



# RuralInvest>

## A CAPACITY DEVELOPMENT TOOLKIT TO PREPARING AND ANALYZING EFFECTIVE RURAL INVESTMENTS & BUSINESS PLANS



### Rural Invest in few words

**What is Rural Invest?** Rural Invest is a free multilingual methodology and toolkit to prepare investment projects and business plans in a participatory, iterative and decentralized way for the use of communities, entrepreneurs and field technicians of ministries, projects and financial institutions, in support of rural investments and agribusinesses development.

The toolkit is comprised of a range of training courses and materials (including e-learning, tutorials, case studies and exercise book), technical manuals and a custom developed software. It is one flagship FAO capacity development tool in support to investments. It has been extensively applied in a wide range of developing countries, initially in Latin America then in Africa, Central Asia, Asia and North Africa. It is currently available in 8 languages (Arabic, English, French, Spanish, Portuguese, Russian, Turkish, Mongolian).

Rural Invest use improves the quality and viability of projects that are jointly prepared with their initiators. Its assists in systematizing and harmonizing the way investment proposals are prepared and analyzed across technicians, regions, development projects ensuring that all important aspects (technical, organisational, commercial, social, environmental, financial) are duly taken into consideration.

**Why RuralInvest?** RuralInvest aims at strengthening national actors' capacities to facilitate sustainable rural investments, rural enterprises promotion, value chains development, and enhanced access to financial services. It supports FAO's Strategic Objective 4 "Enable inclusive and efficient agricultural food systems". The toolkit has been developed by the FAO investment Centre since 1998 to address a deficit in methodology and tools adapted for use by project owners (communities, producers' organizations, entrepreneurs, municipalities), field technicians and financial institutions to support the preparation, analysis and monitoring of agricultural investment projects as well as the development of rural enterprises.

In recent years development agencies and governments have placed increasing emphasis on participatory-driven development and value chains promotion, enhanced access to rural finance and

promotion of enterprises have all emerged as important subjects for sustainable rural development, In order to provide effective support to such producer groups, rural entrepreneurs and communities as they elaborate and analyze their investment proposals and seek funding, FAO has developed the RuralInvest toolkit. RuralInvest strengthens the capacity of national actors and those implementing local level investment to manage their own development, ensuring greater ownership and increased project impact and sustainability.

**RuralInvest: for which types of investments?** RuralInvest is appropriate for both:

- *income generating* projects (in agriculture, livestock, fisheries and aquaculture, forestry, agro-industries, manufacturing, services, handicraft, etc.); and
- *non-income generating* and *social* projects that aim at improving standards of living in rural areas (health clinics, schools, environmental projects, roads, drinking water supply, etc.).

**Who can use RuralInvest?** RuralInvest can be used by any public or non-governmental organization (NGO), financial institution or donor-funded project which is assisting entrepreneurs, producer organizations (POs) and communities in preparing and appraising their investment proposals and seeking or extending funds (through grants or credit) to support rural investments and business development. The use of RuralInvest therefore strengthens the project preparation, analysis and monitoring functions within the adopting institutions (ministries, development projects, NGOs, producer organisations, chambers of agriculture, commerce and trade, investment funds, etc.).

The methodology and toolkit has been tailored to be as simple as possible while still providing realistic and detailed analysis of the proposed investments. It is typically adapted and used by field technicians (e.g. extension staff and credit agents of banks and microfinance institutions) and project staff who are not specialists in project formulation and financial analysis. The output of RuralInvest provides the information and reports generally asked by financial institutions and donor agencies.

Currently, FAO supports the utilisation of the toolkit through an institutional/organizational approach (support to ministries, national agencies, development projects, etc.) through specific capacity development activities including training of trainers. FAO does not provide support to individual users of the toolkit. However the training material (technical modules, distant learning courses), software package and manuals can be accessed online.

Currently, RuralInvest manuals and software are available in eight languages, including *English, French, Spanish, Russian, Arabic, Portuguese, Turkish and Mongolian*, but further language versions are often in development.

**Advantages of using RuralInvest for improving the quality and impact of investment projects.** As compared to other investment project and business plan preparation and assessment tools, RuralInvest users indicate the strengths of the toolkit are the following:

- (i) the emphasis on a participatory and iterative approach to the formulation and analysis of investment proposals together with the project initiators strengthens the ownership of project proposals and increases the likelihood of success, while also ensuring advisory support at community/investor/applicant level;
- (ii) the ability of RuralInvest to develop and analyze both economic (income-generating) as well as social and environmental (non-income generating) projects;
- (iii) the comprehensive and guided approach that assists project applicants and supporting field staff to tackle all key aspects of the proposal, including describing the objectives and scope as well as justifying and analyzing project proposals and business plans. There is considerable

emphasis on ensuring the needs of the applicants are fully addressed, that market/demand conditions are taken into account, that operations, technology and capacity development requirements are clearly identified, and that organization/management and financial sustainability/feasibility issues are clearly assessed, including cash flow analysis and (where relevant) profitability analysis;

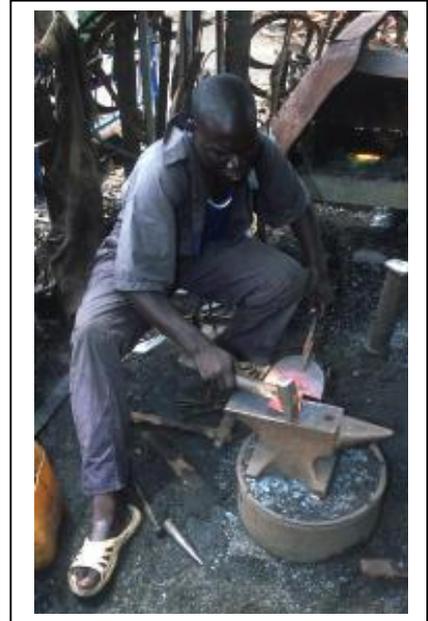
- (iv) the user friendly interface of the software and the clarity in the presentation of assumptions and financial results. The methodology can be easily understood and applied by both field technicians, applicants and decision makers in financial institutions;
- (v) the facilitation and automation of many financial calculations, and the benefits of eliminating many potential errors or omissions arising from the use of spreadsheets;
- (vi) the harmonization of the preparatory and analytical methods and presentation of projects and business plans across different regions in a country or across adopting organizations. This helps improve the quality at entry of the investment proposals (before approval of financing);
- (vii) the possibility to use the toolkit throughout the project life cycle from identification of investment priorities, project profile assessment (a simplified analysis to conduct quick and easy tests of the feasibility of project ideas or different technical options), detailed project preparation and analysis, to the result and impact evaluation of approved projects;
- (viii) the strength of the methodology and software as a quality assurance tool, since the proposals can be easily reviewed by project originators, reviewers and approving officers, and as a decision making support tool to better orient the investor(s)/initiator(s), as well as the committees for allocating subsidies/credit to various investment possibilities;
- (ix) the automatic generation of a database of proposals/business plans (designed, approved, implemented) so as to facilitate: portfolio management, statistics generation and monitoring and evaluation of approved investments. Furthermore, RuralInvest offers the possibility of a comparative analysis through project life cycle and across project categories. In addition, the software can be operated via internet (as a shared tool);
- (x) the methodology facilitates the ex-post financial analysis of implemented projects.

### **Rural Invest Steps and Modules**

There are currently four main steps in the methodology/toolkit:

**Module 1: Participatory Identification of Local Investment Needs.**

Module 1 provides guidelines and templates (manuals, field exercises) to assist local technicians working with communities and other rural groups to assess the natural resources, economic and social activities, institutions and infrastructures in the area within which the applicants live, and through this process determine their opportunities and constraints, future priorities and resulting investment needs. Where such community-level assessment work has already been carried out (e.g. through participatory rapid rural appraisals or equivalent methods), or where applicants are primarily individual investors, Module 1 may not be necessary.



**Module 2: Preparing and Using Project Profiles.** This module provides a simplified methodology to facilitate the conversion of general project ideas into specific investment profiles. Prepared in the field with the direct participation of the applicants (whether individuals or groups), profiles aims at defining the key characteristics of the project (such as objectives, main activities, determination of investments costs, the rapid calculation of gross margin from activities at full production, and estimated returns on investment) and help the applicants better understand the reality of the investment proposed (in terms of resources, costs and expected financial impact). The module allows both the applicants and the possible funding agency to assess the apparent feasibility of the proposal before committing resources for full project preparation. For investments involving no more than a few thousand dollars and which are not very complex, the project profile, typically running to 4-5 pages, may be sufficient to allow financing approval for the investment and the use of Module 3 would therefore not be necessary. The module 2 methodology can be applied without using the RurallInvest software. However both qualitative and quantitative data can be entered in the software later on for records keeping purposes or as a preliminary to the use of Module 3.

**Module 3: Detailed Project Formulation and Analysis.** This module allows project initiators to formulate detailed project proposals containing all the information needed for funding sources to take informed decisions concerning the viability of the proposed investment. The information provided by the module notably includes: (i) the definition of anticipated markets or demand; (ii) technologies to be used and training and technical assistance needs; (iii) the calculation of income, expenses and gross margin by project activity, and; the generation of financial forecasts and ratios. Many calculations – such as the estimation of employment generated by the investment, working capital requirements and the replacement of assets - are performed automatically. This helps to avoid mistakes often made by non financial experts and ensures all project proposals will be presented under a similar format, thus assisting funding sources to compare a range of different proposals. Under Module 3, a wide range of key parameters can be pre-defined according to user agency needs, including: categories of investments, the currency, the types of beneficiary and environmental classification. The software calculates investment requirements and shows the proposed financing (through a combination of project initiators' resources, grants and loans), detailed operational income and costs by activity ("blocks"), annual cash flows (before and after financing), and a profitability report comparing the existing and "with project" situation (including ratios such as the Net Present Value -NPV and Internal Rate of Return -IRR). The software generates a variety of reports in either electronic (pdf or Excel format) or printed form to be discussed with project initiators and reviewers and funding decision makers.

**Example: Entering income and costs per activity (block of production)**

Sales income (per unit of production per cycle)									
Item	Sales unit	Units produced	Quantity used internally (not sold)	Units sold	Unit sale price	Transport cost/unit	Total income	Total cash income	
Passengers	Persons	2000	0	2000.0	1.75	0	3500.0	3500.0	
Freight	Bags	1300.0	0.0	1300.0	1.25	0.0	1625.0	1625.0	
							5125.00	5125.00	
Add a new item									

Input/Material cost (per unit of production per cycle)									
Item	Purchase unit	Units used	Quantity drawn from own resources	Quantity purchased	Unit cost	Transport cost/unit	Total cost	Total cash cost	
Repairs	Item	1.0	0.0	1.0	250.0	0.0	250.0	250.0	
Tickets	Book	30.0	0.0	30.0	1.5	0.0	45.0	45.0	
Oil	litres	30.0	0.0	30.0	4.5	0.0	135.0	135.0	
Fuel	litres	1000.0	0.0	1000.0	1.2	0.2	1400.0	1400.0	
							1830.00	1830.00	
Add a new item									

Labour cost (per unit of production per cycle)									
Item	Sales unit	Units used	Unit cost	Quantity drawn from own resources	Quantity purchased	Total cost	Total cash cost		
Pilot	p/day(s)	30.0	12.0	0.0	30.0	360.0	360.0		
Helper	p/day(s)	30.0	10.0	30.0	0.0	300.0	300.0		
							660.00	360.00	
Add a new item									

**Module 4: Profiles & Projects Database Management and Support to Monitoring and Evaluation.** An integrated function within the software allows for the aggregation of all RuralInvest proposals prepared by field technicians with their initiators into one single database, where they can be tagged according to their stage in the project cycle (e.g. proposal, approved, investment completed, fully functional) as well as by other criteria (project type, beneficiary type, investment costs, financial indicators, etc.). A search function allows the selection of projects with specific characteristics from the database and the automated production of formatted data that can be exported (as pdf or Excel files) and subsequently used to prepare progress reports for monitoring purposes (for example the total number of funded projects and amount invested in livestock projects targeting women beneficiaries in a given region of the country). If investment proposals are subsequently updated with actual data from already completed investments which are functioning, the software permits the comparison of the two stages of the project cycle and provides the basis for evaluating the performance of projects against initial projections.

**Which modules of RuralInvest do you need?** Depending on their function and activities, organizations can make use of all or parts of the RuralInvest toolkit, each adapted to their specific needs. Not all adopting agencies will need all RuralInvest modules, and the first step for any organization is to decide which modules are of relevance for their operations. This decision will depend upon:

- **The target beneficiaries and existing processes for identifying investment priorities.** Module 1 is not needed if only individual beneficiaries are targeted or when significant participatory work has been done at local or community level to identify and prioritize investment project ideas;
- **The size and type of the likely investments to be supported.** When most projects are assumed to be costing less than say USD 5,000 the preparation of detailed project proposals (through Module 3) might not be needed and preparation of project profiles (e.g. use of Module 2) could be sufficient; this is also true for larger projects that do not represent major innovations nor carry major risks. Projects from USD 5,000 up to several hundred thousand USD require a more careful preparation and analysis and therefore application of Module 3 is recommended. For larger investments (say one or several million of USD) – depending on the complexity of the project as much as upon the value of the investment – it may be wiser to supplement, or even replace, the use of RuralInvest with a specialized multidisciplinary project formulation team. Nevertheless the financial analysis conducted with the help of RuralInvest is still suitable and useful for this exercise.
- **The need for monitoring the projects portfolio and M&E functions.** If such areas are felt important - which generally is the case - then the use of Module 4 functions will be relevant.

## Dissemination of RuralInvest: approach, responsibilities and costs

### **FAO's role in developing and promoting RuralInvest**

As a global public good, RuralInvest contributes to FAO's Strategic Objective 4: "Enable inclusive and efficient agricultural food systems". FAO supports its development and dissemination across all member countries through an institutional approach encompassing a training of trainers and transfer of RuralInvest skills to national institutions. The main FAO's functions with regards to RuralInvest are as follows:

#### **1. Development and Promotion of RuralInvest**

- Development and upgrade of the RuralInvest methodology and toolkit
- Periodic update and enhancement of the RuralInvest software, based on demand and feedback from end users
- Promote of RuralInvest use in member countries and with donor agencies, financial institutions, academia and national institutions (producers' organizations, chambers of commerce and agriculture, NGOs, etc.)
- Production and dissemination of communication materials (web page, brochures, news, etc.)
- Link RuralInvest to other FAO capacity development tools (Farmer Field Schools, Value Chain Analysis tools, the Rural Finance Learning Centre, the Investment Learning Platform, MicroBanker, Ex-Ante Carbon Balance Tool (EX-ACT), etc.)

#### **2. Capacity Development and Knowledge Transfer to RuralInvest Users**

- Knowledge transfer to national institutions that are responsible for RuralInvest dissemination and backstopping to end users, through a Training of Trainers approach
- Production and dissemination of training material (manuals, presentations, illustration cases, exercise books, case studies, e-learning courses, video tutorials, etc.) in various languages
- Follow-up support to institutions/trainers that adopt the RuralInvest toolkit and had received an initial training of trainers from FAO
- Maintain linkages and backstopping to national units and toolkit administrators in charge of RuralInvest training dissemination and technical support to end users at country level

### **Dissemination strategy for RuralInvest**

FAO strategy for disseminating RuralInvest in a country, through one or more user organizations, is based on **training of trainers (ToT)** and a rapid **transfer of know-how** of RuralInvest training, dissemination and support to end-users capacities **at national level**.

For all interested agencies/organizations the first step is to contact the Country FAO office or the FAO RuralInvest e-mail or Focal points (see contact list at the end) to define the needs and estimate the cost of capacity development and in-country dissemination.

Training is required for each module, typically ranging from 3-6 days per course for modules 1, 2 and 3, and one day for module 4. Each course can accommodate from 15-30 participants depending on number of trainers and whether the software is utilized or not. The different training modules can be delivered in a package or separately. While every effort will be made to meet the particular needs of the adopting agency or organization, a typical training of trainers and RuralInvest capacity transfer encompassing all modules would generally require at least three separate training of trainers and capitalization and knowledge exchange sessions implemented over a period of 3 to 6 months. Adoption of only some modules would shorten this period.

The toolkit is distributed free of charge by FAO. However, implementation is subject to the mobilization of adequate funding to finance FAO's technical assistance for the agreed ToT and capacity building programme.

## Establish RuralInvest capacity at national level

In order to utilise RuralInvest effectively, the adopting institution must develop an in-house RuralInvest support capacity, or system administrator. If several organizations adopt RuralInvest in a given country, it is strongly recommended that a lead institution (ministry, university, etc.) be identified and made responsible for the national level dissemination, coordination, training and the effective utilization of the methodology and software.

Comprising as few as two persons for smaller users, but more for larger organizations, the personnel of such in-house support unit should be closely familiar with the RuralInvest methodology and software and provide a number of key services/functions, as follows:

- **Determine the system parameters.** These parameters define common standards to all users (such the local currency, geographic areas, project types, beneficiary types, environmental categories, maximum duration of projects, conditions of loans, discounting factor to establish NPV calculation, etc.) that would allow the transfer of profile/project files between them and the creation of a common database of profiles/projects. Such parameters can be subsequently modified by the system administrator and distributed electronically to field staff to ensure the same basic parameters constantly apply to all users.
- **Technical support.** Answering questions or dealing with problems encountered by field staff in applying RuralInvest and preparing profiles and projects with applicants is a key function to ensure proper use of the methodology, beyond the initial and refresher training of field staff/partners using the methodology and software. Where issues arise that cannot be resolved by the system administrator, the FAO RuralInvest team will attempt to help find appropriate solutions.
- **Training of new staff in RuralInvest or upgrading skills of existing staff.** Training of RuralInvest users is essential and should comprised initial training sessions adapted to each institution needs, followed by an internal capitalization and knowledge exchange session and regular refresher sessions, using a Training of Trainers (ToT) approach. Given the frequently high levels of staff turnover found in many institutions, the establishment of an internal or national Rural Invest training capacity is essential to avoid the relatively high cost of repeatedly using external trainers;
- **Quality control.** Experience has taught that reviewing investment proposals (e.g. profiles and projects) before submitting them for funding, is critical to the success of the methodology. In this process, inadequately prepared proposals or those with significant errors and information gaps are identified, and field staff assisted to revise them. The technical review also allows the creation of a database of typical cases by project type (e.g. irrigation, transport, processing, etc.) that can be used subsequently as examples or case studies during training events.
- **Monitoring & Evaluation (M&E).** The in-house support unit often takes on key monitoring and evaluation functions, and would prepare periodic M&E reports.
- **Link to the FAO RuralInvest design team.** The in-house RuralInvest support unit acts as a bridge between the FAO RuralInvest team and field staff, receiving periodic software upgrades and updates of manuals and distributing them to users at field level. The in-house team also plays a key role in providing feedback to the FAO RuralInvest team to report difficulties in using the methodology and software, and in providing ideas and suggestions for software upgrades (new functionalities, improvement of existing ones) that would benefit the worldwide RuralInvest users community.

## RuralInvest capacity development programme: Cost estimates

Rural Invest capacity development costs depend on many factors such as: modules to be tackled, number of persons to be trained, logistical arrangements for training events (separate sessions for each module or combined sessions), training location, preparation and backstopping needed, etc. Following the definition of the needs of the potential adopting agency, a budget can be prepared.

FAO provides the technical and user manuals, teaching material and the computer software (user and administrator versions) free of charge. It is the responsibility of the adopting agency to cover the costs of the FAO technical assistance for the capacity building programme, to identify trainees and potential future trainers, to provide training space, suitable computers for all participants<sup>1</sup>, and to support transport, accommodation and meals for the students, if required.

### Contact and Enquiries

Further information about RuralInvest can be obtained from the RuralInvest web page (see link below) or e-mail address or from the Investment Centre Rural Invest focal points per region listed below. The web site provides access to the software as well as to brochures and manuals.

Africa ( <i>English/French</i> ) :	Marc Fantinet ( <a href="mailto:Marc.Fantinet@fao.org">Marc.Fantinet@fao.org</a> ) Julien Vallet ( <a href="mailto:Jullien.Vallet@fao.org">Jullien.Vallet@fao.org</a> )
Eastern Europe & Central Asia ( <i>Russian</i> )	Inna Punda ( <a href="mailto:Inna.Punda@fao.org">Inna.Punda@fao.org</a> ) Alexandra Sokolova ( <a href="mailto:Alexandra.Sokolova@fao.org">Alexandra.Sokolova@fao.org</a> ) Dmitry Prikhodko ( <a href="mailto:Dmitry.Prikhodko@fao.org">Dmitry.Prikhodko@fao.org</a> ) Kuvat Bapaev ( <a href="mailto:Kuvat.Bapaev@fao.org">Kuvat.Bapaev@fao.org</a> )
Latin America & Caribbean: ( <i>Spanish/Portuguese</i> ) ( <i>French/ Portuguese</i> )	Dino Francescutti ( <a href="mailto:Dino.Francescutti@fao.org">Dino.Francescutti@fao.org</a> ) Luis Dias Pereira ( <a href="mailto:Luis.DiasPereira@fao.org">Luis.DiasPereira@fao.org</a> ) Luc Dubreuil ( <a href="mailto:Luc.dubreuil@fao.org">Luc.dubreuil@fao.org</a> )
Middle East ( <i>English</i> ) ( <i>Arabic</i> )	Julien Vallet ( <a href="mailto:Julien.Vallet@fao.org">Julien.Vallet@fao.org</a> ) Shaza Saker ( <a href="mailto:Shaza.Saker@fao.org">Shaza.Saker@fao.org</a> )
South & South-East Asia ( <i>English</i> )	Aidan Gulliver ( <a href="mailto:Aidan.Gulliver@fao.org">Aidan.Gulliver@fao.org</a> )

Rural Invest web page: <http://www.fao.org/investment/ruralinvest/en/>

Presentation brochures and Module 1, 2 et 3 manuals of the methodology can be downloaded from this page (in English, French and Spanish).

On line Demo Software : <http://apps3.fao.org/riv-demo/login>  
<http://www.fao.org/investment/ruralinvest/software/en/>

You can access the latest version of the software (currently 4.2.8) in 8 languages at the above-mentioned links. This demonstration site includes a database of profiles and projects examples in French, Spanish and English. You can prepare your own profile/project cases and also create your own user account if you wish (beware to save and export the profiles/projects you have created as the online database is cleaned every month to only leave the examples).

E-Learning Course: <http://www.fao.org/elearning/#/elc/en/course/RI>

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<sup>1</sup> A **minimum** of a Windows 2000 operating system (XP, Vista or later versions recommended), internet browser, at least a 500 MHz CPU, 500MB of RAM and 200MB of available hard disk space is required. The RuralInvest software is built upon an open source platform and does not require any specific operating programmes beyond the internet browser, Java and Adobe (for pdf reports).

An e-Learning course (in English and Spanish) is available on the FAO e-Learning site. It mainly tackles module 2 concepts.

Web Tutorials: Online tutorials tackling critical steps for projects preparation (Module 3) in several languages will be released soon on the RuralInvest web page.

