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ENTERPRISE DEVELOPMENT EVALUATION SYNTHESIS

Recent DFID support for small and micro enterprises, especially through non-governmental organisations, has proved beneficial to the development process.

MAIN FINDINGS

- Majority of Enterprise Development activities largely achieve their objectives
- NGOs effective delivery agents but need more help with appropriate monitoring systems
- Government institutions often critical for creating an enabling environment for ED
- Private sector organisations also valuable partners in ED support
- Adequate baseline information essential for monitoring impact
- More attention needed to environmental, gender and poverty implications

Background

This study draws together the results of five recent evaluation studies of DFID assistance to the micro-enterprise and small enterprise development (ED) sector.

The study also considered evidence drawn from various other sources: monitoring reports and documentation of other

DFID ED projects; a selection of Research and Evaluation reports from other donors, multilateral organisations and researchers; discussions with DFID staff; and feedback from a group of ED consultants and academics who attended a seminar convened for the purpose.

The Main Conclusions

ED activities in recent years have promoted development much more effectively than in the 1970s and early 1980s when the ODA tried with little success to promote small-scale enterprises through the public sector. The evidence suggests that the majority of DFID ED activities covered by this review largely achieved their objectives (80% of case evaluations and over 50% of sample projects). Projects cover a broad range of different types and scale of activities, but particular attention has been given to micro-finance (MF) and the capacity-building of intermediary non-governmental organisations (NGOs).

Non Government Organisations (NGOs) and Voluntary Organisations (VOs) have been the dominant delivery agents for ED activities. NGOs have proved effective and efficient. However, in the short term they face difficulty developing and delivering new services at the same time as setting up and managing new operational systems to staff and monitor their activities and assess impact.

Most DFID ED projects have been funded as single donor projects. Where funding has been given alongside other donors DFID advisers have played an effective role in consortium management.

Work with government institutions is critical for ED, not least because they are important stakeholders in creating the essential enabling environments.

Few recent ED projects, other than deregulation projects, have involved the public sector. But it is increasingly recognised that work with government institutions is critical for ED, not least because they are important stakeholders in creating the enabling environments essential for effective ED.

Other donors such as the EU have actively engaged the private sector, particularly in ED programmes in the Former Soviet Union. DFID has made some use of the private sector to date (both locally and in the UK), and plans to encourage further direct involvement of more corporate bodies in their ED projects.

The importance of impact assessment in ED projects is now recognised and some progress has been made in devising verifiable indicators. But the lack of baseline information for progress monitoring is still a widespread weakness.

The relatively recent completion of most ED makes assessing sustainability difficult, but in the short term all the case evaluation projects and 80% of the sample projects have survived beyond their initial funding period.

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Little attention has been given to impact on the environment in any of the ED projects examined. This reflects the small size of most ED projects supported, little or no information being available on collective impact at either national or international level.

It has proved difficult to measure the impact of ED projects on the position of poor people but the evidence suggests that ED activities tend not to benefit the very poorest.

Few ED projects make explicit reference to gender and, when they do, the reference is usually limited to examining the number or women who are likely to be assisted, especially in relation to micro-finance activities. Even then it is often unclear how women are intended to benefit.

KEY LESSONS LEARNED

- ED is an important area of development activity but DFID needs consciously to maintain a balanced portfolio of ED projects, building on what has been found to work, whilst retaining its commitment to the support of innovation;
- DFID needs to be more explicit about what ED means at the policy level, and its scope as a tool for both social and economic development;
- access to markets for small and micro enterprises is a key area that requires more attention;
- a longer (5-10 year) project time frame with 'opt-out' options may often be needed to help transform NGOs into competent independent delivery institutions;
- involvement of the public sector as a stakeholder can be critical to the creation of an enabling environment conducive to ED;
- private sector organisations and businesses, both in the UK and locally, have the potential for active involvement in support of ED;

KEY LESSONS LEARNED: continued over

KEY LESSONS LEARNED *continued*

- DFID needs to improve its methods of assessing the impact of ED activities: most specifically, it needs to devote more attention to baseline activities and appropriate monitoring indicators for business development services;
- DFID needs a better understanding of the relationship between enterprise development and poverty;
- DFID needs to ensure that the concept of gender in ED is fully understood and integrated at the project level;
- DFID needs to develop means by which environmental impact issues can be articulated and seriously considered at the project level.

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For further information see “Enterprise Development Evaluation Synthesis” (Evaluation Report EV618), obtainable from Evaluation Department, Department for International Development, 94 Victoria Street, London SW1E 5JL, telephone 0171-917-0243. This report will also be accessible via the Internet in due course.

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The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and also seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa. The goal of all DFID's work is the elimination of poverty.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

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