

PLURINATIONAL STATE OF BOLIVIA - COUNTRY PROGRAMME EVALUATION

Support to small businesses: The need for an integrated approach to ensure sustainability

The support provided by IFAD to the Plurinational State of Bolivia during the period covered by the evaluation (2005-2012) was based on technical assistance and focused on small businesses and rural services. Overall impact was limited, and sustainability is at risk.

Three IFAD-supported projects were selected for the review of business support results: the Small Farmers Technical Assistance Services Project (PROSAT), the Management of Natural Resources in the Chaco and High Valley Regions Project (PROMARENA) and the Enhancement of the Peasant Camelid Economy Support Project (VALE), Support of the production and development of rural businesses and services, represented 60 per cent of the total project costs.

Business support provided reached a larger number of beneficiaries than expected, with output targets exceeded (e.g. number of groups who received technical assistance and women participation as both recipients and providers of technical assistance). These targets however do not speak to the sustainability of the businesses supported and their impact on the wellbeing of the beneficiaries, measured in terms of income, knowledge, food security and social capital.

Mixed final impact

According to estimates, only 30 per cent of users improved their incomes significantly and these were mainly better-off and better organized farmers: higher increases were indeed observed among those producer groups that had already been established before the projects and had the capacity to leverage other local resources and make efficient use of the support they received.

Visits to the field, covering some 30 initiatives supported by the three projects, provided evidence

of learning and improvement in processing products and generating income. At the same time, the evaluation team observed low productivity, limited infrastructure and equipment, pending or nonexistent sanitary certificates, irregular market access in most cases, and weak management and business administration. With the exception of one initiative – which received support from other actors after PROMARENA support – the groups supported have no accounting records. At the time of the interviews, respondents had difficulty explaining their production, storage, processing, marketing and sales costs.



Exhibition of textile craft products made by members of the communities of Caripe and Laguna in the town of Curahuara de Carangas, Department of Oruro.

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Sustainability issues for supported groups and businesses

The duration of the supported businesses was limited. For example, only 15 per cent of the businesses supported by VALE have had a duration of more than two years. The short life span indicates that the main benefit of the initiative is access to cash transfers, while farmer productivity does not increase, infrastructure and equipment remain limited, markets are occasional and unconsolidated, and businesses show low capacity in management and administration. Most business groups were indeed constituted following the projects' calls for proposals; only a minority of these groups were active before project interventions.

The poor sustainability of the groups and businesses can be largely attributed to the structure of incentives. Generally speaking, project design gave no thought to setting minimum conditions for the receipt of a first tranche of support – such as having a successful production record. Nor was consideration given to requiring beneficiaries to finance a significant portion of the cost of their business plans – e.g. 30 per cent. Evidence indicates that the incentives as designed led to ad hoc groups being set up to harvest benefits. Such incentives were very attractive as members would not be liable for the financial costs in the event of failure. In addition, in most cases technical assistance services were provided for a short period of time and the groups did not receive the support required to build their capacities in a sustainable manner.

Key considerations for an integrated approach

Project design overlooked the following key aspects:

- Developing business plans to produce and commercialize their products was a difficult exercise for farmers and their families as they lacked the required skills;
- For the poorest farmers, the objectives pursued were quite ambitious, as they had fewer real opportunities to position themselves competitively in markets;
- Business propositions were regarded solely as production proposals or production support plans, neglecting other elements needed for success, such as profitability or secure market access for products;
- Projects paid little attention to developing social infrastructure and strengthening community organizations.

Lessons learned

- **Targeting:** the projects supported by IFAD did not distinguish between poor people able to exit poverty by themselves with some support, and those unable to do so and who therefore require ongoing social assistance for their livelihoods. A programme using the same instruments to support two groups with different potentials and needs is probably not supporting either group effectively.
- **Incentives:** the projects were successful in setting up groups carrying out productive activities, but unsuccessful in ensuring that these activities can outlive projects. Without an appropriate design of incentives, groups are likely to dissolve and supported activities to end either prior to or upon project completion.
- **Integrated business support:** such support should include key elements to ensure business success and sustainability, such as: (i) cost-benefit analysis in line with the territory's productive potential; (ii) adequate infrastructure and regulations, e.g. sanitary authorization system; and (iii) access to investment funds and secure markets. In addition, there is a need to provide in-depth training in the complex processes of business management.

Additional information:

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