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evaluation

profile

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Staying out of poverty

Republic of Benin

Income-Generating Activities Project (PAGER)

PAGER set out to improve the incomes and food security of poor rural people in southern Benin and to protect the environment which is being adversely effected by over-population. The project area covers 24, 000 km² and 2.4 million people (excluding Cotonou and Porto Novo). Population pressure means that land is divided into ever smaller plots: coupled with continuous farming (land is not left fallow and given the chance to recover its nutrients) this has led to land degradation, soil erosion, loss of fertility and decreasing yields. Project activities aim on one hand to facilitate access to financial services, develop financial service associations (FSAs) and support viable small businesses, and on the other to provide literacy training and improve infrastructure such as feeder roads, village wells, and livestock watering points.

The encouraging results achieved by PAGER since 2001 confirm the validity of the project's design. However, the evaluation found that the improvements made to people's lives are fragile given that the increased farming areas are mostly rented rather than owned. In addition, although micro-enterprises may, for the time being, satisfy local markets and reduce poverty among small-scale entrepreneurs, these markets are becoming saturated and competition is already leading to failure for the weakest who risk falling back into poverty. That some people's lives have improved means that many more (project participants and others) people will see a deterioration: increasing the amount of arable land where land is scarce will force some producers to switch to off-farm income-earning activities; without training in new skills or alternative employment opportunities, poverty will increase. Although people's livelihoods may well improve through activities aimed at boosting production and income-generating activities, increased market activity will have negative repercussions.

Project data

Total cost of project	USD 13.8 million
IFAD loan	USD 12 million
Government contribution	USD 1 million
Co-financier	DANIDA (USD 800, 000)
Co-operating institution	UNOPS
Principal partners	Ministry of Agriculture, Livestock and Fisheries and non-governmental organisations
Duration of project	March 1997 to December 2004

Main results

After over six years, PAGER is beginning to have a positive impact in terms of increased incomes, access to safe drinking water, better food security, and the ability to purchase consumer goods. Yet the sustainability of these results is uncertain. Women's lives have improved considerably: hundreds of micro-enterprises have been created (covering over 50 types of economic activities) and 44 Financial Service Associations have been set up covering 320 villages with a membership of 25,000 of which over 50 percent are women. By 2003 the FSAs had mobilized capital amounting to fCFA¹ 170.5 million (USD 303,381) and extended loans totalling fCFA 302.2 million (USD 537,722)², mainly small loans over three to six months – precisely the type of credit most needed by poor people. To date nearly 70 percent of FSA members have taken out loans and ten FSAs are in a position to cover their expenses in full while a further seven FSAs are able to cover 90 percent of their loans. Literacy training and efforts to upgrade infrastructure have been disappointing: 3,166 project participants received basic literacy training out of a projected 11,250; micro-enterprises have been successfully established as individual concerns and are not related to production groups as originally planned. The potential sustainability of sole-proprietor micro-enterprises is strong but very few of those run by groups will survive as they are seen as a means of social cohesion rather than a viable economic unit.

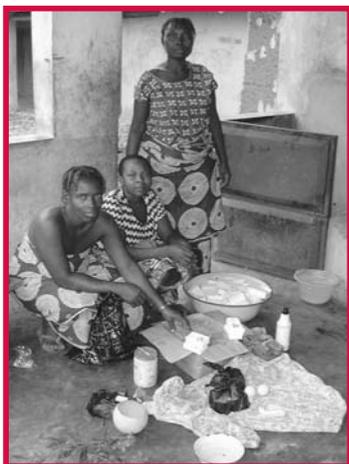
¹ West African currency unit (Communauté Financier Africaine); ² On 20 May 2003 USD 1 = fCFA 562

A key finding from the interim evaluation is that a second phase is justified, although the sustainability of PAGER's achievements is in doubt unless appropriate steps are taken, including the following:

- **Sole-proprietor micro-enterprises** are far more likely to last than those run by groups. In encouraging the development of income-generating activities (mostly done by women), emphasis needs to shift from the group to the individual, but to continue promoting groups as a means of sharing information (about marketing for example) and gaining access to training.
- **Several small entrepreneurs** no longer match the target group criteria, since the project has had a positive impact on their lives, but they still need assistance if they are to stay out of poverty. Interventions tailored to this particular group such as bigger loans, medium- and longer-term credit, and help in seeking out support systems (other than IFAD) more suited to their new situation are now needed.
- **While the importance of FSAs** and their potential for sustainability is clear, long term support is needed in terms of consolidating their achievements so far and creating new associations as required using successful FSAs as models. The development of an umbrella FSA will help improve organisation and efficiency.

Groups vs. the individual

PAGER initially intended to encourage farmers to grow, process (cassava into gari, pineapple into juice, palm tree oil into soap, for example) and market their produce in groups, rather than as individuals (even though there was very little collective marketing pre-PAGER). Project effectiveness in general is often assessed in terms of the number of groups established – but the evaluation findings tell a different story: a number of micro-enterprises have been successfully established but these are mostly individual concerns and are expected to be more viable and sustainable than those run by groups, no matter how much extra support the latter receive. Encouraging individual micro-enterprises would be a more effective way to increase incomes. Groups are more useful socially than economically, offering access to training, credit and information services, increased opportunities for women, and solidarity and support between group members.



IFAD photo by Hans Dieter Seibel

Making antiseptic soap from palm oil is one of several new income-generating activities introduced by the project; women are particularly involved in processing activities (such as soap, fruit juice, and tapioca). In many cases, the women have too much work, lacking the right processing equipment, and neither do they have access to medium-term credit to buy what they need. Consequently they rely on their children for help with domestic chores and production activities. PAGER has also been instrumental in creating new groups, which are successful at an organisational level (facilitating access to credit and training, for example) but less so in terms of marketing: single-proprietor micro-enterprises are more likely to survive than group-run businesses.

Making a success of small businesses

Three challenges have arisen with regard to the viability of micro-enterprises: firstly production of a number of commodities (traditional and new) have reached their ceiling levels: local markets are saturated and producers are facing problems selling their goods outside the project area; secondly, a secure land tenure system is necessary if micro-entrepreneurs are to expand and produce more; and thirdly, women working in new processing activities (such as making soap from palm oil) don't have the right equipment or access to medium-term credit to buy what they need. Making it possible for poor people (women in particular) to own land as well as providing them with access to credit to buy land and the necessary equipment to work it, is of paramount importance. In addition, suitable production techniques and open access to non-local markets are essential ingredients in the success and sustainability of micro-enterprises. If the success of micro-enterprises is to continue, a two-pronged approach is needed: firstly to continue supporting the development of new and weaker micro-enterprises; and secondly to back the expansion of the more successful ones – by promoting a collaborative approach to selling produce, supporting the formulation of business plans and ensuring access to medium-term credit to buy land and equipment.

How sustainable are FSAs?

The Financial Service Associations clearly meet one of the greatest needs of poor rural people in Benin. To date, they cover one third of the country and are very popular among the most disadvantaged groups including women. In fact the FSAs are finding it difficult to meet the overwhelming demand for credit. Evidence shows that the FSA system is likely to last: out of a total of 44 FSAs, ten are able to cover their expenses without project support and a further seven cover 90 percent of their expenses. Around 30 percent of all FSAs are well established and another 30 percent show great promise of becoming so in the foreseeable future. The

associations have already weathered a number of crises (such as fraudulent management and loan defaults) and have learnt from experience the need for a trial period to test their viability and sustainability. A critical mass of FSAs has already taken a number of steps to continue operations and safeguard their legal status in revising their rules and regulations and improving procedures for calculating interest rates, for example, and they are planning to set up an umbrella structure in 2005. Several problems need addressing before sustainability can be assured, such as acquiring legal recognition, mobilising more savings in order to increase loan funds, and improving a number of control and management systems n

Further information

Republic of Benin: Income-Generating Activities Project Interim Evaluation, Report #1534-BJ August 2004. Copies of this Profile (French and English) and the evaluation report are available from the Office of Evaluation, International Fund for Agricultural Development, Via del Serafico 107, 00142 Rome, Italy. See www.ifad.org/evaluation; email m.keating@ifad.org; telephone +39 06 5459 2048