

aBi Finance Ltd
2022 ANNUAL REPORT

aBi

Climate Smart Solutions for Agribusiness Financing in Uganda





Acronyms

aBi:	Agricultural Business Initiative	ICT:	Information Communication and Technology
AG:	Agricultural Guarantee	IFU:	Investment Fund for Developing Countries
AWPB:	Annual Workplan and Budget	IP:	Implementing Partner
BDS:	Business Development Services	ITC:	Insurance Training Institute
Bn:	Billion	LKM:	Learning and Knowledge Management
CBR:	Central Bank Rate	LoCs:	Lines of Credit
COVID-19:	Coronavirus Disease 2019	MoU:	Memorandum of Understanding
CSA:	Climate Smart Agribusiness	MRM:	Monitoring and Results Measurement
CTF:	Clean Technology Fund	PBC:	Performance-Based Contracting
DCED:	Donor Committee for Enterprise Development	PSC:	Private Sector Credit
DQA:	Data Quality Assessment	RDE:	Royal Danish Embassy
ESG:	Environmental, Social and Good Governance	RMRD:	Results Measurement Research and Development
EU:	European Union	SACCO:	Savings and Credit Cooperative Society
Fls:	Financial Institutions	SMEs:	Small and Medium-sized Enterprises
FSD:	Financial Services Development	UIBFS:	Uganda Institute of Banking and Financial Services
FITSPA:	Financial Technologies Service Providers Association	UCDA:	Uganda Coffee Development Authority
FTE:	Full-time equivalent	UCCFS:	Uganda Central Cooperative Financial Services
GDP:	Gross Domestic Product	UGX:	Uganda Shilling (Currency)
GG:	Green Growth	VSLAs:	Village Savings and Loan Associations
GGGI:	Global Green Growth Institute		
GFF:	Green Finance Fund		

FOREWORD

4

OUR PERFORMANCE HIGHLIGHTS

9

2022 REVIEW: FINANCIAL SERVICES AND AGRIBUSINESS

12

UNLOCKING ACCESS TO FINANCE

15

LEARNING AND ADAPTING

29

SYSTEMS AND EFFICIENCY

30

Table of Contents

Unlocking Access to Finance	9
Green Growth: Our Sustainability Pathway	10
Macroeconomic Developments in the Ugandan Economy	12
Impact of Economic and other conditions on aBi Finance Ltd Operations	14
Fund Management	15
Lines of Credit	16
Agribusiness Guarantee Scheme	19
Business Development Services	25
Driving Sustainability through Strategic Partnerships	26
Update on 2019-2023 Business Plan	28
Financials	30
Corporate Services	34
ANNEX	38
Impact Data	39
Board and Governance Operations	40

Foreword from the Board Chairperson



**Felix
Okoboi**

**Chairperson,
aBi Finance Ltd**

aBi Finance remains a solid, profitable and growing organisation on account of delivering strong financial performance, remaining profitable and growing our balance sheet while consistently meeting our stakeholder's needs and expectations.

During 2022 aBi Finance, in collaboration with our shareholders and other stakeholders, adopted a new strategic direction focused on greening all our investments to help address the vagaries of climate change on agribusiness. This was formed through our conviction that nature sustains economies and livelihoods, and protecting and restoring it is part and parcel of addressing and adapting to climate change.

Globally, Uganda is the 12th most vulnerable and the 49th least prepared out of 195 countries to deal with the vagaries of climate change. Production and productivity of smallholder farmers and agribusinesses continue to suffer from climate change vagaries, evidenced by a change in rainfall patterns, drought, and temperature. There is also considerable biodiversity loss and an increase in pests and diseases. The list of challenges is endless. While we could dwell on these challenges, at aBi, it is more important to focus on solutions, especially dedicating investments in climate change adaptation, mitigation, and biodiversity conservation.

Our investments aim at reducing the vulnerability of the agribusiness and financial sectors to the impacts of climate change. In addition, equipping the market and, specifically, our partners with the information and tools necessary to drive the green transition to create new green jobs and catalyse green financing in Uganda is critical.

Therefore, sustainability is at the forefront of all our interventions. As a Board, Environmental, Social and Good Governance (ESG) principles underpin every investment.

Following our Green Finance Fund and taxonomy launch last year, we are supporting financial institutions to create green products and services and provide the right support structure to aid the financing of sustainable agribusinesses and smallholder farmers. This and other measures have positioned us as thought leaders in green agribusiness financing.

Under the Green Finance Fund and taxonomy, aBi Finance is providing an exciting opportunity of empowering financial institutions with the much-needed liquidity, de-risking mechanisms and technical support to offer green financing to smallholder farmers and agribusinesses. The green financing accessed by the smallholder farmers and agribusinesses will, in addition to addressing climate change adaptation, mitigation and biodiversity conservation, contribute to equitable economic growth, job creation and improved incomes, ultimately ensuring the sustainability of aBi Finance Ltd and our partners.

In keeping with aBi Finance's sustainability, onboarding two investors, Investment Fund for Developing Countries (IFU) and European Union (EU) last year, was a huge milestone and achievement in aBi Finance's journey. We have demonstrated that it is a sustainable and professionally run organisation that can and will continue to attract foreign direct investment. We are confident this investment will add to our ongoing initiatives to develop Uganda's competitive, profitable, and sustainable agribusiness sector.

I thank our development partners for their commitment and investments with us, and we welcome any prospective partners from the private and development partner sectors. Likewise, we commend the Government of Uganda and other sector regulators for the enabling and conducive environment that permits us to operate efficiently. I also sincerely thank all our partner financial and apex institutions for your committed partnership. In this regard, we shall continue to work with our partners and like-minded institutions to achieve sustainable and robust financial and agribusiness sectors.

I thank and appreciate the Board, management, and staff of aBi Finance for showing great determination and resilience to deliver this performance.

I conclude by reiterating our commitment to our key stakeholders to continue being a steady and sustainable partner in delivering on our mandate of working towards a competitive, profitable and sustainable agriculture and agribusiness sector in support of equitable wealth creation in Uganda.



Message from the Chief Executive Officer



**Mona
Muguma
Ssebuliba**
CEO

I am pleased to report that 2022 was a year of growth and new opportunities for aBi Finance Ltd and our partner financial institutions. This was on the back of an uncertain operating environment in Uganda and globally exemplified by the ongoing Russia-Ukraine war, global recession risks, tight global and domestic financial conditions, weak consumer demand due to high inflation, adverse weather conditions and COVID-19 after-effects.

The company's equity saw a significant increase, closing at UGX247.5Bn, representing a 39% growth in the capital fund portfolio. This growth can be attributed to the addition of new shareholders, namely the Investment Fund for Developing Countries (IFU) and the European Union (EU). The investments made by the company yielded a return of 10.3%.

In terms of disbursed funds, UGX116.5Bn was allocated in Lines of Credit (LoC), resulting in an outstanding LoC balance of UGX187.2Bn by the end of the year. It is worth noting that the portfolio at risk remained stable at 1.9% year-on-year, which is well below the 5% risk threshold. This indicates a healthy loan portfolio.

Furthermore, the company achieved its Agricultural Guarantee targets, with the global limit increasing by 20% from UGX224Bn in 2021 to UGX269Bn in 2022. This growth can be attributed to an increase in the average loan size of facilities within the scheme.

We also made progress in enhancing financial inclusion in Uganda, and new strategies have been developed to improve the future deployment of financial services and development funds. As a result, further investments of approximately €17M were obtained from the IFU and EU. It has enabled us to provide sustainable liquidity to finance agribusiness enterprises and smallholder farmers. This additional investment will benefit about 26,667 smallholder farmers and agribusinesses annually.

We successfully launched the Green Finance Fund, a blend of three green finance instruments: Green Lines of Credit worth UGX120Bn, Green Agribusiness Guarantees at a risk share of 70:30 (aBi Finance: Financial Institution), and capacity building worth UGX4Bn. This Green Finance Fund is for all tiers of financial institutions.

aBi Finance remains a thought leader and key supplier of green and sustainable

finance for agribusinesses, especially in addressing climate change adaptation, mitigation and biodiversity conservation sustainability. However, managing climate change requires that those tasked with the governance of our institutions must appreciate the climate change threats to business and start to act immediately.

We are driven by the desire and conviction that mobilising investments and capital into the sector and technologies needed to deliver net zero emission targets require market actors to have the correct information and tools to assess opportunities and risks effectively. Therefore, the role of government and other actors in facilitating financial markets to deliver this and ensuring that green finance markets are robust is critical. In this regard, aBi Finance is currently a member of the Green Financing National Taskforce established by the Bank of Uganda to promote green financing in the financial sector.

In appreciation of the need for shared knowledge regarding climate change, green growth, green finance, and green investments, we partnered with the Global Green Growth Institute (GGGI) to develop the green agribusiness taxonomy. This agribusiness green taxonomy is a crucial tool for financial institutions to green their operations, expand their green credit portfolios, guide on efficiently administering green finance and report on ESG.

Looking ahead, the outlook for the global macroeconomic environment remains uncertain. Indeed, these are challenging but exciting times for aBi and our partners as we lead sustainable green financing.

Going into 2023, our strategic priorities remain to promote and lead the transition to green agribusiness financing, build our capacity

and that of our partner financial institutions and apex bodies, and ensure a sustainable environment.

On behalf of the management and staff at aBi, we thank our shareholders and development partners, specifically Royal Danish Embassy, IFU and the EU, for their steadfast support and generous investment. On the back of this support, we invite other investors and development partners that would like to build on and invest in Green Finance to ensure that we have efficient and harmonised investments into the sector.

We remain grateful to the Government of Uganda for the enabling operating environment.

I also thank the aBi Finance Board for its stewardship and my colleagues at aBi, that have worked tirelessly to deliver these results.

Lastly and crucially, our gratitude goes to our implementing partners, the financial institutions, apex institutions, and all financial services sector players that have worked with us to deliver these results. We thank you and look forward to more rewarding partnerships in the coming years and beyond.

We are aBi Finance

We provide financial solutions supporting agribusiness growth across the agriculture value chain. Our Lines of Credit (LoCs) enable Financial Institutions to lend to agribusinesses, while our Agriculture Guarantee (ALG) provide credit enhancement to smallholder farmers. Our commitment is to provide agribusinesses and smallholder farmers with access to serviceable financial services. Doing so, we aim to foster a thriving, profitable, and sustainable agriculture and agribusiness sector in which we can all contribute to its competitiveness.

aBi



**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
Danida



**INVESTMENT FUND FOR
DEVELOPING COUNTRIES**

Our Performance Highlights

Unlocking Access to Finance

aBi Finance reported an increase in investments and loan portfolios in 2022. It disbursed nearly double the number of new Lines of Credit and saw a decline in interest income and net profit.

Some of the key outcomes include:

VALUE OF INVESTMENTS:



UGX247.5Bn

in 2022, up 39% from UGX178.2Bn in 2021.

OUTSTANDING AGRICULTURAL LOAN GUARANTEE PORTFOLIO:



UGX153.7Bn

in 2022, up 26% from UGX122Bn in 2021.

OUTSTANDING LINES OF CREDIT PORTFOLIO:



UGX187.2Bn

in 2022, up 53% from UGX122Bn in 2021.

NEW LINES OF CREDIT LOANS DISBURSED:

Participating Financial Institutions (FIs) disbursed

195,987 new loans (77% to women) valued at UGX187.2Bn in 2022, up 86% from 105,230 valued at UGX116.5Bn in 2021.

NEW AGRICULTURAL GUARANTEE LOANS



20,023 (28% to women), up 32% from 15,132 in 2021.

GREEN FINANCE FUND:



UGX124Bn

committed through the Green Finance Fund to offer green lines of credit.



→ Spotlight:

Green Growth: Our Sustainability Pathway

aBi Finance is keen on promoting sustainability, denoted by a harmonious balance between economic development, social inclusion, and environmental stewardship in the agribusiness sector. In 2022, aBi Finance intensified capacity-building efforts and financial flows to our portfolio of 43 partner financial institutions to agribusinesses investing in projects, technologies, and practices that mainstream environmental, social, and governance (ESG) principles. Key sustainability highlights for the year included launching the green finance fund and green agribusiness taxonomy, training partner financial institutions on Environmental Social Performance Management (ESPM) and digitalisation of SACCOs.

Green Challenge Fund launch

On 6 December 2022, aBi Finance launched a UGX124Bn green finance fund to offer green lines of credit to address liquidity challenges, green agribusiness guarantees to de-risk agribusiness loans, and staff and infrastructure capacity building for financial institutions to provide green finance.

Green agribusiness taxonomy launch

To promote sustainability in the financial services and agribusiness sectors, aBi Finance partnered with the global green growth institute (GGGI) to develop the green agribusiness taxonomy. This taxonomy is being used by both financial institutions and value chain actors to classify green (environmentally and socially sustainable) agribusiness activities, thereby differentiating them from those that are not green. The taxonomy is now available on the aBi Finance website: www.abi.co.ug/news-media/abi-fin-publications/

Environmental Social Performance Management (ESPM)

aBi Finance continued to promote ESG practices among partner financial institutions by supporting them in implementing ESPM systems. In February 2022, aBi Finance graduated the first cohort of 12 financial institutions (FIs) undergoing ESPM training and enrolled another cohort of 15 FIs in October 2022, which will be graduated by September 2023. ESPM assessments have also been made mandatory for all FIs being onboarded as partners of aBi Finance.

Economic Enterprise Relief Fund (EERF)

aBi Finance continued to support digitalisation to enable marginalised smallholder farmers, especially women and marginalised geographies in Eastern, Northern and West Nile regions, to access financial services for agribusiness. Through a UGX2Bn EERF project being implemented by Stanbic Bank, a total of 131 SACCOs was digitised between 2021 and 2022.

More sustainability interventions to enable partner financial institutions and their clients to green their operations are planned for 2023. These include the development of ESG policies, green loan products, development and dissemination of green finance information, education and communication materials, and awareness creation events for FIs staff and their clients.





Danish Ambassador H.E Signe Winding Albjerg signs a board to signify the launch of the aBi Finance Green Finance Fund at Serena Hotel.

Performance against Targets as of 31 December 2022

PARAMETER	BP TARGET 2022	2021 ACTUAL	AWPB TARGET 2022	ACTUAL 2022	% ATTAINED	% VARIANCE
Yield (Return on Investment)	11%	12%	10%	10.34%	103%	3%
Value of Investments (UGX, Bn)	196.4	178.2	276.5	247.5	90%	-10%
Outstanding LoC Portfolio (UGX, Bn)	134.9	122	190	187.2	98%	-2%
% of LoC to Capital Fund	66%	68%	69%	76%	110%	10%
No. of New LoC Loans	43,200	105,230	62,541	195,987	313%	213%
Non-Performance Asset Ratio	<5%	2%	<5%	1.9%	100%	0%
Outstanding AG Portfolio (UGX, Bn)	153.2	123	153.2	1537	100%	0%
No. of New AG Loans	41,000	15,132	27,845	20,023	72%	-28%
Claims Payout Ratio	<5%	0.1%	<5%	1.12%	100%	-
Leverage: Utilization / 10% of Fund	277%	341%	277%	621%	224%	124%
FSD Budget Utilization (UGX, Bn)	8.4	3.89	7.2	2.75	38%	-62%

Refer to Annex for impact data

2022 Review: Financial Services and Agribusiness

The year 2022 was marked by a series of challenges on the global stage, including the ongoing Russia-Ukraine war, a global recession, tight financial conditions, high inflation, and adverse weather conditions. In addition, the impact of the COVID-19 pandemic on the global and local economies cannot be overlooked. The company continued to provide financial services to its clients while implementing stringent safety measures to protect its employees and customers.

L-R: IFU's Anders Frigaard, EU's Caroline Adriaansen, former RDE ambassador Nicolaj Petersen and aBi Finance Board chair Felix Okoboi during the IFU onboarding.

Despite the economic challenges, aBi Finance demonstrated resilience by quickly adapting to the changing circumstances. Notably, aBi Finance underwent a significant structural transition in 2021, transitioning from a company limited by guarantee to a company limited by shares. This change allowed for the onboarding of new shareholders and paved the way for the company's continued growth and success. Overall, this report highlights the outstanding performance of aBi Finance in 2022, despite the challenging global and local economic conditions.

Macroeconomic Developments in the Ugandan Economy



aBi Finance was able to thrive and maintain its position as a wholesale provider of agribusiness financing solutions despite operating in an environment recovering from the COVID-19 pandemic. The Russia-Ukraine

war, global recession risks, tight global and domestic financial conditions, weak consumer demand due to high inflation, and adverse weather conditions also dimmed economic growth prospects.

The global prices for non-energy commodities such as food and metal and minerals (fertilisers) eased due to the easing supply disruptions at the Black Sea¹, which provided some positive developments. The average international crude oil price significantly dropped, resulting in a decline in energy prices.

The Central Bank Rate (CBR) was raised by 3.5 percentage points to 10% year-on-year, which led to an increase in the bank's lending rates from 18.6% to 18.9%. As a result, private-sector credit extension remained moderate.

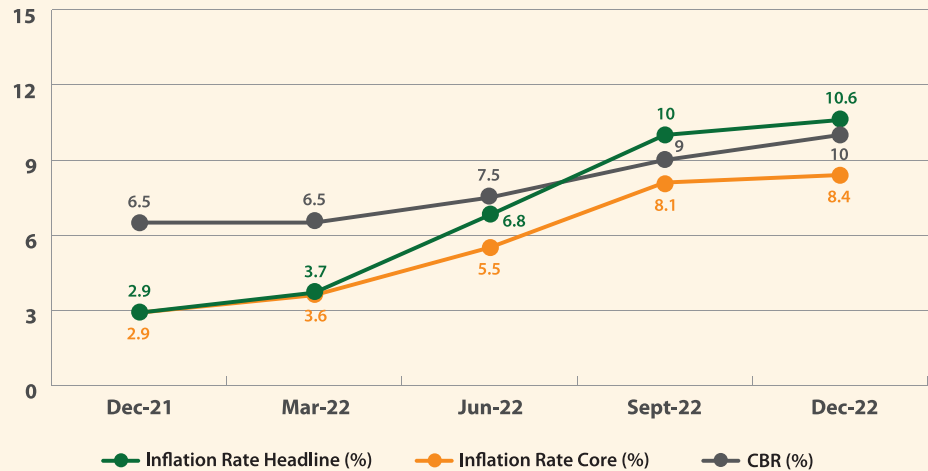
Inflation

Throughout 2022, inflation remained above the target, though there were signs that it might begin to slow down. For example, electricity, fuel, and utilities inflation dropped from their peak of 19.6% in August to 12.2% in November. However, the primary cause behind the easing of inflation was the lagged effect of the drought, which continues to exert upward pressure on food prices.

¹ BANK OF UGANDA, *State of the Economy Report*, December 2022

Annual Inflation Trends from Dec 2021 - Dec 2022

Source: Bank of Uganda



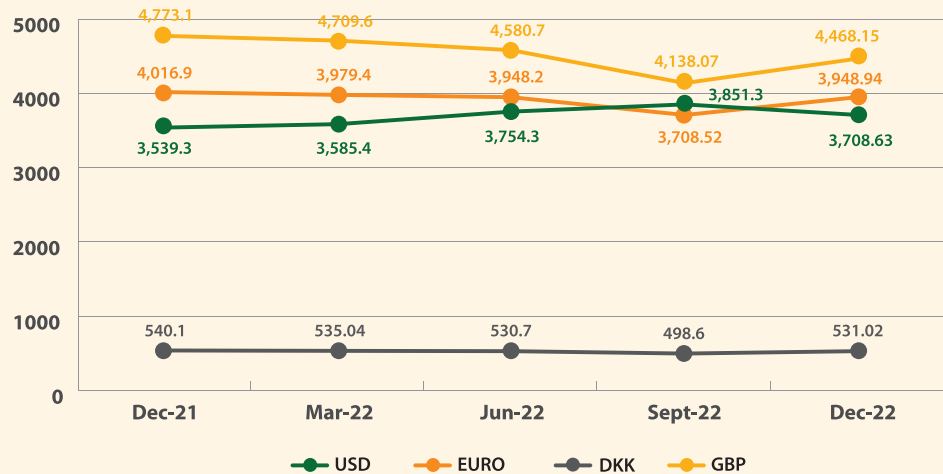
Exchange Rate

During the year, the Ugandan shilling initially weakened and peaked in the third quarter before recovering unexpectedly in the final quarter, with a 1.6% month-on-month strengthening in November. This improvement was attributed mainly to tighter monetary policies, as well as to declining global transportation costs, commodity prices (including

crude oil), increased foreign direct investment in the oil sector, as well as an uptick in workers' remittances. However, the future of the Ugandan shilling's exchange rate remains contingent on global economic developments, particularly the expected slowdown in the pace of monetary tightening in developed nations². Important to note that exchange rate movements do not directly affect aBi Finance operation because we trade in the local currency.

Exchange Rate Movements Dec 2021 - Dec 2022

Source: Bank of Uganda



Interest Rate Trend

Further, the Central Bank Rate (CBR) underwent a significant adjustment, rising from 6.5% in December 2021 to 10% in December 2022. This shift was mainly due to robust cost-push inflationary pressures from

the external environment, unfavourable dry weather conditions, and a depreciation in the exchange rate, as outlined in the BoU's Monetary Policy Reports. As a result, there was a noticeable increase in yields on both short and long-term papers in the financial markets.

Impact of Economic and other conditions on aBi Finance Ltd Operations



The challenging macroeconomic conditions in Uganda impacted aBi Finance's operations during the reporting year. Inflationary pressures led to tightening monetary policy, reducing the economy's private sector credit (PSC) and aggregate demand. Specifically, PSC to agriculture decreased from 12.2% to 11.2% year-on-year, adversely affecting consumer and business demand for agribusiness financial products, which had the potential to reduce the uptake of aBi Finance credit. In response, aBi Finance increased its risk appetite to support the recovery of FIs, by;

- Reducing the minimum qualification rating for FIs to access aBi Finance products from risk grading BB (Weak financial condition and weak capacity to repay) to CCC (Very weak financial condition and ability to repay on time may be in doubt) to deepen penetration.
- Maintaining attractive pricing tagged to the 182 T-Bill plus a maximum risk premium of three percentage points to allow for sustainable borrowing by partner FIs.
- Leveraging socially inclusive partnerships such as Stanbic's Economic Enterprise Restart Fund (EERF) to deepen our support further to FIs that do not fit within aBi Finance entry criteria.
- Increasing the grace period on short-term working capital facilities from 6 to 12 months and 18 months for retail and wholesale lenders to improve facility serviceability, hence supporting FI's sustainability.
- Increasing the maximum FI debt-to-equity ratio from 300% to 400% to support FIs in accessing required financing to agribusinesses.
- Paying claims that included capitalised interest on bad loans from the effects of the covid-19 pandemic. Normal practice is to settle only principal balances of submitted claims.
- Increasing aBi Finance's contribution to the supported financial services development projects from 60% to 80% to enable the completion of the projects and achieving our shared objectives.

The above interventions allowed for increased year-on-year uptake of aBi Finance's products by 53% in LoCs and 26% in Agriculture guarantee utilisation.



Aponye Uganda Limited stores in Mubende District.

Unlocking Access to Finance

Fund Management

The aBi Finance fund closed the year at a size of UGX247.5Bn, which fell short of the target of UGX276.5Bn by UGX29Bn. This shortfall was primarily due to receiving less funds (UGX66Bn) from IFU than expected (UGX75Bn), attributed to movements in forex rates between the time of planning and actual transfer in addition to processing fees for the share capital injection (which included stamp duty, COMESA filling, and registration fees) amounting to UGX4.34Bn. Additionally, there were aBi Development recharge costs of UGX2Bn for the same transaction. Despite these challenges, the capital fund portfolio saw a substantial increase of 37% due to the onboarding of the Investment Fund for Developing Countries (IFU)/EU and interest earned during the period. This increase led to a return on investments of 10.3%, marginally exceeding the target of 10%. Below is a breakdown of the aBi Finance Capital Fund portfolio mix.

→ Spotlight:

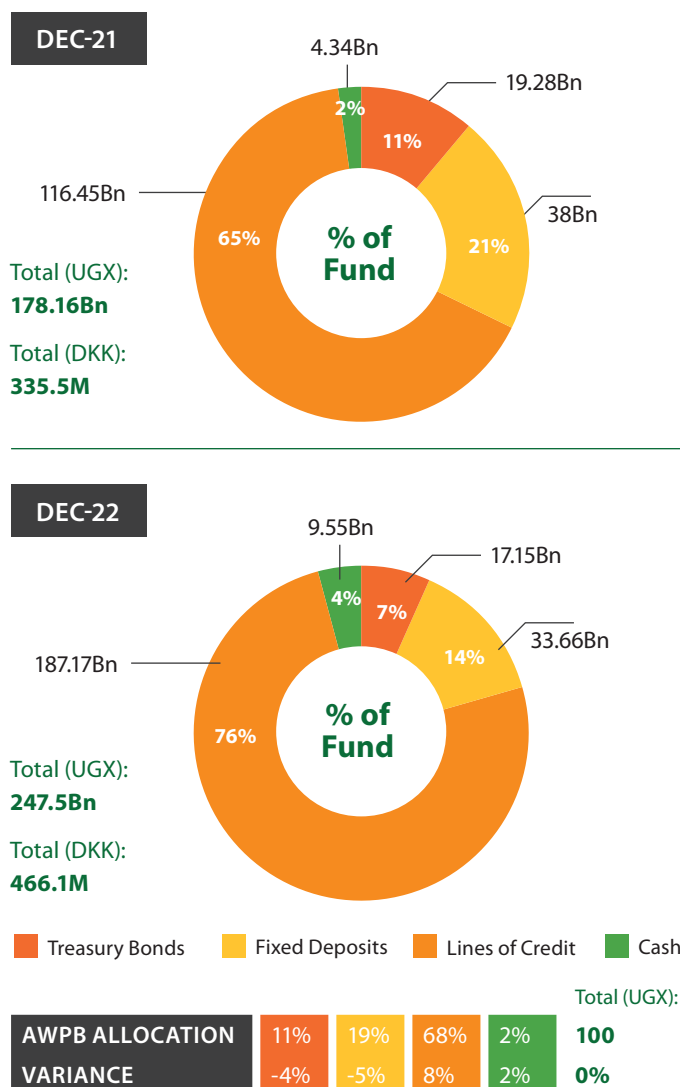
Onboarding the Investment Fund for Developing Countries

During the year, aBi Finance fully transitioned into a company limited by shares, receiving an equity injection of UGX66Bn from IFU, which was fully invested within the allowed asset classes.



Fintechs are instrumental in extending services to underserved sections of society. aBi has supported these through umbrella bodies.

Investments comparison Dec 2021 and Dec 2022



Source: aBi Finance Records

Lines of Credit

To support agribusinesses throughout value chains, aBi Finance offers Lines of Credit (LoC) to financial institutions. These are offered with a special focus on the social inclusion of women (77% female LoC clients) and marginalised geographies like northern and Eastern Uganda. During the year, UGX116.5Bn was disbursed, resulting in an outstanding LoC balance of UGX187.2Bn by year-end. This balance, representing 76% of the Capital Fund, exceeded the target of 69%.

A significant achievement was made in social inclusion, with an eight-percentage point increase to 83% of lending to female-owned agribusinesses from the previous year, surpassing the target of 40%. Lending to agribusinesses in Northern and Eastern Uganda also increased to 34%, marking a 4% improvement from the previous year. Furthermore, Tier IV² had the highest disbursements among the microfinance institutions, accounting for 62%. In addition, more micro-loans were disbursed during the year, with an average size of UGX1.3M, a decrease from UGX3M in previous years, as microfinance FIs were still recovering from the Covid-19 pandemic. Despite this, the number of loan beneficiaries increased significantly to 195,987, surpassing the target of 62,541.

Growth in the uptake of LoCs was attributed to leveraging partnerships with microfinance financial institutions with a like-minded inclination to social inclusion as aBi Finance, focussing on women through group-based lending products as well as marginalised geographies in Northern and Eastern Uganda.



An officer at SAO-Zirabwe SACCO explaining the workings of the phone and computer integration.

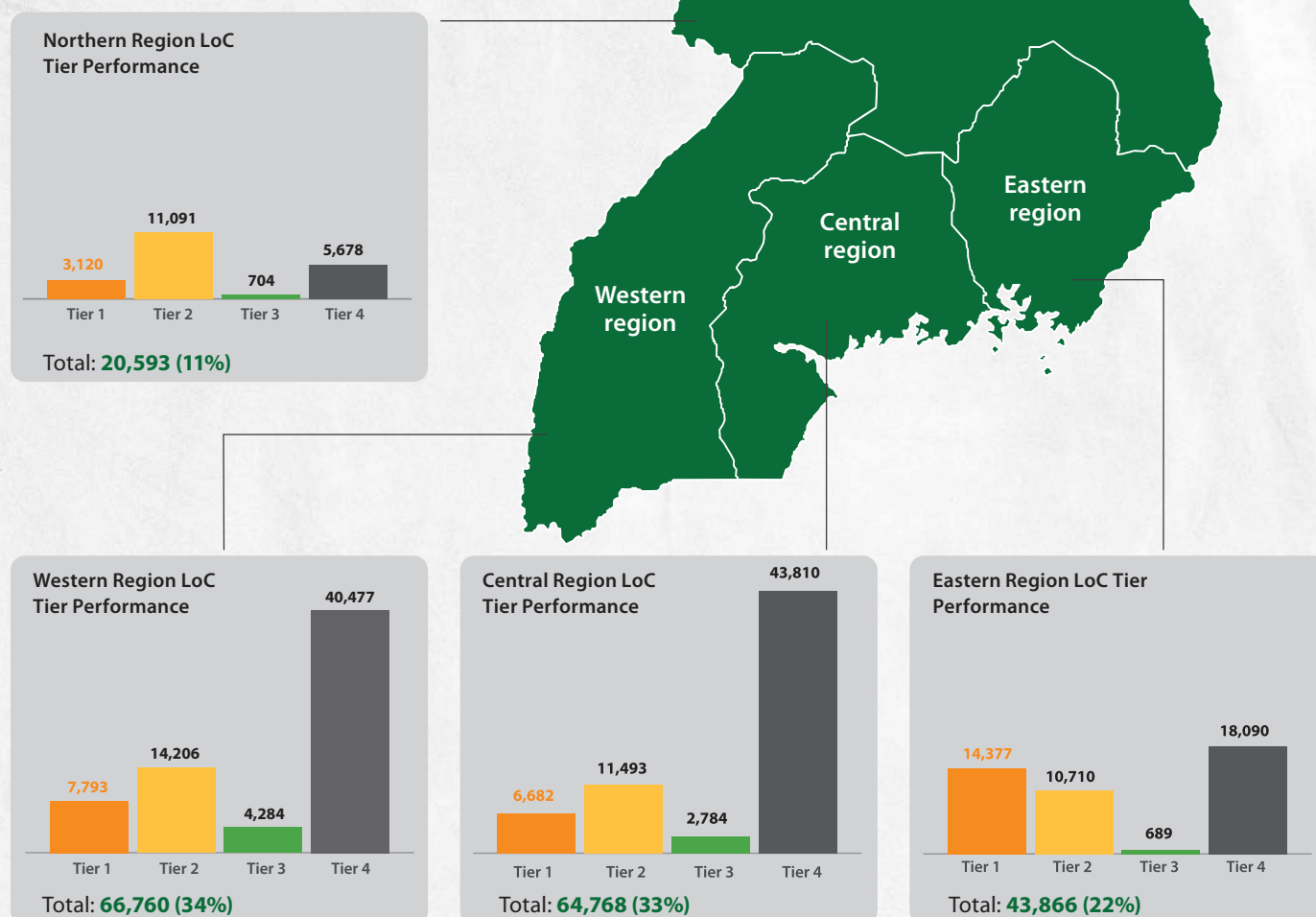
2022 Performance against Targets

BP Key Performance Indicators	BP Target 2022	2021 Actual	AWPB Target 2022	Actual 2022	% Variance
Capital Fund Total Assets (UGX, Bn)	204.9	178.2	276.2	247.5	-10%
LoC (UGX, Bn)	134.9	121	187.6	187.2	0.2%
Agribusiness (UGX, Bn)	124.7	114	178.2	180.8	1%
Clean Technology (UGX, Bn)	10.2	7.9	9.4	6.4	-32%
LoC (% of Fund)	66%	68%	68%	76%	11%
Agribusiness	61%	63%	65%	73%	13%
Clean Technology	5%	4%	3%	3%	-24%
LoC (Number of new loans)	43,200	105,230	62,541	195,987	213%
Agribusiness beneficiaries	39,800	99,690	60,208	191,859	219%
Clean technology	3,400	5,540	2,333	4,128	77%

Source: aBi Finance Records

³ Four Tiers: Tier 1 – Commercial banks; Tier 2 – Credit Institutions and Finance Companies; Tier 3 – Microfinance Deposit Taking Institutions (MDIs); and Tier 4 – SACCOs, financial NGOs, and all other non-deposit-taking financial institutions. Tiers 1-3 are regulated and supervised by the BOU.

Outcome (Leverage) of LoC Agribusiness Loan Performance by Tier, Gender, and Geographical Region



New Loans		Tier 1	Tier 2	Tier 3	Tier 4	Total
Volume and Value	No. of New Loans	41,823	45,871	10,496	97,797	195,987
	Volume %	21%	23%	5%	50%	100%
	Value (UGX, Bn)	203	63	48	126	441
	Value %	46%	14%	11%	29%	100%
Gender	Male	21,825	1,800	6,093	15,042	44,960
	Male % to Total New Loans	49%	4%	14%	33%	100%
	Female	10,146	45,700	2,368	93,013	151,227
	Female % to Total New Loans	7%	30%	2%	62%	100%

Source: aBi Finance Records

Portfolio Quality

aBi Finance exhibited portfolio at risk remained stable at

1.9% year-on-year against a target of below 5%, consistent with 2021(2%), reflecting its effective risk management practices and governance mechanisms.

*An additional 2.4 shillings is generated under LoC for every shilling loaned out. An outstanding LoC to FIs of UGX187.2Bn resulted in an outcome of UGX441Bn, with a total of 195,987 new LOC loans.

IMPACT:

Enabling Transformation: How aBi Enabled UGAFODE's Growth and Impact in Uganda's Financial Sector

UGAFODE, a financial institution based in Uganda, faced numerous challenges, including a lack of capacity to provide loans resulting in slow growth of its loan portfolio and customer base, liquidity constraints, an outdated core banking system that couldn't integrate with other systems, and limited capacity to serve the agricultural sector with loans tailored to the specific needs of both smallholder and large-scale commercial farmers. UGAFODE's staff also faced capacity-building challenges.

To address these challenges, aBi Finance provided UGAFODE with a UGX1.3Bn grant to finance institutional strengthening activities. With this support, UGAFODE strengthened her management information system to enable withdrawal functionality for Agency Banking. This increased client access to the needed financial services using mobile banking platforms. In addition, credit staff at

UGAFODE received training on originating, analysing, booking, and managing agricultural credit portfolios. aBi supported UGAFODE to digitise its core banking system, enabling the institution to serve its customers better and digitally since most farmers are in rural areas, far from the branch. UGAFODE sensitised its customers and deployed a remote onboarding solution to serve hard-to-reach populations like refugees. As a result, about 30% of client loans are paid through digital channels.

The enhanced capacity of staff to manage the lending operations resulted in a significant improvement in UGAFODE's agricultural loan quality, with a portfolio at risk rate of 4.8% for a total loan portfolio of UGX212Bn from an initial UGX36M coupled with a growth in number of loans from 17,228 to 48,227 clients. This was aligned with increased client saving from UGX17.7M to UGX41.2Bn.



A joint team of aBi's senior management and members of the RDE paid a monitoring visit to Talanta Finance Ltd in Gulu.

“To reduce customer costs of travelling long distances to UGAFODE's branches, customers can now access their accounts through UGAFODE's mobile financial services or agent banking. They can make loan repayments through UGAFODE mobile instead of travelling to the branch, saving farmers much time and enabling them to focus on their activities rather than walk long distances to access financial services at the branches.”

Shafi Nambobi, Chief Executive Officer of UGAFODE.



Agribusiness Guarantee Scheme

The aBi Finance Agribusiness Guarantee (AG) scheme is an instrument deployed to stimulate FIs' risk appetites to lend to specific agribusiness and green segments where it would not have been possible in its absence. The AG targets were largely attained, with the global

limit growing by 20% from UGX224Bn in 2021, closing at UGX279Bn. The target utilisation was achieved, albeit to fewer beneficiaries by 28%, mainly due to an increase in the average loan size of facilities from UGX5.5M to UGX7.6M placed on the scheme with its growth.

Summary of 2022 AG Performance Against Targets

Parameter	BP Target	2021 Actual	AWPB 2022	YTD Actual	Attained	Variance (%)
Global Limit (UGX Bn)	190.9	224	236.5	269	114%	14%
Value of Outstanding Loans (UGX, Bn)	128.5	123	153.2	153.7	100%	0
No. of new beneficiaries	44,000	15,132	27,845	20,023	72%	-28%
Leverage (%)	314%	341%	277%	625%	224%	126%

Source: aBi Finance Records

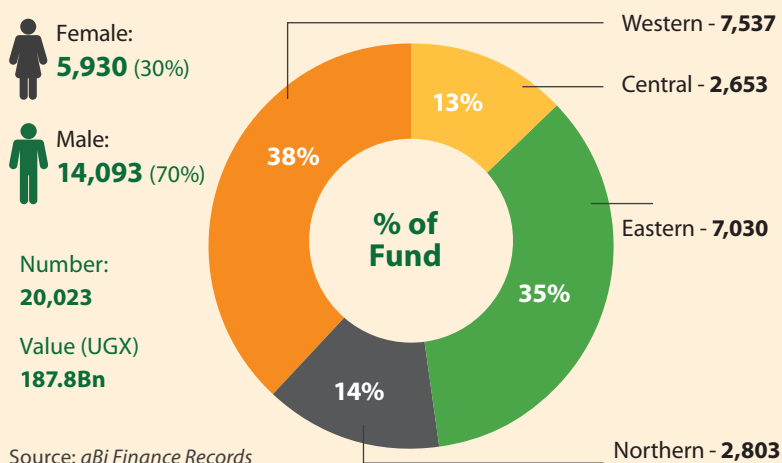
Outstanding Utilisation of the AG Scheme by Financial Institutions by Tier in 2022

Tier	No. of Outstanding Loans	Value of Outstanding Loans (UGX)	Male	Women	Central	Eastern	Northern	Western
Tier 1	16,526	130,126,432,330	12,532	3,994	2,388	7,654	1,804	4,680
Tier 2	0	0	0	0	0	0	0	0
Tier 3	2,115	21,245,249,765	1,316	799	325	96	87	1,020
Tier 4	1,292	2,355,671,846	607	685	272	0	0	1,607
Total	19,933	153,727,353,941	14,455	5,478	2,985	7,750	1,891	7,307
Percentage			73%	27%	15%	39%	9%	37%

Source: aBi Finance Records

aBi Finance continued to deploy the guarantee as a social inclusion instrument by directly targeting marginalised demographics such as women and geographies such as Northern and Eastern Uganda. Guarantee utilisation to Northern and Eastern Uganda regions remained stable year-on-year, at 48%, while women-led agribusinesses contributed 27%, up from 25% in the previous year. This was against a target of 40%. The low number of female clients with access to AGs is attributed to most female clients lacking collateral. Henceforth borrow AGs from FIs with the group lending product, which does not require physical collateral.

Volume and value of new loans disbursed under AG



Financial Services Development

The Financial Services Development (FSD) budget deployment rate for 2022 was 38% (UGX2.75B) of the targeted UGX7.2Bn.

All budget lines had an underspend except for risk management mechanisms and platform/collaboration support. An unspent balance of UGX8.3Bn, related to funds carried forward from 2021, amounting to UGX3.3Bn, receipt from Royal Danish Embassy UGX5.2Bn, refunds from implementing partners UGX2.9Bn and Interest from cash balances of UGX0.46B, which will be deployed in 2023. The under-deployment in 2022 is partly attributed to the following:

- Change in financing modalities from pure grant financing to concessional loans and the absence of a framework for operationalisation.
- A performance-based disbursement of UGX648M did not materialise, majorly due to Covid-19 disruptions, which meant that projects were delayed and disrupted and unable to achieve set objectives.



A joint team of aBi's senior management and members of the RDE paid a monitoring visit to Talanta Finance Ltd in Gulu.

Social inclusion and governance

To improve the deployment of FSD funds in the future, new strategies have been developed, including:

Northern/Eastern Uganda Funding Window (FW) pipeline of six applications worth UGX2.1Bn, out of which

UGX1.66Bn is expected to be disbursed by the first quarter (Q1) 2023.

Four applications are under the **open funding window** worth UGX1Bn, of which

UGX0.9Bn is expected to be disbursed by Q1 2023.

Business development services and green finance implementation

UGX4.6Bn

Progress on key FSD indicators for 2022 is summarized in the table below:

Annual Progress on Key FSD Results Indicators for 2022

Indicator	BP 2019-2023 Targets	2021 Actual	AWPB-22 Target	2022 Actuals	% Attained	Var	Comments
New savings accounts opened	824,000	51,856	62,251	14,389	23%	(77) %	
New Savings Volume (UGX, Bn)	176	24.7	26.3	13.4	51%	(49) %	
New Loan clients	895,538	95,817	95,680	28,639	30%	(70) %	Not attained.No new projects were onboarded in 2022, yet these KPIs depend on new projects. N/E FW projects are expected to bridge the variance.
New Loans Volume (UGX, Bn)	437.52	323	191.36	134.1	70%	(30) %	
New branch delivery mechanisms	10	2	2	3	110%	10%	
New branchless delivery mechanisms	35,800	10,210	8,300	6,631	80%	(20) %	
Number of new financial products developed	7	11	1	4	400%	300%	
Number of new funding window proposals	N/A	1	1	1	100%	-	Re-launched the N/E FW (2). 6 Applications worth UGX2.1Bn are scheduled to be disbursed in Q1-2023.

Source: aBi data and IP Reports

Key FSD highlights for 2022

Branch and Branchless Delivery Mechanisms

To increase access to financial services while reducing the operational and administrative costs of FIs, a Shared Agent Banking platform was established to enable financial institutions to offer safe and secure financial services to clients through agents equipped with smart Point of Sale Devices (POS). Services offered include cash deposits, withdrawals, utility bill payments, collections, transfers, and digital account openings.



6,631 new agents were set up in 2022 against a target of 8,300, which is an 80% achievement.

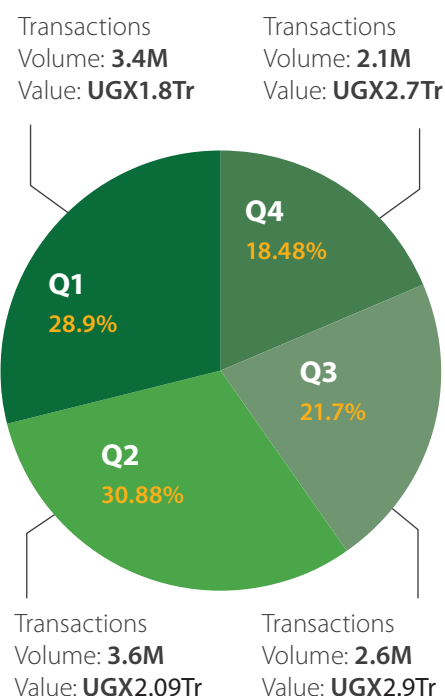


The transaction volume and value of **11.8M and UGX9.5Tr** were attained, respectively, bringing the cumulative total number of agents on the shared platform to 21,230.



22 financial institutions have been integrated into the Shared Agent Banking Platform (SABP), of which 21 are currently active, except Stanbic, which has been on freeze since August 2021.

To further enhance utilisation, UBA plans to explore e-learning as an alternative means of sharing crucial information on processes and products with agents and customers and will continue to engage with non-bank financial institutions to join the SABP.



Total transaction volume: **UGX11.8M** Total value: **UGX9.5Tr**



An employee of ChapChap fintech explains the working model of the app. aBi has supported the growth and development of financial services.

Agricultural Insurance as a Risk Mitigation Mechanism

Smallholder farmers' awareness and uptake of agricultural insurance services, particularly from the marginalised geographies of Northern and Eastern Uganda, is low at 30% of the sum insured¹. To mitigate the current effects of climate change whilst promoting smallholder farmers' sustainable production and productivity, Insurance Training Institute (ITC) developed and launched a digital insurance product to increase awareness and access to agricultural insurance, targeting the underserved and unreachable population in Uganda. However, in 2022, slow uptake by SACCOs and insurers hampered sales.



To address this, the ITC has **signed agreements with four insurers** (Prudential Assurance Uganda Ltd, Britam Insurance, Grand Micro Insurance, and ICEA Lion Life Assurance) and five SACCOs (Nazigo SACCO, Mateete Microfinance Cooperative Ltd, Rugere SACCO, Nyakayojo People's SACCO, and RUSCA Ltd) to enrol them as agents on the digital platform.



In addition, the ITC trained **24 staff from participating SACCOs and 11 from participating insurance companies** in digital insurance.

To improve key outcomes in Q1-2023, the following actions are planned:

- Initiate a partnership with Innovations Village to amplify the go-to-market strategy to increase awareness and conduct mass sensitisation effective Q1-2023.
- Establish a partnership with Agro Insurance Consortium (AIC) to bring the informal groups of farmers on the platform to increase platform usage and awareness.
- Collaborate with Insurance Regulatory Authority (IRA) to conduct trials of the digital platform under the 2020 sandbox insurance regulatory framework.

Digitisation of Lower Tier FIs through Apex Bodies

The "Digital Financing through Co-operatives (DIFICO II)" Project, implemented through the Uganda Central Cooperative Financial Services (UCCFS), **successfully connected**

26 SACCOs to the SACCO Net software, achieving 87% of the annual target of 30 SACCOs.



In addition, **40 out of 50 Access Point Names (APNs)** by Airtel Uganda were also activated and connected to the servers at UCCFS.



As a result, **mobile banking subscribers reached 125,214**, exceeding the annual target of 48,753 by 256%. This also represents 46% of the total project target of 270,850.



2023 Activity Digitization Pipeline

- Training of SACCO leaders and clients on use of SACCO Net software with a deliberate focus on women and youth
- MSACCO launch activities and other activities related to increasing mobile banking subscribers.
- Finalizing the call centre and mobile banking functionalities in 2023.



A commercial pineapple farmer with the aBi-supported Nazigo SACCO in Kayunga district, Eastern Uganda.

Update on Economic Enterprise Relief Fund (EERF)

aBi Finance continued to support digitalisation to enable marginalised smallholder farmers, especially women and marginalised geographies in Eastern, Northern and West Nile regions, to access financial services for agribusiness. Through a UGX2Bn EERF project being implemented by Stanbic Bank, **131 SACCOS** were digitised between the launch in June 2021 to December 2022 (refer to figure for regional breakdown). In addition, to ensure the project's smooth implementation and full compliance with grantee guidelines, bi-monthly meetings are being held to support Stanbic Bank.

Summary of FSD Utilisation under the EERF



UGX2Bn
limit

Average Facility Size (UGX, M):
32,000,000

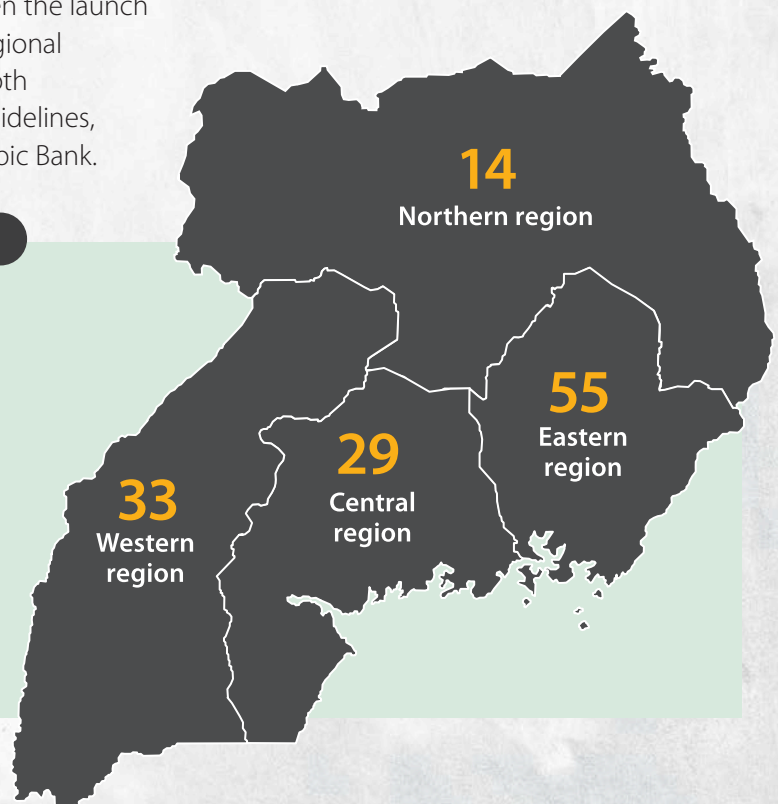


UGX1.9Bn
deployed

Max. Target Grant Size for one SACCO/MFI (UGX, M):
50,000,000



131
SACCOS



→ Spotlight:

aBi Finance and Stanbic Bank partner to digitise more than 100 Savings and Credit Cooperative Organizations (SACCOs)

The Economic Enterprise Restart Fund is a multi-billion-shilling fund created by Stanbic Bank and supported by aBi Finance and other Development Partners to restart small and medium enterprises affected by the Covid-19 pandemic. The fund is available to Tier IV financial institutions such as SACCOs, VSLAs, or other natural groupings or enterprises. The partnership between Stanbic Bank and aBi Finance is based on three principles: concessional line of credit, credit enhancement, and digitisation of both SACCOs and VSLAs and end-users through wallets.

About 110 SACCOs and VSLAs benefited from the Economic Enterprise Restart Fund in 2022. To date, 131 SACCOs have been digitised. The digitisation process involves the provision of Management Information Systems and Core Banking Systems, computers, accessories, and IT skills. For electricity supply consistency, the digitalisation package came with solar-powered equipment. In addition, in collaboration with other partners, the bank provides internet gadgets to enhance connectivity and engages with telecom companies to improve coverage in rural areas.

aBi Finance provided a UGX20Bn line of credit, UGX45Bn guarantee, and UGX2Bn grant to digitise beneficiary SACCOs and VSLAs. Digitisation



Handing over solar equipment to Chairperson, Sebei Women in Action Cooperative.

increases transparency and accountability, improves financial reporting, and enables transaction migration for SACCOs from ledgers to self-service through USSD. In addition, it reduces the cost of operations for SACCOs, and members use their Flexipay wallets to deposit savings, request loans, and repay their loans.

The partnership between Stanbic Bank and aBi Finance is expected to increase the usage of digital channels in financial service delivery, improve the resilience of financial institutions, and increase the outreach of financial services to agribusinesses and farmers.

“ We have been able to migrate our data from the manual system to the digital platform. We can now view our reports and the number of members by gender in real time. As a result, we have reduced paperwork and can generate daily work reports. Digitisation has also simplified the loan application, processing, and approval.”

Rashid Musana, Busitema Sikuda Farmers SACCO.

Business Development Services

aBi Finance utilised BDS as the vital instrument for offering support to improve the sustainability of partners' FIs through promoting ESG practices and principles. Twenty-seven partner FIs were offered BDS to enhance their understanding of ESG issues and improve their ESG performance. As aBi Finance advances the agenda of promoting green agribusiness finance for sustainable agribusiness technologies and practices, FIs were offered BDS to enhance their financial services provision to smallholder farmers and agribusinesses.

The BDS activities implemented to advance ESG among the supported FIs included training and knowledge-sharing opportunities among peer FIs, the institutionalisation of ESPM and risk management standards, frameworks, guidelines and reporting systems, facilitating stakeholder engagements to network stakeholders involved in decision-making and implementation of green finance, climate action and sustainability initiatives. Below is a summary of BDS Performance against targets for 2022.

BDS Performance Against Set Targets for 2022

Activity	Indicator	Annual Target 2021	Actual 2022	% Attained	Var
ESPM training	Number of FIs receiving Social Performance Management BDS	24	27	113%	13%
Risk management training	Number of FIs receiving risk management BDS	12	12	100%	0
Peer to Peer - Governance and credit management training	Number of FIs receiving Peer to Peer BDS	4	4	100%	0
Green Growth and Green Finance training	Number of partner institutions' staff receiving Green Growth /ESG BDS	140	184	131%	31%

Operationalising Environmental and Social Performance Management (ESPM)

The ESPM ALINUS⁵ Toolkit training was conducted for the second cohort of 15 beneficiary FIs to enable them to self-assess and monitor their progress in implementing ESPM practices in their respective institutions. Monitoring was conducted for 12 FIs in the first cohort to check their ESPM action plans' implementation progress. Self-assessments for Cohort One FIs are scheduled for Q1 2023 to measure improvement in the various ESPM aspects scores. The capacity building for Cohort Two FIs will end in October 2023, preparing them to implement green finance through measuring environmental management via ESPM.

good governance in Tier IV FIs. It included the development of operational policies, risk management frameworks and processes, and monitoring and reporting tools such as Key Risk Indicators (KRIs), risk registers, and incident reports. In 2023, we plan to continue monitoring the risk profiles and tool utilisation of the supported FIs and incorporating capacity building in risk management that includes environmental and climate change risks in the curriculum.

Risk Management Capacity Building

12 Tier IV FIs were assisted in establishing enterprise-wide risk management frameworks that align with the ISO 31000:2018 standard. This support was aimed at improving

Peer-To-Peer Capacity Building

Four SACCOs were linked with high-performing FIs for training and mentorship to enhance their governance, financial reporting, management reporting, liquidity management, external fund mobilization, business development, and resilience against business disruptions such as Covid-19 and climate change.

⁵ ALINUS stands for "ALigning INvestors due-diligence and reporting with the Universal Standards".

Looking Forward: Green finance capacity building in 2023

To enable uptake of green lines of credit, green agribusiness guarantees, aBi Finance will fast-track capacity building for FIs. The following activities will be undertaken.

- i. Promoting the Green Taxonomy to harmonise understanding of green finance.
- ii. Developing materials for and disseminate information on green and socially inclusive finance.
- iii. Training FI staff on green and socially inclusive finance
- iv. Developing green and socially inclusive finance products
- v. Supporting ICT infrastructure and physical improvements



Rukiga SAACO hosted Kyamuhanga Peoples SACCO, Nile Microfinance and Talanta to a peer learning exercise.

Driving Sustainability through Strategic Partnerships

aBi Finance leveraged partnerships to enhance the efficiency, effectiveness, and sustainability of financial services interventions. aBi signed an MoU with the Uganda Institute of Banking and Financial Services (UIBFS) to promote green finance. Some of the objectives of this partnership include curriculum development and setting up a faculty to build the capacity of UIBFS member institutions, aBi stakeholders, and the public as necessary. However, there is still a need to;

- Mobilize financial institutions to support and engage in the agenda of climate mitigation and climate adaptation,
- Build the capacity of financial institutions to offer green finance,
- Tap into each other's networks to grow and contribute to advancing the entire financial services ecosystem.



To achieve this, aBi Finance will continue to pursue partnerships with; the Government of Uganda, regulators, apex bodies, development partners, UN agencies, and local and international green finance BDS providers. Other actors include wholesale lenders, fund managers, FinTech, agribusiness sector strategic partners, research think tanks and the media.

→ Spotlight:

aBi Finance and FITSPA collaborate to drive the adoption of FinTech for better access to agricultural markets

The financial technology (FinTech) industry has promoted financial inclusion for Uganda's unbanked and underbanked population through mobile money solutions, digital payment systems, agent banking, credit services, microfinance, financial education, remittances, and e-commerce access. Over the past decade, the FinTech industry has grown at an annual average of 35%, providing opportunities for FinTech and financial service providers. However, despite this growth, the sector faces several constraints, such as limited access to essential skills, capital, and traditional systems that impede interoperability. Therefore, stakeholders need to collaborate to create an enabling environment characterised by regulatory support, access to funding, infrastructure development, education, and data security, to foster FinTech innovation and development.

At aBi Finance, we recognise the importance of collaboration with FinTech to deliver customer-centric solutions. In addition, we have customised financing instruments to address the sector's pertinent business needs, including working capital and capital expenditure support to enable growth and expansion. In 2021, the Financial Technology Service Providers Association (FITSPA), with technical assistance from aBi Finance and support from the Bill and Melinda Gates Foundation and the Bank of Uganda, initiated a study to evaluate the state of Uganda's FinTech Industry. FinTech has emerged as a significant driver of change in Uganda's financial industry, contributing to increased financial inclusion and acting as a catalyst for innovation in other sectors such as

agriculture and infrastructure. By examining the FinTech landscape in Uganda, FITSPA and aBi-Finance Limited aim to identify opportunities for growth and development that can benefit all stakeholders in the sector.

The study highlighted the challenges facing the fintech sector in Uganda. It revealed that skills such as software development, infrastructure, cybersecurity, data science, and design are among the most sought-after but hardest to find. Funding was also a significant constraint, with 57% of FinTech self-funded and minimal investment from other sources. Traditional banking systems also pose a challenge to integration between legacy systems and new fintech systems.



CEO, Mona Muguma Sebuliba speaks during a panel discussion at the FITSPA Annual Fintech Conference 2022.

“ There are numerous opportunities that the private sector can explore with support from the Government of Uganda. ICT is a great enabler in attaining these goals that all sectors need to use. Still, the advent of the sector needs to be cautiously approached as many of the policies and regulations needed to make this possible are still being developed. The Ministry of ICT and National Guidance is committed to taking forward all the recommendations listed in this report to serve the people of Uganda better.”

Hon. Joyce Sebugwawo, State Minister for ICT and National Guidance.



Update on 2019-2023 Business Plan

Summary of performance against business plan targets

Parameter	BP 2019 -2023	Actuals 2019-2022	% Attained	Variance
Target yield	11%	9.88%	89.80%	-10.20%
Value of Investments (UGX, Bn)	213.8	204.4	95.60%	-4.40%
No. of new LoC Loans	218,200	831,676	381.20%	281.20%
Outstanding LoC portfolio (UGX, Bn)	147.5	138.2	93.70%	-6.30%
% of LoC to the Fund	69%	66%	95.70%	-4.30%
Non-Performance Asset Ratio	<5%	2%	2%	100%
No. of new ALG loans	196,000	134,547	68.60%	-31.40%
Outstanding ALG portfolio (UGX, Bn)	168.2	131.8	78.40%	-21.60%
Claims Payout Ratio	<5%	0.61%	100%	0
Leverage (Utilization)	393%	419%	106.60%	6.60%
FSD Budget Utilization (UGX, Bn)	30.1	22.78	75.70%	-24.30%

Some business plan targets have been achieved, with several on track and expected to be completed by 2023. However, FSD targets were not achieved because the changes in the FSD product deployment modalities affected the pipeline, from matching grants to

concessional loans. Additionally, performance-based disbursements for almost all ending or ended projects did not materialize as none of the partners achieved 100% outcomes as was conditioned. Strategies have been put in place to increase FSD funds absorption in 2023.

Learning and Adapting

- **To successfully implement a green growth strategy in the financial services sector, it is essential to have a green taxonomy.** This transparent and standardized classification system identifies which agribusiness investments are sustainable or “green” and which interventions are designed to mitigate and adapt to climate change. This taxonomy is crucial for accurately identifying and evaluating environmentally conscious investments. In 2022, aBi launched its Green Taxonomy to ease the rollout of green products.

- **The 100% results-based target set for Performance-Based Contracting (PBC) was not feasible for projects under the first Northern and Eastern Uganda funding window.** The Northern and Eastern Uganda SACCOs’ weak financial positions, poor governance, and weak internal controls posed significant challenges. As a result, future PBC reimbursements will be awarded on a progressive attainment basis, allowing for more flexibility and better alignment with project objectives.



A joint team of aBi's senior management and members of the RDE paid a monitoring visit to Tuijenge Farmers SACCO in Mbale.

- **Critical to consider the structure and ownership of partner institutions when designing loan programs and pricing strategies to achieve intended outcomes.**

The ability to influence loan pricing was limited due to the small proportion of LoCs in partner financial institutions’ loan portfolios. Furthermore, the member-owned nature of most SACCOs meant that providing different interest rates for agricultural loans was difficult while maintaining equal treatment for all clients. These challenges informed the lifting of the price cap on SACCOs under the Economic Enterprise Restart Fund partnership with Stanbic Bank. This experience emphasises the importance of considering the structure and ownership of partner institutions when designing loan programs and pricing strategies.

- Implementing the agriculture loan products must align with the production and marketing period and Financial Institutions' monthly payment plans.** Agriculture loans are often tied to specific production and marketing periods, as farmers need funds to plant crops and sell their harvest. To ensure that loans are used for their intended purposes and to minimise cases of loan diversion, it is crucial to align the loan disbursement and repayment schedule with the production and marketing period. Furthermore, ensuring that the loan repayment schedule aligns with the financial institution's monthly payment plans is vital. This ensures that farmers can make their monthly payments on time without needing to divert funds from their agriculture activities to cover their loan repayments.
- Integrating basic social welfare needs into agriculture loans as a fraction of total agriculture loans is crucial for the lowest Tier lending.** Combining basic social welfare needs, such as healthcare or education, into agriculture loans can help to transform farmer livelihoods sustainably. By providing a financing blend that covers agriculture activities and social welfare needs, financial institutions can help ensure that farmers can ably meet their needs while investing in their farms. This approach can also help minimise loan diversion cases, as farmers are less likely to divert funds from their agriculture activities to meet their basic needs. However, research is underway to determine how this relationship holds and how best to integrate social welfare needs into agriculture loans.

Systems and Efficiency

Financials

Financial Performance vs Budget Summary



aBi Finance made **a profit after tax amounting to UGX6.8Bn** for the year ended 31 December 2022, compared to UGX9.2Bn in 2021.

Total interest income decreased marginally to UGX20.3Bn in 2021 from UGX21.3Bn, most of it earned on LOC and from Fixed deposits.



Agricultural Guarantee fees increased by 125% to UGX1.78Bn from UGX0.79Bn in 2021 with the onboarding of new Tier IV clients and increments in global limits by existing partners.



FSD grant income and expenditure slightly increased to UGX1.99Bn from UGX1.98Bn, although this has a neutral effect on the net profit after tax.



Operating income was below budget by 28% resulting from the receipt of EU/IFU Funds in the third quarter, contrary to the budgeted first quarter.



Operating expenditure increased to UGX9.58Bn from UGX8.4Bn in 2021 due to increased legal, Board, marketing/promotions, and employee expenses. However, this was offset by a decrease in aBi development expenses and exchange gains.



Impairment charge arising from a problematic grant increased from UGX0.5Bn to close at UGX1.8Bn from UGX1.3Bn in 2021.



Compared to the budget UGX4.58Bn, **the variance of 60%** was majorly due to additional provisions in the prior year after the expiry of the moratoriums, which have now been reversed since the clients are paying on time



The Guarantee claims closed the year at

UGX1.54Bn,

an increase of UGX1.5Bn compared to 2021, mainly due to the expiry of covid concessions that resulted in defaults.



A fair value loss, amounting to UGX1Bn arising from the accounting standard (IFRS 134), was incurred due to the company's revaluation of all government securities (treasury bonds) as of the year's end. This process is intended to arrive at a fair valuation of financial assets at any time of all securities held to maturity at the prevailing market conditions.

Statement of Comprehensive Income for period 1 January - 31 December 2022

	Actual Dec-21	Actual Dec-22	Budget Dec-22	Variance Percentage	Actual Dec-22
	UGX'000s	UGX'000s	UGX'000s	%	DKK'000s
Income					
Interest income	21,599,531	20,328,683	29,705,316	-32%	38,230
Guarantee fees	791,368	1,779,210	1,249,000	42%	3,346
Total operating income	22,390,899	22,107,893	30,954,316	-29%	41,577
Other income	-	-	-	0%	-
Grant income	1,968,880	1,999,441	7,262,542	-72%	3,760
Operating Expenditure - Direct\Costs)	(8,420,791)	(9,575,167)	(11,101,595)	-14%	(18,007)
Financial Services Development	(1,968,880)	(1,999,441)	(7,262,542)	72%	(3,760)
Guarantee claims	(12,542)	(1,537,986)	(665,411)	131%	(2,892)
Finance Costs	(63,389)	(51,112)	(51,112)	0%	(96)
Impairment charge for credit losses	(1,302,368)	(1,825,625)	(4,581,372)	-60%	(3,433)
Profit before tax	12,591,809	9,118,003	14,554,826	-37%	17,147
Income tax expense	(3,400,127)	(2,298,098)	(4,366,448)	47%	(4,322)
Profit for the year	9,191,682	6,819,904	10,188,378	-33%	12,826
Other comprehensive income:	-	-			
Fair value (loss)/ gain on financial assets at fair value	1,140,226	(1,039,758)	-	-	1,955
Deferred income tax thereon	(342,068)	311,927	-		587
ECL charge for the year	31,426	95,974			
Total comprehensive income for the year	9,989,840	6,188,048	10,188,378	-39%	11,457

1 DKK = 531.74

*Impairment charge for credit losses of 60% of budget against actual

⁶ IFRS- International Financial Reporting Standards (IFRS)

Total assets amounted to UGX258Bn, versus UGX188Bn in 2021 and an increase of UGX70Bn. This is due to the share capital Injection of UGX66.4Bn (Euro17M) from the IFU and the European Union (EU) in return for Class A and Class B shares, respectively.

aBi 2020 net assets represented by capital grants, fair value reserve and retained earnings were used to pay for the shares allocated to aBi 2020 Limited.

Deferred grants closed at UGX10.8Bn, an increase of UGX3.2Bn from 2021. This is due to the receipt of UGX5.3Bn (DKK10M) on 17 November 2022 from the Royal Danish Embassy as per the Donor Engagement Document (DED) addendum signed on 11 October 2022 that was offset by the related grant expenses for 2022.

Statement of Financial Position as of 31 December 2021

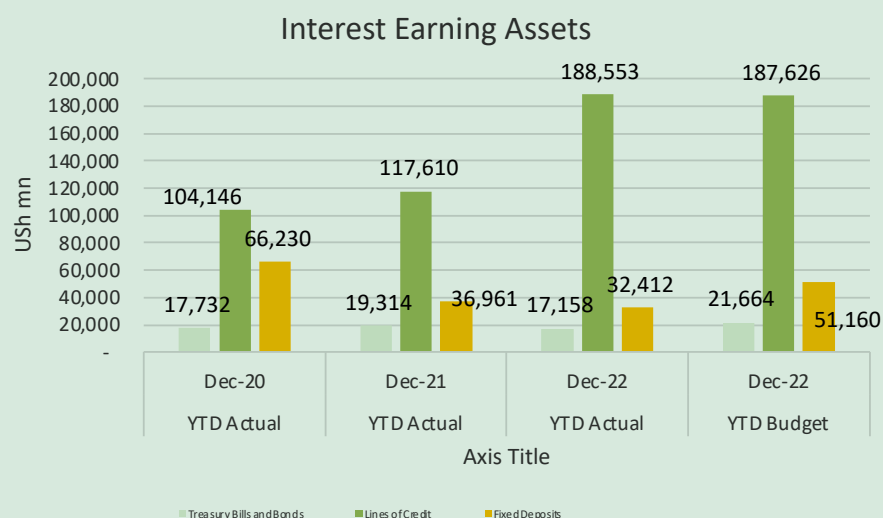
	Actual Dec-21 UGX'000s	Actual Dec-22 UGX'000s	Budget Dec-22 UGX'000s	Variance Percentage %	Actual Dec-21 DKK'000s
Assets					
Cash at bank and in hand	4,340,082	9,557,514	6,358,912	50%	17,974
Fixed deposits with commercial banks	38,084,501	33,623,697	52,591,989	-36%	63,233
Government securities	19,282,984	17,158,297	21,664,354	-21%	32,268
Other receivables	645,951	1,400,810	123,582	1034%	2,634
Implementing partners receivable	3,657,142	2,376,734	1,615,312	47%	4,470
Guarantee fees receivable	21,770	27,320	100,000	-73%	51
Loans to borrowers	116,456,061	187,189,252	190,134,485	-2%	352,032
Income tax recoverable	2,498,722	3,351,000	-	0%	6,302
Deferred income tax asset	1,888,253	2,696,261	4,343,439	-38%	5,071
Property and equipment	324,907	298,360	908,459	-67%	561
Right of use assets	854,122	636,048	835,761	-24%	1,196
Total Assets	188,054,495	258,315,293	278,676,292	-7%	485,792
Equity and Liabilities					
Equity					
Capital grants	108,540,058	-	-		-
Share Capital		234,506,642	163,730,058	43%	441,017
Fair value reserve	730,404	(600,431)	-		(1,129)
Retained earnings	60,331,748	2,842,063	93,862,289	-97%	5,345
Total Equity	169,602,210	236,748,274	257,592,348	-8%	445,233
Liabilities					
Provision for unpaid loan guarantees	778,499	1,064,986	1,126,125	-5%	2,003
Other payables	9,337,728	9,112,678	11,037,324	-17%	17,137
Lease Liability	738,783	572,399	787,893	-27%	1,076
Deferred grant - FS D Project	7,597,275	10,816,956	8,132,603	33%	20,343
Total liabilities	18,452,285	311,927	21,083,944	2%	40,559
Total Equity and Liabilities	188,054,495	258,315,293	278,676,292	-7%	485,792

** Other receivables include withholding tax and pre-payments

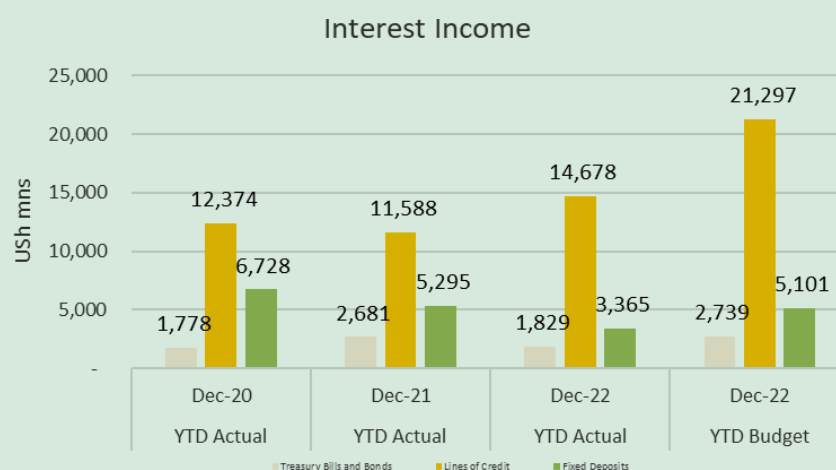
There has been an increase in Lines of Credit to cater for the pipeline that was developed before the receipt of IFU Funds and a decrease in Fixed deposits and Government Securities to cater for commitments made in Lines of credit.

The interest income dropped in 2021 compared to 2020, majorly because of concessions granted in 2020. As a result, interest decreased from UGX20.8Bn in Dec 2020 to UGX 19.5Bn in Dec 2021 and slightly increased to UGX19.9Bn in Dec 2022, as highlighted below, due to the post effects of Covid and Concessional drop-in interest rates.

Interest earning assets, 31 December 2020 – 31 December 2022



Interest Income, 31 December 2020 – 31 December 2022.



Internal Audit

In 2022, our audit focused on our operations' internal controls, including project appraisals, fund disbursement, project implementation, funds accountability, results management, claims settlement, intervention monitoring, project results reporting, and investment management. Our assessment covered nine projects managed by nine implementing partners, four financial institutions operating agricultural guarantees schemes (AG), and investments at aBi. The audit results showed that 83% of the audit engagements were rated as requiring minor improvements, while 17% were rated as requiring significant improvements. However, the tests indicated that the controls necessary to produce the desired results are available and adequate but need full adherence.

Corporate Services

Human Resources and Shared Services

The staffing at aBi Finance remained steady with 12 staff members, and a 1:1 gender balance was maintained with a 0% attrition rate. This demonstrates that aBi Finance is a competitive employer that values a diverse workforce.

Recognising the critical role of human resources in achieving its mission, aBi Finance made strengthening its human resource management and culture transition a key focus area in 2022. As a result, the organisation piloted new and improved performance management tools to improve fairness, objectivity, and transparency. It also embarked on a three-year culture transition process to foster a high-performance culture. Implementation of the transition process will continue through 2023 and 2024.

In 2022, aBi Finance embraced innovative modern work methods by leveraging technology and digitalisation, which ensured business continuity even in a dynamic environment. Staff safety remained at the centre of operations.

To align with business demands and priorities, aBi Finance put effort into enhancing its staff's capacity on climate change and green investments. As a result, 11 out of 12 staff members (92%) undertook at least one green growth capacity building/training course offered by UN Climate Change Learning.



Staff participate in team-building activities during the 2022 retreat.

Information Communication and Technology

We installed and implemented Microsoft 365, migrating all emails and document management to the cloud using Microsoft services. This transition to the cloud remains a significant objective for aBi Finance, with a plan to become entirely cloud-based.

The ICT department maintained its expenditure rate of 4% of the total program spend, in line with best practices in the sector. Furthermore, automation of procurement and contract management process flows, as well as aBi Finance product module remittances, returns, and payments, were realised following the business performance mapping process. In 2022, procurement and contract management automation was completed and is set to be rolled out in Q1 2023.

Grants Management

The aBi Finance Grants Management Control unit was vital in supporting the financial sector development (FSD) team and Financial Institutions (FIs) in their accountability review and monitoring. aBi conducted project monitoring visits and capacity building for 11 active projects. As part of the external audit exercise, six FIs with grants and four SMEs with sponsorship grants were audited and issued with unqualified audit opinions, demonstrating aBi's commitment to ensuring proper financial management.

In 2022, a total UGX1.9Bn was disbursed, compared to UGX1.56Bn in 2021, indicating a slight increase in disbursements. This increase was mainly due to a change in strategy from using matching grants to concessional lending and back to grants. As a result, there was a decline in the uptake of funding from FSD. Despite this, UGX1.9Bn of project expenses were accounted for during the period, showcasing our commitment to financial management and accountability.



aBi Finance and the Royal Danish Embassy jointly monitor projects with implementing partners.

Legal and Compliance

In 2022, a compliance assessment conducted by aBi Finance found that the company was 100% compliant. The assessment was conducted on regulatory and internal policies such as the development engagement document, funding manual, human resources and shared services manual, and all other obligations in the different laws and internal policies and procedures.

aBi Finance developed an Anti-Money Laundering policy in line with its registration with the Financial Intelligence Authority as an accountable person in 2020. Thirteen staff members were trained on the policy to ensure adherence to anti-money laundering regulations.

aBi Finance Ltd successfully onboarded the Investment Fund for Developing Countries (IFU) and European Union (EU) as shareholders, which increased aBi Finance's share capital and allotment of shares. The new shareholders/directors were registered and invested in aBi Finance.

Results Measurement and Research and Development

The aBi Results Measurement and Research and Development (RMRD) function played a crucial role in all operations throughout the reporting period, with several initiatives implemented. One of the key initiatives was the Data Quality Assessment (DQA), which was conducted to improve the current data quality systems and ensure the delivery of authentic, reliable, and valid data for decision-making at both program and management levels. The assessment

included a review of the Grants Management System (GMS) and implementing partner (IP) level data sets. In addition, three systems assessments were undertaken: the implementing partner-monitoring and evaluation systems assessment, internal DQA, and external DQA assessment. The reviews identified some aspects of underreporting and overreporting, and efforts are underway to resolve these data discrepancies urgently. For a detailed report of the findings, please follow the link provided.

To prepare for the 2023 external Donor Committee for Enterprise Development (DCED) Audit, a DCED self-assessment exercise was conducted during the year, which identified existing gaps and action improvements to be made before the external audit. The assessment showed a conservative score of 71% and 77% against the "MUST" and "RECOMMENDED" DCED control points, respectively. However, this score falls below the pass mark (85%) for the "MUST" control points by 14 percentage points. Further, the assessment identified the key strength of articulation of results chains for all IPs. At the same time, significant weaknesses included limited data use and untimely review of results chains by aBi and IPs. The RMRD function is currently addressing all identified weaknesses.

In addition to these initiatives, the RMRD function undertook routine tasks, such as monitoring, documentation, and data validation, focusing on generating learning and knowledge management, data validation, and capacity building for IPs. Refresher training was provided for program staff in MRM and knowledge management-related needs, particularly in generating learning products and developing results frameworks and measurement plans.

Risk Management

At mid-year 2022, a risk deep-dive was undertaken by Management and the Board, for which the general outlook indicated a medium risk rating for the organisation.

At the end of 2022, the different risk categories were rated as in the table below:

Table: Risk analysis at the year-end of 2022

Risk Category	Rating	Trend	Keynote
Strategic Risk	Medium	↔	Impacted by delays in onboarding prospective investors, commercial objective pursuance at the expense of social objective, challenges in attracting/retaining development partners to finance programs and operational budget.
Financial Risk	Medium	↔	Inability to meet performance targets (disbursements and incomes), Failure by FIs to raise their contributions
Legal Risk	Medium	↓	Increasing number of problematic cases and increasing litigations.
Compliance Risk	Low	↔	No compliance exceptions were highlighted in the period.
Operational Risk	Medium	↓	The cyber-attack incident, staffing gaps for key positions, diversion of project funds by Ips.
Reputational Risk	Medium	↔	No notable negative incident
Political Risk	Medium	↑	General political stability
Credit Risk	Medium	↑	Delays/failure to repay extended lines of credit by FIs and SMEs, Failure to refund aBi Finance's portion of earlier settled but later recovered loans
Market Risk	Medium	↓	Volatile business environment that negatively affects agribusiness performance, Reduction in the value of fund due to adverse movement in inflation rates, exchange rates and interest rates

Generally, aBi Finance's risk profile averagely closed at a medium rating for 2022.

Stakeholder Engagements

To support IFU/EU's market entry, aBi implemented various communication and publicity initiatives to raise awareness of the new investments and existing opportunities. We anticipate this will benefit about 26,667 new beneficiary clients annually, creating an additional income of UGX14.5Bn and 891 new jobs. Going forward, we will continue to mobilise resources and attract new shareholders and funders by effectively communicating our results and demonstrating our capacities and uniqueness, to enhance our sustainability.

In addition, aBi Finance established partnerships with critical agribusiness actors, such as the Ministry of Water and Environment on the National Climate Change Symposium, the Ministry of Finance, Planning and Economic Development (MoFPED) on the National Competitiveness Forum, and the National Private Sector Competitiveness Taskforce. We also commissioned a study in collaboration with the Economic Policy Research Institute, Stanbic Bank, and Uganda Petroleum Authority to identify agribusiness financing opportunities in the oil and gas sector. The results of this study will inform our interventions in this vital sector starting in 2023.

Some of the outcomes from these initiatives included prioritising commercial agriculture in the 2022-23 Uganda National Budget due to our engagement with MoFPED.

aBi Finance championed and popularised the green financing agenda among our stakeholders, partner FIs, and the financial sector. As a result, we were identified and appointed to the National Green Finance Taskforce through various engagements with the Bank of Uganda. We undertook awareness creation and advocacy initiatives, including the Green Finance Fund (GFF) launch, stakeholder consultations with FIs, the private sector, media, and academia, and a concerted media campaign. We also partnered with the Institute of Banking and Financial Services to organise a week-long green financing expo, attracting numerous financial services sector actors. Our online community was strengthened to promote knowledge-sharing and became a vibrant space for sharing knowledge and learning.

We developed a guide to coordinate the Collaborating, Learning, and Adapting (CLA) approach and Learning and Knowledge Management (LKM) products to streamline performance information generation. As a result, aBi Finance led the development of several learning and knowledge management products, including one policy brief, two change stories, two technical briefs, two synopses, and one blog, all of which were published on the aBi website.

Our Development Partners rated their service experience with aBi Finance at 86.7% across all service parameters and propositions in the client satisfaction survey. To further strengthen stakeholder relationships and consolidate these gains, we developed a new stakeholder management strategy detailing how we approach our stakeholders to maximise the value of our relationships. The implementation of this strategy will commence in 2023.

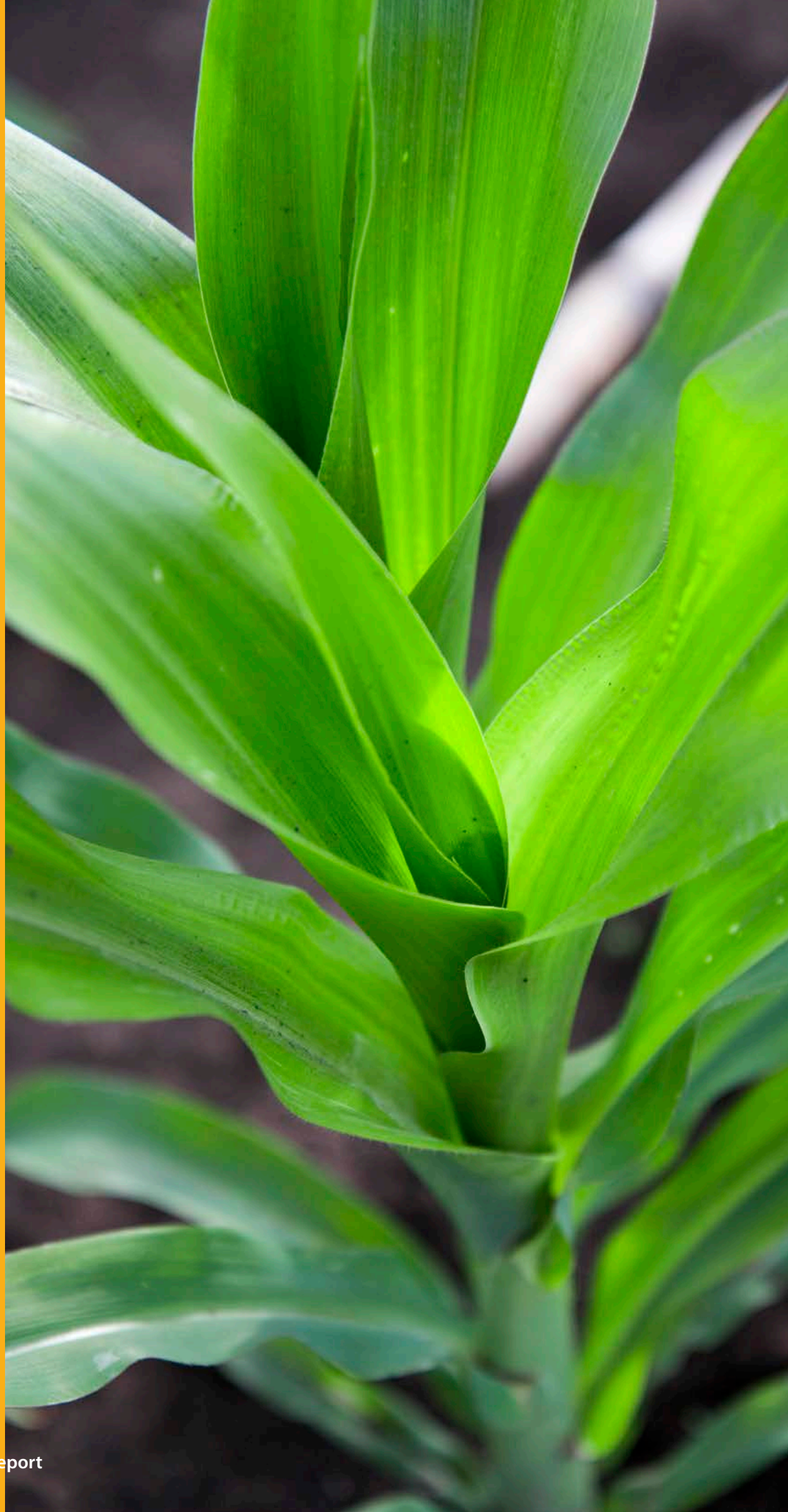


aBi Finance took part in a number of high-level discussions with umbrella bodies.



Consortium funds study to define agricultural housing opportunity linkages to the oil and gas sector.

Annex



Impact data

Indicator	BP 2019-2023 Targets	Attained 2019	Attained 2020	Attained 2021	Attained 2022	Overall attained 2019-2022	Overall % Attained
Value of investments (UGX, Bn)	213.8	175	194.7	180.1	247.5	247.5	121%
Overall, the value of investments increased from 2019 to date. Important to note that the 2021 dip was because of the COVID-19 effects. However, the onboarding of UGX66Bn IFU – resulted in a 36.5% increase in capital fund portfolio from UGX180Bn in 2021 to UGX245.9Bn in 2022, leading to 195,987 new loans disbursed.							
New Loan clients (LOC Outreach)	895,538	101,542	112,677	105,230	195,987	515,436	57.5%
The rise in new clients in 2022 is attributed mainly to the post-uncertainties resulting from the COVID-19 pandemic economic recovery.							
New savings accounts opened	824,000	181,043	99,432	51,856	14,389	346,720	42%
The steep decline in new savings in 2022 is attributed to changes in the funding modalities from grants to concessional loans, hence curtailing the increase in the number of savers.							
New Savings Volume (UGX, Bn)	176	76	26.6	24.7	13.4	141	80%
A few isolated FIs had high fixed and savings deposits, raising the average deposits by individual savers. While the Business Plan target assumed that the average saver would save UGX437,000, some fixed deposits were as high as UGX300M, raising the average saving amount.							
New Loans Volume (UGX, Bn)	437.52	210	217.3	323	134.1	884.4	234
Due to the COVID relief extended to the FIs, individual borrowers increased loan volumes to absorb the effects of COVID and enable their business survival.							
Number of FIs operating profitably as a result of aBi support		Banks: 100% SACCOs: 100%	Banks: 100% SACCOs: 100%	Banks: 1 (100%) SACCOs: 6 (85.7%)	Banks: 1 (100%) SACCOs: 6 (80%)		
Overall, the supported FIs operated profitably, with 100% of supported banks and 80% of supported SACCOs operating profitably. The SACCOs profitability is affected by related loan administration costs with small loan amounts by individual borrowers.							
Additional net income realised by beneficiary farmer attributable to aBi support		Banks: UGX 660,000 SACCOs: UGX 432,000	Banks: UGX660,000 SACCOs: UGX432,000	Banks: UGX601,328 SACCOs: UGX454,700	Banks: UGX501,600 SACCOs: UGX403,137		
The net income of farmers who borrowed money from supported banks was higher than those who borrowed from SACCOs in 2020/21. However, a decline was registered for farmers who borrowed from either SACCOs or banks in 2022, attributed to the high inflation rates.							

aBi Finance Board of Directors



Mr. Felix Okoboi
Chair



Mr. Warwick Thomson
Vice-chair



Ms. Sophie Nkuutu
Director



Mr. Morten Christiansen
Director



Mr. Patrick Oketa
Director



Mr. Anders Frigaard
Director



Ms. Charity Ekudu
Director



Ms. Joan Abila
Company Secretary

Board and Governance Operations

The Agricultural Business Initiative (aBi) is comprised of three related but autonomous legal entities: aBi Finance Limited, the Agricultural Bond Company Limited (both companies limited by shares), and aBi Development Limited (a company limited by guarantee).

aBi Finance Shareholders Committee

The aBi Finance Shareholders Committee comprises two representatives: Mr Ole Dahl Rasmussen, a representative of the Kingdom of Denmark, and Mr Anders Frigaard, a representative of the International Fund for Developing Countries (IFU) representing both IFU and the European Union shares).

The Members' Committee held four scheduled meetings, two ad hoc meetings, and the Annual General Meeting.

Board of Directors

The Board of aBi Finance Ltd continued to support the delivery of aBi objectives and enabled Management to operate efficiently and make effective decisions. The Board held four scheduled meetings and one ad hoc meeting in 2022. The Board Chair, Vice Chair and Company Secretary remain the same for both aBi Finance Ltd and aBi Development Ltd to enhance synergies between the two entities.

Corporate Services - Corporate Services are managed by a Chief Operating Officer under aBi Development Ltd and provide services to aBi Finance under the Corporate Service Agreement.

Management - aBi Finance Ltd is headed by the Chief Executive Officer, Mrs Mona Muguma-Ssebuliba. Supported by Ann Marie Mwaka- Head of Business Development, Noah Owomugisha- Head of Green Finance and Investments and Joseph Kibuuka- Head of Fund Management, working through six product managers and four investment officers.

Investor Council - The aBi Investor Council comprises representatives of the Royal Danish Embassy, the Government of Uganda, the European Union (EU) and IFU. The Council held two scheduled meetings in 2022.

Board Committees

aBi Finance Ltd has three committees:

- The Procurement and Investment Committee (PIC) provides direction and oversight to Management. The PIC held eight scheduled joint meetings and one joint strategy meeting with the aBi Development PIC in 2022.

aBi Finance Management



Mona Muguma Ssebuliba
CEO



Ann Marie Mwaka Sabano
Head of Business Development



Joseph Kibuuka
Head of Fund Management



Noah Owomugisha
Head of Green Growth and BDS



Ibrahim Abayo
Chief Operating Officer



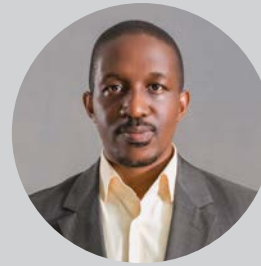
Paul Ssenyonjo
Chief Internal Auditor



Emmanuel Ikara
Head of Results Measurement
Research and Development



Rhoda Nanyonga Muganzi
Legal and Compliance Manager



George Mutagubya
Manager Communications
and Advocacy

- b) The Audit, Risk and Compliance Committee (ARCC) held four scheduled meetings and one ad hoc meeting.
- c) The Human Resource Committee (HRC) held four meetings in 2022.

Ad Hoc Committees

The meetings of these Committees take place as and when necessary:

- An Ad hoc Annual Work plan and Budget Committee meeting was held in November 2022.

Annual Board Evaluation

An independent Board evaluation took place in December 2022.

Board Succession

aBi maintains a comprehensive Board succession programme, and the planning process is overseen by the Company Secretary, who reports to the Members and the Board with a Board Slate of potential Board members.

Strategy Sessions

The Board held a Strategy and Sustainability session in June 2022 and a joint Board meeting (Boards of aBi Development and aBi Finance) in November 2022.

Board Training and Information Sessions

In March 2022, the Board was trained in Risk Management. Three information sessions were organised on the following topics:

- a) Screening and selecting nationally accredited entities to the Green Climate Fund and green taxonomy.
- b) Insight into Gender Concepts and Projects' Gender Mainstreaming and Social Inclusion; Board's oversight role.
- c) Process mapping and its impact on organisations.

Board Field Visits

The joint Boards of aBi Finance Ltd and aBi Development Ltd visited five Implementing Partners (IPs) during its tour to S.W. Uganda in April 2022 and six IPs during a tour of aBi activities in Eastern and Northern Uganda in November 2022.



aBi Finance Limited
UMOJA House, 2nd Floor Plot 20,
Nakasero Road.
P.O Box 29851, Kampala, Uganda
Tel: +256 (0) 312 351600
Website: www.abi.co.ug