Project cluster evaluation on rural enterprise development

18 October 2022
Background (1/2)

- **Main objectives of the evaluation**
  - To assess the results and performance of projects covered
  - To inform strategies, designs and implementation of similar interventions

- **Definition of rural enterprise**
  - No universal definition of rural enterprises, nor micro and small enterprises.
  - IFAD rural enterprise policy focuses on characteristics of entrepreneurial activities and enterprises, instead of “size” of operations – followed by PCE

- **Evaluation methodology**
  - Desk reviews on project documents, literature reviews
  - In-country missions in Bangladesh, Cameroon and Ghana (between Oct-Dec 2022)
  - Mini phone surveys (Bangladesh and Ghana)

**Projects covered by this PCE**
- Ghana: Rural Enterprise Programme (REP)
- Cameroon: Youth Agropastoral Entrepreneurship Promotion Programme (PEAJ)
- Bangladesh: Promotion of Agricultural Commercialization and Enterprise Project (PACE)
- Nepal: Samriddhi – Rural Enterprises and Remittances Project (RERP) – covered only for relevance
Multiple impact pathways in rural enterprise development

1. Rural HHs engage in new or better entrepreneurial activities
2. Growth of new microenterprises
3. Existing MSE growth: increased revenues and profits
4. Better wage jobs

Key intervention areas
- Support for access to finance
- Non-financial services, e.g.
  - Entrepreneurship training, advisory services and coaching
  - Improved technologies and practices
  - Market facilitation
- Technical and vocational training Apprenticeship

Background (2/2)

Multiple impact pathways in rural enterprise development

- HH incomes diversified and resilience increases
- Incomes increases (through self-employment, wage employment)
- Wage employment opportunities for non-family members
- Better wage jobs

- Self-employment, jobs for family members
- Growth of new microenterprises
- Existing MSE growth: increased revenues and profits
Key findings: Relevance

▲ New/improved technologies for improving productivity or services

▲ Business-related skills development, advisory services overall relevant

▲ Incubation approach focusing on youth with well-sequence, intensive support (Cameroon)

▼ Impact pathways not well-articulated – e.g. survivalist enterprises vs. enterprises with growth potential

▼ Limited attention to gauging entrepreneurial aptitude of participants

▼ Rationale and criteria for grants to entrepreneurs not always clear
Key findings: Effectiveness (1/2)

Rural enterprise creation and growth - results

- Different types of enterprises supported (e.g. new vs existing, on- and off-farm)
- Poverty profiles of participants and inclusion of vulnerable groups varied

Factors affecting project performance in enterprise establishment and growth:

- Process of screening and selecting participants
- Sequencing and intensity of advisory and follow-up support
- Synergy with financial services and support to address other constraints (e.g. land)
- Types of enterprises, markets and growth potential
Non-financial services
- Technology promotion effective in improving productivity - but also missed opportunities
- Improved routine management and business practice – less adoption
- Support for business plan preparation for loan applications – useful though not sufficient

Access to finance
- Overall modest results in facilitating access to finance for new clients
- Limited achievements in introducing new and/or innovative financial products or services
Key findings: Impact

**At household level**
- Main contribution in increasing or improving self-employment
- Income diversification and risk mitigation - important aspect of impact

**At institutional level**
- Notable contribution to government institutional frameworks for MSE development (Cameroon and Ghana)
- Limited impact on financial institutions’ services and systems or related policy issues
Key findings: Sustainability

- Prospect on survival and/or growth of enterprises – mixed. Dropout – not a surprise.
- Existing “survivalist” enterprises are likely to continue, even if not growing.
- Sustainability and growth of some enterprises may be at risk where not well-linked to value chain actors.
- Institutional frameworks in the public sector (e.g. business advisory centres) are likely to stay – but quality service delivery not guaranteed.
Projects lacked clarity in terms of impact pathways.
Project strategies were more suitable to pre-entrepreneurial activities or very small microenterprises than enterprises with growth potential.
New/improved technologies led to increased enterprise revenues; but less contribution to enterprise upgrading by better business practices or access to markets.
Lack of longitudinal and granular data - hinders fuller understanding of enterprise performance and job creation.
• Strategies need to consider the profiles, skills, capacity and resources of entrepreneurs, with a clearer understanding on impact pathways

• Creating and growing enterprises requires systematic, longer-term support.

• Productivity improvement contribute to increased revenues, but additional support is needed for enterprise upgrading.

• Efforts to improve rural entrepreneurs’ access to finance must be based on the assessment of their needs, as well as policy and institutional bottlenecks

• Impact assessment requires a holistic understanding of household economic activities