Yunus Social Business (YSB) is a philanthropic venture fund. We provide investment capital as well as non-financial growth support to early-stage social businesses working with people living below the poverty line in developing economies. In alignment with USAID PACE, YSB has produced a report outlining the learnings from our work in Uganda to spur conversation and collaborative learning with our peers and the wider sector.

**KEY FINDINGS**

- Moving from accelerators towards investment readiness programmes
- Introducing tranche-based and performance-dependent loan disbursement
- Summarising the common signals of success and warning signs we see in our portfolio to inform our investment process
**OUR LEARNINGS**

**INVESTMENT PROCESS**

In the last few years, we have taken a critical look at our portfolio to distill the common patterns of high performers and struggling companies. This informs our investment criteria and feeds back into our investment process.

**EARLY PORTFOLIO SUCCESS SIGNALS**

The patterns we see from our best-performing businesses have been benchmarked to hone the model of selection for funding:

- **Multiplier Model**
  The business uses intermediaries to scale their impact (e.g. B2B model or sales partners)

- **Invest in Management**
  A willingness to invest in management to grow future leaders

- **Affordability**
  Price point and payment terms make the product affordable for the BoP

- **Clear Economics**
  Positive and clear financials

- **International Exposure**
  Management have education or work experience in international markets

- **Blended Finance Approach**
  They have already been recognized with access to international, cheap funding, especially in the seed stage e.g. grant capital

- **Winners & Leaders**
  Already showing promise as winners or the first-mover in their market segment

- **Tech**
  Openness to tech systems to streamline operations for scale
Identifying the early warning signs and actions to take, allow us to gauge whether a social business is likely to default or not:

**Greenfield**
Not mature enough for investment, or the product is missing a proof of concept

**Lack of Transparency**
Entrepreneur not disclosing certain events or facts, or only upon request

**Delayed Payments**
Not paying or falling behind on repayment schedule from the start

**Lack of Data**
Missing, unclear or conflicting data, limited visibility on unit economics

**Entrepreneur Not Focussed**
Spending time on roles outside of their social business; attending conferences or holding other positions

**Pressure to Invest**
Investment led by pressure from other funders or the entrepreneur themselves

**Communication Breakdown**
No or delayed reporting, information only provided sporadically by the entrepreneur

**Diversion of Capital**
The funding is not used for the intended purpose of the loan
CASE STUDY: GODSON COMMODITIES

Godson is an aggregator, processor and exporter of Chia seeds based in Uganda. They pay a guaranteed price to more than 6,000 farmers for their produce and secure them higher incomes.

Godson initially received a working capital loan of $100,000 in January 2018. The company has already completely paid back the principal amount and has subsequently been approved for a total debt ceiling of $250,000. This will allow the company, which was processing 480 tons of Chia seeds last year, to grow and export more than 1,500 tons of Chia seeds this year.

Clear Economics

CASE STUDY: BEEKEEPING BUSINESS IN UGANDA

Our first ever investment was in a beekeeping business in Northern Uganda. The entrepreneur became unresponsive in communication, stopped repaying the loan, took the funding and opened up a separate company to channel the money through.

Learnings:
- Better downside protection
- Regular site visits post-investment
- More stringent entrepreneur background checks

Communication Breakdown

Diversion of Capital
THE WAY FORWARD

The huge challenges that social entrepreneurs and consequently venture philanthropy funds like YSB face mean that maintaining a healthy, financially sustainable portfolio while delivering impact is a difficult road. The field is still comparatively new and by working closely with the ecosystem of development entrepreneurs and the organisations that support them, our shared learnings can mean an easier journey towards social finance that is efficient and effective.

Read the full report at yunussb.com/blog/what-have-we-learned-report