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# Driving local community transformation through participatory rural entrepreneurship development

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*Local community transformation through entrepreneurship*

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# Abstract

**Purpose** Rural entrepreneurship development and employment generation are fundamental to enhancing local-level progress and transformation. Achieving gainful employment in rural communities contributes immensely to the realisation of the potential of people living in remote communities. This paper presents a 10-stage practical approach for enhancing rural entrepreneurship development as a major driver of local community transformation and development.

**Methodology** The action research was preceded by a preliminary study, which identified some crucial factors associated with the success of rural entrepreneurial activities in rural Lagos, Nigeria. The research, which is an offshoot of the earlier field survey, was designed to engage viable community-based organisations (CBOs) in Ikorodu, Epe, Badagry and Lekki communities for the implementation of context-specific rural entrepreneurship development projects through the provision of 'non-serviceable' revolving loans.

**Findings** Successful funded rural entrepreneurs and CBOs served as veritable models for driving entrepreneurship development and employment promotion in rural Lagos, Nigeria. Projects funded included artisanal fisheries, barbering salons, piggeries and snail production. Practical and social implications – The projects which generated employment opportunities for rural youths and other able-bodied community members serve as a strategy for lifting people out of poverty. The action research was designed to inform rural development policy in Nigeria and other similar economies in the South.

**Originality/value** The study outlines a step-by-step process of entrepreneurship development project implementation.

**Keywords** Rural development, Entrepreneurship, Employment, CBOs, Revolving loans, Nigeria

**Paper type** Research paper

# Introduction

Rural development is primarily concerned with strategies aimed at improving the quality of lives of people resident in relatively remote and sparsely populated communities. Indeed, entrepreneurship development and employment generation provide a vital platform for enhancing rural livelihoods. Sustainable rural development is thus achieved where and when unemployment and poverty situations are alleviated through context-specific and ecologically sound community level initiatives. The realisation of meaningful economic growth and development suggests that rural people's potentials for entrepreneurship need to be unlocked in order to lift them out of poverty (see for instance, UNIDO, 2003:5). Without doubt, the provision of basic infrastructures (social, physical and institutional) serves as the basis for driving rural entrepreneurship development and employment promotion in any developing economy. In agrarian economies, agriculture serves as the main source of livelihood and income generation for rural people. A strong association therefore exists between rural employment, agricultural growth and rural development (FAO, 2013:1).

However, rural entrepreneurship development, which includes employment generation beyond agriculture alone, is increasingly seen as having a direct link with rural development (Petrin, 1994). Against the background of the emerging global socio-economic and political trend, the current debate on the appropriateness of a place-based approach as a new paradigm shift as against the sectoral-based approach

in rural policy formulation (OECD, 2006) finds its relevance in a globalised world. Rural policy therefore plays a significant role in charting a new path for the development of rural communities to the extent that local people find relevance in contributing to the good and progress of not only their own immediate communities but to the larger society as a whole, '... and to do so while remaining in rural areas' (Freshwater, 2000). Given the prevailing scenarios, context-specific and ecologically viable initiatives will play a significant role in enhancing sustainable entrepreneurship development and employment promotion, particularly so in the South countries. The survival of rural communities and people will ultimately depend on their ability to identify and implement employment-generating businesses that are not only suitable to their peculiar environment but able to find relevance in local and global demand.

This paper reports the research findings on rural entrepreneurship development initiatives in south-western Nigeria, and highlights various steps followed in implementing participatory rural entrepreneurship development and employment promotion (PREDEP) in rural Nigeria as a model for any developing economies. Relevant policy issues and lessons are drawn from the paper for possible implementation in similar socio-ecological and economic climes.

### **The relevance of popular participation in development**

The thrust of government policy is not only to stem rural unemployment and rural–urban migration but also to foster the building of virile local institutions, which would serve as the engine for driving rapid rural community development. Participation in rural development activities, as conceived by Shepherd (1998) is, therefore, not primarily about inclusion or involvement of the rural poor in development projects, 'but about the development of organisation and sets of organisations in which the rural poor can articulate their interests, defend what they have, and stake out new fields of promise'. It is not the size of the grouping and/or project that matters but its ability to sustain and replicate itself in form of capital re-investment and labour absorption. In any case, '[w]orking with smaller groups within the community is an obvious way to get around the problems of working at community level, and to avoid the expense involved in working directly with individuals' (Shepherd, 1998). In reality, the community is a social aggregation that may be too large to manage (Taylor, 1992). The all-important avenues for meaningful participation are laid down structures and forums (MacDonald, 1993) that are in the forms of viable and sustainable organisations, which can be administered by the rural poor and those, which have what it takes to exert an influence in the wider development arena (Shepherd, 1998). It is acknowledged that '...socio-economic transformation entails the redistribution of power and resources' because rural development is seen as a societal enterprise, which transcends the competency of any one Ministry (Ugbomeh, 2001). The key components to development from within are

participation and territoriality (Taylor, 1992). Given that local contexts vary and are known only to local people, development programmes need to be executed using new approaches where projects are replaced by programmes that are locally managed with some degree of flexibility (Shepherd, 1998).

The United Nations Research Institute for Social Development (UNRISD) defines participation as the organised effort to increase control over resources and regulative institutions by groups and movements of those excluded from such control (Pearse and Stiefel, 1979). Participation is, however, conceptualised as either a system-maintaining or system-transforming process (Shepherd, 1998). It is system-maintaining when certain categories of individuals 'based on political affiliation, class, race, ethnicity, or gender' desire to maintain the organisation's operational status quo. A system-transforming type of participation is that which seeks to change the mode of operation of the organisation through an all-inclusive effort. Nonetheless, Agarwal's (2001) typology of participation clearly shows the different levels of people's engagement in development initiatives. Varied in their forms, participation is placed on a continuum of non-participation, much disguised participation and real participation. Thus, participation could be nominal; it could be passive; consultative; activity-specific; active; and interactive (see Agarwal, 2001). Generally, local people continue to witness the attendant skewed power relations between them and development experts. With the exception of the interactive or empowering participations, which are at the extreme end of the bipolar categorisations, community peoples' participation in nationally or internationally funded development projects mostly take any of these

typologies. However, the current awareness of national governments about the importance of community knowledge in the development process is beginning to inform a change in the approach used in programme conceptualisation, planning and execution. The realisation that development centres on community people and their institutions (Kolawole, 2000) would naturally demand that '[r]ural development agencies' ideal role is to facilitate these organisational developments, and to link them with material, institutional and legal changes of benefit to the poor' (Shepherd, 1998). This is the major thrust of the Lagos state's PREDEP, which is implemented by the Centre for Rural Development (CERUD). During one of their field and project monitoring exercises, members of the Technical Committee (TC) on PREDEP met some of the officers of the Community-Based Organisations (CBOs). The comments of the CBOs' officers were instructive:

### **Participatory rural entrepreneurship development and employment promotion (PREDEP)**

The study on the socio-economic indicators of the Local Government Areas (LGAs) of Lagos state in south-western Nigeria, conducted by CERUD in 1992 and updated in 2002, clearly revealed that the rural economies of Lagos state were and are still largely agro-based and dominated by small-scale farmers in the hinterland and fishermen at the coastline and Riverine communities. These small-scale producers still use seemingly basic and simple implements in their operations while infrastructure is grossly inadequate in most parts. The availability of little or no capital coupled with lack of credit facilities to expand on production scale is, perhaps, the major reason for rural poverty in the area. This has led to the neglect of other investment opportunities, which

*When your people first came (referring to other Project staff) to inform us of the intention of the government to help our business grow and to create new opportunities for expansion, we were a bit wary and uncertain about the sincerity of the political leaders who are in government. We thought it was business as usual and one of those unending promises that never came. But now, we can see it and we can feel it. We are grateful to you, people who are from the government circles. We hope this kind gesture will continue.*

The community people's remarks underpin the perceptions of community people about the importance of government credibility and trustworthiness in pro-poor policy formulation and implementation. Thus development is only achieved in an atmosphere that is devoid of any apprehension on the part of all stakeholders.

have been largely untapped. The problem of rural-urban drift has thus been exacerbated.

As part of CERUD's mandates to improve the quality of life in the rural areas of Lagos state in Nigeria, the Centre considers the importance of the implementation of rural based pro-poor development projects in order to facilitate the utilisation of emerging

infrastructural facilities and by so doing create employment opportunities in the areas, and by that means reduce rural-urban drift in the state.

### **Objective of PREDEP**

The broad objective of the PREDEP is to promote and widen the scope of rural employment opportunities by facilitating the establishment of prototype development projects based on appropriate technology in the rural areas, and by that means reduce rural poverty and rural-urban migration in Lagos state, Nigeria.

### **Target groups**

The programme was designed for rural women and men, particularly the low-income group. It targets farmers and non-farming, formal or informal entrepreneurs who are members of CBOs such as the co-operatives. In an attempt to boost the agricultural science curriculum, rural secondary school students are also involved.

### **Methodology and research adaptation**

The shift in paradigm from 'top-bottom' to 'bottom-top' participatory approach (Shepherd 1998) in conceptualising, implementing and evaluating development programmes served as the basis for conducting research to determine rural people's perception about the relevance and importance of local-level entrepreneurship development. The survey, which was conducted in the four most rural LGAs of Lagos state (i.e. Badagry, Epe, Ibeju-Lekki and Ikorodu) through a multi-stage sampling procedure, identified some crucial factors associated with sustainable rural entrepreneurial activities. Employing factor analysis, 25 variables (comprising socio-economic, institutional, project and infrastructure indicators) investigated in a rural

employment study were reduced to seven crucial factors. These include the social status of the entrepreneur, which had a contributory percentage of 22.85; his personal experience (%18.20); infrastructure functionality (%10.65); educational advantage possessed by the entrepreneur (%9.78); his or her business astuteness and financial capability (%7.01); institutional roles/influence (%5.90); and access to information and project type (4.93 %). There were, however, other unknown factors, which contributed about 20.64 per cent of the total (Kolawole, 2002; see also Kolawole and Torimiro, 2005).

The findings of the study, therefore, guided the choice of smallholder farmers and other rural entrepreneurs targeted under the participatory rural entrepreneurship development and employment promotion programme (PREDEP) of the state government. Thus infrastructure provision and functionality, education through workshops, and capital base formation served as the foundation and building block of government interventionist programmes. PREDEP is participatory in approach, just as viable farmer groups and co-operators are involved right from the inception of project conceptualisation, planning and counterpart funding. The identified viable farmers and co-operators are provided with a 'non-serviceable' and revolving loan (a small amount could be charged to take care of administrative costs), which is then paid back on a monthly basis within a -12month calendar period after allowing for a flexible moratorium (depending on the nature of the enterprise). Co-operators and farmers are encouraged to provide %25 of the total amount as seed money to create the awareness of members on project ownership, ensure commitment, and members' full participation in project

implementation. As self-funding (seen as a veritable approach to empowering the shareholders in any business initiative) is now emphasised in relevant quarters, Shepherd (1998) observed that 'activities are increasingly self-funded – even the poor save to contribute to their own bootstraps'. Rice farmers, fishermen, agro-allied processors and other co-operators have been funded in this scheme. The basis for the selection of participants and implementation of programmes/projects will be discussed in the following section. From CERUD's perspective, it is a programme comprising a series of projects; and from the dimension of individual groups, it is a project which focuses on a particular enterprise. As earlier indicated, loans availed to CBOs are revolving in nature, depending on the performance of the participating group(s).

### **Stages of the implementation of PREDEP**

The selection of participants and implementation of projects are outlined in this section (Kolawole and Ajila, 2007). This comprises a 10-stage process, which includes the:

- (i) identification of organised CBOs and co-operative groups at the community level;*
- (ii) conduction of a social survey exercise to obtain information on the demographic/socio-economic attributes and immediate needs of grassroots' organised groups;*
- (iii) collation and analyses of data and selection of appropriate and viable community associations/groups;*
- (iv) requisition for feasibility reports of the proposed projects from the potential beneficiaries;*

*(v) invitation of key officials of selected groups to a round-table discussion and interview to ascertain the veracity of their submissions;*

*(vi) finalisation of the selection of appropriate projects;*

*(vii) training of members of the selected groups in preparation for project execution, wherever and whenever it is applicable;*

*(viii) signing of the Memorandum of Understanding (MOU) and funding;*

*(ix) implementation of project; and*

*(x) monitoring and evaluation of the funded projects.*

### **Identification of organised CBOs and Co-operative groups at grassroots/community level:**

The first stage is the identification of viable and organised community-based associations. Relevant CBOs are identified through CERUD's guided approach towards project implementation. Research Officers (ROs) are assigned the field responsibility of identifying viable CBOs and are, therefore, expected to provide a detailed report on the identified groups within rural communities.

### **Social survey exercise on opinion sampling from identified group members:**

Having identified relevant groups, a survey is then conducted to determine the socio-economic status and immediate needs of the groups (CBOs) through the use of structured and unstructured interview schedules and/or questionnaires. The use of either self-administered questionnaire or interview schedule that is completed by the field enumerator depends on the

literacy level of association members who provide primary data.

### **Selection of appropriate groups/ associations:**

Data collected in the field are collated and analysed to determine different needs of community people vis-a-vis the socio-economic positions of the groups and their geographical location. Groups are then selected based on the relevance and suitability of projects to the peculiarity of the ecological area under consideration. For instance, fishery project is more appropriate for the riparian communities while kolanut pod husk (KPH) fertilizer development is suitable for the kolanut growers in the forest zone of the state.

### **Feasibility reports of the proposed projects:**

To further determine the appropriateness of the proposed projects, feasibility reports are requested from selected CBOs. The Technical Committee (TC) on PREDEP, which draws members from various disciplines and backgrounds, sits to determine how appropriate a particular project is. Selection of projects is based on their appropriateness, pay-back-period (PBP) and their internal rate of returns (IRR) as indicated in the feasibility report.

### **Invitation of key officials of associations for discussions:**

Key officials (such as the chairman/ president, secretary, treasurer and financial secretary) are invited for further discussions by the TC. They are to defend and make clarifications on the reports forwarded to the committee for consideration.

Final selection of projects: Projects are finally selected based on the satisfactory explanations and

clarification provided on the proposal earlier forwarded to the TC by the local-level association(s).

### **Training:**

The nature of the project determines the degree to which training is offered to participants. However, some participants may not need further training if they had been or are still involved in such activities, but without the required capital to make appreciable impacts in project expansion and employment generation drive. This is typical of most fishermen located along the Lagos coastline, whose business activities require a substantially huge capital for the acquisition of equipment for ocean fishing, and which the majority could not individually afford.

### **Signing the MOU and Funding:**

The MOU spells out the mode of operation and condition for servicing the loan. All stakeholders (CERUD and CBOs' key officials) then sign the document. The 'non-serviceable' revolving loan is then disbursed to the group for project implementation after all stakeholders have signed the MOU.

### **Projects implementation:**

The next phase is the full implementation of funded projects. Creating a good footing and stability in project performance, an agreed period of moratorium is set during which the project is allowed to operate without any loan repayment. During the moratorium, the project is expected to consolidate on its capital outlay in preparation for loan repayment. The loan is planned to revolve amongst the already existing beneficiary groups and other potential beneficiaries. The beneficiary groups that are solvent and have the capacity to increase their business scope are therefore given the

opportunity to make fresh applications for expansion and new investments. The loan is also conceived as a revolving one because new entrants are considered for funding as soon as loan beneficiaries repay their debts.

### **Monitoring and evaluation:**

The procurement of production inputs and/or equipment is supervised by CERUD through the TC. As soon as the project takes off, the Centre monitors the activities of association members in project implementation. This exercise is followed by implementation evaluation procedures, which are both systematic (on-going) and summative (conclusive and overall) in nature.

### **Sources and mode of funding**

Projects are funded solely through the monthly subvention provided by the Lagos state government. However, CERUD augments this through its training and consultancy services. As earlier reported, prospective CBOs short-listed for funding are expected to contribute a minimum of 25 per cent of the loan requested (either in cash or kind, as the case may be) as a form of counterpart funding to ensure commitment and participation of all the stakeholders.

### **Projects**

Various projects executed under the PREDEP include snailery, piggery, fishing, rice farming and cottage industry financing in Lagos rural communities. These projects are implemented via two outlets viz: the CBOs, and rural secondary schools. The programme is a novel idea because the two-prong approach engenders the empowerment of both rural adults and youths. Just as the adults are being encouraged to face the challenges of the development of their immediate environment headlong,

college students are prepared for future self-employment after leaving school, which indeed translates to self and community development. Agricultural science vocations such as snailery and piggery were introduced to the pupils of model colleges in Lagos state in 2002 (The projects have now been fully transferred to the schools' authorities). School curricula were designed to incorporate PREDEP projects into students' activities, whose participations were supervised by the school agricultural science teachers and CERUD research team, which has a veterinary doctor as one of its members.

The gains derived from the school projects were two-folds, viz:

*(i) the proceeds formed a revenue base to both CERUD and the schools (which were counterparts in funding the projects); and*

*(ii) students were empowered to embark on agricultural production ventures after leaving school (particularly for those who could not immediately secure admission into higher colleges or those who could no longer embark on further studies).*

CERUD activities (supervision, monitoring and evaluation of projects) are withdrawn as soon as the project has paid off its initial capital outlay. Individual CBOs and schools are then encouraged to oversee the management of the project. Generally, this has yielded a positive result because stakeholders naturally would always desire to ensure the sustainability of their projects with a view to preventing bankruptcy.

# Conclusion

Development is achieved where and when unemployment, inequality and poverty are adequately addressed. Most of the efforts of international organisations such as the United Nations Development Programme (UNDP), Food and Agriculture Organisation of the United Nations (FAO), International Monetary Fund (IMF), the World Bank, and other donor agencies are mainly directed towards poverty reduction, particularly in developing countries. In spite of many years of unrelenting efforts to alleviate poverty, many are still poor, most especially in sub-Saharan Africa and South Asia, where there are more chronically poor people than anywhere in the world (CPRC, 2000). The effort of CERUD, therefore, is directed towards alleviating poverty on a micro-scale with a view to jump-starting development at a macro-level in the not too distant future. In order to broaden and further institutionalise the scope of the initiative, the attention of other stakeholders such as agro-allied banks has been drawn on the need to join hands in implementing the rural projects

In general, participating communities now perceive the PREDEP as an engine for driving employment opportunities and stemming rural–urban migration; enhancing earnings of the local communities leading to improved standard of living; enhancing the utilisation of locally available raw materials for cottage industries; entrenching technological self-reliance through training and exchange programmes; and reducing the wastage of farm products through improved processing, recycling, preservation, storage, packaging and marketing. The PREDEP initiative is a model that could be appropriately adapted by development agencies in the African, Caribbean and Pacific (ACP) regions.

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