

2020



www.solutifinance.org

ANNUAL
REPORT



SOLIDARITÉ
INTERNATIONALE
POUR LE DÉVELOPPEMENT
ET L'INVESTISSEMENT


Soluti Finance
East Africa

Agriculture financing instils
hope to partner client to
realize her dreams



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ABBREVIATIONS

AFD:	French Development Agency
AMFI-K:	Association of Microfinance Institutions of Kenya
AMFIU:	Association of Microfinance Institutions of Uganda
AUHF:	Africa Union of Housing Finance
CEO:	Chief Executive Officer
Cordaid:	Catholic Organisation for Relief and Development Aid
EA:	East Africa
FSPs:	Financial Service Providers
IA:	Investment Analyst
ICPAU:	Institute of Certified Public Accountants of Uganda
KES:	Kenya Shillings
MDI:	Microfinance Deposit-taking Institution
MFI:	Microfinance Institutions
NGO:	Non-Governmental Organization
POs:	Producer Organizations
SACCO:	Savings and Credit Cooperative Organization

SF:	Stromme Foundation
SIDI:	Solidarité Internationale pour le Développement et l'Investissement
SMEs:	Small and Medium Enterprises
SMFEA Ltd:	Stromme Microfinance East Africa Limited
SMF AS:	Stromme Microfinance AS
SOLUTI:	Soluti Finance East Africa Limited
SPM:	Social Performance Management
SPTF:	Social Performance Task Force
TAMFI:	Tanzania Association of Microfinance Institutions
TZS:	Tanzania Shillings
UGX:	Uganda Shillings
UMRA:	Uganda Microfinance Regulatory Authority
USD:	United States Dollar



COMPANY INFORMATION



Incorporation

SOLUTI Finance East Africa Ltd is a limited liability company, incorporated in Uganda under the Companies Act of Uganda and domiciled in Uganda with registration Number 80010000408603. The Company is also registered in Kenya and Tanzania.

Kenya Contact Office

TRIPLEOKLAW
ACK Garden House, 5th floor
First Ngong Avenue Off Bishops Road
P.O. Box 43170-00100
Nairobi Kenya

Regulation

The company is regulated by Uganda Microfinance Regulatory Authority and operates with a money lending license under the Tier 4 Microfinance institutions and Money lending Act, 2016

Tanzania Contact Office

CRB Africa Legal
5th Floor, Tanzanite Park,
New Bagamoyo Road Plot No.60,
Ursino Street, Regent Estate
P.O Box 79958
Dar es Salaam, Tanzania

Principle Place of Business and Registered Office

Plot 1 | Kololo Hill Drive
Block A, Ground Floor
P.O.BOX 6109| Kampala | Uganda
Tel: +256-414-232010
E-mail: soluticeo@solutifinance.org
website: www.solutifinance.org



BANKERS

Standard Chartered Bank, Uganda.
Speke Road
P O Box 544, Kampala.
Uganda.

Centenary Bank

Plot 44-46 Kampala Road
& 2Burton Street,
Mapeera House
P.O.Box 1892, Kampala, Uganda

DFCU Bank

Plot 26, Kyadondo Road,
Nakasero
P.O. Box 70,
Kampala, Uganda

KCB Uganda

Commercial Plaza 7th Floor,
Plot 7 Kampala Road
P.O Box 7399
Kampala, Uganda

KCB Tanzania,

Oyster Bay, Harambee Plaza
A.H.Mwinyi Road/Kaunda Drive,
P.O. Box 804
Dar es Salaam, Tanzania



AUDITORS

KPMG

Certified Public Accountants
3rd Floor Rwenzori Courts, Plot 2
and 4A Nakasero Road
P O Box 3509 Kampala
Uganda

Bawunha & Badebye

Certified Public Accountants
Plot 3992/4 Ntinda Kiwatule
Naalya Road
P.O.Box 9752 Kampala
Uganda



SOLICITORS

Nambogo & Company Advocates

Plot 26, Buganda Road
Park Royal Building
4th Floor Suite B-4
P.O. Box 9071
Kampala

TRIPLEOKLAW Advocates,

ACK Garden House,
5th Floor, Wing C
First Ngong Avenue,
off Bishops Road,
P. O. Box 43170 - 00100,
Nairobi, Kenya

CRB AFRICA LEGAL Advocates, Notaries Public, Commissioners for Oaths and Corporate Law Consultants

5th Floor, Tanzanite Park
Plot No 38 | South Ursino
Victoria Area
New Bagamoyo Road,
P.O Box 79958 | Dar es Salaam
Tanzania

Authentic Attorneys

Msasani Drive
Plot No. 502, Block F,
House No. 681,
Mikoroshini Street
P.O. Box 7967 Dar Es Salaam,
Tanzania



WHO WE ARE

SOLUTI Finance East Africa Ltd (SOLUTI) started its operations in 1994 as Strømme Micro Finance East Africa Limited and is owned by Solidarité Internationale pour le Développement et l'Investissement (SIDI) 99.98% and 0.02% by Mrs. Priscilla Mirembe Serukka a renowned Development worker In Uganda. She is also the current Board Chairperson.

SIDI is a social investor that was created in 1983 by CCFD-Terre Solidaire, the French major private donor, with the aim to improve the living conditions of vulnerable and marginalized people in developing countries through the creation and strengthening of individual and community-level income-generating activities.



OUR VISION

"A World Free from Poverty".



OUR MISSION

To be a leading, locally based wholesale finance company that provides sustainable, market responsive financial solutions and technical assistance to organizations in the Eastern Africa region. We enhance access to financial solutions to low income people to grow their businesses, create new jobs and improve their livelihoods.



OUR VALUES



Dignity: We believe in all people realizing their rights, respect and healthy self-esteem.



Justice: We strive for social rights of individuals and communities and access to resources and power



Solidarity: We empathically identify ourselves with the plight of marginalized and discriminated groups.



OUR PROMISE

Financing Opportunities to Transform Lives

COVERAGE, TARGET MARKET AND SOLUTI OFFER

SOLUTI is one of the leading wholesale lenders in East Africa, with a track record of over 27 years of providing both financial and non-financial services to partners in Uganda, Kenya and Tanzania.

Soluti operates through a partnership model with both financial and non-financial service providers. Soluti enhances access to financial solutions to low-income people.

SOLUTI is committed to improving livelihoods of the low-income people through providing credit facilities and capacity building/technical assistance to financial service providers including Microfinance institutions (MFIs), Savings and credit co-operatives (SACCOs), as well as non-financial service providers which include Small and Medium Enterprises (SMEs) (in Agriculture, Housing and Social Enterprises) and Producer Organizations (POs) in the East African region.

OUR PRODUCTS AND SERVICES:

1. FINANCIAL PRODUCTS



Institutional Agriculture Loans:

This product is implemented through a value chain financing approach. We focus on value chains with high levels of multiplier effects among the small holder farmers including: Maize, Coffee, Dairy and Rice. However, we are open to financing any other value chain that can clearly demonstrate significant social-economic impact among small holder farmers.



Institutional Housing Loans:

These loans are extended to partners for purposes of catalysing lending operations for housing related activities for their clients in need of housing improvement. The housing institutional loans are provided to support partners to increase access to affordable housing finance by the target group. The specific activities financed include incremental house building, home improvements and additions of related housing accessories.



Institutional Development Loans:

These are loans extended to partner institutions to enable them finance and strengthen their institutional capacity to effectively and efficiently deliver the required services to the target clients. These include: purchase of assets, management information system improvements / upgrades, branch renovations, among other initiatives.



Institutional Business Loans:

These are loans extended to partner institutions with substantial amounts for working capital. The loans are aimed at enabling partner institutions to meet the funding needs of the enterprising poor.



2. NON-FINANCIAL SERVICES

To supplement financial products, SOLUTI also offers a range of innovative capacity building and Technical Assistance services to partner borrowing institutions as well as support to network organizations in the region to promote best industry practices. Soluti Capacity Building Interventions or Technical Assistance is to build institutional capabilities to enable partners to increase their outreach, growth profitability, operational efficiencies to enhance sustainability.

The specific support to partners depends on the identified gaps or needs and in general include support to:
Review / develop financial products, mentoring & coaching and exposure visits for learning purposes, general support for institutional systems enhancements like management information systems, policies & procedures manual development / review as well as trainings (customized to partners' needs).



OUR STRATEGIC ASPIRATIONS.

Our purpose, vision, values and promise are aligned to strategic aspirations that drive our competitive advantage in the wholesale apex business environment and whose ultimate goal is to reach out to the “low income entrepreneurs” and “small holder farmers”.

“ ultimate goal is to reach out to the “low income entrepreneurs” and “small holder farmers”.

Our EXECUTION priorities:

1



Provision of appropriate products and services.

Provision of tailor-made and demand driven Capacity Building and Technical Assistance to small and emerging partner institutions.



2

3



Fostering Social Performance Management (SPM) in the region.

A MESSAGE FROM THE BOARD OF DIRECTORS



Mrs Priscilla Mirembe Serukka
Board Chairperson

On behalf of the Board of Directors, it is my pleasure, to present to you the Annual Report and Financial Statements for the year ended 31 December 2020.

2020 was an extraordinary year marked by world economies and communities grappling with the unprecedented impact of the COVID-19 global pandemic.

We stand with and pray for all people affected by the global pandemic. The pandemic greatly affected our interventions, but we found creative ways of serving our partners.

Corporate Governance

The current board of SOLUTI consists of Seven (7) directors with a wide range of professional backgrounds and skills including: Finance & Accounting, Microfinance, Law, Education and Economics, Agriculture, among others. All the directors are non-executive and majority are independent. This ensures independence while executing their roles.

2020 Key Milestones

The financial year 2020 marked the second year of implementation of the company's Strategic Plan (2019-2023). The Board of Directors remained fully committed to upholding high standards of Corporate Governance. Key milestones that were achieved included:

- a) Rebranding and launching its new brand name "Soluti Finance East Africa Limited.
- b) Reviewing and approving various policies and procedural manuals
- c) Successfully engaging new funders including French Development Agency (AFD) and Bancaetica.

2020 PERFORMANCE HIGHLIGHTS:

Amidst the disruptions and effects of COVID-19, the company remained sustainable. This was guided by the company's strategy, supported by its lean structure, effective and efficient processes, excellence in risk management and strong partner relationships. The highlights below point out some key performance achievements for the year 2020.

KEY HIGHLIGHTS



UGX 52.92bn

1) The company's asset base stood at UGX 52.92bn (USD 14.4m) from UGX 62.15 bn (USD 16.83 m) in 2019.



UGX 375m

2) The company remained profitable and sustainable hence registering Profit After Tax (PAT) of UGX 375m (USD 102,291) from UGX 1.356bn (USD 364,643) in 2019.



UGX 50.86bn

3) The company's gross loan portfolio stood at UGX 50.86bn (USD 13.8m) from UGX 56.9bn (USD 15.4m) in 2019 (-10.69%).



26 Partners

4) The company maintained all its implementing and funding partners as well as other supporting stakeholders.



Amidst the disruptions and effects of COVID-19, the company remained sustainable. This was guided by the company's strategy, supported by its lean structure, effective and efficient processes, excellence in risk management and strong partner relationships

COVID-19 Interventions

At SOLUTI, we did recognise that the partial economy lockdown as a result of COVID-19 pandemic made 2020 a difficult year for our stakeholders especially our borrowing partners. Although there were disruptions in the operating environment, SOLUTI supported its partners in a number of aspects;

- a) Partner Credit facilities were restructured upon request from partners which enabled good management of partners' cash flows and limit the impact of the pandemic on their businesses.
- b) The Company reduced interest rates to some of its agriculture partners for a period of one year.
- c) The company was able to facilitate its staff work remotely hence ensuring continued partner support.

Our Partnerships

SOLUTI achieves its mission through partnership with like-minded institutions. We appreciate our partners for their continued delivery of demand driven credit products and services that has enabled SOLUTI to improve its outreach to the low income people in the region.

The Company is also proud of its key strategic partnerships with institutions including ABI 2000 Ltd, French Development Agency (AFD), Stromme Foundation, Cordaid, ACTES Foundation and Bancaetica that availed various support amidst the tough times of the year. We are very proud of these partnerships.

Our sustainability is paramount to ensure that SOLUTI achieves the double bottom-line of its mission. SOLUTI continues to execute and develop the Social Performance Management framework and Environmental Management Framework, while at the same time ensuring its sustainability.

These frameworks support the institutionalization of the mission driven indicators that increase access to financial services, mitigate against social and environmental risks associated with SOLUTI operations, its partners and then to customers and enterprises. This ensures an inclusive and safe environment for all.

SOLUTI has maintained its partnership with Association of Microfinance Institutions of Kenya (AMFI-K), Association of Microfinance Institutions of Uganda (AMFIU), Social Performance Task Force (SPTF), Tanzania Association of Microfinance Institutions (TAMFI), and CERISE and we believe the principles we follow shall continue to enhance social responsibility as a social investor. We are cognizant of our role to promote a more decent and sustainable society. We thank our partners for the relentless support towards our communities.

Key Challenges during the year.

Not only emphasizing the COVID-19 pandemic and its effects on the company's business as well as to our partners, other challenges continued to exist and to a great extent affected our business in different ways;

- 1) The financial markets slowed down and affected the company's fundraising efforts. This greatly affected the company's planned growth and service delivery to our partners.
- 2) Increased credit and liquidity risk as a result of some partners inability to meet their obligations. Contingent measures were however put in place including loan reschedules.
- 3) Although the company is regulated, Tier 4 MFIs Act 2016 has some limitations within the law especially regarding wholesale lenders. Management is advocating through AMFIU to have the law amended to include this missing category.

Acknowledgment:

On behalf of the Board of Directors, I extend my humble appreciation to all our stakeholders especially our valued partners, our shareholders, our employees for their confidence and trust bestowed in Soluti Finance East Africa Ltd.

We thank you for standing with us in 2020. Our continued resilience comes from diligent support, collaborations and relationship with you.

We believe 2021 will be a more fruitful year, as we take the lessons learned and challenges from the year 2020. May God bless you all.

Our 2021 Focus

In the current environment, and recognising the impact of COVID-19 pandemic challenges, we are focusing on continued business sustainability,

stakeholder management, ensuring that the company maintains a talented and skilled team and support all our partners to survive and thrive. The Board is confident that SOLUTI's ownership, leadership, strategy, partners and staff will facilitate its continued growth and development for the benefit of all its stakeholders. We will continue to implement our strategic plan with major focus on agriculture financing, social performance promotion and partner support to enable their growth following the slump in 2020 caused by COVID-19.

We believe that SOLUTI will continue to live the promise of "Providing financing opportunities to transform lives".

Yours Sincerely



Mrs. Priscilla Sserukka,
Board Chairperson



The Board is confident that SOLUTI's ownership, leadership, strategy, partners and staff will facilitate its continued growth and development for the benefit of all its stakeholders.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors is mandated to support and oversee management in efficiently discharging specific functions of the company. The members of the board are aware of their obligations and in discharging their duties, the Board acts in good faith, with due diligence and care, and in the best interests of the company and its shareholders.

All Board members are non-executive directors and meet on quarterly basis. The board takes overall responsibility of identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management, business plan and budget.

The Board is committed to maintaining high standard of Corporate Governance practices within the Company and

devotes considerable effort to identify and formalize best practices. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and in compliance with sound corporate governance principles. The Board delegates the day-to-day management of business to the Chief Executive Officer who is assisted by the management team.



We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of the company and its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value.

Corporate Governance Structure

SOLUTI has an effective and independent Board of Directors and there is clear separation of the board's supervisory role from management. The board functions as a full board and through various committees constituted to oversee specific operational areas. The Board has constituted 5(five) committees comprising of non-executive directors. These include the Executive Committee, Finance Committee, Operations Committee, Social Performance Management Committee and Audit Committee.

As at 31st December 2020, the board of directors consisted of seven members as specified on the next page.



**Mrs. Priscilla Mirembe
Sserukka**
Board Chairperson

Priscilla holds a Master's in Management Studies (MMS), B.Sc. Agriculture (Agriculture Economics option) with over 20 years' experience in Microfinance and in particular wholesale lending and SME's, Commercial Banking; Organizational Management, Development and Leadership in multi-cultural set ups. She was the Regional Director for Strømme Foundation Eastern Africa for 15 years and retired in December 2018.

She has served on various boards including AMFIU (where she served in various capacities), Committee member to a Community Based Organisation, PENDEZA; Send A Cow Uganda, Chairperson of PSAVE SACCO Ltd. She is the Managing Director of KAIROS Consults Ltd and also practicing commercial farming.



Independent Director
Mrs. Rosemary Kantai
Member
Operations Committee Chairperson

Ms. Rosemary Kantai has over 25 years' experience in the field of Microfinance and community development. For 15 years, Rosemary worked in a senior position in one of the leading microfinance institutions in Kenya. For the last 15 years Rosemary has been offering consultancy services focusing on capacity development for different institutions, project management and business development services. Over time she has undertaken various assignments for microfinance institutions, NGOs, development institutions and banks mainly in institutional assessments, capacity development, Business Development Services, Market research, project design and project management.

Rosemary is a holder of a Masters in Education (Entrepreneurship) from the University of Illinois and a Bachelor of Education (Business Administration and Economics – Kenyatta University). In addition Rosemary has had extensive exposure to different institutions in Bangladesh, Latin America and other countries. She also holds several training certificates in different fields of enterprise development from internationally recognized training institutions including Spring Field Development Center, Durham, United Kingdom; Various courses by Women's World Banking, Microsave and others.

Rosemary is a Faculty member of the School of Applied Microfinance (SAM) and a member of Women on Boards Network, Kenya. She is also a Board Member of Soluti Finance East Africa Limited, Five Talents Kenya and Five Talents International.





Mrs. Clare Wavamunno
Member
SPM Committee Chairperson

Clare holds a post graduate part MA in Investment Appraisal and Management from Harvard University, is a Chartered Secretary majoring in Administration and Finance from the London School of Accountancy, has the professional Micro Finance Training, (both parts 1 and 2), from the Economics Institute of the University of Colorado, Boulder, USA and has a BA in Economics and Rural Economy from Makerere University.

She is a micro finance expert with local and international experience with particular emphasis on regulation, prudential norms supervision, transformation and industry standard setting. She has over 14 years OF experience in development finance, bank supervision and project management in Bank of Uganda. She had 7 years of experience with FINCA Africa as Finance, Policy, Regulation and Transformation Specialist covering Uganda, Malawi, Tanzania, Zambia and South Africa. During that time she worked with FINCA Uganda as Transformation Manager, in its transformation from a microfinance institution (not regulated) to a regulated institution (MDI) by the Central Bank. For the last 11 years, she has provided consultancy services as an associate and East African representative of AYANI Inclusive Financial Sector Consultants.

She served as President and co-founder of the Association of Microenterprise Finance Institutions of Uganda, (AMFIU) and a founder member of the Micro Finance Forum, the national forum of the micro finance industry. Clare has also provided policy, supervision, transformation/legal advice to other countries in Africa, including Malawi, Tanzania, Zambia, South Africa, Sierra Leone and Southern Sudan.



SIDI- Representative
Mr. Vuillod Emmanuel
Member

Emmanuel holds a Masters Degree in Economics from Grenoble France and a Masters degree in Development Economics from Paris France. He has over 15 years' of Social & International Investment experience working at SIDI, a social investor supporting Microfinance institutions, Producer Organizations and Social businesses in over 30 countries – and SOLUTI main shareholder.

Currently he is a Senior Investment Officer who has completed successive appointments in East & West Africa, Haiti, The Mediterranean region and Eastern Europe. He has experience in TA, impact assessment and strategy development : he has recently been instrumental in developing SIDI strategy on Sustainable agriculture and energy. Emmanuel is also a member of the Credit committee of the FEFISOL Fund, a European Fund dedicated to social investment in Africa. He has participated to and been a board member of several Microfinance institutions including ACAD in Palestine and ENDA TAMWEEL in Tunisia.



Mrs Sarah Nankya Tumwesigye
Member
Audit Committee Chairperson

Sarah is a Certified Public Accountant and is a member of the Institute of Certified Public Accountants of Kenya and Uganda. She holds a Postgraduate Diploma in Financial Management from the Uganda Management Institute and Bachelor of Statistics Degree with a major in Data processing from Makerere University. She has over 20 years' experience in audit and accounting from Deloitte and Touché.

She has facilitated a number of training meetings and been a facilitator at the local Institute's Continuing Professional Development meetings. She is currently working as a financial consultant in a private capacity for individuals and different Organizations.



Mr. Edward Kato Sekabanja
Member
Executive Committee Chairperson

Edward Kato Sekabanja has completed his LLM, Computers & Communications Law from the University of London, Queen Mary and holds an LLB Honours from Makerere University. He is the Managing Partner of M/s Sekabanja & Co. Advocates, Kampala Uganda and an Advocate of the High Court of Uganda. He has over 25 years' experience in Private Legal Practice, wide experience in Commercial and Corporate law and advises several companies both local and International.

He is a member of the East African Law Society, the Uganda Law Society Advocates Africa and Advocates International. He has served as President of the Old Budonian's Club, the Uganda Christian Lawyers and Fraternity. And served as Chairman Habitat for Humanity Uganda.



Mr. Jean-Marie Prevost
Member
Finance Committee Chairperson

Jean Marie is a graduate in Economics (Faculté de Droit et des Sciences Economiques-DES in economics -1970), Politics (Institut d'Etudes Politiques-IEP Paris - graduate in 1969) and international studies (University of South Carolina - International Studies - 1971). He is a consultant with SIDI/FEFISOL. He is also a Board Member with various institutions including: Akiba Commercial Bank, Tanzania(Audit Committee and of the Governance and Human Resources Committee (2011 to date); Première Agence de Microfinance Madagascar (PAMF-Madagascar) and president of the Risk Committee (2012-2018); Al Amana, Morocco (2018 to date).

Co-opted Members



Mrs. Sarah Nassozi Kiwanuka
Member- Audit Committee

Sarah has been a co-opted member of the Audit committee since 3rd November 2016. Her career of over 40 years has been in Accounting, Finance, Human Resources Management and business Administration. She worked with World Vision International when they opened offices in Uganda. She has also worked with AMREF Uganda and the International Centre for Tropical Agriculture.

She is also a Board member with Opportunity Bank Uganda Limited and serves on the different board committees including: Compensation, ALCO and Audit. Sarah is Certified Public Accountant (CPA-Kenya), and holds a master's degree in Management Studies from Uganda Management Institute. She is the Director of Operations at Windle International Uganda, an International NGO Coordinating Education services for refugees and host communities.



Mrs. Jackline Mbabazi
Member- SPM committee

Jackie has been a co-opted member of the SPM committee since 3rd November 2016. She holds a master's degree in business administration from Makerere University Business School and a bachelor's degree in social sciences from Makerere University. Currently, she is the Executive Director at AMFIU (Association of Microfinance Institutions of Uganda), which is the national network for the microfinance industry in Uganda.

She has a background in microfinance and rural development, credit and grant management both at retail and wholesale levels (loan appraisals, monitoring and portfolio reporting), community mobilization and sensitization, project planning, implementation and management, financial performance monitoring, gender management, community banking/VSLA models, agriculture financing and organizational capacity building. Prior to joining AMFIU, she worked with the Ministry of Finance under the Microfinance Outreach Programme and the Microfinance Support Center Ltd



Ms Estelle Marcoux
Member SPM committee

Mrs. Estelle Marcoux is the Social and Environmental Performance Manager of SIDI since 2017. In her current position, Estelle is not only responsible for assessing SIDI's social and environmental performance, but she is also coordinating all the TA projects implemented by partners willing to undertake a social and ecological transition, and she is promoting best practices throughout the impact investment industry. Estelle is also an experienced Investment Manager, in charge of a portfolio of microfinance institutions and producers' organizations based in various countries in Sub-Saharan Africa.

Prior to joining SIDI in 2011, Estelle was category manager in the retail industry. Estelle holds a master's degree in Finance from EM Lyon (France) and a master's degree in Development Economics from University Paris Dauphine. She was coopted as a committee member for the SPM Committee in August 2019.



Ms Julie Torres-Szantyr
*Member
Operations Committee*

Mrs. Julie Szantyr is the Head of Operations responsible for SIDI's partnership development from 2016 to-date. In her current position Julie is coordinating a team of 10+ investment officers to ensure of the execution of SIDI's investment strategy. Moreover, Julie is chairing SIDI's investment committee. Julie has 15 years of experience in providing technical and financial support to Microfinance Institutions and Producers Organizations in various countries as she oversaw SIDI portfolio in Tanzania, Zambia, Malawi, Egypt, Colombia, Peru and Haiti.

Julie holds a Masters' degree in Development Economics from the Catholic University of Louvain (Belgium) and a master's degree in Finance from University Paris Dauphine. She was coopted as a committee member for the Operations Committee in August 2019.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Mr. Paul Katende
CHIEF EXECUTIVE OFFICER

It is my pleasure on behalf of Management and staff, to share some highlights of our 2020 performance with all our stakeholders and provide a view of our future journey together.

First, I wish to thank all our partners and various stakeholders for their patronage over the years.

Due to COVID-19 pandemic, the company focused on business sustainability while supporting our partners to address similar or related business challenges brought about the corona virus pandemic. Amidst all challenges, we are pleased with the company's results for the year.

As per the Board Chairperson's communication, 2020 was the second year of implementing our 5-year strategic plan 2019- 2023, The company continued to ensure that different partner categories especially the small and emerging are supported. We appreciate the support of our shareholders, Board of Directors, Partners, Networks, Funders and Service Providers who have enabled SOLUTI to continue providing financial and non-financial services to its target group. We look forward to more fruitful engagements as we move forward.

Additional to highlights by the Board Chairperson, the company also registered other key milestones in 2020 below;-

a) The company continued to align its service delivery to its mission while maintaining and supporting its borrowing partners consisting of both financial and non-financial service providers were supported. Out of the 26 partners supported, 78% were small and emerging institutions, mainly under tier 4 category.

b) Board, Management and Staff continued to support partners through information sharing for business continuity amidst challenges caused by COVID-19 pandemic.



Out of the 26 partners supported, 78% were small and emerging institutions, mainly under tier 4 category.

This was undertaken through online engagements with partners especially on topical issues that were intended to enhance partners' knowledge in order to sustain businesses and thrive through the pandemic.

c) SOLUTI supported two (2) of its partners to review / develop the appropriate agricultural loan product. This was intended to enhance service delivery but also to enable partners better position themselves in the market where they operate.

Our Future

In line with the Company's vision and mission the company shall continue focusing on;

- ◇ Strong partnerships and collaborations while delivering its products and services
- ◇ Further expanding into different partnership categories including microfinance institutions, small and medium enterprises in agriculture, social enterprises cooperatives and producer organisations through its product and partnership approaches. This will further enhance access to financial services by the low-income people in the region.
- ◇ Increase the company's fundraising drive to ensure availability of all required funds/ resources.
- ◇ Continue supporting partner institutions to streamline social performance management practices.
- ◇ Strengthen our capacity building interventions by setting up a capacity building unit. This will further enhance all related Agriculture interventions (including Climate Smart agricultural practices) among our partners, as well as environmental and social governance practices.
- ◇ Continue to retain its competent, knowledgeable, and experienced Staff.
- ◇ Continued negotiations with major donors - AFD and ACTES Foundation to support capacity building interventions in the region.

On behalf of Management, I wish to take this opportunity to express my sincere appreciation to all staff of the company for their dedication and sacrifice that enabled delivery of good social and financial performance results in 2020, amidst the corona virus pandemic.

We have come through a year that was filled with both challenges and victories. There is no limit to our togetherness and together we will keep serving the company. Thank you for continuing to live our core values as we continue implementing our strategic plan 2019-2023.



Paul Katende
Chief Executive Officer

MANAGEMENT & STAFF



Left To Right: Back Row - Standing:

Ceasor Mawanda - Investment Analyst-Agriculture
Cressy Musasiizi - Operations Manager
Christopher Luyima - Finance & Administration Specialist
Amos Bazageza - Investment Analyst

Right to Left: Front Row - Seated:

Joseph Odeke - Transport Assistant
Anne Rose Namatovu - Finance & Administration Manager
Paul Katende - Chief Executive Officer
Deborah Nampewo - Accounts & Administration Assistant

The company is able to attract and retain a competent, knowledgeable and experienced, especially in the Microfinance Business. Our employees are a very valuable asset. We have a deliberate strategy for human capital growth and development, welfare management and reward, while creating an environment that supports productivity.

SUMMARY OF KEY PERFORMANCE HIGHLIGHTS OF THE YEAR 2020

Key Social Highlights:

SOLUTI as an impact investment entity seeks to achieve a balance on both its “financial” and “social” objectives; while addressing social and environmental challenges as enshrined in sustainable development goals.

•» SOLUTI collaborates with CERISE and uses that SPI4 tool and Social Business score card in its due diligence process.

•» SOLUTI has 1 Certified CERISE SPI4 Auditor for the Sub-Saharan Region who has conducted social performance audits in East Africa.

•» All our partner institutions undergo both pre-investment and on-going post investment assessments-using SPI4 & SBS tools to assess partners for potential to achieve impact as well as on-going monitoring of achievements on their Social Performance.

In addition to some key social performance highlights in both the Board Chairperson and CEO's messages, as part of its core service of building capacity of its partners, SOLUTI solicited funding to:

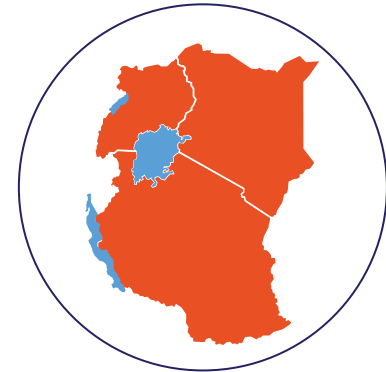
a) support small and emerging partners to remain resilient during the COVID-19 pandemic. The interventions include facilitating some partners to develop business continuity plans, review of business plans and incorporating stress test scenarios as well as facilitating some partners to adopt and incorporate mobile banking platforms.

b) support 20 existing and potential partners to strengthen the skills of small holder farmers and microentrepreneurs to rejuvenate, set up and manage resilient enterprises.

c) support to increase awareness and usage of digital financial services in the Microfinance sector. Most of these interventions are ongoing and will be completed in 2021.

Regional Presence

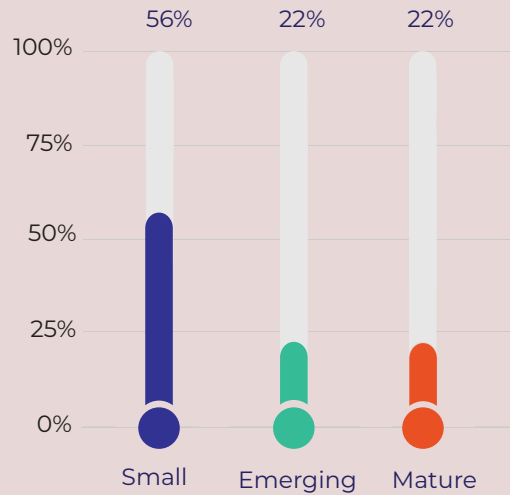
SOLUTI's Operates in Uganda, Kenya and Tanzania and was in partnership with 26 partners. These consisted of 23 financial service providers (FSPs) and 3 (three) Producer organization.



As of December 2020, SOLUTI's Partners served consisted of 78% as small & emerging and 22% mature institutions .

Small intermediaries are those MFIs with asset base of USD 3million and below. Emerging Intermediaries are those MFI's with asset base above USD 3million and below USD 10million. Mature Intermediaries include all those MFI's with asset base of USD 10 million and above.

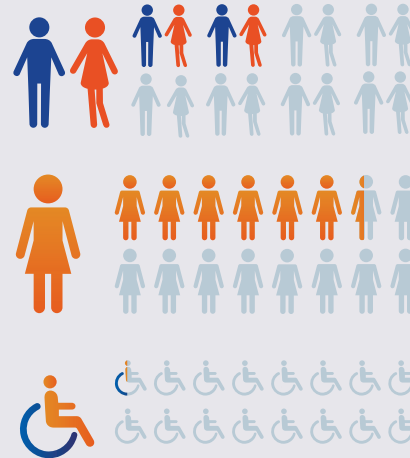
Partner Categories



Outreach to underserved populations.

One of SOLUTI's aspirations is to ensure outreach to the underserved populations in society - the low-income enterprising individuals as well as small holder farmers mostly women, youths and people with disabilities.

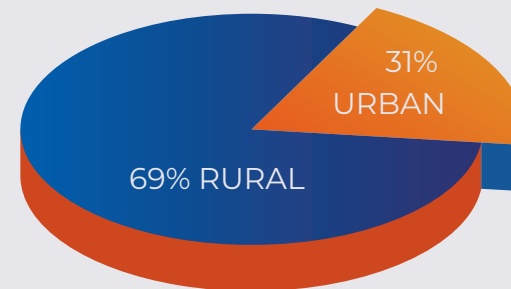
While working with MFIs and SMEs, the vulnerable category of clients is emphasized. As at Dec 2020, SOLUTI partnered with MFIs and SMEs that served 53%, 23% and 1% of women, youth and PWDs respectively of their total clientele.



- 23 % - YOUTH
- 23 % - WOMEN
- 1 % - PWDs

In the same way, as part of SOLUTI social focus to ensure financial inclusion in rural areas, SOLUTI partnered with MFIs that had branch or service outreach centers (69% of MFIs) in rural areas compared to 31% in urban areas as at December 2020.

This demonstrates SOLUTI'S commitment to ensure that its target group (partners) promote access to financial and non-financial services by the rural communities.



SOLUTI has maintained its focus of reaching out to the desired target group by focusing on Small and Emerging Partners. The motivation for SOLUTI to work with these categories of partners is because of their proximity to the target clients i.e. the low-income people, who are critical component of SOLUTI's mission. SOLUTI aims at ensuring that the low-income people have access to financial services that facilitate local economic development to enable them to grow their businesses, create new jobs and improve their livelihoods.

MFIS SUPPORTED TO SERVE VULNERABLE GROUPS IN SOCIETY TO ENHANCE INCOMES AND LIVELIHOODS.

1. Destiny Microfinance Ltd SOLUTI Partner finances a 20 women group to start up business and enhance their skills to grow their businesses.

Nalumu Ritah Nakibuule and other 8 women started Bajjabasaga group on 14th January 2012 with the aim of accessing credit facilities from Destiny Microfinance.

She was elected the chairperson by her fellow women. The group members were taken through membership and loan

requirements and thereafter subsequent trainings undertaken in various areas including financial literacy, business management as well as health education trainings until when they accessed the first loan.

The group has recruited more members and grown to 20 members as of 2020.



Ritah, together with some of the members of Bajjabasaga group

'We received the first loan of UGX 300,000(USD 80) which we collectively used to invest in a chicken project business. We bought 100 birds that we reared for a few months and thereafter sold them. From the sales we shared the amounts realized including profits equally and that is when everyone was able to start their own projects since we had acquired the necessary knowledge and skills as imparted in trainings by Destiny.

'I was able to engage in piggery and fishponds projects from the portion of the money shared,' Ritah said.

Ritah is a single mother and has



Ritah at her Piggery farm

utilized the loans received from Destiny Microfinance efficiently and realized outstanding benefits including educating her child but also build a home complete with electricity and water in the compound. In addition to this house, I started on a new house that is at beam level. I intend to acquire another facility through our group to buy timber, iron sheets and other materials to roof the house in the coming months, Ritah confidently narrates.

"Although we have experienced challenges like inability to clear loans on time and low profits from the business, we have been able to push



Ritah in front of her house

on as members together because Destiny has imparted skills of patience and good teachings which have enabled us to manage our businesses and to work so well as a team", Ritah narrates

"We sincerely thank Destiny and ask you to continue supporting us," Ritah humbly appreciates and requests.

Going forward, the group members seek to further expand each of their projects which they believe its possible with the help of Destiny Micro-Finance.



In addition to this house, I started on a new house that is at beam level. I intend to acquire another facility through our group to buy timber, iron sheets and other materials to roof the house in the coming months, Ritah confidently narrates.

2. BRAC Tanzania Finance Ltd Supports Agricultural & Economic Transformation of society members in its areas of operation.

SOLUTI partners with financial service providers in the region to deliver better and innovative financial services to the enterprising poor and small holder farmers.

SOLUTI has been in partnership with BRAC since 2013 and has provided funding to support its clients to facilitate their businesses as well as agricultural enterprises.



A dedicated team of BRAC Tanzania Finance Ltd staff -Korogwe Branch, supporting low-income women to eradicate poverty in their homes.

Vicky Petro Mollel has been a client of BRAC Tanzania (BRAC) since 2007 when BRAC was just a year old in operations in Tanzania. The circumstances of her life then were not easy, being a widow with three sons and no source of income. This led her in engaging in business of

selling local brew to be able to provide for her family.

The biggest challenge then was her entanglements with the authorities because the local brew was declared illegal and therefore, she was always in trouble with the law.

As a first loan, Vicky accessed an amount equivalent to \$70 and continued with her local brew business and repaid the loan as was required while she saved some other little money aside. "Through group trainings, i was able to acquire knowledge about business

management and savings. When i obtained a second loan of \$125, i was able to top it up with my savings and bought a calf", Says Vicky. Vicky's life was still challenging but she never missed an instalment and finally the calf grew and produced a new calf.

Vicky says "My life then began to change when i started milking and selling about 14 litres of milk per day". As I accessed more big loan amounts,

I used the same to purchase more cows while the ones had also bore more calves, Vicky smilingly says. "Although I have experienced alot of challenges in life including in business when clients fail to pay for the milk they take or when my cows get sick or die, i still move forward because it isn't the same as selling alcohol which was illegal business, where I had fears of being arrested or my business being closed by

authorities each and every day that came by", Vicky confidently narrates.

“

My life then began to change when i started milking and selling about 14 litres of milk per day



Vicky at her cattle farm that she established out of with a loan from BRAC Finance Limited (Tanzania) a partner of SOLUTI Finance East Africa.

Vicky is now able to take care of her family's needs including paying for her grandchildren school fees. She has also helped her children to engage in business by purchasing motorcycles for them so they can support themselves financially.

In her future, Vicky envisions building more properties to rent as her retirement business

Currently Vicky is on a loan cycle of \$1500, and owns 7 cows and 4 calves, from which sells 80 litres of milk daily.

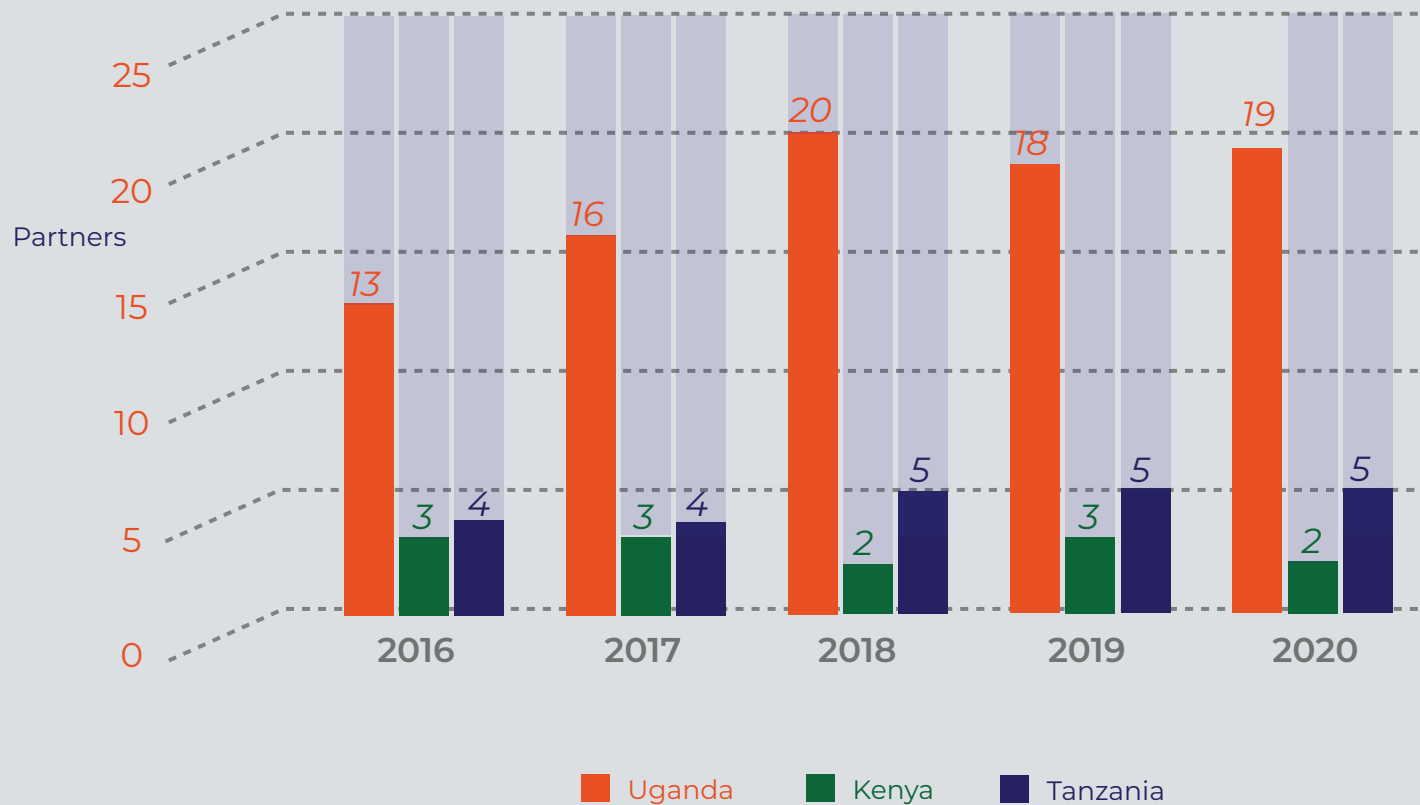
From the milk sales income Vicky has successfully built a new modern home for herself, installed electricity and rooms for rent.

Vicky standing next to her rental property that she built using income from her dairy business that was boosted by a loan from BRAC - Tanzania a partner of SOLUTI

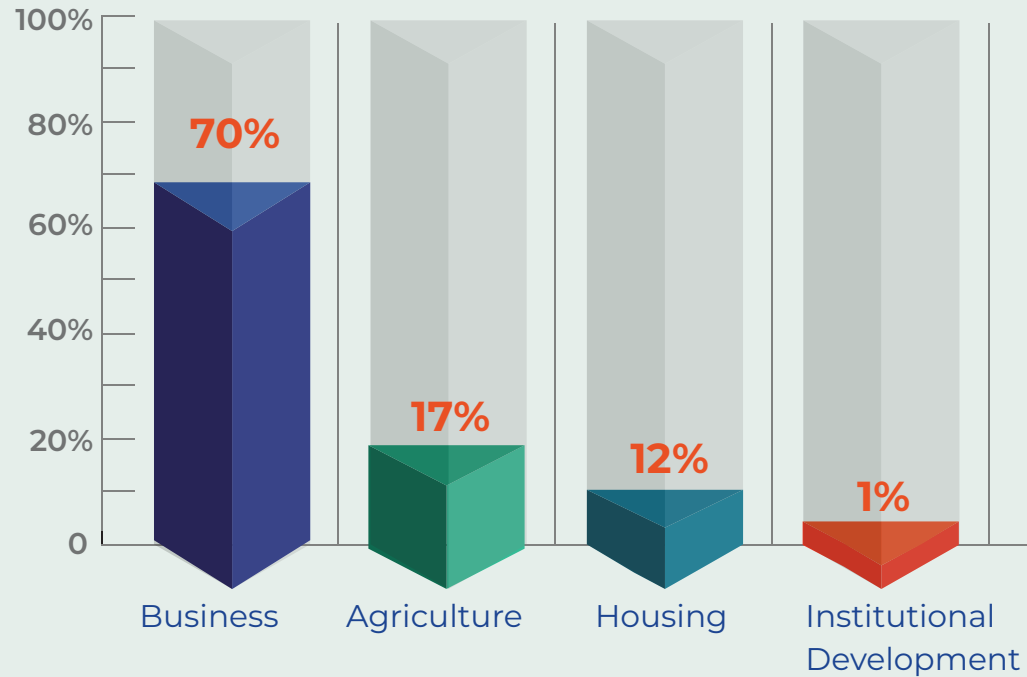


SOLUTI BUSINESS PERFORMANCE HIGHLIGHTS

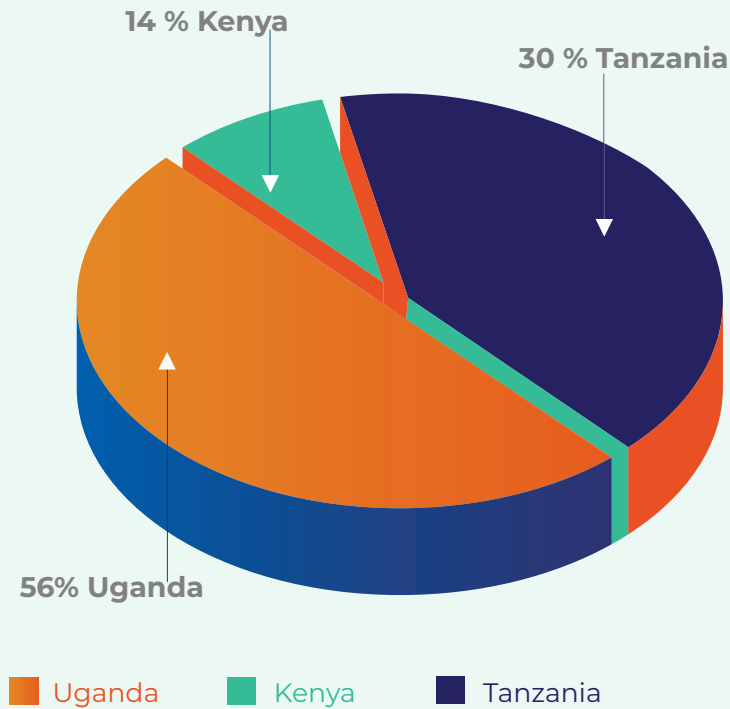
Partner Trends



Portfolio Distribution by Product as at December 2020



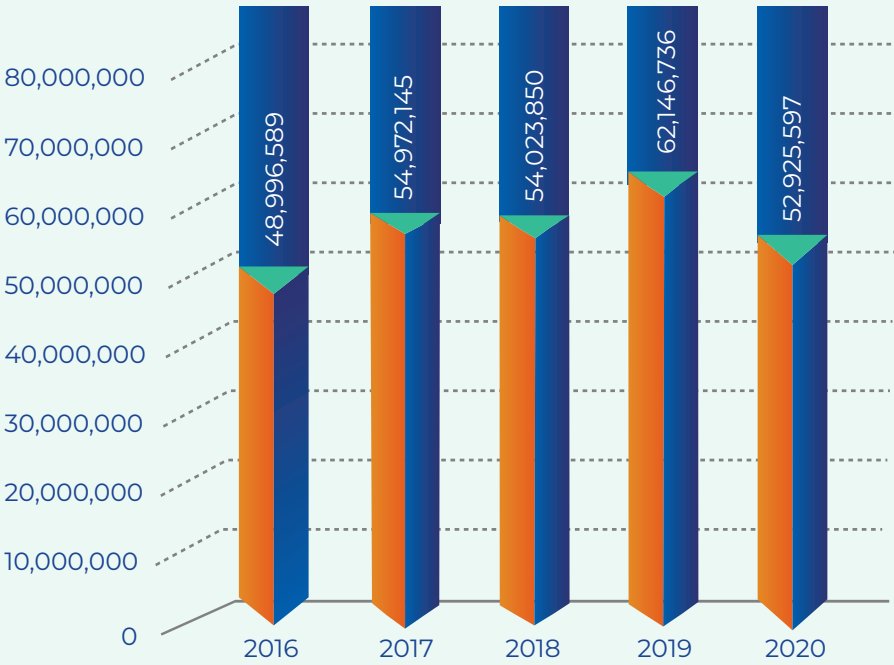
Portfolio Distribution by Country



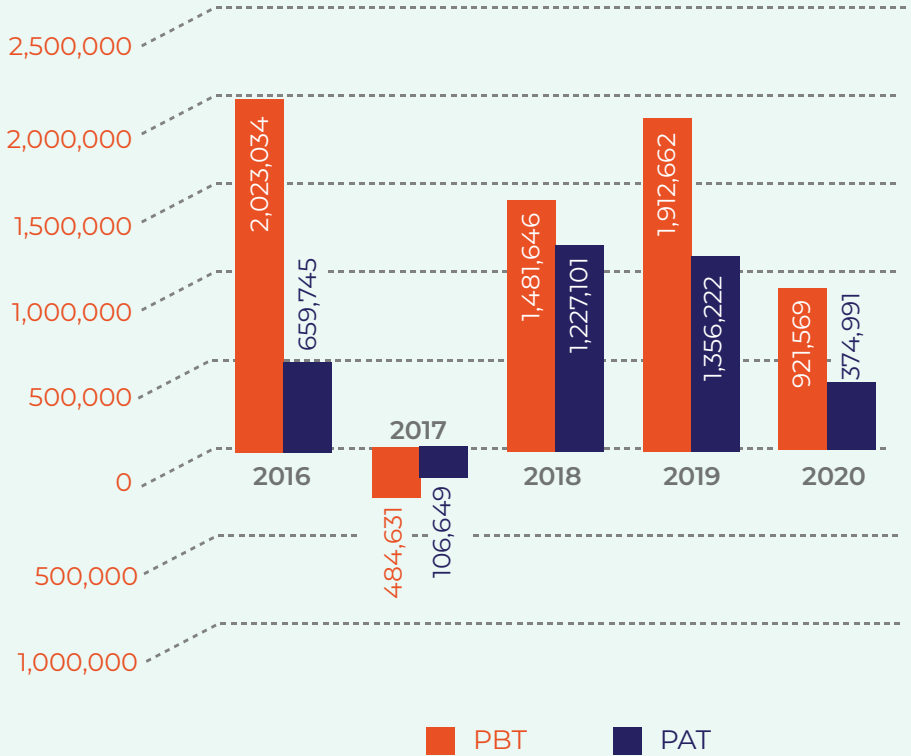
Trends in Gross Loan Portfolio (UGX-000's)



Trends in Total Assets (UGX-000's)



Profitability Trends (UGX - 000's)



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED, 31 DECEMBER

	2020	2019
	Ushs'000	Ushs'000
Interest income	8,758,504	8,602,920
Interest expense and fees	(4,113,647)	(3,482,276)
Net interest income	4,644,857	5,120,644
Other operating income	38,512	60,252
Grant for non-financial activities	72,638	-
Operating Income	4,756,007	5,180,896
Administrative expenses	(1,346,504)	(993,345)
Other expenses	-	(83,177)
Staff costs	(1,136,618)	(1,175,201)
Loan loss provision	(747,774)	(940,184)
Net foreign exchange loss	(603,542)	(76,326)
Operating expenses	(3,834,438)	(3,268,233)
Profit before taxation	921,569	1,912,663
Taxation charge	(546,578)	(556,441)
Profit of the year	374,991	1,356,222
Other comprehensive income	-	-
Total comprehensive income	374,991	1,356,222

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2020 (Ushs'000)	2019 (Ushs'000)
ASSETS		
Cash and cash balances	501,708	2,311,539
Deposits with other financial institutions	431,711	1,807,968
Loans and advances to customers	47,872,769	54,717,529
Other receivables	439,104	231,086
Corporation tax receivable	-	353,393
Property and equipment	120,617	103,990
Intangible assets	1,925	2,750
Right of use assets	360,092	443,525
Deferred tax asset	3,197,671	2,174,957
TOTAL ASSETS	52,925,597	62,146,737
LIABILITIES AND EQUITY		
LIABILITIES		
Borrowings	26,292,845	36,629,582
Corporation tax payable	270,268	-
Lease liability	411,878	463,051
Trade and other payables	1,117,643	611,887
Deferred Capital grant	15,755	-
TOTAL LIABILITIES	28,108,389	37,704,520
Share capital	5,387,270	5,387,270
Share premium	9,494,644	9,494,644
Retained earnings	9,935,294	9,560,303
TOTAL SHAREHOLDERS' FUNDS	24,817,208	24,442,217
TOTAL LIABILITIES AND EQUITY	52,925,597	62,146,737

The financial statements were approved by the Board of Directors on the 21st of May 2021 and signed on its behalf by: -



Director



Director

OUR PARTNERS

Financial Services Providers

UGANDA



TANZANIA



KENYA



Non-Financial Services Providers

UGANDA



Funding Partners



Networks and Collaborations





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