



MARKETLINKS

GROWING SMALL AND MEDIUM ENTERPRISES: WHAT WORKS?

PRESENTATION TRANSCRIPT

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PRESENTERS

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MODERATOR

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Anastasia de Santos: Hi, everyone. We'll get started in just a few minutes.

(Pause.)

Hi, everyone. This is Anastasia de Santos of the USAID of Ministry for Trade and Regulatory Reform. Welcome to our MarketLinks webinar on Growing Small and Medium Enterprises: What Works? Today we are going to focus on small and medium enterprises, and we want to present evidence to you which is emerging, but we have a decent amount on what works and what doesn't for high gross small and medium enterprise in our host countries.

USAID really focuses on using theories of change in our program cycle as helpful, with causal steps and assumptions to lay things out in project design.

We wanted to organize evidence around these theories of change for your convenience and articulate how we expect our inputs to relate to different outcomes, especially -- how do I advance the slide?

Sorry, technological challenge here.

Really linking our different interventions to the outcomes that we all care about and for USAID these are helpful for full-time beneficiary firms.

In order to help us inform today's discussion, I realize we stopped doing the pre-poll, but for those of you who completed them that will help us document that we are presenting interesting information to you.

So why the focus on theories of change? It is really because we tend to, I think, we will use these partly because we are forced to when designing projects, but we don't go back to them and they sit on a shelf after the project is awarded or you've written your work plan. Really, we should be going back and checking our theories of change against new evidence regularly and learning, adapting in real time. That's why we wanted to present the evidence this way. And we know that with what we are going to look at targeting continues to be an important challenge. We don't have enough evidence on this yet.

So, with that I would like to introduce today's speakers. Starting with Natalie who is going to present the sort of international evidence. Natalie Shemwell is a manager at the inclusive markets practice at Resonance. Prior to joining Resonance, she also worked for other development consulting firms.

(Pause.)

Natalie has degrees from American and Clemson.

Is the audio working now, folks?

So then after Natalie presents, we'll have Ron Ashkin to talk about more practical experience using theories of change, guiding project implementation and Ron is an international economist currently serving as project director on USAID's linkages for small and medium enterprise project in Vietnam. He has degrees from Harvard and Wharton.

With that I would like to turn it over to Natalie.

Natalie Shemwell:

Thanks, Anastasia and thank you to the MarketLinks team for hosting this presentation. We are glad to be here and present our research today. As we know (indiscernible) are important to emerging markets. Make up the majority of enterprises, account for a substantial share of GDP and account for wealth. Sustainable economies and sustainable economic growth in emerging north can rely on a robust ecosystem. Because of this, donors, practitioners designed initiatives and programs ranged on a range of SME development activity. Despite the popularity of these programs we as practitioners do not articulate our clear theoretical frameworks.

So as Anastasia referenced, we don't always articulate our theories of change clearly. We don't always outline the variables linking SME growth with clear assumptions.

So with our research, and the report that we developed, we have attempted to organize a variety of theories of change related to SME growth, provide a comprehensive account of published or publicly available research and studies on SME development and present an overview of the interventions take are most effective in spurring SME growth. Here you can see the research questions that we attempted to answer through our report. What evidence exists that demonstrates the impact of different SME development intervention and growth outcomes? What is the level of rigor of that evidence?

Here you can see a quick snapshot of the methodology that we used for our report. We also conducted a number of interviews with researchers and USAID and donors and experts in the field of SME development. Towards the end of the research we organized a donor round table to validate initial findings and implications that we identified through our research.

In organizing our research, we as Anastasia was saying, we divided the SME development interventions into five theory of change categories. The categories are listed here. So business management, this includes training, direct consulting services and then matching grants for training or consulting services.

Access to finance which includes access to credit initiatives such as subsidized loans, credit guarantees and changes to collateral lending systems. Business registration and taxes. So, business registration and formalization, changes in tax policies or changes in tax administration which affects SMEs.

Market access, including a discussion around domestic market linkages as well as export promotion and the final category was innovation, specifically focused on support to product innovation.

Here you can see a high-level summary of the findings of our research showing the level of evidence and the level of impact for each intervention type using this kind of stop light color-coding system. Level of evidence we have a range from weak to strong. To the level of impact you can see a range from low to high. This gives a great visualization of all of our findings and the entirety of our research. Unfortunately, I don't have time to go in depth today about all of the specific theories of change listed here but I will cover four theories of change in the presentation today including business registration, market linkages, training and consulting services.

In the report we go into a lot more detail about contextual factors, debates and critiques and gaps in the evidence, but for the purpose of this presentation I'm only going to overview, give an overview of the issue area, the intervention results and then recommendations for each of these four theories of change.

The first category is business registration. The majority of SMEs in developing countries operate informally and are not registered with their national or local government, nor do they pay taxes. In addition to an opportunity for local governments to increase tax revenue, formalization can also make SMEs eligible to apply to form am markets, access business development services and allow for bank accounts and loans to be opened in the firm's name rather than the owner's name. As a result of this government donors and development practitioners implemented a number of interventions. These include supporting policy reforms and simplification of the registration process.

I'm going to run through three theories of change related to business registration. The first is related to accessing formal markets with the idea that if the time and cost to register a business is lowered, then SMEs will register. They will gain access to formal markets, increasing their sales and therefore, increasing profits or employment.

Here you can see the effects of theories of change related to gaining access to formal business services, provided by governments or social institutions. At the time and cost to register a business is lowered, SMEs will register and gain access to formal services which leads them to changing their business practices,

which eventually leads to increase of profits or employment through an increase in sales or profit efficiencies.

Here is the final theory of change related to business registration. As you can see it is more complex than the other two. It shows the time and cost of business is lowered, they will register and gain access to finance which leads to eventual increase in profits or employment.

As shown earlier, here are the level of evidence and level of impact results for the aggregate of the business registration theories of change. You can see the level of evidence is weak and the level of impact is low. So, in general there is a lack of evidence around business registration interventions, but what we were able to find showed that it is unclear whether interventions encourage formalization, actually lead to increased growth. There is only one example that we found in the literature which links this to increase in profits and a small subset of the sample demonstrated any growth at all.

So, since the benefits of SME participation in the formal versus informal sector is not fully understood and research hasn't yet validated whether validation leads to SME growth. They should analyze all formal outcomes on SME before investing in policy reforms that leads to SME programs to encourage formalization.

Now moving on to market linkages. Reaching new markets domestic or international to provide SMEs with opportunities to scale by entering the markets can be a huge challenge. SMEs struggle to access information about market opportunities and many market opportunities are out of reach for SMEs due to high quality standards and requirements. Potential larger client firms don't really know how to find the SMEs that meet their needs.

Here is the theory of change framework for the market linkage approach. According to the literature, supporting long-term business relationships between, positively benefits both the SME and the larger buyer. So, SMEs can achieve a stable market for products and services while they expand the base of suppliers and are able to supply them with quality products and services. One theory, they incentivize SMEs to learn more about their product and improve business products. You can see the intermediate results which are shown in the theory of change graphic. There is limited research on the reality of this upgrading response among the SMEs.

You can also see in this theory of change the demand side intervention represented. This is when a program works with a larger firm to engage with and supply the SMEs directly. Large firms' credibility to strengthening the

technical skills of SME suppliers according to the areas that large firms wish to develop.

Here are the specific level of evidence and level of impact results for the aggregate market linkage theories of change. You can see the level of evidence is moderate with the level of impact as high. The evidence suggests that market linkage increase SME sales and employment and positively affects their sustainability. In the case of the buyer firm, a market linkage approach contributes to increased sales and positively affects their ability to export. Although the link between market linkage and SME growth is strong as we show here the research shows that when a large firm is simply connected to or matched with a local SME, the underlying problems are not likely to be resolved. Larger buyer firms complain that SMEs continue to lack the information, experience, and the human and finance resources to implement and manage the technical changes required to do business with the larger firms and they find that SME products or services continue to not meet their procurement standards. Even when the large buyer connects with an SME, the SME may still lack the capacity and the ability to complete orders and on time and at cost. And might still continue to not be able to meet those quality requirements.

So, as I mentioned, market linkage approaches are shown to have positive impact on SME growth but match-making programs between SME suppliers and larger buyer firms may not be sufficient because they do not address the underlying capacity issues that large firms identify with local SMEs. When thinking about designing market linkage programs donors and practitioners should explore the.

On to the final category. Business management. Studies show that a lack of managerial skills and capacity among SME employees and leadership constitutes a significant constraint to growth and management skills are a major determinant of productivity. One theory among practitioners is that building the capacity of owners and employees will improve the enterprises if they acquire new skill leading to increase in demand for labor and additional sales revenue and employment generation.

So, under this category I'm going to talk through two theories of change related to business management capacity building. The first is training. A lot of people are familiar with training interventions, it is one of the most common forms of support provided by donor interventions to SMEs for business, administrative functions or even technical skills. Here you can see the theory is that if SME owners receive training, they change business practices, which leads to increase in sales or cost efficiency and therefore increasing their profits or employment.

The second theory of change is related to consulting services. You can see that the consulting services intervention has a very similar theory of change to training, but they differ in the input. So standard training may differ from standard training in that the technical assistance is typically customized to the firm and their specific need. So, although the process may vary, generally consulting service interventions are carried out in a two-phase process. The first is consultants generate a diagnostic report or assessment report that evaluate the firm's existing management structure and output. And then consultants implement a consulting climate with managers and showing employees how to improve capacities in their company.

Here are the specific level of evidence and level of impact results for both the training and services theories of change. You can see the level of evidence is strong. There are a number of interventions that use these theories of change. These are often used within development programs and they have also been quite well researched. Including the impact that these types of interventions have on SME growth. So randomized control trials and business training courses found low results in terms of impact on SME performance. Similar studies on consulting services demonstrated a stronger link to SME growth.

The cost of delivering training can be expensive relative to other interventions and the results of training interventions are as we see mixed at best. Donors and practitioners should consider assessing when a training intervention is truly necessary before implementing training activities. However, consulting services can be very expensive. But as discussed, consulting services are much more likely to yield impact on SME growth over standard training programs.

So, these are just a few of the theories of change which we review in our report. There's a lot more detail and nuance in our report and I encourage you to download it and read through it. We have a lot more information on contextual factors, program assumptions that go into these types of theoretical framework.

I do want to take a few minutes to review the high-level recommendations we present in the report. The first is do what we know works. So as Anastasia mentioned in her introduction, we want to make sure we are selecting interventions based on the research. We want to make sure that the interventions we are developing have a proven impact and proven impact on SME growth.

So, for example, as we discussed there's strong evidence that consulting services have a high impact on SME growth in profit or employment. So donors should consider supporting these interventions over training intervention.

The second recommendation is carry out context relevant project design. So, when we are developing projects, we should really start with an assessment to understand the actual constraints to SME growth in that context. The demand of new or growing SMEs, as well as the characteristics of the targeted SMEs and the SME owners. We want to appropriately articulate that theory of change. As Anastasia was saying, we want to make sure we are appropriately laying out all of our assumptions, clearly identifying our target beneficiaries and evaluating aspects of the theory of change that have not been previously well researched.

Take cost effectiveness into consideration. Project design should also consider the trade-offs between cost and impact of specific interventions on the target group and only adopt the most cost-effective intervention for those that are proven to have an impact. We need to conduct additional research. So, one large finding from our report is that there are ample opportunities for more research. And evidence in each of the theory of change categories that we discuss in our report. There are a number of other areas within the research that need to be covered. So specific impacts of interventions on different demographic groups or different types of, in different types of economies. There's a lot more research that can be done. It will really help with area of expertise and help us in designing more impactful SME growth.

So, we encourage you to download our report and review all the research that we've done and see the additional detail that we've included there. Thanks.

Anastasia de Santos: Thank you very much, Natalie. Now we are going to head over to Ron for his presentation. In the meantime, folks, we are definitely keeping track of all your questions. Keep them coming and we will try to go through them in the Q&A part.

Ron Ashkin: Thanks, Anastasia. Natalie, thank you for that and I hope everyone is ready to listen to a different perspective, which is an implementer's perspective.

I am going to talk about USAID links on in Vietnam. We started in late 2018. This first slide shows what our contract purpose is. Our contract purpose is systemic changes in business relationships between SMEs and foreign firms. We are supposed to create business linkages and by linking SMEs, they will become part of the global value chain.

And our objectives basically are to strengthen the foreign firm and business link framework and it has capacity in five sectors. So, take's what our contract says. Now, this is a summary table from Natalie's report. It shows all the different innovation categories and types, levels of evidence and impact. This is where LinkSME sits. One of two things we do. We do consulting services and market

linkage. If you look at the table, both of the activities that we do have evidence to create high levels of impact.

So, this project was designed in alignment with the findings of the report. Again, we only do two things, market linkages. We do consulting services and out of that we trade the value of SMEs and the Vietnamese economy and from strengthening local supply chain we get more local context. Out of that we also learn lessons so we can replicate the scale and we give lessons to the policy level to the government of Vietnam. Really fairly simple project design and it is based on what actually works. And I actually didn't compare presentations to Natalie beforehand. We came up with the same conclusion: Basically, do what works.

Once LinkSME, basically it is a USAID supply chain funded firm. We develop local content for the marketplace. It is a faster way to connect Vietnamese to the global marketplace. We facilitate linkages, bottom up. Value is created at the enterprise level. We work at the enterprise level.

We are measured by the linkages we create. We have to create more than just match-making. Again, as Natalie said, putting firms together is not enough. We follow the entire transaction. We don't define linkages as making the match. We do product has to be manufactured and delivered and accepted and the SME has to get paid. At the point we introduce the SME they go through the entire cycle, deliver and get paid. We can mark up a linkage on the score board.

We offer, because our services are not free they are quite extensive. As Natalie pointed out, consulting can be quite effective but expensive. We want to collect evidence on what works and then we are paid by a third party, USAID. And we also consider Value for Money. Again, we didn't compare notes beforehand but ended up in the same place. We think like a business. We are a private sector organization. We are implementing private sector development program. We have to think like our beneficiaries. We use quantitative products for success and spend our budget, value for money. Principles: Customer process, we use a process approach, we don't make up ad hoc interventions as we go. We use a process that comes out with outcomes for each company we deal with. We have a mandate called CLA, collaboration, learning and adapting, for each contract.

We have to understand private sector incentives.

We do use intervention logic; I prefer that to theory of change. We are practitioners. But theory of change, intervention hypothesis are interchangeable. As long as you have logic behind what you do, you can do

things properly. Basically, things should be clear and simple. It has to be understandable to all stakeholders, not just the specialists.

Logic should explain why we are doing what we are doing and link our activities to the top and there should be a relationship between what we do and what the intended purpose of the project is. In our case to create better linkages. All of our activities no matter what we do should lead to more SME foreign firm linkages. We do partnerships, consulting, training or trade fairs. They should all be through linkages. We don't do them. We map them out in a results change which generates a measurement plan and we gather evidence and use the evidence to measure success and form our annotations to be more effective. That's our CLA plan.

I borrowed this slide from DCED, my favorite. A lot of projects are run this way. We had great results, we were rated a big success. We are measuring the wrong thing. I wonder in this slide what happened to the one that we gave money to that didn't like us. What did we do wrong? To give free money away, people should like you but that is not an impact measurement.

And we have all seen this before. Basically, if you look on the web, our project trained 50 people and we created a thousand jobs.

I have seen this lots and lots of times. I ask how? Here is a slide, tinker bell flies in and miracles happen. If you don't have design for your project you hope miracles happen. There is a way to design logic into your project. We start with the problem definition. We do inputs. In our case we deliver TA to partners, try to address systemic market issues at every causal level and at that point we step out. That's what the dotted line is. That's where the market comes in. We facilitate market activity takes over. There should be an output from our input. The output, they have capacity they didn't have before. They succeeded because of our assistance.

Next changes in behavior in the marketplace, that is because of the new capacity our partners gain from us. From that comes impact. In our case because there's change, business behavior, the quantity and quality of SME from foreign linkages.

It is simple, understandable logic. I avoid the spaghetti bowl, where we don't understand how we got there. We turn this into a practical form which I'll show you in a minute. Again, guiding what we do in terms of measuring our results, again these are management truisms. You can't manage what you don't measure. If you didn't document, it didn't happen. Straight from the factory. If the tree falls in the forest and nobody hears it, did it make a sound? We add measurements into daily work. We don't do after the fact measurements. We

measure at each step of the process. We check at every step. We try to verify what is essential, no more, no less. We actually only have seven contract indicators and there are many more indicators if those are not contract -- they are things we lose to learn, adapt and manage interventions. We try to use existing business indicators and not invent new ones. Partners have to give us data. We make that data collection mandatory partner obligation. We don't collect afterwards. Partners know before and give us that data. Okay, we integrate into the intervention process. Our intervention managers, our linkage managers are part of the M&E department. They come in afterwards. And again, we use the results chain based on DCED standard. The link is on this slide. I believe there is also a link within the chat room.

(Captioner trying to improve audio quality here.)

Ron Ashkin:

In other words, we are not just paying the partner's bills.

And here is the practical tool that I developed that we used. I call it the results chain cheat sheet. It shows the four steps from input to impact and asks practical questions for people in the field to answer. What do we do for a partner, what capacity does the partner gain, what changes are attributed to our assistance? What is the end result? We fill that out for each intervention and sketch out and measure.

Here is one filled in for a sample intervention that LinkSME did earlier in the project. We supported the Chamber of Commerce and hold a supply chain event in one of the southern provinces. Just to measure our inputs we kept track of the number of SMEs attending. We wanted the SMEs to understand the benefits of participating in the project because our intent was to get companies in the system. How do we measure that we actually understood? We track the number of SMEs registered online. We have an online registration system.

Next, we want changes to actually happen. We want SMEs to link to foreign firms, understand what they need, up great, how can we measure that? Count the number of SMEs considered for foreign quotations and finally, the impact, the end result is that SMEs actually supply product to foreign firms, and we measure that by counseling the number of transactions attributable to SMEs that we give assistance. That is a practical way of applying logic in the field.

I want to talk about expenditure. To get value for money, how do you spend your money? To develop the market system, we are trying to be a catalyst. We will pay for catalytic activities and on the left-hand side these are things that we consider good spends, on the right-side poor spends. There is capacity building, TA, matchmaking, referrals, piloting, market intelligence. We don't like to spend

money on things like capita investment, paying city fees, staff costs, these are things that do not create sustainability or stale or systemic impact.

Unexpected, some things to think about. We just need to we are actually building capacity in the future. If so, how are we doing that.

So, expenditure contributes systemic change or is it some of the, solving business problems for today. Did we actually conduct a thorough problem and root cause analysis, or did we accept the partner's wish list? If we step away, is the partner on the road to success?

These are practical questions you can ask before you spend the money.

Practical experience and value for money, what has high value for money? Modern value for money, low value for money?

So, you get the most value for money out of using long-term, I like to use local technical staff to get out in the field. It builds capacity, we reach more beneficiaries. Trade exhibitions have been effective. Match-making events. Working with partners when we target them. We work in two sectors, electronic and metal sector. If we do a trade exhibition or match-making event it is more effective with partners in our sector rather than a general export fair or general trade fair.

Moderate value for money, we use local consultants short-term and what is the lowest way to spend money? On the short-term side, we fly people in and out. When they get long it's too expensive. Expensive venues, we look at how we spend our money. Our development money goes to the hotel or travel agent and not to the beneficiary. Untargeted events, general trade fairs and general exhibitions, people from every sector whether they work in it or not. And finally partner wish list. They come to you with an idea, it is not in your work plan, it is not logical. They are the partner, so you feel you have to pay for it, and it is a poor way to spend your money.

We try to monetize the money and calculate value for impact. We are running events to put SMEs in our database. If we can calculate how much did we spend on the event by the number of registrations it gains us. That's the cost per registration and compare that with the different partners with the different channels. We can learn the most effective channels and best partners to work with. Simple calculation.

Just a note on building sustainability. You have to distinguish who you work with. There's a difference between partners and vendors. All the time you establish partnerships, you are paying the partner's bills for them. The partner

shares a mutual objective with you. How do you define that? They must coincide with the top level, we want to create value chain and, if they want to change the linkage system, we can work with them. A partner contributes resources. They don't just take resources. We like to cost share activities. We start at fifty-fifty. We are not starting by paying everything and trying to wean the partner off our money. We start at caution and with a partner you are building sustainability through self-reliance. That's one of USAID's worldwide goals is building sustainability.

Vendor basically is a purely economic objective, we don't want to give you a project service. It is a transaction orientation. There is no cost share. You are supposed to pay for everything. Ultimately our role is to pay the bill. You don't reach sustainability. We shut down after five years, nothing happens. We have to start another project.

Couple thoughts on impact. The study that we saw before talks about the level of impact, and impact has evidence, not just illustrated. I see a lot of projects that have success stories. The success stories are static. They are not results measurement. It illustrates what should be backed up by the evidence. The methodology matters. You have to have robust methodology in how you gather evidence. Just to come down the list for a minute. You may create impact but is it sustainable? At the end of the day we have to create development. It has to stay after we leave. It is possible to buy impact, but you see pilots everywhere. With a pilot you buy the impact and magically tinker bell is supposed to scale up. But there is no theory of change. We bought our target. When we went away, that went away too. You have to consider the impact on the system. If we can pilot linkages for ten firms, that doesn't impact the economy. We have to figure out how the pilot of ten can go to a thousand.

So, is there a methodology behind that? Do we expect tinker bell to fly in? Again, reinforcing Natalie's points, do we get value for money or have a success story, where we spend a million dollars and got \$100,000 in impact? Do that simple calculation. How much do you spend for the impact you got?

Quick take-aways, ending where the presentation started before me. Do what works. Don't do what you think might work. Base your interventions on evidence. If it didn't work in the past don't think it will work in the future. In the donor going through different trades, the BDS, the cluster, I can name all of them for the past 20 years. What happens when the trends, certain interventions didn't work the last 20 years, why will it work in year 21? Quit doing them.

Sound logic is key. Your logic should be obvious to third party observers, not to M&E specialists. Talk to somebody who doesn't understand development and they should understand what you are doing. Take a leap of faith to impact. We can show that we can get poor people banks, but we can't show that it makes them less poor. So, don't just put out in it result chain and expect it to happen.

Next go from anecdote to evidence. What we want in development is evidence. We have enough anecdotes. The success stories are communication tools and illustrations, not a substitute or proxy for M&E. For things like business, programs SME programs of a certain type, development program and we need to leverage private sector investment. We have to understand private sector thinking, private sector incentives.

Sustainability. Distinguish partners, build sustainability in from the beginning. Don't start closing the project and think about sustainability. Do it every day from the beginning. It comes from the capacity of local partners who have a stake in the game. You can always buy impact. We shouldn't do that. Number six, avoid pilotitis.

Okay? Anyone can do a pilot but one-off is not impact evidence. We want to work to scale and prove that the systems can change, not that we can do a pilot.

Firms create value. So, to create value at the enterprise level you have to work with evidence. You can't create a business environment because businesses create value. SME impact comes from engaging with the SMEs.

These are all of our contacts. USAID Vietnam and from my project. Thank you for listening and I look forward to your questions.

Anastasia de Santos: Thanks very much, Ron. We have a ton of questions. So, I'm going to try to sort of organize them, but please bear with me here. In the meantime, I want to remind everyone that we do have two links on the bottom left of your screen. One link is to the slide deck and this presentation. The other is the link to the full report. And the link to the full report on the theories of change and evidence, that link is also on the event page for the seminar. You can always go back to that page after this event to download it.

I want to start with a couple of the earlier questions. I want to give both Natalie and Ron the chance to answer them if they would like. The first is sort of a group of questions around formality and regulation. One question had to do with why we consider the benefits to be uncertain. And I think actually it is a conceptually related question: How many of these firms are actually family businesses and face other constraints that we haven't looked at to growing. That is also related in my mind to the targeting question that folks have raised:

To what extent does this evidence or experience, is it really specific to certain types of businesses, whether it is the sector industry or the size or who the manager is?

And one question is also related to formality and regulations in the implementation of it and the cost of the government, but also the cost to the business. For example, taxation, which is often one of the top reasons that businesses don't want to formalize. Wouldn't it be cheaper for basically the business to buy off the official rather than register?

So, I'm going to let perhaps Natalie go first, but then Ron if you want to chime in afterwards.

Natalie Shemwell:

Yes. I guess related to the question around benefit to formalization, I think we talked to some of what those benefits are, access to finance, access to formal business development services, access to formal markets. I think it's clear that there are benefits that exist when an SME enters the formal sector, but I think what is unclear and what we lay out in our report is that the link between formalization and SME growth specifically is unclear. So there are benefits that SMEs gain by entering the formal market. Whether that leads to SME growth is not clear in the research and so I think that is the part that is uncertain around formalization.

Family businesses. We didn't find or come across a lot of information on family businesses. There is one impact evaluation that is out there on women-owned businesses. It talks about family relationships and how that can affect SME growth. There are interesting demographic factors that come into play when we are talking about family businesses especially when we are talking about women-owned businesses and the dynamics that that creates.

On the targeting piece, I think we set out at the beginning of the research and the beginning of the development of the report to identify what those high growth SMEs look like and obviously we should be targeting those high growth SMEs if possible because going back to our point on cost effectiveness we can target the businesses that are going to grow the most. That is going to be the most cost-effective approach. What we found in the research was that there actually is not a lot of research on who these high growth SMEs are and how to identify them. There is definitely a gap in their research that we identify in our report. I think there have been attempts to think through characteristics or different types of diagnostics to identify those high growth SMEs. I think all that research is in the early stages.

I think I covered the majority of the questions. I don't know if Ron has things to add.

Anastasia de Santos: Okay. I do want to add -- there you go.

I do want to add one thing on the sort of informality, which is the approach to staying in business and yes, indeed there actually is a World Bank study. I've forgotten the title, but it is by Mary Meyer and her coauthor. They find that a lot of marginal businesses where they are at the cost of growth, it might make sense for them to formalize and they think you know what, I'm going to cut deals on the side especially in the context where the implementation of the regulation is uncertain. It is not just what is on the books, it is certainty and predictability of the outcome. If it is uncertain, the businesses being perennial, see there is a case for them to save money. They cut their own side deal, hire a fixer and they don't have to register.

Next, I would like to go to a very important set of questions about validity of the studies. We start to touch on it but also in terms of the kinds of firms we studied, like the size and gender of the owner but also the context, different countries, different markets. Then also implementation fidelity, meaning what types of trainers were these or what kind of person did you partner with and does that play a role in whether the findings are relevant to what you are doing.

We can organize that with a targeting question on how, and diagnostic question. Again, how might impacts, do you think it would be totally different for a different kind of business? And the question of diagnostics. When you are on the grounds when you want to appear lie some of this evidence, how do you diagnose what kind of firm you are looking at? How do you identify different challenges and address them?

Maybe this time I'll start with Ron to give him a fair chance.

Ron Ashkin:

How on to identify challenges? Our project is quite different. Vietnam has never done a project like this before. It's totally bottom-up. So, we are basically like a start-up supply chain consulting firm. There's huge foreign investment in Vietnam but most of those firms export but also import the supply chains. There's little local content in Vietnam compared to regional economies especially when compared to China. They want to grow the middle class by having more SME participation. We start with nothing. We look at foreign firms that want to be part of the supply chain in Vietnam and look at SMEs who are able to provide local products.

We are 100 percent demand driven. So basically, there was a study, baseline study before we started about what the essential issues are. The essential issues in Vietnam, the money is here, the investment is here, but the SMEs are not capable suppliers. Foreign firms come in and want to shift supply chain from another area, but they compete with Vietnam in either quantity or quality.

The technical capacity was the main constraints. Learning as we go, I have seen some of the comments. It's true, you can't just fix the factory. You have to work on access to finance, you have to work on marketing, global supply chain perspective, how those global firms operate.

But we started out by identifying foreign firms as specific requirements because the way the project is financed is that the companies finance themselves. We just provide technical assistance. We find foreign firms that want to deepen the supply chain. They identify specific products they need. And we then identify SMEs that are capable of supplying. We put them together. If they do come to an exertion deal, we'll then do an ISO-based audit and do a capacity upgrade.

So, the types of problems we find tend to be shop floor oriented but not always. I'm not a financial, I have a financial background, so I know there's a finance problem behind it. We are looking at that also. But the problems at this point are actually linked to the firm. The first phase we work with the firm to learn what the problems are and how we can effectively address them. The value gets created because the linkages create the economic exchange. The companies invest their own money in any upgrade. If a company needs ISO certification, for example, they have to pay for it. The finance is provided by the fact that they actually order at the end of the room (?)

The next phase will expand to more sectors and the third phase it is more policy oriented or institutionalizing what we learned and make it easier for the companies. How do we identify the problems? It is basically a problem definition or an analysis of each firm. Then we aggregate that data.

So that's how we do it.

Anastasia de Santos: Great. I think in terms.

Natalie Shemwell: I think in terms of the validity of studies question, a lot of the research that we reviewed were impact evaluations, impact evaluations by donor agencies. We were looking at the impact of the data and the aggregated research. There is a full list of the research documents that we reviewed as an annex to our report so the full list of documents can be seen there. We also have kind of a system of, showing the level of validity of each of those firms. That can be found in the an section to our report.

In terms of different demographic factors, in the report in each of the theories of change categories that we discuss, we do have a section on context and demographic factors. We talk about gender and age differences, age of the business, things like that. However, we did find that these come in kind of differences were a large gap in the evidence. There is not a lot of research

differentiating the impact of these types of interventions on different demographic factors. Gender of the owner, age of the owner, age of the business or where the business is in the lifecycle and things like that.

So that is a big gap in the evidence and definitely warrants more research. We did discuss the factors within our report.

Anastasia de Santos: I would add to that, I can't remember who gave this quote but external validity is valuable -- you can imagine it is different and how it's completely different in a different sector, a different country where they have different lenders or different host governments, different regulations, different implementation. I say we should be very conservative about validity. I know it doesn't help you. On the other hand, I would just encourage you to look closely at the studies. I mean, with lack of better evidence, I think if you look at the study and identify ways in which there are sample firms similar to your target population or context similar to your target population, you will have already identified the most rigorous evidence for your theory of change.

Natalie Shemwell: Just a key point to make about the report, what we've done is attempted to generalize something that is obviously very context specific. We do talk about different program assumptions in our report and what these assumptions are when we put these theories of change and the theoretical frameworks together.

But we do caution that what we have done is kind of generalized the evidence an generalized the findings and research out there. Something that has to be very context specific.

Anastasia de Santos: Next I would like to address the very popular question to do with gender and women-owned businesses. If Natalie doesn't mind, I want to go ahead and take that. The basic problem there, a lot of the evidence out there on women owned businesses is on micro-enterprises. And that is why by and large the study doesn't really, is not able to say anything based on evidence on what is different and what might work differently for women-owned SMEs that are growing.

That is, we do cite a couple studies including one USAID one which found that it is important to consider the household, inter-household decision dynamics. Often times we have other goals for those SMEs besides just growing them. We want to improve the woman's decision-making power. We realize that even at the SME level you can't take that for granted and you need to offer parallel interventions to address that issue.

I do want to point out to you all, after that caveat I want to point everyone to a brand new work to the World Bank, Profiting from Parity. I did not think ahead, it's called "Profiting from Parity", and they do a very nice summary of the

evidence out there. Again, the problem is more than half of it is on micro firms. Not really what we were interested in looking at today, but they do look at some small firms and some startups. So, if you go to that report, they have a very nice chart table showing, similar to ours, what is the level and strength of evidence as well as the con exclusions based on the type of firm. I don't know if you want to add anything.

Natalie Shemwell: No, I think that's right. I think like you said, that's a big gap in the evidence that we lay out in the report.

Anastasia de Santos: With that I want to hand it back to Ron. I hope you can see several questions for you in the chat box. I think you started to answer a client's question about how you arrived at the focus, clear-cut focus on linkages. I am interested to hear, did you get pressure to add on more interventions since you started the project and -

(Overlapping speakers.)

Ron Ashkin: Yes, I have been following the chat box and make can notes. I want to talk about that. It's interesting. I came to Vietnam to start this project from another project called the kitchen sink project. It is another USAID project in another country. We listened to every consultant who wrote about SMEs over the last 30 years. It did everything from early entrepreneurship education to market linkages and everything in between. There was a BDS and linkage component, incubator component.

Guess what? Only certain things worked. When I came to that project, I had to retrofit the theory of change to the local interventions. Whoever started the project listened too much to consultant and thought we had to do everything all at once. What I learned in working for the private sector for 30 years is that linkage works. SME is well designed, it is a one trick pony, if you will. We link firms and upgrade them. The whole focus is on the value chain. We don't have ancillary things that might be nice, but they don't have solid change or evidence behind them. I didn't compare notes with Natalie, but we ended up in the same place. We only do things that have evidence of strong impact. So actually, I am indicating form expanding a little bit because we have to get into at least referrals or connections to finance sources to make things work. We can't just work on factory upgrades unless the companies can pay for them. We are not a financing project and don't have resources for that. Companies have to pay for what they do. We are also looking at a broader management assessment because -- this links into another question I have seen in the chat box. A lot of the companies have poor communication skills. So they don't connect well with foreign companies. And a question was posed about language. I heard last

week from one of major foreign investors, the biggest problem in Vietnam is that they can't communicate with their supplier. Language is a huge barrier. So we have really not had a lot of ability to expand out because the project was ...

There is a question I want to address about business environment versus formal level intervention. I need to clarify that. Value is created by enterprises. If we just do business reform, we don't connect with the companies it is not going to work. So, the business environment definitely makes a difference, but you have to implement that at the firm level. We can't just change policy and expect businesses to magically pick that up. We have to get into the businesses.

What I hear over and over again in Vietnam is they have seen very little change over the last two decades. You read the same stories from ten years ago that you do now. And.

There was lots of donor investment since then.

You have to work with the enterprises to get the value created. You can't just kind of create the environment and expect things to grow. You have to plant the seeds, water them, cultivate them.

That's what I'm talking about.

I'm trying to pick up ...

Hopefully I get the major questions. If you want to raise a couple, I'm happy to answer.

Anastasia de Santos: You answered all of them. Thank you very much.

Now the next question or sort of group of questions is great. I think stimulated, Ron, by your focus on a perennial market-oriented model for our programs. Folks are asking: How do we manage expectations of different stakeholders, including the funder and the participants throughout a project? How do we set up the funding so that we can hold an activity or especially the market relationships and systems transition to a market-oriented independence and sustainability of the impact itself? Overarching question, how do we drive change to an entrepreneurial mindset?

Natalie is not indicating she wants to start with that. Ron, do you want to start?

Ron Ashkin: Sure. We talk about it every day. I recall one of the ministries yesterday talking about that. I hear over and over again from the foreign firms that it is a mind shift that has to be done at the SME level to get them to join global outreach. We can't do that for the entire country. In Vietnam, there are 500,000 SMEs. I

don't expect them all to change at once. We kind of take an early adopter or thought leadership model.

And because we are demand-driven we expose ourselves broadly. We want as many SMEs as possible to see what we are doing. And they self-identify. Those who say I want to do that will identify themselves. We start with 5 percent, 10 percent of the market and they become successful, then others will crowd in. We can't hit the whole market at once. We have to start with those where we don't waste our time convincing them that we are right, and they have to change. We expose ourselves broadly and do a lot of outreach through a lot of different channels and partners. The SMEs know what we are doing. If they are interested and we strike a chord with the type of GA we are doing, if we can do something for them, we pitch benefits. We are private sector oriented. We come out and say what's in it for you? Why should you participate? Here is the benefit you get.

If it strikes a chord with the SME, they self-identify. We start with the ones who identify. They will lead the market, early adopters. As they become successful and create the business, we'll market that. We hope others see it and they come in because the financial incentive is there. Vietnam is receiving a huge amount of direct foreign investment now. We need to direct it down to the SME level.

Anastasia de Santos: Thank you very much, Ron. With that I want to move to a sort of measurement question. One of our participants asked: How do we measure impact of technical assistance to firms? Natalie, you want to take a stab? Also, Ron? I can add something at the end also.

Natalie Shemwell: Sure. I think as we lay out in our report, we measured growth in kind of two aspects: Increased employment and increased profit. That is how we are measuring growth and the indicators we are using to use the report to outline what SME growth means.

I don't know, Ron, if you have additional indicators that you measure or collect on the SME projects.

Ron Ashkin: Yeah, we are measured by the value of linkages created. Again, the definition is contract-specific. In our contract, a linkage, like I said in my presentation, is not just match-making. We have to follow all the way through the cycle and create a business relationship or facilitate one that didn't exist before and follow that through to delivery and measure the economic value. Basically, the dollar value of the linkage facilitated by the project. That's one way we are measured.

It is pretty common to measure employment and income, whether that is gross or net.

So that is pretty standard. We are working in the private sector, working in economics. It's about money. We are measuring how much money we contribute. Again, we have to be careful about attribution. We don't want to claim things that are a stretch. We want to trace the companies all the way through the system from when we got them. We are measuring things like where our beneficiaries come from. So, if, for example, we get a supplier day with the American Chamber of Commerce in Hanoi two weeks ago. Sixty-five companies came and displayed their wares. 400 visitors came. We measured how many companies registered online because we have online registration. How many entered our system. We want to follow up, how many companies made deal? How many of those came to fruition? How did they find out about us and sign up for the supplier day?

So again, this is longitudinal. Certain things you can measure on the day. Other things you have to follow up.

And again, that's kind of integrated into our system. That is what we ask for. When we give the assistance that USAID is paying for, the give-back is that the participants have to give us back. When we get that data back, we analyze it and learn lessons about it. That teaches us how to do better in the future.

Anastasia de Santos: Thank you very much, Ron. And I just want to add to that, I went back to a very early slide. And those are indeed our indicator outcomes. That is far down at the end of the causal chain. So, if you are asking what intermediate outcomes you can measure, of course that depends on the exact goal of your technical assistance. I can offer some standard ones that are also available at that State Department link at the bottom of that slide that I pulled up. And those include the number of firms that we helped to improve business management practices. Again, that is super big vague. You can define those practices as you wish.

A more explicit one is an indicator that asks how many firms that we have helped meet international product quality standards. So, this would be a product, not a service such as an ISO9000 or some other similar standard.

You can find all those indicator reference sheets at the State Department link. That includes the one for the full-time equivalent employment. We are pretty agnostic as to how you exactly extract that data from your participant firm, but it is very much self-reported, and you take them at their word. It does require that they have a good handle on their payroll and basically means that they have to take some averages for different groups of full-time or part-time or seasonal employees and you total it up. By no means is it a exact measure.

We are not talking a detailed census of the company's payroll, but we do ask you to estimate a ballpark based on some estimates.

If you have any further questions about measurement, I would be happy to answer them. You can email me as well.

I will also take this opportunity to answer my colleague's question about the journey to self-reliance. That's a great question. Some of you may be aware if you go to USAID.gov, I believe it's slash self-reliance, you can find a link to our self-reliance metrics. There are quite a few that are related to what was discussed today from finance to the strength of the business regulation to super high-level ones like GDP per capita and the level of, I believe we measure poverty per capita.

Of course, those are high level and any intervention including some of the sample theories of change or Ron's project we talked about today would not be the only factor. It would be small grain of sand on a beach influencing these high-level outcomes, but we should be able to at least articulate a conceptual link to those high-level self-reliance metrics. That's my short answer.

Ron Ashkin:

May I make a comment about that? From a practice particular ner's point of view what I found working through the years is that a lot of the field consultants are afraid of M&E. Some people say it's somebody else's job. M&E is like a police department in our project. We have to shift our line as practitioners to where everyone has to understand measurement. And just like we work with a lot of factories. Good factories measure everything. We have to have that mentality. Basically, we are out in the field and we want data, want to measure everything as we go. It is not someone else's job. It's everyone's job. Don't be afraid of M&E. You don't have to be a super specialist. You have to understand the logic of what you are doing, why you are doing it and how you are going to prove that you did it.

Anastasia de Santos:

Thank you, Ron. Very important perspective. And next I want to get to a great question that was kind of buried earlier, which is on the research agenda. We have talked a lot about the existing research that is out there. Basically all, asked to identify all the different areas where we said, "I don't know".

With that in mind, can you recommend areas for future research that we could focus on?

Natalie Shemwell:

Sure, we identify a number of different areas. I already touched on the kind of demographic side, women-owned businesses versus male owned businesses, the age of the business owner, things like that. I touched on the demographic factors that need additional research done.

There are a number of other areas. Thinking through technology applications, there's obviously new technology being developed all the time. But there is not a lot of impact evaluations on how these technology applications change these interventions and make differences in the impact on growth. So, it is definitely a new area that will be interesting to research. I think there's, it would be interesting research to be done around private equity versus debt. I think we didn't get into access devote or access to that kind of financing in our report. We do focus on access to credit, but because there is not a lot of impact evaluations or information out there on the effects of private equity versus debt.

Other areas, I think there's definitely a lot more to be done around innovation and how that affects growth and the different types of ways that donors and recipients can report innovation.

We talked about the cost effectiveness piece. There's a lot of information on what products cost and there is no research on what the dollar impact and what that cost effectiveness looks like. A lot more can be done in these projects to collect that value for money type of data and information as we implement these projects and use that as kind of a research basis to develop and implement new projects. In keeping, the will key thing we have been talking about and mentioned in the report is how to identify the high growth SMEs. It is still kind of a black box for people, trying to find ways to identify those high growth SMEs. There have been attempts, but there is there is no clear consensus on what those businesses are. There's a lot more research to be done there as well.

Anastasia de Santos: Thank you, Natalie. I would like to reiterate from USAID's perspective that we chose to limit ourselves based on the methodology to experiment on quasi experimental studies. That meant that for a lot of topics which for other reasons, not sort of natural reasons, that just haven't been studied much. That is the next step and the logical next step is to study them as a development community.

There are also those very important policy mentioned, like nick mentioned, competition policy and even some others where I imagine blended finance where you simply cannot have any kind of rigorous counter factual because you are changing the whole market or there are only a few units involved. I Juan to emphasize we are not writing those off as well as we can't say anything, so we won't look at them. They are very important, and we should find ways as rigorous as possible to look at them. I expect actually you will see some of these conversations and discussions in USAID's upcoming employment strategic

framework. It is not an evidence report, but it will touch upon these important policy areas as well.

Folks, if you have any other additional questions, please continue to enter them in the chat room. I don't know, Ron, if in the meantime you have any closing remarks that you want to make sure you discuss. RFA.

Ron Ashkin:

No, I just want to thank you for inviting me. It is nice to have a mix of perspectives. I appreciate your research. In a way, it kind of validates what we see empirically in the field. We reinforce each other. I appreciate the opportunity to talk about our new project and again I think USAID tries to incorporate a lot of what came out in the study into the design of the project.

If anyone wants to follow up, I'm happy to answer questions afterwards so you have context. Thank you.

Anastasia de Santos:

Thank you, Ron. Thank you very much, Natalie, for your very insightful presentation and for folks on the webinar who have been asking these great questions, I know we actually didn't cover all of them in great detail. One of those questions includes sort of the impact of mobile technology which again we just, a lot of those applications happen for micro-enterprises and not so much for small and medium enterprise. Unless it was something specific to process innovation, we can look at that section of our report. Otherwise it was basically for want of evidence that we didn't really focus on that question.

With that I want to thank everyone for joining us today. You can again download those relevant links from the left box and find these resources on our event page after today. And I also want to flag for everyone that we will be hosting another market links webinar in June on political economy analysis and market systems.

With that I would like to request that everyone complete the exit poll if you could, especially if there are other topics that you want us to cover in the future. And any lingering questions and ideas, we would be very interested in seeing them. Thank you!

[End of Presentation]