
Project cluster evaluation on rural enterprise development

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Action: The Evaluation Committee is invited to review the project cluster evaluation on rural enterprise development.

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Executive summary

I. Background

1. As approved by the Executive Board at its 131st session in December 2020, the Independent Office of Evaluation of IFAD (IOE) has undertaken a project cluster evaluation (PCE) on rural enterprise development. PCE is a new evaluation product, the aim of which is to enhance the learning aspect of project-level evaluations through comparative analyses of a small number of projects sharing common features.
2. **Objectives.** The main objectives of the PCE were to assess the results and performance of selected projects and to generate learning based on an analysis of the findings from different projects on key common issues and questions relating to rural enterprise development.
3. **Scope.** The PCE covered the following four ongoing projects: (i) Youth Agropastoral Entrepreneurship Promotion Programme (PEAJ) in Cameroon; (ii) Rural Enterprises Programme (REP) in Ghana; (iii) Promoting Agricultural Commercialization and Enterprises Project (PACE) in Bangladesh; and (iv) Samriddhi – Rural Enterprises and Remittances Project (RERP) in Nepal, which was restructured and therefore reviewed only for design relevance. These projects were selected among projects scheduled for completion between 2021 and 2023 based on the following considerations: (i) they have a clear focus on rural entrepreneurship, enterprise/business development and employment creation; and (ii) they include support for non-financial services, access to finance and an enabling environment for rural micro and small enterprise (MSE) development.
4. **Rural enterprise: concept and definition.** There is no clear common definition of either “rural enterprise” or “MSE”. National governments and international organizations tend to differentiate micro, small and medium-sized enterprises by their number of employees, value of turnover and assets. The category of microenterprises alone can cover a wide range of sizes and types of enterprises. In its Rural Enterprise Policy (2004), IFAD defined MSEs based on the characteristics of such enterprises, not the number of employees or turnover. In line with the description provided by IFAD, the enterprises reviewed in this PCE are mostly microenterprises or pre-entrepreneurial activities that are operated by the primary and direct target group and/or that are expected to create jobs for others. Occasionally, they are also small enterprises (as job creators).
5. **Impact pathways around rural enterprise development.** Projects implicitly or explicitly provide for multiple avenues (or impact pathways) to achieve the objectives of income enhancement and employment creation, including the following:
 - **Microenterprises for self- and family member employment.** Rural entrepreneurs’ engagement in profitable entrepreneurial activities will enable them to enhance and/or diversify their income sources.
 - **Growth of new microenterprises generating wage employment opportunities.** Some of the new microenterprises with strong entrepreneurship aptitude will grow, supported with adequate non-financial and financial services, and will create wage employment opportunities for non-family members.
 - **Growth of existing micro (and/or small) enterprises increasing employment.** Existing micro (and/or small) enterprises are supported to upgrade and expand their businesses and increase profitability and revenues. This will create wage employment for non-family members, as well as market

linkages and business opportunities for other microentrepreneurs and smallholder producers.

- **Technical and vocational education and training and apprenticeships** to enhance technical skills (e.g. as welders, carpenters or electricians) of the rural poor (often youth). This will enable those trained to get new or better-paid jobs or to start own businesses/workshops.
6. **Methodology.** Since the PCE was a new evaluation product, this evaluation applied some modifications to the existing methodological guidance on project performance evaluations, such as: (i) the use of selected evaluation criteria with no performance ratings; and (ii) presenting lessons without recommendations. These features are now part of the 2022 Revised Evaluation Manual. The project-level assessment was guided by key common questions, with necessary tailoring to specific cases to facilitate comparative analyses. In addition to desk reviews, field visits were undertaken in Bangladesh, Cameroon and Ghana for primary data collection. Mini phone surveys for the financial service component were conducted in Bangladesh and Ghana. Furthermore, evidence from literature was used to check and contextualize the emerging findings.

II. Main findings

A. Relevance

7. **Impact pathways.** Support for rural MSE development and institutional frameworks were overall relevant and aligned with government policies and strategies. However, the projects did not always articulate how different interventions were expected to lead to employment generation and/or increased incomes. There was insufficient reflection on whether the projects should focus on supporting pre-entrepreneurial activities or microenterprises mainly for self-employment or income diversification, and/or creating and strengthening enterprises that would generate more and/or better wage employment for non-family members.
8. **Employment generation objectives.** All projects had employment creation as part of their objectives, with an assumption that many participants would grow enterprises and also create jobs for others. This assumption was overoptimistic and is contrary to research that shows that, in many developing countries, much entrepreneurial activity is not a choice but a necessity. Moreover, projects paid little attention to monitoring the types and quality of the wage jobs created. Only one project (RERP in Nepal), which focused on vocational and technical training and apprenticeships rather than enterprise development per se, made efforts to track the job placement and wage levels.
9. **Project scope and strategy.** Overall, the projects' scope and interventions were not sufficiently guided by the potential for rural enterprise development and growth based on sound market analyses. For example, some types of non-agriculture off-farm microenterprises, mainly oriented towards local clients/markets (e.g. hairdressing), offer income opportunities, but are limited in terms of scope for growth and creation of job opportunities. In the agriculture sector, the project support focused more on on-farm production, with less attention to opportunities for off-farm enterprises (e.g. input supply, processing).
10. **Business development services.** Business and technical skills development and advisory services were generally relevant, but the intensity and level of support differed across the projects and it was not always sufficient for start-up enterprises to go beyond survival or for existing ones to grow. The "incubation" approach in PEAJ in Cameroon was suitable to support youth start-ups, with sequenced and focused support over time. The introduction of business coaches during PEAJ implementation further responded to the need for intensive and continuous follow-up support for new entrepreneurs. On the other hand, REP in Ghana

provided less intensive support to a greater number of more diverse groups of new and existing entrepreneurs. Across the projects, support for market linkage and improved marketing (e.g. branding) received less attention than production aspects.

11. **Improved technologies.** New or improved technologies, commodities or practices introduced were mostly relevant to improving production and productivity in agriculture (on- and off-farm) and non-agricultural sectors (e.g. improved equipment for shoe-making in Bangladesh). In some cases, there could have been a more careful assessment of the feasibility and appropriateness of technologies/techniques (e.g. ease of use, affordability, maintenance, return on investments).
12. **Identification of participants.** Attention to gauging entrepreneurial aptitude to screen and identify participants was not consistent. For example, in REP in Ghana, which defined the target group broadly as the “entrepreneurial poor”, participation was largely based on self-selection and the payment of token fees, and services were provided to almost anyone living in rural districts who was interested. PEAJ in Cameroon, in contrast, screened potential participants using a sequenced approach, starting with information dissemination and support for the exploration of business ideas by interested youths, combined with an assessment of entrepreneurial potential during this period, introduced during implementation.
13. **Technical/vocational training** in off-farm enterprises was most relevant to improving the employability of participants. Interventions targeting wage job enhancement or creation were suitable when the training was linked to existing jobs (e.g. shoe-making under PACE in Bangladesh) or to clear job opportunities (RERP in Nepal, informed by labour market assessment). With regard to apprenticeship support, there was an overestimation of the capacity, motivation and resources of apprentices to start businesses (REP in Ghana).
14. **Financing for MSEs.** The allocation of credit funds was not sufficient to respond to the needs of rural MSEs, and there was inadequate consideration of financial institutions’ incentives and capacity and of broader constraints (e.g. low capitalization and liquidity of rural and community banks, and the prevailing requirement for traditional collateral in Ghana). Where the project’s credit funds were integrated into a larger existing microenterprise loan programme (e.g. PACE in Bangladesh), linkages with other non-financial support was not evident. Furthermore, the value addition in this case was unclear, given that the liquidity of partner organizations (microfinance institutions) was not a critical issue and most borrowers were existing clients accessing loans mostly for working capital. An interesting feature of PEAJ that complemented the project-supported financing facility was the sequenced approach – first, partial financing of a business plan on a grant basis, but to be reimbursed into the bank account; then a bank loan – which was appropriate to introduce new youth clients and help them build track records in financial management and repayment discipline.

B. Effectiveness

15. **Types of enterprises and entrepreneurial activities** supported in different projects included new and existing on- and off-farm (agricultural and non-agricultural) activities. PEAJ in Cameroon was focused on youth start-ups, and REP in Ghana supported both new and existing enterprises, whereas PACE in Bangladesh mainly reached existing enterprises. Project participants were mostly concentrated in smaller microenterprises for self-employment or employment of family members. In all projects, women’s participation was high (e.g. 41 per cent in start-ups supported by PEAJ in Cameroon and 65 per cent among REP participants in Ghana).
16. **The outreach** achieved through non-financial services varied greatly, reflecting the difference in the intensity of support. The outreach of PEAJ in Cameroon (about

3,800 through incubation support, of which over 2,600 transitioned to start-up enterprises) was much lower than for REP in Ghana and PACE in Bangladesh, as the level of support per participant was higher, with a comprehensive, intensive and continuous approach.

17. **A range of factors influenced the results in enterprise creation and survival, or the growth of new or existing enterprises.** These included: (i) the selection and screening process, balancing attention to inclusiveness and entrepreneurship potential; (ii) sequencing and intensity of advisory and follow-up support, synergy with financial services and support to address other constraints (e.g. land, access to inputs); (iii) types/sectors of enterprises vis-à-vis specific context (e.g. markets, growth potential); and (iv) education/literacy level of participants. Furthermore, external factors, such as the COVID-19 pandemic and animal disease (in Cameroon), also affected enterprise performance.
18. **Introduction of new technologies and practices** was effective in improving the performance of existing enterprises through improved productivity, both on- and off-farm (e.g. new seed varieties, soap-cutting equipment). The level of uptake was influenced by observable benefits in a short cycle; affordability and profiles of entrepreneurs; and access to finance, among other factors. In some cases, enterprises that were unable to implement the new practices due to lack of access to finance did not grow. There were also missed opportunities to link technology promotion to enterprise development. For example, there were cases where inputs and services associated with new/improved technologies were provided by project implementing partners, rather than being turned into enterprise opportunities (e.g. input suppliers or service providers in the case of PACE in Bangladesh). Across the projects, the adoption of **new or improved routine management practices** (e.g. record-keeping) was lower than the adoption of technical practices.
19. **Formalization of enterprises** promoted under PEAJ in Cameroon and REP in Ghana had mixed success (60 per cent and 28 per cent of enterprises supported, respectively). Inhibiting factors included entrepreneurs' lack of ambition to grow their businesses, the cost of formalization and/or fear of taxation. It is noted that, while enterprise formalization can facilitate access to markets and finance, the pros and cons differ depending on the nature, type and size of the businesses and the entrepreneurs' aspirations.
20. **The results for access to loans**, especially by new clients, were modest. The reasons for this included: (i) common challenges and risks in supporting start-up enterprises; (ii) financing facility designs and approaches not adequately taking into consideration contextual issues and incentives, and capacity of partners; and (iii) insufficient deliberate efforts to promote improved or innovative products and services responsive to needs.
21. Support for business plan preparation was useful and better coordination between business services providers and financial institutions improved the success in loan applications (in Cameroon and Ghana). PEAJ in Cameroon succeeded in supporting youth access to bank loans, but the progress achieved at the time of the evaluation was modest (only 28 per cent of 2,605 youth had received start-up fund support) and the repayment performance was unsatisfactory, although it was reportedly improving thanks to the introduction of business coaches. The matching grant facility under REP in Ghana was originally intended to help first-time borrowers build relationships with financial institutions, but in actual implementation a good proportion of the grant recipients were relatively well-established enterprises with a credit history. REP's credit facility also underperformed owing to a range of factors, including participants' inability to meet financial institutions' eligibility criteria (e.g. collateral) and financial institutions' lack of interest or difficulties in mobilizing their own credit funds for their share (20 per cent). PACE in Bangladesh provided additional credit funds to the larger microenterprise loan programme,

which mostly served existing clients, and microfinance institutions have increasingly been able to mobilize funds for lending from other sources.

22. **New financial products or innovative approaches** were limited across the projects. PACE in Bangladesh introduced start-up capital loans and lease financing but they have not advanced beyond the pilot stage. A mini phone survey by the PCE team found that only 16 per cent of start-up capital loans went to new enterprise undertakings. No project explored the opportunities for innovations with digital finance.

C. Impact

23. **Employment creation.** The projects reported the number of jobs created (74,677 jobs for REP in Ghana; 10,516 jobs for PEAJ in Cameroon, and 473,218 full-time wage jobs for PACE in Bangladesh through its microenterprise loan component), but their basis and accuracy was uncertain. For example, the number of jobs created per enterprise supported (PEAJ) or per microenterprise loan borrower (PACE) seem to have been overestimated. It is also questionable to what extent any job creation effects can be attributed to access to loans when the loans were mostly for working capital and went to existing clients who had already been borrowing (PACE).
24. The projects have mainly contributed to increasing or improving self-employment. This reflects the projects' targeting strategies; the emphasis on creation and/or strengthening of enterprises operated by the primary target group over supporting enterprises that would create wage employment opportunities; the nature and maturity of the entrepreneurs and enterprises supported; and, in general, the limited wage employment opportunities in the rural economies where the projects were located. In most cases, as observed in the field, the activities were largely pre-entrepreneurial, and the entrepreneurs would have multiple sources of income.
25. Full-time and more continuous jobs were more common in non-agriculture sectors in urban or peri-urban areas (PACE in Bangladesh, REP in Ghana). Wage employment opportunities generated in agriculture-related enterprises were often seasonal and temporary. In the projects reviewed, there was little evidence that the adoption of new/improved technologies resulted in reduced potential for job opportunities. In some cases, improved technologies contributed to reducing drudgery and reallocating labour (e.g. from manual labour to operating simple equipment).
26. Technical and vocational training and apprenticeship increased employability and employment opportunities, but not necessarily through setting up enterprises. In REP in Ghana, apprentices were expected to start their own businesses, but only some transitioned, while others were hampered by the inadequacy of the start-up kits provided by the project and lack of resources to acquire land or rent a space.
27. **Increased incomes** were achieved mainly through improved production and productivity, which in turn were achieved through improved technologies and practices (on and off farm). The survey conducted by REP in Ghana indicated that 90 per cent of the participating enterprises reported increased incomes over the previous three years (compared with 49 per cent among non-REP respondents). The projects also contributed to increased incomes of employees through new wage employment opportunities or better wages due to improved skills (e.g. off-farm wage workers interviewed by the PCE team in Bangladesh reported improved incomes, with an average of US\$116 per month, which is near the upper poverty line in the country). However, across the projects, the evidence on the depth and breadth of changes is incomplete. Most rural entrepreneurs are engaged in multiple entrepreneurial activities, and income diversification and risk mitigation were an important impact for many participants.

28. **Institutional frameworks and support systems for non-financial services.** The projects in Ghana and Cameroon contributed to the development of institutional frameworks and mechanisms to support MSE development. In Ghana, with the long-term substantial investment under REP and its previous two phases since 1995, the structures for decentralized service delivery for MSE support are well established and institutionalized (e.g. business advisory centres at district level). However, the ability of various institutions to effectively and efficiently deliver services varies. PEAJ in Cameroon has made important progress, such as the accreditation of 13 out of 15 incubation centres supported under the project. Within the PEAJ framework, the International Labour Organization has also supported incubation centres to adapt training materials for agropastoral entrepreneurship and a network of entrepreneurship trainers and advisors.
29. **Financial services.** Generally, projects have had limited influence on financial institutions, their services and systems or related policy issues. REP in Ghana and PACE in Bangladesh envisaged that financial institutions would develop new financial products, but limited progress was made. Nor is there evidence that projects have leveraged additional financial resources for MSE lending. In part, the limited achievements reflect the constraints in each country's financial sector and incentives for financial institutions.

D. Sustainability

30. **Prospects for the survival and growth of enterprises** are mixed. Most new enterprises remain at early stages of development, and while there is already some evidence of attrition, it is too early to determine how many will continue beyond project support. That said, given that many participants are likely to be involuntary entrepreneurs, they are expected to continue with some entrepreneurial activity, even if it is not the activity directly supported by the project. In general, economic activities that do not require highly technical knowledge and skills, investment funds or working capital and that provide reasonable returns are more likely to be continued. Some such activities respond to consistent demand by the local populations (e.g. hairdressing, repair services), even if the margin for growth may be limited. Pre-existing enterprises are more likely to be sustained, and a few, including new ones, may grow.
31. The sustainability and growth of some enterprises is at risk where they have weak linkages to value chain actors. To facilitate access to inputs and services, some partner organizations in PACE in Bangladesh took on the role of input suppliers or service providers themselves – or they engaged and provided grant support to other entrepreneurs to deliver inputs/services, but without appropriate business planning. Uncertainty about the financial viability and sustainability of these operations has implications for the continuation of smaller microenterprises that rely on inputs and services from them.
32. **Institutional frameworks for non-financial services** supported in Cameroon and Ghana are likely to stay, but there are uncertainties around relevant and responsive service delivery. In Ghana, institutions at subnational level (e.g. business advisory centres at district level) already faced challenges during project implementation, owing to weak human/management capacity and lack of funds. In Cameroon, there has been good progress in institutionalizing various services supported under PEAJ (e.g. accreditation of incubation structures). Given the intensive and longer-term support required for youth enterprise incubation, and with the challenges in instituting a cost-recovery model for such clientele, government or external funding will be required to continue with a similar type of incubation support.
33. Non-financial services that have not been integrated into institutional frameworks and business models are less likely to be available after the project. This is the case with PACE in Bangladesh, where the implementing agency and the partner

organizations (who also provide financial services) rely largely on externally funded projects to provide non-financial services (e.g. technical skills training) rather than delivering them in a “credit plus” business model.

34. **The continuation of the financing facilities for MSEs** supported by PEAJ in Cameroon and REP in Ghana is likely, but the post-project arrangements were still to be defined at the time of the PCE. In Cameroon, IFAD has been discussing with the Government options for institutionalization of the PEAJ-supported financing facilities as a government-sponsored initiative beyond the project. The latest REP supervision mission in Ghana also revealed that plans in relation to maintaining the Rural Enterprise Development Fund as a revolving fund needed to be clarified. The microenterprise loan programme supported by PACE in Bangladesh is well established and sustainable, but this would have been the case with or without PACE.
35. **The likelihood of new clients continuing to access financial services** is unclear. In Ghana, the rural and community banks will most likely continue to work with selected REP clients on a limited basis, given their own capitalization and liquidity challenges. PEAJ in Cameroon has facilitated the training and exposure of financial institutions to agropastoral on- and off-farm businesses, and some of the financial institutions are moving towards developing specific agropastoral financial departments and products adapted to their clients’ needs. The challenge will be to ensure that the repayment performance of youth entrepreneurs is maintained at an acceptable level in order not to lose the confidence of the financial institutions.

III. Conclusions and lessons

A. Conclusions

36. **Projects’ objectives around rural enterprise development and employment creation were relevant to the efforts to reduce rural poverty.** In the countries covered in this evaluation, MSE development is part of the government’s development strategies and, in broad terms, these businesses are seen as an important source of employment and income opportunities for the poor, and contribute to local and national economic development.
37. **Interventions lacked clarity about how enterprises were expected to increase incomes and employment and for whom.** Designs assumed that the enterprises created and supported would generate employment, but lacked clarity about: (i) whether the target enterprises were survivalist or one-person enterprises and/or opportunity-driven enterprises with growth potential, which were more likely to provide greater wage employment opportunities for others; (ii) which strategies were expected to achieve what outcomes for which target groups (e.g. poor, less/non-poor); and (iii) the role of other market actors (e.g. small and medium-sized enterprises) that could serve as intermediaries to create benefits for the intended ultimate target group. Lastly, insufficient consideration was given to the extent to which projects should aim to improve individuals’ skills and employability and the quality of jobs, as opposed to expecting all participants to operate an enterprise.
38. Project objectives and targets were at times overambitious, and activities did not always match their goals. Projects sometimes underestimated the effort and time required to create, strengthen and sustain entrepreneurial activities and enterprises. Where designs included large outreach targets, projects may have focused on reaching many people rather than providing more support to fewer entrepreneurs and enterprises to increase the likelihood of sustained success.
39. **Overall, project strategies were more suited to creating or strengthening pre-entrepreneurial activities and very small microenterprises than to targeting and supporting enterprises with growth potential.** The strategies have supported income diversification and risk mitigation for entrepreneurs rather

than larger employment impact. Overall, the projects' scope and strategies, which focused on improving productivity, were not sufficiently guided by sound market analysis or assessment of the development and growth potential of rural enterprises or employment generation.

40. Projects often paid inadequate attention to gauging entrepreneurial aptitude to screen and identify participants. Consequently, most project participants were engaged in pre-entrepreneurial activities or in very small microenterprises that were engaged in multiple income-generating activities. Accordingly, income diversification for managing risks was an important impact.
41. **Improved productivity and services through increases in entrepreneurs' knowledge and technical skills was a main driver in increased revenue from entrepreneurial activities.** In some sectors, the projects successfully introduced participants to new technologies and innovations, knowledge, skills and equipment or tools. Projects increased the level of self-employment among some key target groups, such as youth (most clearly in PEAJ), and created new or improved income opportunities for existing entrepreneurs, diversifying income sources. To a lesser extent, improvements in productivity contributed to enterprises' growth and increased or better wage employment. However, the adoption of new or improved routine management and business practices was inconsistent or low, and synergies between non-financial and financial support could have been stronger.
42. **Implementation capacity did not fully meet the design's ambitions.** Under REP in Ghana and PACE in Bangladesh, which were national in scope and covered multiple sectors, different types of support and numerous partners, effective delivery required substantial human, managerial, technical and financial capacity and inter- and intra-organizational coordination and cooperation. Under REP in Ghana, institutions such as business advisory centres and rural technology facilities have faced capacity constraints. Partner organizations in PACE in Bangladesh are experienced and mostly effective in service delivery, but they are more familiar with "traditional" direct delivery or production-oriented support, and have limited practical knowledge and experience in enterprise or value chain development. The facilitating NGOs participating in PEAJ in Cameroon also initially lacked experience/capacity in entrepreneurship development.
43. **The prospects for sustainability of business development and financial services by key institutions are mixed.** Key government organizations have been largely responsible for the delivery of non-financial services, supplemented by contracted non-government or private sector organizations. The provision of non-financial services has been nearly 100 per cent subsidized, relying heavily on external funding. Other donors are likely to step in with further funding that will enable some continuation of services. Contracted organizations, such as NGOs or private entities, are less likely to provide ongoing services without grant funds.
44. **Across the projects, there is lack of longitudinal and granular data and analysis (quantitative and qualitative),** which are needed to better understand who participated and who benefited and to what extent, and which project interventions were most effective and for whom. Monitoring frameworks and processes did not seek a more nuanced understanding of target groups, different outcomes and pathways, while external impact studies did not include sufficient analysis of the type and levels of participation to understand causal relationships between what projects did and the effects experienced by different categories of participants.

B. Lessons

45. The following lessons are noted:

- (i) **Strategies need to consider the profiles, skills, capacity and resources of entrepreneurs, with a clear understanding of how the expected outcomes for those entrepreneurs are to be achieved.** For example, creating or strengthening self-employment requires different approaches to supporting enterprises with greater impact on employment creation. Where better-off entrepreneurs/enterprises participate in projects, there should be a clear rationale for the extent of grant/subsidized project support provided and a clear understanding of how this is expected to impact the rural poor. The strategy and approach should be informed by market analyses and opportunities for the development and growth of enterprises of different types/sizes.
- (ii) **Creating and growing enterprises requires systematic, longer-term support** using a mixture of business development services and financial services, together with longer-term monitoring of attrition and growth and the reasons for changes. Support to start-up enterprises requires well-sequenced approaches that include intensive and continuous support, taking into consideration entrepreneurship potential when identifying participants. There are trade-offs between being able to provide sufficient support and reaching large numbers of people, particularly over dispersed geographical areas or across different sectors.
- (iii) **Impact assessment requires a holistic understanding of household economic activities.** Most rural households engage in multiple entrepreneurial activities and allocate time and labour to manage cash flows to match their finance needs. Project monitoring that focuses only on specific entrepreneurial activities may overlook how the supported activities complement or replace other income sources or the extent to which they contribute to better management of risks and seasonality. Also, more granular data on wage job creation are needed (e.g. on seasonality, stability, wage levels) to better understand employment outcomes.
- (iv) **Strategies to improve rural microentrepreneurs' access to finance must be based on understanding their needs, as well as policy and institutional bottlenecks.** A differentiated approach is needed, depending on the stage and maturity of enterprises, their credit histories and perceived creditworthiness (depending on whether they are start-ups or existing enterprises) and the types and terms of financing according to the main purpose (e.g. investment on assets), while exploring the need and room for developing innovative products and services. Allocating credit funds for rural enterprises is insufficient to promote responsive and sustainable financial services if systemic constraints or the incentives for financial institutions to serve different clientele are not addressed. It may not be realistic to address systemic issues within the project scope and timeframe.
- (v) **Technology and innovation introductions require sufficient analysis** of: (i) target groups' context and needs; and (ii) the appropriateness of the technology (whether physical equipment/tools or practices), including affordability, access, ease of use (including operations and maintenance), sustainability and contribution to improved profits.
- (vi) **Productivity improvements can contribute to income/revenue increase, but additional support is needed for enterprise upgrading,** such as improved management practices and marketing and better linkage of producers or service providers to other market actors and functions.

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Currency equivalent, weights and measures

Currency equivalent

US\$1 = BDT (Bangladesh Taka) 85 (January 2022)

US\$1 = GHS (Ghanian Cedi) 6.1

US\$1 = XAF (Central Africa CFA Franc) 580 (Cameroon)

Weights and measures

1 ton	=	1,000 kg
1 hectare	=	2.47 acres

Abbreviations and acronyms

AfDB	African Development Bank
BAC	Business Advisory Centre (Ghana)
BRC	Business Resource Centre (Ghana)
FAO	Food and Agriculture Organisation of the United Nations
GDP	gross domestic product
GNI	gross national income
IDA	International Development Association
IEG	Independent Evaluation Group (World Bank)
IFAD	International Fund for Agriculture Development
ILO	International Labour Organization
IOE	Independent Office of Evaluation of IFAD
M&E	monitoring and evaluation
ME	Microenterprise
MFI	Microfinance institutions
MSE	Micro and small-scale enterprise
MSME	Micro, small and medium-scale enterprise
NGO	non-governmental organization
ODA	official development assistance
OECD	Organization for Economic Co-operation and Development
PACE	Promoting Agricultural Commercialization and Enterprises Project (Bangladesh)
PCE	Project cluster evaluation
PEAJ	<i>Programme de Promotion de l'Entreprenariat Agropastoral des Jeunes</i> (Youth Agropastoral Entrepreneurship Promotion Programme, Cameroon)
PKSF	Palli Karma-Sahayak Foundation (Bangladesh)
PO	Partner organizations (in PACE Bangladesh)
RCB	Rural and community bank (Ghana)
REP	Rural Enterprise Programme (Ghana)
RTF	Rural Technology Facility (Ghana)
RERP	Samridhhi – Rural Enterprises and Remittances Project (Nepal)
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
TSC	Technology Solution Centre (Ghana)

Project cluster evaluation on rural enterprise development

I. Introduction

A. Background

1. As approved by the 131st session of the IFAD Executive Board in December 2020, the Independent Office of Evaluation (IOE) has undertaken a project cluster evaluation (PCE) on rural enterprise development.¹ PCE is a new evaluation product of IOE introduced in response to the recommendation of the external peer review of IFAD's evaluation function.² A PCE aims to enhance the learning aspect of existing project-level evaluations through comparative analyses, in addition to assessing project performance and results, by clustering of projects that have common features (e.g. region, thematic focus, type of country) (IFAD 2020b). For this PCE, four projects on rural enterprise development were selected: in Cameroon, Ghana, Bangladesh and Nepal (see paragraph 9, table 1 and annex VI).
2. The choice of the topic "rural enterprise development" for the PCE "reflects the priority accorded by IFAD to rural transformation in its Strategic Framework 2016-2025" (IFAD 2020a). "Diversified rural enterprise and employment opportunities" is one of the areas of focus under the strategic objective "increase poor rural people's benefits from market participation" in the Strategic Framework 2016-2025. The importance of micro, small and medium-sized enterprises (MSMEs) as a source of employment and livelihoods - not only in rural areas - has been widely researched and discussed in the broader international development community. The growth of MSMEs is also one of the targets³ under the Sustainable Development Goal (SDG) 8 "decent work and economic growth".
3. IOE has conducted several evaluations that touch on, directly or indirectly, the topic of rural enterprise development.⁴ However, there has not been an evaluation that took the rural MSMEs development as the main theme, and this also underlined the choice of the topic.

B. Rural enterprise: concept and definition

4. There is a wealth of research and literature on MSMEs – in the context of developing countries and development cooperation, as well as in developed economies. The majority of them do not distinguish between *urban* and *rural* enterprises and there is no agreed definition of *rural* enterprises. A key differentiation among *rural enterprise* is on-farm relating to agricultural production, and non-farm⁵ (or off-farm) enterprises which could be related to agriculture (e.g. input supply, processing, transport) or not. Non-agriculture related enterprises can

¹ The evaluation "will cover IFAD projects working on the development of on and off-farm enterprises and may cover projects that share similar characteristics such as geographic region, similar stage of implementation and linkages to value chains." (IFAD 2020a)

² "...a small number of individual project-level evaluations could still be produced in cases where projects present design and performance issues of wide institutional interest and value. However, the general project-level evaluation should be of a cluster of similar projects allowing for cross-country insights and more generalizable findings." (IFAD 2019a)

³ SDG Target 8.3 "Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services"

⁴ Including: corporate-level evaluation on IFAD's engagement in pro-poor value chain development (2019); evaluation synthesis on smallholder access to markets (2016); evaluation synthesis on inclusive financial services for the rural poor (2019); and corporate-level evaluation on IFAD's private-sector development and partnership strategy (2011).

⁵ Off-farm is also referred to as non-farm enterprises. The publication by the Independent Evaluation Group of the World Bank Group (2017) describes as follows: "Rural non-farm activity is defined both spatially, by activity that takes place in rural areas, and functionally, by a set of activities that do not constitute primary agricultural production. Rural non-farm activities include value chain activities, such as agro-processing, transport, distribution, marketing, and retail, as well as tourism, manufacturing, construction and mining, plus self-employment activities (handicrafts, bakeries, mechanics, kiosks, and so on).

be producing goods for local or outside markets (e.g. soap making, dressmaking, handicrafts), providing services for local population (e.g. carpentry, welding, car repair, hairdressing, rural restaurants), as well as services catering local or outside clients (e.g. transport services, ecotourism).

5. There is no universal definition of MSMEs. National governments and international organizations tend to differentiate “micro”, “small” and “medium” by their number of employees, value of turnover and assets. However, the category of “micro” enterprises alone can cover a wide range of sizes and types of enterprises, from those consisting of only one person (self-employment) or with one or two family members, often informal without a legal status, to those with up to 10 employees and total asset up to US\$100,000 (International Finance Corporation).
6. Box 1 provides a general description of rural enterprises and employment/jobs, as considered in the PCE, along the IFAD’s rural enterprise policy, while country/project-specific descriptions and their comparison are provided in annex V. “Enterprises” reviewed in the PCE are mostly microenterprises or “pre-entrepreneurial activities” as termed by IFAD that are operated by the primary and direct target group and/or that are expected to be a job creator for others – and occasionally small enterprises as a job creator. “Pre-entrepreneurial activities” are included in the scope of the evaluation especially when they are intended to lead to more predictable and regular income sources (in contrast with *ad hoc* and very minor household income sources). The PCE – and the projects reviewed - do not cover medium-scale enterprises, which IFAD may incentivize or partner with as intermediaries or conduits⁶ with expected benefits on the primary target group (rural poor), for example, by linking smallholder farmers to them or by making value chains more efficient. Annex IV provides an overview of IFAD policy and strategy on rural enterprise development and supported operations.

Box 1

Description of rural enterprise and employment used by IFAD adopted in PCE

Rural enterprises, in the context of the PCE, are rural entrepreneurs and micro and small-scale enterprises (MSEs), along the lines of the description in the IFAD’s rural enterprise policy (2004) as below, who are targeted or supported by IFAD-financed projects:

Pre-entrepreneurial activities: traditionally designated as income generating activities (small crafting, petty trading, etc.), with people that have limited knowledge of the basic principles that guide any business activity and lack basic assets.

Microenterprises: semi-structured activities, including limited fixed assets, and observing some basic management principles

Small enterprises: structured businesses that usually have a well-defined market niche and physical location, an acceptable turnover, some business skills, regular access to market-based business advisory services and a number of part- or full-time employees.

“**Employment**” or “**jobs**” refer to self-employment, employment of household members (normally unpaid), or paid employment of non-household members. Depending on the nature of enterprises, employment may be full-time, part-time (continuous), or recurrent/seasonal (full or part-time). Temporary and one-off jobs for a limited period only are not considered.⁷

Source: PCE team elaboration based on IFAD 2004, IFAD 2021b.

⁶ IFAD has also developed other initiatives to directly support private sector players, such as the Agri-Business Capital (ABC) Fund, which was set up as an independent private investment fund to provide “loans and equity investment adapted to the needs of rural SMEs, farmers’ organizations, agri-preneurs and rural financial institutions”, targeting “commercially viable ventures that can help create employment” (<https://www.ifad.org/en/abcfund>)

⁷ The understanding of “employment” is largely in line with the description given by IFAD (IFAD 2021b). The PCE analysis considers different types of employment.

7. The projects assessed in the PCE covered a wide array of enterprises and entrepreneurial activities, both on-farm and off-farm (agriculture and non-agriculture) (see tables 5 and 6 in section III.B for types of enterprises supported in the projects selected).⁸

C. Evaluation objectives and scope

8. **Objectives.** The main objectives of the PCE are to assess the results and performance of selected projects and to generate learning from analysing the findings from different projects on key common issues and questions around rural enterprise promotion.
9. **Scope.** The PCE covered four ongoing mature projects in Cameroon, Ghana, Bangladesh and Nepal that were designed to support rural enterprise development (table 1). These projects were selected based on the following considerations: (i) a clear focus on rural entrepreneurship, enterprise/business development and employment creation; (ii) including support for non-financial services, access to finance and enabling environment for rural MSE development; and (iii) project completion between 2021 and 2023 (see annex III for more details). For RERP Nepal, the PCE reviewed only the design and relevance, since the project was restructured and the interventions of common features (e.g. access to finance, business development services) were dropped or significantly scaled-down. Key data and information on the project/country context as well as a comparison of main features of project interventions are provided in section II and annex VI.

Table 1

Cluster of projects selected for the PCE

<i>Country, project (implementation period)</i>	<i>Project goal/objective</i>
Cameroon: Youth Agropastoral Entrepreneurship Promotion Programme (PEAJ ⁹) (2015-2023)	Development objective: give young men and women the means to increase their income and improve their food security through profitable businesses, integrated into promising agro-pastoral sectors and offering viable employment opportunities in rural areas Specific objectives: (i) support young people in creating and managing successful agropastoral businesses; and (ii) promote a policy, organizational and institutional framework conducive to the creation and development of agropastoral businesses among young people.
Ghana: Rural Enterprise Programme (REP) (2012-2022)	Overall objective: improve the livelihoods and incomes of entrepreneurial poor people in rural areas. Specific objective: increase the number of rural MSEs that generate profit, growth and employment opportunities.
Bangladesh: Promotion of Agricultural Commercialization and Enterprise Project (PACE) (2014-2022)	Goal: enhance livelihoods (higher income from self-employment, business profit and wage employment, and food security) of the moderately and extremely poor Project participants in a sustainable manner. Objective: increase sales and incomes of existing and new microenterprises and to create new wage employment opportunities for extremely and moderately poor people
Nepal: Samriddhi – Rural Enterprises and Remittances Project (RERP) (2015-2022)	Goal: contribute to poverty reduction and sustainable peace through employment-focused, equitable and inclusive economic development Development objective: viable rural micro, small and medium enterprises, in both farming and off-farming sectors, provide sustainable sources of income to poor households, migrant families and returnees.

Source: project design documents and financing agreements; RERP restructuring paper.

⁸ The results management framework for the Twelfth Replenishment of IFAD's Resources (IFAD12) includes an indicator "900,000 rural enterprises accessing business development services" and its definition excludes on-farm production activities. However, IFAD-funded projects supporting rural enterprises often cover both on-farm production activities as well as non-farm entrepreneurial/enterprise activities, as was the case in the projects reviewed in the PCE. Hence, the PCE does not exclude on-farm activities mainly intended for marketing and generating sales.

⁹ From the French project title, *Programme de Promotion de l'Entreprenariat Agropastoral des Jeunes*.

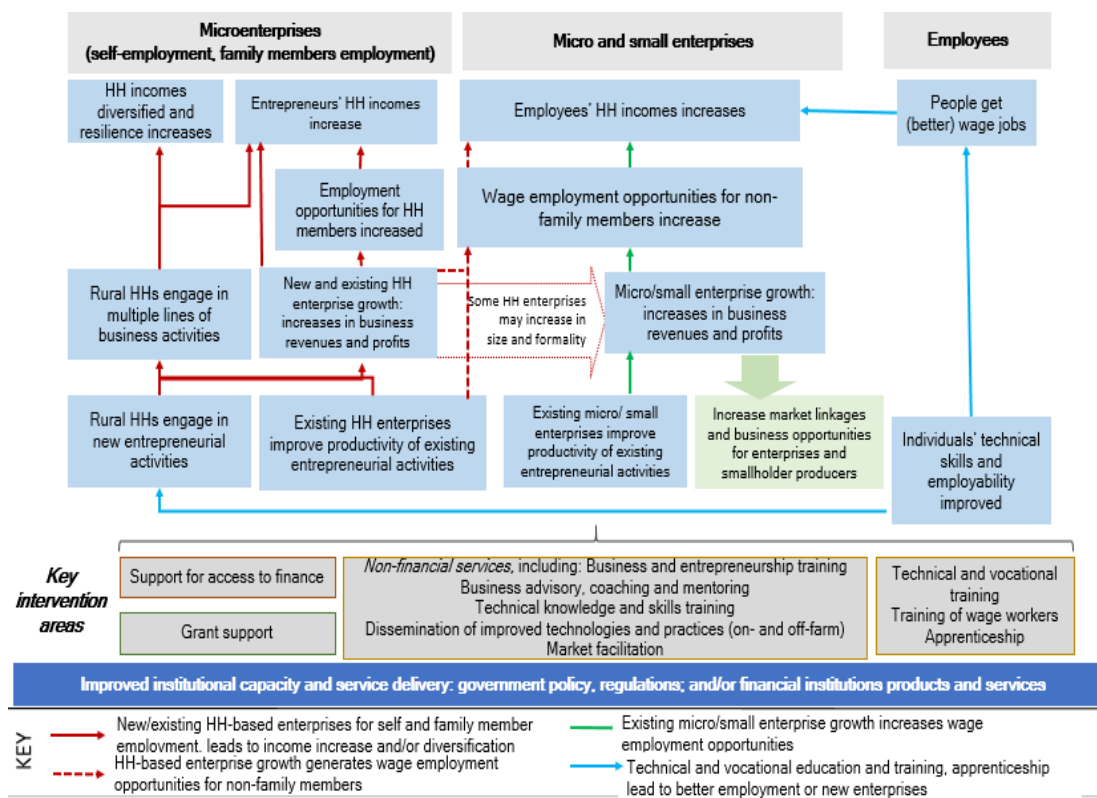
D. Methodology

10. The PCE was undertaken in line with the IFAD's Evaluation Policy (IFAD 2021a). The PCE was newly introduced in 2021, following the IOE's note on revised evaluation products (IFAD 2020b) (see paragraph 1). The methodological approach for this evaluation took into consideration the existing guidance on project performance evaluations in the IOE's Evaluation Manual (second edition, 2015).¹⁰ Given the emphasis on the learning aspect through comparative analyses of multiple projects, some modifications were needed. These include the use of selected evaluation criteria rather than an entire set of standard criteria normally applied in project performance evaluations, as well as providing no performance ratings. The evaluation does not provide recommendations but offers lessons. The project-level assessment was guided by key common issues/questions specifically around rural enterprise development, with necessary tailoring to specific cases to facilitate comparative analyses and the synthesis of project-level findings.
11. **Key overall evaluation questions** for the PCE included the following:
- To what extent have the projects contributed to generating different types of employment opportunities, increasing and/or diversifying incomes of the rural poor? How are the strategies and approaches differentiated according to expected outcomes and impact pathways, target group profiles, or the context?
 - What approaches are effective in reducing key barriers to entry for start-up non-farm microenterprises and for existing microenterprises to grow?
 - What lessons can be learned with regards to attrition, resilience or growth of rural MSEs?
 - Which interventions are most effective in strengthening support systems and policy/ institutional frameworks to promote rural MSE development?
12. Under these overarching questions, the PCE had interrelated four areas of inquiries: (i) targeting, social inclusion and poverty impact; (ii) contribution to increased employment; (iii) access to finance and non-financial services; and (iv) institutional capacity building, support systems and enabling environment (see annex I for specific evaluation questions in each area). These questions were also linked to one or more of the following standard evaluation criteria applied by IOE in its evaluations: relevance, effectiveness, rural poverty impact, sustainability of benefits; and gender equality and women's empowerment. RERP Nepal was covered only for the criterion of relevance.
13. **Impact pathways.** At the time of the approach paper preparation, a generic theory of change for rural enterprise development was developed and it served as an overarching analytical framework for the PCE. Projects aiming at rural enterprise and entrepreneurship development and employment creation implicitly or explicitly cover multiple avenues (or "impact pathways") to achieve the objectives. These are summarised below.
- *Microenterprises for self and family member employment.* Through the support for non-financial services for entrepreneurship and technical skills development and with access to finance, the rural poor would be enabled to engage in profitable entrepreneurial activities and start up microenterprises. This would enable them to enhance and/or diversify their income sources.
 - *Growth of new microenterprises generating wage employment opportunities.* Some of the new microenterprises with strong entrepreneurship aptitude would grow, supported with adequate non-financial and financial services, and would create wage employment opportunities for non-family members.

¹⁰ The Evaluation Manual (second edition, 2015) was being revised at the time of conducting the PCE.

- *Growth of existing micro (and/or small) enterprises increasing employment.* Through support for non-financial services (e.g. business planning, improved technologies, market facilitation) and with access to finance, existing micro (and/or small) enterprises are able to upgrade and expand their businesses and increase profitability and revenues. This would create wage employment for non-family members, as well as market linkages and business opportunities for other microentrepreneurs and smallholder producers.
- *Technical and vocational education and training, apprenticeship* would enhance technical skills (e.g. welding, carpentry, electrician) of the rural poor (often youth). This would lead to those trained getting new or better-paid jobs, or them starting own business/workshops.

Figure 1

Presentation on impact pathways supporting rural enterprise development

Source: PCE team elaboration based on project documents and literature.

HH: household

14. **Sources of evidence.** On the selected projects, in addition to the desk-based review of relevant documentation,¹¹ the evaluation obtained data and evidence from multiple sources including: (i) interviews with IFAD staff and consultants, project staff, government officials, implementation partners (virtual or in-person in the capital or in the field), other resource persons and key informants (see annex X for a list of key persons consulted); (ii) interviews and focus group discussions with beneficiaries; (iii) direct observations during field visits (e.g. business activities by beneficiary entrepreneurs, books keeping records, or set-up of service providers); and (iv) phone surveys with beneficiaries of matching grants (REP Ghana) and users of new financial products (PACE Bangladesh). Evidence from literature was also used to check and contextualize the emerging findings. Annex II presents key issues highlighted in the literature.

¹¹ Including project-specific data and documentation (e.g. design documents, mid-term review, supervision mission reports, reports on sub-projects, monitoring and evaluation data, impact assessment reports), previous IOE evaluations in the same country, external literature or evaluations on the thematic areas and/or the countries).

15. In Bangladesh, Cameroon and Ghana, in-country missions were conducted between October and December 2021, each for approximately two weeks. These missions, including field visits, were undertaken by national consultants in Bangladesh and Ghana, and a team of national consultants and an international consultant in Cameroon, all under supervision by IOE. Sampling of the project sites for field visits was done based on a number of considerations, including: a diversity within the project (e.g. agroecological zones, socio-economic contexts, types of trades, characteristics of value chains, types of partner organizations), significance of project investment. The sampling approach and the information on the project sites visited are provided in annex III.
16. **Evaluation process.** IOE finalized the approach paper in July 2021. In addition to virtual meetings, in-country missions with field visits were conducted between October and December 2021. In the case of Cameroon, the evaluation mission took place at the same time as the PEAJ supervision mission organized by IFAD, which also provided the opportunity to have more direct exchange between mission members. In light of the data gap observed from the field visits, phone surveys were organized in Ghana and Bangladesh (see paragraph 14). In each country, debriefing meetings were organized to share preliminary findings to IFAD and the country stakeholders.¹² The sub-teams on different projects continued with additional meetings and further analysis of primary and secondary data obtained, and prepared written inputs, which were then synthesized in an overall PCE draft report with comparative analyses around the common evaluation questions. After the peer review within IOE, the draft was shared with concerned IFAD regional divisions and concerned Governments. The comments received have been taken into account in the final report.
17. **Qualifications and limitations.** The PCE covers four projects designed to support rural enterprise development. The projects selected are not intended to be representative of the whole IFAD portfolio and the evaluation does not claim to provide findings that can be generalized for the IFAD operations in this thematic area. Rather, by looking at projects with similar objectives and comparable sets of interventions in different contexts based on common questions, the focus is on providing some insights on key design and implementation issues.
18. The main limitation related to the data availability and accuracy, in particular on outcomes and impact, such as: performance of entrepreneurs/enterprises (longitudinal data on attrition, survival and growth), job creation, impact data (including revenues and incomes). Even though employment generation is part of the expected outcomes in all projects reviewed, the data on types (e.g. who the jobs are for, full-time, part-time, seasonal), quantity and quality of jobs created were generally scarce.¹³ These reflect challenges in various aspects, such as systematically collecting and analysing data over time beyond input/output figures with sufficient granularity, delays or inadequacy in setting up the systems, inadequate supervision of or weak collaboration with implementing partners that are responsible for data collection and entries, and insufficient or inadequate human resources from project management teams to provide guidance and quality assurance. In order to address these limitations, to the extent possible, the available data from different sources, including the primary data collected by the evaluation team, were triangulated. In some cases, raw data files from the project management information system were obtained, although the format did not always allow data manipulation and analysis. After the field missions, follow-up data collection was also conducted to fill the gaps (e.g. mini-surveys, focus group

¹² Debriefing meetings were organized with IFAD and the project teams in all three countries. In Cameroon and Bangladesh, separate meetings with the concerned ministries were also organized, and in Ghana, with key implementing partners.

¹³ Only in RERP Nepal, there was an effort to trace and record the employment outcomes for trainees of technical and vocational training, including wage levels. However, as noted, the PCE's review on RERP Nepal was limited to relevance.

discussions). Where projects had insufficient information needed to interpret the emerging findings or to explain enabling or constraining factors, the team also looked at relevant research to support the analysis.

19. Whether for enterprise creation or growth, or for employment outcomes, the data analyses and interpretation also needed to take into consideration the ambiguities in what is to be considered rural MSEs (e.g. smallholders/producers vs. on-farm enterprise, or income generating activities vs. off-farm enterprise). Most rural households manage multiple income sources and the income from a particular line of entrepreneurial activities is only one of them. The notion of "self-employment" or "establishing an enterprise" is clearer when the business is registered (e.g. sole proprietor) and has a physical location, among other things, but otherwise, what types of entrepreneurs or entrepreneurial activities should be considered as an enterprise or self-employment is also vague. In line with the IFAD's rural enterprise policy (see also paragraph 6, box 1), the PCE adopts the concept of "pre-entrepreneurial activities" and include them in the scope, but some ambiguity still remains on if and when certain income generating activities are to be considered an enterprise.

Key points

- PCE is a new evaluation product of IOE, with the aim to enhance the learning aspect of project evaluations through comparative analyses by clustering of projects that share common features. For the first PCE, the theme of rural enterprise development was selected. The evaluation seeks to provide insights on some project design and implementation issues by looking at a limited number of projects based on common questions.
- There is no clear common definition of a rural enterprise nor MSEs/MSMEs. National governments and international organizations tend to differentiate "micro", "small" and "medium" by their number of employees, value of turnover and assets. However, the category of "micro" enterprises alone can cover a wide range of sizes and types of enterprises. IFAD has defined MSEs based on the characteristics and not based on the number of employees or turnover.
- The PCE covered four projects on rural enterprise development in Cameroon, Ghana, Bangladesh and Nepal respectively, which had objectives on enterprise development, entrepreneurship development and employment creation. Field missions were conducted except for Nepal, for which only a light desk review was conducted in relation to design and relevance, since common sets of interventions for rural enterprise development were dropped or significantly downscaled after its restructuring.
- The PCE had four areas of inquiries: (i) targeting, social inclusion and poverty impact; (ii) contribution to increased employment; (iii) access to finance and non-financial services; and (iv) institutional capacity building, support systems and enabling environment.
- To the extent possible, the available data from different sources, including from the primary data collected by the evaluation team, were triangulated. Some limitations, however, related to the data availability and accuracy, in particular on outcomes and impact, such as enterprise performance or employment creation.

II. Summary project descriptions and comparative overview of key features

20. This section provides summary project descriptions for the selected projects and a comparative overview of key features, with an emphasis on three projects/countries other than Nepal which was for a light review. Sub-section II.B presents a comparison of project scope (geographical coverage and sector focus), target groups, impact pathways and project approach and interventions for non-financial services and financial services.

A. Summary project descriptions

21. **PEAJ Cameroon (2015-2023, total cost US\$73 million, IFAD financing US\$50 million).** PEAJ has an exclusive focus on young agro-pastoral entrepreneurs, aged 18-35 years old. It covers four regions out of the ten administrative regions. The programme has three main components: (i) development of viable agropastoral enterprises (non-financial services); (ii) access to financial services; and (iii) improving the organizational, policy, institutional and legal frameworks.
22. The programme offers non-financial services based on an incubation approach, starting with a process of information dissemination leading to the identification of potential young entrepreneurs to be taken into the incubation programme. The incubation programme involves support to develop initial business ideas into business plans, with skills assessment, personalized training and technical support over 6-9 months, followed by further coaching. Business plans prepared during the incubation period are used to link the new entrepreneurs to financial institutions (classified as microfinance institutions, MFIs) which can access the credit refinancing and risk-sharing facilities funded by PEAJ. Throughout the preparation, start-up and initial business stages, business coaches engaged by the project also provide periodical advisory and follow-up services. Furthermore, PEAJ also supports the strengthening of institutional frameworks, for example for incubation support for agropastoral entrepreneurs.
23. The lead implementing agencies are Ministry of Agriculture and Rural Development and the Ministry of Livestock, Fisheries and Animal Industries. The national programme management unit and the Regional Advisory Units are established. Key partners have included: four facilitating NGOs (for information dissemination and sensitization); 15 training centres-cum-incubating structures (some public, some private); Société Générale de Cameroun (managing the PEAJ-supported financing facility); and about 10 partner financial institutions. The programme has also partnered with the International Labour Organization (ILO) and PROCASUR (the latter facilitated by another IFAD regional grant programme¹⁴) for technical assistance.
24. As of December 2021, it was reported that 29,400 youth had been taken through the sensitization and information stage, 3,813 youth had gone through the incubated programme (against the target of 3,700), of which 2,605 started businesses. About 78 per cent of IFAD funds had been utilized.
25. **REP Ghana (2012-2022, total cost US\$250 million¹⁵, IFAD financing US\$71 million).** REP is the third phase programme supporting MSEs development,

¹⁴ "Development of Tools to Engage Youth in Agriculture and Agribusiness" ("Youth Tools" in short) (2018-2022). The programme objectives are "to identify (stocktaking), further develop and improve tools then test them with the rural youth to finally disseminate them and upscale them in sub-Saharan Africa through policy and design of new investments" (grant agreement). The programme works in Cameroon, Madagascar, Mali and Senegal.

¹⁵ Including cofinancing by the African Development Bank in the amount of US\$70 million. According to the initial REP appraisal report by the African Development Bank, 68 per cent of the Bank's resources was allocated for the component on development of agricultural commodity processing infrastructure (the second programme component titled differently by IFAD as "technology promotion and dissemination"), and this was to finance civil works, RTF

targeting the “entrepreneurial poor”. The first phase (1995-2002) operated in 13 districts, and the phase II (2003-2012) in 66 districts. The coverage of REP (phase III) was to be nation-wide, over 160 rural districts. Main building blocks in all phases of REP are: (i) business development services through district-based Business Advisory Centres (BACs) (REP component 1 business development services); (ii) technology transfer through technical skills training and demonstrations, mainly delivered by Rural Technology Facilities (RTFs) and Technology Solution Centres (TSCs)¹⁶ (component 2 technology promotion and dissemination); and (iii) access finance through linkages with financial institutions, including rural and community banks (under component 3, enabling MSE environment).¹⁷

26. During implementation, with a renewed priority on industrialization, the Government has introduced Business Resource Centres (BRCs), which are an upgraded version of BACs (but not in every district) and are to function as a one-stop shop.¹⁸ REP’s funding has also been directed to support the establishment of BRCs. About 28 per cent of the IFAD funds¹⁹ are allocated to civil works, vehicles and materials – to establish or improve infrastructures at BACs, BRCs, RTFs/TSCs and equip them better.
27. The lead programme agency is the Ministry of Trade and Industry, under which a programme coordination and management unit is established. The key implementing partners are: the Ghana Enterprise Agency (formerly called National Board for Small-Scale Industries) with its network of BACs (as well as recently created BRCs); the GRATIS Foundation²⁰ for technology development and support through RTFs/TSCs; and the ARB Apex Bank²¹ under the supervision of the Bank of Ghana.
28. As of June 2021, 63,164 new businesses were created under the current phase of REP (181 per cent target), while 23,452 existing businesses strengthened (39 per cent target) (REP October 2021 supervision mission report). About 59 per cent of IFAD funding had been disbursed as of October 2021.
29. **PACE Bangladesh (2014-2022, total cost US\$130 million²², IFAD financing US\$58 million).** PACE aims to increase sales and incomes from existing and new microenterprises and creating new wage employment opportunities for extreme

machinery/equipment, training, small office equipment and furniture, and operation and maintenance. With the Government’s industrialization plan, the Bank’s resources were also reallocated to the cost of setting up BRCs.

¹⁶ RTFs and TSCs are set up to promote the establishment and growth of technology based MSEs, by improving their access to appropriate technologies. They are equipped to perform as hubs for technology promotion, dissemination and transfer to the informal sector as well as to provide skills training to Master crafts persons and apprentices. The original technology centres were known as RTFs and largely served rural areas. TSCs perform the same function except they are better equipped and could serve clients beyond the rural districts where they operate from. The removal of the “R” (Rural) is to help make this focus even more pronounce. RTFs have been upgraded to reach the level of TSCs.

¹⁷ In addition, REP is also to support the establishment of 58 factories for youth groups under the Government’s “One District One Factory (1D1F)” Initiative as well as five Common User Facilities. The latter are expected to be owned by farmer based organizations in various value chains, whose members will use the facility and pay users’ fees into a fund.

¹⁸ BRCs were recently introduced to cater to the needs of medium to large enterprises who can fully pay for services and their operations are to be franchised to the private sector. Such arrangements are expected to reduce the burden on Government budget, improve the focus on entrepreneurial skills and linkages to markets and innovation, as well as the sustainability prospects for business development services. The intention is that BACs would continue to provide subsidised services to micro (and small) enterprises.

¹⁹ SDR (Special Drawing Rights) 13.29 million out of SDR 48.05 million from the original and additional loans.

²⁰ GRATIS Foundation is a technology transfer, training and manufacturing organization, established in 1999. It evolved from the Ghana Regional Appropriate Technology Industrial Service (GRATIS) project which was established in 1987 by the Government of Ghana with support from the European Union and the Canadian International Development Agency to promote small-scale industrialization in the country. It is an agency under the Ministry of Trade and Industry. (<http://gratis.gov.gh/index.php/about/>)

²¹ The ARB Apex Bank Limited is a “mini”-central bank for the RCBs. The Bank was registered as a public limited liability company in January, 2000. The shareholders are the RCBs. It was granted a banking license in June, 2001 and was admitted to the Bankers Clearing House as the 19th member in August, 2001. (ARB Apex Bank website)

²² Cofinancing almost exclusively by PKSF and POs, most likely in terms of the use of own credit funds.

and moderate poor people.²³ The programme supports three technical components: (i) financial services for microenterprises; (ii) value chain development (in agriculture and non-agricultural sectors); and (iii) technology and product adaptation, with each component oriented to different target groups (with some overlaps). Component 1 provides credit funds for the existing “microenterprise loan programme” (ME loan programme) operated by the Palli Karma-Sahayak Foundation (PKSF, which provides wholesale lending) channelled through its partner organizations (POs).

30. PKSF is the main implementing agency. PKSF is an apex development organization, established by the Government of Bangladesh in 1990 and registered as a not-for-profit company. PKSF mainly works with and through its POs (NGOs) also in PACE. PACE is the fourth IFAD-funded project implemented through PKSF.
31. As of late 2021, PACE reported that the outreach under component 1 was 355,185 people through over 180 POs. As the PACE funds were added onto the existing (and much larger) ME loan programme (see box 2), this figure was an estimation based on a proportion of the entire ME loan programme portfolio (see also paragraph 86 and footnote 108 in section III.B). Component 2 works through POs that come forward with proposals on different value chains/sub-sectors: 74 sub-projects across 16 agriculture sectors and 15 non-agriculture sectors²⁴ have been implemented through 46 POs, reaching 311,610 people (80 per cent in agriculture/on-farm sectors) (PACE September 2021 supervision mission).
32. **RERP Nepal (2015-2022, US\$25.2 million²⁵, IFAD financing US\$18.5 million²⁶)**. The RERP’s objective is that viable rural MSEs, in both farming and off-farming sectors, provide sustainable sources of income to poor households, migrant families and returnees. The original project design included business development services through “Enterprise Service Centres” to be established at district level, vocational training and apprenticeship, support for financial services. However, the project underwent a restructuring process (including a significant reduction in the project budget) after poor project performance, and as a result, at present the project mainly focuses on technical and vocational training for decent jobs (mainly for youth) and agricultural supply chain development. The main implementing agency is the Ministry of Industry, Commerce and Supplies. Helvetas (NGO) and the Agro-Enterprise Centre²⁷ are the main implementing partners. The project implementation performance is reported to have improved substantially. In the decent job sub-component, 5,002 people trained and 4,400 additionally enrolled (as of April 2021).

B. Comparative overview of key project features

33. This sub-section presents a comparative overview of the selected projects in the following aspects: (i) geographical and sector focus; (ii) target group and impact pathways; and (iii) intervention approaches for non-financial services and financial services.
34. **Geographical coverage and sector focus.** Except for PEAJ Cameroon, the projects covered diverse sectors and trades. REP Ghana and PACE Bangladesh were of a national scope (table 2). For sizes of enterprises and more examples of enterprises supported, see tables 5 and 6 in section III.B.

²³ PACE development objective as per the design.

²⁴ The project performance evaluation on the predecessor project to PACE (Finance for Enterprise Development and Employment Creation Project, FEDEC) conducted by IOE in 2014 recommended PACE to refocus on a smaller number of pro-poor value chains as opposed to the 30 value chains planned in the design. The implementation did not reflect this recommendation.

²⁵ After restructuring in 2020. The total project budget reduced from the original estimate of US\$68 million.

²⁶ After restructuring and partial loan cancellation. Originally US\$38.6 million.

²⁷ It is the agricultural wing of the Federation of Nepalese Chambers of Commerce and Industry. (<https://fncci.org/agro-enterprise-centre-141.html>)

Table 2
Geographical coverage and sector focus in selected projects

	<i>Geographical coverage</i>	<i>Sector focus</i>	<i>Notes</i>
PEAJ Cameroon	Four regions (out of ten)	Agro-pastoral sector (on- and off-farm)	Results show a predominant emphasis on on-farm enterprises
REP Ghana	National (over 160 rural districts)	Agriculture (on- and off-farm) Non-agriculture (e.g. soap making, welding)	Coverage of diverse trades/sectors
PACE Bangladesh	National	Agriculture (on- and off-farm) Non-agriculture (e.g. shoes, garment)	Coverage of diverse sectors mostly under value chain development component
RERP Nepal (Redesign)	16 districts in Eastern and Central Development Regions	Agriculture (on- and off-farm) Non-agriculture (vocational training)	Vocational training for decent jobs – not necessarily for enterprise development

Source: project documents.

35. **Target group and impact pathways.** Table 3 below provides the definition of target groups for each project. Apart from PEAJ Cameroon which defined only the age range (youth) and the sector (agro-pastoral), other projects provided a definition covering a range of poverty profiles and level of vulnerability. PACE Bangladesh and RERP Nepal were explicit in noting non-poor and better-off enterprises as part of the target group – as job creators and/or to provide market linkages with microenterprises. Projects also differed in the extent they targeted potential entrepreneurs.

Table 3
Target group definition (as per project documents)

	<i>Target group definition</i>
PEAJ Cameroon	Young men and women aged between 18 and 35, already investing or not, in agropastoral activities as well as holders of individual or collective projects aiming to create or at developing small and medium-scale enterprises in the agropastoral sector. Three categories of youth were envisaged: (i) rural youth without specific training in agriculture; (ii) young graduates wishing to create/develop agro-pastoral enterprises; and (iii) young entrepreneurs engaged in agro-pastoral activities and related trades with growth potential but encountering technical or financial constraints.
REP Ghana	Entrepreneurial poor, which are mostly members of poor rural families that are able to convert the capacity-building support from the programme into productive assets without or with barest additional investment support. They include: (i) rural poor people interested in self-employment or wage jobs but who lack the skills and/or start-up capital; (ii) rural poor people with some basic skills but who may require upgrading, entrepreneurship training and financing to improve and expand their businesses; (iii) identified vulnerable individuals or groups such as the physically challenged or the socially excluded members; and (iv) young people
PACE Bangladesh	Microentrepreneurs who are borrowers of ME loan programme (non-poor), moderately poor and extremely poor persons. In terms of professional identities, the project will target marginal and small farmers involved in field crops, horticulture, fisheries, livestock production, non-farm microentrepreneurs, and professionals in service sectors.
RERP Nepal	Primary beneficiaries including: (i) existing rural MSEs; (ii) poor households; (iii) returnee migrants and remittance receiving households; and (iv) small enterprises Secondary target group: medium and large enterprises as well as service providers, who will be harnessed to provide support to the primary target group through the development of business partnerships, vocational training, apprenticeship packages and job placement

Source: Project design documents.

36. Projects had similar objectives to develop enterprises, entrepreneurship and employment and increased income (see table 1 in section I). Table 4 below outlines each project's key impact pathways to achieve these objectives (see also paragraph 13 and figure 1). Some are explicit in designs and implementation documents, while others are implicit. The number of 'ticks' denote the extent to which a specific pathway is reflected in the project's work and level of effort according to the PCE's

review. At times, projects expected multiple pathways may be used: for example, apprentices may first get wage employment to work under someone else and then later set up own business/workshop. A sub-set of the first two impact pathways is on improved on-farm production for producers (on-farm enterprises). This is found to a great extent in PEAJ Cameroon (as new enterprises) and PACE Bangladesh (existing small and marginal farmers)²⁸, and to a lesser extent in REP Ghana and RERP Nepal.

37. In summary, PEAJ Cameroon had a focus on youth start-up enterprises, whereas REP Ghana was to support a mix of new and existing enterprises. The objective of PACE Bangladesh referred to both new and existing microenterprises, but the implementation strategies had a much stronger focus on existing ones than new enterprises (see also box 2, paragraphs 86-87). REP Ghana and RERP Nepal supported technical and vocational education training pathways, while PEAJ Cameroon did not use this at all. PACE Cameroon, REP Ghana and PACE Bangladesh were to support employment creation or enhancement - for self and household members more than for non-household members.

Table 4
Impact pathways covered in projects ^a

	PEAJ Cameroon	REP Ghana	PACE Bangladesh	RERP Nepal (original)	RERP Nepal (revised)
Start-up microenterprises for self and family employment for household income enhancement	✓✓✓	✓✓✓	✓	✓✓	
Existing microenterprises sustained or upgraded for self/family employment for household income enhancement	✓	✓✓✓	✓✓✓	✓✓	✓
M(S)Es growth for wage employment opportunities for non-household members	✓	✓✓	✓✓ ^b	✓✓✓	
Technical and vocational education and training, apprenticeship for: (i) setting up enterprises; and/or (ii) improved employability and employment		✓✓✓ (i)	✓ (ii) (comp 2, non-farm)	✓✓✓ (i)(ii)	✓✓✓ (ii) ^c

Source: PCE interpretation based on the review of project data.

Note: Number and size of tick (✓) indicates the level of focus as assessed by the PCE team

^a Reflecting implementation experience, except for RERP Nepal (original) based on the design

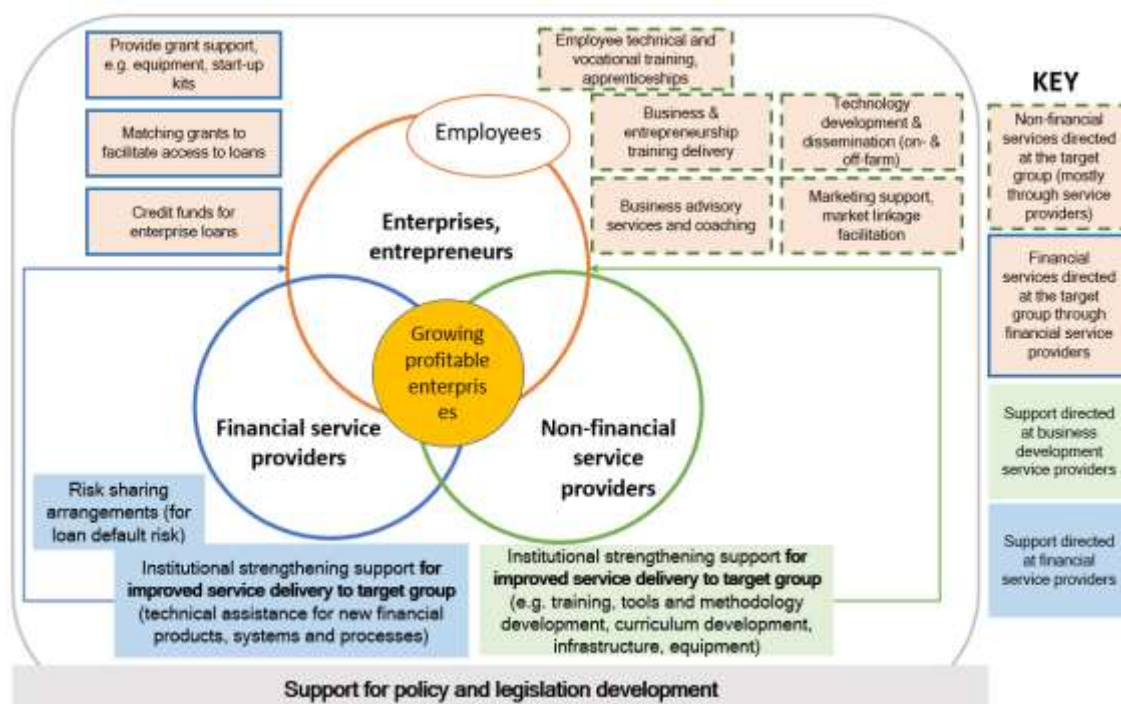
^b The enterprises were supported in: (a) financial services component as borrowers (explicitly categorized as “non-poor”); and (b) value chain component, in particular, off-farm enterprises.

^c Some trainees and apprentices set up enterprises, but the focus of the project is on decent jobs and not enterprise creation.

38. **Key project intervention approaches.** Figure below presents key interventions aimed at enabling access to non-financial and financial services by rural entrepreneurs. These are further elaborated in the subsequent paragraphs.

²⁸ Producers were labelled “(micro) enterprises” or “entrepreneurs” in PEAJ Cameroon and REP Ghana along those engaged in off-farm entrepreneurial activities. In PACE Bangladesh, producers – categorized as small and marginal farmers in Bangladesh – participated in the agricultural value chain sub-projects but not necessarily or consistently called microenterprises. In PACE, the term “microenterprise” was mainly used in conjunction with borrowers under the ME loan programme (see box 2).

Figure 2
Schematic presentation of key intervention areas



Source: PCE team elaboration based on project documents and literature.

Note: One project does not necessarily include the whole set of interventions.

39. *Non-financial services.* Types of non-financial services supported in the projects included the following (see also annex VI):

- *Business and entrepreneurship skills training* was one of the most predominant types of support. PEAJ Cameroon offered such support to youth as part of the longer-term incubation programme through training-cum-incubation centres engaged, whereas in REP Ghana, BACs organize much shorter training for groups of entrepreneurs with own staff or engaged consultants. In PACE Bangladesh, business and entrepreneurship skills training is less emphasised compared to REP and PEAJ. RERP Nepal original design was strong on this aspect, than it was dropped in redesign.
- *Business advisory services, coaching and mentoring* were also provided by the training-cum-incubation centres in PEAJ Cameroon and by BACs in REP Ghana, although less intense in REP.²⁹ Both projects also include support for the development of business plans mainly for the purpose of accessing loans.
- *Off-farm technology development and dissemination* were supported in REP Ghana (in collaboration with RTFs/TSCs, e.g. agricultural processing equipment) and PACE Bangladesh (through POs). Also in non-agriculture sectors, PACE Bangladesh through POs provided support for the introduction of improved technologies and technical training (e.g. operation of machines/equipment, such as power loom for weaving). These were for both the enterprises (which, in the non-agricultural sectors, are all relatively well-established and can be considered between micro and small enterprise), as well as the workers.
- Support for *on-farm production technologies and practices* was particularly visible in PACE Bangladesh, including some new and improved practices, and PEAJ Cameroon, with a focus on the agro-pastoral sector. REP Ghana also

²⁹ New BRCs are expected to provide more coaching and mentoring support to enterprises, but this had not been operationalized at the time of the evaluation.

supported on-farm activities in providing start-up kits for trainees from the Farm Institutes under the Ministry of Food and Agriculture, for example, for poultry, piggery, and mushroom production.

- *Technical and vocational skills training and apprenticeship* are seen in REP Ghana (in collaboration with RTFs/TSCs) and RERP Nepal (in collaboration with Helvetas). As mentioned earlier, there are two expected outcomes: or getting (new or better) wage employment; and/or setting up business for self-employment (e.g. opening a workshop). Also in PACE Bangladesh, training of existing workers/employees in non-agriculture enterprise (e.g. shoes, garment, automobile servicing) is considered a similar type of support (offering possibility of getting better wages).
 - Other types of support included market facilitation and improved marketing (e.g. branding, advertising).
40. In PEAJ Cameroon, these interventions were integrated under the framework of incubation programme, through the training centres-cum-incubators³⁰ (public, private, NGOs) supporting from the initial development of ideas to creating and consolidating an enterprise to providing coaching on technical skills, financial education, and business management.
41. *Financial services*. Main project interventions in support of improved access to financial services by supported rural entrepreneurs and enterprises include the following (see also annex VI):
- *Provision of credit funds*. This was the most predominant form of support. All projects include support for access to finance and allocated funds for credits/refinancing to MSEs through financial institutions except for RERP Nepal as redesigned. PEAJ Cameroon and REP Ghana provide funds for lending at a subsidized rate to entrepreneurs who in principle receive non-financial services under the projects. Loans are channelled through MFIs in PEAJ, and in REP mostly through rural and community banks (which also provide own credit funds for 20 per cent of loan value). The funding facilities were managed by Société Générale de Cameroun, and the Bank of Ghana and the ARB Apex Bank, respectively, in accordance with terms and conditions set up in the projects. PACE Bangladesh provided credit funds to be integrated into larger and existing PKSF's wholesale financing for the ME loan programme (see box 2 below) to be disbursed through POs, without linkage with PACE's other components.
 - *Provision of grant support to facilitate access to loans*. PEAJ Cameroon and REP Ghana have provided grants to facilitate access mainly to start-up/investment funds through financial institutions, but in different ways. In REP, matching grants were to be matched by loans by partner financial institutions and the recipients' contributions. In PEAJ Cameroon, "matching" of different sources of funds was like REP Ghana, but it was sequenced: opening of a bank account and mobilization of own contribution, followed by a start-up "credit"³¹ (a grant), which is to be "reimbursed" by the entrepreneur, and to be followed by a loan (called "productive credit"³²) when the "start-up credit" was fully reimbursed.
 - *Risk sharing for financial institutions (to cover defaulted loans)* included in PEAJ Cameroon. A loan guarantee mechanism was also foreseen in the original design of RERP Nepal but this was dropped.

³⁰ Original target was 25.

³¹ *Crédit de démarrage* in French

³² *Crédits productifs* in French

- *Support for new financial products development.* All project designs indicated the intention of introducing new/innovative financial services and products, such as start-up loans, lease financing, term loans.
- Capacity building of financial institutions. All projects also included support for training and capacity building of financial institutions – intended to improve the understanding and services oriented to better serve the needs of microentrepreneurs and microenterprises.

Box 2

Operation modality of PKSF and NGO-MFIs and microenterprise loan programme in Bangladesh

MFIs (often referred to as “NGO-MFIs”) in Bangladesh are an established part of the financial sector and are regulated under the Microcredit Regulatory Authority which operates under the Bangladesh Bank. PKSF and NGO-MFIs typically offer wholesale and retail lending, respectively, under different programmes (windows) targeted at different clienteles and with different focus, e.g. ultra-poor programme, rural/urban microcredit, agriculture loans. Compared to other mainstream “microcredit” programmes, the “microenterprise loan programme” (ME loan programme) has a higher loan amount ceiling (over US\$10,000, with the minimum amount around US\$350). The assumption is that as the borrowers under microcredit programmes improve their economic status (as they “graduate”), they would need higher amount of loans. Since NGO-MFIs normally use group guarantees for microcredit lending and not hard collaterals, ME loans tend to be channelled to repeater borrowers with credit histories (World Bank Group 2019). The ME loan programme started early 2000s. NGO-MFIs are allowed by the Microcredit Regulatory Authority to have up to 50 per cent of their portfolios for ME loans

According to the definition/eligibility as “microenterprise” used by PKSF in the context of the ME loan programme, a borrower: (i) must have a visible business with investment (excluding land and buildings) ranging from BDT40,000 (US\$470) and BDT 1.5 million (US\$17,500); (ii) creates employment for family members and other poor people; and (iii) may take a loan between BDT30,000 (\$350) and BDT 1 million (US\$11,650) for agricultural and non-agricultural businesses. This definition differs somewhat from the Government definition of a cottage enterprise (number of employees less than 15 and the value of fixed assets less than US\$11,800) and micro-industry enterprise (number of employees between 16 and 30, fixed assets between US\$11,800 and US\$88,300).

Source: PACE design document; PKSF annual reports; World Bank Group 2019.

Key points

- All selected projects have the objectives around enterprise and entrepreneurship development and employment creation, but with some differences in scope and focus. PEAJ Cameroon has an exclusive focus on youth agro-pastoral entrepreneurs. Building on its previous two phases since mid-1990s, REP Ghana targeted entrepreneurial poor through decentralized business advisory services and technical training in over 160 districts nation-wide, combined with support for financial services. PACE Bangladesh sought to support new and existing microenterprises and creating wage employment opportunities, through the credit component, value chain development and technology development component. RERP Nepal was initially designed to provide a range of non-financial and financial services for rural enterprise development, also with an addition of support to migrants and their families, but after restructuring some of the key features for enterprise development were dropped and the focus has been on decent jobs and agricultural supply chain development.
- Projects' target group descriptions included: people at different poverty levels (ultra/moderate poor, less/non-poor); youth (with different skill/education levels); ethnic groups; women; people with disabilities.
- The projects, implicit or explicit, involved multiple impact pathways to achieve the objective of employment creation and increased incomes: some focusing on start-ups or existing microenterprises more for self-employment; others were oriented to "job-creator" microenterprises.
- All projects (except for Nepal) offered support for non-financial services and financial services. Some activities were directly targeted at rural entrepreneurs and enterprises, whereas others were directed at service providers (e.g. financial institutions, business development service providers) to strengthen their capacity to better serve the clients, as well as at institutional and policy framework to support enabling environment. Non-financial services included: business advisory services, business skills training, coaching and counselling, technical training, technology development and dissemination, market linkage. PEAJ supported the incubation programme for youth. For financial services, projects (except for Nepal) included financing facilities.

III. Main evaluation findings

42. In this section, main findings across the four projects are presented. The findings are based on comparative analysis of the projects in line with the evaluation questions and are organized by evaluation criteria (relevance, effectiveness, impact and sustainability). The section focuses on key issues identified from reviewing the different projects (designs and implementation experiences), their similarities and/or differences – rather than presenting the findings on each project separately.

A. Relevance: overall project strategies, non-financial services, financial services

43. This sub-section first discusses the relevance of overall project strategies aimed at ultimately impacting on the rural poor through rural enterprise development. This includes the clarity and coherence of project objectives, and the relevance of the target groups, overall strategies and theories of change. This is followed by a discussion on the relevance of more specific interventions approaches to achieving improved access to non-financial and financial services.

A.1. Relevance of overall project strategies

44. **Projects did not always clearly articulate how the different interventions were expected to lead to employment generation and/or increased incomes by whom**, in particular, how the pathways to achieve the impact might differ for different types of entrepreneurs, employees and/or sizes and maturity of enterprises and their position within different value chains and contexts. Under broad common objectives of employment creation for improved incomes through rural enterprise development, there was insufficient reflection on whether the project should/intends to focus on supporting pre-entrepreneurial activities or microenterprises mainly for self-employment or income diversification, and/or creating and strengthening enterprises which would generate (more and/or better) wage employment for non-family members (and how). Consideration of such issues and how to generate benefits for the primary target group would have implications on the types of sectors/trades and what types of enterprises were to be supported.
45. For example, PACE Bangladesh design explicitly stated the intention to support “non-poor” with the aim of generating wage employment, but how this was to be realized was not clear. “Non-poor” were mostly to be the borrowers of ME loans, who had been accessing loans from POs through mainstream microcredit programmes, as well as some relatively better-off enterprises in selected value chains. PACE did not assess which types of enterprises or value chains had better likelihood of creating wage employment. There was also little attempt to link ME loan borrowers with other components (value chain development or technology transfer) to increase the chance of enterprise growth (see also paragraphs 77, 81, 86-87).³³ In REP Ghana, a broad definition of the target group (“entrepreneurial poor” in “rural districts”) and lack of clarity on possible multiple impact pathways led to some confusion amongst BACs and the project team as to whether and how the non- or less poor should be supported by the project. The RERP (Nepal) original design was explicit about different target groups and multiple impact pathways,³⁴ but its broad scope, scale and the complexity with multiple different approaches

³³ The project performance evaluation on the predecessor project to PACE (Finance for Enterprise Development and Employment Creation Project, FEDEC) had a similar finding: “[through access to ME loans] there was an expectation that more labourers would be employed which actually happened in only a few cases. The additional finance was mostly consumed in working capital rather than expanding production capacity. As a result, new employment creation was much less than anticipated. Selecting microenterprises with prospects to grow with better linkages with value chain actors could actually have created more new jobs”. (IFAD 2016b)

³⁴ For example, it recognized the need to target small (not micro) enterprises, who are likely to be above the poverty line, in view of their role to link microenterprises to inputs, services and market and also to generate employment. The design also proposed different levels of grant support depending on the size/maturity/resources of different types and sizes of enterprises.

and modalities proved to be challenging, as noted in the initial RERP supervision missions.

46. **Projects' objectives, particularly on employment generation through enterprise growth, were too ambitious** considering the country contexts, the target groups, and research on entrepreneurship and enterprise creation and growth. The objectives implied an overoptimistic assumption that most participants would grow enterprises (or at least would aspire to grow) and many of them would also create jobs for others. The assumption is contrary to research that argues that in many developing countries, and particularly rural areas, much entrepreneurial activity is not a choice; it is a necessity (see also annex II for key issues highlighted in the literature). Projects paid little attention to type and quality of (wage) employment/jobs and how to track the achievement in this regard, although all projects had employment generation as an objective or expected outcome. After its restructuring, the focus of RERP Nepal has been on vocational and technical training and apprenticeship rather than enterprise development *per se*: it was the only project with efforts to track the job placement and wage levels.
47. **Overall, the projects' scope and interventions were not guided by sound market analysis and assessments of the development and growth potential of rural enterprises or employment generation.**³⁵ The scope of REP Ghana was broad – geographically and sector-wise,³⁶ making it challenging to orient interventions based on the local situations. Some types of non-agriculture off-farm microenterprises mainly oriented to local clients/markets (e.g. hairdressing, catering) offer income earning opportunities but with limited scope in growth and creating job opportunities in rural space. Some trades (e.g. shoe making) favoured entrepreneurs near urban areas with markets and appropriate infrastructure, rather than those in rural areas.³⁷
48. In PACE Bangladesh, sub-projects supported in the “value chain development” component mostly focused on addressing production issues, with less attention to opportunities for off-farm enterprise development in the agriculture sector (e.g. input supply, service provision, processing) (see also paragraphs 77, 109). In RERP Nepal, also with a broad scope, the original design envisaged the conduct of corridor business potential mapping and assessments at the onset of implementation, but the initial 2017 supervision mission noted that “a lack of reliable analysis in the design document of the real economic opportunities in project locations” posed challenges, in addition to the design complexity. In comparison to other projects, PEAJ Cameroon had a clearer focus on the agro-pastoral sector with indicative commodities and areas (“production basins”) within the selected four regions. Studies on the production basins were conducted during the implementation but the project could have used value chain and market analyses on potential commodities to identify opportunities for off-farm enterprises and promote them in a more strategic manner.
49. **Project support for strengthening institutional frameworks and support systems for MSE development was aligned with relevant Government policies.** REP Ghana and its previous phases have invested in strengthening the capacity of sub-national level public institutions to support MSEs through non-financial services. REP also incorporated support to BRCs in line with the Government's new industrial transformation plan that was introduced during implementation (see paragraph 26). Investment in setting up a network of BACs

³⁵ For example, a set of more systematic interventions to support enterprise development may involve engaging entrepreneurs along certain value chains, e.g. processing raw products, setting up cooperative structure to increase production volumes and benefit from economies of scale, supporting rural-based input suppliers linked to companies. Such interventions may be then combined with technological innovations and workers skills development.

³⁶ REP covered six trade sectors: (i) farm-based; (ii) agro processing; (iii) agro industrial; (iv) traditional craft; (v) welding and fabrication; and (vi) services.

³⁷ Although agriculture-related sectors (e.g. on or off-farm) would offer more opportunities in more rural areas, there were also other challenges (e.g. BACs' logistical capacity constraint to cover areas far from district capitals).

(and later BRCs), as well as RTFs/TSCs (including support for infrastructure, vehicles and equipment) nation-wide was fully aligned with the Government policy – to promote MSEs with decentralized district-based service delivery. However, the issue of sustainability remains (see also section III.D.2).

50. PEAJ Cameroon was to establish and strengthen the support systems for incubation programmes for youth, through public and private institutions - including the adaptation of training materials to agro-pastoral entrepreneurship, curriculum development and accreditation of incubating structures, in collaboration with ILO. The project aimed to set up a framework for a network of incubation structures and having them accredited in collaboration with the Ministry responsible for MSMEs.³⁸ This approach is relevant to enhancing sustainability and promoting scaling-up.
51. **Partnerships with organizations providing the required knowledge, skills and experience helped filling implementation capacity gaps.** All projects partnered with numerous institutions that are the direct stakeholders in MSE development (e.g. non-financial service providers, financial institutions), but a couple of cases stand out as examples of bringing in competent external institutions to provide technical assistance: ILO and PROCASUR³⁹ in PEAJ Cameroon, and Helvetas in RERP Nepal. Mobilization of technical assistance from these organizations was proposed at the design stage, in light of the assessment of their experience in the relevant fields in the respective countries (i.e. entrepreneurship and enterprise development with ILO in Cameroon⁴⁰; technical and vocational education and training with Helvetas in Nepal). In both cases, a memorandum of understanding or a contract was drawn up in the initial stage of the implementation to facilitate collaboration over a period (rather than one-off and short-term engagement) - though with some delays. Partnerships with these institutions contribute to filling institutional capacity gaps in the lead agencies and the project management teams, as well as increasing the opportunities to influence the institutional frameworks and support systems with policy-related inputs.

A.2. Non-financial services

52. Projects mainly provided: (i) technical and business skills development training, advisory support to rural micro entrepreneurs; (ii) the development or introduction of new/improved technologies (on-farm, agriculture-related off-farm, and non-agricultural sectors); and (iii) vocational and technical training and apprenticeship (though not necessarily for enterprise development). (see also section II.B and annex VI). Projects differed in that some types of interventions, or combinations of interventions, were used more than others. The main findings relating to the relevance of these approaches are discussed in the subsequent paragraphs.
53. **Project support for business-related skills development and advisory services was not always adequate or sufficient for start-up enterprises to go beyond survival nor for existing ones to grow.** The projects largely relied on group-based training with a mix of follow-up mentoring, coaching or advisory support, often linked to input provision or obtaining access to grants, matching grants or loans. PEAJ's approach (Cameroon) was suitable to support start-ups, with sequenced and focused 'incubation' support over time - for cohorts of screened youth with similar levels of capabilities and facilitating processes to enterprise idea through to fruition.⁴¹ The introduction of business coaches during

³⁸ Ministry of Small and Medium Size Enterprises, Social Economy and Handicraft or *Ministère de Petites et Moyennes Entreprises, de l'Economie Sociale et de l'Artisanal* (MINPMESSA) in French.

³⁹ PROCASUR was brought in in the context of the regional grant programme (see also paragraph 23).

⁴⁰ PEAJ Cameroon design document refers to training tools and approaches by ILO for entrepreneurship development that can cover a wide range of potential entrepreneurs (from micro and start-ups to growth-oriented SMEs). It also noted the ILO's analytical work in 2013 proposing actions required for a better enabling business environment in Cameroon.

⁴¹ PEAJ Cameroon used the International Labour Organisation's 'Start your own business' manual to support youth, in which an initial activity is for participants to self-assess their entrepreneurial abilities, such as goal orientation, making decisions, commitment, motivation and problem solving.

PEAJ implementation responded to the need for relatively intensive and continuous follow-up support for new entrepreneurs. Business coaches were first introduced 2017 on a small scale, then, increased after the PEAJ mid-term review in light of their contribution to the performance of youth entrepreneurs. REP Ghana provided less intense support to a greater number, and more diverse, groups of new and existing entrepreneurs.

Box 3

Different approaches for business-related skills development and advisory services

In **PEAJ Cameroon**, the incubation programme, supported by training centres-cum-incubators, involves sequenced support for training and counselling (at incubation centres and at home/prospective business sites). When taken into the incubation programme, the youths are broken into groups of 25-30 with similar levels of skill/experience and schooling.⁴² While almost all the participants were to be start-ups, such grouping allows differentiated support, for example, project providing more support to youth with less education and experience.⁴³ During this incubation period, the participants receive business and technical trainings and business ideas are developed into business plans. Throughout the preparation, start-up and initial business stages, business coaches engaged by the project also provide periodical advisory and follow-up services. At early stages of enterprise development, business coach visit the youth entrepreneurs on a weekly basis, and later, twice or even once a month. At present, a total number of 62 business coaches and 11 head coaches are hired by PEAJ.

In **REP Ghana**, BACs provide counselling and training to entrepreneurs (BACs' "clients"). Training has largely been group-based, both for management and income generating activities type training. These groups would include enterprises at different stages of growth and experience, which makes it challenging to respond to different needs, although BACs explained to the PCE team that the trainers would also give attention to unique needs. The duration of training varies: around 3-5 days for management-related topics, and 5-10 days for technical training, and conducted at one time (rather than spreading over a period). Trainings are to be followed up by minimum two sessions of coaching per year (PCE interview).

PACE Bangladesh had limited support for business-related skills development or advisory services, while it had a much stronger focus on on-farm/off-farm improved production-related technologies and practices. This was also because the project support for financial services (component 1, for the ME loan programme) was stand-alone, with minimum linkage with other components nor non-financial services.

Source: PCE team based on project documents and interviews.

54. **Support for marketing and market linkages was relatively limited.** Projects offered support for market facilitation and improved marketing (e.g. trade fairs, branding, advertising),⁴⁴ but in general, these areas received less attention than production aspects.⁴⁵ A range of factors are likely to have contributed to this, such as: (i) participants existing knowledge, skills, experience, interests, assets; (ii)

⁴² There were three categories: (i) out-of-school youth without specific training in agriculture and those with experience in agricultural activities; (ii) young graduates from vocational technical training centres, general education or incubation programme; and (iii) young entrepreneurs engaged in agro-pastoral activities and related professions but who have specific capacity building needs.

⁴³ 13-14 weeks of group-based training compared to 9-10 weeks for youth who were graduates or had existing businesses; and both were followed by individual business coaching.

⁴⁴ For example, PEAJ Cameroon business mentors shared market knowledge and helped youth secure contracts with retail outlets, while REP Ghana organised some participants to attend marketing events such as trade fairs. REP Ghana also supported the development of an E-Commerce platform which is expected to enable enterprises to market their products at lower costs, but this was still to be operationalized at the time of the latest REP supervision mission (September 2021). PACE Bangladesh POs supported input supply enterprises, and some marketing activities in the tourism and honey sectors. PEAJ Cameroon also supported setting up of websites by youth entrepreneurs.

⁴⁵ For example, under its value chain and technology transfer components, PACE Bangladesh largely provided relevant technical support to existing enterprises (or farmers), but less on other aspects that would be needed for upgrading (e.g. management, marketing). The PCE Bangladesh mission found that those participating in Component 2 and 3 could not recall having received business management training from POs.

relatively low barriers to entry; and (iii) implementing organisations' experience in the private sector, enterprise and/or value chain development.⁴⁶

55. **PEAJ Cameroon and REP Ghana rightly paid attention to the issue of access to land.** This is one of the main constraints for start-ups – in terms of securing a place for productive activities (on-farm or off-farm), and also as collateral in some countries. PEAJ Cameroon worked with key stakeholders to obtain land certificates and titles for entrepreneurs.⁴⁷ Similarly, REP Ghana sought to liaise with District Assemblies to secure plots in Light Industrial sites.⁴⁸ However, the land issue is also challenging to address due to contextual factors. For example, in Ghana, the nature of land tenure system in the country does not give assurance of permanent occupancy, especially for start-up businesses.⁴⁹
56. **New or improved technologies were more relevant when their suitability relative to enterprises' needs, capacity and resources were carefully assessed.** In PACE Bangladesh, POs identified and introduced new or improved technologies, commodities or practices which were mostly relevant to improving production and productivity, principally in agricultural sectors (on and off-farm) but also in non-agricultural sectors (e.g. improved equipment for shoe-making). At the same time, in some cases in PACE, there could have been more careful assessment of feasibility and appropriateness of technologies/techniques (e.g. ease of use, affordability, maintenance, return on investments).⁵⁰ In REP Ghana, while there were some useful technologies (e.g. processing machines), overall, the institutional arrangements were not optimal to facilitate the introduction of new/innovative technologies that would respond to the needs of rural microenterprises. Concerns about the RTFs' capacity, performance and sustainability were raised in the IOE's evaluation on the previous phase of REP⁵¹ and repeated in the supervision missions and MTR.⁵² The PCE mission in Ghana noted that the situation has not changed much, and there were missed opportunities to develop and introduce technologies (e.g. processing machines, equipment) that would be relevant to improving the performance of some enterprises.
57. **In general, inadequate attention was paid to gauging entrepreneurial aptitude to screen and identify participants.** REP Ghana relied on the payment of BAC registration fees⁵³, self-selection and participation in training (with partial contribution in some cases⁵⁴) as a signal of an entrepreneur's commitment and business orientation. But, in practice, BACs' generally facilitated access to services

⁴⁶ PACE POs recruited staff skilled in production e.g. agronomists, but have not recruited enough staff skilled in marketing, sales and business development to support MSEs. PACE Mid Term Review, 2018.

⁴⁷ PEAJ pursued the strategy of supporting young people to be organized into networks/groups to advocate for the issue, in addition to direct sensitization of land owners and youth's parents/relatives. Furthermore, specific studies were carried out with support of the International Land Coalition. Lastly, PEAJ Cameroon also supported activities for which access to land is not the major constraint, such as livestock.

⁴⁸ REP 2016 Annual Report: In 2015, 14 graduates from the Goaso RTF were supported with start-up kits. According to the RTF Manager, out of these, 7 have set up their own workshops and are fabricating and repairing agro-processing equipment and other metal products in their communities. Those yet to set up have the problem of land acquisition and effort is made by the assembly to settle them at their Light Industrial site".

⁴⁹ According to IFAD Ghana country team, IFAD is starting to pay attention to the land tenure issues through supporting policy engagement in the country.

⁵⁰ For instance, black pepper spice required a high, upfront two-year investment and profits were unlikely to be generated until the third or fourth year of production. Profits were also dependent on farmers' processing knowledge and skills. The initial inputs, such as fertiliser, for Barhi dates cultivation were high, while the payback period was long.

⁵¹ The interim evaluation of the Rural Enterprise Project Phase II (2011) noted the concerns on mixed performance and sustainability of RTFs and recommended the restructuring of the model.

⁵² The REP MTR (2015) noted as follows: "While there has been some new product development and improvements to existing ones through the operations of RTFs, overall the degree of innovation, technology promotion and transfer is relatively low, compared to the level of investment in RTFs. The majority of them had little to show except for the fabrication of gas stoves, corn/cassava millers or graters, gari processing machines and palm-nut expellers".

⁵³ The fee is GHS50 (US\$10) for registration and GHS30 for annual payment.

⁵⁴ The level and form of contribution ranges from in-kind contribution of up to 20 per cent for basic training and up to 30 per cent for more advanced training (PCE mission interviews).

for almost anyone who was interested.⁵⁵ PEAJ Cameroon, in contrast, screened potential participants using a sequenced approach, starting with information dissemination and support the exploration of business ideas by interested youths. The assessment of entrepreneurial potential during this period was introduced during the implementation.

58. The projects also did not carefully reflect on the possible tension between being pro-poor and inclusive (in supporting enterprises owned/managed by the poor) and the pressure to be efficient (i.e. directing project resources to those participants with greater entrepreneurship potential). Research shows that levels of education, networks, risk appetite, commitment and access to capital are amongst positive factors influencing entrepreneurship (Amin 2022), but many rural poor may have less of these, and greater efforts and support would be needed to nurture entrepreneurial aptitude and make the project support inclusive. This is an issue which is not clearly considered in formulating project strategies. Moreover, it appears that prospective participants who already had enterprises were automatically considered entrepreneurial, but this assumption overlooks research that finds many people often start microenterprises out of necessity and for subsistence and fewer seek to grow and expand enterprises. To what extent the entrepreneurship development potential and growth aspiration should be taken into consideration concerns the question of whether the focus is to support pre-entrepreneurial activities and microenterprises mainly for self-employment, income diversification and risk mitigation, and/or to support enterprises with growth potential to be job creators (see also paragraphs 44-45, 47). The latter type of enterprises can also mean the need for more investment and more risk, which the rural poor may not be willing or cannot afford to take.
59. **The technical/vocational training in non-agriculture off-farm enterprises was most relevant to improving the employability of participants**, which included apprentices and existing employees. The focus of RERP Nepal was on job placement (and not enterprise creation).⁵⁶ On the other hand, the main expectation of REP Ghana was that apprentices⁵⁷ would set up their own businesses/workshops after the apprenticeship period. REP also trains master craft persons⁵⁸ to upgrade their technical skills and their capacity to support apprenticeship.⁵⁹ PACE Bangladesh provides training to existing wage employees in non-agriculture sectors (e.g. shoes, automobile workshops) with the primary purpose to improve their skills (e.g. ability to operate certain types of machines) or productivity (e.g. where workers are paid by piece) and in turn their wages. This area of interventions was particularly relevant when the training is closely linked to existing jobs (PACE Bangladesh) or clear job opportunities (RERP Nepal support based on the labour market analysis; see also box 4). In REP's case, there was an over-expectation about capacity, motivation and resources of apprentices to start businesses: in reality, start-up kits were often not sufficient to set up a business/workshop, due to their standard nature not matching individual needs/circumstances or other constraints (e.g. fixed location).

⁵⁵ REP's geographic targeting was broadly on the rural districts and it was assumed that people in "rural districts" wanting to access REP services could be considered as "entrepreneurial poor" to set up or operate rural enterprises. In reality, there are urban and peri-urban areas in "rural districts", around district capitals and other towns.

⁵⁶ In RERP Nepal, the trades covered included: automobile, construction, electrical electronics, health, mechanical, textile, garment, tourism and hospitality. REP Ghana was mostly on engineering-type areas, metal works, etc.

⁵⁷ REP Ghana supported: (i) technical apprentices - literate youth that enroll at a RTF/TSC for training usually for a 3 year period; and (ii) traditional apprentices – who are trained under "master crafts persons (see below).

⁵⁸ Master crafts persons are artisans who in any of the common trades such as welding and fabrication, auto mechanics, tailoring and dress making, hairdressing, carpentry, masonry, electronic equipment repairs, etc. who have opened shops where they practice their trade. They may be providing training to apprentices who are generally the youth learning a chosen trade under a master crafts person usually for a period between 2-3 years.

⁵⁹ The training of master crafts person was to include: (i) general knowledge and skills relevant to the trade; (ii) product-based skills upgrading training; (iii) business skills; and (iv) improving technical training methodology.

Box 4

RERP Nepal approach for vocational and technical training and apprenticeship support for decent jobs

After the restructuring, RERP Nepal focuses on decent jobs through vocational and technical training and apprenticeship rather than enterprise development or strengthening. There are several features in RERP which enhance the relevance of this intervention to decent job creation:

- Programming is guided by labour market analyses.
- This sub-component is managed by a competent partner well-experienced in the technical and vocational education and training sector in Nepal (Helvetas).
- Organizations providing training are given performance-based contracts, with the main performance indicator being the level of job placement of trainees.
- Apprenticeship is pursued in collaboration with private sector/industry.
- The project monitors achievement in job placement as well as wage levels.

Source: RERP Nepal supervision mission reports; interviews with IFAD consultant.

A.3. Access to finance

60. Projects allocated funds for credits/refinancing and: (i) earmarked for lending to targeted enterprises (those receiving non-financial services under the projects) through financial institutions (PEAJ Cameroon and REP Ghana); or (ii) added to the existing larger lending programme for microenterprises (PACE Bangladesh; see also box 2). PEAJ Cameroon and REP Ghana also provide grants to facilitate access mainly to start-up/investment funds through financial institutions but in different ways (see below). This sub-section also refers to one-off grant support providing equipment or machinery (PACE Bangladesh, in some cases, on a cost-sharing basis), although it is not linked to financial services but rather replaces the need for investment funds. See also section II.B.
61. **Interventions to increase access to finance responded to entrepreneurs' needs, but did not always adequately consider financial institutions' incentives and capacity and broader constraints.** PEAJ Cameroon and REP Ghana included a financing facility earmarked for entrepreneurs, many without credit history (especially youth start-ups in Cameroon), who also receive non-financial services supported by the projects. On the demand side, PEAJ and REP adjusted their approach (e.g. introduction of business coaches in PEAJ Cameroon; better coordination between BACs and financial institutions in REP Ghana) during implementation to better support the development of quality business plans to increase the likelihoods of successful loan applications. PEAJ's sequenced approach was appropriate to introduce new and inexperienced youth clients and help build track records in financial management and repayment discipline (see box 5). The training and follow-up support in financial education was introduced in PEAJ Cameroon to enhance financial discipline and financial inclusions for the youth participants. These interventions reflect the need for and importance of intensive support over a period to facilitate access to finance and its continuation for start-ups. Also, the risk-sharing mechanism introduced during PEAJ implementation was relevant to bringing in financial institutions on board.⁶⁰

Box 5

Sequenced approach in facilitating access to credit by young entrepreneurs in PEAJ Cameroon

PEAJ Cameroon paid attention to the process of new youth entrepreneurs gaining experience in dealing with financial transactions and management. At the end of the incubation process, when business plans are approved by PEAJ and financial institutions, a client will open a bank account and is expected to mobilize and deposit own contribution (10 per cent of the business plan budget – though sometimes in-kind contribution was also considered). After this, PEAJ disburse 40 per cent of the business

⁶⁰ This was introduced in 2020. The financial institutions can subscribed to the risk-sharing arrangements to have 50 per cent of the unpaid loans guaranteed, by paying the fees of 2.5 per cent of the guaranteed portfolio.

plan budget (termed as “start-up credits”) to the bank account so that the clients could initiate the business. As some revenues are generated from the business, the client will reimburse for “start-up credit” to own bank account (in reality similar to matching grants) – only then a loan (termed as “productive credit”) will be disbursed. The initial steps are seen as important for the client to demonstrate the financial management capacity before accessing a real credit. However, partial financing of the business plan budget at the initial stage may not be suitable in some cases, e.g. businesses which require relatively higher upfront investments such as agro-processing, storage, and transport facilities. Hence, there may be a need for exploring options to cater different financing needs, while managing the risks of financing start-ups.

Source: PCE team based on project documents and interviews.

62. REP Ghana mainly relied on rural and community banks to operate the Rural Enterprise Credit Facility but it fell short of considering the issue of low capitalization and liquidity that these banks face, which constrains them from adding own funds (20 per cent) to credit funds or providing repeater loans.⁶¹ In some cases, these banks are also not particularly interested in the project funds or lending to the MSEs, in part also due to their past negative experience with project/government-sponsored loan schemes. The proposal to diversify the types of financial institutions (e.g. commercial banks, savings and loans companies) as discussed in the supervision missions, was also not feasible due to geographical coverage or preference for different clientele. In the financial sector in Ghana, in general, there are also issues of Government securities (low risk, high returns) crowding out credits to the private sector by financial institutions. Furthermore, without alternative arrangements for traditional collaterals as required by banks, neither good quality business plans nor training can unlock access to finance for many clients.
63. The value addition of the PACE Bangladesh microenterprise loan component was not evident: PACE was to inject additional credit funds to the larger existing ME loan programme (called “*Agrosor*”; see also box 2 and figure in annex VII showing the growth of the programme over years), but the liquidity of POs has not been a critical issue (box 6). Most borrowers were expected to have already been POs’ members/clients, which also reflects the importance of relationship building and credit histories (in place of hard collaterals) in the NGO-MFIs lending modality in Bangladesh (see also box 2). Also, the component was not linked to other non-financial support (see also paragraphs 77, 86). The PACE design recognized the opportunity to develop new financial products, but the activity in this regard remained small and a pilot status, without a critical assessment of the implementation experience (see also paragraph 87). Apart from small pilot activities, the continuation of the ME loan programme as it has been operated for mostly existing clients without linkage with non-financial services meant that there has been little deliberate efforts and adjustments to support new microenterprises or enterprise upgrading/growth.⁶²

Box 6

PACE Bangladesh adding credit funds to the existing microenterprise loan programme

Under component 1, PACE credit funds were added on to the pool of funding for the existing “microenterprise loan programme” (ME loan programme) operated by PKSF (which provides wholesale funding) and its POs (NGOs-MFIs) (see also box 2). This window for ME loans was introduced in early 2000s. At the start of PACE (2014), the

⁶¹ In relation to this issue, the project performance evaluation on the Root and Tuber Improvement and Marketing Programme (implemented from 2006-2014) by IOE (IFAD 2018) found that low disbursement of the Micro Enterprise Fund was due to, amongst other reasons, insufficient liquidity of partner financial institutions (mostly rural and community banks) to provide contribution funds for term loan (i.e. longer than one year) and many clients’ difficulties in meeting the bank criteria.

⁶² IOE evaluation on FEDEC (2016) found that the project funds for the ME loan programme was mostly consumed in working capital rather than expanding production capacity. According to the phone survey conducted by the PCE team, even the piloted start-up capital loans were apparently used mostly as working capitals.

number of borrowers under the PKSf/PO-operated ME loan programme was 590,000, which increased to 1.586 million in June 2020. The amount of ME programme loans outstanding as of June 2014 was approximately US\$119 million for the wholesale lending from PKSf to POs and US\$357 million for retail lending from POs to clients. These figures increased to US\$182 million and US\$1.56 billion, respectively, as of June 2020. This shows that the POs' lending under the ME loan programme increased substantially regardless of the funding from PKSf. Available data show that the major sources of funds for NGO-MFIs have changed significantly over the years: now, 60–70 per cent of NGO-MFI credit funds come from cumulative surplus (profits) and client's savings, while funds from PKSf, other donors, and other sources have decreased, even though these may still be an important source for smaller NGOs-MFIs. This trend of POs' declining reliance on PKSf funding was already seen even before the PACE period: the volume of ME loans disbursed by POs to clients increased by 240 per cent between 2009/10 and 2013/14, whereas that disbursed from PKSf to POs increased by 65 per cent in the same period. See also figure in annex VII showing the growth of the ME loan programme over years.

Source: PKSf annual reports; Microcredit Regulatory Authority.

64. **Rationale and criteria for providing grants to new or existing enterprises were not always clear.** In REP Ghana, the rationale and the eligibility criteria for the matching grant facility were not consistent (see box 7). In contrast, PEAJ Cameroon has a straightforward eligibility criteria for providing partial grants for business plans to facilitate access to credit – the incubated youth enterprises who successfully reimbursed “start-up credit” (see box 5 above).

Box 7

Rationale for REP Ghana matching grant facility? - Design intention and operationalization

According to the REP design, the matching grant was intended for women groups and youth who would be the first time borrowers and was to be provided to accompany a loan by the financial institution. The ratio was to be 10 per cent own contribution, 30 per cent matching grant, and 60 per cent a loan from a partner financial institution. It was meant to reduce the high cost of funds for the borrowers, to reduce the risk borne by partner financial institutions as well as to facilitate the relationship building between financial institutions and clients to be continued on commercial terms in the future. However, the eligibility criteria in the available operational manual on the matching grant fund were left general and not targeted (i.e. being clients of a BAC/RTF in a REP district, ability to provide own contribution, being creditworthy, and operating diverse types of microenterprise). Furthermore, during the implementation (around 2019-2020), due to the low uptake (and later also due to COVID-19), the grant portion was increased from 30 to 60 per cent and grant applicants were no longer expected to get a loan. This meant that the matching grant facility was no longer relevant as a tool to help the clients build relationships with financial institutions and demonstrate creditworthiness.

Source: REP design document; operational manual on matching grant facility (2019); supervision mission reports.

65. There were cases where PACE Bangladesh provided grant support under its value chain component to better-off enterprises, for example, giving free or subsidised equipment. While the intention was to generate benefits for the poor (e.g. workers in off-farm enterprises or small/marginal farmers). While it worked well in some cases (e.g. shoe making enterprise getting cost-sharing support for improved equipment which led to improved productivity and increased employment, see paragraphs 77, 93), in other examples the approach lacked analysis of business interest, commercial feasibility and sustainability issues (e.g. bean drying⁶³).

⁶³ For example, in the bean sector a processing/drying machine (approximately US\$875) was given to a local businessperson because he was prominent in the village and would have funds to buy beans directly from farmers, and not because he was interested in investing in developing this business. The PO continues to fix and maintain the machine, which he uses to process more beans produced by him (6,000-7,000 kg) than those bought from other farmers (total 2,500 kg). He has no specific business plan for the future, which raises questions about the sustainability of benefits to farmers growing beans. (PCE mission in Bangladesh).

B. Effectiveness: enterprise creation and development, non-financial and financial services

66. This section first presents the project achievements in terms of establishing and/or strengthening what types of rural enterprises, project outreach (including women, youth), as well as the factors influencing the results and enterprise performance. This is followed by the assessment of effectiveness of project support for non-financial services and access to finance.

B.1 Creating and growing rural enterprises

67. There is generally a lack of accurate – and longitudinal - data on the types, status and performance of enterprises, enterprise survival and growth, including what entrepreneurs do if enterprises do not survive (e.g. seek wage employment, or start another enterprise).⁶⁴ REP Ghana was the only project that put in place the efforts to categorize and record the stage of enterprise development (in four categories, start-up, survival, normal growth and rapid growth) from the beginning as foreseen in the design. PEAJ Cameroon recently developed a “business performance monitoring barometer” to regularly monitor the performance of enterprises and to analyze the data to help guide the support activities. The discussion on enterprise creation and growth herein is informed by the available data, complemented by the PCE missions and interviews.

68. An overview of results in terms of sizes/types of enterprises and entrepreneurial activities supported in the three focus projects are provided in tables below. In light of the definition of microenterprises in different countries, the project participants were mostly concentrated at the smaller end of microenterprises mainly for self-employment or employment of family members, or what IFAD termed as “pre-entrepreneurial activities” (see box 1). Box 8 below provides an overview of profiles of participants supported in the projects, with a consideration of social inclusion.

Table 5

Size/types of enterprises and participants reached

	<i>PEAJ Cameroon</i>	<i>REP Ghana</i>	<i>PACE Bangladesh</i>
New microenterprises (in particular, youth)	✓✓✓ (youth)	✓✓	✓
Existing microenterprises (off-farm)	✓	✓	✓✓ (component 1, 2)
Existing small enterprises (off-farm)	✓	✓	✓ (component 2)
Farmers/producers, on-farm enterprises ^a	✓✓✓ (overlap with start-up category)	✓✓	✓✓✓ (component 1, 2, 3)

Source: PCE elaboration based on the review of project data; PCE field visits.

^a In PEAJ Cameroon, youths engaged in on-farm production with business plans are considered “agro-pastoral entrepreneurs (or enterprises)”, whereas in PACE Bangladesh component 2 and 3, those engaged in on-farm activities were categorized as marginal or small farmers.

Table 6

Sectors/trades of enterprises and entrepreneurial activities supported (with non-financial services)

	<i>PEAJ Cameroon</i>	<i>REP Ghana</i>	<i>PACE Bangladesh (component 2 & 3)*</i>
Agriculture: on-farm production	✓✓✓ (about 80%)	✓	✓✓✓
Agriculture: off-farm	✓ (processing, packaging)	✓✓ (e.g. gari/cassava processing, input supplies)	✓✓ (e.g. input suppliers, processing, services)

⁶⁴ This section does not cover RERP Nepal, but this was the only project that planned to track job placement, including the wage/earning level, over the long term. After restructuring, RERP Nepal has mainly focused on creating “decent jobs” through TVET and apprenticeship, mostly for youth.

Non-agriculture: production, manufacturing, artisans – local or outside markets	-	(e.g. shoes, welding, crafts, soap, beads making, Kente weaving)	✓✓✓	(e.g. shoes, garment, jewellery)	✓✓
Non-agriculture, services and trade mainly for local markets	✓ (e.g. restaurants)	(e.g. beauty care, hairdressing, catering, auto mechanic, trading)	✓✓✓	(e.g. automobile workshop)	✓
Others	Business advisory service providers (business coaches)	Business advisory service providers, master crafts persons		Tourism related businesses, transport service	

Source: PCE elaboration based on the review of project data.

* The main target group in the agricultural value chains in component 2 and component 3 were marginal and small farmers, with the possibility of generating on-farm wage employment.

Box 8

Overview of participants' profiles and social inclusion

In PEAJ Cameroon, most of the youth entrepreneurs were new to business and the project data indicates that 80 per cent of them were in on-farm enterprises. About 40 per cent are women. Among PEAJ participants, 30 per cent were in a most vulnerable category (with the lowest education and experience levels), whereas 60 per cent were in mid-category (young graduates from vocational technical training centres, general education or incubation programmes).

Both REP Ghana and PACE Bangladesh covered diverse sectors, agriculture and non-agriculture. REP Ghana maintained the data on the number of new businesses (MSEs) created (63,134 as of June 2021) and the number of existing businesses strengthened (23,452 as of June 2021), but it does not differentiate micro and small enterprises.⁶⁵ REP reported that 45 per cent of enterprises created (28,671 out of 63,134) were run by youth, slightly more than the target, and an increase from 26 per cent in 2018.⁶⁶ Data from different sources, such as the matching grant recipient survey, PCE field visits and REP outcome and impact survey, indicate that some enterprises that would be categorized as small enterprises probably benefited to a limited extent, even though they are not "entrepreneurial poor". Similarly, REP beneficiaries often included non-poor and clients located in peri-urban areas,⁶⁷ for example, including those with thriving businesses or fully employed.⁶⁸ The degree to which their inclusion was to be a mechanism to create indirect benefits for the poor and vulnerable was mostly unclear (see also paragraphs 44-45, 47).

In PACE Bangladesh, well-established microenterprises and possibly small enterprises were mostly supported as part of the value chain development interventions, including technical support to their employees. Agricultural value chain sub-projects also reached small and marginal farmers (who are not necessarily called microentrepreneurs). In PACE, component 1 provided additional funds to the PKS/POs' ME loan programme. The distribution across different business categories of the borrowers was reported as follows: (i) 35 per cent agro-farming; (ii) 36 per cent trading; (iii) 15 per cent processing; and (iv) 15 per cent service (PACE mid-term impact assessment). In PACE, these ME loan borrowers were considered as "non-poor".

In all projects, women's participation was high. Among the business created, the proportion of women entrepreneurs was: 41 per cent in PEAJ Cameroon (start-ups) and 65 per cent in REP Ghana. In PACE Bangladesh, there is no data on the number of enterprises established (or strengthened). PACE reported that 78 per cent of the ME loan borrowers were women – but it is the norm in Bangladesh that women are the

⁶⁵ In Ghana, a small enterprise as defined as having 6-30 employees, turnover of US\$25,000-1 million, and assets of US\$25,000-1 million.

⁶⁶ PACE Supervision Report, June 2018

⁶⁷ The 2019 outcome and impact survey on REP stated: "field level evidence indicates that, in terms of geographic coverage, the beneficiaries of REP were largely located in district/municipal capitals and the peripheral communities neglecting remote communities where the poorest entrepreneurs might be".

⁶⁸ Observations from the PCE Ghana field interviews; the team met participants who existing profitable enterprises or full-time jobs (such as teachers, civil servants). The 2019 Outcomes and Impact Survey found that the average income of REP beneficiaries prior to the project in 2012 was much higher than that of non-beneficiaries (GHS17, 111 compared to GHS6,025). The survey noted that there was the possibility of entrepreneurs who were relatively 'not poor' being included in the project.

predominant clientele in microfinance. Evidence suggests that most women accessing ME loans also handed over the money to men in the family who owned and ran the businesses.⁶⁹ This is not uncommon in Bangladesh as there are some challenges to female business ownership acceptance in rural Bangladesh,⁷⁰ men are often in charge of financial decisions, and when women borrow money, it is often their husband who control it (Jahan 2021). (see annex IX for PCE assessment on gender equality and women's empowerment).

Source: Project data, PCE field visits.

69. **Projects did not adequately monitor enterprise survival and growth.** REP Ghana supported nearly double the number of new enterprises compared to its target (over 63,000 as of June 2021 against the target of 37,000), while supporting only a third of the targeted number of existing enterprises (23,452 against the target of 70,000). REP Ghana made efforts to collect the data on survival rates of new enterprises or the growth of supported enterprises (see paragraph 67), but they are not comprehensive.⁷¹ In line with the IFAD guidelines on core indicators, both projects have an indicator, "enterprise in operation after 3 years". PEAJ does not report on this, possibly because most of the new enterprises were established relatively recently. REP reports 50,604 as the number of MSEs "in operation after 3 years", but it is not clear whether they are new and/or existing enterprises that REP supported.⁷² While it was reported that 78 per cent of the REP participants have expanded their business by introducing new products or services (REP outcome and impact survey, 2019)⁷³, BACs in Ghana estimate approximately half of the new enterprises created dropped out between start-up and survival.

Table 7

Summary of enterprise growth paths for new enterprises (PEAJ Cameroon and REP Ghana)

	<i>Supported</i>	<i>Start-up</i>	<i>Survival / remain operational</i>	<i>Normal / rapid growth</i>
REP Ghana	78,162* (Target 250,000)	63,134 (Target 37,000)	Roughly estimated at 50%	2,995 (Target 20,000)
PEAJ Cameroon	3,813 incubated (Target 3,700)	2535 accessed start-up "credit" (Target 3,700)	737 accessed production** [subsequent] credit	

Source: PCE elaboration based on the project data.

* The indicator is "number of persons receiving services". The reliability of this figure 78,162 is uncertain: other data suggest the number may be higher and REP reportedly do not count drop-outs so it could be that services have been provided to around 120,000 and includes existing enterprises.

** It was explained that some were still in the process of reimbursing for the start-up credit and not reached this stage (i.e. not having accessed production credit does not mean that they dropped out).

70. The PEAJ Cameroon impact study (2021) found participants had approximately 25 per cent better production volume and sales than non-participants and were also more likely to invest in their enterprises than non-participants. These factors may be positive signals for potential growth compared to non-participants. The outcome and impact survey on REP Ghana (2019) reported that 78 per cent expanded their business by introducing a new product or service.
71. Factors effecting the creation of new enterprises, their survival and growth included: (i) selection and screening process, balancing the attention to inclusiveness and the entrepreneurship potential; (ii) sequencing and intensity of advisory and follow-up support (also affected by the capacity of supporting organizations), and synergy with financial services and support to address other constraints (e.g. land, access to inputs); (iii) types/sectors of enterprises vis-à-vis

⁶⁹ PCE interviews in Bangladesh 2021; PACE MTE 2018

⁷⁰ Chowdhury, 2009; PCE interviews in Bangladesh in 2021

⁷¹ REP Ghana expects more and better quality data to be collected through tracer studies being launched in 2022.

⁷² REP does not record how many of these businesses are new businesses nor what stages of growth these enterprises that are in operation after three years are at.

⁷³ The sample of REP participants was relatively small (200) and the sampling frame used is not clear. Although the sampling methodology refers to grouping of sampled participants according to different level of support received, the results and analyses are not presented accordingly.

specific context (e.g. markets, growth potential); and (iv) low education/literacy among some participants. Many of these were considered and reflected upon in PEAJ Cameroon, for example, in terms of the initial facilitation process prior to the identification of youth participants in the incubation programme, sequenced and intensive support also differentiated according to the educational background and experience of the participants. REP Ghana took on almost anyone based on their demand, and because of the broad scope (geographical and sectors), high outreach as well as resource constraints of BACs, it was challenging to provide intensive and continuous support that are needed for new and inexperienced entrepreneurs.

72. **Introducing new technologies and practices for productive activities was effective in improving the performance of existing on- and off-farm enterprises.** This was particularly noted in PACE Bangladesh under its value chain development and technology transfer components. In about 60 per cent of the value chain sub-project assessment reports supported in PACE, the participants increased their investment either by increasing machineries or worker numbers in non-agricultural sector, or by increasing livestock or cultivation areas in the agricultural sector.⁷⁴ The enterprises that were unable to implement the new practices due to a lack of affordability and lack of access to finance did not grow (see paragraph 6377; annex VII), while some others who received grant support (e.g. equipment), despite lack of interest and motivation in growing their businesses, were unwilling to invest further on their own (see paragraphs 65, 109; footnote 64).
73. **External factors, such as COVID-19 and livestock disease, affected enterprise performance.** Commonly, many enterprises have been negatively affected by the COVID-19 pandemic with the direct health issues as well as lockdowns and depressed economic activities. For example, in Bangladesh the pandemic adversely affected domestic vegetable value chain as well as export-oriented crab value chains.⁷⁵ But conversely, the pandemic boosted the local tourism sector in Chittagong in Bangladesh and diverse economic activities around ecotourism supported by PACE,⁷⁶ while depressing international tourism. In Cameroon, the youth enterprises in the livestock sector was negatively affected by the prevalence of the African swine flu, as well as the unavailability of day-old chicks. Some youth with good relationships with the financial institutions obtained loan extensions enabling them to pivot their activities, but others have not survived or are struggling to find capital to re-start their business operations.⁷⁷
74. **Projects had mixed success in formalising enterprises.** Formalization can take different forms and can be with different authorities (local or national level), also depending on the nature/sector of business. Among the projects reviewed, PEAJ Cameroon and REP Ghana made efforts for enterprise formalization. In PEAJ Cameroon, nearly 60 per cent of the enterprises supported have been formalised⁷⁸ despite youth reporting that it is complicated and time-consuming.⁷⁹ In REP Ghana, the rate of formalization⁸⁰ for the new enterprises was lower at 28 per cent (17,471 out of 63,164).⁸¹ While BACs informed entrepreneurs on the benefits of formalisation, uptake remained low due to entrepreneurs' lack of aspiration and

⁷⁴ Based on the PCE team's analysis on available value chain sub-projects report (30 reports).

⁷⁵ In addition, excessive rainfall in Bangladesh reducing the salinity in coastal areas has also negatively affected crab and carp-prawn value-chains.

⁷⁶ Such as those operating home stay for tourists, restaurant, photographer, boat operators, guides.

⁷⁷ PCE Cameroon field interviews

⁷⁸ According to the project data, predominantly in the category of "crafts/artisans" (close to 68 per cent recorded as formalized), followed by "single member public limited company" (20 per cent). The former is a category of enterprises that are registered at a local council. The PCE mission did not meet any that would belong to the latter.

⁷⁹ PCE Cameroon field interviews.

⁸⁰ Formalisation comprises formal registration with the Registrar General's Department and other statutory bodies such as the Ghana Standards Authority and Food and Drugs Authority.

⁸¹ As a comparison, a survey by the Ghana Statistical Service (2015) found that 10 per cent of enterprises were formal. The survey defined formalisation as being registered with the Registrar-General and having formal accounts.

ambition to grow their business (i.e. being satisfied with what they have); the cost of formalisation (despite subsidy support provided); and/or fear of taxation.⁸² Interviews in the field indicate that, even though enterprise formalization can facilitate access to markets and finance, the pros and cons differ depending on the nature, type and size of businesses and entrepreneurs' aspiration. When enterprises were formalised, there are better chances that permanent employees are placed on the statutory pension plan and contributions made on their behalf, as noted in the REP Ghana field mission.

B.2. Non-financial services

75. Business and technical skills training was the most common form of non-financial services, resulting in high outreach. Such support was generally aimed at developing technical skills and knowledge of entrepreneurs to improve production and productivity (on or off-farm) or to provide services; and/or business planning and management; or, less frequently, the technical skills of employees. Key outreach data in relation to these interventions are reported in table below.⁸³ PEAJ Cameroon outreach through incubation support was much lower compared to REP Ghana and PACE Bangladesh,⁸⁴ but the level of support per participant was higher with comprehensive, intensive and continuous support, including coaching and periodical follow-ups. During implementation, projects (PEAJ Cameroon and REP Ghana) made some adjustments to make the delivery of non-financial services more inclusive to better reach women as well as ethnic groups (box 9).

Table 8

Key output and outreach in entrepreneurship and technical training as reported by projects

	<i>Achievement reported</i>	<i>Target</i>
PEAJ Cameroon		
Youth incubated	3,813 (40% women) ^a	3,700 (30% women)
REP Ghana		
People trained in business/entrepreneurship	84,316 (70% women)	205,050 (50% women)
People trained in income generating activities	132,300 (74% women)	103,880 (50% women)
People receiving vocational training	34,288 (29% women)	140,330 (67% women)
Master crafts persons trained	14,266 (15% women)	30,320 (50% women)
Apprentices supported	9,921 (27% women) ⁸⁵	51,216 (50% women)
PACE Bangladesh		
People trained in income generating activities or business management (agricultural value chains)	222,726	200,000
Persons trained in production practices and/or technologies (agricultural value chains)	175,270	
Persons trained in income-generating activities or business management (non-agriculture)	261,445	
Rural enterprises accessing business development services (non-agriculture)	311,619	

Source: latest project supervision mission reports, data shared by the project teams

^a % of women incubated each year increased over time from 33% in 2015&2016 to 51% in 2021

⁸² PCE Ghana field interviews; REP outcome and impact survey (2019). The latter survey found that registered enterprises had higher incomes than unregistered businesses, but it may be that better-established enterprises are more likely to be formalised.

⁸³ It is however not clear whether these figures may have double-counting (e.g. same persons in different trainings).

⁸⁴ This also takes into consideration that the difference in budgets and cost structures. For example, the REP programme cost was much higher (at US\$250 million) than other projects, but US\$70 million was in REP Ghana, about 28 per cent of IFAD funds is allocated for civil works, vehicles and materials.

⁸⁵ 5,903 traditional apprentices, 1,519 technical apprentices, and 2,499 graduate apprentices (REP logframe as of June 2021).

Box 9

Measures to enhance outreach and inclusiveness of non-financial services (REP Ghana and PEAJ Cameroon)

PEAJ Cameroon adjusted the training approach to account for the low literacy of participants as well as deliver its support using local languages. The project developed toolboxes with images and used role plays and stories to increase youth's knowledge and skills. In working with the Mbororos in the Northwest region (indigenous community), PEAJ also incorporated measures to respect religious practices by ensuring the availability of worshipping areas. In the relatively conservative Mbororo communities, business has traditionally been done by men while women stay at home. Consequently the facilitating NGO working in the area organised targeted awareness-raising sessions to encourage husbands and wives to view project activities as a family business. Young Bororos who were already supported by the project were also brought in as a role model to explain the advantage of being part of PEAJ and served as interpreters. This peer-to-peer approach was effective in encouraging the participation of new entrants in the conservative society. The PCE field visit noted how young Mbororo women had become more active and were able to have a say in family decision-making and undertake economic activities.

REP Ghana found that women's participation in technology training was low (which perhaps reflected the traditional labour profile in the engineering-related sectors) and in response established hostels, with separate units for men and women, located to accommodate apprentices of the TSCs. Despite some efforts, the data on results (table 8 above) still show relatively low figures.

Source: PCE team based on project documents and interviews.

76. **Projects enhanced the productivity of on- and off-farm enterprises through technical skills development and technology promotion.**⁸⁶ The projects reported that a majority of participants adopted new or improved practices.⁸⁷ It is not possible to verify the accuracy of data on adoption rates, but the PCE field visits confirmed that the results from the adoption of new or improved practices and technologies (their identification, dissemination and training) were visible, especially in terms of improved productivity. PACE Bangladesh has numerous examples (in Component 2 and 3) and reported 63 new practices were adopted in agriculture and non-agriculture sectors (see box 10). In REP Ghana, examples were mainly off-farm agro-processing or other equipment and machines (e.g. gari processing, soap cutting machines, palm oil extraction). In general, the level of uptake was influenced by: observable benefits in a short cycle; affordability; required investment; profile of entrepreneurs; and access to finance.

Box 10

PACE Bangladesh: examples of improved technologies and practices promoted

PACE reported 63 new practices in both agriculture and non-agriculture sectors contributing to improved productivity - many were directly observed in the PCE field visit. These can be categorized as follows: (i) simple new practices (e.g. rearing goats on perch, which was brought in from Thailand); (ii) new varieties of seeds (mung bean, rice, onion); (iii) new services (water testing services in the carp-prawn and crab sectors); and (iv) new machineries (power looms, machinery for automobile workshops, bean drying machines). Some of the on-farm practices were clearly visible and easy for indirect beneficiaries (non-participants) to copy.

Source: PACE reports and PCE field visits.

77. There were, however, also missed opportunities to improve the contribution of technology development to enterprise development. For example, in REP Ghana,

⁸⁶ A full assessment of project's effectiveness is constrained by ineffective monitoring of individual strategies (to improve business knowledge, skills, and practices) and lack of disaggregated data on the characteristics of people who participated in training and/or who benefited from the training.

⁸⁷ For example, REP Ghana reported the adoption rate by participants training of between 57 per cent (pre and post-harvest sector) and 75 per cent (agro-processing sector).

RTFs/TSCs could have identified opportunities for technological innovation that would better respond to the critical needs for rural MSEs, e.g. for soap-making which is one of the most popular enterprises supported in REP. PACE Bangladesh could have better integrated new/improved technologies into value chain development interventions and turned them into enterprise opportunities for potential input suppliers or service providers: instead, in many cases, the associated inputs and services were provided by POs (acting a value chain actor rather than a facilitator)⁸⁸, or where local entrepreneurs were engaged, they were engaged more as a service delivery channel rather than a business.⁸⁹ Furthermore, better linkages between financial services and technology promotion could have resulted in a better uptake in PACE: a combination of financial and non-financial services (whether funded by the project or not) was provided in only half of the sectors (in 50 per cent of agricultural/farm value chain sub-projects, and 40 per cent of non-farm value chain sub-projects).⁹⁰ For example, only 500 of 3,200 weavers trained by PACE to use new machinery have been able to purchase machines and apply their new skills (90 per cent of them accessed loans from the PO to purchase machines). In the shoe sector, the enterprises that received cost-sharing support from the PO were able to upgrade their machineries, while others who did not continued to follow their old production processes.⁹¹

78. **Projects increased entrepreneurs' access to loans by helping them develop business plans to support loan applications.** PEAJ's support resulted in 90 per cent of youth in incubation programme converting business ideas into business plans.⁹² In REP Ghana, BACs supported the preparation of business plans by those entrepreneurs who completed at least three BAC workshops and are interested in applying for loans, although this was only for a small number of clients. The REP's partner financial institutions reported that the quality of business plans was high and that the repayment rates for these BAC-supported borrowers were higher than banks' other clients. REP and the partner financial institutions also monitored participants more closely, which likely also aided good repayment rates.⁹³ However, it is also important to note that, the availability of quality business plans was only a partial consideration by the banks, which also considers other aspects of creditworthiness (e.g. risk associated with type of business, collaterals).
79. **In general, the adoption of new or improved routine management practices was inconsistent or low.**⁹⁴ In REP Ghana, it may be because: BACs' were more focussed on business planning support than regular ongoing support required to influence change in more routine practices; BACs' capacity constraints limited the ongoing support they could provide to clients; and some participants have low literacy levels impacting on management skills like record keeping.⁹⁵

⁸⁸ The project performance evaluation by IOE on the previous PKSf-implemented project, Finance for Enterprise Development and Employment Creation Project (FEDEC) (IOE 2014) had a similar finding and provided a recommendation as follows: "PACE should have a clear strategy on how to develop the business/non-financial service markets around the selected value chains.... To ensure sustainable impact, it is essential to develop/strengthen the service providers of the selected value chains instead of the project directly providing those services. PACE, therefore, needs to have a clear strategy to identify the service market gaps in selected value chain and build their capacity through facility activity with a clear exit plan". Thus, this recommendation has not been fully implemented in PACE.

⁸⁹ For example, in PACE, the PO set up local service providers for water testing services. But these service providers were not linked with provider of the water testing kits and they faced difficulties in sourcing the kit from input suppliers. The local service providers were told by PO to charge the cost which is not profitable.

⁹⁰ PCE Bangladesh field interviews

⁹¹ PCE Bangladesh field interviews

⁹² Compared to 10% in the control group from PEAJ's 2021 impact study.

⁹³ PCE Ghana field interviews

⁹⁴ For example, PCE Ghana field visits found that few participants applied new management knowledge and skills. Many enterprises the PCE met in the field received training in record keeping but are not keeping records or are inconsistent with record keeping. This finding is also in line with the 2019 outcome and impact survey which noted that the beneficiaries "are able to adopt the hard/technical skill training more than the managerial skills" and that they "attributed this to their low level of formal education".

⁹⁵ BACs planned to provide a minimum of two follow-up coaching sessions to participants each year but were unable to meet this level of support due to a lack of resources (PCE Ghana field interviews).

Although PACE Bangladesh had generally limited support for management skills, some good examples were noted: a 10-day training management training course for honey processors (covering record keeping; price setting and sales) led to improved management practices in: inventory management and quality assurance; aligning prices to market rates; and attracting new customers and increased sales. In another example, 15 per cent of automobile workshops improved their marketing via use of advertising boards and mass marketing.⁹⁶

80. **Participants who received non-financial services did not necessarily also access financial services.** Differences across projects was influenced by: (i) clarity of impact pathways and intervention approaches making links and complementarities between both elements (non-financial and financial services); (ii) the projects' geographic and sector scope⁹⁷; (iii) implementation arrangements and coordination issues; and (vi) whether participants needed financial support and/or could access this support elsewhere. PEAJ Cameroon had a focused and sequenced approach, and basically, all participants incubated were provided with opportunities to access credits subject to their performance – although only a minority has had success so far (see paragraph 83) mainly due to implementation delays and the time it takes for the incubation and subsequent processes. In case of REP Ghana also, only a minority of the participants in business training and counselling accessed finance supported by the project, possibly also because not everyone wished to obtain loans. In both PEAJ Cameroon and REP Ghana, synergy was improved during implementation based on enhanced support for business plan preparation and better coordination with business development service providers and financial institutions.
81. Even though PACE Bangladesh supported both non-financial and financial services, PKSf and POs did not often leverage the opportunity to meet participants' needs for complementary services. Different departments within PKSf and POs did not always communicate well, partly affected by staff arrangements. In line with their core business, financial services staff were permanent staff and paid through revenue earned from providing these services. This contrasted with temporary staff contracted to deliver project activities, such as the value chain development sub-projects, which are not core business or at least reliant on external grant funding.⁹⁸ There were cases where the participants in PACE value chain development component accessed loans under other credit windows rather than under the ME loan programme (e.g. small and marginal farmers), but the PCE interviews also revealed examples of entrepreneurs not being able to adopt improved technologies due to lack of access to finance (see paragraph 77).

B.3. Access to finance

82. In the context of this evaluation, assessing improved access to finance focuses on the following changes: (i) the previously un/under-banked can access financial services, in particular credits for enterprise activities, importantly for investment; and (ii) types and quality of available financial services and products become more responsive to the needs of rural entrepreneurs.
83. **Projects' efforts to facilitate rural entrepreneurs' access to loans achieved modest results.** The reasons for this included: (i) common challenges and risks in supporting start-up enterprises; (ii) financing facility designs and approaches not adequately taking into consideration contextual issues and incentives and capacity of partners (see also paragraphs 61-62); and (iii) insufficient deliberate efforts in

⁹⁶ PCE Bangladesh field interviews

⁹⁷ PACE Bangladesh and REP Ghana were implemented nationally and included multiple sectors and sub-sectors, increasing the challenges to building synergies and relevance for the multiplicity of specific sub-groups needs, as well as geographic dynamics and characteristics. PEAJ was more focused on a sub-group, youth, principally start-ups; sectors, on and off-farm agro-pastoral; and did not have a national scope.

⁹⁸ PCE Bangladesh field interviews.

promoting improved or innovative products and services responsive to the need. In PEAJ Cameroon, out of 2,605⁹⁹ youth who received “start-up credit/fund”, 28 per cent (737 youths, 44 per cent women) obtained the second stage “productive credit” (see also box 5). Over 1,000 loans were disbursed including repeater loans, averaging about US\$1,280 per loan. It is likely most of those borrowers had no bank account and no credit history prior to PEAJ support. The PEAJ impact study (2021) indicated PEAJ participants had better access to formal financial services compared to the control group.¹⁰⁰ Nonetheless, the progress was made only in the last 3 years since the PEAJ’s financing facility did not gain momentum until 2018-2019. Even though pilot activities commenced in 2016 with the first cohort of youth, there were delays in setting up the institutional arrangements (eventually with Société Générale de Cameroun) (see paragraph 23). Most (90 per cent) of the “productive credits” issued so far were provided after 2019.¹⁰¹ Furthermore, although the repayment performance of borrowers reportedly improved owing to the introduction of business coaches, the available data and reports indicate still unsatisfactory performance.¹⁰²

84. In REP Ghana, the matching grant facility was originally intended to provide the first-time borrowers with an opportunity to build relationships with financial institutions, but the implementation approach did not reflect this rationale (see also paragraph 64, box 7). As of late 2021, nearly 3,000 participants (50 per cent women) had accessed 1,500 matching grants (some to groups).¹⁰³ The mini phone survey conducted by the PCE team indicated that a good proportion of the grant recipients seemed to be relatively well-established enterprises (see also annex VII for the survey results). REP’s other credit facility (Rural Enterprise Development Facility) reached 15,160 MSEs, of which 71 per cent women¹⁰⁴, but less than half of the target (37,000) due to a range of factors including: participants’ inability to meet partner institutions’ eligibility criteria (e.g. collateral, risk profile); and financial institutions’ lack of interest.¹⁰⁵ There were also cases of delays in the processing of application from the partner institutions through the ARB Apex Bank and Bank of Ghana.

Box 11

REP Ghana: PCE mini-survey on matching grant recipients

According to the mini phone survey on the matching grant recipients (82 respondents) conducted by the PCE team, a sizable proportion of the matching grant recipients had business for quite some time and were likely to be relatively well-established.¹⁰⁶ Twenty-eight per cent had accessed bank loans before the matching grant. About half started business before 2012. Sixty-two per cent of the respondents mentioned that their business were registered (90 per cent of which as sole proprietorships) and 80 per cent with business registration (or 44 per cent of all respondents) had been registered/formalized before the matching grant. These data indicate that relatively well-established enterprises benefited to a greater proportion than other smaller clients. The average length of

⁹⁹ Out of 3,813 incubated, i.e. 68 per cent of those incubated.

¹⁰⁰ The study found that 28 per cent of the participants use credits compared to 14 per cent in the control group. Among those who access credits, 44 per cent got a loan from MFIs among the project participants, compared to 22 per cent in the control group. For 54 per cent of the control group, informal lenders were the main source, compared to 27 per cent for the project participants.

¹⁰¹ Data shared by PEAJ team.

¹⁰² The December 2021 supervision mission for PEAJ noted the loan portfolio showed a significant deterioration, with 41.5 per cent of the total outstanding credit overdue. The reasons mentioned included: arrears from the operations in the earlier years when there was still insufficient experience, COVID-19, scarcity of day-old chicks and swine fever (see also paragraph 73). New enterprises can also be vulnerable to market price fluctuation (inputs or outputs), which can affect the profitability of enterprises with implications on the repayment capacity. The underperformance due to external factors indicates the need to consider risk management strategies for these young enterprises.

¹⁰³ The size of the grant varied widely, from US\$400 to US\$3,500. Some grants were for groups.

¹⁰⁴ Average \$600

¹⁰⁵ Out of the more than 80 partner financial institutions accredited for the Rural Enterprise Development Facility, only about 43 were found to be active.

¹⁰⁶ About half started business before 2012 and over 40 per cent had been registered/formalized before the matching grant. 41 per cent over age 46 at present. The average length of business operations at the time of matching grant was 10 years. (Matching grant recipient survey by the PCE team).

business operations at the time of matching grant was 10 years. Of 32 per cent of the respondents who did not have relationship with the partner financial institution before the matching grant, only 19 per cent maintained the relationship.

Source: PCE team mini phone survey.

85. In both PEAJ Cameroon and REP Ghana, projects' credit financing facilities were complimented by other interventions (non-financial and financial services) to be effective. In both projects, the quality of support to business planning improved over time (by BACs in REP, incubator plus business coaches in PEAJ), which was appreciated by the financial institutions. PEAJ Cameroon also supported capacity building of the financial institutions in assessment of business plans for agro-pastoral enterprises – the sector they did not have much experience in. In addition, PEAJ provides an option of the risk sharing arrangements for the financial institutions. On the borrowers' side, follow-up support by business coaches (after loan approval) reportedly improved the business performance and in turn the repayment performance, which was highly unsatisfactory especially for the earlier cohorts of youth. But still, the repayment performance appears not to be at the acceptable level.
86. The extent to which PACE Bangladesh made a difference in terms of access to finance and financial services is not evident. PACE reported an outreach under the ME loan programme as 355,185 (as of June 2021), but what this figure means is uncertain, as it was based on a proportion of the whole ME loan borrowers through PKSF's POs (i.e. PACE funds integrated into the existing ME loan programme).¹⁰⁷ Most of the clients had previously borrowed from POs¹⁰⁸, the ME loan programme portfolio showed a steady growth (including the mobilization of other sources of funding by POs) and it is unlikely that PACE contribution to the funding made a significant difference. PACE funding for the ME loan programme was not linked to other components. Some participants in other components (value chain development, technology transfer) may have had access to finance from POs or other NGO-MFIs, not necessarily under the ME loan programme, but the PCE mission's interviews found cases where lack of access to finance constrained the participants from adopting certain technologies or practices (see paragraph 77).
87. **Overall, projects created few new financial products or innovative approaches.**¹⁰⁹ The projects could have maximised outcomes with thorough analysis of the constraints to identify opportunities for more responsive financial services, combined with systematic testing of possible solutions and scaling-up. PACE Bangladesh was expected to introduce new loan products for MEs, but the start-up capital loans and lease financing have not advanced beyond their pilots.¹¹⁰ A phone survey conducted by the evaluation team found that only 16 per cent of start-up capital loans went to new enterprise undertakings, whereas lease financing helped the clients purchase new fixed assets. Weak synergies across PACE's components contributed to missed opportunities for linking enterprises to relevant

¹⁰⁷ The basis for the figure was explained by PKSF as follows: an increase in ME loan borrowers in the first two years was solely attributed to PACE (79,411+238,853=318,264), and in the subsequent years, PACE was considered to have contributed only a small percentage of the increase in borrowers, initially 9.7 per cent, then most recently 2.25 per cent. The rate of increase of number of borrowers is higher between 2014/15 and 2015/16 (33 per cent increase), followed by 22 per cent increase. However, it is not clear why the increase in the first two years would be attributed only to PACE. In 2013/14, the amount disbursed from PKSF to POs for the ME programme was over US\$60 million and the disbursed amount from POs to borrowers about US\$650 million.

¹⁰⁸ POs also preferred to lend to existing borrowers, either their own or from other institutions. Across POs only 1-20 per cent of ME loan borrowers are entirely new borrowers, so it seems that if existing customers were demanding larger loans, PKSF and PO would have been able to meet this need without PACE. According to the mid-term impact evaluation (2018), 37 per cent of the borrowers (sampled as PACE beneficiaries) were following the weekly repayment schedule, and 62 per cent monthly.

¹⁰⁹ This finding is also in line with the evaluation synthesis on inclusive financial services for the rural poor prepared by IOE in 2019. The evaluation synthesis noted that even though many projects at design stage envisage the use of innovative approaches, services or products, they were later dropped or, if implemented, performed poorly.

¹¹⁰ 241 start-ups and 59 lease financing 2020

financial products, with some exceptions based on POs' own initiatives.¹¹¹ The difference between the ME loan programme and the other microcredit programmes was unclear, except for the loan amount ceiling. The term of repayment is mostly weekly or monthly,¹¹² regardless of business needs. In REP Ghana, micro-leasing was introduced but apparently it was discontinued (see section III.C.3). Potential of other products, such as insurance, especially for agriculture-related enterprises, was not explored either.¹¹³ Lastly, no project explored the opportunities for innovations with digital finance, despite the progress made in the countries in the past years.

C. Impact

88. This section presents key findings related to projects' impacts on the following areas: (i) employment creation and household income increase achieved from enterprise development and strengthening; and (ii) institutions, policies and support systems for MSE promotion and development.

C.1. Creating employment and increasing incomes

Employment creation

89. The number of jobs created was reported as follows: REP Ghana - 74,677 jobs (June 2021, 64 per cent women, 53 per cent youth); PEAJ Cameroon - 10,516 jobs (January 2022); PACE ME loan component - 473,218 full-time wage jobs (September 2021). How these data were arrived at was not always clear and their accuracy is questionable. For example, the figures on PEAJ Cameroon and PACE ME loan component were based on the assumption on the employment created per enterprise supported (PEAJ Cameroon) or per ME loan borrower (PACE Bangladesh), but both seem to be overestimated.¹¹⁴ ¹¹⁵ Also, projects do not disaggregate the number of jobs, and it is not possible to determine: self-employment versus wage employment; full or part-time, permanent or temporary (including seasonal).
90. **To date, projects have mainly contributed to increasing or improving self-employment.** This reflects: the projects' targeting strategies; the emphasis on creation and/or strengthening of enterprises owned and operated by the primary target group (rural poor) over supporting enterprises that may not be the primary target group but would create wage employment opportunities for the rural poor; the nature and maturity of the entrepreneurs and enterprises supported; and in general the limited wage employment opportunities in the rural economies most projects focused on.¹¹⁶ In most cases, as observed in the field, the activities are largely "pre-entrepreneurial" (box 1), and entrepreneurs would have multiple lines of income sources (box 12 for an example from REP Ghana). This indicates that it is not always straightforward to define what is meant by "creating" or "establishing" an enterprise.

Box 12

REP Ghana: contribution to income diversification

¹¹¹ For example, one PO in PACE saw the gap and offered a seasonal loan (not ME loans) to farmers in the carp-prawn sector where repayment schedules better reflected carp-prawn harvesting cycles.

¹¹² According to the mid-term impact evaluation (2018), 37 per cent of the borrowers (sampled as PACE beneficiaries) were following the weekly repayment schedule, and 62 per cent monthly.

¹¹³ PKSF and its POs offer livestock insurance.

¹¹⁴ For PEAJ Cameroon, the information on 10,516 jobs created was based on an assumption that each enterprise created creates four jobs, rather than being actual jobs created. From the PCE field visit, in reality, four jobs per enterprise seemed to be an overestimate.

¹¹⁵ The data on PACE based on the mid-term impact survey was most likely overestimated, as it took full time equivalent wage employment per ME loan borrower at the time of the survey (1.34) as the basis, rather than the difference from the baseline (0.73) - therefore, the incremental value was 0.61. In any case, as discussed earlier, the extent to which the PACE funds made a difference on the operations of the ME loan programme and borrowers' wage job creation capacity compared to without programme situation is not clear (see also paragraph 63, box 6).

¹¹⁶ The lack of disaggregated data (such as target group; type of employment created, sectors) impacts on the ability to fully understand the characteristics of the jobs created or how important they may be to participants. Additionally, projects do not monitor the nature of jobs created including their longevity.

REP participants met on the field are using diversified sources of income to improve resilience and coping strategies – benefiting from the training in various income generating activities were obtained through REP. Cases observed in REP include beauticians who also produce soap and detergents, caterers who also undertake interior decoration, fish farming and crop farming. These sources include artisanal works such as auto mechanics, welding, dressmaking, carpentry and kente weaving. The income sources also include own businesses such as processing of farm produce, mushroom production, poultry, piggery as well as petty trading and other wage employment.

Source: PCE field visit in Ghana.

91. Despite the absence of strategies tailored to people living with different types of disabilities, PEAJ Cameroon and REP Ghana created jobs among this group. REP Ghana reported creating 3,138 jobs for people living with disabilities and people living with HIV/AIDS. PEAJ Cameroon reported that some persons living with disabilities (in Douala and Littoral region) have obtained jobs or created businesses that also created employment for others, though the quantitative data are not available.¹¹⁷ For both projects, some of these examples were directly observed during the PCE field missions.
92. **Wage employment opportunities were created to a limited extent, but generally the expectations on job creation for non-household members was over-optimistic.** REP Ghana supported sectors such as hairdressing, dressmaking, fabrication, and welding that provide limited opportunity for growth, and at most may employ one person other than the owner.¹¹⁸ The outcome and impact survey on REP Ghana (2019) reported 1.12 permanent employees on average (decreased from 1.29 in 2016) and 1.43 casual labour/month (increase from 1.03 in 2016) – hence, relatively modest. PEAJ Cameroon design assumed four jobs per enterprise, but the PCE Cameroon field mission indicated an enterprise may generate 2-3 jobs, most of which were seasonal, including for unemployed household member(s).
93. **Full-time and more continuous jobs that were new or better quality than existing ones were more common in non-agriculture sectors in urban or peri-urban areas.** An example of more stable wage employment was seen in PACE Bangladesh: the enterprises in non-agriculture sectors supported in the value chain development component (e.g. shoe, automobile, garment) were mostly well-established micro or small enterprises in urban and peri-urban settings, and their improved performance created full-time wage employment for non-household members with entry- or low-level skills. For example, a common service centre owner in the shoe sector increased the number of laser cutting machines from one to four with PACE's cost-sharing support (around \$11,000), training and introductions to a supplier; and increased the number of employees from one to 12.¹¹⁹ In addition, PACE support also improved the quality of jobs of existing workers, who were trained and increased their wages due to improved skills. However, the identification of sectors by POs was not necessarily driven by the intention to generate new wage employment opportunities, and the strategies were focused on increasing sales and profits of the enterprises.
94. Wage employment were also generated in on-farm sectors and agriculture-related enterprises, but they were often seasonal and temporary. In PACE Bangladesh, more than 50 per cent of the on-farm value chain sub-projects reviewed reported an increase in new seasonal day labour and part time wage employment opportunities (mainly the ultra-poor), due to new farming practices that required additional effort (e.g., improved feeding practices in carp-prawn and crab

¹¹⁷ PEAJ Execution Report, 2021. The PCE field visits also interacted with some.

¹¹⁸ PCE Ghana field interviews

¹¹⁹ PCE Bangladesh field interviews

sectors).¹²⁰ Across the projects, unsurprisingly, most jobs created in crop production were seasonal. In REP Ghana, gari processors offered part-time jobs but on a continuous basis, whereas fish farmers (aquaculture) offered both permanent and part-time jobs. New/improved technologies could result in the improvement in the quality of jobs for some and the displacement of jobs for others, but in the projects reviewed in this evaluation, there was little evidence of displacement arising from adoption of new/improved technologies. In some cases, improved technologies contributed to reducing drudgery and reallocating labour (e.g. from manual labour to operating simple equipment, and freeing up time for other productive activities). In other cases, improved technologies on on-farm productive activities were in terms of good practices or better inputs, which did not reduce the labour requirement.

95. **Technical and vocational training and apprenticeship increased employability and employment opportunities.** In REP Ghana, apprentices were expected to start their own businesses, but only some transitioned while others were hampered by the inadequacy of the start-up kits provided by the project (see paragraph 59), lack of resources to acquire land or rent a space. Many returned to work for master crafts persons. There were also examples where the certificates received from the National Vocational Training Institute proved to be useful to pursue new work opportunities (e.g. to work visas for employment in other countries).
96. **PEAJ Cameroon and REP Ghana created jobs for participants by directly employing them,** though they were not planned as main project results. In PEAJ Cameroon, some young entrepreneurs trained in the incubation programme were employed as trainers in the subsequent cohorts as a way to raise funds to mobilize own contribution to access “start-up credit”. In REP Ghana, BACs, RTFs/TSCs and BRCs employed around 800 participants, a notable number given Ghana’s tertiary graduate unemployment levels.
- Increased incomes**
97. **Projects contributed to increased incomes or diversified income sources, but the evidence on the depth and breadth of income changes is incomplete.** With reference to the outcome and impact survey for REP Ghana, while it is difficult to interpret some of the data,¹²¹ one of the positive indications in this report is that 90 per cent of REP participant respondents reported increased incomes over the past 3 years compared to 49 per cent among non-REP respondents. Most participants interviewed by the evaluation team cited increased turnover (between two to four times) and attributed the positive change in turnover to REP interventions.¹²²
98. In PACE Bangladesh, income increases for the primary target group is likely to have been achieved through: improved on-farm practices and improved production by small and marginal farmers who participated in value chain sub-projects; more on-farm wage labour opportunities by ultra-poor (landless); better wages due to improved skills; or new employment in non-agricultural off-farm enterprises. For example, project support in the carp-prawn and crab farming sector in south-west of the country had a significant positive impact on productivity and mortality, and in turn on the incomes of farmers who had few alternatives due to changing salinity levels in the area. The impact assessment reports for PACE value chain sub-

¹²⁰ Based on the analysis of the available VC reports.

¹²¹ For example, the report shows that non-REP participants as a control group had much lower income (supposedly annual) level at baseline (GHS6,025, compared to GHS17,110 by REP-participants), raising doubts on their comparability. Furthermore, it is not clear from the questions whether “incomes” are to be from the specific enterprise activity or overall household incomes.

¹²² It should however be noted that the entrepreneurs the PCE team met were those with current contact with BACs, and hence, it is unknown what proportion of all REP participants may have experienced such positive picture and to what extent. Ongoing tracer studies may provide more data.

projects reported that participants increased their investments by increasing livestock, cultivation areas, machineries, or workers.¹²³ According to interviews, workers trained or employed in non-farm sectors reported improved incomes, an average amount of BDT 10,000 (US\$116) per month, which is near the upper poverty line in Bangladesh of BDT 11,200.

99. PEAJ's 2021 impact study showed no notable difference of turnover, operating costs and profits between participants and non-participants, both of whom had recently established enterprises. Baseline data for each group is not available so it is not possible to determine if the change trajectory (speed or significance of change) differs between participants and non-participants.
100. **Income diversification and risk mitigation were an important impact for many participants.** Anecdotal evidence across PACE, PEAJ and REP suggests that the participants have diversified their incomes following project support. For example, the evaluation found that REP's training helped participants diversify their income by combining production with processing activities, or production with trading or mix self-employment with wage employment. More specifically, beauticians trained in soap making production now sell soap and detergents; caterers now provide interior decoration services; and farmers farm multiple produce such as crops and fish.¹²⁴

C.2. Institutions, policies and support systems

101. **In Ghana and Cameroon, projects contributed to the development of government institutional frameworks and mechanisms for MSE development.** REP Ghana (since 2012) and its previous two phases (1995-2002, and 2003-2012) have contributed to setting up an institutional framework and structures for decentralized service delivery in business development services (namely, BACs – and BRCs added in recent years) and technology development support and technical training (RTFs/TSCs), also with substantial investment in infrastructures, vehicles and equipment. However, the impact on the ability of various institutions to effectively and efficiently deliver services differs between districts, and their capacity and sustainability remains a serious challenge (see also section III.D.2). REP has supported the institutional strengthening of the Ghana Enterprise Agency (previously the National Board on Small-Scale Industries) and GRATIS.¹²⁵ Partnering with these institutions and in line with the governments decentralisation policy, REP has helped to establish additional sub-national level institutions to have in operation: (i) over 160 BACs (previously 53 were supported under the previous two phases); (ii) 37 BRCs (newly introduced in 2017/2018); and (iii) 24 RTFs/TSCs.¹²⁶ In addition to these service providers, REP also supported the establishment and/or strengthening of various institutions at district and regional levels.¹²⁷ District assemblies have a key role in facilitating local economic development including job creation and MSE sector development, but weak financial capacity (in some cases coupled with different priorities) has affected their ability to cofinance the operations of BACs and RTFs/TSC, which then

¹²³ Based on PCE Bangladesh review of programme documents

¹²⁴ PCE Ghana field interviews

¹²⁵ REP supervision mission report, October 2021.

¹²⁶ 21 inherited from REP I and REP II, and 3 adopted by the Ministry of Trade and Industry from other Government projects. The target number of RTFs/TSCs across the country was reduced from 51 to 31.

¹²⁷ Such as the District Sub-Committee on MSE Promotion in all districts to enable them to: (i) co-ordinate all initiatives on MSE promotion; and (ii) ensure the mainstreaming of the activities of BACs and RTFs within the development plans and annual budgets of the district assemblies. As part of the process, REP also sensitized the Regional Coordinating Council and Ghana Enterprise Agency Regional Managers on the need to coordinate MSE development activities in their respective regions and to strengthen the national, regional and district institutional linkages and ownership in MSE promotion at all levels. This led to the formation of a regional committee on MSE promotion in each region. At the district levels, REP facilitated the establishment/strengthening of local business associations and created new district level association of small-scale industries (104).

has affected the staff motivation and performance.¹²⁸ Mainstreaming of various institutions/platform and district and regional level (e.g. district committee on MSE promotion) into government processes does not seem to have been widespread.¹²⁹

102. PEAJ Cameroon, in collaboration with various government agencies as well as ILO, has been supporting several actions to improve the environment for MSE development, in particular in the agro-pastoral sector with a focus on youth. Important progress has been made, but at a rather slow pace. In February 2021, an action plan was drawn up with the Ministry of Employment and Vocational Training¹³⁰ to obtain accreditation and approval of training courses of 15 incubation structures (8 public, 7 private). The accreditation is expected to give these institutions a recognized status as an agro-pastoral training/incubation institution. As of end of April 2022, 13 incubation centres have been accredited, though with some delays mainly due to the lengthy administrative procedures required. ILO has also supported incubation centres to adapt training materials for agro-pastoral entrepreneurship; and supported a network of entrepreneurship trainers and advisors.
103. **Projects made different efforts to influence policies with varied progress.** PEAJ Cameroon has provided inputs to the development of a reform plan to improve the business environment and investment climate in the agro-pastoral sector with technical assistance provided by ILO. PEAJ has also supported a network and organization of youth entrepreneurs (*Réseau des Jeunes Entrepreneurs Agropastoraux*, REPA-Jeunes) and their participation in policy advocacy (e.g. access to land and finance). In both areas, however, the concrete results are not yet clear. REP Ghana has supported the development of an MSE policy, the framework of franchising of BRCs, and the proposed arrangements for TSCs/RTFs based on private-public partnership, mainly through the engagement of technical assistance; however, not all of them had been operationalized. PACE Bangladesh developed three policy papers in relation to specific sectors linked to PACE's support in the value chain development component, organizations) have contributed to the Government's new crab export policy.
104. **Generally, projects have had limited effect on financial institutions' services and systems or on related policy issues.** In their designs, REP Ghana and PACE Bangladesh envisaged that financial institutions would develop new financial products which are more responsive to the needs of rural enterprises supported, but little progress has been made (see also paragraph 87). Nor is there evidence that projects have leveraged additional financial resources for MSE lending. In part, the limited achievements reflect major constraints in each country's financial sector and incentives for financial institutions. For instance, in Ghana there are fundamental issues with the low liquidity and capitalization of the rural and community banks. In REP Ghana, micro-leasing was tried but had to be discontinued due to weak infrastructure for leasing. PACE credit funds were predominantly allocated for the existing ME loan programme, with limited attention to innovating or developing responsive financial products (see also paragraph 86).¹³¹

¹²⁸ Staffing level at a BAC - normally comprise BAC Head, Business Development Officer(s) and a Secretary – varies from district to district. Business Development Officers are to be paid by the District Assembly but the rates are not consistent across districts, and in some cases, salaries have been outstanding for months. This kind of situation inevitably affect the morale of human resources and the delivery of services and their quality.

¹²⁹ "MSME sub-committees have been functional in all the REP participating district assemblies to coordinate and promote MSME, mainstream BAC/BRC and TSC activities. Reports indicated that this has happened in only five districts, where the sub-committees have facilitated the release of funding by the district assemblies in support of BAC operations. The mission however, could not established this with any documentation to that effect."

¹³⁰ *Ministère de l'Emploi et de la Formation Professionnel*.

¹³¹ This contrasts with the experience under the previous Microfinance for Marginal and Small Farmers Project (2005-2011), which made a significant contribution to mainstreaming micro-lending/seasonal lending for agricultural activities

D. Sustainability

105. This section examines the extent to which rural enterprises supported by the projects are likely to remain in operation, as well as the likelihood of continuation of non-financial and financial services that were supported by the projects.

D.1. Sustainability of rural enterprises

106. **The prospect on the survival and/or growth of project-supported enterprises is mixed.** The literature suggests that many enterprises will not survive beyond project support period (see annex II for key issues highlighted in the literature). Many new enterprises supported under the projects remain at early stages of development and while there is evidence of attrition (for example, BACs estimated that half of the new enterprises supported reach survival stage), it is too early to determine how many will continue beyond project support. Given many participants are likely to be involuntary entrepreneurs, it is expected that many will continue with some sort of entrepreneurial activity, even if not that directly supported by the project.
107. Pre-existing enterprises supported by the projects are more likely to be sustained, and a few, including new ones, may grow. Research suggests project outcomes in supporting enterprise creation and strengthening leading to increased employment often only materialise after three years so there is a need to monitor beyond project lifetimes (De Kok *et al*, 2013).
108. Economic activities that do not require highly technical knowledge and skills, investment funds or working capital and provide reasonable returns are more likely to be continued. For example, in PACE Bangladesh, the enterprise activities and practices that utilize readily available products or services and that are likely to be sustained included: rearing goats on perch, proper feeding practices for carp-prawn and crabs, marketing and maintenance of ecotourism facilities, and improved hive maintenance and honey extraction techniques.¹³² In REP Ghana, some entrepreneurial activities which service consistent demand by the local populations and do not require much reinvestment or working capital (e.g. hairdressing, repair services, catering) are likely to be sustained, even if the margin for growth may be limited.
109. **The sustainability and growth of some enterprises is at risk because of weak linkages to value chain actors.** To address the problem of access to inputs and services in PACE Bangladesh, some POs took on the role of input suppliers or service providers themselves - or they engaged and provided grant support to other entrepreneurs to deliver inputs/services but without appropriate business planning.¹³³ Some input supply functions operated by POs are profitable and are likely to be continued as part of their operations (e.g. common service centres in the shoe and automobile sectors, the honey processing plant).¹³⁴ However, for some others, no business cases have been developed or analysis

¹³² The PACE project design report outlined that the outcome of component 2 was the sustainable inclusion of enterprises run by the poor and the ultra-poor in 15 farm and 15 off-farm in value chains. The targeted enterprises/beneficiaries would include poor or ultra-poor and the strategies were to upscale businesses, improve production technologies, and/or improve access to markets. It appears that most emphasis was placed on improving production technologies.

¹³³ For example, the PO who established water testing services did not create a link between the supplier and the service providers to source directly, which meant that service providers could no longer provide services. Service providers and input retailers tried to source the testing kits themselves but could not find a supplier. Also, POs told local service providers to set a price for water testing services at a level that is not financially viable, even though the evaluation team estimated customers could afford more. Similarly, a PO introduced bean drying machines, but users (small processors) were not linked to the manufacturer for maintenance and sales.

¹³⁴ PACE established common service centres in the shoe sector by cost-sharing the purchase of machines with the PO, who provide services for a fee to smaller shoe producing workshops. These centres were profitable and continue to provide services to workshops, who now understand the benefit of using these services.

A PO working in the honey sector provides profitable processing services to honey farmers, who are less likely to be poor. Other honey processors trained by the PO also report being profitable especially after they received training on processing, branding and marketing their processed honey.

conducted to assess whether they are on a path to profitability or what the breakeven point is.¹³⁵ These enterprises include: the flower tissue culture lab; water testing service for the carp-prawn and crab sector; and crab hatchery. Uncertain financial viability of these operations have implications on the sustainability of entrepreneurial activities by smaller enterprises that rely on inputs and services from them.¹³⁶

D.2 Sustainability of non-financial services and support systems

110. **Institutional frameworks for non-financial services supported by PEAJ and REP are likely to stay, but the exit strategies are still to be elaborated.**¹³⁷ In Ghana, the decentralized service delivery model (business advisory services, technology development, dissemination and technical training) has been set up on a national scale with BACs and BRCs (under the Ghana Enterprise Agency) and RTFs/TSCs (under the GRATIS Foundation) will most likely remain. REP and its previous phases made substantial investment in hardware (e.g. infrastructure, vehicles, machinery and equipment). However, the operations of these institutions have faced challenges already during implementation, due to weak human/management capacity, lack of funds for maintenance and operations, lack of co-funding by the district assemblies (which are supposed to co-finance some staff positions), weak mainstreaming into district budgeting processes (see also paragraph 101).
111. REP Ghana was the only project that attempted to introduce the idea of cost recovery for business development services with a client fee revenue generation model, however, the fee charged was too low and given the type of clientele, most likely it is unrealistic to expect a full cost recovery. The recently introduced BRCs (an upgraded version of BACs, see also paragraph 25), to be franchised to the private sector, are expected to operate on a cost recovery basis by serving medium and large enterprises who should be able to pay for services, whereas BACs would continue to provide subsidised services to MSEs. However, the BRCs' role, main clientele, operational modality and arrangements vis-à-vis BACs are still to be clarified and operationalised. In fact, tensions have arisen between BACs and BRCs, in some cases with overlapping clients. BRCs are much better resourced and this is affecting staff motivation in BACs often with inadequate resources (see paragraph 101, footnote 129). REP was to also examine the governance and institutional arrangements for RTFs/TSCs, with the possibility of partnerships with the private sector for sustainability, but this has yet to be progressed.
112. In Cameroon, there here has been some progress on institutionalizing various services supported under PEAJ. For example, the programme has been supporting the incubation structures to strengthen the capacity (human, infrastructure, equipment) and to obtain accreditation to continue to play the role. Given more intensive and longer-term support required for youth incubation, and with the challenges in instituting a cost recovery model for such clientele, it will require Government or external funding to continue with similar type of incubation support. An idea discussed in PEAJ Cameroon is that the business registration is expected to contribute to increased tax revenues, which then should also be invested in supporting youth businesses by local authorities. However, it will be

¹³⁵ Several past reviews have recommended that project/POs strengthen market development analysis and skills but none of these recommendations have been adopted. Prior supervision missions recommended that clear business cases be developed for newly introduced products and services. The mid term review (2018) recommended that more business/market-oriented staff be recruited to support value chain development projects, stressing that recruiting experienced staff or experts is a more effective than skills training for current technical staff. In response, PKSf has argued that most of the constraints relate to technical knowledge, skills or access to technology.

¹³⁶ PKSf and POs may seek other donor funding to continue to subsidise the operations of these (unprofitable) enterprises Based on PCE Bangladesh field interviews.

¹³⁷ As of July 2022, it was reported by IFAD that an exit strategy has been elaborated and the plan was being finalized and validated by partner institutions and the Ministry of Trade and Industry.

difficult to expect much incremental tax revenues from formalized youth enterprises in a short term.

113. **Non-financial services that were have not been integrated into institutional frameworks and business models are unlikely to be available after the project.** In Bangladesh, PKSF and the POs rely largely on externally funded projects, to provide non-financial services (e.g. technical skills training) rather than delivering these services in a “credit plus” service model. Arguably, some benefits achieved by the PACE participants, such as improved technologies adopted and increased productivity, will stay after the project, but POs will no longer provide non-financial services such as training or advisory services. The PACE design document noted that the steps to mainstream non-financial services were already being taken by PKSF,¹³⁸ which also encouraged POs to use part of the interest revenues from lending operations for non-financial development services for the poor, but the evaluation did not find the evidence of POs mainstreaming and internalizing much of the work done under PACE’s value chain development component.

D.3. Sustainability of access to financial services

114. **PEAJ and REP’s financing facilities are likely to continue, but the post-project arrangements are still to be defined.** In Cameroon, the Government/PEAJ is exploring options for institutionalisation of the PEAJ-supported financing facilities (credit facility, risk-sharing/guarantee mechanism) and planned to conduct a feasibility study to decide on concrete steps (December 2021 supervision mission). The latest REP Ghana supervision mission also highlighted that plans in relation to maintaining the Rural Enterprise Development Facility as a revolving fund need to be clarified.¹³⁹ Given that these facilities offer subsidised interest rates, the eligibility criteria for borrowers needs to be clearer, particularly in relation to the Rural Enterprise Development Fund in REP.
115. **It is not clear that new clients of financial institutions will be able to continue accessing services.** In REP Ghana, many rural and community banks are unable to provide funding to beneficiary clients without capital injection. They will continue to work with selected REP beneficiaries that meet their eligibility criteria, but this will be on limited basis given their own capitalisation and liquidity challenges. PEAJ Cameroon has facilitated the training and exposure of financial institutions to agro-pastoral on- and off-farm businesses supported by business coaches, and some of the financial institutions are moving towards to developing specific agro-pastoral financial department and products adapted to their clients, with agents specialized in agro-pastoral finance. The repayment performance of youth has reportedly improved due to close follow-ups by business coaches, but the latest report is not encouraging and the repayment performance is still unsatisfactory (see also paragraph 85). Therefore, the challenge will be to ensure that the repayment performance is maintained at acceptable level in order not to lose the confidence of the financial institutions to provide services to youth – those already served as well as new entrepreneurs.
116. The ME loan programme to which PACE injected credit funds is sustainable (see also box 2 for the description of the ME loan programme). The ME loan programme offers loans of amounts higher than microcredit programmes and has shown a steady growth (PKSF, its POs and other NGO-MFIs) and NGO-MFIs have shown the capacity to source funds – with or without PACE (see also box 6). As in the case

¹³⁸ “PKSF is in the process of mainstreaming and consolidating non-financial service activities and has updated its organizational structure by creating a division for non-financial services projects”. “PKSF is gearing up for undertaking large-scale non-financial services activities, especially value chain development activities... these steps show PKSf’s institutional preparedness and resource mobilization capability to continue non-financial services activities well beyond PACE project period”. (PACE design document)

¹³⁹ IFAD indicated that further and follow-up support is expected under the recent/new projects, namely: the Affordable Agricultural Financing for Resilient Rural Development Project (entered into force in 2019), and Promoting Rural Opportunities Sustainable Profits and Environmental Resilience (yet to enter into force).

with PKSF/POs' other credit programmes, high repayment rates are maintained, and this is also a reflection of the operational modality of the NGO-MFI services in Bangladesh, which are built on the group mobilization in rural communities by NGO-MFIs and ongoing relationships between NGO-MFIs and members/groups.

Key points

- The thrust on rural enterprise and entrepreneurship development is relevant and is aligned with the Government policies and strategies. However, projects' objectives, particularly on employment generation were ambitious. In general, there was lack of clarity on how different interventions were expected to lead to employment generation and/or increased incomes for different types of entrepreneurs, employees and/or sizes of enterprises.
- Overall, the projects' scope and strategies were not guided by sound market analysis and assessments of the development and growth potential of rural enterprises or employment generation.
- Project approach for capacity/skills development was appropriate to support large number of participants. Non-financial services were not always inadequate or insufficient for start-up enterprises to go beyond survival or for existing ones to grow. Inadequate attention was paid to gauging entrepreneurial aptitude to screen and identify participants.
- Non-financial services were largely effective in terms of improving technical skills and production practices (on or off-farm), but less so in terms of improving business and management practices.
- To varied extent, projects facilitated access to finance by new clients through project-supported financing facilities. Overall the results in terms of new financial products or innovative approaches were limited across the projects.
- Projects mostly contributed to improvement of pre-entrepreneurial activities and creation of microenterprises mainly for self-employment and income enhancement and diversification. The outcome on wage employment creation for non-family members was limited.

IV. Conclusions and lessons

A. Conclusions

117. **Projects' objectives around rural enterprise development and employment creation were relevant to the efforts to reduce rural poverty.** In the countries covered in this evaluation, MSE (or MSME) development is part of the government's development strategies, and in broad terms, these businesses are seen as an important source of employment and income opportunities for the poor, and contribute to local and country's economic development. PEAJ Cameroon and REP Ghana's objective to improve an institutional framework and support system for rural MSE development (in the case of PEAJ, in particular, for youth agro-pastoral entrepreneurs) was also aligned with the Government strategies and priorities. PEAJ's exclusive focus on youth responded to the local context and needs.
118. **Interventions lacked clarity in how enterprises were expected to increase incomes and employment and for whom.** Designs assumed that enterprises created and supported would generate employment but lacked clarity about: (i) whether the target enterprise was survivalist or one-person enterprises and/or opportunity-driven enterprises with growth potential that are more likely to provide greater wage employment opportunities for others; (ii) which strategies were expected to achieve what outcomes for which target groups (e.g. poor, less/non-poor); and (iii) the role of other market actors (such as better-off entrepreneurs, SMEs) that could be an appropriate intermediary to create benefits for the intended ultimate target group. Lastly, insufficient consideration was given to the extent to which projects should aim to improve individuals' skills and their employability and quality of jobs, as opposed to expecting all participants to operate an enterprise.
119. Project objectives and targets were overambitious, and activities did not always match their goals. Projects have underestimated the effort and time required to create, strengthen, and sustain entrepreneurial activities and enterprises. The challenge of rural MSE development is well-researched (see annex III for key issues highlighted in the literature). Where designs included large outreach targets, projects may have focused on reaching many people rather than providing more support to fewer entrepreneurs and enterprises to increase the likelihood of sustained success.
120. **Overall, project strategies were more suitable to creating or strengthening pre-entrepreneurial activities and very small microenterprises than targeting and supporting enterprises with growth potential.** The strategies support income diversification and risk mitigation for entrepreneurs rather than larger employment impact. Overall, projects' scope and strategies, which focused on improving productivity, were not guided by sound market analysis and assessment of the development and growth potential of rural enterprises or employment generation. Only in some instances where projects took deliberate and considered efforts to strengthen and grow enterprises by linking them to other market functions, suppliers and buyers, that then might lead to more employment creation.
121. Projects often paid inadequate attention to gauging entrepreneurial aptitude to screen and identify participants. Consequently, most project participants were engaged in pre-entrepreneurial activities or very small size of microenterprises who were engaged in multiple income generating activities. The activities supported by projects made varying levels of contribution, but income diversification for managing risks was an important impact.
122. **Improved productivity and services through entrepreneurs' knowledge and technical skills was a main driver in increased revenue from entrepreneurial activities.** In some sectors, the projects successfully introduced

participants to new technologies and innovations, by the way of knowledge, skills and equipment or tools, with technologies that were easy to use and affordable being most effective. Projects increased the level of self-employment among some key target groups, such as youth (most clearly in PEAJ), and created new or improved income opportunities for existing entrepreneurs, diversifying income sources. To a lesser extent, improvement in productivity contributed to enterprises' growth and increased or better wage employment. Overall, the adoption of new or improved routine management and business practices was inconsistent or low, and synergies between non-financial and financial support could have been stronger.

123. **Implementation capacity did not fully meet the design's ambitions.** REP Ghana and PACE Bangladesh included multiple sectors/sub-sectors (agriculture and non-agriculture, on- and off-farm), multiple target groups (implicit or explicit), different types of support and numerous partners with a national coverage. Effective delivery required substantial human, managerial, technical, and financial capacity and inter and intra organisational coordination and cooperation. In REP Ghana, BACs and RTFs have faced capacity constraints (e.g. human, financial, logistical), whereas the rural and community banks have also not been the most effective partners. POs working in PACE Bangladesh are experienced and mostly effective in-service delivery, but they are more familiar with 'traditional' direct delivery or production orientated support, with limited practical knowledge and experience in enterprise or value chain development. While supervision missions or prior evaluations raised capacity issues and some efforts were made to improve implementers' capacity, the extent to which such capacity issues were addressed was often not adequate nor monitored. The facilitating NGOs in PEAJ Cameroon also initially lacked experience/capacity in entrepreneurship development.
124. **The prospect of sustainability of business development and financial services by key institutions is mixed.** Largely, key government organisations have been responsible for the delivery of non-financial services, supplemented by contracted non-government or private sector organisations. The provision of non-financial services is nearly 100 per cent subsidised, relying heavily on external funding. In part, other donors are likely to step in with further funding that enables some continuation of services. Contracted organisations, such NGOs or private sectors, are less likely to provide ongoing services without grant funds.
125. **Across the projects, there is lack of longitudinal and granular data and analysis (quantitative and qualitative),** that are needed to better understand who participated and who benefitted to what extent, and which project interventions were more effective for whom. Monitoring frameworks and processes did not seek a more nuanced understanding of target groups, different outcomes and pathways, while external impact studies did not include sufficient analysis of the type and levels of participation to understand causal relationships between what projects did and the effects experienced by different categories of participants.

B. Lessons

126. The following lessons are noted:
- (vii) **Strategies need to consider the profiles, skills, capacity and resources of entrepreneurs, with clear understanding on how the expected outcomes for whom are to be achieved.** For example, creating or strengthening self-employment requires different approaches to supporting enterprises with greater impact on employment creation. Where better-off entrepreneurs/enterprises participate in projects, there should be a clear rationale on the extent of grant/subsidized project support and how this is expected to impact the rural poor. The strategy and approach should be informed by market analyses and opportunities for development and growth of enterprises of different types/sizes.

- (viii) **Creating and growing enterprises requires systematic, longer-term support** using a mixture of business development services and financial services together with longer term monitoring of attrition and growth and the reasons for changes. Support to start-up enterprises requires well-sequenced approach including intensive and continuous support, taking into consideration the entrepreneurship potential to identify participants. There are trade-offs between being able to provide sufficient support and reach large numbers of people, particularly over dispersed geographies or across sectors.
- (ix) **Impact assessment requires a holistic understanding of household economic activities.** Most rural households engage in multiple entrepreneurial activities and allocate time and labour to manage the cash flows to match their finance needs. Project monitoring only focusing on specific entrepreneurial activities can overlook how the supported activities complement or may replace other income sources or to what extent they contribute to better managing risks and seasonality. Also, more granular data on wage job creation is needed (e.g. seasonality, stability, wage levels) to better understand the employment outcomes.
- (x) **Strategies to improve rural microentrepreneurs' access to finance must be based on understanding their needs, as well as policy and institutional bottlenecks.** Differentiated approach is needed depending on the stage and maturity of enterprises, credit histories and perceived creditworthiness (i.e. start-up, existing, growing, mature), as well as the types and terms of financing according to the main purpose (e.g. investment on assets) while exploring the need and room for developing innovative and responsive products and services. Allocating credit funds for rural enterprises is insufficient to promote responsive and sustainable financial services if systemic constraints or the incentives for financial institutions to serve different clienteles are not addressed. It may not be realistic to address systemic issues within the project scope and timeframe.
- (xi) **Technology and innovation introductions require sufficient analysis** of: (i) target groups' context and needs; and (ii) the appropriateness of the technology (whether physical equipment /tools or practices), including the affordability, access, ease of use (including operations and maintenance), sustainability and contribution to improved profits.
- (xii) **Productivity improvements can contribute to income/revenue increase, but additional support is needed for enterprise upgrading,** such as improved management practices and marketing, better link producers or service providers to other market actors and functions.

PCE evaluation framework¹⁴⁰

No.	Evaluation questions	Relevant report sections
1.	Targeting, social inclusion and poverty impact.	
1.1*	How appropriate were the project strategies in ensuring that project benefits and impact reach the intended target group? How well was the project targeting strategy articulated?	III.A.1, III.A.2, III.A.3
1.2*	How have the projects sought to reduce the barriers to entry for microentrepreneurs of different social profiles (e.g. young women)? How successful were they?	III.A.2, III.B.1, III.B.2
1.3	What are the project's outcomes and impact on different groups of the rural poor in terms of household incomes (including diversification) and food security? To what extent do enterprise activities contribute to coping strategy and resilience of poor rural households?	III.C.1
1.4	To what extent did the projects contribute to gender equality and women's social and economic empowerment, including women's access to resources, assets and services, incomes, women's influence in decision-making, and workload distribution among household members? To what extent did the projects achieve gender-transformative outcomes, and how?	Annex VIII
1.5	How long do MSEs endure? What can be learned with regards to attrition? What are the key lessons regarding sustainability? [sustainability of benefits]	III.B.1, III.D.1
2.	Contribution to increased employment and rural transformation	
2.1*	To what extent and in what ways were the project strategies relevant to the objective of generating employment opportunities (self-employment, household members, or others)?	III.A.1
2.2*	To what extent did the project succeed in supporting growth of enterprises? What are the key lessons regarding targeting and supporting micro/small entrepreneurs with potential for growth or sustainability vis-à-vis "short-lived" enterprises?	III.A.1, III.B.1
2.3	To what extent did supported enterprises create self-employment, employment for household members or employment for others? What types of employment/jobs were generated (e.g. skilled/unskilled, seasonal or continuous)? What factors influenced different pathways?	III.C.1
2.4	To what extent are enterprises created /supported expected to contribute to rural transformation, through either improved productivity within a sector or to moving labour to different productive sectors?	(III.A.1, III.B.1)
3	Access to finance and non-financial services	
3.1*	To what extent were the strategies and approaches for supporting financial and non-financial services relevant to the needs of different types of rural entrepreneurs and to MSE development? To what extent was there a synergy between different project interventions in these areas?	III.A, III.B

¹⁴⁰ Asterisk (*) indicates that the questions are applicable to RERP Nepal, in addition to other three projects.

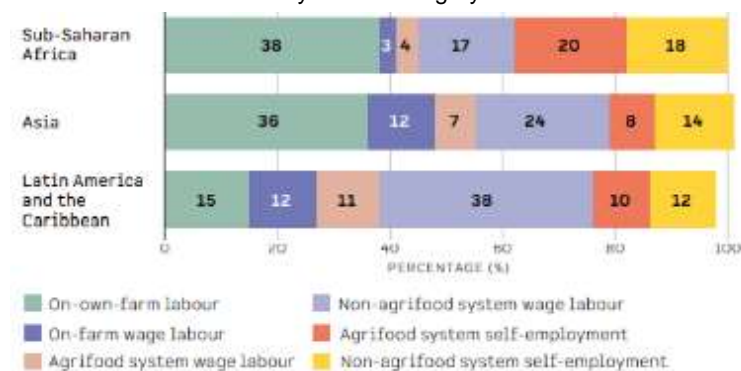
No.	Evaluation questions	Relevant report sections
3.2	What outcomes have been achieved in terms of the establishment, formalization and growth of MSEs, and what support and approaches have been effective and why? How are the results achieved assessed against the costs to achieve them? How have external factors affected the results and efficiency (e.g. COVID-19)?	III.B.1
3.3	To what extent have improved knowledge, skills and behaviours contributed to better income opportunities and increased income of the target group, and how? How has the aspect of entrepreneurial aptitude been reflected? [effectiveness; rural poverty impact]	III.A.2, III.B.2, III.C.1
3.4	To what extent did project support for financial services leverage additional credit funds, new financial products, and/or institutional and systemic changes in the financial sector? How?	III.B.3
3.5	To what extent did support for technology development and technological innovations play a role in increasing productivity, efficiency, growth and profitability of MSEs? How? [effectiveness]	III.B.2
3.6	How likely is the provision of financial and non-financial services to be maintained after the project?	III.D.2, III.D.3
4	Institutional capacity building, support systems and enabling environment for rural MSE development	
4.1	Which interventions have been effective in strengthening support systems and policy/institutional frameworks to promote MSEs? How do the strategies and approaches fit with overall policy framework and other initiatives?	III.A.1, III.A.2, III.B.2, III.C.2
4.2*	What contextual factors are likely to enable or undermine the effectiveness and outcomes of project support for enabling environment and their sustainability? How should they be taken into account in project strategy and design?	III.D.2, III.D.3

Rural enterprise development – key issues highlighted in the literature

1. There is a wealth of literature on MS(M)Es discussing their importance for poverty reduction and/or their contribution to broad economic development. Some selected and issues that are relevant to micro (or small) enterprises in rural space and in developing countries are highlighted below.
2. *On-farm and off-farm activities in rural households.* Most rural households combine agricultural production with non-farm income generating activities, in a complex pattern of income diversification, directed both at mitigating risk and seasonality and at securing/increasing incomes (IFAD 2021c; UNCTAD 2018) (figure 1). The importance of different income sources (e.g. on-own-farm, on-farm wage jobs, off-farm entrepreneurial activities and self- or wage employment) for the rural households varies depending on resources, skills as well as external factors (e.g. markets). Some have argued for - in development interventions - better targeting micro and small enterprises with potential to grow and create jobs (Donor Committee for Enterprise Development 2017; Kumar 2017) – with growing attention to the quality of jobs (e.g. wages, labour conditions). At the same time, it is also important to recognize the vital role of micro-entrepreneurial activities in the household coping strategy, especially for the rural poor.¹⁴¹

Figure 1

Estimated time allocation by labour category in rural areas



Source: IFAD 2021c.

3. *Non-farm enterprises.* New non-farm enterprises tend to be concentrated in activities with low entry barriers, such as sales and trading, but as development progresses and incomes rise, backward production linkages from agricultural inputs and forward linkages to agro-processing activities tend to become more important (UNCTAD 2018).¹⁴² A majority of rural non-farm enterprises tend to be predominantly small (micro), informal household enterprises, mainly serving basic consumer goods and services to the local economy (Nagler and Naudé, 2014). This limits the potential of the non-farm/non-agricultural sector to be a significant driver of growth.
4. *Necessity vs. growth-oriented enterprises and contribution to job creation.* The assumption on employment potential of MSEs drives support from many organisations to create or strengthen them. However, only a small proportion of enterprises have the capability to grow and contribute to employment creation outside households; most MSEs are “survivalist entrepreneurs by necessity”.

¹⁴¹ Tarp and Jones, 2015; Calabrese, 2020 argue that switching agricultural workers out of agriculture is expected to mitigate risks and the seasonality of much agricultural production so increases income diversification and improves the welfare of rural populations.

¹⁴² Urban enterprises also tend to be concentrated in areas with low entry barriers

Necessity (also referred to as survivalist or involuntary) entrepreneurs are typically not innovative, and most will remain self-employed or micro-enterprises, and not generate wider economic benefits such as job creation (UNCTAD, 2018).¹⁴³ There is a high turnover level and exit rate among rural enterprises, and seasonality is an important determinant of enterprise productivity and survival (UNCTAD, 2018). While most job creation comes from MSEs, the job destruction rate is also high, commonly due to low profitability and low productivity. Much of the employment in MSEs is low productivity, low income and low-quality. Debates remain over the underlying growth assumptions, the job creation potential and the MSE's contribution to employment (Reeg, 2017). Research points out that, for necessity entrepreneurs, the focus should be on improving earnings through their current activities via expanding markets, improving pricing mechanisms, product quality and the use of production technologies to reduce costs and/or increase outputs and quality, rather than enterprise development and growth (Cho et al, 2016).

5. *Factors with implications on likelihoods of enterprise success.* For rural MSEs, proximity to urban markets as well as linkage to value chains can be an important determinant of enterprise success, as are enterprise size, land tenure and, to a lesser extent, the gender, educational level and prior income and/or wealth of entrepreneurs, as well as access to finance (UNCTAD 2018). Within rural areas, there is an important distinction between areas close to urban areas and markets (e.g. better transport and logistical connections), and more remote and marginal areas. Farming and non-farming activities in the former areas can more readily commercialize their operations through direct purchase of their produce by wholesalers and are also often better equipped to scale up their activities and diversify into non-farm entrepreneurship, whether in industry or services (UNCTAD 2018).
6. *Support for MSE development.* International evidence on the type of enterprise development support that is most relevant to poor and vulnerable persons is inconclusive (Jayachandran 2020), hampered by many projects not tracking assessing participants and outcomes over the long term. Access to finance, in particular, medium-long term loans for capital investment, is seen as one of the main – though not the only¹⁴⁴ – constraints for MS (M) E development. At the same time, the importance of non-financial services – and more specifically, “bundling” of financial and non-financial services – has often been discussed in literatures on microfinance and/or MS (M) E development.¹⁴⁵ Some literature noted that multi-faceted programmes can be effective, e.g. combination of youth entrepreneurship skills training, financial assistance and mentorship, and in-class training with internships or other forms of on-the-job experience and that testing entrepreneurial ‘aptitude’ (talent, capabilities and mind set) beforehand can be an effective tool for targeting potential young entrepreneurs to increase the chance of success (Kluve et al. 2017).
7. Some studies distinguish between the type of support needed for start-up enterprises and supporting self-employment versus expanding enterprises. The wage employment effect of non-financial and financial support is uncertain, and in some cases, while productivity improvements may materialise, it may not create jobs. Technical and business skills training may lead to the creation of new enterprises, at least in the short-medium term, but may be less effective in expanding enterprises (de Kok et al, 2013; Mckenzie and Wood, 2012; UNCTAD, 2001).

¹⁴³ See also: CGAP, 2020, Cho et al, 2016; Doran, 2018; ILO, 2019; and for Ghana - Lambon-Quaye, Monica Non-Farm Enterprises and the Rural Youth Employment Challenge in Ghana.

¹⁴⁴ Other factors include: (i) human capital (education, training and work experience) and private wealth; (ii) sector /industry focus; (iii) R&D and market research; (iv) Workforce training and incentives; and (v) supportive networks. (Reeg, 2015)

¹⁴⁵ For example, including ILO undated.

8. *Formalization.* Most microenterprises are not formally registered with the government. While formalization could give enterprises greater access to capital and wider markets, the financial costs and red tape involved can be a major deterrent. The literature shows that the assistance for formalization can be effective when involving close interaction, which would be costly, and therefore it is important to target those enterprises who are motivated to formalize but are discouraged by the associated costs (Jayachandran 2020).

Methodology

A. PCE project selection process

Based on the literature review and IFAD corporate documents relating to the thematic area of rural enterprise development, the following criteria were developed to guide the project selection:

- (i) A clear focus on rural entrepreneurship and enterprise/business development, individual or collective, on-farm or off-farm - as opposed to primary production activities or organizational development (of rural people) being the main focus and entry point;
- (ii) Including support for non-financial services for rural MSE development (e.g. business development services, technologies and technical support)
- (iii) Including support to improve access to finance by potential and existing rural enterprises, preferably working through existing institutions and systems (rather than, say, providing grants directly); and
- (iv) Including interventions for support systems and enabling environment for rural MSE development;

Furthermore, in order to select projects that are sufficiently mature, the project database was screened for those with the completion date between second half of 2021 and 2023.

In light of the criteria as noted above, the first stage screening was based on the following data generated from the IFAD database (Oracle Business Intelligence):

- a) Project objective statements and project component/sub-component titles: a keyword search was conducted for "enterprise*", "entrepreneur*", "employ*" and the projects with these keywords were identified; and
- b) Share of the budget allocation for relevant sub-component types against the total cost: more than 20 per cent of the project cost allocated to one "sub-component types" under the categories of "rural business development" and "banking and financial services" as classified in the IFAD database.

The initial screening, taking into consideration the above-mentioned criteria and completion date, resulted in about 20 projects. The initial screening was followed by a quick scan of project design documents or supervision mission reports, to better understand the nature and focus of activities. For example, some projects had on-farm production improvement (with support for marketing) as a primary entry point,¹⁴⁶ rather than rural enterprise development being the main focus. The rapid review process resulted in the list of seven projects.¹⁴⁷ Complemented by interviews with the country teams and the project information, three projects in Nepal (Samriddhi – Rural Enterprise and Remittances Project, RERP), Cameroon (PEAJ) and Ghana (REP) were initially proposed for the PCE. The Asia and the Pacific Division suggested PACE in Bangladesh (among the seven shortlisted) to replace RERP Nepal, on the account of the data availability and the potential to generate relevant lessons. A closer review on RERP Nepal revealed that, although the initial design would have been a good fit with the criteria used for the PCE, due to the restructuring which followed poor project performance, a number of interventions that would have been comparable to other projects (e.g. business development services, access to finance) were either dropped or significantly

¹⁴⁶ For example, Integrated Livestock Development Project in the Syrian Arab Republic, Economic Transformation Initiative – Gilgit Baltistan in Pakistan with large investment in irrigation development.

¹⁴⁷ (a) 2 in APR (PACE in Bangladesh, RERP in Nepal); (b) 2 in ESA (RDDP in Rwanda, PROSPERER in Madagascar); and 3 in WCA (AEP-Youth in Cameroon, REP in Ghana, FIER in Mali). As for PROSPERER in Madagascar, it was learned that while the programme (Support Programme for Rural Microenterprise Poles and Regional Economies) started off as a hybrid of agriculture/non-agriculture and on- and off-farm, during the implementation apparently, the focus has shifted towards support to on-farm activities. RDDP in Rwanda has a focus on the dairy sector.

scaled down. It was then decided that PACE Bangladesh be added, while still keeping RERP Nepal only in relation to the relevance criterion.

The four countries are all classified as lower middle income countries, although the size of economy and population is far greater in Bangladesh. Some demographic and economic indicators in these countries are shown in annex V.

B. Methodology for project-specific assessment

For the selected projects, except for RERP Nepal, the project-specific assessments were conducted based on a combination of a desk review, interviews (remote and in-person), focus group discussions and field visits.

B.1 PEAJ Cameroon

PCE Cameroon was carried out at the same time with the PEAJ full supervision mission. Two teams worked together to prepare an overall programme, but in the field the PCE team conducted interviews and focus group discussions independently without the presence of the supervision mission members.

Sampling of sites for field visits Sampling Frame and Methodology

Initially, the PCE team planned to adopt a stratified purposive sampling method, considering the diversity in agro-ecological zones, population, locations, market potential and the different categories of beneficiaries involved in the project. While the TSM visited only two regions, Littoral and Centre, the PCE team decided to cover three out of the four regions of PEAJ, i.e. Centre, Littoral and North-West. In each regions, two production basins were included, as table 1 below depicts. In each region key partners such as incubators (both public and private), financial institutions and facilitation structures (NGOs) were met.

Table 1:
General sample of PCE Cameroon mission

<i>Regions</i>	<i>Divisions</i>	<i>Production Basins</i>	<i>Incubation structures</i>
Centre	Lékié Haute	Obala-Monatele-Elig Mfomo-	IAO Obala
	Sanaga	Batchenga-Mbandjock-Sa'a	KMC
Littoral	Mfoundi	Périphérie Yaoundé 6 et 7	IG Poivre Penja
	Moungo	Njombé-Penja-Loum-Manjo-Nkongsamba-Melong	ETA Dibombari
North West	Wouri	Périphérie Douala-Dibombari	Nazareth Center Bamenda
	Mezam	Bamenda Santa	PRTC
	Momo	Batibo-Mbengwi	

It was planned to meet a minimum of 10 beneficiaries per selected basin, in order include both male and female beneficiaries from the three categories (C1, C2 and C3), and involved in different sectors of activities in different stages of main value chains (production, marketing, processing, service providers, etc.). Finally, beneficiaries were invited by the Regional Management Unit (RMU), and the team had no mean to select on his own, out of a list or so. According to table 2 below is a synthesis of stakeholders met during the mission (the list of people met is provided in annex X).

Table 2:
Organizations and people met by the PCE team, Cameroon

<i>Category</i>	<i>Institution/Organization</i>	<i>Total</i>	
Ministries involved (35)	MINEPAT	3	
	MINADER	15	
	MINEPIA	9	
	MINEFOP	2	
	MINPMEESA	5	
	CAA	1	
International organizations and partners (20)	IFAD	11	
	DID	2	
	BIT	2	
	FAO	1	
	PAM	3	
	ONU-FEMMES	1	
PEA-J (27)	National and regional units	27	
Incubation structures (15)	IAO	3	
	EPAB	1	
	ETA Dibombari	3	
	IG-Poivre Penja (IGPP)	1	
	ISMAM Nkongsamba	1	
	Nazareth Center	2	
	CDSTS Santa	2	
	ISSAER	1	
	CEPISA	1	
	Business coaches (13)	IAO	4
		ETA Dibombari	1
ISMAM Nkongsamba		1	
IGPP		3	
Nazareth Center		4	
Facilitating NGOs (2)		2	
REPA-JEUNES (7)		7	
YAEs (27)	Center region	5	
	Littoral region	11	
	North west region	11	
Banks and RFls (16)	SG-CAM	4	
	RIC SA	3	
	UNICS PLC	2	
	ACEP Cameroon	2	
	La Régionale	1	
	CAPFINANCE	1	
	People Finance SA	2	
	CEPI	1	
Support system (2)	Small Business Solution	1	
	BELGOCAM	1	
TOTAL	-	164	

At the National, Regional and Divisional levels, a series of resource persons from PEAJ, Ministry of agriculture and rural development (MINADER), Ministry of livestock, fisheries and animal husbandry (MINEPIA), Partners, Government agencies, and some stakeholders of the project were identified and met for interviews.

Data collection tools

Interviews with resource persons were mostly conducted on-line on November and December 2021, and data were collected in the field for 10 days, as reveals the attached calendar. At the regional level, the team had a meeting with all the stakeholders, then focus groups were allowed for specific discussions with the PCE team. Individual interviews with 3 or 4 beneficiaries and visits to their business activities were organized in addition to focus group discussions. In the North West Region visits of enterprises

were not possible. So all meetings with stakeholders and focus groups with beneficiaries were organized in Bafoussam.

Data analysis

Data from secondary and primary sources were all summarized in tables and organized according to the evaluation criteria. A first debriefing was presented to the government a few days after data collection.

B.2 REP Ghana

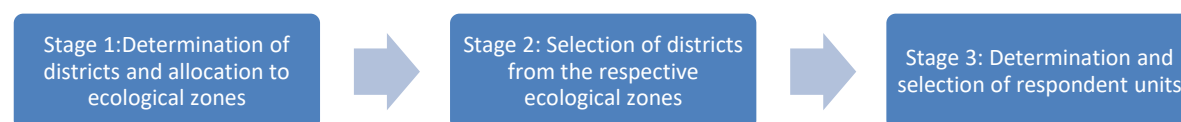
The evaluation adopted a qualitative approach to have a deeper understanding of the implementation of REP, successes obtained and challenges faced as well as examine the impact of the programme on beneficiaries including rural MSEs and the rural poor especially women. The evaluation used a mix of tools and techniques including desk review, key informant interviews, focus group discussions and observations in gathering data. Key informant interviews were conducted with officials of government institutions including the Ministry of Trade and Industry, Bank of Ghana, Ghana Enterprises Agency, GRATIS, District and Municipal Assemblies, Business Advisory Centres (BACs), Rural Technology Facilities (RTFs), REP beneficiaries and non-REP beneficiaries. Focus Group Discussions were also organized with cross section of managers of BACs, women beneficiaries and trade associations. The review of relevant documentation was done to support the analysis of the data gathered.

Seven (7) municipal and district assemblies selected from seven regions across Ghana's three ecological zones were covered. The district and municipal assemblies are Yendi, Lawra, Berekum, Tano South, Techiman, Mfantseman and Hohoe from the Northern, Upper West, Bono, Ahafo, BonoEast, Central and Volta regions respectively.

Sampling of sites for field visits

The overall approach adopted for the sampling was purposive and reflected multiple considerations. The key parameters considered were the presence of Business Advisory Centers (BACs), REP partner financial institutions, Rural Technology Facilities (RTFs) as well as the districts' inclusion in different REP phases. The districts selected cut across the three ecological zones (savannah, forest transition and coastal savannah), as well as different levels of economic development and social contexts. The distribution of the selected districts is presented in table 1.

The sampling process went through 3 stages:



Stage 1-Determination of number of districts and allocation to ecological zones

Seven (7) districts were selected from the three (3) ecological zones for the field visit. In proposing the seven (7) districts, we took into consideration the time available for the field visit, covid-19 related travel challenges and the fact that interventions carried out across the districts were not differentiated and therefore we do not expect any specific lessons to be obtained from a larger sample size.

Stage 2- Selection of districts from the respective ecological zones

In selecting the districts, focus was on ensuring the following:

- The inclusion of at least one (1) district that has benefited from REP Phase I, at least two (2) districts that benefited from REP phase II and the rest from REP (REP III). This approach was to ensure that we can explore the longitudinal effect of program interventions on institutions and clients.

- Selection of districts with the presence of at least one rural partner financial institution that has served enterprises/clients through either the Rural Enterprise Development Facility or the Matching Grant Facility.
- Selection of districts with a high proportion of formalized enterprises.
- Selection of districts with enterprises/clients in all the sectors.
- Selection of districts with RTF.

Stage 3: Determination and selection of respondent units

From each of the selected districts the following respondent units were engaged:

- Business Advisory Centre (BAC) - Head and Business Development Officer
- Rural Financial Institution - Supervising Manager and Credit Officer of the selected rural financial institution
- Clients/Enterprises - (clients who have received training; received funding/did not receive funding; benefited from the Rural Technology Facility)
- Rural Technology Facility – Head

Table 3:

Overview of districts selected for fields visits, REP Ghana

Ecological Zone	Region	Districts	Financial Institution	Financing type		RTF	BAC	BRC	REP Phases		
				REDF	MG				I	II	III
Savannah	Northern	Yendi	Bonzali Rural Bank	√	√		√	√			√
Savannah	Upper West	Lawra	Lawra Rural Bank	√	√		√				√
Forest Transition/Middle	Bono	Berekum	Bomosadu Rural Bank	√	√		√		√		√
Forest Transition/Middle	Ahafo	Tano South	Derma Rural Bank	√	√	√	√	√	√		√
Forest Transition/Middle	Bono East	Techiman (Municipal)	Nkoraza Kwabre Rural Bank			√	√	√	√		√
Coastal Savannah	Central	Mfantseman	Akatakymian Rural Bank	√		√	√			√	√
Forest Transition/Middle	Volta	Hohoe	Paradise Cooperative Credit Union	√		√	√			√	√

REDF: Rural Enterprise Development Facility. MG: Matching grant

Data collection

The field work took a period of 10 days to interact and collect responses across the seven (7) districts. In all a total of 98 enterprises out of which 70 (71%) were females owned enterprises were interviewed across the districts. Two of (2) enterprises were non-REP beneficiaries. Clients were randomly selected from the register of BACs based on the selection proposed by the consultants. In some instances MSEs selected could not be reached and these were replaced after consultations with the BAC staff. Interviews were undertaken with key informant interviews tool that were developed for the field work. Interviews were also held with partner financial institutions, BACs, RTF and BRCs. Four (4) Focus Group Discussions were organized with only female beneficiaries who were of different trades in the districts of Lawra, Yendi and Mfantseman.

Table 4
PCE mission for REP Ghana - data collection summary

<i>Unit</i>	<i>Number of Units</i>	<i>Number of Respondents(f/m)</i>	<i>Data collection approach</i>
Business Advisory Centre (BAC) Heads	7	9(f=1, m=8)	Key Informant Interviews (KII), direct observations
Partner Financial Institution	7	18(m)	Key Informant Interviews (KII)
Clients/enterprise	3	51(f)	Focus Group Discussion (FGD)
Clients/enterprise	7	45(f=17, m=28)	Key Informant Interviews (KII), direct observations
Non-REP clients	2	2(f)	Key Informant Interviews (KII)
Rural Technology Facility	3	3(m)	Key Informant Interview (KII) , direct observations
TOTAL		128	

Data analysis

Data for the study were obtained from primary sources obtained through KIIs and FGDs. The data gathered was analysed using context analysis, thereby categorising data and developing themes to unearth differences and similarities out of which the findings were generated.

B.3. PACE Bangladesh

The evaluation adopted a qualitative approach to have a deeper understanding of the implementation of PACE, successes obtained and challenges faced as well as examine the impact of the programme on beneficiaries. The evaluation included a secondary data review and primary data collection. The secondary sources reviewed included statistical reports published by the Bangladesh Bureau of Statistics on the economy, employment, and structure of MSMEs in Bangladesh, policy papers on the MSMEs and the microfinance sector in Bangladesh. Secondary data from the implementing agency included its Value Chain Proposals, Value Chain Assessment Reports for 24 value chains, Implementation Guidelines and Policy Papers. Primary data collection was mainly based on qualitative techniques, including semi-structured interviews, structured interviews, focus group discussions and direct observations. These were conducted through field visits conducted by national consultants. Site visits provided opportunities to directly interact with various respondent groups (namely: partners, program beneficiaries, other value chain stakeholders) as well as conduct direct observations on how enterprises function and interact with local population. Based on the key issues and evaluation questions laid out in the PCE approach paper, sets of questions to guide interviews of different respondent groups were developed.

Sampling and sampling procedure

Palli Karma Sahayak Foundation (PKSF) implemented the project through its large network of 196 Partner Organizations (POs) across the whole country. The POs played a vital role in the implementation of all three project components and have the ability to provide rich data on outcomes and link the mission to the private support service providers, beneficiaries and technology transfer organizations that were engaged as part of the project. The PO targeting approach allows for the evaluation of individual components (technology, VCD or loan) as well as synergy between components by focusing on beneficiaries that took part in both the loan and VCD activities. Therefore, the sampling strategy focused on selecting POs as an entry point. The criteria guiding PO selection included:

- (i) Ensuring a mix of POs that worked in farm and non-farm focused activities to assess the variety of work done by the project. This led to the

- (ii) ensuring that selected POs provide a mix of financial and non-financial services thereby maximizing the data that can be collected through a visit to a PO and assess the synergies of providing both kinds of services and
- (iii) selection of POs targeting ethnic groups to assess how project was inclusive.

A priority list of POs was selected based on these criteria and then a final list of 8 NGO PO was selected considering the geographical spread, feasibility of carrying out field visits (availability of PO staff, links to beneficiary groups etc.), and logistical considerations (travel time).

Data collection

The field work took a period of 13 days to interact and collect responses across the seven (7) districts. In all a total of 161 respondents were reached. The interviewees included IFAD, PKSf and NGO PO representatives who gave an overview of the program/implementation process, beneficiaries and non-beneficiaries in the sectors, government officials knowledgeable about the local context and project activities, representatives of other donor programs, and representative of a commercial bank providing SME finance. The table below lists the total number of respondents reached in the different categories using KII and FGD/Group Discussions.

Table 5:
PCE mission for PACE Bangladesh - data collection summary

Organization	District	Sector/Component	Number of KII respondents	FGD/Group Discussions (participants)
IFAD	Dhaka		2	
PKSF	Dhaka		11	
NGF	Satkhira	Component 1 (ME Loans)	1	
		Crab	4	1 (10)
OPCA	Chattogram	Black Pepper	5	
POPI	Kishoreganj	Component 1 (Leasing and ME loan)	3	
		Shoe	8	
RRF	Jashore	Automobile	4	
		Component 1 (Start-up Loan)	3	
		Flower	3	
		Rice & Mung bean	2	2 (11)
SDI	Dhaka	Component 1	2	
		Safe Vegetable	3	2 (6)
SUS	Satkhira	Carp-Prawn	4	2 (35)
YPSA	Chattogram	Eco-tourism	12	
		Bean	5	2 (7)
BASA	Tangail	Honey		3 (10)
Government Agencies	Tangail		1	
	Jashore		1	
	Satkhira		1	

	Dhaka		1 (3)
Other Donor Programs	Khulna	1	
	Dhaka	2	
Commercial bank	Dhaka	1	
Total		79	13 (82)

Data analysis

Data for the study were obtained from primary sources obtained through KIIs and FGDs. The data gathered was analysed based on context, triangulated against secondary data and among respondents, to generate: (a) findings on performance assessment in each sector/component; and (b) findings on common key issues and lessons around enterprise development.

Possible limitations

The PACE project worked through 196 NGO partner organizations (PO) across the country, in 31 value chains (implemented in different locations as 74 value chain sub-projects) and 10 new technology products. Due to time and logistical constraints the PCE team was able to visit 8 NGO partners, and 10 value chains and 2 new technology products. The PCE team focused on selecting value chains where the NGO partners still had active staff who could help identify respondents. During the project period the implementing agencies undertook studies to assess its activities in 24 value chain sub-projects. At the time of the evaluation impact assessments of the other 50 value chain sub-projects had not been done. The implementing agency also carried out a mid-term impact assessment study of 3,612 households. This sample size provided a good profile of the project beneficiaries but did not clearly establish a counterfactual to prove causality of changes to project activities. The PCE team therefore focused on understanding how and why changes occurred and how sustainable the changes were.

IFAD policy and strategy on rural enterprise development and supported operations

Rural enterprise development in IFAD policies and strategies

1. IFAD's policy document of direct relevance to the topic is the **rural enterprise policy** prepared in 2004. The purpose of this policy was "to contribute to the debate on the conditions and modalities for developing micro and small off-farm entrepreneurship among the rural poor." The document categorized types of rural enterprises (Box 1) but the differentiation between micro and small enterprises does not refer to the number of employees or value of assets as is often used by other development agencies or governments. The policy also discussed key issues and recommendations relating to the development of MSEs, such as access to financial and nonfinancial services, skill development, market links and a conducive institutional environment. This policy has not been revised nor updated since its production in 2004.

Box 1

Types of 'enterprise models' and examples of (off-farm) MSE activities in 2004 Rural Enterprise Policy

Pre-entrepreneurial activities: traditionally designated as income generating activities (small crafting, petty trading, etc.), with people that have limited knowledge of the basic principles that guide any business activity and lack basic assets

Microenterprises: semi-structured activities, including limited fixed assets, and observing some basic management principles

Small enterprises: structured businesses that usually have a well-defined market niche and physical location, an acceptable turnover, some business skills, regular access to market-based business advisory services and a number of part- or full-time employees.

Examples of agriculture-based MSEs: livestock processing and products; fish processing and marketing; processing (e.g. milling, jams); agricultural marketing enterprises; agricultural equipment manufacturing; non-timber forest products

Examples of non-agricultural MSEs: brick-making; transport; small rural shops; rural restaurants; blacksmith; carpentry; handicrafts; ecotourism

Source: IFAD 2004.

2. With reference to more recent corporate documents, under one of the three strategic objectives in **the 2016-2025 strategic framework** "increase poor rural people's benefits from market participation", areas of thematic focus include "diversified rural enterprise and employment opportunities" (see Table 1). The strategic framework discusses micro-, small- and medium-sized enterprises together without clear differentiation.

Table 1

Overview of strategic framework 2016-2025: strategic objectives and areas of thematic focus

	<i>Strategic objective 1</i>	<i>Strategic objective 2</i>	<i>Strategic objective 3</i>
Strategic objectives	Increase poor rural people's productive capacities	Increase poor rural people's benefits from market participation	Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities
Areas of thematic focus	<ul style="list-style-type: none"> • Access to natural resources <ul style="list-style-type: none"> • Access to agricultural technologies and production services • Inclusive financial services <ul style="list-style-type: none"> • Nutrition 	<ul style="list-style-type: none"> • Diversified rural enterprise and employment opportunities • Rural investment environment • Rural producers' organizations <ul style="list-style-type: none"> • Rural infrastructure 	<ul style="list-style-type: none"> • Environmental sustainability <ul style="list-style-type: none"> • Climate change

Source: IFAD 2016a.

3. **The results management framework for the Twelfth Replenishment of IFAD's Resources (IFAD12)** includes two indicators relating to rural enterprises. The first one is "900,000 rural enterprises accessing business development services" (see box 2 for the definition of "rural enterprises" in relation to this indicator). The other related indicator is "number of beneficiaries with new jobs/employment opportunities" and concerns "new full-time or recurrent seasonal on-farm and off-farm jobs created either as self-employed or as employees of MSMEs".¹⁴⁸

Box 2

Definition of rural enterprises for the purpose of IFAD12 results management framework

Rural enterprises: structured businesses that have a well-defined physical location, normally with legal status, a bank account and some employees. They also include pre-entrepreneurial activities such as self-employment initiatives, and microenterprises with semi-structured activities. Both formal and informal enterprises can be considered, but only non-farm upstream and downstream activities (processing and marketing) are to be included. Production activities are excluded.

Source: IFAD 2021b.

4. The IFAD's **Youth Action Plan 2019-2021** describes the theory of change as "jobs, entrepreneurship and well-being for youth through more access to productive assets, services and skills". The "strategic directions" discussed in the document include those related to entrepreneurship and enterprise development (e.g. business development services, new/modern technologies, financial products for youth-owned enterprises and start-ups support to young rural entrepreneurs), as well as a broader theme of decent employment for example, through vocational training.

Rural enterprise development support in IFAD-funded operations

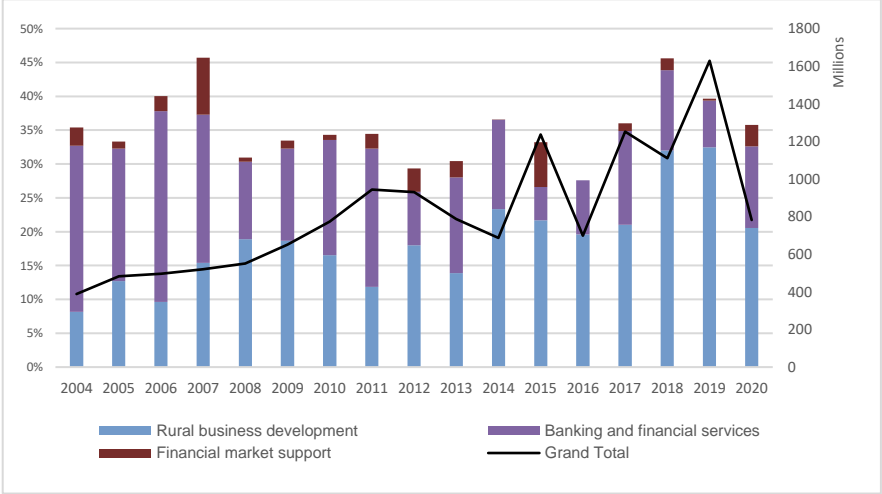
5. IFAD project database does not have a clear category or classification on "rural enterprises". The database currently contains 15 "categories", which are further broken down to some 68 "sub-categories". Each sub-component of investment projects is classified into one of the sub-categories. Three categories out of 15 are identified as relevant to rural enterprise development: rural business development; banking and financial services; and financial market support.¹⁴⁹ However, some of the sub-categories under these may not be directly linked to rural enterprise development: for example, the sub-category of "market places", under the category of rural business development, includes market infrastructures. Similarly, a certain project subcomponent may in fact contain activities that cut across multiple sub-categories.
6. Figure 1 below shows the share of IFAD investment in the above-mentioned three categories (considered to be related to rural enterprise development) against the total IFAD financing. Due to the challenges in categorization as noted above, this should be seen as only indicative. All three categories show some level of fluctuations, but the share of the "rural business development" category since 2014 has consistently remained above 20 per cent and the largest share for most years. Greater fluctuation in the "banking and financial services" may be influenced by the

¹⁴⁸ Defined as follows. "Number of *new full-time or recurrent seasonal on-farm and off-farm jobs* created since project start-up, either as independent individuals (*self-employed*) or as *employees of micro, small and medium-sized enterprises*. Jobs created within farmers' organizations that received project support are also included, but temporary jobs created for a limited period (e.g. for road construction) shall be excluded".

¹⁴⁹ Other twelve categories are: (i) environment and natural resources; (ii) crops; (iii) fisheries and aquaculture; (iv) agricultural land resources; (v) livestock and pastoralism; (vi) agricultural water resources; (vii) transportation; (ix) policy development and engagement; (x) securing basic needs and services; (xi) access to energy and housing; and (xii) programme management.

allocation of a sizable amount of funding to credit lines (or other financing mechanisms through financing institutions).

Figure 1
Share of IFAD investment in selected categories¹⁵⁰ against total IFAD financing and total IFAD financing (2004-2020)



Source: IFAD database (Oracle Business Intelligence).

¹⁵⁰ Only IFAD financing and based on the categories as defined as IFAD in its database. The top five categories, in terms of the share of investment between 2004 and 2020, are as follows: (i) rural business development (20 per cent); (ii) banking and financial services (13 per cent); (iii) community and group development (12 per cent); (iv) crops (11 per cent); and (v) livestock and pastoralism (6 per cent).

Contextual information in selected countries

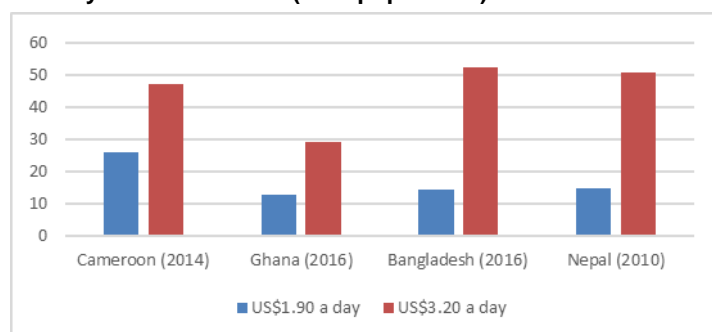
A. Basic country data

Table 1

Variable	Cameroon	Ghana	Bangladesh	Nepal
Population, total	26,55 million	31,07 million	164,69 million	29,14 million
Population ages 0-14 (% of total population)	42,06	37,13	26,75	28,81
Population ages, 15-24 (%) (nationmaster.com)	20,18	19,36	18,65	21,1
Rural population (% of total population)	42,44	42,65	61,82	79,42
GDP (current US\$)	39,80 billion	72,35 billion	324,24 billion	33,66 billion
Agriculture, forestry, and fishing, value added (% of GDP)	15,18	18,24	12,65	23,13
GNI per capita, Atlas method (current US\$)	1500	2230	2010	1190
Gini index (World Bank estimate)	46,6 (2014)	43,5 (2016)	32,4 (2016)	32,8 (2010)
Human Development Index - Rank	153	138	133	142
Self-employed, total (% of total employment) (modeled ILO estimate)	74,39	72,25	59,27	77,34
Unemployment, total (% of total labor force) (modeled ILO estimate)	3,62	4,53	5,30	4,44
Unemployment, youth total (% of total labor force ages 15-24) (modeled ILO estimate)	5,73	8,72	12,13	4,57
Employment in agriculture (% of total employment) (modeled ILO estimate)	43,49	29,75	38,30	64,38
Global Entrepreneurship Index - rank	121	91	132	NA
Gender Inequality Index - Rank	141	135	133	110

Source: ILO, UNDP, World Bank data.

Figure 1
Poverty headcount ratio (% of population)



Source: World Bank databank.

1. All four countries are classified as lower-middle income economy, with a gross national income per capita ranging between US\$1,190 (Nepal) and US\$2,230 (Ghana). The proportion of rural population is higher in Asia (over 60 per cent, compared to a little over 40 per cent in Cameroon and Ghana). On the other hand, the proportion of young population is distinctively higher in the West African

countries. The data on poverty headcount ratio (figure above) shows that the figures at different poverty lines (US\$1.90 and US\$3.20 a day) are particularly large in Bangladesh and Nepal.

B. MSME sector

- Definition of MSEs.** The definition of MS(M)Es varies in different countries. For example, in Bangladesh, the number of workers for a “cottage industry” enterprise (smaller than “micro industry” enterprise)¹⁵¹ is less than 15.

Table 2

Definition of microenterprises in the countries covered

Country	Types of enterprise	Number of employees	Value of fixed assets	Policy framework around MSEs, key government institutions
Cameroon	Microenterprise	Max 5	NA ^a	Law No. 2015/010 amending Law No. 2010/001 on the promotion of MSEs Ministry of Small and Medium-size Enterprise, Social Economy and Handicraft
Ghana	Microenterprise	< 5	<\$25,000	National Micro, Small and Medium Enterprise and Entrepreneurship Policy (2016) Ministry of Trade and Industry, Ghana Enterprise Agency
Bangladesh	Cottage industry	<15	<\$11,800	National Industrial Policy (2016), SME Policy (2019) Ministry of Industries
Bangladesh	Micro industry	16-30	\$11,800-\$88,300	As above
Nepal	Micro enterprise	<9	<\$18,000	Industrial Enterprises Act (2020) Ministry of Trade and Industry

Source: Policies and legislations mentioned in table.

^a Annual turnover of XAF15 million (approximately US\$25,000)

^b Ministère de Petites et Moyennes Entreprises, de l’Economie Sociale et de l’Artisanal

Cameroon

- Law No. 2010/001 of April 13, 2010 on the promotion of small and medium-sized enterprises in Cameroon is particularly relevant with regard to the formalization of enterprises since it recalls the need for any entrepreneur to regularize his activity at the tax, social and financial levels (art.42). It equally defines the typology of Very Small, Small and Medium Enterprises This law also governs the procedures for registering of companies in the national SME file, a database maintained by the Ministry of Small and Medium Size Enterprises, Social Economy and Handicraft (MINPMEESA). Similarly, article 1 of the General Tax Code stipulates that the registration of companies and their payment of taxes are mandatory. The productive fabric is marked by the predominance of Very Small Enterprises (Micro-enterprises) and Small Enterprises (SE) which represents 98.5% of all enterprises meanwhile the Medium Enterprises (ME) and Large Enterprises (LE) represent 1.3% and 0.2% respectively.
- With regards to the sector of activity, the tertiary sector remains predominant and represents 84.2% of enterprises and establishments, operating mainly in trade. The secondary sector is in second place with 15.6% and is characterized by the preponderance of Micro-enterprises and Small Enterprises operating mainly in the food industry (bakery) and the clothing industry (sewing workshop). Finally, the formal primary sector, with 0.2% of units, remains very underdeveloped. The analysis of the managerial profile of companies shows that 85% of small enterprise promoters are at the same time the main managers of their structure. According to

¹⁵¹ The definition refers to “industry” of different sizes, i.e. cottage, micro, small, medium and large. The report by the United Nations (2021) points out that trading enterprises fall under the jurisdiction of the Ministry of Commerce, and not covered in the 2016 National Industrial Policy (hence nor by the Ministry of Industry).

gender, private initiative is mainly the work of men who create 6 out of 10 businesses, compared to 4 out of 10 businesses for women.

5. According to the definition enshrined in Law No. 2015/010 of July 16, 2015 amending and supplementing certain provisions of Law No. 2010/001 of April 13, 2010 on the promotion of SMEs, MSMEs represent 99.8% of enterprises. The law states that "very small (micro) enterprises" refer to those that hire less than five people with annual revenue of XAF 15 million, while small firms refer to those that employ 6-20 employees with having an annual turnover of 15 - 100 million. Finally, medium-sized enterprises apply to those who hire from 21 - 100 people and have an annual turnover of 100 million to 1 billion. In this segment, more than 7 out of 10 companies are Very Small Enterprises (Micro enterprises) employing less than 5 people and achieving a turnover of less than XAF 10 million. This can be summarized in the following table.

Table 3
MSME Classification in Cameroon

<i>Enterprise Category</i>	<i>Effective Employee</i>	<i>Initial investment</i>	<i>Turnover</i>
Micro	5 maximum	Up to 1 million	15 million Maximum
Small	6-20	Up to 500,000	15-100 millions
Medium	21-50	Up to one billion	100 millions to 1 billion

Source : Diagnostic sur la Formalisation des Entreprises et de leurs Travailleurs au Cameroun, ILO, (2017).
The Study on Formulation of Master Plan for Small and Medium-sized Enterprises Development in Republic of Cameroon (2009)

6. With the creation of the Ministry of Small and Medium Enterprises, Social Economy and Handicrafts in 2004 (MINPMEESA), the Government of Cameroon has made the transition to the formal economy one of its priorities within the framework of its objectives of economic development and emergence. Various standards, laws and mechanisms have been established to reduce the size of the informal sector and to assist companies in the steps relating to their creation and development.

Ghana

7. The MSME sector is amplified through the recognition that it employs more than 80 per cent of the workforce and generates 70 per cent of the national output. The MSME sector dominates Ghana's industrial landscape and has the potential for accelerating economic development necessary for wealth creation and poverty reduction. MSMEs constitute about 90 per cent of businesses in Ghana and account for about 85 per cent of manufacturing employment and contribute about 70 per cent of GDP. An important part of MSMEs contribution is the generation of employment to vulnerable goals including women, youth and low-skilled workers.¹⁵²
8. MSME definition and classification revolves around a mix of employment size, enterprise turnover, and assets. The Ministry of Trade and Industry and the Ghana Enterprise Agency (formerly the National Board for Small-Scale Industries, NBSSI) have adopted a definition/classification of MSMEs as shown in table below.

¹⁵² National Micro, Small and Medium Enterprise (MSME) and Entrepreneurship Policy

Table 4
MSME Classification Ghana

<i>Enterprise Category</i>	<i>Employment size (Permanent staff)</i>	<i>Turnover</i>	<i>Assets</i>
Micro	1 - 5	≤US\$25,000	≤US\$25,000
Small	6 - 30	US\$25,001-1,000,000	US\$25,001-1,000,000
Medium	31-100	US\$1,000,00-3,000,000	US\$1,000,001-3,000,000

Source: National Micro, Small and Medium Enterprise (MSME) and Entrepreneurship Policy.

9. Over 80% of Ghanaian enterprises in the MSME pool are micro enterprises and are key for employment generation. The NBSSI (now Ghana Enterprise Agency), SME Support Services Strategy (2015-2020) noted that out of the estimated 2.1 million businesses in the Ghanaian MSME sector today, about 1.7 million can be classified under the micro enterprise category. These businesses employ roughly 2.5 million people (or 30% of all MSME employees), implying an average of 1-2 jobs created per micro enterprise. At the next level up, the small enterprise category makes up 15% of all SMEs, with about 320,000 businesses, which account for 23% of all MSME jobs (1.9 million employees). This implies an approximate average of 6 jobs created per small enterprise. Finally, at the top of the pyramid, about 85,000 medium enterprises make up 4% of all SMEs but contribute 47% of the total MSME employment (approximately 3.9 million jobs). This implies an average of approximately 46 jobs created per medium enterprise.

Bangladesh

10. The first definition of MSMEs was developed in National Industrial Policy of 2010 based on their fixed asset base. This definition was used by financing organizations for targeting with commercial banks targeting medium and small enterprises, and microfinance institutions (MFIs) targeting micro and cottage industries. The definitions were revised in 2016, and in 2017 Bangladesh Bank instructed commercial banks to target all sizes of enterprises, including cottage and micro-enterprises¹⁵³ and currently small, micro and cottage enterprises receive a greater proportion of banks' MSME loans. MFIs also extended their customer groups to include small, micro and cottage enterprises and have also increased their loan ceilings to provide more funds. The table below shows the MSME definitions of the 2016 National Industrial Policy.

Table 5
MSME definitions for manufacturing enterprises in Bangladesh ¹⁵⁴

<i>Type of industry</i>	<i>Number of employed workers</i>	<i>Amount of investment* (BDT)</i>	<i>Amount of investment* (approximate US\$ value**)</i>
Cottage industry	Maximum 15	< 1 million	<\$11,800
Micro industry	16-30	1-7.5 million	\$11,800-\$88,300
Small industry	Manufacturing 31-120	7.5-150 million	\$88,300-\$1,77 million
	Service 16-50	1-20 million	\$11,700-\$235,000
Medium industry	Manufacturing 121-300	150-500 million	US\$1.77 million-\$5.88 million
	Service 51-120	20-300 million	\$235,000-\$3.53 million

Source: 2016 National Industrial Policy.

¹⁵³ <https://www.thedailystar.net/business/bb-updates-sme-terms-1427509>

¹⁵⁴ National Industrial Policy 2016 (<http://www.smef.gov.bd/site/page/e48a664a-9618-4afe-b8fa-5108e845c793/SME-Definition>)

* Replacement cost and value of fixed assets, excluding land and factory buildings

** Based on the exchange rate as of February 2022

Nepal

11. The Industrial Enterprises Act of 2020 defines micro enterprises using four criteria (capital investment, employment, annual turnover, and energy consumption) while it uses the single criterion of capital investment to define SMEs (United Nations, 2020). The Act also includes the category of cottage industries.

Table 6

Definition of cottage and MSMEs in Nepal according to the Nepal Industrial Enterprise Act of 2020

Enterprise Category	Employment Size	Fixed capital	Other parameters
Cottage			Use local workers and raw materials, are engaged in traditional labour-intensive industries that reflect the country's indigenous art and culture
Micro	<9	<NPR 2 million (US\$18,000)	Run by the proprietor himself Work at the local level and utilize local raw materials Annual turnover <NPR 20 million (\$89,000) Consumes less than 20 kilowatts of electrical power when run in full capacity
Small		<NPR 150 million (US\$1.3 million)	
Medium		NPR 150-500 million (US\$1.3-4.4 million)	
Large		>NPR500 million	

Source: United Nations (2020).

C. Access to financial services and financial sector overview

12. The 2017 Global Findex data on the percentage of population (over 15 years old) who report having an account at a bank or another type of financial institution are in the close range, except for Cameroon with lower figures. The number of commercial bank branches per 100,000 adults varies from 2.2 in Cameroon and 21.5 in Nepal. In all countries, the financial inclusion indicators (e.g. percentage of population with an account) has shown an increasing trend. Except for Nepal, the increased use of mobile money and various digital payment platforms contributed to this. The use of mobile phone for sending or receiving domestic remittances show a substantial increase between 2014 and 2017 in all countries¹⁵⁵, except for Nepal.

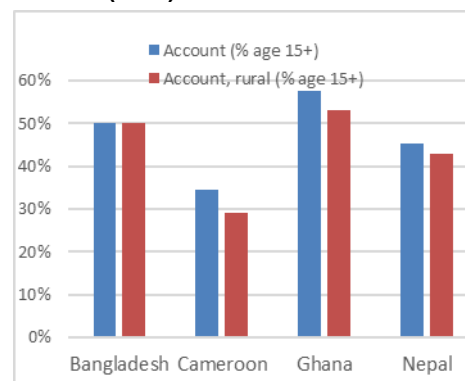
¹⁵⁵ The use of mobile phone for sending or receiving domestic remittances, as a percentage of senders/recipients of domestic remittances, show a substantial increase between 2014 and 2017, except for Nepal: from 37 per cent to 74 per cent in Ghana, 24 to 64 percent in Bangladesh, from 2 to 37 per cent in Cameroon.

Figure 1
% of population (over 15 years old) who report having an account at a bank or another type of financial institution



Source: Global Findex Database 2017.

Figure 2
Same as left plus those report personally using a mobile money service in the past 12 months (2017)



Cameroon

13. The financial system of Cameroon includes diversified institutions such as banks, financial institutions, insurance companies, postal financial services, and microfinance institutions (MFIs). The financial system is concentrated in urban areas, where three of the 15 commercial banks (including Societe Generale de Cameroun, which manages PEAJ's financing facility) own 50 per cent of resources, and offer most services to big companies, while MSMEs enterprises seldom have access to their services.
14. Apart from 15 commercial banks and 7 other financial institutions,¹⁵⁶ in 2018, there were 418 MFIs. PEAJ's partner financial institutions were all MFIs. Forty-two per cent of MFIs were concentrated in Yaoundé and Douala, the two main cities. The MFI sector contributed to 12 per cent of total savings and 11 per cent of total loans to the economy. The vast majority of MFIs face several challenges, including: the lack of medium/long-term financing, the absence of a refinancing structure, poor governance in some MFIs, the weak technical and operational capacity of institutions, a limited product offer that is not always adapted to the needs of customers and vulnerable people, the lack of technological infrastructure, etc.
15. In addition, Cameroon postal service (CAMPOST) provides a wide range of financial services, including payments, transfers, savings, credit and insurance, and with the possibility of reaching remote areas with its network of post offices. Informal financial system/mechanism includes informal savings and credit groups (tontines), traders or input providers to save or borrow money to meet their financing needs, informal insurance and informal channels for transfer services. Rotating savings and credit associations are also of significant importance in the financing of companies.
16. Digital credit has evolved with the digital disruption over the past few years. The development of innovation and digital finance represents an opportunity to accelerate the financial inclusion of the most vulnerable populations, excluded from the formal financial system with an overall mobile penetration rate at the national level of more than 80%, compared to a rate of use of digital financial services of about 40%. Islamic social finance is also an opportunity for EMFs in Cameroon, although still in an embryonic state.

¹⁵⁶ Namely Alios Finance Cameroon (SOCCA), Crédit Foncier du Cameroun (CFC), PRO-PME Financement (PRO-PME), Société Camerounaise d'Équipement (SCE), Société de Recouvrement des Créances du Cameroun (SRC), Société Nationale d'Investissement (SNI), and Wafacash.

17. Cameroon has developed the National Strategy for Financial Inclusion (2021-2025), which focuses on access to financial services by rural populations, women and young people and MSMEs. Despite efforts made, many challenges remain in terms of increasing financial inclusion in Cameroon. Results of the 2017 FinScope survey show that Cameroon has a moderately low level of financial inclusion compared to other sub-Saharan African countries, with strong disparities at the regional level. Dependency on informal financial services remains quite significant.

Ghana

18. While the financial sector in Ghana is dominated by banks, non-bank financial institutions has rapidly increased. NBFIs regulated by the Bank of Ghana include (as of January 2022): microfinance institutions (MFIs) (137), rural and community banks (144), savings and loan companies (25), and financial NGOs (12). Among these, rural and community banks, together with their "apex", the ARB Apex Bank Limited,¹⁵⁷ have been the main partners in IFAD's support for rural financial services in Ghana, including in the different phases of REP. Rural and community banks are deemed to be the largest providers of formal financial services in rural areas. Their size varies greatly, but many of them are small.¹⁵⁸ Many rural and community banks and other small non-bank financial institutions operating in rural space face the challenge of low capitalization. The Bank of Ghana introduced a higher capital requirement for rural and community banks in 2015, increased from GHS300,000 to GHS1 million (US\$141,000), this has not be fully met and not enforced yet also due to COVID-19.

Bangladesh

19. Bangladesh has a vibrant microfinance sector. MFIs (often referred to as "NGO-MFIs") in Bangladesh are an established part of the financial sector and are regulated under the Microcredit Regulatory Authority which operates under the Bangladesh Bank. There were 842 licensed NGO-MFIs in June 2019 with close to 19,000 branches with over 32 million clients and 25.76 million borrowers (92 per cent women) (Microcredit Regulatory Authority 2019). All indicators have shown steady growth over years, such as number of clients, savings, loans or MFI branches. Also, the major sources of funds for MFIs has changed significantly over the years: MFIs: now, 60–70 per cent come from cumulative surplus (profits) and client's savings, while funds from Palli Karma-Sahayak Foundation (PKSF, which provides wholesale lending to MFIs), other donors, and other sources have decreased, even though these may still be an important source for smaller NGOs-MFIs.
20. Bangladesh's NGO-MFIs typically offer loans under different programmes/windows targeted at different clienteles and focus, e.g. the ultra-poor programme, rural/urban microcredit, agriculture loans, microenterprise loans (ME loans). "ME loans" are differentiated from other mainstream "microcredit" programmes, particularly in terms of a higher loan amount ceiling (over US\$10,000). NGO-MFIs are allowed by the Microcredit Regulatory Authority to have up to 50 per cent of their portfolios for ME loans. Since NGO-MFIs normally use group guarantees for lending and not hard collaterals, ME loans also tend to be channelled to repeater borrowers with credit histories (World Bank Group 2019). The expectation is that as those borrowers under other mainstream microcredit programmes improve their economic status (as they "graduate"), they would need higher amount of loans, which are offered under the ME loan programme. The definition of "microenterprise" in relation to the ME loan programme operated by PKSF and POs

¹⁵⁷ The ARB Apex Bank Limited is a "mini"-central bank for the RCBs. The Bank was registered as a public limited liability company in January, 2000. The shareholders are the RCBs. It was granted a banking license in June, 2001 and was admitted to the Bankers Clearing House as the 19th member in August, 2001. (ARB Apex Bank website)

¹⁵⁸ Rural and community banks all together represent only about 4 per cent of the total size of banks in terms of assets. Total equity for all RCBs as at June 2021 was GHS 375.68 million (\$64.13 million) representing an average of GHS 2.61 million (\$450,000) per rural and community bank.

differs from the Government definition (table 2): in the ME loan programme, microenterprises were to have a fixed assets (excluding land and buildings) ranging from BDT40, 000 (US\$470) and BDT1.5 million (US\$17,500), thus covering a wide range.

Key project information

A. Basic project information: PEAJ Cameroon, REP Ghana and PACE Bangladesh

Table 1

	PEAJ Cameroon	REP Ghana	PACE Bangladesh
Basic information			
Objectives	<p><u>Goal:</u> to sustainably improve the living conditions of young agro-pastoral entrepreneurs</p> <p><u>Objective:</u> To support young people in creating and managing successful agropastoral businesses; and (ii) promote a policy, organizational and institutional framework conducive to the creation and development of agropastoral businesses among young people.</p>	<p><u>Goal:</u> to improve the livelihoods and income of rural poor micro and small entrepreneurs.</p> <p><u>Objective:</u> to increase the number of rural micro and small enterprises (MSEs) that generate profit, growth and employment opportunities. The scope is to upscale and mainstream a district-based MSEs support system nationwide within the public and private institutional system.</p>	<p><u>Goal:</u> to enhance livelihoods (higher income from self-employment, business profit and wage employment, and food security) of the moderate and extreme poor project participants (men and women) in a sustainable manner.</p> <p><u>Objective:</u> The development objective is to increase sales and incomes from existing and new microenterprises and to create new wage employment opportunities for extreme and moderate poor people.</p>
Target group	Young men and women aged between 18 and 35, already investing or not, in agropastoral activities as well as holders of individual or collective projects aiming at developing SMEs in the agropastoral sector.	Entrepreneurial poor, which are mostly members of poor rural families that are able to convert the capacity-building support from the programme into productive assets without or with barest additional investment support.	Microentrepreneurs who are borrowers of ME loan program (non-poor), moderately poor and extremely poor persons. In terms of professional identities, the project will target marginal and small farmers involved in field crops, horticulture, fisheries, livestock production, non-farm microentrepreneurs, and professionals in service sectors.
Geographical coverage	Four regions (Nord-Ouest, Centre, Littoral & Sud)	National, with focus in the rural areas covered by the District Assemblies	National
Targeting strategy	(i) Geographical targeting on four zones, production areas with a territorially homogeneous area of manageable size (maximum radius of 50 km), locations with the greatest potential for the development of agropastoral production and related occupations that will make it possible to create a structured value chain; (ii) Categorization targeting of specific profiles (3 categories based on education and experience with agro-enterprises); (iii) Sectoral targeting of specific plant- and animal production; (iv) Social and gender targeting.	(i) a geographic expansion strategy; (ii) a self-targeting approach within a district, emphasising entrepreneurial capacity and clients' willingness to contribute to their own development; (iii) direct targeting of specific subgroups; (iv) empowerment and capacity building measures; and (v) enabling measures for MSE promotion. REP will have a particular attention for vulnerable groups, including rural women and youth who don't have access to inputs and skills.	(i) A self-targeting approach, emphasising micro-credit experience and creditworthiness; (ii) Direct targeting of value chains based on the nature of technical requirements and scope for women empowerment; (iii) Direct targeting of specific profiles following the rapid rural appraisal methodology and specific selection criteria.
Approval	21/09/2014	15/09/2011	17/09/2014
Original completion	31/03/2021	31/03/2020	31/12/2020

	PEAJ Cameroon	REP Ghana	PACE Bangladesh
Current completion	31/03/2023	31/03/2022	31/12/2022
Sector (as defined in IFAD database)	Rural Development	Credit and Financial Services	Credit and Financial Services
Total cost (original)	US\$67 million (including a funding gap of US\$23 million)	US\$185 million	US\$92.85 million
Total cost (revised)	US\$73.1 million	US\$250 million	US\$129.8 million (ORMS)
IFAD financing (original)	US\$50.5 million	US\$31.5 million	US\$40 million
IFAD additional financing	US\$28 million (approved in Sep 2017)	US\$40 million (approved in Dec 2017)	US\$ 18 million (approved in Dec 2020)
Co-financiers	Domestic Financing Institutions (US\$ 9.45 mil) National Government (US\$9.94 mil) Beneficiaries (US\$ 2.14 mil) Rural Poor Stimulus Facility (US\$1.1 mill – approved Sep 2020 and June 2021)	African Development Bank (US\$ 70.01 mil) Domestic Financing Institutions (US\$ 6.22 mil) Beneficiaries (US\$ 13.85 mil) Beneficiaries additional financing (US\$ 2.53 mil) National Government (US\$ 25.11 mil) National Government (add) (US\$ 17.28 mil) Local Government (US\$ 38,45 mil) Domestic Financing Institutions (add) (US\$ 4.93)	Domestic Financing Institutions (US\$ 15 mil + 30 mill add) Palli Karma-Sahayak Foundation (PKSF) (US\$22.4 mill + 3.87 mil add) Republic of Korea (US\$0.36 mill)
Project components	1. Development of viable agropastoral enterprises (non-financial services to be offered by local providers or incubation entities) 2. Access to financial services 3. Improving the organizational, policy, institutional and legal framework	1. Business development services 2. Technology promotion & dissemination 3. Enabling MSE environment (access to rural finance; inst capacity building and policy dialogue) 4. Programme coordination	1. Financial services for microenterprises 2. Value chain development (agric and non-agric) 3. Technology and product adaptation 4. Project management
Lead implementing agency	Ministry of Agriculture and Rural Development (Ministère de l'Agriculture et du Développement Rural) and Ministry of Livestock, Fisheries and Animal Industries (Ministère de l'Elevage, des Pêches et des Industries Animales)	Ministry of Trade and Industry	Palli Karma-Sahayak Foundation (PKSF)
Implementation arrangements	A national programme coordination and management unit (Cellule Nationale de Coordination et de Gestion, CNCG) to be established. CNCG includes a national advice and support unit, with satellite units at the regional level (regional advice and support units). Decentralized state entities and municipalities with roles in the implementation in the ground. Several service providers such as the National Youth Council (CNJC), The National Network of Young Entrepreneurs (RNJE),	A national programme coordination and management unit based in Kumasi. Key implementing partners are the Ghana Enterprise Agency (former National Board for Small-scale Industries, NBSSI), GRATIS Foundation, ARB Apex Bank and District Assemblies. Business Advisory Centres (BACs), Business Resource Centres (BRCs), Rural Technology Facilities (RTFs) are main actors at field level. ARB Apex Bank were to work with partner financial institutions.	Microenterprise loan programme and value chain development components to be implemented through partner organizations. PKSF was to procure technical assistance from reputable organizations for activities under component 3. A project management unit (PMU) was to be established, which would work through PKSF's Loan Operations Division to implement the microenterprise loan programme through the partner organizations

	PEAJ Cameroon	REP Ghana	PACE Bangladesh
	as well as agro-pastoral vocational training institutions to play a role in the implementation of the programme linked to specific components. Partnering with rural finance institutions for component 2.		
Key project intervention areas and approach¹⁵⁹			
Non-financial services	Support to/through agropastoral training centres /incubators (public, private and NGOs) Support by Business Coaches, through incubating structures, to youth in preparing business plans and developing professional networks.	Support provided through the Business Advisory Centres and Business Resource Centres (operating under the Ghana Enterprise Agency)	Training (e.g. business/enterprise management) to microentrepreneur borrowers Different partner organizations supporting diverse value chains (agriculture/non-agriculture) Support to introduction of proven technologies and products (agriculture and off-farm)
Access to finance	Funding facility for medium-term loans, to be managed by Développement International Desjardins Group on the basis of work done by PDMIR project Since 2018, refinancing mechanism for rural financial institutions set up with Société Générale Cameroun ¹⁶⁰	Rural Enterprise Development Fund as a wholesale credit fund (established in previous phase of REP and being revolved – with additional funds under REP) Matching grants (shared funding arrangement with loans by partner financing institutions)	Credit lines for on-lending lending to microenterprises by PKSF's partner organizations According to the latest supervision mission report, new loan products developed ('start-up capital' loan and 'lease finance' ¹⁶¹)
Access to technology development and dissemination	Support to youth enterprises to integrate new more productive and cost effective technologies	Support to/through Rural Technology Facilities (RTFs) and Technology Solution Centres (TSCs)	One component dedicated to technology and production adaptation. Support the introduction of promising technologies and/or products relating to the value chains supported.
Institutional support, enabling environment	Network of youth	Under institutional support to the Ghana Enterprise Agency, capacity building support for BACs/BRCs (including infrastructure) Institutional support to MSME sub-committees at District Assemblies, Regional Committees on MSE Promotion, Local Business Associations.	Institutional strengthening support for PKSF as well as partner organizations (it is noted that similar support has been provided only under other projects and not only in PACE) Inputs to some government policies (e.g. Crab Export Policy as mentioned in the 2020 supervision mission report)
Key results so far			
Outreach	[Nov-Dec 2021 supervision] 29,467 youth sensitized 3,776 enterprises incubated (target 3,700) (with 15 incubating structures)	[October 2021 supervision] 63,164 new enterprises established 23,452 existing enterprises strengthened 74,677 jobs created	As reported per September 2021 supervision mission report:

¹⁵⁹ As per implementation/planned.

¹⁶⁰ Initially the design involved a facilitation fund for the supply of medium-term loans (managed by Développement International Desjardins Group) on the basis of work done by PADMIR project. This was discontinued in 2019 and replaced by Société Générale Cameroon.

¹⁶¹ PACE 2020 Supervision mission report.

	PEAJ Cameroon	REP Ghana	PACE Bangladesh
	2,508 enterprises established 4.691 enterprises supported by business coaches	84,315 persons trained in business/entrepreneurship skills 132,300 persons trained in income generating activities 14,476 master crafts persons trained	Component 1: Microenterprise loans to 355,185 microenterprises ¹⁶² (target 102,000) Component 2: 311,619 beneficiaries (248,790 on-farm, 62,829 off-farm) Component 3: 30.868 farmers
Access to finance	Refinancing mechanism set up with Société Générale Cameroun and 6 financial institutions obtained a credit line for a total amount of CFAF1.356 billion 2,535 youth accessed start-up credit/fund 942 productive credits issued (with multiple borrowing, the number of borrowers less)	US\$1,79 million of matching grants disbursed to 2,886 clients (51 per cent female) Under the Rural Enterprise Development Fund, cumulatively, US\$US\$9.16 million to 15,160 clients	Bulk of funds was to add liquidity to existing ME loan programme (operated by PKSf since early 2000s) The programme introduced two new loan products in 2017: a ME start-up loan (launched) and a leasing product (pilot phase). Start-up capital loan disbursed to 241 new entrepreneurs (Taka 20 million); lease financing disbursed to 59 micro entrepreneurs.
Types of enterprises/value chains covered, other results	Commodities targeted include: pineapple, maize, manioc, piggery, aquaculture, poultry, among others (design document). The types of enterprises to be targeted included off-farm activities, such as processing, agricultural equipment, advisory services.	Both agriculture and non-agriculture related enterprises. Non-agriculture off-farm enterprises include soap making, fashion designing, auto mechanic, carpentry, etc.	Value chain development component: 74 sub-projects, 16 farm and 15 non-farm subsectors

¹⁶² It should be noted that the PACE funds were absorbed into the larger ME loan programme. The basis for the figure was explained by PKSf as follows: an increase in ME loan borrowers in the first two years was solely attributed to PACE (79,411+238,853=318,264), and in the subsequent years, PACE was considered to have contributed only a small percentage of the increase in borrowers, initially 9.7 per cent, then most recently 2.25 per cent. The rate of increase of number of borrowers is higher between 2014/15 and 2015/16 (33 per cent increase), followed by 22 per cent increase. However, it is not clear why the increase in the first two years would be attributed only to PACE. In 2013/14, the amount disbursed from PKSf to POs for the ME programme was over US\$60 million and the disbursed amount from POs to borrowers about US\$650 million.

Table 2
Overview of key non-financial services in different projects

<i>Main non-financial services supported</i>	
PEAJ Cameroon	<ul style="list-style-type: none"> • Incubation programme for young entrepreneurs (mostly start-ups) following information dissemination, facilitation and screening – through training-cum-incubation structures (public, private, NGOs). A group of youths is taken at a time and provided with differentiated training (business and technical) within the same cohort depending on the skills and needs • Incubation support combined with and followed up by continuous business coaching support over time
REP Ghana	<ul style="list-style-type: none"> • Business/entrepreneurial skills training provided by BACs (staff and/or hired services), often through local business associations or groups. Technical skills training exclude those offered by RTFs/TSCs. • Technical skills training - through RTFs/TSCs (e.g. welding, auto mechanics) or BACs (e.g. hairdressing, tailoring); apprenticeship with mastercrafts persons • Introduction/dissemination of new/improved technologies (e.g. processing equipment) supported by RTFs/TSCs <ul style="list-style-type: none"> • Support for market linkage (e.g. participation in trade fairs)
PACE Bangladesh	<ul style="list-style-type: none"> • Introduction/dissemination of new/improved technologies and practices and technical skills training (agriculture and non-agriculture) – for small/marginal farmers, off-farm entrepreneurs/enterprises, workers at off-farm enterprises (component 2 & 3). Services provided by engaged POs • Limited training (e.g. business/enterprise management) to microenterprise loan borrowers
RERP Nepal (original)	<ul style="list-style-type: none"> • Information dissemination and business development services through Enterprise Service Centres to be set-up through a public-private partnership • Support to MSEs to develop business partnerships (e.g. backward and forward linkages with value chain stakeholders) <ul style="list-style-type: none"> • Vocational and technical training
RERP Nepal (redesign)	<ul style="list-style-type: none"> • Focus on vocational and technical training for decent jobs (not enterprise development as such)

Source: PCE team elaboration based on project documents.

Table 3
Level of support for different areas of non-financial services

	<i>Business planning support, bus. training, counselling</i>	<i>Off-farm technologies, vocational and technical training, apprenticeship</i>	<i>On-farm production technologies</i>	<i>Market linkage (mainly agriculture)</i>	<i>Notes</i>
PEAJ Cameroon	✓✓✓	✓	✓✓✓		Incubation structures
REP Ghana	✓✓✓	✓✓✓	✓	✓ (e.g. trade fair)	
PACE Bangladesh	✓	✓✓	✓✓✓	✓	
RERP Nepal (original)	✓✓✓	✓✓✓			
RERP Nepal (redesign)	✓	✓✓✓	✓	✓✓	Focus on decent jobs plus supply

Source: PCE team elaboration based on project documents.

Table 4
Overview of project-specific support for access to finance

<i>Project support aimed at addressing access to finance</i>	
PEAJ Cameroon	A refinancing fund (US\$1.7 million) set up with Société Générale Cameroun to be disbursed to eligible young entrepreneurs through accredited rural financial institutions. ¹⁶³ PEAJ provides start-up 'credit' support for young entrepreneurs - in theory in grant but the beneficiaries are required to "reimburse" the amount into the bank account to demonstrate the financial discipline before accessing the loans. Société Générale Cameroun also manages the investment fund (US\$4.2 million) which generate interests to cover the cost of its services and the risk sharing fund (US\$337,000) to cover up to 50 per cent of the arrears (at a cost of 2.5 per cent of the portfolio to be guaranteed).
REP Ghana	Rural Enterprise Development Fund as a wholesale credit fund (established in previous phase of REP and being revolved – with additional funds under REP). Managed under the Bank of Ghana and to be disbursed through partner financial institutions [US\$10 mill IFAD funds] Matching grants (originally as a shared funding arrangement with loans by partner financing institutions, but no longer so) [US\$3.7 mill IFAD funds]
PACE Bangladesh	Credit lines for on-lending to microenterprises by PKSF's partner organizations (NGO-MFIs), support for new financial products ('start-up capital' loan and 'lease finance' developed ¹⁶⁴) [US\$32 mill IFAD funds]
RERP Nepal	Original design: innovative financial instruments (e.g. risk sharing mechanism, matching grants, equity financing), and technical and financial support to financial institutions (above dropped – now, on a limited scale, capacity development of cooperatives, financial education and enterprise knowledge training)

Source: Project design reports (including detailed cost tables), supervision mission reports, RERP restructuring paper.

Table 5
Types and levels of support for financial services

	<i>Credit lines, refinancing</i>	<i>Grants (linked to loans by financial institutions)</i>	<i>Support for new financial products</i>	<i>Risk sharing, loan guarantee</i>	<i>Financial institution capacity building</i>
PEAJ Cameroon	✓✓✓	✓✓✓	✓	✓	✓
REP Ghana	✓✓✓	✓✓✓	✓		✓
PACE Bangladesh	✓✓✓		✓		✓
RERP Nepal* (original)		✓	✓	✓	✓
RERP Nepal* (redesign)					✓

Source: PCE elaboration based on the review.

* An additional aspect not in other projects relates to support to migrants (returning and outward) with possible link to remittances.

¹⁶³ Such a financial mechanism was to be set up under PADMIR with support by Développement International Desjardins Group (DID). The work was not concluded under PADMIR and carried through to PEAJ. DID continued to work with PEAJ in order to develop an alternative financing mechanism. Société Générale Cameroon was then appointed to manage the fund.

¹⁶⁴ PACE 2020 Supervision mission report.

RERP Nepal: original design and changes after restructuring

Table 6

	Original	Post-restructuring
Basic information		
Objectives	Development objective: viable rural MSEs, in both farm and off-farm sectors, provide sustainable sources of income to poor households, migrant families and returnees.	Same
Main indicators	57,500 rural enterprises 30,000 rural youth accessing job placement services 34,500 enterprises supported by the project 21,000 vocational trainees and apprentices	10,000 rural entrepreneurs 30,000 rural youth access job placement 21,000 vocational trainees and apprentices
Target group	179,000 primary beneficiaries, including: (i) existing rural MSEs; (ii) poor households; (iii) returnee migrants and remittance receiving households; small enterprises Secondary target group: medium and large enterprises as well as service providers, who will be harnessed to provide support to the primary target group through the development of business partnerships, vocational training, apprenticeship packages and job placement	40,000 primary beneficiaries, of which at least 50 per cent shall be women and 60 per cent youth, including: (i) existing rural MSEs; (ii) poor households; (iii) returnee migrants and remittance receiving households; and (vi) small enterprises Secondary target group: Same as original.
Geographical coverage	16 districts of the Eastern and Central Development Regions.	Same as original
Approval	22/04/2015	22/04/2015
Original completion	31/12/2022	31/12/2022
Current completion	31/12/2022	31/12/2022
Sector (as defined in IFAD database)	Credit and financial services	Credit and financial services
Total cost	US\$68.2 million	US\$25.2 million
IFAD financing	US\$38.6 million (US\$21.8 million loan, US\$16.8 million grant)	US\$18.5 million (US\$2.2 million loan, US\$16.8 million grant)
Co-financiers	Government (US\$9 mill) Beneficiaries (US\$6.6 mill) Private sector (US\$13.7 million)	Government (US\$4.2 million) Beneficiaries (US\$1.8 million) Private sector (US\$0.6 million)
Lead impl agency	Ministry of Industry	Ministry of Industry, Commerce and Supplies (renamed)
Project components/subcomponents		
Component 1 Promotion of rural MSEs	(US\$31 million) 1.1 Mapping and setting up capacities at district and corridor level 1.2 Services for RMSE promotion and development (facilitating access to business development services) (US\$14 mill) 1.3 Vocational training and apprenticeship	(US\$17 million) 1.1 Supply chain development 1.2 Services for RMSE promotion and development (limited to capacity strengthening of the network of Chambers of Commerce and Industry) 1.3 Vocational training and apprenticeship 1.4 Mobilization and inclusion
Component 2 Productive investment	(US\$27.3 million) 2.1. Financial inclusion (incl. matching grants, risk-sharing mechanism) (US\$25 million) 2.2. Mobilizing migrant resources and skills	(US\$2.3 million) 2.1. Financial inclusion (training on financial literacy, business skills mainly through cooperatives) 2.2. Mobilizing migrant resources and skills
Component 3 Institutional support and project management	(US\$8.9 million) 3.1. Policy and institutional development 3.2. Project management	(US\$5 million)

Source: Project design report, financing agreement (original and amended), restructuring paper (March 2020).

Project assessment summaries

I. PEAJ Cameroon

Project assessment summary

A. Relevance (overall strategies, non-financial and financial services)

- PEAJ's sequenced approach over time for young entrepreneurs (with a relatively low target of 3,700) reflected the need for intensive support to bring up emerging young entrepreneurs with little or no business experience. Some of the relevant elements included: (i) categorization of youth based on the education levels, skills and experience enabling the incubators to develop tailored programme; (ii) pre-incubation facilitation period with information dissemination and identification of potential business ideas and entrepreneurs; (iii) incubation programme with collective and individualized training and follow-up support; and (iv) facilitating access to finance. During implementation, the project made adjustments to introduce business coaches who closely follow up on and provide advice to young entrepreneurs, which was relevant to improve the quality of business plans and the enterprise performance, including access to different markets.
- In terms of the scope, PEAJ had a focus on the agro-pastoral sector with indicative commodities and areas ("production basins") in the selected four regions (hence, a better defined scope than other projects reviewed in the PCE). However, the project could have used value chain and market analyses on potential commodities to identify opportunities for off-farm enterprises and promote them in a more strategic manner.
- Sequenced steps to facilitate the access by youth entrepreneurs to financial services were largely suitable: based on the business plans, "start-up credit" combined with own contribution provided them with the opportunity to start entrepreneurial activities on a small scale, generate revenues and demonstrate "repayment" discipline to the financial institutions, before the latter releases a loan ("productive credit") as a second step. However, such arrangements may not be suitable to all types of businesses, for example, the business that requires relatively higher upfront investments such as agro-processing, storage and transport facilities.
- PEAJ adopted a range of strategies to achieve higher participation of vulnerable persons. For example, in the Northwest region, the project engaged a facilitating NGO with experiences in working in the areas to promote the participation of Bororos (e.g. by providing worshipping areas and some occasional jobs). Also, in working with conservative Bororo communities, the approach of bringing in the youth who were already supported by PEAJ - to explain the benefits of being part of PEAJ, to serve as interpreters in the process of accompanying new participants and to share their experience with prospective/new entrants - proved to be relevant. In some cases, the facilitating NGOs adapted the approaches and tools (e.g. use of images, role plays, stories) to make the information dissemination and training better suited to youth who are not proficient in the official language and/or only had limited formal education. PEAJ proved to be flexible in the support system and the participation of all categories of youth interested in agropastoral entrepreneurship. In each region, a single NGO was selected and equipped for the entire facilitation stage.
- PEAJ paid attention to the issue of access to land, one of the main constraints faced by youth, by: (i) working with municipalities, traditional local chiefs and families to help youth (especially women) obtain land certificates; (ii) by encouraging youth to invest in value chains for which the land does not pose a major constraint (e.g. livestock); (iii) supporting the development of a network of young entrepreneurs to advocate on issues of interest to them that includes access to land.
- PEAJ capitalized on partnerships with other organizations with right expertise: (i) ILO in setting up and strengthening the existing training centres/institutions as incubators were relevant, e.g. introducing and adapting training materials suitable to young agro-pastoral entrepreneurs; and (ii) PROCASUR supporting the introduction of business coaches as well as documentation and knowledge management.

B. Effectiveness (enterprise creation and development, non-financial and financial services)

- According to the project data, PEAJ incubated about 3,800 youth (40 per cent women) in 9 cohorts against the target of 3,700. Among those incubated, some 2,600 have been able to access financial resources to start up the businesses ("start-up credit/funds"). However, there was a delay in implementation and a majority of the start-up credit/funds (over 70 per cent) were provided after 2019. Thirty per cent of the youth participants were in the vulnerable category (those with low/little education and training).
- Eighty per cent of the supported enterprises are involved in production (and majority in livestock sector), and only a minority involved in other aspects of the value chains (e.g. processing, input supply). Despite the recommendation by the mid-term review and supervision missions to promote off-farm businesses, the number of entrepreneurs interested/supported remained low.
- Nearly 60 per cent of the enterprises supported have been formalised despite youth reporting that it is complicated and time-consuming. This figure suggests a good achievement, given the predominance of informal enterprises in the country. According to the project data, these formalized businesses are mostly in the category of "crafts/artisans" (68 per cent), followed by "single member public limited company" (20 per cent). The PCE mission did not meet any enterprise that would belong to the latter.
- Some external factors affected enterprise performance, including the COVID-19 pandemic. Enterprises in the livestock sector were also negatively affected by the prevalence of the African swine flu, as well as the unavailability of day-old chicks. Some youth with good relationships with the financial institutions obtained loan extensions enabling them to pivot their activities, but others have not survived or are struggling to find capital to re-start their business operations (PCE field interviews).
- PEAJ facilitated access to finance by new young entrepreneurs (most of them were unlikely to have bank account nor credit history before), but so far at a modest level. Out of 2,605 youth who received "start-up credit/fund", only 28 per cent (737 youths, 44 per cent women) obtained the next "productive credit" (over 1,000 loans including repeater loans). About 90 per cent of the "productive credits" were provided after 2019, in part due to the delays in setting up the institutional arrangements to manage financing facilities (eventually with Société Générale de Cameroun). It should also be noted that the incubation and subsequent processes can be lengthy. There are entrepreneurs who are still in the process of mobilizing own contribution or of reimbursing for "start-up credit". Nonetheless, the PEAJ impact study (2021) indicated PEAJ participants had better access to formal financial services compared to the control group.
- Although the business performance of borrowers reportedly improved owing to the introduction of business coaches, the available data and reports indicate unsatisfactory loan repayment performance. The PEAJ supervision mission in December 2021 noted the loan portfolio showed a significant deterioration, with 41.5 per cent of the total outstanding credit overdue. The reasons mentioned included: arrears from the operations in the earlier years when there was still insufficient experience, COVID-19, scarcity of day-old chicks and swine fever. Some measures are underway to support the businesses affected by external factors. For example, with regard to swine fever, the Government planned to provide piglets to enable the enterprises to start production again
- PEAJ-supported financing facility was complimented by other interventions (non-financial and financial services). The quality of support to business planning and follow-up to entrepreneurs improved with the introduction of business coaches, which was appreciated by the financial institutions. PEAJ also supported capacity building of the financial institutions in assessment of business plans for agro-pastoral enterprises – the sector they did not have much experience in. In addition, PEAJ provides an option of the risk sharing arrangements for the financial institutions.

C. Impact (employment creation and increased incomes, institutional framework and support systems)

- As of January 2022, PEAJ reported the creation of 10,516 jobs. It appears that this figure was based on an assumption that each enterprise creates four jobs, but from the PCE field visit,

four jobs per enterprise can be an overestimate. There is also no disaggregated data on types of jobs, e.g. self-employment versus wage employment; full or part-time, permanent or temporary (including seasonal). The project data and the PCE field visit note that jobs in crop production sector are mostly seasonal, whereas for livestock, processing and service sectors, it is not less seasonal. PCE field mission found that at least one member of the household is employed and spouses of the young entrepreneurs see the business as family business, especially those who do not have any other jobs.

- Despite the absence of tailored strategies, it is reported that some persons living with disabilities (in Douala and Littoral region) have obtained jobs or created businesses, that also created employment for others. Specific data on the participants with disabilities who benefited from the project are not available (e.g. quantitative data, types of disabilities). Without specialized trainers and the adaptation of tools and support approach, it was challenging to support some categories of people with disabilities (e.g. blindness, deaf-mute). However, experiments in processing livestock feed or fruits may provide possible options for such target group.
- However, a couple of such youth entrepreneurs with disabilities were met by the PCE field mission, including an animal feed processing enterprise by a young female with physical disabilities, who is doing very well and plan to diversify into maize production and pig and chicken rearing.
- Not planned as main project results, but PEAJ created jobs for youth participants by directly employing them. For example, some young entrepreneurs trained in the incubation programme were employed as trainers in the subsequent cohorts as a way to raise funds to mobilize own contribution to access "start-up credit".
- PEAJ's 2021 impact study showed no significant difference of turnover, operating costs and profits between participants and non-participants. This may be because both of whom had recently established enterprises.
- PEAJ has been supporting several actions to improve the environment for MSE development, in particular in the agro-pastoral sector with a focus on youth. Progress has been made, although at a rather slow pace. In February 2021, an action plan was drawn up with the Ministry of Employment and Vocational Training (*Ministère de l'Emploi et de la Formation Professionnelle*) to obtain accreditation and approval of training courses of 15 incubation structures (8 public, 7 private). The accreditation is expected to give these institutions a recognized status as an agro-pastoral training/incubation institution, but so far, Government has accredited only one incubation centre, mainly due to the lengthy administrative procedures required. Technical assistance from ILO has contributed to adaptation of training materials for agro-pastoral entrepreneurship in the incubation programme; and supported a network of entrepreneurship trainers and advisors.
- PEAJ has also supported a network and organization of youth entrepreneurs (*Réseau des Jeunes Entrepreneurs Agropastoraux*, REPA-Jeunes) and their participation in policy advocacy (e.g. access to land and finance). However, the concrete results are not yet clear.

D. Sustainability

- Given that most of the enterprises are new or still in the process of development, it is difficult to discuss the likelihoods of their sustainability. Part of the challenge may be whether and how business development/advisory services (i.e. services by business coaches) can be retained after the project. Another issue for reflection is how to strengthen their resilience to shocks (e.g. diversification, insurance).
- PEAJ has made some progress on institutionalizing various services supported under the programme. For example, the programme has been supporting the incubation structures to strengthen the capacity (human, infrastructure, equipment) and to obtain accreditation to continue to play an important role in promoting rural youth entrepreneurship development. Given more intensive and longer-term support required for youth incubation, and with the challenges in instituting a cost recovery model for such clientele, it will require Government or external funding to continue with similar type of incubation support. An idea discussed in PEAJ Cameroon is that the business registration is expected to contribute to increased tax revenues, which then should also be invested in supporting youth businesses by local authorities. However, it will be difficult to expect much incremental tax revenues from formalized youth enterprises in a short term.

- The continuation of the financing facilities supported by PEAJ is likely, but the post-project arrangements are still to be defined. The Government and PEAJ are exploring options for institutionalisation of the PEAJ-supported financing facilities (credit facility, risk-sharing/guarantee mechanism) and planned to conduct a feasibility study to decide on concrete steps.
- It has been reported that some of the financial institutions working with PEAJ are moving to developing specific agro-pastoral financial department and products adapted to their clients, with agents specialized in agro-pastoral finance, which is a good indication. On the other hand, the challenge will be to ensure that the repayment performance is maintained at acceptable level in order not to lose the confidence of the financial institutions to provide services to youth – those already served as well as new entrepreneurs.

E. Overall

- The programme was highly relevant in many respects, including: a focus on youth; sequenced and comprehensive approach to supporting new youth entrepreneurs in initial facilitation, incubation and post-incubation; a mix of group-based and individualized support tailored to the profiles and needs of entrepreneurs; incorporating approaches to facilitate the participation of vulnerable groups (e.g. young women, ethnic minority, less-educated youth); strengthening of the institutional framework and support systems for youth agro-pastoral entrepreneurship development; and effective collaboration with competent partners. PEAJ supported the establishment of agro-pastoral start-up enterprises operated by young men and women (achieving the outreach target for youth entrepreneurs), most of who did not have a regular productive income source earlier. PEAJ showed flexibility in making adjustment during implementation, introduced a number of innovative approaches and paid attention to knowledge management and sharing (in collaboration with PROCASUR) as well as supporting the enabling environment. All these efforts and emerging results provide a good basis for scaling up.
- The main downside has been in terms of implementation delays experienced for different reasons, with possible implications on the results/impact and sustainability. Most of enterprises were set up in the last 2-3 years. Unsatisfactory loan repayment performance is also a concern, even though it reportedly improved. Further efforts in the remaining implementation period will be important to strengthen the ground for the programme results – at different levels, e.g. enterprises, institutional framework and support systems for incubation, financial service providers to cater new agro-pastoral entrepreneurs – to be sustained and also to be scaled up.

II. Rural Enterprise Programme (REP), Ghana

Project assessment summary

A. Relevance (overall strategies, non-financial and financial services)

- Long-standing support under REP and its previous two phases for setting up a network of BACs (and later BRCs), as well as RTFs/TSCs (including support for infrastructure, vehicles and equipment) - nation-wide in REP - was fully aligned with the Government policy – to promote MSEs with decentralized district-based service delivery.
- REP’s overall objective was to “improve the livelihoods and incomes of entrepreneurial poor people in rural areas” and the specific objective was “to increase the number of rural MSEs that generate profit, growth and employment opportunities”. These statements left some ambiguities in terms of how certain interventions were to lead to expected outcomes/impact for whom, e.g. whether the focus is to increase the number of rural MSEs for self-employment and jobs for family members, or for wage employment for non-family members – or, if and how “un-entrepreneurial” poor would/could benefit. There was also some confusion amongst BACs and the project team as to whether and how the non- or less poor should be supported.
- Areas of interventions were generally comprehensive, comprising business development services, technology development and dissemination, and access to finance. These interventions were intended to address both demand and supply side constraints (MSEs, non-financial and financial service provision). At the same time, the programme scope was broad, geographically and sector-wise, making it challenging to orient support to where there are economic opportunities and potential for growth. Some types of non-agriculture off-farm microenterprises mainly for local clients/markets (e.g. hairdressing) offer income earning opportunities, but with limited scope in growth and creating jobs. Some trades (e.g. shoe making) favoured entrepreneurs near urban areas with markets and appropriate infrastructure. Agriculture-related sectors (e.g. on or off-farm) would offer more opportunities in rural areas, but there were also other challenges (e.g. logistics).
- Business-related skills training provided by BACs were generally relevant, but often not adequate or sufficient for start-ups to go beyond survival stage or for existing ones to grow. The training, primarily group-based, reached a high number of participants but was relatively light/short. BACs planned to provide a minimum of two follow-up coaching sessions to participants per year but lack of resources constrained them to deliver such services.
- Regarding apprenticeship, there was an over-estimation about capacity, motivation and resources of apprentices to start businesses. In reality, start-up kits provided by the programme were often not sufficient to set up a business/workshop, also due to their standard nature not matching individual needs or other constraints (e.g. inability to secure a location).
- During implementation, REP made relevant adjustment to the approach to improve coordination between BACs and financial institutions, to increase the likelihood that loan applications from BACs’ clients are accepted.
- The purpose of the Rural Enterprise Development Facility was to supplement liquidity of partner financial institutions (predominantly rural and community banks) to lend to MSEs - for either working capital or asset acquisition. The design fell short of considering the broader issue of low capitalization and liquidity these banks face, which constrain them from adding own funds (20 per cent) to supplement REP facility or to provide repeater loans.
- The matching grant facility was conceived in design to facilitate access to loans from financial institutions by a certain group of participants (women groups and youth who would be the first time borrowers), but the rationale and the eligibility were not consistent. The eligibility criteria in the available operational manual on the matching grant fund were left general and not targeted. Furthermore, during the implementation, due to the low uptake (and later also due to COVID-19), the grant portion was increased from 30 to 60 per cent and grant applicants were no longer expected to obtain a loan from a financial institution. This meant that the matching grant facility was no longer relevant as a tool to help the clients build relationships with financial institutions and demonstrate creditworthiness.

B. Effectiveness (enterprise creation and development, non-financial and financial services)

- According to the project data, as of June 2021, REP helped establishing 63,134 new enterprises (against the target of 37,000) and the strengthening of 23,452 enterprises (against the target of 70,000). REP estimated approximately half of the new enterprise created drop out between start-up and survival. The types of enterprises are diverse, including agriculture (on- and off-farm) and non-agriculture (e.g. welding, fabrication, shoes, hairdressing).
- It was reported that 28 per cent of the new enterprises (17,471 out of 63,164) were formalized. Formalisation comprises formal registration with the Registrar General's Department and other statutory bodies such as the Ghana Standards Authority and Food and Drugs Authority. Despite REP's efforts (e.g. awareness raising through BACs on the advantage of formalization, discounted fees for the registration and licensing), the level of formalization remained relatively low, due to various reasons such as fear of taxation, perception of cost implications, as well as lack of ambition to grow.
- REP succeeded in reaching some vulnerable and marginalised sub-groups (e.g. people living with disabilities) through community-based groups and other mass targeting strategies (e.g. radio programmes and welfare groups). Persons with disabilities met on the field said they got to know of REP through radio programmes and welfare groups.
- REP's outreach to women was good – except for technical/vocational training and apprenticeship. Women constituted more than 60 per cent of the REP participants and most operate in hairdressing, dressmaking and soap making. The training offered by RTFs/TSCs appears to have mainly reached males and did not attain the gender balance envisaged in the establishment of the targets. Field interviews showed challenges such as absence of hostels for trainees who came from outside of the district capitals and money for upkeep during training. REP has established five hostels to address such issue. Youth outreach according REP data was about 45 per cent of target. Youth support included provision of farm-based startup kits, apprentice training and training in community based skills among others. Other initiatives such as the Challenge Grant for the youth are yet to take off.
- The broad definition of the target group and "rural districts" resulted in covering beneficiaries who may not necessarily be considered poor or entrepreneurial. REP participants included non-poor and clients located in peri-urban areas,¹⁶⁵ for example, including those with thriving businesses or fully employed.¹⁶⁶ The accessibility of rural areas far from district capitals, e.g. infrastructure and logistic capacity of BACs, may have contributed to the situation.
- Some of the technologies introduced contributed to improved productivity of some enterprises (e.g. gari processing, soap cutting machines, palm oil extraction). There were also missed opportunity to identify opportunities for technological innovations.
- Most MSEs interviewed as part of PCE mission have expressed satisfaction with REP's interventions through the BACs. Uptake of technical training such as soap/detergent making was good. On the other hand, the adaption of improved record keeping and management practices remained low,¹⁶⁷ most likely due to: BACs' focus on business planning and training than regular ongoing follow-up support to influence change in more routine practices; BACs' capacity constraints to provide ongoing support; and some participants' low literacy levels.

¹⁶⁵ The 2019 outcome and impact survey on REP stated: "field level evidence indicates that, in terms of geographic coverage, the beneficiaries of REP were largely located in district/municipal capitals and the peripheral communities neglecting remote communities where the poorest entrepreneurs might be".

¹⁶⁶ Observations from the PCE Ghana field interviews; the team met participants who existing profitable enterprises or full-time jobs (such as teachers, civil servants). The 2019 Outcomes and Impact Survey found that the average income of REP beneficiaries prior to the project in 2012 was much higher than that of non-beneficiaries (GHS17, 111 compared to GHS6,025). The survey noted that there was the possibility of entrepreneurs who were relatively 'not poor' being included in the project.

¹⁶⁷ . This finding is also in line with the 2019 outcome and impact survey which noted that the beneficiaries "are able to adopt the hard/technical skill training more than the managerial skills" and that they "attributed this to their low level of formal education.

- The Rural Enterprise Development Facility reached 15,160 MSEs, of which 71 per cent women, less than half of the target (37,000) (average US\$600). Factors accounting for the low outreach included the inability of beneficiaries to meet the eligibility criteria of partner financial institutions (e.g. collateral, risk profile), type, number and interest of financial institutions to participate in the programme. Out of over 80 partner financial institutions accredited for the facility, only about 43 were active.
- The extent to which the matching grant facilitated access to loans by those who would have had difficulties to borrow otherwise was limited. As of late 2021, nearly 3,000 participants (50 per cent women) had accessed 1,500 matching grants (some to groups).¹⁶⁸ Under the initial arrangement (10 per cent own contribution, 30 per cent matching grant, and 60 per cent a loan), many enterprises found it difficult to mobilize own contribution (10 per cent in the initial formula) and faced the challenge of meeting the eligibility criteria of banks to take up a loan. In the revised arrangement (60 per cent matching grant, 40 per cent from any source arranged by the recipient), the uptake and disbursement increased, but the initial rationale for the facility to help first-time borrowers build relationships with financial institutions disappeared (see the relevance section). The mini phone survey conducted by the PCE team indicated that a good proportion of the grant recipients seemed to be relatively well-established enterprises (see the survey findings below).

C. Impact (employment creation and increased incomes, institutional framework and support systems)

- REP reported that 74,677 jobs were created (as of June 2021, 64 per cent women), which is 75 per cent of the target (100,000). How this figure was arrived at and relates to the new and existing enterprises supported is not clear. REP reported it has created 3,138 jobs for persons living with disabilities and people living with HIV/AIDS.
- It is likely that most of the jobs created were through self-employment with some additional wage jobs to a limited extent. Some of the supported trades such as hairdressing, dressmaking, fabrication, and welding provide limited growth opportunity, and at most may employ one person other than the owner (PCE field visit). The outcome and impact survey on REP Ghana (2019) reported 1.12 permanent employees on average (decreased from 1.29 in 2016) and 1.43 casual labour/month (increase from 1.03 in 2016) – hence, quite modest.
- Technical and vocational training and apprenticeship increased employability and employment opportunities – though not necessarily through setting up enterprises. Apprentices were expected to start their own businesses, but only some transitioned while others were hampered by the inadequacy of the start-up kits provided by the project, lack of resources to acquire land or rent a space. Many returned to work for master crafts persons. But there were also examples where the certificates received from the National Vocational Training Institute proved to be useful to pursue new work opportunities (e.g. to work visas for employment in other countries).
- Not planned as main project results, but REP created jobs for participants by directly employing them. It was reported that BACs, RTFs/TSCs and BRCs employed around 800 participants, a notable number given Ghana's tertiary graduate unemployment levels.
- There are indications on project's contribution to increased incomes, but the evidence on the depth and breadth of changes is incomplete. It is difficult to interpret the quantitative data on incomes in the 2019 outcome and impact survey,¹⁶⁹ but in qualitative terms, it noted that 90 per cent of REP participants reported increased incomes over the past 3 years compared to 49 per cent among non-REP respondents. Most participants interviewed by the evaluation team in the field cited increased turnover (between two to four times) and attributed the positive change in turnover to REP interventions.¹⁷⁰

¹⁶⁸ The size of the grant varied widely, from US\$400 to US\$3,500. Some grants were for groups.

¹⁶⁹ For example, the report shows that non-REP participants as a control group had much lower income (supposedly annual) level at baseline (GHS6,025, compared to GHS17,110 by REP-participants), raising doubts on their comparability. Furthermore, it is not clear from the questions whether "incomes" are to be from the specific enterprise activity or overall household incomes.

¹⁷⁰ It should however be noted that the entrepreneurs the PCE team met were those with current contact with BACs and are currently operating businesses, and hence, it is unknown what proportion of all REP participants may have experienced such positive picture and to what extent.

- Income diversification and risk mitigation were an important impact for many participants. The PCE field visit found that REP's training helped participants diversify their income by combining production with processing activities, or production with trading or mix self-employment with wage employment. For example, beauticians trained in soap making production now sell soap and detergents; caterers now provide interior decoration services; and farmers farm multiple produce such as crops and fish.
- REP (since 2012) and its previous two phases (1995-2002, and 2003-2012) have made visible contribution to setting up an institutional framework and structures for decentralized service delivery in business development services and technology development support and technical training, also with substantial investment in infrastructures, vehicles and equipment. Partnering with the Ghana Enterprise Agency (previously National Board on Small-Scale Industries) and GRATIS, REP (also with previous phases) has helped to establish sub-national level institutions: (i) over 160 BACs (previously 53 were supported under the previous two phases); (ii) 37 BRCs (newly introduced in 2017/2018); and (iii) 24 RTFs/TSCs.¹⁷¹ However, the impact on the ability of various institutions to effectively and efficiently deliver services differs between districts, and their capacity and sustainability remains a serious challenge (see also section on sustainability).
- REP supported the establishment and/or strengthening of various institutions and platforms at district and regional levels to support MSE development.¹⁷² Although district assemblies have a key role in facilitating local economic development including job creation and MSE sector development, their weak financial capacity has affected their ability to cofinance the operations of BACs and RTFs/TSC, which then has affected the staff motivation and performance.¹⁷³ Mainstreaming of various institutions/platform and district and regional level (e.g. district committee on MSE promotion) into government processes does not seem to have been widespread.
- Impact on services by financial institutions is not clear, also due to broader issue such as low capitalization and liquidity of most rural and community banks. In terms of new financial products, micro-leasing as a new financial product was tried but had to be discontinued due to weak infrastructure for leasing.

D. Sustainability (enterprises, non-financial services and support systems, access to finance)

- Enterprises remain predominantly micro with majority not keen on formalization, growth and expansion thus limiting their ability to grow and create employment for the rural population. BACs estimated that half of the new enterprise supported by REP reach survival stage. Many of entrepreneurial activities may also be sustained or "survive" in some ways, especially those that service consistent demand by the local population and do not require much reinvestment or working capital (e.g. hairdressing, repair services, catering).
- The BACs are constrained in their capacity to provide business development services on sustained basis without externally funded programmes. REP attempted to introduce the idea of cost recovery for business development services with a client fee revenue generation model, but the fee charged was too low and given the type of clientele, most likely it is unrealistic to expect a full cost recovery. MSEs' ability and in some cases willingness to pay for services remains a challenge. The recently introduced BRCs, to be franchised to the private sector, are expected to operate on a cost recovery basis by serving medium and large enterprises who should be able to pay for services, whereas BACs would continue to provide subsidised services to MSEs. Nonetheless, the BRCs' role, main clientele,

¹⁷¹ 21 inherited from REP I and REP II, and 3 adopted by the Ministry of Trade and Industry from other Government projects. The target number of RTFs/TSCs across the country was reduced from 51 to 31.

¹⁷² Such as the District Sub-Committee on MSE Promotion in all districts to enable them to: (i) co-ordinate all initiatives on MSE promotion; and (ii) ensure the mainstreaming of the activities of BACs and RTFs within the development plans and annual budgets of the district assemblies. As part of the process, REP also sensitized the Regional Coordinating Council and Ghana Enterprise Agency Regional Managers on the need to coordinate MSE development activities in their respective regions and to strengthen the national, regional and district institutional linkages and ownership in MSE promotion at all levels. This led to the formation of a regional committee on MSE promotion in each region. At the district levels, REP facilitated the establishment/strengthening of local business associations and created new district level association of small-scale industries (104).

¹⁷³ Staffing level at a BAC - normally comprise BAC Head, Business Development Officer(s) and a Secretary – varies from district to district. Business Development Officers are to be paid by the District Assembly but the rates are not consistent across districts, and in some cases, salaries have been outstanding for months. This kind of situation inevitably affect the morale of human resources and the delivery of services and their quality.

operational modality and arrangements vis-à-vis BACs are still to be clarified and operationalised. In fact, tensions have arisen between BACs and BRCs, in some cases with overlapping clients. BRCs are much better resourced and this is affecting staff motivation in BACs often with inadequate resources. REP was to also examine the governance and institutional arrangements for RTFs/TSCs, with the possibility of partnerships with the private sector for sustainability, but this has yet to be progressed. The interest and ability of district assemblies to support BACs and RTFs/TSCs remain critical for going forward with service provision.

- Inclusive and sustainable financial ecosystem to address MSE access to finance needs remain a challenge as most rural financial institutions such as rural and community banks remain undercapitalized, and lack appropriate products for long term financing for MSEs.

E. Overall

- REP and its previous two phases made considerable investment in supporting the Government in establishing and strengthening the decentralized delivery of non-financial services (business development services, technology development, dissemination and training) principally anchored in the public sector. As a result, now Ghana has a nation-wide network of service providers, such as BACs and RTFs/TSCs, with a visible presence and serving as channels for delivery of services sponsored by the Government and other development partners. However, the continuation of service delivery – with adequate outreach, contents and quality – is not guaranteed, especially without external funding.
- The programme had a broad scope, both in terms of the sectors/trades and geographical coverage, and the emphasis was on setting up a network of service providers nation-wide. The latter was achieved, but the programme efforts were spread rather thinly, and they were not strategically stirred by a sound assessment on the opportunities for rural enterprise development and growth.
- REP reached many and diverse entrepreneurs, especially through training organized by BACs. A high outreach was achieved by working through groups and institutions, such as local business associations and community-based groups, welfare groups and radio programmes. Women were in a majority of the participants, and REP also reached vulnerable people. Most of the jobs generated were through self-employment with additional wage jobs to a limited extent, but income diversification and risk mitigation were an important impact for many participants. At the same time, due to lack of clear understanding on who are the “entrepreneurial poor” and how to identify them, REP also benefited those entrepreneurs who were neither entrepreneurial nor poor – in rural areas or urban/peri urban areas.

REP Ghana: Matching grant recipient survey

Background and objective

According to the REP manual on the matching grant facility, the rationale for REP’s matching grant is to leverage financing for profitable, productivity enhancing investments that would otherwise not be undertaken due to imperfections in the financial markets. They are intended to address three key constraints on financing for agricultural value chains and rural enterprises in Ghana that have been identified: (i) persistent high real interest rates that make term loans unaffordable; (ii) high collateral requirements of banks; and (iii) high risks, in particular for agricultural asset loans.

The matching grant facility was conceived in design to facilitate access to credits from financial institutions by a certain group of participants (women groups and youth who would be the first time borrowers), but the eligibility criteria in the available operational manual on the matching grant fund were left general. Initially, the financing ratio was to be 30 per cent grant, 10 per cent own contribution and 60 per cent a loan from a financial institutions. However, during the implementation, due to the low uptake (and later also due to COVID-19), the grant portion was increased from 30 to 60 per cent and grant applicants were no longer expected to get a loan from a financial institution (instead, 40 per cent could come from any source).

The matching grant was planned to reach 10,000 MSEs with an amount of US\$3.70 million. As of June 2021, a total of 2,926 MSEs (representing 29 per cent of the target) have assessed the matching grant to the tune of US\$1.82 million (representing 49 per cent of the targeted value)

A phone survey was conducted in December 2021 as part of the project cluster evaluation to understand the profiles of matching grant recipients and the extent to which the matching grant facility facilitated access to finance for new borrowers (rural entrepreneurs).

Survey methodology

A questionnaire was developed for a phone survey with a combination of closed and open-ended questions. It was pilot tested first and adjustments made as necessary. Telephone calls were made and the questions were read out, and responses were recorded on the on-line data collection tool (Kobo) by the enumerators.

For sampling of respondents, the database of matching grant recipients was obtained from the REP Programme Management and Coordination Unit. The database contained 1,335 grant recipients in 57 districts. Using the purposive sampling approach, districts with the highest number of grant recipients with active phone numbers were selected to form the pool to select the respondents. A total of 15 districts across the ecological zones were selected and 10 grant recipients were selected from each district. They were purposefully selected so that they are: from different operational sectors, among the higher amount of the grants received, covering the recipients under different financing arrangements (30:10:60 and 40:60).

A total of 91 recipients on the database were contacted through telephone. Even though they were selected from the database provided by REP, nine indicated that they had not received any matching grant. Eighty-two (82) respondents confirmed that they have received the grant. Hence, the response from 82 formed the basis of the analysis.

The limitations on the phone survey included the following: (i) the phone survey affected the level of probing that could have taken place to verify answers provided by respondents; (ii) in some cases, respondents found it difficult to recall the processes that led to the receipt of the grants; and (iii) incomplete database on matching grant recipients may have had implications on the representativeness of the sampled respondents.

Respondents' profiles

Forty-one (41) per cent of the respondents are currently over age 46. Thirty per cent (24 out of 82 respondents) had university degree as the highest level of education.

Figure 1
Sex of respondents

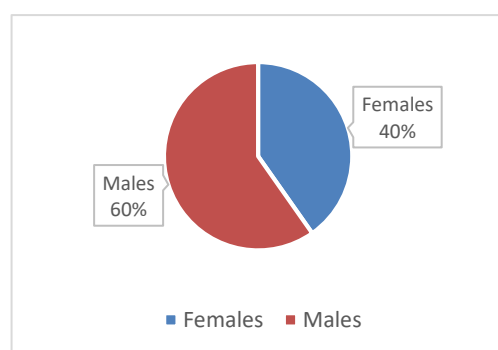


Figure 2
Age distribution of responding

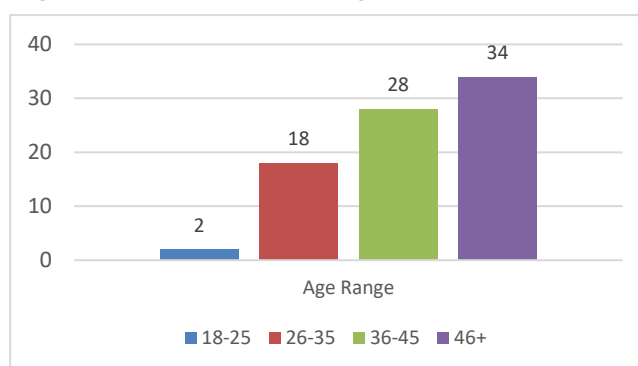


Table 1
Educational levels of respondents (number)

		Highest level of education					Total
		Basic	None	Secondary	Tech/ Vocational	University	
2. Sex	Female	9	2	6	8	8	33
	Male	11	0	15	7	16	49
Total		20	2	21	15	24	82

Business profiles of benefiting enterprises

According to the categorization by REP, majority of the respondents (almost 70 per cent) operate in the agriculture and agro-processing/agri business sectors. About half of the respondents started the business before 2012.

Figure 3
Business sectors of respondents (number)

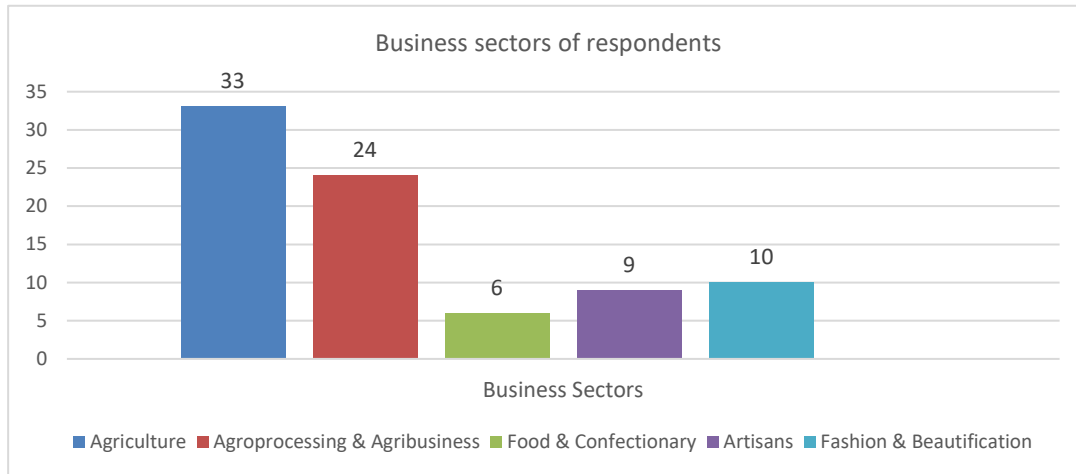
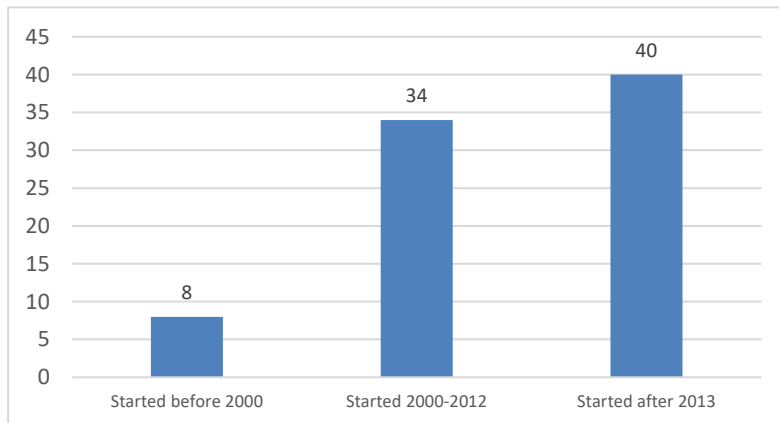
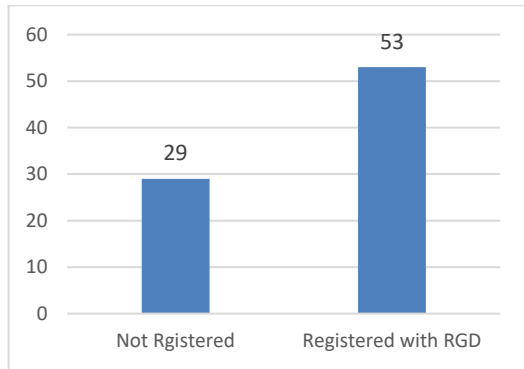


Figure 4
When the business started (number)

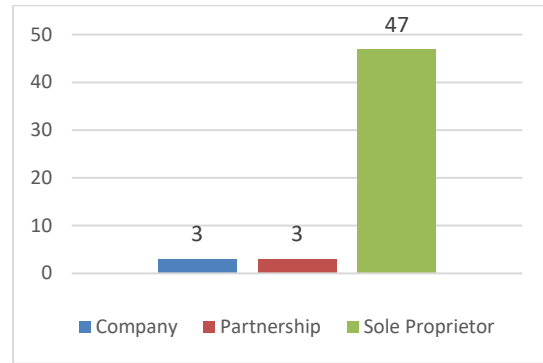


Fifty-three out of 82 respondents' businesses (62 per cent) were registered with the Registrar General's Department and the remaining (38 per cent) not registered. Out of the 53 respondents with registration status, most (47, or 90 per cent) are registered as sole proprietorships. The remaining six (6) respondents are equally split between limited liability company and partnerships. About 44 per cent of all respondents (and 80 per cent of those registered) were registered before accessing the matching grant. The eligibility criteria for matching grant does not concern legal status, but it is worth noting that the state of formalization can influence the enterprises' ability to access finance.

**Figure 5
Status of business registration**



**Figure 6
Forms of business registration**



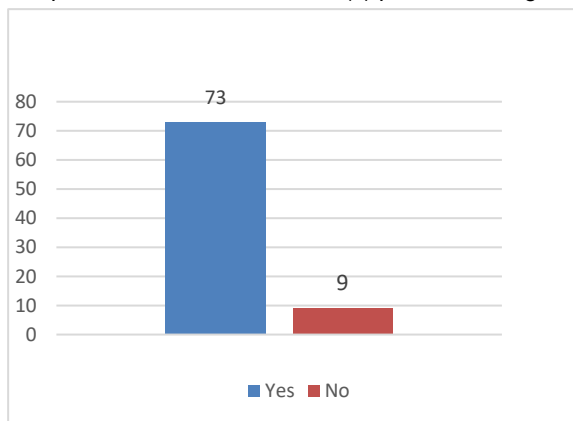
**Figure 7
Timing of registration (number of enterprises)**



Banking history and access to finance

Account with financial institution prior to BAC: Seventy-three (73) respondents (89%) indicated they had a bank account prior to their contact with BAC/REP.

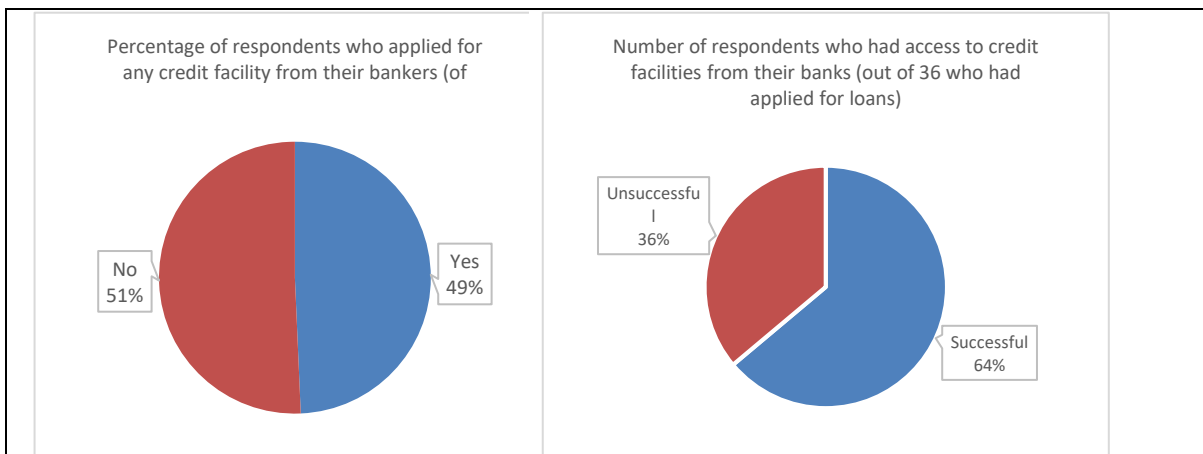
**Figure 8
Respondents who had account (s) prior to coming into contact with BAC/REP (number)**



Rural and Community Banks (RCBs) were the main channels through which beneficiaries accessed the grant; Banks and Saving and Loans Companies were in the minority.

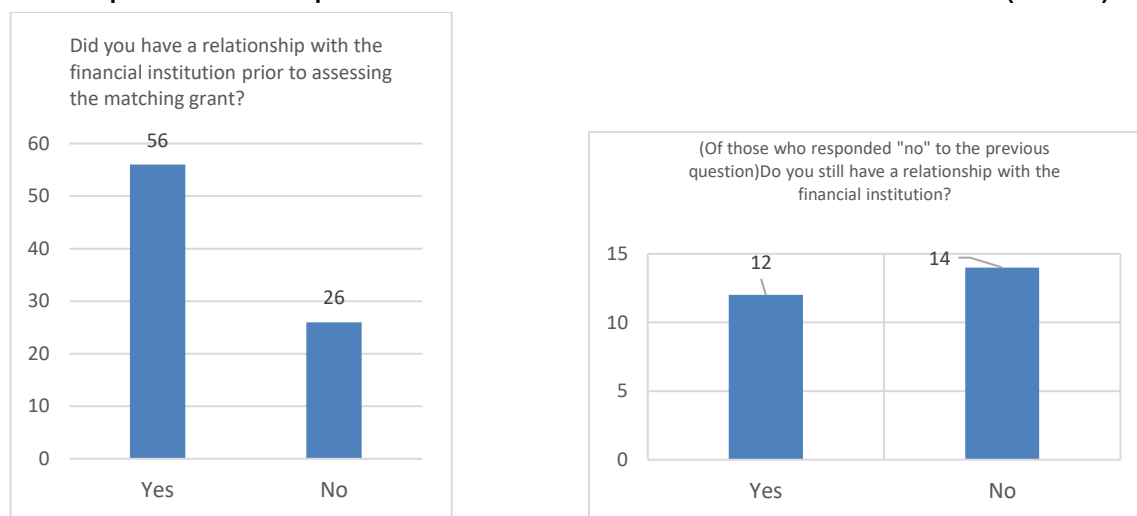
Access to credit experience prior to BAC/REP: Fifty-one (51) per cent of 73 respondents who had bank account from before said they had never applied for credit from their bankers, and 49 per cent had. Out of those who applied, 64 per cent said they were successful and 36 per cent were unsuccessful. Hence, 28 per cent of all respondents (23 out of 82) had a credit history. Reasons for not applying or failing to obtain credit were however, not explored.

**Figure 9&10
Credit facility application and the success rate (percentage)**



Relationship with financial institutions: Out of 82 respondents, 56 (68 per cent) already had relationship with the financial institutions used for the grant, and 26 (32 per cent) had no prior relationship. Of those 26, less than half (12) said that they still have a relationship with the financial institution, and only two said that they had accessed another credit. The reason for not maintaining the relationship included long distance to the bank and the business not doing well.

Figure 11&12
Grant recipients' relationship with financial institutions before and after the intervention (number)



Matching grants: use and usefulness

The purpose of the investment using the matching grant was diverse. Examples include:

- Equipment, machinery, vehicles: milling machine, harvester, expeller, soap cutting machine, distribution van, tricycle,
- Materials and inputs: bee hives, fridge/freezer, oven, fabric, cement,
- Works: borehole, setting up or expanding infrastructure
- Purchase of animals and feeds

The responses indicated that the grants were not always used to help the purchase of "assets" as envisaged in the REP manual. One respondent said that the grant was used to pay off workers, and some responses indicated the financing of working capitals.

In general, the grant recipients indicated a positive impact of matching grant on their businesses.

Some beneficiaries who could not meet the counterpart funding of the cost of desired equipment had to settle for a lower value item to meet beneficiary contribution, for example pepper grinding machine instead of pepper milling machine.

Twenty-four (24) per cent of the respondents said that they could have raised the funds to purchase the items without a matching grant, but many also indicated that they would have been able to acquire it only after long period of saving or borrowing from someone else.

Figure 13

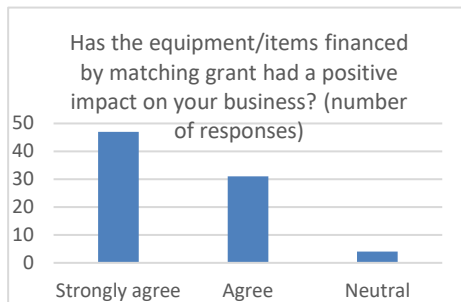
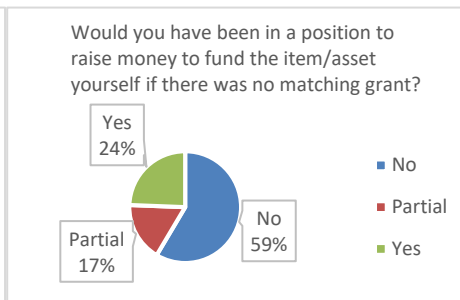


Figure 14



Key points

- The matching grants reached the enterprises operating in all sectors irrespective of size and business legal structure.
- Some of the costs covered through matching grants were typical working capital expenses such as payment of fees and not for the acquisition of assets and productivity-enhancing technologies.
- Majority of the respondents (95 per cent) reported that the matching grant had a positive impact on their businesses. The remaining 5 per cent did not agree nor disagree that the grant had a positive impact.
- A sizable proportion of the recipients had business for quite some time and were likely to be relatively well-established. About half started business before 2012 and over 40 per cent had been registered/formalized before accessing the matching grant. Twenty-eight (28) per cent of all respondents had already successfully accessed loans before the matching grant.
- The matching grant created an avenue for some entrepreneurs to establish relationship with financial institutions as over 30 per cent had no prior relationship with institutions through which they processed the grant. About half of them continued to maintain banking relationships with the financial institutions but most have not accessed additional credit.
- In conclusion, the matching grant overall had a positive impact on the businesses of entrepreneurs who were able to access the funds. They include those entrepreneurs who previously had not access loans. However, the data from the survey indicate lack of clarity or focus on terms of eligibility criteria and the rationale of the matching grant facility, i.e. who can benefit and why, and what can be financed.

III. PACE Bangladesh

Project assessment summary

A. Relevance (overall strategies, non-financial and financial services)

- Project target groups were reasonably well-defined in the design report and clearly understood by the team. The project did not always clearly articulate how the right target group would be reached and benefitted from the various components. PACE Bangladesh design explicitly stated the intention to support “non-poor” with the aim of generating wage employment, in particular, under component 1, but how this was to be realized was not clear. There was no clear guidance on how to reach new or graduate borrowers, or borrowers interested to start new businesses, who offer high likelihoods of creating wage employment. Targeting for value chain development, in component 2, was mostly appropriate for reaching the poor and ultra poor groups. In case of component 3, the strategies did assess if the new technologies would be appropriate for poor target groups to invest in and in some cases selected new technologies/products requiring high initial investments or having long payback periods.
- PACE implementation strategy focused on continued self-employment rather than generating wage employment. Most of the ME loans were provided to existing microenterprises who used it as working capital. Loans were rarely used to fund enterprise expansion which could create employment. In component 2 & 3 the project selected sectors with the capacity to absorb large numbers of workers (agriculture, shoe, automobiles, garments, etc.) but did not necessarily look for strategies that would lead to more wage employment within those sectors.
- The ME loan programme is well received by microenterprises, who prefer to borrow from the partner NGOs rather than from commercial banks. Most borrowers were long-term members/clients of the implementing NGO partner organizations which reduced risk of default. This approach proved to be a challenge for the NGO partners when implementing a start-up capital loan. These loans were meant to be for start-ups but majority of the clients were existing borrowers who borrowed for businesses they have been operating.
- POs identified new or improved technologies, commodities or practices which were mostly relevant to improving production and productivity, principally in agricultural sectors (on and off-farm) but also in non-agricultural sectors (e.g. improved equipment for shoe-making). At the same time, in some cases, there could have been more careful assessment of feasibility and appropriateness of technologies/techniques (e.g. ease of use, affordability, maintenance, return on investments).¹⁷⁴ Furthermore, lack of access to finance constrained some participants from adopting the technologies – which could have been addressed, at least to some extent, by better linkage between different components (financial services, value chain development).
- Sub-projects supported in the “value chain development” component mostly focused on addressing production issues, with less attention to opportunities for off-farm enterprise development in the agriculture sector (e.g. input supply, service provision, processing). There were cases where the project provided grant support under its value chain component to better-off enterprises, for example, giving free or subsidised equipment. While the intention was to generate benefits for the poor (e.g. workers in off-farm enterprises or small/marginal farmers), in some examples the approach lacked analysis of business interest, commercial feasibility and sustainability issues.
- PACE support for training existing wage employees in non-agriculture sectors (e.g. shoes, automobile workshops) was particularly relevant for the purpose of improving their skills (e.g. ability to operate certain types of machines) or productivity (e.g. where workers are paid by piece) and in turn increasing their wages.
- The value addition of the PACE Bangladesh microenterprise loan component was not evident: PACE was to inject additional credit funds to the larger existing and growing ME loan programme (called “*Agrosor*”), but the liquidity of POs has not been a critical issue and most borrowers were expected to have already been POs’ members/clients. PACE contribution made up less than 10 per cent of PKSF’s existing ME loan programme. Also, the component was not linked to other non-financial support. The PACE design recognized the opportunity to develop new financial products, but the activity in this regard remained small and a pilot status, without a critical assessment of the implementation experience.

¹⁷⁴ For instance, black pepper spice required a high, upfront two-year investment and profits were unlikely to be generated until the third or fourth year of production. Profits were also dependent on farmers’ processing knowledge and skills. The initial inputs, such as fertiliser, for Barhi dates cultivation were high, while the payback period was long.

- Some PACE activities aligned with the initiatives adopted by the government in introducing new agriculture inputs or farming practices. PACE also developed policy papers based on its experience in the sectors.
- The project performance evaluation on the predecessor project to PACE (Finance for Enterprise Development and Employment Creation Project, FEDEC) conducted by IOE in 2014 recommended PACE to refocus on a smaller number of pro-poor value chains as opposed to the 30 value chains planned in the design. The implementation did not reflect this recommendation.

B. Effectiveness (enterprise creation and development, non-financial and financial services)

- PACE mostly supported existing entrepreneurs (and in some cases, workers/employees already working in the existing enterprises). Under component 1, “start-up capital loan” was piloted to support new enterprises, but the mini phone survey found that majority of the enterprises that got the loan were existing enterprises.
- A few sectors were influenced by external factors – weather affected farm value chains particularly in those related to fisheries (crabs, carp-prawn etc.) excessive rainfall in 2020 reduced salinity in some coastal region and negatively affected the productivity of crabs. Lockdowns due to the Covid-19 pandemic affected some sectors when cross country transports were stopped – this led to loss in sales of safe vegetables and reduced exports of crabs. Some sectors however received a boost – as international travels stopped local tourism increased and this supported growth of the ecotourism sector in Chittagong.
- PACE trained 222,726 persons in agricultural value chains (on and off-farm); 261,445 persons in non-farm value chains in income-generating activities or business management. Changes in entrepreneurial aptitude were mainly seen in non-farm sectors where beneficiaries improved financial recording or marketing practices (especially in the honey sector where processors were given a 10-day training on marketing). Farm sector beneficiaries were unable to recall any support to improve their entrepreneurial aptitudes.
- Technological innovations played a major role in increasing productivity in most sectors. A review of 23 of PACE’s value chain reports indicates that on average 58 per cent of the beneficiaries reached changed their practices. PACE reports to have introduced about 63 new technologies into value chains ranging from simple changes such as new practices (rearing goats on perch, which was brought in from Thailand, sowing crops in a line); new varieties of agri-inputs, (mung bean, rice, onion); new services (e.g. water testing services); or new machineries (power looms, machinery for automobile workshops, bean drying machines etc.). Some of these innovations have been copied by indirect beneficiaries, particularly where the technologies were clearly visible and easy to copy e.g., adoption of a new variety of seed, building a perch to keep goats, sowing crops in a line. Technologies that are not easy to learn from observation (e.g. application of integrated pest management methods in safe vegetables) will not be easily copied. Similarly, technologies introduced without creating a link to a sustainable supply source will not be copied and adoption of the technology might stop after project support stops e.g., water testing services in crab and carp-prawn sector.
- The extent to which PACE made a difference in terms of access to finance and financial services is not evident. PACE reported an outreach under the ME loan programme as 355,185 (as of June 2021), but what this figure means is uncertain, as it was based on a proportion of the whole ME loan borrowers through PKSF’s POs (i.e. PACE funds integrated into the existing ME loan programme).¹⁷⁵ Most of the clients had previously borrowed from POs. The ME loan programme portfolio showed a steady growth (including the mobilization of other sources of funding by POs) and it is unlikely that PACE contribution to the funding made a significant difference.
- Although there were some attempts at offering enterprises both non-financial and financial services, this was not an active strategy pursued by the project. A combination of financial and non-financial services were only offered in half of the sectors. Synergies between financial and non-financial services occurred where the NGO partners offered non-financial support to their

¹⁷⁵ The basis for the figure was explained by PKSF as follows: an increase in ME loan borrowers in the first two years was solely attributed to PACE (79,411+238,853=318,264), and in the subsequent years, PACE was considered to have contributed only a small percentage of the increase in borrowers, initially 9.7 per cent, then most recently 2.25 per cent. The rate of increase of number of borrowers is higher between 2014/15 and 2015/16 (33 per cent increase), followed by 22 per cent increase. However, it is not clear why the increase in the first two years would be attributed only to PACE. In 2013/14, the amount disbursed from PKSF to POs for the ME programme was over US\$60 million and the disbursed amount from POs to borrowers about US\$650 million.

existing borrower groups, or grants were provided as part of project support. In some sectors (mainly non-farm) enterprises were unable to change practices and improve their sales, growth or performance because they were unable to secure finances to buy new equipment or machineries. For example, in the garments sector, 3,200 weavers were trained, 500 weavers adopted new machinery of these 90 per cent got loans facilitated by the PO DABI. The remaining 2,700 did not improve production practices as they could not afford machinery and did not have the right business management processes and financial records necessary to get loans.

- Synergies were particularly difficult to develop as both PKSF and their partner NGOs had separate departments for providing loans (mainly permanent staff) and for providing value chain trainings or introducing new technologies (mainly temporarily hired project staff).

C. Impact (employment creation and increased incomes, institutional framework and support systems)

- PACE strategy focused on supporting self-employment in existing enterprises, but there were also some wage jobs created. More than 50 per cent of the on-farm value chain sub-project reports reviewed noted an increase in new seasonal day labour and part time wage employment opportunities (mainly the ultra-poor), due to new farming practices that required additional effort (e.g., improved feeding practices in carp-prawn and crab sectors).¹⁷⁶ In the non-agriculture sectors, wage jobs were created in medium and small enterprises that were able to expand production either through self-financing or due to grant support given by the project. Jobs in non-agricultural sectors were likely to be full-time, entry-level jobs requiring low skills. In the non-agriculture sectors, PACE also improved jobs of existing workers who were trained through the project and got better wages due to improved skills.
- PACE reported that the ME loan component created 473,218 full-time wage jobs, but this was most likely overestimated. This figure was based on the full time equivalent wage employment per ME loan borrower (1.34) at the time of the mid-term impact study, rather than the difference from the baseline (0.73, therefore, the incremental value was 0.61). The mid-term impact study also indicated that 41 per cent of the microenterprises taking loans increased employment, however, it is unknown to what extent this is attributable to the loan itself. The loan assessments did not consider a ME capacity to grow and generate employment. In a nutshell, the extent to which the PACE funds made a difference on the operations of the ME loan programme and borrowers' wage job creation capacity compared to without programme situation is not clear.
- PACE could have been more effective in creating new self or wage employment if strategies had focused on encouraging enterprises to expand such as by buying new machines or equipment, or by increasing farming area. Expansion in non-farm sectors tends to create more full-time wage employment jobs, while expansion in farm sectors creates more seasonal and temporary wage employment. PACE selected sectors that employed large numbers of people but its value chain or technology transfer proposals did not mention the constraints to employment in the sectors or how PACE activities will generate employment or improve the employability of existing or potential workers.
- PACE reported that 75 per cent of the beneficiaries reached with value chain development support and 64 per cent of beneficiaries receiving new technologies, were poor. While these percentages are difficult to verify, based on the available data and the PCE field visits, it is mostly certain that PACE has indeed reached poor beneficiaries as small farmers with land sizes between 0.05 to 2.5 acres and low or unskilled workers in non-farm subsectors.
- Income increases by the participants is likely to have been achieved through: improved on-farm practices and improved production by small and marginal farmers who participated in value chain sub-projects; more on-farm wage labour opportunities by ultra-poor (landless); better wages due to improved skills; or new employment in non-agricultural off-farm enterprises. For example, project support in the carp-prawn and crab farming sector in south-west of the country had a significant positive impact on productivity and mortality, and in turn on the incomes of farmers who had few alternatives due to changing salinity levels in the area. The impact assessment reports for PACE value chain sub-projects reported that participants increased their investments by increasing livestock, cultivation areas, machineries, or

¹⁷⁶ Based on the analysis of the available VC reports.

workers.¹⁷⁷ According to interviews, workers trained or employed in non-farm sectors reported improved incomes, an average amount of BDT 10,000 (US\$116) per month, which is near the upper poverty line in Bangladesh of BDT 11,200.

- PACE worked in some areas that were vulnerable to climate change variability (e.g. in south west Bangladesh where changing salinity levels left farmers with few income earning alternatives. In these sectors PACE activities increased beneficiary incomes and reduced income variability. Some households reported using increased incomes to buy more assets or to invest in livestock which may improve resilience.
- PACE was expected to reach 70 per cent women with ME loans, and exceeded this by reaching 78 per cent women. This high figure reflects the standard practice across Bangladesh to channel microfinance loans through women, which does not necessarily mean that women have control over the loans taken. IFAD 2021 supervision mission found that about 22 per cent of women borrowers own and run enterprises that took the loan. Majority of the women borrowers handed the loan to men in their family (husbands, brothers, sons etc.) as the business-owners.
- The project activities provided women with better access to services or knowledge, but no evidence was collected to understand if the project changed women's access to resources, assets or influence in decision making. PACE activities in various value chains provided women trainings which served to improve women's skills. In some sectors (crab, carp-prawn, cow rearing, safe vegetables etc.), better practices also resulted in increasing women's workloads, sometimes excessively. When designing activities, PACE did not take into account how the additional activities would affect women or household distribution of tasks.
- PACE learnt from its activities in the different value chains and shared that learning with the Government in order to advise policy formulation where possible. It is likely that this advice and information have contributed to the development of the Crab Export policy of the government. Internally the implementing partner developed an Environmental Health and Safety risk guideline for ME, which it shared internally to be used for all its departments and all its other programs.
- PACE expected to build on the institutional capacity developed on value chain development projects during FEDEC (PACE predecessor project). In reality the implementing partner and the partner NGOs had to re-hire new staff for PACE and was not able to leverage off the learnings and human capital developed from the FEDEC programme. Similarly, many of the staff that worked in the PACE project, particularly within partner NGOs, left at the end of the project thus the institutional capacity to implement projects' such as PACE has still not been built.

D. Sustainability (enterprises, non-financial services and support systems, access to finance)

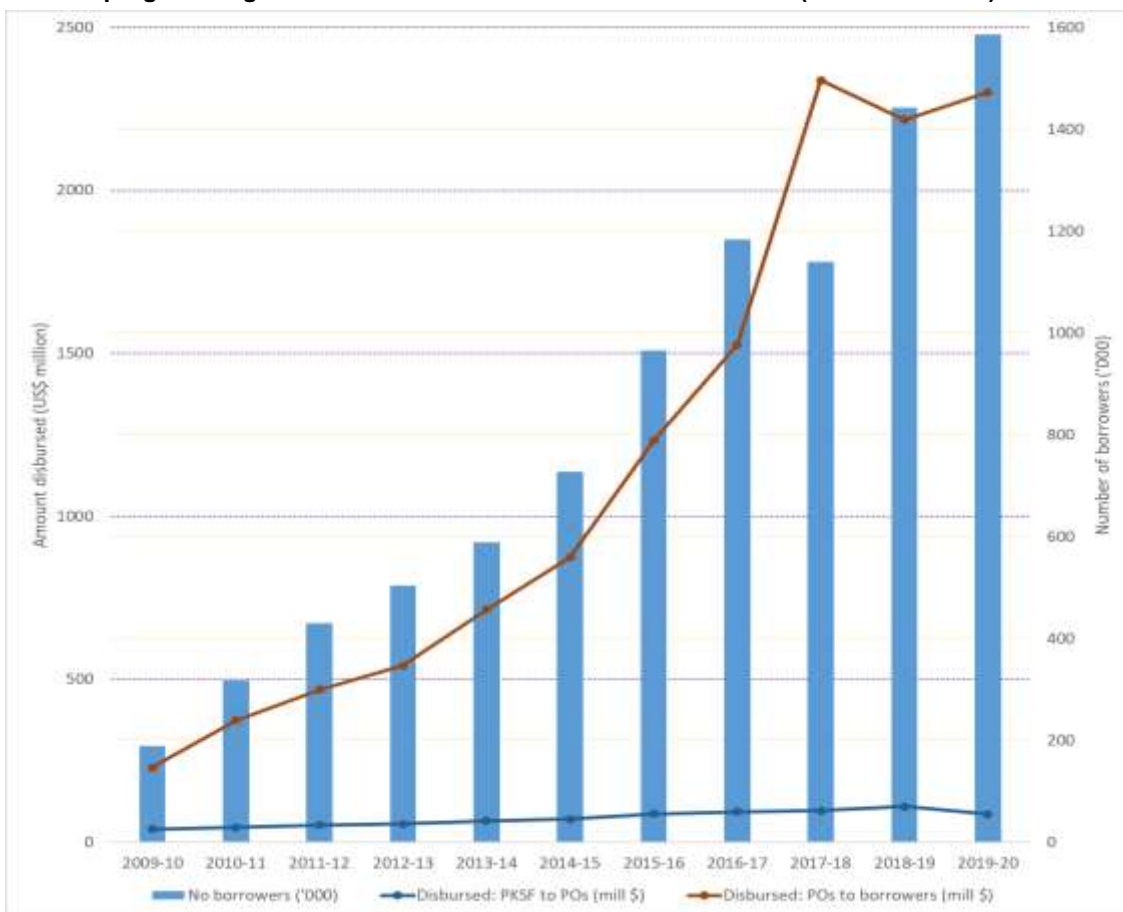
- Most enterprises and entrepreneurs supported existed before PACE support and they are likely to continue their activities.
- Practices which enterprises/participants can continue to implement on their own using readily available products/services will be sustainable beyond project duration. Some of the products and services introduced by the project that are likely to be sustainable are: services provided through commercially run common service centers in shoe and automobile sectors, a processing plant owned by the NGO partner in honey sector, vaccinators in the goat sector.
- There is limited evidence from the project on how sustainable the new services or products introduced by the project are. Evaluation field visits found that less than half the services or products introduced were profitable. Therefore, it is likely the quantity and/or quality of services will decrease post-project support.
- Some services are likely to be unsustainable as they were provided as a one-off by project staff and fully under project funding (e.g. value chain trainings on production or business development trainings). Some of those operated by partner NGOs are profitable and are likely to be continued as part of their operations (e.g. common service centres in the shoe and automobile sectors, the honey processing plant. However, for others, the project did not develop clear business plans. These social enterprises goods and services at unprofitable prices and the project has not secured additional funding to support them. Examples include flower tissue culture lab, crab hatchery, ecotourism promotion website. The flower tissue culture lab

¹⁷⁷ Based on PCE Bangladesh review of programme documents

(set up with project support) are selling plantlets to farmers at a price lower than the break-even point considering the average running cost, hence the lab is incurring a loss. The break-even point is not much different from what farmers could get directly from India. This does not take into account the initial large investment that went into setting up the lab. Similarly, a crab hatchery was set up under the project and sells crabletd at a price much lower than the break-even point.

- The project MTR proposed the introduction of more business/market-oriented VC staff stressing that experience rather than training on business skills would be critical. However, most implementation staff in partner NGOs have stronger technical expertise (agricultural experts etc.) rather than business.
- The ME loan programme to which PACE added credit funds was in existence before the project and has been sustainable through good practice and solid repayment (99 per cent repayment rates). However, given the small contribution of PACE project and the NGO partners self-sufficiency, it is unlikely that PACE played a part in leveraging additional funds for ME loans. Any additional funds going into the ME loan product would anyway have happened.

Figure 15
ME loan programme growth: number of borrowers and disbursement (2009/10-2019/20)



Source: PKSF annual reports.

PACE Bangladesh: Mini phone survey: start-up loan and lease financing

Background and objective																														
<p>Under the component 1, PACE predominantly channelled loans through PKSF and its POs under the ME loan programme which has existed since early 2000s. Basically, the PACE funds were added to the larger pool of funding for the ME loan programme, and hence, it is difficult to discuss outcomes/impact which can be attributed to PACE support in this regard.</p> <p>Under the same component, PACE also piloted new financial products, namely, start-up capital loans and lease financing. The September 2021 supervision mission reported that 241 start-up capital loans were disbursed and 59 lease financing provided through 11 POs (10 for start-up capital loans and 5 for lease financing). However, there was hardly any data beyond the number of loans/clients nor was there a careful assessment of the pilot activities. Consequently, a mini-phone survey was organized with a specific focus on the project support for new financial products. The main purpose of the survey was to understand the profiles of the clients, how and to what extent the new financial products were used and served their needs and impact.</p>																														
Methodology																														
<p>A short questionnaire was developed for a phone survey with a combination of closed and open-ended questions.</p> <p>The list of clients who accessed start-up capital loans or lease financing was obtained from PKSF. From the list, 25 who took start-up capital loans were interviewed, and 10 for lease financing. They constituted about 10 per cent and 17 per cent of the clients for these products, respectively.</p>																														
Respondents' profiles																														
<p><i>Start-up capital loan.</i> Of 25 respondents interviewed, 72 per cent (18) were men, the rest women. About 20 per cent are above 40 years old.</p> <p><i>Lease financing.</i> The proportion of female clients were higher for lease financing (7 out of 10 respondents). However, most predominant use of the lease financing was to purchase vehicles and other transport means (car/bike to rent, van, rickshaw, tractor – see the following sections). Therefore, it is likely that women were the lessees on paper but the assets are mainly used and controlled by their husbands. In Bangladesh, women are consistently predominant borrowers of microcredits, but research has also pointed out that it is often their husbands who control it.</p>																														
<div style="display: flex; justify-content: space-around;"> <div style="width: 45%;"> <p>Figure 16</p> <table border="1"> <caption>Age distribution - start-up capital loan (number)</caption> <thead> <tr> <th>Age Group</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Below 25</td> <td>2</td> <td>0</td> </tr> <tr> <td>25-30</td> <td>9</td> <td>0</td> </tr> <tr> <td>31-40</td> <td>6</td> <td>3</td> </tr> <tr> <td>Above 40</td> <td>1</td> <td>4</td> </tr> </tbody> </table> </div> <div style="width: 45%;"> <p>Figure 17</p> <table border="1"> <caption>Age distribution - lease financing (number)</caption> <thead> <tr> <th>Age Group</th> <th>Male</th> <th>Female</th> </tr> </thead> <tbody> <tr> <td>Below 25</td> <td>0</td> <td>1</td> </tr> <tr> <td>25-30</td> <td>0</td> <td>2</td> </tr> <tr> <td>31-40</td> <td>1</td> <td>3</td> </tr> <tr> <td>Above 40</td> <td>2</td> <td>1</td> </tr> </tbody> </table> </div> </div>	Age Group	Male	Female	Below 25	2	0	25-30	9	0	31-40	6	3	Above 40	1	4	Age Group	Male	Female	Below 25	0	1	25-30	0	2	31-40	1	3	Above 40	2	1
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Start-up capital loan: findings

Key points:

- Eighty per cent were new borrowers from the specific PO, but no information was collected on their credit history from other financial institutions.
- Only 16 per cent went to new enterprise undertakings (4 out of 25).
- Impact on employment creation from taking a loan for the business was limited (also reflecting that most of them were for existing businesses).
- Some borrowers used the loan for working capital (e.g. inventory) and not for investment. The common view is that the loan solved liquidity issues of the businesses to some extent.
- Except for one respondent, all stated that they had settled business prior to taking loans. They had invested a substantial amount of money ranging from BDT 100,000 to BDT 2,000,000 before taking the loan. In case of agri-businesses they had 3/4 cows or fish ponds.
- Three participants received technical training on mobile servicing and 1 participant received training on graphics designing. No one received any kind of business management training.
- Average size of the loan was BDT89,500 (US\$1,025)

Table 2

Was it a new (start-up) business? (number)

	No	Yes	Grand Total
Under 30 years old	10	1	11
Above 30 years old	11	3	14
Grand Total	21	4	25

Table 3

Loan purpose by category (number)

Purpose of taking loan	Count (25)	Remarks
Invest in existing business (agribusiness, computer, mobile servicing shops, medicine shops)	8	To expand the businesses, for example buying new cows, new equipment
Used as working capital	15	Buying inventory and covering costs
Invest in new business	1	Started a mobile servicing shop
Personal use	1	Bought a horse

Table 4

Impact on employment creation

Employment creation	Count (25)	Type of businesses
No employment	19	Agri businesses, small shops/workshops
At least 1 person	3	shops, workshops
2 persons	1	computer workshop
3 persons	1	mobile servicing shop
4 persons	1	Bakery

Table 5

Participants' experience with the PO

	Count (25)
Participants who never took any loans from the PO	19
Participants who took loans from the PO	5
Participants' family members who took loans before from the PO	1

Lease financing: findings

Key points:

- Average size of financing was BDT193, 900 (approximately US\$2,200).
- Lease financing was used for obtaining the ownership of assets/equipment.
- Being "lease financing", initially the asset's ownership was held by the PO and after repayment of the loan the ownership was transferred. However, most participants lacks clarity about ownership.
- The product was generally appreciated by lessees.
- Ninety (90) per cent of the respondents reported to have started a new business activity using the assets/equipment they obtained.

Table 6

Types of leased assets

<i>Types of leased assets</i>	<i>Count (10)</i>	<i>How has it impacted their business</i>
Easy bike/Car (to rent)	4	New venture, income increased
Pick-up Van	1	New venture, income increased
Tractor	1	New venture, income increased
Embroidery machine	1	New venture, income increased
Refrigerator (for restaurant)	1	Restaurant owner, needed a refrigerator to increase operation
Auto-rickshaw	2	New venture, income increased

Table 7

Appreciation for the lease financing product

<i>How is the loan different from other loan</i>	<i>Count (multiple answers)</i>
Monthly instalments makes it convenient	5
Lower interest rate	5
Conveniently available	2
The asset was cheaper	2

Table 8

Perception on income change

<i>Did income increase?</i>	<i>Count (10)</i>
Yes	8
No	2

Table 9

Impact on employment creation

<i>Employment Generation</i>	<i>Count (10)</i>
No employment	4
Self-employment	4
2 employees	1

Summary

- In most cases, start-up capital loans were not really used for financing start-up businesses. Some existing enterprises used the loan for investment, but others used it to finance working capital.
- Most borrowers of start-up capital loan were new clients for the specific POs. However, given that most of them had settled business prior to taking loans, it is probable that they had borrowed from other MFIs or banks.
- Employment creation by the enterprises that obtained start-up capital loans was limited.
- Lease financing was used to help the lessees obtain fixed assets as intended and in most cases they were used to start a new business activity.

PCE assessment: gender equality and women's empowerment in projects reviewed

- Women's participation in project activities was generally high and has exceeded most targets.** In part, the focus on women-oriented activities/trades contributed to this, but in some cases the targets were relatively easily achievable in the given context. For its micro-enterprise loan component, PACE exceeded the outreach target of 70 per cent women, but a high proportion of women clients in microfinance has always been the norm in Bangladesh. REP had a more modest outreach target of 50% female participation and exceeded it, reaching 60%. This outreach target could be considered rather low, given that in Ghana the idea of women engaging in economic activities outside the home is widely accepted especially when the reason is to support their households.¹⁷⁸ In contrast, PEAJ had the lower outreach target for female participation at 30 per cent and struggled to make progress at the start. The implementation steadily improved and the most recent data shows that 41 per cent¹⁷⁹ of the incubation programme participants are women. However, the extent to which women's participation has led to gender equality and women's empowerment is less certain.

Table 1
Extent of women participation in project activities

	Women % target	Actual women %	PCE comment
PEAJ (incubated)	30	40	% of women incubated annually increased over time from 33% in 2015/2016 to 51% in 2021 ¹⁸⁰
PEAJ (start-ups)	30	41	
REP (reached)	50	63	The target of 50% can be arguably rather low given that in Ghana the idea of women engaging in economic activities outside the home is widely accepted especially when the reason is to support their households. ¹⁸¹
REP (business created)	50	65	
PACE (ME loan component)	70	78	It is the norm in Bangladesh that women are the predominant clientele in microfinance.
PACE (value chain development component)	50	49	

Source: PCE elaboration based on the project data.

- Project designs articulated targeting mechanisms to reach women in general, but attention to different types of women was found only in PEAJ.** The projects used: direct targeting (e.g. quotas, women's groups) and self-targeting (where only the intended target group participates because project's services do not meet the needs and interests of others¹⁸²) to reach women; focused on trades and sectors where women were already active (e.g. hairdressing or soap making in REP, embroidery in PACE), were less capital intensive, and locations where it was socially acceptable for them to work (e.g., in or around the homestead with small livestock or horticulture in PACE Bangladesh).¹⁸³ PEAJ also supported targeted awareness-raising sessions to encourage husbands and wives to work

¹⁷⁸ Friedson-Ridenour & Pierotti, 2019; Darkwah, 2007; Fox and Sohensen, 2012. Also women own about 70% of household enterprises in Ghana (ibid)

¹⁷⁹ Currently at 40 per cent against a target of 50 per cent. However, the proportion has increased in recent cohorts, moving from 33 per cent in 2015 and 2016 to 51 per cent in 2021.

¹⁸⁰ Nationally, 37 percent of enterprises are created by women (Meli & Meli, 2021)

¹⁸¹ Friedson-Ridenour & Pierotti, 2019; Darkwah, 2007; Fox and Sohensen, 2012. Also women own about 70% of household enterprises in Ghana (ibid)

¹⁸² IFAD (2008). Targeting policy, reaching the poor.

¹⁸³ More specifically, PACE Bangladesh PO's directed efforts to existing women borrowers to secure participation in the access to finance component. PEAJ Cameroon provided nurseries for children, schools, areas for worship, and social activities for married women, single mothers with babies, couples, and ethnic minority women (Mbororos in the Northwest region). PACE and REP did not use more differentiated strategies to target different types of women, such as ethnic minority women in Bangladesh or women in polygamous households in northern Ghana.

together.¹⁸⁴ PEAJ was also the only project to collect data on participants' family status and social situation (e.g. single mothers with babies, ethnic minority women), which were then used to tailor the support.¹⁸⁵

3. **The provision of both non-financial and financial services increased women's access to, and control of, economic resources and assets, in contexts where it was already acceptable for women to work outside the home and run an enterprise.** This was seen in REP and PEAJ (Littoral, South and Centre regions). In REP, women were in the majority across different activities and outputs/outcomes (table above) and the field mission saw and heard how some of these women were able to run new or existing businesses and contribute to household needs. In Cameroon, according to research, women are increasingly accepted and involved in economic activity, with 43 per cent of businesses now run by women.¹⁸⁶ The field mission in PEAJ target areas found that the mix of facilitation, incubation, start-up credit, business coaching and business credit (with women representing 40 per cent of beneficiaries at each stage) showed signs of increasing women's access to and control of economic resources.
4. **In (more) patriarchal contexts where women do not play a leading economic role, some evidence shows that discussing gender norms with local communities can contribute to women's empowerment.** In PACE Bangladesh, women participated in most training and capacity building activities like men, but women's incomes largely went into the family pot and not under their control. Evidence suggests that most women accessing ME loans also handed over the money to men in the family who owned and ran the businesses.¹⁸⁷ This is not uncommon in Bangladesh as there are some challenges to female business ownership acceptance in rural Bangladesh,¹⁸⁸ men are often in charge of financial decisions, and when women borrow money it is often their husbands who control it (Jahan, 2021). It was not evident that women benefitted from increased access to, and control of economic resources and assets, as was found in past IFAD missions.¹⁸⁹
5. In PEAJ, facilitating NGOs working in more conservative communities organised targeted awareness-raising sessions to encourage husbands and wives to view project activities as a family business. In the relatively conservative Mbororo culture, business has traditionally been done by men while women stay at home. However, as confirmed during the field visits, young Mbororo women had become more active and were able to have a say in family decision-making and undertake economic activities. Small but important steps had evidently been made, but monitoring will be necessary to track if and how much men takeover profitable enterprises.
6. **The evaluation found some limited evidence that women increased influence in decision-making in their businesses and in households, although the projects' direct contribution to these changes is sometimes unclear.** In Bangladesh, the mid-term impact study on PACE found that joint decision-making between husband and wife, especially for "social decision-making", increased.¹⁹⁰ Women met during the PCE mission suggested that REP support contributed to: their standing in households, and in some cases, husbands provided

¹⁸⁴ PCE Cameroon field interviews

¹⁸⁵ For example, nurseries for children, areas for worship and social activities.

¹⁸⁶ Meli & Meli, 2021

¹⁸⁷ PCE interviews in Bangladesh 2021; PACE MTE 2018

¹⁸⁸ Chowdhury, 2009; Jahan, 2021; PCE interviews in Bangladesh in 2021

¹⁸⁹ PACE October 2017 supervision mission noted that it could not verify the claim that because women receive loans they were economically empowered and enjoy access/control over productive and household assets. PACE mid-term review in April 2018 concurred with the past supervision missions that many women do not enjoy improved access/control over productive/household assets and participation in economic decision despite participation in project activities.

¹⁹⁰ PACE Mid-term impact study

a supporting role to women-owned enterprises; increased confidence; increased access to finance; and improved sales. Most of them also indicated they had control of their financial resources and were able to make financial decisions relating to their families.¹⁹¹ The PCE field mission to PEAJ Cameroon also found that in most cases, the businesses were viewed as family, rather than individual – enterprises.

7. **Beyond the private domain, only PEAJ made concerted effort to increase women’s influence in institutions.** PEAJ supported young entrepreneurs in setting up regional and local networks to improve access to key services, partners and information. Gender quotas have been used to encourage young women to take leadership roles within these networks. By May 2019, five out of 16 of the main national delegates were young women and women’s membership had grown from 76 in 2015 to 1492 in May 2019.¹⁹² There is no evidence that REP implemented activities to encourage women’s leadership development through various means in MSEs, local business associations, the BACs and District MSE Sub-Committees even though this was in design and mentioned as opportunities in supervision reports.¹⁹³
8. **Projects paid limited attention to the issue of women’s workload from new or different economic activities.** While women interviewed were mostly content to work more to increase incomes, there were some cases of significant workload increase for women,¹⁹⁴ which could have been complemented by support to reduce their workloads at home or address the ways to better share the workloads with other family members. PEAJ has supported targeted awareness-raising sessions to encourage husbands and wives to work together, but the evaluation was unable to ascertain how this had affected respective workloads to-date.
9. **Project made various attempts to address some of the underlying social norms that lead to gender inequality: PEAJ made concerted efforts in this regard and early indications of outcomes are positive.** The 2017 gender strategy and IFAD supervision missions explicitly advised and encouraged the project to challenge restrictive gender norms. Relevant activities implemented include modules on the socio-cultural barriers that may prevent women’s empowerment, gender awareness raising sessions with husbands and wives, liaising with local chiefs to obtain land certificates for young men and women and more recently, training modules on women’s leadership, gender-based violence and sexual and reproductive health (in partnership with UN Women). It is early to assess some of the outcomes but, as mentioned above, the evaluation observed and heard how some young women in conservative communities were more able to play a meaningful economic role.
10. Prompted by supervision missions, PACE has recently started to take incremental, culturally acceptable steps to alter the perceived position of women in the professional context. PKSf and POs launched a mentorship program for 8 women PO officials to support their leadership aspirations. This is an important step, but such initiatives would benefit from being in the design of projects rather than being add-ons after mid-term review. The GALS approach was piloted in the previous phase of REP and was designed for implementation in the present phase to tackle some of the issues in gender roles and relations in poor/disadvantaged households. However, it was not implemented due to operational difficulties¹⁹⁵ and the perceived effectiveness of gender performance due to the already high participation

¹⁹¹ PCE Ghana field interviews

¹⁹² IFAD gender award brochure, 2019

¹⁹³ Including Regional Committees on Micro and Small Enterprises Promotion – RECOMEPs and the Association of Small Scale Industries - ASSIs

¹⁹⁴ For example, in safe vegetables sector women became responsible for preparing organic pesticides to replace chemical pesticides that were previously purchased. In soft-shell crab cultivation the women are mainly responsible for checking crabs every 2-3 hours during full moon to see if crabs have molted. Women reported reducing time of social visits and waking up two to three times at night to check crabs. On the other hand, a new variety of mung bean introduced made it easier to harvest and thresh, which is mainly done by women.

¹⁹⁵ The recruitment of a gender expert was hindered by the outbreak of Ebola (from evaluation interviews)

of women in the programme, in view of the programme management. The evaluation finds it as a missed opportunity.

11. **The project performance on gender equality and women's empowerment was influenced by the level of attention and support provided by the project teams and IFAD during the implementation.** The quality of targeting and gender strategies and their implementation varied, and quality strategies did not necessarily result in better implementation. PEAJ's performance was stronger due to dedicated staff with specific responsibilities for gender, guided by PEAJ's comprehensive strategy (supported by IFAD's regional targeting, gender and youth coordinator) that considered intersectional vulnerabilities and provided practical strategies to guide youth selection, activity design, delivery, and monitoring.¹⁹⁶ Even if designs included detailed strategies, that included plans for additional research for more tailored targeting, they were not always implemented and the lack of dedicated staff on PACE and REP likely affected this outcome.¹⁹⁷

¹⁹⁶ In PEAJ, Gender Officer within the Project Management Unit and the recruitment of a gender expert to prepare a monitorable gender strategy/gender action plan in PEAJ led to more effective promotion of gender equality and women's empowerment than in REP and PACE. Evidence from the field mission shows that PEAJ's NGOs responsible for information dissemination and mobilising potential participants used relatively detailed data collection forms to record information on young people's gender, family status and social situation, and the information was then used to tailor other facilitation activities and incubation.

¹⁹⁷ Assigning the Monitoring and Evaluation Officers in REP and PACE as Gender Focal Points was less effective given time and capacity constraints. Neither REP nor PACE built on the gender strategies in design to develop a more detailed monitorable strategy/action plan to follow.

List of key persons met

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 Ashraf Hussain, Manager Micro-credit, Dhaka, SDI
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 Didarul Islam, Programme Coordinator, Chattogram, YPSA
 Sumon Devnath, Project Officer, Chattogram, YPSA

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 Sushanta Kumer Tarafdar, Deputy Director, Jashore, Department of Agriculture Extension
 Tushar Majumdar, Upazilla Fisheries Officer, Satkhira, Department of Fisheries
 Snigdha Kha Babli, Senior Upazilla Fisheries Officer, Satkhira, Department of fisheries
 Focus Group Discussion/Group Discussions

- 3 Sub Assistant Agriculture Officer, Savar, Department of Agriculture Extension

Jashore District, Automobile sector, RRF

Habibur Rahman, Automobile workshop employee
 Enamul Haque, Chunnu, Automobile workshop owner

Sitakunda District, Bean Sector, YPSA

Amir Hossain, Contractor and Processor
 Golam Nizami, Dried bean retailer
 Bodi Rahman, Bean farmer - non beneficiary
 Focus Group Discussion/Group Discussions:

- 3 Bean farmers

- 4 Women who shell/dehull beans.

Chattogram District, Black Pepper, OPCA

Ruhul Amin, Black Pepper Farmer
 Pritilata Tripura, Black Pepper Farmer
 Suresh Kanti Tripura, Black Pepper Farmer
 Iqbal Input Seller

Satkhira District, Carp-Prawn, SUS

Sardar, Fish Aarotdar (Trader)
 Showmik Biswas, Input Seller
 Keshab Debnath, Manager, Input importer of Fisheries and Crab hatchery inputs
 Focus Group Discussion/Group Discussions

- 5–7 Carp-Prawn farmers
- 5 Carp-Prawn lead farmers and LSP (Local Service providers)

Satkhira District, Crab Sector, NGF

Shotodal Mondol, Crab Export Company Manager
 Ruhel Crab Aggregator
 Mintu Crab Input Seller
 Shotodal Mondol, Crab Export Company Manager
 Masudul Haque, Hatchery Manager
 Focus Group Discussion/Group Discussions

- 10 Crab farmers

Chattogram District, Eco-tourism, YPSA

Ismail Hossain, Boat trip and guide, Guliakhali beach
 Nizamuddin Boat trip and guide, Mohamaya Lake
 Ziaur Rahman, Catering and common service owner Guliakhali beach
 Farhanuddin Tuhin, Home stay owner
 Yusuf Home stay owner
 Raihanuz-zaman Chowdhury, Jannat Enterprise - Catering service
 Mohiuddin Lease holder Mohamaya Lake
 Jibon Sinha, Photographer
 Mashuk Restaurant and Toilet services
 Sarwar Jahan Prince, Tour Guide
 Kamrul Boat rental

Jashore District, Flower sector, RRF

Pradeep Tissue Culture Lab Manager
 Imamul Hossain, Flower Farmer

Jashore District, Rice and Mung Bean Sector, RRF

Asaduzzaman Milon, Rice and Mung Bean Input Retailer in market
 Robin Ghosh, Rice and Mung Bean Input Retailer in market
 Focus Group Discussion/Group Discussions

- 8 Rice and Mung Bean beneficiary farmers
- 3 Rice and Mung Bean Seed grower and dealer

Dhaka District, Safe Vegetables Sector, SDI

Shobuj Miah, Input Seller, GME chemicals ltd
 Ripon Sen, Input Seller, Ispahani Agro Limited
 Focus Group Discussion/Group Discussions

- 2 Safe Vegetables Traders
- 4 Safe Vegetables Farmers

Dhaka District, Shoe Sector, POPI

Faisal, Common service centre, owner
 Ibrahim Khalil, Common service centre owner
 Jakir Hossain, Micro Shoe making factory owner
 Mosharraf Hossain, Micro Shoe making factory owner
 Baharul Alam Bacchu, Owner Diamond Pu Footwear
 Sohel Mia, Waste processing factory owner
 Kohinoor, Worker, Diamond Pu Footwear

Tangail District, Honey Sector, BASA

Focus Group Discussion/Group Discussions

- 4 Beekeeper/farmers
- 3 Honey input supplier
- 3 Honey processor and marketer

Microfinance borrowers (Start-up, Leasing and Agrosor Loans)

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Moinul Hossain Rana, Shoe Accessories retailer, Microenterprise borrower of POPI

Ohidul Islam, Owner Furniture workshop, Start-up capital loans of RRF

Russel Razi, Owner Lathe workshop, Start-up capital loans of RRF

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