Annual Progress and Financial Report

Activity Ref Number: 4000004914/01

Program Name:	**Uganda Dairy Credit Facility (UDCF)**
Funded by:	**Embassy of the Kingdom of Netherlands**
Reporting Entity:	**PCP Uganda Limited**
Reporting Period:	**31st December 2023**
Technical Partner:	**SNV (ISDAP Project)**

Submitted by:

PCP Uganda Limited

With funding from

Kingdom of the Netherlands

In Partnership with;

SNV

SUBMISSION LETTER

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RE: UDCF Annual Progress and Financial Report for Activity Ref Number: 4000004914/01

The fund manager (PCP Uganda) for the Uganda Dairy Credit Facility presents the progress report for year one on the revolving grant for activity reference number 4000004914/01.

This first progress report is for the grant of €3 million awarded to PCP Uganda on 02nd September 2022 for improving financial inclusion for smallholder dairy farmers in Uganda through capitalization and strengthening of SACCOs, Cooperatives and Agro-SMEs. It covers progress and update on the first year of implementation for the capital drawn down amounting to € 1,476,792 as at 31st December 2023.

The report also highlights the key activities undertaken by the fund manager in collaboration with the technical partner to improve access to finance for smallholder farmers in Uganda's Western, Southwestern, and Rwenzori regions for the period ending December 2023.

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

Yours sincerely,



Dr. Edward Isingoma Matsiko

Managing Partner
PCP Uganda Limited.

Foreword.

PCP Uganda Ltd is delighted to present its inaugural 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 Uganda Dairy Credit Facility (UDCF), 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 dairy farmers in Uganda. The Uganda Dairy Credit is being implemented in collaboration with SNV under the Integrated Smallholder Dairy Development Program (ISDAP), an integral component of The Inclusive Dairy Enterprise (TIDE-2) project, 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 79% achievement on the annual target, a total Ugx. 4.25billion (Euros 1,034,000) was committed to 13 SACCOs. The dairy credit facility presents an opportunity for small-scale dairy farmers to improve their production and productivity for sustainable economic growth. Whilst Uganda is endowered with favorable natural conditions, the potential in the dairy sub-sector has not been fully maximized. Key limiting factors in the dairy sector will be addressed with this funding. Some of the limiting factors to be addressed include; access to affordable and efficient credit for dairy farmers, governance and technical capacities for cooperatives, SACCOs and farmer groups and building stronger farmer cooperatives

As a specialist agriculture investment firm, we are confident that patient, affordable and efficient capital offered under this facility presents a significant opportunity to address the challenges of nutrition, food security and 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 dairy cooperatives requires adequate technical assistance/BDS support if credit facilities are to be efficiently managed and benefit the smallholder farmers. We would like to recognize and appreciate our funder (EKN) and the technical partner (SNV) for the role 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.

The facility is expected to strengthen and improve capitalization of SACCOs, improve governance and management of SACCOs and farmer groups, improve gender inclusiveness in access to finance especially by women and youth in Uganda's dairy agribusiness sector. The program overall goal is to increase food security through a 20% production increase and 10% income increase for participating smallholder farmers (SHFs) in the regions of operation within Uganda across the dairy value chain.

The UDCF was designed with anticipation of four main outputs namely; i) Increased appropriate and affordable credit available for dairy small holder farmers, ii) Improved governance and performance of the SACCOs, iii) Increased inclusion of women and youth in SACCO governance structures and in taking loans for SHFs, and iv) Maximal fund performance and sustainability. Increased appropriate and affordable credit available for dairy smallholder farmers.

Since the grant was awarded, PCP has made significant strides in the project's implementation, including the establishment and operationalization of a special purpose vehicle; Dairy Horticulture Credit Ltd (DHCL), within which the UDCF would be managed, completed and submitted a baseline survey, and extended capital amounting to 4.25billion shillings (Euros 1,034,000) to 13 SACCOs operating within the approved geographical areas of Uganda.

By December 2023, capital drawn down was Euros 1,476,792 out of the total grant of Euros 3,000,000 to support both loan advances to SACCOs and management fees.

Overall, the performance of UDCF was over 75% in terms of capital commitments to SACCOs, the number of investees SACCOs exceeded the two-year deployment target of 10 SACCOs. Most of the participating diary SACCOs accessed less than the anticipated amount, the outlook for the facility is positive. Some of the learnings included; the demand for the credit facility outside the project geographical scope and the need to importance of strengthening an integrated cooperative financing model with dairy cooperatives closely working with the financial cooperatives.

March 2024

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 (EKN) by PCP Uganda Limited (PCP) in fulfillment of the reporting requirements as stipulated in the contribution agreement executed under activity reference number 4000004914/01.

On 2nd September 2022, the Embassy of the Kingdom of Netherlands in Uganda awarded PCP Uganda Ltd a revolving grant facility of €3 million (Euros three million) under the Uganda Dairy Credit Facility ("UDCF") to improve financial inclusion for smallholder dairy farmers in the Western, Southwestern, and Rwenzori regions of Uganda through provision of affordable and efficient credit to improve production and productivity in the dairy agri-business sub-sector. Table 1 provides a summary of the grant particulars.

Table 1: Particulars of the revolving grant.

Program Name Title	Uganda Dairy Credit Facility (UDCF)
Activity Reference Number	4000004914/01
Funded by	Embassy of the Kingdom of Netherlands
Grant awarding date	2nd September 2022
Grant Amount	€3 million (Euros three million)
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	SNV (The Inclusive Dairy Enterprise (TIDE-ISDAP Project)

1.2. Implementing Entity- PCP Uganda Ltd

PCP Uganda Ltd, is incorporated in Uganda and licensed as a Fund Manager and Investment Advisor by the Capital Markets Authority. PCP is a specialist agriculture investment firm 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 for 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 exists from the first three funds, PCP´s active portfolio consists of 15 investee companies all in Uganda under the Yield Uganda Investment Fund.

Currently, PCP is actively managing the Dairy-Horticulture Culture Limited (DHCL) fund under which the two credit lines UDCF and HCL both capitalized by the Embassy of Kingdom of Netherlands. As at the reporting date, the company had committed 7.1 billion shillings (EUR 1,728,000) into 16 SACCOs for both credit lines with an active pipeline of over 6,010,000,000 shillings (EUR 2,925,000)

1.3. Reporting Period.

This report highlights the activities undertaken and milestones achieved under the grant for the period since inception in October 2022 to 31st December 2023.

2.0. UDCF Project Overview.

The Uganda Dairy Credit Facility ("UDCF") is an Agro-focused credit line that was set up, with grant support from the Embassy of the Kingdom of Netherlands in Uganda and is managed by PCP under the Dairy Horticulture Credit Ltd ('DHCL') fund which was incorporated in 2022 as a limited liability company. UDCF's objective is to improve financial inclusion through provision of affordable credit to smallholder farmers in the dairy agri-business sectors. UDCF was capitalized with an initial €3 million (Euros three million) an equivalent of UGX.11.9 billion.

The credit line was established to lend efficient medium-term loans to SACCOs and Cooperatives in Uganda's Western, Southwestern and Rwenzori sub-regions for onward lending to the dairy smallholder farmers and farmer groups. The credit intervention was specifically designed to enable SACCOs to offer tailor made loans to their members who are also smallholder farmers that meet their needs, with a range of loan products that cater to different requirements such as animal feeds, breed improvement, water harvesting systems, among others.

Recent experience with SACCOs has showed that the performance of most of them is affected by four major challenges; high portfolio at risk (PAR), low business volumes, Weak governance. These challenges result from poor governance and management systems and the skills of the board, management and staff to manage the SACCOs as sustainable financial institutions and viable business entities. Despite the challenges, they remain the most preferred option by the rural and low-income communities regarding access to formal financial services.

Therefore, provision of technical assistance to both the SACCOs and farmers was identified as one of the critical success factors for the intervention. The provision of technical assistance was assigned to the technical partners SNV. Beneficiary SACCOs and farmers for UDCF under Integrated Smallholder Dairy Development Program (ISDAP) implemented by SNV, were designed to access technical assistance from the partner. ISDAP implementation was limited to districts in Southwestern Ugandan excluding Kanungu, Western region (some districts in mid-west) and Rwenzori region excluding Kasese, Bundibugyo, Ntoroko and Kamwenge.

Whilst PCP is charged with the responsibility of managing the UDCF funds, the provision of technical assistance/BDS to SACCOs, cooperatives, farmers and all the local value chain has remained the responsibility of SNV under their ISDAP project.

Table 2 below provides a summary overview of the characteristics and categorization of SACCOs in Uganda, this categorization guided the process through which the fund manager can identify and support SACCOs

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. UDCF Inception Phase activities.

PCP undertook several fund initiation activities in the first half of year one, marked by dedication, persistence, and collaborative efforts with substantial support and partnership of EKN. The fund manager made significant progress and some milestones were registered, some of the notable accomplishments at the inception phase included,

Legal and Governance set up: Since inception, the fund manager has made significant progress key among these is the establishment of a special purpose vehicle ('Dairy-Horticulture Credit Limited, known as the "DHCL") as a limited liability Ugandan company exclusively to administer and provide dairy-aligned SACCOs and cooperatives with concessionary 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 onboarded a consultant in January 2023 who provided invaluable insights in understanding the general SACCO performance, technical competences of the board and management team, market opportunities and the likely challenges to inform strategies to be employed during the deployment of the credit funds to the SACCOs. The baseline survey findings by the consultant were instrumental in developing internal documents, including the credit underwriting handbook, and advising the implementing partners on the technical capacity needs of the SACCOs for appropriate BDS intervention.

SACCO and Cooperative sensitization: In a bid to create awareness of DHCL fund, 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). These engagements were followed by one-on-one interactions with the different SACCO leaderships to further strengthen PCP's understanding of their needs and foster collaborative partnerships. 46 SACCO leaders from 17 SACCOs engaged.

Figure 1: PCP team Sensitizing SACCO leaders from Rwenzori region- Fort portal



Official launch of the credit fund: In November 2023, the fund was officially launched during a prestigious function held at the residence of the Ambassador of the Kingdom of Netherlands in Uganda. This launch was alongside two other projects EKN funded food security and nutrition projects 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. The launch together with the post activities which included publications of DHCL fund in local newspapers gave the facility the much-desired publicity in the country.



Figure 2 above: HE Dr.Karin Boven, the ambassador of the Kingdom of Netherlands to Uganda signs the dairy- horticulture project board during the launch in November 2023.

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

3.0. UDCF Performance Highlight.

In reference to UDCF results framework, year one performance focused on the core activity output indicators of SACCO capitalization, improving the technical and governance capacity of SACCOs to sustainably deliver credit to farmers and membership of SACCOs through Farmer Groups. Considering the activities that were undertaken at the inception phase of the program, the manager registered substantial progress on the different output areas as illustrated below;

3.1. Output 1.1: Capitalization of SACCOs with credit finance.

Amount of funds provided to SACCOs: Guided by the fund result framework, the fund manager had set out targets to invest a total Ugx. 5.297 billion (Euro 1,289,435) by December 2023. However, it's important to note that actual deployment of the funds started in the mid of the year than earlier anticipated after completion of key activities at the inception phase as explained in the sections above, key among them was the establishment and setting up of the special purpose vehicle, establishment of the governance and credit infrastructure and the baseline survey among others took almost the first half of the year. Overall, 79% (Ugx. 4.250 billion an equivalent of Euro 1,034,500) of the annual target was achieved. Below is the summary performance in terms of credit commitments to SACCOs;

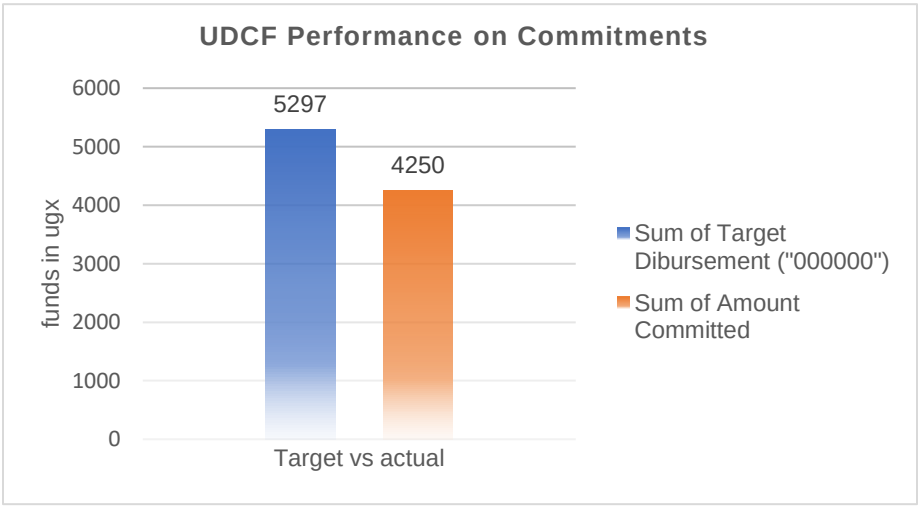


Figure 4: UDCF Commitments

Number of SACCOs funded by the project: The overall target of investee SACCOs for UDCF was 10 SACCOs for the initial 2 years of deployment, the target for year one had been set at 5 SACCOs, however by end of 2023 the fund manager had already surpassed the target with an approved total committed Investment in 13 SACCOs. This achievement is attributed to the high level of preparedness of SACCOs in the UDCF geographical scope due to the incredible job in preparing farmers and the SACCOs done by the technical partner through ISDAP. However, in terms of credit ticket sizes, it was projected that SACCOs would uptake an average of Ugx 800 million (Euros 200,000), but the average approvals were less at about Ugx 400 million (Euros 97,000). This was majorly due to SACCO performance in terms of their maximum liabilities. The fund manager expects some of the already funded SACCOs to apply for follow on funding in 2024.

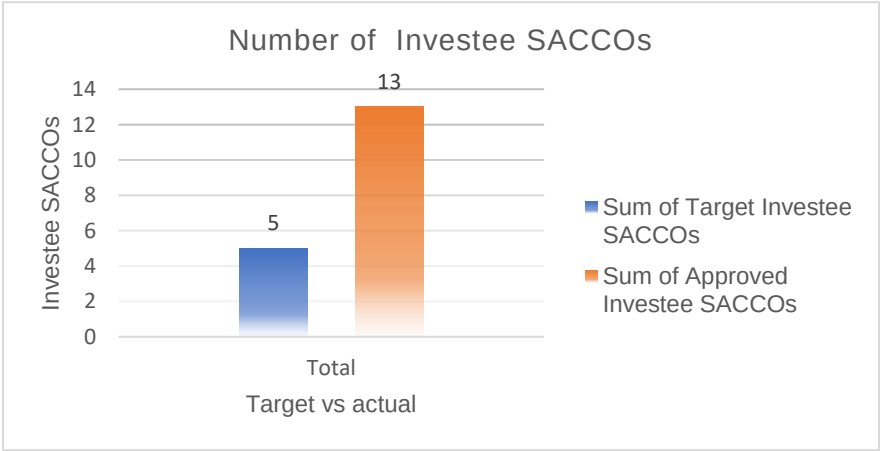


Figure 5: UDCF SACCOs funded.

Amount of credit provided to Farmers: The ultimate target of DHCL fund is to improve inclusive financial access through improved access to credit by smallholder farmer, the target is to attain 30% of youth and 40% of women accessing credit from the fund. By December 2023, out of the funds disbursed to the SACCOs, 26% (74) of the beneficiaries were women with only 9% (26) youth. This is still below the project target of 12,350 beneficiaries (20% women and 30% youth). Participation of the youth and women in the dairy agri-business sector is still low, this is mainly attributed to societal set up where key factors of production for the sub-sector are controlled by men. The fund manager is working with the technical partner and the SACCOs to design deliberate strategies of increasing the participation and access to credit by both women and youth. Below is a summary performance highlighting gender inclusiveness in access to credit.

S/n	Performance Indicators	Actual Performance-UDCF
1	No. of SHFs accessing Credit from SACCOs	282
2	No. of Youths accessing Credit	26
3	No. of female accessing Credit	74
4	Amount of Credit accessed by SHF from SACCOs	Ugx. 1,328,443,000 (€ 323,380)
5	Amount of credit accessed by Youths	Ugx. 114,800,000 (€ 27,900)
6	Amount of credit accessed by female	Ugx. 356,500,000 (€ 86,700)
7	Percentage of Youth accessing Credit	9%
8	Percentage of female accessing Credit	26%

Table 3: Summary of the smallholder farmers who have accessed UDCF credit from the SACCOs

3.2. UDCF beneficiaries' testimonies

The approved funding under the program has benefited SACCOs in terms of capacity building for their board and management staff, but the main target of this facility are smallholder dairy farmers. Below are some of the testimonies from the SACCOs and SHFs who have assessed funding from the UDCF.

Bunyaruguru Development SACCO.

Bunyaruguru Development SACCO is located in Rubirizi district, the SACCO accessed a dairy credit facility of Shs. 500 million at 8% annual interest payable in 48 months with a grace period of 12 months. The SACCO challenges of liquid with no specific product for dairy.



PCP team, SACCO board chairperson and manager during the onsite due diligence.

SACCO beneficiary

Annah Rushenda, a resident of Rutoto sub-county in Rubirizi district, accessed a credit facility of Shs. 7 million from Bunyaruguru SACCO to buy a heifer and improving the cowshed.



Hakashenyi SACCO.

Hakashenyi SACCO from Kabale, South Western Uganda, the SACCO serves over 9,900 smallholder farmers. it was assessed for UDCF line of credit, Ugx. 100 million (Euros 24,000) was approved for onward lending to dairy smallholder farmers. The SACCO has financed farmers to improve animal feeds, water harvesting and acquisition of improved dairy breed.

1. Owomugisha Charity from Nyakasharara, Kamuganguzi Sub County accessed a loan of Ugx. 2,500,000 (Euros 608) to improve the animal shelter.
2. Another beneficiary is Biryomumeisho Francis from kyarugondo,,kamuganguzi sub county accessed Ugx. 2,500,000 (Euros 608) to purchase a water tank to harvest water for both dairy enterprise and home use.



Above is Owomugisha Charity and below is the water tank acquired by Francis



3.3. Output 1.2: Improvement of SACCO Technical and Governance Capacity.

Financing small holder dairy farmers has remained low across the project implementation area. The main reasons why financial institutions have been reluctant in lending to smallholder farmers include: Inappropriate financing products applied by financial institutions targeting smallholder farmers, Low levels of farmer education and financial literacy among others. Under UDCF facility, technical assistance and capacity building of both SACCO management staff and the farmers was identified as one of the interventions to improve financing to smallholder dairy farmers. The technical partner (SNV) continued to take a leading role in the provision technical assistance to SACCOs that were identified and earmarked for accessing UDCF funds. The BDS intervention focused on board and management staff of the different SACCOs including the farmers and farmer groups

SNV Supported 22 SACCOs and Microfinance institutions to refine their dairy credit services offering to address inappropriate financing products for dairy farmers with affordable interest rate, medium term and grace periods. Some of the value chain activities funded includes; forage production and preservation, Chuff Cutters, Rainwater collection tanks, Artificial Insemination /Service bull/In-calf heifers, Tick control, Milk hygiene cans and buckets, Localized cowshed, small scale biogas and small-scale yoghurt processing.

Further still, a consultant to facilitate the formation and legal registration of 247 smallholder farmers groups across 12 districts was commissioned to enable them access group dairy loan products. 1,091 dairy

farmers from 12 Districts were also trained in Financial Literacy for improved knowledge in personal finance, savings culture, loans management, investments, agro insurance, Planning for Old Age and Financial Services Providers. Focus was also put on sensitizing these farmers on the UDCF credit facility and how to access the funding from SACCOs.

16 IT Officers16 IT Officers from 10 SACCOs were on how to address their cybersecurity risks and IT Environment operational challenges. Supported 16 SACCOs with Information Systems Audit of their IT systems aimed at improving the systems effectiveness and enhanced cybersecurity

In addition to the BDS package under the UDCF intervention, the fund manager entered into collaborative partnership with USAID Feed the Future Strategic Investment Activity (USAID-SIA) and Goldstone consulting for the provision of 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, 03 SACCOs have been supported under this collaborative partnership.

BDS Impact story at Butuuro People's SACCO.

The fund manager in collaboration with the technical partner (SNV) have offered capacity building support the SACCOs develop a customized dairy loan product that meet the unique needs of the dairy smallholder farmers. Butuuro people's SACCO is one of the 22 SACCOs that have benefited from this support, the SACCO now has a customized dairy product as seen in the image below;



With the UDCF funding (Euros 121,714), the SACCO has been able to extend credit amounting to Shs. 168.3 million (Euros 40,900) to 52 dairy farmers (05 female, 04 youths and 43 male) between September and December 2023 under the Amate loan.

3.3. Output 1.3: Increased farmer membership of SACCOs through farmer groups

Another other way of supporting the strengthening of SACCO is growth in membership through mobilization of farmers through the farmer groups to join the cooperative. This has remained as one of the activities undertaken by the technical partner through the financial literacy training. The number of new members joining the SACCOs as a result of the intervention was not tracked in 2023. This will be prioritized in 2024, data collections tools have been developed to monitor this activity output.

4.0. UDCF 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 UDCF for the year which ended 31st December 2023. Below is an extract from the audited financial report.

Uganda Dairy Credit Facility - UDCF
Management Accounts
For the 14 months period ended 31st December 2023

Statement of Comprehensive Income

	Notes	Dec, 31 2023 UGX'000'	Euro
Income			
Interest income	1	69,419	17,217
Commitment Fees	2	26,100	6,473
Grant Income	2	686,186	170,185
Total income		**781,706**	**193,875**
Foreign exchange loss	3	1,367	339
Net surplus after exchange loss		**780,339**	**193,536**
Administration Expenses			
Fund Management Fees	4	545,398	135,267
Other administration expenses	4	140,786	34,917
Total expenses		**686,185**	**170,185**
Surplus for the period		**94,154**	**23,352**

Uganda Dairy Credit Facility - UDCF
Management Accounts
For the 14 months period ended 31st December 2023

Statement of Financial Position

	Notes	Dec, 31 2023 UGX'000'	Euro
Assets			
Non-Current Assets			
Loans and advances	5	**2,730,419**	**664,659**
Current Assets			
Other receivables & prepayments	6	6,500	1,582
Cash and cash equivalents	7	2,436,888	593,205
		2,443,388	**594,788**
Total Assets		**5,173,807**	**1,259,447**
Equity and Liabilities			
Share capital		500	122
Grant	8	5,062,460	1,232,342
Retained earnings		94,154	23,352
Currency translation		-	(432)
Total Equity		**5,157,114**	**1,255,383**
Current Liabilities			
Trade and other payables	9	**16,693**	**4,064**
Total Liabilities		**16,693**	**4,064**
Total equity and Liabilities		**5,173,807**	**1,259,447**

Capital call summary as of 31st December 2023.

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

Details	**Amount EUR**
Total Committed Amount	3,000,000
Total Draw down Amount	1,476,792
Outstanding undrawn Amount	**1,523,208**

5.0. Implementation Challenges and Lessons Learnt.

The first year of UDCF project implementation presented several learnings, some of these were earlier anticipated at the design stage of the fund whilst other new lessons emerging from the implementation challenges. The lessons picked will be the guiding pillars in designing strategic intervention to ensure successful implementation of the program, some of the learnings are explained below;

a) **Demand for UDCF funds outside the geographical scope**: SACCOs and cooperatives outside the project geographical have expressed interest in accessing the dairy facility, these haven't been supported because of the limitation in the project design and the size of the fund. Review of the design to allow opening of the credit facility to areas where there is demand is being considered in addition to having the fund recapitalized. The fund manager will seek guidance and consent from the investor (EKN) on geographical expansion.

b) **More SACCOs compared to the project target:** At inception of the fund, the target was 10 investee SACCOs in the initial 2 years, however year one performance has indicated that this was underestimated in terms of investee SACCOs and over projected the average ticket size for each SACCO. At the design stage, it had been envisaged that SACCOs would on average access Ugx. 800 million (Euro 200,000), performance and maximum liability constraints of most SACCOs have been the reasons why majority have accessed an average of Ugx. 400 million (Euro 97,000).

c) **There is need to build and strengthen an integrated cooperative financing system**: Sustainable agriculture financing thrives on a developed production and market infrastructure; unfortunately, in most of the districts where dairy farming is still at the development stage, dairy cooperatives require more capacity building interventions to help them grow if the farmers are to sustainably manage their enterprises. Strengthening of the existing farmer groups and upgrading them into viable dairy cooperatives alongside the financial cooperative (SACCOs) needs 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.

6.0. Future Outlook.

Having successfully ended year one of the fund deployment, the fund manager will continue to focus on several action areas to ensure a successful and impactful implementation of the project, key among the planned actions 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 funds especially in the Rwenzori region, there is need to intensify technical assistance to SACCOs in category C to build their management capacities in effectively managing the credit funds.

B. **Strengthening collaboration and partnerships:** In addition to the already existing partnership with SNV, focus will be on building synergies with other EKN funded projects (Bright and Common ground) that are being implemented in the UDCF geographical scope (Rwenzori and South Western region). The fund manager 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 more credit and effectively on lend to smallholder farmers.

C. **Monitoring and Evaluation**: The fund manager will further focus on strengthening a 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 of the credit facility in line with the project outcome indicators.

D. **Catch up on approvals and disbursements**: There was a 20% shortfall on the targeted amount of credit to SACCOs, in 2024 focus will be on catching up with the 2-year program target on fund commitments to SACCOs. This will be achieved through expanding the SACCO network beyond the original target and scope. We hope that the investor will consider and approve the proposal to expand the geographical scope. The fund manager also anticipates refinancing the already approved and funded SACCOs as a result of the increased farmer financial literacy training and awareness of the fund.

7.0. Appendix

Appendix.1. UDCF Committed Investment to SACCOs as at 31st December 2023

SN	SACCO Details	Region	SACCO Category	Committed Investment (Ugx.)	Committed Investment (Euros0	Funds disbursed (Ugx)	Funds disbursed (Euros)	Status
1	Hakashenyi SACCO	South-western	Category B	100,000,000	24,343	100,000,000	24,343	Fully disbursed
2	Lyamujungu SACCO	South-western	Category A	400,000,000	97,371	240,000,000	58,423	First tranche Disbursed
3	Chahi Dukore SACCO	South-western	Category B	50,000,000	12,171	50,000,000	12,171	First tranche Disbursed
4	Nyakyera SACCO	South-western	Category B	200,000,000	48,685	100,000,000	24,343	First tranche Disbursed
5	Rukiga SACCO	South-western	Category A	400,000,000	97,371	-	0	Pending execution and registration of the financing Agreement
6	Buyanja	South-western	Category A	100,000,000	24,343	-	0	Pending execution and registration of the financing Agreement
7	Kijura SACCO	Rwenzori	Category B	400,000,000	97,371	400,000,000	97,371	Fully disbursed
8	Muhame	Western	Category A	200,000,000	48,685	200,000,000	48,685	Fully disbursed
9	Butuuro SACCO	Western	Category A	500,000,000	121,714	500,000,000	121,714	Fully disbursed
10	EBO SACCO	Western	Category A	1,000,000,000	243,427	1,000,000,000	243,427	Fully disbursed
11	Busaiga	Rwenzori	Category B	300,000,000	73,028	-	0	Pending execution and registration of the financing Agreement
12	Bunyangabu	Rwenzori	Category C	100,000,000	24,343	-	0	Pending execution and registration of the financing Agreement
13	Bunyaruguru	Western	Category B	500,000,000	121,714	250,000,000	60,857	First tranche disbursed
	Total			**4,250,000,000**	**1,034,567**	**2,840,000,000**	**691,334**	

Appendix 2: UDCF Results Framework.

Results / Narrative Summary	Indicators (*and brief definition*)	Disaggregation	Means of Verification	Program Target	Actual 2023 (progress to date)	Remarks
Impact: The program contributes to increased income and job creation at farmer and SACCOs level.	Percentage of farmer beneficiaries progressively realizing 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 Western Uganda	Farmers income and household expenditure will be captured at baseline survey and end-line periods by the PCP assisted by independent data collectors from a representative sample of farmers at individual farmer level and then aggregated at project level in the Farmer data room and end-line survey reports	35%	-	Tracking and assessment of the percentage increase in farmer incomes will be undertaken at the end of the first two years of the fund deployment.
	Number of full-time equivalent jobs created. #30 new jobs to be created per year. *This indicator refers to the number of jobs in the SACCOs and at farm level, within the dairy sector targeted by the intervention at the end of the reporting period, converted to full-time equivalent.*	Category of beneficiaries (SACCOs / Farmers)	Every year, at SACCO level, PCP staff / Portfolio Analysts will count the number of new full-time equivalent jobs created at the SACCO level. At the farmer level, farmer-Baseline surveys will be conducted to capture the number of workers employed, at profiling and end-line levels.	30	-	
Goal						

Goal / (Overall) Outcome: Increased Access to and utilisation of credit finance by farmers in the dairy 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 Western Uganda 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 Portfolio Analysts and then aggregated at project level in the Farmer data room at baseline surveys. At midline and end-line will also triangulate the information collected from the SACCOs.	Disburse 12,350 loans to smallholder farmers by June 2032 (30% youth and 40% females) 3,088 loans provided to SHFs (of which at least 20% to women and 30% to youth) by December 2024	282 loans -Youth 26 -female 74	Majority of the approved SACCOs were disbursed in the last quarter of 2023, with 04 SACCOs approved but pending disbursement. The number of loans to smallholder farmers is projected to improve further and hit the target of 3,088 by end of 2024. Ugx. 4,250,000,000 (Euros 1,034,567) Committed Ugx. 2,840,000,000 (Euros 691,334) disbursed. The absorption rate at SACCO level was affected by the level preparedness by the farmers to uptake. Technical assistance offered will improve the absorption.
	Amount of credit finance obtained by the farmers in UGX[1] *This indicator refers to the total amount of credit finance received by the beneficiary farmers from project supported SACCOs* *UGX 31.63 b total amount of loans provided to SHFs by June 2032 - The cumulative amount of capital that is envisaged to be invested in SACCOs over ten*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region Western Uganda 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 Portfolio Analysts and then aggregated at project level	31.63 billion[2]	Ugx. 1,328,443,000 (Euros 323,380)	

[1] 1 Euro = 4,108 UGX

[2] 10% growth rate per annum is projected

	years (being the initial UGX 9.88 b of the initial capital plus UGX 21.75b of the revolved capital)					
Outcomes						
Outcome 1: Increased appropriate and affordable credit available for smallholder farmers and micro-enterprises	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 PCP Staff /Portfolio Analysts 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% declining balance	SACCOs have been supported to review/develop customized dairy loan products with affordable rates. The weak SACCOs however, have been slow at reducing the below 2% but at least they have moved the rate from an average of 36% that they used to charge the farmers. The turnaround time can further improve, if SACCOs are supported to digitize their credit management processes. All the disbursed UDCF loans are performing without arrears.
	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 PCP Staff /Portfolio Analysts 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	14	14	
	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 Western Uganda	On a quarterly PCP Staff /Portfolio Analysts will record the portfolio at risk of each of the supported SACCOs. This will be aggregated, averaged, and reported in the Project reports	5%	0%	

	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 PCP Staff /Portfolio Analysts 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	10	13	The original target was 10 SACCOs, however all the 13 approved SACCOs have been supported refine their products. SNV in total has supported 22 SACCOs across 12 districts though some are yet to apply for funding.
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* Four appropriate credit products for SACCOs are developed by October 2022 UGX 9.88b worth of loans provided to SHFs by December 2024 - This is the starting capital available for the first phase of capital deployment (€2.53m equivalent to UGX 9.88 b; UGX 4.94 b by June 2023 and total UGX 9.88 b by June 2024) 3,088 loans provided to SHFs (of which at least 20% to women and 30% to youth) by December 2024 12,350 loans provided to SHFs (of which at least 20% to women and 30% to youth) by June 2032 UGX 31.63 b total amount of loans provided to SHFs by June	Region, Dairy product / value chain	After every end of season (bi-annually) PCP will record the value of loans provided to the SHFs. The initial capital pool to be deployed to the 10 SACCOs by December 2024.	Ugx. 9.88 billion (€2.53m)	Ugx. 4,250,000,000 (Euros 1,034,567) Committed Ugx. 2,840,000,000 (Euros 691,334) disbursed	Target for SACCOs capitalization is on course. A catch up with the shortfall in year one is projected in 2024.

	2032 - The cumulative amount of capital that is envisaged to be invested in SACCOs over ten years (being the initial UGX 9.88 b of the initial capital plus UGX 21.75b of the revolved capital) 75% of SACCOs approve loans in 14 days or less, during the timeframe January 2023 till December 2024					Target exceeded, more SACCOs expressed interest in accessing the funding, and this is likely to increase in 2024. 06 SACCOS were in category A, 06 in B and only 01 in category C. However, majority accessed an average of Ugx. 400 million (Euros 97,000) as opposed to the earlier projected average of Ugx. 800 million (Euro 200,000).
	Number of SACCOs obtaining funds from the project	Grade of SACCOs (A, B or C) Region Western Uganda	Number of new SACCOs enlisted in the UDCF. Number of new SACCOs introducing dairy loan products Number of new SACCOs providing dairy loan products with a tenor of at least 2 years	10	13	
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 organizational capacity assessment of the SACCOs* 100% of investee boards trained on corporate governance by December 2024 75% financial literacy of dairy SHF taking a loan through the facility by December 2024	Grade of SACCOs (A, B or C) Region (Central, East or SW)	Self-administered organizational capacity assessments (OCAs) guided by the PCP Staff / Portfolio Analysts and using an OCAT will be conducted at Baseline assessment, midline and end-line and scores will be aggregated in project Annual SACCO OCA reports	> 80%	-	This will be undertaken at midline and endline assessment

	Number of SACCOs trained in financial management and governance	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 /Portfolio Analysts, with details on the number of SACCOs that will be	30 150 Staff trained[3]	22 SACCOS 66 management staff	The training focused on development of the dairy products, IT system cyber security (16 IT officers), credit management, governance and performance management.
Output 1.3: Increased farmer membership of SACCOs through farmer groups	Total number of new farmers joining the SACCOs as a result of the project by 2032. !20 new farmers envisaged to join SACCOs per year *This is the count of the number of new farmers joining the SACCO.*	Gender Age-group (18 - 35 yrs / >35+ yrs) Region Western Uganda		12,000	-	This will be prioritized in 2024, data collections tools have been developed to monitor and track this indicator.
	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 Western Uganda		29,100	1,091	1,091 farmers trained from 12 districts
	Number of Farmer Groups trained in Portfolio Analytic financial management and governance as a result of the project *This is the number of farmer groups trained by SACCOs and SNV in Financial Management and Governance.*	Region Western Uganda		150	247	SNV commissioned a consultant to support the formal legal registration of 247 farmer groups across 12 districts.

[3] 5 staff were targeted to be trained per SACCO