

IMPACT BRIEF: USAID EMLEANDO FUTUROS BUSINESS STRENGTHENING PROGRAM

The COVID-19 pandemic had a dramatic impact on the Honduran economy as a whole, with disproportionate impact on the micro, small and medium-sized enterprise (MSME) sector. MSMEs are a significant pillar of the Honduran economy, contributing approximately 60 percent of the Gross Domestic Product and generating 7 out of every 10 jobs. A flagship USAID program in Honduras, the Honduras Workforce Development project *Empleando Futuros*, was designed to respond to the crisis by launching a business-strengthening intervention for MSMEs, as part of early economic recovery efforts.

Ten percent of companies in Honduras, mostly MSMEs, “closed operations indefinitely” as a result of the COVID-19 pandemic.

– Daniel Fortín,
Vice President of the Chamber of
Commerce and Industries of Tegucigalpa

Banyan Global, as the prime implementer of *Empleando Futuros*, partnered with five business associations and chambers of commerce to strengthen MSME business practices. Specifically, the project’s Business Strengthening Program provided funding and technical assistance to partner organizations who then delivered virtual and hybrid business-strengthening support to MSMEs, through training activities and personalized business coaching, to mitigate the impact of COVID-19 and to address job displacements.

THEORY OF CHANGE

The project applied the following theory of change (illustrated in Figure 1) to guide the intervention’s activities and support more resilient business operations.

IF — we deliver training programs and technical assistance to MSMEs focused on improving business practices

THEN — MSMEs will adopt and implement good business practices

WHICH WILL — improve business outcomes (e.g., profitability, productivity, survivability)

WHICH WILL — increase employment, aiding the recovery of lost jobs across Honduras.

FIGURE 1. THEORY OF CHANGE



METHODOLOGY

In measuring program effects, *Empleando Futuros* drew on a 2017 World Bank (WB) study that evaluated the impact of business practices of small enterprises, in lower and middle-income countries. The WB study developed a set of 26 questions to measure business practices in the areas of marketing, record keeping, financial planning, and stock control. Through a comparison of baseline and endline data, the WB

study examined the relationship between management practices and firm outcomes, using several randomly selected samples of micro and small enterprises in various countries. It concluded that:

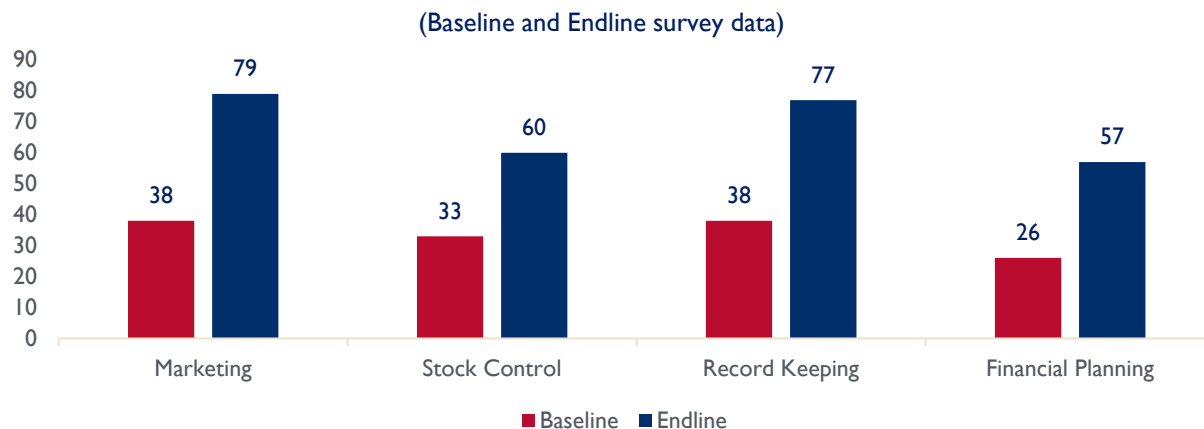
Owners implementing better business practices have higher sales, profits, labor productivity, and overall productivity. Moreover, better business practices are associated with higher rates of firm survival, and substantially higher rates of sales growth.¹

Empleando Futuros replicated the WB study methodology with the 50 MSMEs participating in its Business Strengthening Program. The WB’s measurement approach was adapted to a self-reporting electronic data-collection tool; in some cases, recall data was used for the baseline and was reported at the same time as endline data. With a similar methodology, *Empleando Futuros* aimed to evaluate whether the project’s activities had a significant impact on MSME business practices and to understand its potential implications (if any) for medium- to long-term labor market recovery.

FINDINGS

Findings from the *Empleando Futuros* intervention indicated that, on average, participating MSMEs had adopted 34 percent of the good business practices at baseline and 66 percent at endline, indicating a significant improvement post-intervention. Figure 2 summarizes the reported changes in key business practices. Additional detail can be found in the companion Learning Brief.²

FIGURE 2. AVERAGE PERCENTAGES OF GOOD BUSINESS PRACTICES, BY AREA



Overall, participating MSMEs reported significant improvements in business practices, as well as early job recovery. These results provide a strong indication that the Business Strengthening Program in Honduras, funded by USAID and implemented by Banyan Global, will have a positive impact on the recovery of participating MSMEs, and thus on the opportunities they offer for long-term employment.

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¹ McKenzie, David, and Christopher Woodruff. 2017. “Business Practices in Small Firms in Developing Countries.” *Management Science* 63 (9): 2967–81. <https://doi.org/10.1287/mnsc.2016.2492>.

² USAID *Empleando Futuros* Business Strengthening Learning Brief. <https://banyanglobal.com/resource/strengthening-business-resilience-during-covid-19-learning-brief>.