

IOE



Investing in rural people

Independent Office of Evaluation



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## Project cluster evaluation: Rural enterprise development

## ➤ **Main objectives of the evaluation**

- ✓ To assess the results and performance of projects covered
- ✓ To inform strategies, designs and implementation of similar interventions

## ➤ **Definition of rural enterprise**

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

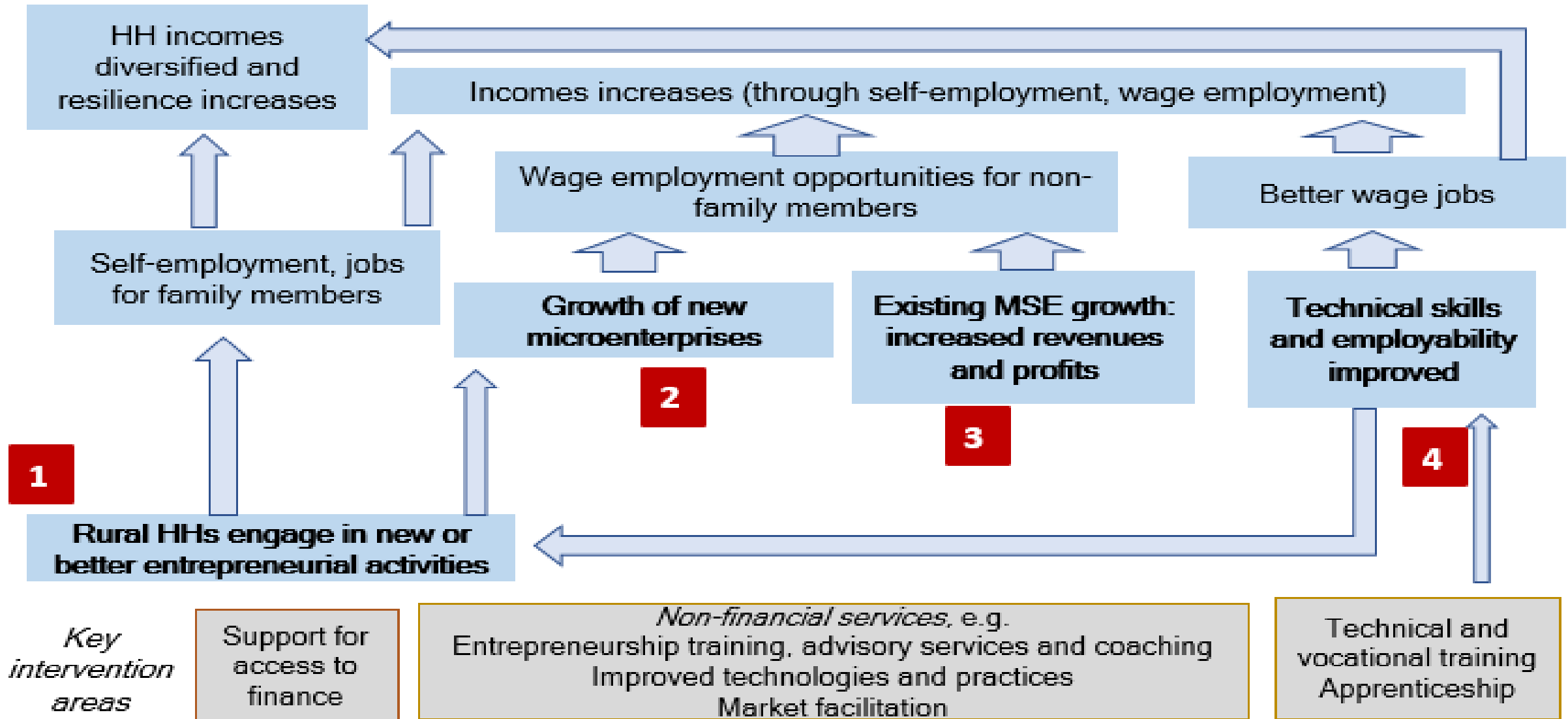
## ➤ **Evaluation methodology**

- ✓ Desk reviews on project documents, literature reviews
- ✓ In-country missions in Bangladesh, Cameroon and Ghana (between Oct-Dec 2021)
- ✓ Mini phone surveys (Bangladesh and Ghana)

### **Projects covered by this PCE**

- Ghana: Rural Enterprise Programme (REP)
- Cameroon: Youth Agropastoral Entrepreneurship Promotion Programme (PEAJ)
- Bangladesh: Promotion of Agricultural Commercialization and Enterprise Project (PACE)
- Nepal: Samriddhi – Rural Enterprises and Remittances Project (RERP) – covered only for relevance

## Multiple impact pathways in rural enterprise development



- ▲ New/improved technologies for improving productivity or services
- ▲ Business-related skills development, advisory services overall relevant
- ▲ Incubation approach focusing on youth with well-sequenced, intensive support (Cameroon)
- ▼ Impact pathways not well-articulated – e.g. “survivalist” enterprises vs. enterprises with growth potential
- ▼ Limited attention to gauging entrepreneurial aptitude of participants
- ▼ Rationale and criteria for grants to entrepreneurs not always clear

## Rural enterprise creation and growth - results

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

## Factors affecting project performance in enterprise establishment and growth:

- Process of screening and selecting participants
- Sequencing and intensity of advisory and follow-up support
- Synergy with financial services and support to address other constraints (e.g. land)
- Types of enterprises, markets and growth potential



## ***Non-financial services***

- Technology promotion effective in improving productivity - but also missed opportunities
- Improved routine management and business practice – less adoption
- Support for business plan preparation for loan applications – useful but not sufficient

## ***Access to finance***

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





## ***At household level***

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

## ***At institutional level***

- Notable contribution to government institutional frameworks for MSE development (Cameroon and Ghana)
- Limited impact on financial institutions' services and systems or related policy issues



- Prospect on survival and/or growth of enterprises – mixed. Dropout – not a surprise.
- Existing “survivalist” enterprises are likely to continue, even if not growing.
- Sustainability and growth of some enterprises may be at risk where not well-linked to value chain actors
- Institutional frameworks in the public sector (e.g. business advisory centres) are likely to stay – but quality service delivery not guaranteed



- Projects tended to lack clarity in terms of impact pathways
- Project strategies were often more suitable to pre-entrepreneurial activities or very small microenterprises than enterprises with growth potential
- New/improved technologies led to increased enterprise revenues; but less contribution to enterprise upgrading by better business practices or access to markets
- Lack of longitudinal and granular data - hinders fuller understanding of enterprise performance and job creation



- Strategies need to consider the profiles, skills, capacity and resources of entrepreneurs, with a clearer understanding on impact pathways
- Creating and growing enterprises requires systematic, longer-term support.
- Productivity improvement contribute to increased revenues, but additional support is needed for enterprise upgrading.
- Efforts to improve rural entrepreneurs' access to finance must be based on the assessment of their needs, as well as policy and institutional bottlenecks
- Impact assessment requires a holistic understanding of household economic activities