

AGRICULTURAL BUSINESS INITIATIVE

aBi Finance Holdings Ltd

Funding Window:
**Expanding financial services in Northern and
Eastern Uganda through strengthening Tier IV
Microfinance Institutions**

Guidelines for Applicants

Reference: FSD/2022/01

Application Procedure: Competitive Restricted Call

Deadline for submission of Applications: **26th July 2022**

The logo for Agricultural Business Initiative (aBi) is located in the top right corner. It consists of a vertical bar with a dark green upper section and a yellow lower section. The letters 'aBi' are written in white, with the 'a' and 'i' in a smaller font size than the 'B', and positioned within the green section of the bar.

aBi

SUMMARY OF THE APPLICATION PROCESS

<ul style="list-style-type: none"> All information and the application forms, templates and guidelines are available on-line All application will have to be submitted through the aBi GMS URL web link https://mandemobile.com/abi/auth/login, hard copies and softcopies delivered at the aBi office or by email will not be considered After a successful submission the applicant will receive an email with a confirmation. Only eligible organisations with eligible activities will be considered Only submissions received before the deadline will be considered
<p>Eligibility criteria for applicant organisation</p> <ul style="list-style-type: none"> Tier IV Microfinance organisations in Northern and Eastern Uganda Main activity: financial savings and loans services to members/clients At least 5 years in existence Minimum number of members/clients by 31 December 2021: 500 Minimum savings amount by 31 December 2021: US\$ 300 million Minimum loan portfolio by 31 December 2021: US\$ 500 million Minimum share of portfolio in agricultural loans: 3% Fully tax, NSSF and FIA compliant
<p>Qualifying activities for this project</p> <ul style="list-style-type: none"> Enhance governance and management systems Strengthen the financial management function: upgrading/installation of and training in modern banking software and automated loan tracking systems Develop growth and marketing strategies and interventions: branch upgrading and expansion; branchless outreach and service delivery Develop new products to address the financial needs of the members/clients Financial literacy training and awareness amongst potential clientele/members
<ul style="list-style-type: none"> Maximum cost of project: US\$ 400 million Maximum contribution by aBi Finance: 80% of eligible costs to a maximum of US\$ 500 million
<p>Financing Instruments</p> <ul style="list-style-type: none"> Concessional loans for balance sheet items (Capital expenditure) <ul style="list-style-type: none"> Interest Rate (1%-5% on reducing balance) Grace Period – Up to 24 months based on cashflows Maximum tenor – 5 years Grant for non-balance sheet activities / Business Development Services
<p>Submit Full Application with the following documents:</p> <ul style="list-style-type: none"> Memoranda and Articles of Association Certificate of Incorporation Directors/ Board resolution to engage in the application process Power of Attorney stipulating who is to engage with aBi on behalf of the financial institution Audited financial reports of the last 3 years Registration certificate from FIA (Financial Intelligence Authority)

Timetable

Activity	Date and Time
Launch of the Call for Applications	14th June 2022
Deadline for submission of full applications	26 th July 2022: 5:00pm EAT
Appraisal full proposals	22 nd August 2022



Information about outcome of full application appraisals	29 th August 2022
Due diligence visit and approval / rejection	September – November 2022
Notification of decision, negotiations and/or award of contract	November - December 2022
Project intended start date	November - December 2022

Ethics clause

Any attempt by an applicant to obtain confidential information, enter into unlawful agreements with or influence aBi staff during the process of examining, clarifying, appraising and comparing applications will lead to the immediate elimination of the application.

For any complaints on fraudulent practices by aBi staff, call the aBi toll-free number 0800 203 026 or send an email to: hotline@abi.co.ug.

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1 Title of the Call for Applications (CfA)

Expanding financial services in Northern and Eastern Uganda through strengthening Microfinance Tier IV Institutions.

2 Background to the CfA

2.1 Purpose of these Guidelines

These guidelines set out the rules for the submission and the selection process of applications to be financed under this Funding Window. Successful applicants will sign a Funding Agreement and will implement an agreed project in accordance with the aBi Funding Guidelines and the Guidelines for aBi Implementing Partners. Please consult these documents from the following site: <https://www.abi.co.ug>.

2.2 Purpose of this Call for Applications

The Agri Business Initiative (aBi) is a social enterprise that channels development cooperation funding to agribusinesses and agricultural service providers in Uganda with the aim of building a strong and competitive agriculture sector.

Under the Financial Services Development (FSD) programme, aBi Finance provides matching grants and concessional loans to Financial Institutions to build institutional capacity for enhancing the provision of financial services and increase outreach in rural areas. In particular, SACCOs have proven to be effective in expanding financial services to the ultimate beneficiaries, despite managerial, operational and infrastructural weaknesses.

aBi Finance commissioned a mapping and analysis exercise of FIs in Northern and Eastern Uganda. The findings show a great diversity in the quality of the Tier IV FIs, whereby the report recommends that for direct FSD contracts, aBi selects FIs that meet minimum standards in terms of the following characteristics: governance and management, financial performance, rural outreach, regional spread, collaborative partnerships, capacity building efforts, quality of MIS, and agricultural lending methodology. The report makes recommendations for possible interventions in these areas. For those FIs that do not meet the standards, a separate Technical Assistance Programme is available to strengthen the quality of governance, systems, procedures and operations to make them overtime qualify for matching grant support.

This Call for Applications targets a limited number of Tier IV FIs in Northern and Eastern Uganda that meet minimum standards and are desirous to upgrade their governance, management and operational standards and procedures, so as to expand and strengthen their business and their services to their members and clients.

Successful applicants are expected to make investments in infrastructure, staffing, systems and procedures within a maximum period of five (5) years. These investments will be financed through a blend of concessional loans and grant funding to a maximum of 80% of the total project costs.

The total amount available for this Funding Window is US\$ 2.5bn with a possibility of increase to US\$ 5B, which is expected to result in at least seven (7) projects and funding agreements of an average project size of US\$ 400M.

3 Projects, objectives and activities

3.1 Project

Successful applicants will sign a project funding agreement with aBi Finance, which consists of a contract, a detailed description of the objectives, activities and outputs of the project, a detailed

budget according to standard budget format, and a series of key-performance indicators that measure the success of the project.

Funding agreements are awarded on a competitive basis. The best eligible proposals, in terms of relevance, quality and value for money will be awarded a funding agreement until the total available funding from aBi for this Funding Window runs out.

Any successful partner can only sign one funding agreement under this Funding Window.

3.2 Objectives

This Funding Window is informed by the aBi Business Plan 2019-2023 (BP). Therefore, the **global objective** of this call for applications is the overall development objective of aBi:

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

In particular, this Call for Applications responds to Results 1& 3 of the Business Plan, which is the **specific objective** of this Call for applications:

Result 1:	Smallholder farmers' sustainable production, productivity and market integration increased
Result 3:	Smallholder farmers and agribusiness access to serviceable financial services increased

This CfA refers to the following outputs of the BP:

Output 1.1	Agribusinesses adopt and apply appropriate climate smart technologies
Output 3.2	Physical and ICT infrastructure, governance, and management of FIs improved
Output 3.3	Financial products of FIs more tailored to smallholders, small SMEs and SRIs

Applicants are expected to justify how their interventions contribute to these objectives and how these contributions are being measured.

3.3 Activity groups and activities

The applicants' proposed activities must fall within any combination of at most three of the listed intervention areas listed in the table below. For each intervention area, examples of activities are shown though the applicants will be free to suggest other activities as long as they fall under the broader notion of the intervention.

It is expected that for most of the interventions, Technical Assistance (TA) shall be contracted. Depending on the category of interventions, the contracting authority shall be either aBi Finance or the implementing partner as per the table below.

Activity Group	Examples of activities	Contracting authority
Governance and management	<ul style="list-style-type: none"> • training of board and management on leadership, governance, and oversight functions, • updating or strengthening the organisations strategy, business plan, constitution and operational manuals and guidelines; 	<ul style="list-style-type: none"> • aBi FH

	<ul style="list-style-type: none"> review and update risk management framework and procedures; 	
Outreach and Expansion	<ul style="list-style-type: none"> develop marketing strategies for their products, create financial literacy and awareness amongst potential clientele/members; develop strategies for branch expansion and branchless instruments; 	<ul style="list-style-type: none"> IP
Financial performance	<ul style="list-style-type: none"> develop fund mobilisation strategies; strengthen operational efficiency, improve portfolio quality reduce PAR; 	<ul style="list-style-type: none"> aBi FH
Product Development	<ul style="list-style-type: none"> carry out market research/surveys, develop and test new loan products in particular green products 	<ul style="list-style-type: none"> aBi FH
Capacity Building	<ul style="list-style-type: none"> staff training in agricultural and green business assessment, loan analysis and appraisal; customer care; adherence to green principles (ESG, SRI); 	<ul style="list-style-type: none"> aBi FH
Management Information Systems	<ul style="list-style-type: none"> install or upgrade MIS and loan tracking software; train staff in its use; 	<ul style="list-style-type: none"> IP
Staff Technical	<ul style="list-style-type: none"> Hiring a skilled consultant/technical staff to handhold and turn around the performance of these institutions Any new critical positions that have been created as result of the project e.g MIS officer for a new digitized project 	<ul style="list-style-type: none"> aBi FH

3.4 Eligibility criteria

There are three sets of eligibility criteria, relating to:

- (1) the applicant
- (2) the activities
- (3) the costs

3.4.1 Eligible applicants by which an application can be made

In order to be eligible for funding, the applicant must:

- i. Be a legally registered Tier IV Microfinance organisation, operating in Northern or Eastern Uganda;
- ii. Have as its core activity: financial savings and loans services to members/clients
- iii. Be at least 3 years in existence;
- iv. Any two of the following;
 - a. Have a proven minimum number of 500 members/clients on 31st December 2021



- b. Have a proven minimum proven savings amount of US\$ 300 million on 31st December 2021
- c. Have a proven minimum loan portfolio of US\$ 500 million on 31st December 2021
- v. Have a proven minimum portfolio share in agricultural loans of 3%;
- vi. Be fully tax, NSSF and FIA compliant;
- vii. Be directly responsible for the preparation, implementation and accountability of the project activities.

3.4.2 Eligible activities for which an application may be made

A funding agreement contains a set of objectives and activities. These must fulfil the following criteria:

- Fall in the categories of objectives and activities listed in paragraph 3.2 and 3.3;
- Must be possible to complete within 24 months;
- Must take place in and solely benefit the rural communities in Northern and Eastern Uganda

3.4.3 Eligibility of costs

The following expenses are eligible under a funding agreement with aBi:

- Cost incurred for activities listed in the budget of the Funding Agreement
- Costs incurred within the implementation period of the Funding Agreement;
- Costs that are fully accounted for according to the rules and procedures of the Funding Agreement and the Implementation Guidelines for Implementing Partners.

Eligible costs refer to *all* costs of the project, including those funded by the Implementing Partner and by aBi.

The following costs are not eligible:

- Debts and debt service charges (interest);
- Provisions for losses or potential future liabilities;
- Currency exchange losses;
- Salary costs of company personnel.

3.5 Minimum and maximum cost of the project and aBi contribution

The overall indicative amount made available by aBi under this Funding Window is US\$ 2.5 bn with a possibility of increase to US\$ 5bn, for at least seven partners.

aBi's maximum contribution to a partner's project budget (in both concessional loans and grant) is 80% of the eligible project costs up to a maximum of US\$ 400 million per project.



4 Rules for this Call for Applications

4.1 How to apply

4.1.1 General instructions

To apply requires an applicant to register in the aBi GMS (Grant Management System). The entire process from registration to submission of the application documents is completed online and the application must be submitted in English.

4.1.2 Purpose and process

This application takes place on a competitive basis. 7 financial institutions are expected to be selected for this Funding Window, whereby the successful partners must fulfil the eligibility requirements as listed above. In addition, the implementation strategy, budget and accompanying documents of the winning applicants must clearly show the relevance of the project in relation to the objectives of the Funding Window, a detailed activity plan and timeline, its value for money and the capacity of the applicant to execute the project.

Within the single stage process, two evaluation points are foreseen:

- The evaluation of the application form.
- The due diligence analysis

The highest scoring applicants who pass both processes will be awarded a blend of concessional loan and matching grants until the total aBi contribution available for the Funding Window, is depleted.

4.1.3 Where and how to send the application

The Full applications will be done on-line as follows:

Go to the aBi GMS URL web link: <https://mandemobile.com/abi/auth/login>

- Register by creating an aBi GMS (Grants Management System) account. Do this by clicking on 'Create Account'. Set and remember your username and password. To complete registration, the user will need to upload a scan of both the business license and business registration certificate
- Click on 'Opportunity' in the menu. View the Opportunity for 'FSD/2022/01 FUNDING WINDOW - Northern and Eastern Uganda'.
- For this specific project, you will need to upload a brief concept note in the GMS highlighting the objective of the project, the activities to be financed, the expected results and the budget. Upon uploading the concept, you will get feedback from aBi in two days inviting you to upload an application form along with other attachments.
- Complete the step-by-step application process. Refer to the instructions in each step for all required templates for budgets, work plans and results chains.
- Once the application is completed in the GMS and submitted, you will receive a confirmation email.

Applications sent by any other means (e.g. by e-mail or hardcopy) or delivered to other addresses will be rejected.



Deadline for submission of Applications

Applications should be submitted before 5pm (EAT) on 26th July 2022.

NB. For any questions;

- About the call, please send them by e-mail to Ann.Mwaka@abi.co.ug or Irene.Sekamwa@abi.co.ug not later than 5 days before the deadline clearly indicating the reference of this **CfA (FSD/2022/01)**. aBi has no obligation to provide clarifications to questions received after this date. The applicant will receive communication whether the application was accepted for a due diligence check or not, not later than 29th August 2022. Until that date and time contact between the applicant and aBi is strictly forbidden, and may lead to rejection of the application.
- About the Grants Management System (GMS), please send email to ayub.isabirye@abi.co.ug or call +256788735866

4.2 Appraisal and selection of applications

Applications will be examined and evaluated by aBi with the possible assistance of external assessors. All applications will be assessed according to the following steps and criteria.

4.2.1 Full proposal appraisal

The full applications will be appraised within 4 weeks after the closure of the submission period.

4.2.1.1 Administrative check

During the administrative check the assessors will establish the following:

- If the submission deadline has been met;
- If all the required forms and documentation, as indicated in the checklist have been submitted.

If any of the two criteria are not met, the assessors may reject the submission on this basis.

4.2.1.2 Technical appraisal

The full applications that pass the administrative check will be evaluated using the evaluation criteria as indicated in the table below. Scoring will be done by three independent assessors, whose scores will be averaged.

Evaluation criteria (minimum score)	Maximum score
Program Description (minimum 60)	100
Clarity and logic of the objectives' framework (how likely are the activities leading to results, outcomes and goals?)	15
The activities are relevant for this Funding Window	10
The activities are clearly described in terms of quantities, qualities, time and place	10
The activities substantially increase	
<ul style="list-style-type: none"> • Number of savings accounts • Loan portfolio • Portfolio at Risk (reduce) 	5 5 5
The activities are relevant for women, and are likely to enhance their income or position	10
The activities are relevant for youth, and are likely to enhance their chances to learn a trade, or earn an income	10
The activities have no major adverse impacts on the environment, have built in mitigating measures to reduce negative environmental impacts, or have positive environmental impacts	10
The activities do no harm to or create tensions between specific groups or individuals	5

The benefit streams of the project are likely to continue beyond the duration of the project (sustainability)	15
Methodology (Minimum 20)	30
All the activities are necessary to achieve the objectives	8
All the activities together are sufficient to achieve the objectives	8
The activities are logically scheduled to achieve the outputs	7
The activities can be executed in the planned period	7
Research and participation (minimum 10)	20
The project design is based on reliable information and/or research	10
The intended beneficiaries were consulted, and had an input in the design of the project	10
Implementation capacity (minimum 30)	50
The applicant has experience in implementing similar activities at a similar scale	5
The applicant sufficient technical HR capacity to implement and report on the planned activities	5
The applicant has sufficient administrative and financial HR capacity to implement and report on the planned activities	5
The applicant has the required equipment to implement the planned activities	5
The applicant has the required governance and management structures to oversee and execute the activities	5
The applicant has sufficient financial resources to make their own contribution as and when required	10
The applicant has sufficient financial resources to pre-finance at least 20% of the aBi contribution to the project	10
The applicant has the capacity to measure results and outcomes systematically	5
Budget (minimum 30)	50
The budget is clearly linked to planned activities	20
The budget items are realistically costed (price levels conform benchmarks and reference markets)	10
The overall costs of the project are reasonable in relation to the overall outputs (VfM)	10
The overhead costs are reasonable in relation to the programmatic costs (Overhead ratio)	10
Total (minimum 150)	250

For each of the categories, the applicant must score the minimum as indicated in the header. In addition, the total sum of all scores must be at least 150 points. In case individual scores or the total score does not reach the minimum requirement, the proposal is rejected.

4.2.1.3 Provisional selection

After the appraisal, the appraisal team will rank the applications from the highest to the lowest score, whereby the highest scoring applications will be provisionally selected until the available budget for Funding Window is spent.

The remaining applications that meet the selection criteria will be put on a reserve list. This list will be used if more funds become available during the validity period of the reserve list, and kept open until all selected projects have passed the due diligence test. If any of the provisionally selected applications fails the due diligence test, the next highest scoring eligible project will be added. Alternatively, the Board of Trustees of aBi may decide to increase the funding for the Funding Window to accommodate all or part of the projects on the reserve list.

After the appraisal of the full application, aBi will inform all applicants if their application was accepted, put on the reserve list or rejected. For those applications that will be accepted, the applicant will receive a notification for a Due Diligence visit. The applicants whose applications were rejected, will be informed about the outcome of the administrative check and technical appraisal including the scoring on each of the criteria. The applications that are put on the reserve list will be informed about their scoring and place on the reserve list, and the date on which they may expect a final communication about the status of the application.



4.2.1.4 Due Diligence visit

The applicants on the provisional project list will be further assessed during a due diligence visit in which the following aspects will be checked and confirmed:

1. That the information provided in the application forms and other submitted documents is correct;
2. The business case, the market and the client base of the organisation;
3. The technical and financial capacity of the organisation;
4. The administrative and financial internal control systems;
5. The implementation capacity of the organisation: technical skills, monitoring and reporting skills.
6. Social Performance Management implementation.

Based on the findings in each of the assessment areas, the due diligence team will assess the implementation risks and will recommend, conditionally recommend or reject the applicant for funding. The recommendation or conditional recommendation may include applications for additional capacity building before and/or during project implementation. A conditional recommendation may also include specific actions that the applicant has to take within a defined period before funding can be awarded.

The applicant will be informed in writing within 1 month after the due diligence visit about the outcome of the appraisal process. The letter may include issues to be negotiated as part of the award of a contract.

4.2.1.5 Negotiations

The appraisal may give rise to specific issues that need to be clarified or negotiated before a contract shall be signed. The negotiation issues will be included in the provisional award letter, with further instructions on how and when they should be addressed.

4.2.1.6 Contract award

If the negotiations are successful, the applicant will be sent a contract offer letter, with a summary proposal and budget attached. The applicant will return the signed offer letter within one week, after which he will be invited to sign the contract.

4.3 Conditions for contract implementation

By submitting a full application, the applicant agrees, if awarded a contract, to the contractual conditions and all its annexes.