**Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACE</td>
<td>Area Co-operative Enterprise</td>
</tr>
<tr>
<td>BSF</td>
<td>Belgian Food Security Fund</td>
</tr>
<tr>
<td>DIFACOS</td>
<td>Doho Irrigation Farmers’ Cooperative Society</td>
</tr>
<tr>
<td>FFVs</td>
<td>Fresh Fruits and Vegetables</td>
</tr>
<tr>
<td>GAP</td>
<td>Good Agricultural Practices</td>
</tr>
<tr>
<td>IMM</td>
<td>Inclusive Modern Markets</td>
</tr>
<tr>
<td>LOMIA</td>
<td>Lower Moshi Irrigators Association</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NARO</td>
<td>National Agriculture Research Organization</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperative</td>
</tr>
<tr>
<td>SIFAV</td>
<td>Sustainable Initiative for Fruits and Vegetables</td>
</tr>
<tr>
<td>SGSLAs</td>
<td>Solidarity Groups Savings and Lending Associations</td>
</tr>
<tr>
<td>SRI</td>
<td>System of Rice Intensification</td>
</tr>
<tr>
<td>SSD</td>
<td>Subsector Development</td>
</tr>
<tr>
<td>TAHA</td>
<td>Tanzania Horticulture Association</td>
</tr>
<tr>
<td>UCA</td>
<td>Uganda Cooperative Alliance</td>
</tr>
<tr>
<td>UNFFE</td>
<td>Uganda National Farmers Federation</td>
</tr>
<tr>
<td>VECO</td>
<td>Vredeseiland Country Office</td>
</tr>
<tr>
<td>VECO EA</td>
<td>Veco East Africa</td>
</tr>
</tbody>
</table>
Table of Contents

Annual Report 2015

Table of Contents

04 Introduction

08 Tanzania

12 Uganda

16 Financial Report
Introduction

Vredeseilanden is a Belgian NGO that enables and supports smallholder farmers to take up their role in rural poverty alleviation and to contribute to feeding a growing world population in a sustainable way. Vredeseilanden has Country Offices (VECOs) in 15 countries in Africa, Asia and Latin America. Globally, in 2015 we provided support and financial assistance to 134 partner organisations. In doing so, we directly reached more than 80,000 farming families. VECO East Africa is one of the 8 Regional programmes in Vredeseilanden and has been working in East Africa since the mid 1970’s.

VECO East Africa has always focused on supporting agricultural development but in the current 2014-2016 programme we now have a stronger market led development strategy for supporting small scale farmers to achieve a better deal in local, regional and export markets. We do this by;

- Creating an enabling climate for small holder farmers
- Promoting the business case for chain actors and small holder farmers to engage with each other
- Supporting small holder farmers to organize themselves and build the necessary capacities to create economies of scale, guarantee quality, food safety and sustainability

Our aim is to become the leading NGO working on agricultural market systems development. We focus on grains and horticulture sector development and have specialist skills to deliver sustainable change for farmers. In 2015 we worked with almost 4000 farmers and achieved the following results:

**Key achievements in 2015**

- 9 out of 15 Farmer Organisations have improved operating profit margins.
- These FBOs are now making annual sales of US$ 120,000
- Sustainable Rice Intensification approach has been demonstrated with farmers achieving higher yields and reducing costs by over 60%. Critically in a water stressed area this approach also led to 50% improvement in water efficiency.
- Farmers now have savings of over US$ 50,000.

We also have been strengthening our partnership with strategic partners that can influence change in agricultural systems. These include Tanzania Horticulture Association, Uganda Cooperative Alliance, Uganda Farmers Federation and Eastern African Grain Council. Together we aim to enable small scale farmers in East Africa can have access to the technical support, the finance and the markets which will transform their lives and eventually transform their countries.

VECO East Africa has also been part of the global process to transform Vredeseilanden into an organisation with an international governance structure. We continue to move away from the typical development cooperation organisation in which knowledge, expertise and money flows from the ‘Western world’ toward developing countries. We are putting our local staff, partners and
Economic, social and ecological sustainability are at the core of all strategies and interventions of Vredeseilanden.

Vredeseilanden is a Belgium NGO working in 15 countries globally (in Africa, Latin America, Asia and in Europe) with family farmers to improve their livelihoods through economic interventions and by strengthening the voice of these farmers in the markets.

Our vision is of a world with production and consumption systems that allow poverty and hunger to be eradicated and that do not burden our planet more than it can bear and our mission is to enable and support smallholder farmers to take up their role in rural poverty alleviation and to contribute to feeding a growing world population in a sustainable way.

In 2015 we gave support and financial assistance to 134 partner organisations. That way we directly reached over 80,000 farming families.

We managed a budget of 13,276,255 euros globally. A big part of our resources support the African programmes. An increasing number of Vredeseilanden offices in Africa, Asia and Latin America raise their own funds through foundations or governments in their region. 18% of our resources consist of private gifts, especially from Belgium, while donations we receive through sportive events are gaining importance. Across the world, 166 people work for Vredeseilanden. 56% of them are men, 44% women. The average employee is 42 years.

VECO belongs to an international network of multi-sectorial groups that include companies, governments and other organizations that defend the interest of farmers’ families and / or advocate for a more sustainable small-scale agriculture and the consumption of sustainable products. Furthermore, such cooperation allows for a swifter application of new knowledge.

stakeholders at the centre of the organisation and on their shoulders, we will build bigger impact and contribute to a better world.

These achievements would not have been possible without motivated and skilled donors, supporters, partners and staff. We thank you all!
VECO East Africa’s Programme

VECO East Africa has a 3 year strategy covering 2014 to 2016. Our work is divided into two priority sectors, horticulture and grains. These are critical to East African agricultural development as they contribute significantly to food security and nutrition levels and have significant potential to deliver better returns to small scale farmers. VECO’s approach is built around the LINK methodology which aims to create profitable, sustainable partnerships for all actors along the value chain. These are called new business models.

VECO East Africa therefore aims to be one of the leading organisations that the private sector wants to partner with to achieve sustainable supply through better trade terms for farmers. By the end of 2015 VECO was partnering with 6 private sector companies who were investing in relationships with VECO supported farmer organisations.

VECO East Africa is also supporting the development of approaches to support new farmer business organisations. VECO East Africa sees that there is still a need for all investors (private sector, public sector, NGOs, others) to find better ways of supporting farmer business organisations. The Cooperative development approach is well known, but has been affected by the legacy of past mismanagement and political corruption, so there is some scepticism about the ability of Cooperatives to deliver for smallholder farmers. As a result there is an increase in farmers registering private businesses either limited by guarantee or by shares. VECO East Africa has therefore invested its time and funds in generating evidence of how smallholder farmer businesses are developing and the research was debated in a workshop held in Kampala.

VECO’s focus on Sustainable Production

Value chain development and development of new business models does not guarantee that the value chain is sustainable. In fact, there is a danger that the economic returns being generated are not sustainable if we are blind to issues such as community acceptance, availability of water and reliance on carbon based inputs. As with many other parts of the World, East Africa is facing increasing land and water stress coupled with increasingly unpredictable weather patterns.

In response VECO East Africa has ensured that the business development work with Farmer Organisations is accompanied by improvements in production, through Good Agricultural Practice training, improvements in water management, such as the piloting of irrigation technologies and promotion of Sustainable Rice Intensification approaches and improvement in land management, through land use planning approaches. There is still a lot to learn about what can work and how the effective approaches can be scaled up and this is a focus for next year and the coming 5 year programme to 2021.
VECO’s focus on Gender and Youth

The generalised picture of a small farm in East Africa is one where the old man looks over his farm, the women do all the work and the youth hope to go and work in city. This stereotype is of course not true of every community but the lack of investment in women and the lack of interest in engaging youth is prevalent. East Africa’s transformation into a prosperous region which brings benefits to both urban and rural areas will depend upon a highly productive farming sector which inspires both women and young people to invest.

VECO has invested time and funds into analysing the opportunities to release both women’s and youth’s potential in grains and horticulture value chains. The Horticulture chain was chosen particularly for its potential for women and youth given the small land sizes required and the need for high skill levels. In 2015 we reached over 1200 women and 1380 youth with new agribusiness opportunities.

VECO East Africa, conducted a study into the different type of business models used by farmer organizations in Kenya, Tanzania and Uganda. At the dissemination workshop, Different key note speakers reassessed the importance of farmers to unite, form cooperatives and market their products collectively.
VECO East Africa has been working in Tanzania since the mid 1970’s and currently works in Arusha and Kilimanjaro Regions with plans to expand to Manyara Region. We have clustered our work in Northern Tanzania in order to have greater impact with the funding we receive. The location of this cluster is also strategic as it enables us to work closely with key partners such as Eastern African Grain Council and Tanzania Horticultural Association, as well as achieving synergies with Belgian Non-Government Organizations partners through joint initiatives.

VECO Tanzania’s programmes are focused on Rice and Fresh Fruits and Vegetables with the objective to make agricultural food chains in Tanzania sustainable and inclusive for smallholder farmers. The following initiatives have had significant impact in 2015:

- Piloting and Promoting the System of Rice Intensification (SRI)
- Introduction of the independent global gap certification for farmers and farmer organizations enabled farmers in Moshi and Arumeru to improve their bargaining position with income increasing as a result.

**Sub-Sector Development (SSD)**

Adoption of SRI which was trialed in 2015 by 269 farmers led to increased productivity of 25 bags per acre. Overall there was an increase of 2 bags per acre in Lower Moshi. SRI also helped farmers to reduce costs of inputs by 64%. More farmers are expected to adopt SRI in 2016.

VECO is hoping to strengthen their collaboration with the East African Grain Council (EAGC) to support Lower Moshi.
Irrigators Association (LOMIA) on adopting a structured grain trading system through funding from UKAID. In the meantime provision of transport credit by the RAHA Company has enabled farmers to improve the price per ton of rice by 27%.

Supporting New Business Models for Horticulture Production

VECO supported horticulture development in Northern Tanzania through two significant investments in 2015.

The first was a pilot funded by IDH under the Sustainability Initiative for Fruit and Vegetables (SIFAV), which brought together retailers and importers in Europe to commit that 100% of imported fruits and vegetables will be sustainable by 2020.

VECO partnered with a European retailer, Special Fruit, a European importer, a Tanzanian exporter and local Farmer Organisations. All partners committed to invest up to Euro 288,000 in cash and non-cash resources to support the creation of sustainable supply chains for Passion fruit, Peas and French beans. VECO used inclusive business principles to support negotiations between value chain actors with the aim of ensuring risks and benefits were fairly shared. On this basis all partners signed a Memorandum of Understanding in November 2014.

In 2015 activities in Tanzania focused on supporting farmers to meet export market requirements in quality, volumes and certification. As a result, 360 farmers from the KIBO Cooperative and Muvikho Cooperatives began or completed the Global Gap certification process with over 40 hectares certified. This led to the following results being achieved by the 415 farmers engaged in this initiative:

- **112 tons of French beans and 26 tons of peas sold to exporters** - US$ 64000 income.
- **10 tons of vegetables sold to local supermarkets** - US$ 8000 income.
- **15 tons of passion fruits sold to local market** – US$ 13000 income.
- **Overall average annual income for 415 farmers increased to US$500 per year.**
- **12 savings groups were formed and had saved over US$4000 by the end of 2015.**

Independent Global Gap Certification is expected in 2016 which will open up new market opportunities for the Farmer Organisations (FOs) with new companies and markets.

The second initiative was funded by a separate Belgian Government fund to support Synergy between Belgian NGOs and their partners.

“What I think about the SRI method, now that I have tried it on my plot for one season? Vizuri sana! I managed to harvest 5 extra bags of rice and at the same time I’m saving on production costs. At the start this method demands more work and effort, but it is definitely worth it!”

**Ally Bakari, Rice Farmer in Lower-Moshi**
VECO and TRIAS collaborated to support integrated land and water management practices for farmers in Northern Tanzania and shared learning throughout this process. VECO’s work focused on establishing or improving the land use plans in the 4 villages targeted under this project; then VECO aimed to test different irrigation technologies such as solar powered pumps, drip irrigation, sprinkler irrigation and enhanced channel irrigation. In 2015 the land use planning process was completed and following consultation and design processes, the work on the irrigation systems began. It is expected that the investments will benefit over 200 farmers and transform their lives from subsistence agriculture to horticulture farm businesses.

Future work in Tanzania

VECO is planning to expand its work on grains through closer collaboration with the Eastern African Grain Council (EAGC) which will involve testing a new structured grain trading system. Funding is expected from UKAID for this endeavour.

For the horticulture sector, VECO East Africa expects the completion of the irrigation project in Kiruani and Oria to boost farmers incomes significantly in 2016 and will provide significant data to enable investors and financiers to assess the future potential of irrigated smallholder horticulture in Northern Tanzania. VECO East Africa will aim to work with these new investors to demonstrate this potential.
“We are experimenting with a new method of growing rice, called SRI (System of Rice Intensification). The results are remarkable! Even though we are using less seed, less water and less fertilizer, once we harvest, we’re noting a significant increase in yield. A small plot of 0.3 hectares for example can get gains up to 30%.”

Beatus Macha, Coordinator of the Technical Team of Moshi District Council

Tanzania

Our work in Tanzania
Our work in Uganda

VECO East Africa has been working in Uganda since the mid 1970’s and currently works in the Eastern and Central Regions. We have clustered our work in order to have greater impact with the funding we receive. In addition we have had national initiatives to promote agrifinance for smallholders and stimulate learning on cooperative models in order to support the revival of these approaches.

VECO Uganda’s programmes are also focused on Rice and Fresh Fruits and Vegetables with the objective to make agricultural food chains in Uganda sustainable and inclusive for smallholder farmers. VECO’s interactions with over 3,000 smallholder’s farmers from eight Farmer organizations resulted into access to support services that included agricultural extension, business development and financial services. The services provided enabled the farmers, through collective aggregation, to effectively market their produce.

The following initiatives have had significant impact in 2015:

**Supporting the Revitalisation of Doho Irrigation Scheme Farmers’ Cooperative Society (DIFACOS)**

VECO supported DIFACOS to develop their business model especially the linkage to markets and the production support services. As a result DIFACOS identified four new buyers which led to 11% improvement in sales price. DIFACOS was also able to offer aggregation services to more members which led to a growth in membership from 502 to 990 (693 male, 297 female) by the end of 2015. DIFACOS aggregated and sold 2.4MT of high quality rice worth UGX 5,400,000 (1,543 Euros). This is an improvement, but significant increases in sales volume will be required to make this a viable enterprise. As a result DIFACOS has since embarked on mobilising more farmers, promotion of improved farming technologies and collective marketing in order to meet the demands of the identified markets. In light of this, 2016 will be a critical year to assess progress.

DIFACOS also strengthened its Savings and Credit Cooperative (SACCO) by forming Savings and Loan Schemes (SGLA). By the end of the year, total membership stood at 946 (398 male & 545 female). These members

“For the year 2015, the key progress was putting in place the enabling measures pre-requisite to improvement of income.”
were able to save more than 40 million Uganda shillings during the year and loans of over 47 million Uganda shillings (13,497 Euros) were made during the year. This represents a massive increase in savings and loans from the previous year and the SACCO is now developing new loan products that will be rolled out in 2016 to provide tailored, affordable financial services to its members.

Supporting New Business Models for Horticulture Sector Development

VECO supported four farmer organisations (Kwapa, Sabiny, Bududa Yetana and Tororo) to set up twelve commercially oriented passion fruit seedling nurseries and linked them to three buyers for passion fruits and onions. As a result, 10MT of onions worth UGX 40,000,000 (10.526 Euros) were supplied to Nakumatt and Tuskys supermarkets while samples of their passion fruits satisfied quality requirements of Imperial Group of Hotels. A new buyer, Mace Foods, was identified and a relationship has been established to set up a new Chili value chain.

Augustine Okware has been an onion farmer in Kwapa, Uganda his whole life. He takes pride in his work and happily sacrifices a part of his land to an onion nursery so he can share his experience with the younger generation farmers. “High quality seedlings can make a big difference in the yield of a harvest. This way I can help other, younger farmers with getting a decent income,” Augustine explains.
VECO also supported the incorporation of the Uganda Fruits and Vegetable Exporters and Producers Association (UFVEPA), which brings together value chain actors to radically improve compliance within the export horticulture sector which faces a potential EU ban on imports if improvements are not made.

**Promoting New Approaches for Smallholder Financing**

VECO East Africa implemented an initiative, with Belgian Government and Cordaid funding to increase access to appropriate rural financial services to the smallholder farmers of Eastern Uganda from 10% to 40% by end of 2015. The direct target group was rural smallholder groundnuts, maize, rice, fresh fruits and vegetables value chain actors. As a result 182 Solidarity Group Savings and Loans Associations (SGSLAs) were formed and have now mobilized 4,256 members (1,447 male, 2,809 female).

156 million Ugandan shillings were mobilized as short term savings and nearly 17 million Uganda shillings as long term savings. This is over US$ 50,000 in savings mobilized of which 44 million Uganda shillings was dispersed as loans by 31st December 2015.

In addition, with Cordaid funding, VECO East Africa worked closely with Uganda National Farmers Federation, Uganda Cooperative Alliance and other partners to bring the issue of access to finance to national policy debates. This resulted in a strong commitment from the Government of Uganda to put in place a regulatory system for SGSLAs and other community savings approaches which can help to mobilise further savings and loans for investment in agri-business.

**Supporting Transformation of Food Insecure Households into Farmer Businesses**

With the continued support of the Belgium Survival Fund (BSF) VECO in partnership with District Farmer Associations and Uganda Cooperative Alliance reached 1716 farmers who were members of Rural Producer Organisations (RPOs) and Area Cooperative Enterprises (ACES) in Bugiri, Pallisa, and Kibuuku districts.

As a result of improved seeds, opening up of new land and improved agricultural practices the productivity of maize, cassava and groundnuts has increased significantly: farmers on average now produce 690 kilograms of groundnuts per household annually (64% increase); bean production is now 354 kilograms (102% increase). VECO and partners supported these RPOs and ACES to find markets and deliver consistent quality to these markets. As a result sales have increased by nearly 300%.
In the Ugandan Program, out of the 1,564 farmers supported in 2015, 873 are female while 691 are male. This number is likely to grow since more women are interested in joining groups as compared to men.

**Future work in Uganda**

VECO is planning to expand its work on grains through closer collaboration with the Eastern African Grain Council (EAGC) which will involve testing a new structured grain trading system. Funding is expected from UKAID for this.

For the horticulture sector, VECO East Africa expects the completion of the irrigation project to boost farmers incomes significantly in 2016 and will provide significant data to enable investors and financiers to assess the future potential of irrigated smallholder horticulture. VECO East Africa will aim to work with these new investors to demonstrate this potential.
VECO EAST AFRICA FINANCIAL REPORT

VECO EA Annual Income 2015

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>Amount (Euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgian Government core funds</td>
<td>900,925</td>
</tr>
<tr>
<td>Belgian Government Synergy project</td>
<td>320,198</td>
</tr>
<tr>
<td>Cordaid</td>
<td>253,586</td>
</tr>
<tr>
<td>Belgian Fund for Food Security</td>
<td>119,694</td>
</tr>
<tr>
<td>IDH</td>
<td>58,477</td>
</tr>
<tr>
<td>Special Fruit (as part of IDH project)</td>
<td>20,817</td>
</tr>
<tr>
<td>Colryt (as part of IDH project)</td>
<td>15,613</td>
</tr>
<tr>
<td>Kris Kras Travel Agency</td>
<td>17,559</td>
</tr>
<tr>
<td>Vlaams Brant Province</td>
<td>14,772</td>
</tr>
<tr>
<td>Kilimanjaro Classic cyclists</td>
<td>12,761</td>
</tr>
<tr>
<td>Entrepreneurs for Entrepreneurs</td>
<td>14,865</td>
</tr>
<tr>
<td>Belgian Provinces and other donors</td>
<td>27,168</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>1,781,361</strong></td>
</tr>
</tbody>
</table>

We thank our donors and partners for their continued support and commitment to transform agricultural systems in East Africa.

VECO East Africa invested in two significant programmes: the Inclusive Modern Markets (IMM) programme which focuses on horticultural development and the Staples Sub Sector Development (SSD) programme which focuses on the rice sub-sector. In addition Cordaid funding allowed work to be strengthened on agri-finance and other agricultural policy work in Uganda. Overall expenditure rose by 37% to Euro 1,477,802 as shown below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to partner organisations</td>
<td>475,789</td>
<td>131,531</td>
</tr>
<tr>
<td>Services provided</td>
<td>520,389</td>
<td>430,064</td>
</tr>
<tr>
<td>Investments</td>
<td>155,376</td>
<td></td>
</tr>
<tr>
<td>Personnel costs</td>
<td>481,624</td>
<td>397,491</td>
</tr>
<tr>
<td><strong>Total Expenditure</strong></td>
<td><strong>1,477,802</strong></td>
<td><strong>1,114,463</strong></td>
</tr>
</tbody>
</table>

Transfers to partners represent the performance based grants awarded in the year and has accelerated in 2015 as plans have been developed.

Services provided primarily includes direct technical support to partners although services are also procured to enable VECO to function effectively.

Investments are the assets procured either for partner organisations or VECO.

Personnel costs are VECO’s costs for the Uganda, Tanzania and Regional Office teams. VECO had 19 staff at the end of 2015.

Administration costs globally were 8% of all funds raised. VECO remains an organization which is committed to Value for Money.

A special mention goes to the Kilimanjaro cyclists who braved heat, dust and terrible roads to ride xxKm over ten days and raise over Euro 40000 for Vredesailanden. VECO East Africa used Euro 17,559 of these funds raised to support our horticulture programme.
“Polycarp Mushi is another good example, after engaging in passion fruit farming he made up to TZShs. 3 million. Polycarp has managed to renovate his house and pay school fees for his 2 children in secondary schools. After realizing the first production cycle’s success Polycarp has invested in production expansion from half an acre to a one acre.”

Mr. Eliindi Dotto, VECO’s program facilitator in Moshi.

Despite being only 27, Esther Gimbo is the Manager of the 305 member, Doho Farmer’s SACCO, in Doho, Butaleja District. Having started as a cashier less than 2 years ago, Esther’s rise to the helm of leadership at the SACCO is affirmed by the growth the savings and credit group has experienced under her leadership. In between these appointments, Esther also worked as a loans officer before the governing board appointed her to the managerial post early this year. She is also one of the SACCO’s pioneer members.

In her tenure, Esther says that the SACCO which started with only 30 members and total cash of 900,000 Ugandan Shillings in 2013, has seen membership rise more than 100%, with deposits of over 27 million, working capital of over 20 million and a loan portfolio of over 60 million Ugandan Shillings.

Esther Gimbo

“VECO is the backbone of Kibo passion production. When they mobilized us we were only 18 members. They then introduced the crop, provided us with the seed and agronomic support throughout the process. They later assisted in market standards certification (Global GAP) and linked us with Seregeti Fresh and Frigoken export markets.

Just recently the group established a serving and lending system of VICOBA (Village Commercial Bank) and some members have started enjoying the services.

Temba, a Passion Fruit Farmer and member of Kibo Horti Farm Association

Annual Report 2015 - 17
Contact

VECO East Africa Regional Office
Plot #15A, Seakuo Ture Rd. Uziuni Area
P.O. Box 14665
Arusha, Tanzania
Tel; +255 272 545070
www.veco-eastafrica.org