

profile

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Ghana Rural Enterprises Project, Phase II

A path out of poverty

Ghana was one of the first African countries to embark on economic reforms in the 1980s. Despite periods of economic volatility the country has achieved positive growth, with a significant drop in the number of people defined as poor yet, at 59 per cent, the incidence of rural poverty remains high among farmers. Rural people have limited access to basic social services, safe water, all-year roads, and electricity and telephone services. In the northern areas of the country, rural households living in extreme poverty are particularly vulnerable.

The second phase of the Rural Enterprises Project (REP II) was designed in 2002 on the basis of its successful first phase. Its goal was to reduce poverty, improve living conditions in the rural areas and, in particular, increase the incomes of women and vulnerable groups by bringing about more opportunities for self- and wage employment. REP II has provided support to small and micro-enterprises (SMEs), which comprise around 80 per cent of the service and manufacturing sectors. The design of REP II made provision for the establishment and operation of business advisory centres (BACs) and rural technology facilities (RTFs) in selected districts.

Participating District Assemblies, which are not just project partners but also provide facilities for the BACs and RTFs, have gradually covered the operating costs with support from the Ministry of Technology and Industry. All 53 BACs and 12 RTFs started up through the project are still fully functional, thereby demonstrating the high level of sustained support for SMEs in the participating districts.

The BACs and RTFs provided training and mentoring for micro-entrepreneurs and technical apprentices. The project has facilitated access to credit and other means of financing for business development, and has provided technical support to improve the quality of products and services. Throughout implementation and up to the time of the evaluation, some 80,452 MSE clients had been trained, leading to the establishment of 17,751 enterprises and creation of 42,895 jobs, thereby exceeding original project targets. Of these enterprises, 5,868 were able to link up with larger commercial operations, strengthening both their direct marketing links and the respective value chains in the rural areas. Some 7,481 apprentices and 2,889 master crafts persons were trained, which greatly increased the skills levels in rural areas with regard to carpentry, mechanics and other forms of rural industry. Progress in rural finance has been less successful inasmuch as only 3,992 clients (27 per cent of the target) were able to obtain loans. Nonetheless, 14,719 clients have opened bank accounts and are building up their savings profiles in the hope of obtaining credit in the future. The project has also linked SME clients to other programmes in a position to assist with financing or technical support.



Many of the enterprises the project supported are agri-business such as palm oil processing, soap making and gari processing, which use agricultural raw materials.

Source: ©IFAD/REP II

PROJECT DATA

Board approval: September 2002

Loan signing: February 2003

Effectiveness date: June 2003

Completion date: June 2012

Project cost: US\$29.7 million

- IFAD: US\$11.25 million
- Beneficiaries: US\$2.4 million
- Government: US\$5.5 million
- Cofinanciers: African Development Fund US\$10 million

The evaluation determined that the project was highly relevant to the country's poverty reduction agenda, IFAD's Strategic Framework 2007-2010 and country strategy for Ghana, as well as to the needs of the rural poor. The goal and objectives of REP II, which focus on reducing rural poverty through rural SME development, were consistent with the Government's development objectives set forth in the Ghana Growth and Poverty Reduction Strategy (GPRS), phases I and II. The design of REP supported the emphasis of phase II of this strategy on developing a market-driven agricultural sector and a vibrant private sector. At the local level, the project's objectives were also consistent with the national decentralization agenda, which aimed at strengthening the capacity of local governance by encouraging District Assemblies to take responsibility for local development and generating resources through local taxes and fees.



The RTFs provide training in manufacture and servicing of agricultural machinery, leading to local employment generation.

Source: ©IFAD/REP II

The BAC network has created a more enabling environment for, and stimulated the establishment and expansion of SMEs. BAC and RTF activities have assisted in developing a competitive rural SME sector within participating districts. The project has been successful in reaching and exceeding the number of districts targeted. District-level BACs and RTFs receive strong support from the District Assemblies in terms of both commitment of resources and increased interest in their activities.

On a less positive note, the level of adoption from training activities has not been as high as expected, mainly due to lack of financing. More could have been done to assist businesses to move from survival level to more proactive growth, which required intensive and continued support for those clients interested in and capable of growth. In addition, project results in rural finance have been mixed, less positive in some respects and more inspiring in others. Also, the sustainability of project interventions is mixed. While the sustainability of the BACs model, as well as of individual MSEs, is highly likely, the sustainability of RTFs and of some participating financial institutions still remains a challenge.

The project has reached the entrepreneurial poor. Overall, 62 per cent of its clients were women. The

project impact assessment carried out in 2008 classified 57 per cent of respondents as entrepreneurial poor and 12 per cent as unemployed or under-employed. The remaining 31 per cent were deemed more likely to have middle-income status but with potential for creating employment and other income-generating opportunities for SMEs. Interviewees described how the project had made a difference to the quality of their lives, not only in terms of higher incomes but also with regard to improved education through literacy classes, better understanding of book-keeping and more control over their resources. Women in particular explained how their lives had been transformed by being able to earn their own incomes, support their families and develop skills.

Key recommendations

REP III. There is substantial potential for a follow-on phase of REP II. Gradual expansion nationwide would seem to be a viable approach. BACs within the districts currently targeted will continue to need technical support to maintain the core programmes, but the model has now been well tested and should be replicable across all areas of the country. The REP approach could be also adopted as a national programme, with the evolving design becoming the main sector development approach. Another opportunity to be pursued is the development of a Ghana SME policy based on learning and knowledge from REP implementation.

Rural technology. RTF managements should consider the possibility of more private-sector participation, either directly or through trade associations. A more extensive analysis of costs, time and motion, and operational effectiveness will be needed to generate clearer guidelines for the long-term viability of RTFs.

Poverty analysis. It is essential that foundation BAC services be established to ensure that SME support will gradually penetrate further into the poorer areas of each district.

Value chain development. Creating a stronger link between the District Department of Agriculture and the SME subcommittee would support growth-oriented SMEs to become growth poles for income and job creation.

Rural finance. Efforts should be made to step up rural savings, information and referral services to a range of relevant rural financial institutions, and to continue to link with other IFAD interventions in rural finance.

Trade associations. There is potential for IFAD and the Government to work together to strengthen national and regional trade associations.

Further information:

Republic of Ghana, Rural Enterprises Project, Phase II, Interim Evaluation, Report No. 2494-GH, October 2011, ISBN 978-92-9072-244-1, Independent Office of Evaluation of IFAD, Via Paolo di Dono, 44, 00142, Rome, Italy. The full report and Profile are available online at www.ifad.org/evaluation; email: evaluation@ifad.org.