

ANNUAL IMPACT REPORT 2016

**AGRICULTURE**

Developing agricultural expertise for long-term change.

**ENVIRONMENT**

Safeguarding the environment for years to come.

**BUSINESS**

Boosting business to drive prosperity.

Investing in smallholder farming is the number one way to combat poverty in rural Africa. Prosperity depends on making agriculture work better, using natural resources well, and creating stronger markets for what farmers produce.

Farm Africa specialises in growing agriculture, protecting the environment and developing businesses in rural Africa. Our programmes are managed in partnership with local communities, who actively participate in all decisions about the work. We're committed to empowering women as decision-makers in all the communities we work with.

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WELCOME TO FARM AFRICA'S SECOND ANNUAL IMPACT REPORT, LOOKING BACK AT A MILESTONE YEAR FOR THE ORGANISATION. DESPITE OPERATING IN A CHALLENGING ENVIRONMENT, WE'RE PROUD TO HAVE REACHED A RECORD NUMBER OF PEOPLE IN 2016, WITH 1.9 MILLION PEOPLE ACROSS EASTERN AFRICA BENEFITING FROM OUR SUPPORT.

But we didn't just help people. Environmental protection is central to ensuring we have a lasting impact. Over the last ten years, we have supported communities to sustainably manage just over one million hectares of forest and rangeland, an area half the size of Wales. We will continue to add to this, hectare by hectare, year on year, knowing that once communities have the opportunity to earn money from protecting the environment the incentives are stacked in favour of conservation.

A recent ground-breaking achievement was official verification that the trees saved by our forestry projects in Bale, Ethiopia over the period 2012 to 2015 have reduced carbon emissions by 5.5 million tonnes of carbon dioxide. This impressive figure could generate sales of carbon credits worth upwards of \$18 million, 60% of which will benefit the local community – read more on page 15.

Our work building farmers' links to profitable markets also saw significant expansion. In January 2016 we launched a fish farming project helping Kenyan farmers improve the production and marketing of fish.

In April 2016 we initiated a new project, funded by the UK Government, helping Tanzanian and Ugandan rice, maize and beans farmers better market their crops to high-value buyers – read more on page 13.

This report focuses on our work to support rural African communities' access to appropriate and affordable financial services. Savings, credit and insurance are tools Farm Africa is increasingly using to build rural communities' prosperity and resilience to climatic and environmental shocks.

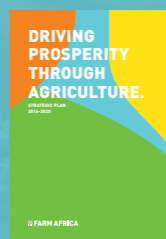
I hope you are inspired by the stories in this report that show how we are driving prosperity in rural Africa through agriculture. We can only carry out our work thanks to the support of people like you: heartfelt thanks to everyone who has generously contributed to our work.

Richard Macdonald CBE
Chair

FARM AFRICA'S STRATEGY



Farm Africa's work aligns with the UN's Global Goals for Sustainable Development (SDGs), which aim to end extreme poverty, hunger, inequality and injustice, and fix climate change by 2030. We are committed to working with the business community, governments and others to make these goals a reality.



FARM AFRICA'S 2016-2020 STRATEGY CAN BE DOWNLOADED AT WWW.FARMAFRICA.ORG/STRATEGY



THANK YOU FOR THE WARM WELCOME I'VE RECEIVED SINCE JOINING FARM AFRICA IN FEBRUARY 2016. OVER MY FIRST YEAR I WAS EXCITED TO GET STUCK IN WITH DEVELOPING AND IMPLEMENTING A NEW STRATEGY FOR THE PERIOD 2016-2020.

The new strategy builds on the organisation's successful track record of more than three decades of overcoming poverty by developing small-scale farming. It outlines how we will work with local communities to transform rural Africa by investing in three areas: developing agricultural expertise, sustainably managing the environment, and boosting farmers' businesses by linking them to markets. Today, almost half of the world's extreme poor live in sub-Saharan Africa. The vast majority work in agriculture in rural areas. By specialising in sustainable farming, we maximise our effectiveness in tackling poverty in rural Africa. Over the next three years, Farm Africa's inspiring team of world-class experts in agriculture, natural resource management and market engagement will:

SHARE OUR EXPERTISE

We will document our tried and tested approaches in subjects ranging from forest management to climate-smart agriculture to access to finance, so they can be effectively replicated, not just by us, but by others who share our vision.

GET MARKETS MOVING

Farmers' abilities to build thriving businesses depend on well-functioning markets. We will build farmers' links with the private sector, ranging from agricultural input suppliers to finance brokers to export companies acting as gateways to international markets.

LEARN FROM EXPERIENCE

Rigorous evidence of what does and doesn't work is the foundation of all our work. In 2016 we further developed our monitoring and evaluation systems

to better understand our impact from different models of intervention. We will continue to sharpen our insights on how to achieve the best results in a variety of different environments.

REACH MORE PEOPLE

Small changes are not enough. That means scaling up. By 2020, we will increase our footprint from four to six countries, and double the number of farmers we work with, reaching 3.6 million people a year. We will create more programmes that are effective across regions.

INNOVATE

We will build on our strong track record of innovative thinking. We'll work to trigger systemic change, and build links between our work in different locations, so that our programmes work in synergy, increasing our regional impact.

RAISE OUR VOICE

We will harness the power of digital communications to engage with new audiences, share the lessons we learn and shine a spotlight on the stories of farmers whose lives we've changed. We'll scale up our partnerships with corporate and institutional partners alike.

I hope we can count on your support as we work to unleash the potential of farmers across eastern Africa to grow their incomes in an environmentally sustainable way.

Nicolas Mounard
Chief Executive

WHERE WE WORK

FARM AFRICA WORKS IN FOUR COUNTRIES IN EASTERN AFRICA: ETHIOPIA, KENYA, TANZANIA AND UGANDA. OUR PROJECTS VARY HUGELY, RANGING FROM HELPING CROPS FARMERS TO BOOST HARVESTS, LIVESTOCK KEEPERS TO IMPROVE ANIMAL HEALTH, AND FOREST COFFEE GROWERS TO REACH EXPORT MARKETS, BUT CORE TO ALL OF THEM IS A FOCUS ON TACKLING POVERTY HEAD ON, WHILE PROTECTING THE ENVIRONMENT.

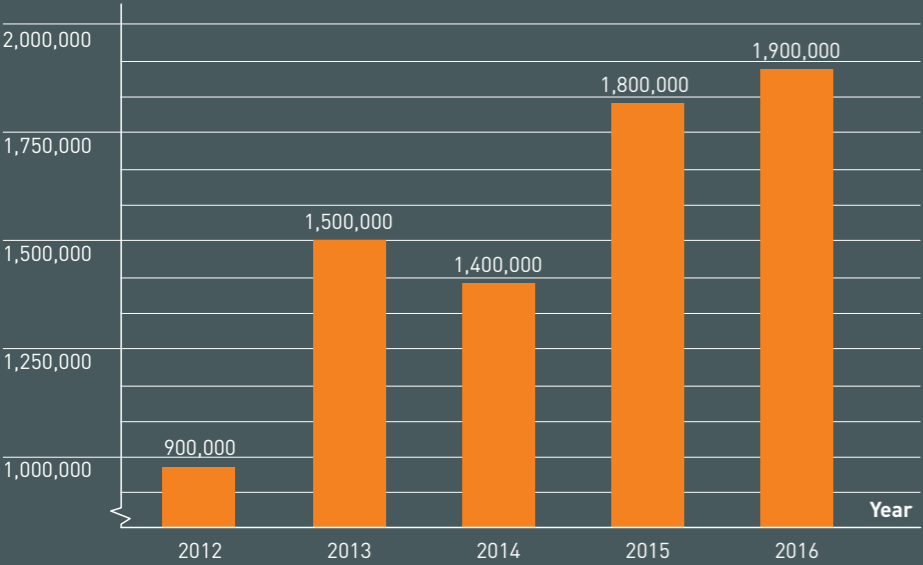
FARM AFRICA'S PROJECT LOCATIONS IN 2016

- ETHIOPIA**
- 1. Food security in Tigray
 - 2. Forest management expansion
 - 3. Preserving ecosystems in Bale
 - 4. Making forest coffee profitable
 - 5. Climate-smart agriculture
 - 6. Market approaches to resilience
 - 7. Community timber plantation development
 - 8. Sustainable production and marketing of forest products

- KENYA**
- 9. Sorghum and green grams
 - 10. Sustainable seed production
 - 11. Urban farming
 - 12. Integrated community empowerment
 - 13. Aqua Shops
 - 14. Market-led aquaculture
 - 15. Growing futures

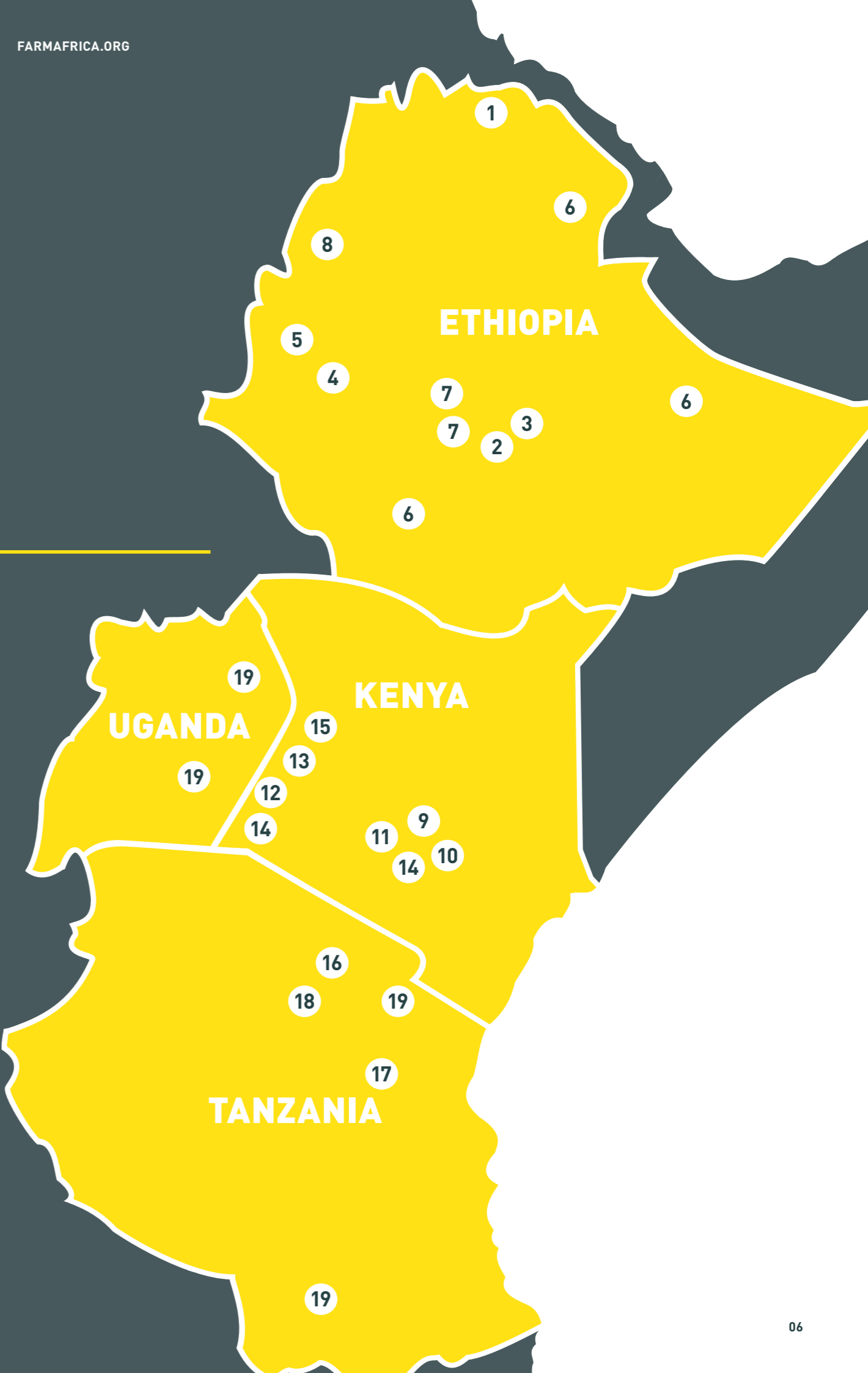
- TANZANIA**
- 16. Sustainable forest management
 - 17. Orange-fleshed sweet potato production
 - 18. Sesame production and marketing

- REGIONAL**
- 19. Regional trade of staple foods



NUMBER OF PEOPLE REACHED

The people we reach come from a range of backgrounds, and the term 'farmer' is often an inadequate way to describe them. Our projects touch the lives of men, women and children, who may rely on specific ecosystems we have helped to transform, or who merely have benefited from the growth in a specific value chain through obtaining a job.



WHY FINANCE MATTERS



“We used to earn only 4,000-5,000 Birr from maize production. The project introduced us to growing onions, a new vegetable to our farming practice. We managed to get a new source of income and sell it for 17,000 Birr.”

Aregash Esayas, a participant in Farm Africa's climate-smart agriculture project in Ethiopia, who received training in vegetable production and became a member of the village savings and loan association set up by the project.

THIS REPORT EXPLORES DIFFERENT WAYS FARM AFRICA HAS HELPED SMALLHOLDER FARMERS AND AGRIBUSINESSES GAIN ACCESS TO AFFORDABLE FINANCE. WE DISCUSS VILLAGE BANKING, MAKING MONEY FROM NATURAL RESOURCES, SELLING CARBON CREDITS GENERATED THROUGH FOREST PROTECTION, HELPING FARMERS SELL INTO HIGHER VALUE MARKETS, AND OUR EARLY EXPERIENCES IN DEVELOPING MICROINSURANCE PRODUCTS IN THE ETHIOPIAN LOWLANDS.

Financial services such as savings accounts, loans and insurance may not be the most obvious of needs for families living in poverty in rural Africa, many of whom lack access to basic services such as clean water, secondary education or adequate healthcare. But in a continent where droughts, floods and erratic rainfall regularly take their toll on agricultural yields, millions of farming families risk being plunged into extreme poverty when their harvests fail, simply because they have no financial buffer to fall back on. Extreme weather events, such as the droughts caused by El Niño in 2016 that caused crops to fail and pasture to dry up, often result in vulnerable households selling valuable assets, such as land and livestock, that are essential to their future ability to earn money. Sudden changes in domestic and international markets add to the unpredictability farmers face.

Our projects help farmers gain access to the money they need to cover essential family expenses such as food and education, and also invest in the high-quality inputs, like improved seeds or fertiliser, needed for a good harvest and healthy profit. For example, our climate-smart agriculture project in Ethiopia has helped farmers switch to growing chilli peppers and turmeric, crops with a high market value. By not only offering farming advice, but also setting up village savings and loan associations (VSLAs), we made sure farmers were able to borrow funds to invest in the chilli and turmeric seeds needed to make this switch. Read more overleaf about how our village banking interventions have transformed lives and village economies.

We raise awareness amongst farmers about the savings and loan options that are available to them. This year, our

Market Approaches to Resilience (MAR) project in Ethiopia, which is funded by the UK's Department for International Development (see more information on the MAR project on page 17) has trained 3,472 people in remote communities in financial awareness, deepening their understanding of how they can manage their cashflow and investments better.

And we help farmers reduce risk by diversifying their incomes and insuring their assets against shocks. With a little money saved, farmers have more chance of withstanding failed harvests without having to let their families or livestock go hungry. Our MAR project is also working with a number of microfinance institutions in Ethiopia to develop microinsurance products that will offer payouts when drought hits.

Many farmers do not qualify for affordable finance due to lack of collateral or the irregularity of their income. Smallholder farmers' income tends to be erratic due to the seasonality of their production, variable yields and late payments by buyers. We work with financial service providers to adjust their business models to cater for the 'unbankable'. Sometimes this means improving access to data so that banks and policymakers are better able to model risk and develop commercially viable products. For example, we have just bought 25 of a planned 30 Automatic Weather Stations, which will cheaply generate rainfall data in remote areas in Ethiopia.

Our work kickstarts rural economies by turning people who are currently regularly reliant on aid into self-sufficient customers, investors and savers.

MICRO-CREDIT AND SAVINGS

AS WE DESIGNED OUR NEW STRATEGY IN 2016, WE TOOK STOCK OF A NUMBER OF TOOLS WE FREQUENTLY USE TO IMPROVE FARMERS' ACCESS TO FINANCE. WE EVALUATED OUR WORK PROVIDING FINANCE TO SMALL AGRIBUSINESSES WORKING WITH POOR FARMERS, AS WELL AS ASSESSING THE FINANCIAL SUSTAINABILITY AND IMPACT ON POVERTY REDUCTION OF THE FOLLOWING THREE MODELS WE USE TO BUILD HOUSEHOLDS' ASSETS:

REVOLVING LOAN FUNDS

are a mechanism Farm Africa has operated for many years, whereby an asset, often a goat, is given to a poor household on the condition that the goat's offspring are passed on to another family in need in the following season. This model has proven hugely successful at increasing households' asset bases without exposing them to debt or interest rates. However, it's important to ensure that technical support on animal rearing is available and that there is a robust system in place for distribution of the goats.

VILLAGE SAVINGS AND LOANS ASSOCIATIONS (VSLAs) or other

forms of 'village' or 'table-top' banking are groups of people who save together and take small loans from these savings. The interest accrued by members on loans is usually shared out amongst members on an annual basis. Often comprised mainly of women, VSLAs are a cost-effective way to stimulate good saving practice in a community. They can help households meet their unexpected needs, as well as make funds available for women to start their own small businesses, which also builds women's sense of self-worth.

We have found VSLAs to be a powerful means of building cohesive social networks who support each other, and who

can discuss more complex issues, such as sustainable environmental management. And in addition to four days of basic training by our staff, the cost per VSLA group amounts to an upfront investment of a mere \$25 per group.

SAVINGS AND CREDIT COOPERATIVES (SACCOs) are

more formalised groups set up to solve a common problem. Funds deposited by members are invested by SACCO management in local commercial ventures and are made available for individual loans. They are often seen as a potential further step towards inclusion in formal financial systems, since these groups are required to participate in a regulated market with its tax and governance obligations. As a next step in the ladder towards full access to commercial financial services, SACCOs play a vital intermediate role, especially for farmers' groups trying to raise finance to participate more effectively in a particular value chain.

OVER THE COURSE OF 2016 WE WORKED WITH 521 VILLAGE SAVING GROUPS

These comprised of a total of 10,982 members, of whom almost 70% were women (7,533). Together, they accumulated almost US \$260,000 which, through the groups, they can access to borrow and reinvest. The savings average nearly \$24 per person taking part. In areas where many people survive on less than \$2 a day, and experience huge seasonal fluctuations in their earning power, this is a vital financial safety net.



PHOTO: FARM AFRICA / NOCHOL E SOBECKI

HOW GOATS BOOSTED FOOD SECURITY IN TIGRAY, ETHIOPIA

Land in Tigray's rugged mountains is scarce, and many farm sizes are very small. Many women, especially widows, and young people, have little access to land and struggle to produce enough to feed their families. With funding from the UK Department for International Development and Irish Aid, Farm Africa worked in Tigray for more than 20 years to help vulnerable people like Aster Fasil, a widow who struggled to cope after her husband died, bolster their income through farming and rearing livestock.

The project distributed three goats to women in need, on the condition they would pass on three of the goats' offspring to another woman in need once their herds had grown. In 2016, 3,593 families, mainly single mothers and widows, received goats from the project: 2,788 received goats directly from Farm Africa, and 805 were given baby goats by families who had received pregnant goats from us. The recipients of goats were able to earn an average annual income of 4,218 Birr (c £142) from the goat scheme, enabling them to afford to improve their dietary diversity.

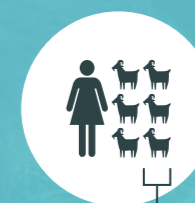
We also introduced insurance to cover any unusual losses of the goats: premiums were charged at 7% of the value of the herd, with 2% financed by Farm Africa and 5% paid by the goat's owners.



"Being able to hand over three goats to another woman made me really proud and happy that I could hand the benefit on," said Aster. "I want women who benefited from the project to come together, a club of sorts so that they can work together".



Aster received three pregnant goats from Farm Africa.



Aster gave three of the goat's kids to Embrafash, who will also give three kids to another woman in need.



HOW SAVINGS BUILT RESILIENCE IN ETHIOPIA

Dukan Hussein, who lives in Anfa Village in the Somali region of Ethiopia, supports her seven children and her 70-year-old husband from the proceeds she makes from her business selling water from a nearby river. Using a cart pulled by two donkeys, one in the morning and one in the afternoon, she collects 2,000 litres of water a day to distribute to her customers. However, her business was put at risk when one of her donkeys suddenly disappeared while out grazing. The remaining overworked donkey grew weaker every day. Frightened of losing this donkey too, and with no savings to buy a new one, Dukan considered closing the business.

The Barako VSLA came to Dukan's rescue by lending her 4,000 Birr that allowed her to buy three baby goats as well as that vital donkey. The group was established with the help of Mercy Corps as part of Farm Africa's MAR project in Ethiopia. After joining the VSLA, Dukan developed a new appreciation for the idea of saving.

Barako VSLA's 25 members, all women, each save a small amount every month to build up the group's capital, which is used to support each other in times of need. The women are able to take loans to set up small businesses. In this semi-arid region where predominantly male pastoralists' incomes are at risk when rains fail, helping women develop their own businesses means families have other income to rely on when there is a downturn in income from livestock rearing.

The group also distributes fruit tree seedlings to its members to plant on their land, which helps reduce soil erosion, as well as giving the women a way of earning money from selling fruit.



“I would have been able to replace my donkey and get through financial challenges a lot more easily if I had the habit of saving. What would have become of me if I did not have the opportunity to meet this group?”

Dukan Hussein, a member of a village savings and loans association in Somali region, Ethiopia.

ACCESS TO CREDIT FOR YOUTH IN KENYA: GROWING FUTURES

Access to affordable and appropriate financial products is challenging for most smallholder farmers and people living in rural areas, but there is one group that is at further disadvantage: young people. Young farmers tend to only have access to smaller and more marginal plots of land for agricultural production, and less secure tenancy over the land, which deters them from making large investments in technology.

With fewer assets to offer as collateral for loans and no track record, young people are seen as too risky an investment. They are often excluded from contract farming, a financing mechanism whereby suppliers offer inputs and technology on credit and recuperate their investment at harvest time. Yet young people make up a huge proportion of the population: in Kenya, 80% of the population is under the age of 35. Harnessing a prosperous future has to include the youth.

A recent study conducted as part of our Growing Futures project in western Kenya, which is funded by Aldi UK, highlighted how, with some additional support, young people are able to build successful and profitable agribusinesses that capitalise on the growing demand for horticultural produce.

Our study found that young farmers eagerly embrace opportunities to develop small enterprises. However, they frequently lack both agronomic and business skills. Building on young people's preference for training and working together, the VSLAs established by Growing Futures enable young people to work, learn and save in groups.

Alongside horticultural training, young farmers receive business training and quickly become able to borrow the capital they need to grow their businesses. Many young people are involved in a variety of income-generating activities and use the funds to invest in their agribusinesses as well as non-farming businesses, such as petty trading like selling mobile phone credit.

The Growing Futures VSLAs therefore do not simply offer collective saving and investing, but also act as a platform for less experienced farmers to share knowledge and learn from each other's experiences. The project helps these groups forge links with buyers who feel reassured by the fact that group members are accountable for each other. This epitomises one of the main functions of VSLAs: translating social capital into cash capital. The Growing Futures project will also open up opportunities for some of the project participants to develop businesses as agro-dealers, selling high-quality inputs to the farmers and selling the produce they grow.



“Farm Africa has helped us to learn about table banking, this has given us access to capital to purchase inputs and it has been a big help. It means we can get the money when we need it to invest in our farm.”

Joseph Kaunda, a participant in the Growing Futures project.

GETTING MARKETS MOVING

MANY FARMERS HAVE LIMITED ACCESS TO MARKET INFORMATION AND THEREFORE DON'T GROW THE MOST PROFITABLE CROPS. FARM AFRICA HELPS FARMERS IDENTIFY WHICH CROPS ARE IN HIGH DEMAND, AND HELPS BUILD THEIR LINKS TO MARKETS.

WE HELP FARMERS FORM COOPERATIVES SO THEY CAN STORE THEIR PRODUCE TOGETHER AND SELL IT IN BULK FOR HIGHER PRICES. WE ALSO SUPPORT 'FIRST MILE' BUSINESSES WHO LINK SMALLHOLDER FARMERS TO WIDER MARKETS.

STIMULATING TRADE IN TANZANIA AND UGANDA

With funding from the UK government, in April 2016 Farm Africa started working with FoodTrade ESA, VECO East Africa and Rural-Urban Development Initiatives to drive up incomes for 70,000 rice, maize and beans smallholder farmers in Uganda and Tanzania by helping them access lucrative markets within eastern Africa.

Many farmers don't have links with high-value buyers, and instead are forced to sell at the farm gate – and without well-managed warehouses to safely store crops, they often have little to sell.

We're helping farmers safely store their grain in dry warehouses certified as meeting international standards, and market their produce using the innovative digital platform G-Soko and other market opportunities.

Ruth Emolu, a farmer from Katine in Uganda who is taking part in the project, said she now has an incentive to grow a bigger surplus of crops, which previously she wouldn't have been able to sell.



"I am very excited because the middlemen will be eliminated. The new project arrangement links our cooperative to regional buyers in Kenya and other areas.

"These middlemen have been cheating us with their measurements, but we had no option but to sell to them. When you are constrained with school fees, you have no choice but to sell produce at their price and in small quantities, hoping for better prices with time. But instead I could end up selling for even lower prices than before, because we didn't have good storage facilities and the crops easily went bad."



"Selling in bulk and getting money at once will give me an opportunity to plan what to do with my money. This will give me an opportunity to educate my children and grandchildren."

Ruth Emolu, a farmer from Katine, Uganda

SOCIAL RETURN ON INVESTING IN A SMALL AGRIBUSINESS

In 2016 we commissioned a study to assess the social return generated by our investment in Pricon, a small Ugandan enterprise providing services to cassava growers, which benefited from the support of Farm Africa's Maendeleo Agricultural Enterprise Fund (MAEF) challenge fund. The study found that for every Ugandan Shilling (UGX) that Farm Africa invested, the intervention generated 4.1 Ugandan Shillings (UGX) in social value (value attributed to outcomes such as women's empowerment, increased food security and increased profitability of millers).

One female farmer interviewed in December 2016 commented on how she valued the financial independence gained as a result of the project:



"Now I have some input as now we make money together. We all sit at the table and decide together. Before, the man used to decide as I used to fear him. I like being able to work for my own money. What if the man dies?"

SUSTAINABLE FINANCE FROM ECOSYSTEMS

FARM AFRICA HELPS RURAL COMMUNITIES REDUCE DAMAGE TO THE ENVIRONMENT, AND MAKE CONSERVATION PROFITABLE. EXAMPLES INCLUDE PARTICIPATORY FOREST AND RANGELAND MANAGEMENT, WHERE LOCAL COMMUNITIES ARE ENTITLED TO MAKE A LIVING FROM GRAZING THEIR ANIMALS OR SELLING FOREST PRODUCTS, IN RETURN FOR SUSTAINABLY MANAGING THOSE LANDSCAPES.

Payments for environmentally friendly activities give communities an economic incentive to look after the ecosystems they live in. This includes carbon credit payments to communities who prevent deforestation, as illustrated in the following example.

GENERATING CARBON CREDITS IN BALE ECO-REGION, ETHIOPIA

The Government of Ethiopia is about to release an estimated \$18 million worth of carbon credits for sale on the voluntary carbon trading market. The credits have been generated through the local communities’ work, supported by Farm Africa and SOS Sahel, to significantly reduce deforestation and forest degradation in the Bale Eco-region. This will be the largest number of carbon credits ever to go on sale on the voluntary carbon market in one go.

Home to the country’s second largest tropical forest, the Bale Eco-region is an area of magnificent natural beauty and biodiversity. Deforestation and forest degradation is a big threat to the region’s water supplies, biodiversity and livelihood opportunities for local farmers, many of whom live in poverty. Between 2000 and 2011 alone, Bale lost 178,000 hectares of high forest, causing emissions of about 70 metric tonnes of carbon dioxide.

Farm Africa has tackled deforestation in Bale since 2006 by helping local communities form forest management cooperatives, who are tasked with protecting the forest, but also granted legal rights to produce

and market forest products, such as honey, essential oils and wild coffee. This gave local communities a financial incentive to preserve the forest instead of clearing it for agricultural expansion.

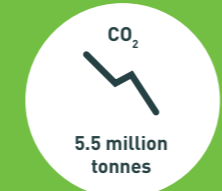
In 2012 Farm Africa started participating in the REDD+ initiative, which is designed to earn carbon credits by reducing emissions from deforestation and forest degradation. By 2015 the project had achieved a verified carbon emission reduction equivalent of 5.5 million tonnes of carbon dioxide, which are the credits that are now ready to sell. The Government of Ethiopia will determine the price the carbon credits will be sold at, but at current prices we expect them to be sold at at least \$3.30 per tonne, which would generate at least \$18 million in revenue.

The money from the carbon credit sales will be shared on a 40:60 basis between the Government of Ethiopia and the forest management cooperatives in Bale. The Government’s 40% share will be spent on strengthening their capacity to generate further credits. The forest management cooperatives’ 60% share will be used to invest in their businesses, for example by buying coffee production equipment such as drying beds and washing machines that will help push up the quality of coffee produced. This will increase the chances of selling into international specialist coffee markets. Helping making the forest-friendly businesses profitable will further help protect the forest long-term.

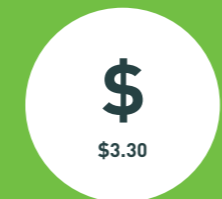
CARBON CREDITS GENERATED THROUGH REDUCED DEFORESTATION IN BALE ECO-REGION, ETHIOPIA



Reduction in deforestation, 2012-2015



Reduction in carbon emissions 2012-15



Average price per tonne



Estimated value of carbon credits, to be split 60:40 between forest management cooperatives and the Government of Ethiopia.



SELLING FOREST PRODUCTS IN TANZANIA

Tanzania is experiencing one of the highest rates of deforestation in sub-Saharan Africa, due largely to people felling trees for timber and firewood, and clearing land for livestock and farming. Mature forests such as the Nou Forest in northern Tanzania have a vital role to play in protecting soil from erosion, purifying air and water, and reducing carbon emissions.

With funding from the EU, Farm Africa has enabled 700 farmers living in and near the Nou Forest to diversify their incomes in a forest-friendly way through the introduction of oyster mushroom farming. Forests lend themselves well to mushroom production and our agricultural experts worked with farmers to select the optimum place to build their mushroom houses, which must be dark, warm and moist.

Magdalena, one of the project participants, commented: “In recent years the rains have become more unreliable and this change in weather patterns has affected our agricultural production. We have experienced

low crop yields and a shortage of water for livestock and for domestic use. Before Farm Africa introduced us to mushroom farming we were not thinking of it being one of our income-generating activities but, having started, now we see it has so many benefits.”

Farm Africa established a processing and collection centre where farmers can come together to sell their mushrooms, thus giving them better access to markets and greater bargaining power. Mushrooms are sold in local markets and are a healthy earner, with fresh mushrooms selling for around 6000 Tanzanian shillings (around £2) per kilo.

For Magdalena, taking up mushroom farming has made a huge difference to her and her family. She explains, “We are generating an additional 480,000 TZS (£167) from mushroom farming per year and it is our biggest single source of income. With the extra money we have been able to send all our children to school, improve our diets and afford medical costs. We have also been able to invest in our business.”

“As a woman, mushroom farming has been important to me because today I am able to contribute to the household income whereas previously this was my husband’s responsibility. In the future I plan to increase our mushroom production and access more profitable markets so we can improve our income and our lives further.”



Over the last ten years, Farm Africa has supported communities to sustainably manage just over one million hectares of forest and rangeland, an area half the size of Wales.

MICROINSURANCE FOR PASTORALISTS

FARM AFRICA’S MARKETS APPROACHES TO RESILIENCE (MAR) PROJECT HELPS PASTORALISTS IN THE ETHIOPIAN LOWLANDS RESPOND TO CLIMATE SHOCKS IN WAYS THAT CONTRIBUTE TO THEIR RECOVERY, RATHER THAN WEAKEN THEM FURTHER.

The MAR project, which is part of the Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) programme funded by the UK’s Department for International Development, works in drought-prone and vulnerable areas, Afar and Somali regions, and North and South Omo zones in the south. Farm Africa is working with leading Ethiopian insurance company Nyala Insurance, the NGO Mercy Corps and consultancy firm Pula Advisers to pilot the use of microinsurance to help pastoralists protect their main asset: their livestock.

Many pastoralist communities are struggling in the face of an increasingly uncertain climate. Their traditional coping mechanisms, such as intra-clan redistribution of livestock, are not working well any more. The trend in the value of herds is upwards due to a stronger livestock value chain. However, herd sizes and profitability can vary hugely in response to the availability of pasture and poorly functioning markets. Many people therefore fluctuate between periods of relative wealth and periods of asset poverty, making their situation suitable for some form of insurance.

We are piloting livestock microinsurance for a number of reasons:

- When faced with impending catastrophe, access to insurance can help people make appropriate investment decisions that do not compromise their long-term resilience.
- If the scheme reaches scale, good rains in one area can cancel out losses from drought elsewhere, and there’s a potential business case.
- The availability of insurance could potentially stimulate investment into the livestock economy in vulnerable areas.
- Microinsurance is another way to help address financial inclusion among the vulnerable, alongside mobile banking and other schemes.
- Although subsidies may be needed initially, this is preferable to and cheaper than large-scale humanitarian response.



Ethiopia’s lowlands are projected to become more vulnerable to the negative effects of climate shocks.



These potential benefits mean we believe the investment in understanding how to make insurance work is money well spent. After in-depth consultation with a range of stakeholders, potential clients being the most important, we have identified the most important barrier as being people’s

awareness about insurance. As such we have designed two different models of insurance in collaboration with Pula Associates. One tries to overcome the awareness barrier explicitly (see diagram below). The models that we are piloting in 2017 are outlined below.

Model A	Model B
<p>Microfinance-linked indemnity insurance</p> <p>Who targeted: customers of Omo Microfinance Institution, primarily in North Omo zone of SNNPR.</p> <p>How many: 63,000 over three years</p> <p>What does it insure: loans taken out to purchase cattle include insurance against loss of the animal due to disease, theft, accidents etc.</p>	<p>Pastoral Asset Protection</p> <p>Who targeted: pastoralist households in Afar and Somali Regions.</p> <p>How many: estimated 14,000 over three years dependent on uptake.</p> <p>What does it insure: customers of veterinary supply retailers buying specific vaccines pay a small additional margin to buy a contract that triggers a payout if there is localised drought.</p>
<p>Advantages</p> <p>Consumer base already established, symbiotic relationship between MFI and insurance company provides an incentive to continue the scheme, cost of the insurance is hidden in the interest rate paid by the customer, so no explicit marketing is needed.</p>	<p>Advantages</p> <p>Through use of vegetation indices, and automatic weather stations, can link clearly into wider efforts at early warning and drought response, building a customer base through an outreach model piloted successfully in Malawi. Clearly linked to the value chain. Can combine campaigns for increased vaccination with insurance uptake.</p>
<p>Disadvantages</p> <p>Limited scope means no explicit climate risk focus, very dependent on capacity and practice of the MFI.</p>	<p>Disadvantages</p> <p>Requires significant upfront investment in training/retailing, which is currently taking place. Will take longer to reach scale.</p>

MODEL B: PACKAGING DROUGHT INSURANCE WITH SALE OF ANIMAL VACCINES.



Each vaccine is packaged with an insurance voucher.



Pastoralist sends message with SHOP CODE and PIN upon purchase. Registration is free.



Farmer called to establish roaming region.



Roaming region allocated to satellite grid. Vegetation monitored through satellite imagery and ground monitoring by Disaster Prevention and Preparedness Bureau.



In case of severe drought, mobile wallet is loaded with a three-month allowance for animal fodder.

THANK YOU



10,528 BRILLIANT SUPPORTERS
GAVE US A TOTAL OF £1,198,272



WE RECEIVED 15 LEGACIES
TOTALLING £169,000



609 FABULOUS FUNDRAISERS
(INDIVIDUALS AND GROUPS)
RAISED £140,696 FROM THEIR
LOCAL COMMUNITIES



108 PARTICIPANTS TOOK PART
IN 16 FUNDRAISING EVENTS,
RAISING £70,566



MORE THAN 35 COMPANIES
SUPPORTED FARM AFRICA,
CONTRIBUTING A TOTAL
OF £210,000



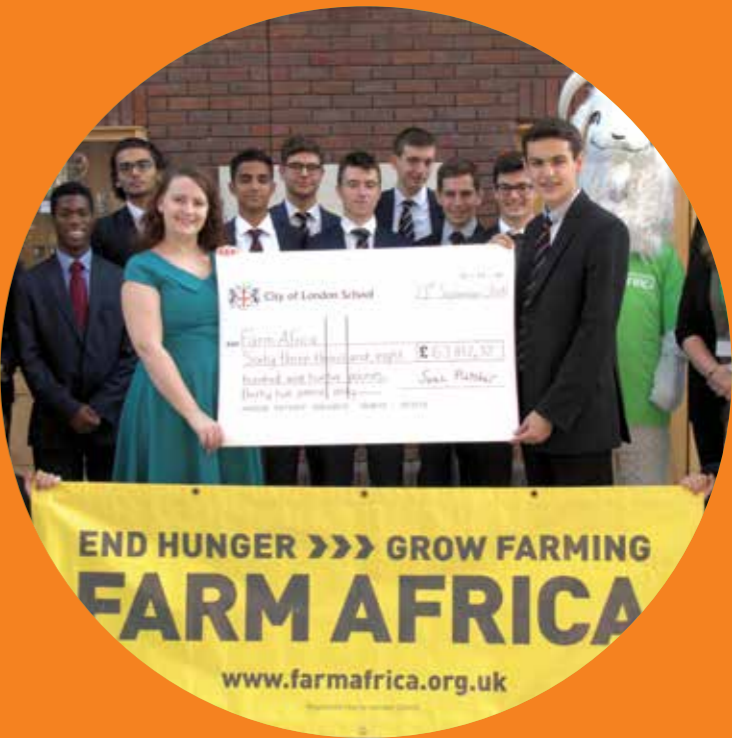
92 AMAZING SCHOOLS TOOK PART
IN THE GREAT AFRICAN WELLY
WALK AND RAISED £100,304

In September 2016, City of London School presented a cheque for a record-breaking £63,812 to Farm Africa, their official charity for the academic year 2015-6.



“My generation is faced with both responsibility and opportunity. We are the first generation that can end extreme poverty and the last that can end climate change. Of course, no individual can solve these huge problems, but if everyone carries out their role as global citizens, we will be well on our way.”

George Rosenfeld, aged 17 when he was Chairman of City of London School’s charity committee



SPECIAL THANKS TO:
ABP Food Group, Adeso, Ajahma Charitable Trust, Amref, The Ashden Trust, Barr Foundation, Big Lottery Fund, The Bill and Melinda Gates Foundation, City of London School, Comic Relief, Lord De Ramsey, Dinner at Heston Blumenthal, Dunbia, Embassy of Ireland to Ethiopia, European Union, Food and Agriculture Organisation of the United Nations, The Ford

Foundation, Jersey Overseas Aid Commission, LSESU RAG committee, Netherlands Embassy Kenya, Paperchase, Red eed Kind, Royal Norwegian Embassy Addis Ababa, James Stephen, Swedish International Development Co-operation Agency, Three Brothers, UK Aid from the Department for International Development, The Welland Charitable Trust, John Young



OUR THANKS TO ALL SPONSORS AND SUPPORTERS OF THE FOOD FOR GOOD CAMPAIGN IN 2015/16:



FINANCIAL SUMMARY

FARM AFRICA RAISED £17.9 MILLION IN 2016, OUR HIGHEST EVER ANNUAL INCOME, 47% UP ON OUR 2015 INCOME OF £12.1 MILLION. THIS RECORD INCOME ENABLED US TO REACH 1.9 MILLION PEOPLE, THE HIGHEST NUMBER OF PEOPLE WE HAVE EVER HELPED IN A SINGLE YEAR.

Government, institutional and other major donors account for the majority of our income. However, we are very grateful to the thousands of individuals, companies, schools and community groups who support us, providing funds that can be directed wherever the need is greatest.

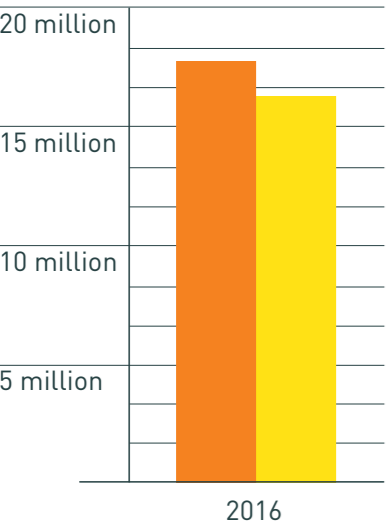
We are ever more keen to develop partnerships with the corporate sector, and were thrilled to launch innovative new partnerships with the retailer Aldi UK and chickpea snack brand Hippeas in 2016. In January 2016, we expanded our social enterprise Sidai (that offers affordable crop and livestock services in Kenya) following an investment of \$2 million from The Adolf H Lundin Charitable Foundation.

We are deeply committed to ensuring that your funds achieve the maximum impact in sustainably reducing poverty in rural Africa. Our value for money framework assesses the effectiveness of our expenditure to make sure that every pound you give is spent wisely.

We're proud signatories of the Fundraising Regulator's Fundraising Promise, which gives you extra peace of mind all our fundraising is legal, open, honest and respectful.

FARM AFRICA'S INCOME AND EXPENDITURE IN 2016

Income: £17.9 million
Expenditure: £16.5 million



Chief Executive: Nicolas Mounard
Board of Trustees:
Chair: Richard Macdonald
Deputy Chair: Professor Jonathan Kydd
Secretary: John Young
Treasurer: John Shaw
Judith Batchelar OBE
Colin Brereton
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We change lives.

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