UGANDA DAIRY CREDIT FACILITY ANNUAL REPORT 2025

CONTRACT PARTNER: PCP UGANDA LIMITED

PROJECT: UGANDA DAIRY CREDIT FACILITY

TOTAL PROJECT DURATION: 01ST OCTOBER 2022 – 30TH SEPTEMBER 2028

ANNUAL REPORT COVERING: 01ST JANUARY 2025 – 31ST DECEMBER 2025

DATE SUBMITTED: 31ST MARCH 2026





41 Retail Partners (Cumulative) ➢ 39 SACCOs. ➢ 1 Micro Finance. ➢ 1 SME.	**€2.83M** Cumulative Disbursement to investees **€2.94M** Amount of credit obtained by SHFs. **€101,690** Amount revolved at investee level.	**3,487(1,104F, 2383M)** SHFs Reached (Cumulative) **3,487** No.of loans

Table of Contents

1. Introduction. 4
2. UDCF Performance Overview (Financial & Portfolio Performance). 4
3. Impact Achieved 15
   3.1. Impact Observed at the Last Mile Smallholder Farmers. 15
   3.2. Impact observed at the retail partners / investees. 16
   3.3 Contribution of UDCF towards Environmental, Social and Governance (ESG). 17
   3.4. Stories of change at the investees and the last mile small holder farmers. 18
4. Key challenges and emerging issues. 23
5. Monitoring and Evaluation of activities 23
6. Risk Management 26
7. Possible changes in approaches. 28
8. Lessons Learned 29
9. Integrity. 30
10. Innovations in the fund. 30
11. Annual Financial Report 30
12. Capital Call Summary as of 31st December, 2025 32
13. UDCF Budget performance analysis 33
14. Annex. List of retail partners funded under the project. 34

Abbreviations

- **UDCF** – Uganda Dairy Credit Facility.
- **PCP** – Pearl Capital Partners.
- **EKN** – Embassy of the Kingdom of the Netherlands.
- **DHCL** – Dairy Horticulture Credit Limited.
- **SNV** – Netherlands Development Organisation.
- **ISDAP** – Integrated Smallholder Dairy Program.
- **INCLUDE** – Inclusive Livestock Development for Smallholder Farmers.
- **SME** – Small and Medium Enterprise.
- **MSME** – Micro, Small and Medium Enterprise.
- **SHF / SHFs** – Smallholder Farmer(s).
- **MIS** – Management Information System.
- **PAR (>30 days)** – Portfolio at Risk over 30 days.
- **AGM** – Annual General Meeting.
- **KPI** – Key Performance Indicator.
- **BDS** – Business Development Services.
- **TA** – Technical Assistance.
- **MOU** – Memorandum of Understanding.
- **VSLA** – Village Savings and Loans Association.
- **UGX** – Uganda Shillings.
- **EUR (€)** – Euro.
- **ESG** – Environmental, Social, and Governance.

1. Introduction.

Uganda Dairy Credit Facility is a smallholder Agri-financing credit line managed by PCP Uganda Ltd and capitalized by the EKN grant. The primary goal of this credit facility is to improve access to finance through provision of affordable, appropriate and efficient wholesale credit to Farmer Organizations including SACCOs, Cooperatives, Agri-Fintech & Agri-MSMEs that on lend to smallholder farmers in Uganda's dairy and livestock sectors.

In 2022, PCP with grant support from the Embassy of the Netherlands in Uganda launched the Uganda Dairy Credit Facility (UDCF), an agro-focused credit line established to enhance financial inclusion for smallholder dairy and livestock farmers by offering affordable, accessible and flexible wholesale credit.

This annual report summarizes progress, actual achievements versus targets in 2025. The report provides key highlights for the third year of the UDCF. This report contains the progress of the Uganda Dairy Credit Facility in line with the annual plan.

At the beginning of the financial year under review (January to December 2025), the target was to disburse €1,117 million (approx. Ugx. 4.4695bn) to 10 new farmer organizations in addition to Ugx. 5.275 billion (€1,318750) disbursed in 2023 & 2024.

2. UDCF Performance Overview (Financial & Portfolio Performance).



This section highlights the actual performance against the fund's overall goals, outcomes, and output targets for the period. Progress on UDCF Outcome (Increased capitalization of SACCOs and farmer groups with appropriate and affordable credit available for smallholder farmers).

Planned Activities	Indicator / Milestone	Actual 2 Year ('23 & '24 Cumulative	Target 2025	Actual 2025	% Achieved	Cumulative Since Inception
Investment screening, due diligence, approval, and disbursement.	Number of SACCOs and farmer organizations' credit applications approved	32	10	9	90%	41 (39 SACCOs, 1MFI & 1 SME)
	Amount of Credit disbursed to SACCOs, Agri-SMEs, and other farmer organizations.	€1,318,750	€1,117,375	€1,515,000	135.59%	€2,833,750

2.1 Number of SACCOs and Farmer Organizations' Credit Applications Approved.



As of 31st Dec. 2025, the Fund Manager conducted a series of investment screenings aimed at identifying viable retail partners for funding. This process involved several field visits and due diligence assessments across potential partners. As a result, 9 investee SACCOs were successfully onboarded to the UDCF portfolio representing 90% of the annual target against 10 that was projected, bringing the cumulative total of retail partners to 41 that provide livestock credit to SHFs. Check Annex.

Of these, 39 are Savings and Credit Cooperative Organizations (SACCOs), 1 Micro Finance Institution and 1 Agri SME reflecting a diversified mix of partner institutions aligned with the Fund's strategy. This strategic move was aimed at expanding the facility's outreach and ensuring that more smallholder farmers (SHFs) have access to inclusive and affordable financial services.

The Fund Manager has also diversified the credit delivery mechanisms to enhance access to finance for the underserved smallholder farmers, among the new delivery channels includes small and medium enterprises (SMEs), cooperatives, and digital based lending platforms (Agri-Fintech), to be able to reach farmers in areas with nascent or absent SACCOs and Cooperatives. These channels have been piloted, and the results have been promising. These channels are expected to complement traditional SACCO models and ensure efficient and inclusive access to credit for smallholder farmers, particularly those in underserved and remote areas.

2.2 Amount of Credit Disbursed to Retail Partners



The Fund Manager has continued to improve access to finance for smallholder farmers (SHFs) through the consistent disbursement of funds to retail partners. In line with its 2025 target, the manager planned to disburse €1,117,375 by December 2025 and, a total of €1,515,000 was disbursed, representing 135% of the annual target. This brings cumulative disbursement to retail partners since the Facility's inception to € 2,833,750.

The facility was initially capitalized with an investable capital of €2,490,172. By the end of December 2025, a cumulative amount of € 907,750 had been recovered from the various investees (principal and interest). enabling the facility to extend financing to additional beneficiaries while maintaining the sustainability of the fund. This achievement was primarily driven by the increased uptake of credit at farmer level due to the increased level of satisfaction with the farmer-centered and inclusive credit products that stimulated high demand, prompting several retail partners to request additional tranches and follow on loans to meet the growing financing needs of smallholder farmers.

Technical projects have complemented the fund managers' efforts by providing targeted technical assistance and business development services to retail partners and smallholder farmers in the various intervention areas where they are active. These interventions have strengthened institutional capacity, improved farmers' financial literacy and enterprise management, and enhanced their bankability and creditworthiness, thereby driving increased uptake of agricultural credit.

Lastly, the realization of € 907,750 capital demonstrates strengthened repayment culture at both farmer and SACCO-levels, enhancing sustainability of the credit facility.

This reinforces one of the core objectives of the Uganda Dairy Credit Facility to establish a sustainable, financing mechanism that continually expands access to agricultural credit. Below is a visualization of target versus achieved amount of credit disbursed to retail partners.

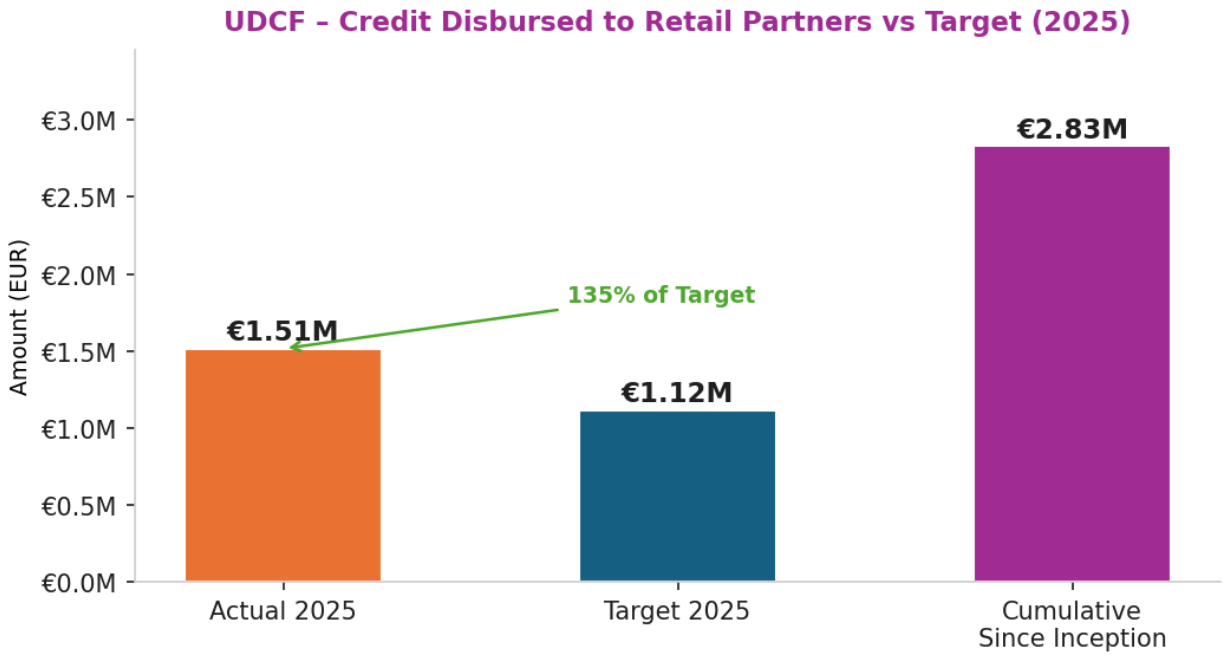


Figure 1: Amount of Credit disbursed to retail partners (SACCOs & Agris SMEs)

€2.83M	**€1.52M**	**€907K**
Cumulative Disbursement	Disbursed in 2025 (135% of the Target)	Recovered (Principal & Interest) since inception

Progress on Outcome: Increased Access to and Utilization of Credit Finance by SHFs.

The key performance indicators guiding this outcome target are designed to measure both the scale and inclusivity of access to credit finance among smallholder farmers (SHFs). These indicators include the total amount of credit accessed by farmers, reflecting the overall financial reach of the facility, as well as the number of SHFs who have successfully obtained credit. Below is the tabulation of the results.

Planned Activities	Indicator / Milestone	Actual 2 Year ('23 & '24 Cumulative	Target 2025	Actual Year 2025	% Achieved	Cumulative 2025
Tracking credit disbursements to SHFs.	Number of SHFs that obtain credit finance.	1,136	1,155	2,351	203%	3,487
	Amount of credit finance obtained by the farmers in Euros.	€1,079,640	€1,360,013	€1,855,800	136%	€2,935,440

	% of women accessing credit.	24%	40%	35%	88%	32%
	% of youth accessing credit.	14%	25%	23%	92%	20%
	Average interest rate.	24%	22%	24%	24%	24%
Monitoring the efficiency and affordability of capital to the SHFs.	Turnaround time [SACCO level and SHF level].	14 days	12 days	5 days	5 days	—

Number of SHFs Obtaining Credit Finance from Retail Partners.



In relation to the number of smallholder farmers (SHFs) accessing credit finance under the Uganda Dairy Credit Facility, a total of **2,351 SHFs** received loans from the retail partners in 2025. Since inception of the project, the cumulative number of smallholder farmers who have accessed credit through the UDCF stands at **3,487** as of the end of December 2025. This milestone demonstrates the significant contribution of the facility in enhancing financial access for smallholder farmers, thereby enabling increased investment in productive agricultural activities.

In terms of access to credit among marginalized communities, there has been a notable increase in demand, rising from 24% in 2024 to 35% in 2025 among women, and from 14% in 2024 to 23% in 2025 among youth. This growth is attributed to the refinement of inclusive credit products designed to better meet the needs of women and young people. In addition, the adoption of group lending methodologies has enabled women and youth without collateral to access credit by guaranteeing one another. These efforts have been further reinforced by targeted mobilization activities conducted by SACCOs to promote access to credit that is flexible, patient, and affordable within the community. Below is a visualization of the target versus achieved No. of SHFs obtaining credit from the retail partners.

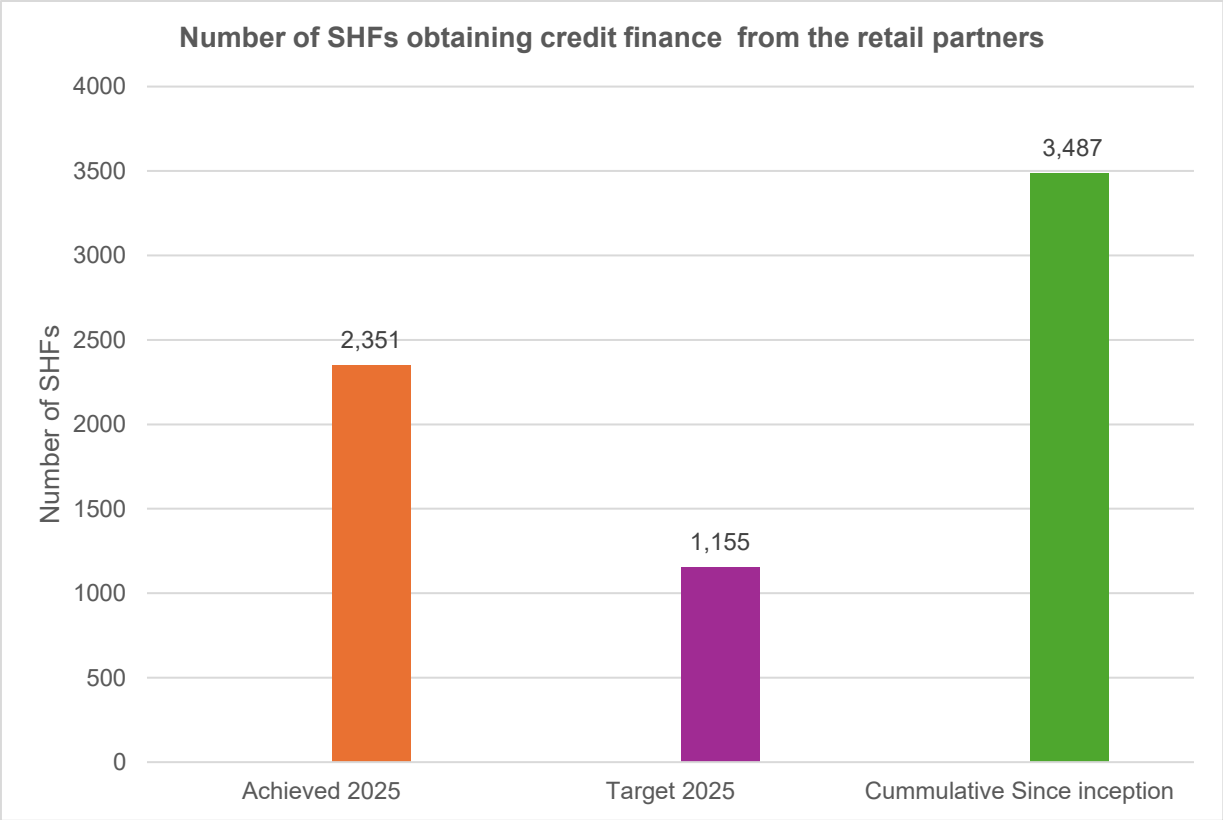


Figure 2: Number of SHFs obtaining credit finance under UDCF from the retail partners / Investees

3,487 Cumulative SHFs Reached	**2,351** SHFs in 2025 (203% of Target)	**35%** Women Borrowers (2025)	**23%** Youth Borrowers (2025)

The Facility recognizes that outreach to women smallholder farmers remains slightly below the established target. Women participation under dairy activities has remained low due to social-culture issues, dairy is a male dominated value chain. However, with the expansion of the funds scope to include the smaller ruminants under livestock, the manager has registered a positive increase in women participation with the percentage of women currently standing at 35%. This underscores the need for more deliberate and inclusive financing approaches to ensure equitable participation of women in agricultural financial services.

Retail partners are being supported to develop and implement targeted strategies that enhance women and youth access to credit. A key intervention has been the promotion of group-based lending models, which mitigate collateral constraints, reduce perceived lending risks, and improve loan accessibility for women and youth. These models have proven particularly effective for underserved groups who often face structural and social barriers to formal finance.

Notably, there has been measurable progress in 2025 compared to 2024, with women access to credit increasing from 24% to 35% and youth access rising from 14% to 23%. This upward trend reflects the positive impact of the inclusive financing measures adopted.

By scaling these approaches and intensifying community-level sensitization efforts, the Facility aims to further close the gender gap, strengthen youth inclusion, and promote equitable growth within the agricultural finance ecosystem.

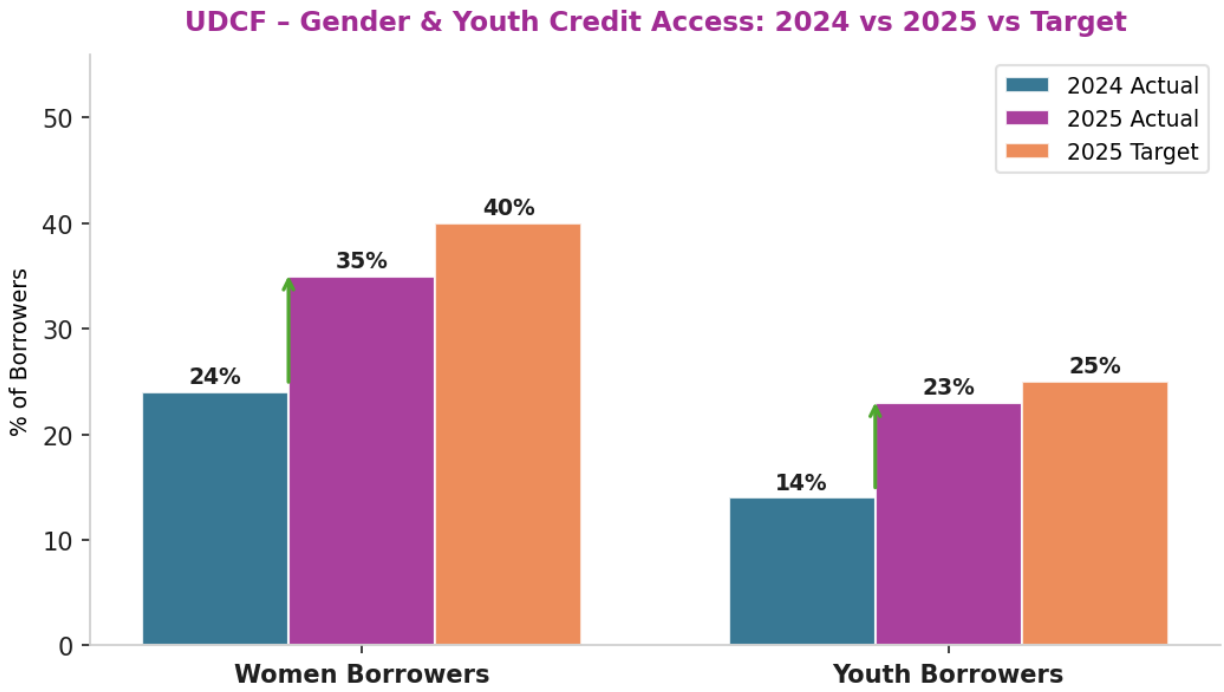


Figure 3: Gender & Youth Inclusion - Credit Access Comparison 2024 vs 2025

Amount of Credit Finance Obtained by SHFs from Retail Partners.

Between January and December 2025, smallholder farmers (SHFs) accessed a total of € 1,855,800 under the Uganda Dairy Credit facility across various retail partners. Cumulatively, since the inception of the project, SHFs have accessed €2,935,440 in the dairy and Livestock sector. The € 1,855,800 accessed by farmers enabled timely purchase of improved dairy breeds, poultry, pigs, goats, feeds, pasture improvement, construction of livestock shelter, water harvesting, labour among others.

This milestone reflects the steadily growing demand for agricultural financing and underscores the facility's critical role in improving access to productive capital, thereby enhancing agricultural productivity and resilience among farmers. Below is a visualization showing the amount of credit finance obtained by SHFs from the retail partners.

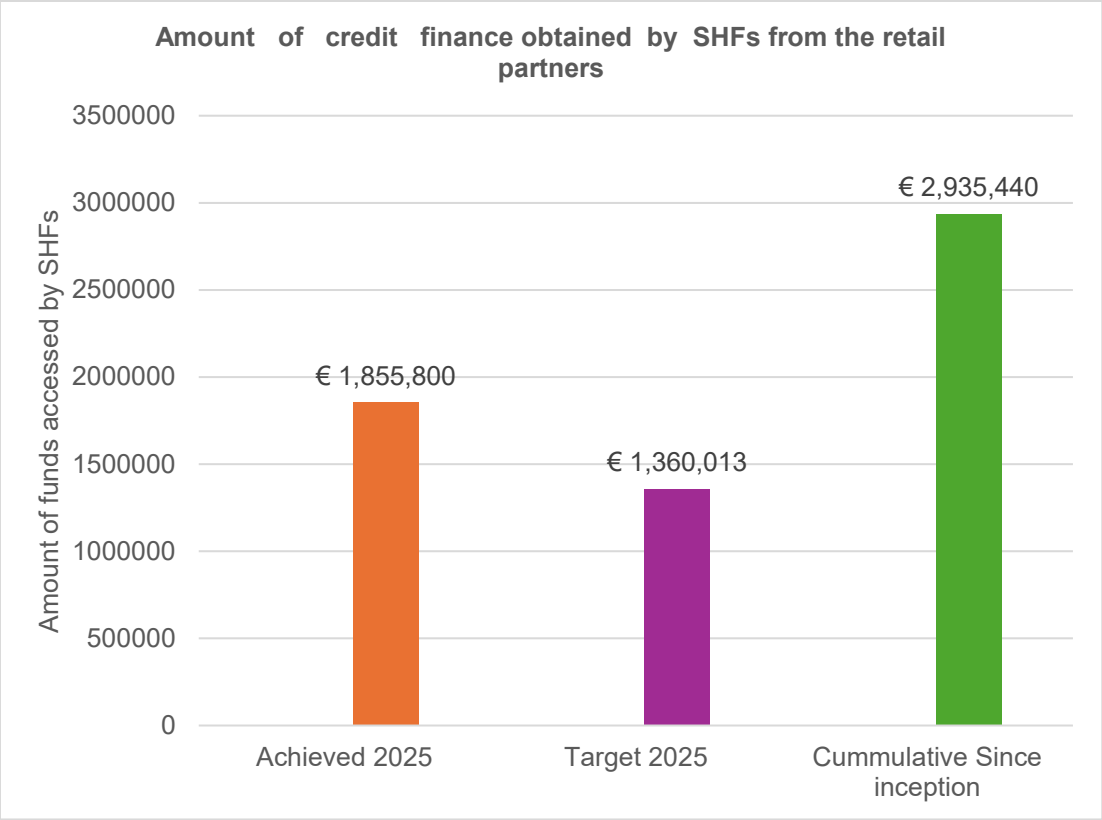


Figure 4: Amount of credit finance obtained by SHFs from the retail partners

Gender Inclusion.

Youth SHFs accessed € 352,602 (19%) of the funds, while women accessed €556,740 (30%) of the total credit disbursed during the reporting period. This represents encouraging progress toward advancing gender equity and youth participation in agricultural financing.

€557K	**€353K**	**35%**	**23%**
Women's Share (30%)	Youth's Share (19%)	Women Borrowers	Youth Borrowers

Explanation for the Increase in Uptake of UDCF in 2025:

- **Refinement of credit products.** With technical support and capacity building from SNV/ISDAP, SACCOs were guided to develop and refine their credit products to incorporate dairy and livestock unique financing needs, this led to the design of more inclusive and responsive products featuring value chain specific grace periods and affordable interest rates not exceeding **2%.** As a result, the products became more attractive and accessible to smallholder farmers, significantly driving increased uptake.

> ***Voices from the field:*** *"With support from PCP & SNV/ISDAP we managed to develop new credit products and review our credit policy and this enabled us to attract more farmers and increased uptake of credit" attested by Manager of Hakashenyi SACCO.*

- **Adoption of the group lending methodology.** The introduction and expansion of the group lending methodology enhanced financial inclusion, especially for marginalized farmers lacking physical collateral like land. Through this approach, farmers are able to co-guarantee one another, enabling

them to access credit without traditional security requirements. This innovation has broadened outreach and contributed substantially to the growth in credit uptake.

> ***Voices from the field: "*** *In Nyabyumba SACCO we have been able to mobilize youth and women through youth and women councils. We have also organized the youth and women in groups and since they do not have collateral, they are able to access credit by co guaranteeing one another" echoed by Manager Nyabyumba SACCO.*

- **Continuous monitoring and collaboration with key FNS stakeholders.** Sustained engagement and close collaboration with retail partners and other EKN projects have also played a critical role. The fund manager has maintained consistent community mobilization efforts, raising awareness about the credit facility. The technical projects have linked smallholder farmers to financial institutions where they can access affordable credit. This proactive outreach has strengthened farmer confidence and accelerated enrollment under the credit line.

- **Expansion of the value chain scope of the fund.** In previous years, access to the facility was limited to farmers operating within the dairy sector, despite evident demand for credit among farmers engaged in other Livestock value chains mainly the smaller ruminants. The expansion of the financing scope to cover the broader livestock sector has significantly contributed to the increased uptake, as it now accommodates all livestock like cow, piggery, poultry among others. This inclusivity has enabled more farmers to access financing, thereby driving higher utilization of the fund.

Credit Product Development / Refinement

As of the December 2025 all the 40 SACCOs & MFI had successfully developed dairy products, with many in the process of refining to incorporate the livestock sector to better meet the needs of smallholder farmers. Customization of the credit products has ensured appropriate and flexible credit is accessed by SHFs, key features include grace periods aligned with maturity cycles of the livestock products, affordable interest rates not exceeding 2% per month for the last mile among others.

Loan Utilization

An analysis of loan utilisation patterns under the Uganda Dairy Credit Facility (UDCF) reveals a clear and deliberate investment orientation among borrowing smallholder farmers. The chart below presents the proportional distribution of how farmers utilised livestock credit during the reporting period.

Dairy & Livestock — Loan Utilization by Enterprise Category (2025)						
Enterprise Category	**Loan Contributions**	**%loan**	**Amount Utilized (UGX)**	**Amount Utilized (EUR)**	**% Amount**	**Avg Loan (UGX)**
Dairy Breed Improvement	1,195	50.80%	5,846,796,393	1,461,699	78.8%	4,892,717
Pasture, Fodder & Animal Feeds	287	12.20%	368,136,321	92,034	5%	1,282,705
Poultry	282	12.00%	366,383,776	91,596	4.9%	1,299,233
Goats	172	7.30%	232,126,924	8,032	3.%	1,349,575
Farm Infrastructure	174	7.40%	220,055,028	55,014	3%	1,264,684
Piggery	156	6.60%	216,760,826	54,190	2.9%	1,389,492

Veterinary / Health	63	2.70%	103,978,728	25,995	1.4%	1,650,456
Water Harvesting	22	0.90%	68,962,004	17,241	0.9%	3,134,637
TOTAL	**2,351**	**100%**	**7,423,200,000**	**1,855,800**	**100%**	

Analysis of livestock loan records reveals that Dairy breed improvement dominates credit utilization, accounting for the majority of investments made by borrowers. Breed improvement purchases alone represent 50.8% of all livestock loans, underscoring the central role of dairy farming as the primary livelihood enterprise across program regions most especially Ankole and Kigezi. This strong concentration reflects both the program's dairy-oriented origins and the commercial viability of dairy enterprises for smallholder farmers, given their ability to generate regular income through milk sales. In addition, the higher percentage in breed improvement is attributed to the fact that ISDAP was active in areas not predominantly for dairy, after training and extension services offered, many SHFs wanted to improve breed while others were new acquisitions to start dairy projects.

Additional livestock investments include poultry (12.2%), goats (7.3%), and piggery (6.6%) most popular in Busoga. Together, the 3 enterprises represent a combined 25.9% of livestock credit disbursed in 2025, underlining the importance of small ruminants in the income and nutritional security strategies of smallholder households. Poultry farming encompassing layers, broiler, saussex, and indigenous chicken production has become an increasingly attractive enterprise for smallholder households, particularly women and youth, due to its relatively low capital requirements, short production cycles, and the consistent demand for eggs and poultry products in local markets. Goat rearing whether for meat or live animal sales offers farmers a resilient and liquid income source with lower operational costs and faster generational turnover compared to cattle. All the 3 enterprises are prevalent in Busoga region.

Beyond animal acquisition, borrowers are increasingly using credit to strengthen the productivity and sustainability of their farming systems. For example, pasture establishment and animal feed investments account for 12.2% of loans, reflecting farmers' recognition that consistent feed supply is essential for stable milk production and weight gain of livestock products. In addition, investments in improved pasture varieties help reduce reliance on costly commercial feeds and ensure year-round fodder availability.

Borrowers are also investing in farm infrastructure and equipment (7.4%), including fencing, cattle sheds, kraals, and water systems that are critical assets and enhance animal welfare, and support organized livestock management.

Meanwhile, veterinary and animal health inputs and water harvesting account for 3.6% of loans, highlighting the importance of maintaining livestock health for sustained productivity.

Overall, the utilization trends under the Dairy Credit Line demonstrate that financing is being used to improve farming systems under the livestock sector.

Progress on Outcome 3: Improve the Governance and Performance of SACCOs

Planned Activities	Performance Indicator/milestones	Actual 2 Year ('23 & '24 Cumulative	Actual Year 3 (2025)	Target 2025	% achieved	Cumulative since inception

Assess and recommend technical capacity needs of the investee SACCOs to the technical partners and follow up implementation.	Number of SACCOs trained [Both new and existing investee SACCOs].	30	10	**10**	110%	40
Follow up compliance to good cooperative governance principles	%age of SACCOs conducting their AGMs within at least four (4) months after the closure of the financial year.	100%	100%	**100%**	100%	100%
	%age of SACCOs conducting regular board meetings (At least once a quarter).	100%	100%	**100%**	100%	100%

Number of SACCOs trained.



With regard to the follow-up on compliance with good cooperative governance principles, in collaboration with other technical partners, DHCL team has continued with the monitoring and mentorship of its retail partners to ensure adherence to required governance standards. This involved physical attendance of Annual General Meetings. By the years end, DHCL team had physically participated in 7 AGMs. Among key takeaways were that all SACCOs registered significant growth in performance indicators (membership, shareholding, deposits, and loan portfolio) compared to 2024. It should also be noted that all retail partners conducted AGMs complying to one of the KPIs set during inception of partnership between DHCL & the retail partners.

During the reporting period, significant efforts were made to strengthen the institutional and operational capacities of retail partners under the INCLUDE-project and other FNS technical projects that are supporting farming systems at SHF level. In the first quarter of 2025, SNV conducted training for 10 SACCOs in the Kigezi region, focusing on agricultural finance and risk management. This training enhanced the ability of SACCOs to provide tailored financial services to smallholder farmers while managing sector-related risks more effectively.

To further promote peer learning, SNV, in collaboration with PCP, organized an exposure visit for SACCOs from the Rwenzori and Busoga regions to the Ankole region. A total of 10 SACCOs participated, creating opportunities for cross-regional exchange of experiences, best practices, and strategies for strengthening member services.

Furthermore, in April 2025, PCP supported SNV to identify and select 18 SACCOs from the Rwenzori and Busoga regions to undergo a cybersecurity audit of their Management Information System (MIS) software applications. The audit aimed to improve system effectiveness while addressing the growing risks associated with cybercrime, thereby safeguarding SACCO operations and enhancing member confidence in digital financial solutions.



Figure 6:Busoga SACCOs (Nakanyonyi Good Shepherd, Nyota Business Traders, Kasolwe, Mbulamuti, Kityerera Intergrated Dev't, Bukanga Agali Awamu) participants in an exposure learning visit to Nyakyera Farmers' SACCO – as a model SACCO in Ankole region.

Progress on Outcome 4: Maximum Fund Performance and Sustainability

Planned Activities	Performance Indicator / Milestones	Actual 2 Year ('23 & '24 Cumulative	Actual 2025	Target 2025
Portfolio management.	Portfolio at risk > 30 days [below 3%].	0%	2.2%	Below 3%
Partner development and Co-investments with existing similar projects.	Potential refinancing partners onboarded.	1	0	1
	Number of co-investment opportunities created.	4	2	4

Portfolio at risk > 30 days [below 3%]:

Portfolio at Risk > 30 Days

The current portfolio at risk stands at 2.2%. This increase was due to poor business performance for one of the investees whose supply chain was affected by the default from the side of their off takers. These are currently being supported to turn-around business operation and repay their arrears.

3. Impact Achieved.

The Uganda Dairy Credit Facility has generated impact that extends beyond the disbursement of capital both at retail partners and at the last mile small holder farmers as justified below.

3.1. Impact Observed at the Last Mile Smallholder Farmers.

1.Job creation.



Access to credit for last-mile smallholder farmers has had a significant impact on rural employment creation. As productivity grows, farmers require additional labor for land preparation, planting, harvesting, and livestock management. This has generated both seasonal and permanent employment opportunities within rural communities. According to the MTR report from 527 farmers interviewed through surveys and Focus Group Discussions showed that over 500 new jobs had been created equating to roughly 1 job per farmer. Based on this sample, the project is estimated to have supported the creation of approximately 24,107 jobs, representing 99% progress toward the farmer-level job creation target. In addition, 81 jobs were also reported across 15 SACCOs that participated in the evaluation. These jobs primarily stemmed from the expansion of SACCO operations, which required additional staff to manage the increased volume of financial services and loan disbursements.

> ***Voices from the field:*** *"I am now able to employ a herdsman to collect water and feeds for the cows and he also supports milking in the morning and evening" said Owomugisha Charity a smallholder farmer a member of Hakenshenyi SACCO.*

2. Enhanced Financial Inclusion.



The facility has contributed to reducing structural barriers to agricultural finance, particularly for women and youth. The adoption of group lending methodologies has enabled farmers without collateral to access credit through collective guarantees, unlocking demand within marginalized communities. The observed growth in participation among women and youth reflects increased economic empowerment and reduced inequality. In addition, over 4,830 smallholder farmers have joined various SACCOs.

> ***Voices from the field:*** *"I was able to access a group loan to develop my piggery project without giving any collateral and members of the group and I co-guaranteed one another and we thank the SACCO for this great innovation to support women and youth" said Nakalema Luthia a member of Bukanga Agaliawamu SACCO.*

3. Farming systems strengthened.



Access to credit has strengthened farming systems by enabling farmers to adopt integrated crop and livestock practices. Diversification into livestock rearing enables farmers to enhance income stability while utilizing cow dung as organic manure, improving soil fertility, reducing reliance on chemical fertilizers, and promoting sustainable agricultural production.

> ***Voices from the field:*** *"I am able to utilize manure from the cows I purchased using the credit from the SACCO as organic fertilizer in my matooke plantation and thus improving the plantations yield said Sarah Tushabe a member of Nyabyumba SACCO."*

4. Improved Production and productivity.



Access to quality inputs in the livestock sector, covering dairy, piggery, and poultry, has strengthened smallholder farmers' capacity to maintain healthy, productive animals while meeting market demand. Availability of improved feed, veterinary services, and quality breeds

reduces production risks and enhances operational efficiency, while dependable market access ensures farmers can sell their products at fair prices and minimize post-production losses.

> ***Voices from the field:*** *"The group has been able to access credit and used it to purchase quality chicks and feeds that have matured into high quality chicken and has enabled us negotiate better prices with buyers said the leader of Kwagala Poultry group attached to Bunawona SACCO.*

3.2. Impact observed at the retail partners / investees.

The disbursement of funds to retail partners, primarily Savings and Credit Cooperatives (SACCOs), has had a significant and transformative impact on their institutional growth and delivery service. These funds have not only strengthened their financial base but also enhanced their ability to extend affordable and timely credit to smallholder farmers. Field-based quarterly monitoring visits have revealed several positive outcomes, for example.

1. Growth in Membership:



All retail partners reported a steady increase in their membership base, largely driven by farmers enrolling to access the newly developed, farmer-centered credit products tailored to agricultural cycles and cash flow patterns. These products, designed with flexible repayment terms, grace periods, and inclusive features for women and youth, have responded directly to the practical financing needs of smallholder farmers. The growth in membership not only indicates rising demand for affordable and appropriate financial services but also reflects strengthened institutional credibility. It should be noted that over 4,830 members have joined SACCOs due to the intervention.

> ***Voices from the field:*** *" We have increased in membership at the SACCO due the affordability, accessibility and design of the loan products from the DHCL fund" said Bunawona Manager."*

2. Increase in internal capitalization of Farmer Organizations:



In addition, 77% of the retail partners reported an increase in share capital and savings. It should be noted that due to increase in membership at the SACCO, the funds acted as a catalyst for members to invest more in their Farmers Organisations and also new members joined, resulting in a notable increase in share capital and savings. This has further strengthened the capital adequacy of the retail partners, enabling them to provide more diversified loan products.

3. Improved Loan Portfolio Quality:

As of December 2025, 28 out of the 40 SACCOs (68%) reported PAR >30 days below 10%, indicating improving portfolio quality across the network. However, continued attention and follow-up remain necessary for the 16 investees whose PAR exceeds 10% to further strengthen portfolio performance. Additionally, 37 investees (90%) reported growth in their loan portfolios.

4. Unlocked opportunities for external financing:

The program has unlocked external financing opportunities for retail partners beyond the UDCF. 4 investees i.e. Busiaga SACCO, Kitojo Care SACCO, Kijura SACCO, and Nakanyonyi SACCO have successfully accessed credit from external lenders such as Stanbic Bank, aBi, and MSC. This progress has been driven by the technical assistance support that has improved their investment readiness and creditworthiness. As a result, the retail partners have expanded their working capital base, enabling them

to on-lend to more smallholder farmers and further strengthen agricultural financing.

Voices from the field: *"The loan we acquired from DHCL unlocked several opportunities for the SACCO. Currently we have acquired a loan from ABI" said Busiaga SACCO manager.*

6.Fund revolvement.

Furthermore, the revolving effect is increasingly evident at several retail partner organisations. Overall UCDF facility €101,690 has revolved at the investee level. This is due timely repayments by last-mile farmers to SACCOs that have strengthened liquidity among retail partners, enabling them to extend additional credit and sustain lending cycles. This demonstrates the overall health of the credit portfolio and reinforces the sustainability of the financing model.

3.3 Contribution of UDCF towards Environmental, Social and Governance (ESG).



The **Uganda Dairy Credit Facility (UDCF)** continues to generate measurable Environmental, Social and Governance (ESG) impact through responsible livestock financing that supports sustainable agriculture, inclusive economic growth, and strong institutional governance.

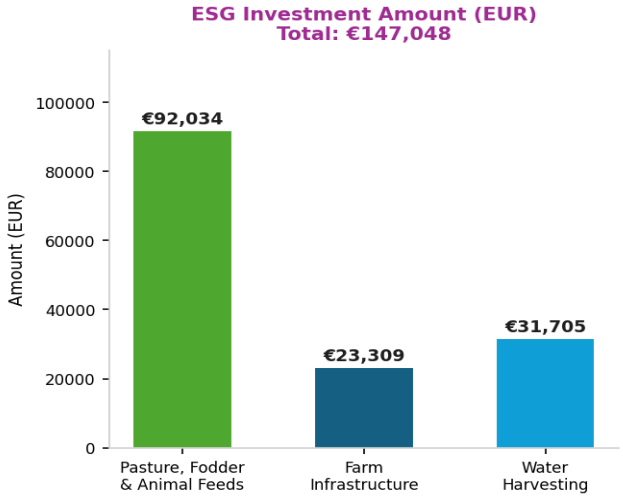
Environmental Stewardship-Sustainable Land use

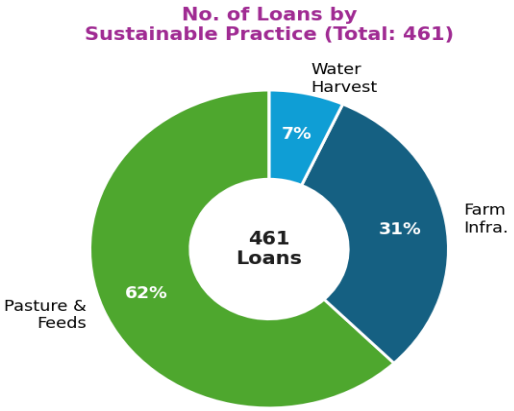
UDCF supported investments are contributing to the development of climate-resilient and environmentally sustainable farming systems by advancing both climate adaptation and mitigation outcomes. For instance, 287 farmers accessed loans to establish pasture gardens that enabled to improve soil cover, and reduce erosion. By strengthening on-farm feed availability, pasture investments (**€92,034**) reduced pressure to clear additional land for grazing, thereby supporting biodiversity conservation.

Additionally, over €23,309 has been invested in zero-grazing infrastructure and livestock housing, with 143 farmers accessing loans to promote improved manure management and stronger crop–livestock integration. Farmers are increasingly applying livestock manure as organic fertilizer in their crop gardens, improving soil fertility while reducing reliance on chemical fertilizers.

Furthermore, €31,705 has been invested in water conservation infrastructure, including water harvesting tanks, strengthening 31 farmers' resilience to seasonal droughts. Borrowers are also adopting improved livestock breeds, which generate higher productivity per animal. Higher milk yields increase resource efficiency by reducing the land, water, and feed required to produce a given volume of milk, thereby supporting more sustainable dairy production systems.

Category	No. of Loans	Amount (UGX)	Amount (EUR)
Pasture, Fodder & Animal Feeds	287	368,136,321	92,034
Farm Infrastructure	143	93,235,071	23,309
Water Harvesting	31	126,819,957	31,705
TOTAL	**461**	**588,191,349**	**147,048**





Social Inclusion and Impact

UDCF credit is delivering meaningful social outcomes for rural households. During the reporting period, women accessed 30% of total livestock credit €556,740 while youth accessed 19% € 352,602 reflecting progress toward the programme's inclusive financing objectives. The use of group lending mechanisms has been instrumental in enabling women and youth without traditional collateral to access productive finance.

Livestock enterprises supported through UDCF generate stable income streams, improved household nutrition, and increased capacity to meet essential needs such as education, healthcare, and food security. As farm enterprises expand, borrowers are also creating employment opportunities for farm workers and contributing to local rural economic development.

3.4. Stories of change at the investees and the last mile small holder farmers.

1. Story of change - Strengthening Financial Inclusion Through Access to Affordable Credit at Nyabyumba SACCO

KPI	31st May 2024	31st December 2025
Membership	3,092	4,107
No. Of women	1,058	1,515
No. Of Youth	0	50
Loan Portfolio (UGX)	1,280,024,828	1,944,500,380
General Agriculture Loans (UGX)	569,729,916	536,912,151
Horticulture / Agri-food Crop Loans (UGX)	0	197,870,581
Dairy / Livestock Loans (UGX)	0	96,917,795
Agri-Advance Loans (UGX)(Inkind support provided to farmers from the SACCO input shop)	0	55,115,300
Savings Deposits (UGX)	345,728,714	649,293,962

Share Capital (UGX)	331,916,500	491,547,513
Clientele / Borrowers	902	1,094
%age of women borrowers	47.5%	37.5%
%age of youth borrowers	0%	5%
PAR >30 days	14.9%	8.9%

In September 2023, Nyabyumba SACCO from Kigezi region was operating as a Category D SACCO, with limited institutional and financial capacity to effectively serve its predominantly smallholder farmer membership. The SACCO relied on manual record-keeping systems, which constrained operational efficiency, financial reporting, and portfolio management. These limitations affected its ability to expand lending, mobilize savings, and maintain strong loan repayment discipline. At the time, the Portfolio at Risk (PAR >30 days) stood at 14.9%, above the acceptable industry benchmark of ≤10%.

A **turning point** came through targeted technical assistance and financial support aimed at strengthening the SACCO's institutional capacity and expanding access to agricultural finance. Nyabyumba SACCO accessed a UGX 300 million loan facility from DHCL, enabling it to increase liquidity and expand lending to smallholder farmers engaged in livestock and agri-food value chains. This support also enabled the SACCO to recruit additional credit officers, improving loan monitoring and member outreach, while introducing youth and women-focused loan products designed to enhance financial inclusion.

To strengthen operational efficiency, the SACCO was supported to acquire and implement a Management Information System (MIS). This digital transition significantly improved financial reporting, portfolio monitoring, and transparency, enabling more informed and timely decision-making. In parallel, board members and staff received training in governance, compliance, credit management, and financial oversight, which strengthened institutional governance and accountability.

The SACCO also expanded its role in supporting agricultural productivity by linking farmers to certified agricultural input suppliers and establishing an input shop to improve access to quality farm inputs. With technical guidance from the DHCL team, the SACCO further developed farmer-centered and gender-inclusive credit products aligned to agricultural production cycles, incorporating grace periods and affordable interest rates that better match farmers' cash flow patterns.

As a result of these interventions, Nyabyumba SACCO experienced significant institutional growth between December 2023 and December 2025. The SACCO graduated from Category D to Category C, reflecting strengthened governance and financial performance. Membership increased from 2,783 to 4,107 members, representing 47.6% growth, while active borrowers increased by 39%, indicating stronger access to credit among members.

The loan portfolio expanded from UGX 1.15 billion to UGX 1.94 billion, reflecting growing demand for agricultural finance and increased confidence in the SACCO's services. Savings mobilization also grew substantially, and share capital increased by more than 60%, strengthening the institution's financial sustainability.

Importantly, portfolio quality improved significantly, with PAR >30 days declining from 14.9% to 8.9%, bringing the SACCO within the industry benchmark of ≤10% and demonstrating improved credit management and repayment discipline.

Today, Nyabyumba SACCO has transformed into a stronger, more inclusive, and financially resilient rural financial institution. By expanding access to affordable agricultural finance, strengthening governance systems, and improving financial services for smallholder farmers, the SACCO is playing

an increasingly important role in supporting rural livelihoods, agricultural productivity, and local economic development in the Kigezi region.

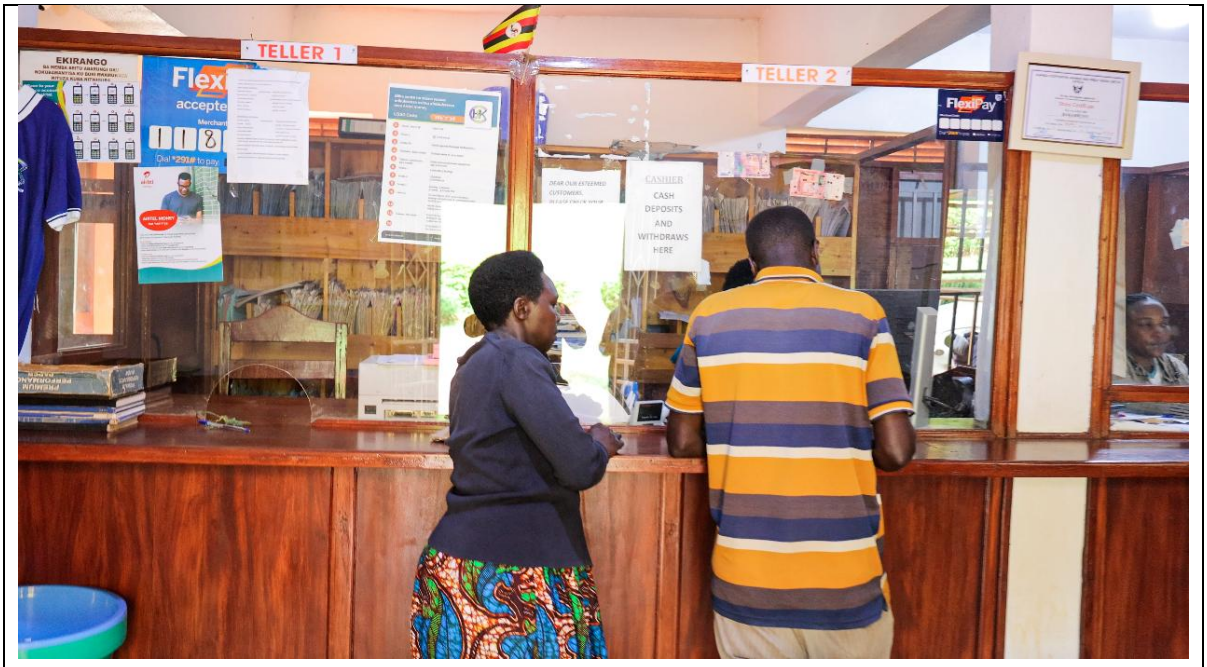


Figure 8: One of the clients accessing credit at the teller point at Nyabyumba SACCO.

2. Success Story of Change: From Salary to Sustainable Livelihood – Sarah Tushambowe Dairy Farming Journey a member of Nyabyumba SACCO.



Sarah Tushabomwe, a member of Nyabyumba SACCO, is a smallholder farmer with a strong interest in dairy farming and crop production. For years, however, her ability to invest in dairy farming and expand her agricultural activities was constrained by limited access to affordable financing and inadequate financial management skills.

A turning point came when Sarah attended the SACCO's Annual General Meeting, where she learned about a dairy financing facility supported under the BRIGHT Project. Through this initiative, she accessed a loan of UGX 3,000,000 and received financial literacy training, which enhanced her capacity to plan, invest, and manage her resources more effectively.

With this support, Sarah invested in a dairy cow and constructed a proper cowshed, establishing a more structured and productive dairy enterprise. Over time, the cow has reproduced and continues to provide milk, generating a reliable source of daily income for her household.

In addition, Sarah has integrated her dairy and crop enterprises by utilizing cow dung as organic manure in her banana plantation, passion fruit garden, and vegetable plots. This has improved soil fertility and significantly increased crop yields. As a result, she is able to sell surplus produce in the local market, further diversifying her income streams.

Through these investments, Sarah has transitioned from limited subsistence farming to a more diversified and market-oriented livelihood. She is now better positioned to improve her household income, enhance food security, and build resilience against economic shocks. Notably, her improved financial stability has enabled her to pay school fees for her children more consistently and with greater ease.

3. Success Story: Strengthening Financial Inclusion Through Access to Affordable Credit at Busiaga SACCO.

KPI	31 Dec 2023 (Category C)	31 Dec 2025 (Category B)	
Membership	3,789	7,790	+1.06%
Loan Portfolio (UGX)	1,358,924,263	4,616,590,730	+2.40%
Dairy/Livestock Loans	-	91,258,755	
Horticulture/Crop loans	-	212,937,097	
General Agric loans	355,571,247	1,384,977,219	+2.90%
Number of borrowers	724	2,099	+1.90
No. of women borrowers	293	875	+1.99%
No. of youth borrowers	489	1,030	+1.11%
Savings Deposits (UGX)	1,152,584,926	3,105,934,523	+1.69%
Share Capital (UGX)	379,531,897	863,372,847	+1.27%
PAR >30 days	4.8%	8.3%	+3.5%

Busaiga Savings and Credit Cooperative Limited, established in 2003 in Fort Portal City, has long served rural communities across Kabarole, Ntoroko, Bundibugyo, and Bunyangabu districts in Uganda's Rwenzori region. For many years, the SACCO operated as a modest community financial institution supporting smallholder farmers who had limited access to formal financial services. However, by the end of 2022, its growth had stagnated due to limited capital, weak credit management systems, and the absence of agricultural loan products tailored to farmers' needs. At the time, the SACCO had 3,789 members and a loan portfolio of UGX 1.36 billion, placing it in Category C institutional performance.

The **turning point** came in 2023, when Busaiga SACCO was onboarded under Dairy-Horticulture Credit Limited (DHCL) through ISDAP-SNV project. Through this partnership, the SACCO accessed both affordable wholesale credit (UGX 300 million) from DHCL and targeted Business Development Services (BDS) delivered by SNV under the ISDAP and INCLUDE projects. The SACCO's leadership received

training in governance, risk management, resource mobilization, agricultural finance, and product development. Exposure visits to high-performing SACCOs and a cybersecurity audit further strengthened management systems and institutional confidence.

Using this facility, the SACCO developed farmer-focused credit products with flexible repayment schedules aligned to agricultural production cycles and group guarantee mechanisms that enabled women and youth without collateral to access loans.

The institutional transformation has been remarkable. Membership grew from 3,789 in 2023 to 7,790 by September 2025, while female membership increased sharply from 293 to 875. The loan portfolio expanded to UGX 4.62 billion (+2.40%), savings deposits grew to UGX 3.1 billion (1.69%), and share capital increased to UGX 863 million (+1.27%). Active borrowers rose to 1,794, and the SACCO expanded its operations by opening a new branch in Bundibugyo District.





Figure 9: Showing Busaiga SACCO premises and staff.

4. Story of Change: Strengthening Smallholder Productivity through Access to Finance – The Case of Mugume Patrick a member of Busaiga SACCO





Mugume Patrick, a resident of Busaiga Cell, is a dedicated smallholder farmer who has been engaged in mixed farming combining dairy and horticulture for over 10 years. Despite his experience, his ability to expand production and fully commercialize his farm had been constrained by limited access to affordable financing.

A turning point came when Mugume accessed an UGX 7 million loan facility through Busaiga SACCO, supported under the DHCL financing initiative and technical assistance through the ISDAP project. The

loan, structured with a 10-month repayment period and a 3-month grace period, provided him with the flexibility needed to invest in productive agricultural activities aligned with his farming cycle.
With this financing, Mugume purchased an additional dairy cow, strengthening his zero-grazing dairy enterprise, and invested in onion production across nearly 2 acres of land. This diversification not only increased his production capacity but also reduced risk by spreading income sources across both livestock and crop enterprises.
As a result, Mugume is now better positioned to increase his household income, improve food security, and build resilience against agricultural shocks. His ability to invest in both dairy and horticulture demonstrates a shift from subsistence farming towards more market-oriented and income-generating agriculture.

4. Key challenges and emerging issues.

The implementation of the Uganda Dairy Credit Fund (UDCF) has continued to demonstrate strong performance and relevance; however, several key challenges have emerged that influence scaling, operational efficiency, and long-term sustainability of the facility.

Increasing operational costs (Deployment and monitoring). This is largely driven by a strategic shift towards serving weaker FOs (category C,D and E SACCOs) that are the dominant categories in many sub-regions where the fund is active. A lot of pre and post investment support is required; these FOs require smaller ticket sizes in average range of 50-100 million yet significant due diligence before approval is needed and post disbursement monitoring is more regular to mitigate risks of credit default.

Additionally, the original fund design had envisaged a total of 10 SACCOs under UDCF, however with the expansion of the fund scope the number of active investee SACCOs has already exceeded to more than 20 SACCOs. This growth trajectory, while positive, has intensified resource requirements and highlighted the need to review the fund management fee structures. Discussions have been initiated with the investor awaiting final decision and approval of the merged fund.

Capacity gaps among FOs after project closure. ISDAP project that was the leader provider of TA and BDS support in the fund design ended in 2024. However, many FOs, particularly emerging SACCOs and cooperatives originally not profiled under the BDS and TA program yet having potential to improve financial inclusion exhibit limited institutional capacity but with no budget to support them after the project has expired. A separate TA budget is required in the fund to address unique capacity gaps not addressed by the projects to strengthen investment readiness, improve operational systems, and reduce portfolio risk exposure.

Capital constraints driven by strong demand. Following the expansion of the fund scope (value chain and geography), UDCF has experienced significant uptake among investee farmer organizations (FOs) and smallholder farmers, the initial investable capital is currently over committed and the manager has slowed down on new commitments yet the credit demand still exists. Without timely recapitalization, there is a risk of slowing expansion and constraining the full realization of demonstrated demand. However, the fund manager has prioritized fundraising efforts to capitalize the fund, several potential investors with aligned objectives are being engaged to secure additional capital for continuity of the financing.

5. Monitoring and Evaluation of activities

Peer Monitoring in Fortportal, Elgon and Busoga regions.

PCP participated in the EKN-funded FNS project Peer Monitoring activity in June and October 2025 that involved all EKN funded projects with the objective of having projects learn from one another, share experiences and strengthen collaboration during implementation. The key learnings and action points for PCP from this activity included;

- Digital finance emerged as a promising channel for expanding credit access. However, it was noted that it's implementation requires an initial investment to digitalize farmer groups. In exploring

alternative channels, PCP has engaged agri-fintechs and is currently collaborating with Akabox under the MOU with the IFDC/BRIGHT project. By the end of the year, over 120 farmer groups had been digitalized across various locations and trained on using the platform. 713 (408F, 305M) smallholder farmers had received credit through this channel. Marking a significant shift away from purely physical, SACCO-based lending. These groups will continue saving through the digital system, which will track their credit scores and enable farmers to access credit directly through the platform. It was also noted that BDS support is critical during the digitalization process. PCP will collaborate with other EKN FNS projects to support the digitalization process.

- Integration of Agro-insurance as a bundled service within the PCP credit portfolio for credit issued to smallholder farmers. To achieve this, PCP is collaborating with the Agro Insurance Consortium to deliver agro-insurance services through its retail partners. Several engagements have been held, and 24 retail partners across all regions have been selected for a pilot phase, with the long- term goal of extending the service to all retail partners such that more SHFs benefit. This is being done to derisk SHFs such that in case of loss due to a natural disaster, the credit is paid back by the insurance company.
- Intensifying collaboration with EKN projects on access to finance through developing/refinement of credit products and lobbying and advocacy within the finance sector. In response PCP has commenced Bi-lateral discussions with the individual projects to agree on areas of collaboration. Already MOUs have been signed with BRIGHT and INCLUDE.
- Monitoring of interest rates for the last mile smallholder farmers and improving group lending methodology within the SACCOs. In response PCP has drafted a paper that has been discussed with the various EKN projects and a TWG for VSLAs has been created to discuss on areas where varius projects can collaborates to resolve gaps most especailly among VSLAs. Currently a study is being conducted on the various practices, operations, challenges and opportuntities across VSLAs in EKN areas of implemetation. The findings shall be shared soon.
- Exploring partnerships with other value chain actors (input & output markets) to maximise benefits from the loan. In response PCP has already started discussing with the private sector players on the input market (Holland Greentech). In collaboration with the technical projects and other sector players, this is to be fastracked. Tripartite agreements with offtakers are also being discussed in some value chains. Currently having active tripartite agreements with Psalms and Farmers cooperatives in the potato value chain. Strengthening market linkages (input and output markets) has been integrated in the annual work plan for 2026.



DHCL Manager presenting during the Peer Monitoring Review meeting.

Ambassadors Visit to Kigezi Region

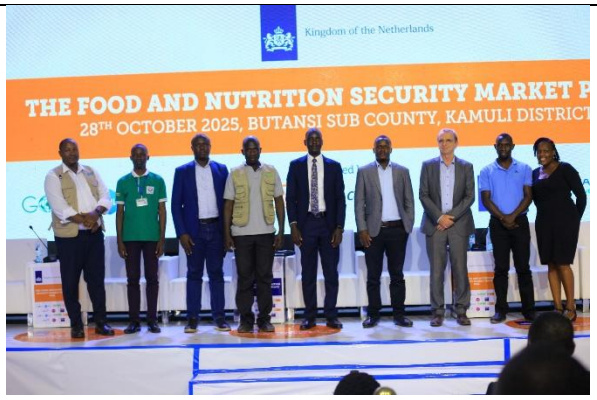
During the week of 22nd–26th September 2025, the Ambassador of the Kingdom of the Netherlands undertook a field visit to Kigezi region. On of the activities involved a visit to Nyabyumba Farmers SACCO in the Kigezi region. The engagement provided an opportunity to assess progress, interact with beneficiaries, and reaffirm the shared commitment to advancing inclusive agricultural finance, strengthening value chains, and building institutional capacity among farmer organizations.

The visit featured direct engagement with beneficiaries, including members of the Kashumuruzo Potato Growers Association, who accessed UGX 13 million in affordable financing through Nyabyumba Farmers SACCO. The interaction highlighted tangible outcomes of the facility, including increased Irish potato production, transition from subsistence to commercial farming, improved household incomes, and strengthened collective action among farmers. Beneficiaries expressed appreciation for the partnership,

noting that access to affordable credit and technical support has repositioned farming as a viable and sustainable business.

At the institutional level, Nyabyumba Farmers SACCO demonstrated notable progress in strengthening its operational and governance capacity. Key achievements included enhanced farmer training in agronomic practices and financial literacy, improved board and staff capacity, adoption of a Management Information System (MIS). These interventions have enhanced the SACCO's ability to deliver tailored financial services while improving accountability, efficiency, and outreach.

The Ambassador's engagement also built on earlier market systems interventions, notably the market place activity held on 23rd September, 2025 at Muko Sub-county playground in Rubanda District and another one held in Butansi Jinja District. This event brought together farmers, SACCOs, buyers, input suppliers, and other value chain actors, providing a platform to strengthen market linkages, enhance visibility of farmer produce, and facilitate knowledge exchange. The marketplace activity reinforced the importance of integrated support beyond financing, particularly in addressing market access constraints and improving commercialization outcomes for smallholder farmers.



Market day organised in Muko subcounty by IFDC



Ambassador visit to Nyabyuba Farmers SACCO

Visit of the Netherlands Ministry of Foreign Affairs (MoFA) Delegation – Nakanyonyi SACCO.

From 7th to 11th April 2026, a delegation from the Ministry of Foreign Affairs (MoFA) conducted a field visit to assess the implementation of the Horticulture Credit Line (HCL) and deepen their understanding of its importance, opportunities, and on-the-ground experiences. The visit formed part of ongoing stakeholder engagement to strengthen alignment between development financing and Uganda's broader agricultural transformation agenda.

A key highlight of the visit was engagement with Nakanyonyi SACCO, one of the retail partners under the HCL facility. The interaction provided firsthand insights into how access to affordable and tailored financial products is enabling SACCOs to extend credit to smallholder farmers who would otherwise remain excluded from formal financial systems. Discussions with SACCO leadership and members underscored the critical role of the facility in strengthening rural financial inclusion, improving liquidity at the local level, and supporting agricultural enterprises.





Visit of the Netherlands Ministry of Foriegn Affairs to Nakanyonyi SACCO.

Board field visit to Busoga and Central region.

In December 2025, officials from the Embassy of the Kingdom of the Netherlands (EKN), the DHCL Board, and Pearl Capital Partners (PCP) conducted a joint monitoring and support supervision visit to the Busoga region to assess the performance and implementation of the Dairy-Horticulture Credit Line (DHCL). The visit focused on evaluating access to affordable finance, the effectiveness of technical assistance (TA), and the extent to which mid-term review recommendations had been integrated into ongoing implementation. The delegation engaged with Nakanyonyi and Bunawona SACCOs, and Enimiro, and a smallholder farmer group, providing a comprehensive view of progress and field-level experiences.

Overall, the visit confirmed that the DHCL has strengthened access to tailored financial products and supported the development of specialized loan products, particularly in horticulture and livestock, through targeted technical assistance. The group lending model had further enhanced outreach to underserved farmers, especially youth and women. However, key challenges were identified, including weak market linkages limiting farmers' ability to secure competitive prices, gaps in group cohesion and monitoring under group lending arrangements, and the need for continued refinement of loan products to align with evolving value chains. The visit also highlighted the importance of strengthening Category C & D SACCOs to enhance their operational capacity and outreach. These insights will inform ongoing improvements in credit delivery, technical support, and market systems strengthening to maximize the fund's impact.





Board field visit to Bunawona SACCO



6. Risk Management

Risk	Potential Impact	Risk Assessment (Low / Moderate / High)	Mitigation Strategy / Measures	Residual Risk
Foreign exchange risk	Depreciation of the UGX against the EUR resulting in less funds available for loans.	Low	Manager at the point of receipt converts all the drawn capital into UGX which is the operating currency of the fund, thereby reducing the risk of foreign exchange movements.	Low
Credit risk. Borrowers may fail to repay loans due to poor harvests, market shocks, and mismanagement of funds.	Increased loan defaults and erosion of capital available for lending. Reputational damage and reduced trust among partners/investors.	Moderate	Implement a robust credit management system for screening and monitoring investments and product development. Technical assistance for retail partners and financial literacy to the SHFs to ensure funds are properly utilized.	Moderate
Dependence on other EKN projects for Technical Assistance provision.	Failure to address key capacity gaps that may be outside the scope of their TA coverage.	Moderate	In addition to the MOUs signed with the technical projects, PCP has proposed for a separate TA budget support that will supplement project efforts during/after they have closed down. Additionally, TA beneficiary investee SACCOs are repositories of knowledge beyond projects.	Low
Natural disasters like epidemics and drought caused by the destruction of biodiversity.	Potential of reducing farmer output, which could reduce farmer income and make it difficult for them to access credit or repay their debts.	Medium	An MOU with Agro-insurance consortium has been signed to Promote bundled services such as Agro-insurance to reduce exposure to climate shock. Educating farmers on the necessity of obtaining insurance to mitigate the risks associated with natural calamities is undergoing. The fund manager to consider restructuring the credit facilities.	Medium
Market risk due to price fluctuation arising from over production after the intervention.	Smallholder farmers may fail to have adequate cashflows to repay the SACCO loan.	Medium	Leveraging on the TA support from Agriterra to enhance the management capacity of farmer groups into stronger producer and	Medium

			marketing cooperatives. Contract financing is being implemented to guarantee market for farmer produce.	
Collateral Risk on women and youth.	Women and young people who lack access to land or other tangible assets due to cultural or social constraints are asked to provide collateral by some SACCOs, which could impede them from accessing credit.	Medium	Group lending methodology has been advocated, as well as encouraging SACCOs to consider alternative borrowing securitization.	Medium
Regulatory risks with the large SACCOs (Category B & A).	Uncertainty on the regulation and licensing of large SACCOs with institutional capital of more UGX 500 million and members' deposit of UGX 1.5 billion.	Medium	Focus is now on the small SACCOs (category C, D and E) outside the affected category. Large SACCOs to only be considered if they have acquired the license in accordance with the current laws or if there is an amendment to Micro Finance Deposit-Taking Institutions and Registered Societies Regulations of 2023.	Medium
Reputation and operational risk arising from the over commitment of the investible capital.	Likely to affect Market Confidence and future partnerships.	Medium	Fundraising efforts to recapitalize the funds. Enforcing timely recoveries to ensure that all committed investments are funded.	Low

7. Possible changes in approaches.

The last 3 years of DHCL implementation have provided key learnings; these lessons will be the basis for review and making changes in the implementation approach. With approval from the fund board and the investor, the fund manager intends to undertake some changes aimed at improving the overall performance of the credit facility.

I. Micro CAPEX investments at investees and SHF level. Currently the funds have been directed towards onward lending activities between investees and last mile farmers. With the expanded scope of the fund, the manager will allocate a percentage of the investable capital towards investments in climate smart technologies aimed at improving the resilience of SHFs and scale up the development impact. The Manager intends to introduce credit products that enable farmers to adopt sustainable and climate-smart technologies such as biogas, irrigation equipment, solar driers, and greenhouses for selected farmers groups as common user facilities. This strategic shift

is aimed at fostering environmental sustainability, enhancing farmers' adaptive capacity to climate change, and driving long-term resilience within farming communities.

II. Expansion of the credit delivery mechanisms. As part of its strategy to scale up outreach, the manager intends to diversify credit delivery channels beyond traditional SACCOs to reach a wider base of smallholder farmers. This strategic shift builds on ongoing efforts to engage alternative partners such as Agri-Fintech, and Agri-SMEs. Operationally, these channels will provide tailored financing solutions that are more flexible and accessible to farmers, particularly those in underserved regions. By leveraging digital platforms from Agri-Fintech, strengthening cooperative structures, and collaborating with Agri-SMEs, the manager aims to improve efficiency and ensure that smallholder farmers can access timely, patient, and affordable credit to sustain and grow their enterprises.

III. Merger of UDCF and HCL. The scope of DHCL in terms of value chain and geography was expanded to support all EKN funded food security projects following the winding down of ISDAP-SNV and HortiMAP-Technoserve, emergency of new food security projects within the investors' portfolio. The request to merge the two credit lines to ease administration and reporting has been approved. A revised proposal has been submitted to guide the merger process. This is expected to merge the two credit lines, tracked and reported on as one program.

IV. Expand geography and implementation partners: The fund manager is actively in collaboration with other EKN FNS projects including INSPIRE-GOAL, FORT-Agriterra, INCLUDE-SNV among others. The fund is going to be extended to all regions with active FNS projects working closely with all the technical projects.

V. Technical Assistance and BDS design. The fund manager intends to play a complimentary role in BDS/TA provision. Unlike in the past where the projects have been the lead TA providers, it has been observed that there are critical TA areas that require the manager's deliberate intervention. Therefore, the manager is proposing for a separate TA budget to support the fund implementation without entirely relying on the projects.

8. Lessons Learned.

During the period under review of implementing the fund, the manager has observed lessons that have highlighted valuable insights relevant in informing future actions for better impact results. Below are some of the learnings noted.

I. The provision of Business Development Services (BDS) remains critical in fostering SACCOs, uptake and utilization of credit finance. While access to credit remains essential, complementary support in areas such as technical assistance and market linkages. For farmers, BDS strengthens financial management, boosts productivity, and equips them to navigate market challenges, thereby maximizing the impact of credit facilities. For SACCOs, these services improve managerial capacity, promote efficient use of funds, and strengthen accountability, ultimately enabling them to deliver better services, build community trust, and achieve greater financial sustainability.

II. Developed market systems (input and output markets) is a key driver to fund uptake and utilization for ensuring that loans and financial support deliver tangible economic benefits to smallholder farmers. When farmers are linked to reliable markets, they can sell their produce at fair prices, which increases the likelihood of loan repayment and encourages reinvestment in productive activities. Similarly, access to quality seeds, fertilizers, and pesticides, combined with training in good agronomic practices, enhances productivity, reduces losses, and strengthens resilience to climate-related risks. This integrated approach, combining financial services with market linkages and technical support, maximizes the impact of credit facilities, improves farmer incomes, and contributes to the sustainability of the broader agricultural value chain.

III. Need for derisking mechanisms i.e. Agro-insurance. Agro-insurance to safeguard smallholder farmers (SHFs) against unexpected natural calamities which can significantly reduce productivity and ability to repay loans. Implementing such risk mitigation mechanisms will help protect farmers'

livelihoods, ensure continuity of agricultural activities, and enhance the overall effectiveness of credit and investment in the sector.

IV. Capitalization to match the growing demand for financing: There is need to mobilize more capital to meet the growing demand for credit across the various investees and agriculture value chains. Since the inception of the program, there has been a strong and steadily increasing demand for credit among last-mile farmers, reflecting the relevance and effectiveness of the financial products offered through the facility. The positive reception of the credit products by smallholder farmers and rural enterprises has demonstrated the significant unmet demand for accessible, affordable, and appropriately structured agricultural finance. However, the DHCL is currently over committed and not in position to financing new investment proposals on time.

9. Integrity.

During the reporting period, the organization continued to uphold high standards of integrity and compliance. Staff and partners were reminded of their obligations under the SEAH policy, fraud policy, and Code of Conduct through internal communications. Confidential reporting channels remained available, ensuring that any concerns could be raised safely. No significant incidents were reported during this period, reflecting the effectiveness of existing compliance mechanisms. Moving forward, the organization will continue to strengthen awareness and monitoring to maintain a culture of accountability and ethical conduct.

10. Innovations in the fund.

Integration of Agro-insurance as a bundled service within the DHCL credit portfolio for credit issued to smallholder farmers. PCP is collaborating with the Agro Insurance Consortium (AIC) to deliver agro-insurance services through its retail partners. Several engagements have been held, and over 24 retail partners across all regions have been selected for a pilot phase, with the long-term goal of extending the service to all retail partners such that more SHFs benefit. This is being done to derisk SHFs such that incase of loss due to natural disasters, the credit is paid back by the insurance company.

Contract Financing: Explore partnerships with other value chain actors (input & output markets) to maximise benefits from the loan. DHCL has already commenced discussing with the private sector players on the input market. In collaboration with the technical projects and other sector players, this is to be fast tracked. In addition, tripartite agreements have been signed with off takers. Strengthening market linkages (input and output markets) will be prioritized in 2026.

11. Annual Financial Report

UDCF Financial Performance Highlights as at 31st December 2025.

For the year ended 31 December 2025, the facility recorded a significant improvement in financial performance, driven by strong income growth and a transition from deficits in prior financial years to a surplus position, providing a strong foundation for future growth and sustainable financial performance.

Grant Thornton CPA was appointed to audit the books of UDCF for the year which ended 31st December 2025. Below is an extract from the audited financial report:

Uganda Dairy Credit Facility - UDCF
Special purpose financial statements for the year ended December 31, 2025

Statement of comprehensive income

	Notes	Year ended December 31, 2025		Year ended December 31, 2024	
		UShs '000	Euro	UShs '000	Euro
Income					
Interest income	3	567,098	140,045	303,521	74,482
Commitment fees	4	40,000	9,878	37,800	9,276
Grant income	4	170,625	42,136	170,625	41,870
Total income		**777,723**	**192,059**	**511,946**	**125,628**
Foreign exchange (gain) / loss	5	(1,117)	(276)	1,191	292
Net surplus after exchange (gain) / loss		**778,840**	**192,335**	**510,755**	**125,336**
Administration expenses					
Fund management fees	6	299,323	73,918	550,125	134,998
Other administration expenses	6	362,025	89,402	87,900	21,570
Total expenses		**661,348**	**163,320**	**638,025**	**156,568**
Surplus / (deficit) for the year		**117,492**	**29,015**	**(127,270)**	**(31,232)**
Exchange difference on translating from local currency		-	940	-	2,085
Surplus / (deficit) for the year		**117,492**	**28,075**	**(127,270)**	**(33,317)**

Uganda Dairy Credit Facility - UDCF
Special purpose financial statements for the year ended December 31, 2025

Statement of financial position

	Notes	As at December 31, 2025 UShs '000	Euro	As at December 31, 2024 UShs '000	Euro
Assets					
Non-current assets					
Loans and advances	7	8,441,449	2,017,073	4,282,488	1,121,070
Other receivables	8	500	119	2,360	619
Cash and cash equivalents	9	2,046,976	489,123	5,315,926	1,391,604
Total assets		**10,488,925**	**2,506,315**	**9,600,774**	**2,513,293**
Equity and liabilities					
Share capital		500	122	500	122
Currency translation reserve		-	3,699	-	(7,876)
Accumulated deficit		(431,185)	(106,732)	(548,677)	(135,747)
		(430,685)	**(102,911)**	**(548,177)**	**(143,501)**
Liabilities					
Long term contribution	10	9,981,336	2,385,027	9,068,056	2,373,837
Deferred grant income	11	853,125	203,853	1,023,750	267,997
Trade and other payables	12	85,149	20,346	57,145	14,960
		10,919,610	**2,609,226**	**10,148,951**	**2,656,794**
Total equity and liabilities		**10,488,925**	**2,506,315**	**9,600,774**	**2,513,293**

12. Capital Call Summary as of 31st December, 2025

As at the reporting date, the embassy had made five disbursements into the UDCF facility as detailed below:

Details	Amount Eur	Rate	Amount in Ugx
Total Committed Amount	3,000,000	3,900	11,700,000,000
1st EKN draw down	622,370	3,692	2,297,788,194
2nd EKN draw down	845,750	4,040	3,416,830,000
3rd EKN draw down	520,720	4,220	2,197,436,290
4th EKN draw down	638,228	3,950	2,521,001,588
5th EKN draw down	222,751	4,100	913,280,125
Total Draw Down Amount	2,849,818		11,346,336,197
Outstanding Undrawn Amount	**150,182**		**353,663,803**

13. UDCF Budget performance analysis

The analysis below compares UDCF's performance against the approved budget plan for the same year. Significant deviations (larger then - 10% and larger than+10%) are explained in the notes below:

UDCF Budget EURO	YEAR 1 - 2023	YEAR 2 - 2024	YEAR 3 - 2025				
Years Ending 31st December	Actual-Audited	Actual-Audited	Approved Budget	Actual-Audited	Budget Variance	Variance %	*Explanatory Note ref #*
Inflows- Estimated incomes	**UDCL**	**UDCL**				**UDCL**	
Contributions from EKN - Fund expenses	190,648	169,000	-	-	-	0%	
Contributions from EKN - Investments	1,277,473	989,948	372,933	222,751	150,182	40%	*Note 1*
Sub Total	**1,468,121**	**1,158,948**	**372,933**	222,751	**150,182**		
Interest Income - Paid	992	62,637	-	85,721	46,538	25%	Note 2
Interest Income - Accrued	16,225	11,845	186,583	54,324			
Commitment fees	6,473	9,276	3,729	9,878	(6,149)	-100%	Note 3
Sub Total	**23,690**	**83,758**	**190,312**	**149,923**	**40,389**		
Other revenues (incl Other party's own contribution)	-	-	-	-	-	0%	
Other inflows - loan repayments	6,086	248,203	-	459,483	(459,483)	100%	Note 4
Total Incomes	**1,497,898**	**1,490,909**	**563,245**	**832,157**	**(268,912)**		
Outflow - Fund operating expenses							
Management fees	135,267	134,998	69,660	73,918	(4,258)	-6%	
Baseline Survey costs	12,357	-	17,949	16,768	1,181	7%	
Credit Committee/ Board fees	2,087	3,399	5,612	5,433	179	3%	
Legal and Professional fees	12,936	10,626	9,389	7,621	1,768	19%	Note 5
Audit fees	3,305	3,270	3,305	3,291	14	0%	
Tax fees	835	832	919	838	81	9%	
Licence	-	1,472	-	1,704	(1,704)	100%	Note 6
Insurance - Professional indemnity	-	639	1,538	1,126	412	27%	Note 7
Others (Bank charges)	3,398	267	1,090	240	850	78%	Note 8
Sub Total	**170,185**	**155,503**	**109,462**	**110,939**	**(1,477)**		
Outflow - Investment							
Investment into SACCOs	654,820	634,344	1,280,185	1,496,518	(216,333)	-17%	Note 9
Total Outflow	**825,005**	**789,847**	**1,389,647**	**1,607,457**	**(217,810)**		
Net effect for the year	**672,893**	**701,062**	**(826,402)**	**(775,300)**	**(51,102)**		

Explanations for the budget variances

Note 1 Contribution from EKN - Investments	The remaining undrawn balance of €150,182 reflects the 5% retention on the total contribution (€150,000 out of €3,000,000) and will be disbursed by EKN as per the original agreement.
Note 2 Interest income	Actual interest income fell short of budget largely due to the tranche-based disbursement structure, where a substantial portion of committed funds was deployed late in the fourth quarter, limiting the period over which interest could accrue.
Note 3 Commitment fees	Commitment fees are charged at 1% of the total approved amount for each new SACCO commitment. As such, growth in newly approved facilities and their initial disbursements drives a corresponding increase in commitment fee income.
Note 4 Other inflows - loan repayments (principal)	With the fund in its third year of operations, loans disbursed in prior years have moved beyond their grace periods and entered repayment, resulting in increased principal collections from SACCOs.
Note 5 Legal and Professional fees	Legal fees are less given the tranching of the loan disbursements which form part of the already committed funds whose legal fees has already been incurred
Note 6 License	At the start of the project, this expense was not budgeted for, however as operations commenced, it was a requirement for the project to be regulated by UMRA in order to carry out its operations.
Note 7 Insurance - Professional indemnity	Professional indemnity cover decreased following the fund's decision to use internal resources instead of an external credit committee, reducing the number of members covered to only non-executive directors (NEDs) and lowering the budgeted cost.
Note 8 Others (Bank charges)	Bank charges are incurred on a transaction basis.
Note 9 Investment into SACCOs	The increase in disbursements during the year was driven by the tranche-based deployment of committed funds and the commencement of repayments on earlier loans, which provided additional funds for further disbursements as the fund began to revolve.

14. Annex. List of retail partners funded under the project.

No.	Retail Partner	Region	Livestock Commitment (UGX)	Livestock Commitment (EURO)	Livestock Disbursed (UGX)	Livestock Disbursed (EURO)
1	HAKASHENYI SACCO	KIGEZI	UGX 175,000,000	€ 43,750	UGX 175,000,000	€ 43,750
2	CHAHI DUKORE SACCO	KIGEZI	UGX 50,000,000	€ 12,500	UGX 50,000,000	€ 12,500
3	KINKIZI DEVELOPMENT	KIGEZI	UGX 120,000,000	€ 30,000	UGX 90,000,000	€ 22,500
4	LYAMUJUNGU	KIGEZI	UGX 400,000,000	€ 100,000	UGX 400,000,000	€ 100,000
5	RUKIGA SACCO LTD	KIGEZI	UGX 400,000,000	€ 100,000	UGX 400,000,000	€ 100,000
6	KIHANGA MPARO SACCO LTD	KIGEZI	UGX 120,000,000	€ 30,000	UGX 120,000,000	€ 30,000
7	MUBUGA AMAJAMBERE SACCO LTD	KIGEZI	UGX 60,000,000	€ 15,000	UGX 30,000,000	€ 7,500
8	KAHONDO EDUCATION	KIGEZI	UGX 150,000,000	€ 37,500	UGX 150,000,000	€ 37,500
9	NYABYUMBA FARMER'S	KIGEZI	UGX 50,000,000	€ 12,500	UGX 50,000,000	€ 12,500
10	MUBUGA SACCO	KIGEZI	UGX 300,000,000	€ 75,000	UGX 120,000,000	€ 30,000
11	BUHOMA COMMUNITY	KIGEZI	UGX 50,000,000	€ 12,500	UGX 50,000,000	€ 12,500
12	KAMWEZI SACCO LTD	KIGEZI	UGX 40,000,000	€ 10,000	UGX 40,000,000	€ 10,000
13	IRYARUVUMBA DEVELOPMENT	KIGEZI	UGX 100,000,000	€ 25,000	UGX 75,000,000	€ 18,750
14	RUGYEYO	KIGEZI	UGX 100,000,000	€ 25,000	UGX 100,000,000	€ 25,000
15	KAJARA PEOPLES	KIGEZI	UGX 150,000,000	€ 37,500	UGX 125,000,000	€ 31,250
16	NYAKYERA FARMERS'	ANKOLE	UGX 400,000,000	€ 100,000	UGX 300,000,000	€ 75,000
17	KYABUKUJU TWIMUKYE	ANKOLE	UGX 300,000,000	€ 75,000	UGX 300,000,000	€ 75,000
18	BUYANJA SACCO	KIGEZI	UGX 400,000,000	€ 100,000	UGX 400,000,000	€ 100,000
19	SHUUKU SACCO LTD	ANKOLE	UGX 500,000,000	€ 125,000	UGX 500,000,000	€ 125,000
20	MITOOMA PEOPLES'	ANKOLE	UGX 500,000,000	€ 125,000	UGX 500,000,000	€ 125,000
21	KIJO RWAMPARA FARMERS	KIGEZI	UGX 350,000,000	€ 87,500	UGX 350,000,000	€ 87,500
22	BUHUNGA SACCO LTD	KIGEZI	UGX 180,000,000	€ 45,000	UGX 180,000,000	€ 45,000
23	RUKUNGIRI FARMERS SACCO	KIGEZI	UGX 180,000,000	€ 45,000	UGX 180,000,000	€ 45,000
24	BUTUURO PEOPLES'	ANKOLE	UGX 500,000,000	€ 125,000	UGX 500,000,000	€ 125,000
25	MUHAME FINANCIAL SERVICES	ANKOLE	UGX 1,200,000,000	€ 300,000	UGX 700,000,000	€ 175,000
26	EBO FINANCIAL SERVICES LTD	ANKOLE	UGX 1,000,000,000	€ 250,000	UGX 1,000,000,000	€ 250,000
27	BUNYARUGURU DEVELOPMENT	ANKOLE	UGX 500,000,000	€ 125,000	UGX 500,000,000	€ 125,000
28	KIGARAMA PEOPLE'S SACCO	ANKOLE	UGX 1,100,000,000	€ 275,000	UGX 900,000,000	€ 225,000
29	RUSHERE SACCO	ANKOLE	UGX 1,000,000,000	€ 250,000	UGX 400,000,000	€ 100,000
30	KYAMUHUNGA JUBILEE	ANKOLE	UGX 700,000,000	€ 175,000	UGX 280,000,000	€ 70,000
31	PATASENTE LIMITED	CENTRAL	UGX 500,000,000	€ 125,000	UGX 350,000,000	€ 87,500
32	BUSAIGA SACCO	RWENZORI	UGX 500,000,000	€ 125,000	UGX 300,000,000	€ 75,000
33	HOFOKAM (U) LIMITED	RWENZORI	UGX 500,000,000	€ 125,000	UGX 500,000,000	€ 125,000

34	KITOJO CARE	RWENZORI	UGX 250,000,000	€ 62,500	UGX 250,000,000	€ 62,500
35	BUNYANGABU CEREAL FARMERS SACCO	RWENZORI	UGX 100,000,000	€ 25,000	UGX 100,000,000	€ 25,000
36	KIJURA SACCO	RWENZORI	UGX 625,000,000	€ 156,250	UGX 400,000,000	€ 100,000
37	NAKANYONYI GOOD SHEPHERD	BUSOGA	UGX 120,000,000	€ 30,000	UGX 120,000,000	€ 30,000
38	NYOTA BUSINESS TRADERS	BUSOGA	UGX 260,000,000	€ 65,000	UGX 180,000,000	€ 45,000
39	KITYERERA INTEGRATED DEV'PT	BUSOGA	UGX 100,000,000	€ 25,000	UGX 100,000,000	€ 25,000
40	BUNAWONA SACCO	BUSOGA	UGX 25,000,000	€ 6,250	UGX 25,000,000	€ 6,250
41	BUKANGA AGALI-AWAMU	BUSOGA	UGX 240,000,000	€ 60,000	UGX 240,000,000	€ 60,000