Investing in rural people

Independent Office of Evaluation

People's Republic of Bangladesh

Finance for Enterprise Development and Employment Creation Project

PROJECT PERFORMANCE ASSESSMENT

July 2016

IFAD
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July 2016
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Photos of activities supported by the Finance for Enterprise Development and Employment Creation Project

Front cover: The project piloted the introduction of prawn cultivation in rice pads areas. Chacondo Mul Bari Village.

Back cover: The project's soil-testing and training activities brought about reduced usage of chemical fertilizer in flower production fields. (left); Pallpara embroidery women workers learned from the three women leaders how to improve the quality and the design of their work. "*Before the training we earned 300 takka (US$5) per month from our work, now we earn 1,000 takka and do not need to ask money to our husbands anymore*." (right); Jagorani Chakra Foundation partner organization. This twenty-member microcredit women's group received training under the project on cultivating and pruning techniques to harvest twice per year. Each member owns some land (23 decimals) but two of them jointly hire the land. They use the increased earning to reinvest, for food diversification and to send children to school. Each woman owns a mobile phone.

Preface

The Independent Office of Evaluation of IFAD (IOE) has undertaken a project performance assessment of the Finance for Enterprise Development and Employment Creation Project (FEDEC) in the People's Republic of Bangladesh.

FEDEC, the third of a series of four IFAD-funded microfinance projects, was designed to directly target rural microenterprises and value chains. The project has built the capacity of Palli Karma-Sahayak Foundation (PKSF), the government apex funding agency for non-governmental organizations, and partner organizations to efficiently support microenterprise development. The project successfully combined access to finance, technology transfer, value chain structuring and new market development.

A large number of rural microenterprise entrepreneurs – the primary target group – significantly raised their income and assets as a result of microenterprise loans. However, the change was not as significant for the second target group: the poorest rural people, often landless, and/or members of female-headed households. They were expected to benefit from the growth of microenterprises through employment creation. However, most microenterprises accessing loans did not belong to the most labour-intensive sectors, and the increased demand for labour was largely absorbed by unpaid family labour.

The assessment was conducted by Ms Louise McDonald, former Evaluation Officer at IOE, in collaboration with Mr Islam Khairul, national consultant and value chain specialist, and Ms Federica Cerulli, Senior Portfolio Specialist, Partnership and Resource Mobilization Office of IFAD. Peer reviewers, Ms Mona Bishay, consultant, and Mr Ashwani Muthoo, former Deputy Director of IOE, provided comments on the draft report. Mr Michael Carbon, IOE Evaluation Officer, revised and finalized the evaluation report. Ms Loulia Kayali and Ms Mayte Illan Rives, former IOE Evaluation Assistants, provided valuable administrative support.

IOE is grateful to the Government and the PKSF of the People's Republic of Bangladesh and to IFAD's Asia and the Pacific Division, in particular the Bangladesh Country Office, for their cooperation and support, and the valuable input provided during the evaluation process and the support they gave to the mission.

I hope that the results generated by this assessment will be useful to inform and improve IFAD operations and activities in Bangladesh for enhanced development effectiveness.

Oscar A. Garcia
Director
Independent Office of Evaluation of IFAD

Jagorani Chakra Foundation, visit to 20-member micro-credit women group who received training under FEDEC on cultivating and pruning techniques to harvest twice per year. Each member owns some land (23 decimals) but two of them jointly hire the land. They use the increased earning to reinvest, for food diversification and to send children to school. Each woman owns a mobile phone.

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Currency equivalent, weights and measures

Currency equivalent

Monetary Unit = Bangladesh taka (BDT)
US$ 1 = 77.400 BDT
(1 May 2014)

Weights and measures

1 lakh= 100 000
1 crore = 10 000 000 metre (m) = 1.09 yards
1 acre (ac) = 0.405 hectares (ha)

Abbreviations and acronyms

APR	Asia and the Pacific Division (IFAD)
CPE	country programme evaluation
FEDEC	Finance for Enterprise Development and Employment Creation Project
IOE	Independent Office of Evaluation of IFAD
LGED	Local Government Engineering Department
MDG	Millennium Development Goal
MFI	microfinance institution
PACE	Promoting Agricultural Commercialization and Enterprises Project
PCR	Project Completion Report
PCRV	Project Completion Report Validation
PKSF	Palli Karma-Sahayak Foundation
PLs	prawn larvae
PPA	project performance assessment
RRF	Rural Reconstruction Foundation
VCD	value chain development

Map of the project area

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

IFAD

Map compiled by IFAD | 02-04-2015

Executive summary

1. **Background.** Bangladesh is one of the most densely populated countries in the world, with a population density of 1,174 inhabitants per sq.km in 2011. Depending on the source, rural poverty stood between 43 and 53 per cent at the time of project design (2006). The agriculture sector (including crop, livestock and fisheries) makes up about 18 per cent of the country's gross domestic product and is the main source of employment, absorbing 47.5 per cent of the workforce. The majority of farmers (53 per cent) are landless. While agriculture is the backbone of the rural economy in Bangladesh, it does not provide year-round income earning options. There are many microenterprises in rural and peri-urban areas in both agricultural and non-agricultural sectors which, if developed, could have a large potential to employ the rural poor. A key constraint to the growth of these microenterprises is access to finance and value chains.

2. The Independent Office of Evaluation of IFAD (IOE) has undertaken a project performance assessment (PPA) of the Finance for Enterprise Development and Employment Creation (FEDEC) in Bangladesh to: (i) provide an independent assessment of the overall results of the project; and (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country.

3. **Project design and implementation.** The project was approved in September 2007. The IFAD loan effectiveness date was 8 January 2008, and the actual loan closing date was 30 September 2014, being a six-year implementation period. The PPA mission to Bangladesh took place in November 2014. The **project goal** was to stimulate pro-poor growth to increase employment opportunities and reduce poverty. The project objective was to expand existing microenterprises and establish new ones. To achieve the objective, the project design envisaged three key components: (i) microfinance services, (ii) value chain development (VCD); and (iii) project coordination and management.

4. The project was implemented by Palli Karma-Sahayak Foundation (PKSF) as the lead agency through partner organizations. PKSF is the government apex funding agency for non-governmental organizations, and held overall responsibility for project implementation under the conditions and terms of the Subsidiary Loan and Grant Agreement. PKSF worked with 159 partner organizations regarding microenterprise lending and with more than 44 partner organizations relating to VCD activities. These partner organizations (which also operate as microfinance institutions –MFIs - but are not limited to that function) have significant experience in providing microfinance while many have become familiar with microenterprise financing through earlier projects which did not have a focus on value chain access. Since retail financing to microenterprises was the main activity of the project, these partner organizations were actually the drivers of the whole project.

5. The total project cost at design was US$57.8 million, with the expectation of being proportionately shared by IFAD (61 per cent), Government/PKSF (38 per cent), and beneficiaries and partner organizations (1.3 per cent). At closure, the total actual project cost was US$314.74 million, financed by the IFAD loan to the amount of US$35.67 million (11.3 per cent), the PKSF contribution to the amount of US$57.06 million (18.1 per cent), and partner organizations and beneficiaries to the amount of US$222.01 million (70.6 per cent). The contribution of participant partner organizations to the microenterprise loan funds, although present from the beginning, increased dramatically towards the project end to enhance their equity participation in microenterprise lending.

6. The FEDEC approach was geared towards increasing the income of the rural poor by creating improved access to finance for the microenterprises. Development of a range of value chains was also an integral part of the project design and was envisaged to foster the economic growth of not only the microenterprises but also

the backward and forward market actors thereby creating further employment for rural poor people in Bangladesh. The key assumption of the project was to reach the poor directly through the growth of microenterprises accessing microfinance, and indirectly through job creation. During implementation, a much higher number of microenterprises than initially targeted responded positively and met the eligibility criteria for receiving loans laid out by the implementing agency and, consequently, the partner organizations and the project tapped into this opportunity. However, the major risk identified was whether these microenterprises being financed were actually creating more employment and income for the rural poor.

7. The project financed four major categories of enterprises namely: trade and service, agriculture, and manufacturing and processing. The share of trade in total loan outstanding was the highest (48 per cent), followed by agriculture (25 per cent), services (15 per cent) and basic manufacturing and processing (12 per cent). Use of loans in trade was dominated by small retail businesses, while in agriculture the dominant sub-sector was livestock. Service sector loans were dominated by house construction and small-scale motorized passenger vehicles, while mini-garment production dominated the basic manufacturing and processing category. The project completed a revised number of 44 value chain sub-projects against an initial set target of 60. An analysis of the value chain sub-projects reveals that an overwhelming majority of them (91 per cent) are in agriculture including crops (flowers, vegetables, rice, bananas), fisheries/crab/prawns and livestock.

8. **Relevance.** The project appropriately included both financial and complementary non-financial services but lacked support to any form of beneficiary organization. The objectives were relevant to the 2005 National Strategy for Accelerated Poverty Reduction and well aligned with the 2006 IFAD Country Strategic Opportunities Programme. Particular attention was given to scaling up microcredit initiatives to meet the needs of growing microenterprises and small businesses in the rural areas, thus contributing to the rural economy and job creation. Limited or lack of access to finance is indeed recognized as one of the key constraints to the growth of microenterprises in Bangladesh. The project also tried to improve the capacity of MFIs to provide non-financial services for business growth (training, marketing, technology, etc.) by providing technical support and through a VCD approach. In this last respect, the project was overly ambitious in scope given the short period of time available for implementation.

9. Micro-enterprises in Bangladesh provide not only sustainable income-earning options for entrepreneurs but also wage employment opportunities for poor people. The latter segment of the rural population, mostly landless, depends largely on agricultural labour opportunities which are periodic. However, the FEDEC did not really target the poor/most vulnerable or monitor their inclusion in, and benefits stemming from, the project. A much larger portion of loans went to the trading business, which employs relatively less people than the manufacturing and processing sectors. Employment creation for women was also not rigorously sought after. Not all partner organizations applied project guidelines regarding the eligibility of microenterprises for loans and sometimes loans were provided to microenterprises that could have accessed them through formal institutions.

10. **Effectiveness.** FEDEC has built the capacity of PKSF and partner organizations to efficiently support microenterprise development as per the objective. Overall project effectiveness, with respect to the number of microenterprises which received loans, was highly satisfactory as it reached the target mid-way through the project. With a very high recovery rate of 98.53 per cent, it appears that the microenterprise loan financing service has been able to create a strong foothold and is very likely to continue. The number of microenterprise borrowers registered an increase of 483,774 (from 79,403 on 29 February 2008 to 563,177 on 31 March 2014) (67.1 per cent women), against a target of 117,700 (an achievement of 411 per cent). Likewise, the average loan size went up from BDT 59,281 in

February 2008 to slightly more than BDT 80,000 in March 2014. The project far exceeded the two critical lending targets, i.e. the number of borrowers and the average loan size/total loan outstanding.

11. **Efficiency.** The larger part of the overall project budget (98.6 per cent) was spent on microenterprise lending and the project performed very efficiently in this context. The original funds for microenterprise lending for the total project had been disbursed by mid-term. The recovery rate has also been outstanding. For loans given to partner organizations by PKSF, the cumulative recovery rate was 98.5 per cent, while that of loans given to microentrepreneurs by partner organizations was 99.15 per cent. The IFAD-PKSF eleven-year consolidated partnership and PKSF's in-depth knowledge of financial services combined with a network of 250 national partner organizations, provided FEDEC with a unique opportunity for sharing costs, ownership, trust and knowledge.

12. **Rural poverty impact.** Rural microenterprise entrepreneurs, the first target group of the project, significantly raised their income and assets as a result of microenterprise loans and families owning a microenterprise are now more food secure. However, the change was not as significant for the rural poor, often landless and/or female-headed households, the second target group of the project, who were expected to benefit from the growth of microenterprises through employment creation. Most microenterprises accessing loans did not belong to the most labour intensive sectors, and increased labour demand was largely absorbed by unpaid family labour.

13. PKSF introduced training on environment and regulatory issues related to microenterprises for PKSF and partner organizations' staff. Unfortunately, this was not followed-up proactively with the microenterprises except for perhaps in the flower sub-sector. Results show a large increase in the production of nutrient-rich fish and some positive impact in terms of quality and quantity intake within the target households.

14. **Sustainability.** Considering the high recovery rate of microenterprise loans, it is very likely that PKSF and partner organizations will continue providing the service. In addition, since microenterprise lending also reduces transaction costs (bigger loan size compared to microcredits) the growth of microenterprise clients in the overall portfolio of each partner organization is likely to increase. Hence, the financial service for the target group can be considered sustainable. However, the picture for the non-financial services is not as bright. Integration of the private sector in an efficient and sustainable manner in the VCD projects was hardly visible. PKSF is committed to the sustainability of the microenterprise approach developed under FEDEC through its continued financing to, and supervision of, partner organizations. The IFAD-funded Promoting Agricultural Commercialization and Enterprises Project (PACE) approved in September 2014 also provides a great opportunity to consolidate the innovations introduced, particularly seasonal loans.

15. **Innovation and scaling up.** The project took an innovative approach by addressing the financing needs of the less-poor operating microenterprises with potential to expand. A key assumption was that the microenterprises would themselves employ more poor people following their growth. In VCD projects, some technology innovation in the local context was observed with, for example, the introduction of improved mung bean production technology, expanding high value and more labour-intensive flower production, prawn culture associated with fish, etc. FEDEC has promoted the introduction of new financing products (seasonal loans); as well as new varieties of crops (summer tomatoes, mung beans; gerbera, roses and gladiolas flowers, prawns, catfish) in areas where they were not produced before. PKSF has documented some of these innovations and has trained partner organizations to diversify their financing products. However, the absence of strong partnerships with the private sector undermines potential for scaling up innovative enterprises.

16. **Gender equality and women's empowerment.** A much higher proportion of loan recipients (67.1 per cent of 483,774 borrowers, a total of 324,612) were women. Notwithstanding the fact that most were used as a conduit by their male partners, many of them successfully mediated their access to credit to gain access to other resources and strengthen their voices in family decision-making. FEDEC's contribution to increasing mobility and participation of women cannot be underestimated. One out of the eight microenterprises visited during the assessment was run by women. However, microenterprises and value chains seemed not to have been selected with conscious efforts to ensure gender equality and women's empowerment.

Recommendations

17. **Targeting.** PACE, based on lessons from FEDEC, should provide start-up capital to first generation ultra-poor (those immediately below the poverty line) with specific mechanisms and tailored financial products/non-financial services that would reduce risks in working with this target group. In addition, more careful selection criteria for microenterprise lending should be adopted and monitored carefully with priority to those working in sub-sectors with higher potential for employment generation and gender balance. This will require clear monitoring and evaluation of activities that include impact/outcome indicators linked to other services. The geographic focus should be in the poorest areas of the country, to increase the probability that more of the poor can benefit from employment creation.

18. **Business/non-financial services.** PACE should have a clear strategy on how to develop the business/non-financial service markets around the selected value chains. Value chain constraints to growth are often linked with lack of, or poor, service provisions either from within the chain (in embedded form) or from lateral provisions. The importance of embedded service provisions in agricultural sectors in Bangladesh cannot be underestimated as poor farmers can hardly afford an information service on a fee basis. 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 facilitation activity with a clear exit plan.

19. **Value chain development.** Learning from FEDEC, PACE should refocus on a smaller number of pro-poor value chains as opposed to the 30 value chains foreseen. This also means that a simple view to VCD is not sufficient and assessments must identify not just blockages to access markets but all linkages related to input/output policies that may impact negatively on sustainability.

20. **Institutions.** In the development of enterprises and accessing value chains it is essential to develop them (producer/processor groups) into formal institutions and in the context of Bangladesh clear support should be given for these groups to form into companies. Such a process will strengthen their knowledge, roles and responsibilities to engage in business for further profit and/or expansion and will avoid potential elite capture. Support to farmers' organizations could play a vital role by giving members improved access to market, information, and agricultural technologies, and related services and public goods.

21. **Partnerships.** PACE should place a high priority on developing a wide range of partnerships to leverage expertise, access and wider benefits to IFAD-supported projects. For example, they should partner with other IFAD-supported programmes in the country (implemented by the Ministry of Agriculture; and by the Local Government Engineering Department [LGED]) as well as with IFAD-supported regional programmes to support farmer organizations. As PACE aims at the development of 30 value chains, they should leverage on these partnerships with other relevant programmes. In particular, they should leverage their expertise and links with private companies that are involved in those programmes and are interested in undertaking joint market assessments, trainings and expanding access to the market for the microenterprise.

IFAD Management's response[1]

1. Management welcomes the Project Performance Assessment (PPA) of the Finance for Enterprise Development and Employment Creation Project in Bangladesh (FEDEC), as well as the quality of the report.

2. Overall, Management agrees with the IOE's assessment of the Programme's performance and notes that the PPA recognizes the remarkable contribution of the Programme in Bangladesh. In this regard, the PPA confirms that the Programme far exceeded its targets, with an increase of 483,774 microenterprise borrowers against the original target of 117,700 (four times the project target), and a loan recovery rate of 98.5 per cent. Management is pleased to note that the Programme was assessed as satisfactory (5) for effectiveness and efficiency. Management is also pleased that the performance of IFAD and the Government was assessed as satisfactory (5).

3. Management recognizes the importance of a solid targeting strategy and acknowledges that, while FEDEC was successful in reaching the poor with the microenterprise programme, it was not as successful as hoped in reaching the "hard-core" poor through employment generation. Management also recognizes that the allocation to value chain development was small. At the time of design value chain development was a new concept for PKSF, and hence it was considered wise to start as a small pilot, with scaling up at a later stage.

4. Management appreciates the PPA recommendations which are generally already being internalized and acted upon. Detailed Management's view on the proposed recommendations are presented below:

   - **Targeting (Sub-recommendation 1)**: PACE , based on lessons from FEDEC, should provide start-up capital to first generation ultra-poor (those immediately below the poverty line) with specific mechanisms and tailored financial products/non-financial services that would reduce risks in working with this target group.

     Response from Management: Not agreed. Management agrees that there is a need to provide specific support to the ultra-poor. However, PACE aims to expand PKSF's outreach of microenterprise finance, and strengthen capacities for non-financial service provision. Hence Management feels that support to ultra-poor should be provided through the PKSF ultra-poor programme, and not through PACE. In this regard, it should be noted that PKSF has been providing start-up capital to ultra-poor for more than 15 years. It has a specific lending window for this group. PKSF works through three financing windows: (i) microenterprise window; (ii) poor-borrower window; (iii) ultra-poor borrower window. Ultra-poor can receive loans as long as they are members of groups enlisted at the PKSF partner organizations.

   - **Targeting (Sub-recommendation 2)**: In addition, more careful selection criteria for microenterprise lending should be adopted and monitored carefully with priority to those working in sub-sectors with higher potential for employment generation and gender balance. This will require clear monitoring and evaluation of activities that include impact/outcome indicators linked to other services.

     Response from Management: Agreed. Management will explore with PKSF during the forthcoming supervision mission in September 2016 how to enhance employment generation and gender balance in microenterprise lending.

[1] The final Management's response was sent from the Programme Management Department to the Independent Office of Evaluation of IFAD on 22 June 2016.

- **Targeting (Sub-recommendation 3)**: The geographic focus should be in the poorest areas of the country, to increase the probability that more of the poor can benefit from employment creation.

  Response from Management: Agreed. Regarding geographic focus, PACE was approved by IFAD's Board as a national programme with national coverage. However, within the context of a national programme, the project design also anticipated an enhanced focus on poorer regions in Bangladesh.

- **Business/non-financial services**: PACE should have a clear strategy on how to develop the business/non-financial service markets around the selected value chains. Value chain constraints to growth are often linked with lack of, or poor, service provisions either from within the chain (in embedded form) or from lateral provisions. The importance of embedded service provisions in agricultural sectors in Bangladesh cannot be underestimated as poor farmers can hardly afford an information service on a fee basis. 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 facilitation activity with a clear exit plan.

  Response from Management: Agreed. The design of PACE supports and encourages development of business services relevant to each value chain as non-financial service providers are considered part of the value chain for sustainable development. Management will explore with PKSF how PACE can further develop the capacity of the business/non-financial service providers around selected value chains.

- **Value chain development**: Learning from FEDEC, PACE should refocus on a smaller number of pro-poor value chains as opposed to the 30 value chains foreseen. This also means that a simple view to value chain development is not sufficient and assessments must identify not just blockages to access markets but all linkages related to input/output policies that may impact negatively on sustainability.

  Response from Management: Agreed. Management will review this issue with PKSF during the next supervision mission in September 2016, and a new target will be agreed with PKSF during the mission.

- **Institutions**: In the development of enterprises and accessing value chains it is essential to develop them (producer/processor groups) into formal institutions and in the context of Bangladesh clear support should be given for these groups to form into companies. Such a process will strengthen their knowledge, roles and responsibilities to engage in business for further profit and/or expansion and will avoid potential elite capture. Support to Farmers' Organizations could play a vital role by giving members improved access to market, information, and agricultural technologies, and related services and public goods.

  Response from Management: Not agreed. The concept of developing formal farmer organizations has been tried many times in Bangladesh and has never worked. These organizations have always ended up being co-opted by political parties or local elites. This has led to a situation where farmers and poor producers are very distrustful of such organizations and prefer to sell directly to buyers instead of going through formal organizations. For this reason, this option was discarded during the technical design of PACE. Furthermore, selling is not a major constraint in rural Bangladesh. Hundreds and thousands of small markets dot the country. Good rural road networks, cell phones, and millions of small traders provide links between producers and sellers. There are options for contract farming in PACE, which could be developed under some value chains if appropriate products can be found.

- **Partnerships**: PACE should place a high priority on developing a wide range of partnerships to leverage expertise, access and wider benefits to IFAD-supported projects. For example, they should partner with other IFAD-supported programmes in the country (implemented by the Ministry of Agriculture; and by the LGED as well as with IFAD-supported regional programmes to support farmers' organizations. As PACE aims at the development of 30 value chains, they should leverage on these partnerships with other relevant programmes. In particular, they should leverage their expertise and links with private companies that are involved in those programmes and are interested in undertaking joint market assessments, trainings and expanding access to the market for the microenterprise.

  Response from Management: Agreed. Management will work at the level of the country programme to facilitate partnerships between PACE and other IFAD projects and grants active in the country.

5. Management thanks IOE for the productive process and is committed to internalize lessons learned and outcomes of this exercise to further improve the performance of IFAD-funded programmes in Bangladesh and elsewhere.

People's Republic of Bangladesh

Finance for Enterprise Development and Employment Creation Project

Project Performance Assessment

I. Objectives, methodology and process

1. **Objectives.** The Independent Office of Evaluation of IFAD (IOE) has undertaken a project performance assessment (PPA) of the Finance for Enterprise Development and Employment Creation Project (FEDEC). The PPA is a project-level evaluation aiming to: (i) provide an independent assessment of the overall results of the project; and (ii) generate findings and recommendations for the design and implementation of ongoing and future operations within the country.

2. **Evaluation methodology.** The standard IOE evaluation criteria (see annex V) were applied in this PPA. Interviews were held with IFAD staff, Government officials, project staff, beneficiaries and other concerned partners. Data collection methods deployed consisted of individual and focus group interviews and direct observations. The PPA also made use of additional data available through the programme's monitoring and evaluation system. Triangulation was applied to verify findings emerging from different information sources.

3. The **evaluation process** involved six phases: (i) desk work; (ii) country work and a visit to the project site; (iii) report drafting and internal peer review within IOE; (iv) comments on the draft PPA report by IFAD's Asia and the Pacific Division (APR) and the Government of Bangladesh; (v) the preparation of the IFAD Management's response on the final evaluation report; and (vi) communication and dissemination of the evaluation's results.

4. The PPA mission to Bangladesh took place in November 2014. At the end of the mission, a wrap-up meeting was held at Palli Karma-Sahayak Foundation (PKSF) headquarters to provide IFAD and PKSF staff with the opportunity to discuss the preliminary findings of the mission.

5. **Limitations.** Although the project was national in scope, due to time and logistical constraints and, in particular, in-country transport, the PPA team was neither able to meet all major stakeholders in the sector nor allow for in-depth field-level analysis of all value chain type enterprises; visits were made to only a cross section of them.

II. The project

A. The project context

6. Bangladesh is one of the most densely populated countries in the world, with a population density of 1,174 inhabitants per km^2 in 2011. Regular extreme weather events such as floods and cyclones make the country extremely vulnerable to natural hazards transforming into natural disasters. The last decade has seen significant economic growth, with an average of 6 per cent per annum. The key economic drivers have been inward remittances and exports consisting of mostly textiles, garments and shrimp.

7. At the time of project design, rural poverty stood between 53 per cent (Bangladesh MDG Progress Report, 2005) and 43.6 per cent (Planning Commission, 2004). Rural inequality, as measured by the Gini coefficient, rose from 0.243 in 1991-92 to 0.271 in 2000. Trends in the rural poverty gap (another MDG indicator monitored in Bangladesh) show a drop from 18.1 per cent in 1991-1992 to 13.8 per cent in 2000. On average, rural areas did better than urban areas in reducing the depth and severity of poverty, implying that growth in rural areas was more pro-poor than in urban areas. Despite being a least developed country with high levels of poverty, Bangladesh made it into the league of "Medium Human Development" in 2003. Nonetheless, the rural areas of the country are still lagging behind. In 2001, the rate of under-five child mortality, an indicator of healthcare but also of social, cultural and economic progress, was 52 per thousand in urban areas and 89 per thousand in rural areas (Bangladesh MDG Progress Report, 2005).

8. The agriculture sector (including crop, livestock and fisheries) makes up about 18 per cent of the country's gross domestic product and is the main source of employment, absorbing 47.5 per cent of the workforce. The majority of farmers (53 per cent) are landless, while rice is the key agricultural crop making up more than 80 per cent of the cropped area, followed by jute, sugarcane, maize and vegetables. The 'National Agriculture Policy 2013' recently signed, concentrates on agricultural production, poverty alleviation through job generation and food security.

9. While agriculture is the backbone of rural economy in Bangladesh, it does not provide year-round income earning options. There are many microenterprises in rural and peri-urban areas in both agricultural and non-agricultural sectors which if developed have a large potential to employ the rural poor. A key constraint to the growth of these microenterprises is access to finance and value chains.

10. **Environment and natural resources**. Bangladesh is one of the most vulnerable countries to natural disasters and is challenged by issues such as severe annual flooding, river-induced erosion and water shortages in the dry season. The Intergovernmental Panel on Climate Change declared that Bangladesh faced severe threats of coastal flooding with two-thirds of the country being less than five meters above sea level.

11. **Administrative and policy framework**. There are two types of government in the Democratic Republic of Bangladesh, national and local. The associated Perspective Plan 2010-2021 encapsulates the strategy for achieving food security, pursuing environmentally sustainable development and the provisioning of adequate infrastructure.

B. Project design and implementation

12. The project was approved in September 2007. The IFAD loan effectiveness date was 8 January 2008, and the actual loan closing date was 30 September 2014, being a six-year implementation period.

13. The project goal was to stimulate pro-poor growth to increase employment opportunities and reduce poverty. The project objective was to expand existing microenterprises and establish new ones. At the policy and institutional level, the project aimed to build the capacity of both PKSF, and its partner organizations to efficiently manage a microenterprise development programme. This would not only include lending services (with improved procedures and skills for borrower selection and risk management), but also complementary non-financial services. Value-chain development initiatives were expected to result in some important innovations, while the monitoring and evaluation system would identify useful lessons for further development of the small business sector. To achieve the objective, the project design envisaged three key components: (i) microfinance services; (ii) value chain development (VCD); and (iii) project coordination and management.

14. The project was implemented by PKSF as the lead agency through its partner organizations. PKSF is the government apex funding agency for non-governmental organizations and held overall responsibility for project implementation under the conditions and terms of the Subsidiary Loan and Grant Agreement. PKSF worked with 159 partner organizations regarding microenterprise lending and with more than 44 partner organizations relating to VCD activities.

15. These partner organizations (which also operate as MFIs – but are not limited to that function) have significant experience in providing microfinance while many also became familiar with microenterprise financing through some earlier projects which did not focus on value chain access. Since, retail financing to microenterprises was the main activity of the project, these partner organizations were actually the drivers of the whole project. PKSF, as the lead implementing agency, firstly assessed the partner organizations against criteria for their suitability to participate, built the capacity of the partner organizations' staff, monitored their activities and provided guidance periodically to reach the overall project goal.

16. IFAD undertook direct supervision and provided implementation and technical guidance support throughout the project life.

17. Table 1 shows the project financing at appraisal and closure. The total appraisal cost estimates[1] were US$57.8 million to be financed by an IFAD loan of US$35.03 million (60.6 per cent), PKSF contribution of US$22.0 million (38.1 per cent), cofinanciers (partner organizations) contribution US$0.7 million (1.2 per cent) and beneficiary contribution US$60, 000 (0.1 per cent). At closure, the total actual project cost[2] was US$314.74 million, financed by an IFAD loan of US$ 35.67 million (11.3 per cent), PKSF contribution US$57.06 million (18.1 per cent), and partner organizations and beneficiaries US$222.01 million (70.6 per cent). The IFAD contribution did not vary much but the Government/PKSF contribution increased by US$35.04 million all of which is accounted for in the microenterprise lending. The increase in Government/PKSF contributions came about at mid-term when the project had already used all the funds allocated for microenterprise lending. The contribution of participant partner organizations to the microenterprise loan funds, present from the outset, increased dramatically by project end to enhance their equity participation in microenterprise lending.

[1] EB 2007/91/R.23.
[2] Project Completion Report.

Table 1
Financing at appraisal and closure

	Appraisal		Closure/Disbursed	
Financier	*US$ million*	*%*	*US$ million*	*%*
IFAD	35.00	60.6	35.67	11.3
Borrower (PKSF)	22.02	38.1	57.06	18.1
Beneficiaries and partner organizations	0.76	1.3	222.01	70.6
Total	57.78	100.0	314.74	100.0

18. The financing by component also changed during implementation (table 2). Microenterprise lending increased by 5.7 per cent to 98.6 per cent of total actual project costs, as it absorbed all additional Government/PKSF and partner organization financing. Consequently, the relative absorption of funds by the VCD component went down from 5.1 per cent at appraisal to 0.9 per cent of total actual project costs. Considering the proposed number of value chains to be targeted, the financial allocation was not enough to do this well. Had the allocation been larger contracting out some of this work may have provided more benefits.

Table 2
Financing by component at appraisal and closure

	Appraisal		Disbursed	
Component	*US$ million*	*%*	*US$ million*	*%*
Microenterprise lending funds	53.67	92.9	310.40	98.6
Training	0.24	0.4	0.35	0.1
Value chain development	2.93	5.1	2.76	0.9
Project management	0.94	1.6	1.23	0.4
Total	57.78	100.0	314.74	100.0

19. The project was conceived to develop the microfinance sector to support microenterprise development. It aimed at helping small businesses improve and expand production through microenterprise lending and strengthening of value chains. The costs of institutional strengthening for PKSF and partner organizations were allocated under training in microfinance and project management costs. Work was not undertaken on beneficiaries’ institutions (such as federations or companies), an omission, in the view of the evaluation team, which could have made a significant difference to delivery and sustainability. Allocations to these areas were minimal. According to APR, this was deliberate, as past attempts to form cooperatives or federations have failed almost without exception due to the local cultural context and the tendency of such groups to be overrun by local elites, and subject to nepotism or political interference.

20. FEDEC adopted an approach in its project design to reach and thereby increase the income of rural poor by creating improved access to finance for the microenterprises. Development of a range of value chains was also an integral part of the project design and was envisaged to foster the economic growth of not only the microenterprises but also the backward and forward market actors and thereby create further employment for rural poor people in Bangladesh.

21. The key assumption of the project was to reach the poor through the growth of microenterprises by creating access to finance for the latter. During implementation, a much higher number of microenterprises than initially targeted responded positively and met the eligibility criteria for receiving loans laid out by the implementing agency and the partner organization and the project

consequently tapped into this opportunity. However, a major risk identified was whether the microenterprises being financed were actually creating more employment and income for the "hard core poor", the second (and largest) target group of the project.

22. Key implementation issues included coordinating and managing a nationwide project which aimed to directly benefit 117,700 microenterprise borrowers who were expected to be mostly women, selected from existing microcredit groups. This was addressed by building on the existing successful approach PKSF has used for working with their partner organizations on microfinance. The design provided funds and space for recruitment of new staff, enhancing skills and knowledge of PKSF and their partner organizations through training and institution-building for working on access to value chains.

23. Major project outputs of component 1 were:

- Training of 103 staff from PKSF and 6,233 staff from partner organizations on microenterprise management and lending;
- Training of 86 staff from PKSF and 161 from partner organizations on microenterprise regulatory issues;
- Training of 35 staff from partner organizations on financial management and accounting;
- Training of 9,540 microentrepreneurs, mainly in business development, and 77 staff from PKSF and 119 staff from partner organizations on sub-sector analysis and VCD;
- Organization of local study tours/industry visits to successful ongoing business initiatives for 80 PKSF staffs, 170 partner organization staffs and 36 borrower microentrepreneurs; and
- Organization of overseas study tours for 69 staff from PKSF, 79 senior staff from partner organizations and two officials from the Government.

24. The major outputs under the value chain sub-projects included:

- Technical training at producer level;
- Introduction of high value crops/breed/production technologies and practices;
- Organization of workshops at the grass-roots level involving major value chain stakeholders (e.g. input supplier, output market players) of different sub-sectors;
- Exposure visits for microentrepreneurs to similar successful businesses, etc.

III. Main evaluation findings

A. Project performance

Relevance of objectives

25. The project objectives were to: i) expand existing microenterprises and establish new ones; and ii) build the capacity of both PKSF and its partner organizations to efficiently manage a microenterprise development programme. This not only includes lending services (with improved procedures and skills for borrower selection and risk management), but also complementary non-financial services (as per the President's Report). Notable by its absence was support for the development of beneficiaries' institutions.

26. The objectives were relevant to the achievement of the strategies as elaborated in the National Strategy for Accelerated Poverty Reduction (the Poverty Reduction Strategy Paper) of October 2005. Additionally, the project is very much in line with IFAD's country strategy and its policies. Particular focus has been given to the scaling up of microcredit initiatives to meet the needs of growing microenterprises and small businesses. Since the majority of poor people live in rural areas, promoting the growth of numerous microenterprises in rural and peri-urban settings can contribute to the rural economy with job creation and sustained year-round income. FEDEC was in harmony with other national and internationally funded programmes implemented through PKSF, for example the PROSPER project (Promoting Financial Services for the Poor), funded by the United Kingdom's Department for International Development, complemented with FEDEC scaling up microenterprise lending – an area which has been under-served by microfinance services.

Relevance of design

27. Limited or lack of access to finance is one of the key constraints to the growth of microenterprises in rural Bangladesh. They are served neither by the commercial banks (due to high transaction costs) nor by the MFIs/partner organizations (mostly due to their focus on small lending amounts and traditional payment terms). The project was designed to particularly address this gap. Based on previous smaller scale successes, the FEDEC project scaled up lending and thereby improved access to finance for microenterprises. In addition, microenterprises in Bangladesh, lack information and capacity. Because the capacity of MFIs to provide non-financial services for business growth (training, marketing, technology, etc.) is poor, and non-financial service providers often lack the scale to reach large number of microenterprises, the FEDEC project provided technical support and applied a VCD approach in parallel to access finance for microenterprises.

28. FEDEC also incorporated capacity-building activities in the project for the implementing agency and partner organizations with respect to microenterprise lending. In addition, to make them capable of strengthening microenterprises in value chains, training on VCD for the agency and partner organization staff was an integral part of the project. While capacity was successfully built, due to limited resources, the project had scope to train only a small part of the targeted microenterprises on entrepreneurship and production-related subjects. Though there was a need for non-financial services across all microenterprises, the project did not link up with other non-financial service providers for VCD.

29. The most unrealistic aspect at design was to work with 60 value chains, given the short period of time and that training took up the first two years, leaving four years to deliver. This was later revised downwards with the PKSF team carrying out interventions in 44 value chain sub-projects through partner organizations (covering 30 different types of sub-sectors) but neither the private sector nor partner organizations working on the same sub-sector were included in the implementation to take advantage of creating synergy.

Targeting

30. Micro-enterprises in Bangladesh provide not only sustainable income-earning options for entrepreneurs but also wage employment opportunities for poor people. The poor, mostly landless, depend mostly on agricultural labour which is periodic. While the development of value chains contributed positively towards the call by the Poverty Reduction Strategy Paper to develop entrepreneurship among the poor they were not the key target group. However some progressive partner organizations did, very successfully, take on some microenterprises that were run by the poor and which benefited from expansion.

31. However, there was little evidence to suggest that the "hard core poor" (characterized as suffering from deprivation, having low food security and lacking basic assets such as land) benefited to a significant degree from employment generation. The targeting strategy employed by the FEDEC did not focus on reaching these poorest people and monitoring their inclusion and benefits (as noted in the Project Completion Report (PCR) mission report 2014). Furthermore, the definition of microenterprises kept evolving throughout the project with the criteria applied to assess eligibility for loans becoming variable and not always pro-poor, especially in the backward and forward linkages.

32. The design document highlighted the important role of non-farm, manufacturing, processing sectors in job creation. But in the case of lending loans, a much larger portion still went to the trading business, covering 30 different sub-sectors in the 44 sub-projects financed – which is usually the case in the Bangladesh microfinance sector. Activities that could provide more employment, especially for women, were not particularly promoted, as observed by the PPA team. Nor was there an effort to offer non-traditional opportunities for women. While the majority of borrowers were women, they did not necessarily own or operate the businesses involved and most took the loans on behalf of their husbands/brothers.

33. During the field visit, no special effort was observed being made to target vulnerable groups especially female-headed households. In some of the value chain projects like embroidery, power loom and flower-based activities, women from female-headed households were included but these were certainly not a majority in any microenterprise visited. In fact, embroidery was the only sector observed by the evaluation team in which the entrepreneurs were women who had secured loans and who were also poor (according to APR there are also other sectors). A clearer picture of the types of sub-sectors that would be appropriate for women especially time wise as well as clearer indicators for monitoring could have provided greater opportunities for women and the poor.

34. Indeed, from the range of microenterprises financed it is clear that some partner organizations considerably reduced their risk by financing microenterprises which were outside of the guidelines (also noted in supervision mission reports) and could have accessed loans through formal institutions. Clearly the targeting strategy was not embraced by all partners nor were there any consequences for those partner organizations that did not follow the guidelines. The unanswered question is: was the strategy appropriate to the task or was it a lack of guidance/training of partner organizations coupled with a lack of consequences for those who stepped outside of the guidelines?

35. Relevance is therefore rated as **moderately satisfactory (4)**.

Effectiveness

Objective i) to expand existing microenterprises and establish new ones

36. The overall effectiveness of the project, judged by the number of microenterprises which received loans, can be considered highly satisfactory as it reached the targeted number mid-way through the project. The number of microenterprise borrowers registered an increase of 483,774 (from 79,403 on 29 February 2008 to

563,177 on 31 March 2014 with 67.12 per cent women), against a target of 117,700 (an achievement of 411 per cent). Likewise, the average loan size went up from BDT 59,281 in February 2008 to slightly more than BDT 80,000 in March 2014. The project far exceeded the two critical lending targets, i.e. the number of borrowers and the average loan size/total loan outstanding. With a very high recovery rate of 98.53 per cent (as cited in the PCR), it seems that the microenterprise loan financing service has been able to create a strong foothold and is very likely to continue. However, the project did not appear to put any significant effort into establishing new microenterprises thus reducing its effectiveness against its objectives.

37. The "hard core poor" population does not seem to have benefited as much as those hovering just above the poverty line. While the project monitored employment generation, it was noted during the field visit that the final total included mostly those who were already employed by the microenterprise prior to the project and therefore it is not clear how much actual employment was generated during the project implementation. These figures included the trading sectors covered, a much larger portfolio, which creates little or no wage employment (employing mostly non-paid family members) in contrast to the manufacturing or processing sectors. As no significant effort to establish new microenterprises was put forward, the opportunity to help poor people become entrepreneurs/self-employed was diluted. While the larger portion of the financing went to women, most of the microenterprises were found to be "owned and operated" by men who used their female family members as a conduit to receive those loans (reported in the field and confirmed by PKSF). Therefore, women were not necessarily empowered economically and no data is available on economic benefits to women who were not owners/operators of microenterprises).

Objective ii) to build the capacity of both PKSF and its partner organizations to efficiently manage a microenterprise development programme

38. The project trained and built capacities of PKSF and partner organization officials on microenterprise management, VCD, sub-sector analysis, and environmental and regulatory issues relating to technology and production. Over approximately a two-year period PKSF and partner organization staff received training on VCD followed by the identification of blockages to access for the target group into a range of value chains. Following the training, time left for implementation of microenterprises was reduced to a maximum of four years. Focusing on the blockage points in the value chains (as opposed to creating sustainable linkages with markets) enabled quick wins many of which are unlikely to be sustainable. It appears the implementing project staff took the role of market actors themselves rather than finding/strengthening existing solution providers within the market system. A combination of insufficient capacity-building of PKSF/partner organization staff and the short timeline of six years for such a programme can be said to have hindered effective implementation of the VCD programme. The project design document noted this risk and suggested diverting allocated resources to further train project beneficiaries, however the project continued implementing the VCD projects while also reducing the allocation to the VCD component.

39. The PCR states that the project-financed enterprises were divided into four major categories namely, trade and service, agriculture, and manufacturing and processing. The share of trade in total loan outstanding was the highest (48 per cent), followed by agriculture (25 per cent), services (15 per cent) and basic manufacturing and processing (12 per cent). Use of loans in trade was dominated by small retail businesses, while in agriculture the dominant sub-sector was livestock. Service sector loans were dominated by house construction and small-scale motorized passenger vehicles, while mini garment production dominated the basic manufacturing and processing category. The project revised

down to a completed 44 value chain sub-projects against a set target of 60. An analysis of the value chain sub-projects reveals that an overwhelming majority of them (91 per cent) were in agriculture including crops (flowers, vegetables, rice, bananas), fisheries/crab/prawns and livestock. Under the VCD component, the project encouraged innovations including: a) hatchery establishment to ease the supply constraint of post-larva to prawn farmers in floodplains areas; b) creation of mini-labs at grass-roots level to diagnose cattle diseases; c) diversifying floriculture by introducing high value summer gladiolas, gerbera, china roses, ilium and orchids in Jessore district; and d) fattening/hardening of crabs. For VCD the FEDEC better linked small businesses with input suppliers/service providers and product markets. A total of 15,382 persons, of whom 44.1 per cent were female, directly benefited from the VCD sub-projects.

40. The VCD of sub-projects offered large potential for developing partnerships with the private sector as well as with farmers and producers' organizations. In Bangladesh, the majority of the larger private companies buy products through their agents/traders and not directly from farmers and producers. FEDEC was successful in establishing linkages with large private companies for example Square Pharma (one of the largest pharmaceutical companies in the country) to sell 'basak leaf' to its herbal medicine division. Crabs produced under a FEDEC-supported sub-project have been exported through exporting companies. However, real partnership opportunities, beyond the commercialization of produce, were less exploited. The PPA mission came across one example of a partner organization that successfully facilitated a partnership with private companies (textile, ornaments) for a demand-driven internship programme as well as linkages into the Dhaka markets. Collaboration with the private sector to leverage existing expertise was assessed weak despite the reiterated recommendations by IFAD during supervision missions. This would have been particularly valuable for synergy in the VCD sub-projects where several partner organizations worked on the same sub-sector. Additionally, collaboration among partner organizations working in the same sub-sector was not observed during the field visits. For example, one VCD project planned to introduce prawns with carp while another had established a prawn hatchery. The former was struggling to source prawn larvae but no efforts were made to establish a link with the hatchery.

41. There is now a clear appetite for financing the expansion of microenterprises, including in agriculture and this has been very successful and will be further scaled up in Promoting Agricultural Commercialization and Enterprises Project (PACE).

42. All in all, **effectiveness is rated as satisfactory (5)**.

Efficiency

43. The larger part of the overall project budget (98.6 per cent) was spent on microenterprise lending (table 2) and the project performed very efficiently in this context. As noted earlier, the original funds for microenterprise lending for the total project had been disbursed by mid-term. The recovery rate has been also outstanding providing a solid base for PACE. The cumulative recovery rate of loans given to partner organizations by PKSF was 98.5 per cent, while that of loans given to microentrepreneurs by partner organizations was 99.15 per cent.

44. IFAD-PKSF's eleven-year consolidated partnership and PKSF's in-depth knowledge of financial services, and network of 250 national partner organizations provided FEDEC with a unique opportunity for sharing costs, ownership, trust and knowledge. A broader and comprehensive approach to partnership, involving public and private-producers stakeholders would help improve efficiency by catalysing more private resources in the rural businesses; and by facilitating equitable and sustainable contractual arrangements between producers and the private sector. Positive progress in this regard is expected through a consolidated partnership between PKSF and the Chamber of Commerce under PACE. The VCD component,

while a small financial percentage of FEDEC, was both new and important to the success of the project, hence the lower rating.

45. Efficiency must also be assessed in terms of project implementation, including the time for the loan to become effective, time over-run and management costs. The loan provided to the Government of Bangladesh for FEDEC became effective four months following IFAD's Executive Board approval (from 11 September 2007 to 8 January 2008), which is less than IFAD's global average (12.3 months). The loan proceeds were utilized within the originally prescribed project implementation period without extending the closing date, scoring a 99.65 per cent disbursement rate, indicating high utilization efficiency. Actual programme coordination costs amounted to 0.4 per cent of total costs, compared to 1.6 per cent allocated at programme design, indicating a higher management efficiency than planned at appraisal.

46. In view of the above, **efficiency is rated as satisfactory (5).**

B. Rural poverty impact[3]

Household income and assets

47. There were two distinct target groups in the project: microenterprise entrepreneurs and the "hard core poor" who would benefit from the growth of microenterprises through employment creation. In the case of the microenterprise entrepreneurs, a significant change in income and assets were observed during the assessment. All of them claimed to enjoy a higher income after accessing microenterprise loans and an increase in their asset base. Some of the clear changes in asset bases were home renovation, buying home appliances, motorcycles, agricultural land, etc.

48. However, changes for the second target group, the largest of the two, were much less dramatic. Income of this poorest group could have been enhanced in two ways, through year-round employment and wage increases. In some of the sub-sectors such as embroidery, power-loom, etc. increased year-round wage employment was observed. While this made a positive difference at the household level, earnings could not really be classed as a decent income ranging from BDT 1,500 to 3,000 (US$20-40) per month. On the other hand, some agricultural sub-sectors such as floriculture provided year-round wage employment with better income in the range of BDT 6,000 per month. However, only large farmers could afford this while smaller farmers hired labour only periodically relying on unpaid family members the rest of the time.

49. Microenterprises in manufacturing, processing or the service industry seemed to employ workers year-round with decent incomes ranging from BDT 4,000 (when part-time) to 15,000 per month. However, through the growth of these microenterprises, 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.

50. The PCR states that the mid-term impact study conducted in 2012 revealed that on average a microenterprise employed five workers (full-time and part-time employment combined), while the final outcome survey put this figure at 5.5

[3] PKSF commissioned two external studies to capture the impact of the FEDEC project. The first study was conducted by Micro-industry Development Assistance Society (MIDAS) in 2012 and is known as the mid-term impact study. The second study was conducted by Environment, Agriculture and Development Services (EADS) in 2014 soon after phasing out of the project and is known as the final outcome survey. Both the studies investigated a randomly selected sample of 510 borrower microentrepreneurs involving 51 branch offices of 35 partner organizations. The second study was intended to investigate the same 510 respondents covered in the first study. However, because of drop out, the second study could only include 340 respondents of the first study. The remaining 160 respondents were randomly selected applying similar criteria such as meeting the minimum three loan takeout threshold and belonging to the same partner organization and same branch office.

workers. A comparison between the two surveys reveals that the supply of full-time and part-time workers from household members increased by 4.8 per cent and 23.1 per cent respectively, while hired full-time and part-time employees increased by 12.1 per cent and 12.6 per cent, respectively. There was a 10.9 per cent increase of workers (male and female workers combined). The increases for male and female workers were 9.7 per cent and 23.1 per cent respectively.

51. In sum, the **impact on household incomes and assets is rated as moderately satisfactory (4).**

Human and social capital and empowerment

52. The project imparted entrepreneurship and production-related training to a limited number of project beneficiaries. Some of the sub-sectors the project worked on were focused within smaller geographical boundaries and thereby benefited through the cluster approach. Examples are embroidery and power-loom work where both enterprises and workers seemed to develop some strong social capital. In power-loom enterprises men dominate the microenterprise segment, while women dominate in embroidery.

53. In both sub-sectors, the majority of paid workers are women and the work is carried out in groups and offers interaction and discussion on social matters. In other subsectors the project worked with, female workers were mostly unpaid family labour and didn't seem to have direct control over income or social interaction. Hence, selecting sub-sectors that offer empowerment opportunities is very important.

54. As reported by many surveyed borrower microentrepreneurs, there were noticeable improvements in living conditions manifested in quality of family food and better access to health and education services. An overwhelming majority of microenterprise borrowers are women, many of whom successfully mediated their way to credit to access other resources and strengthen their voices in family decision-making. FEDEC's contribution to increasing mobility and participation of women was clear.

55. The project did not work on group development or supporting producers to form farmers' organizations, cooperatives or associations to raise their voice, bargaining power, or improve social capital. In reality, the project design team and PKSF actively avoided this approach in the light of past failures. In some areas, partner organizations formed groups for ease of work but not to address the above issues.

56. As impact was overall positive but, according to the evaluation team, more could have been achieved in terms of social capital, **impact on human and social capital and empowerment is rated as moderately satisfactory (4)**.

Food security and agricultural productivity

57. With clear evidence of increased incomes, the families of the microenterprises are more likely food secure. However, the well-planned selection of microenterprises and respective value chains employing more poor people could have increased food security for a greater amount of people.

58. Financing in microenterprises in agricultural sectors within or beyond any value chain projects showed agricultural productivity improvements. It was also noted that women entrepreneurs put a high priority on saving to purchase land for cultivation.

59. A key cultural challenge for female-headed households is that working the land is traditionally undertaken by men. The project did not see it as its role to encourage any change in this even to bring about greater food security for poor female-headed households.

60. In light of the above, **impact on food security and agricultural productivity is rated as moderately satisfactory (4).**

Natural resources, environment and climate change

61. To address these domains PKSF developed and distributed training material on issues and regulation relating to the environment and carried out an environmental audit assessing the level of compliance of microenterprises with these guidelines. Among them were instructions on the reduction of environmental pollution by small and medium enterprises.

62. While FEDEC's soil-testing and training activities have brought about reduced usage of chemical fertilizer in flower production fields, FEDEC/PKSF has also implemented a sub-project on the development of safe vegetable production; much of which has not yet been adopted by producers.

63. Some of the sub-sectors or microenterprises used recycling methods which reflect the promotion of conservation of natural resources. However, in the vast majority of cases, environmental aspects were not taken into account as such. Some sub-sectors promoted organic fertilizers (basically cow manure), vermi-compost, etc., but efforts to reduce use of chemicals was not observed. Agricultural farms are still using chemical fertilizers and crop protection as before and hence, use of 'organic matter' helped improve productivity but did not address environmental concerns.

64. Some of the manufacturing microenterprise units visited showed no awareness about the hazards of toxic gases, noise, etc. despite being located in peri-urban areas, often in the middle of housing with some operating 24 hours per day. Some efforts at health and safety were made in that most employees wore masks and gloves. Climate change adaptation measures seemed not to be taken into consideration.

65. The domain of natural resources, environment and climate change requires urgent attention particularly in relation to the health of employees and local residents.

66. In view of the moderate efforts and success by the project to reduce environmentally harmful activities in the supported microenterprises, **impact on natural resources, environment and climate change is rated as moderately satisfactory (4).**

Institutions and policies

67. One significant success arising from the project is that microenterprise financing through partner organizations has been tested and institutionalized. The growth of this service through the project is enormous and this is a significant shift (or expansion of client type) of the MFI's previous policy where small borrowers were the main target. The cap and definition of the microenterprise loan evolved during the project period and it is understood that with a changed market scenario this is likely to happen in future as well. Currently this would imply that some larger microenterprises would benefit although there is also the opportunity to include microenterprises of the active rural poor.

68. For non-financial services, partner organizations mostly use public services in addition to providing direct services to the beneficiaries. Public services have resource limitations. Hence, the project efforts and resource allocations to get public services for those targeted people seem very much project-driven. Without an external "push", the services will remain the same as they were before with very limited coverage.

69. The project has considerably developed the capacity of the 159 partner organizations that are able to fully cover their operational and financial costs from microfinance income. The partner organizations created a separate microenterprise cell at head office to manage the loan operations at branch level. However, only a few partner organizations have the skills and financial resources to take the

financing and development of such sub-projects forward after the completion of FEDEC, while cost subsidies provided by FEDEC could be covered by sub-project beneficiaries. The training budget in FEDEC was insufficient. However with the implementation of PACE there is an opportunity to fill this gap.

70. In most VCD projects, the partner organizations were rarely successful in creating sustainable linkages with private sector actors, particularly partnerships going beyond purchasing of produce. Often, they were simply unaware they existed or lacked capacity to undertake them (see annex VII for different cases). Once problems or opportunities were identified individual responses were found rather than a market-based solution. Hence, the changes they brought about within the VCD projects were rarely institutionalized or sustainable.

71. PKSF undertook advocacy for privatization of livestock vaccines (90 per cent of the vaccines are controlled by Government) with respective Government departments. This is one clear area where the project worked hard to change existing policy.

72. As noted earlier the project did not promote the formation of farmers' or producers' groups. Past experience has shown that once formalized and successful such associations or cooperatives may be taken over by the local elite wishing to reap the benefits.

73. Impact on institutions and policies is rated as **moderately satisfactory (4)**.

C. Other performance criteria

Sustainability

74. The high recovery rate of the microenterprise lending component of the project makes it very likely that PKSF and partner organizations will continue providing the service. In addition, since microenterprise lending also reduces the transaction costs (bigger loan size compared to microcredits) the growth of microenterprise clients in the overall portfolio of each partner organization is likely to increase. Hence, the financial service for the target group can be considered sustainable.

75. However, the picture for the non-financial services is not as bright. Entrepreneurship and production training was provided through project funding and was part of the project design. Continuation of such services along with other business development services (e.g. skills, access to market, technology, etc.) was envisaged to be introduced through VCD projects in a sustainable manner. Almost all the VCD projects, mainly due to lack of clear understanding, started providing these services themselves. In many instances, they brought in public service providers by offering an honorarium to provide skill trainings. Hence, once the project ends service provisions are likely to revert to how they were before.

76. However, some partner organizations were found to keep providing services (annex VII, case 1) but not on a business basis so that there was lack of financial incentive for the partner organizations to continue. It seems that partner organizations, aware of the potentially upcoming PACE, were continuing to providing services. In some cases, partner organizations absorbed the VCD project staff into their other ongoing programmes as the VCD project ended.

77. The partnership that was developed with the Bangladesh Agricultural Research Institute provided critical inputs for mung bean production which increased production significantly. Unfortunately, no effort was made to get this product into the private sector for production and distribution so that following the closure of FEDEC these inputs are no longer available to the producers. Thus these linkages had only short-term benefits due to not addressing the full value chain but only isolated blockages.

78. The integration of the private sector in an efficient and sustainable manner in the VCD projects was hardly visible. The design document provided several references to private sector development projects in Bangladesh and examples of how a

private sector-led approach can impart sustainable changes but the project failed to unlock this potential.

79. PKSF is committed to the sustainability of the microenterprise approach developed under FEDEC through its continued financing to, and supervision of, partner organizations. PACE also provides a great opportunity to consolidate the innovations introduced, particularly seasonal loans. It is felt that stronger technical assistance to smallholders to ensure they can benefit from partner organizations' financial services and graduate to microenterprise is required. To this end, collaboration with the Ministry of Agriculture for the provision of extension services to farmers; the strengthening of producer organizations and their network with private companies for inputs and relevant technical assistance, would facilitate the long-term sustainability of targeted value chain.

80. Considering that FEDEC focused largely on financial services, overall sustainability is rated as **moderately satisfactory (4)**.

Innovation and scaling up

81. The project took an innovative approach in targeting the poor by addressing the financing needs of the less-poor who are operating microenterprises with potential to expand. A key assumption was that the microenterprises would employ more poor people as they grew.

82. In VCD projects, some technology innovation in the local context was observed. Examples are improved mung bean production technology, expanding high value and more labour-intensive flower production, prawn culture with fish, etc. However, the way in which these innovations were introduced leaves room for improvement. In many cases the partner organizations introduced the technology themselves without creating a sustainable supply source as well as technical information.

83. The way the VCD projects were implemented, there is little prospect of growth of innovations introduced unless external project support is given. As the projects were implemented by the partner organizations with little engagement of the private sector, the dissemination of technology will be very slow and will depend on the beneficiaries ensuring their own supply. Crowding-in by other private businesses is unlikely as no private enterprises were included during the implementation. It is worth mentioning here that the PCR refers to working with a few private enterprises but as observed, the partner organizations promoted technology/products from those private enterprises within the projects without any direct involvement of these enterprises. A safeguard for these entrepreneurs would have been to focus on institutional development and the forming of legal companies to protect from takeovers by elite groups. This in turn should be supported by business development services such as negotiation skills, book-keeping, and legal responsibilities.

84. FEDEC has promoted the introduction of new financing products (seasonal loans); as well as new varieties of crops (summer tomatoes, mung beans; gerbera, rose and gladiolas flowers, prawns, catfish) in areas where they were not produced before. PKSF has documented some of these innovations and has trained partner organizations to diversify their financing products. However, the absence of real partnerships with the private sector undermines potential for scaling up. Lessons learned from FEDEC are being built on through the recently approved project, PACE (US$80 million) to further develop value chain linkages and entrepreneurship in Bangladesh.

85. Innovation and scaling up is rated as **moderately satisfactory (4)**.

Gender equality and women's empowerment

86. As mentioned before, the majority of loan recipients (67.1 per cent of 483,774 borrowers, a total of 324,612) are women. Notwithstanding the fact that most of

them were used as a conduit by their male counterparts, many successfully mediated their own way to credit to gain access to other resources and strengthen their voices in family decision-making. FEDEC's contribution to increasing mobility and participation of women cannot be underestimated. One out of the eight microenterprises visited during the assessment was being run by women even though microenterprises and value chains seemed not to be selected with conscious efforts to ensure gender equality. Some microenterprises and value chains clearly show better scope for achieving gender equality and if conscious efforts were made, a more women-centred project could be designed.

87. One partner organization took a well-considered risk in financing a few small microenterprises owned and operated by poor women. This is significant as they were largely ignored as potential candidates for financing and similar strategies need to be adopted in PACE if women and the poor are to benefit. Another opportunity that had not been considered as possible by the implementers (PKSF or partner organizations) was to take the microenterprises that showed quality and to target upgrading their skills to reach a higher market. Some of these microenterprises were weaving wool and therefore their products were seasonal meaning low return in summer. No consideration was given to using lighter threads (cotton, silk, etc.) to enable new product development that would give better returns throughout the year.

88. Gender equality and women's empowerment is rated as **moderately satisfactory (4)**.

D. Performance of partners

IFAD

89. IFAD has developed a strong and trusting relationship with PKSF. The project design document was very comprehensive while maintaining flexibility. In addition, the supervision and mid-term review missions identified flaws and made appropriate recommendations. The project also accommodated changes where necessary such as the inclusion of "lateral entry", etc. Project Status Reports recorded timely and focused recommendations especially with regard to the need to expand partnerships with the private sector.

90. IFAD adopted a very pragmatic approach to allow for flexibility in the selection of microenterprises to benefit from loans. In practice, and in the majority of cases, this led to excluding the poorest from the benefits of the project. However, this approach has provided valuable lessons in preparation for the implementation of PACE. While supervision reports provided good sound recommendations many of these were not followed up in the detail required for such a new venture as VCD.

91. While many of the recommendations were adopted by PKSF, some key ones were overlooked. Supervision and review missions repeatedly recommended collaborating with other relevant projects but this didn't happen.

92. There is evidence that with careful planning and targeting, and the provision of information and technical assistance there is no reason why microenterprises operated by the poor should not be targeted.

93. IFAD needs to show a stronger presence to facilitate development of key partnerships with other relevant programmes, including those funded by IFAD and implemented by the Ministry of Agriculture and LGED, as well as with bilateral donors to exploit synergies and cofinancing. IFAD fulfilled its responsibilities in providing sound supervision and new opportunities for the Government to meet its poverty reduction targets. This included two loan amendments on 1 January 2010 and 1 July 2012 for a reallocation across some categories to support implementation.

94. The performance of IFAD is rated **satisfactory (5)**.

Government

95. The Government of Bangladesh had overarching responsibility for the project, represented by the Ministry of Finance as the "Borrower". PKSF was appointed as the lead project agency responsible for project implementation, thus the Government's role was more facilitative. PKSF ensured to FEDEC access to relevant expertise in microfinance and a high domestic cofinancing rate, both directly (US$57 million, or 61 per cent of the cost of the project) and indirectly through in-kind contributions (i.e. staff, transport) made by the 159 partner organizations involved. The domestic cofinancing was exemplary given its increase of just over US$35 million during the project's lifetime.

96. Project staff at PKSF regularly conducted field visits to the project area where they have strong relationships with partner organizations and provided valuable support, oversight and guidance.

97. The government also provided reports, e.g. audit reports, as required in a timely manner. The PCR was of a reasonable standard but not as candid as it should have been on areas such as gender, targeting and natural resource management.

98. As indicated during debriefing with PKSF, partnership with bilateral donors and their supported programmes to exploit complementarities remains a challenge. Strictly defined and focused bilateral agendas represent a bottleneck to collaboration. Both during debriefing with Katalyst and the Bangladesh Country Programme Evaluation team it was noted that inter-project collaboration with FEDEC was weak.

99. PKSF's monitoring and evaluation system needs to be improved and expanded with their new role in enterprises development and value chains. Improvements related specifically to enterprise loans should also record who owns and operates the enterprise so as not to misrepresent the actual numbers of female-led microenterprises. For PACE the system also needs to record the number of employees prior to an microenterprise loan under the project and again at completion of the project so that job creation can be correctly reported. It also needs to reflect a more qualitative approach i.e. on gender equality, women's empowerment, and number of poor who access full-time paid employment.

100. PKSF selection of proposals did not take into account key criteria like the impact on women's empowerment and benefits to the poor. Some responsiveness by PKSF to take on supervision mission recommendations may have improved ratings on gender and partnership with the private sector.

101. The **PCR** was satisfactory in scope if not always in quality. Challenges focused around issues of monitoring and evaluation. In particular no baseline (or data during implementation) was recorded regarding employment of the poor. In terms of gender equity, men operating enterprises receive their loans through women (i.e. mother, wife, sister) and as such are recorded as microenterprise loans to women which does not reflect the reality. While there may be empowerment processes for women through this practice there needs to be a clearer differentiation as the current statistics are misleading.

102. The PCR noted a wide range of lessons learned with the exception of improving data collection and evaluation and establishing appropriate indicators for the VCD aspect and for reaching target groups. There is also a need to focus on the outcome/impact side of these investments in reporting.

103. Given the strong performance of the PKSF and enabling support by the Ministry of Finance, the performance of the Government is rated **satisfactory (5)**.

E. Overall project achievement

104. The **project was effective in achieving its goal** as far as access to finance for microenterprises is concerned in terms of stimulating growth at this level. FEDEC

successfully closed the gap in financing for the mesa level that had fallen between MFIs and commercial banks. It is, however, unclear if the poor benefited from employment creation and in reality there was little impact on the economic empowerment of women apart from a few exceptions.

105. FEDEC reached 100 per cent of its physical targets in the microfinance services component and there has been evidence of the positive impact of combining access to finance, technology transfer, value chain structuring, and training and new market development.

106. PKSF introduced training on environment and regulatory issues related to microenterprises for PKSF and partner organizations' staff. Unfortunately this was not followed-up proactively with the microenterprises except for perhaps in the flower sub-sector (which was mainly done with larger microenterprises that had greater experience). Training was also provided for PKSF and partner organizations staff on microenterprise lending.

107. Results have shown a large increase in the production of nutrient-rich fish and some positive impact in terms of quality and quantity intake within the target households.

108. The PKSF team identified the different sources of mola brood fish, found innovative ways to transport live fish from different sources and then introduced them into ponds and water bodies of beneficiary households. The targeted households were trained on how to best cultivate the mola, in particular how to limit the harvest in order to save enough fish to ensure breeding without having to transport more breeding fish into their ponds and water bodies.

109. Both the PKSF and partner organizations should be more proactive in facilitating more sustainable and equitable contractual agreements between supported producers and other value chain stakeholders. This would be strengthened if enterprises (producers/processors) were encouraged and supported to formalize into legal entities.

Key points

- Design assumptions for the poor benefiting by FEDEC were overestimated and were not a focus in implementation to ensure benefits flowed to them;
- Targeting and gender strategies should be clearer and, within reason, adhered to by partner organizations and monitored by PKSF;
- Indicators need to be better defined to ensure they are measuring what is needed, especially in relation to benefits to the poor and women's empowerment;
- The active poor should receive increased opportunities and be included as a target group for microenterprise financing;
- Critical financing gap for microenterprises has been addressed;
- Training and capacity-building was provided but should be increased for microenterprise formalization and the building of institutions and organizations to engage with markets in relation to value chain access and development;
- 44 value chains were supported which surpassed the project's capacity;
- Six years is too short a timeframe to achieve sustainable results for such an ambitious project;
- Insufficient funds were allocated to the VCD component and non-financial services for partner organizations and microenterprises;
- 159 partner organizations worked with PKSF in implementation.

IV. Conclusions and recommendations

A. Conclusions

110. PKSF is a long-term key strategic partner for IFAD in Bangladesh as the leading institution for its work in microfinance and has previously been evaluated on this aspect. This PPA primarily focused on the provision of financing for micro enterprises and VCD. As these features were new and required a large learning curve it should be noted that while some ratings are lower than in some previous evaluations, they reflect the challenges in applying innovative features.

111. It is essential to ensure that the IFAD target group (rural people living below the poverty line) are included as recipients of benefits. The assumptions made at design and the targeting strategy of FEDEC did not focus on the "hard-core poor", the largest target group according to project design documents, nor was implementation of FEDEC targeting guidelines across the partner organizations consistent. The flexible targeting approach, while useful, should not have allowed for any microenterprise eligible for commercial financing, to benefit from FEDEC financing. Neither should opportunities for new microenterprises of the poor have been excluded.

112. The project performed well in filling the gap in the financial market by reaching microenterprises with appropriate loan products. The project identified microenterprise clients for loans and reached around four times the project target. It also shows a sustainable growth prospect of such financial services.

113. IFAD has many mechanisms in place to ensure flexibility of the projects it supports and answer to new needs that emerge during the implementation. But the allocation at design of 5.1 per cent to develop 60 value chains, provide non-financial services and for institutional strengthening was too little to meet the challenge. As noted under efficiency this was further reduced to 0.9 per cent of actual costs. It would have been helpful to reduce the number of value chains to a maximum of 15 during the pilot while increasing expenditure for specialized technical assistance in each value chain.

114. The selection of microenterprises is critical to help increase job opportunities for the rural poor, particularly women. The project's success in this case has been limited given observations and discussions in the field. Additionally, due to inadequate monitoring/indicators on employment creation, no meaningful results are available to assess the impact in this area. Monitoring and evaluation on the lending to microenterprises was however very good. The careful and well-assessed selection of microenterprises would need to be a priority to ensure that employment creation goes to the specified target group. It would appear that most microenterprises either used free family labour for increased production or that the microenterprises were in sectors outside of the reach of the poor – particularly women.

115. Neither PKSF/partner organizations nor IFAD have developed a clear and consistent understanding/definition on value chains and access to them or the importance of collaborating with partners either in the private sector or through private sector development projects. A particular concern here is that a clear strategy needs to be articulated that addresses targeting, access points, access to technical assistance (including from partners in the value chain), options for inputs and outputs, geographical coverage and, most importantly, sustainability.

116. The partnership dimension of FEDEC strongly impacted on all the dimensions assessed by IOE. At the design stage, the identification of PKSF as the implementing partner has ensured the strong performance of the project especially in its microenterprise financing component; as well as preparing for scaling up of innovations.

117. However, a joint design with representative(s) of the private sector would have laid the ground for stronger partnerships during project implementation, a more thorough understanding of how they work, and greater sustainability. During implementation, some partner organizations and PKSF established strategic partnerships with research institutes for the provision of agriculture inputs (fertilizers, improved seeds, prawn larvae). However, linkages to take the production of these inputs into the private sector were not considered for ongoing access by the microenterprises. Efforts to engage with the private sector to leverage expertise and expand market opportunities were weak under the VCD component. Efficiency remains a critical issue of partnership development as this requires long-term investment.

118. It was noted that all farmers sell their products individually in local markets and that the project did not provide support to create, strengthen and empower grass-roots organizations engaged in marketing of agricultural produce.

119. In March 2014, an IFAD mission identified strengthening farmers' organizations in the country as a top priority to address value chain bottlenecks and economic growth. PACE should collaborate with the IFAD-supported regional ASEAN Farmers' Organisations Support Programme in farmers' organizations (i) capacity-building, (ii) participation in policy processes, and (iii) participation in agriculture development programmes.

120. Very few partner organizations recognized the significance of providing for ongoing business support services to this new client group which may impact negatively on their future success. Also as noted under 'Gender equality and women's empowerment' both gender equality and empowerment are possible together with microenterprise development in value chains. Other ministries or non-governmental organizations may be able to fill these gaps and therefore such partnerships should be a priority.

121. While the partner organizations have expertise and experience in providing financial services, they lack experience in providing non-financial services. Short-term training or capacity- building to enable them to directly provide or indirectly access (e.g. through VCD) such services for their clients are not likely to work in the short run. For this, the partner organizations and PKSF should work hand-in-hand with other relevant projects or take long-term backstopping supports from experts.

B. Recommendations

122. **Targeting.** PACE, based on lessons from FEDEC, should provide start-up capital to first generation ultra-poor (those immediately below the poverty line) with specific mechanisms and tailored financial products/non-financial services that would reduce risks in working with this target group. In addition, more careful selection criteria for microenterprise lending should be adopted and monitored carefully with priority to those working in sub-sectors with higher potential for employment generation and gender balance. This will require clear monitoring and evaluation of activities that include impact/outcome indicators linked to other services. The geographic focus should be in the poorest areas of the country, to increase the probability that more of the poor can benefit from employment creation.

123. **Business/non-financial services.** PACE should have a clear strategy on how to develop the business/non-financial service markets around the selected value chains. Value chain constraints to growth are often linked with lack of, or poor, service provisions either from within the chain (in embedded form) or from lateral provisions. The importance of embedded service provisions in agricultural sectors in Bangladesh cannot be underestimated as poor farmers can hardly afford an information service on a fee basis. 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 facilitation activity with a clear exit plan.

124. **Value chain development.** Learning from FEDEC, PACE should refocus on a smaller number of pro-poor value chains as opposed to the 30 value chains foreseen. This also means that a simple view to VCD is not sufficient and assessments must identify not just blockages to access markets but all linkages related to input/output policies that may impact negatively on sustainability.

125. **Institutions.** In the development of enterprises and accessing value chains it is essential to develop them (producer/processor groups) into formal institutions and in the context of Bangladesh clear support should be given for these groups to form into companies. Such a process will strengthen their knowledge, roles and responsibilities to engage in business for further profit and/or expansion and will avoid potential elite capture. Support to farmers' organizations could play a vital role by giving members improved access to market, information, and agricultural technologies, and related services and public goods.

126. **Partnerships.** PACE should place a high priority on developing a wide range of partnerships to leverage expertise, access and wider benefits to IFAD-supported projects. For example, they should partner with other IFAD-supported programmes in the country (implemented by the Ministry of Agriculture; and by LGED as well as with IFAD-supported regional programmes to support farmers' organizations. As PACE aims at the development of 30 value chains, they should leverage on these partnerships with other relevant programmes. In particular, they should leverage their expertise and links with private companies that are involved in those programmes and are interested in undertaking joint market assessments, trainings and expanding access to the market for the microenterprise.

Rating comparison

Criteria	*IFAD-Programme Management Department(PMD) rating*[a]	*PPA rating*[a]	*Rating disconnect*
Project performance			
Relevance	5	4	-1
Effectiveness	5	5	0
Efficiency	5	5	0
Project performance[b]	**5**	**4.7**	**-0.3**
Rural poverty impact			
Household income and assets	5	4	-1
Human and social capital and empowerment	4	4	0
Food security and agricultural productivity	Not rated	4	Not rated
Natural resources, environment and climate change	4	4	0
Institutions and policies	5	4	-1
Rural poverty impact[c]	**4**	**4**	**0**
Other performance criteria			
Sustainability	5	4	-1
Innovation and scaling up	5	4	-1
Gender equality and women's empowerment	5	4	-1
Overall project achievement[d]	**5**	**4**	**-1**
Performance of partners[e]			
IFAD	5	5	0
Government	5	5	0
Average net disconnect			**-0.50**

[a] Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.
[b] Arithmetic average of ratings for relevance, effectiveness and efficiency.
[c] This is not an average of ratings of individual impact domains.
[d] This is not an average of ratings of individual evaluation criteria but an overarching assessment of the project, drawing upon the rating for relevance, effectiveness, efficiency, rural poverty impact, sustainability, innovation and scaling up, and gender.
[e] The rating for partners' performance is not a component of the overall assessment ratings.

Ratings of the project completion report quality

	PMD rating	*IOE rating*	*Net disconnect*
Scope	6	5	-1
Quality (methods, data, participatory process)	5	3	-2
Lessons	4	4	0
Candour	5	4	-1
Overall rating of PCR	5	4	-1

Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory; n.p. = not provided; n.a. = not applicable.

Basic project data

				Approval (US$ m)		Actual (US$ m)	
Region	Asia and the Pacific		Total project costs	57.78		314.74	
Country	Bangladesh		IFAD loan and percentage of total	35.00	61.6%	35.67	11.3%
Loan number	725-BD		Borrower	22.02	38.1%	57.06	18.1%
Type of project (subsector)	Rural finance		Cofinanciers (partner organizations)	0.70	1.2%	222.01*	70.6%
Financing type	Loan		Beneficiaries	0.06	0.1%		
Lending terms*	Highly Concessional						
Date of approval	11-12 September 2007						
Date of loan signature	10 October 2007						
Date of effectiveness	08 January 2008						
Loan amendments	1 January 2010		Number of direct beneficiaries			563 177 (not including drop outs)	
Loan closure extensions							
Country programme managers	Nigel Brett Thomas Rath Hubert Boirard (Current)		Loan closing date	30 September 2014			
Regional director(s)	Tom Elhaut Hoonae Kim (Current)		Mid-term review	1 – 20 December 2010			
Project performance assessment lead evaluator	Louise McDonald		IFAD loan disbursement at project completion (100 per cent)				
Project performance assessment quality control panel	Ashwani Muthoo Mona Bishay		Date of project completion report	22 July 2014			

Source: President's report; PCR; * partner organizations including beneficiaries; Loans and Grants system LGS

* There are four types of lending terms: (i) special loans on highly concessional terms, free of interest but bearing a service charge of three fourths of one per cent (0.75 per cent) per annum and having a maturity period of 40 years, including a grace period of 10 years; (ii) loans on hardened terms, bearing a service charge of three fourths of one per cent (0.75 per cent) per annum and having a maturity period of 20 years, including a grace period of 10 years; (iii) loans on intermediate terms, with a rate of interest per annum equivalent to 50 per cent of the variable reference interest rate and a maturity period of 20 years, including a grace period of five years; (iv) loans on ordinary terms, with a rate of interest per annum equivalent to one hundred per cent (100 per cent) of the variable reference interest rate, and a maturity period of 15-18 years, including a grace period of three years.

Terms of reference

I. Background

1. The Independent Office of Evaluation of IFAD (IOE) will undertake a project performance assessment (PPA) of the *Finance for Enterprise Development and Employment Creation (FEDEC) Project*. The PPA is a project-level evaluation aiming to: (i) provide an independent assessment of the overall results of projects; and (ii) generate findings and recommendations for the design and implementation of ongoing and future operations within the country. It will also provide useful evidence for the Bangladesh Country Programme Evaluation (CPE) by IOE in 2014-2015.

2. In this instance, the PPA will be conducted within the context of a CPE and thus will build on the desk review notes that were prepared for the Bangladesh CPE. A PPA includes a country visit to complement the Desk Review findings and fill in information gaps identified in the review of the Project Completion Report (PCR).

3. The PPA applies the evaluation criteria outlined in the IFAD Evaluation Manual and is conducted in the overall context of the IFAD Evaluation Policy (2011).[1] In view of the time and resources available, the PPA is generally not expected to undertake quantitative surveys. The PPA rather adds analysis based on interviews at IFAD headquarters, interactions with stakeholders in the country including project beneficiaries, and direct observations in the field. As such it relies necessarily on the data available from the project monitoring and evaluation system.

4. **Country context.** Bangladesh is one of the most densely peopled countries in the world, with a population density of 1,174 inhabitants per sq.km in 2011. Regular extreme weather events, such as floods and cyclones, make the country extremely vulnerable to natural hazards transforming into natural disasters. The last decade has seen significant economic growth, with an average of 6 per cent per annum. The key economic drivers have been inward remittances and exports consisting of mostly textiles, garments and shrimp. Bangladesh is classified as a low-income country with a GNI per capita of US$840.

5. Significant progress has been made on poverty reduction over the last two decades with the percentage of the population living below the national poverty line declining from 48.9 per cent in 2000 to 31.5 per cent in 2010. However, the northwest of the country and central northern parts of the region are subject to poverty, affected by droughts, soil erosion and seasonal flooding. The country is expected to reach the MDGs on halving extreme poverty by 2015 and on course to meet the 2015 target for infant and child mortality.

6. **Project description**. FEDEC as a national project had the overall goal to contribute to economic growth in order to increase employment opportunities and reduce poverty. Thus it would be making a direct contribution to the overarching goal of the Bangladesh Poverty Reduction Strategy Paper for pro-poor growth. This was to be achieved through the immediate project objective of expanding existing, and establishing new, microenterprises. The project was to be implemented over a six-year period.

7. **Outputs**. The project outputs envisaged were: (i) increasing lending by PKSF partner organizations to microenterprises, so providing the capital these small businesses require to invest in expansion; (ii) improving access of microenterprises to complementary business development and value chain services, to enable expanding businesses to tap new markets and add greater value to the goods and services that they supply; and (iii) influencing, through project outcomes,

[1] Evaluation manual: http://www.ifad.org/evaluation/process_methodology/doc/manual.pdf;
Evaluation Policy: http://www.ifad.org/pub/policy/oe.pdf .

enterprise development policy and lesson learning. This will contribute to policy development and identify how support should be provided in future.

8. **Project components**. The project had three components and was to be implemented over a six-year period.

   i. **Microfinance services** involving savings and credit services for microenterprises;

   ii. **Value chain development services** to improve access to markets and build the capacity of small businesses; and

   iii. **Project management and coordination**.

II. Methodology

9. **Objectives.** The main objectives of the PPA are to: (i) assess the results of the project; and (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in Bangladesh and other IFAD projects.

10. **Scope**. The PPA will take account of the preliminary desk review and issues emerging from interviews at IFAD headquarters, and a focused mission to the country for the purpose of generating a comprehensive, evidence-based evaluation. Relying on **available** documentation, the PPA will not need to examine or re-examine the full spectrum of programme activities, achievements and drawbacks, but will focus on selected key issues. Furthermore, subject to the availability of time and budgetary resources, due attention will be paid to filling in the evaluative information gaps of the PCR and other project documents.

11. **Evaluation criteria.** In line with the evaluation criteria outlined in IOE's Evaluation Manual (2009), added evaluation criteria (2010)[2] and IOE Guidelines for Project Completion Report Validation and PPA (January 2012), the key evaluation criteria applied in this PPA will include:

   a) **Relevance,** which is assessed both in terms of alignment of project objectives with country and IFAD policies for agriculture and rural development and the needs of the rural poor, as well as project design features geared to the achievement of project objectives;

   b) **Effectiveness,** which measures the extent to which the project's immediate objectives were achieved, or are expected to be achieved, taking into account their relative importance;

   c) **Efficiency,** which indicates how economically resources/inputs are converted into results;

   d) **Rural poverty impact,** which is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions. Five impact domains are employed to generate a composite indication of rural poverty impact: household income and assets; human and social capital and empowerment; food security and agricultural productivity; natural resources, environment and climate change; and institutions and policies;

   e) **Sustainability,** indicating the likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life;

[2] Gender, climate change, and scaling up.

f) **Pro-poor innovation and scaling up,** assessing the extent to which IFAD development interventions have introduced innovative approaches to rural poverty reduction and the extent to which these interventions have been (or are likely to be) replicated and scaled up by government, private sector and other agencies;

g) **Gender equality and women's empowerment.** This criterion is related to the relevance of design in terms of gender equality and women's empowerment, the level of resources committed, and changes promoted by the project;

h) **The performance of partners,** including the performance of IFAD and the Government, will be assessed, with a view to the partners' expected roles and responsibilities in the project life cycle.

12. **Data collection.** The PPA will build on the initial findings of the Desk Review. In addition, interviews with relevant stakeholders will be conducted both at IFAD headquarters and in Bangladesh. During the mission, additional primary and secondary data will be collected in order to reach an independent assessment of performance and results. Data collection methods will mostly include qualitative participatory techniques. The methods deployed will consist of individual and group interviews with beneficiaries and implementing partners, as well as direct observations. The PPA will also make use – where applicable – of additional data available through the programme's monitoring and evaluation system. Triangulation will be applied to verify findings emerging from different information sources.

13. **Stakeholders' participation.** In compliance with the Evaluation Policy of 2011, the main programme stakeholders will be involved throughout the PPA. This will ensure that the key concerns of the stakeholders are taken into account, that the evaluators fully understand the context in which the programme was implemented, and that opportunities and constraints faced by the implementing institutions are identified. Regular interaction and communication will be established with APR and with the Government of Bangladesh and relevant local authorities. Formal and informal opportunities will be explored during the process for the purpose of discussing findings, lessons and recommendations.

III. Evaluation process

14. In all, the PPA will involve five phases: desk work; country work; report drafting and peer review; receipt of comments on the draft PPA report from APR and the Government; and the final phase of communication and dissemination. The main achievements and lessons from the PPA will also be included in the final Bangladesh CPE.

15. **Desk work phase**. The desk review will provide initial findings and identify key issues to be investigated by the PPA.

16. **Country work phase.** The PPA mission is scheduled for 22 October to 2 November (inclusive) 2014. Mission members will interact with relevant key Government officials, local authorities, key stakeholders/partners, project staff (where possible) and beneficiaries. At the end of the mission, a brief will be provided to the IFAD partner ministry(ies) as part of the wrap-up meeting in Dhaka for the CPE, to summarise the preliminary findings and discuss key strategic and operational issues. As per the Evaluation Policy the CPM is expected to be personally present at the wrap-up meeting. The PPA team will also visit a range of locations, including where another IFAD project, Market Infrastructure Development in the Charland Regions Project to identify key synergies between them.

17. **Report drafting and peer review.** At the conclusion of the field visit, a draft PPA report will be prepared and submitted through the Lead Evaluator to IOE for internal peer review for quality assurance.

18. **Comments by APR and the Government.** The PPA report will be shared with simultaneously with APR and the Government of Bangladesh for comments. The draft report will be sent to the Ministry of Finance in Dhaka, as the main coordinating Ministry in Bangladesh for IFAD as well as being the Lead Agency for the Project. The Ministry of Finance would share the draft report with concerned authorities for their review, and transmit to IOE the Government of Bangladesh's consolidated written comments. IOE will finalise the report following receipt of the Government's and APR's comments.

19. **IFAD Management Response**. Following the finalization of the report an IFAD Management response is required and will be included in the report prior to publishing the document.

20. **Communication and dissemination.** The final report will be disseminated among key stakeholders and the evaluation report published by IOE, both online and in print.

IV. Key issues for further analysis

21. Based on the Desk Review the proposed areas for further analysis to enable IOE to make a more conclusive assessment of the project. It should be noted that these issues relate to more than one of the criteria and will be addressed accordingly in the report. Following are the key issues that will be further investigated:

    a) **Relevance.** The PPA will identify those features of the project's approach that made it relevant to the target groups: in particular, it will be assessed to what extent the project was successful in targeting vulnerable groups, especially women-headed households, young people or if changes which the project underwent during implementation had adverse effects on its capacity to fully reach these groups.

    b) **Effectiveness.** The PPA will focus on the analysis of the achievements produced by the capacity and institutional building, and access to markets/value chains. The PPA will evaluate to what extent results obtained in terms of institutional development are likely to exert a long-term impact on the ability of the target group to access finance, develop their businesses and enter value chains.

    c) **Efficiency.** An assessment of synergies with other IFAD cofinanced projects (especially those also working on market access) will be carried out.

    d) **Sustainability.** The PPA team will assess the sustainability of the institutional structures, technologies and innovations introduced by the project beyond the completion of the project. In particular, the ability of the target groups to maintain access to finance, value chains, mechanisms to provide the introduction/updating of relevant technologies and related business services for potential expansion. This includes the viability of the businesses established and any related apex institutions.

    e) **Gender**. For women to participate meaningfully in business and/or employment opportunities their pre-project workload, their roles and responsibilities are most likely to have changed (at home and in the local community). The team will note the impact of these changes and how their participation has changed (or not) their roles and responsibilities at the household level. This will include any impact (positive or negative) on their time constraints and workloads.

f) **Scaling up.** As a new project has recently been approved building on lessons from FEDEC, other key areas for assessment under this criterion will be to assess the results of policy influence (as per the outputs in design), methodologies that were successful and sustainable to take to scale.

V. Evaluation team

22. The PPA mission will be composed of Ms Louise McDonald, Lead Evaluator from IOE, and Ms Federica Cerulli (IFAD Staff and partnership specialist), Mr Islam Khairul (National consultant and Value Chain specialist), IOE Consultant. Ms Louise McDonald has overall responsibility for the PPA and the consultant will report directly to her.

VI. Background documents

PKSF, People's Republic of Bangladesh, (May, 2014). *Project Completion Report of the Finance for Enterprise Development and Employment Creation (FEDEC) Project*

IOE (2012). *Guidelines for the Project Completion Report Validation (PCRV) and Project Performance Assessment (PPA).*

IFAD (2011). *IFAD Evaluation Policy.*

IOE (2009). *Evaluation Manual. Methodology and Processes.*

IFAD (April 2007). *Design Document for FEDEC.*

Methodological note on project performance assessments

A. What is a project performance assessment?[1]

1. The project performance assessment (PPA) conducted by the Independent Office of Evaluation of IFAD (IOE) entails one mission of 7-10 days[2] and two mission members.[3] PPAs are conducted on a sample of projects for which project completion reports have been validated by IOE, and take account of the following criteria (not mutually exclusive): (i) synergies with forthcoming or ongoing IOE evaluations (e.g. country programme or corporate-level evaluations); (ii) major information gaps in project completion reports (PCRs); (iii) novel approaches; and (iv) geographic balance.

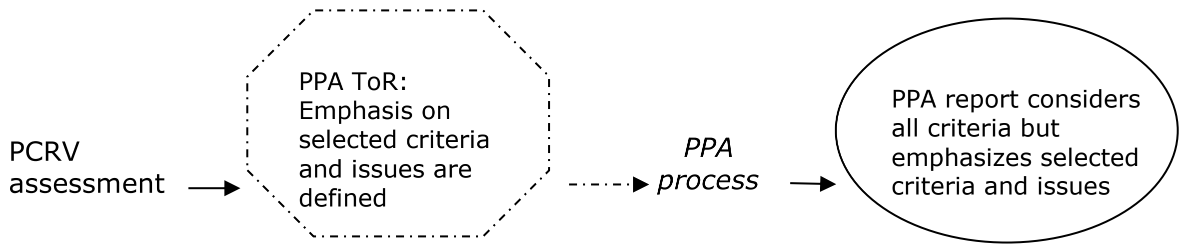
2. The objectives of the PPA are to: assess the results and impact of the project under consideration; and (ii) generate findings and recommendations for the design and implementation of ongoing and future operations in the country involved. When the PPA is to be used as an input for a country programme evaluation, this should be reflected at the beginning of the report. The PPA is based on the project completion report validation (PCRV) results, further desk review, interviews at IFAD headquarters, and a dedicated mission to the country, to include meetings in the capital city and field visits. The scope of the PPA is set out in the respective terms of reference.

B. Preparing a PPA

3. Based on the results of the PCRV, IOE prepares brief terms of reference (ToR) for the PPA in order to sharpen the focus of the exercise.[4] As in the case of PCRVs, PPAs do not attempt to respond to each and every question contained in the Evaluation Manual. Instead, they concentrate on the most salient facets of the criteria calling for PPA analysis, especially those not adequately explained in the PCRV.

4. When preparing a PPA, the emphasis placed on each evaluation criterion will depend both on the PCRV assessment and on findings that emerge during the PPA process. When a criterion or issue is not identified as problematic or in need of further investigation, and no additional information or evidence emerges during the PPA process, the PPA report will re-elaborate the PCRV findings.

Scope of the PPA



[1] Extract from the PCRV and PPA Guidelines.
[2] PPAs are to be conducted within a budget ceiling of US$25,000.
[3] Typically, a PPA mission would be conducted by an IOE staff member with the support of a consultant (international or national). An additional (national) consultant may be recruited if required and feasible within the evaluation budget.
[4] Rather than an approach paper, IOE prepares terms of reference for PPAs. These terms of reference ensure coverage of information gaps, areas of focus identified through PCRVs and comments by the country programme manager, and will concentrate the PPA on those areas. The terms of reference will be included as an annex to the PPA.

C. Evaluation criteria

5. The PPA is well suited to provide an informed summary assessment of project relevance. This includes assessing the relevance of project objectives and of design. While, at the design stage, project logical frameworks are sometimes succinct and sketchy, they do contain a number of (tacit) assumptions on mechanisms and processes expected to generate the final results. At the post-completion phase, and with the benefit of hindsight, it will be clearer to the evaluators which of these assumptions have proved to be realistic, and which did not hold up during implementation and why.

6. For example, the PPA of a project with a major agricultural marketing component may consider whether the project framework incorporated key information on the value chain. Did it investigate issues relating to input and output markets (distance, information, monopolistic power)? Did it make realistic assumptions on post-harvest conservation and losses? In such cases, staff responsible for the PPA will not be expected to conduct extensive market analyses, but might consider the different steps (e.g. production, processing, transportation, distribution, retail) involved and conduct interviews with selected actors along the value chain.

7. An assessment of effectiveness, the extent to which a project's overall objectives have been achieved, should be preferably made at project completion, when the components are expected to have been executed and all resources fully utilized. The PPA considers the overall objectives[5] set out in the final project design document and as modified during implementation. At the same time, it should be flexible enough to capture good performance or under-performance in areas that were not defined as an objective in the initial design but emerged during the course of implementation.

8. The PPA mission may interview farmers regarding an extension component, the objective of which was to diffuse a certain agricultural practice (say, adoption of a soil nutrient conservation technique). The purpose here would be to understand whether the farmers found it useful, to what extent they applied it and their perception of the results obtained. The PPA may look into reasons for the farmers' interest in new techniques, and into adoption rates. For example, was the extension message delivered through lectures? Did extension agents use audio-visual tools? Did extension agents engage farmers in interactive and participatory modules? These type of questions help illustrate *why* certain initiatives have been conducive (or not conducive) to obtaining the desired results.

9. The Evaluation Manual suggests methods for assessing efficiency, such as calculating the economic internal rate of return (EIRR),[6] estimating unit costs and comparing them with standards (cost-effectiveness approach), or addressing managerial aspects of efficiency (timely delivery of activities, respect of budget provisions). The documentation used in preparing the PCRV should normally provide sufficient evidence of delays and cost over-runs and make it possible to explain why they happened.

10. As far as rural poverty impact is concerned, the following domains are contemplated in the Evaluation Manual: (a) household income and assets; (b) human and social capital and empowerment; (c) food security and agricultural

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[5] Overall objectives will be considered as a reference for assessing effectiveness. However, these are not always stated clearly or consistent throughout the documentation. The assessment may be made by component if objectives are defined by components; however the evaluation will try to establish a correspondence between the overall objectives and outputs.

[6] Calculating an EIRR may be challenging for a PPA as it is time consuming and the required high quality data are often not available. The PPA may help verify whether some of the crucial assumptions for EIRR calculation are consistent with field observations. The mission may also help shed light on the cost-effectiveness aspects of efficiency, for example whether, in an irrigation project, a simple upgrade of traditional seasonal flood water canalization systems might have been an option, rather than investing on a complex irrigation system, when access to markets is seriously constrained.

productivity; (d) natural resources, the environment and climate change;[7] and (e) institutions and policies. As shown in past evaluations, IFAD-funded projects generally collect very little data on household or community-level impact indicators. Even when impact data are available, both their quality and the methodological rigour of impact assessments are still questionable. For example, although data report significant increases in household assets, these may be due to exogenous factors (e.g. falling prices of certain commodities; a general economic upturn; households receiving remittances), and not to the project.

11. PPAs may help address the "attribution issue" (i.e. establishing to what extent certain results are due to a development intervention rather than to exogenous factors) by:

    (i) following the logical chain of the project, identifying key hypotheses and reassessing the plausibility chain; and

    (ii) conducting interviews with non-beneficiaries sharing key characteristics (e.g. socio-economic status, livelihood, farming system), which would give the mission an idea of what would have happened without the project (counterfactual).[8]

12. When sufficient resources are available, simple data collection exercises (mini-surveys) may be conducted by a local consultant prior to the PPA mission.[9] Another non-mutually exclusive option is to spot-check typical data ranges or patterns described in the PCR by means of case studies (e.g. do PCR claims regarding increases in average food-secure months fall within the typical ranges recorded in the field?). It is to be noted that, while data collected by a PPA mission may not be representative in a statistical sense, such data often provide useful reference points and insights. It is important to exercise care in selecting sites for interviews in order to avoid blatant cases of non-beneficiaries profiting from the project.). Sites for field visits are selected by IOE in consultation with the government concerned. Government staff may also accompany the PPA mission on these visits.

13. The typical timing of the PPA (1-2 years after project closure) may be useful for identifying factors that enhance or threaten the <u>sustainability</u> of benefits. By that stage, the project management unit may have been disbanded and some of the support activities (technical, financial, organizational) terminated, unless a second phase is going forward or other funding has become available. Typical factors of sustainability (political support, availability of budgetary resources for maintenance, technical capacity, commitment, ownership by the beneficiaries, environmental resilience) can be better understood at the ex post stage.

14. The PPA also concentrates on IFAD's role with regard to the <u>promotion of innovations and scaling up</u>. For example, it might be observed that some innovations are easily scaled up at low cost (e.g. simple but improved cattle-rearing practices that can be disseminated with limited funding). In other cases, scaling up may involve risks: consider the case of a high-yield crop variety for which market demand is static. Broad adoption of the variety may be beneficial in terms of ensuring food security, but may also depress market prices and thereby reduce sale revenues for many households unless there are other, complementary activities for the processing of raw products.

15. The PPA addresses <u>gender equality and women's empowerment</u>, a criterion recently introduced into IFAD's evaluation methodology. This relates to the emphasis placed on gender issues: whether it has been followed up during

[7] Climate change criterion will be addressed if and when pertinent in the context of the project, as most completed projects evaluated did not integrate this issue into the project design.
[8] See also the discussion of attribution issues in the section on PCRVs.
[9] If the PPA is conducted in the context of a country programme evaluation, then the PPA can piggy-back on the CPE and dedicate more resources to primary data collection.

implementation, including the monitoring of gender-related indicators; and the results achieve.

16. Information from the PCRV may be often sufficient to assess the performance of partners, namely, IFAD and the government. The PPA mission may provide further insights, such as on IFAD's responsiveness, if relevant, to implementation issues or problems of coordination among the project implementation unit and local and central governments. The PPA does not assess the performance of cooperating institutions, which now has little or no learning value for IFAD.

17. Having completed the analysis, the PPA provides its own ratings in accordance with the evaluation criteria and compares them with PMD's ratings. PPA ratings are final for evaluation reporting purposes. The PPA also rates the quality of the PCR document.

18. The PPA formulates short conclusions: a storyline of the main findings. Thereafter, a few key recommendations are presented with a view to following up projects, or other interventions with a similar focus or components in different areas of the country.[10]

[10] Practices differ among multilateral development banks, including recommendations in PPAs. At the World Bank, there are no recommendations but "lessons learned" are presented in a typical PPA. On the other hand, PPAs prepared by Asian Development Bank include "issues and lessons" as well as "follow-up actions" although the latter tend to take the form of either generic technical guidelines for a future (hypothetical) intervention in the same sector or for an ongoing follow-up project (at Asian Development Bank, PPAs are undertaken at least three years after project closure).

Definition of the evaluation criteria used by IOE

Criteria	*Definition*[a]
Project performance	
Relevance	The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies. It also entails an assessment of project design in achieving its objectives.
Effectiveness	The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
Efficiency	A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results.
Rural poverty impact[b]	Impact is defined as the changes that have occurred or are expected to occur in the lives of the rural poor (whether positive or negative, direct or indirect, intended or unintended) as a result of development interventions.
• Household income and assets	Household income provides a means of assessing the flow of economic benefits accruing to an individual or group, whereas assets relate to a stock of accumulated items of economic value.
• Human and social capital and empowerment	Human and social capital and empowerment include an assessment of the changes that have occurred in the empowerment of individuals, the quality of grass-roots organizations and institutions, and the poor's individual and collective capacity.
• Food security and agricultural productivity	Changes in food security relate to availability, access to food and stability of access, whereas changes in agricultural productivity are measured in terms of yields.
• Natural resources, environment and climate change	The focus on natural resources and the environment involves assessing the extent to which a project contributes to changes in the protection, rehabilitation or depletion of natural resources and the environment as well as in mitigating the negative impact of climate change or promoting adaptation measures.
• Institutions and policies	The criterion relating to institutions and policies is designed to assess changes in the quality and performance of institutions, policies and the regulatory framework that influence the lives of the poor.
Other performance criteria	
• Sustainability	The likely continuation of net benefits from a development intervention beyond the phase of external funding support. It also includes an assessment of the likelihood that actual and anticipated results will be resilient to risks beyond the project's life.
• Innovation and scaling up	The extent to which IFAD development interventions have: (i) introduced innovative approaches to rural poverty reduction; and (ii) the extent to which these interventions have been (or are likely to be) replicated and scaled up by government authorities, donor organizations, the private sector and others agencies.
• Gender equality and women's empowerment	The criterion assesses the efforts made to promote gender equality and women's empowerment in the design, implementation, supervision and implementation support, and evaluation of IFAD-assisted projects.
Overall project achievement	This provides an overarching assessment of the project, drawing upon the analysis made under the various evaluation criteria cited above.
Performance of partners • IFAD • Government	This criterion assesses the contribution of partners to project design, execution, monitoring and reporting, supervision and implementation support, and evaluation. It also assesses the performance of individual partners against their expected role and responsibilities in the project life cycle.

[a] These definitions have been taken from the OECD/DAC *Glossary of Key Terms in Evaluation and Results-Based Management* and from the IFAD Evaluation Manual (2009).
[b] The IFAD Evaluation Manual also deals with the "lack of intervention", that is, no specific intervention may have been foreseen or intended with respect to one or more of the five impact domains. In spite of this, if positive or negative changes are detected and can be attributed in whole or in part to the project, a rating should be assigned to the particular impact domain. On the other hand, if no changes are detected and no intervention was foreseen or intended, then no rating (or the mention "not applicable") is assigned.

List of all value chains

Value chain sub-projects and partner organizations

Serial No.	*Names of the sub-projects*	*Names of the partner organizations*
1	Introducing High Value Flower Cultivation and Expansion of Flower Market (phase-0l)	Rural Reconstruction Foundation (RRF)
2	Increasing Income and creating Employment through Beef Fattening under Ideal Management (phase 01)	Jagorani Chakra Foundation (JCF)
3	Pond Fish Culture (Phase 01)	United Development Initiatives for Programmed Actions (UDDDIPAN)
4	Increasing income of the entrepreneurs through introducing modem fish culture	ASPADA
5	Increasing Milk Production and Income of the Cow-rearers through introducing Improved Breed Cow-Rearing in Char Areas	Society for Social Service (SSS)
6	Prawn Culture in Flood Plain Areas (phase-0l)	Centre for Community Development Assistance (CCDA)
7	Promotion of Power-loom for Shawl Production (phase 01)	Dabi Moulik Unnayan Sangstha
8	Crab culture (phase 01)	Nawabenki Gonomukhi. Gonomukhi. Foundation (NGF)
9	High Value Vegetable cultivation and Marketing	Muktipath Unnayan Kendro
10	Improved Breed Duck-rearing	Jagorani Chakra Foundation (JCF)
11	Introducing High Value Flower Cultivation and Expansion of Flower Market (phase-Oz)	Rural Reconstruction Foundation(RRF)
12	Increasing Income of the Vegetable Cultivator through introducing Moringa (drumstick) plantation in the land dyke	Society for Development Initiatives (SDI)
13	Seaweed Cultivation	Coastal Association for Social Transformation Trust (COAST Trust)
14	Increasing Income through Hygienic Dry Fish Production and Marketing	Coastal Association for Social Transformation Trust (COAST TRUST)
15	Increasing income of the farmers through mung Bean Cultivation Using Modern Technology and Market Expansion	Rural Reconstruction Foundation(RRF)
16	Increasing Income and Employment Creation through Beef Fattening under Ideal Management(phase-Oz)	Jagorani Chakra Foundation (JCF)
17	Establishing Prawn Hatchery	Centre for Community Development Assistance (CCDA)

18	Increasing Income and Employment Generation through Introducing Ideal Practice of Cow-rearing and Development of Milk Marketing Channel	Grameen Manabik Unnayan Sangstha (GRAMAUS)
19	Increasing Milk Production and Income of the Cow-rearers through Improved Breed Cow-rearing in Char Areas	Society for Social Service (SSS)
20	Increasing income through introducing modem management in pisiculture	Society for Social Service (SSS)
21	High Yielding Variety Spices Cultivation in Hilly Areas	Organization for the Poor Community Advancement (OPCA)
22	Pesticides Free Vegetables Initiatives (SDI)	Production and Society for Development Marketing (phase 01)
23	Prawn Culture in Flood Plain Areas (phase-02)	Centre for Community Development Assistance (CCDA)
24	Banana Cultivation with Sathi Crop	Thengamara Mohila Sobuj Sangho (TMSS)
25	Increasing Income through Summer Tomato Cultivation (phase 01)	Jagarani Chakra Foundation (JCF)
26	Skill Enhancement of Automobile Entrepreneurs and workers	Jagarani Chakra Foundation (JCF)
27	Pond Fish Culture (Phase 02)	United Development Initiatives for Programmed Actions (UDDDIPAN)
28	Bashak Leave Cultivation and Marketing to increase income and employment generation	29 partner organizations implemented this sub- project
29	Increasing Income and Employment through improvement of Cow-rearing Management	Social Upliftment Society (SUS)
30	Sonali Hen Rearing	Thengamara Mohila Sobuj Sangha (TMSS)
31	Promotion of Power-loom for Shawl Production (phase 02)	Dabi Moulik Unnayan Sangstha
32	Increasing Income through Summer Tomato Cultivation (phase 02)	Jagarani Chakra Foundation (JCF)
33	Crab culture (phase 02)	Nawabenki Gonomukhi Foundation (NGF)
34	Pesticides Free Vegetables Production and Marketing (phase 02)	Society for Development Initiatives (SDI)
35	Increase Income and Employment Creation through Buffalo-rearing in Coastal Areas Under Improved Management	Society for Development Initiatives (SDI)
36	Salinity Tolerant Paddy Cultivation and Extension	Unnayan Prochesta
37	Establishing Farm for Black Bengal Goat-	Jagarani Chakra Foundation (JCF)

	rearing and Breed Development	
38	Establishing Farm for Black Bengal Goat-rearing and Breed Development	JAKAS Foundation
39	Establishing Farm for Black Bengal Goat-rearing and Breed Development	Integrated Development Foundation (IDF)
40	Establishing Farm for Black Bengal Goat-rearing and Breed Development	WAVE foundation
41	Salinity Tolerant Rice Seed Production, Processing and Marketing	Jagarani Chakra Foundation (JCF)
42	Introducing High Value Flower Cultivation and Expansion of Flower Market (Phase 03)	Rural Reconstruction Foundation (RRF)
43	Women Entrepreneurship Development and Employment Creation in Embroidery/garment Industry	Asroy
44	A pilot project on hatching Crab in Natural Environment	Nowabenki Gonomukhi Foundation (NGF)

Mini cases from the field investigation

Case 1: Cow-rearing VCD project by partner organization-Social Upliftment Society in Savar, Dhaka

1. The project "Increasing income and employment generation through introducing ideal health management practice into cow-rearing" was developed in response to the sub-sector constraint of poor cow health management by farmers and created two major service provisions. First, the project appointed three veterinary professionals as project staff to train the cow-rearers on health management. The project also invited the local government livestock officer as a trainer. Second, the project started buying concentrated feed from a distributor of a national company located far from the project site and selling those to the targeted microenterprises at the purchase price. During the project, a mobile mini-van was built to provide veterinary services commercially.

Key messages

a) The project location has a high livestock population (both fattening and dairy) where many households consider cow-rearing as the main income option. For both veterinary inputs and concentrate feed companies, this is a potential target market. The project could partner with private companies to let them deliver the required services instead of providing the services itself. This could result in a sustainable service provision.

b) After the project ended, the ex-project staff are still running the mini-van but the income hardly offsets their opportunity costs (educated and with potential to get high-paid job). It was understood that they were looking forward to the upcoming PACE project. At the same time, there are para-vets (local veterinary service providers) operating in the same market whose opportunity costs are not as high as the project staff.

Case 2: Introduction of prawns with traditional carp culture by partner organization- Society for Social Service in Tangail district

2. The farmers in this area grew carp fishes commercially. The partner organization saw the opportunity to introduce prawns as well that would lead to higher return from the existing pond resource and thereby increased income. One key bottleneck to tap this opportunity was sourcing the prawn larvae (PLs) and the project helped actively to source this vital input. They found three nurseries who would rear the PLs and sell the juveniles to interested farmers. Since there was no hatchery nearby, the project took the three nursery owners to a distant district and bought 30,000 PLs from a BRAC hatchery. The buying price was BDT 2 per PL and hence the total cost was BDT 60,000. However, the project bore all the other costs (travel, transportation, etc.) which amounted to another BDT 50,000. Although the nursery owners were trained, the mortality rate was very high at 30 per cent. Hence, the ultimate cost for surviving PL (21,000) was BDT 5.24/PL. The nursery owners nursed them for a month and then sold them BDT 5/PL (project fixed this price) to interested farmers, 54 in number. Even if the nursing cost is ignored, the selling price was lower than the cost. In the second year (current year), nursery owners were asked to bear input price and the project travel and transportation costs. One out of three dropped out and two nursery owners bought 30,000 PL. This time the project again sourced the PL not from BRAC as the price went up but from a government hatchery which was again far away.

3. The project also worked with other farmers who adopted other new varieties of fish. One such farmer adopted catfish cultivation with a very different outcome. The large farmer, having six ponds, buys fingerlings regularly from Bogra where he met a catfish fingerlings seller from Mymensingh district who had been visiting Bogra to buy some other fingerlings. The farmer kept in touch with the fingerlings

seller by phone and bought some catfish to cultivate. The fingerling sellers kept in touch with the famer and gave him information on how to grow catfish. The farmer was very happy with the growth of the fish and planned to expand his catfish production further next year.

Key messages

a) The project provided training by itself (and by hiring government officials) to the participants rather than involving any private sector actors who had financial incentives to keep providing information to the farmers.

b) The project took an active role in sourcing prawn larvae. In the first year, it bore the entire cost (apart from PL reared by nurseries) and the selling price was still lower than the buying price. In the second year, the project went to a government hatchery using its own network and bought at a cheaper price than the market rate. The project again fixed the selling price by the nurseries. When the project ends it is very unlikely the nurseries will travel to distant places to buy PL, rear them and sell at such a low price. The project, by its direct involvement (took part in the transaction and thus affected the market-based price) artificially lowered the price.

c) The accountability or business growth vision was not capitalized as the project bought PL by itself. The way PLs were brought, the hatcheries had little incentive to keep in touch with the nursery owners as the actual purchase was done by the project. Consequently, a high mortality was observed at the nursery level. The opposite picture was observed for the catfish where the farmer directly procured the fingerlings and the supplier received updates from the farmer so that he could sell more in future.

d) The project must not take part in the transaction. It must assess the incentives of both buyers and sellers to carry out the transaction. If there is no incentive, it is very likely that the transaction will finish once the external support is withdrawn.

Case 3: Scarf production through power-loom by replacing handlooms implemented by partner organization - Dabi in Naogaon

4. The Devkhondo village has a history of producing shawls by using handlooms which are heavy to operate and thus traditionally worked by men. As backward activity, there are many thread-makers where mostly women are involved. They use wastage fabric from the garment industry to recycle and make threads. Productivity is low as the loom is hand operated and can produce 11 pieces of shawl every day. Dabi introduced a power-loom whose productivity is double - 22 pieces per day. Accordingly, the thread requirement has gone up proportionately and more women are engaged in thread-making. A handloom product can be sold for BDT 70 (cost BDT 50 excluding own labour) whereas a power-loom product has a price of BDT 140 (cost BDT 70). Before the project, there were only two power-looms in the area and as a result of the project 44 microenterprises took loans and bought power-looms and an additional 40 bought by seeing others. The project trained the microenterprises through technical experts on power-loom operation, designing and troubleshooting and developed five designers and five mechanics. The designers now earn BDT 15,000-20,000 per month. The mechanics also run power-looms and troubleshooting gives them additional income. There is a nearby market in Bogra district where both raw materials suppliers and buyers operate. Clearly, this is a case where increased income for the microenterprises as well as increased employment (both men and women) is visible.

5. However, there is still room for improvement. Shawl is a winter cloth. The producers with limited working capital have to sell their produce at the nearby market to buy further raw materials. The buyers throughout the year stock the products and sell in the winter with a much higher price when buyers from all over the country come to this market. The producers were looking for some loan

products which could give them some cushion to hold the stock and sell during the winter. Loans against finished goods could be an appropriate product in this case. Besides, the project formed an association of 40 power-loom owners (where only one member is woman) but this association is not used as a collective force rather for the ease of implementing project activities. A group could have better bargaining power against the stockists and also buying inputs in wholesale rate. Another option to raise income with current capital was to diversify products. However, new products might have a requirement to find a new market/buyer. The project could assess this.

Key messages

a) Improved technology introduced acted efficiently here because of the existing strong backward and forward linkage. The project rightly capitalized this market force.

b) There are scopes to diversify loan products and make appropriate for different types of microenterprises.

c) Groups formed are used only for the ease of project to implement activities. The capitalization of collective force is absent.

Case 4: Embroidery project in Rajshahi implemented by partner organization-Asroy

6. The project worked with a number of women led microenterprises who took orders from buyers, provide raw materials (fabric, threads, etc.) to women workers, get the finished goods back and sell to the buyers. Women enterprises were trained on new designs and embroidery works and linked with potential buyers. In addition, the women workers were trained on stitching and embroidery. In an ideal VCD development, the entrepreneurs’ training should have been conducted by buyers and the workers’ training by the enterprises. In both the cases, thus, the forward market actor provides training to the backward actor which makes it very much demand driven. Though the project took both the training responsibilities on its own shoulder, it apparently worked well. As found, one of the entrepreneurs actually worked for several years for a buyers and hence was very much knowledgeable about the buyers’ need. And in the project, she conducted the training for the other entrepreneurs as well as the workers. Hence, indirectly it served the ideal scenario purpose. Now, the entrepreneurs are selling their products in Rajshahi and other districts including Dhaka. While for most of them, the husbands took the products to the buyers, there are a few women who do it by themselves. The project also assisted to link with new buyers. Apparently, the entrepreneurs’ monthly income is in rise - from BDT 5,000 last year to BDT 12,000-15,000 this year. The workers’ earning is not very attractive though - around BDT 1,500 per month (with four-five hours of work every day after the household chores). However, with increased order from buyers as the entrepreneurs are providing more work to the workers, their monthly income is also in rise - BDT 900-1,000 last year to BDT 1,500 this year. It can be expected that with more work, the earning of the worker will rise also. But one important observation is that though the earning is low, this is seen as the very own income of the women workers and they have complete control over it. Besides, women workers were seen to work in groups which also help build the social capital. Many of the women workers were seen to create small assets such as goats, jewellery, etc. by saving the little amount of money they earn.

Key messages

a) The women entrepreneurs here are the key as they connect both the backward and forward market actors and the project rightly targeted the leverage point in the value chain.

b) Some subsectors like this have a clear comparative advantage to reach more women than others.

Case 5: promotion of high valued flower production implemented by partner organization-Rural Reconstruction Foundation (RRF) in Jessore

7. The project location chosen was already a flower growing area and actually the largest flower production cluster in Bangladesh. However, high valued flowers such as gerbera, lilium, etc. were grown by only large farmers as they require high capital investment and more labourers. The project provided microenterprise loans along with production training to farmers who would cultivate these flowers to increase their income. One such farmer was a labourer since 2008 and afterwards started flower production by taking land as lease. After taking microenterprise loans he expanded his land area and started producing Jarbera. Following this change, his average monthly income raised from BDT 5-6000 l to BDT 20-25,000. Last year he took loan of BDT 50,000 from RRF and this year applied for BDT 100,000. He now employs four-five labourers but all of them are men. His wife is also getting more and more involved in the production and post-harvest activities to help him. With increased income, the family clearly is enjoying a better living. They renovated their house, now use gas cylinders for cooking instead of firewood, children go to school, etc.

Key messages

a) With access to finance, the flower farmers could expand their production and thereby income which shows the success of microenterprise lending.

b) The project focused on production enhancement where opportunity for paid women labour is minimal (family unpaid labour is there though). But if the VCD project could extend up to post-harvest and packaging level, there would have been much more scope to create employment for women labourers.

Case 6: Lending to a microenterprise-wooden stick (for ice cream factories) making factory

8. This is a good example of how manufacturing based microenterprises can create more job opportunities and even higher number of jobs for women. RRF in Jessore provided a microenterprise loan to this entrepreneur who started the business eight years ago with his own money. He became a progressive borrower for RRF as he continued to expand his business by utilizing loan fund. two years back, he established the second unit in a rented place just outskirt of Jessore city. He also received business development training from RRF under FEDEC project.

9. His first unit is still under operation where 8 full-timers and 30 part-timers are employed. Out of 8 full-timers 4 are men and 4 are women. All the part-timers are women who mainly work in packaging. In the second unit, there are 12 full-timers and 40 part-timers with similar proportion of men and women to the first unit. The salary range is BDT 4,000 to BDT 8,000.

Key message

Manufacturing units can employ more people with more sustained level of income.

Case 7: Promotion of summer tomato implemented by partner organization-Jagorani Chakra Foundation in Jessore

10. The project trained 600 farmers on summer tomato cultivation along with providing microenterprise loans. Cultivating summer tomatoes is capital and labour intensive and hence, microenterprise loans are justified. It was evident that by cultivating summer tomatoes farmers increased their income. By spending BDT 2,307 per decimal, they made a profit of the same amount. However, it was not clear why the project called itself a VCD project. The project provided production training by itself which is no different than traditional project approach. The seeds were bought by the farmers from nearby market, and the harvests were sold to the

nearby wholesale market. Analyzing backward and forward market actors to find partnership opportunities was not explored. For example, the 600 farmers belong to very close geographical area and this is a big number for any private seed company to promote their seeds. Consequently, if they were contacted by the project, there was high possibility to have demonstration plots as well as training done by private company. The project seems not to explore this opportunity. If private sector partners were part of the implementation, they would see their sales growth and keep promoting the same in other new areas. Another observation from this project is that, the agri-labour created by this project was mainly for men.

Key messages

a) Lack of understanding of the partner organizations on implementing VCD projects.

b) On-farm based projects mostly create labour days for men.

Case 8: Improving mung bean cultivation technique implemented by partner organization-RRF in Jessore

11. The project area cultivated mung beans but had not been enjoying high productivity. As RRF observed, farmers use poor quality seeds and fail to reap higher profit. As the production takes place in rainy season, fertilizers are washed away and hence more fertilizer is required to apply which increases farmers' production cost. RRF's responses were as follows:

12. RRF contacted the Bangladesh Institute of Nuclear Agriculture (a public research institute) and bought good quality seeds and sell to farmers in the buying price (the transaction cost was overlooked).Since many farmers used to use retained seeds, RRF provided training on seed preservation technique. RRF brought bio-fertilizer from the Bangladesh Institute of Nuclear Agriculture which holds nitrogen within the soil even against more rainfall. By using this farmers reduced chemical fertilizer cost by 20 per cent. RRF also provided training on mung bean cultivation to the farmers. By adopting better quality seeds and bio-fertilizers, farmers were seen to enjoy higher yield (10 per cent increase in yield) as well as better quality mung beans resulting into higher price (20 per cent higher price).

Key messages

a) The immediate results are very good - increased income. However, the way the project addressed constraints raises questions about sustainability:

b) If farmers were using poor quality seeds, was there no-one in the market supplying good quality seeds? A company with better quality seeds could be used to promote, demonstrate and train the farmers.

c) The project bought seeds from a public research institution (a research organization cannot regularly supply seeds commercially). What will happen every year when there is no project support?

d) If good quality seeds can be sourced, why was training on seed preservation techniques provided? This creates room for poor quality seeds.

e) Bio-fertilizers which reduced the production cost significantly were bought by the project from the same research organization. Who is going to put out the order every year and without project support this will not come in future unless available in the market. This actually happened in the second year when the project fund was over; the farmers did not get bio-fertilizers to apply in the field. The key message here is that the partner organization lacked the understanding on how to implement a VCD project so that the results achieved remain sustainable beyond the project period.

Key definitions used by PKSF for target groups

1. Finance for Enterprise Development and Employment Creation (FEDEC) Project was launched to strengthen the Microenterprise Program of PKSF. PKSF provides financial and other non-financial services under its microenterprise program to the progressive borrowers of other credit programs and the individual entrepreneurs for operating their microenterprise. Wage employment creation has been considered as one of the main characteristics of microenterprise.
2. According to the microenterprise policy of PKSF, any economic activities within the investment of BDT 40,000 to BDT 1.5 million (excluding lands and buildings) are considered as Microenterprise.
3. Target people of microenterprise program were:
   a) Progressive borrowers of microcredit programmes who are to receive loan from BDT 30,000 to BDT 1.0 million.
   b) Any individual entrepreneurs within the stated investment level, which has the potential to create wage employments for poor and ultra-poor people.

Selection criteria of partner organization's for value chain work

4. PKSF considered the following criteria to select partner organizations for VCD activities:
   a) The partner organizations that have good track record of operating microfinance program including microenterprise programme
   b) The volume of microenterprise activities
   c) Smooth financial transactions with PKSF
   d) The capacity of the partner organization to implement non-financial program like training, technical supports, social activities, etc.
   e) The existence of potential sub-sector within the working areas of the respective partner organizations
   f) The preliminary analysis on sub-sector done by the partner organization
   g) The quality of the Proposals for Value Chain Intervention submitted by partner organizations
   h) The cost of the value chain intervention

Assessment of partner organization's performance on the value chain aspects

5. PKSF set monitoring indicators for each value chain sub-project. PKSF periodically monitor the physical activities, whether the concerned partner organization accomplish the set targets of activities within the stipulated time.
6. The monitoring is done through off-site and onsite monitoring system. Partner organizations are to submit monthly progress report to the PMU. The concerned officials visit the field to assess the performance in the field.
7. PKSF also measure the progress of budget utilization in a timely manner.
8. The baseline information of all participants relating to productivity, income, employment, etc. are collected to evaluate the changes after the project period. After the project completion an evaluation is done to measure the performance. The concerned partner organization also prepares a project completion report incorporating the results of activities done under the VCD sub project.

Criteria used to assess proposals from partner organizations

9. The following criteria followed for assessing proposal of VCD interventions:

a) The potential of the sub-sector in increasing income of the microenterprises and creating job opportunities for the poor.

b) The value chain analysis of the sub-sector showing the sub-sector maps

c) The proper identification of the constraints in the respective sub-sector.

d) Whether the interventions suggested for the development of the sub-sectors are considered effective

e) Whether the proposed value chain intervention can raise awareness among the people of the locality who are not included to follow appropriate methods and technologies by the demonstration effects

f) The cost of the interventions proposed in the project proposals

10. Analysis of say four value chains done by PKSF to identify “bottlenecks” in the value chain.

S.L	*Subsector*	*Potential or opportunities*	*Constraints Identification*
1	Summer tomato	Expansion of summer tomato production where high land is available as demand is very high. [Summer tomato is imported from India]	Limited knowledge of production system (use shed, pest control), harvesting techniques Inappropriate packaging of tomatoes
2	Crab production	Expansion of crab production in several coastal districts Establishment of mud-crab hatchery for baby crab supply Expansion of mix crab and fish production Commercial feed production for crab Crab production in rivers/canals in cage Expansion of export market	Export market is not aggressively explored Limited supply of baby crab (present practice is to collect from the wild)
3	Floriculture	Expansion of flower production in Jessore, Jhinaidah, Magura and Dhaka (Savar). Development of packaging Development of new plant and flowers through plant breeding	Weak or no marketing campaign for expanding domestic flower market Very limited variety of flowers Limited knowledge of production of new variety of flowers Limited supply of high quality seed/ryzhome/sapling Poor or no proper packaging for transportation or marketing of flowers Limited research and development for introducing and developing flowers and improved production system

11. **Strategies developed** by PKSF to address the “bottlenecks” in value chains, e.g. increase competition between traders – with figures on farm gate prices received by producers as compared to consumer prices.

12. PKSF implements all its microfinance programmes through its partner organizations. Partner organizations analyse the sub-sectors to identify their constraints. PKSF developed guidelines for the sub-sector-based value chain analysis, according to which partner organizations and PKSF official meet the actors engaged in different stages of the value chain to identify its constraints. PKSF organized trade-based training and provided technical support to increase the productivity and improve the quality of their products. In most of the cases PKSF

and partner organizations found there was huge demand for agricultural products. The gap between the price of agricultural commodities at the farm gate and at the retailers were found to be negligible, meaning producers were getting a comparatively good price for their products. Marketing linkage supports were also given to the beneficiaries considering the requirement, under the VCD. For example, farmers enjoy around 70 per cent of the retail value of their product.

13. Data on employment creation noted figures at the start and increases as a result of the project, disaggregated by sector and gender, seasonal, part and full time, age.

14. PKSF collects employment data from the partner organizations on monthly basis. Full time and Part-time employments records are kept at PKSF level. No data are kept on gender basis.

Data on number of lateral entrants and the relevant policy

15. At present, PKSF does not have the number of actual lateral entrants. According to the information provided by some partner organizations, we estimate that the number of lateral entry in microenterprise is not more than 10 per cent.

16. Graduating policy for those who are close to or below the poverty line to move into microenterprises.

17. PKSF provides finance and technical services to poor people to improve their economic condition. Financial and capacity-building services help the poor/ultra-poor to operate larger economic activities.

18. Number of microenterprises that failed and key learnings.

19. At present information on microenterprises that failed is not available but observation suggests there are very few cases.

Data on private sector actors engaged with

20. Some private and public sector organizations were engaged to implement value chain intervention including the Bangladesh Agricultural Research Institute, the Bangladesh Livestock Research Institute, Ispahani Biopesticides Co. ACME, Square (pharmaceutical companies, signed Memorandum of Understanding for purchasing medicinal plants: Vasaka), Bangladesh Institute of Nuclear Agriculture.

Detailed descriptions of the various training activities provided

21. Training of business awareness and skills development: cow-rearing, goat-rearing, fisheries, tailoring, shoemaking, plastic products, spice cultivation, weaving, automobile engineering, organic vegetable cultivation, duck-rearing, seaweed cultivation, dry fish production, rice cultivation, Sonali hen-rearing, crab culture, book-keeping, food processing, etc.

22. The analysis carried out on microenterprise loans and use of these funds by the borrower, e.g. per cent that went to the enterprise, per cent that went to women for household use, etc.

23. According to all reports available 100 per cent of the microenterprise loan is utilized in the microenterprises.

List of key persons met

Government (parastatal)

Palli Karma-Sahayak	Foundation (PKSF)
Mr Md. Fazlul Kader	Deputy Managing Director
Mr Akind MD. Rafiqul Islam	General Manager, Operations
Mr Gokul Chandra Biswas	Assistant General Manager PKSF & Project Coordinator FEDEC
Mr Habibur Rahman	Manager, PKSF & FEDEC
Mr Manir Hussain	Manager, PKSF & FEDEC

International and donor institutions

Swiss Development Foundation: Mr Md Fazle Razik, Sr Programme Manager, SDF

Non-governmental organization

Katalyst

Beneficiaries

Mr Mafiz uddin	Chakanda Mulbari, Madhupur
Mr Saowkat Ali	Thalbari, Madhupur
Ms Mina Begum	Debkhando, Dupchasia
Mr Ariful Haq	Debkhando, Dupchasia
Mr Amzad Hossain	
Mr Nur Islam	
Ms Suchtra Paul	Pallpara, Tanor
Ms Nasiba Akter	Amnura, Chapai nababganj
Ms Salina Khatun	Sindukhi, Tanor
Ms Alek jan	Kalna , Tanor
Ms Basiron	Patuapara, Jhikhorgasa
Ms Amina	
Ms Rozina	
Ms Mina	
Ms Shila	
Ms Nurjahan	
Mr Liakot	Panisara
Mr Aminur	

Mr Karrodhar	Hobulla
Mr Ripon Kumar	
Mr Baloy Roy	
Mr Polash Biswas	
Mr Anup Roy	
Mr Rakib Hossain	Foruspur
Mr Faruk Hossain	
Mr Necbar Hossain	
Mr Rubel	
Mr Mehedi hasan	
Mr Akul hossain	
Mr Aminur Rahman	
Mr Kholilur Rahman	Ramnagor
Ms Nazma Begum	Satim tola
Mr Mahabub Hasan	Muruli
Ms Sabuja Akhter	Musurikhula
Mst. Rabeya Khatun	
Mst. Rashida Akhter	
Mst. Shilpi Akhter	
Mst. Jaheda	
Mst. Rasheda Banu	
Md. Nazrul Islam	

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International Fund for Agricultural Development
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
E-mail: evaluation@ifad.org
www.ifad.org/evaluation
www.ruralpovertyportal.org
ifad-un.blogspot.com
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