

SGB Evidence Fund

Finding what works to support small and growing businesses

Supporting small and growing businesses (SGBs) in developing countries is key to enabling job creation and poverty alleviation. Although the evidence base in this area is expanding, there is still much we do not understand about how to best support firm growth and create quality jobs. 'Business as usual' will not address these gaps as learning in the sector is inhibited by behavioural factors and the technical challenges of rigorous evaluations. At the same time, academic research has been inhibited by the lack of mechanisms to capture the practitioners' insights.

To address these challenges, the Small and Growing Business (SGB) Evidence Fund, a joint effort of the International Growth Centre (IGC) and the Aspen Network of Development Entrepreneurs (ANDE), facilitates collaborations and commissions research between researchers and practitioners to understand the most effective ways to support SGBs and the economic and social impact of SGB growth

Why is SGB growth important?

SGBs play a significant role in accelerating economic development: they create jobs, as well as goods and services that benefit society. Formal small and medium enterprises alone contribute up to [40% of national income and create 7 out of 10 jobs](#) in developing countries. SGBs create a pro-growth business environment and instil a spirit of entrepreneurship that can transform the economic structure of developing countries. They also promote shared prosperity, which is essential to the growth of the low-income group, and inclusive, sustained growth that enables developing countries to achieve their long-term economic goals.

The purpose of the Fund

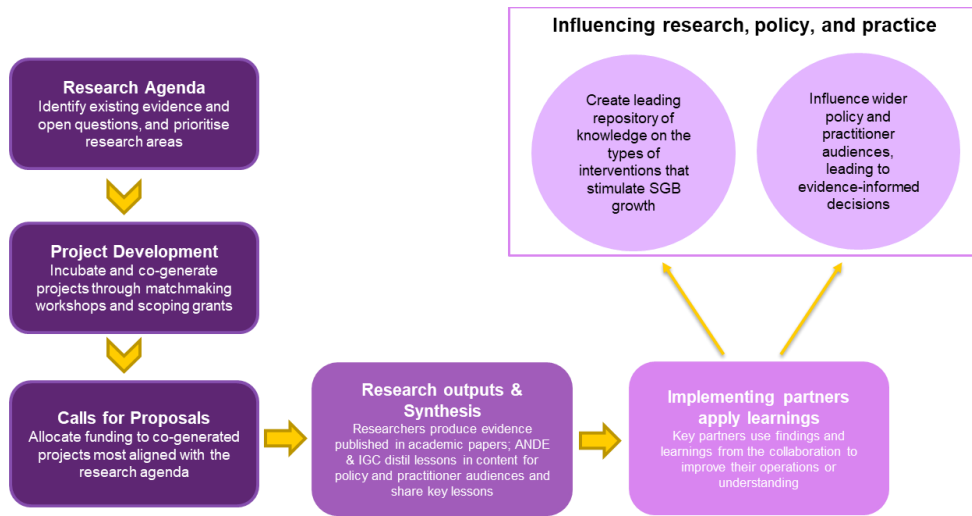
Our aim is to develop a leading repository of knowledge about interventions that stimulate the growth of SGBs through improvements in firm productivity and performance. We commission rigorous research on interventions that address barriers to capital, labour, and efficiency – the key factors determining how productive a firm is – and understand the impact that improved productivity has on job creation, job quality, and poverty alleviation.

What we do

- We commission research projects that are co-created by researchers and practitioners.¹
- We run matchmaking workshops that bring together researchers and practitioners to discuss potential projects.
- We offer scoping funds to support project development after matchmaking.
- We distil the evidence produced into accessible and actionable content for practitioner and policy audiences.

¹ Practitioners include entities that implement interventions to actively support entrepreneurs, such as accelerators, incubators, investors, government agencies, and many more.

Figure 1 - Conceptual framework



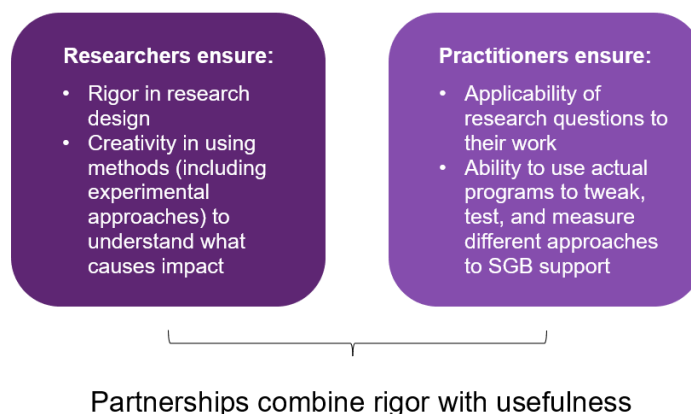
What makes the Fund unique

Historically, academic research has had a lack of mechanisms to capture insights from businesses larger than microenterprises and is less responsive to real-time needs of practitioners. Therefore, with the aim of pairing rigorous research with practical needs to accelerate learning in the sector, this Fund requires applicant researchers to team up with practitioners providing support to SGBs to co-develop researchable and actionable questions that are of interest to both stakeholders and generate knowledge applicable beyond the specific actor.

The SGB Evidence Fund model encourages collaborations between researchers and practitioners on topics that are notoriously difficult to research in a rigorous environment.

The Fund combines the rigor of academic, peer-reviewed journal articles with the translation and dissemination of accessible content to practitioner and policymaker communities. In doing so, the Fund strives to shape the thinking and practice of practitioners, researchers, policymakers, and funders on the most effective ways to support SGB growth.

Figure 1 – Generating actionable insights for the field



Box 1: A blueprint for matchmaking

Our regionally-focused matchmaking workshops bring together practitioners and researchers on the same platform to explore potential involvement in a research initiative.

How is this done in practice?

Three to six months in advance, a list of research questions is sourced from interested practitioners. Building off this list, promising early-career researchers with interests and expertise in the corresponding SGB areas are identified and introduced to practitioners via profile exchanges. The workshops combine interactive learning sessions on the value and challenges of collaborative research projects and key issues around robust research designs, with extended break-out time for pairs to discuss and develop potential projects. To end, each pair presents a draft research idea and receives feedback from the other groups. To sustain the momentum from the matchmaking, the Fund offers scoping grants for the researcher-practitioner pairs to further explore the feasibility of their ideas before embarking on a fully-fledged project.

What is our competitive advantage?

ANDE and the IGC bring a powerful mix of resources to run the matchmaking workshops. ANDE has an [extensive network](#) of more than 225 practitioner organisations, including accelerators, incubators, investors, across eight regional chapters in Asia, Africa, and Latin America. The IGC offers access to more than 1,300 [world-leading and early-career researchers](#), who bring agility to working closely with practitioners. This dynamic blend ensures a high-quality selection process, leading to innovative and potentially ground-breaking researcher-practitioner pairs.

The Fund in numbers

To date, we have successfully organised **3** regional matchmaking workshops, **5** research commissioning boards, and have funded [19 full-fledged research projects](#), engaging more than **50** academics in the SGB agenda. Throughout the five funding cycles, we have reviewed **210** proposals to a value of roughly GBP 20 million.

Value for Money

Over 70% of the Fund's projects have been successfully co-funded through grants. Initial support from the Argidius Foundation has been coupled with subsequent funding from USAID, IDRC, and FCDO. The seed capital provided to research projects through the Fund has catalysed their growth and attracted additional funding, amplifying their overall impact and reach.

Matchmaking workshops

The Fund has organised workshops across sub-Saharan Africa (Kenya), Asia (India) and Latin America (regional). This has led to 18 researcher-practitioner pairings, with ten actively involved in further developing research proposals, three scoping grants and five fully-fledged projects. In some cases, relationships forged during the workshops have been sustained, leading to the co-development of multiple projects by the same research-practitioner pairs.²

Publications

The Fund offers customised publications for its audience of researchers, practitioners, and policymakers, including academic papers, synthesis pieces, practitioners and policy briefs, and blog pieces. To date, the Fund has published a [synthesis paper](#) on addressing constraints to small and growing businesses and a [research agenda](#) for the SGB sector, which summarises the current evidence and research needs and serves as a compass to select priority areas for each call for proposals. The Fund has also published [three practitioner briefs](#) summarising key takeaways from funded projects and [one knowledge brief](#), which draws early insights from six ongoing research projects. Additional details on publications and project outputs can be found on our [website](#).

² An example of this is provided by the two SGB Evidence Fund funded projects [Optimising labour sourcing for technology workers in small businesses](#) and [Matching digital service export jobs in Kenya](#).

Box 2: Success stories

Emanuele Colonnelli (Associate Professor, University of Chicago): *“The full-time nature of the workshop is a gamechanger. It allowed me to kick-start a very strong relationship with the practitioner very quickly and helped overcome the uncertainties associated with the initial information gaps that sometimes take a long time to overcome when it is done outside the matchmaking workshop.”*

Tanuja Kate (Former M&E Manager, Villgro): *“The matchmaking workshop changed my idea of practitioner-researcher collaboration and how I view research. This was a confidence boost, that it’s something we can take up. After the workshop, it snowballed, and we now always look for a research partner in each of our projects.”*

Emanuele and Tanuja were paired during the 2020 SGB Evidence Fund matchmaking workshop and are currently collaborating on a project focused on [impact management and measurement \(IMM\) practices](#) supported by the Fund.

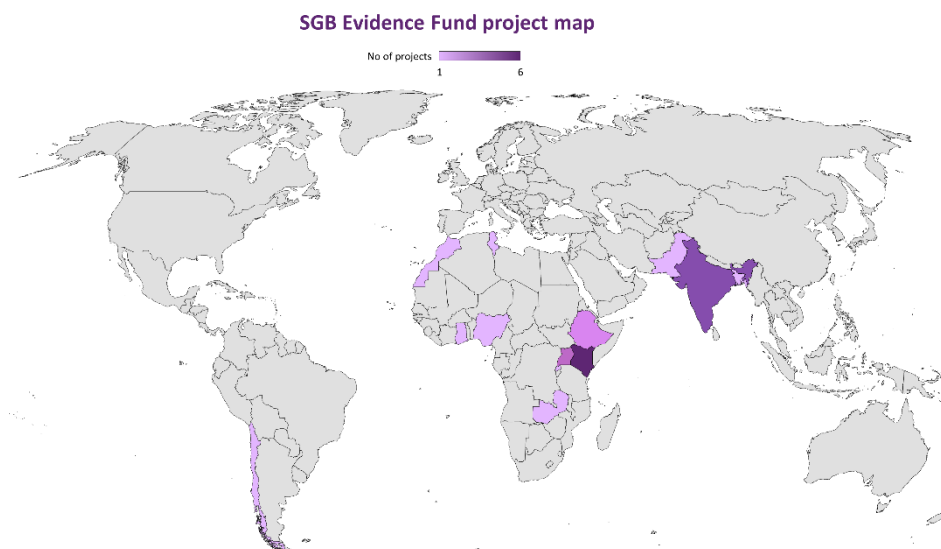
Chris Veasey (Former Senior Manager, Village Capital): *“Collaborating with the SGB Evidence Fund was especially valuable due to its focus on action-oriented research. This is crucial for our institution, allowing us to derive tangible recommendations and insights for investors and accelerators that can help make a difference for SGBs. Since researchers think very differently compared to practitioners, they helped us think of questions which we have not thought of and solutions which we could have not imagined. At the intersection of researchers and practitioners, there is a wealth of knowledge and experiences.”*

Chris worked on a project supported by the Fund to understand [investor behaviour towards women-led start-ups](#) in collaboration with researchers Amisha Miller (New York University) and Saurabh Lall (University of Glasgow). The results informed a series of [investor and accelerator investment guides](#) to help other stakeholders put the findings into practice.

The geographical and thematic scope of the Fund

We currently work across low- and middle-income countries in multiple regions, including sub-Saharan Africa, Middle East and North Africa, South Asia, and Latin America. Our project portfolio spans 13 countries: Bangladesh, Chile, Ethiopia, Ghana, India, Kenya, Morocco, Nigeria, Pakistan, Rwanda, Tunisia, Uganda, and Zambia.

Figure 2 - Geographical focus of the Fund's project portfolio



Through its calls for proposals, the Fund has supported the development of several clusters of research to plug the evidence gaps identified in its research agenda. Our commissioned research covers a wide range of topics relevant to SGBs:

- **Access to Labour**
- **Access to Finance, Investor Behaviour, and Gender Gaps**
- **Access to Markets**
- **Management Practices and Training**
- **Women's Entrepreneurship**
- **Measurement Methodology and Database Development**

Case Studies of Fund Commissions

Accelerating investment into women-led start-ups

Practitioner: Village Capital

Researchers: Saurabh Lall (University of Glasgow) and Amisha Miller (New York University)

Countries: Kenya, India

Great ideas are everywhere, but opportunity is not. Investment and resources around entrepreneurship have become incredibly concentrated in a few people, places, and types of ideas. Currently, women-led businesses secure less than 20% of investments in venture capital. Worse, a proliferation of start-up

accelerators, intermediaries, and investors copy the Silicon Valley model and exacerbate the gender gap by replicating it in emerging markets.

Past research suggests that female entrepreneurs could overcome the gender gap by using warmth, employing stereotypically “male” behaviours, or answering questions differently from the way they are posed.

However, scholars know less about what *investors* can do to increase their investments in women-led start-ups. Increasingly, practitioners including gender-lens accelerators and impact investors are targeting women-led start-ups (Cortez, 2019); therefore, this project proposes to focus on approaches to change investor behaviour.

Specifically, this project aims to study: (1) What is the gender financing gap pre- and post- acceleration? What factors explain the gap? (2) What strategies could accelerators employ to address the financing gap?

Find out more about the project findings and policy implications in [this policy brief](#), [blog post](#) and [working paper](#).

Optimising labour sourcing for technology workers in small businesses

Practitioner: Shortlist Capital

Researchers: Robert Garlick (Duke University), Susannah Kate Orkin (University of Oxford), Laurel Wheeler (University of Alberta), Ignacio Rodriguez Hurtado (Duke University)

Countries: Kenya, India

This project aims to help small firms source and retain high-quality workers to facilitate firm growth. For labour-intensive small firms, a small number of high-quality hires can mean the difference between growth and failure. However, identifying which prospective workers will perform well in specific roles can be difficult for firms without sophisticated screening processes that are challenging for small firms to create or afford. Recognising this barrier, there is an emerging market for specialist recruitment services.

The project was established through a collaboration between researchers and Shortlist - an innovative hiring platform serving Kenya and India-based firms mainly in high-growth, technology-related sectors – which was formed during one of the SGB Evidence Fund’s flagship matchmaking workshops. Shortlist provides firms with targeted recruitment and matching services at a low cost that allows substantial scale. These small technology firms offer an important opportunity for export-led growth in developing countries by selling to global markets in a period

where growth in manufacturing exports is challenging and migration to high-income countries faces political barriers (Ghani & O'Connell, 2014).

The project will first assess current labour supply and demand in the markets Shortlist serves, how these are being matched, and what frictions constrain labour supply and match quality. It will then implement one or more randomised controlled trials (RCTs) to improve labour supply and matching. Three types of trials will be explored: (i) incentivising workers to acquire high-demand skills, (ii) incentivising workers to improve referral networks, or (iii) improving firm-worker matches by changing the matching algorithms to use new information or use existing information better.

The proposed RCTs may have equity implications, particularly given the well-documented gender gaps in employment in some technology-intensive industries. The research team will measure differences in technical and soft skills for workers belonging to different gender, ethnic, and religious groups and will design the RCTs to avoid exacerbating existing inequalities. Overall, this project will contribute to growing literatures studying how labour screening and sourcing costs constrain firm productivity and how firms and workers match on job platforms.

Inclusive international trade: Assisting female-led firms in export development

Practitioner: Deutsche Gesellschaft für internationale Zusammenarbeit GmbH (GIZ)

Researchers: Amira Bouziri (South Mediterranean University), Fabian Scheifele (Technische Universität Berlin), Florian Münch (Technische Universität Berlin)

Country: Tunisia

While many lower- and middle-income countries aim to grow and diversify their exports, enabling small and medium sized firms to export and enter global value chains remains a key challenge. This is particularly true for female-led firms, which only compose 5-10% of all firms in the MENA region and overall less than 20% in other parts of the Global South. So far, there is little evidence regarding what measures can improve the integration of female-led firms into global value chains. This project aims to fill this evidence gap by rigorously assessing the impact of export consortia on the export performance of female-led SMEs in Tunisia through a randomised controlled trial. This experiment is part of the second phase of the German Development Cooperation project "Export Promotion to new, Sub-Saharan Markets (PEMA II)", which is implemented by the German Development Agency GIZ together with the Tunisian export promotion agency CEPEX.

The idea is that forming consortia is another way of reducing the fixed cost of exporting by pooling resources, sharing risk, and potentially even selling products together under the same brand. Furthermore, closely collaborating with other firms broadens one's business network, which is considered a key success factor in the trade literature.

The findings of this project are highly policy-relevant also beyond Tunisia, as export promotion measures for female firms and measures on how to broaden female business networks were identified as important policy areas in recent reports by the World Bank. The intervention is expected to yield a positive impact on the export performance, the size of women's business network, and potentially also on their entrepreneurial self-confidence.

Find out more about the project findings and policy implications in [this blog post](#).

Support us

The Fund has been generously supported by the Argidius Foundation, USAID, IDRC, and FCDO. Join us in building the evidence base on SGBs in developing countries. Specific research topics we are keen to explore include entrepreneurial approaches to address climate change, women's access to finance, youth entrepreneurship, and more. To learn more and discuss partnership opportunities, please contact Marta Bertanzetti at m.bertanzetti@lse.ac.uk.