THE PROMISE OF A SOCIAL VENTURE FUND (SVF): EXPLORING ITS POTENTIAL TO PROMOTE FINANCIAL INCLUSION AND CREATE EMPLOYMENT OPPORTUNITIES FOR THE YOUTH IN UGANDA

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"This form of venture capitalism enables donors, angel investors and philanthropists to take bets on enterprises that deliver critical services to the poor, treating them as customers with a real voice" Novogratz 2009: 214.

Abstract

To what extent do social venture funds (SVFs) create new and better opportunities for launching successful enterprises? The prevailing truth is that conventional banks loans and aid isn't filling the financial exclusion gap in developing countries. The paper examined the promise of SVFs to bridge this gap whilst situating it within the broader context of youth employment in Uganda. KATI project provided a practical case-study for analysis. Although the paper concludes that SVFs provide a unique opportunity for creating employment opportunities because of its unequivocal characteristics like *patient* capital, mentorship and expanding access to networking opportunities, it highlights its key weaknesses like inadequate sustainability measures before advocating for a SVF framework that promotes societal progress and profitability.

SECTION 1: INTRODUCTION

1.1 Background

The need to address the problem of young people who are disengaged from employment is a global concern (Maguire 2013). Youth challenge is staggering because more than 620 million young people globally are jobless (World Bank 2013). In Africa, the high population growth rate makes it even more “difficult for economies to create enough jobs to lift large numbers of people out of poverty” (PRB 2013). The youth unemployment challenge is both a cause and/or effect of a confluence of multiple factors like war and civil conflicts (Collier 2007), extractive institutions and bad governance (Acemoglu & Johnson 2013), unfavorable natural conditions/geography (Gallup, Sachs and Mellingher, 1999), bad culture (Huntington 1996; Diamond 1997) which continue to ensnare the continent in a vicious poverty cycle.

Collard & Kempson (2005) argue that these predicaments are exacerbated by financial exclusion. The succinct summary by the World Bank (2014) that “at the root of the credit problem for household economies and youth is the lack of financial inclusion among households in Africa” strengthens this argument. When youths are isolated from mainstream affordable and readily available credit, their chances to enhance livelihood opportunities and capabilities are severely compromised (e.g. Sen 1999). Financial exclusion is thus caused by the inability of the youth to access the conventional banks loans due to high interest rates and strict collateral terms on the one hand and physical inaccessibility to banks due to remoteness, poor credit history and lack of business experience on the other (Leyshon and Thrift 1996).

Because *necessity is the mother of invention*, the inherent weaknesses have kindled new social innovations seeking to strike the so-called triple bottom-line[1]. The innovations have birthed new forms of social impact investment like micro-finance, community development funds (CDFs) as well as Social venture funds (SVFs). However, there have been a plethora of debates questioning whether these social financing innovations have created a meaningful dent on the fight against poverty reduction. Arguments that they present a unique opportunity to

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[1] *Coined by John Elkington (1994), it focuses on impact measurement from a social, environmental, and financial dimension.*

end global poverty (Yunnus 2007; Nicholls 2012; Novogratz 2009), have been thwarted by criticisms that they are nothing more than "old wines in new bottles" with a miniature promise to create the much needed change. Microfinance, for instance, has been criticized for not significantly alleviating poverty because of its micro/small and exploitative (high interest rates) nature (Karnani 2009).

The relevance of this debate lies in the fact that access to finance still remains one of, if not, the most gigantic roadblock to entrepreneurship in Africa. This study therefore focuses on SVFs. SVFs are important because the funding mechanism for innovative ideas in Africa are still immature and inadequate. Traditional grant funding, which generally underwrites anti-poverty work in the developing world, is largely risk-averse, and rarely promotes the flexibility and experimentation required to test new business models (Mercy Corps 2015).

It is imperative to note that the social impact investment field is budding based on the notion that a social business approach presents a better opportunity to fight against poverty than pure philanthropy/charity/aid and/or conventional capitalism. Investments in the sector are leapfrogging with O'Donohoe *et al* (2010) projecting that it will attract about $400-$1,000 billion in capital by 2020. However, the bourgeoning impact investment field is better suited to high-risk social ventures than traditional donors. Social venture funds support the earliest stage of social enterprises, where risks are higher and rewards lower than pure for-profit ventures (Mercy Corps 2015).

1.2 Research Objective and Question

This paper seeks to examine whether social venture financing offers a better alternative to promote financial inclusion among the youth compared to other business financing models. It is premised on the question: *To what extent do social venture funds create new and better opportunities for launching successful enterprises to promote financial inclusion and reduce youth unemployment?* The study will thus analyze both financial components like loans, equity/near equity and non-financial components like mentorship, skills training and capacity building in the context of social venture financing.

To answer the research question, the study will use a mixed qualitative and quantitative methodologies to explore social venture financing theoretical framework in relation to development/business financing, entrepreneurship and youth employment in Uganda. Empirical data collected from KATI, a SVF project supported by War Child UK in Northern Uganda will be used to provide a practical buttress to the debate.

1.3 Rationale/Justification of the study

The incipience of Social Impact Investment has enabled social entrepreneurs, policy makers, activist and academics like (Griffiths & Tan 2009, Nicholls 2009, Novogratz 2009) to research deeply into the SVF concept. This concept appeals to us to re-think how social businesses should create, mobilize, utilize and recycle funds to be sustainable and create more social impact. In the 21st century where old norms are fast losing ground, the appeal seems crucial, thus making the concept game-changing both in theory and practice. In theory, the proponents present a framework which is inextricably linked by psychology, society and economics. In practice, they point out to organizations like Omidyar Network, Acumen Fund and Ananda Social Venture which have innovatively used social impact investing approaches to spark, sustain and scale-up social change. In tandem with this thinking, there is a growing consensus that SVF could revolutionize the development financing industry.

Broadly, SVFs provides *patient* capital bundled with other business development services to ventures that aspire to strike the triple bottom-line. For the purpose of this study however, SVFs will be defined as a range of financial and non-financial support given to small and medium enterprises (SMEs) by either governments, NGOs, private equity firms, angels investors, foundations and philanthropists. Griffiths and Tan (2009) echoes that the complexities of global challenges give SVFs a unique place to be part of the comprehensive solution. SVFs therefore doesn’t only present a unique opportunity to bridge the financial and non-financial gap, but they also provide a catalytic platform for distribution of creative ideas and solutions for the most pressing socio-economic problems of our time (Nicholls 2012). This form of venture capitalism enables donors, angel investors and philanthropists to take bets on enterprises that deliver critical services to the poor, treating them as customers with a real voice (Novogratz 2009, pg.214).

Notwithstanding its possibilities, SVFs face enormous challenges particularly in the developing countries’ contexts. It is very difficult to build and nurture productive sustainable relationship and trust between the investors and investees (Ojok & Mason 2013). The unfavorable investment climate and the low levels of entrepreneurialism in developing countries limits creativity making it difficult for authentic problem solving ideas to originate/thrive (Novogratz 2009).

The paper places Uganda as a geographical focus to develop a substantial developing country analysis because of four major reasons. Firstly, Uganda has the highest rates of youth unemployment in Africa at 83% (AfDB 2012). Secondly, the country also has the world's largest percentage of young people (78%) under the age of thirty (UNFPA 2014). Thirdly, there are initiatives started by the government to promote youth entrepreneurship using SVF models (MoFPED 2014). Lastly, the country has very high levels of entrepreneurialism with the GEM (2013) placing her as the third most entrepreneurial nation and most recently being named the world’s most entrepreneurial country by Virgin Group (Rajna 2015). The paradox is that close to 80% these start-ups collapse before celebrating their first birthdays (GEM 2013).

1.4 Structure

The remaining five sections of this paper is presented as follows: Section 2 reviews the literature to establish the theoretical and conceptual underpinnings of social venture financing, which will be used to analyze the pitfalls within existing global financial systems and other factors which causes financial exclusion. Section 3 provides an overview of the role of SVF and Uganda’s employment status. Section 4 describes the mixed data collection methodology and analysis used. Section 5 analyzes the findings from KATI interviews, backed by secondary evidence from the literature and Section 6 concludes before reflecting on the implications for future research.

SECTION 2: LITERATURE REVIEW

This chapter explores the origin, history, definitions, characterizations and theoretical conceptualizations of SVFs within the academic literature. It also explores the relationship between SVFs, financial inclusion and youth employment. It concludes after identifying some gaps in the literature.

2.1. CONCEPTUALIZING SVFs

2.1.1. Origin and Evolution

SVFs has its origin in the development of social banking and social finance movement in Europe which started in the 19th century advocated for by socio-economic reformers like Rudolf Steiner and Silvio Gesell who proposed new ways to reconcile humanism, social justice and business by advocating for “down-to-earth” banking and finance systems, diversification of interest rates and encouraging the wealthy to engage in philanthropic initiatives (See: Steiner 1919). Their works were banned between the 1930s and 1940s by the Nazis and the Communists but were later rediscovered after World War II when academics and social reformers started seeking new and innovative social financing approaches (Benedikter 2011).

This idea inspired high net-worth individuals especially in America to engage in philanthropy. In 1969 John D. Rockefeller coined the term “venture philanthropy” describing it as ‘an adventurous approach to funding unpopular social causes’ (RAC 2011). Letts *et al* (1997) advised foundations to employ tools from venture capital to invest in the organizational, rather than programmatic needs of social purpose organizations; whilst Porter and Kramer (1999) challenged foundations to create greater value, not simply be a passive conduit for transferring finance from private sources to grantees (Nicholls 2012). With the relative economic stability and increasing prosperity in the US and Europe sparked by the dotcom bubble, there was an increase in venture philanthropy as millionaires strived to ‘do good as they make money’.

Because of the inherent weaknesses in traditional financing systems like foreign aid (Moyo 2007; Abuzeid 2009), conventional banking system (Benedikter 2011) and microfinance (Karnani 2012), philanthropist and donors are turning to a more creative and innovative way of using their money through social impact investing (O'Donohoe & et al. 2010). This has been supported by increasing social innovations and buttressed by rapid advances in technology which facilities easy networking, sharing of ideas and opportunities and R&D. Formerly steered by high net-worth individuals and their foundations, the sector has grown in scope and scale incorporating small/medium-sized foundations, private companies and governments.

Today, impact investing is getting recognitions from the Vatican to Washington, London, New York, etc. In June 2014, the Pope proclaimed; "*It is urgent that governments throughout the world commit themselves to developing an international framework capable of promoting a market of high impact investments and thus to combating an economy which excludes and discards*". (SIIF 2014).

2.1.2. Definition and characteristics

Social venture financing is a form of social impact investment that aims to provide *patient* capital bundled with a package of Business Development Services (BDS) support to ventures that aspire to strike the triple bottom-line and its goal is to preserve and recycle invested capital for future investments (Novogratz 2011). Impact investing means placing capital (into social enterprises and other structures) with the intent to create benefits beyond financial return (Griffiths & Tan 2009). *Patient* capital is a third way investment strategy bridging the gap between market-based and philanthropic approaches while: taking a high tolerance for risk; giving long time repayment horizons; prioritizing and offering flexible conditions to meet the needs of entrepreneurs (Novogratz 2009).

Similarly, patient capital ultimately demands accountability in the form of a return on investment - proof that the underlying enterprise can grow sustainably in the long run (Alnoor & Rangan 2009). Business support services is a set of non-financial support like training, technical assistance, coaching, mentoring and a whole array of other services designed to help an aspiring entrepreneur start, sustain or grow his business (Edcombe & Girardo 2012). The financial, non-financial and infrastructural support helps in the identification of outstanding social businesses, determination of capital needs and adequate forms of financing; definition of milestones and repayment of capital; management and legal support, network access with multiple stakeholders including funders, researchers and peers, etc.

(ibid). SVF therefore closes the financing gap and acts as a catalyst for the comprehensive distribution of creative ideas and solutions for the better. This form of impact investing enables donors, angel investors and philanthropists to take bets on enterprises that deliver critical services to the poor, treating them as customers with a real voice, not as passive recipients of charity (Novogratz 2009).

2.1.3. Linking Impact Investments, SVFs and Venture Philanthropy

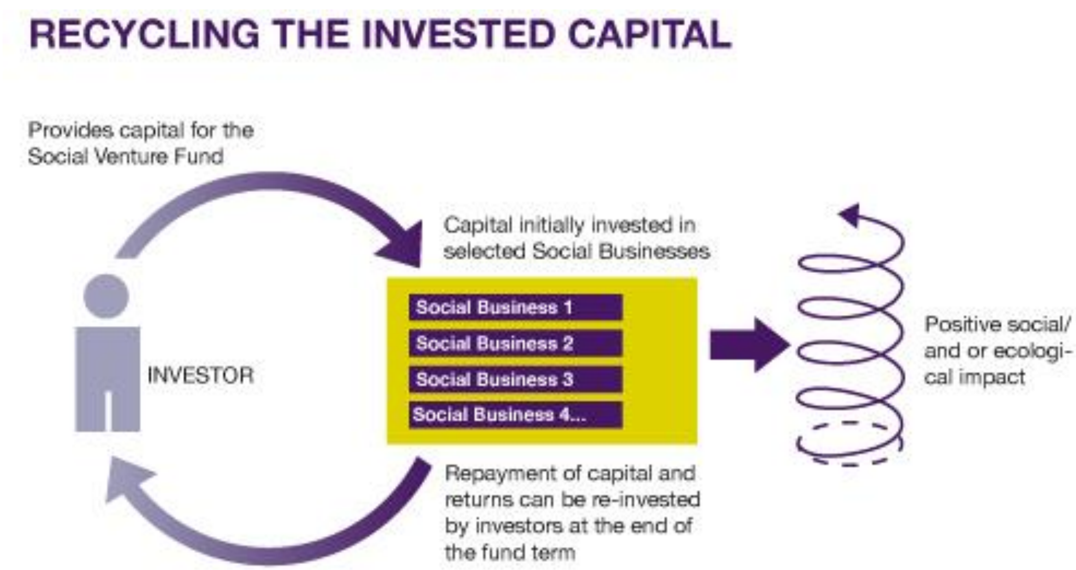
Social Impact Investment is the overarching framework which serves as a guide and under where various social investment strategies like venture philanthropy and social venture finance fall. Lemke and Lins (2013) defines social Impact investing as “investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return”. The movement is being fueled by the fact that the world is on the brink of a revolution in how we solve society’s toughest problems (SIIP 2014). The force capable of driving this revolution is ‘social impact investing’, which harnesses entrepreneurship, innovation and capital to power social improvement (ibid). A Social Impact Investment can therefore be non-profit, for-profit or both.

The differences between venture philanthropy and social venture financing are too blurred, with inevitable overlaps and often times, they end up getting confused. Venture philanthropy and social venture financing are therefore varieties of social impact investing. According to Morino (2001) venture philanthropy is about adapting strategic investment management practices to the *non-profit* sector to build organizations able to generate high social rates of return on their investments. Strategic management assistance is provided to leverage and augment the financial investment made. On the other hand, SVFs are directed to *for profit social enterprises*.

Both SVFs and venture philanthropy are characterized by a high level of engagement between teams and investees which focuses on capacity building (Grenier 2006). Some investors and donors take board roles and/or buy shares to enable their continuous engagement in decision making and operational processes. Both take deliberate efforts to match funds according to the specific needs of each investment depending on their vision and mission. Some offer non-returnable grants - and thus accept a purely social return, while others use loan, mezzanine or quasi-equity (Davis & Etchart 2005).

SVFs are performance-based, placing emphasis on good business planning, measurable outcomes, achievement of milestones, and high levels of financial accountability (Nicholls 2012). SVFs and venture philanthropy are explicitly summarized by Davis & Etchart (2005) in three capital types, i.e. financial (soft loans, equity/near equity); intellectual (consulting, mentorship, training); and social capital (networking opportunities, relationship building).

Another key feature of a social venture fund is the recycling of the invested fund (Novogratz 2011). This is important because it enables social enterprises to recycle the initially invested fund creating a vicious lifecycle which enhances sustainability. Simply put, when investee 'A' is given a loan and she pays it back, the same capital is given to investee 'B' and the cycle continues. The weakness of the capital recycling theory is that when "A" fails to pay back her debt, "B" will be limited to access the loan hence slowing the entrepreneurial cycle (Ojok & Mason 2013).



Source: social venture fund

2.1.5 The SVF Ecosystem

The SVF marketplace involves both government, for-profit/non-profit organizations pursuing financial and social returns while utilizing both philanthropic and financial investment strategies as investors and/or donors on the one side and budding social entrepreneurs as recipients and/or grantees on the other side (Lyons & Rickul 2013; Griffiths & Tan 2009). SVFs are organized as a charity, seeking personal donations and grants from governments, multilateral/bilateral donors, companies, foundations and high net worth individuals (Novogratz 2009). The funds are then managed by a broad spectrum of socially minded organizations like NGO, coops, Government units who then provide customized services to impact driven businesses which are innovative, risky and serving billions at the bottom of the pyramid (Dees 2002; Prahalad 2004).

The Social Venture Fund Ecosystem

SVF Sources	SVF Management	SVF Target	SVF Forms
Home Government	NGOs - Mercy Corps	Financially constrained ideas	Patient Capital
Multilaterals - WB, UN	Social Venture intermediaries	Social Businesses	Limited collateral
Regional Inst - AfDB, EU	Commercial Banks - New Pdts	Innovative ventures	Equity
Bilateral - USAID, UKAID	Social banks	Risky ventures	Quasi Equity
Foundations	Community Devt Banks	Early Stage enterprises	Mentorship
socially minded consumers	Govt Department	Cooperatives	Networking opportunities
Local Funds - Mutual Funds			Advisory support
Banks - GMSachs			Business incubation
High-net worth persons			Branding and Marketing

Source: Authors' Own

2.2. THE SPACE FOR SVFs

As elaborated above, there is a gigantic financing gap that stifles innovation and inhibits social enterprises growth and development in Africa. This section analyses the case for creating a space for SVFs within the international development and business arena.

2.2.1 A tool to revolutionize the philanthropy and aid industry

The current debate about whether aid is good or bad for development has gained unprecedented momentum in the development and academic discourse. Aid enthusiasts like Sachs (2008) argue that the world is now a much better place because of aid. However, critics like Moyo (2009), Easterly (2003), DeSoto (2000) have advanced compelling arguments against aid. They argue that despite spending over a trillion dollars on aid to Africa over the past 60 years, there is little real growth, and in many cases even contraction and growing poverty. There are also arguments that it erodes domestic institutions including governance (Moyo, 2009, Abuzeid, 2009), promotes corruption and rentier practices (Abuzeid, 2009), and weakens accountability relationships since receiving governments no longer have to account to their citizens but instead to external donors (Boone 1995). It has also been suggested that aid is centered on programmes that are often not in tandem with local conditions and thus it does not only fail to meet its objectives but also results in adverse economic effects, undermined local businesses by flooding markets with free or subsidized products and created a dysfunctional handout culture (Bauer 1987, Burnside & Dollar 1997).

The relevance of this debate lies in the fact that despite decades of overseas development assistance, Africa continues to wail in perilous and unacceptable subhuman conditions – extreme poverty, conflicts, and a high disease burden making them unable to get out of the poverty trap and making their 'great escape' from poverty extremely difficult compared to their counterparts in other Europe and the Americas who escaped poverty (Collier 2007; Angus Deaton 2013).

The weaknesses in the aid system which 'lacks clear measures and accountability and more focused on making donors feel good rather than on effecting change' provides an opportunity for social venture financing because it offer a splendid opportunity blend philanthropy and business approaches (Novogratz 2009). Social venture finance thus bridges the gap between the social goals of donors and the power of markets. According to Batavia & *et al.* (2011), the money received as grants or donations allows SVFs to invest in creating products and services for marginal populations that might be considered too risky or otherwise unattractive to conventional businesses. Such investments include R&D, marketing products and ideas, training social entrepreneurs and connecting them to the market and other sources of great ideas.

However, some scholars claim that the SVF concept is being blown out of proportion because there is nothing significantly new about it. Kramer (2006) argues that SVF features like – building operating capacity, close engagement between donors and recipients, and clear performance expectations – are not new and they have been the trademarks of effective philanthropists for decades. He maintains that SVF is more of an evolution of venture capitalism and philanthropy rather than a revolution.

2.2.2. A better alternative to microcredit.

Microfinance has been heralded as one of the greatest social financial innovations of all times. However, it impact on poverty reduction has received mixed reactions from a broad spectrum of development practitioners and scholars alike (Roodman 2012; Banerjee et al., 2009). Architects and proponents of microfinance, mainly practitioners, development partners and government claim that it has a huge potential to reduce poverty whereas sceptics, mainly academics, question the paradigm's resilience to the test of time (Annim 2012). Karnani (2012); Ditcher & Malcolm (2007), for instance, point out that the disbursement of meagre loan amounts and group lending discourages entrepreneurship.

Griffiths & Tan (2009) argue that microcredit hasn't created massive impact because its primary role is poverty alleviation, not enterprise creation. They contend that microcredit is the fastest and best way to lift people out of abject poverty into 'normal' poverty, but they are still poor. As sole proprietors with small loans, there will always be physical and financial limitations on expansion of their businesses (ibid).

SVFs on the other hand give entrepreneurs the required financial resources needed to create tangible impact (Batavia *et al.* 2011). For instance, Acumen Fund only supports a social enterprise with financial need ranging 250,000 – 3,000,000 (Acumen Fund 2015). Depending on the need and context, a SVF usually offers financial capital that enables businesses to produce products and/or provide services to many clients over short to medium time period rather than microcredit which is rather too small and thus makes it harder for businesses to grow and scale-up. KATI, a SVF project in Northern Uganda also provides soft loans of up to $2,000 (War Child 2013) to entrepreneurs compared to microcredit institutions in the same region like Agaru SACCO whose maximum loan is less $500 (War Child 2013).

Similarly, loan repayment periods for SVFs are usually more favorable compared to microcredits. This stems from the fact that these funds are usually sourced from donations and grants reducing pressure on the managing organizations to ensure immediate repayments (Novogratz 2009). On the contrary, MFIs are on much pressure to ensure fast and effective loan repayments in order to survive the rough business terrain, trapping them between a rock and hard place, which then forces them to charge high interest rates in order to be sustainable (Banerjee and Duflo 2012).

Unlike MFIs whose interest rates are so high, for instance 190% per annum in the case of the Mexican MFI, Compartamos (Roodman 2012), SVFs offer extremely cheap loans, referred to as 'patient' capital, most times as low as 10% per annum (Greiner 2009, Novogratz 2009, War Child 2013).

It should be noted that SVFs are usually cheaper, less-conditioned and more flexible because of its philanthropic leverage, i.e. funds sourced from foundations, companies, and high net worth individual, etcetera (Davis and Etchart 2002). It's over reliance on people's well wishes make it highly unsustainable just like foreign aid, thus encumbering the notion that development should be a local and an organically engineered process (Mwenda 2015). The proponents shoot back, pointing out that SVFs just comes in to offer 'a helping hand' to entrepreneurs to enable them solve local problems with a market driven rather than charity approach (Alnoor & Rangan 2009).

2.2.3. An alternative to the unfavorable banking and financial system

Banks remain the dominant financial institutions in much of Africa, but barriers to credit and financial markets for SMEs still remain a nightmare (Heintz 2011). Not only is access to credit limited, the cost of credit is also high due to factors like the high risk premium due to perceptions, often incorrect, that most creditors are high risk borrowers and not bankable (Atieno, 2001), high transaction costs (Burnejee & Duflo 2012), lack of credit information systems (Heintz and Pollin, 2008). Financial exclusion is also caused by the physical inaccessibility to banks due to remoteness, poor credit history and lack of business experience on the other (Leyshon and Thrift 1996).

One of the most heralded benefits of the current liberal financial system is that it has led to an increase in the flows of FDIs to developing countries (World Bank 1997). Private investment flows to developing countries have been unprecedented over the past decades. The total share of the global FDI flows in 1995 stood at 40% compared to 15% in 1990 and it was five times greater than the official aid flows (ibid). Unfortunately, private capital flows have been so uneven with Africa receiving the least. Paradoxically, countries which received more FDIs experienced financial volatilities which in effect caused the financial crises in Mexico, Brazil, Argentina, Turkey and East Asia and later the global financial crisis in 2008(Chang 2014; Ravenhill 2014). It should also be noted that FDI support global corporations which are, in most cases extreme capitalist firms that elevate profit maximization above everything else. As a result, the environment has been compromised (Harmes 2011), income, wealth and gender inequalities have been exacerbated (Piketty 2014; Stiglitz 2015).

The five negative systemic effects of conventional financial system i.e. (growth pressure, built-in instability, income disparity, short-termism, impact on social capital and pro-cyclicality) identified by Lietaer (2012) adds to these weaknesses, increasing global economic vulnerability thus the need for a new financial paradigm built on a human/social standpoint. A letter to the Queen of England written by a team of eminent economists in a response to her question at LSE in 2008 concerning everyone's inability to see the financial crisis coming sums-up this point. The letter concluded that "……*the failure to foresee the timing, extent and severity of the crisis …..was principally a failure of the collective imagination of many bright people….to understand the risks to the system as a whole"* The Guardian, 26th July 2009.

SVFs therefore offers a unique opportunity by enabling entrepreneurs to take huge risks and provide unconventional, innovative and futuristic solutions. This fund enables organizations to take a few bets on enterprises that delivers critical services to the poor and ensure that the business is profitable and thus sustainable (Novogratz 2009). Unlike commercial banks that charges very high interest rates[2], social venture fund rates are often very low (Alnoor & Rangan 2009).

Some critics have argued that SVF is still part and parcel of the global financial system and still vulnerable to the existing weaknesses. When the internet dotcom bubble bust in 2002 and when the world was plunged in an economic depression in 2008, high net worth individuals and foundations significantly reduced or even stopped funding social enterprises (Benedikter 2011). Such occurrences therefore make it hard to fathom that any alternative which with a direct linkage to the current financial system presents any realistic panacea to the global financial challenges.

2.2.4. Bridging the existing skills and knowledge gap in entrepreneurship practice.

[2] *In Uganda, for instance, commercial bank interest rates are as high as 36%.*

Business training and skills development refer to a set of technical non-financial support services designed to help an aspiring entrepreneur start, sustain or grow his business (Edcombe & Girardo 2012). It majorly focuses on business planning and modelling with aim of achieving company goals and objectives. The training aims to improve basic business practices such as how to treat clients, production, how to maximize and utilize profits, the use of special discounts, credit sales, etc. These improvements should ultimately lead to more sales and increased productivity (Karlan & Valdivia 2011). SVFs prioritizes business training as a fundamental cornerstone of supporting investees. Often, businesses are incubated either virtually or physically for a certain period prior to signing an investment contract because incubation is a crucible for entrepreneurship, nurturing early stage ventures during the *'valley of death phase'* (Obaji, et al. 2015).

However, some researchers and practitioners alike do not seem to believe in this notion. In 'Banker to the Poor' Yunnus (1999) remarked, *"I firmly believe that all human beings have an innate skill. I call it the survival skill. The fact that the poor are alive is clear proof of their ability. They do not need us to teach them how to survive; they already know. So rather than waste our time teaching them new skills, we try to make maximum use of their existing skills…."* Such statements has attracted a plethora of research to ascertain the relevance of business trainings.

Karlan & Valdivia (2011) conducted an in-depth empirical research among micro-entrepreneurs in Peru and found out that "basic business training to preexisting clients of a microcredit program has a positive but small impact on enterprise revenues". The study also found out that "the business trainings didn't have significant impact on registration for formal business licenses, did not increase the number of sales locations, and did not induce entrepreneurs to keep records to payments of workers, start a new business, reduce the proportion who reported having problems in their business, or increase the number of business that reported planning innovations". Such findings have sparked conundrums in development/business financing arena making lenders to ask themselves whether they should only specialize in financial services and/or integrate nonfinancial services into their programs (Burnajee & Duflo 2012).

Inasmuch as SVFs places high priority on business trainings, a caution bell also rings because loopholes exist too. Karlan & Valdivia (2011) point out that, aside from losing focus on the lending and savings activities, providing detailed business advice may lead to higher default if the borrower then perceives the lender as partially responsible for any business changes that do not succeed. Question is, does a lender giving business advice to an entrepreneur effectively makes him signatory to failures and/or success? This question is intricate because ensuring the effectiveness of advice-giving is problematic as it depends on the ability of the advisee to utilize it, yet the advisor doesn't have much control over the degree to which an entrepreneur/advisee utilizes or discards the advice (e.g. Palmeira et.al 2015).The ability of the advice to be effective depends on multiple factors, for example, distance and experience of the advisor (Bennet *et.al* 2010).

2.2.5. Providing tailor-made one-on-one mentorship support

A mentor is an essential asset to a start-up and growing company in many ways: they can warn of problems on the horizon; help craft solutions to problems, provide motivation hence preventing business failures (Cull 2006). Kram (1985) defines mentorship as a process where an individual with more experienced and skills helps to guide or sponsor within a reciprocal relationship, creating a psychological contract between the mentor and mentee. This relationship is, however, asymmetric in nature putting the mentor in a situation where she has to give more to the mentee (Eby et al 2007). The conditions of this relationship are context specific and are determined by how the mentor and mentee get along with each other. Mentorship can be both formal and informal (Murray 1991) and the two can be integrated to provide best value for the relationship (Cull 2006).

Mentorship is an essential component of SVFs. If the investees are not provided with a required mentorship support by the investor, it could break the psychological contract between the investor and the investee leading to a dysfunctional business relationship (Kram 1985). The consequence of this dysfunctionality boils down to failure to achieve desired outcomes. SVFs take deliberate efforts to improve such relationships and ensure that quality mentorship is being provided to investees.

However, mentorship has been criticized for being time consuming, hence slowing down the entrepreneurial processes. This is because it takes time to build a trusted and reliable mentorship relationship (e.g. Kram 1985). A study by Berera Associates (2003) found out that more time invested in the mentoring relationship contributes to the relationship's growth (in Cull 2006). The study however warns that a very prolonged mentorship relationship is not very good as it leads to monotony effect and time wastage. It suggests that goal setting and business focus should be the gist a mentorship relationship and that mentors should strive to be role models to their protégés.

In conclusion, the literature review provides a comprehensive analysis and offers theoretical framework for understanding the SVF concept. It is however important to note that the literature on SVF is still young and growing as the concept itself.

SECTION 3: YOUTH EMPLOYMENT, ENTREPRENEURSHIP AND SOCIAL VENTURE FINANCING IN UGANDA.

3.1. Contextualizing population growth, financial inclusion and investments for job creation

All modern schools of political and economic thought, from Marx to Lenin on the left to Hayek and Friedman on right agree at least on one thing: that private entrepreneurship is the key to modern economic development (Moloeste 2009). Even the UK government's White Paper on *Eliminating World Poverty* attest to this fact. It notes, 'It is the private sector–from farmers and street traders to foreign investors that creates growth" (DFID 1997). This re-echoes the need for African governments to appreciate the relevance of entrepreneurship in job creation as the continent is facing an increasing challenge to productively employ its fast growing and young population.

Similarly, Keynesian and neo-classical theories re-affirm the relevance of investment to spur growth and development. According to the neo-classical growth theorists like Solow (2007), ensuring population growth and productivity, investing in physical capital and promoting technological advancement are quintessential contributors to the economic growth. Similarly, Eswaran and Kotwal (1990) argue that having access to credit enhances access to productive resources thereby reducing household vulnerability to negative shocks and increasing their ability to undertake riskier investments. Deaton's (2013) empirical research also proves that access to finance and investment opportunities strengthen household's ability to access pubic health services, henceforth facilitating the 'great escape' from poverty and hopelessness. Finally, access to credit increases a household's chances of adopting new and better technologies and farm practices thus improving agricultural productivity which is very essential for food and income insecurity (Ghosh & et al. 1999).

However, the emergence of endogenous growth model places specific focus on knowledge, innovations/new ideas, human capital and treats them as crucial pillars for growth and development because they spur rapid jobs/opportunities creation processes (Rivera-Batiz & Romer 1990). The theory thus enables building systems and processes that embrace R&D, innovations, idea transmission, transparency/ accountability, intellectual property, collaborations/networking, social entrepreneurship and impact investing.

Although Uganda has maintained positive economic growth rates during the past decade, the country's pace of economic advancement has not been matched with a growth in new employment opportunities (Ahabwe & Kasirye 2015). Uganda is the world's youngest country with a median age of fourteen years and 78 percent of its population under the age of thirty (UBoS 2012). This demographic structure would offer opportunities for reaping a dividend if combined with the right capital and technology – as is the case with East Asian Tigers - but it may also represent a major threat (Brooks et al., 2012). Unfortunately for Uganda, it is presenting a major threat. The job market in Uganda is too slim to engage the labor force which is growing at a rate of 4.7 percent per annum (UBoS 2012), thus unemployment is as now as high as 83 Percent[3] (AfDB 2012). Uganda's youth engage in very low quality informal sector jobs. In fact the informal sector is now being regarded as the new normal and it employs up to 85% of the population (UBoS 2012).

Tackling the rising population and youth unemployment challenge in Africa requires a concert of global efforts because it is a threat to global progress, sanity, security and peace. Massive immigration rate from Africa to Europe attests to this fact. Between Jan to June 2015, close to 2,000 Africans had already perished trying to cross the Mediterranean Sea in search of 'greener pastures', while 100,000 were lucky to survive and make it to Europe (UNHCR). The same report notes that the number is 30 times higher than the corresponding period in 2014. This has sparked concern both at the national and international governance level. For instance, while launching a flagship report on African Population in Nov 2014, Dr. Babatunde, UNFPA's Director remarked; *"Never before have there been so many young people. ….How we meet the needs and aspirations of young people will define our common future,"* New Vision Newspaper, 21st Nov 2014.

3.2. The role of social venture financing in job creation

The youth unemployment concerns raised above begs the question: can SVFs contribute towards meeting the needs and aspirations of young people? Various theories and practices provide some elucidations. There are two theories suggested in the literature through which SVFs could enable businesses to launch, grow and employ more young people. Firstly, SVFs are 'midwives' to the birth of

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[3] Youth unemployment figures in Uganda oscillate depending on who is reporting it. For instance, one document reports 64% (UBOS 2012), whereas another claims it is 9% (MoFPED 2014).

new firms (Ojok & Mason 2013). Unlike other financial institutions that mostly fund existing and functioning businesses, SVFs make careful bets on non-existing but disruptive business ideas capable of solving social problems with a market-driven approach (Novogratz 2009). Similarly, SVFs do demand for the application of innovative investment approaches designed to combat and circumvent the intrinsic socioeconomic challenges like unemployment (Walker 2012). In addition, social venture capitalists may raise the firm's early-life survival chances and growth through value-added services such as mentoring entrepreneurs, hiring executives, formulating strategies, and helping the companies they finance establish themselves in the marketplace (Hellmann and Puri, 2002)

Secondly, SVFs also enable the creation and strengthening of an "entrepreneurial ecosystem". The predominant metaphor for fostering entrepreneurship as an economic development strategy is the "entrepreneurship ecosystem" (Isenberg 2011). The ability of a SVF to enable collaboration and network within multiple stakeholders, i.e. private and public sectors players, and donors provide a systemic process for building knowledge and information systems; accessing financial/non-financial support; influencing and strengthening government employment related policy frameworks; and encouraging private sector investment (Mason & Brown 2013). Entrepreneurial ecosystem enables entrepreneurs to start successful businesses because of exposure to entrepreneurial processes and engagement in an environment which promotes networking and close collaborations (Isenberg 2011). A robust and functional entrepreneurial ecosystem can thus play fundamental roles in creating multiple job opportunities in the process.

According to Ahabwe and Kasirye (2015), many measures to address demand and supply side of labor has been/is being adopted by various private and public sector players in the recent years. This is a sign that entrepreneurship financing is an important tool for enabling young people to gain economic independence (Schoof 2006). Most of these interventions aim to promote financial inclusion and impart relevant entrepreneurial skills to young people. Evidence from a recent randomized controlled experiment in Uganda by Fiala et al. (2013) indicates that provision of loans complemented by training is a better intervention compared to loans unbacked by training and mentorship. The experiment conducted on microenterprise owners from semi-urban locations in Central and Northern regions of Uganda who had been given loans of US$180 to US$220; unconditional cash grants equal to US$200 and ILO-Start Your Business training (SYB) finds some positive results. They found that entrepreneurs with access to loans and training had a 54% profit growth margin. The loan-only intervention created impact in the beginning, but was unsustainable during the one year period.

Contrary to the above findings, Blattman et al., (2013) find positive results from the provision of cash grants to the very poorest and most excluded young adults, mainly women in Northern Uganda. Blattman et al. (2013) investigate the impacts of giving cash grants (US$ 150), and business skills training, supervision and business advising. The study shows positive impacts of the cash transfer on entrepreneurship, hours worked, individual earnings, and household consumption (cited from Ahabwe & Kasirye 2015). The outcome of these findings is a testament that a combination of financial and non-financial support to entrepreneurs offers them a unique platform to launch and grow businesses capable of employing millions of young people across Africa.

SECTION 4: METHODOLOGY

This section gives an account of how data was collected and analyzed and it also identifies some challenges before discussing some logistical and ethical limitations of the study.

4.1. Methodology and research design.

The qualitative interview process used helped to develop an understanding of business success from the KATI investees' experiences, values and motivations (Gaskell & Bauer 2000). To provide theoretical and practical framework and analysis, a comprehensive desk research and interviewing of KATI project beneficiaries was conducted. A semi-structured questionnaire was used to interview 17 entrepreneurs from the 1st to 04th April 2015. The interviewees/participants were the beneficiaries of War Child UK's flagship entrepreneurship project called KATI[4]. No sampling was conducted because of a small pool of only 19 entrepreneurs. However, only 17 interviews were conducted. The questions asked sought to establish the impact of the project on entrepreneurs' lives; differentiate between KATI fund and other funds; and find out what determines the successes or failures of SVFs.

To have a vivid qualitative grasp of the KATI project, the research critically studied its operations and outcome against the initial set aims, procedures and criteria as outlined in the project proposal, donor reports, monthly and quarterly updates. A descriptive approach was important to help how SVFs operate, characteristics of entrepreneurs and success/failure factors, among others. An observatory approach was also used – as the researcher was part of the original design and initial implementation of the project a year prior to the study. The qualitative data was analyzed using the thematic coding methodology and quantitative data was analyzed using SPSS software. Interviewing the KATI entrepreneurs provided the foundation to explore the emerging themes.

4.2. Technical and physical challenges to the study

[4] *With funding from a UK based charity maker, Forward Foundation, War Child UK, started KATI project– which means "come in" in the local Acholi language.*

Technically, the interview process was challenged by the lack of clarity on the definition of "a successful business" by War Child. According to War Child, a successful business is one which has a good loan repayment record, employs at least one additional youth and the beneficiary's ability to provide basic needs to immediate and extended family (War Child 2013). Accordingly, any business which scores highly on these three targets would be considered as "highly successful". The study however reveals that this is a narrow definition of business success in the context of financial sustainability.

Physically, riding a motorbike to collect data from the field during rainy/wet season exposed the researcher to some risks and hampered the data collection process. For instance, a night was spent at a stranger's home to avoid riding back late, on a muddy slippery rural road.

4.3. Limitations of the study

The two crucial limitations of the interview approach are small sample size and researcher's previous relationship with the investees. The researcher had previously coordinated KATI project and provided mentorship support to the all the interviewees. There is therefore a slight possibility that some of the responses could have been biased by prior relationship between the researcher and participants. To mitigate this bias, the researcher emphasized (before and intermittently during the interview) that the study is independent and not related to War Child. A consent form with an anonymity clause (Appendix 2) was provided to encourage honesty, openness and trust during the interview process (Kelly and et al. 2015)

As noted earlier, only 17 out 19 KATI beneficiaries were interviewed during the survey. The businesses of the two beneficiaries had collapsed and hence they could not be traced within the short data collection timeframe. Interviewing more beneficiaries whose businesses have failed would perhaps provide a more nuanced analysis of the success and failures of KATI project to help us understand the dynamics of SVFs. Similarly, only 1 mentor out of 5 were interviewed as the remaining 4 has since dropped out of the project. Their perspectives would have perhaps provided important data for analysis.

SECTION 5: FIELD RESEARCH FINDINGS AND ANALYSIS

THE CASE STUDY: KATI

5.1. Scale and Nature of KATI Youth Fund

This section presents a snapshot of KATI project focusing on the beneficiaries, why they applied to benefit from the project, ease/difficulty of access to the fund, amount of funds received and their perspectives on access to the fund.

KATI project provides the marginalized young people in Northern Uganda with the skills and capital that they need to establish their own businesses and generate income to support themselves and their families. To kick-start this flagship War Child UK project in 2012, 200 application forms were filled by the youth clearly showing each of their business ideas. 100 applicants were selected and called for a one week business innovations camp to train them on basic business startup and management skills and how to write business plans and also encouraging them to develop innovative and unique business ideas. To select the best 20 innovative business ideas which would each be supported with a $1,500 - $2,500 loan, each youth was tasked to write a business plan. 70 youth who successfully wrote their business plans pitched their business ideas to successful local business owners, business experts and consultants who will judge their innovation and local feasibility. 19 (11 males and 8 females) young entrepreneurs, aged between 19 to 29 years and equipped with the most promising ideas were selected and they received *patient* capital, business advisory and mentorship support.

In total $35,000 was disbursed as soft loans to entrepreneurs. Agaru SACCO, a local microcredit company was enlisted as a partner to manage the funds because of their experience and expertise in credit management in the region. The fund is categorized as a soft loan because it was given at an 8% per-annum interest rate (compared to commercial bank and MFI loans which are usually as high as 36% per-annum). Similarly, KATI fund is repayable in a 24monthly period compared to MFI's loan payable either biannually or annually, which is too short a timeframe thus putting enormous pressure on start-ups. This is in line with Novogratz's (2009) '*patient'* capital theory which argues that entrepreneurs need more time and some breathing space during their early entrepreneurship journey.

The field research found out that 75% of the KATI beneficiaries were attracted to the project because they wanted to start up their own businesses while 25% wanted to expand their existing businesses. All the 70% of the beneficiaries who were initially unemployed said they wouldn't have been able to startup their own businesses without the KATI fund support. 30% of those who had already started their own business said they wouldn't be able to expand their business within one year had it not been because of KATI project. All beneficiaries were attracted to KATI for financial reasons and none of them said they would apply if there were no financial support involved. However, 82% found access to the loan 'extremely difficult' and 'difficult'. According to War Child (2013) however, this 'difficulty' was because of the rigorous evaluation, assessment and business planning sessions, as opposed to terms and unfavorable structural factors like high interest rates and collateral demands.

The application processes required writing a business plan and as high as 70% felt that writing the business plan was very difficult despite attending workshops and receiving one-on-one support from the project team on business plan development. This mostly stems from the fact that conceptualizing and documenting a business idea is a technical process, hence subjecting an illiterate or semi-literate person might make life harder for them. This reasoning proves Posner's (1985) argument that small business owner-managers do not write business plans because they lack the knowledge, confidence or skills to do so.

Blank (2012) supports this thinking by arguing that business plans work best for the already established businesses because they have a series of knowns - i.e. they already know there customers, cash flows, operation procedures, etc. Startups on the other hand, have an ocean of unknowns so they are literally making bets. Developing a business plan might not help much since most entrepreneurs have only a slim chance of using it anyway. For instance, even if 95% of the entrepreneurs think that the process of writing the business plan helped them to conceptualize their business idea, less than 10% ever used/revised their business plans again after submitting it to War Child. Similarly, there were very few attempts by War Child to review the business plans after using it during the investee selection phase of the project.

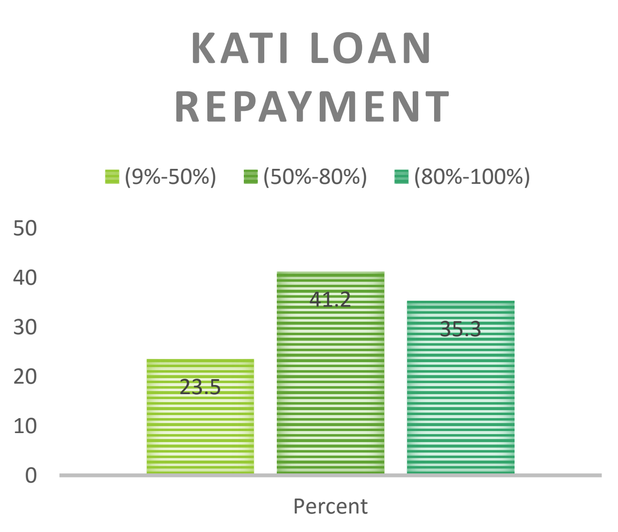
This supports the emphasis by Bracker and Pearson (1985) that external consultants and trainers can only assist effective business planning within SMEs, but it is the owner/manager who must take ultimate responsibility for the plan and its implementation. Blank (2012) therefore advices startups to instead develop a few worded actionable business models rather than comprehensive business plans with 3 -5 years financial projections. In fact, KATI management is now adopting the use of few worded business models rather than lengthy business plans in the next phase of the project.

To counter this argument however, a study of 51 small firms by Robinson et al. (1983) found that start-up firms tended to be more profitable if the owners engaged in formal planning (cited from Mazarol 2004). This proves the findings from KATI project because the few entrepreneurs (11%) who reviewed and reflected on their business plans after submission also scored highly on performance and business success indicators like loan repayment and creating employment opportunities. If business planning leads to entrepreneurial success, it ought to be promoted, perhaps in a manner that enables even those with less formal education to easily adopt and get acquainted to it.

5.2. Assessing KATI's successes/failures

5.2.1 Loan repayment

KATI has mixed successes and failures. To measure the impact of the project, three success indicators were developed: Firstly, all the beneficiaries must be able to successfully run their businesses and generate enough income to support themselves and their immediate families; secondly, all the businesses must employ at least one additional youth by the end of the project; and thirdly, 50% of the young entrepreneurs must have paid back 60% of their loans after 24 months.



Source: Field Data

The study found out that 18 out of the 19 entrepreneurs are heads of households supporting between 2 to 9 family members. The 17 beneficiaries interviewed employ a total of 17 additional young entrepreneurs. 90% of the entrepreneurs have already repaid 77% of the loans acquired within 24months. By all War Child measures, KATI is a stunning success. From a charity perspective, these milestones signal success for War Child because of two reasons: (1) as a child rights charity, the fact that all the entrepreneurs are undoubtedly supporting more than two children presents a unique success story for War Child; and (2) the nature of grant from Forward Foundation which is non-conditional and non-repayable puts no undue pressure on War Child.

From a commercial and financial sustainability viewpoint however, the so-called successes require a rethink. This is based on a number of reasons, for instance, two beneficiaries deliberately disappeared with their loans and are still at large and efforts to pursue a legal action has been put on hold. Similarly, two other beneficiaries whose businesses collapsed and are unable to pay back the remaining loan balance are still free from any reprisal. This has very negative implications for loan repayment in particular and project impact in general because it demotivates entrepreneurs who are succeeding and striving to pay back their loans. One successful entrepreneur noted, *"I feel cheated. I work hard to payback my loans yet defaulters walk free. This is making me hesitant to pay my next due loan".*

The study found out that some of these failures are due to War Child's inability to forge an effective stakeholder engagement agenda with Agaru SACCO- the fund manager. For instance, even if the MoU clearly stipulated each partner's role, it didn't clarify on how each partner will be penalized for not performing their assigned tasks and responsibilities.

The study also found out that gender plays a very important role in loan repayment.

		Percentage of the loan repaid		
		(9%-50%)	(50%-80%)	(80%-100%)
sex	Male	3	5	2
	Female	1	2	4
Total		4	7	6

*Source: Field dat*a

In fact, more females scored highly in all business success indicators than their male counterparts. For instance, only 2 out 11 males had paid back 80% of their loans, whereas, 4 out 7 females had already paid more than 90% of their loans by the time of this survey. This is a testament to Yunnus' (2007) theory of loan repayment[5] which places high emphasis on women.

5.3.2. Mentorship

[5] *According to Muhammad Yunnus, women are the best borrowers because they always strive to repay their loan under the most difficult circumstances. For instance, Grameen Banks's loan repayment rate is 98%.*

A mentorship committee comprising of 5 local government, civil society and local business leaders was formed to provide voluntary mentorship to KATI entrepreneurs. By the time of this study, only one mentor continues to volunteer. According to the project team, the mentors expected some tangible gains, even though it was clearly stated in the terms of reference that their engagement was purely voluntary.

However, an interview with the remaining mentor, who is also the chairman of the committee reveals some interesting facts. Firstly, he managed to stay on as a mentor because he was getting a monthly airtime allowance; secondly, he is the only mentor who owns a car and motorcycle which eased his journeys between and within the villages during his visits. He uses his money to buy fuel and meals and later piles the receipts and a report as a form of accountability to get reimbursed. Thirdly, his commercial building's painting cost with KATI brands was footed by the project fund. It is important to note that other mentors didn't receive these kind of 'privileges' so they opted out. During the interview, the mentor noted, *"Although this mentorship concept is really good, I find it quite challenging because there are no incentives in place to motivate the mentors. This whole notion of volunteerism doesn't appeal in today's world where everything you do costs something. That is why the mentors left and if this is to work in future, the mentors should be remunerated"*

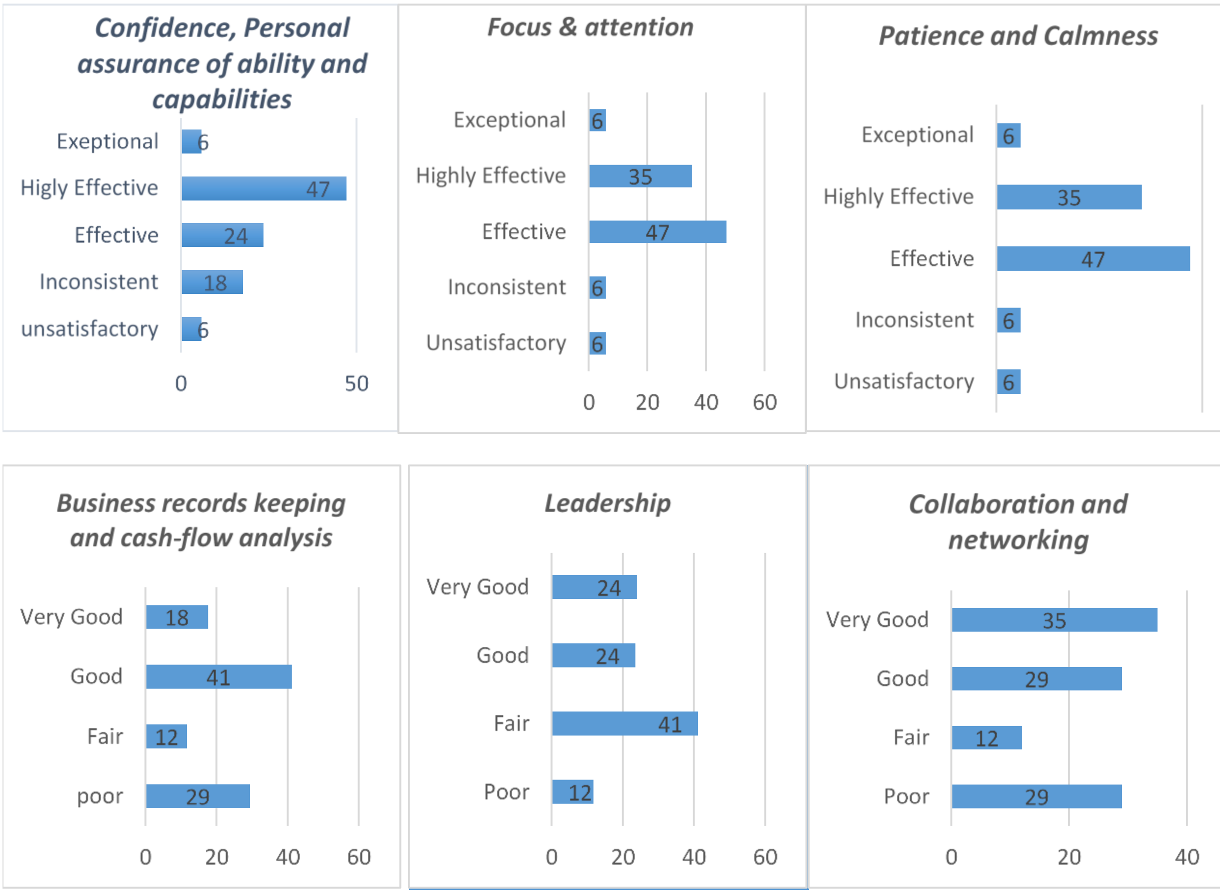
As a result, the mentorship arm of KATI didn't meet project expectations and it contributed to some of the project pitfalls. According to the survey, about 40% of the entrepreneurs think that the mentors 'somehow' helped them, whilst 60% said the mentors didn't have any positive on their business at all. In fact, this is in tandem with the general feelings among 80% of the entrepreneurs who believe that mentorship is not a *very essential tool to* support rural entrepreneurship. This contrast with the views by project leaders who claim that mentorship still plays a crucial role in nurturing entrepreneurship. So what's the cause of these contrasting views on mentorship? Kram's (1985) theory of establishing a psychological contract between the mentor and mentee explains clarifies this paradox. Firstly, the entrepreneurs' perspectives are perhaps shaped by their bad experience with the mentors who disappeared before creating a psychological contract with them. Secondly, Ojok & Mason (2013) highlights that professional mentorship is still underdeveloped and unappreciated in rural Africa and this could have probably led to the varying views on mentorship. They noted, "From the pilot experience, we have realized that while some mentors may be very successful in running their own businesses, they often lack the capacity or technical skills to mentor others. We found this was compounded by the fact that mentoring is a somewhat of new concept in the rural Ugandan context”.

5.3.3. Change of Knowledge, Attitude and Practice (KAP)

Most entrepreneurs experienced some relative degree of positive progress in their confidence levels, business knowledge and skills, networking and other attributes like patience, focus and attention, etc. For instance, 47% of the investees said the project was highly effective in helping them gain confidence and be able to freely express themselves. The majority of the entrepreneurs felt that the project was effective in enabling them be more focused while also prioritizing different tasks and responsibilities; pay attention to details and be more patient and calm in addressing important issues. One of the investees noted; *“I am now able to communicate to my customers more effectively and as a result, I have been able to attract new as well as retain old ones because of KATI”*

There is also a positive correlation between KAP and the general business performance. Investees with high level of confidence, patience, and good business record keeping are also more consistent with their loan repayment and their businesses have already broken-even. For instance, the most successful KATI entrepreneur has since then become the chairlady of a local SACCO and a volunteer with a local women’s right organization. She remarked, *“KATI has brought the best in me. I can now convince others to follow me”*

KATI KAP indicators



Source: field data

Summarily, the findings from KATI show that SVFs presents a potential promise to create opportunities to productively engage the youth in Africa. This will however depend on a myriad of other factors like the availability of a favorable policy framework, interest of investors, quality of mentorship, level of entrepreneurship, etcetera.

SECTION 6. CONCLUSION

6.1. Concluding remarks

The findings of this paper highlight the relevance of (1) providing customized support to young social entrepreneurs whose business ideas might be unattractive to mainstream financial service providers and (2) the role of special funds in creating employment opportunities for the youth in developing countries. Notwithstanding the rise of concepts like debt and equity in business financing over the decades, access to finance still remains a daunting challenge for many entrepreneurs. This challenge is particularly glaring for young entrepreneurs in developing countries who often times lack the tools needed to meet conditions for accessing such finances. The problem is further exacerbated by the fact that the increasing youth population in Africa presents curses rather than blessings because there are so few opportunities to fully engage them.

On a positive note, SVFs have been heralded as mechanism for enabling Africa to reap from its rising young population. Debates in support of SVFs contend that it provides a unique opportunity than other conventional financial vehicles like aid and loans. On the one hand, SVFs provide a comprehensive package of support that enables high impact ventures to be launched, henceforth, addressing social and economic problems on a large scale. This package involves soft loans, flexible and long-term repayment arrangements and other non-financial support like mentorship, business training and access to networking/business opportunities. On the other hand, however, SVFs have been criticized for lacking an inbuilt sustainability mechanism. This is because the funds are sourced from the same aid and debt agencies like DFID, UKAID, and USAID; World Bank, private banks, high net-worth individuals, foundations making it similarly vulnerable to the weaknesses of the current financial system.

Nonetheless, with skyrocketing unemployment rates in Africa, hopelessness and despair looms across the big cities to the villages. The results of this study show that SVFs provide a unique opportunity to enable young innovative people to emerge as business leaders and create massive opportunities. Due to SVFs' flexibility, talented young entrepreneurs who would have been excluded and discarded from mainstream economic opportunities will have a chance to access the resources they need to create change in their communities.

The findings from KATI, a SVF project in Northern Uganda proved that SVFs actually do play a role in supporting entrepreneurship and creating more employment opportunities for the youth. The comprehensive package of support didn't only give young entrepreneurs the opportunity to create their own jobs but it also enabled them to create jobs for other youths.

However, it wasn't all rosy for KATI as the project faced myriad of challenges like low repayments and the complete refusal by some investees to pay the loan. It's however important to note that most of the challenges faced were within the soluble reach of the project. As such, the KATI case-study analysis also provided some relevant recommendations meant to strengthen future partnerships and collaborations; attract highly innovative ideas from passionate and able entrepreneurs; and support entrepreneurs to startup and run more successful ventures.

Overall, KATI is a proof that SVFs are important catalysts for promoting productive youth engagements witnessed by the recent transitioning of KATI project into an independent SVF organization in Northern Uganda.

6.2. Implications for Future Research

The SVF concept is still new and growing. The concept asks entrepreneurs and investors/funders to take multiple bets on solving global problems with a private sector approach. Despite its myriad of unanswered questions, it still presents a unique opportunity for revolutionizing how social and/or young entrepreneurs can access the resources they need to launch and run their ventures. Although this study brings forth some theoretical and practical underpinnings of the SVF concept, more analyses are crucial to understanding how it should be operated and effectively managed. For instance, the mechanism for ensuring sustainability of SVF organizations/project needs more exploration. All in all, SVFs as a development/business financing tool rests on its ability to not only enable access to a complete package of robust support to entrepreneurs but also do it more profitably, socially and sustainably.

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APPENDIX 1. SEMI-STRUCTURED QUESTIONAIRE USED FOR DATA COLLECTION

SECTION A: INVESTEE PROFILE						
Qn No.	Question					
		Code	Detail	Response		
A.1	Fill in the details of the respondent.	1	Name			
		2	Kind of business			
		4	Village			
		5	County			
		Code	Detail	Tick		
A.2	Sex	1	Male			
		2	Female			
A.4	Age					
		Code	Detail			Tick
A.5	Are you the head of the household?	1	Yes			
		2	No			
A.6	Would you please give us the number of your and immediate family members who expect your financial, manual and material support.	Code	Category of family	Male	Female	Total
		1	Your own family (including yourself)			
		2	Parent's family			
		3	Other families that expect or receive Supports from you			
		Code	Detail			Tick
A.8	Highest level of education	1	Primary Education			
		2	O-Level of Education			
		3	A-Level Education			
		4	Bachelor Degree			
A.9	How did you hear about KATI					
	What attracted you to it?					
	What ways do KATI's English application processes affect your application++					
SECTION B: THE SOCIAL BUSINESS						
		Code	Detail			Tick
B.1	Were you employed or running your own business before becoming KATI's investee?	1	Operating personal business			
		2	Employed			
		3	Unemployed			
B.1	Was this type of business related to the business you are currently running?	1	Yes			
		2	No			
B.4	Would you please, share with us how KATI's support has been helpful to your business so far?	1				
		2				
		3				
B.5	How many other young people are you employing?					
B.9	What is the current aim of your business and the long term vision					

B.13	What core business related trainings did you receive from KATI before and during the investment?	1	
		2	
		3	
		4	
	On a scale of 1 to 10, how did these business trainings contribute to your business improvement, growth and development and WHY?		
	Do you think your mentor has a good grasp of your project and the context in which you operate?	1	Yes
		2	Somehow
		3	No
	How much do you think that KATI's Enterprise Mentorship Committee (EMC) contributed to your business?	1	A lot
		2	Somehow
		3	Less
	Do you think that any type of mentorship is essential for business success?	1	Very Essential
		2	Averagely Essential
		3	Not so Essential

SETION C: KATI's BENEFITS TO INDIVIDUAL INVESTEES' BUSINESS CHARACTERISTICS

C.1 On a scale of 1 to 5 with **1 = Unsatisfactory (rarely possess the trait and requires immediate corrective actions), 2 = Inconsistent (inconsistently possess the trait and therefore requires improvement), 3 = Effectively (consistently possess the trait and uses it to achieve personal achievement), 4 = Highly Effective (consistently possess the trait and uses it to often exceeds personal targets in life) and 5 = Exceptional (Significantly and consistently possess the trait and uses it to consistently exceeds personal targets in life),** to what extend would you rate yourself (after getting support from KATI) to be in possession of the following positive thinking traits considered to be enabling factors for business success.

Sno.	Positive Thinking Trait	1	2	3	4	5
C.1.1	**Optimism;** believing and expecting positive outcomes despite difficulties.					
C.1.2	**Enthusiasm**; positive energy, passion and motivation consistency high.					
C.1.3	**Belief**; trust in yourself and others to support and guide you when needed.					
C.1.4	**Integrity**; personal commitment to honesty, openness and fairness.					
C.1.5	**Courage**; willingness to pursue goals despite the fear of life.					
C.1.6	**Confidence**; personal assurance of abilities, capabilities and full potential.					
C.1.7	**Determination**; tireless pursuit of a goal, purpose or cause					
C.1.8	**Patience**; willingness to wait for opportunity, readiness or results.					
C.1.9	**Calmness**; taking time to reflect and think					
C.1.10	**Focus:** attention directed through setting goals and priorities					

OUTCOME 1: SUSTAINABLE BUSINESS PRACTICES

G. KNOWLEDGE, ATTITUDE AND PRACTICE (KAP)

G.1 KNOWLEDGE

Using the scale of **5 = Excellence, 4 = Very good, 3 = Good, 2 = Fair and 1 = Poor,** how would you rate your knowledge, Attitude and Practice in the following business area after KATI's investment (Tick the most appropriate box).

Variable	Business area	Rank				
		1	2	3	4	5
G.1.1	Business records keeping					
G.1.2	Responsibility and accountability: analysis of cash flow (Income maximization and minimizing cost)					
G.1.3	Compiling, understanding and serving customer demands (Customer assessment e.g. improving quality if that's what the customers need)					
G.1.4	Developing, managing, monitoring and evaluating business strategic plan.					
G.1.5	Competitive strategic development, management and evaluation (being better than the competitors).					
G.1.6	Identification, analyzing and Managing risks couple with change					
G.1.7	Collaboration with experienced business men in your industry.					
G.1.8	Market analysis (Industry market trend).					
G.1.9	Identification, recruiting, Inspiring and motivating competent staff.					
G.1.11	Selection of a strategic business site.					
G.1.12	Leadership (ability to influence others to do positive things).					
G.1.13	Advertisement (attracting and detaining customers).					
G.1.14	Effective communication					
G.1.15	Banking money in Financial Institution.					
G.1.16	Loan acquisition and management					
G.1.17	Creativity					

I OUTCOME 3: DETAILS OF FINANCIAL SUPPORT FROM KATI

Qn. No	Question	Code	Response
	How easy or hard would it be for you to start your business without the KATI support?	1	Very Hard
		2	Somewhat Hard
		3	Easy
	How would you describe the access to this loan	1	Extremely difficult
		2	Somewhat difficult
		3	Easy
	How much patient capital/soft loan did you get from KATI?		
	What particular challenges have you faced with your loan repayment so far?	1	
		2	
		3	

Qn. No	Question	Code	Response
	Would you be interested to get the KATI loan agai future	1 2	Yes No

APPENDIX 2: CONSENT FORM USED DURING DATA COLLECTION

Approval: This study has been approved by the LSE Research and the International Development Department.

Purpose: This study is being carried out by Donnas Ojok, an LSE student for a dissertation thesis that will be submitted for fulfillment of a MSc. in Development Management degree.

Criteria of respondent's selection: Investees who have been supported by War Child UK's KATI programme.

Mode of data collection and estimated time: The data shall be collected through formal interview using the questionnaire guide attached and the whole process shall take at most 45 minutes.

Benefits: No financial/physical rewards shall be advanced to the interviewees. The benefits of the study will be explained to them beforehand.

Confidentiality: The data you shall give shall be treated with utmost confidentiality; any dissemination shall be in form of aggregated findings otherwise your permission will be sought.

Consent: we therefore request your agreement to be part of the respondents of the vital research by signing in the portion below.

RESEARCHER's NAME		INVESTEE's NAME	
Name	…………………………………………	Name	…………………………………………
Date	………/…………/………………………	Date	………/…………/………………………
Signature	…………………………………………	Signature	…………………………………………