aBi in 2019

aBi

Balancing commercial viability with development objectives

aBi Mission

Improved profitability, income and employment of Ugandan farmers and agribusinesses

aBi Vision

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

aBi Development Partners

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
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Sida

USAID
FROM THE AMERICAN PEOPLE

aBi in 2019

Balancing commercial viability with development objectives

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Coffee beans on the drying table at Kawacom Uganda Ltd's Kampala facilities. The natural drying process used and the careful selection of beans for roasting gives Kawacom's Ugandan coffees a heavier, more flavourful body.

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 Ltd (formerly aBi Trust) and aBi Finance Ltd:

Front row (seated): Ms Josephine Mukumbya, Ms Sarah Walusimbi, and Ms Joan Abila,

Back row (standing): Mr Felix Okoboi, Mr David Kabateraine, Ms Sophie Nkuutu, Mr Warwick Thomson, and Mr Michael Kairumba.

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

It is with great pleasure that I present aBi's 2019 Annual Report, which covers the period 1 January to 31 December 2019 and includes shared experiences on the part of staff, valuable feedback from our stakeholders, and a summary of the organisation's financial performance.

The agricultural sector in Uganda is dominated by small-scale farmers, traders and processors. Value chains generally, are not well developed and are characterised by farm produce and factory products that range from moderate to poor quality. On the other hand, local, regional and international demand for high quality farm products is rapidly increasing. This calls for Uganda's agricultural sector to strengthen linkages between producers and processors, and to upgrade technical and managerial business capacity to meet growing market demand.

As in other sectors, finance is the grease that makes the engine of production run smoothly and efficiently. Unfortunately, financial service providers tend to have negative perceptions about financing agricultural enterprises. The result: relatively low financial inclusion rates, especially in rural areas, a conservative lending appetite due to perceived high risks, and a challenging asset liability mismatch, all of which lead to high interest rate, short-term loans to the agricultural sector.

Any of the above can severely limit agricultural and agribusiness financing. aBi interventions are aimed at reducing or removing these bottlenecks, and as a result balancing the commercial viability of agribusinesses with clear development objectives. For instance, as a result of aBi's contributions in 2019, financial inclusion is rapidly increasing through the digitisation of the financial sector. This has led to the emergence and professionalization of SACCOs, semi-formal savings and loans associations, and general improvements in the welfare of aBi's beneficiaries. All of the investments and interventions made by aBi complement public and commercial investments, focusing on bottom-line outcomes that serve the rural economy. aBi continues to search for and roll out innovations that optimise the impact of our interventions in the agribusiness sector. We are cognisant of the fact that our clients and beneficiaries have high expectations, and we strive to meet them as evidenced by the 2019 aBi Stakeholder's Satisfaction Survey results.

In 2019, the Uganda Programme on Sustainable and Inclusive Development of the Economy (UPSIDE) was launched, with aBi being a beneficiary. UPSIDE is a private sector development programme through which Denmark is contributing to sustainable and inclusive economic growth in Uganda, with an overall aim of helping the country to make good on its commitment to achieving the United Nation's Sustainable Development Goals (SDGs).

Looking ahead

In 2020, we expect to take trailblazing initiatives that will emphasise outcome results-based partnerships and financing to increase our capacity to support and finance Green Growth and climate Smart Agriculture initiatives. We will continue to develop the Funding Window approach to targeted investments and advance our use of mixed-instruments solutions to support agribusinesses in their transition to becoming formal and commercial entities. In addition, we expect to launch a new partnership with the EU that will see grant funds provided to aBi and commercial development finance delivered via Denmark's IFU. This is strong evidence of donor confidence in aBi.

Our gratitude, therefore, goes to our Development Partners – DANIDA, USAID and SIDA – for the trust that they have put in aBi to deliver high-quality results and value for money. We will continue to do our best to retain the confidence of all our stakeholders. On behalf of the Board, I would like to thank the Founders – the Governments of Denmark and Uganda for their steadfast support in what remains a high-potential but often challenging sector. I would also like to extend deep appreciation to my fellow Board Members and to aBi Management and staff for their efforts in the continued improvement and sustainability of aBi.

The Board is confident that aBi will deliver on its performance objectives and that all necessary steps will be taken to strategically strengthen our position to deliver growth and value for all our stakeholders. At aBi, agribusiness is our business.

Sarah Walusimbi
Board Chairperson

An aBi Board field visit to JESA Farm Dairy Ltd, in Busunju. One of Uganda's premier dairies, JESA has partnered with aBi since 2018 to expand its milk processing facilities. The JESA processing plant now delivers over 200,000 litres per day to local and regional markets, along with yogurt, butter, fresh cream and cream cheese.

Message from the Group CEO

aBi's current Business Plan 2019/23 focuses on improving the profitability, income and employment of Ugandan farmers and agribusinesses. It aims at achieving the following results: increased sustainability of smallholder farmers' production, productivity and market integration; improved overall business performance and sustainability of beneficiary agribusinesses; increased access for smallholder farmers and agribusinesses to serviceable financial services; and enhanced efficiency, effectiveness and sustainability in the provision of aBi's services.

2019 was the first year of implementation, and in the course of the year aBi demonstrated its commitment to improving the fortunes of implementing partners and beneficiaries including farmers, agribusinesses and financial institutions, all of whom are at the centre of everything we do.

Our strategy in 2019 focused on ensuring that the organisation commenced on the right footing in delivering the Business Plan objectives. We adopted a Funding Window (FW) methodology in grant disbursement, which provides an opportunity for better diagnostic analysis of the bottlenecks in specific value chains, done in consultation with key value chain actors, to lead to interventions that are more suitable. The inaugural FWs for the Dairy, Pulses value chains and Northern and Eastern Uganda were launched and the process though slower as we adapted to the procedural changes enabled us to on board 11 projects with interventions we believe shall address identified bottlenecks in Dairy sub sector as well as the Northern and Eastern Uganda region. An assessment of these windows shall be conducted in due course.

A look at the 2019 performance dashboard indicates reasonably good performance. For example, under Value Chain Development (VCD), beneficiary Implementing Partners (IPs) earned a net additional income of UGX 9.5 bn against a target of UGX 11 bn; the sales value from target enterprises earned by beneficiary IPs was UGX 191 bn against a target of UGX 56.5 bn; and 2,777 additional full time jobs at partner level were created by aBi-supported interventions against a target of 1,867. Under Financial Services Development (FSD), new loans valued at UGX 210 bn were generated and new savings valued at UGX 76 bn were set aside by over 181,000 new clients, and over 44,000 new clients were covered by appropriate agricultural insurance products. These FSD numbers reflect achievement rates averaging 200% relative to targets. We exceeded the target yield of 11% per annum for the Capital Fund, at 11.6%; and a combined total of 96,000 new agribusiness loans under key products were made, relative to a target of 77,000 (51% of these were made to women-owned agribusinesses, against a target of 40%).

To enhance the commercial viability of agribusinesses, VCD directed support towards development of infrastructure and the establishment of facilities for value addition and quality improvement. Business development support (BDS) focused mainly on addressing governance issues and access to information and knowledge were offered, to enhance sustainability and strengthen institutions. Results measurement remained a key component of all our interventions in 2019, supporting core business functions by providing necessary information for decision making.

On this note, we successfully undertook a full Donor Committee for Enterprise Development (DCED) audit of our results measurement system, covering all interventions implemented during the period 2014-2018, and the results were very encouraging. Overall, the 2019 audit showed very impressive gains relative to the previous audit done in 2013. The audit scores included a 75% rating against a target of 85% in the 'Must' compliance criteria, compared to the 47% scored in the 2013 audit, and 80% rating against a target of 60% for the 'Recommended' compliance criteria, compared to the 28% score in the 2013 audit. This very positive outcome has informed further improvements in aBi's results measurement efforts and enhances our credibility.

In 2019, the focus of aBi Finance continued to be addressing the bottlenecks to agribusiness financing and financial inclusion through disbursement of Lines of Credit (LoC), the Agribusiness Loan Guarantee (ALG) Scheme limits, and Financial Services Development (FSD) grants as well as the overall management of the aBi Finance Capital Fund.

In August 2019, the Construction Guarantee Fund (CGF) managed by aBi Finance on behalf of DFID came to an end and after a thorough audit of its operations, funds amounting to UGX 11.4 bn were subsequently transferred back to DFID's bank in the UK. The CGF achieved the purpose for which it was formed and recorded substantial milestones, including supporting rural road construction needed to ensure improved access to markets for Ugandan farmers, whilst contributing to aBi's sustainability through earned fees.

2019 also marked the conclusion of the voluntary wind up of aBi Trust and its transition into aBi Development Ltd in order to become a more efficient vehicle for delivering on our BP objectives. This successful transition is a testimony to aBi's commitment to being at the frontline of financing

The aBi Group CEO initiates building construction by laying the first foundation block at the AgriPark Project site in Namanve Industrial Park in Mukono District near Kampala. The project, which is being implemented in partnership with CURAD, a leading agribusiness incubator in Uganda, will improve the processing of horticulture products for local as well as export markets.

agricultural value chains by balancing strong commercial viability with clear development objectives for agribusiness.

In the reporting period, aBi formalised the institutionalisation of Environment, Social and Governance (ESG) screening as part of the due diligence process for on-boarding new partners. This underscores our commitment to socially responsible investment with a focus on poverty reduction, fair and safe labour conditions, equitable outcomes, environmental and social resilience, and green growth. Further to this, aBi continued its pursuit of refining its SRI interventions by consulting partner FIs, most of whom were already familiar with the Universal Standards for Social Performance Management. These engagements culminated in the commencement of the formulation of a Social Performance Management policy that will continue providing a framework for guiding future investment activities to ensure they are responsible, ethical and aligned with aBi's vision and mission.

At the time of writing this report, Uganda and the rest of the world is grappling with how to deal with the COVID-19 pandemic and, as elsewhere, the prospects for recovery remain speculative at this time as the economy continues to experience shocks. According to the Johns Hopkins-led Partnership for evidence-based response to COVID-19, there are concerns about likely grave socioeconomic impacts of coronavirus on livelihoods in low-income countries like Uganda, as containment policies flatten the medical curve, they tend to steepen the recession one.

aBi is responding by working with its implementing partners and others to improve the resilience of agribusiness partners through targeted project budget reallocations and technical assistance, contract amendments, restructuring of lines of credit, concessions on fees and interest rates, and waivers of procedural matters that cannot be addressed because of the travel and other restrictions currently in place.

Over the medium to longer term, we will unveil digital solutions, product developments and refinements, as well as targeted remedies that minimise disruptions in logistics and access to inputs in specific agricultural value chains, so that farmers can remain productive. We will walk hand in hand with our partners during this period of uncertainty to support business continuity and consolidation of past gains achieved through our joint interventions. aBi is also responding by advocating for the safety of her staff and their relatives by promoting adherence to directives and equipping them to operate safely in this new business environment. We are also bolstered by the confidence entrusted in us by our funders, without whom this recovery period would be more challenging for aBi and its partners.

On behalf of all aBi staff, I take this opportunity to thank the Members, Directors, and Implementing Partners in equal measure for their contributions to aBi's 2019 performance. We remain open to learning and trying out novel approaches, especially in light of the current disruptive operating environment, as we strive for a better agribusiness sector in Uganda. Together, we will survive this!

Josephine Mukumbya
Group CEO

Members of the Kyerero model farmers group, in Rukiga District, tending to a productive cabbage garden. Cabbage is a good source of vitamins and minerals, and is among the more lucrative vegetable crops grown by smallholder farmers for sale in local and urban markets.

aBi's 2019 Performance

Under aBi Finance

11.6% return on portfolio mix

UGX 107 bn value of outstanding loan under LoC

74,840 new loans (60% to women) disbursed under LoC (3,387 under Clean Technology Fund)

UGX 105 bn value of outstanding guarantee portfolio

21,075 new ALG beneficiaries

UGX 23.3 bn
VCD Budget Utilisation

UGX 6.9 bn
FSD Budget Utilisation

UGX 175 bn
value of Capital Fund Investments

Under VCD

2,777 new FTE jobs at partner level (19.5% went to women)

UGX 9.5 bn net additional income earned by beneficiary SMEs

UGX 191 bn sales value from target enterprises by beneficiary SMEs

191,347 additional farmers, 51% being women (benefit outreach)

UGX 75 bn sales value from target enterprises by farmers

153,345 new smallholders reached, 46% being women (access outreach)

43 projects (5 new) supported across all value chains

Under FSD

UGX 210 bn value of new loans

UGX 76 bn value of new savings

101,542 new loan clients

181,043 new savings clients

44,173 new clients (40% women) booked on agricultural insurance product

Table 1: VCD outputs and results[1] (January-December 2019)

Key Performance Indicator (KPI)	2018 actual	2019 target	2019 actual	2019 % attained	Explanation of variance / remarks
Additional full time jobs (male) created at IP level as a result of aBi-supported interventions	1,439*	1,120	2,235	199	The good weather experienced in the first and second cropping season resulted in increased production, creating more jobs at IP level.
Additional full time jobs (female) created at IP level as a result of aBi-supported interventions	469*	747	542	73	Number of women employed in the FTE jobs is still low compared to men. Also, the majority of women are employed as casual labourers, engaged mainly in sorting produce and coffee.
Additional net income (UGX bn) generated by Implementing Partners as a result of supported interventions	101	11.3	9.5	84	Prices of target enterprise products have generally risen as a result of quality improvements across value chains.
Sales value (UGX bn) for the targeted enterprise by the IP	96.2	56.5	191.2	338	Largely contributed by coffee, dairy and cereals because of selling processed commodities, hence fetching higher prices.
Sales value (UGX bn) for the targeted enterprise by participating farmers	n/a	29.3	98.6	335	This resulted from the increased volumes and higher prices received for different commodities due to improved quality.
Number of male farmer beneficiaries supported (benefit outreach)	75,967	47,137	93,356	198	More beneficiaries because of enhanced training and marketing outreach.
Number of female farmer beneficiaries supported (benefit outreach)	71,896	31,424	97,991	312	More beneficiaries because of enhanced training and marketing outreach.
Number of new groups of producers that engaged in collective marketing or procurement of inputs or financial services	3,670	3,118	2,951	94	This is increasingly becoming the norm. Across value chains, most farmers have embraced collective marketing due to ease of market access and premium prices received.

* New FTE jobs at partner level only and not from all interventions

1 Data on high-level indicators are provisional, and will be finalised by the 2018/19 annual impact assessment

Table 1: (continued)

Key Performance Indicator (KPI)	2018 actual	2019 target	2019 actual	2019 % attained	Explanation of variance / remarks
Number of new/additional (female) smallholder farmers that engage in collective marketing	n/a[2]	37,410	22,575	60	Collective marketing is common in coffee and dairy. This will be promoted in the other VCs in the coming years.
Number of new/additional (male) smallholder farmers that engage in collective marketing	n/a	56,115	22,231	40	Collective marketing is common in the coffee and dairy VCs. This will be promoted in the other VCs in the future.
Number of new (male) smallholder farmers participating in group-based savings, micro-finance or lending programmes as a result of aBi interventions	n/a	56,115	24,079	43	A savings culture is growing amongst the groups but is more popular with women than men, although in terms of savings, men save more than women.
Number of new (female) smallholder farmers participating in group-based savings, micro-finance or lending programmes as a result of aBi interventions	n/a	37,410	22,336	60	A savings culture is growing amongst the groups and more women are getting involved.
Number of farmers harvesting water for production	18,091	15,159	27,695	183	As a result of heavy rains in the last quarter, the number of farmers harvesting water for production increased, especially in the coffee and dairy VCs.
Number of households implementing joint household planning	1,278	16,375	13,733	84	Impact of gender mainstreaming takes time to be achieved.
Number of new farmer groups or farmers with which IPs or agribusinesses have reliable business agreements as a result of aBi interventions	n/a	3,118	6,604	212	This was more common in coffee and dairy, which are more well-structured compared with the other value chains
Number of new (female) smallholder farmers who have received aBi-supported agricultural productivity or quality enhancement training (access outreach)	71,499	70,525	70,616	100	Increased participation was observed in coffee, dairy and pulses value chains in the year as more demos were established.

2 n/a – indicator was introduced in 2019 (new business plan)

Table 1: (continued)

Key Performance Indicator (KPI)	2018 actual	2019 target	2019 actual	2019 % attained	Explanation of variance / remarks
Number of new (male) smallholder farmers who have received aBi-supported agricultural productivity or quality enhancement training (access outreach)	107,248	99,518	82,729	83	Increased participation was observed in coffee, dairy and pulses value chains in 2019 as more demos were established.

Table 2: Synopsis of aBi Finance Ltd performance against targets as of 31 December 2019

Parameter	BP 2019 -2023	2019 target	2019 actual	% attainment	% variance
Yield (%)	11	11	11.6	104	4
Value of investments (UGX bn)	213.8	179	175	98	(2)
No. of new LoC loans	218,200	43,000	74,840	174	74
Outstanding LoC portfolio (UGX bn)	147.5	115	107	93%	(7)
% of LoC to the Fund	69	64	61	95	(5)
Non-performance asset / total assets (%)	< 5	< 5	2	100	0
No. of new ALG loans	196,000	34,000	21,075	62	(23)
Outstanding ALG portfolio (UGX bn)	168.2	123	105	85	(15)
Claims pay-out (%)	< 5	< 5	0.46	100	0
Leverage (utilisation / 20% of Fund)-%	393	344	300	87	(13)
Turnaround time on individual guarantees (days)	< 3	< 3	1.3	100	0
FSD cash budget utilisation (UGX bn)	30.1	7.2	6.9	96	(4)

Source: aBi Finance

Table 3: Progress on key FSD results indicators for 2019

Indicator	BP 2019-2023	AWPB 2019 target	2019 actual attained	% attainment	% variance	Comments
New savings volume (UGX bn)	192	32	76	235	135	Attained.
New loans volume (UGX bn)	437.5	57.4	210	366	266	Attained.
New savings accounts opened	823,920	162,000	181,043	112	12	Attained.
New loan clients	895,538	114,750	101,542	88	(12)	Not fully attained.
New branch delivery mechanism	11	4	1	25	(75)	Construction / refurbishment is ongoing for 4 FI branches in Moyo, Yumbe, Mbale and Bukedea districts. They will be opening in 2020.
New branchless delivery mechanism	35,887	4,800	8,422	175	75	Attained.
Number of new financial products developed	7	2	2	100	0	Attained.
Number of clients accessing agriculture insurance product.	150,000	22,000	44,173	200	123	Attained.

Table 4: Cash disbursement of funds to priority value chains in 2019

Value chain	2019 budget (UGX '000)	2019 Cash (UGX '000)	Variance (UGX '000)	% variance
Coffee	9,640,000	10,068,875	428,875	4
Cereals	7,115,000	6,476,716	(638,284)	-9
Pulses	3,600,000	821,968	(2,778,032)	-77
Oilseeds	1,660,020	1,205,184	(454,836)	-27
Horticulture	1,460,000	1,532,645	72,645	5
Dairy	5,224,000	1,941,633	(3,282,367)	-63
Crosscutting issues	839,000	869,381	30,381	4
STTA Short Term Technical Ass'	310,500	332,095	21,595	7
Other VCs[3]	150,000	29,138	(120,862)	-81
TOTAL VCD	**29,998,520**	**23,277,635**	**(6,720,885)**	**-22**

3 Other VCs include aBi investments in interconnecting markets, e.g., low-cost irrigation, storage, ICT solutions for agricultural advice and trade information, and new value chains such as poultry

Impacts of Selected VCD Agricultural Practices

01

Impacts of Selected VCD Agricultural Practices

An independent study on the effectiveness of six promoted VCD practices was commissioned in November 2019. The main objective of the study, which is examining Village Saving and Loan Associations (VSLAs), collective marketing (village aggregation/ bulking centers), the warehouse and storage receipt system, demonstrations gardens/plots, farmer field schools, and One-Stop Centre Associations (OSCAs), is to assess the extent to which the intended benefits of the approaches are being achieved, how they are contributing to attaining aBi Business Plan targets, and to identify lessons and recommendations for improving and scaling up the practices. Key findings of the study so far include:

1) Most village aggregation centres are achieving their objectives. For example, access to big markets has been achieved to about 75% level, increased produce prices to about 65%, and increase household incomes to about 60% level. On the smallholders' side, about 28% have fully achieved their objectives and about 65% have partially achieved them. The village aggregation centres approach appears to be effective in general, increasing smallholder incomes about 60% of the time, lifting profitability (17-23% of the time), and increasing yields (about 11-27% of the time).

   The village aggregation centre approach is contributing to positive changes in crop yields; beans and maize yields, for example, have increased by 118% and 101%, respectively. Similarly, income for target beneficiaries has increased by 154% for beans and by 142% for maize, while for the non-target beneficiaries it reduced by 27% for beans and increased by only about 29% for maize.

   Furthermore, the majority of farmers (84.5%) reported that they have a ready market for their produce. This impact applies to both the target beneficiaries (91.5%) and the control group (77.3%). The proportion of farmers marketing collectively is relatively the same for the target beneficiaries control group, implying that even the non-target farmers have benefited from this approach. In addition, volumes of crops sold have increased significantly both for beneficiaries and the control group. For example, the volume of beans sold by the target beneficiaries has increased by 247% and 135.4% for the control group. Equally, the volume of maize sold has increased by 79.9% above that for the control group.

In order to improve the relevance, effectiveness, efficiency, impact and sustainability of this approach, the study recommends the following actions:

- The approach should be further supported to enable construction of modern storage/bulking facilities with larger capacity, and to establish satellite centres in strategic locations to achieve a wider catchment of farmers and produce.
- Current and potential beneficiaries of this approach should receive ongoing training in good agronomic practices, post-harvest handling, and business skills. The provision of key services, such as access to improved seed, credit facilities, timely market information, and market access for members' produce, should be continuously supported.
- Village aggregation centres should establish alternative income-generating activities where they can obtain capital that is needed to pay farmers in advance so that farmers can comfortably bulk produce as they wait for better future prices.
- Technical and financial support should be provided to village aggregation centres to invest in improved and relatively large-scale processing facilities for value addition.
- Village aggregation centres should be supported to form partnerships with large institutions, such as the World Food Programme, and with schools that can provide a bigger and more sustainable market.
- Bulking centres should extend their model beyond the bulking of outputs for sale to buying inputs in bulk. This will reduce the unit cost of inputs and facilitate easier access to high quality supplies needed by member farmers.

2) The demonstration gardens approach was ranked as the most preferred by 41% of the smallholder respondents, indicating how relevant the approach is to them. About 70% of the target beneficiaries of demonstration gardens, and 60% of those targeted by Farmer Field Schools, have adopted practices being promoted, compared to about 50% and 30%, respectively for the control groups. Results also show a benefit-cost ratio of 2.6, suggesting that the aBi-supported demonstration gardens approach is efficient in achieving its intended objectives. In terms of reach, 4450 farmers are reported to have adopted recommended practices; this is far above the target of 2000 farmers and constitutes a spill over of 222.5%. The number of Farmer Field Schools have increased by 50%, and all the planned thematic areas of training have been covered 100%.

   In terms of impact, the yields of beans and maize increased by 90% and 113%, respectively, after the demo training. The bean production for participants was 57.7 kg/acre higher than that for the control group. Crop income for farmers who participated in aBi-supported demonstrations is above that for the non-participants (control group) by about UGX 379,000 to UGX 395,000 per year. Incomes from beans and maize have increased by 126% and 121%, respectively. Under the Farmer Field School approach, about 38% reported increases in income, due mainly to increased production and selling collectively while ensuring produce quality.

   The study is showing the profitability of crop enterprises increasing for farmers participating in demonstration gardens, 48% of whom attribute the increase to their involvement in the demonstration garden approach. Similarly, about 43% of farmers agree that participation in Farmer Field Schools has improved farm profits. There are some increases in employment, with about 27% of those beneficiaries attributing the improvement to participation in demonstration gardens. Adopting promoted technologies leads to farmers hiring additional labour. The approach created awareness and sensitised farmers on the importance of environmental protection.

Today, only a small portion of the farmland in Uganda is irrigated, mainly through large-scale projects. However, the national focus is shifting towards smaller, more affordable and sustainable options. This farmer in Iganga District is irrigating his land using a solar powered water sprinkling system developed by Solar Now Uganda, a beneficiary of aBi's Clean Technology Fund. Such irrigation systems can play a major role in increasing the productivity of smallholder farmers across the country.

   The beneficiaries also reported increased resilience to economic shocks and attribute it to their participation. For example, beneficiaries reported saving 18.6% of their crop income while the control group saved 15.2%.

3) Regarding increased market access, about 42% of the participating smallholders attribute gains to the approach that contributes to selling produce at higher prices. However, while 89.1% of beneficiaries and 84.1% of the control group contend that there is a ready market for their outputs, they still decry low prices.

   - About 96% of the beneficiary farmers and 49% of the non-target beneficiaries report that the One-Stop Centre Associations

(OSCAs) are relevant, mainly in terms of making services more affordable (according to 65% and 39% of the target- and non-target beneficiary farmers, respectively), as well as more timely (according to 51% and 37%, respectively). The approach provides smallholders with training on different aspects along priority value chains, storage services, access to input and output markets, access to post-harvest handling and agroprocessing services, as well as access to credit and savings services. About 70% of the target beneficiary farmers agree that the OSCA approach is leading to increases in their farm profits, while 82% and 78%, respectively, report increases in the volumes sold. However, the approach has high operational costs, and a limited capital base that constrains the inputs stocked, and the produce bulked at the OSCAs.

The study makes the following recommendations aimed at making the OSCA approach more effective, efficient and sustainable:

- In case the entire approach as per its design cannot be supported and replicated due to the high financial investment requirement, specific components should be adopted or adapted and supported by farmer institutions, development partners, local governments and MAAIF.
- District local governments should participate in the implementation and management of the approach. Support by development partners has a timeframe which on expiry should not leave a gap, but rather the local governments continue giving the required technical support.
- OSCAs should be supported to establish bulking centres in production catchment areas in order to shorten the distance and costs of smallholders in accessing the services, and to expand OSCA membership.

4) About 77% of smallholders have received credit from a VSLA, confirming the relevance of the VSLA approach specifically in rural areas with limited access to commercial banks financial services. About 85% of these smallholders report that they are satisfied with VSLA services. Approximately 21% of the beneficiaries (members of the aBi-supported VSLAs) and about 24% of the control group (members of non-supported VSLAs) have fully achieved their objectives of joining VSLAs, while the majority (62.9% of beneficiaries and 51.4% of control group) have partially achieved their objectives.

VSLAs provide farmers the best option for where to keep their savings, with about 57% and 60% of beneficiaries and the control group, respectively, saving amounts beyond the VSLAs' mandatory weekly/monthly deposits. Before aBi began to support the VSLAs, only 34.4% of the smallholders interviewed had access to credit. At the time of this evaluation, 87.6% had access, and 91.6% of those obtained their credit from VSLAs. At least 22.1% of the respondents have borrowed money for starting or investing in a business. A reasonable percentage has invested in commercial farming (35% of beneficiaries and 20% of the control group) followed by produce marketing (22% of beneficiaries and 28% of the control group) and in small shops (13% of beneficiaries and 20% of the control group). The annual business growth rate attributed to the VSLA approach has been 25% for beneficiaries and 18% for the control group. The demand for agricultural inputs has increased by about 43%, up from 23% before members joined the VSLA. About 35% of beneficiaries and 20% of control group reportedly borrowed from a VSLA to invest in commercial farming, which has resulted in increased yields as reported by 78% of beneficiaries and 76% of the control group.

Overall, about 90% of the participating smallholders strongly agree that the VSLAs approach has increased their access to credit, and 85-87% strongly agree that it has increased their savings. Positive impact has also been reported in employment. Although 75% of the beneficiaries and 98% of the control group strongly claim that VSLAs approach has not increased employment for skilled labour, about 51% of beneficiaries and 58% of the control group agree that it has increased employment of unskilled labour.

Macro Agribusiness Sector Review

02

Macro Agribusiness Sector Review

The Ugandan economy reported strong growth in 2019, estimated at 6.3%, largely driven by the expansion of services. Services growth averaged 7.6% during the year, and industrial growth, driven by construction and mining, reached 6.2%. In contrast, agriculture grew at just 3.8% (African Economic Outlook 2020, African Development Bank Group).

Sector growth

Agriculture grew at 3.8% compared to 7.4% in 2018. This drop is mainly accounted for by a falling-off in the cash crop sector, largely due to a decrease in exports and a significantly higher decline in the food crops sub-sector, down from a positive growth rate of 7.5% in 2017/18 to a negative growth rate of -6.5% in 2018/19. The downward trend in cash crops is attributed to the decline in global prices for coffee, cotton and tea, and in food crops because of low domestic and regional prices resulting from a production boom in maize and other major export food crops in both Uganda and in importing countries. Noteworthy is the strong growth achieved in the livestock sector, which has registered double digit advances in recent years (17.0% in 2017/18 and 15.2% in 2018/19) driven mainly by higher levels of dairy exports. This positive growth trend is due to sustained export demand, yet because of a recent trade dispute with the main importer (Kenya) this trend is likely to weaken.

Agricultural export growth

Uganda's agricultural exports performed poorly in 2019 compared to 2018 (Table 5): the total value of exports declined by -10% in 2019 compared to a positive growth rate of 1.6% in the previous year. aBi-supported value chain commodities registered an overall decline in 2019 compared to 2018, with the exception of coffee which registered a significant improvement from a negative year-on-year growth of -21.4% in 2018 to 0.5% in 2019.

Table 5. Growth in exports of aBi-supported commodities, from 2018 to 2019

Year-on-year growth in the export value of selected commodities	2018	2019	5-Year Average	10-Year Average
Coffee	-21.4%	0.5%	3.9%	7.5%
Crude vegetable oil (sesame, sunflower, palm oil)	25.1%	-0.5%	2.5%	19.3%
Rice	-0.4%	-4.3%	-0.7%	9.4%
Fruits and vegetables	5.6%	-11.1%	14.5%	14.9%
Maize	11.4%	-25.7%	9.8%	16.6%
Edible fats and oils	-19.4%	-42.4%	-28.8%	-8.1%
Soybean and other pulses	36.9%	-47.1%	2.5%	19.3%
Beans	17.6%	-51.9%	18.4%	11.1%
Dairy products (including eggs)	51.7%			
Total agriculture exports	**1.6%**	**-10%**	**2.1%**	**5.4%**

Source: Computed from Bank of Uganda Export Statistics: www.bou.or.ug, 6 April 2020

Strong growth has been achieved in the livestock sector, which has registered double digit advances in recent years (17.0% in 2017/18 and 15.2% in 2018/19) driven mainly by higher levels of dairy exports.

The downturn in agricultural exports is mainly due to an overall decline in export prices of coffee (-3.8% growth over the last 5 years) and major regional exports (maize, beans, groundnuts and pulses), increased conflict in major regional trade partners (South Sudan and DRC), and border disputes with Rwanda. Maize remains one of the most dominant commodities amongst regional agricultural exports yet is subject to the vagaries of prices and production patterns among regional competing producers. Prices remained below previous year levels due to increased domestic production and reduced export demand from Kenya and Rwanda.

Overall export growth rates exhibited a declining trend from a 10-year average of 5.4% to 2.1% average over the last 5 years; and most of the aBi-supported commodities show a decline in the last 5-years compared to a 10-year average growth in export values. This implies that the value of Uganda's exports has increased at a decreasing rate over the last 10 years. This calls for more emphasis on addressing competitiveness challenges such as limited value addition, limited storage facilities, and high costs of compliance to trade standards as has been the case for chilli peppers in the EU market.

Agricultural finance

Lending to the agriculture sector has remained robust, albeit growing at a slower rate of 15.1% in 2018/19 compared to 22.6% in 2017/18. According to Bank of Uganda data, the slowdown in credit growth to the agriculture and trade sectors reflects increased risk aversion because of the prevalence of non-performing loans (NPLs) in these sectors. As of December 2018, NPL ratios for the agriculture and trade sectors were 6.9% and 3.9%, respectively, accounting for 26% and 20% of total NPLs[4].

Areas of potential aBi investment and leveraging

1. **Improved policy environment, domestic and foreign direct investment in water for production**

   The increasing demand for irrigation and improved policy environment continue to spur private sector investment in irrigation.

4 Source: Background to the National Budget 2018/19.

In response to private sector demand, aBi will finance a four-year irrigation Funding Window (FW) to complement its other investments. Due to Uganda's limited experience in irrigation development, the specific strategies for partnering with the private sector will continue to evolve along a learning curve.

2. **Import substitution in the rice industry**

   Uganda is far from being self-sufficient in rice despite sustained investments by the government and private sector in rice production for over 10 years. The number of investors has doubled in the past 10 years, some of whom have already partnered with aBi. However, domestic rice production was only 246,000 MT in 2018, still far below the Government's strategic target of 680,000 MT. aBi is developing an FW for investments in the cereals sub-sector, which targets rice among others.

3. **Green growth investments**

   aBi has invested in green growth interventions since 2010 through direct grants for green growth interventions, and the clean technology fund (CTF). The CTF established in 2015 has been providing soft loans to SMEs and farmers to implement interventions for green growth and climate adaptation for the last 5 years. Although the impact is yet to be documented, over 100 projects have been supported in the last 10 years. In the current BP 2019-23, green growth investments account for 35% of cross-cutting investments, and 7% of Line of Credit investments through the CTF.

   The Ugandan Cabinet approved the National Climate Change Bill in March 2019. This bill provides a legal framework for enforcing public and private sector actions for climate change adaptation and achieving targets for reducing national greenhouse gas emissions. This comes at an opportune time when aBi is developing a green growth strategy, the implementation of which is due to start in 2020.

Development challenges

From 1993 to 2013, national poverty prevalence declined from 56.4% to 19.7% in 2013; Uganda's poverty rate increased to 21.4% in 2017, implying that by 2019 about 9 million people were living below the poverty line. The vast majority of those who are no longer counted as living in poverty, are considered vulnerable: their economies are fragile, and the smallest shock can see them living in poverty again. In addition, inequality has increased, and youth unemployment is on the rise. Given that more than two-thirds of the working-age population is in agriculture, increasing agricultural incomes and employment are priority poverty reduction strategies. In rolling out its 2019-23 Business Plan, aBi has prioritised investments that address poverty and inequality. To this end, special Funding Windows have been designed for underserved investments in northern and eastern Uganda. A special FW targeting youth-led small to medium-sized enterprises (SMEs) is also a potential investment.

Productivity in the agriculture sector has remained low and is declining relative to industry and services. Industrial productivity is 7-8 times higher than in the agriculture sector, yet 70% of the country's workers are employed in agriculture. To address productivity challenges the aBi's Business Plan 2019-23 has allocated 33 percent of total Value Chain funding to thematic intervention areas for increasing land, labour and capital productivity during the next four years, and aBi will continue to monitor its impact on productivity and adjust its strategies as needed.

Increased regional instability, Ebola and Coronavirus pandemics, and broader global trade uncertainty will significantly undermine domestic production and demand, trade, and overall economic growth. aBi, in collaboration with its Development Partners recognise that these threats will continue to impact local as well as regional and global markets; and therefore, will continue to monitor their impact and adjust its strategies to respond.

Performance of aBi Development Ltd 2019

03

Performance of aBi Development Ltd 2019

Charles Rufaro Kwehangana, a model farmer in Rukiga District, working in his passion fruit garden. With the right varieties and technology, passion fruit can be grown in many parts of Uganda. Ready access to local and international markets makes producing this fruit a potentially lucrative enterprise for many smallholder farmers.

Overview and objectives

2019 was the first year of implementation of the aBi Business Plan (2019-2023). Interventions under aBi Development Limited, as per its mandate, focused on achieving the first and second objectives of aBi's Business Plan: 1) Increasing the sustainable production, productivity and market integration of smallholder farmers; and 2) strengthening the performance and sustainability of agribusinesses. In 2019, VCD supported 43 projects (5 of them new) across the 6 priority value chains: coffee (9 projects), cereals (11), pulses (5), oilseeds (4), horticulture (4), and dairy (6), as well as 4 other projects (Jabba, Chemiphar, Mediae and CURAD) that provide services broadly across the agriculture sector. A total investment of UGX 23.28 bn was made by aBi (78% of aBi's annual programme budget), leveraging UGX 12.6 bn as counterpart contribution from the partners

In 2019, aBi adopted the Funding Window (FW) approach for soliciting new business in a more targeted, effective and timely way as opposed to its previous open grant application process, which resulted in hundreds of very diverse grant applications. The FW approach provides an opportunity for better diagnostic analysis of the bottlenecks in specific value chains, leading to more targeted interventions with aBi steering the direction of her portfolio unlike in the previous approach that was open to receiving diverse applications from the agribusinesses and were difficult to compare like-for-like. In 2019, VCD launched its inaugural FWs, dairy and pulses. However, the development and approval processes for the inaugural FWs were achieved at a significant time cost as aBi adapted to the new approach. This resulted in only 5 new projects being brought on board during the year compared to the targeted 11.

Overall performance relative to key indicators for VCD

In 2019, VCD supported a total of 43 projects (5 of them new) across the 6 priority value chains, reaching a total of 191,347 beneficiaries (51% female) compared to a total outreach of 178,747 beneficiaries in 2018. The Implementing Partners generated UGX 191 bn in sales from the targeted enterprises. An additional 2,777 full time jobs at the IP level, exclusive of on-farm jobs (19.5% of them for women) were created during the year against the target of 1,867. A total of 17 projects wound up in 2019. Table 4 in the Dashboard section page 13 provides details about VCD performance in 2019 relative to key indicators.

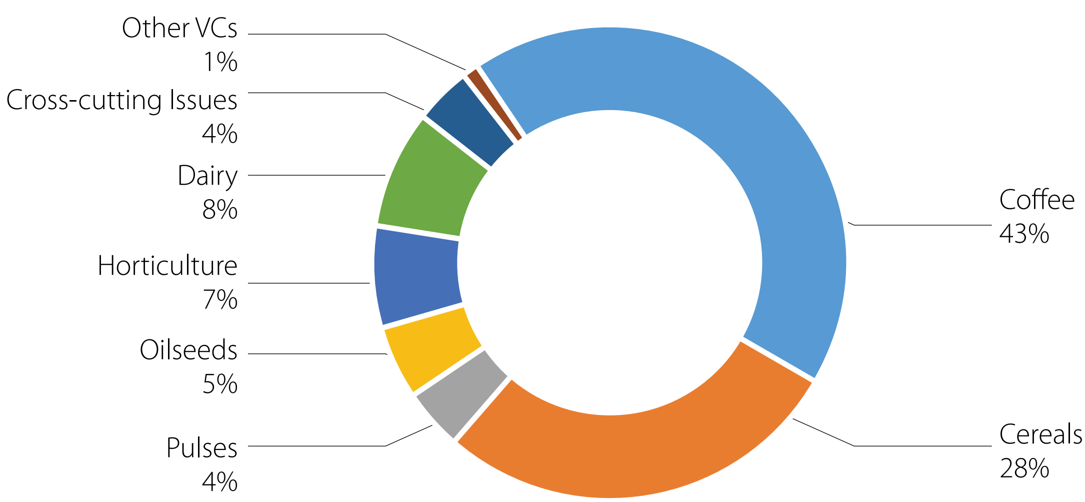
Figure 1 provides a snapshot of the funds disbursed to each value chain in 2019, with coffee receiving the largest share (43%). It is worth noting that some disbursements were not made as planned as a result of the protracted contracting process between aBi and IP coupled with delayed mobilization of own contribution by some IPs. Additionally, applications under the Pulses FW did not progress to full projects following the due diligence that unearthed major internal control weakness requiring BDS support prior to partnership.

Coffee value chain

In 2019, a total of 4.53 mn 60 kg bags of coffee, worth USD 439 mn, were exported by Uganda. The IPs supported by aBi produced 8,556 MT of coffee during the year and reported sales of UGX 54 bn. Production increased due to favourable weather and expanding acreage as new trees matured. However, the prolonged rains also posed quality challenges because wet weather can disrupt the drying process.

aBi's interventions during the year continued to focus on production, post-harvest handling, and value addition and marketing issues, investing up to UGX 10 bn in the sector in 11 IPs and enabling them to reach a total of 82,426 farmers (48% of

Figure 1: Share of funds disbursed in 2019 for each value chain



A member of the Mushanga SACCO picking ripe coffee cherries in Shema District. Mushanga SACCO is one of many such cooperative savings and credit societies being supported by aBi.

them women)[5]. Interventions included institutional capacity building and technology dissemination through demonstration gardens and coffee shows, as well as training in post-harvest handling practices, effective ways to produce higher quality planting materials, and Integrated Soil Fertility Management (ISFM) practices. Investments also went towards upgrading facilities and promoting processing techniques that add value and boost the quality of coffee, improving market access, and enhancing the overall competitiveness of Uganda's coffee in the world market.

aBi investments benefited SMEs that, besides off taking the increased volumes of coffee produced by smallholders, also provided access to clean planting materials, organised coffee farmers into viable economic units, and trained them in coffee productivity enhancement and quality improvement. Gender mainstreaming was also a key intervention in all projects.

Farmers supported by aBi brought an additional 3,039 acres under coffee production. Improved extension services, more effective collective marketing, and better business practices at both the farmer and SME levels, have resulted in the creation of more jobs, increased volumes of coffee being sold, and improved earnings for involved agribusinesses and smallholders. In 2019, 625 new full time jobs were created (423 for men and 202 for women).

5 The supported IPs included: Kyagalanyi Coffee Ltd, National Union of Agribusinesses and Farm Enterprises (NUCAFE), Rubanga Cooperative Society, Bukonzo Coffee Cooperatives Society, Ugacof Ltd and Kawacom-Amajaro, Uganda Coffee Farmers' Alliance (UCFA), The Edge Trading Company, Ankole Coffee Production Cooperative Union, Sembabule District Farmers Association, and Café Africa.

aBi continued to support Café Africa during the year to ensure effective coordination, networking and information sharing amongst all stakeholders in the coffee sector. Topical issues affecting the industry, including the proposed National Coffee Bill[6], were discussed at the National Coffee Steering Committee/National Coffee Platform meetings. Café Africa was able to develop and distribute training materials, disseminate new technologies to farming communities during the district coffee shows benefiting 67,980 farmers and to guide policy development pertaining to coffee development in Uganda. Surveys indicate that about 99% of the farmers found these services helpful and that 89% of them adopted the new practices. These farmers realised an average increase in income of 7% and a 134% increase in production per acre. However, the additional production is not necessarily sold in the same period. Sponsoring the Coffee Platform and coffee shows at the national and district levels also had positive impacts. Nearly all participating farmers (99%) indicated that the services fostered adoption of good agricultural practices (GAPs) that resulted in increased coffee production and higher farmer incomes. Several agencies at the sector level have copied the platform model, including the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), the Eastern African Grain Council (EAGC), Catholic Relief Services (CRS), the United Nations Anti-Crime Organisation (UNACO), and the Great Lakes Companies.

6 The Bill seeks to reform the law to provide for the Uganda Coffee Development Authority to regulate, promote and oversee the coffee sub-sector, and to regulate all on-farm and off-farm activities in the coffee value chain

Case Study: UGACOF

UGACOF processes its coffee before export.W

Established in 1994, UGACOF Limited is one of the leading coffee exporting companies in Uganda. Its Head Office is located in Bweyogerere Town, Kiira Municipality, Wakiso District. UGACOF works directly with coffee farmers as partners in supporting various sustainability initiatives. In 2015, it partnered with aBi Development Ltd. (formerly aBi Trust) in a project to support development of the Uganda coffee value chain.

The project, 'Consolidating the Economic Viability and Sustainability of Smallholder Coffee Farmers in Buikwe, Kamuli and Kayunga', closed in October 2019. Its objectives, were: establishing farmer institutions, linking Producer Organisations (PO) to coffee markets, training farmers on improved coffee production technologies, operationalising Village Saving and Loans Associations (VSLAs) to increase access to finance/credit, enrolling farmers in UTZ and 4C certification standards, producing better coffee planting materials to increase new coffee acreage and rejuvenate old coffee gardens, and improving female and youth farmer inclusion in the coffee value chain.

Specific interventions and activities undertaken during the year included: capacity building through training in leadership, group dynamics and governance for farmers serving on Depot Committees (DCs) and POs; DC- and PO-based training in business skills and collective marketing/bulking; farmer training in Good Agricultural Practices (GAPs); rejuvenation of coffee demonstration gardens through Yara Milla fertiliser treatments; VSLA group-based savings, micro-finance or lending programmes as a result of VSLA-related interventions; and farmer follow up and monitoring of adoption/uptake of promoted practices.

Overall, the project achieved the following results: coffee incomes from one acre increased from UGX 2,533,000 to UGX 3,720,000; washed Robusta coffee was introduced for the first time following support for acquisition of the wash station equipment from aBi. The station produces 270 MT; 50 new jobs were created at the Robusta Coffee Washing Station; and both coffee acreage and the value of the coffee produced increased.

In 2019, several achievements and outputs were posted. Under capacity building, 211 Change Agents and Depot Committee leaders from Buikwe, Kamuli and Kayunga were trained in group dynamics, leadership and governance. In addition, Change Agents representing 82 Producer Organisations received training in business skills, coffee bulking, and collective marketing. Training in financial literacy was also conducted, involving 189 POs and DCs. To date, 139 jobs out of 211 Change Agents are created as a result of the trainings offered. The 139 Change Agents are offering extension services to farmers at a cost for sustainability of the services in the project area.

The rejuvenation of coffee demonstration gardens by replacing dead trees and applying Yara Milla fertiliser treatments led to the rejuvenation of a total of 78 coffee gardens (some are demos). Four of the rejuvenated gardens are in Buikwe District, and 74 in Kayunga District.

To boost VSLA group-based savings, micro-finance or lending programmes as a result of the intervention a total of 191 groups were active in VSLA activities on a quarterly basis with total saving portfolio averages UGX 832,062,970, and the average loan portfolio of UGX 495,039,829.

An average of 2,952 farmers were followed up on a quarterly basis to monitor the adoption of recommended technologies on coffee gardens in the three project Districts. For example, 84% effectively managed pests and diseases on their coffee gardens, 81% pruned and de-suckered their coffee trees, 79% applied good harvesting and post-harvest techniques, 67% maintained soil and water conservation structures on their coffee gardens, and 7% regularly used inorganic fertilisers.

A number of lessons were learnt from the project interventions made during 2019.

- Improved data quality and report details can be enhanced by training Change Agents in basic M&E knowledge.
- Change Agent motivation/rewards and backstopping by Field Officers improves project operational effectiveness and efficiency in farmer outreach programmes.
- Tracing farmer yields, production and sales, and highly disaggregating the data, improves the quality of reports developed.
- Most farmers do not invest in the use of manure and inorganic fertilisers during the fly-crop season given that its short and with less returns.
- Some farmers are not aware of the benefits of participating in bulking and collective marketing of their coffee. There is thus a need to train and incentivize farmers on the benefits of collective marketing.

Cereals value chain

Cereals constitute over 50% of Uganda's national grain supply, with maize being the most widely consumed cereal in the country. Sorghum and barley are grown mainly for the brewing industry. aBi supported all three cereal crop enterprises in 2019, investing a total of UGX 6.4 bn. Given the favourable rainfall, farmers' harvests were good. However, the prolonged rains, as with coffee, also made proper drying difficult and affected quality. Despite the good harvest, in 2019, maize production for Uganda was 2,800 MT, slightly less than 2,825 MT produced in 2018 (Knoema World Atlas); fewer farmers engaged in maize production following a 2018 price collapse in the regional market. The cereals value chain faces several challenges, including inadequate volume due to lower production, the volatility of agriculture commodity prices, and inadequate storage facilities.

aBi invested mainly in addressing gaps in extension services for smallholder farmers and integrating smallholders into sustainable agricultural markets. Supported IPs included Gulu Agricultural Development Company, Aponye, East African Grain Council, Agroways, Acila, Arise & Shine, Ugachick, New Kakinga, Solidaridad, and Sasakawa Global. These IPs implemented a number of activities, including farmer training, linkage of farmers to certified input providers, and aggregating grain from participating beneficiary farmers. A total of 39,203 farmers were reached through these interventions (21,817 of them women and 17,386 men).

In 2019, additional acreage under cereals production by farmers was 31,379 acres, compared to the annual target of 70,000 acres. As stated above, farmers reduced maize production due to the low prices they received in 2018. Still, aBi-supported interventions and the adoption of best practices enabled participating farmers to produce maize yields that ranged from 1,000 to 1,700 kg/acre, compared to 2,500 kg/acre under high input conditions, while farmers planting barley and sorghum harvested an average of 660 kg/acre and 600 kg/acre, respectively, compared to 800 kg/acre under high inputs. A total production volume of 28,121 MT of cereals was achieved in 2019.

Of the 28,121 MT of cereals produced, the total volume for the targeted enterprises processed by the IPs during the year reached 22,438 MT, generating a net additional income of UGX 6.5 bn. This was attributed to improvement in quality, as most of the grain partners were able to attain at least Grade II of the East African Grain Standards, making Uganda's grain more competitive in the regional market. This is well above the annual IP additional income target of UGX 3.3 bn for 2019 and is attributed to the fact that IPs stocked grain when it was cheaper in the previous seasons and only processed and sold it once prices had stabilised. aBi 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.

There was corresponding performance at impact level evidenced by the attainment of the set key output indicators. A total of 285 people (141 men, 144 women) entered into full time employment at the IP level and across the value chain in 2019; 8,054 new women farmers benefited from collective marketing (about 95% of the 8,400 target for the year).

aBi continued to support the East African Grain Council (EAGC) in promoting the competitiveness of grain exports from Uganda and across the region. A total of 19 warehouses with a combined capacity of 86,500 MT were certified in 2019. This implies that they met the standards for safe storage allowing for grain storage for up to two years without loss of quality while sourcing for premium market prices. In addition, 35,048 value chain actors accessed market information through the Regional Agriculture Trade Intelligence Network (RATIN) SMS channel, a market information platform serviced by aBi for constant connectivity for information access. The information provided through RATIN includes daily prices, market stocks and cross-border trade information, and those farmers accessing it were able to make better informed decision and fetching competitive prices for their gain due to knowledge of prevailing market prices in the different markets.

On the policy front, a grain trade policy working group meeting was held during the last quarter of the year to discuss the grain sector position in the national budget process and key grain trade constraints for policy consideration. The issues addressed included warehousing and storage, aflatoxin control, weak production systems, price fluctuations, and access to finance. aBi will continue to invest in addressing some of these issues, especially aflatoxin control, warehousing and storage, and access to finance. .

Improved storage is critical to strengthening value chains and ensuring a fair return on investment to farmers. Aponye Uganda Ltd, whose modern grain storage facilities in Mubende District are shown here, is a valued aBi Implementing Partner.

Pulses value chain

In July 2019, VCD launched the Pulses Funding Window (valued at UGX 6.4 bn) in the northern Uganda district of Gulu with an aim of bringing five new IPs on board under the pulses value chain. This FW sought to increase the production, productivity and marketing of pulses (particularly beans) for local consumption and export markets. The FW supported interventions aimed at: increasing access to use of innovative technologies for value addition; facilitating structured market development; promoting dry beans and processed products; engaging with and strengthening regulatory bodies; and promoting of good agricultural practices (GAPs). Eleven full grant applications were received from small- and medium-sized enterprises (SMEs), Area Corporate Enterprises (ACEs), and Farmer Organisations (FOs) under the new FW. However, pre-project assessments and due diligence analyses indicated a need to provide business development services (BDS) alongside grants for most of these prospective partners. Of the remaining applicants, a few of them had ongoing grants whose performance was yet to be reviewed. So as to help ensure commercial viability, the awarding of grants under the Pulses FW was halted and aBi will provide BDS support to these prospective partners in Q1 2020 prior to investing in them.

Given that no new partners were brought on board in 2019, the performance of the pulses value chain fell below par. However, aBi continued supporting five carryover projects being implemented primarily by farmer cooperatives and agribusiness enterprises and focusing on beans as the key crop. Four of these five projects ended in Q3 2019.

A total of UGX 0.8 bn was invested in interventions through the five IPs. These focused mainly on: promoting GAPs, including the use of quality seeds; training on post-harvest handling (PHH) techniques and the collective bulking and marketing of produce (both for domestic and international markets); improving storage infrastructure; and access to credit through Village Savings and Loans Associations (VSLAs).

During the year, 1,590 additional farmers (43% of them women) were exposed to the services and agricultural practices promoted through these interventions, and In all cases, aBi advocated for joint household decision making and emphasised the production of bean varieties preferred in the market, notably yellow beans, Nambale (K132), and red kidney beans.

Productivity improvements were enhanced through a network of 70 demonstration plots established during the year. aBi interventions resulted in economic dividends that accrued both to smallholder farmers and to the IPs. An additional 6,532 acres were brought under pulses production in 2019, with an average yield of 500 kg/acre being achieved (the 2019 target was 450 kg/acre). Increased productivity is attributed to adoption of GAPs (fertiliser, selective herbicide use, and use of foliar fertiliser). Improved productivity resulted in greater volumes being produced by participating farmers and agribusinesses. A total of 2,221 MT was reported in the year.

Improved adoption of GAPs had a corresponding impact on job creation at the SME and farm levels, and on the volume and value of pulses traded during the period. A total of 18 FTE jobs were created at the agribusiness enterprise level. In addition, smallholders collectively earned an additional income of UGX 5.6 bn during the year. Participating agribusinesses aggregated and sold 2,136 MT of pulses and earned UGX 0.6 bn in additional net income.

Case Study: Solidaridad

Farmers attending one of the regular savings meetings held by local members of Solidaridad, an international organisation dedicated to responsible food production. Solidaridad is working with Uganda Breweries Ltd and Grain Pulse Ltd on a 2-year cereals value chain project funded by aBi Development Ltd. Known as the CSV project (Creating Shared Value), the initiative is focused on increasing the incomes and resilience of 12,000 participating smallholder barley farmers in the country's Southwestern and Western Regions.

The Solidaridad Uganda Country Office, together with others in Ethiopia, Tanzania and Kenya, have their headquarters in Nairobi Kenya. The Solidaridad East and Central Africa regional office, a member of the Solidaridad global Network, provides strategic oversight to the country offices; it also designs and implements programmes aimed at strengthening responsible food production in the region, including in D.R. Congo, Rwanda and Burundi.

Creating Shared Value for Agricultural Value Chains (CSV) in Uganda is a two-year (2019-2020) cereals value chain project funded by aBi Development Limited. The project aims at increasing incomes and resilience of 12,000 participating smallholder barley farmers living in the districts of Kabale, Kanungu, Rubanda, Rukiga and Kisoro of greater Kigezi, in Uganda's Southwestern Region, as well as districts of Kabalore, Kasese, Bundibugyo and Bunyangabo in the Mt. Rwenzori Region of Western Uganda. The CSV Project is being implemented by the Solidaridad Uganda Country Office, together with Uganda Breweries Limited and Grain Pulse Limited as the dedicated off-taker partners for barley and beans, respectively.

The CSV Project involves two business cases: 1) the production and marketing of high-quality barley for malt adjunct processing by Uganda Breweries Ltd., a dedicated multi-year market off-taker; and 2) the introduction of beans as a rotation crop to increase the availability of nitrogen in the soil, improve nutrient re-cycling, enhance soil structure, and increase the use of nutrient-dense beans as source of plant protein at the household level. The iron rich, nutrient-dense beans are intended to improve the food security and nutrition status of participating farmers, as well as produce a surplus for sale to local, regional and international markets through Grain Pulse Ltd., another dedicated market off-taker. Grain Pulse Ltd. is participating in the CSV Project, providing superior agronomy and access to crop specific blended fertilisers close to farmer beneficiaries.

Uganda Breweries Ltd. made a strategic, multi-year up-take commitment for barley under their local raw material sourcing and import substitution programme. Grain Pulse Ltd. offers a mutually beneficial service to Uganda Breweries of barley product handling, cleaning, processing, and warehousing while off-taking CSV Project bean crops. Uganda Breweries provides free certified barley seed to farmers each season because product quality starts with seed.

The farmer beneficiaries appreciate the capacity building and value chain investments made so far by aBi Development Ltd. Farmers receive knowledge and skills that improve their productivity, benefit from financial inclusion, and obtain better prices for quality barley and beans through their marketing committees and product aggregation centres. Farmers also gain from best practices demonstrations, such as use of blended fertiliser by Grain Pulse Ltd., and access to certified barley seed from Uganda Breweries.

In 2019, the Project implementing team underwent participated in training the trainers refresher courses focused on: farmer training field school content delivery methods, technical sessions on barley and bean value chain development facilitated by content specialists from the National Agriculture Research Organisation, Rwebitaba ZARDI, Grain Pulse Ltd. and Uganda Breweries. During the year, participating farmers received barley seed, participated in group training and demonstrations of crop agronomy, integrated soil fertility management, post-harvest management, and group dynamics. Moisture meters, weighing scales, and soil testing reagent kits were procured and distributed to help boost sales of high-quality produce and engender better care of the environment and improve soil quality.

A total of 8,400 beneficiaries (against a target of 12,000) participated in training and skills development sessions during 2019; 2,862 farmers (60% of them women) benefitted from GAP training; and 1,768 farmers (57% women) were trained on aspects of group dynamics. Farmers were also exposed to leadership opportunities, and group management structures were improved. A total of 616 farmer leaders were trained in collective marketing.

Sixteen barley productivity demonstration gardens were set up to: promote the use of soil analyses and blended fertilisers; integrated pest, disease and weeds management; optimise the use of land through row planting, as opposed to broadcast seeding; and establish appropriate seed rates.

Apart from farmers realising increased incomes as a result of engaging in barley and bean production, they reported improving soil fertility and structure by planting beans as a rotation crop and applying other soil management practices from the climate smart pallet.

In line with the aBi 2019 Annual Report theme – *Balancing strong commercial viability with clear development objectives for the agribusiness sector* – the CSV project has improved the capacity of the technical assistance field team to deliver the value chain development programme. Capacity building approaches include refresher lectures and practice sessions for staff, as well as group training and demonstrations for barley farmers. The knowledge and skills gained by these farmers have resulted in improved productivity and return on investment, with average barley yields increasing from 400 kg/acre to 650 kg/acre. Solidaridad partners have decided to bring on board a 100% smart subsidy7 to improve farmer access to certified barley seed and blended fertiliser. This will result in increased volumes for sale under Uganda Breweries' local raw material sourcing programme.

The CSV Project, with funding from aBi Development, has procured and distributed quality maintenance and improvement tools for use in the production of barley and beans. This includes 10 moisture meters, 9 weighing scales, and 10 soil testing reagent kits to assess the soil quality in terms of nutrient availability and soil ph. This has resulted in high-quality barley being sold to Uganda Breweries at a premium price of UGX 1,500/kg and contributing to the production of higher quality beverages. Uganda Breweries has also introduced 'Grace', a new high-yielding barley that is well adapted to the agro-ecological conditions of the project area. This certified seed is being provided free to participating farmers to dissuade farmers from using inferior barley seed.

One important lesson learnt is that the CSV project has created space for youth to participate. Youth-led demonstration sites feature demos of recommended, 'cutting edge' practices. Youths are also involved in the aggregation and collective marketing of barley and beans, thus 'future proofing' the supply chain and contributing to the Project's exit strategy.

7 This is a win-win relationship in which UBL provides free barley seed to the farmers, distributed by Grainpulse Ltd as it sets up demonstrations and sells its blended fertiliser to farmers. UBL buys back the barley from farmers. The farmers benefit from getting certified seed and an assured market for their produce.

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. The IPs under this value chain included Farm Africa (chilli value chain), Delight Uganda Ltd (mango value chain), and Jakana Foods Ltd.

A total of 6,806 smallholder farmers (about 85% of the 8,000 targeted for 2019) were directly reached with such interventions as training in good agricultural practices and in how to more effectively access markets. A total of 46 demonstration plots were set up to facilitate technology transfer. Agricultural extension through training has significantly influenced the behaviours of smallholders, resulting in increased production and productivity. Adoption of improved technologies, use of elite seeds, and enhanced post-harvest handling was observed amongst the farmers. So too was the practice of joint household planning, with 4,800 households taking this approach during the year. In addition, 9,666 farmers (134% of the 2019 target) were mobilised and formed VSLAs to provide simple savings and loan facilities for smallholders who do not have easy access to formal financial services.

By the end of 2019, 64 full time jobs had been created at the IP level (26% of which went to women). Partners in the horticulture sector reported earning UGX 1.7 bn in additional net income during the year (this amounted to 86% of the UGX 2 bn annual target). aBi's interventions in northern Uganda have improved socioeconomic relationships between local communities and the implementing agribusinesses. For example, the interventions made by Delight Uganda Ltd and Jakana Foods Ltd included involving out growers in fruit production, which resulted in greater involvement of local communities in agricultural production and marketing, mainly by supplying offtakers. This mobilisation has enabled community members to earn income and learn more about financial management. It also encouraged interest in learning about and joining VSLAs.

Oilseeds value chain

In 2019, aBi continued to support four partners in the oilseeds value chain with an investment of UGX 1.2 bn. Specific commodities included sunflower, groundnuts, sesame (simsim) and soybeans. aBi supported efforts to increase production, productivity, and quality, as well as access to markets. Activities included training in good agricultural practices and the demonstration of best practices on demo plots as a way of transferring technology, enhancing access to improved seeds, and providing market access for smallholder farmers. Other interventions included engaging and organising 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 7,985 smallholders (51% of them women) directly benefiting from aBi's support.

Farmer training was enhanced by establishing and using 298 demonstration plots for practical hands-on training about best agronomic and crop management practices. In 2019, 3,282 acres of land for oilseeds production was achieved partly by opening up land for refugees in West Nile sub-region. The partnership with DanChurchAid enabled aBi to reach refugees and host communities in the West Nile area to commercialise sunflower production by supporting seed subsidies, providing access to land and capacity strengthening to increase productivity, and involving Mukwano Industries as the offtaker.

Overall, interventions made in 2019 in the oilseeds resulted in additional sales volume of 2,276 MT. As a result of the focus on GAPs, crop productivity increased. For example, sunflower yield was 600 kg/acre. This is attributed to improved hybrid seed of sunflower, fertile virgin soil, and adoption of good agronomic practices by farmers.

Dairy value chain

The dairy sector experienced steady growth, with annual milk production estimated at 2.5 bn litres. The main drivers of this growth included genetic improvements through crossing the Holstein Friesian breed with the indigenous Zebus, use of improved pastures, improved skills of dairy farmers, and an expanding market. Uganda is currently a net exporter of milk, the only one within the EAC regional block. The main export destinations included the EAC, COMESA, Middle East and India. By the end of the year, the value of dairy exports was estimated at USD 130 mn (DDA,2019).

However, in Q4 of 2019 the Kenyan Government suspended dairy imports from Uganda as a result of a huge surge in their imports causing the local Kenyan processors to reduce their prices significantly. It was reported that about USD 105 mn worth of imported milk from Uganda had found its way into the Kenyan market, compared with USD 25 mn and USD 81 mn in 2016 and 2017, respectively, putting Kenyan milk producers at a competitive disadvantage (KDB, 2019). Consequently, Pearl Dairies halted production for a period of three months, and this greatly affected the local market for raw milk. Prices dropped significantly, from a high of UGX 800/litre to UGX 100/litre in southwestern Uganda.

By the end of 2019, aBi had invested UGX 1.9 bn in the dairy value chain, supporting a total of six IPs. Three of these were contracted in the last quarter of the year under the Dairy FW launched during the course of the year. The Dairy FW, totalling UGX 9.8 bn, seeks to increase the productivity and production of smallholder dairy farmers in southwestern Uganda, and in the Central and Rwenzori Regions. The interventions under this FW are feeds, breeds, animal health and cooperative governance strengthening. The contracting of the three new partners (Heifer Project International, Alfasan Uganda Limited (Project 2), and Dynapharm International Limited) under the Dairy FW brings the total of funds committed to UGX 5.9 bn, 60% of the total available budget (UGX 9.8 bn). aBi targeted three major "milk sheds" (Central, South Western and Rwenzori Regions), but had strong partners only in Central and SW. In 2020, aBi will explore options for bringing new partners on board, especially in Rwenzori Region, to utilise the UGX 3.8 bn remaining in the Dairy FW. This funding window aims mainly at boosting the production and productivity of smallholder dairy farmers to meet the growing demand for raw milk.

With its 2019 investment, aBi supported the establishment of lead farms, the introduction of locally manufactured animal health products like multivitamins, anti-trypanosomes and dewormers on the market, training on productivity enhancement technologies in dry season feeding, formulation of home-made concentrates, Artificial insemination and quality improvement of milk. A total of 209 learning sites for providing training to farmers were established during the year (against an annual target of 108 such sites). aBi-supported interventions resulted in increased revenues at both the farm and IP levels.

About 12 mn litres were produced by beneficiary farmers compared to an annual target of 5.0 mn litres. The high volume of milk produced is attributed to the farmer training provided and the availability of water and pastures due to the good weather experienced in 2019. It should be noted that during the adverse weather especially in the dry season, milk production reduces by more 60 percent. The period under review generally had good weather with stable rainfall. In addition, the number of farmers selling milk through the formal channels increased significantly as a result of favourable prices offered by most processors in the greater part of the year.

A recent study showed that farmers are investing in the dairy sector at unprecedented levels, with many recording a doubling of milk production[8]. The sales of participating farmers totalled UGX 6.8 bn against a 2019 target of UGX 3.9 bn. The increase in sales was attributed to an increasing volume of milk being produced as a result of favourable prices from offtakers in formal milk marketing. Reports indicate that about 80% of the milk produced in 2019 was marketed compared to 70% in 2018 (DDA, 2019). At the IP level, aBi support created 95 full time jobs (67 for men, 28 for women) against the 2019 target of 348. Most of the jobs created were at farm level to provide the much-needed labour as a result of increased production. The shortfall at the IP level was mainly brought about by late onboarding of new IPs for the funding window.

The performance reported by IPs and farmer beneficiaries is a true reflection of aBi's contribution to national development as demonstrated by the gains experienced in the overall dairy sector over the same period. aBi's current performance rests on the foundation of previous investments in the milk chilling and transportation infrastructure in southwestern Uganda. Bulk marketing is now possible, and farmers can decide where to sell their milk. Even other initiatives by different development partners like IFC, SNV, NAADS have leveraged on these investments.

Crosscutting Initiatives

aBi's interventions are underpinned by crosscutting efforts pertaining to Green Growth, Gender, and Social Inclusion. All aBi-supported projects strive to mainstream these into their activities. Specifically, the following was undertaken in 2019:

8 https://www.independent.co.ug/dairy-is-the-new-coffee/

Environment, social and governance: Currently, ESG screening is part of the due diligence processes for bringing new partners on board at aBi. A standardised Environment, Social and Governance (ESG) screening tool was introduced in Q3 of 2019 and is being used to assess all SME partners seeking support from aBi. This tool ensures that new partners meet minimum ESG standards. For those organisations that are found to have good business prospects but with ESG shortfalls, aBi helps them to respond to sustainability challenges and opportunities through the use of Short-term Technical Assistance (STTA). The introduction of ESG screening as part of the due diligence process underscores aBi's commitment to socially responsible investment that emphasises poverty reduction, fair and safe labour conditions, equitable outcomes, environmental and social resilience, and green growth.

Potential IPs where the tool was used during 2019 include: Dynarpharm International (DI), Mmacks Ltd, Kibinge, and Maddo. None of them had written policies on environmental protection, and their pollution prevention and waste management policies needed strengthening. DI is being supported in the development of an environmental policy and in carrying out an environmental impact assessment that addresses pollution issues resulting from the disposal of cow dung and urine. MMacks is being supported in replacing their existing dust cleaner with a more non-polluting one.

Green growth: All 43 aBi-supported IPs across the value chains and crosscutting initiatives continued to implement activities aimed at environmental conservation. Interventions included: training in good agronomic practices and post-harvest handling; agroforestry; production of bio-gas; proper waste management; use of energy saving technologies, such as energy efficient stoves; water-saving technologies, including hand coffee pulpers, improved processing facilities, and soak pits; and media campaigns through TV and radio by Mediae. The development of a green growth strategy for aBi is still ongoing. aBi management presented a draft strategy to the board and comments have been received and are being addressed; the strategy will be finalised in 2020 and used to guide green growth mainstreaming in all aBi interventions.

Gender: The development of a gender strategy for aBi was initiated in 2019 and is expected to conclude in 2020. All supported IPs that target farmers continued to mainstream gender in all their interventions by promoting Farming as a Family Business (FaaFB) targeting men, women and youth to participate in all IP activities at all levels of the value chain using a household approach. For example, the Kyagalanyi Coffee (KCL) gender programme trained households to create and implement a joint vision, for the future of the household inclusive of a joint plan on how to improve their livelihoods. In 2019, KCL had 2,800 households with joint household plans, coffee farm visions etc. Sharing workload and sharing earnings from coffee to achieve a joint vision has helped farmers focus on their coffee gardens and improved production. This resulted in more households selling coffee to Kyagalanyi, at better loyalty rates and stronger linkages with buyers and consumers. KCL was also recognised as an ethical company and it received the 'Sustainable Standard Setter Award' of the Rainforest Alliance for its project to stop child labour in the West Nile region. The important role of women in the coffee production is recognised by KCL and this resulted in an increase of 25% of women registered as direct members of Kyagalanyi[9].

The number of youth and women participation in IP activities is increasing gradually. ACPCU and Kyagalanyi Coffee Ltd had established demonstration farms manged by and for women. KCL has 35 coffee youth teams in place with a total of 124 youths employed (101 male and 23 female). Continuing attention will be given to keeping the momentum high, and especially to bringing more female youth on board.

Some aBi-supported projects do not particularly fit well within aBi Development's six priority value chain development interventions. Activities under these initiatives include gender mainstreaming, investments in green growth, enhancing agribusiness analytical laboratories, soil testing services, and the promotion of quality standards and business incubation activities. Examples of IPs that fall in this category are presented below:

Chemiphar – aBi continued to support Chemiphar in developing its analytical capacity to facilitate

food safety and compliance (ensuring that food processed or handled is safe and the food handlers adhere to food handling guidelines, standard policies and Standard Operating Procedures (SOPs) among others. In 2019, the installation and commissioning of laboratory equipment was done. With this equipment in place, Chemiphar is now able to comply with international standards for laboratories testing food safety and compliance. The new technology is expected to increase the accuracy of results and to largely reduce the turnaround time, which will enable clients to obtain reliable sample analysis certificates in a timelier manner. Two accreditations were renewed (1 for ISTA and 1 for BELAC). The total number of tests done during the year was 3,078. This is expected to increase in 2020 and the years ahead using the new equipment. The project activities generated 2 full time jobs and earned UGX 8,906,980 in extra income (as of 30 June 2019) from testing services.

Jabba Engineering limited – In 2019, 165 farmer groups were mobilised and trained in soil nutrient testing, with optimum fertiliser use reaching a total of 3,215 farmers (1,649 men and 1,566 women). Farmers trained are interested in the services, but their main challenge is the high cost involved with testing. In terms of income, Jabba made a total of UGX 109.8 mn from soil testing services and the sale of soil test kits and reagents. There is evidence of progress towards adoption of soil testing services among farmers, 267 farmers paid for soil testing services during the year as compared to 198 in 2018. JABBA created 25 jobs in 2017 and 2018 (7 for women and 18 for men) as agripreneurs who sell and do mobile soil testing, no new jobs were created in 2019.

9 Source: The experience of Kyagalanyi, in partnership with UTZ – The business case for the household approach in Uganda documentary.

Success Story: CURAD[10] Agribusiness and Agri-Park Project

CURAD's new Agribusiness Incubation Facility under construction in 2019 at the Namanve Industrial Park in Mukono District, near Kampala.

CURAD is an innovative agribusiness incubator, a non-profit public-private venture established and owned by Makerere University, the National Union of Coffee Agribusiness and Farm Enterprises (NUCAFE), and Uganda's National Agricultural Research Organisation (NARO).

CURAD's vision is to be the leading generator of young agribusiness entrepreneurs creating wealth and jobs in East Africa. It has so far supported and nurtured 374 SMEs operating along the coffee, cereals, fruits and horticulture value chains. Twenty-one companies have graduated, of which 5 are exporting branded products, as follows: Kyanzo Coffee is exporting to South Korea and the UK, My Checkmate Coffee to Germany and the Czech Republic, LaMarc Coffee to the UK, Gorilla Highland Coffee to Japan, UK and USA, and Kyaffee Coffee to Germany.

The organisation has helped to commercialise eight new technologies, develop and scale up two innovative organisational models- Earn As Learn Model and the Agripark Market Led Model, counselled and facilitated the careers of more than 300 student interns, engendered the creation of over 2,500 jobs, and had positive impacts on more than 5,000 farming households. The new technologies supported and commercialised include coffee liquor fermentation, extraction of bee venom, fruit juice extraction technologies, mushroom spawn production, organic pesticide production, solar drying, and irrigation technologies to mention but a few. In addition, with aBi's support, it has expanded facilities for a fruit-processing hub in Kapeeka, in Nakaseke District, Central Region, and supported development of a dry and fresh horticulture Agripak Export Centre and a packaging production unit at Namanve Industrial Park (Kira Municipality, Wakiso District, Central Region).

The successful start-up enterprises that have received incubation support through aBi include: Josmark Ltd, dealing in Pumpkin value addition; Volcano Coffee Ltd, with a coffee shop; Paat Soil Clinic, offering soil testing services; Khainza Energy Ltd, producing and parking bio-gas; Kyaffee farmers coffee and Gorillah highland coffee, dealing in coffee value addition and export; Superchillo Ltd, dealing in mushroom value addition; and Robran Holdings, the leading dealers in commercial pasture production in Uganda.

10 The Consortium for enhancing University Responsiveness to Agribusiness Development Ltd

aBi has partnered with CURAD since 2018 under a 4-year agribusiness and Agri-Park project. Primary beneficiaries of this partnership so far include: 52 high-potential processing start-ups; 40 processing SMEs; 32 farmer groups engaged in processing activities; and 80 student and graduate interns. Secondary beneficiaries include 18,500 farmers who will have been linked to the markets of processing companies hosted by the agri-park over the 4-year project span.

CURAD 2019 activities

The construction of the Agribusiness Incubation Facility in Namanve Industrial Park was started. By the end of 2019, the contractor was on site and substantial progress had been made.

The Unit when completed will provide technical and business support services to companies with high market potential that are selected to capitalise on the 'Bulking for Export' and 'Shared Processing Equipment' units developed by CURAD.

In 2019, CURAD hosted the 6th Agribusiness Innovation Challenge with support from a number of partners, including Swiss Contact, Centenary Bank, and Stanbic Bank among others. It attracted 133 agripreneurs. From among these 133 competitors, 60 were shortlisted from the different 12 categories. 35 agripreneurs emerged winners of which 11 of the winning companies were female lead enterprises (31%) while 24 enterprises were male lead (69%). Over UGX 200 mn was raised to support the competition, UGX 67 mn of which was awarded to winners for use as seed capital. The innovation challenge was supported by the following: swizz contact, Ministry of Science and Technology, Bank of Africa, UCDA, KK foods, Centenary Bank, Tropical Dynasty, Heifer International, International Institute of Rural Reconstruction (IIRR), Uganda National Young Farmers' Association (UNYFA), Billbrain Technologies Limited, and United Social Venture and CDF Technologies GmbH, among others.

During 2019, the procurement of Agri-Park equipment was initiated, including vegetable and fruit processing equipment and a high-speed bag-making machine. A refrigerated truck was purchased for transporting both raw and processed horticultural products from the field and to export partners (Icemark -Africa Ltd and KK Foods Ltd) while the Agri-Park facility is under construction. Recruitment of Agri-Park staff was also concluded.

CURAD conducted farmer and business management training for its incubatees (26 participants) and agronomic best practices and post-harvest handling for farmers (107 participants). Other training was done as well, relating to the coffee value chain, safe pesticide handling and use, and fruit processing and quality control.

Seventy-three (73) model horticultural farmers were mobilised under the Agri-Park initiative, with a focus on facilitating their entry into export markets. CURAD has also supported incubatees in product development and improvement. Another milestone was UNBS certification of incubatee product in order to increase incubate sales. Nine (9) incubatees were supported, including 5 coffee incubatees and 4 beverage incubatees. Other activities carried out during the year included market linkages, building a supportive ecosystem, increasing incubatee visibility by introducing an online shop, mentoring and establishing B2B linkages between farmers, and pre- and post-harvest service suppliers, to support the Agri-Park's processing companies in building effective and inclusive sourcing strategies and for SMEs to increase accessibility to markets and finance.

Other achievements of CURAD in 2019 include: 658 farmers engaged in production and supplying incubate/graduate enterprises; and 167 permanent jobs created (66 of them for women). Initiated a long-term partnership with the Ministry of Science and Technology as the official agribusiness incubator partner to ensure business sustainability. CURAD was voted as the best Challenge from Africa at the World Incubation summit, held in Doha, Qatar, in November 2019.

One of the key lessons learnt from CURAD project in 2019 is that the role of partnerships in building a supportive ecosystem in incubation is critical. CURAD has been leveraging resources and expertise from various partners to effectively support start-ups in a sustainable way. However, there is a need to explore affirmative actions to attract more females in Agri-Park activities because it has been observed that there is a low participation of women in the Agri-Park activities.

aBi Development Ltd challenges, opportunities and lessons learnt

In 2019, aBi adopted the Funding Window (FW) approach as a methodology for soliciting new business in a more effective and timely way as opposed to the previous open grant application process that resulted in hundreds of very diverse grant applications. Experience with the FW approach in 2019 showed that it enabled better diagnostic analysis of the bottlenecks in specific value chains, leading to more suitable market-driven interventions. In terms of efficiency, the FW approach reduced the number of applications per call and made the applications comparable and competitive. As a result, staff spent less time on appraising a more limited number of projects compared with past efforts.

Understandably, being new to using funding windows, the development and approval processes for the inaugural FWs (dairy and pulses) were achieved at a significant time cost as aBi adapted to the new approach.

This first year of implementation of the FW approach process yielded many lessons, and the following areas for change in 2020 were identified:

- A long lead time is required for preparing a funding window to ensure that key publications and studies are referenced, and validation engagements and information sessions are held with key stakeholders. The teams took this into account in their planning for the 2020 FWs, and as such initiated development in 2019 to stand a chance of disbursing by Q2 of 2020.
- A longer application period is required to run the call because applicants require time to source and prepare relevant supporting data. Subsequent calls are planned to run for at least six weeks as opposed to four weeks in the first instance.
- There is a need to include a "Project Preparation and Development Services" section aimed at assisting the potential applicants to put together their applications via the GMS. This realisation came out of interactions with some applicants who stated their dread and trepidation of putting together project budgets that they found to be very complex. The "Preparation Services" would help aBi not lose out on otherwise good projects. To manage potential conflicts of interest, different teams could be employed to handle the preparation and due diligence.
- GMS navigation and reporting continues to be a challenge, especially for new IPs. This will be addressed during the inductions and regular monitoring visits in which one-on-one training will be delivered.
- Validation of FW thematic ideas with potential IPs is important before concepts are finalised to determine the acceptance levels of the ideas, identify critical flaws that need to be addressed in advance, and identify workable delivery mechanisms.
- There is a need to increase business development services to ensure that agribusinesses are well supported with strategic planning, market research, feasibility studies, business promotional activities, institutional and organisational strengthening, and ESG interventions. This was noted and adequately planned for in 2020, to enhance IP competitiveness and sustainability, and further strengthen their commercial viability. For example, BDS support is to be provided to applicants under the Pulses FW alongside grant support.
- There have been a few delays in project implementation with some IPs who have had difficulty in mobilising their own cash contributions. aBi has, however, witnessed growing interest in concessional loans on the part of IPs, suggesting increased need for this product. This presents an opportunity to mainstream concessional loans in aBi's suite of products.

Table 6: Value chain-specific lessons learnt

Value chain	Lessons learnt
Dairy	• Robust farmer extension delivery service and access to key production inputs guarantee farmer loyalty • Quality management is an important aspect in maintaining brand power (e.g. Jesa farm dairy and Alfasan are now strong brands) • A wide product range is necessary to increase market share, both locally and internationally (Jesa)
Horticulture	• There is a critical need for organic certification to increase profitability and competitiveness of Uganda's fruit products
Cereals	• Collective marketing has the advantage of spreading costs over a greater crop volume, creating a larger presence in the marketplace • Good farmgate prices for produce enhances the ability of farmers to acquire post-harvest handling equipment (pic bags and tarpaulins) • Contract farming involving offtakers ensures improved access to production inputs • Female farmers are selling more through groups compared to men
Oilseeds	• A win-win situation is achievable between private sector and humanitarian actors to ensure balance between achieving development objectives and commercial viability • Private sector is willing to invest in transferring technical skills in order to guarantee quality
Pulses	• Irrigation for bean production remains under-appreciated by farmers and considerable sensitisation is required
Coffee	• Low average land holding of Ugandan smallholder coffee farmers makes it impossible to increase production and productivity without applying GAPs and PHH technologies • Gender inclusion has a direct relationship to change in production and productivity of coffee • Offering basic training in M&E to change agents makes the Change Agent Model more effective • Bulking and collective marketing of coffee by farmers is incentivised by higher prices earned by farmers in groups compared to farmers who sell their coffee individually

Performance of aBi Finance Ltd 2019

04

Performance of aBi Finance Ltd 2019

In 2019, aBi Finance Ltd continued to promote the use of its main products: Lines of Credit (LoC), the Agribusiness Loan Guarantee (ALG) Scheme, and Financial Services Development (FSD) grants. It also continued with overall management of the aBi Finance Capital Fund. In 2019, aBi Finance's focus, as in the past, was the elimination and resolution of bottlenecks to agribusiness financing and financial inclusion. Underpinning these interventions was the adherence to Socially Responsible Investment guidelines specifically targeting women, youth and vulnerable groups such as refugees. Special attention was given to addressing regional imbalances through a funding window targeting financial institutions (FIs) in Uganda's Northern and Eastern Regions, as well as enhancing aBi's risk appetite by widening the catchment to tier III and IV FIs.

In 2019, the Ugandan economy reported strong growth estimated at 6.3%, largely driven by the expansion of services which grew with an average of 7.6% compared to 6.2% for the industrial sector, driven by construction and mining. Agriculture only grew at 3.8% during the period, in spite of it being a major contributor to the Ugandan Gross Domestic Product (GDP), amounting currently to between 20% and 22% of the national GDP. External reserves were at a comfortable 4.4 months of imports while the exchange rate was stable, averaging UGX 3,727 to the US Dollar.

Inflation

During the year, inflation remained subdued with headline and core inflation averaging 3%, mainly because of a decline in prices for food crops and related items due to favourable weather conditions throughout 2019. The same applied to core inflation, which started the year at a low of 2.8%, rising to 4.9% mid-year, and then settling at 3% by the end of 2019. Overall inflation during the year was held up by the persistent rise in energy, fuels and utilities inflation that averaged 7.1%.

Exchange rate

For the greater part of the year, the Uganda Shilling remained stable against the US dollar and other major currencies, as detailed in the table below. This strength was attributed to the uncertainty and turbulence in major economies such as the US-China trade war, the continued Brexit troubles in Europe, and the decisions made in Europe to lower interest rates to reduce the pressure on their domestic currencies.

Interest rate trend

2019 was characterised by an eased monetary policy stance that saw the Central Bank Rate (CBR) maintained between 9% and 10% during the year in order to stimulate private sector credit (PSC) so as to spur economic growth. Treasury bill and bond rates were largely stable throughout year, with the short- to mid-end of the curve ranging between 9% and 10%, and only rose towards the end of the year to close in the region of 12% and 12.5%, while the long end of the curve remained stable at an average of 13.5%.

Commercial bank lending interest rates continued to decline, a trend attributed to the eased monetary policy stance, which translated to lending rates of between 18% and 21% across different sectors.

Impact of economic and other conditions on aBi Finance operations

According to BoU statistics, private sector credit (PSC) remained robust during the year although it slackened toward the end of the year. A sectoral breakdown reveals that lending generally grew across all sectors during the year; agricultural lending grew by 13%, ranking above manufacturing (12%) and trailing the trade and building and construction sectors, which both registered a 20% growth in lending.

Non-performing loans (NPLs) relative to total loans extended by commercial banks deteriorated through 2019, from 3.8% in December 2018 to 4.7% in December 2019. This was mainly due to continued poor performance of loans to the building and construction, trade, and services sectors, coupled with high NPLs in the agriculture sector. Agricultural NPLs remained poorest, closing at 8.4%, albeit lower than the 9.1% registered earlier in the year. Agricultural NPLs stemmed from a prolonged quarantine in the cattle corridor, continuous slumping of coffee prices, and weather-induced mudslides in the Elgon and Rwenzori sub-regions which account for large portfolios of agricultural produce such as maize, coffee and vegetables. This situation continues to speak to the real and perceived risks associated with agricultural finance and the relevance of aBi Finance in ensuring commercial viability in agribusiness.

Fund management

The aBi Finance Capital Fund ended the period at UGX 175 bn against an annual work plan target of UGX 181 bn, down from UGX 182 bn at the end of 2018. This is explained by the net effect of the repayment the Construction Guarantee Fund proceeds to DFID. The portfolio mix resulted in a return of 11.6% against a target of 11.0%.

Table 8 shows the real value of the aBi Capital Fund, taking into consideration the impact of inflation on the Fund's investments.

Table 7: aBi Finance-managed Capital Fund asset allocation between December 2018 and December 2019.

	Dec- 18		Dec -19		AWPB allocation % of fund	% variance
	Value (UGX mn)	% of fund	Value (UGX mn)	% of fund		
Treasury Bonds	10,327	6	10,956	6	10	(40)
Fixed Deposits	84,925	47	56,086	32	21	57
Lines of Credit	85,236	47	106,676	61	64	(5)
Cash	1,794	0	1,157	1	1	(100)
Concessional loan	0	0	0	0	4	(100)
Total (UGX)	**182,282**	**100**	**174,875**	**100%**	**100%**	
Total (DKK mn)	**331**		**318**			

Source: aBi Finance

Table 8: Real value of the aBi Finance Capital Fund between December 2018 and December 2019

	Dec-18 (UGX mn)	Dec-19 (UGX mn)
Capital Fund	108,540	108,540
Increase from new capital injections	0	0
Profit/loss from investments	58,452	65,902
Profit/loss from inflation	(2,847)	(6,810)
Growth of Fund	55,605	59,092
Real value	164,145	167,632

Source: aBi Finance

Lines of Credit (LoC)

Table 9 summarises the performance of the LoC product against AWPB targets as of 31 December 2019.

Lines of Credit remain the flagship product for aBi Finance and in 2019 significant progress was made in closing the gaps and building on the successes of 2018. Notably, balances outstanding at the end of 2019 were UGX 107 bn, up from UGX 85 bn in 2018, which accounted for 64% of the Capital Fund compared to 47% the previous year. This resulted in the disbursement of 74,840 new loans, up from 55,830 in 2018 and against a target of 43,000. This strong performance was on the back of the refinement and continued persistence of a three-pronged strategy:

1) Renewing and expanding business with existing and well performing partners, which includes all our long-term partners from tier 1 to tier IV. These well-established relationships allow for innovation along product refinement and deployment such as structured long-term financing for marginalised and largely untapped regions like northern Uganda and developing in house agribusiness finance handbooks for continuous learning, with which over the passage of time, our partners become more adept at agribusiness financing. This is further demonstrated by the non-performing assets in partner agribusiness loans averaging 6.7% against an industry average of 8.4%.

2) Partnerships with apex bodies contributed to this performance by widening the catchment

Table 9: Summary of LoC performance against targets, 31 December 2019

Parameter	BP 2019 - 2023	AWPB 2019	2019 actual attained	% attainment	% variance
LoC outstanding amount (portfolio value, UGX bn)	147.8	115	107	93	(7)
Total number of new loans	218,400	43,000	74,840	187	87
• Number of new agribusiness loans	202,700	40,600	71,453	176	76
• Number of new clean technology loans	15,700	2,400	3,387	141	41

Source: aBi Finance Records

FI partners who ordinarily would not fall within aBi's catchment, i.e., those with loans and savings portfolios of less than UGX 500 mn. aBi supported two apex bodies with increased liquidity and improved information systems, which enhanced their relevance and efficiency to their partners.

3) Increased partnerships with Tier III and Tier IV FIs also bore fruit and this is line with implementing a key recommendation of the 2017 aBi Finance evaluation. This was facilitated by improved coordination with Financial Services Development (FSD). Over the years, FSD has worked with and built the systems and structures of a growing number of Tier III & IV FIs, which enabled them to qualify for commercial support from aBi Finance by way of LoCs and Agribusiness Loan Guarantees (ALGs). To that end, the LoC exposure by tier stood at 48%, 12%, 17%, 20% and 3% to Tier I, Tier II, Tier III, Tier IV and to two SMEs under the Clean Technology Fund (CTF), respectively.

Great strides were made in closing the gender gap with the number female beneficiaries closing at 60% against a target of 40%. This is mainly attributed to Tier II and Tier IV FIs, which have specific women-centric loan products with a focus on village banking and group lending that tends to be dominated by women.

From a regional coverage and balancing perspective, the Western region continued to account for the greatest number of FI partners (51%), followed by the Central (26%), Eastern (15%) and Northern regions (8%). Deliberate efforts to remedy the trend were made by FSD through the Northern and Eastern Uganda Funding Window that ran in 2019 with an aim of developing and building the capacities of FIs in the two regions to improve the accessibility of serviceable agribusiness financing. From this FW, 7 FIs (4 from Northern Uganda and three from the Eastern region) were supported with an average grant size of UGX 342 mn each, totalling UGX 2.4 bn. The grants focused on improving governance and management, outreach and expansion, financial performance, product development, capacity building, installation and upgrading of management information systems, and strengthening of strategic partnerships. One of the FIs in the Eastern region also received a LoC worth UGX 1 bn.

Table 10: Summary of LoC agribusiness performance by tier, gender and geographical region as of 31 December 2019

New loans		Tier 1	Tier 2	Tier 3	Tier 4	Total
Volume and value	No. of new loans	16,611	14,322	5,849	34,671	71,453
	Volume %	23	20	8	49	100
	Value (UGX bn)	63.5	16.5	25.5	56.4	161.9
	Value %	39	10	16	35	100
Gender	Male	12,481	239	3,615	12,108	28,443
	Male % to total new loans	17	0	5	17	40
	Female	4,130	14,083	2,233	22,564	43,010
	Female % to total new loans	6	20	3	32	60
Regions	Central	5,143	5,144	880	7,193	18,360
	Eastern	3,510	2,928	945	3,108	10,491
	Northern	3,188	1,842	586	306	5,922
	Western	4,770	4,408	3,438	24,064	36,680

Source: aBi Finance Records

Success story: Opportunity Bank

aBi and Opportunity Bank are implementing a joint project aimed at promoting the availability and use of financial services in Northern Uganda through branch and branchless delivery mechanisms.

Opportunity Bank Uganda Ltd. (OBUL) offers tailor-made products and services for individuals, and for micro-, small-, medium- and large-scale enterprises. OBUL has a network of 23 branches and 22 ATM Points distributed across the Central, Eastern, Western and Northern regions of the country. Alternative channels include agents in various locations around the country, and the Opportunity mobile banking system. OBUL is also a member of the Interswitch Network, with customers accessing over 400 Interswitch-linked across the country.

aBi and Opportunity are implementing a joint project aimed at promoting the availability and use of financial services in Northern Uganda through branch and branchless delivery mechanisms. The project is focused on 13,380 new customers accessing financial services using a UGX 900 mn new loan portfolio that is to be disbursed to agribusiness clients; it also aims to generate UGX 2 bn in new savings by agricultural sector clients, create 18 new permanent jobs, and spur a 10% growth in the incomes of savings and loan clients of the Bank.

During 2019, a number of activities were implemented. After the initial branch at Kamdini was established, an overwhelming number of customers turned up demanding bank credit, savings products, and other services. This led to an expansion of branch operations to enable effective and efficient service delivery to customers, and this has resulted in an excellent turn-around time in customer service delivery. Bank staff were trained in various areas related to improving efficiency and effectiveness in service delivery, including client relationship management, loan management, business management, agriculture enterprise management, risk mitigation and management, mechanisation and innovation in agriculture, and financial literacy. This has led to a growth in the agricultural loan portfolio to UGX 8,929,388,500, which includes both agriculture and agribusiness loans, and savings growth to UGX 3,337,827,284 as of December 2019.

OBUL conducted marketing campaigns in the Lango region to promote the Bank's products and services, including agricultural mechanisation with John Deere tractors and planting equipment. To promote financial literacy in local communities, it supported the broadcasting of a financial literacy drama series on local radio. The Bank undertook systems integration to enable communication between its banking and its branchless systems. In addition, agency banking was launched to enable distant clients, supported by Interswitch ATM services and the Mobile Banking platform.

In 2019, the following achievements were registered under the project. A fully-fledged branch in Oyam District at Kamdin was established, which helped increase the visibility of OBUL Northern Uganda and extended financial services to the people of Lango Region and surrounding areas. The uptake of OBUL's agricultural and non-agricultural products and services has increased, thanks to new smallholder and agribusiness clients. In addition, penetration of insurance for smallholders through group insurance has notably increased with 232 farmers accessing insurance cover in 2019 from 170 in 2018. More agricultural actors have increased their production capacity, acreage, and volume as the profitability of agriculture has grown due to the increased availability of OBUL financial services. Transaction costs have gone down, both for the bank and its clients, thanks to innovative branch and branchless mechanisms (for example Opportunity KUSIMU product, agency banking, Interswitch-linked ATMs). Increased financial literacy in Northern Uganda has enabled smallholder farmers there to make more informed financial decisions more effective use of OBUL products and services. Agricultural clients have been able to increase the productivity of their enterprises, enabling some to adopt mechanisation by capitalising on more affordable credit facilities. This has also helped smallholder farmers to employ service providers to plough their fields, as well as plant and harvest their crops.

Establishing the Kamdini branch stimulated a notable growth in business, as well as business ideas, which led to establishment of other branches in Lira and Gulu Districts.

Clean Technology Fund (CTF)

The Fund, established in 2015, supports innovations aimed at transferring clean, sustainable and efficient technologies that have the potential to significantly increase the resilience of agribusinesses to climate change and related declines in land productivity, while contributing to a reduction of carbon emissions.

Impressive performance was registered in 2019, closing at an outstanding balance of UGX 8.3 bn against an AWPB target of UGX 7 bn. The majority of financing was channelled through Tier III FIs (53%), while Tier IV and two SMEs accounted for 11% and 36% respectively. A total of 3,387 new loans to various clean technology initiatives were booked against an annual work plan target of 2,400. The initiatives financed included loans for mulching, organic manure, water harvesting, biogas systems, and organic certified farming.

An impact assessment of the fund will be conducted in 2020, when the third evaluation of aBi Finance is scheduled to be done.

Table 11 shows Clean Technology Fund performance by volume, value, gender and geographical location.

Table 11: Performance of the CTF by volume, value, gender and geographical location as of 31 December 2019

Institution	Number of Loans Disbursed		Gender		Location			
	Volume	Value (UGX mn)	Male	Female	C	E	N	W
Total	**3,387**	**8,282**	**2,223**	**1,164**	**210**	**5**	**609**	**2,563**

Source: aBi Finance records

Non-performing loans

The non-performing loans (NPLs) closed at 2% against an industry best practice of <5%. The aBi Finance NPLs in 2019 are attributed to two SMEs and one Tier IV FI. The delinquent FI is under recovery by an external law firm while one SME, a clean technology company, has been recommended for write off given aBi Finance's inability to locate the proprietor and the other, an agribusiness exporter, is working with both aBi Finance and VCD to move back to active loan status.

Agribusiness Loan Guarantee Scheme (ALG)

Table 12 summarises the performance of the ALG against set targets as at 31 December 2019.

In 2019, the Agribusiness Loan Guarantee Scheme closed with an outstanding balance of UGX 105 bn, up from UGX 103 bn in 2018. This unfortunately fell short of the planning target of UGX 123 bn. This shortfall is attributed to reduced utilisation by FIs, whose bookings to the scheme dipped to 65%, down from 70% the previous year. The reasons for this included;

- Adherence to internal sectoral limits and hence, the inability to lend beyond their risk appetites
- Adoption of a cautious stance by some partners due to the effects of weather vagaries, which in the first half of the year led to a longer than expected dry season, which threw all planting season plans off course; this in turn resulted in a slowdown in lending.
- A prolonged cattle quarantine that affected the western cattle corridor and hampered the transport and sale of animals, which translated into a slowdown in cattle trade and, as a result, a dip in related loans supporting the sector.

In line with the above shortfall, 21,075 new loans worth UGX 134 bn were underwritten by the guarantee facility, against a target of 34,000. The focus in 2020 is to drive up utilisation, especially in the Tier III and IV FIs space, in order to diversify and broaden the ALG catchment. Existing partners will also be re-trained and sensitised in order to better understand the value proposition of the ALG, which is expected to improve uptake.

By gender, 23% of the beneficiaries were female, against a target of 40%, which was a marginal

Table 12: Summary of ALG performance against targets as of 31 December 2019

Parameter	BP 2019 -2023	AWPB target 2019	2019 actual attained	% attainment	% variance
Global limit (UGX bn)	213.8	157	163	104%	4%
Outstanding guarantee portfolio (UGX bn)	168.2	123	105.3	86%	(14%)
Number of new ALG beneficiaries	196,000	34,000	21,075	62%	(38%)

Source: aBi Finance records

improvement from the 20% achieved in 2018. Important to note is that the FIs under the LoC that account for the highest performance in terms of female beneficiaries, i.e., mainly the Tier IVs, are yet to join the ALG. This is because of their group lending model, which diminishes the need for collateral support under the ALG since group lending is designed to address the same challenge.

Similar to the LoCs, the Western region remained dominant in accounting for loans under the ALG scheme (35% of the total), followed by the Central (29%), Eastern (27%) and Northern (9%) regions.

By value chain node, 77% of the loans booked under the scheme went to agricultural production, 22% to marketing, and only 1% to processing, as was the case in 2018. It is important to note that processing in this respect refers to SMEs that are engaged in value addition, like coffee or rice hulling and flour milling and packaging. Loans in support of these activities are for working capital. Performance by Tier was maintained, with Tier I FIs booking the largest volumes and Tier II booking the least, as detailed in Table 13.

It should be noted that, as of December 2019, in addition to the above FIs the ALG closed with one development bank and two Tier IV FIs whose contacts expired but still have active loans booked on the scheme. Table 14 highlights the volume and value of new loans disbursed under the ALG in 2019.

Table 13: Total new loans booked on the ALG Scheme by FIs by tier between January and December 2019

Financial institution		Number of loans		Value of loans	
Tier	No. of FIs	Total number of new loans	Percentage of total new loans	Value of new loans (UGX bn)	Percentage of total value
Tier I	9	17,696	84	114	85
Tier II	1	2,620	12	8	6
Tier III	2	759	4	12	9
Tier IV	2	0	0	0	0
Dev Bank	1	0	0	0	0
Total	**15**	**21,075**	**100**	**134**	**100**

Source: aBi Finance Records

Table 14: Volume and value of new loans disbursed under the ALG between January and December 2019

Number of loans by gender		Number of new loans	Value (UGX) bn	C	E	N	W
Male	Female						
16,167	**4,908**	**21,075**	**134**	**6,132**	**5,719**	**1,853**	**7,371**

Source: aBi Finance Records

Claims settlement

Claims worth UGX 489 mn were paid out during 2019, up from UGX 454 mn in 2018, with the majority beneficiaries being Tier I FIs (UGX 459 mn) followed by, Tier II (UGX 21 mn) and Tier III (UGX 8.8 mn), increasing the cumulative pay-out since inception in 2010 to UGX 3.8 bn. Tier IVs, being the least represented in the ALG scheme (2 FIs out of 15) had no claim requests made in 2019, thus no pay outs. The settled claims resulted in an annual pay-out ratio in 2019 of 0.46% against a target of 5%, with claims settled predominantly from the banana (Matooke) and cereals value chains, mostly in Western Uganda, followed by the Northern region and the least from Central.

To support the sustainability of the ALG scheme, partner FIs are required to make refunds to the scheme in the event of recovery of loans already settled under the ALG. In this respect, during the year UGX 25.4 mn was refunded, with Tier I, II and III FIs contributing UGX 22 mn, UGX 3.3 mn and UGX 0.1 mn respectively. The low refunds to settlement is challenged by limitations in the Management Information Systems of some FIs in tracking recoveries made once loans have been settled by claims against the ALG; laxity in following up on defaulters once claims are settled and loans paid off is also a factor. These challenges are being addressed by supporting FIs to address their MIS challenges, and thus improve their reporting and enabling continuous monitoring of FI portfolios of claim beneficiaries to ensure that refunds are made. In addition, there is a need for continuous training of FI staff to improve their appreciation of the ALG scheme as a vehicle to promote agribusiness lending and thus to protect its integrity.

Financial Services Development (FSD)

During the year, FSD projects contributed to the generation of partners' net incomes to the tune of UGX 1.6 bn and led to the creation of 5,879 new full-time jobs. Further details on FSD's performance against set targets as of 31 December 2019 are highlighted in Table 2 on page XVI.

Branch and branchless delivery mechanisms

In a bid to enhance financial inclusion, 6 FIs received grant financing worth UGX 2 bn in order to increase outreach and access to finance through the construction or refurbishment of branches. These were: Nyaravur SACCO in Nebbi district, Mt. Otce Metu SACCO in Moyo district, Loro Oyam SACCO in Oyam District and Vison Fund Uganda in Moyo District, all located in Northern Uganda. Tujijenge Uganda Ltd in Busia in Busia district and Kayunga district were also supported under this FW. The Moyo branch of Vision Fund Uganda opened in 2019 and the rest of these branches will open in 2020.

Notable progress was made in 2019 using branchless delivery mechanisms evidenced by the increase in number of transactions on the shared agent-banking platform run by the Uganda Bankers Association from 50,556 in 2018 to 1,172,120 in 2019, 70% of which is in rural areas. At an overall grant financing cost of UGX 3.6 bn, 8,422 new agent banking access points were activated, this against an annual target of 4,800 new access points. This was due to increased investment in the business model (crowding in) by FIs that saw an additional 6 FIs gaining active status on the platform compared to the 7 activated in 2018, closing 2019 with 13 active FIs out of the 19 integrated on the platform, as opposed to seven in 2018. These include, Centenary Bank, Dfcu Bank, Opportunity Bank, Postbank Uganda Ltd, Exim Bank, Barclays Bank, Diamond Trust Bank, Housing Finance Bank, Finance Trust Bank, Tropical Bank, Bank of Africa, NC Bank, and United Bank of Africa (UBA).

The increased investment by FIs in the shared platform is driven by the model's value proposition of giving UBA member banks an opportunity to compete with the mobile network operators that dominate this space due to greater efficiency, speed and reach, all at lower levels of expenditure on brick

Agent banking is growing by leaps and bounds as Uganda's financial sector reinvents itself and incorporates many new underserved clients to extend its reach.

and mortar facilities and capital. This enabled extension of financial services to the people, more so in rural areas, which contributed to job creation by way of various agents across the country. In light of this, FIs engaged in awareness activities and training on the same, through print and media, which contributed to increased uptake. Currently, agent banking and the related shared platform can only be utilised by FIs that fall under the supervision of the Central Bank, which automatically excludes Tier IV FIs. However, Tier IVs, most of which are in in rural areas, are engaged in agent banking as agents for their higher tier partners, thus increasing the flow of finance to previously neglected poor rural households.

The aBi Board visited the Bala branch of Alutkot Cooperative Savings and Credit Society Ltd in 2019 to learn directly from its management team how this SACCO made such impressive progress towards expanding its outreach, creating local jobs, and improving the livelihoods of its members.

Success story: Alutkot SACCO

Alutkot Cooperative Savings and Credit Society Limited is a rural, community based, demand-driven microfinance Institution. It is owned and governed by its members and is for the exclusive use of its members. Its headquarters are in the Northern Region of Uganda in Loro sub-county, Oyam District, with one branch location in Aboke township, Kole District, and another in Bala sub-county, also in the Kole District.

Lango sub-region was affected by war in recent years and Alutkot has supported its members throughout these times. During the LRA insurgency, Oyam District hosted 22 of the 23 camps for internally displaced people. The population of Oyam District was hard hit and continuously displaced, losing much in terms of their livelihoods.

Alutkot continues to support clients financially as they strive to rebuild their livelihoods through savings and loans. On 27 April 2018, Alutkot signed an agreement with aBi Development Ltd. to expand its outreach in order to enhance the incomes of its members and to create jobs in the areas of Oyam, Kole, Apac and Kwania Districts. An agricultural and rural finance project was established that targets all farmers in the Alutkot SACCO area of operation.

The objectives of this Project are to: establish a branch at Bala sub-county; improve outreach and grow its membership by registering 840 new clients, increasing its ranks from 6,898 to 7,738; disburse 450 new loans by the end of 2019; and improve its loan portfolio and savings volume by 20% by mid 2020.

In 2019, activities undertaken included improving access to agricultural and rural finance by opening an additional branch, increasing economic development through training and financial services, boosting financial literacy in the community through training, and increasing the client base of Alutkot SACCO by enhancing mobilisation and outreach. These activities resulted in the following achievements:

1) Establishment of a new branch in Bala trading centre, which opened for business on 30 August 30 2018. This was the third Alukot branch in addition to Kole and Head office branches.

2) The number of members increased from 6,898 in April 2018 to 7,688 as of 31 December 2019.

3) The savings portfolio grew by 38%, up from UGX 632 mn in April 2018 to UGX 873 mn on 31 December 2019.

4) The loan portfolio increased by 18%, from UGX 500 mn in April 2018 to UGX 594 mn on 31 December 2019.

5) The Alukot Board of Directors received training in governance, credit management, and loan tracking and monitoring. As a result, the SACCO has improved its processes by adopting new appraisal documents, revising loan and field monitoring forms, and building client relationships.

Lessons learnt

- Although the SACCO increased outreach through branch expansion, for it to maintain its competitiveness in the region and convince people to embrace digital banking requires face-to-face interactions with clients. The SACCO is thus considering ways to enhance its technological presence and support services in its area of operation.

- The mix of services offered by aBi to FIs is effective in expanding and deepening the financing of agricultural businesses and leads to better use of such services.

- Fluctuations in prices of agricultural commodities affects production in the subsequent agricultural season, hence there is a clear need to have a price stabilisation policy in place.

Agricultural insurance as a risk mitigation mechanism

The Government of Uganda, through an initiative worth UGX 5 bn per year that commenced in 2016, continued to provide insurance support to the agricultural sector. This was on recognition of the strategic importance of the agricultural sector to the Ugandan economy, coupled with the need to support it further through agricultural insurance as a means of de-risking the sector, thereby supporting its growth and development. The GoU operationalised this by subsidizing the premiums on agricultural insurance that covers multi-perils, such as uncontrollable pests and diseases, drought, fire, lightning, malicious damage, earthquakes, riot and strikes, explosions, and windstorms; these subsidies apply both for large- and small-scale farmers in operating in crop and animal value chains.

The subsidies encourage uptake of agricultural insurance, since high premiums have been cited as one of the main reasons for low insurance penetration in Uganda. aBi partnered with this initiative and, with UGX 687 mn in grant financing, a total of 48,993 farmers accessed agricultural insurance, relative to a target of 22,000. This translated into UGX 157 bn being booked in loans under the scheme, mostly through regulated partner FIs. 14,730 claims were made against the scheme, 14,600 of which received compensation, amounting to UGX 6.2 bn during the year indicating a 99% compensation rate for claims made. During the year, UAIS' gross collections amounted to UGX 12 bn in premiums with UGX 6.2 bn in claim settlements – a gross profit margin of UGX 5.8 bn (48%) and a net profit margin of 13%. This strong performance is attributed to Uganda Insurer's Association (UIA) leveraging on partnerships with development partners in specific value chains, like SNV in the dairy sector, as well as financial institutions that have a wide client base, resulting in high uptake of agricultural insurance. aBi's support to the project specifically covered the sensitisation and awareness activities, building the capacity of insurance personnel to be knowledgeable trainers of trainers, and fostering lending to the agriculture sector by training FI staff in agricultural insurance, enabling them to market the product.

Furthermore, aBi provided UGX 419 mn to support the development of the insurance digital platform by the Insurance Institute of Uganda (IIU). The project aims to increase the penetration of insurance in Uganda by simplifying the processes for bringing clients on board, paying premiums, handling client complaints and customer feedback, and settling claims, all through a convenient, transparent and cost-effective interface between Insurers, MFIs/SACCOs and the target populations. The project is to be launched in 2020.

Digitisation of lower tier FIs through apex bodies

In a bid to enhance operational efficiencies, especially of Tier IV partners, aBi provided UGX 4.7 bn in grant financing to support the "Digital Financing through Cooperatives (DIFICO)" project, which is managed by the Uganda Central Cooperatives Financial Services (UCCFS). Eighty-six SACCOs, out of the 201 target, were connected to the "Savings Plus" Management Information System (MIS) as a step towards their ability to efficiently and sustainably serve rural clientele, bringing the total connections since project inception in December 2017 to 177 SACCOs. The connections are aimed at strengthening the relationship between UCCFS and member cooperatives, as well as the SACCOs, with its customers through an improved turnaround time in loan processing, lower transaction costs, reduced fraud risk, and more reliable information, which in turn translates into increased FI outreach and a reduction in FI operational costs. The project is also an avenue for both UCCFS and the member SACCOs to earn non-interest income, further supporting their sustainability while achieving aBi Finance's objective of promoting the development of a digital economy that will foster more cost-efficient financial inclusion, especially in the rural areas where the majority of people depend on agriculture for their livelihood. As a result of the project, UCCFS earns UGX 23 mn in commission from MSACCO transactions; SACCOs have registered improved accountability, reporting and monitoring of member funds; reduced cost of transaction for SACCO members as its more affordable at times to use digital means as opposed to making the journey to the FI; better business continuity planning thus risk management in the event that remote operations are needed for the survival of the institution as well as reduced likelihood of fraud occurrence as a result of manual information management.

Inaugural Funding Window

In 2019, aBi adopted the Funding Window (FW) approach to grant financing, with the purpose of focusing funds on impactful interventions that would accelerate the achievement of its financial and development objectives. During the year, aBi set out to grow its portfolio through its core products, thereby focusing mainly on Tier III and Tier IV organisations as well as socially responsible investments that specifically targeted women, youth and such vulnerable groups as refugees.

The inaugural FSD FW supported the expansion of financial services in Uganda's Northern and Eastern regions through the strengthening of microfinance/Tier IV financial institutions there. The aim is to increase access to and uptake of appropriate and sustainable financial services by smallholder farmers and agribusinesses in these regions. The main intervention areas included: improvement in governance and management, outreach and expansion, financial performance, product development, capacity building, installation and upgrading of management information systems, and the strengthening of strategic partnerships. Eight projects valued at UGX 2.8 bn (with an average project size of UGX 350 mn) were supported, 7 of which were approved during the year (UGX 2.4 bn), with the eighth (valued at UGX 400 mn) approved in February 2020. The 7 institutions that received support under this inaugural FW include: Nyaravur SACCO (Nebbi District), Mt. Otce SACCO (Moyo), Loro Oyam SACCO (Oyam, Talanta MF (Gulu), Tujijenge Uganda Ltd (Busia), Nakanyonyi Good Shepherd SACCO (Jinja), and Bugadde SACCO (Mayuge). These projects will run for an average of three years and are expected to be completed in 2022: results, progress, and lessons learnt will be provided in subsequent reports.

Some lessons learnt from the inaugural FW

This being the inaugural funding window run by FSD, three key lessons stood out that will improve the operationalisation of the FW methodology going forward:

- In depth information sharing sessions with applicants at the beginning of each FW are key to addressing application challenges faced by respondents, which will result in a more efficiently run window.

The JESA Farm Dairy Ltd milking parlor at its Busunju facilities. A large portion of the milk processed by JESA is produced by its own cows. Thanks to aBi support, however, the company has been able to expand its processing capacity and it now purchases high quality raw milk from hundreds of smallholder dairy farmers, increasing its market competitiveness while improving the livelihoods of neighbouring dairy farmers.

- Sufficient time (estimated to be 6 months) is required to run each call to allow the applicants sufficient time to source and prepare the required information and supporting documentation.
- Validation of FW thematic ideas with potential FIs ahead of running the call is important before the FW concept and methodology is finalised in order to validate the ideas and identify realistic delivery mechanisms.

BDS support to agribusiness projects

In 2019, aBi partnered with Business Development Services (BDS) providers to assess and offer support to 12 implementing partners. These include: Hoima District Farmers Association (HODFA), Busoga Shining Light Association (BSLA), Tororo District Farmers Association (TODIFA), Ankole Coffee Processing Cooperative Union (ACPCU), Yumbe District Farmers Association (under the DCA Yumbe Project), Acila Enterprises Ltd, Bukonzo Organic Farmers Cooperative Union (BOCU), New Kakinga Millers Ltd, Manyakabi Area Cooperative Enterprise (MACE), Grow More Seeds Ltd, Delight Uganda Ltd, and Uganda Coffee Farmers' Alliance (UCFA). These IPs received training in one or more of the following areas: business management skills, including financial management and book keeping; business skills development to improve profitability and sustainability; business planning and the use of business information in decision making; business communication and marketing, including the use of e-channels and social media in marketing to increase business visibility; leadership and governance for board and management, including the development of relevant manuals; and good agricultural practices (GAPs), post-harvest handling (PHH), quality control, and farming as a business (FaaB).

Socially Responsible Investments (SRI)

aBi Finance aims to achieve social/developmental returns without compromising its financial returns, and in so doing achieving sustainability both in its own operations and those of its partners. In light of this, in 2019 aBi Finance (in collaboration with aBi Development) committed to making investments in interventions that reflect a clear balance between achieving the commercial viability of vital agribusinesses and broader socioeconomic development objectives.

aBi's operations embraced the following SRI principles:

Figure 2: aBi's operational principles for guiding its socially responsible investments

In 2019, aBi Finance continued its pursuit of refining its SRI interventions in the following ways:

- Conducted consultations/assessments aimed at better understanding aBi Finance's operations and partners' social reporting practices, to define a suitable reporting standard to demonstrate the development impact of aBi Finance. It was established that one-third of aBi Finance's partner FIs are familiar with the Universal Standards for Social Performance Management (USSPM) and/or uses the CERISE SPI4 or SPI4-ALINUS, a social audit tool that is used to measure compliance with the USSPM, and/or have a social-environmental management framework in place that is aligned with the USSPM.
- Embarked on the journey of adopting and integrating the use of the SP14 ALINUS tool into MFI due diligence, to better operationalise the 5 SRI principles adopted in 2017. aBi staff were oriented and trained in the application of the tool that will be fully deployed in 2020.
- Commenced formulation of a social performance management policy to provide a framework for guiding the investment activities of aBi Finance to ensure they are responsible, ethical and aligned with aBi's vision, mission and SRI strategy. The policy further aims at building commitment of aBi Finance staff and partner FIs to SRI principles, by providing guidance on how to assess, measure, monitor and report on key risks affecting the social performance of investments.

Financial Performance 2019

05

Financial Performance 2019

Financial performance of aBi Finance Ltd

aBi Finance made an after-tax profit of UGX 7.4 bn for the year ending 31 December 2019, compared to UGX 9.6 bn in 2018, the major reason for the reduction of UGX 2.2 bn was the effect that the unexpected economic challenges in the first quarter of 2020 had on the provision for impairment charge on loans which rose to UGX 4.2 bn as of 31 December 2019, compared to UGX 63 mn as of 31 December 2018.

Interest income increased to UGX 20.3 bn in 2019, up from UGX 18.7 bn in 2018. This increase reflects larger interest earnings in 2019 (UGX 1.6 bn) due to an increased Line of Credit portfolio, whilst Agricultural Guarantee fees rose by 40% to UGX 1 bn, up from UGX 0.72 bn in the previous year due to an increase in the guarantees limits and two more financial institutions joining the scheme, which had the effect of boosting the global guarantee limit. Meanwhile, guarantee claims were almost constant at UGX 0.45 bn in 2019 compared to the 2018.

2019 was the first year that aBi Finance financial statements included the FSD grants which moved over from the former aBi Trust during the year and are consequently increased both other income and expenses by UGX 2.9 bn in 2019.

Operating and administrative expenses increased to UGX 6.6 bn from UGX 5.9 bn the year before and this was due to a rise in legal and consultancy costs and other professional fees, plus sundry other cost increases over the year.

A fair value loss amounting to UGX 390 mn was incurred due to a revaluing of all government securities (treasury bonds and bills) held by the company as of the end of the year.

Table 16 presents the Statement of Financial Position of aBi Finance as of 31 December 2019. Total assets amounted to UGX 182 bn, versus UGX 185 bn in 2018, whilst total equity increased to UGX 174 bn compared to UGX 167 bn in 2018 owing to the total comprehensive income of UGX 7 bn generated during the year. The major reason for the drop in total assets was the winding up and paying back of the Construction Guarantee Fund in 2019, which had stood at UGX 12.5 bn in 2018.

Meanwhile, other standout features included the increase in loans to borrowers (net of impairments) to UGX 107 bn from UGX 85 bn in 2018. In addition, for the first time there is also a deferred grant liability arising on account of the UGX 3.7 bn in FSD grants.

Table 15: aBi Finance Ltd Statement of Comprehensive Income for period 1 January-31 December 2019

	Actual Dec 18 UGX '000	Actual Dec 2019 UGX '000	Budget Dec 2019 UGX '000	Variance Percentage %	Actual Dec 2019 DKK '000
INCOME					
Interest Income	18,653,533	20,295,949	18,856,236	8%	36,902
Loan guarantee fees	716,756	996,053	720,000	38%	1,811
Total Operating income	**19,370,289**	**21,292,002**	**19,576,236**	**9%**	**38,713**
Other Income	673,396	469,167	142,745	229%	853
Grant Income	-	2,921,078	7,200,000	-59%	5,311
Operating Expenditure - aBi Fin (Direct Costs)	(5,913,493)	(6,613,208)	(7,375,664)	-10%	(12,024)
Financial Services Development	-	(2,921,078)	(7,200,000)	-59%	(5,311)
Guarantee claims	(445,947)	(454,160)	-	(100%)	(826)
Provisions for Bad Debts	(62,733)	(4,213,477)	(2,047,824)	(106%)	(7,661)
Profit Before Tax	**13,621,512**	**10,480,324**	**10,295,494**	**(2%)**	**19,055**
Income Tax	(3,981,958)	(3,030,576)	(3,774,995)	(20%)	(5,510)
Profit for the year	**9,639,554**	**7,449,748**	**6,520,499**	**(14%)**	**13,545**
Other comprehensive income			-	0%	-
Fair Value gain on available for sale financial assets	(257,267)	(390,213)	-	(100%)	(709)
Deferred income tax thereon	77,180	117,064	-	100%	213
Total comprehensive income for the year	**9,459,467**	**7,176,599**	**6,520,499**	**(10%)**	**13,048**

*1DKK = 550 UGX

Table 16: Statement of Financial Position as at 31st December 2019

	Actual	Actual	Budget	Variance	Actual
	Dec-18	Dec 2019	Dec 2019	Percent-age	Dec 2019
	UGX '000	UGX '000	UGX '000	%	DKK '000
ASSETS					
Cash and bank balances	1,793,781	1,157,102	1,300,814	-11%	2,314
Investment in government securities	10,326,595	10,956,085	17,861,737	-39%	21,912
Fixed Deposits with Commercial banks	84,924,648	56,086,056	37,750,237	49%	112,172
Concessional Loans - aBi Trust	-	-	8,000,000	-100%	-
Agriculture Bond Investment	-	-	1,297,685	-100%	-
Line of Credit	85,236,385	106,676,484	115,048,915	-7%	213,353
Guarantee fees receivable	2,535	163,684	-	100%	327
Income tax recoverable	734,258	690,903	-	100%	1,382
Deferred Tax Asset	750,001	2,161,686	268,770	704%	4,323
Fixed Asset	3,878	2,292	23,531	-90%	5
Other Receivables	888,698	102,483	300,000	-66%	205
IP receivable	-	3,991,399	-	100%	7,983
Total assets	**184,660,779**	**181,988,174**	**181,851,689**	**(0)**	**363,976**
LIABILITIES AND EQUITY					
Liabilities					
Bad debt provision (loans and guarantees)	821,980	769,932	7,126,468	(89%)	1,540
Other payables	4,271,799	3,274,840	2,433,897	34%	6,550
Deferred grant	-	3,708,066	-	100%	7,416
Construction Guarantee Fund	12,508,283	-	-	100%	-
Total Liabilities	**17,602,042**	**7,752,838**	**9,560,365**	**-19%**	15,506
Equity					
Capital Grants	108,540,058	108,540,058	108,540,058	0%	217,080
Available for sale revaluation reserve	66,425	(206,724)	-	(100%)	(413)
Retained Earnings	58,452,254	65,902,002	63,751,266	3%	131,804
Total liabilities and net funds	**184,660,779**	**181,988,174**	**181,851,689**	**0%**	**363,976**

*1DKK = 550 UGX

Figures 3 and 4 show the mix of invested funds and the interest income earned over the last 3 years. Increasingly more of aBi Finance Ltd funds are being invested in LoCs, in line with the new aBi Business Plan 2019-2023.

Interest income has followed an upward trend from 2017 to 2019. Interest increased from UGX 15.7 bn in 2017 and UGX 18.5 bn to UGX 20 bn, as highlighted below.

Figure 3: Interest-earning assets, 31 December 2017-31 December 2019

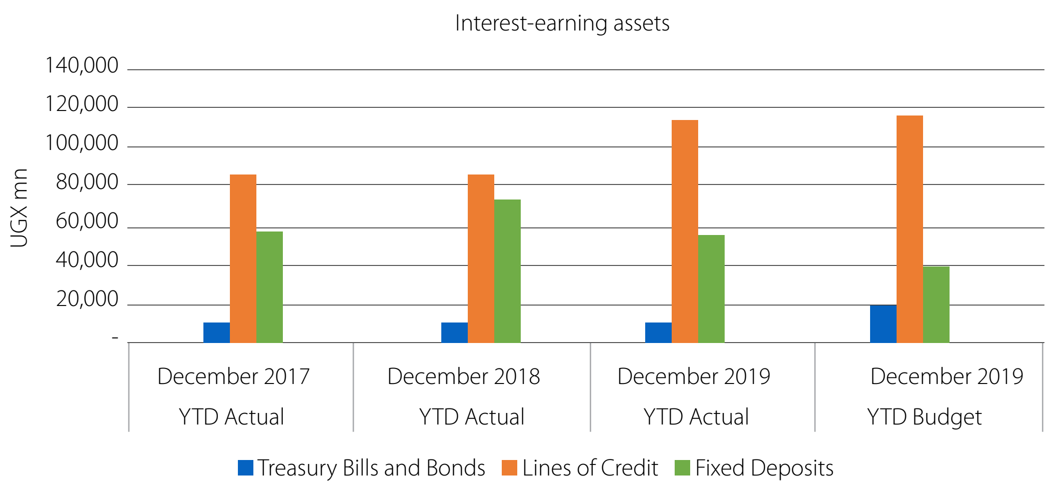
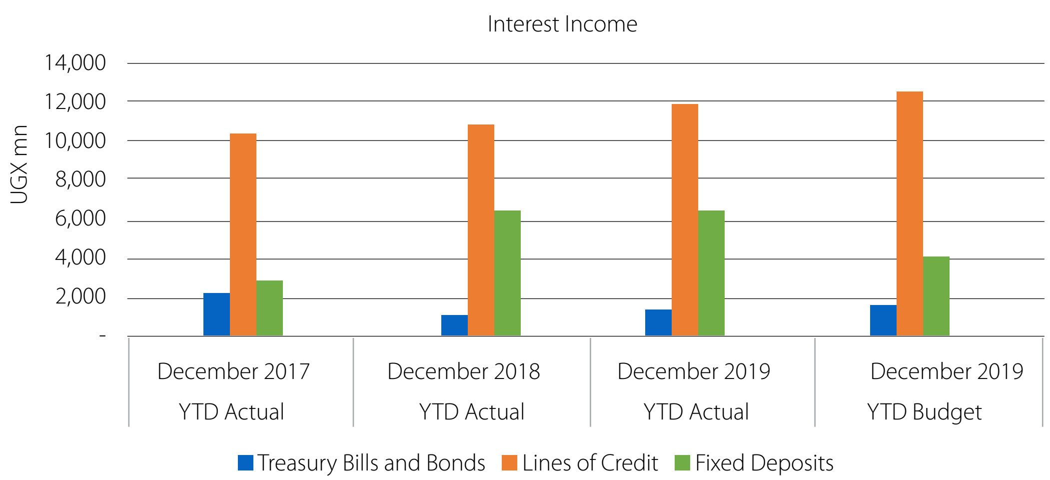


Figure 4: Interest income, 31 December 2017- 31 December 2019



Financial performance of aBi Development Ltd

2019 was the inaugural year for aBi Development Ltd, having taken over the operations, assets and liabilities from aBi Trust. It was also the first year of adoption of IFRS as the accounting framework for reporting of the financial statements. In the 12 months to 31 December 2019 aBi Development spent UGX 31.6 bn compared to UGX 47.9 bn in 2018. Out of this amount, UGX 24.9 bn was expended on grant expenditure versus UGX 44.8 bn in 2018 which represents a 44% drop, in part due to the longer time needed to operationalise the new Funding window system for awarding grants.

aBi Development's general and operational expenditures of UGX 6.9 bn (UGX 10.6 bn, less recharge costs to aBi Finance Ltd and NURI of UGX 3.7 bn) was composed mainly of staff related costs (UGX 5.5 bn) and depreciation (UGX 1.1 bn).

In the Statement of Financial Position (Table 18) and under the first-time adoption of the new accounting standard IFRS 16, aBi Development's 3-year lease (to November 2022) on its offices in Umoja House, Kampala, is now shown as a "right of use" asset and accounts for the whole amount on that line, which in turn is offset through the liabilities by the same amount.

Table 17: aBi Development Statement of Comprehensive Income for the year ended 31 December 2019

	Actual	Actual	Budget	Variance %	Actual
	Dec-18	Dec 2019	Dec 2019		Dec 2019
	UGX '000	UGX '000	UGX '000		DKK '000
Grant income	47,847,167	**31,658,830**	42,177,395	(25%)	**57,562**
Other Income	93,453	32,252	-	100%	59
Total income	**47,940,620**	**31,691,082**	**42,177,395**	**-25%**	**57,620**
IP Expenses	(44,762,206)	(24,858,235)	(34,198,807)	(27%)	(45,197)
Operational expenses	(3,208,637)	(**6,945,992**)	(7,978,588)	(13%)	(**12,629**)
Net impairment of financial assets	(70,417)	(21,707)	-	(100%)	(39)
Finance income	284,668	**343,769**	-	100%	**625**
Total expenses	**(47,756,592)**	**(31,482,165)**	**(42,177,395)**	**(25%)**	**(57,240)**
Surplus for the year before tax	**184,028**	**208,917**	**-**	**100%**	**380**
Income tax expense	(184,028)	(208,917)	-	(100%)	(380)
Net surplus for the year	**-**	**-**	**-**		**-**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**		**-**		**-**

*1DKK = 550 UGX

Table 18: aBi Development Statement of Financial Position as of 31 December 2019

	Actual	Actual	Budget	Variance %	Actual
	Dec 2018	Dec 2019	Dec 2019		Dec 2019
	UGX '000	UGX '000	UGX '000		DKK '000
ASSETS					
Non-current assets					
Property & equipment	616,735	426,080	1,500,000	72	775
Right of use assets	4,308,280	**3,750,444**	-	100	**6,819**
Intangible assets	315,143	176,349	-	100	321
	5,240,158	**4,352,873**	**1,500,000**	**190**	**7,914**
Current assets					
Assets held for sale	2,040,000	300,000	-	100	545
Trade and other receivables	22,105,046	21,409,890	17,100,000	25	38,927
Income tax recoverable	17,655	42,768	-	100	78
Cash and cash equivalents	23,855,621	30,372,693	14,400,000	111	55,223
	48,018,322	**52,125,351**	**31,500,000**	**65**	**94,773**
TOTAL ASSETS	**53,258,480**	**56,478,224**	**33,000,000**	**71**	**102,688**
LIABILITIES AND EQUITY					
Capital and fund balance					
Fund balance	**-**	**-**	**10,200,000**	**(100)**	**-**
Non - current liabilities					
Lease liabilities	**3,783,084**	**3,156,445**	**-**	**(100)**	**5,739**
Current liabilities					
Deferred grants	44,625,915	**49,509,654**	21,300,000	132	**90,018**
Lease liabilities	489,965	522,112	-	(100)	949
Trade and other payables	2,600,179	3,290,013	1,500,000	(119)	5,982
Uganda Rural Challenge fund	1,759,337	-	-	-	-
	49,475,395	**53,321,779**	**22,800,000**	**134**	**96,949**
TOTAL LIABILITIES AND EQUITY	**53,258,479**	**56,478,224**	**33,000,000**	**71**	**102,688**

*1DKK = 550 UGX

Trade and other receivables are, at UGX 21.4 bn, in line with 2018 and are made up largely from IP receivables (UGX 18.6 bn, compared to UGX 17.7 bn in 2018). This amount represents the disbursements made to IPs, but which has not yet been expensed because aBi pays IPs in advance and then expenses the receivable once it has been reviewed and accountability is agreed upon.

Adjustment for VCD expenditures shown in the 2019 financial statements vs cash disbursements

The amounts shown for VCD expenditures in the 2019 financial statements differs from the cash disbursements shown earlier in Table 4. The difference relates mainly to non-cash components, such as accrued expenses, prepayments, provisions for doubtful IP receivables, and human resource costs allocated to VCD. An analysis of the difference is shown in Table 19.

Funding status of aBi Development Ltd

As of 31 December 2019, aBi Development Ltd has a commitment with its IPs of UGX 23.6 bn in terms of undisbursed grant funding for signed contracts. The company ended 2019 with significant cash balances of over UGX 30.5 bn due to under-disbursements during the year. This was an increase of UGX 7.4 bn over the previous year and includes grant funding received in 2019 from DANIDA of UGX 13.8 bn.

During 2019 the Uganda Rural Challenge Fund ended and remaining funds on the account were returned to the donor; the balance as of the year end was therefore nil.

The Construction Guarantee Fund (CGF) facility of UGX 7.2 bn (£2mn), which is managed by aBi Finance on behalf of DFID's Crossroads programme, was zero at the end of 2019, compared to UGX 12.6 bn at the end of 2018; the project ended during the year and the remaining cash balance (UGX 11.4 bn) was transferred back to DFID.

Table 19: Actual expenditures reported for VCD in financial statements vs cash

Value Chain	2019 Cash (UGX '000)	2019 Actual (UGX '000)	2019 Variance (UGX '000)
Coffee	10,068,875	8,002,400	(2,066,475}
Cereal	6,476,716	6,281,585	(195,131)
Pulses	821,968	682,099	(139,869)
Oilseeds	1,205,184	1,140,441	(64,743)
Horticulture	1,532,645	2,471,271	938,625
Dairy	1,941,633	942,731	(998,902)
Crosscutting Issues	869,381	489,501	(379,881)
Other value chains	29,137	29,137	-
STTA	332,095	332,069	(26)
Human resources		1,071,230	1,071,230
Shared services		1,327,880	1,327,880
Provision for doubtful IP receivables		(418,018)	(418,018)
Expected credit losses		(21,707)	(21,707)
Finance income		393,981	393,981
Total VCD	**23,277,635**	**22,724,599**	**(553,036)**

Internal Audit

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

In line with balancing strong commercial viability with clear development objectives, the Internal Audit Department used a risk-based approach to accomplish the following assurance and consulting engagements, as called for in the 2019 Annual Workplan.

In addition to the assurance engagements accomplishment in 2019, Internal Audit also provided other advisory and consulting engagements in the areas of risk management and the management of problematic partnerships.

The Internal Audit findings and recommendations from both assurance and advisory/consulting engagements have enhanced aBi's governance, risk management and control processes.

Table 20: Actual performance against 2019 targets for assurance engagements

No	Area	Target	Accomplished 2018	Accomplished 2019	% completion 2018	% completion 2019
1	Audit VCD & FSD projects.	30 projects	30 projects	13 projects	100	43
2	Audit of Agricultural Loan Guarantees	10 Financial Institutions	7 IPs	Nil	70	0
3	Finance and Tax	01 report	Nil	Nil	0	0
4	Audit of aBi Finance Investments	01 report	Nil	01 report	0	100
5	Audit of aBi's Information and communication technology	01 report	1 report	Nil	100	0
6	Governance	01 report	1 report	Nil	100	0
7	HR & Administration	01 report	1	01 report	100	100
8	M&E	01 report	Nil	07 reports	0	700
9	Procurement	01 report	1 report	Nil	100	0
10	Risk Management	01 report	1 report	01 report	100	100

aBi Corporate Services

06

aBi Corporate Services

The Corporate Services department supports both aBi Development Ltd and aBi Finance Ltd in their daily operations.

Finance, Grants Management and Procurement

In Q4 of 2019, the Finance section worked closely with a potential long-term equity investor by producing 5-year financial projections for aBi Finance Ltd. These projections were generated on the basis of a significant new private sector equity investment in aBi Finance in 2020, and how this extra funding could be used to generate an attractive yield for the potential new investor. In balancing the likely required commercial returns, the development aspects of aBi Finance activities were maintained by keeping up financial support to aBi Development and the grant making activities of FSD, as laid out in the Business Plan 2019-2023.

The external audits of 50 IPs carried out in 2018 showed that there were UGX 253.4 mn worth of questioned expenditures from total grant disbursements of UGX 31 bn during the year (0.81% of total funds disbursed). This is a very good result compared to the industry benchmark of 5% for misreported funding.

During 2019 aBi Finance adopted the International Financial Reporting Standards 9 (IFRS9), which will guide it in the impairment of its financial assets. The new standard follows a three-stage impairment model that requires recognition of expected credit losses for all financial assets held at amortised cost, including all intercompany loans from the perspective of the lender. Furthermore, the standard will guide the classification of products, specifically the Lines of Credit, in regard to non-performing loans, determined by the degree of deterioration of the facility, duration of default, and the estimated probability of repayment. This will make FIs more prudent in their liability management.

Risk Management, Legal and Compliance

In 2019, the Risk and Compliance function was overhauled, with the main objective being to upgrade its capacity by implementing an Enterprise Risk Management (ERM) system, in line with the aBi Business Plan 2019-2023. The ERM system is a tool used by management to better deal with and monitor strategic risks affecting the attainment of aBi's objectives; the ERM makes managing risk an explicit part of the decision-making process and recognises that it is only through managing risks correctly that aBi can expect to reach its goals.

During 2019, progress was made towards closing problematic IP cases, with open cases at the end of the year dropping to 35 from 38 at the start of the

aBi staff participating in a team building retreat on Ssese Island as part of the organisation's continuing efforts to improve the professional skills of its people, enhance efficiency, and strengthen performance.

year, with 5 cases being closed over the course of the year. Recovering funds which have not been spent by the IP either in line with the approved budget or the aBi Financial guidelines usually proves to be a lengthy and costly undertaking especially if the assistance of outside legal firms is required. This is why it is important that aBi has a strong system of financial review of IP expenditure in place which is carried out by the Grants Management Control Section, who review hard copy documentation of IP expenditure quarterly. This process is also backed up with an annual external audit which visits the IP on site and reviews the accuracy of the financial reports they have submitted. Any errors are brought to the attention of aBi at the time of the year end accounts presentation to the Board. Through spotting problems early on and whilst they are still small aBi reduces the chances on non-recovery of funds and needs less expensive legal support by mediating itself with the IP. The addition of new IPs who are problematic and require court action has diminished significantly since these measures have been brought in over the last two years.

The closing of aBi Trust and the transfer of its remaining assets and liabilities into aBi Development Ltd was completed during the year. As of the close of 2019, all aBi Trust assets and liabilities were vested in aBi Development Ltd which, as a company limited by guarantee, is better suited for providing long-term financial sustainability for aBi's grant making work.

ICT

2019 was the second year of a two-year contract with the service provider of aBi's IT – Disaster Recovery Plan (DRP) and offsite continuity service. Once this contract expires, it is likely that the continuity will be assured using a cloud-based system, after satisfactory practicality checks have been carried out.

Further to a requirement from aBi's Development Partners, in 2019 the GMS was audited to determine how well the system has fulfilled its original purpose and terms of reference. The audit showed that 85% of users were satisfied with the system. Key recommendations from the audit will be addressed in 2020.

In 2019 the entire aBi IT network was reconfigured and upgraded across all departments, a move that has resulted in better connectivity throughout the office for all users. This investment was required mainly because of the ageing of the original network, security considerations, and inconvenience caused by losing connectivity. The newly installed network has addressed all of these areas and the increased speed has allowed for better network management from a centralised point.

aBi continues to invest in its ICT infrastructure and extend its use beyond the confines of the aBi offices. The Grant Management System is now regularly accessed by Implementing Partners, and in 2019 aBi reconfigured and upgraded its entire IT network, resulting in both faster, more reliable service for users and enhanced network management.

Human Resources

aBi people's agenda is to attract and retain the right talent pool that contributes significantly to the delivery of aBi's overall strategy. We also understand that as an organization, we are only as good as our workforce, and thus we are committed to the continual development of our talent. In 2019, the organization sponsored 75% of staff for skills-based training in critical areas of the business and this paid off in improved methods of operation and quality of work.

At aBi, we are dedicated to being an employer of choice, and therefore, we value the opinion of our staff and look for ways of doing things better. In 2019, a staff satisfaction survey was conducted to provide an insight into the work environment in aBi from the employee's perspective. The survey focused on three areas; aBi as an employer of choice, what staff appreciate, and what they believe should change. The results revealed that 97% and 94% of the respondents believed in aBi's mission and would recommend aBi as a great workplace, respectively. The results also served as a "pulse check" for aBi in terms of areas of improvement e.g. enhancing involvement of staff in decision making and improvement of communication channels across all staff levels.

aBi appreciates team diversity and values the contribution of each member, as we believe in a culture of excellence and that each one has something unique to contribute to our success. We inspire and empower our staff to participate and innovate, while we appreciate and recognise outstanding performance. In 2019, we recognized and rewarded seven aBi employees who exceptionally contributed to the achievement of aBi's goals in various departments while, conforming to ethical standards of the organisation.

Results Measurement-Research & Development (RM-RD)

During the year, the RM-RD team continued to support and strengthen user departments and IPs on results measurement issues and managing the system for high quality, timely, and informed decision making.

aBi undertook a full DCED audit of its results measurement system in February 2019 covering all interventions implemented under aBi Trust (now aBi Development Ltd) and aBi Finance in the period 2014-2018 to determine the level of compliance with the DCED standard for results measurement. The audit also aimed to identify areas where compliance with the standard can be improved and make specific recommendations on how to address those areas.

Overall, the 2019 audit showed impressive gains relative to the previous audit done in 2013. The audit scores included: 75% (452 out of a possible 600 points) in the 'Must' compliance criteria, compared to 47% scored in the 2013 audit; and 80% (168 out of possible 210 points) for the 'Recommended' compliance criteria, compared to 28% scored in the 2013 audit.

Although aBi exceeded its target in the 'Recommended' compliance criteria by 20%, it fell short of its 85% target for the 'Must' compliance criteria. This indicates that there is still some work to be done to get to a 'passing' score for the 'must' compliance criteria. An improvement plan was developed, focused on the 13 areas for improvement raised by the audit, and its implementation was begun in Q4 of 2019. Among the highlights of the improvement plan, which will continue to be implemented in 2020:

- Quarterly review of project results chains and their measurement plans will be done to ensure they are still logical and sufficiently detailed, and that the KPIs and their projections are still aligned and relevant to achievement of the project objectives.
- Ensure that KPI projections cover all key changes in the results chain with clearly documented assumptions, the sources of those assumptions, and the calculations used to estimate projected results.
- Ensure that baseline studies are conducted in a timely fashion and following good research practices, and that reported results are used in project management and evaluation.
- Conduct regular monitoring visits to collect information on indicators beyond the KPIs used by IPs, and to verify results reported by IPs.
- The MRM manual will be reviewed to improve guidelines on how to assess impacts on indirect beneficiaries.
- Ensure that attribution strategies are appropriate both for partners and beneficiaries, and that the process used to monitor for unintended effects is systematic.
- Ensure that sufficient human resources are allocated to manage interventions and MRM related activities.

With respect to the areas needing improvement that were highlighted in the DCED audit and the aBi review report of 2018 (both of which pointed to data quality issues, especially at the IP level), aBi conducted data quality assessments for all indicators reported into the GMS. The purpose of the of this analysis was to evaluate the integrity of the MRM system, quality assurance standards, and compliance with aBi guidelines and best practices on quality management.

The assessment covered a sample of 30 Implementing partners/projects across all six priority value chains supported by VCD, as well as the financial institutions supported through FSD. The analysis considered several data quality dimensions, including completeness, validity, reliability, timeliness, precision, accuracy, and integrity. This was an ongoing activity at the end of 2019; 18 of the 30 sample projects were completed by then, and some of the IP and GMS-based quality issues were already fixed. A comprehensive report on data quality is expected in Q1 of 2020.

The aBi RMRD function facilitated the efforts of other aBi units via a mixed team management approach focused on a number of outputs: 2018 Annual Report preparation, development of a Learning and Knowledge Management (LKM) system, the development of funding windows, and the conduct of pre-project assessments and design, due diligences, and elaboration of project results frameworks.

In 2019, in line with its results measurement, research and development policy, aBi made significant strides towards putting in place the organisation's Learning and Knowledge Management (LKM) system. This was a consultative process that incorporated best practices used by Development Partners and other reputable international organisations. The inaugural LKM output, a policy brief, will be published and disseminated in 2020.

aBi invests in a variety of training activities aimed at improving the skills of Implementing Partners to capitalise on new opportunities and deal with pressing issues. In 2019, aBi supported this cooperative marketing and gender training retreat in Kiboga, organised by JESA Farm Dairy Ltd.

In 2019, aBi participated in the launch of the Uganda Programme for Sustainable and Inclusive Development of the Economy (UPSIDE) in Adjumani District. This is a private sector agricultural development programme, with the main beneficiaries being smallholder farmers and small- to medium-sized agribusinesses.

Advocacy and Communications

During 2019, most of the aBi advocacy and communication initiatives were geared towards learning and knowledge management to inform and influence the sector These initiatives included organising stakeholder engagements to popularise the Business Plan, especially the new funding window approach. Regional stakeholder engagements were organised, and various platforms established and supported under joint partnerships with Government ministries, departments and agencies, commodity platforms, and the media. Other activities included launches of facilities, FI branches, factories, and CURAD and Agroways ground-breaking ceremonies.

aBi shared its knowledge and lessons learnt, studies, and monitoring and evaluation results in order to change mind-sets and promote good agribusiness practices in Uganda. This was achieved through farmer engagement under the Seeds of Gold and Harvest Money platforms coordinated by Monitor Publications Ltd and New Vision Group respectively, and involved farm clinics, agricultural expos, and promoting success stories in print and electronic media. In addition, aBi extended the partnership with Mediae to produce the next series of the Mpeke Town edutainment project, which is scheduled for broadcast in 2020.

On the advocacy front, aBi used its knowledge to inform and influence various stakeholders, including policymakers, farmers and agribusiness enterprises. Other communication initiatives demonstrated how joint interventions with aBi partners are transforming lives and impacting the growth of Uganda's economy through balancing commercial viability and development objectives. Commodity platforms, especially for cereals and coffee, and some crosscutting issues such as climate change, gender and youth, were supported to engage in policy and advocacy on behalf of the value chains. aBi continued to support the National Competitiveness Forum coordinated by the Ministry of Finance, Planning and Economic Planning so as to better inform the national budgeting process.

In September 2019, aBi Trust completed its transition to aBi Development Ltd. Various activities were carried out to mark this change, including new corporate rebranding, showcasing the achievements of the trust, and building IP communications capacity to enhance their business performance. Relatedly, a stakeholder satisfaction survey was conducted towards the end of the year and aBi received high satisfaction marks, especially for its relevance to the agribusiness sector, the impact of its services and products, the integrity of staff and management, its communication and feedback, and its reliability in consistently honouring contractual obligations with partners. The detailed report can be accessed on aBi's website.

Appendices

aBi governance

aBi is made up of three entities which are limited by guarantee: aBi Development Ltd, aBi Finance Ltd, and aBi Agricultural Bond Company Ltd. aBi Development was incorporated in 2018 and took over the activities of aBi Trust, which wound up in October 2019.

aBi Development Ltd and aBi Finance Ltd are closely intertwined, in particular where they share the same Board members, senior management positions and corporate services. The aBi Boards are supported by the Company Secretary and advised by the Internal Auditor. The Group Chief Executive Officer (GCEO) also has access to these two individuals for advice on governance issues. The GCEO, established a Senior Management team to support her in delivering on those matters delegated to her by the aBi Boards.

Founders' Committee

This was an apex committee composed of representatives from the Government of Uganda and the Royal Danish Embassy. It played a supervisory role to the aBi Trust. The committee met four times during 2019 and was disbanded in October 2019 with the closing of aBi Trust.

aBi Trust

In 2019 the Board of aBi Trust comprised five Trustees: Ms. Sarah Walusimbi (Chair), Mr. Warwick Thomson (Vice Chair), Mr. David Kabateraine, Mr. Ulrik Jørgensen and Mr. Henrik Jerspersen. During the year, this Board held four scheduled meetings and one ad hoc session.

Effective December 2019, the Committees of this Board – the Audit and Risk Committee and the Finance and Programme Oversight Committee – were moved to aBi Development and renamed as the Audit, Risk and Compliance Committee and the Procurement and Investment Committee, respectively.

Investor Council

Two Investor Council meetings were held.

Joint Board meetings: aBi Finance Ltd and aBi Development Ltd

aBi Finance Limited and aBi Development Limited both have Boards made up of six Directors. As highlighted earlier, the two Boards are closely intertwined, in particular sharing the same Board members, senior management positions and corporate services. Ms. Sarah Walusimbi serves as Chair, Mr. Warwick Thomson as Vice Chair, and members are Mr. Felix Okoboi, Ms. Sophie Nkuutu, Mr. Michael Karamagi Kairumba and Mr. David Kabateraine. Mr. Ulrik Jørgensen sits on the Boards as an observer to represent the interests of the Royal Danish Embassy (RDE), Kampala – currently the sole source of capital for aBi Finance. The aBi Finance Ltd Board held four scheduled Board meetings, one ad hoc meeting, and one Annual General Meeting. The aBi Development Ltd Board held four scheduled meetings, two ad hoc meetings, and one Annual General Meeting.

aBi Committees

Following the governance restructuring of aBi, in June 2018 the Joint Boards established two long-standing committees:

- The aBi Procurement and Investment Committee (PIC), which is mandated to sit every last Monday of the month. Eleven scheduled meetings were held in 2019.
- The aBi Audit, Risk and Compliance Committee (ARCC), which held four scheduled meetings and one ad hoc meeting during the year.
- The Human Resource Committee (HRC). Following the recommendations of the 2017 KPMG Review, this committee was removed in June 2018 and HR issues were handled at the Board level. After the Governance Review done in June 2019, the HRC was reinstated in September 2019 and two meetings were held during the remainder of the year.

aBi Agricultural Bond Company

The aBi Agricultural Bond Company held one meeting in 2019 and one Annual General Meeting.

Board evaluation

aBi carries out independent evaluations of the Boards every three years. In the intervening years, the Boards work on improving their efficiency based on recommendations emanating from the independent evaluations. The Board evaluation started in December 2019 and was concluded in March 2020.

Board succession

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

The Board tenure is three years renewable, subject to performance of each respective individual. The current Board started their tenure in September 2018, and a Board slate is being compiled from which replacements will be identified based on the skill set needed on the Board.

Board training and information sessions

The aBi Boards participated in two information sessions, one in March and the other in September 2019.

In February 2019, both aBi Boards were trained on Diligent Books.

In June 2019, the aBi Boards participated in a risk management, governance review, and aBi strategy review retreat.

Board field visits

The Joint Boards had two field visits in 2019, the first to JESA Dairy Farm in March and the second in June 2019 involving visits to several IPs in Northern Uganda, Lira and Apac.

Solidaridad member farmers break into song and dance before a village savings and loan association meeting in Rubumba village in Kabale District, Western Region.

Other Actors Working to Improve Ugandan Agribusinesses

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

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

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

Some major private sector companies involved in producing edible oils and oil seed crops, such as Mukwano Industries in Northern Uganda and Bidco Uganda Ltd in Kalangala, have done much and continue to work on strengthening the country's oil seed value chain. Various humanitarian organisations, such as World Vision, and faith-based NGOs like the Catholic Relief Services and Samaritan's Purse, provide strong support at the local, regional and national levels in Uganda to, among many other things, strengthen cereal production and the cereals value chain. The World Food Programme is also a key player in the grains value chain. With support from AGRA, Kilimo Trust operates across the East African Community to promote regional solutions that make agricultural markets work better for the reduction of poverty and elimination of hunger. TechnoServe-Uganda partners with many other organisations to seek out and invest in business solutions to poverty. SNV Uganda, in collaboration with the Government's Dairy Development Authority (DDA), has successfully launched the first ever practical dairy training farms in southwest Uganda. The Private Sector Foundation Uganda (PSFU) is the country's apex body for the private sector, representing over 200 business associations and corporate bodies, including many from agriculture. PSFU serves as a focal point for private sector advocacy and provides critically important business development services to companies operating along agricultural value chains. Other sector platforms include: UNADA, USTA, UOSPA, UHEA, UBPA, and the Grain Council of Uganda.

And finally, various organisations are involved in agricultural financing and infrastructure development, including: the Microfinance Support Centre Ltd (MSC), a Government-owned company that is one of the lead agencies in the implementation of Uganda's "Prosperity for All" Programme, which works to transform the rural economy through job creation and increasing household incomes; Rabo Bank, an impact financier with corporate banking products and solutions for food and agribusiness; Kiva, which employs the crowdfunding model as a form of alternative finance; and Grameen Credit Agricole (GCA) Foundation, a social lender aiming at increasing financial inclusion. Other notable actors contributing to this initiative include Soluti Finance East Africa (formerly Stromme Microfinance East Africa Ltd) and Oikocredit. All of these organizations – and many, many more – are working to improve rural lives and livelihoods in Uganda. aBi gratefully acknowledges that the progress being achieved in Ugandan agribusiness is the result of the combined efforts and contributions of all these entities. aBi is proud to be counted among them.

Changing Lives

aBi is in the business of improving lives and livelihoods in Uganda, and it does so by working with its Implementing Partners to strengthen the profitability, income and employment of the country's farmers and agribusinesses. Success in achieving this mission is best measured by the changes aBi brings to the lives of its many beneficiaries, a few of whom are shown here.

A beneficiary of Mushanga SACCO, one of the many microfinance institutions supported by aBi, standing in front of his new home and the truck he bought using proceeds of his profitable matoke business.

This young woman was supported by CURAD, an aBi Implementing Partner, at its Kabanyoro Agribusiness Incubation Center. She is rightly proud of the attractively packaged coffee products she can now produce.

A beneficiary of Centenary Bank's SupaWoman project (right) shows visitors around her bakery, built courtesy of the aBi-supported project in Adjumani District.

Nshemex received training from Sasakawa-Global 2000 on appropriate fertilisers and their use under Ugandan conditions, courtesy of aBi support.

Father Innocent Muhwezi, the assistant parish priest of Mushanga parish catholic church (Kabwohe, Western Region), is very pleased with the productivity of the church's matoke garden. Profits are used to support various church activities.

Coffee farmer Benard Ongom (with his wife Beatrice Ongiera, in front of their new home in Zombo District) is a Kawacom beneficiary. Access to more affordable credit through the CAN-Osaga SACCO is leading to major improvements in their living standards.

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