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Timeline

2018-2022

Study Status

Results

Study Type

Randomized Evaluation

Sample Size

1,200 small firms

Research Implemented by IPA

Yes

The Impact of Cash and Matching Grants on Small Firms' Performance in Burkina Faso



People assisting in a public lottery to find out which group they've been assigned to in the intervention, Burkina Faso. © MEBF

Abstract: In collaboration with IPA Burkina Faso, Maison de l'Entreprise Burkina Faso (MEBF) and Bagré Pôle, researchers conducted a randomized evaluation to assess whether a program consisting of cash or matching grants enhanced small firms' performance. The grant program improved firms' survival rates and business practices but had no impact on profits, sales and employment. However, firms with cash grants increased their investment and capital stock.

In many low- and middle-income countries, matching grants—subsidies for investments in individualized technical training and management training, and consulting services requiring a contribution from the firm—are often provided by governments to small- and medium-sized firms to enhance private sector development and job creation.¹ However, there is only limited evidence about the effectiveness of such grants for businesses. Bagré Pôle and Maison de l'Entreprise Burkina Faso (MEBF)—institutions in charge of promoting, supporting and building the capacity of private companies—provided cash or matching grants aimed at helping small firms improve their performance in agribusiness activities. The program provided firms with grants of up to USD 8,000 based on the financial support they requested and justified in their business plan.

Researchers conducted a randomized evaluation to assess whether cash or matching grants could better boost small firms' performance. In collaboration with the researchers, IPA Burkina Faso conducted one survey before the intervention and two follow-up surveys. The intervention was implemented in nine municipalities covered by the Bagré Growth Pôle—a zone of 57,800 ha of irrigable land downstream of the dam—in the Provinces of Boulgou and Zoundwéogo, in the Centre-Sud and Centre-Est regions of Burkina Faso. The 1,200 small

firms in the program were randomly assigned to one of the following groups:

1. **Matching grants:** Firms in this group were matched with service providers and could use their grants for tailored technical and management training, and consulting services. They had to make a contribution of 20 percent toward the total costs. The grants followed strict procurement rules.
2. **Cash grants:** Firms could use these grants for any type of investment including acquiring machines, tools, livestock, construction, land, inventories, technical and management training, and consulting services. The grants followed light procurement rules.
3. **Comparison group:** Firms in this group received no intervention.

Firms in both groups experienced higher survival rates, improved business practices, and an increased level of formalization, along with additional innovation activities. The effects were stronger for firms with cash grants than for those with matching grants. Neither program impacted profits, sales, and employment. However, firms provided with cash grants increased investment by 7.7 percent, and they almost doubled their capital stock relative to the comparison group, which could lead to a boost in profits, sales, and employment in the longer term.

Read the research paper [here](#)

Sources

¹ Campos, Francisco, Aidan Coville, Ana Fernandes, Markus Goldstein and David McKenzie (2014) "Learning from the experiments that never happened: Lessons from trying to conduct randomized evaluations of matching grant programs in Africa". *Journal of the Japanese and International Economies*, 33: 4-24

Research Partners



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Maison de l'Entreprise du Burkina Faso



Bagré Pô