested in developing Uganda's agribusiness sector. Other key international agribusiness investors include the **French Development Agency** (Agence française de développement, **AFD**), the Dutch financial co-operative **Rabobank**, and the **Mango Fund**, and an impact investing and consulting organization focused on promoting rural development.

Uganda's National Agricultural Advisory Service (**NAADS**), under the **Ministry of Agriculture, Animal industry and Fisheries (MAAIF)**, is working with

Operation Wealth Creation under the Office of the President to provide quality inputs and improved technologies to farmers across the country.

The **Agricultural Credit Facility (ACF)** was set up by the Government of Uganda in partnership with commercial banks, Uganda Development Bank Ltd, and various micro-deposit-taking institutions and credit providers. ACF is facilitating the provision of medium- and long-term financing to projects engaged in agriculture and agro-processing, focusing mainly on commercialization and value addition.

Some major private sector companies involved in producing edible oils and oil seed crops, such as **Mukwano Industries** in Northern Uganda and **Bidco Uganda Ltd** in Kalangala, have done much and continue to work on strengthening the country's oil seed value chain.

Various humanitarian organizations, such as **World Vision**, and faith-based NGOs like the **Catholic Relief Services** and **Samaritan's Purse**, provide strong support at the local, regional and national levels in Uganda to, among many other things, strengthen cereal production and the cereals value chain. The **World Food Programme** is also a key player in the grains value chain.

With support from AGRA, **Kilimo Trust** operates across the East African Community to promote regional solutions that make agricultural markets work better for the reduction of poverty and elimination of hunger. **TechnoServe Uganda** partners with many other organizations to seek out and invest in business solutions to poverty.

SNV Uganda, in collaboration with the Government's **Dairy Development Authority (DDA)**, has successfully launched the first ever practical dairy training farms in southwest Uganda.

The **Private Sector Foundation Uganda (PSFU)** is the country's apex body for the private sector, representing over 200 business associations and corporate bodies, including many from agriculture. PSFU serves as a focal point for private sector advocacy and provides critically important business development services to companies operating along agricultural value chains. Other sector platforms include: **UNADA, USTA, UOSPA, UHEA, UBPA**, and the **Grain Council of Uganda** to mention but a few.

And finally, various organizations are involved in agricultural financing and infrastructure development, such as the **Microfinance Support Centre Ltd (MSC)**, a Government owned company that is one of the lead agencies in the implementation of Uganda's "Prosperity for All" Programme, which works to transform the rural economy through job creation and increasing household incomes. Other notable actors contributing to this initiative include **Stromme Microfinance East Africa Ltd** and **Oikocredit Uganda**.

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







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