
Case study: Impact Fund of the Year

This award recognises those fund managers who have a dedicated impact investment fund within their overall portfolio.

Yunus Social Business

Founding date	1 November 2011
Geography	East Africa
Sector	Civic and Social Organisations
SDGs	1 [no poverty], 8 [decent work and economic growth], and 13 [climate action]
Web	https://www.yunussb.com

Background

Yunus Social Business (YSB) finances and grows social businesses to tackle challenges such as poverty and the climate crisis. Founded in Germany in 2011 by Nobel Peace Prize Laureate Professor Muhammad Yunus, as well as Saskia Bruysten and Sophie Eisemann, YSB empowers local social businesses in East Africa that provide employment, education, healthcare, clean water and clean energy. By turning donations into investments in social businesses, the organisation reinvests repeatedly, increasing the impact each time.

Originality of design

YSB provides debt capital at concessionary rates in both local currency and US dollars to social businesses through a venture philanthropic fund that is moving to returnable capital. YSB reinvests returns to support other social businesses to expand their impact, ensuring that impact continues to be multiplied.

Meeting unfilled needs

YSB works with social business entrepreneurs which are in the early growth stages and which are often overlooked by institutions such as banks, using structures and collateral mechanisms that are more suitable for these businesses. This enables them to access financing they cannot access via commercial and microfinance institutions. YSB strengthens their impact thesis by providing them with a robust impact measurement tool.

Theory of change

YSB raises socially minded capital to provide flexible and affordable loans to early growth stage social businesses to professionalise and grow these companies. This ensures that people affected by poverty have better access to essential products and services or are able to achieve higher incomes while the environment is protected, ultimately leading to an increase in their quality of life.

Impact thesis

YSB supports social businesses that provide new or incremental income, or essential services such as health care, education, water and sanitation, to the bottom of the pyramid, or help to avert the climate crisis.

The core pillars of YSB's IMM framework consist of a revised and SDG aligned theory of change and the framework is aligned to industry standards (EVPA Principles, SDGs, IMP and IRIS). The organisation has built its own toolkit including templates and guidance to implement elements consistently along the investment life cycle and uses IMM software to collect, analyse and visualise its findings. It bases its findings on semi-annual surveys sent to its portfolio companies, collecting both qualitative and quantitative information including explanations of the source of data such as gender or socioeconomic background.

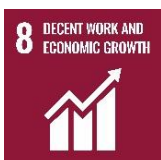
SDG linkages

YSB's impact measurement team applies a standardised toolkit which is embedded throughout the investment process. In the screening stage, clear impact objectives are defined at a global level and integrated in the overall investment strategy. YSB screens for potential investments based on defined impact thesis and SDG alignment. In the due diligence stage, it analyses the overall business models as well as social and/or environmental objectives of the companies. In addition, it reviews their impact model, IMM methodology, impact evidence and target stakeholder mapping, as well as identifying and evaluating impact risks. In the disbursement and onboarding stage, YSB integrates the impact objectives and reporting requirements in the loan agreements and defines impact metrics. It also tailors impact surveys for each portfolio company.

As part of the YSB portfolio, the companies are monitored through semi-annual impact surveys. Furthermore, portfolio impact reviews are conducted on an annual basis, as well as SDG mapping and reporting. When an organisation exits YSB's portfolio, it conducts ex-post assessments of the impact performance over the duration of the investment.



Zero poverty through grassroots or corporate social businesses that benefits livelihoods and address SDG #1



Zero unemployment through grassroots or corporate social businesses that create inclusive employment and income opportunities and address SDG #8



Zero carbon emissions through social businesses that reduce net carbon emissions and address SDG #13

Impact

Key performance indicators:

1) 2.6-million+ customers served:

- Finance: 1.1-million
- Education: 489,800 students, (63% low income, 51% female, 72% primary and secondary education, 28% vocational training)
- Healthcare: 430,900 lives
- Energy: 423,300 customers
- Wash: 13,400 customers
- Food and other services: 184,500 customers

2) 1.3-million+ incomes supported:

- 9,400+ employees of its portfolio companies (71% permanent, 20% temporary and 19% low-income)
- 6,300 individuals placed in jobs
- 44,000+ suppliers and individuals who sell products or services to the portfolio companies of which 81% are smallholder farmers
- 1.3-million+ microentrepreneurs

3) 2.4 tonnes of greenhouse gas emissions averted

- 38,600+ tonnes of waste recycled or reused
- More than 55,500 tonnes of food loss and food waste prevented
- 371,400 trees planted
- 1,200+ ha of land reforested
- 139,400 ha of land indirectly controlled and, as a result, sustainably managed

YSB offers low/no collateral, affordable loans enabling social businesses to cross over the hump and continue to expand their business models, which at their core are focused on:

- Improving access of essential products and services
- Improving incomes and job roles
- Reducing carbon emissions

YSB finances companies that are transitioning from an early stage to a growth stage, meaning they are at the threshold of scaling up. When assessing impact, YSB adopts a contribution-based approach to map out additionality. The patient debt provided by YSB serves to fulfil crucial expansion and working capital requirements. This is especially important for growth stage companies, as they frequently lack the necessary collateral to secure traditional debt. The absence of accessible debt at this pivotal stage can significantly impede substantial growth.

Financial performance

YSB hasn't been profitable in Kenya and Uganda. The organisation has been in operation in Kenya for just four years, most of which was affected by the Covid-19 pandemic. In Uganda, YSB covers 75-80% of its costs, and in Kenya it covers about 40% of costs due to the size of the business. The organisation hopes that when it reaches a particular level of investment in the country, it will be able to cover more of its costs.

YSB's global office and local investors provide donations for business operations. YSB has sufficient funding for the next few years at least, and the business is structured in a way that profit cannot be taken and both entities are limited by guarantee.

Potential for replicability

YSB's model of providing loans and hands-on growth support to social businesses, while reinvesting the capital repeatedly and therefore multiplying the impact each time, is a replicable business model that can be applied in developing countries.

Risks

YSB takes a larger level of risk compared to the risk taken by commercial institutions due to the type of businesses the organisation supports.

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