VisionFund INTERNATIONAL | World Vision

Catalysing Growth in Small and Growing Businesses in Myanmar and Ghana

(Most Missing Middle)

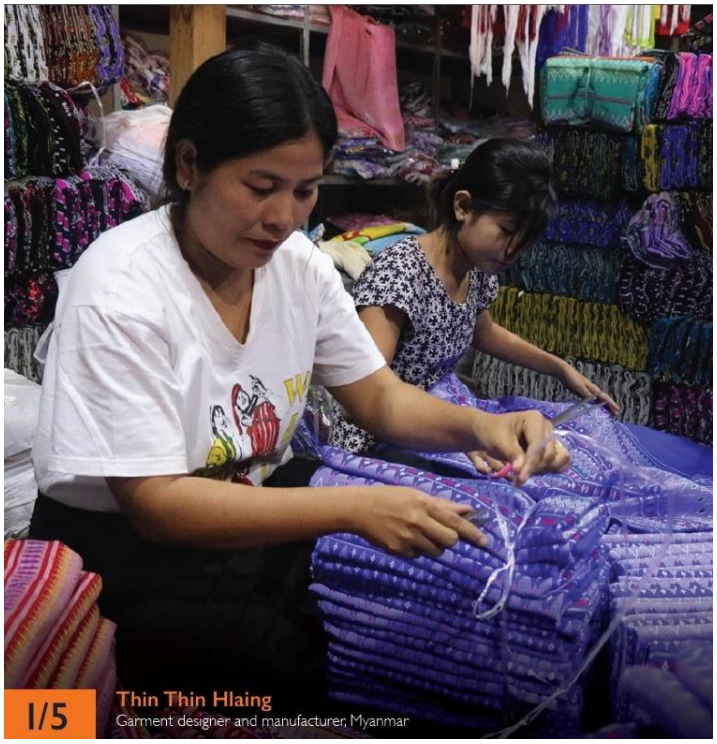
Lessons learnt to date

Annual Report Summary

April 2019–2020

Background

The 'Most Missing Middle' (MMM) program is a pilot which aims to test and identify an effective, scalable and inclusive business model for the provision of financial services to Small and Growing Business (SGBs). The program will increase the growth potential of SGBs, their financial, economic and social impact. It is implemented in Ghana and Myanmar by World Vision Australia (WVA) in partnership with VisionFund International (VFI), VisionFund Ghana (VFG) and VisionFund Myanmar (VFM).



Small and medium enterprises (SMEs) are the backbone of economic growth and are by far the largest employers in low-income countries (accounting for 78 percent of employment[1]), creating stable jobs, raising incomes, make connections to regional and global markets, moving people out of poverty, and often increasing access to critical goods and services for underserved communities. There is, however, significant evidence to show that they face a $5.2 trillion USD credit gap globally[2].

SGBs are SMEs with strong financial and job-creation growth potential. Without targeted interventions SGBs in Myanmar and Ghana representing the 'most missing of the missing middle' (those seeking loans of USD $3,000-50,000) will remain small and will not achieve their full potential, particularly women-led SGBs who face greater barriers to growth. To address the credit market failure for SGBs in Myanmar and Ghana, the project is testing, evaluating and will deliver the optimum business model for financial service providers in terms of meeting client needs, operational feasibility and commercial viability. By offering packages that respond to the needs of SGB clients, it is expected that the SGBs will achieve sustainable growth and sustain decent work for 13,000 employees. The optimum business model will be a result of experimental research and iteration throughout the project and the learnings will be shared externally for scaling and replication. Implemented over three years (April 2018 to April 2021), the program is supported by $4 million in funding from DFAT (of which $2,350,000 represents seed loan capital). An additional loan capital of $5.65 million will be raised from commercial lenders, providing a total of provide $8 million in loans to SGBs over three years.

This report is a complement to the full Annual Report and is intended to provide lessons learned in the second year of the project (between 1 April 2019 and 31 March 2020) and initial insights from data collected.

1 Innovations for Poverty Action, 2016, Small and Medium Enterprise Programs: Five Years in Review: 2011 – 2016.
2 International Finance Corporation. 2017. MSME Finance Gap: Assessment of the Shortfalls and Opportunities in Financing Micro, Small, and Medium Enterprises in Emerging Markets. https://openknowledge.worldbank.org/handle/10986/28881

Year 2 Project Summary

After a strong first year of implementation which encompassed considerable project preparation and establishment, the project has continued to accelerate through implementation as it seeks to achieve ambitious impact and learning goals. Disbursement to SGB clients has continued to grow rapidly, whilst the project concurrently achieved several key learning and strategic milestones.

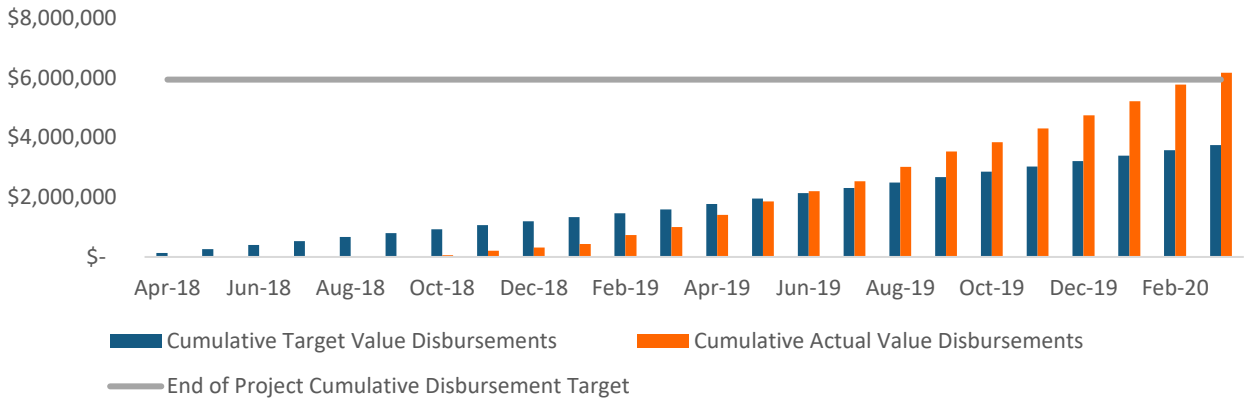
Figure 1 – Key Project Activities

A summary of activities is shown in *Figure 1*. Year 2 highlights include:

- A comprehensive Gender Analysis was conducted in Myanmar, lessons from which informed Gender strategy and implementation plans for Myanmar and Ghana.
- Design and planning of SGB entrepreneurial segmentation research were undertaken in Myanmar to enable analysis into client entrepreneurial mindset.
- A Technical Assistance (TA) Needs Assessment was completed in Myanmar, informing a TA delivery strategy which was piloted in Year 2 and will commence implementation in June 2020.
- A business coaching unit was established in Myanmar to support, monitor and oversee the quality and consistency of business coaching implementation.
- On-going learning and reflection were facilitated through a series of review workshops in both countries to understand project performance, examine lessons learned and areas for improvement.

Project Reach

Figure 2 – Cumulative Disbursements Actual vs Target (US$)



The MMM project commenced lending in October 2018. Since the start of the project, a total of 1,510 loans (55 percent provided to women entrepreneurs) have been disbursed to a value of US$6,169,074 (AUD 8,310,756) to 1,398 clients. To date, this represents 120% of the Year 2 target number of loans, and 104% of the end of program (Year 3) target for loan value *(Figure 2)*. Myanmar accounted for 84% of the total loans disbursed (against a planned 90%), with 1,265 loans provided to 1,179 clients, with 57% of loans going to women clients. In Ghana, 245 loans have been disbursed, with 43% to women clients. 112 clients have received subsequent loans to date.

Myanmar Client Impact Story:
Daw Hmwe Hmwe

A growing middle class and increasing consumer sophistication has bolstered sales of beauty and personal care products in Myanmar. SGB client Daw Hmwe, a 30-year-old single mother, understands the sector and burgeoning local demand for Korean skincare products due to the popularity of Korean dramas and celebrities. Knowing what her clients want, she stocks Korean lotions, make-up, and other skin care products.

Daw Hmwe Hmwe started her cosmetics store in 2007, but despite having market knowledge and skills, her business remained small as she could not access credit to scale up. VisionFund's small and growing business loans provided her with the much-needed funds to increase her range of inventory to match rising customer demand, increasing her business turnover and profitability significantly. With the loan, she was able to increase her stock and her sales increased to 1,000 facial masks per week. With additional capital, she was able to move out of her father's house to a larger retail shop closer to the city center, receiving much higher traffic. She employs six workers who help her in receiving orders, packaging, delivery, product advertising and marketing among others, and is now on her third loan of US$7,230.

"I now have over 30 wholesale buyers and retailer buyers and so it is important to keep track of my business meticulously," says Daw Hmwe Hmwe. With coaching support from her VFM Client Relationship Officer, she is taking steps to expand her business into three neighboring townships.

Prior to the outbreak of the COVID-19 pandemic, Daw Hmwe Hmwe had plans to expand her cosmetic business and open a beauty salon. However, her business has been affected by the recent lockdowns and restrictions of movement, with monthly sales for cosmetics dropping by about 30 percent. However, Daw Hmwe Hmwe has also been quick to seize on the high demand for face masks from China. Surging demand for these masks means that she is seeing daily sales in excess of US$70 for these masks.

"The success of my business does not only benefit myself, my 9-year-old daughter and elderly father. It also helps the families of my workers. And most importantly, it enables me to continue supporting 11 foster children (aged 6-16)," added Daw Hmwe Hmwe. "In 2011, a big storm Giri orphaned many children and since then I have taken them in to live with us and pay for their education, food and healthcare."

Indicative SGB client insights

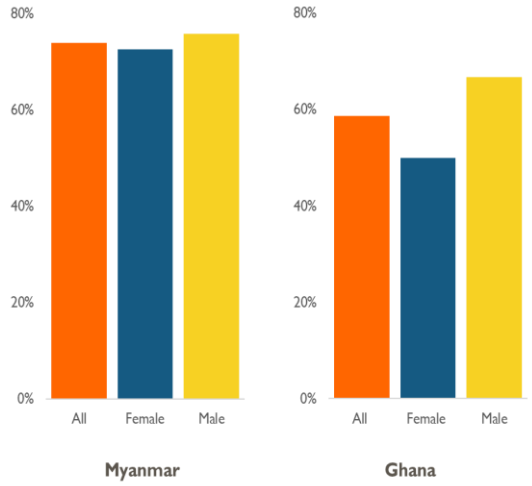
A summary is presented below based on initial SGB client data collected and analysed to date covering four major topics, however this is not yet fully representative and future reports will be needed to validate the data and analysis and the following should be treated as indicative rather than conclusive at this point.

Business Growth

SGB clients increased business turnover and profit

Most clients surveyed in both Myanmar (over 74 percent of clients) and Ghana (59 percent) perceived that their business profit had increased since taking their SGB loan *(Figure 3*). These findings are backed up by analysis of cohort data between initial and subsequent loan cycles for both countries.

Figure 3 – Clients reporting an increase in profit since start of loan



In Myanmar, SGBs on their first loan cycle reported average annual business turnover of US$193,559 (AUD 260,756). For SGBs on their subsequent cycle the figure was US$297,746; AUD 401,126 (54 percent higher). Similarly, in Ghana, comparing cohorts of SGBs on their first cycle to subsequent cycle showed the latter reported average annual business turnover 79 percent higher than the former. Hence SGBs with more than one loan cycle are more likely to have higher average annual revenues than SGBs on their first cycle. Whilst not a basis for causality, it is an encouraging early result suggesting that SGB loans could lead to increased turnover. More conclusive investigation will be possible once additional clients have gone through two or more SGB loan cycles.

While all businesses grew, mixed gender results were observed

In Myanmar, women-led SGBs in cycle two or more reported higher increases in annual business turnover being 87 percent more than enterprises on their first cycle. Women-led SGBs also appear to be more profitable than men as they move into subsequent loan cycles (with average subsequent cycle profits being 240 percent of first cycle profits for women).

In Ghana, however, a smaller difference was observed between women-led SGBs average annual business revenue from first to subsequent cycles (the latter being 60 percent higher), compared with men-led SGBs who report 93 percent higher annual revenues in subsequent cycles. When it comes to average business profitability increases, however, women-led enterprises performed on par with men-led SGBs, with women reporting 37 percent and men reporting 38 percent higher average profitability when comparing first cycle with subsequent cycles.

The higher levels of average profits for women enterprises is an interesting result. It is possible that this is a result of trade businesses doing well in recent times when compared with other sectors, disproportionately benefitting women SGBs. There is also the possibility that women-led businesses are benefitting disproportionately from the access to finance and business coaching on offer, as women-led enterprises are the most marginalised sub-segment within the 'most missing middle'.

The majority of SGBs attribute increases in profit to loan packages

Three out of four SGB clients that have completed at least one loan cycle in Myanmar report that their business profit has increased as a result of investments made possible by the loan accessed through VFM. Clearly, the availability of affordable and appropriate finance has been critically important to the growth and profit achieved by these enterprises. In Ghana, a similar story is being told with 59 percent of clients attributing their growth in profit to new investments made possible by the loan, although this was lower for women entrepreneurs (50 percent).

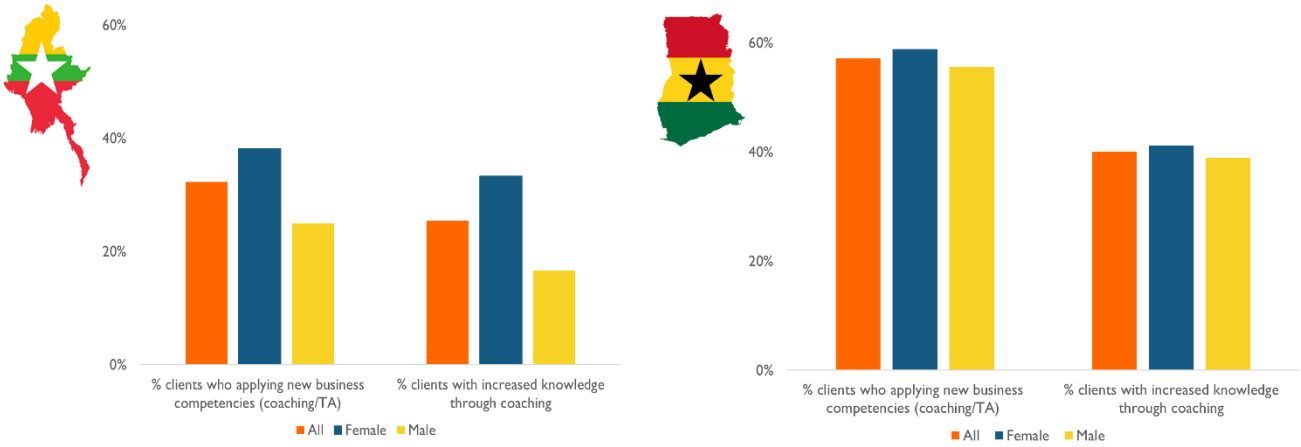
Business Coaching

Business coaching led to reported behaviour change, particularly amongst women entrepreneurs

In Myanmar, when prompted, approximately one third of SGB clients who completed a loan cycle and received business coaching surveyed reported having changed business management practices to a medium or high extent because of business coaching sessions. Female SGB owners are almost twice as likely to report this than male SGB owners. Most frequently adopted changes in business practice were around marketing and selling (42 percent), cashflow management and physical assets management (35 percent each).

In Ghana, SGBs were more likely to report improvements in business management practices and knowledge due to business coaching with 55 percent of clients reporting improvements in business management practices and 44 percent reporting improvements in business knowledge due to business coaching received.

Figure 4 – Myanmar vs Ghana: Self-reported coaching results



Without prompting, almost one in four SGB clients in Myanmar (22 percent) directly attributed business coaching received as the reason for their improved business profitability at the end of their cycle, lending support to the hypothesis of business coaching providing positive and valuable contributions to SGB performance and growth. Female clients (48 percent) were twice as likely to report this than male clients (24 percent). Ghana exhibited similar results with female clients (29 percent) more than twice as likely to raise business coaching (unprompted) as a key driver of improved profitability when compared with male clients (13 percent).

In both countries, women are more likely to recognise the value of business coaching in building their business knowledge, skills, and ultimately profitability. In simple terms, men are more likely than women to say that capital was important for their business profitability whilst women are more likely to say that their learning from others

was critical in business success. These positive initial results suggest that business coaching services are having beneficial impacts for clients and lead to improved growth and profitability for a considerable percentage of clients.

Gender

Loan sizes to women-led SGBs are smaller than men-led SGBs

In Myanmar, average loan sizes to women entrepreneurs (US$4,194; AUD5,650) are on average three percent smaller than those for men (US$4,311; AUD5,808). The difference in average loan size is marginal and is not statistically significant, however it represents a reduction in loan sizes for women compared with Year 1. This is likely a reflection of sector-specific capital requirements, with 53 percent of all women entrepreneurs classified as Trade businesses, compared to 41 percent of male entrepreneurs. For many Trade oriented businesses, SGBs loans are primarily used for working capital to purchase stock and as such tend to be lower in nature compared to loans for capital investment purposes. In male-dominated sectors such as Transportation, Production and Agriculture, loans are more likely to be used for capital investments in machinery, equipment, vehicles, tools and other. These capital investments tend to be larger compared to working capital loans and may be one explanation as to why the average loan size to male SGBs is slightly larger than to women SGBs.

In Ghana, the average loan size to women-led SGBs (US$3,139; AUD4,229) was seven percent lower than those going to male-led businesses (US$3,366; AUD4,535). Whilst there is still a gap that needs to be addressed, this represents significant improvement since last year, when the gap was a 39 percent difference and considerably more pronounced. A likely factor in bringing about this change was a clampdown by the Bank of Ghana in response to a national financial sector crisis, which resulted in reduced disbursement limits for VFG SGB loans (from USD 10,000 to $3,500). This reduction had a disproportionately negative impact on male SGB clients who had typically sought larger loan sizes.

Continued smaller loan sizes for women in Ghana are likely due to the same sector-specific capital requirements as mentioned for Myanmar as well as higher levels of informality of women-led businesses. In addition, internal factors were identified during Gender workshops which included increased difficulty for women to meet collateral requirements for larger loans; VFG's credit committee[3] taking a conservative and gender-blind loan approach to loan approval and a larger number of women SGB clients having graduated from VFG's smaller microfinance loan portfolio than men. As a result, VFG has made several key changes to its SGB Credit Manual in this regard to encourage more uptake from women-led SGBs and gender-sensitive loan approval.

[3] It was noted at the midterm review that all voting members of the Credit Committee are male and had not been trained on gender lens. This oversight has been recognised and VFG are actively looking to address the issues.

Decent Work

SGBs in Myanmar sustain greater employment on average than Ghana.

Initial results show that on average, 5.9 Full Time (FT) and Part Time (PT) jobs are being supported by SGB clients. In Myanmar, sampled SGB clients employed on average 6.6 permanent employees, whereas in Ghana the average reported number of employees sustained was 3.2. If average jobs sustained figures were extrapolated to all 1,398 clients served in the project to date, an estimated 8,469 jobs have been supported through SGB client activity (7,763 in Myanmar and 706 in Ghana).

There are several plausible explanations for the significant difference in employment sustained between the countries. Firstly, SGB clients in Myanmar can access larger loans than in Ghana due to the aforementioned loan cap enforcement on VFG SGB loans by the Bank of Ghana. Hence, average loan sizes in Myanmar are about 30 percent higher than in Ghana, and this combined with the fact that labour costs in Myanmar are less than Ghana means that they can afford to employ considerably more employees.

Male-led SGBs appear to be more 'job rich' than female-led SGBs

In both countries, male-led SGBs employed more FT employees. Male-led SGBs in Myanmar on average employed two women (2.0) and five men (4.5) or a total of seven FT employees (6.5). Female-led SGBs by contrast employed an average of two women (2.3) and three men (2.9), or approximately five FT positions (5.2). This suggests that not only do male-led SGBs on average employ 27 percent more FT employees than female-led SGBs, but they are also more likely to employ men than women. In Ghana, male-led SGBs on average employed 1.0 FT women and 2.5 FT men equating to a total of four FT employees (3.5). Women-led SGBs by contrast employed an average of 1.6 FT women and 0.9 men equating to 2.5 FT employees. Thus, women are more likely to employ women and men are more likely to employ men, and on average, male entrepreneurs employ 42 percent more FT employees than female entrepreneurs. Further analysis of these trends is required and could be tied to sector focus by gender. Future data collection will enable insights into the prospects of new job creation will become available as more client surveys are collected, especially for renewing clients.

Over three quarters of SGB clients pay employees above the minimum wage

Seventy-eight percent of SGBs in Myanmar report meeting national guidelines on minimum wage for full-time employees, with the corresponding number in Ghana being 84 percent. In both countries, men-led businesses had higher levels of compliance, which could be due to higher rates of business formality (particularly pronounced in Ghana, where 58 percent of men-led SGBs are registered, compared to 29 percent for women-led SGBs). Lower levels of formality for women-led enterprises confirms what is widely reported across the developing world; that women tend to operate smaller, more informal businesses.

Indications of a gender pay gap exist in Ghana

Across both Myanmar and Ghana, approximately two thirds of SGB clients claim to pay male and female employees the same wage for doing the same job.

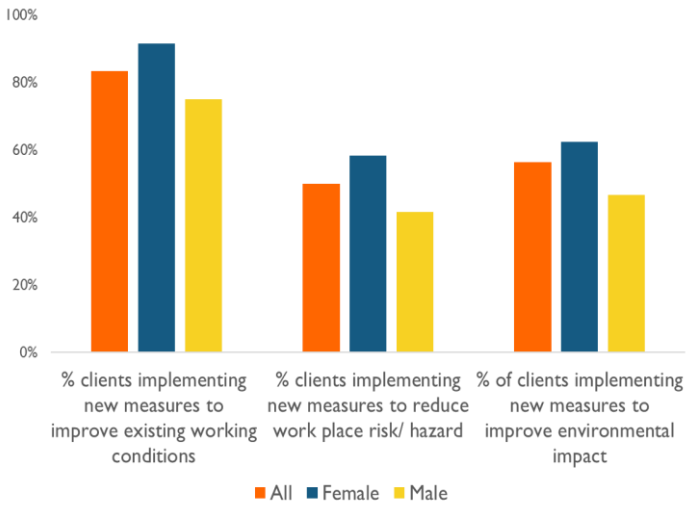
However, wage data analysed suggests that women employees in Ghana are paid less than men. Women-led SGBs who are more likely to employ women have low wage bills, perhaps due to high levels of informality. Men-led SGBs hire fewer women and are also much less likely to pay them equally for the same job (56 percent compared with

83 percent for women-led SGBs). Further investigation is required to understand the reasons for low wages, which could include social norms around gender roles, specific industry types and remuneration standards differing for more manual tasks and the role of non-monetary benefits to staff such as room and board.

Mixed data on increased pay and improved working conditions

In Myanmar, 56 percent of employers reported giving a pay rise to their employees in their last loan cycle. This suggests that most clients reporting an increase in their own income through the last loan cycle passed on some of that benefit to the employees of their enterprise. In Ghana however, just 16 percent of SGBs gave their employees a pay rise in the past loan cycle. This suggests a stronger emphasis on quality jobs and 'decent work' is required within business coaching sessions in Ghana.

Figure 5 – Clients improving working conditions – Myanmar



In Myanmar, approximately 80 percent of SGB clients surveyed reported improvements in existing working conditions since contracting the SGB loan and receiving business coaching. Among 24 SGBs who recently completed a loan cycle surveyed, the most frequently implemented measures for improving working conditions were around improving flexibility of working hours.

Figure 6 – Clients improving working conditions – Ghana

About half of all SGBs in Myanmar who received business coaching and finished at least one loan cycle report making workplace safety and environmental improvements. The most common measures taken to improve workplace safety included providing training to employees on workplace harassment, providing personal protective equipment (hard hats, masks, safety goggles, safety harness, etc.) and upgrading or servicing machinery. In terms of environmental improvements, clients surveyed were mostly likely to improve the safe handling and/or disposal of hazardous materials, introduce more energy efficient machines or systems and improve farming practices.

Ghanaian SGBs also reported improvements in social and environmental capacity, although at slight lower levels than Myanmar businesses. Approximately one third of SGBs in Ghana reported improvements to employee working conditions, 60 percent reported reductions in workplace hazards and risks, and 23 percent reported enhancements in terms of environmental changes.

Again, this highlights the numerous benefits of business coaching to SGB client performance, not only regarding business profitability and growth, but also for social and environmental awareness.

Key Lessons Learnt

The key lessons learnt in Year 2 can be summarised under the following three topics:


Operational Feasibility


Commercial Viability

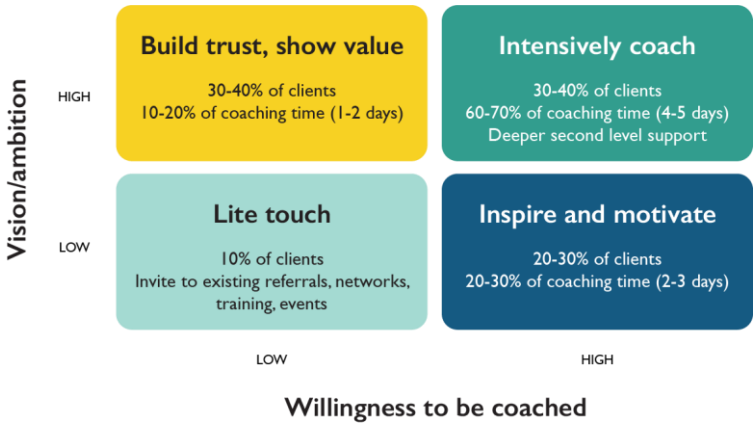

Research Agenda

Operational Feasibility

Business coaching needs to be tailored to client willingness and potential impact

Client surveys in both countries showed high levels of satisfaction with business coaching. However, as loan disbursements ramped up in both countries in Year 2, the project found that a standard approach to coaching delivery did not work with client's differing willingness to participate and was not an efficient use of Client Relationship Officers' (CRO) time. As a result, the coaching approach for both countries was pivoted to segment client coaching by client willingness to be coached and staff perception of client's vision and ambition for growth, with intensive tailored coaching sessions focused on high vision/high will clients *(Figure 7)*.

Figure 7 - SGB Coaching Segmentation



Mixed levels of VF gender awareness to date with room for improvement

The Gender Analysis undertaken in Myanmar by Intellecap found that VFM had substantial levels of gender-aware processes and systems for SGB finance, however there is room for improvement for both countries.

The gender balance of CROs in both Myanmar and Ghana has improved. In Myanmar, 16 of 25 CROs (64 percent) are women as a result of a deliberate intent to hire women. This is a likely contributor to the positive gender balance in SGB client numbers. In Ghana, however, it has proven much more difficult to achieve a gender balance amongst CROs, with only two of six (33 percent) CROs being female. This is a slight improvement on this time last year and the team continues to be pushed in this regard. Some of the key challenges in achieving a better gender balance in Ghana is the high demand for the small pool of high calibre professionals and in numerous cases VFG has not been able to meet the salary and benefits expectations of prospective female candidates for the CRO role. Finally, anecdotal feedback from some female candidates suggests that an additional factor may be the heavy CRO workload making it difficult to balance the role with the unequal demands of unpaid care work for women.

The project has developed gender inclusion strategies based on Intellecap's report, focusing on targeting women entrepreneurs for client acquisition, adapting business coaching and TA to include a gender lens and digitising processes where possible for enhanced efficiency. In Ghana, gender workshops and analysis found that certain loan approval processes were gender-blind and needed to be made more gender-aware, such as collateral and guarantor requirements and credit committee approvals. Implementation of the strategies commenced in Year 2 of the project and will continue to be delivered through Year 3 and beyond.

A targeted marketing strategy will enhance client acquisition efficiency and gender inclusivity

Best practice CRO strategy for client acquisition developed by the Mandalay region in Myanmar was shared and agreed to be adopted by VFM and VFG CROs to improve efficiency in the face of increased competition and increase gender-inclusiveness. This includes forming strategic partnerships at a national and regional level to effectively target potential clients, in particular women clients through target sectors and women's groups. There is potential to link with World Vision in Myanmar (WVM) and Ghana on market linkages and exports, especially in areas with local value chain projects and Area Development Programs. For example, WVM is already beginning a partnership with Citymart in outer Yangon to support connection to markets. Other marketing strategies to be implemented include rewarding clients for referring new clients and developing attractive SGB specific 'brand' of marketing collateral.

In addition, the project has identified opportunities to enable peer-to-peer networking and learning events in both countries, primarily to provide support and peer learning for women entrepreneurs. These range from low-cost and low-touch – such as connecting local SGBs through WhatsApp/Viber/Messenger groups; organising local business network events; to costlier and more involved – such as establishing Annual SGB Awards events. These ideas will be explored further in Year 3.

On-going staff capacity-building on business coaching skills and business knowledge needed

The majority of CROs are not 'natural' coaches and need continual skills development to build their confidence in this role. Staff need a clear understanding of the SGB coaching strategy and goals to support clients effectively. Top priorities for capacity building and support requested by clients and CROs include marketing, financial management, business model canvas (BMC), human resources, conflict management, negotiation skills and time management. VFM has established a coaching unit to provide continual support and coaching to CROs and to encourage continual learning through CRO peer-to-peer learning, rotating books and summarising key points for colleagues on specific topics, coaching & active listening skills training. In addition, online resources are provided to CROs to build their knowledge independently. The team is also planning to build specific CROs into subject matter experts that peers can approach for problem solving on a client's business area.

VisionFund SGB staff efficiency targets need review

In both countries, over 80 percent of loan applications submitted were approved, suggesting that staff are efficiently targeting the 'right' clients. Both Myanmar and Ghana also achieved quick loan disbursements (five and seven days respectively), reflecting internal process and systems improvements.

Data on client loads, however, showed that both countries were both well below efficiency targets. As at the end of March 2020, the average number of SGB clients for each CRO in Myanmar was 39 clients, well below the target range for both VFM & VFG of 60 – 80 clients. This also reflects that recruiting and training staff and then establishing a portfolio at full capacity takes considerable time and effort. In Ghana, CROs similarly had an average of 31 active clients and reflects difficulties with staff turnover, greater geographical distribution of clients, and considerable time spent following up and pursuing late payments.

The CRO's triple role as loan officer, business coach and Monitoring and Evaluation (M&E) officer is highly demanding, with clear signs of strain in both Ghana and Myanmar. In both Myanmar and Ghana, review workshops have revealed that the workload required to perform all these responsibilities is heavy and required staff to work long hours and under considerable pressure. This is particularly seen in Ghana where travel time to clients and office adds an additional burden and is evidenced in the high turnover rate of CROs in Ghana in the past 12 months.

As a result of being overwhelmed, CROs tend to focus on their role as loan officers, with impact measurement and business coaching taking a back seat. The key takeaway from this experience is that the CRO role and targets need to be re-examined and re-scoped to ensure a manageable workload, reflective of staff skillsets. This may also involve splitting the CRO role into senior functions (client relationship management/business coaching) and junior functions (loan documentation, monitoring, administrative support, loan recoveries and impact measurement).

Stronger integration is needed between the SGB unit and broader MFI Operations

Whilst SGB finance operates as a distinct unit as it is 'piloted' in both Ghana and Myanmar, close integration is needed to enhance operational efficiency and strategic alignment. In the early days of launching SGB it was necessary to develop a distinct SGB unit with its own objectives, processes and leadership to establish the business and commence new SGB lending. This served the 'pilot' well in the early stages and has allowed the program to achieve strong disbursement rates in both Myanmar and Ghana. In some respects, however, it has also meant that the wider MFI has not properly understood or appreciated the objectives of the SGB unit and therefore not provided the support and alignment that could enhance the SGB mission.

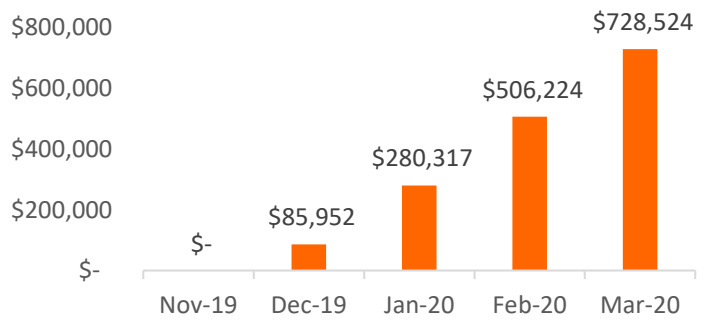
The project has learned that some tasks performed by the CRO can in fact be performed more effectively by other parts of the MFI. For example, the burden of chasing defaulting clients for recoveries can be supported by the dedicated Recovery Unit. Likewise, pre-disbursement and post-disbursement loan verification checks can also be performed by senior branch level staff including Branch Managers, Regional Managers and Senior Loan Officers. There are other additional functions that can similarly be support (Marketing for promotions). These measures will ease the burden on the CRO to focus more on business coaching and impact measurement aspects of the role and will also importantly enrol the wider organisation into the objectives of the SGB unit and further fuel accelerated growth.

Commercial Viability

Leveraging of loan capital on track

VisionFund has leveraged considerable commercial funding through both VFG and VFM to finance the growing SGB programs in both countries. At an aggregate level, the project has leveraged an additional US$4,424,669 AUD 5,960,756) in loan capital funding for SGBs. This represents a 2.54 leverage ratio against the originally received loan capital. In both countries, the supplier of additional leveraged funding is VFI. In total, US$3,920,973 (AUD 5,282,195) has been leveraged for the project in Myanmar. This represents an additional US$1,420,973 (AUD 1,914,284) of VFM commercial capital that has been leveraged over and above the previous US$2.5 million (AUD 3,367,911) injection[4]. In Ghana, VFG have leveraged an additional US$503,696 (AUD678,561) in funding to fuel the growth of the SGB program over and above the US$296,920 (AUD400,000) provided in loan capital funds. VFM and VFI are currently in discussions about injecting a further US$2.5 million (AUD 3,367,911) loan to finance the continued growth of the program as it embarks on its final year. A promising early sign of the program's catalytic effect is that VFM has allocated a further US$728,524 (AUD 981,441) from its own capital pool to support the continued growth of SGB in Myanmar across an additional 13 branches beyond the program's footprint to date *(Figure 8)*. World Vision Australia has been internally progressing an impact investment product for SGB finance, however, due to the current market uncertainty due to COVID-19, full Board approval has been delayed until late 2020.

Figure 8 - VFM Additional loan capital investment in US$



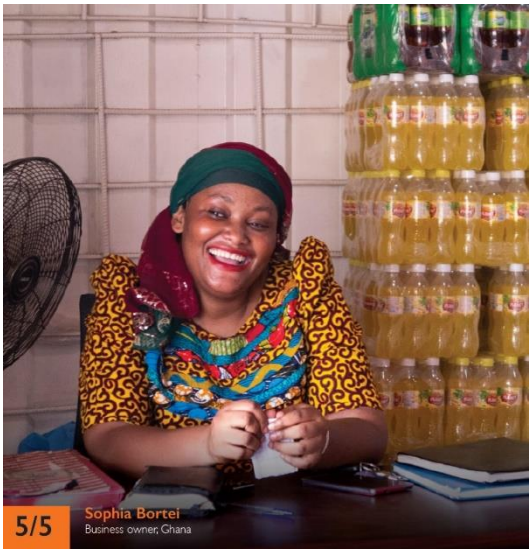
[4] This does not include additional funding disbursed to SGB clients through additional branches outside the 25 MMM project branches.

Research agenda

Planned postponements in developing TA and Gender Strategies have delayed impact measurement

Both the gender and TA strategies were planned to be completed in Year 2 to allow sufficient SGB client on-boarding and hence to ensure that the strategies developed respond to real client needs. However, with average client loan cycles in both countries being nine months long and with less than 12 months of the MMM program to go until it is completed, there is a risk that an insufficient number of clients fully benefit from a full loan cycle and full impacts may not be observed by the final evaluation. One possible remedy to this is to be requesting additional time to measure outcomes of the project, and discussions have commenced to consider whether final evaluation activities are delayed by 12 months to maximise the likelihood of measurable impacts.

Data collection and analysis needs to be properly resourced at the MFI level



The research component of this program requires a considerable amount of data collection from various sources and using various methods to test the hypotheses in the program and understand the collective additionality of business coaching to SGB growth. The accurate and timely collection of impact measurement data to validate the Theory of Change and understand the impacts of program components has proven to be an ongoing challenge for VFM and VFG at the field level. Data collection largely falls upon the CROs, who are struggling to manage time along with promotion, loan applications, disbursements, monitoring and business coaching, hence data accuracy and collection has been a significant challenge. As a result, the quality of impact measurement within the program has been lower than hoped and continues to be an area where constant follow up, improvements and support is necessary. These are gradually being worked through, and the quality continues to improve.

As primarily a private sector provider of financial inclusion products and services, this gap is exacerbated by the fact that VFM, VFG and VFI do not have the depth and expertise in M&E technical knowledge. A key lesson for future programs with similar research objectives working closely with private sector partners is to resource their private sector partners with enough M&E capacity to meet the unique and technical needs of such programs to coordinate, quality control and monitor data collected. To reduce the burden on CROs and improve data quality, the project will continue to adjust the M&E strategy and improve the integration of data collection into VisionFund systems and processes.

The COVID-19 Pandemic has disrupted project activities and prompting risk to project impact

As a once in a generation event, the depth and breadth of impact caused by the COVID-19 pandemic was not foreseen during project planning or risk assessment reviews and has the potential to completely disrupt and negate the progress achieved in the MMM project to date. Widespread economic impacts of COVID-19 on SGB clients in both countries have led to project concerns regarding SGB performance at the planned final evaluation in late 2020 and have prompted initial discussions on the possibility of a project extension to enable businesses additional time to recover before final analysis is conducted. On a positive note, the pandemic has also provided the potential for an interesting research angle on business resilience.

Operationally VFM and VFG have been able to adapt relatively well, despite a required pivot from business coaching and TA being delivered through remote means to reduce risks of transmission, and switching from a growth and employment creation focus to SGB business survival and employment maintenance. New tools have been developed, training undertaken, and surveys undertaken to understand impacts on SGB clients and how VFM and VFG can best respond to client needs. The pace at which all of this has occurred and the speed at which VFM and VFG has responded is a demonstration of their agility, flexibility and resourcefulness, which the project will continue to harness in more stable times.

Year 3 Priorities

As the planned final year of the project, Year 3 is critical to the achievement of the project goal and outcomes. COVID-19 response will be prioritised throughout. For more details please refer to the full Annual Report.

In response to lessons learnt, key priorities for Year 3 can be summarised under the following topics:

- Gender strategy
- Business coaching
- Technical Assistance
- Research & learning
- Operational efficiency

Gender strategy implementation

VFM and VFG will continue implementing numerous recommendations and practical activities that have been agreed as gender strategies to improve the gender lens of the project. Key activities in the coming year will involve finalising changes to Operations & Credit Manuals, improving gender-awareness in training materials, developing strategic partnerships for client acquisition that target women, and exploring peer learning support (including digital tools).

Business coaching iteration

Business coaching will continue to be iterated to respond to the changing needs of clients and situation, particulary in light of the pandemic. Business coaching materials will be revised to include a stronger focus on business continuity and business resilience to shocks and stresses, and coaching capacity-building will continue.

Technical Assistance implementation

TA will be offered to clients in Myanmar from June 2020, initially as online only due to physical distancing requirements under COVID-19, focusing on core business improvement topics including marketing & sales, and bookkeeping/accounting. Face-to-face training will be implemented where (and when) safe to do so.

Research and learning

Discussions have begun regarding a 12-month project extension to enable more rigorous findings, particularly as a result of COVID-19 lockdowns on business performance. This would postpone the final evaluation and business model assessment and allow more time for data collection and learning. The team will continue to evolve the M&E system to gather insights on business resilience and response to the crisis, and improve efficiency. The project continues to work with ANU on potential research funding which would allow additional research questions to be explored. The team will actively explore avenues to disseminate learnings internally and externally.

Operational efficiency and integration review

Forthcoming management meetings and workshops with VFM & VFG will review staff capacity and targets, develop plans for capacity building and improving integration with MFI operations as the project continues implementation.

Ghana Client Impact Story:

Enoch Appiagyei

Enoch, a 48-year-old father of five, grew up working with his pharmacist father, a pharmacist, who developed health and cosmetic products from local herbs. From a young age, he and his siblings learned how to prepare soaps and skin products which were sold to support their education.

Years later, after returning from overseas in 2013, he started his business producing skincare products in Accra.

The launch of Enoch's first product—Ahuofe Body Cream – was in response to consumer demand for improving skin tone and the quality product found instant success that led to rapid scale-up of production.

"Our products are preferred by customers because we take in customer feedback and make adjustments to serve their needs better… My focus is not to look at how much profit I make but how the customer becomes excited."

His relationship with his wholesale customers has been positive due to a mutual understanding that they benefit from supporting each other. His distributors are invested in his success: "They have confidence in us and want us to advertise online, on TV and radio so sales increase. The adverts boost sales, but unfortunately our production capacity is limited."

A friend introduced Enoch to Vision Fund Ghana a few years back. " I went in for my first loan from Vision Fund when business expansion was critical. We had applied to other banks, but they could not give us enough." Enoch is presently on his second loan of GHS 40,000. Access to capital is a constant barrier to business expansion. Large orders take time to fulfil without machinery, and his wholesale customers understand that he needs advance payments to make sure his twenty employees are always paid on time.

"I am interested in my workers having a career and being able to care for their families. What inspires me is to see people being able to put food on the tables of their families and living meaningfully."

He is constantly innovating to meet consumer demands, with four new products about to launch. Enoch is now setting his sights on export markets, and as such is exploring the viability of producing all-natural and shea butter products for sale overseas to meet demand for quality natural products.