

Entrepreneurial ecosystem development

This is an intervention summary from the MSD for employment (MSD4E) landscape assessment.

TMS is creating a more enabling environment and strengthening local networks of service providers to support entrepreneurs. By partnering with financial institutions, BDS providers, government agencies, digital platforms, and other key 'nodes', TMS aims to significantly impact the wider entrepreneurial ecosystem.

Background information

Project	Honduras Transforming Market Systems (TMS)
Funder	USAID
Implementer	ACDI/VOCA
Contact	Dun Grover (DGrover@acdivoca.org) and Sue Chávez (chavez@acdivoca-hn.org)
Rural or urban?	Urban and rural
Sectors	All sectors, with a focus on retail/commerce, manufacturing and tourism
Intended employment outcomes	Job creation (self-employment)
Target group (end beneficiaries)	Small-scale entrepreneurs, often in the informal economy Women (50% participation)
Cross-cutting priorities	WEE
Years of operation	2019-2025

What constraints did the intervention aim to address?

In Honduras, the entrepreneurial ecosystem is fragmented, leading to uncoordinated and inadequate support for entrepreneurs. Donors and the government subsidise many of the business services provided, which tend to be short-term and have limited impact. In general, the ecosystem needs more institutionality and coherence, requiring more structural changes in regulations, cultural attitudes, and support networks. Given that nearly half of economically active Hondurans are self-employed, entrepreneurship is a critical pathway to stimulating MSME growth to generate new and better jobs and create quality goods and services in Honduras.

Which market actor partners did the intervention work with?

1. Alterna Guatemala (technical services provider)
2. Eight local business service providers (three chambers, three public-private entities, one FI, and one company)
3. Federation of Chambers (FEDECAMARA)

4. Finance / Impact Investors (DEVELA Fund, Lafise Bank)
5. Foundations and Social Investors (International Community Foundation - ICF, Fundación Terra)
6. Government Agencies (SENPRENDE)
7. National Association of Municipalities (AMHON)
8. Entrepreneurs (as mentors and community leaders)

What were the intended behaviour changes for these partners?

1. **Ecosystem actors** coordinate services to meet the needs of entrepreneurs through strategic partnerships and agent-relationships.
2. **Reforms in business regulations** and simplification of administrative processes (registration, permitting) by municipalities and other government agencies.
3. **Universities and educational institutions** develop entrepreneurship education as part of curricula.
4. **New entrants into the ecosystem**, including social investors and incubators, connect Honduras to broader ecosystems.
5. **Service providers** specialise their services to better serve entrepreneurs' needs (digitalisation, legal, etc.).
6. **Entrepreneur communities** foster mentorship, exchange information, and unlock opportunities for entrepreneurs.
7. **Businesses digitalise** (e-commerce, digital payments) to access new market channels (customer, finance, etc.).
8. **Growth-oriented entrepreneurs** formalise and invest in their businesses, creating new and better jobs.

How sustainable are these behaviour changes?

1. **Willingness to pay:** Entrepreneurs are satisfied with the services (NPS 62) and 53% were willing to pay for services, but the market is still largely subsidised.
2. **MSME Financing:** There is evidence that MSME access to finance has improved overall (2022 DSM), but there is still a large gap in terms of investments and funding.
3. **Institutions:** Simplification of government administration has been ad hoc, with few municipalities and agencies achieving significant reforms to date.
4. **Networks:** Entrepreneur communities are becoming self-sustaining, with Ecosystem Builders and F***UP Nights attracting new members.
5. **Government policy:** There is still a lack of broad-based entrepreneurial policy or public incentives in Honduras to promote entrepreneurship at a systems level.
6. **Entrepreneurial culture:** More opportunity-driven entrepreneurship is still niche to particular geographies and groups, but is starting to develop more broadly.

What were the intervention's key results?

- TMS strengthened eight Honduran business development service providers to develop and scale incubation and acceleration services through a pay-for-result mechanism.
- 2,528 Honduran MSMEs increased sales by \$12.38 million over baseline and created 3,507 new and better jobs (including jobs from self-employment), generating \$10 million in additional earnings/wages to date.
- 62 connections have been established between ecosystem actors, and at least 8 “bridging” organisations have connected Honduras to wider ecosystems.

<i>Has a third party been involved in measuring these results?</i>	No
<i>Is the partner behaviour change the sole/major/minor contributing factor towards the employment-related outcome you've reported? (i.e. are there other contributing factors?)</i>	Major
<i>Results chain available?</i>	No

Relevant project documents

- The New Frontier: Evidence and Best Practice in Entrepreneurship Ecosystem Development by the International Labor Organization (ILO), featuring TMS as a case for emerging practice: <https://beamexchange.org/resources/1898/>

The MSD4E Intervention Library was compiled by the MSD4E Community of Practice and funded by the ILO, Mercy Corps and Swisscontact.

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