TeamUp
Agriculture • Water • Health

Bridging the Capital Gap

Unlocking Innovative Financing for Uganda's Small and Growing Businesses

A Case Study on the Purpose Pool Model by Relevant

DSW Deutsche Stiftung Weltbevölkerung — youth can

Hanns R. Neumann Stiftung

SIEMENS | Stiftung

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Abbreviations

BMZ	German Federal Ministry for Economic Cooperation and Development
CAGR	Compound Annual Growth Rate
DSW	Deutsche Stiftung Weltbevölkerung
FDI	Foreign Direct Investment
GMSA	GMS Association
HRNS	Hanns R. Neumann Stiftung
ICT	Information and Communication Technology
IFC	International Finance Corporation
MFIs	Microfinance Institutions
PE	Private Equity
RBF	Revenue-Based Financing
Relevant	Relevant Impact Innovation
SACCOs	Savings and Credit Cooperative Organisations
SGBs	Small and Growing Businesses
SINA	Social Innovation Academy
TA	Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNCDF	United Nations Capital Development Fund
VCs	Venture Capitalists
VSLAs	Village Savings and Loan Associations
WIGOI	Women Income Generation Opportunity Initiative

“Innovation thrives best when like-minded organisations connect.”

At Siemens Stiftung, we have always believed that progress is not born in isolation, it emerges from collaboration, shared purpose, and bold ideas brought to life across sectors.

The TeamUp Innovation Fund, established by the three German foundations Deutsche Stiftung Weltbevölkerung (DSW), Hanns R. Neumann Stiftung (HRNS), and Siemens Stiftung, exemplifies this vision with the shared goal to deepen and broaden the impact of the German Federal Ministry for Economic Cooperation and Development (BMZ) funded TeamUp Uganda Program. In the last years, this has meant supporting young innovators and local entrepreneurs who are building inclusive, community-based solutions to address some of the most pressing challenges.

As an internationally operative foundation, our role in this partnership has evolved to focus on transformative action: Capacity building and empowerment, especially for women and youth. Through initiatives such as the Women Income Generation Opportunity Initiative (WIGOI) program, implemented by Capital Solutions, we have supported female entrepreneurs with tools, training, and mentorship to lead and scale their businesses. Simultaneously, through our collaboration with SINA (Social Innovation Academy), we have contributed to nurturing a new generation of Ugandan changemakers who are reimagining what it means to create impact from the ground up. Despite this momentum, we need to continuously work to combat the systemic challenges.

While Uganda has seen ongoing signs of financial growth, rising foreign direct investment, a growing banking sector, and increasing venture capital activity, early-stage entrepreneurs continue to face a stark financing gap. Many remain excluded from formal financing structures, unable to access the capital necessary to transition from survival to sustainability. This is particularly true for early-stage social businesses operating in rural settings or outside of traditional investment networks.

This publication, based on a study conducted by Relevant, delves into the core challenges surrounding access to finance. The social enterprise offers a detailed analysis of the structural barriers impeding financial inclusion and its innovative financing model the “Purpose Pool” as a potential solution to help bridge the financial divide, highlighting the replication potential of such approaches beyond the Ugandan market.

Let us continue to team up – for innovation with purpose.

Dr. Nina Smidt
CEO I Spokesperson of the Board

Methodology

Access to capital remains one of the most significant barriers facing early-stage Small and Growing Businesses (SGBs) in Uganda, particularly in underserved and rural communities. Yet, it is precisely these businesses that hold the potential to drive inclusive economic growth, create local employment, and deliver lasting social impact. While SGBs encompass both impact-driven and growth-oriented aspects, this study focuses specifically on impact-driven businesses, which are most closely aligned with advancing sustainable development. To illustrate how closing this financing gap can unlock such development, Relevant Impact Innovation, on behalf of the TeamUp Innovation Fund, conducted a comparative assessment of financing solutions available to early-stage SGBs in Uganda.

This research followed a structured, three-part methodology combining a financing landscape analysis with a focused case study and a forward-looking use-case evaluation.

1. Mapping Uganda's Access-to-Finance Landscape

The first phase of the study involved a comprehensive review of existing financing mechanisms available to SGBs in Uganda. These included Microfinance Institutions (MFIs), Village Savings and Loan Associations (VSLAs), Venture Capital (VC), Private Equity (PE), and Philanthropic capital.

Each mechanism was evaluated based on key criteria: accessibility, terms and conditions, operational efficiency, effectiveness in addressing entrepreneurs' needs, and long-term sustainability.

This assessment revealed a fragmented financing landscape, with many early-stage businesses, particularly those in rural or informal sectors, struggling to meet the requirements of traditional financial institutions.

2. Introducing the Purpose Pool: A New Approach to Inclusive Financing

In response to the gaps identified in conventional funding models, the study turned its focus to an emerging innovation: Relevant's Purpose Pool Financing Method. This model was presented as a case study for alternative, inclusive financing designed to serve the specific needs of early-stage SGBs.

The Purpose Pool model is built on a foundation of collaborative, purpose-aligned capital, combining elements of blended finance and community trust-building. The study detailed its structure, core values, and operational mechanisms, highlighting how the model seeks to shift the financing paradigm from risk aversion to relationship-building and shared impact.

3. Evaluating the Potential Impact

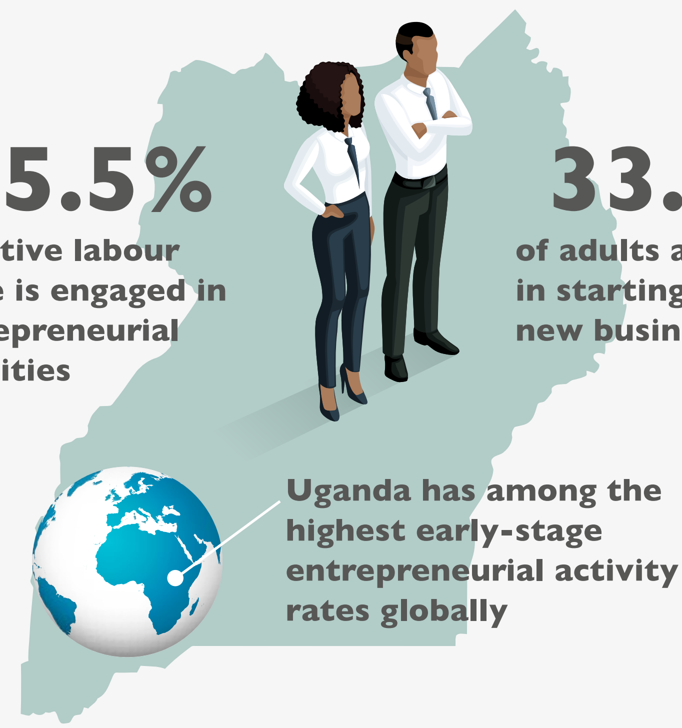
Though still in its pilot stages, the Purpose Pool model shows promising signs of addressing long-standing barriers to capital for underserved entrepreneurs. The study explored its initial impact on participating SGBs, focusing on improved access to financing, strengthened business capabilities, and early indicators of enterprise resilience and growth. Recognizing the model's early success, the research also considered the potential for replicating this financing method in other contexts, offering initial recommendations on the key elements required for successful adaptation.

By reviewing existing mechanisms, exploring Relevant's Purpose Pool financing method, and offering preliminary insights into its potential impact, the assessment offers a practical roadmap for future financing strategies. The following chapters are inviting funders, policymakers, and ecosystem builders to re-imagine a financing landscape where no viable idea is left behind simply due to lack of access to capital.

Bridging the Gap

When Capital is Not the Problem but Access is

Entrepreneurial Landscape in Uganda[1]



35.5%
of active labour force is engaged in entrepreneurial activities

33.8%
of adults are involved in starting or managing new businesses[2]

Uganda has among the highest early-stage entrepreneurial activity rates globally

The backbone of the Economy[3]

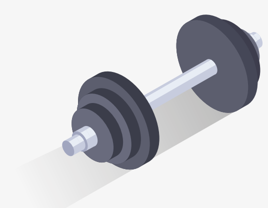
Small businesses in Uganda contribute:

80%
of Uganda's GDP

90%
of the private sector

The Challenge

While capital exists, access for SGBs remains limited, particularly for underrepresented groups.



Uganda's entrepreneurial sector is vibrant, with growing interest from investors, development partners, and financial institutions. Yet despite this dynamism, a persistent and systemic financing gap continues to constrain the growth potential of early-stage entrepreneurs and SGBs.

In 2022, Uganda attracted $1.5 billion in foreign direct investment, a 39% increase from previous years, bringing the country's total FDI stock to over $18 billion. These investments flowed into capital-intensive sectors such as mining, finance, transportation, manufacturing, and ICT, with little targeting early-stage businesses or local service industries.[4]

Similarly, Uganda's commercial banking sector maintains strong liquidity, operating with an average loan-to-deposit ratio of 61% between 2018 and 2023. Yet banks often prioritize lending to larger, more established firms with formal credit histories, robust financial documentation, and higher profitability. Serving SGBs is widely perceived by the commercial banking sector as costlier and riskier on a per-loan basis. Meaning that early-stage businesses, particularly those led by first-time entrepreneurs, women, or youth, struggle to meet conventional financing standards.[5,6]

This disconnect is significant. Uganda faces an estimated $8.8 billion credit shortfall for SGBs, underscoring the gap between available capital and its actual accessibility.[7] More than half of Uganda's social entrepreneurs cite lack of financing as their primary barrier to growth.[8] High interest rates, rigid collateral requirements, and limited awareness of available funding opportunities further compound the challenge, particularly for entrepreneurs outside major urban centres.

Importantly, the issue at hand is not simply a scarcity of funds; rather it reflects a deeper misalignment between the types of capital available, the specific needs of entrepreneurs, the perception of capital providers and the barriers to access financing. Understanding and addressing these financing challenges is essential and will be further analysed in the following chapters.

An Overview

The Financing Landscape in Uganda

In Uganda's dynamic entrepreneurial landscape, five key players drive the financing ecosystem for SGBs. Each capital provider plays a distinct role, serving different segments, offering varied terms, and operating under unique constraints. Together, they form a fragmented ecosystem where capital exists but is often mismatched with the needs and realities of early-stage SGBs.

Village Savings and Loan Associations (VSLAs) and Saving and Credit Cooperative Organisations (SACCOs)

VSLAs and SACCOs are at the heart of financial inclusion in Uganda and crucial entry points for SGB financing. Only a minority is using formal institutions with 71% of adults saving and 77% borrowing money from VSLAs and SAACOs, this financial instrument remains vital in bridging the financial gap for underserved populations.[9] By providing short-term loans and financial literacy training to women, youth, and refugees in remote areas, these informal institutions boost livelihoods through income growth and job creation. Despite their importance, they offer no additional business support, charge high interest rates, and demand high collateral that most SGBs lack.

Microfinancing Institutes (MFIs)

The microfinance sector in Uganda is diverse, comprising over 1,000 institutions that include formally regulated entities under banking and deposit-taking laws, as well as informal providers.[10] These MFIs play a crucial role, primarily operating at the grassroots level. However, they often charge high interest rates, require collateral, and impose hefty fines for late repayments, with limited flexibility.

As a result, their financing options tend to exclude most early-stage SGBs.

Commercial Banks

Uganda's 25 licensed commercial banks offer a wide range of financing, from loans as small as $30 to $1 million serving a diverse client base to provide financial services and support economic growth and development. However, early-stage SGBs often face barriers to accessing these funds as banks remain cautious due to the perceived risks associated with limited collateral, weak financial records, and legal complexities.

Venture Capital (VC) and Private Equity (PE) Investors

Foreign venture capital and private equity investors are playing an increasingly active role in Uganda's entrepreneurial ecosystem, with a focus on high-growth and innovative startups. However, access to this type of funding remains highly competitive and inaccessible to early-stage SGBs, particularly those with a social mission. These investors typically provide larger ticket sizes, often above $100,000, which not only target later-stage SGBs perceived as lower risk and more compliant but can also be difficult for early-stage businesses to absorb effectively. As a result, many early-stage SGBs receive little to no support from VC and PE investors and remain largely underserved within the broader investment landscape.

Philanthropic Capital Providers

NGOs, foundations, and development organisations mobilize substantial resources through grants and zero-interest loans to expand access to finance for emerging entrepreneurs. They are focusing on measurable social outcomes from poverty alleviation to healthcare and education instead of commercial returns or profits. Gradually, NGOs are using entrepreneurship training, startup capital, and cooperative business models to enhance both financial sustainability and impact among Uganda's entrepreneurs to increase their impact. Philanthropic capital is often time-consuming to secure and comes with demanding proposal and reporting requirements. It can divert SGBs from their core operations by emphasizing specific impact goals. While VCs and PEs also have reporting obligations, their focus on core business metrics makes their approach more aligned with operational priorities. The differing and shifting goals of philanthropic funders add to the unpredictability of this capital, which is typically available only to a few SGBs with a strong impact record.

Category	VSLAs & SACCOs	MFIs	Commercial Banks	VC/PE	Philanthropic Capital Provider
Investment Instrument	Debt	Short-Term Loan	Debt	Blended Finance, Equity, Debt	0% interest Loans, Grants
Ticket Size	$25 – $2,000	$50 – $10,000	$30 – $1m	$5,000 – $500,000	$2.000 – $5m
Investment Period	1 – 6 months	3 months – 3 years	up to 50 years	Loans: 24 months Equity: 5 – 7 years	6 months – 10+ years
Interest Rate	2.5% – 3.0% per month	18% to 36%	21.10% p.a. commercial bank 10.25% p.a. central bank	Loans: 15% p.a. Equity: 1.5x – 10x multiplier	0%

**Includes board seat to oversee governance*

Closing the Gaps

Reaching the Entrepreneurs Who Need Them Most

Despite their differences, Uganda's capital providers face a surprisingly similar set of challenges when it comes to financing early-stage SGBs. This section dives into the common hurdles faced and explores what it will take to build a more inclusive, responsive financing ecosystem for Uganda's SGBs.

Challenge 1: Lack of Pipeline

Despite the availability of capital in Uganda, investors frequently struggle to identify high-quality, investment-ready SGBs. This is due to a fragmented entrepreneurial support ecosystem and a lack of preparation among entrepreneurs for external funding. Many SGBs lack the necessary business maturity, such as proper financial documentation, internationally recognized certifications, or compliance with procurement standards required by institutional funders. In many cases, even potentially promising businesses remain invisible to investors due to weak networks, limited market exposure, and the absence of effective platforms for discovery. As a result, capital providers face shallow and underdeveloped deal pipelines, limiting their ability to deploy funds effectively, even when the capital exists.

"A recurring challenge we face is the lack of a high-quality pipeline. We must consider not just the availability of investment opportunities, but also their readiness and quality." – Investment Analyst, Impact Fund.

Recommendations

Standardized Business Development Services (BDS)
To effectively support SGB Uganda's entrepreneurial ecosystem must move beyond fragmented efforts toward a more coordinated approach. By mapping and aligning Business Development Services around unified service standards and delivery frameworks ensure consistency, relevance, and quality of support. A coordinated approach strengthens the pipeline of scalable businesses, improves investor confidence, and enables timely access to the technical assistance needed to meet both market demands and funding criteria.

Investment Readiness Programs Linked to Capital Access
Connecting investment readiness programs directly to accessible funding opportunities creates a stronger, more practical pathway for entrepreneurs to engage with investors. When these programs are embedded into the daily operations of a business, they help founders build the skills and strategies needed to meet investor expectations, while running their day-to-day business. This real-time, integrated approach leads to more efficient funding processes and raises the overall quality of investment opportunities across the ecosystem.

"When investment readiness is built into the rhythm of a business, entrepreneurs are better prepared – and investors more confident."

Challenge 2: High Cost of Due Diligence

Early-stage companies in Uganda often require extensive vetting and support, making the due diligence process both time-consuming and costly for capital providers. Investors must assess numerous factors, including market potential, the strength of the management team, the viability of the business model, and the accuracy of financial projections and statements. These requirements drive up transaction costs, making such investments less appealing to funders. As a result, the combination of a limited number of investment-ready businesses and the excessive cost of due diligence significantly narrows the pipeline of viable opportunities, leaving much of the sector's potential untapped.

"If a business needs $20,000 in financing, the due diligence costs can sometimes be as high as 100% of the loan amount. This can be prohibitive" – SGB Founder

Recommendations

Innovative Due Diligence Models
The introduction of standardized due diligence frameworks and peer-selection mechanisms provide a practical solution to the excessive cost and complexity of evaluating early-stage businesses in Uganda. These tools help streamline assessment processes, reduce redundancy, and ensure consistency in investment decisions, especially in markets with fewer investment-ready businesses. By fostering a more collaborative approach, such frameworks also enable better alignment among investors to share due diligence costs, reducing the financial burden on any single party. These innovations make capital more accessible to early-stage businesses by cutting down the time and resources required for evaluation.

Technology-Driven Due Diligence Tools
Technology-driven due diligence tools, like centralized, standardized data rooms for financial, legal, and market information, address the administrative inefficiencies that often slow early-stage investing in Uganda. By enhancing transparency and simplifying access to critical data, these tools reduce the burden on both investors and entrepreneurs, accelerating the evaluation process and lowering transaction costs. Moreover, digital platforms can facilitate coordinated due diligence efforts, allowing multiple investors to jointly assess opportunities and share associated costs. In a context where extensive vetting is often required, such digital solutions make early-stage investment more practical, collaborative, and scalable.

Challenge 3: Expectation Mismatch

One of the biggest challenges in Uganda's entrepreneurial ecosystem, however, is the misalignment between investor expectations and the preparedness of entrepreneurs. Unlike the lack of pipeline, which reflects a shortage of investment-ready businesses due to limited capacity and visibility in the ecosystem, expectation mismatch is about the disconnect between investors and entrepreneurs who are already engaging with one another. The challenge lies in the differing assumptions around what makes a business investable and how the investment relationship should function. While investors often expect formal structures, financial transparency, and defined growth plans, many entrepreneurs are not fully prepared to meet these expectations and may anticipate more flexible terms or hands-on support. This misalignment leads to promising opportunities breaking down during the engagement process, not because businesses do not exist, but because both sides are not aligned in what they are looking for or ready to provide.

"Mismatch between investor expectations and market realities, and the lack of readiness among entrepreneurs- are the major problems we face."

Recommendations

Open Dialogue for Investor-Entrepreneur Alignment
Structured platforms for pre-investment dialogue help align expectations between investors and entrepreneurs early on, ensuring clear communication and mutual understanding. This reduces risks, accelerates the investment process, and builds stronger, long-term partnerships.

Flexible, Patient Capital Models
Alternative funding instruments, like revenue-based financing or convertible debt, offer flexible, patient capital that aligns with the needs of early-stage businesses. Financing structures should incorporate dynamic repayment schedules and extended timelines, allowing for sustainable growth while adapting to the evolving challenges of business development.

Financing with Purpose

A Fresh Approach

Against the persistent barriers in traditional finance, innovative approaches are vital. Building on the urgent need for more adaptive, entrepreneur-centred financing, the Purpose Pool stands out as a living example of how theory can translate into transformative practice.

Introducing the Purpose Pool

The Purpose Pool, developed by Relevant, introduces a new kind of funding model that puts early-stage entrepreneurs at the centre. Piloted at SINA in 2020 and expanded through Relevant in 2023, the Purpose Pool addresses a critical funding gap with investments ranging from $5,000 to $50,000, an amount typically overlooked by traditional banks, microfinance institutions, and venture capital providers.

Beyond providing capital, the model combines investment with hands-on support offering business training and a flexible, revenue-based repayment structure. A key feature is its peer-selection process where entrepreneurs, investors and community members help decide which businesses receive funding, thus, building local ownership and trust. Structured as a revolving fund, the Purpose Pool reinvests every repayment aiming to become financially self-sustaining over time. The model is open-source and designed to be replicated.

"A lack of adequate funding mechanisms for SMEs in unserved markets leads to slow growth and business failure. There is an urgent need for an alternative funding paradigm: human-centred, focused on purpose, collaborative, inclusive, and regenerative." [11] – Relevant Impact Innovation

$103,700

invested across 10 businesses

$290,000

additional external funding leveraged

143 jobs

created by portfolio companies

51.79%

average annual business growth of portfolio companies (CAGR)

5 Core Components

A closer look at the Purpose Pool reveals five key components that together illustrate how the model is structured, how it works, and the impact it aims to achieve.

Investment Readiness
Through an 8-week structured program, participating businesses are supported to build the documentation and business models necessary to qualify for funding. The program includes classroom learning, interactive workshops, group coaching, and one-on-one sessions with experts. By the end of the program, each business will have developed a 4-year financial forecast, a business plan, including a comprehensive impact measurement framework. This component helps close the investor-readiness gap; ensuring businesses are not overlooked due to missing documents or weak strategies.

Peer-Selected Investment
Peer-selected investment is a participatory model where investment decisions are made collectively by a diverse committee representing all stakeholders of the Purpose Pool. The Investment Committee is composed of three groups: 1) previous investees (entrepreneurs), 2) funders (capital contributors), and 3) facilitators (Fund management team). Each has equal voting power and the ability to veto decisions. Using a standardized review process, committee members assess applications and deliberate together, ensuring that investment choices reflect both practical experience and community insight.

Revenue-Based Financing
Revenue-Based Financing (RBF) is a repayment model that allows businesses to repay investment as a fixed percentage of their monthly income, rather than through set loan instalments. In the Purpose Pool model, businesses repay 5% of their monthly revenue until they reach 1.5 – 2.5 times the original investment. Because repayments rise and fall with business performance, this flexible approach eases financial pressure especially for early-stage businesses navigating unpredictable cash flow and new markets.

Technical Assistance
Technical Assistance (TA) is a tailored, ongoing support provided by the Purpose Pool team alongside the investment, including monthly check-ins, performance reviews and learning sessions. Entrepreneurs receive expert guidance on topics such as resource management, product certification, marketing and sales, fundraising, and taxation throughout the repayment period. Since many businesses fail due to operational gaps in governance, financial accounting, or marketing and not due to poor products, TA helps address these challenges of post-investment while improving the likelihood of full repayment and growth.

Share Pledging
Instead of offering physical assets like land or equipment as collateral, entrepreneurs in the Purpose Pool pledge a small share of company equity. These shares are only activated if the business fails to meet its repayment or reporting obligations. Each business is jointly valued using standard methods and, in some cases, the Purpose Pool may take on an advisory or observer role. This approach enables access to funding for those without physical assets while still ensuring accountability and alignment between investors and entrepreneurs without diluting ownership or overburdening businesses.

The Purpose Pool

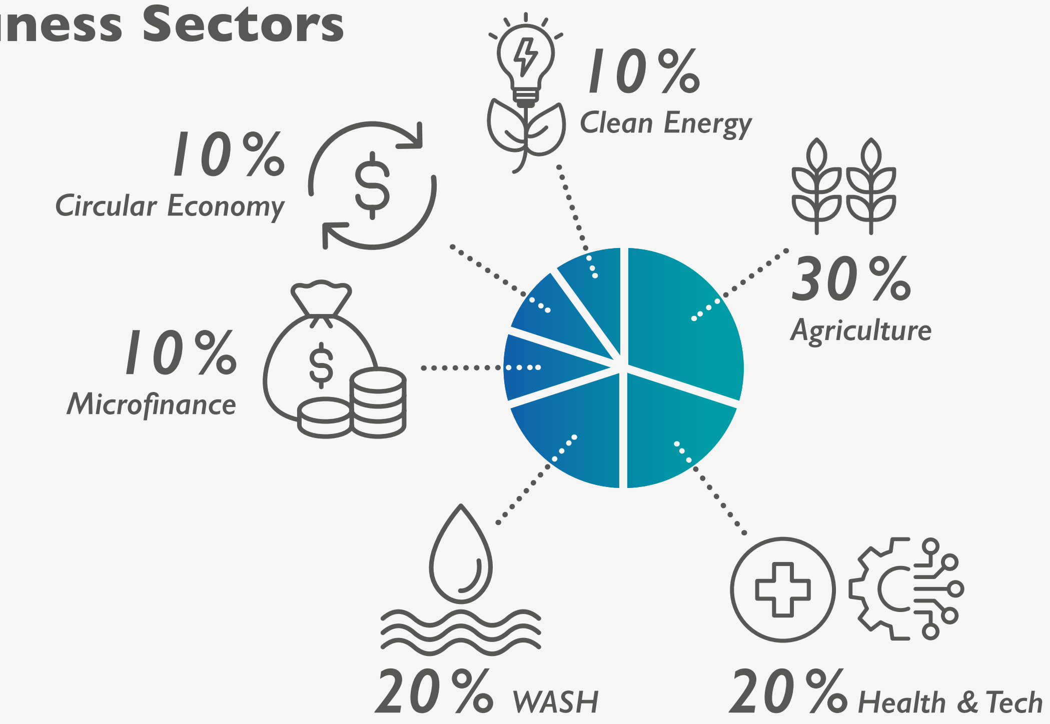
A Snapshot in Numbers

The Purpose Pool model is not just about funding businesses; it is about building an ecosystem where entrepreneurs are empowered to grow, supported to succeed, and trusted to lead. Below is a comparison of the Purpose Pool and traditional options in Uganda's financing landscape:

Instrument	Investment Size	Investor Return	Time Horizon	Cost to Entrepreneur	Collateral or Dilution
Purpose Pool (RBF)	$5,000 – $50,000	1.5x – 2.5x multiple	5 – 7/8 years (flexible)	5% of monthly revenue	No collateral, no equity dilution
Banks and Microfinance Institutions	$100 – No Cap	10% – 33% annual interest	1 – 3 years	Loan processing fees and interest	High collateral (e.g. land, cars, etc.)
VC Equity (Early-Stage)	$25,000 – $100,000	3x – 10x equity return	5 – 10 years	~20–40% ownership loss	Equity Dilution

By tying financial returns to business performance and eliminating the need for collateral or equity dilution, the Purpose Pool enables entrepreneurs to focus on growth rather than burdensome repayments or giving up significant ownership. In contrast to banks, which require fixed repayments and high collateral, or equity investors who demand substantial ownership stakes, the Purpose Pool offers founders a more balanced and equitable way to access the funding they need to scale their businesses sustainably. This means that funders can focus on building their companies and their customer segments, not worrying about losing assets or control. Originally launched with grant funding, the Purpose Pool set out to prove a bold hypothesis: that flexible, revenue-based financing could be the right instrument for early-stage SGBs in Uganda. Since then, it has supported ten companies across a range of sectors, with investments typically ranging from $5,000 to $21,000.

Business Sectors



Investment Overview (2020-2024)

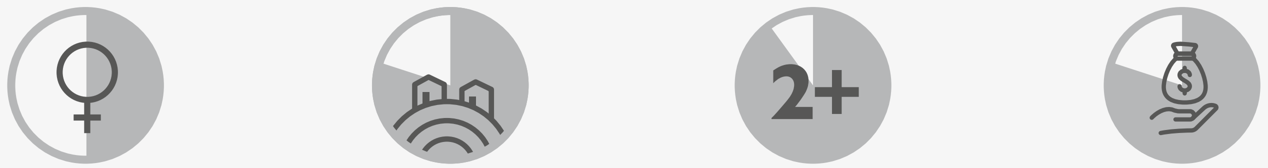
10 *Companies funded*

$10,000 *Average ticket size*

$103,700 *Total capital disbursed*

8,5% *Repayment rate*

Business Profiles & Growth



50% are women-led businesses

80% are businesses from rural/underserved communities

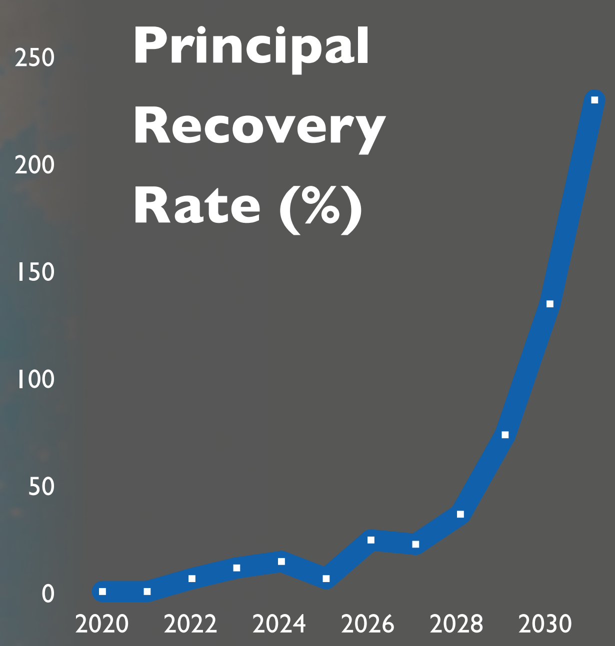
90% of businesses are still operating after 2+ years

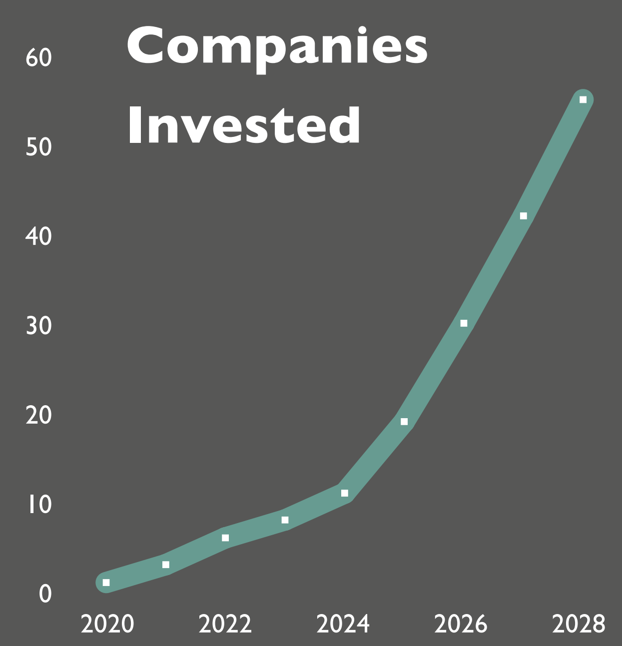
80% of businesses have attracted and received additional funding

As with any innovative funding model, the journey has come with its share of challenges and learning curves. The initial structure included a one-year grace period for the first cohort of companies, allowing entrepreneurs time to gain traction before starting repayments. While this helped 80% of those businesses achieve consistent revenue growth, it also slowed early capital recovery, bringing the principal recovery rate to just 13.5% by 2024, below original projections.

Moving forward, The Purpose Pool must expand its capital base by raising $1 million in external funding. From 2020 to 2025, investments grew steadily from $20,000 to over $100,000, supporting a total of ten businesses. Between 2025 and 2028, the fund aims to finance an additional 45 companies using the new capital. These projections are grounded in realistic expectations. By 2024, supported businesses showed clear revenue growth with performance varying by company size. These baseline revenues combined with projected growth rates of 1.4 to 1.6 times annually form the foundation for estimating repayment flows, which typically occur over a 3 to 5 year cycle. While early repayment rates were modest, the model has gained traction and repayment inflows are expected to increase significantly as more businesses mature. By 2029, many earlier companies will still be repaying while newer ones begin contributing, creating a compounding effect. This overlapping of repayment cycles along with increased operational efficiency and reinvestment of recovered capital leads to a projected principal recovery rate of 229.3% by 2031. This not only signals full recovery of the initial funding but also marks a turning point toward financial self-sufficiency where the fund can sustain and grow itself without continuous external fundraising.

The real impact of this approach becomes clear when you look at the entrepreneurs themselves. Their experiences demonstrate how patient capital, paired with tailored guidance and flexible repayment terms, has enabled them to scale operations, navigate setbacks, and deliver lasting change in their communities.





NUNU Fund

Empowering Farmers and Students through Innovation

SeedBank for Education: Buys crops from peasant farmers at fair prices and uses the produce to pay school fees and provide meals for students from those same farming communities. Profits from extra crops go back to families.

Savings System: Families shop at community stores and get 20% cashback saved for school or medical costs. NUNU replaces intermediaries with a system that empowers farmers, funds education, and builds financial security.

> ***"I had a brilliant idea that could make a real impact, but I lacked the capital to bring it to life."***
>
> *Albert Rwakimari, Founder*

Company: Nunu Fund
Founded: 2020
Founder: Albert Rwakimari
Purpose: NUNU Fund fights rural poverty by linking farming income directly to education and savings.

2020–2022

Initial Business Challenges

- Reliance on personal savings and rigid salary-backed loans
- Limited access to institutional funding
- Lack of traditional collateral
- Cash flow issues stalling scale-up

2023

Purpose Pool Intervention

- Revenue-based financing model, repaying 5% of monthly revenues
- Funding: $15,000
- The Purpose Pool team supported the development of internal systems for data collection, addressed operational inefficiencies, and strengthened stakeholder alignment through community engagement and financial literacy sessions for parents.

2024/2025

Outcome

- Establishment of 3 rural retail shops
- Secured pending £30K investment from RAIN
- Increased revenue from $10,000 (2022) to $26,000 (2023)

"If it was not for the Purpose Pool that identified me first, I don't think RAIN was going to see me."

Impact

- Supported 1,200+ learners with school fees
- Grown team from 2 to 6 full-time staff

Looking ahead, Nunu Fund is focused on scaling its model to reach one million learners, while strengthening its infrastructure to support data security, investor readiness, and sustainable agricultural trade. At the same time, the Fund has successfully negotiated early repayment terms and is on track to fulfil its loan obligations by the end of 2025.

Smart Kitchen

Advancing Clean Energy Access with Scalable Briquette Solutions

Smart Kitchen addresses Uganda's dependency on charcoal and firewood by offering smokeless, eco-friendly briquettes as a clean cooking alternative. These briquettes are 40% more affordable and burn 3.6 hours longer than conventional charcoal, targeting 90% of the population without access to gas or electricity-based solutions.

"The major challenge was that people didn't really believe in the work we were doing; we didn't have enough traction to show the market potential."

Barbra Nantongo, Founder

Company: Smart Kitchen
Founded: 2021
Founder: Nantongo Barbra Jane
Purpose: Empower Communities to cook cleaner, live healthier and thrive sustainably

2021/2022

Initial Business Challenges

- Operations were limited by lack of space
- Transporting briquettes by taxi was costly
- Manual processing caused losses and delays
- Equipment was insufficient
- Finances were tight limited growth
- Weak early traction deterred investors

2023

Purpose Pool Intervention

- Funding: $7,900
- Repaying 5% of monthly revenues after one year grace period
- Decentralized production through women's groups
- WhatsApp-based door-to-door deliveries through newly bought tricycle
- A stock management system to reduce product loss and theft

2024/2025

Outcome

"The Purpose Pool guided us through challenges like inventory, employees, the market. The mentorship shaped our ability to scale."

- Expanded to 12 retail outlets
- Gained 4,344 Customers
- Increased revenue from $13,000 (2022) to $25,500 (2023)

Impact

- Saved 2,044 trees
- Collected 219,000 tons of waste
- Grew from 3 to 9 full-time and 6 part-time staff
- reduced 292,600 kg CO_2

Moving forward, Smart Kitchen remains dedicated to pushing the boundaries of innovation, emphasizing the importance of sustainable living, economic empowerment, and environmental stewardship. The company has secured additional capital, which has supported its continued growth. To date, the team has repaid 10% of the loan received and is on track to complete full repayment within three years.

Lessons in Action

Following the Purpose Pool's early successes and the two case studies that illustrate its transformative impact, it is essential to reflect on the lessons learned so far. Understanding what has worked and where challenges have surfaced is critical to refine the model for greater future impact. The following sections explore the key insights that have emerged from experience to date, the risks identified, and recommendations to further strengthen and scale this model, ensuring it continues to serve both entrepreneurs and funders effectively.

	Lesson learned	Adjustment made
Grace Period	A one-year grace period was introduced to give early-stage companies crucial breathing room before beginning loan repayments. While this support aimed to ease initial financial pressure, it also delayed the recovery of funds. As a result, by early 2023, only 9% of the principal had been recovered, highlighting a trade-off between short-term relief and long-term fund sustainability.	In response, the grace period was phased out in favour of immediate repayments. This adjustment reinforced the importance of regular repayments and ongoing business support-key elements in maintaining the strength and sustainability of the fund.
Late Repayments	While entrepreneurs showed a strong willingness to meet obligations, a persistent issue of late repayments emerged. By early 2024, the quarterly late repayment rate stood at 38%.	Penalties for overdue payments were introduced alongside supportive interventions, such as monthly meetings focused on planning repayments, solving operational bottlenecks, and tailored financial training.
Wrong repayment rates	Many entrepreneurs faced challenges in tracking and accurately calculating their repayment rates, which hindered their ability to stay on top of their financial obligations.	Financial management software was introduced helping entrepreneurs to better monitor their revenue and repayment calculations. This improved transparency, reduced errors, and eased administrative burdens, empowering entrepreneurs to manage their obligations more effectively.
Lack of social impact monitoring	Focusing solely on financial performance overlooked the broader impact of each enterprise, missing key social and environmental outcomes	Impact Performance, focusing on the number of jobs created, thematic sector impacts like carbon emissions saved, and additional capital raised by portfolio companies.

One of the key takeaways from the Purpose Pool's journey is the undeniable power of consistent repayments and continuous support. These are the driving forces that not only strengthen the fund but also fuel the growth of businesses, turning potential into real, lasting impact.

Risk Analysis

Building Carefully for Sustainable Growth

The Purpose Pool model has opened new doors for entrepreneurs and created an effective way for funders to support high-impact businesses. But, like any innovative approach, it also comes with risks that must be carefully managed.

Bias in Peer-to-Peer Selection

One risk identified relates to bias within the peer-selection investment process. While participatory decision-making has many strengths, the possibility of favouritism or conflicts of interest must be carefully managed. To address this, transparent scoring systems, the use of veto rights, and regular rotation of Investment Committee members have been crucial in maintaining fairness and objectivity.

Late Repayments

A more structural risk lies in the sustainability of the fund itself. Late repayments, if left unchecked, can significantly erode the financial stability of the pool. To mitigate this, the Purpose Pool has reinforced follow-up procedures, introduced consequences for unjustified late repayments, and embedded financial literacy and revenue planning as core parts of the technical assistance.

Managing Operational Costs

High Operational costs present another challenge. The cost of technical assistance initially outpaces as the model expects the operating costs to be covered by repayments. This tension highlights the need to raise grant funding to subsidize high-touch and critical TA, at least until businesses reach a level of maturity where they can pay for external TA. Diversifying the portfolio to balance smaller and larger ticket sizes has also emerged as a necessary strategy to ensure that overall repayments are sufficient to cover operating expenses from the onset of the fund.

Scaling Thoughtfully

The Purpose Pool model can successfully scale in an organised entrepreneurial ecosystem. To expand successfully, the Purpose Pool needs to partner with hubs and accelerators that have access to quality pipelines and understand the needs of their communities.

Beyond the Pilot

A Blueprint for Inclusive and Sustainable Entrepreneurial Financing

Following on from the learnings and recommendations, a growing body of evidence underscores the practical effectiveness of innovative financing models in closing the financing gap and strengthening fragmented entrepreneurial ecosystems. These findings collectively point to the need for more strategic, coordinated efforts built on tested frameworks.

The Convergence Blended Finance Annual Report (2023)[12] highlights how blending philanthropic and commercial capital can attract three to five times more private investment in emerging markets, demonstrating the catalytic role that mixed funding structures can play in de-risking early-stage SGBs and drawing in hesitant investors. Similarly, Village Capital (2019)[13] found that businesses supported by revenue-based financing (RBF) paired with technical assistance exhibited a 35% higher survival rate after two years, suggesting that flexible capital must be matched with tailored operational support to increase resilience. In terms of long-term success, Root Capital (2024)[14] finds that place-based financing models are 50% more likely to succeed, highlighting the importance of local ownership and context specific implementation. This is reinforced by findings from the Aspen Network of Development Entrepreneurs (2024)[15] which show that entrepreneurs participating in local incubation programs are significantly more likely to secure follow-on funding, highlighting the need for strong local pipelines and pre-investment readiness.

Moreover, operational improvements through technology also play a crucial role. The GSM Association (GSMA) (2022)[16] report on mobile money reveals that digitization can improve repayment rates by up to 20% and cuts administrative costs by 30%, emphasizing the value of tech-enabled transparency and efficiency, especially at scale.

This convergence of financial innovation and operational support underscores the value of integrated models such as the Purpose Pool. To move beyond fragmented, short-term pilot initiatives, it is essential to institutionalize these lessons into scalable, evidence-based systems. There is a growing consensus around the need to shift toward blended, tech-enabled, and locally anchored financing models that combine flexibility, accountability, and relevance to local contexts. However, a major risk is that without stronger coordination and sustained capital, even proven models may remain limited to isolated pilots.

To achieve broader, long-term impact, decision-makers must focus on ecosystem-level approaches that connect financing with local capacity-building and long-term investment strategies. Against this backdrop, the following six recommendations offer a roadmap for building inclusive and innovative financing models capable of closing the funding gap for early-stage SGBs:

Leverage Blended Capital for Long-Term Resilience

Recommendation:
Mobilize philanthropic capital to de-risk early-stage SGBs and urge long-term commitment from private investors.

Why it works:
This approach enables businesses to scale responsibly and supports entrepreneurs through longer, more realistic growth trajectories.

Deploy Flexible Financing Coupled with Deep Support

Recommendation:
Integrate revenue-based financing (RBF), share pledging, and other flexible instruments with customized technical assistance programs.

Why it works:
Flexible models align repayment with performance, reducing pressure on early-stage entrepreneurs. Combined with targeted support, this structure enhances business resilience and accountability without exposing founders to undue personal financial risk. more realistic growth trajectories.

Build Entrepreneurial Pipelines Through Local Intermediaries

Recommendation:
Partner with accelerators, incubators, and trusted ecosystem actors to identify, prepare, and support high-potential entrepreneurs, especially at the pre-investment stage.

Why it works:
Local intermediaries possess contextual insights and trust-based relationships, improving entrepreneur readiness and aligning solutions with community needs. This ensures higher-quality deal flow and stronger long-term performance.

Digitize Operations to Enhance Efficiency and Transparency

Recommendation:
Invest in digital tools for portfolio tracking, automated repayments, and performance analytics to streamline operations and scale effectively.

Why it works:
Digital systems reduce administrative burdens, lower costs, and provide funders and entrepreneurs with real-time insights, building trust and enabling data-driven decisions.

Embed Inclusive Financing Strategies

Recommendation:
Set clear targets like funding percentages, beneficiary goals, and progress benchmarks, while designing tailored financial products and support for women, youth, and refugee entrepreneurs.

Why it works:
Intentional inclusion makes access to capital accountable, counters systemic exclusion, and fosters diversified, resilient economic growth.

Scale Locally, Adapt Contextually

Recommendation:
Co-create implementation strategies with local hubs to ensure financing models are adapted to cultural, regulatory, and economic realities.

Why it works:
Local adaptation enhances relevance, fosters ownership, and ensures sustained impact. Funders can achieve scale without sacrificing contextual sensitivity.

Conclusion

This study affirms what many ecosystem actors across Uganda and similar markets have long known: while traditional financing mechanisms from Village Savings and Loan Associations to commercial banks, venture capital, and philanthropic sources remain essential, they are not enough to meet the unique needs of early-stage SGBs. This is especially true for entrepreneurs from underserved groups such as youth, women, and refugees. Persistent structural barriers such as rigid collateral requirements, high due diligence costs, mismatches between investor expectations and business realities, and inefficient tax frameworks continue to limit access to appropriate capital and constrain the potential of promising businesses.

The Purpose Pool implemented by Relevant Impact Innovation in Uganda offers a practical, tested alternative. By combining flexible, revenue-based financing with peer-to-peer investment decision-making and embedded technical assistance, the model responds directly to the realities of early-stage SGBs. It enables business growth not through short-term financial pressure but by aligning capital with long-term enterprise development.

The early results are promising, businesses financed through the model have shown robust growth, created jobs, and delivered tangible community benefits. These outcomes underscore the importance of disciplined selection, responsible repayment, and scaling through locally grounded ecosystem hubs. When philanthropic and recoverable capital are blended thoughtfully, supported by digitization and intentional inclusion strategies, the result is a funding model that balances social impact with financial resilience.

Bringing this back to where we started: the TeamUp Innovation Fund, the next chapter must be collaborative. Replicating and adapting this model through local hubs, digital tools, and inclusive capital strategies can unlock pathways for many more entrepreneurs particularly women, youth, and refugees who are ready to lead positive change in their communities.

Closing the financing gap for early-stage businesses is not only possible, but also necessary. Doing so with approaches like the Purpose Pool offers a promising path toward more equitable, sustainable development, not just in Uganda, but across similar frontier markets.

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Relevant Impact Innovation
Relevant Impact Innovation is a Purpose Venture Catalyst operating in East Africa. We develop, pilot, and scale enterprise as well as investment solutions to address humanitarian and planetary crises. Relevant Impact Innovation's mission is to accelerate the shift to a purpose-driven economy by piloting it today with a focus on the blind spots: the people, places, and topics that markets neglect.

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