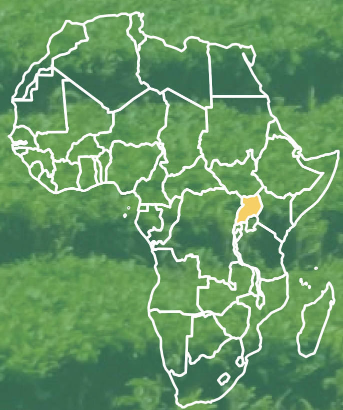
LIA-CS-07

LEARNING INTO ACTION CASE STUDY SERIES

INVESTMENT-LINKED BUSINESS DEVELOPMENT SERVICES

Evidence and lessons from the Yield Uganda Investment Fund (2017–2025)



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IFAD
Investing in rural people

PCP
Creative Capital At Work

Funded by the European Union

Most impact funds providing patient capital to African agri-SMEs are based outside the continent. The Yield Uganda Investment Fund tested whether such a fund could be set up in-country — and uniquely attracted Uganda's state pension fund as a co-investor.

Launched in 2017 by the EU in partnership with IFAD as a blended-finance facility managed by Pearl Capital Partners (PCP), the Fund combined equity, semi-equity and debt with a structured Business Development Services (BDS) facility. The BDS Facility was managed first by KPMG (2017–2022) and then by Friends Consult Ltd (2022–2024). It invested €19.6m across 15 Ugandan agri-SMEs in dairy, seed, horticulture, vanilla, animal feed and processed foods.

UGX 52bn

additinal fianance mobilised by investee companies

~25,000

outgrower farmers reached (~ 25% women)

19% - 81%

BDS utilisation after redesign

Revenue and job growth were modest overall but varied widely, with five enterprises growing rapidly. Most BDS was deployed after 2022 and is only now translating into revenue growth and profitability. COVID-19 disruption coupled with the fuel price crises was and continues to be severe; that investees survived — and many are on track for successful exit — is itself a significant achievement.

> *"The greatest achievement of the Yield Fund BDS program was not the completion of activities, but the creation of lasting capabilities that continue to drive growth, resilience, and impact across our business."*
>
> **MD, Royal Milk Group**

What We Learned

1. **BDS is most powerful when fused with the investment process.** It reliably improves investment readiness, governance and access to finance. Its effect on short-term revenue depends on market conditions, management mindset and SME maturity. *→ See S3 - BDS Effectiveness*

2. **The capital partner — not the BDS manager — is best placed to shape the BDS plan.** Investees consistently named PCP as their deepest source of strategic advice. The BDS manager's strongest value-add is rigorous procurement, quality assurance and segregation of duties — essential, and not to be under-estimated. *→ See S1 - Yield Fund Design*

3 **Cost-sharing is essential, but the mechanism can be improved.** A 50/50 share was changed during COVID for 85/15; payment modalities were also changed.All enterprises now confirm they are happy paying a contribution. The six-step claims process should be simplified, and a sliding scale linked to SME maturity is worth piloting. → *See S2 - Cost-sharing*

4 **Pre-investment BDS would lift portfolio quality.** FCL judged that 10 of 15 investees would have benefited from earlier support; PCP confirmed 50% had received no prior BDS. → *See S3 - BDS Effectiveness*

5 **BDS performance should be assessed at year 2+, not at programme close.** Yield Fund's BDS was concentrated in 2022–24; the growth it funded is only now visible. BDS contribution to SME growth takes time to emerge.
→ *See S3 - BDS Effectiveness*

6 **The accredited BDS provider database should become a public asset.** Accreditation of 146 providers was conducted using public funds. The EU and IFAD should find ways to share this public asset across the ecosystem to address a problem AMEA repeatedly hears: finding high-quality BDS providers. This would also align with the ambition of the National BDS Strategic Framework and the recently approved Standards → *See S4 - Replicability and Scalability*

7 **Benchmark the performance of a National Facility against International Facilities.** Yield Fund aimed to test the viability of a National Impact Fund Facility. Learning should continue to be captured until the closure of the Fund in 2027, and the learning should inform the design of future facilities. The case for National vs International Facilities should be well understood and backed by evidence.

Implications *(detailed recommendations in S6)*

Donors & DFIs	• Institutionalize BDS as part of agri-SME finance mechanisms. • Institutionalize cost share mechanisms, with opt-outs requiring justification. • Increase allocations to BDS – Yield Fund was 14% to capital provided. • Fund pre-investment BDS as a screening mechanism that also generates future pipeline.
Implementors & BDS providers	• Segment support intensity by SME maturity. • Co-create BDS Support Plans with built in flexibility to adapt to emergent market conditions.
Policy makers & ecosystem actors	• Strengthen the domestic BDS market through quality assurance frameworks • Develop local expertise in priority gap areas (certification, phytosanitary compliance, governance). • Anchor blended-finance learning into national SME-finance strategy.

1 YIELD FUND DESIGN

Selection & BDS Delivery

1.1 Fund Design

The European Union set up Yield Fund to address the well-acknowledged missing middle gap in agri-finance. However it also set out to demonstrate that a locally based Impact Fund could be viable and attract local capital investors. As a result the initial commitment of Euro 10m by the EU grew to become a Euro 20m facility, with the Ugandan National Social Security Fund investing Euro 2m.

Yield Fund was designed on the premise that capital alone is insufficient to grow Uganda's agri-SMEs. Two earlier funds had shown that capital without BDS produced poor outcomes, and BDS without capital access also failed to deliver. The Fund therefore deliberately bundled patient capital (equity, semi-equity and debt) with a structured, matching-grant BDS facility intended to de-risk investments and unlock key constraints for expansion. Pearl Capital Partners (PCP) were the Fund Managers and IFAD managed the BDS Facility, sub-contracting this to BDS Management Companies.

1.2 Enterprise Selection

PCP led the process, generating a pipeline of over 100 SMEs through referrals, outreach and inbound enquiries. A preliminary assessment shortlisted 18, and due diligence reduced this to 15. Rejections were driven by being too early-stage, high growth strategies that were underpinned by weak assumptions, exaggerated capital needs, weak corporate governance, or insufficient smallholder-farmer impact.

1.3 How the BDS plan was shaped

Investment and BDS Support plans were co-created between PCP, the BDS Management company and the agri-SME. This package was then reviewed and eventually approved by the Investment Committee. BDS was delivered through a BDS Management Company. KPMG (2017–2022) experienced initially low uptake — the combination of a pre-financed 50% cost contribution and COVID-19 working-capital pressure made enterprises reluctant to engage. As a result the cost contribution was lowered to 15% in 2020. In 2022 Friends Consult Ltd (FCL) took over the role with a mandated hands-on approach. BDS utilisation rose from 19% to 81% during FCL's tenure.

FCL updated and extended the BDS provider database to 146 pre-qualified firms across seven service areas: outgrower-scheme expansion, financial management, commercial strategy, human resources, product quality and certification, equipment installation, and corporate governance.

Although the BDS Support Plan process was initially led by the BDS Management Company, in practice the Enterprises considered that the capital partner (PCP) to have provided the best guidance on this Plan and sourcing the best BDS providers. **The BDS Management Company's strongest value-add lay elsewhere**: rigorous procurement of consultants, contract management, quality assurance of deliverables, and a segregation of duties that kept PCP at arm's length from spending decisions. All enterprises rated BDS quality highly; affordability — not quality — was the binding constraint.

2 COST-SHARING ARRANGEMENTS

Cost-sharing began at 50/50 and was revised to 85/15 (Fund/SME) during COVID-19 when working capital was severely constrained. FCL recommends roughly 80/20 for future programmes; IFAD/PCP would prefer a return to 50/50 in normal conditions. Investees suggested allowing different cost shares depending on investee maturity — though this introduces subjectivity that would need careful management. Whatever the ratio, there was clear consensus that cost-sharing should remain.

The six-step claims process proved challenging for investees, and FCL often had to hand-hold enterprises through it. Future programmes should simplify the process so enterprises can manage it themselves, and should pilot reimbursement-before-completion mechanisms — particularly for smaller enterprises whose cash flow is most strained.

3 BDS EFFECTIVENESS

Across the 15 investees and four CEO interviews, the most consistent and measurable contribution of BDS is to investment readiness and the unlocking of follow-on finance. Improvements in financial reporting, internal controls, audit standards, corporate governance and Non-Executive Director recruitment translated directly into bankability. These gains were amplified where they sat alongside a growth strategy — particularly new commercial marketing strategies and supply-chain development, including product certification.

BDS effectiveness depends heavily on SME absorptive capacity. FCL identified the principal differentiator as whether owners prioritised long-term growth and formal systems over short-term gains, and whether they treated BDS as a partnership rather than an external imposition. Family businesses unwilling to open up their accounts and work in partnership with the BDS provider were less likely to benefit from the BDS provided.

3.1 The case for pre-investment BDS

FCL, PCP and several investees consistently recommend adding a pre-investment BDS window. FCL estimates that 10 of 15 investees would have benefited from earlier governance and managerial support; PCP confirms 50% had received no BDS prior to Yield Fund. Pre-investment BDS would also help screen out unsuitable applicants before capital is committed — a significant cost-saver given that 82 of the original pipeline of 100 were rejected at preliminary assessment.

This goes to the heart of future fund design. Many readers will see Yield Fund's 14% BDS-to-investment ratio as unaffordable and pre-investment BDS as utopian. But current approaches are not transforming food systems or delivering inclusive growth at scale. Those ambitions require re-balancing the mix of financial and non-financial capital.

4 REPLICABILITY AND SCALABILITY

4.1 What replicates well

The investment-linked BDS architecture is highly replicable. Its core components — a capital partner with sectoral expertise and board presence, a hands-on BDS Management Company, a pre-qualified provider database, a matching-grant cost-share, and a needs-based Support Plan adjustable over time — transfer across countries and value chains.

4.2 Three essentials for any successor facility

- **Rigorous SME selection for growth potential AND BDS readiness.** Commercial fundamentals are necessary but not sufficient: management mindset, openness to scrutiny, and willingness to invest in formal systems materially determine BDS uptake and effect.

- **A capable, locally rooted BDS Management Company.** FCL's effectiveness was driven by senior-leader time commitment, in-country presence, fast decision-making and a bias toward action.

- **A co-created, flexible BDS Support Plan.** All 15 investees requested reallocations during FCL's tenure — not because initial assessments were flawed, but because market and sector realities shifted between assessment and delivery. Successor facilities should ensure BDS Support Plans can be rapidly adapted to reflect changing market conditions.

4.3 Where the design can be imporoved

- **Address the liquidity challenge in the matching-grant cycle** by piloting reimbursement-before-completion options, especially for smaller enterprises.

- **Support local development of specialised BDS** in phytosanitary compliance, organic certification and advanced food safety, where local providers remain thin.

- **Develop pre-investment BDS facilities,** either in-house or through partnerships with initiatives that target early-stage SME development.

5 RECOMMENDATIONS

5.1 For donors and DFIs

- Institutionalise BDS as a core, non-optional pillar of agri-SME finance vehicles, with a target BDS-to-investment ratio of 8–15% depending on portfolio maturity.
- Fund a dedicated pre-investment BDS window to feed pipeline into impact funds.
- Build results frameworks that go beyond top-line revenue to track follow-on capital mobilised, value-chain employment, product quality and inclusion (women, youth, smallholders).
- Support institutionalisation pathways — including national quality-assurance frameworks for BDS providers — to reduce reliance on bespoke single-fund infrastructure.

5.2 For implementers and BDS providers

- Adopt formal segmentation by SME maturity, with service intensity and cost-share ratio tailored by tier.
- Contract BDS Management Company staff to work on site with investees for minimum time periods, with incentives tied to BDS quality, timing and value for money.
- Pilot reimbursement-before-completion options to reduce liquidity friction for smaller enterprises.
- Allow investees to nominate BDS providers for inclusion in the pre-qualified database, strengthening it through market intelligence.
- Ensure that BDS Support Plans are regularly reviewed against market conditions and adjustments are made where necessary. Do not just follow the plan.

5.3 For policy makers and ecosystem actors

- Invest in local BDS market, prioritising phytosanitary, organic and food-safety certification expertise; reliance on international consultants constrains scaling.
- Integrate Yield Fund-style blended-finance learning into national SME finance strategy and IFAD's next-generation investment instruments.
- Recognise that capital alone is insufficient. National policies should mandate concessional-finance facilities should be fused with BDS Support facilities.

Methodology Note

AMEA's Learning into Action case study series attempts to draw out deeper insights about the effectiveness of BDS/TA approaches with the aim of stimulating National and Global dialogue. The purpose is to encourage investment in approaches that DO work and stop investment in approaches that DO NOT. The good practices are also now increasingly being codified into National BDS Frameworks, Standards and Associations.Read more here: https://amea-global.com/call-action/

Sources: the IFAD-submitted Yield Fund dataset (March 2026); the Friends Consult Ltd End of Contract Report (Nov 2022–Oct 2024); and key informant interviews conducted by AMEA (March–May 2026) with investment Committee member, IFAD, Pearl Capital Partners, Friends Consult Ltd, and CEOs of four investees. Dataset reported in USD.