ANNUAL PROGRESS & FINANCIAL REPORT

Activity Ref No. 4000004914/02

Program Name:	**Horticulture Credit Line (HCL)**
Funded by:	**Embassy of the Kingdom of Netherlands**
Reporting Entity:	**PCP Uganda Limited**
Reporting Period:	**31st December 2023**
Technical Partner:	**TechnoServe (HortiMAP Project)**

Submitted by:

PCP Uganda Limited

With Funding from:

Kingdom of the Netherlands

In Partnership with:

TechnoServe
Business Solutions to Poverty®

SUBMISSION LETTER

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RE: HCL Annual Progress and Financial Report for Activity Ref Number: 4000004914/02

The fund manager (PCP Uganda) for the Horticulture Credit Line facility presents the progress report for year one on the revolving grant for activity reference number 4000004914/02.

This first progress report is for the grant of €3 million awarded to PCP Uganda 02nd September 2022 for improving financial inclusion for smallholder dairy farmers in Uganda through capitalization and strengthening of SACCOs, Cooperatives and Agro-SMEs.

In this report, we cover updates and key activities during the first year of implementation for the capital drawn down amounting to € 1,516,000 as at 31st December 2023. The report also highlights key activities undertaken by the fund manager in collaboration with the technical partner to improve access to finance for smallholder farmers in Uganda's Eastern, Central and Southwestern regions as at the end of December 2023.

PCP and the entire horticulture sub-sector are appreciative of EKN's support.

Yours sincerely,



Dr. Edward Isingoma Matsiko

Managing Partner
PCP Uganda Limited.

Foreword.

PCP Uganda Ltd is thrilled to present its first annual progress report for the year 2023. The journey that started in the mid of 2022, culminated in the award and signing of a grant contribution agreement with the Embassy of the Kingdom of Netherlands on 02nd September 2022.

The Embassy entrusted PCP with the mandate of managing the Horticulture Credit Line, an Agri-focused credit facility with initial capitalization of € 3 million aimed at improving access to finance for increased production and productivity by the smallholder horticulture farmers in Uganda. The horticulture credit facility is being implemented in collaboration with Technoserve under the Horticulture Market Acceleration Project (HortiMAP) as the technical lead partner.

The Credit facility has made noteworthy progress in the capitalization and strengthening of the farmer cooperatives and SACCOs during the first year of implementation. We closed year one with 53% achievement of the annual deployment targets, a total of Ugx. 2.85 billion (€ 693,768) was committed to 9 farmer cooperatives. The Horticulture credit facility presents an opportunity for small-scale farmers to improve production and productivity for sustainable economic growth. Whilst Uganda is endowered with favorable natural conditions, the potential in the horticulture sub-sector has not been fully maximized. Key limiting factors in the sector will be addressed with this funding. Some of the limiting factors to be addressed include; access to affordable and efficient credit for farmers, governance and technical capacities for cooperatives and farmer groups and building stronger farmer cooperatives.

As a specialist agriculture investment firm, PCP is confident that patient, affordable and efficient capital offered under this facility presents a significant opportunity to address the challenges of food security and improve the sustainable livelihood of smallholder farmers in Uganda. There are immense opportunities in Uganda's agriculture sector, but these opportunities required this kind of efficient capital to get to fruition. We are pleased to see other financial players following suit.

The first year of implementation has shown us that developing and strengthening farmer financial and producer cooperatives requires adequate technical assistance/BDS support if credit facilities are to be efficiently managed and benefit the smallholder farmers. On this note therefore, we would like to recognize and appreciate our funder (EKN) and the technical partner (Technoserve) for the roles they have played in ensuring that the technical and governance capacities of both SACCOs and farmers are strengthened.

We look forward to an impactful accelerated deployment of the credit facility in 2024.



Dr. Edward Isingoma Matsiko
Managing Partner PCP (U) Ltd.

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0.0. Executive Summary

Operational Summary.

The overall goal/outcome of HCL credit facility is to increase adoption of affordable financing models by strengthening SACCOs to provide inclusive and affordable credit finance to smallholder horticulture farmers. The project implementation is guided by a number of activity outputs of; Increased capitalization of the SACCOs, increased technical and governance capacity of the SACCOs to sustainably deliver inclusive and affordable credit to horticulture farmers, and Increased farmer membership of SACCOs through Farmer Groups. In line with these activity outputs, the fund manager recorded positive progress on a number areas both on the initial inception activities and actual capitalisation of the SACCOs. The key highlights on the results for the period are summarized below;

HCL Inception activities: The fund manager undertook a number of activities at the initiation phase of the credit facility, these included establishment of a legal special purpose vehicle with its governance structure as one of the critical activities before actual deployment of funding to the SACCOs. Additionally, a baseline survey was also conducted to understand the general performance of SACCO and developing the necessary credit tools to support the process, this was fully executed by the contracted fund consultant. In an effort to publicise and create awareness about HCL facility, regional sensitization meetings were undertaken in collaboration with the technical partner, a total of 120 SACCO leaders from 30 SACCOs were reached. Finally, the official project launch project launch crowned the inception activities and it gave mileage to the credit facility in terms of publicity.

Increased Capitalisation of SACCOs: The fund manager approved and committed lines of credit to SACCOs with total capitalisation of € 693,768 (Ugx. 2.85 billion) out of the annual target of € 1.289 million (Ugx. 5.297 billion). The approved investments were made in tranches and a total of € 331,061 (Ugx. 1.36 billion) was disbursed. The committed investment benefited 9 SACCOs (07 SACCOs were from South-Western,01 from central and 01 in the East). The 9 SACCOs were also at different levels in terms performance as per the categorization as indicated in table.3. (3 SACCOs are in category A, 5 in category B and 1 SACCO in category C). A total of 518 smallholder farmers (226 female, 81 youth and 211 male) benefited from the disbursed funds from the SACCOs.

Technical Assistance and governance of SACCOs: In collaboration with the technical partner (Technoserve under HortiMAP project), a total of 37 SACCO board members, 218 management staff and 26,679 farmers were trained. The training for board and management covered area of cooperative governance, leadership and performance management, product development and credit, and financial literacy and agronomic practices for the farmers.

Key lessons: Year one of the implementation has presented some learnings, key among them is the weak and varying SACCO performance in Central and Eastern that has affected the absorption of the credit facility, demand for HCL services outside HortiMAP project geographical scope. There is need to build an integrated cooperative financing system involving both producer and marketing cooperatives to sustainably impact the farmers, slow rate in adopting digital credit management systems in most SACCOs affecting effective monitoring. Central and Eastern regions have SMEs with established smallholder farmer model that could be considered to increase absorption of the credit facility.

Financial Summary.

Out of the approved grant of € 3,000,000 (Euros three million), total capital drawn down was € 1,482,208.

1.0.Introduction and context.

1.1. Purpose of the Report and Grant Details

This progress report has been prepared and submitted to the Embassy of the Kingdom of Netherlands in (EKN) in Uganda by PCP Uganda Limited in fulfillment of the reporting requirements as stipulated in the contribution agreement executed under activity reference number 4000004914/02.

On 2nd September 2022, Embassy of the Kingdom of Netherlands in Uganda awarded PCP Uganda a revolving grant facility of €3 million (Euros three million) to improve financial inclusion for smallholder horticulture farmers in Uganda's South Western, Central and Eastern region through provision of affordable and efficient credit to improve production and productivity in the horticulture agri-business sub-sector. Summary with the particulars of the revolving grant is provided in table.1 below.

Table 1: Particulars of the revolving grant.

Program Name Title	Horticulture Credit Line (HCL)
Activity Reference Number	4000004914/02
Funded by	The Embassy of the Kingdom of Netherlands
Grant awarding date	2nd September 2022
Grant Amount	€ 3 million (Euros three million)
Reporting entity (Implementing entity)	PCP Uganda Limited
Period of reporting	01st October 2022 to 31st December 2023
Grant period	01st October 2022 to 30th September 2028 (6 years)
Technical Partner	Technoserve (HortiMAP Project)

1.2. Implementing Entity-PCP Uganda

PCP Uganda Ltd, was incorporated in Uganda and licensed as a Fund Manager and Investment Advisor by the Capital Markets Authority in Uganda. PCP is a specialist agriculture investment firm that has been investing in small and medium-sized agribusinesses in East and Southern Africa. PCP´s investments generate strong financial returns for investors while creating significant social impact within the communities where the company invests.

PCP has over the last 18 years administered portfolio management for four (4) separate agriculture impact funds with combined assets under management of US$ 70m. Since 2006, PCP has invested in over 50 agribusinesses in the region. Following exits from the first three funds, PCP´s active portfolio consists of 15 investee companies in Uganda under the Yield Uganda Investment Fund

Currently, PCP is actively managing the Dairy-Horticulture Culture Limited (DHCL) a special purpose vehicle for the two credit facilities of Dairy and Horticulture that are capitalized by the Embassy of Kingdom of Netherlands. By December 2023, the fund manager through DHCL had committed 7.1 billion shillings (€1,728,000) into 16 SACCOs for both credit lines with an active pipeline of over Ugx.6,010,000,000 (€ 2,925,000)

1.3. Reporting Period.

The report provides an update on the activities undertaken in line with the grant agreement for the period running October 2022 to 31st December 2023.

2.0. HCL Project Overview.

Horticulture Credit Line ('HCL fund") is an Agro-focused credit facility that was set up with grant support from the Embassy of the Kingdom of Netherlands in Uganda, it is managed by PCP under the Dairy Horticulture Credit Ltd (DHCL) which is a special purpose vehicle incorporated in 2022 as a limited liability company. HCL objective is to improve financial inclusion for smallholder horticulture farmers in Uganda through provision of affordable credit to the agri-business sub-sector. HCL credit facility capitalized with an initial revolving grant of € 3 million.

The credit facility was established to lend efficient and medium-term loans to SACCOs, Cooperatives and Agri-SMEs in Uganda's central, Eastern and Southern regions for onward lending to the horticulture smallholder farmers and farmer groups. The intervention was designed to enable SACCOs offer tailor made loans to smallholder farmers that meet their needs, with a range of loan product services catering for the different horticulture requirements such as purchase of quality agro-inputs, pre and post harvesting systems among others.

Studies and recent experience with SACCOs have shown that their performance is affected by a number of challenges that include; high loan portfolio at risk (PAR), low internal capital to meet member needs and weak governance. These challenges result from inadequate technical capacity and skills of the board, management and staff to manage the SACCOs as sustainable financial institutions. Despite these challenges, SACCOs have remained the most preferred options by the rural and low-income communities regarding access to formal financial services.

Therefore, in a bid to address these challenges, technical assistance to both the SACCO boards and management staff including the farmers was identified as one of the critical components of HCL intervention. The mandate and responsibility of providing technical assistance was assigned to Technoserve under the HortiMAP project. Table.3. below provides a summary of the characteristics and categorization of SACCOs that is being followed to guide the process through which the fund manager can identify and support SACCOs. **HCL target is to finance at least 5 SACCOs in category A, 20 in category B and 5 in category C.**

Table 2: SACCO characteristics and categorization

Parameter	**Category A**	**Category B**	**Category C**
Volume of Portfolio	>UGX 5Billion	UGX5Billion - 1Billion	Below UGX 1 billion
Membership	> 8500	8500- 3500	> 3500
PAR >30 days	Below 20%	Between 5-30%	>25%
Incidences of Fraud	None	Existent but manageable	Fraud that can stop operations

2.1. HCL Inception Phase Activities.

The fund manager undertook a series of initiation activities in first half of year one, the initiation phase was marked by dedication and collaborative efforts with substantial support and partnership of EKN. There was significant progress made and a number of outstanding milestones were registered, some of the notable accomplishments at the inception phase included:

Legal and Governance set up: The fund manager successfully set up and established a special purpose vehicle ('Dairy-Horticulture Credit Limited) as a limited liability to exclusively administer and provide horticulture-aligned SACCOs and cooperatives with affordable financing. The special vehicle (DHCL) has an independent fund board comprising of experienced sector professionals with diverse expertise to provide governance and oversight for the fund. The following board members were appointed:



Mr. Ben Twine-

Independent Director



Mrs. Gloria Jjombwe Namata-
Independent Director



Dr. Edward Isingoma Matsiko

Fund Manager Representative



Jeroen Vlutters

Investor Representative

Baseline survey: The fund manager commissioned a consultant in January 2023 to undertake a baseline survey on SACCOs, the survey findings provided invaluable insights in understanding the general SACCO performance, technical competences of the board and management team, market opportunities and the likely challenges. This guided the formulation of strategies employed during the deployment of the credit funds to the SACCOs. The survey findings were also instrumental in developing the internal credit documents, including the credit underwriting handbook, and advising the technical partner on the technical capacity needs of the SACCOs for appropriate BDS intervention.

SACCO and Cooperative sensitization: In a bid to create awareness of HCL, the fund manager conducted sensitization meetings with SACCO leadership across the project geographic scope. These sensitizations were conducted in collaboration with the technical partner (Technoserve), they were later followed by one-on-one interactions with the different SACCO leaderships to further understand their financing needs and fostering collaborative partnerships. A total of 120 SACCO leaders from 30 SACCOs were engaged.



Figure 1: PCP team during the SACCO sensitization in Kabale (South-Western)

Official launch of the credit fund: In November 2023, the credit facility was officially launched during a prestigious function held at the residence of the Ambassador of the Netherlands in Uganda. During the launch two other EKN funded food security and nutrition projects were also launched, i.e Building Resilience and Inclusive Growth of Highland Farming Systems for Rural Transformation (BRIGHT) and Common ground implemented in by IFDC, ISSD and Agriterra. This official launch together with the post launch activities which included publications of DHCL credit facility in local newspapers gave it the much-desired publicity.



Figure 2: HE Dr.Karin Boven, the ambassador of the Kingdom of Netherlands to Uganda signs the dairy-horticulture project board during the launch



Figure 3: Mr Paul Mwambu, the Commissioner Crop Inspection and Certification with the Ministry of Agriculture, Animal Industry and Fisheries addresses people during the project launch.

3.0. HCL Performance Highlight.

Guided by HCL results framework, first year performance focused on the three core activity outputs of; increased capitalization of SACCOs, improving the technical and governance capacity of SACCOs to sustainably deliver credit to farmers and Increased farmer membership of SACCOs through Farmer Groups (Producer Organizations and Farmer Associations). Considering the critical activities undertaken at the inception phase of the program, the manager registered considerable progress on the different output areas as expounded below;

3.1. Output 1.1: SACCO Capitalization.

Performance on this output has been monitored using various indicators, the main ones being; amount of funds provided to SACCOs and number of SACCOs accessing affordable financing from the program among others. Substantial progress on these metrics has been registered during the first year of implementation as explained below;

Amount of funds provided to SACCO: Increased capitalization of SACCOs with credit finance available for farmers stands out as one of the key indicators towards the success of the program. The fund manager had an annual target of deploying a total of Ugx. 5.297 billion (Euros 1,289,435) to SACCO in the horticulture sub-sector in 2023. Overall, 53% (Ugx. 2.85 billion an equivalent of Euros 693,768) of the annual target was achieved at an average interest rate of 9% per annum. However, it is also important to note that the actual deployment of the funds started in the mid of 2023 than earlier anticipated as elaborated in the inception activities. The process of establishing the legal credit management infrastructure including establishment of the fund board, onboarding the fund consultant and a credit team to support the deployment took the first half of year one. D**etails of the capitalized SACCOs are attached in appendix 1 of the report.** Below is the summary HCL performance on SACCOs capitalization.

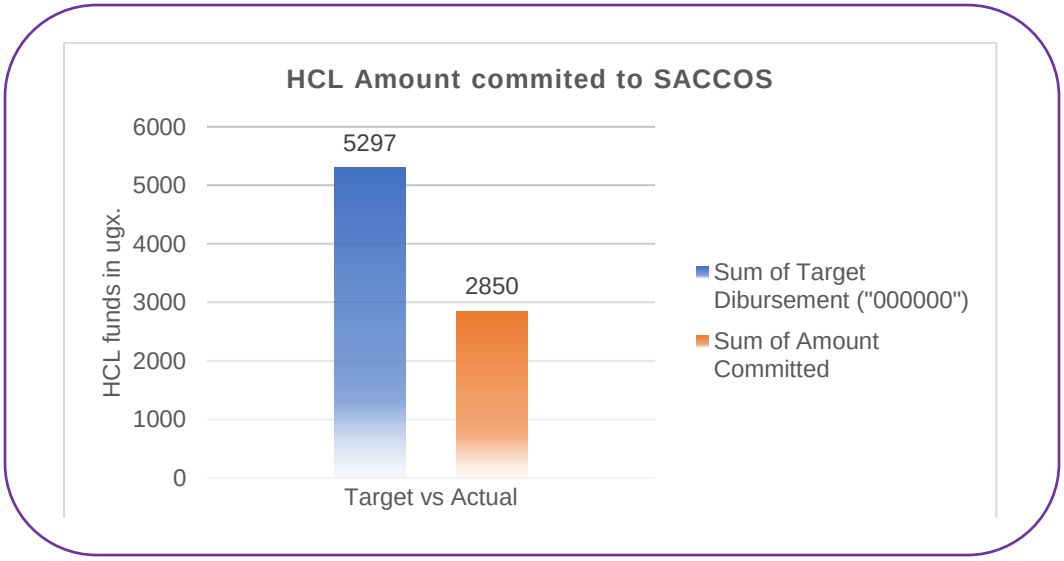


Figure 4: Total commitments to SACCOs

Number of SACCOs obtaining funds from the project: HCL invested in 09 SACCOs out of the targeted 15 SACCOs in the first year (2023), 07 of the approved SACCOs were from Southwest region with only 01 from central and 01 in the east. Out of the 9 SACCOs, 3 were in category A, 5 in category B and 1 SACCO in category C. This performance is mainly attributed to the low levels of preparedness of SACCOs in the central and Eastern region, majority of which fall under category C with a lot of technical capacity gaps to effectively manage the credit funds. This is a validation of the earlier baseline studies that indicated that SACCOs and cooperatives in horticulture sub-sector weren't well developed both at the farmer level and Cooperative level. Below is the summary on HCL performance against the target.

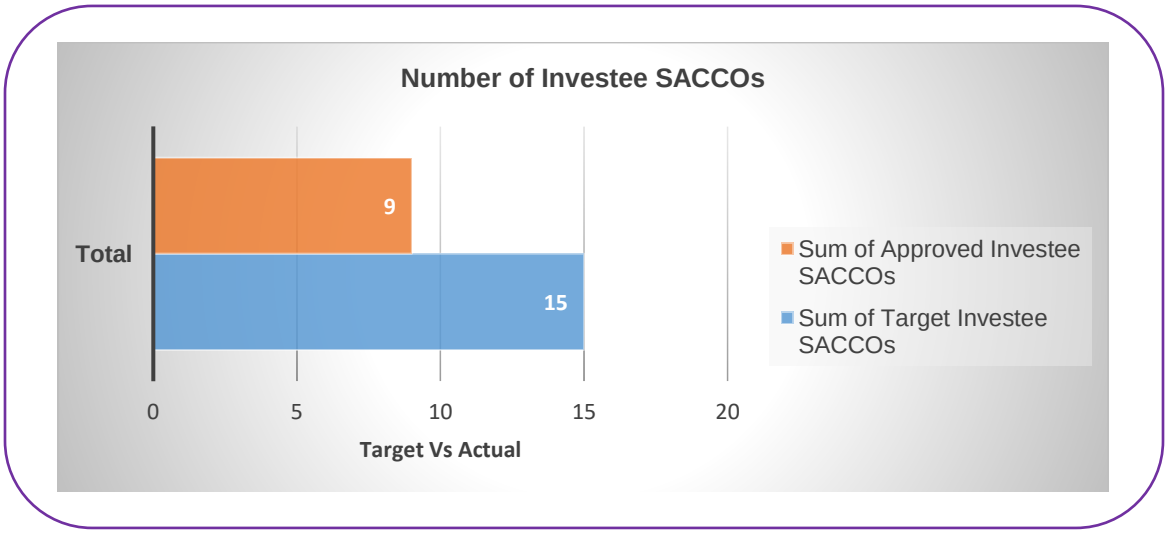


Figure 5: Number of SACCOs funded.

Access to and utilization of credit: The ultimate outcome of HCL facility is to improve inclusive financial access through improved access to and utilization of credit by smallholder farmers, the target is to attain 12,000 farmers with 30% of youth and 40% of women accessing credit from the fund. By December 2023, out of the funds disbursed funds to the SACCOs, 518 farmers had accessed credit with 43.6% of the beneficiaries being women with 15.6% youth**.** Participation of the youth in the horticulture sector is still very low with a positive outlook for women actively participating in the horticulture enterprises. The smaller percentage of youth is mainly attributed to community set up where most of the factors of production related to the horticulture sub-sector are controlled by elderly men. The fund manager is working with the technical partner and the SACCOs to undertake deliberate strategies for increasing the participation and access to credit by this special gender. Tabe.4 below gives a summary performance on access by farmers in term of gender from SACCOs that received and started disbursing the funds. It is also important to note that the biggest percentage of the approved investment in SACCOs was made in the last quarter of the year.

S/n	Performance Indicators	Actual Performance-HCL
1	No. of SHFs accessing Credit from SACCOs	518
2	No. of Youths accessing Credit	81
3	No. of female accessing Credit	226
4	Amount of Credit accessed by SHF from SACCOs	Ugx. 635,610,000 (€ 154,700)
5	Amount of credit accessed by Youths	Ugx. 115,420,000 (€ 28,000)
6	Amount of credit accessed by female	Ugx. 232,100,000 (€ 56,000)
7	Percentage of Youth accessing Credit	15.6%

8	Percentage of female accessing Credit	43.6%

Table 3: Summary of HCL credit access by Smallholder farmers.

Adoption of inclusive and affordable financing models: HCL intervention envisaged affordable financing in terms of interest rates charged by SACCOs, turnaround time and customized horticulture loan products with unique features that meet the needs of the smallholders in the sub-sector. During the first year of implementation, SACCOs have been supported by the technical partner to review the loan products and specifically develop HCL loan product with affordable and flexible terms, SACCOs have reviewed their interest rates downwards to 24% from the previous average of 36% annually. For all the approved investee SACCOs, disbursement has been phased in traches in a bid to monitor compliance to this objective, one of the conditions precedents to approval of the SACCOs' capital drawdown requests for the second tranche is the review and customization of the HCL products. The implementing partner (Technoserve) has continued to play a critical role in supporting the provision of technical assistance at SACCO level.

3.2. HCL Beneficiary Impact Stories

Beneficiary 1: Chahi Dukore SACCO

Chahi Dukore is a financial cooperative from Kisoro district in south western Uganda, it was approved for an HCL credit facility of Ugx. 300 million (Euros 73,000) disbursed in two tranches of Ugx. 150 million (Euros 36,500 each). Some of the smallholder horticulture farmers that accessed credit from the SACCO are members of Kanaba Youth Agri-Preneurs group. The group comprising of 36 members (24 male, 12 female) is located in Kanaba Village, Kanaba Sub County in Kisoro district. The group members are involved in onion value chain at a commercial scale. The group members obtained a credit facility of Ugx: 38,600,000 (Euros 9,400) from Chahi Dukore SACCO for a period of 6 months and a grace period of 4 months at an interest rate of 2% reducing balance based. The loan was used to boost the production capacity of members. With the funding from the SACCO, the group members were able to grow 10 acres of onions compared to 5 acres that they were planting the previous season before funding. The funding helped to members acquire better Agro-inputs (seeds, fertilizers and herbicides and involvement of casual workers). Their yield (productivity) improved from the average 6.3 tons to 7.2 tons per acre, the revenue per acre also increased from an average of Ugx. 15.75 million to Ugx. 18 million (an increase of Ugx. 2.25 million). This good performance is attributed to strong production and market linkages from the technical partner.

Figure.6. HCL beneficiary (members of kanaba youth group)





1. Onions being dried
2. SACCO Loans officer during the monitor

Beneficiary.2: Nazigo SACCO

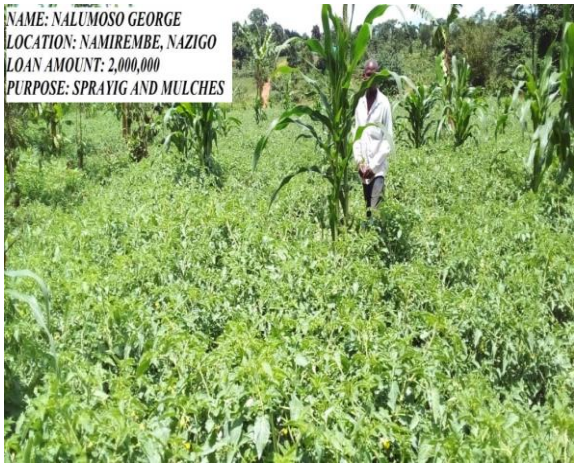
The SACCO is a financial cooperative from central region, it got an approval of an HCL credit facility of Ugx. 300 million (Euros 73,000) for on lending to horticulture smallholder farmers. Nazigo SACCO brings together farmers dealing in pineapples, tomatoes, watermelon among others in the Kayunga and Kangulumira. According to the SACCO acting manager Mr. Kigenyi Richard," their HCL journey started early in 2023 with due diligence by TechnoServe. That was followed by capacity building on governance, performance management, strategic planning that was facilitated by Agriterra for the board and top management of the SACCO. Thereafter, the SACCO was taken through Horticulture Market Acceleration Project (HortiMAP) for fund mobilization and developed a customized loan product for horticulture. The loan product aims at boosting the entire value chain with flexible and has a grace period of three to six months, depending on the maturity period of the crop one is dealing in". Mr. Kigenyi believes these funds will help in increasing production and since the whole value chain is greased, there will be client influx hence more disposable income and savings. "We are already doing announcements calling upon other value chain players to come for loans. That will widen the market and its accessibility," he says.

The credit facility to the SACCO is to be disbursed in tranches, with the first tranche of Ugx. 150 million (Euros 36,500). By December 2023, the SACCO had financed a total of 25 farmers (10 youth, 04 women and 11 men) with total loan amount of Ugx. 55.4 million (Euros 13,500). Below are photos with some of the beneficiaries of the fund;

Elizabeth Buwembe a resident of Namirembe Village, Nazigo Sub- County in Kayunga district is a smallholder tomato farmer, she accessed a loan of Ugx. 1,000,000 (Euros 244) to buy mulches for her tomato garden. Below is her photo in the garden.



George Nalumoso another HCL beneficiary from Namirembe Village, Nazigo Sub- County in Kayunga district is also a smallholder tomato farmer. He accessed a loan of Ugx. 2,000,000 (Euros 487) to buy mulches and herbcides for spraying his tomato garden. Below is his photo.



3.3. Output 1.2: SACCO Technical Assistance and Governance Capacity.

Provision of technical assistance to build the management capacities of both board and management staff was identified as a key critical success factors to enable SACCOs sustainably deliver credit to smallholder farmers. TechnoServe has been the lead technical partner in the provision of technical assistance to the institutions under HCL program. The technical capacity building activities have covered areas of cooperative governance, performance management, product development, credit management and risk management, and a blended delivery approach involving both offsite and onsite was employed. A total of 37 SACCO board members, 218 management staff and 26,679 farmers were offered technical assistance during the period.

In addition to the technical assistance package under the HCL, the fund manager entered into collaborative partnership with USAID Feed the Future Strategic Investment Activity (USAID-SIA) and Goldstone consulting to further support the preparation of SACCOs by offering detailed due diligence for the applying SACCOs and provision of extra BDS support to investee SACCOs to close some of the existing technical capacity gaps. Under this arrangement, a total of 04 SACCOs are being supported under this collaborative partnership to develop policies and business plan including refresher trainings.

3.4. Output 1.3: SACCO Membership growth through farmer groups.

One of the measures of this output is the number of farmers trained in financial literacy as a result of the project (HortiMAP), a total of 26,679 farmers through various farmer groups were trained in best agronomic practices and financial literacy. These are being linked to the various SACCOs for purposes of accessing credit and ultimately increase membership of the SACCOs. The different farmer groups will also be supported to transform into strong farmer producer and marketing cooperatives.

4.0. Financial Performance Highlights.

In a bid to align with the reporting guidelines as stipulated in the signed contribution agreement, the facility year end was set to be 31st December, and the reporting currency was selected to be Uganda Shillings. This was to minimize any potential foreign exchange effects since most of the facility transactions were expected to be in Uganda Shillings.

Grant Thornton CPA was appointed to audit the books of HCL for the year which ended 31st December 2023.

Below is an extract from the audited financial report.

Horticulture Credit Line - HCL
Management Accounts
For the 14 months period ended 31st December 2023

Statement of Comprehensive Income

	Notes	As at 31 Dec 2023 UGX'000'	Euro
Income			
Interest Income	1	28,577	7,088
Commitment Fees	2	17,900	4,439
Grant Income	2	623,307	154,590
Total income		**669,784**	**166,117**
Administration Expenses			
Fund Management Fees	3	484,798	120,238
Other administration expenses	3	138,509	34,352
Total expenses		**623,307**	**154,590**
Surplus for the period		**46,477**	**11,527**

Horticulture Credit Line - HCL
Management Accounts
For the 14 months period ended 31st December 2023

Statement of Financial Position

	Notes	As at 31 Dec 2023 UGX'000'	Euro
Assets			
Non-Current Assets			
Loans and advances	4	**1,438,577**	**350,189**
Current Assets			
Other receivables & prepayments	5	6,500	1,582
Cash and cash equivalents	6	3,758,946	915,031
		3,765,446	**916,613**
Total Assets		**5,204,023**	**1,266,802**
Equity and Liabilities			
Share capital		500	122
Grant	7	5,140,353	1,251,303
Retained earnings		46,477	11,527
Currency translation		-	(213)
Total Equity		**5,187,330**	**1,262,739**
Current Liabilities			
Trade and other payables	8	**16,693**	**4,064**
Total Liabilities		**16,693**	**4,064**
Total equity and Liabilities		**5,204,023**	**1,266,802**

Capital call summary as of 31st December 2023.

As at the reporting date, the embassy had made two disbursements into the HCL project as detailed below;

Details	Amount EUR
Total Committed Amount	3,000,000
Total Draw down Amount	1,482,208
Outstanding undrawn Amount	**1,517,792**

5.0. Implementation challenges and Lessons Learnt.

The first year of implementation has presented key learnings, some of which had been anticipated at the design stage of the intervention while others are new lessons resulting from the challenges experience during implementations. Some of the outstanding challenges include the low absorption rate for Horticulture credit funds due to performance inadequacies at SACCO level, regional imbalance in relation to SACCO/cooperative development, the central and Eastern regions are performing below standards compared to Southwestern, Majority of the SACCOs in central and Eastern are in category C as indicated in table.3. The fund manager has noted these lessons with a view of designing appropriate strategies to ensure successful implementation of the project, key among the learnings include the following;

a) **Weak SACCO Governance and management:** SACCOs from Central and Eastern region have a lot of capacity gaps in terms of governance and management competence, members haven't patronized these institutions. This has greatly affected deployment of HCL credit funds in the two regions where HortiMAP is being implemented. Special Technical assistance and BDS catalytic support will be critical in improving the performance of the fund.

b) **Demand for HCL outside the fund geographical scope**: Smallholder farmers practice mixed farming, and in most cases, SACCOs from Rwenzori region whose biggest membership is engaged in both crop (mainly horticulture value chain) and livestock have been requesting for HCL. Unfortunately, these haven't been supported because of the geographical limitation of the project. Review of the design to allow opening up of the fund to areas where HCL is highly demanded to be considered, the fund manager will seek for guidance and consent from the investor (EKN).

c) **The need to build and strengthen an integrated cooperative financing system**: Sustainable agriculture financing thrives on a developed production and marketing infrastructure; producer and marketing cooperatives are a critical part of this system with off takers (SMEs) at the end of the value chain. Most of the SACCOs are operating an incomplete financing system. Strengthening of the existing farmer groups and upgrading them into viable producer and marketing cooperatives alongside the financial cooperative (SACCOs) will be prioritized.

d) **Management information system:** All the SACCOs supported under the program have digitized their management information system. However, majority of these SACCOs are struggling to upgrade their system to match the changing business environment and effectively reporting on the key metrics as required by the program. Support for the SACCOs to develop a digital based credit management infrastructure that can efficiently serve the farmers and also report on the different metrics remains critical.

e) **Existence of SMEs with established smallholder farmer model**: Despite the weak SACCO and cooperative performance in the Central and Eastern regions, there are a number of SMEs (processors and exporters) whose business models have been built around smallholder farmers for access of agro produce and supply of the required agro-inputs to farmers. Therefore, in the absence of strong financial cooperatives that can extend credit to farmers, direct financing of cooperatives and farmer groups with SMEs providing guarantees of both market and repayment has been noted as one of the alternative strategies to realize the objectives of the fund. The SME model will be tested in 2024.

6.0. Future Outlook.

2023 was the first year of the fund deployment, the fund manager intends to focus on number of actions to ensure a successful and impactful implementation of the project come 2024, key among the planned actions will include the following;

A. **Special Business Development Support to category C SACCOs**; In a bid to improve the project performance in terms of uptake and absorption of fund in the central and Eastern region, there will be need to intensify tailor made technical assistance to SACCOs in category C to build their management capacities to efficiently manage the credit funds and on lend to the smallholder farmers. This is also expected to improve fund absorption in central and eastern regions. Majority of the SACCOs in this category have already expressed interest to access credit from the fund.

B. **Strengthening collaboration and partnerships:** In addition to the already existing partnership with Technoserve, focus will be on building synergies with other EKN funded projects (Bright and Common ground) that are being implemented in the DHCL geographical scope. DHCL will also continue to foster strong partnerships with SACCOs, providing them with the necessary support and guidance to improve their internal processes and enhance their capacity to access and effectively manage credit.

C. **Monitoring and Evaluation**: the fund manager will further focus on strengthening the monitoring and evaluation systems to track the impact of the disbursed funds to the SACCOs and farmers, ensuring compliance with loan terms, and assessing the overall effectiveness and impact of the credit facility in line with the project outcome indicators.

D. **Catch up on approvals and disbursements**: The fund manager hopes to have a catch up on the 46% deployment deficits for 2023, plan is to achieve at least 90% of the funds committed by end of 2024 to SACCOs, Cooperatives and SMEs. This will be achieved through expanding the SACCO network beyond the original target and scope, it's anticipated that the investor will consider and approval the proposal of expanding the geographical scope.

7.0. Appendix

Appendix.1. Committed Investment to SACCOs

SN	Name of the SACCO	Region	SACCO Category	Committed investment (Ugx.)	Commitment in Euros	Funds disbursed (Ugx.)	Disbursements in Euros	Remarks
1	Hakashenyi SACCO	South Western	Category B	200 million	48,685.49	200 million	48,685	Fully disbursed
2	Kidefise SACCO	South Western	Category B	400 million	97,370.98	400 million	97,371	Fully disbursed
3	Chahi Dukore SACCO	South Western	Category B	350 million	85,199.61	150 million	36,514	First Tranche Disbursed
4	Lyamujungu SACCO	South Western	Category A	600 million	146,056.48	360 million	87,634	First Tranche Disbursed
5	Nazigo SACCO	Central (Lake Victoria crescent)	Category B	300 million	73,028.24	150 million	36,514	First Tranche Disbursed
6	Nabukalu SACCO	Central (Lake Victoria crescent)	Category C	100 million	24,342.75	-	-	Pending execution of the financing agreements
7	Nyakyera SACCO	South Western	Category B	200 million	48,685.49	100 million	24,343	First Tranche Disbursed
8	Rukiga SACCO	South Western	Category A	600 million	146,056.48	-	-	Pending execution of the financing agreements
9	Buyanja	South Western	Category A	100 million	24,342.75	-	-	Pending execution of the financing agreements
	Total			**2.85 billion**	**693,768.26**	**1.36 billion**	**331,061**	

Appendix.2: Horticulture Credit Line (HCL) Results Framework

Results / Narrative Summary	Indicators (*and brief definition*)	Disaggregation	Means of Verification	Program Target	Actual 2023 (progress to date)	Assumptions
Impact						
Impact: The program contributes to increased income and job creation at farmer and SACCOs level.	Percentage of farmer beneficiaries progressively realising a Living Income *This indicator refers to the count of beneficiary small holder farmers living who obtain at the very least sufficient income to afford a decent standard of living for all their household members – including a nutritious diet, clean water, decent housing, education, health care and other essential needs, plus a little extra for emergencies and savings – once farm costs are covered.*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region (Central, East or SW)	Farmers income and household expenditure will be captured at baseline and end-line periods by the AAs assisted by independent data collectors from a representative sample of farmers at individual farmer level and then aggregated at project level in the Farmer based baseline and end-line survey reports	35%	-	This will be undertaken at the endline of the program
	Number of full-time equivalent jobs created *This indicator refers to the number of jobs in the SACCOs and at farm*	Category of beneficiaries (SACCOs / Farmers)	Every year, at SACCO level, PCP staff / BAs will count the number of new full-time equivalent jobs created at the SACCO level. At the farmer level, farmer-based surveys	TBD	-	

	level, within the horticulture sector targeted by the intervention at the end of the reporting period, converted to full-time equivalent.		will be conducted to capture the number of workers employed, at profiling and end-line levels.			
Goal						
Goal / (Overall) Outcome: Increased Access to and utilisation of credit finance by farmers in the horticulture sector	Number of farmers that obtain credit finance *This indicator refers to the count of beneficiary farmers who obtain credit from project supported SACCOs*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region (Central, East or SW) New/Old loan clients	The number of farmers who obtain credit, as reviewed in the Access to Finance log reports from project supported SACCOs, will be captured quarterly by the BAs and then aggregated at project level in the Farmer based surveys at midline and end-line will also triangulate the information collected from the SACCOs.	12,000 (30% youth and 40% females)	518 (81 youth, 216 women and 221 men) 15.6% youth and 63.6% women	The number of youths accessing credit is still below but with positive outlook for the women. Deliberate intervention (Special BDS catalytic support to given to SACCOs in 2024 to improve gender inclusiveness.
	Amount of credit finance obtained by the farmers in UGX *This indicator refers to the total amount of credit finance received by the beneficiary farmers from project supported SACCOs*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region (Central, East or SW) New /Old Loan Client volumes	The Amount of credit obtained by farmers in Uganda Shillings, as reviewed in the Access to Finance log reports from project supported SACCOs, will be captured quarterly by the BAs and then aggregated at project level in the Farmer based surveys at midline and end-line will also triangulate the information collected from the SACCOs.	33.25 billion	Ugx.635,610,000 (€ 154,700)	Out of the approved Ugx. 2.85 billion (Euros 698,781), Ugx. 1.36 billion (Euros 331,061) was disbursed and Ugx.635,610,000 (€ 154,700) accessed by farmers.

Outcomes						
Outcome 1: Increased adoption of inclusive and affordable financing models by strengthening SACCOs to provide credit finance to horticulture farmers.	Average Annual Interest rate provided to farmers by the SACCOs *This metric measures the mean of the different interest rates offered by the supported SACCOs*	Grade of SACCOs (A,B or C)	On a quarterly basis PCP Staff /BAs will record the relevant interest rates for the loan products being given by each of the supported SACCOs, in their quarterly progress reports. This will be aggregated, averaged, and reported in the Project reports	20%	24%	SACCOs have been supported to refine the agriculture (HCL) loan products, interest rates have been reviewed downwards from an average of 36% before HCL to now 24%.
	Average turn-around time in days *This indicator refers to the no of days it takes from loan application to disbursement*	Grade of SACCOs (A,B or C)	On a quarterly basis PCP Staff /BAs will record the turnaround time for loan applications to be fully processed from each of the supported SACCOs, in their quarterly progress reports. This will be aggregated, averaged, and reported in the Project reports	4	14	The number of days taken to serve the clients by SACCOs are on average 14%. Efforts to support SACCO efficiently improve their internal credit management systems to continue in 2024
	Average Portfolio at risk (>30 days for the reporting period and equivalent to non-performing loans) *This indicator refers to the proportion of loans given out by the SACCOs, that have a high risk of not being repaid, in the reporting period*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region (Central, East or SW)	On a quarterly basis PCP Staff /BAs will record the portfolio at risk of each of the supported SACCOs. This will be aggregated, averaged, and reported in the Project reports	5%	00%	Technoserve commissioned a consultant to support

	Number of SACCOs providing refined and inclusive agri-businesses loan products *This indicator refers to the count of SACCOs that adopt and deliberately provide loan products to farmers that generally target excluded groups like youth and women*	Grade of SACCOs (A,B or C)	On a quarterly basis PCP Staff /BAs will count and report the number of SACCOs that have refined their loan products to be more inclusive, as recommended by the project. This will be aggregated, averaged, and reported in the Project reports	30	30	SACCOs review and refine the loan products specifically HCL.
Outputs						
Output 1.1: Increased capitalization of SACCOs with credit finance available for farmers	Amount of funds provided to SACCOs in UGX *This indicator refers to the initial amount of finance provided to SACCOs to be able to loan to farmers*	Region, Crop product / value chain	After every end of season (bi-annually) AAs will record the volumes of priority horticulture crops produced as well as the respective land sizes used, for a representative sample of supported farmers. These will be aggregated and averaged, for all crops in the Farmer based survey reports	12 billion	Ugx. 2.85 billion (Euros 693,768)	Ugx. 5.297 billion had been set a target for 2023, 53% of the target was achieved. Catch up on 2023 target expected in 2024. Most of HCL SACCOs in central and East had performance challenge to qualify for credit.
	Number of SACCOs obtaining funds from the project *This indicator refers to the sales value of inputs and services by farmer-serving MSMEs. Inputs include seeds,*	Grade of SACCOs (A, B or C) Region (Central, East or SW)	Sales will be captured quarterly by the BAs and PMs for farmer-facing MSMEs at and then aggregated from the MSME KPI reports. Where possible, these will be triangulated with financial statements from the MSMEs	30	09 SACCOs	07 of the approved SACCOs were from Southwest region with only 01 from central and 01 in the east. Out of the 9 SACCOs, 3 were in category A, 5 in category B

	seedlings, soil and crop protection products, soil improvement products among others.					and 1 SACCO in category C. The target is 15 SACCOs in South-West, 10 in Central and 05 in East
Output 1.2: SACCOs technical and governance capacity improved to deliver inclusive and affordable credit to farmers	OCA score for the SACCOs *This is the total score as determined by the organisational capacity assessment of the SACCOs*	Grade of SACCOs (A, B or C) Region (Central, East or SW)	Self-administered organisational capacity assessments (OCAs) guided by the PCP Staff / BAs and using an OCAT will be conducted at baseline, midline and end-line and scores will be aggregated in project Annual SACCO OCA reports	>80 %	-	This will be assessed at midline level of the program.
	Number of SACCOs trained in basic financial management and governance *Value of imports of targeted crops that the project intends to reduce importation from other countries. Substitution indicates the value gained by similar domestic FFV products relative to a base year value.*	Grade of SACCOs (A,B or C)	After every training has been completed for SACCOs, a training report will be provided by AGRITERRA Project Officers /BAs, with details on the number of SACCOs that were trained	30 150 Staff trained	30 SACCOs 218 Management staff trained	This has been spearheaded by Technoserve.
Output 1.3: Increased farmer membership of	Total number of new farmers joining the	Gender	On a quarterly basis, PCP staff and TNS PMs will track	12,000		

SACCOs through farmer groups	SACCOs as a result of the intervention *This is the count of the number of new farmers joining the SACCO.*	Age-group (18 - 35 yrs / >35+ yrs) Region (Central, East or SW)	the number of new farmers that have joined the SACCOs, as self-reported by the SACCOs, in their quarterly reports			Number of new members joining the SACCOs to be tracked at end of 2024.
	Number of farmers trained in financial literacy as a result of the project *This is the count of the number of farmer groups (Producer Organisations and Farmer Associations)*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region (Central, East or SW)	After every training has been completed for farmers, a training report will be provided by TechnoServe Business Advisors (BAs), and SACCO outreach staff, where necessary, with details on the number of farmers that were trained	29,100	26,679	26,679 farmers were offered technical assistance during the period.
	Number of Farmer Groups trained in basic financial management and governance as a result of the project *This is the number of farmer groups trained by SACCOs and TNS in Financial Management and Governance.*	Region (Central, East or SW)	After every training has been completed for farmer groups, a training report will be provided by TechnoServe Business Advisors (BAs), and SACCO outreach staff, where necessary, with details on the number of farmer groups that were trained	150	-	Number of farmer groups to be tracked in 2024.