

Argidius - YSB Evaluation Report

Presented by MarketShare Associates

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Acronyms and Abbreviations

ANDE	Aspen Network of Development Entrepreneurs
CAT	Corporate Action Tank

GALI	Global Accelerator Learning Initiative
GAN	Global Accelerator Network
GIIN	Global Impact Investing Network
Logframe	Logical framework
MSA	MarketShare Associates
SB	Social Business
SME	Small or Medium Sized Enterprise
TA	Technical Assistance
ToC	Theory of Change
YSB	Yunus Social Business Fund Global
YSBU	Yunus Social Business Fund Uganda

Executive Summary

The Argidius Foundation (hereafter referred to as ‘Argidius’) has supported international, market-driven business development initiatives to alleviate poverty since 1992. Yunus Social Business Foundation (YSB) Global Initiatives was launched in 2011 as a non-profit social venture fund that aims to bring sustainable solutions to social problems through growing social businesses. YSB Uganda (YSBU), a subsidiary of YSB Global, has been operating in Uganda since 2015. In January 2016, the Argidius Foundation entered into a four-year partnership with YSB, aimed at supporting its social entrepreneurship acceleration and financing services in Uganda and scale them in the East Africa region.

At the end of 2017, Argidius contracted MarketShare Associates (MSA) to carry out an external evaluation of its support to YSBU, focused on assessing YSBU’s acceleration and financing of social businesses (SBs) to inform ongoing implementation and future plans for expansion of support to the East Africa region. MSA has also conducted an impact case study of one of YSBU’s top performing investees, which is presented in a separate report. The evaluation and case study ultimately aim to contribute to the sector-wide evidence base on what works in supporting the growth of SBs in ways that are financially sustainable.¹

MSA’s methodology included a document review, interviews with YSB staff and sector experts, and interviewing a sample of YSBU’s full portfolio of SBs supported by its acceleration and investment services. A total of 11 accelerated businesses and five investees were sampled.² Nine “non-treatment” firms (i.e. businesses that applied for either acceleration or financing but were ultimately not selected) were also sampled to understand how their growth trajectories fared in comparison to those who were selected for YSBU’s services. The evaluation was carried out by Raksha Vasudevan and Matt Styslinger, with logistical support in Uganda.

Table 1: Overall Findings by Evaluation Category and Sub-category

Evaluation Category:	Design and Relevance
Causal link between YSB’s support to SMEs and their performance	<p><i>The cause and effect logic in YSBU’s theory of change is unclear, with results at the outputs and outcomes level often obfuscated. Outcomes are not clearly defined, and associated indicators are either absent or could use improvement.</i></p> <p><i>YSBU’s activities contribute to targets at the output level, and the investment indicator targets in the logframe. Contribution of activities towards the achievement of the higher-level outcomes related to social impact (aside from revenue and job creation) and the social entrepreneurship environment outlined in its Theory of Change is less clear.</i></p>

¹ Argidius. *Evaluation of YSBU’s Acceleration and Financing of Social Businesses: Terms of Reference*. 2017.

² A sample size of 17 SBs supported by YSBU was agreed between MSA and Argidius. The number of accelerated business versus invested businesses in that sample was determined in order to be proportional to the numbers of each in YSB’s overall portfolio.

Extent to which YSB's support is valued by SMEs	<p><i>YSBU's investment service is unique and highly valued in terms of the sizes and stages of the ventures it invests in, and the terms of financing. It also appears to be cost-efficient.</i></p> <p><i>The extent to which accelerated SBs' needs have been met are mixed. Overall, the Accelerator – especially in its earlier iterations but also in its most recent version – requires significant resources but produces limited impact on business growth and investment-readiness.</i></p> <p><i>Post-investment support has been variable. It was most valued when YSBU staff had the skills and availability to directly advise SBs. "Standard needs" common for many start-ups (e.g. financial management, legal services) were not supported and mentors and other local partners were not consistently available, all of which were sources of frustration for both accelerated and invested SBs.</i></p>
Extent to which YSB is investing in the 'right' SMEs	<p><i>From a financial sustainability perspective, YSBU has chosen its investments well.</i></p> <p><i>Criteria around "Entrepreneur and team", "Business model" and "game-changing potential" are well-suited to the achievement of both investment and Accelerator program goals. The "social impact" selection criteria may unnecessarily constrain YSBU from accelerating and investing in otherwise eligible SMEs that would implicitly have a social impact through job and income creation in a low-income country.</i></p> <p><i>Particularly for its earlier iterations, there is a question of whether the Accelerator should have used the same selection criteria as the investment service since the goals of these services are not always the same world-wide. Now that the two programs appear more directly linked, it may make more sense to use the same selection criteria for both programs. As well, the application of the selection criteria for Accelerator applicants in the past has not been robust.</i></p>
Evaluation Category:	Results
Specific results of YSB support	<p><i>YSBU has had mixed success meeting its targets. According to its reporting, it has met most of its objectives for 2017 except for the number of Accelerator applications and participants, and total investment deployed in SBs. However, impact created by YSBU's acceleration or financing on SBs' revenues and jobs is unclear due to an unclear attribution strategy, significant exogenous factors and a lack of reliable data from SBs. On the other hand, YSBU's support appears to be positively correlated with amounts of external investment leveraged by invested and accelerated SB.</i></p> <p><i>Support that most consistently contributed to successful business outcomes was the financing, terms of financing, pre-investment support, the brand name and credibility associated with receiving support from YSB, and certain modules in the Accelerator (e.g. pitching, what it means to be a social business, financial systems). Aspects of YSB support that did not clearly lead to successful business outcomes included 'high-level' advice (i.e. not operational) to financed SBs, coaching by external mentors, and most modules of the Accelerator, especially in its earlier versions. YSB support also led to some unintended results, including some SBs making hasty decisions in order to meet loan payments, and others that did not receive investment discouraged from seeking investment altogether.</i></p> <p><i>The evaluation finds low confidence in the results data collected by YSBU, as well as its attribution and validation strategies, especially for non-financial data.</i></p>
Counterfactual and external influences	<p><i>The additionality of YSBU's investment service is high but that of its Accelerator less so.</i></p> <p><i>YSBU is exposed to the same agricultural-related risks as the majority of its portfolio businesses (e.g. crop disease, pests), which helps to explain some of the year-to-year variation in financial and job results of supported SBs.</i></p>
Evaluation Category:	Adaptive Management and Sustainability

Extent to which YSB is learning about its clients and its model	<p><i>YSBU has made important updates to its investment criteria and Accelerator program design based on learnings.</i></p> <p><i>The current division of duties between staff has some downsides from a knowledge management and relationship-building perspective. YSBU acknowledges this, but for the moment prefers this model over versions that it has tested in the past. Some instances of miscommunication with SBs were reported. Some instances of miscommunication with SBs were reported.</i></p> <p><i>While there appears to be a culture of data-driven decision-making and collaboration within YSBU, learning and experimentation do not appear to be rewarded, and negative feedback is not always welcomed.</i></p> <p><i>YSBU has good relationships with other key actors in the sector, but these could be strengthened for further learning and collaboration.</i></p> <p><i>There is no evidence yet of learning from the Arigidius partnership.</i></p>
Extent to which YSB's model is sustainable	<p><i>YSBU's stated aim of reaching sustainability by 2021 does not seem attainable with its current operating model. It has not yet decided what changes need to be made to reach this goal. It has also stated that a certain amount of philanthropic funding would always be helpful to support aspects that it views as 'non-core' but helpful to its operations.</i></p> <p><i>The investment fund structure and one-to-one pre and post-investment coaching appear replicable in other contexts. Methods of sourcing SBs, investment sizes, and the Accelerator program will need to be heavily adapted to the context, something that YSB already seems well aware of and is considering in its regional expansion.</i></p>

Recommendations

- YSBU should clarify its Theory of Change and update its results framework accordingly.
- Further to the changes it has already made to its Accelerator, which make it more focused on investment readiness and less of a stand-alone program, YSBU could consider eliminating the Accelerator program. In its place, it could expand some of its existing offers (personalized one-to-one coaching, sessions with small groups), or referring businesses to other accelerator programs, or a combination of all three for businesses that it deems as being almost investment-ready.
- The design of post-investment services should be re-considered to better enable YSBU to provide support on 'standard' needs of SBs and provide specific technical support on the challenges faced by SBs in certain sectors. In addition to the efforts that YSBU has already made to build and use a roster of external service providers, the design of post-investment services could further systematize this type of support, including through factoring in the costs of this external assistance into its loans.
- Although YSB's mission at a global level is to support SMEs that have a social impact, YSBU could further reduce the weighting of or altogether remove the social impact criterion in its investment criteria to enlarge the pool of investment-eligible SBs. That criterion could be replaced by a do-no-harm principle which is likely sufficient to ensure social impact in the Ugandan context.
- In general, there's little focus on attribution among impact investors and no clearly defined definition or best practices.³ Within this context, YSBU could still take steps to get a clearer picture of its impact by linking the intended and actual uses of its services to its impact indicators,

³ Vosmer, Willem & de Bruijn, Matthijs (Steward Redqueen). "Attribution in Results Measurement: Rationale and Hurdles for Impact Investors." July 2017. DCED.

namely revenue and job creation. A clear attribution formula based on how the loan is intended to be invested should be developed at the due diligence stage with potential investees, including a prorating formula (i.e. allocating parts of an investee's results to YSBU and other investors based on capital invested and post-investment TA provided), then reviewed and revised periodically. Critical to establishing attribution will be capturing and documenting further qualitative information on how SBs have used YSB support, whether it be financing or technical assistance. YSB reports that this information is gathered and discussed as part of its portfolio management and Investment Committee processes, including through using the capability assessment tool it has recently developed; integrating it into the reporting to donors should therefore not be too burdensome of an effort.

- The definition(s) of social impact could be further clarified and the methodology that each invested SB uses to calculate and report on these more clearly spelled out.
- A validation strategy, especially for non-financial indicators (as the financials can be verified through audited financial statements), needs to be defined. YSB should work with investees at to establish basic causal logic and/ or a research-based impact calculator with a straightforward method for sense-checking and validation. Evidence of impact should be strong enough to convince a reasonable sceptic, but that should be balanced with consideration for the costs of measurement and the burden to SBs that onerous compliance and reporting protocols could create.
- YSBU should also find ways to convey more clearly the level of confidence that an objective reviewer could expect to have in each results data point reported. To do this, YSBU's data and information management should be fortified with more thorough documentation and rigorous and consistent protocols.
- Addressing the internal 'roadblocks' around encouraging experimentation, providing staff with constructive feedback, and learning from failure could help YSB in learning and adjusting from mistakes more quickly.
- The evaluation team encourages both YSBU and Argidius, as a reputed and well-connected funder in the sector, to strengthen YSBU's relationships and information exchange with other local and international actors in the sector, including some of whom are also funded by Argidius and those who represent the sector (e.g. GALI, GAN). Objectives of this engagement would include, among others, exchanging lessons on 'what works' in investment readiness programs, sourcing for investment-eligible SBs, gathering intelligence about SBs already in the pipeline, and recommendations of qualified local consultants to provide certain post-investment technical assistance.
- YSBU should update its plan for reaching financial sustainability to clarify when this will be reached and/or which proportion of the program will likely continue to depend on donor funding.

1. Introduction

1.1 Argidius

1. The Argidius Foundation ⁴ has supported international, market-driven business development initiatives to alleviate poverty since 1992. With an overall vision of “sustainable and growing small and medium enterprises (SMEs) that improve the lives of the poor through increased income generation and provision of opportunities for a dignified life through work,” Argidius works to improve the effectiveness and reach of SME business development services by 1) building effective ecosystems of SME support in focus countries, 2) building the capacity of market-leading business development services (BDS) providers in focus countries and beyond, and 3) promoting effective learning to advance SME development by increasing the understanding of what works, and sharing our lessons with others. Aligned with its strategy, Argidius provides grant funding to organizations that support small businesses in focus countries to achieve growth.

1.2 Yunus Social Business Foundation Uganda

2. Impact investors⁵ range from banks, pensions and wealth managers who cater to clients with social or environmental interests, to institutional and family foundations with social and/or environmental goals that also need to grow or maintain an endowment, to government investors and development finance institutions that have social and environmental objectives within their broader missions of proving financial viability to private-sector investors.⁶ Similarly, the financial return objectives and geographic concentration of investments vary widely.
3. Within this landscape, YSB Global Initiatives was launched in 2011 as a non-profit social venture fund aiming to bring sustainable solutions to social problems through growing social businesses that either create income for the poor or provide them with essential products and services. YSB is active in the Balkans, Brazil, Colombia, Haiti, India, Tunisia, Uganda, and Kenya, coaching and mentoring entrepreneurs for investment readiness. Once considered investment-ready, YSB uses philanthropic funding from individual and institutional donors to finance promising social businesses, and provides long-term support to maximize impact. The proceeds from these investments are then used by YSB to re-invest in the same or other social businesses. YSB believes that removing the need for fundraising crucially allows social businesses to reinvest profits back into generating impact.
4. YSB Uganda (YSBU), a subsidiary of YSB Global Initiatives, launched as a pilot in 2013 and incorporated as a Company Limited by Guarantee in Uganda in 2014. Operations began in earnest in 2015 with two main services:
 - a. The Investment Fund provides primary debt financing to businesses in amounts that initially ranged between USD \$50,000 to \$350,000, and now of sizes between USD \$100,000 to \$1 million. Investment also includes post-financing technical support to the businesses.
 - b. An Accelerator program, offered twice a year, which aims to bring early-stage businesses to investment readiness. The Accelerator has since evolved to a shorter Investment Readiness program with smaller cohorts.
5. YSB and Argidius entered into a four-year partnership in January 2016, aimed at supporting YSBU in developing its social entrepreneurship acceleration and financing services in Uganda and scale them in the East Africa region. More specifically, Argidius has committed support through December 2019

⁴ Referred to throughout as *Argidius*. Argidius is a Switzerland-based charitable foundation, founded in 1952. Argidius is part of Porticus, the international organization that advises the philanthropic programmes of charitable entities established by the Brenninkmeijer family.

⁵ Defined by the GIIN as “investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending on investors' strategic goals.”

⁶ GIIN website.

for YSBU to accelerate at least 64 enterprises and finance or co-finance 22 enterprises in Uganda and other East African countries.

6. Aside from Argidius, YSBU has also received grant funding from the Gates Foundation, USAID, the Swedish and Dutch Postal Lotteries, in addition to generating its own income from interest on loans (although these are actually disbursed by YSB Global) and Accelerator fees.

1.3 The Evaluation

7. Argidius contracted MarketShare Associates (MSA), an international economic development and impact evaluation consulting firm,⁷ to carry out an external evaluation of its support to YSBU, focused on assessing YSBU's acceleration and financing of social businesses (SBs) to inform ongoing implementation and future plans for expansion of support to the East Africa region. MSA has also conducted an impact case study of one of YSBU's top performing investees.

2. Background

2.1 Nature and Scope of Social Businesses Supported

8. YSBU's stated goal is to foster small and growing businesses that provide market-based solutions to critical social issues. As summarized in Tables 1 and 2 below, thus far, YSBU has supported 38 SBs through its Accelerator program and 11 SBs through the Fund, six of which have been supported through both programs.

Table 2: Accelerated SBs

Year	Number of Accelerator cycles	Number of applications received	Number of SBs selected	Number of SBs graduated
2015	1	130	15	15
2016	2	283	21	13
2017	2	87 ⁸	10	10
Total	5	500	46	38*

*5 of the investee businesses first went through the Accelerator program

Table 3: Invested SBs (not including re-investments)

Year	# of invested SBs	Specific SBs
2015	3	Inv1*
		Inv2
		Inv3*
2016	4	Inv4*
		Inv5*
		Inv6
		Inv7
2017	3	Inv8*
		Inv9
		Inv10*
2018	1	Inv11*

*These investee businesses first went through the Accelerator program

⁷ For more information, visit www.marketshareassociates.com

⁸ The number of applicants rose in 2016 because YSBU piloted a partnership with UNHCR leading to a high number of applicants from refugee settlements.

9. Throughout its programming, YSBU works with two types of SBs and defines social impact differently for each of these types:
 - ‘Livelihood’ businesses that aim to improve access to jobs and improved incomes for marginalized populations – e.g. waste collection businesses that buy from waste pickers.
 - ‘Social product’ businesses that develop and sell items or services of need to marginalized populations – e.g. clean cookstoves, water filters.
10. Although YSBU does not prioritize certain sectors over others, the majority of businesses that it has invested in fall into the agribusiness, renewable energy, and water and sanitation sectors. This is consistent with YSBU’s investment criteria that prioritize impact on low-income populations, most of whom either work in these fields or could benefit from more sustainable access to products and services in these sectors.
11. Annex 1 includes more details on the profiles of the SBs sampled.

2.2 Challenges and Opportunities in SME development in East Africa

12. While Uganda has been one of the fastest-growing markets in East Africa, its economic growth in recent years has slowed. Average annual growth for the country was 3.5% in 2016/17 and 4.5% from 2011/12 to 2015/16, compared to rates of 7% during the 1990s and early 2000s. This slowdown was due to unfavourable weather conditions, unrest in neighbouring South Sudan (which is also an important trade partner), constraints on private sector credit disbursement, and poor execution of public sector projects.⁹ As a result, income poverty levels have risen from 19.7% to 27% over the 2012/13 to 2016/17 period.¹⁰
13. Uganda has high rates of entrepreneurship, mostly concentrated in the country’s 1.8 million informal firms. Most firms in Uganda are small and family-run, but these account for about 90% of private-sector production. Most are engaged in trade, agricultural processing, and services.¹¹
14. The following table is a summary of opportunities, strengths, and challenges facing SMEs in the Ugandan entrepreneurship and enterprise growth landscape:

Table 4: Challenges and opportunities facing SME development in Uganda¹²

Strengths/Opportunities	Challenges/Threats
<ul style="list-style-type: none"> • Incubation services and entrepreneurship training provided by many organizations. • Strong entrepreneurial spirit and activity • New MSME policy unveiled in 2015 signalling government funding for coordinated implementation of SME support. • Some level of coordination between actors with some actors serving as coordinators and catalysts (e.g. SNV, B-Space, Unreasonable East Africa, Enterprise Uganda). • Successful Kenyan organizations moving into Uganda (e.g. GrowthAfrica, Open Capital Advisors) • Strong interest from impact investors - Uganda is the second largest impact investing market in East Africa, after Kenya • Increasing number of financing options to grow agribusinesses 	<ul style="list-style-type: none"> • Pipeline of SMEs ready to grow is small • Many “in and out” training services—lacking long-term thinking and support (particularly around mentorship). • Lack of financing supply, particularly from the local banks accessible to MSMEs • Little innovation in banking for SME products and services • Acute poverty in the North and lack of land rights reform limit opportunities

⁹ <http://www.worldbank.org/en/country/uganda/overview>

¹⁰ Uganda Bureau of Statistics. Uganda National Household Survey 2016/17.

¹¹ Enabling Outcomes Limited. “The Entrepreneurship and Enterprise Growth Landscape: Uganda”. June 2016. Prepared for the Arigidius Foundation.

¹² Ibid.

2.3 Nature, Scope, and Costs of Support Provided by YSBU

15. YSBU's two main business support programmes are:

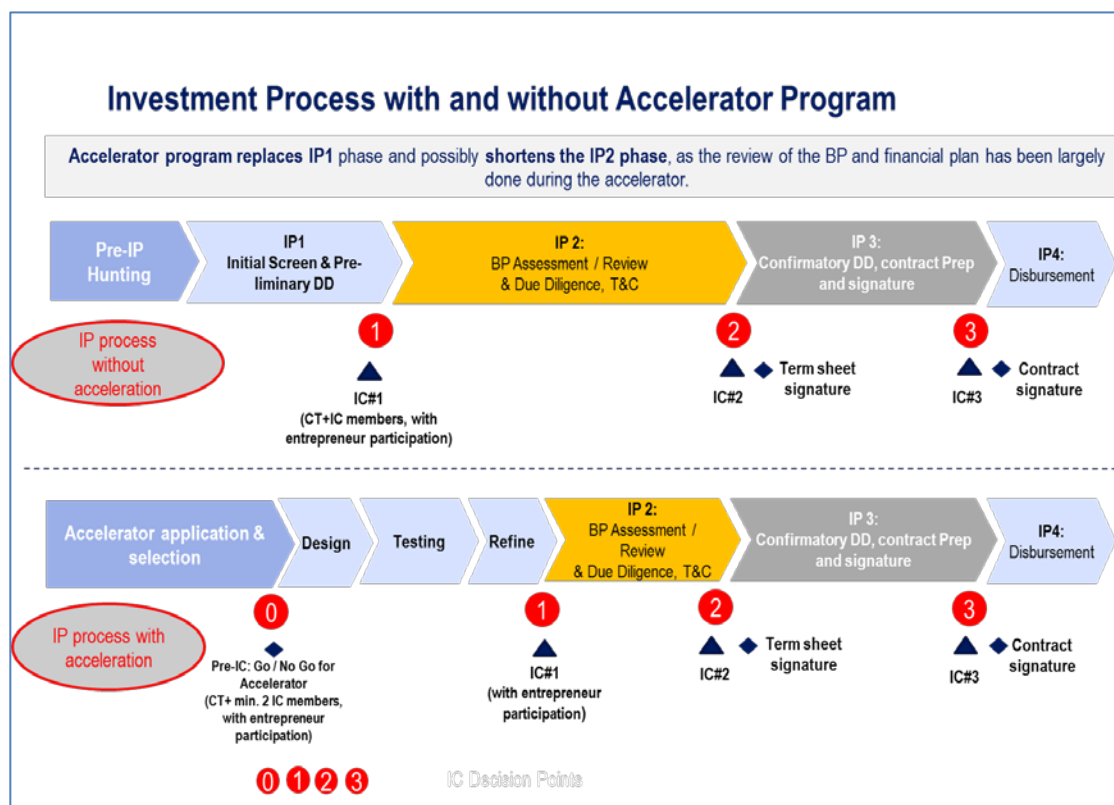
- The Accelerator, a structured program offered twice a year that aims to expand the pool of investment-ready SBs and also help YSBU understand if a company is investment-ready by working closely with them. While the program was originally conceived¹³ with a three-month curriculum and cohort sizes of 8-12 participating SBs, it has now evolved to a much shorter (5-day) investment readiness program with smaller cohort sizes. The most recent cohort, for example, only had 2 participating SBs. This is also because YSBU has changed its selection criteria for the Accelerator to only accept SBs that have a strong chance of receiving investment from YSBU upon, or shortly after, graduation.
- The Social Business Fund, which targets the “missing middle” of social businesses with debt financing of between USD \$100,000 and \$1 million. The funds are typically used for investment in productive assets, working capital, and expansion to new markets. The typical tenure of its investments is 5-7 years, although YSBU also offers working capital loans for a shorter period of 1-3 years. Long-term business development support is also provided by YSBU and its partners, including business coaching, facilitating access to markets, advice on financial social reporting after initial investment.

16. Combining business acceleration and financing aims to support SBs along the whole lifecycle, from an early-stage social enterprise, to investment-readiness, to scaling the business to reach its full potential over a period of 5-8 years. The diagram below illustrates YSB's model, which is designed to grow SBs through a unique combination of its services, which may include the Accelerator and/or Investment. SBs may receive investment without going through the Accelerator, and Accelerated businesses may not necessarily receive investment.

Figure 1: YSB's investment pipeline¹⁴

¹³ A shorter investment readiness program was piloted in 2014.

¹⁴ YSB slide deck.



17. The table below summarizes the estimated costs of YSBU's services. Detailed calculations of these costs can be found in Annex 2.¹⁵ The 'original' model refers mostly to the older version of the Accelerator program, and the current model refers to the newer 'Investment readiness' program. More details on the previous and current models of the Accelerator can be found in Annex 3.

Table 5: Estimated costs of YSBU's services

Program / service	Activities	Original model (2016)	Current model (2017)
Accelerator / Investment readiness program	Staff time cost of Accelerator service per year	\$ 43,518	\$ 20,442
Investment service	Staff time cost of investment service	\$ 83,188	\$ 83,188
Cross-cutting activities	Staff time costs per year of cross-cutting activities (management, administration, HR, new product/service/policy development, etc.)	\$ 38,306	\$ 38,306
Other costs	Other non-staff time costs (rent, legal expenses, travel, events, etc.) ¹⁶	\$ 88,379	\$ 94,837
Total cost of Accelerator		\$ 107,666	\$ 84,094
Total cost of Investment service		\$ 150,758	\$ 149,204

¹⁵ Note that our calculations in Annex 2 of the costs of YSBU's services are based on actual expenses of non-staff time costs, plus an estimate of staff time costs based on an average daily rate for all YSBU staff. This yielded a much lower cost for human resources (\$141,936) than YSBU's 'Human Resources' expense line in its latest financial statements (\$214,772). We assume this is because the average daily rate of staff does not fully reflect the costs of either the more senior staff in the YSBU office, or those who do not have direct program-related roles, such as the office manager..

¹⁶ Cross-cutting activities and 'other costs' are split equally across the Accelerator and Investment services as YSBU claims both to be critical to their value-add. The one exception to this distribution of costs are the Events & Communication costs, which are allocated as follows: in 2016, 54% of costs to Accelerator and 46% to Investment service. In 2017, 29% of costs to Accelerator, 71% to Investment service.

3. Purpose of the Evaluation

18. The purpose of the evaluation is to generate usable insights that can inform Argidius and YSBU's ongoing funding and implementation, as well as plans to expand in the East African region. This purpose is described in the evaluation Terms of Reference (ToR), which is included as Annex 4 to this report, and includes assessing, from an independent perspective, the realised and expected achievement of outcomes, taking into account the stage of the project lifecycle and considering the trajectory of sustainability and direction of impact. In this way, conducting the evaluation at this critical stage of implementation offers an opportunity to highlight existing challenges, successes to date and opportunities and to distil a set of recommendations that can contribute to enhancing YSB's services and expansion plans. The evaluation and case study ultimately aim to contribute to the sector-wide evidence base on what works in supporting the growth of SBs in ways that are financially sustainable.¹⁷
19. The evaluation focuses on assessing YSBU's acceleration and financing support of SBs in the period since January 2016 when Argidius support started. The evaluation places an emphasis on the contribution of YSBU to outcomes for businesses – i.e. revenue growth, jobs created, and investment raised – looking at short- and medium-term results and factors that have positively and negatively influenced those results.

4. Evaluation Methodology

20. A set of evaluation questions has been developed to assess YSBU's model within three evaluation categories: design and relevance, results, and adaptive management and sustainability. The full list of evaluation and case study questions is included in Annex 5 of this report.
21. The methodology, which was further detailed and agreed upon by all parties (MSA, Argidius, YSB) in an inception report, emphasizes the dimensions and meaningfulness of findings and recommendations over systematic validation of quantitative targets. Therefore, qualitative inquiries with key stakeholders and informants, as well as literature review, are the foundation of the evaluation methodology. Review, reflection, and triangulation of key quantitative results reported are also included within this evaluation.¹⁸
22. A sample of in-depth interview respondents was drawn from YSBU's full portfolio of SBs supported by its acceleration and investment services to conduct in-depth interviews. A total of 11 accelerated businesses and five investees were sampled.¹⁹ To do so, criteria for project selection was developed, taking into account feasibility, representation of the portfolio as a whole, and the opportunity for learning. Nine "non-treatment" firms (i.e. businesses that applied for either acceleration or financing but were ultimately not selected) were also sampled to understand how their growth trajectories fared in comparison to those who were selected for YSBU's services.²⁰ Full selection criteria can be found in Annex 6, and the full list of SBs sampled for the evaluation can be found in Annex 1. Below is a summary of the sample.

¹⁷ Argidius. *Evaluation of YSBU's Acceleration and Financing of Social Businesses: Terms of Reference*. 2017.

¹⁸ While the evaluation was not a summative evaluation that primarily aimed at validating data collected by YSBU from supported businesses, the evaluators did ask interviewees to confirm their business outcomes (revenues, jobs and investment) and note any discrepancies between their stated outcomes and those reported to YSBU. Additionally, the degree to which data collected by YSBU are necessary and sufficient and the processes utilized to collect, validate, and manage that data, were examined as part of the evaluation.

¹⁹ A sample size of 17 SBs supported by YSBU was agreed between MSA and Argidius. The number of accelerated business versus invested businesses in that sample was determined in order to be proportional to the numbers of each in YSB's overall portfolio.

²⁰ The plan had been to sample 12 accelerated SBs and 4 nearly Accelerated SBs. However, we realized during an interview with one SB that we believed had gone through the Accelerator program that it had actually dropped out of the program without completing it. At that point, we had also reached the end of our 'back up' list for Accelerated SBs so we decided to continue that interview, but it seemed more appropriate to count it as a nearly Accelerated SB.

Table 6: Profile of sampled SBs²¹

	Sampled	% of overall portfolio ²² sampled	Average latest revenues (USD)	Average latest number of employees
Total accelerated SBs	11	32%	\$ 101,628	18.5
Total invested SBs	5	45%	\$ 256,247	32
Total nearly accelerated SBs	5	36% ²³	\$ 286,100	18
Total nearly invested	4	57% ²⁴	(insufficient data)	(insufficient data)
Total sample	25	43%	\$214,658	23

Table 7: Sectors of sampled SBs

Sector	Number of SBs in sample
Agriculture	12
Energy	6
Environment	2
Water	1
Education	1
Health	1

23. The interview sample also included key YSB Global and YSBU staff, as well as experts and practitioners in the acceleration and social impact investment space. The full list of interviewees can also be found in Annex 1.
24. There were some limitations to the evaluation that are important to keep in mind when considering the findings:
 - a. It was challenging to confirm interviews with sampled respondents and to get enough of their time to go through all of the evaluation questions. To address this challenge, MSA engaged a local consultant to help set up, confirm, and follow up on interviews. Where respondents were unwilling or unable to meet in person, the evaluators conducted phone interviews. As well, prior to fieldwork, MSA created a backup sample and drew upon this as needed when respondents from the initial sample were non-responsive.
 - b. In several instances, there had been turnover within the management team of a given sampled SB since it had received or applied for support (either acceleration or financing) from YSBU. This limited the ability of some respondents to speak to how YSBU's services had or would have influenced their business.
 - c. Some respondents were unwilling to share business performance data (revenues, jobs, profitability, investment leveraged), and others promised to revert back to the evaluators with the data but never did, in spite of multiple follow-up efforts by the evaluation team.
 - d. Related to this, evaluators were not able to ascertain the validity or rigor with which financial figures reported by SBs were compiled by YSBU. Therefore, when there were discrepancies in figures between those reported by YSBU for a certain SB, and what the SB told us, we concluded that the latter were more accurate.²⁵ The evaluators did not examine audited SB financial statements as this was beyond the scope of the evaluation (which was not intended as an 'audit')

²¹ We used the latest figures reported to YSBU unless our data collection yielded more up-to-date and significantly different figures.

²² This refers to the overall portfolio since 2016 when Argidius support commenced.

²³ Based on YSB's Strategic Review data. This does not refer to all businesses that applied for the Accelerator, but rather to SBs that were close to being selected but ultimately were not.

²⁴ Based on YSB's Strategic Review data. This does not include businesses that were successful in receiving financing from YSBU.

²⁵ This conclusion was arrived at through a "sense-checking" inquiry process between YSBU and the SBs in question.

and also because many SBs did not have their audited 2017 financial statements ready at the time of the evaluation.

- e. There were significant exogenous factors (e.g. unfavorable weather, equipment that did not perform well, export markets with changing demand) that impacted business performance since SBs received or applied for services from YSBU. These factors also complicate attribution between sampled SBs' business performance and YSBU's services.
 - f. There have been significant changes within YSBU – including turnover and changes in roles of key staff and a substantial evolution of the Accelerator program's objectives and design – that directly influenced its services during the evaluation period. This means that the nature of the treatment itself shifted over time, which complicated the assessment of its results. These factors are identified as possible in the report where it is relevant
25. As well, evaluators' confidence in some of the quantitative business performance data (revenues, profits, jobs, number of employees, amount of other investment leveraged) is not high, and the following caveats should be kept in mind when considering such figures:
- a. Data used was provided by YSBU, unless this was not available, in which case data that businesses provided to the evaluators was used. Where neither was available, that data point was excluded.
 - b. We calculated average percentage changes in revenues, profits and number of jobs since 'treatment', i.e. the year that the business received support from YSBU, either through investment or the Accelerator.
 - c. For additional investment leveraged, investments were added up over time since treatment.
 - d. Although 4 nearly invested businesses were interviewed, business performance data from only one was able to be obtained. For that reason, 'control group' results are not shown for invested businesses. However, the results of the accelerated businesses could serve as a control since these ostensibly would have been considered for investment. The evaluators confirmed that several accelerated businesses were considered for investment but ultimately did not receive it.
 - e. MSA interviewed 11 accelerated businesses. However, business performance data is only included from 5 because:
 - It is too early to see changes in business performance as a result of the Accelerator for the 2 SBs that went through the 2nd Accelerator cycle in 2017.
 - One business fundamentally changed its business model after the Accelerator and is currently non-operational while setting up a new business structure.
- The evaluation team was unable to obtain business performance data from the others.
- f. MSA interviewed 5 nearly accelerated businesses, including one that had dropped out of the Accelerator. However, the evaluation team were only able to get usable data points from 2-3 of them. Thus the 'control' group for nearly accelerated businesses is quite small.
26. The evaluation was carried out by Raksha Vasudevan and Matt Styslinger, with logistical support in Uganda from Nantalia Aisha.

5. Evaluation Findings

This section presents the findings, organized by category of evaluation questions. Where relevant, we have included quotes from interviews that are meant to be illustrative of a finding.

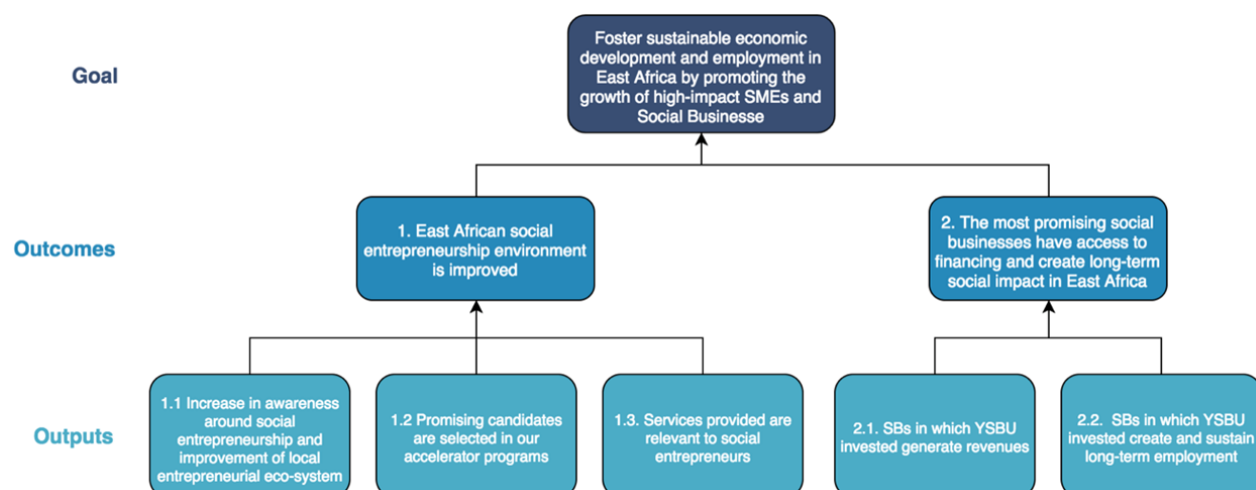
5.1 Design and Relevance

Evaluation Category:	Design and Relevance
Causal link between YSB's support to SMEs and their performance	<p><i>The cause and effect logic in YSBU's theory of change is unclear, with results at the outputs and outcomes level often obfuscated. Outcomes are not clearly defined, and associated indicators are either absent or could be improved.</i></p> <p><i>YSBU's activities align with the output and investment targets in the logframe (i.e. the indicator targets). Alignment of activities towards the achievement of the outcomes related to social impact (aside from revenue and job creation) and the social entrepreneurship environment is less clear.</i></p>
Extent to which YSB's support is valued by SMEs	<p><i>YSBU's investment service is unique and highly valued in terms of the sizes and stages of the ventures it invests in, and the terms of financing. It also appears to be cost-efficient.</i></p> <p><i>The extent to which accelerated SBs' needs have been met are mixed. Overall, the Accelerator – especially in its earlier iterations but also in its most recent version – requires significant resources but produces limited impact on business growth and investment-readiness.</i></p> <p><i>Post-investment support has been variable. It was most valued when YSBU staff had the skills and availability to directly advise SBs. "Standard needs" were not supported and mentors and other local partners were not consistently available, all of which were sources of frustration for both Accelerated and invested SBs.</i></p>
Extent to which YSB is investing in the 'right' SMEs	<p><i>From a financial sustainability perspective, YSBU has chosen its investments well.</i></p> <p><i>Criteria around "Entrepreneur and team", "Business model" and "game-changing potential" are well-suited to the achievement of both investment and Accelerator program goals. The "social impact" selection criteria may unnecessarily constrain YSBU from accelerating and investing in otherwise eligible SMEs.</i></p> <p><i>Particularly for its earlier iterations, there is a question of whether the Accelerator should have used the same selection criteria as the investment service. As well, the application of the selection criteria for Accelerator applicants in the past has not been robust.</i></p>

Causal link between YSB's support to SMEs and their performance

27. The following is a graphical representation of the theory of change established in the logical framework (logframe) that YSBU has developed for its Argidius-funded activities:

Figure 2: YSBU's Theory of Change and associated indicators



Outcome indicators and targets	
Outcome 1	None
Outcome 2	<ul style="list-style-type: none"> (#) Social Businesses financed or co-financed by YSBU annually. (Target: 22) Amount invested in Social Businesses by YSBU in debt or equity. (Target: €4,200,000)
Output indicators	
Output 1.1	(#) people attending training and information sessions and pitch camps in entrepreneurial skills cumulative. (Target: 1,400)
Output 1.2	<ul style="list-style-type: none"> (#) applications received by country team. (Target: 1,000) (#) of candidates accepted into the Regional Accelerator Program, receiving intensive training and coaching annually. (Target: 64) (#) of accelerator cycles concluded. (Target: 8)
Output 1.3	% Entrepreneur Satisfaction Rate. (Target: 90%)
Output 2.1	Incremental new revenue generated by SBs in EUR cumulative. (Target: €1,012,899)
Output 2.2	(#) Incremental new long-term jobs created within SBs financed or co-financed by YSBU cumulative. (Target: 613)

28. The cause and effect logic in YSBU's theory of change is unclear. For example, SBs generating revenue (Output 2.1) and creating employment (Output 2.2) lead to SBs having access to financing and creating social impact in the causal logic. However, revenue and employment creation are a *result* of financing, rather than the other way around. A look at the indicators for Outcome 2 confirm that 'access to financing' refers to YSBU's financing, rather than additional financing raised by SBs as a result of YSBU's prior investment in them.
29. Social impact is not clearly defined in a measurable way within the theory of change. Outcome 2 refers to SBs creating long-term social impact, but the outcome indicator only measures financing, which is presumably the driver of social impact, not the effect.
30. Similarly, Outcome 1 "East African social entrepreneurship environment is improved" is not clearly defined and has no associated indicators. Interviews with YSBU confirm that this outcome is not viewed as particularly actionable within the YSBU model.
31. YSBU's activities align with the output and investment indicator targets in the logframe Alignment of activities towards the achievement of the aggregate outcomes related to social impact (aside from revenue and job creation) and the social entrepreneurship environment outlined in its Theory of Change is less clear.
32. Impact investment industry standards recommend measuring at least to an 'Outcome' level defined as "the likely effect on beneficiaries as a result of the investment's outputs" (e.g. increased income,

increased school attendance).²⁶ YSB at the global level has taken some steps towards meeting this standard and going beyond to impact, including engaging with Acumen to pilot their lean impact methodology, as well as several donors to fund several outcome studies.

Extent to which YSB's support is valued by SMEs

Investment

33. YSBU is one of the few investors in Uganda providing financing for SMEs in the 'missing middle' amounts (i.e. between USD \$100,000 to \$1 million) without the strict collateral requirements and high interest rates of local banks. While more impact investors who offer 'patient capital' are starting to enter the Ugandan market, they are not necessarily willing to invest in earlier-stage businesses. YSBU's investment services, therefore, remain relatively unique.

"A lot of investors come to us, wanting to enter the market but they are generally looking for more mature businesses. YSB is still unique in terms of their willingness to invest in early-stage ventures." – SME expert in Uganda

34. For SBs that received YSBU financing, an important need for scaling – and sometimes survival – was met. The timing of the loan (usually coming at a critical period for the SB's survival), a relatively favourable interest rate of between 8-12% (significantly below commercial market rates of more than 20%²⁷), a relatively long repayment period, limited collateral requirements, and a flexible grace period were appreciated by YSBU financed SBs.
35. As well, the YSB brand name and the credibility provided by having received financing from an institutional investor – usually for the first time in the SB's history – appeared to help SBs in leveraging investment from other sources. The YSB brand was cited by a significant number of SB respondents as a key reason for applying for YSBU support.

"If you have players like YSB coming into invest, more investors will come in. They realize the potential for improving incomes and exporting. YSB has such a strong reputation, so other investors now pay attention to us. Heifer International, for example, is interested in working with them."

- Invested SB

36. YSBU provides almost entirely debt investment. A few SBs (invested and nearly invested) would have preferred equity or a mix of debt and equity, though most prefer debt. YSBU's rationale for preferring debt appear sound: given the nature of the businesses in which it invests, it would be difficult for YSBU to eventually sell its equity stake. Buying equity would also require doing a valuation of the SBs to negotiate the equity investment, which tends to be a long and painful process.
37. Lastly, YSBU deployed approximately \$635,000 in investment in 2017. The cost of the investment service came to approximately \$149,204²⁸ (not including the cost of capital)²⁹ or 23% of the total amount deployed, which seems to be quite cost-efficient.
38. YSBU's most recent investment of USD \$100,000 with a one-year repayment period would appear to be against its 'patient capital' ethos and also to run a higher risk of default or of distressing the business than its other investments. YSBU notes that this payment was made to address a specific working capital need by an investee over a single agricultural season and so would not have been appropriate to be repaid over multiple years. Moreover, that payment was meant to allow YSBU to understand the credit-worthiness of the borrower and hence the suitability for longer-term financing. While this is a reasonable rationale, some sources rather had the impression that this was driven by

²⁶ Boston Consulting Group. "Impact measurement & management." Slide deck for YSB. December 2017.

²⁷ <https://reut.rs/2uw9881>

²⁸ See Annex 2

²⁹ Since YSB's capital for the fund consists of philanthropic funding (such as 0% loans and donations), there is no cost of capital included in the calculations.

a desire to show donors that SBs are repaying; this may suggest a need for better communication of the rationale for differing loan terms.

39.

Accelerator

40. The extent to which accelerated SBs' needs have been met are mixed. This is partially because the Accelerator's goals and design have evolved significantly since YSBU's inception. This is an important point because appreciation for the program is correlated to participant expectations. Nearly all interviewed SBs said that their primary – if not only – motivation for applying to the Accelerator was to receive financing from YSBU.³⁰ In its earlier version, participating SBs' did not have a clear sense of their chances of getting funding. Many SBs were understandably disappointed when they paid the \$500 participation fee, invested time into the Accelerator, and graduated without receiving funding.³¹ Only 7 out of 38 accelerated SBs ultimately received financing from YSBU.

"YSB took the \$500 because it said I was investable. They even looked at the financials and everything and believed that we just needed some polishing to be investment ready. But then after the program they decided I wasn't investable. I even spoke to the global team before the Accelerator who told me that they would be comfortable investing in the business. But then they were not comfortable investing in it after the program. I'm not clear about why that is. Time was wasted on both sides. It felt like an insult."

- Accelerated SB

41. The Accelerator better met SB's needs when:
- Very early-stage businesses were targeted that did not have strong business fundamentals (e.g. a business plan, marketing strategy, financial management systems) in place. This was especially true for the earlier versions of the Accelerator.
 - Cohort sizes were small, allowing for increased interaction between participants, YSBU staff, and mentors. However, the "cohort building" aspect of the Accelerator appears weak, with few participants reporting that they maintained connections – professional or personal – with their fellow cohort members.
 - Mentors were available and motivated to work with the SBs. SB's experiences of mentorship were highly varied, with some reporting that their mentor helped them greatly improve their business strategy or make useful connections. There were also Accelerator participants whose assigned mentors provided very limited mentorship, as well as some whose mentors never even got in touch with them. YSBU's management of the mentor-mentee relationships is minimal or ad-hoc.
 - Connections were directly and immediately useful and relevant to SBs.

"The accelerator helped us to strengthen our relationship with USAID in Uganda. As a result, we have become a partner of Power Africa [a USAID initiative]. We get technical and financial consultants from Power Africa to do business development with them."

- Accelerated SB

42. SBs also expressed appreciation for the modules on pitching to investors, what it means to be a social business and having a social business mindset, and financial systems.
43. The YSB brand name and the credibility provided by having been selected for the Accelerator also appeared to help SBs in leveraging investment from other sources.

³⁰ This aligns with regional data from GALI, which suggests that compared to the global sample, African entrepreneurs who participate in Accelerators are more interested in gaining direct funding and business skills.

³¹ YSB notes that it only charges the participation fee upon successful completion of the course, though this was not the feedback of the quoted participants.

"When I started the program, I thought I knew it all. But I learned a few things and it forced us to look at it with a fresh perspective and realize we needed to make some changes. For example, we realized that product needed to be more accessible. Previously it took customers 9 months to pay back the loan for the whole equipment set. After the program they realized how we could make it a little bit cheaper. Another change is that now we are doing 60% of our business with customers and 40% with other businesses (which is flipped from before). This makes the business more of a social business. Because of the changes in the mode that resulted from his participation in the accelerator, we were able to get investment from two investors. Without having done the accelerator, we would still be doing the 9-month breakeven model."

- Accelerated SB

44. Overall, the majority of SBs found the Accelerator useful (to varying degrees), but few attributed investment readiness to it. This is echoed by YSBU's current understanding that a 3-month Accelerator was not sufficient to yield truly investment-ready businesses (if a business was far from being investment-ready at the start of the program).
45. Follow-up communication and support after the SBs graduated from the Accelerator also appears to have been ad-hoc. YSBU staff kept in touch with only some businesses – perhaps the most promising, although this is not clear – and with varying frequency. As well, several graduated SBs said it was not clear to them if they could reapply for financing from YSBU.
46. The most recent version of the Accelerator appears to be better suited to bringing nearly-investment eligible SBs into YSBU's investment pipeline. The outcomes will also likely align better with SBs' expectations going into the program.
47. Overall, the Accelerator – especially in its earlier iterations but also in its most recent version – requires significant resources but produces limited impact on business growth and investment-readiness. As shown in Annex 2, the staff time costs of offering the Accelerator program has been reduced by about 50%, but the number of participating SBs has also been significantly reduced. It is too early to determine with a high level of confidence the impact on business growth of the investment-readiness program on the latest cohort; however, by YSBU's own admission, these were selected with the intention that they were already very close to investment-readiness. Thus, evaluators question how large the impacts could actually be and the cost-effectiveness of the program even at 50% of its earlier costs.

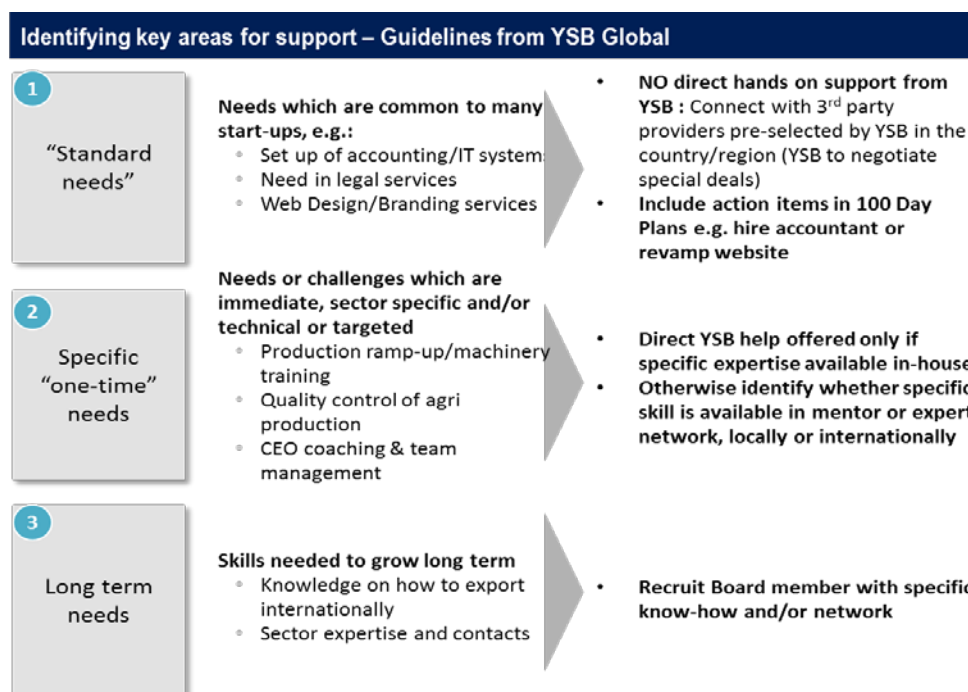
"We don't have the resources to dedicate to it, and it's not core to our targets. It's not possible to facilitate a good Accelerator program, and also reach investment goals [with our current level of resources]. And, it is not possible to make a business investment-ready in 6 months."

- YSB staff

Post-investment support

48. In theory, YSBU offers a comprehensive suite of post-investment services and claims this as a unique value-add in comparison to other investors, especially local banks. This support, as shown in the figure below, is to be based on a needs assessment of the investee. Depending on the nature of the needs identified, support is then either not provided and 'assigned back' to the SB, provided by YSB if the in-house expertise is available, or outsourced to a mentor – usually local – or board member with the appropriate skill set.

Figure 3: Post-investment support offered by YSBU³²



49. In practice, post-investment support has been variable and sometimes limited to only payment and reporting reminders. A USAID evaluation on YSBU conducted in late 2017 had similar findings: "the most common form of post financing engagement has been focused on compliance with the loan repayments and data on key performance indicators as observed by 6 SBs visited. These visits have been intensified whenever signs of non-compliance start to show."³³ Solutions offered during such visits are limited to business management solutions, and YSBU has been largely unable to facilitate solutions to technical problems faced by SBs.

"There is no other component to the investment [aside from the money]. No mentor. No technical advice. I've gotten technical advisory from other factories, but I got those from my own networks, not YSB."

- Invested SB

50. The lack of assistance offered for "standard needs" was a significant source of frustration for both potential investees, including SBs who had gone through the Accelerator, and for SBs that had already received financing.
- For SBs hoping to get financing, these 'standard needs' were usually precisely why they were not eligible for YSBU financing. They were told that once they addressed these issues, they could reapply for a loan, but these SBs often did not have the resources to address them.
 - For already invested SBs, they saw the rationale for addressing these needs over the long-term, but in the short-term, they preferred to use YSB's financing for more immediate needs, like paying producers and buying factory equipment.

"We'd like to invest in business development services (improving our finance, marketing, branding, farmer management, software) but we cannot put debt money into that. As a business owner, you are working out all the time how to repay the money you borrowed."

- Invested SB

YSBU has shortlisted several service providers per topic within the "standard needs" (e.g. finance, HR, social impact) but has found that entrepreneurs are unwilling to pay for these services, even if at a 'low bono'

³² YSB slide deck

³³ Byamugisha. 2017. Pg. 14.

cost. This is backed by the challenges faced by previous efforts in East Africa that have supported access to business development services for MSMEs.

51. For specific “one-time” needs and long-term needs, the SBs that received assistance from YSBU staff on business planning/ strategy or accounting reported this to be very useful.

“We now have a computerized accounting system, we’ve better organized our inventory, businesses planning factoring in costs – all as a result of YSB support. YSB helped us identify hidden costs. In terms of HR, we learned how to do contracts for staff, staff training and specialization (everybody shouldn’t do everything), and compliance with labour laws.”

- Invested SB

52. However, few invested or accelerated SBs reported receiving useful technical assistance from an external mentor or board member. As another impact investor found with using pro-bono consultants, “the level of service provided failed to meet investees’ expectations, and investees lacked enough stake in the project to ensure its implementation, since they had not paid for the consultant.”³⁴

53. Invested SBs also did not find useful t ‘high-level’ advice (e.g. improve profits) offered by YSBU without further guidance, more specific assistance, or contacts needed to achieve these.

YSB is (passively) present on our board and they give advice from that very high strategic level. But don’t need advice on such a high level. Saying that we should increase our sales by 10% is not very helpful. We need operational advice, or contacts to do business with.

- Invested SB

54. Both investees and accelerated SBs would value sector (e.g. agriculture) or function-specific (e.g. accounting) technical assistance. Currently, YSBU’s in-house capacity to provide these is limited and the price points of its shortlisted service providers are higher than what most SBs are willing to pay.

55. Companies also valued connections to potential buyers, suppliers, service providers, or other businesses facing the same challenges. There are some good examples of YSBU facilitating this. YSBU itself acknowledges, however, that it has not yet managed to find strong, committed local partners within the Ugandan business community who can open important doors for their SBs, domestically or abroad.

56. YSB has been working on a new organizational capacity development tool to “help investment managers in tracking capability development of SBs according to defined criteria, store historical data, and communicate performance to YSB during portfolio review.” While this will certainly be useful to track progress of SBs within its portfolio, the core problem seems to lie more in YSBU’s resources to meaningfully assist SBs with such capacity development (aside from financing).






Extent to which YSB is investing in the ‘right’ SMEs

57. From a financial sustainability perspective, YSBU appears to have chosen its investments well, with a strict due diligence process and only two of its eleven investments having defaulted to-date.

58. YSBU applies the same criteria shown below to selecting SBs both for investment and into the Accelerator program:

³⁴ GIIN. 2017. Page 24.

Figure 4: YSBU's investment criteria

<div>  6 investment decision criteria at YSB 4 criteria assessed with 1-5 scale, 2 new deal breakers </div>			
Investment Criteria	Key dimensions	Rating	Updates/changes
1 Entrepreneur and team 40%	Leadership & Drive – 40% Entrepreneurship Experience – 30% Team Cohesion and skills – 15% Fit with YSB and reliability – 15%	Weak 1 Strong 5 	For all criteria & sub-criteria: a score below 3 is a potential deal breaker* More stringent ent. experience
2 Social Impact 20%	Relevance of the problem – 50% Focus on the poor – 25% Practicability and efficiency of the solution – 25%	Weak 1 Strong 5 	Focus on the poor: new sub criteria (see next slide)
3 Business model 30%	Robustness & Sustainability – 40% Market opportunity – 30% Maturity & Confidence in execution – 30%	Weak 1 Strong 5 	More stringent criteria on sustainability
4 Game-changing potential 10%	Scalability and replicability – 100% Innovation – 0%	Weak 1 Strong 5 	Sub criteria taken out: innovation
5 Depth of impact <i>NA – only a potential deal breaker</i>	For livelihood Social Businesses, increase of >20% of incomes for beneficiaries vs when not working with this Social Business	YES/NO	New criteria: Deal breaker if No
6 Environmental Impact <i>NA – only a potential deal breaker</i>	The SB's environmental impact is at least on par with the other players in the industry	YES/NO	New criteria: Deal breaker if No
Note: some specific exceptions – explained in part II of this training			3

59. Criteria around “Entrepreneur and team”, “Business model” and “game-changing potential” are well-suited to the achievement of both investment and Accelerator program goals and in line with industry trends.
60. The “social impact” selection criteria may unnecessarily constrain YSBU from accelerating and investing in otherwise eligible SMEs. While this criterion may be necessary in higher-income and lower-density contexts – where it may be harder to engage marginalized populations, either as clients, employees, or suppliers – financing the “missing middle” in the context of Uganda, where poverty actually appears to be on the rise,³⁵ has implicit social benefit (e.g. jobs, income) – provided a ‘do no harm’ approach. Viewed through this lens, YSBU has had a clear social impact, having created jobs, income, and revenue for SMEs. The focus on social impact may be at least partially donor-driven, which would be in line with industry trends. Other accelerators that are not donor-funded have a lesser focus on social impact: only 41% of investor-backed accelerators surveyed by GALI explicitly aimed to support ventures with social or environmental impact objectives vs. 65% of donor-backed accelerator programs.¹
61. Particularly for its earlier iterations, there is a question of whether the Accelerator *should* have used the same selection criteria as the investment service since: a) these appeared to be two distinct services with related, but slightly different, goals, and b) The Accelerator aimed to increase the pool of investable SBs, yet the majority of Accelerator participants (before the 2nd 2017 cycle in particular) do not appear to have been serious candidates for investment. (Even if the stated objective of the earlier version of the Accelerator was to make businesses investment-ready, in practice, early-stage entrepreneurs who were still developing their product and businesses participated in the earlier version. This audience could also have been a legitimate target for an Accelerator program, depending on the goals of the program). Now that the two programs appear more-or-less merged, with the Accelerator/ investment readiness program accepting only ‘truly’ investable SBs, it may make more sense to use the same selection criteria for both programs.
62. The application of the selection criteria for Accelerator applicants in the past has not been robust. Documentation on the scoring of applicants is incomplete, with several applicants not receiving scores or the most highly scored ones ultimately not participating in the Accelerator (this may be

³⁵ Uganda National Household Survey 2016/17

because they were invited and chose not to participate, but this was not evident from the documentation).

63. Lastly, it appears difficult for YSBU to say with confidence if it is investing in the 'right' businesses because specific technical/ sectoral expertise would be required to fully understand the feasibility of business plans. This is especially relevant for assessing the 'game changing' potential of a certain business.

5.2 Results

Evaluation Category:	Results
Specific results of YSB support	<p><i>YSBU has had mixed success meeting its targets. According to its reporting, it has met most of its objectives for 2017 except for the number of Accelerator applications and participants, and total investment deployed in SBs. However, impact created by YSBU's acceleration or financing on SBs' revenues and jobs is unclear due to an unclear attribution strategy, significant exogenous factors and a lack of reliable data from SBs. On the other hand, YSBU's support appears to be positively correlated with amounts of external investment leveraged by invested and accelerated SB.</i></p> <p><i>Support that most consistently contributed to successful business outcomes was the financing, terms of financing, pre-investment support, the brand name and credibility associated with receiving support from YSB, and certain modules in the Accelerator. Aspects of YSB support that did not clearly lead to successful business outcomes included 'high-level' advice (i.e. not operational) to financed SBs, coaching by external mentors, and most modules of the Accelerator, especially in its earlier version. YSB support also led to some unintended results, including some SBs making hasty decisions in order to meet loan payments, and others that did not receive investment discouraged from seeking investment altogether.</i></p> <p><i>The evaluation finds low confidence in the results data collected by YSBU, as well as its attribution and validation strategies, especially for non-financial data.</i></p>
Counterfactual and external influences	<p><i>The additionality of YSBU's investment service is high but that of its Accelerator less so. YSBU is exposed to the same agricultural-related risks as its portfolio businesses (e.g. crop disease, pests), which explains some of the variation in financial and job figures of supported SBs.</i></p>

Specific results of YSB support

64. A key focus of the evaluation was understanding how YSBU has contributed to the results achieved by its accelerated and invested businesses. To do so, we look at YSBU's own activities and achievements, the results of its supported SBs, and attempt to trace the links between these.
65. As shown in the table below, according to its own reporting, YSBU has met most of its objectives for the end of 2017 except for 1.2a: Number of applications received by country team for the Accelerator, 1.2b: Number of candidates accepted into Accelerator, and 2b: EUR invested in financed SBs.

Table 8: YSBU's results against output targets

Indicator	Project target (until 2019)	Target for end of 2017	Achievement at end of 2017 as reported by YSBU
1.1a. (#) people attending training and information sessions and pitch camps in entrepreneurial skills	1400	600	640

Indicator	Project target (until 2019)	Target for end of 2017	Achievement at end of 2017 as reported by YSBU
1.2a. (#) applications received by country team	1000	500	370 (283 in 2016 ³⁶ , 87 in 2017)
1.2b. (#) of candidates accepted into Accelerator	64	32	31 SBs accepted (only 23 graduated)
1.2c. Accelerator cycles	8	4	4
1.3a. Entrepreneur Satisfaction Rate	90%	90%	Not yet known
2a. # of SBs financed or co-financed	22	9	10
2b. EUR invested in financed SBs	€4,200,000	€1,600,000	€1,370,000
2.1a. Incremental new revenue generated by SBs in EUR cumulative	€1,012,898	€258,800	€789,258
2.2a. (#) Incremental new long-term jobs created within SBs financed or co-financed by YSBU cumulative	613	163	235

66. The evaluators found the output level indicators to be mostly valid and appropriate, with the exception of 1.2b. (#) of candidates accepted into Accelerator. Given that the design and focus of the Accelerator has evolved, the output target for cycles may need to be reviewed and revised downwards since fewer candidates are being accepted into the program.

The key focus of the evaluation was the way in which the indicators of revenues and jobs created by supported SBs were calculated and attributed, which is what the rest of this section focuses on. For these indicators, it is important to note that there is no attempt made to estimate YSBU's attribution to changes reported. Accelerated and financed SBs are simply asked annually to report on their number of jobs and revenues – changes in which may be not entirely or not at all due to YSBU support. YSBU rationalizes this strategy as it aims to be (and often is) the first institutional investor in these financed SBs. Therefore, they view significant changes in year-over-year revenues and jobs created as likely being attributable to YSBU. However, this does not account for the counterfactual or exogenous factors (which may be significant, either positively or not) that may affect the SBs.

67. The evaluation finds low confidence in the results data collected by YSBU and reported to donors. The data reported do not convey the level of confidence, status of validation, or timing of collection. The steering sheets, for example, aggregate month-to-month self-reporting by SBs and imply a different level of confidence than audited year-end financials and it is not clear which of these types of data is being used for donor reporting. As well, it is not clear if the numbers reported to donors for revenue and profit increases are for the Ugandan financial year (June to July) or for the calendar year.
68. To understand YSB's attribution to the reported results, and establish what a counterfactual might be, we used a mixed methods approach that triangulated data from the following sources:
- Collection of primary data from business that received and were considered for but ultimately did not receive support from YSBU
 - For Accelerated and nearly Accelerated SBs, we also drew on GALI data collected from YSBU and GALI data collected globally
- Each of these are discussed in turn.

³⁶ This is based on our calculations from the review of applications received: 45 in the 1st cycle of 2016, and 238 in the 2nd cycle.

69. The table below shows business performance data of invested SBs. Although we interviewed several nearly invested SBs, we were not able to collect sufficient business performance data from them to show a reasonable counterfactual.

Table 9: Changes in business performance of invested SBs

	Invested SBs
Average annual % change since treatment in revenues	23%
Average annual % change since treatment in profits	-8698% / -21% ³⁷
Average annual % change since treatment in jobs	2%
Other average investment leveraged (USD) since treatment	\$137,153

70. Although we do not have business performance results from the investment control group, From qualitative inquiries, it appears that the YSBU support that most consistently contributed to successful business outcomes was the financing, terms of financing (interest rates of 8-12%, grace period, low collateral requirements), pre-investment support – especially when it included personalized/ one-on-one business coaching and advice from YSBU staff, the brand name and credibility associated with receiving support from YSBU.
71. The following table shows business performance data of accelerated and nearly accelerated SBs, as reported to YSBU and triangulated/sense-checked by evaluators.

Table 10: Changes in business performance of accelerated and nearly-Accelerated businesses

	Accelerated SBs	Nearly Accelerated SBs
Average annual % change since treatment in revenues	37%	56%
Average annual % change since treatment in profits	-23%	111%
Average annual % change since treatment in jobs	47%	78%
Other average investment leveraged (USD) since treatment	\$48,429	\$1,625

From the above data, there appears to be no clear pattern in the results of accelerated SBs versus those that were not accelerated, except for average investment leveraged, which is significantly higher for accelerated SBs. The data reported by businesses to YSBU and to the evaluation team were important as a source, but were subject to limitations described in section 4. Methodology, namely:

- Evaluators were not able to ascertain the validity or rigor with which financial figures reported by SBs were compiled by YSBU.
- Evaluators did not ask to see the audited financial statements of SBs but relied on data that they reported to us (when such data about the SB was not available from YSBU).
- Several respondents were unwilling to share business performance data.
- The sample size, particularly of nearly Accelerated SBs, was small which implies that each data point had significant potential to affect the average business performance for the entire group.

Therefore, MSA also consulted secondary sources for triangulation, described below.

³⁷ There was one invested SB with significant profit losses that 'dragged down' the average. For the purposes of illustration, we also performed the calculation excluding this data point, which resulted in the -21% figure.

72. Data collected by GALI of businesses that participated in the Accelerator, and those that applied but did not go through YSBU's Accelerator program in 2016 show similarly mixed results for growth in revenues and number of employees as our data. However, accelerated SBs raised significantly more capital – almost six times as much.

Table 11: GALI data for YSBU's 2016 Accelerator cohort

	2016 cohort 1	2016 cohort 2
Ventures that participated in the Accelerator (% of total population)	8 (100%)	4 (100%)
Ventures that applied but did not participate in the Accelerator (% of total population)	27 (42%)	63 (68%)
Additional change in average revenues of participating SBs relative to unselected SBs	-\$72,806	\$18,026
Additional change in average # of employees of participating SBs relative to unselected SBs	2.1	-0.3
Additional change in investment received by participating SBs relative to unselected SBs	\$51,935	\$7,615

73. In contrast, data from the GALI/Emory Entrepreneurship Database Program, which tracks both participating and rejected entrepreneurs over time from a variety of Accelerator programs across the world, show that the average year-over-year changes on four key variables – equity, revenues, full-time employees, and philanthropy – were all higher for the 704 participating ventures.³⁸

Table 12: One-year changes for participant vs. non-participating ventures across Accelerator programs globally

Participated in Program	N	Average Equity Change	Average Revenue Change	Average Employees Change	Average Philanthropy Change
No	2,426	\$6,297	\$16,730	+0.58	\$2,708
Yes	704	\$12,496*	\$22,321	+1.33*	\$6,151

* difference is significant at $p < 0.10$

74. It appears that the Accelerator did not have a clear impact on business growth, and our qualitative research also points in the same direction. SBs we interviewed were rarely able to articulate the changes that the Accelerator had on their business models, especially if they did not receive strong coaching from external mentors as part of or after the program.
75. The only result that seems positively correlated with YSBU support is other investment leveraged: amounts raised by invested SBs is significantly higher than those of accelerated SBs, which is far greater than those of nearly accelerated SBs. This is consistent with what SBs told us about the YSBU brand name helping to raise their credibility and profile with other investors, including, for many, donors with grant funding to disburse.
76. It may appear that there was limited or even negative impact created by YSBU's support (either acceleration or financing) on revenues and jobs, but there are significant exogenous factors to keep in mind. In reality, it is of course highly unlikely (and our data do not suggest) that YSBU has had a negative impact on its treatment SBs; rather comparing results at a portfolio level given the high heterogeneity of the treatment and non-treatment businesses – combined with the response limitations and exogenous factors (discussed further in the next sub-section) – means that this method likely did not yield comparable data. Given these issues, the recommendations section

³⁸ The Entrepreneurship Database Program at Emory University 2017 Year-End Data Summary (Released February 2018)

proposes a series of measures that could integrate a more systemic and upfront approach to attribution estimation.

77. YSB support did however have some unintended results, namely:
 - a. Some financed SBs made hasty decisions in order to meet loan payments, such as purchasing expensive specialized equipment or forming transactional relationships before proper vetting and consideration.
 - b. Several accelerated SBs that did not receive investment were discouraged and said that they have not actively sought investment from other sources since.
78. Social impact within YSBU is defined in two main ways. For 'livelihood' businesses, this appears to be growth in jobs and incomes for marginalized populations. For social product businesses, it appears to primarily be the number of customers that benefit from the improved product or service. However, certain investees are also asked to report on other 'nice to know' information that is not core to YSBU's reporting requirements, and that may distract the investee from focusing on aggregating accurate data for those indicators that are critical. For example, one invested SBs is asked to estimate the volume of greenhouse gas emissions and landfill space saved thanks to its product. Another reports on plastic waste reduced.
79. Monthly reporting by invested SBs is intended to assist YSBU's on-going risk management and needs assessment of its supported businesses. However, the amount of work required of SBs to complete this monthly reporting is high, and validation of the figures self-reported by businesses is not consistent.

"Reporting is very tough. Monthly also doesn't make sense when the business is very seasonal. YSB has these standard ways of doing things regardless of the nature of the business."

- Invested SB

80. While YSBU attempts to confirm financial data (revenues, profits) reported by invested SBs by requiring them to submit audited financial statements, few attempts are made at confirming the validity of other social impact data, like total number of jobs created including number of micro-entrepreneurs supported, additional income earned by micro-entrepreneurs, or number of people impacted by the service or product. Another recent evaluation of YSBU found that although the self-reported figures did not differ significantly from the evaluators' impact calculations, monitoring visits done by YSBU to SBs have focused on engagement with top management and Boards of Directors, and little was done to validate figures self-reported by SBs through interacting with the beneficiaries on the ground.³⁹

Counterfactual, external influences and YSBU's additionality

81. As already described in section 2.2, there are still few entities willing to invest in early-stage businesses, and even fewer with collateral requirements and financing terms that are favourable to early-stage businesses. YSBU's financing service remains unique in this context and its additionality appears to be high.
82. Being a predominantly agricultural economy, most SBs are exposed to weather and other agricultural-related risks (e.g. crop disease, pests). With the majority of its supported businesses (both accelerated and financed) in this sector, YSBU, in spite of its efforts to diversify its portfolio across different sectors, still remains exposed to these risks. Losses suffered by several businesses due to such factors help to explain some of the variation in financial and job figures of supported SBs.

³⁹ Byamugisha, Jimrex. "THE SOCIAL IMPACT EVALUATION OF USAID YSB Global Development Alliance for Micro, Small and Medium Enterprises (MSMEs) in Social Business Program in Uganda." December 2017. Page x.

83. As well, there is no designation or support in the Ugandan legal framework for social businesses, which means they compete in the market with businesses that are not self-constrained by social objectives.
84. The additionality of the Accelerator on its own (without the financing service) does not appear high. There are now other high-performing accelerator and investment readiness programs available in Uganda and in the region.

5.3 Adaptive Management and Sustainability

Evaluation Category:	Adaptive Management and Sustainability
Extent to which YSB is learning about its clients and its model	<p><i>YSBU has made important updates to its investment criteria and Accelerator program design based on learnings.</i></p> <p><i>The current division of duties between staff has some downsides from a knowledge management and relationship-building perspective. YSBU acknowledges this, but for the moment prefers this model over versions that it has tested in the past.. Some instances of miscommunication with SBs were reported.</i></p> <p><i>While there appears to be a culture of data-driven decision-making and collaboration within YSBU, learning and experimentation do not appear to be rewarded, and negative feedback is not always welcomed.</i></p> <p><i>YSBU has good relationships with other key actors in the sector, but these could be strengthened for further learning and collaboration.</i></p> <p><i>There is no evidence yet of learning from the Arigidius partnership.</i></p>
Extent to which YSB's model is sustainable	<p><i>YSBU's stated aim of reaching sustainability by 2021 does not seem attainable with its current operating model. It has not yet decided what changes need to be made to reach this goal. It has also stated that a certain amount of philanthropic funding would always be helpful to support aspects that it views as 'non-core' but helpful to its operations.</i></p> <p><i>The investment fund structure and one-to-one pre and post-investment coaching appear replicable in other contexts. Methods of sourcing SBs, investment sizes, and the Accelerator program will need to be heavily adapted to the context, something that YSB already seems well aware of and is considering in its regional expansion.</i></p>

Extent to which YSB is learning about its clients and its model

85. YSBU with the strong support of YSB Global has adapted its services based on learning within the three years that it has been in existence as follows:
- Investment criteria have been updated in view of the overall risk vs. return profile of its portfolio. In a nutshell, YSBU plans to make some safe, large bets and balance that with smaller, risky bets (game changers and dreamers).
 - The Accelerator program has evolved significantly since 2015, moving from a 10-week curriculum to a 3-day program in its second 2017 cycle, which aimed to maximize participant engagement and also only recruit and select participants that could 'truly' be eligible for investments by the end.
86. The current division of duties – whereby the Investment Manager is responsible for sourcing SBs and then 'handing them over' to the Portfolio Manager – has some downsides from a knowledge management and relationship-building perspective. YSBU acknowledges this, but for the moment prefers this model so that each manager can accumulate expertise in her or his domain (since the same person will be sourcing and doing due diligence on more deals and can hence accumulate and integrate more learnings for each successive deal, and similarly for portfolio management). They have in the past tested a model whereby the investment process and portfolio management for each SB were overseen by a single manager. In the venture capital industry at large, both models exist and have pros and cons.

87. There were also at least two instances of significant miscommunication by YSBU with SBs (once accelerated SB and one invested SB). In the first case, the SB was told it would almost certainly receive investment and then it did not for reasons that remain unclear to the entrepreneur. In the second, the invested SB was told it would receive a grace period on its payments but then was forced to pay a penalty because it had not ‘formally’ applied to receive the grace period (the formal application requirement had not been communicated to the SB).
88. MSA asked YSBU staff and select YSB Global staff who have a high level of interaction with the YSBU team to complete an online Learning Organization survey. The survey identified the following strengths and challenges YSBU faces in managing information, learning, making decisions, and applying those to its work.⁴⁰ While there appears to be a culture of data-driven decision-making and collaboration, learning and experimentation do not appear to be rewarded, and negative feedback is not always welcomed.

Table 13: YSBU’s Strengths and Challenges from a Learning Perspective

Strengths
Data-driven decision-making <ul style="list-style-type: none"> - Enough information is gathered from clients, investors, suppliers or other stakeholders to gauge how well we’re doing. - Employees use data/information to make decisions, rather than relying only on their intuition. - Managers and supervisors use data/information to inform their decision-making.
Space for inquiry and reflection <ul style="list-style-type: none"> - Employees are provided opportunities to think about and reflect on their work. - Asking questions and raising issues at work is encouraged.
Collaboration <ul style="list-style-type: none"> - Employees tend to work collaboratively with each other. - Workspaces are designed to allow for easy and frequent communication with each other. - Employees are available (i.e., not out of the office or otherwise too busy) to participate in meetings. - Employees are cross-trained to perform various job functions. - Teams accomplish work they are charged to do.
Alignment of employees’ performance goals with organizational goals <ul style="list-style-type: none"> - Employees understand how their work relates to the goals or mission of the organization. - Employees’ performance goals are clearly aligned with the organization’s strategic goals.
Facilitating learning <ul style="list-style-type: none"> - Managers and supervisors take on the role of coaching, mentoring and facilitating employees’ learning. - Managers and supervisors understand that employees have different learning styles and learning needs. - Managers and supervisors provide the necessary time and support for long-term change.
Communication of information <ul style="list-style-type: none"> - Employees have access to the information they need to make decisions regarding their work. - When new information that would be helpful to others is learned or discovered, it is communicated to those individuals. - Team members are open and honest with one another.
Readiness to implement change <ul style="list-style-type: none"> - The integration of evaluation activities into our work has enhanced (or would enhance) the quality of decision-making. - There are processes in place that enable employees to review how well changes we make are working.
Challenges
Culture of experimentation and learning <ul style="list-style-type: none"> - Employees are encouraged to take the lead in initiating change or in trying to do something different. - Managers and supervisors admit when they don’t know the answer to a question. - Managers and supervisors help employees understand the value of experimentation and the learning that can result from such endeavors.
Leadership <ul style="list-style-type: none"> - Managers and supervisors are more concerned with serving the organization than with seeking personal power or gain. - Managers and supervisors are open to negative feedback from employees. - Managers and supervisors model the importance of learning through their own efforts to learn.
Systems & Structures <ul style="list-style-type: none"> - There is little bureaucratic red tape when trying to do something new or different. - Employees are recognized or rewarded for learning new knowledge and skills.

⁴⁰ The survey consisted primarily of statements that respondents could either disagree or agree with, on a scale of 1 to 5. Those statements that received a majority of scores of 3 or below are identified as challenges. Statements that received a majority of scores of 4 or above are considered strengths.

- The current reward or appraisal system recognizes, in some way, team learning and performance.
- Employees are recognized or rewarded for experimenting with new ideas.

89. YSBU has good relationships with other key actors in the sector, but these could be strengthened for further learning and collaboration – e.g. with other Argidius-funded initiatives such as Unreasonable. Currently, these relationships are relatively informal, with the organizations referring businesses to each other when opportunities arise. However, there is room to further exchange learning that could both inform the development of YSBU’s services going forward and assist with sourcing investment-ready SBs.
90. According to YSB, Argidius is a pragmatic and relatively ‘hands-off’ donor. YSB appreciates that Argidius sends senior, well-respected staff to the in-country Investment Committee visits. They also appreciate some of the practical advice and connections that YSB has shared, like finding more local partners for funding and clarifying the positioning of its Accelerator program. Overall, however, there is little evidence of YSBU learning from the Argidius partnership. This is a perception shared by Argidius, who acknowledges that they have not been as ‘hands on’ with YSBU as they are with some of their other grantees.

Extent to which YSB’s model is sustainable

91. YSBU has stated that it aims to reach sustainability (i.e. operate without donor funding) by 2021, but this does not seem attainable with its current operating model.
 - a. In 2017, YSBU had expenses of approximately \$300,000. These are projected to grow slightly, reaching approximately \$341,500 in 2018, \$351,800 in 2019 and \$362,300 in 2020.
 - b. To cover its expenses, it would need to have an active loan portfolio of USD \$5 million, assuming an average interest rate of 10% on these loans and that 10% of the portfolio is non-compliant with their loan obligations. However, YSBU’s own financial projections show that it will only earn interest income of \$200,000 in 2020 – nearly doubling this by 2021 (i.e. within 1 year) therefore seems unlikely.
92. This implies that YSBU will need to either:
 - a. increase revenues: YSBU has shared plans to roll out a fee-based service called the Corporate Action Tank (CAT), whereby the organization would work with companies and development agencies to set up social enterprises. It is also considering a “Social Business Design Lab” as a pre-Accelerator program aimed at supporting businesses that are not close enough to investment-readiness to go through the Accelerator. With these revenues projected to reach \$75,000 USD in 2020, YSBU still has a deficit of about \$61,000 USD. If these revenues can be doubled by 2021, then YSBU would be self-sustainable (i.e. meet costs without donor funding) – however, without a pilot already in-place in-country, it appears too early to say whether this is a realistic target to reach by 2021.
 - b. reduce costs, most of which are related to staff salaries. Tactics to achieve this are not yet clear.
93. It has also stated that a certain amount of philanthropic funding would always be helpful to support research and development, impact measurement, and technical assistance to companies – i.e. all the aspects that it views as ‘non-core’ but very helpful to its operations.
94. A sustainability objective/ plan also needs to be flexible enough to take into account the following potential risks:
 - a. Inability to find enough investment-ready SBs to deploy USD \$5 million in debt
 - b. Loans perform worse than historical averages
 - c. Macroeconomic growth does not continue favorably in Uganda

d. Foreign exchange loss

95. The Accelerator as it is run now (with only a \$500 participation fee, and no revenue share) will likely not be self-financing. This is in line with global trends: 60% of accelerators surveyed by GALI in 2017 rely on donors for more than half of their funding.¹ As mentioned earlier, staff time spent on the Accelerator has been high relative to its effectiveness and relevance to YSBU's unique value proposition.
96. The investment fund structure and one-to-one pre and post-investment coaching appear replicable in other contexts. Methods of sourcing SBs, investment sizes, and the Accelerator program will need to be heavily adapted to the context, something that YSB already seems well aware of and is considering in its regional expansion.

6. Recommendations

6.1 Design and Relevance

97. YSBU should clarify its Theory of Change and update its results framework (outcomes, outputs, and associated targets) accordingly. In doing so, it needs to ensure that changes can realistically be measured, especially at the level of outcomes.
98. YSBU's resources are stretched thinly across activities aimed at getting businesses to investment-readiness (the Accelerator, other information sessions, pitch camps), sourcing and getting SBs that are already close to investment-readiness through the investment pipeline, and post-investment support. The Accelerator in particular appears to consume a disproportionate amount of resources in relation to the results it has produced and YSBU's investment targets. As well, it takes different skill sets to design and facilitate a good Accelerator versus being a good impact investor. YSBU's current skill set and core objectives are more geared towards the latter. YSBU has already realized this, moving towards a more condensed, smaller-cohort investment readiness program. YSBU should consider finalizing this transition and eliminate the Accelerator program altogether. In its place, a few other options that YSBU has already initiated could be expanded:
- a. Personalized one-to-one coaching: YSBU staff already provide this to a certain extent (e.g. the financial management providing coaching on financial management to SBs).
 - b. Sessions with small groups that are organized on an as-needed basis such as the one-day Social Business Design Labs for earlier-stage SBs/investment ideas that also raises awareness of YSBU's offer (similar to what it is considering in Kenya), or on specific technical issues or modules with SBs that are in a similar stage or sector such as the session on building effective boards it ran in November 2017.
 - c. Referring businesses to other accelerator programs, such as Unreasonable Institute.
99. Although YSBU's experience has shown that entrepreneurs are unwilling to pay for TA or business development services, the design of post-investment services could be re-considered to factor in the cost of this specific technical assistance. Other impact investors factor in the costs of technical assistance into the loan interest rate, develop a cost-share agreement for the service with the SB, provide a separate low or zero-interest loan specifically for technical assistance before or alongside the larger debt investment, and/ or use donor funding to finance such support.
100. While YSBU staff, like other in-house resources of debt investors, may be well-placed to "address common, recurring issues, such as strengthening the management of financial statements, planning

budgets, and developing and implementing risk-reduction mechanisms”⁴¹, external contractors may be better positioned to address more specific needs. YSBU has already been working with several external consultants such as Open Capital Advisors, PUM, and AgDevCo – going forward, this could be further resourced and embedded within YSBU’s processes. A lower-cost option may also be paid fellowships. Several impact investors also use donor funding specifically to provide capacity-building support and measure the impacts of doing so.

101. In 2017, YSBU adjusted its investment criteria to allow SBs with lower social impact to still be eligible for investment if they demonstrated strong financial viability. Evaluators believed that YSBU could further reduce the weighting of the social impact criterion to enlarge the pool of investment-eligible SBs. Currently, in Uganda, there appears to be more investment available than investable SBs. While this criterion may be necessary in higher-income and lower-density contexts where it may be harder to engage marginalized populations – either as clients, employees or suppliers – financing the “missing middle” in the context of Uganda, where poverty actually appears to be on the rise,⁴² has implicit social benefit (e.g. jobs, income). This criterion could instead be replaced with a ‘do no harm’ principle whereby YSBU avoids investing in industries or business that have negative social or environmental impact.

6.2 Results

102. In general, there’s little focus on attribution among impact investors and no clearly defined definition or best practices.⁴³ Within this context, YSBU could still take steps to get a clearer picture of its impact by linking the intended and actual uses of its services to its impact indicators, namely revenue and job creation. A clear attribution formula based on how the loan is intended to be invested should be developed at the due diligence stage with potential investees, including a prorating formula (i.e. allocating parts of an investee’s results to YSBU and other investors based on capital invested and post-investment TA provided), then reviewed and revised periodically. Critical to establishing attribution will be capturing and documenting further qualitative information on how SBs have used YSBU support, whether it be financing or technical assistance. To that end, YSB has developed a capability assessment tool in collaboration with the Boston Consulting Group to track SB’s maturity across several dimensions. This tool is now being used in portfolio management and as part of the Investment Committee process.

103. If not already done, questions such as the following should be discussed with the business and asked at each portfolio review:

- What did the business use the loan for?
- How did that impact the businesses’ performance in terms of revenue and jobs?
- What percentage of change in revenue and jobs can be attributed to the loan?
- What percentage of the change in revenue and jobs can be attributed to technical assistance?

YSBU estimates that as the first institutional investor in a business, its financing is likely responsible for most changes in business performance in the next years. However, this is not always true given that its investees operate in relatively high-risk contexts and sectors. Performing the attribution exercise with each business can also help YSBU to assess – and to justify to its funders – to what extent an investment that is not repaying is ‘truly’ a low performer (versus mostly impacted by sector or nation-wide trends).

104. Critical to attribution will be further integrating qualitative information on how SBs have used YSB support, whether it be financing or technical assistance. Currently, much of the monitoring data that

⁴¹ GIIN. 2017. Page 17.

⁴² Uganda National Household Survey 2016/17

⁴³ Vosmer, Willem & de Bruijn, Matthijs (Steward Redqueen). “Attribution in Results Measurement: Rationale and Hurdles for Impact Investors.” July 2017. DCED.

is documented and reported on is quantitative without complementary qualitative information that is essential to meaningfully understand what's happened and why. YSB reports that this information is ~~apparently~~ gathered and discussed by the YSB team in monthly portfolio reviews and deeper semi-annual reviews; integrating it into the reporting to donors should therefore not be too burdensome of an effort.

105. The definition(s) of *social impact* could be further clarified and the methodology that each invested SB uses to calculate and report on these more clearly spelled out. Any 'non-core' social impact indicators that fall outside of the definition(s) could be done away with, both to avoid burdening the SB with further reporting, and to avoid adding to YSBU's data analysis obligations.
106. A validation strategy, especially for non-financial indicators (as the financials can be verified through audited financial statements), needs to be defined for each investment as much of this data is self-reported by businesses. As another evaluation of YSBU found, "The M&E plan for the project did not clearly state how each key performance indicator could easily be validated by YSBU. [...] This exposes YSBU to the risk of taking in figures which might not necessarily be accurate, and as the number of portfolio businesses increase, the danger of taking in incorrect figures increases."⁴⁴ To do this, YSB should work with each investee at the due diligence stage to establish basic causal logic and/ or research-based impact calculator with meaningful, but realistic, metrics, along with a straightforward method for sense-checking and validation through documented evidence. The non-financial indicators can be significantly different for each investment, so a universal set of validation methodologies for investments would not be feasible. Evidence of impact should be strong enough to convince a reasonable sceptic, but that should be balanced with keeping the costs of measurement minimal and not overburdening SBs with onerous compliance and reporting protocols.
107. YSBU should also find ways to convey more clearly the level of confidence that an objective reader could expect to have in each results data point reported – e.g. by indicating the source of the data, date of collection, and level of validation. In general, YSBU's data and information management should be fortified with more thorough documentation and rigorous and consistent protocols.

6.3 Adaptive Management and Sustainability

108. Addressing the internal 'roadblocks' around encouraging experimentation, providing other staff with constructive feedback, and learning from failure could help YSB in recovering from mistakes more quickly. Investigating the causes underlying these issues was not a focus of the evaluation; however, YSBU is encouraged to talk through these issues and other areas potentially inhibiting collaboration, learning and adaptation at the next strategic retreat.
109. The evaluation team encourages both YSBU and Argidius, as a reputed and well-connected funder in the sector, to strengthen YSBU's relationships and information exchange with other local and international actors in the sector, including some of whom are also funded by Argidius and those who represent the sector (e.g. GALI, GAN). Objectives of this engagement would include, among others, exchanging lessons on 'what works' in investment readiness programs, sourcing for investment-eligible SBs, gathering intelligence about SBs already in the pipeline, and recommendations of qualified local consultants to provide certain post-investment technical assistance. For now, this could take the form of a quarterly roundtable or other learning platform. The recently-launched Uganda Entrepreneurial Ecosystem Initiative led by ANDE⁴⁵ that aims to improve the ecosystem for entrepreneurship in the country will also likely provide strategies and platforms for dialogue between the various relevant actors.

⁴⁴ Byamugisha. 2017. Pg. 42.

⁴⁵ ANDE. "Uganda Entrepreneurial Ecosystem Initiative." Date unknown. <http://www.andeglobal.org/page/UgandaEcosystem/Uganda-Entrepreneurial-Ecosystem-Initiative.htm>

A mechanism to ensure that when referrals of SBs are made, either to or by YSBU, feedback is given to the referring body regarding the outcomes (e.g. whether YSBU considered the business for investment or not, and why) could be useful. This could help to clarify YSBU's positioning within the sector and further understanding of those of other actors. This will be especially important with YSBU's regional expansion and as it adopts slightly different approaches in each of the countries. Other impact investors have forged partnerships with local large-scale consulting firms (e.g. EY, PwC) to capitalize on their pro-bono or 'low-bono' consulting services that they offer to social enterprises and non-profit organizations. YSB already has such a partnership with the Boston Consulting Group at the global level. It could be worth exploring similar partnerships in Uganda and the region for post-investment technical assistance to supported businesses.

110. YSBU's current plan for reaching financial sustainability as stated in the proposal to Argidius does not seem attainable. It would be worth updating this plan to clarify when this will be reached, and/ or which proportion of the program will likely always need to depend on donor funding.

Annex 5: Evaluation questions

Core to the evaluation methodology is the determination of the evaluation questions that the team seeks to answer. The questions for the evaluation build upon three core evaluation categories, as outlined in the tables below:

Category: Design and Relevance

Sub-category	Key evaluation questions
Causal link between YSBU's support to SMEs and their performance	<ul style="list-style-type: none"> • Is there clear causal logic within YSBU's theory of change? • Are attributable outcomes clearly defined for key stakeholders? • Do YSBU's activities align with the theory of change? If not, how and why?
Extent to which YSBU's support is valued by SMEs	<ul style="list-style-type: none"> • To what extent did the services provided by YSBU meet the needs of the businesses served? • Which services/ combinations of services were the most valued by small businesses? This question will consider the total cost of the service delivered.
Extent to which YSBU is investing in the 'right' SMEs	<ul style="list-style-type: none"> • Is YSBU recruiting the 'right' small businesses to apply for acceleration/ investment? • Are the criteria for business selection clearly defined, accurately applied and well-suited to the achievement of programme goals?

Category: Results

Sub-category	Key evaluation questions
Specific results of YSBU support	<ul style="list-style-type: none"> • To what degree has YSBU met its output and outcome targets?⁴⁶ • What are the attributable outcomes of businesses that received support from YSBU (revenue growth/job creation/investment raised) relative to non-treatment businesses? This question will consider businesses that received: <ul style="list-style-type: none"> ○ acceleration, ○ financing, ○ both acceleration and financing • What are the aspects of YSBU's support provided that contributed to successful business outcomes (revenue growth/job creation/investment raised of businesses)? • What are the aspects of YSBU's support provided that did <u>not</u> contribute to successful business outcomes (revenue growth/job creation/investment raised of businesses)? • What unintended results (positive and negative) did YSBU produce?
Counterfactual and external influences	<ul style="list-style-type: none"> • What are the exogenous contextual factors that influenced the performance of selected businesses? • What is the additionality of YSBU's services? This question will consider the additionality of the accelerator, financing, and both components together.

Category: Adaptive Management and Sustainability

Sub-category	Key evaluation questions
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⁴⁶ This question overlaps with the following question, as some of the results metrics are the same. The evaluation framework maintains this order, however, since this initial question on meeting YSBU targets may help to answer the attribution aspect in the subsequent question on business outcomes.

Extent to which YSBU is learning about its clients and its model	<ul style="list-style-type: none"> • How is YSBU learning (a) internally, (b) from others in the sector, and (c) from the Argidius partnership? • Has YSBU adapted its models based on learning?
Extent to which YSBU's model is sustainable	<ul style="list-style-type: none"> • To what extent is the accelerator and social business fund sustainable? To what extent is the revenue structure meeting the cost of delivery, and what is its trajectory?

Confidence level		
High	Medium	Low
<i>Based on consistent data collected and/ or validated by the evaluation team. Data informing the score was collected from a relevant and informed source, and the information was triangulated through other means or informants.</i>	<i>Partially based on data collected and/ or validated by the evaluation team. Some of the qualitative data informing the score was collected from a relevant and informed source, and some information was triangulated through other means or informants.</i>	<i>Based solely on data collected by stakeholders other than the evaluation team. Qualitative data informing the score was collected from an informant who relied on inference or unverified sources of information, and the information was not triangulated through other means or informants.</i>

Annex 6: Sample selection criteria

First, the following criteria for eliminating businesses from the evaluation sample were applied:

Elimination Criteria	Rationale for Criteria
Evaluation readiness	Capacity of the business to be evaluated, as determined by: <ul style="list-style-type: none"> The status of the support received. Support has been cancelled for some businesses, and in other instances the support has only been active for a very short period. As well, if a business is actively being considered for investment, we will not interview them as their responses may be biased in hopes of receiving investment. In any of these cases, the business would not be considered evaluation ready. The existence of monitoring data that have been collected on achievement of results. If no results have yet been reported by the business to YSBU, it would not be considered evaluation ready.
Location	Feasibility of the team traveling to the business for interviews, as determined by: <ul style="list-style-type: none"> Whether or not the business has a Kampala base. If the business cannot be interviewed in Kampala and travel to the business would require more than one night's stay outside of Kampala, then the business would not be eligible. The number of already selected businesses requiring overnight stay outside of Kampala. The evaluators will be available for no more than four one-night stays outside of Kampala. Once that threshold is reached in the sample, no more businesses will be selected that do not have a Kampala base.
Willingness to participate	Businesses that have shown signs of interview fatigue from prior studies or that have expressed an unwillingness to participate in interviews will be excluded from the sample, unless the business fits within the criteria for the purposive sample – explained in Step 2 below. In such a case, the decision on whether or not to include the business will be agreed between the evaluators and YSBU.

Next, from among the remaining eligible SBs, MSA drew a purposive sample of SBs that had any of the following characteristics:

Selection Criteria for In-depth Assessment	Rationale for Criteria
Outliers	Businesses that are seen as having performed exceptionally well or have faced exceptional challenges during their involvement with YSBU will be purposively included in the sample. Useful insights may come from including such businesses that would not be accessible from interviews with more typical cases.
Proportion of portfolio impact	Any business whose results and impact represent an atypically large portion of the overall portfolio's results or impact will be included in to ensure representativeness of the sample.
Learning opportunity	Businesses that YSBU identifies as having a high potential for learning owing to the uniqueness of the business focus or the support received from YSBU. The evaluators will consider the rationale for any such businesses proposed by YSBU and will include them in the sample if a) the learning opportunity is clear, and b) there is no apparent positive bias that would come from including the identified business.

Finally, the following strategy was used to select SBs from the remaining sample frame:

Type of support received	Random Sample Strategy
Accelerator	<ul style="list-style-type: none"> • A simple random sample of 10 will be selected from the list of accelerator businesses from all rounds that were not eliminated in Step 1 or identified in Step 2. • After the elimination criteria were applied and purposive samples chosen, the remaining Accelerator program participants was the exact number needed for the sample. Since they were all chosen for the sample, no 'back-up' sample of Accelerator program participants is available. If response rate is very low among sampled Accelerator participants, then we may try to seek out 2015 Accelerator participants.
Investees	<ul style="list-style-type: none"> • A simple random sample of 3 will be selected from the list of accelerator businesses from all rounds that were not eliminated in Step 1 or identified in Step 2. • A back up list of 2 investee social businesses will be selected, using simple random sampling, to be drawn from in the case of non-response from businesses in the primary sample.

Annex 7: Key documents consulted

Argidius Foundation. 2016 Annual Report.

Aspen Network of Development Entrepreneurs (ANDE). "The Entrepreneurship Database at Emory University: 2016 Year-end Data Summary." June 2017. Available online at: <http://bit.ly/2Ff5rUL>

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Gauthier, B., Birch-Jones, J., Kishchuk, N. "Evaluation of the Canada Accelerator and Incubator Program (CAIP): Evaluation Report." Circum Network Inc. for the National Research Council Canada. 2016.

Global Impact Investing Network (GIIN). "Beyond Investment: The Power of Capacity-Building Support." 2017.

Uganda Bureau of Statistics. Uganda National Household Survey 2016/17.

Internal documents received from YSB:

- Grant Agreement R5285 between Argidius & YSB. April 2016.
- "A Road Less Travelled: Scaling Social Businesses In Emerging Economies." 2017.
- YSBU Organisation Chart. 2017.
- "YSBU Company Background (Draft)". 2018.
- YSBU 2015, 2016 & 2017 semi-annual and annual reports, including financial statements.
- USAID Strategic Review data with additional segmentation. Last updated January 15, 2018.
- Logframe for Argidius. "Expansion of YSBU Concept to East Africa." Last updated August 4, 2017.

- Steering templates for 7 SBs (Green Bio Energy, Golden Bees, HDI, Impact Water, Jali Organic, Savco, Spouts of Water)
- List of Uganda-based mentors
- List of ‘nearly selected’ SBs in 2016 & 2017 for the YSBU Accelerator, and brief reasons for rejection
- “Evaluation report of Mini Accelerator Program (3 days) in October” By Laurens De Poorter, on 02/11/2017
- YSB Academy. “Investment strategy and criteria at YSB.” January 2018.
- Boston Consulting Group. “Impact measurement & management.” December 2017.
- “YSB Investment Criteria”. October 2016.
- “Enterprise-level template_ YSB v3_DB1.” Last updated November 27, 2017.
- “Accelerator original design”. PPT deck.
- “YSB Onboarding deck – Investment teams: January 2018”. PPT from YSBU.

Vosmer, Willem & de Bruijn, Matthijs (Steward Redqueen). “Attribution in Results Measurement: Rationale and Hurdles for Impact Investors.” July 2017. DCED.

White, H., & Phillips, D. International Initiative for Impact Evaluation. “Addressing attribution of cause and effect in small n impact evaluations: towards an integrated framework.” Working Paper 15. 2012