

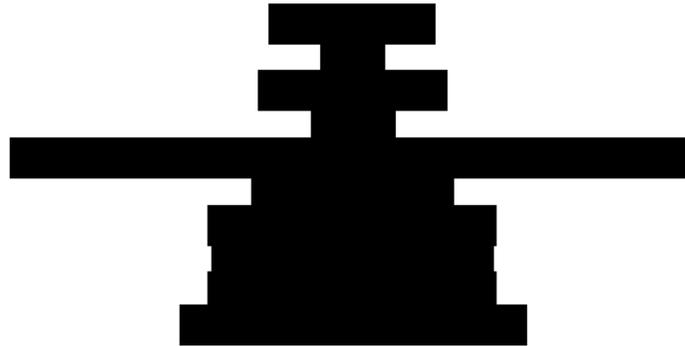


**Quarterly Report
April – June 2016**

**Leader with Associate Agreement (LWA)
EEM-A-00-04-00002-02**

**Associate Cooperative Agreement
No. AID-383-LA-11-00002**

Submitted to:



Submitted by:



For More Information, Contact:



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ACRONYMS LIST

| | |
|-------|--|
| AOR | Agreement Officer's Representative |
| BCA | Business Capacity Assessment |
| BDS | Business Development Services |
| BSP | Business Services Provider |
| CCC | Ceylon Chamber of Commerce |
| CEA | Central Environmental Authority |
| COP | Chief of Party |
| DDL | Dairy Development Lanka |
| EDM | Enterprise Development Manager |
| EDT | Enterprise Development Team |
| EMMP | Environmental Mitigation and Monitoring Plan |
| EPF | Employees' Provident Fund |
| ETF | Employees' Trust Fund |
| EYB | Expand Your Business |
| F2F | Farmer-to-Farmer |
| FT | Full Time |
| FTE | Full Time Equivalent |
| HACCP | Hazard Analysis and Critical Control Points |
| IFC | International Finance Corporation (World Bank Group) |
| IT | Information Technology |
| KPI | Key Performance Indicators |
| LOP | Life of Project |
| MDF | Market Development Facility (DFAT Australia) |
| MED | Ministry of Economic Development |
| MOF | Ministry of Finance and Planning |
| M&E | Monitoring and Evaluation |
| MPCS | Multi-purpose Cooperative Society |
| NCP | North Central Province |
| NGO | Nongovernmental Organization |
| OSH | Occupational Safety and Health |
| PMP | Performance Monitoring Plan |
| PPA | Public Private Alliance |
| PWDs | Persons with Disabilities |
| SLTDA | Sri Lanka Tourism Development Authority |
| SLG | Sri Lankan Government |
| SLS | Sri Lankan Standards (certification mark) |
| TAP | Talent Acceleration Program |
| USAID | United States Agency for International Development |
| USG | United States Government |
| VAT | Value Added Tax |
| VEGA | Volunteers for Economic Growth Alliance |

I. INTRODUCTION

VEGA and Land O'Lakes International Development is pleased to submit its quarterly report for the VEGA/BIZ+ project (BIZ+) covering the period from April 1 to June 30, 2016.

The sections of this report follow the structure of the work plan and all the results reported are compared to the targets that incorporate the two-year extension (Phase 2: August 2015 to July 2017). Activities carried out this quarter are reported under their relevant components, and cross-referenced between components when applicable. Overarching program activities are covered in a separate section called Project Level Activities. In the final section, we present results achieved against project indicators, supported by a full data table in Annex A. In Annex B, we provide information about findings and follow-up actions related to environmental monitoring.

II. PROGRAM HIGHLIGHTS AND SUCCESSES

BIZ+ reports a total of 6,014 new employment and income earning opportunities as of the quarter ended June 30, 2016. This represents an increase of 136 new opportunities reported during the three-month period. Phase 2 partners Crown Polypack, Sahas Wear, Orian Lak and Rural Returns reported most of the new hires. The results are in line with our forecasted job numbers and implementation plans. Phase 1 business partners have mostly completed their expansion activities and are receiving technical and managerial capacity building support. The 13 Phase 2 business partners are each implementing plans to expand factories, procure and install new equipment, and invest in human resources and supplier networks.

As of the end of this quarter, we are pleased to present the following results:

- 136 new employment and income earning opportunities reported this quarter, to bring the life of project total to 6,014.
- 157 vulnerable households benefited, to bring the life of project total to 8,272.
- \$433,899 leveraged from grantee businesses this quarter bringing the total leveraged to \$14,542,872.

Component Two activities include providing technical assistance to build capacity of businesses to improve their performance and sustainability. This quarter, the following capacity building activities and results were achieved:

- BIZ+ facilitated a workshop targeting manufacturing business partners, introducing basic quality control measures and steps to apply good manufacturing practices and achieve standards.
- Rohana Eastern Dairies Ltd. received technical assistance from industrial engineering and quality assurance consultants to improve the layout of the dairy plant and the machines and technology deployed.
- Koularagama received technical assistance from a volunteer consultant to improve product design and production processes.
- Over the life of the program, BIZ+ has mobilized 1,157 days of volunteer advisory services, including 136 days of level of effort by volunteers during the past quarter.

Below, we highlight two examples of volunteer programming that are central to the successful BIZ+ implementation model. Firstly, we highlight the contributions of Zoe Felix who completed a one-month volunteer consulting assignment through April and May, mentoring and training the staff and management at Koularagama Industrial Cooperative Society Limited. Secondly, we focus on broad-based training activities delivered by quality and operations management advisors [REDACTED] and [REDACTED] who at the end of the quarter completed five-month assignments that were funded by Land O'Lakes, Inc.

International Volunteer Helps Koularagama Industrial Co-op Improve Ceramic Product Designs and Production Techniques

██████████, a master in ceramic arts and a practicing artist, traveled from Europe to the rural village of Sevenagala, Moneragala District to assist the women-led Koularagama Industrial Cooperative. Ms. Felix worked with members and employees of Koularagama Co-op during April and May to teach them product design and production techniques. She worked hand-in-hand with staff of the Co-op to help them understand choices of style and methods of work to better enable them to produce products that focus on European and American tastes. In addition, she delivered technical trainings focused on clay throwing techniques, selection of clay, and use of the kiln, product presentation, and workplace safety. Throughout the trainings, English language training was thoughtfully interspersed preparing staff to interact with customers in English.

BIZ+ facilitated the month-long volunteer engagement at the Co-op's production facility and the Co-op hosted her. ██████████ also joined the Co-op members on a study tour to Midaya Ceramics, a renowned Sri Lankan ceramic producer and exporter that BIZ+ organized. She then helped the Koularagama team members translate the new learnings into their practices. The assignment resulted in a number of learning outcomes and inspirations, including:

- Giving Koularagama the necessary information on product development to produce new product designs in a style and context suitable for the European/American market.
- Giving the staff a new language to use, both the art technical language and the formal spoken language of English.
- Applying techniques to increase productivity, reduce waste, and cut costs.
- Addressing environmental issues such as handling materials, recycling, proper disposal to prevent pollution, and avoiding operational and worker health risks.



Photo 1: An animated ██████████ at Koulargama



Photo 2: Samples of ceramic products from the rural, women-led cooperative business

Quality! GMP! 5-Whys!

Knowledge Sharing Facilitated by Specialists from Land O'Lakes, Inc.

██████████ specialists working for BIZ+ on a pro-bono basis as part of the Talent Acceleration Program (TAP) of Land O'Lakes, Inc. (U.S.), delivered BIZ+'s June partner learning event on Good Manufacturing Practices (GMP). ██████████ ██████████ led the workshop by introducing the topics of quality, HACCP, GMP, and core problem identification. The two professionals shared experiences and quality assurance techniques deployed by their employer the *Fortune 200* food and agriculture corporation, Land O'Lakes. As an outcome of the workshop, BIZ+ partners have a deep understanding of at least one problem-solving technique and clearly understand the benefits of establishing GMP and, accordingly, the real risk of not being quality-focused.



Photo 3: ██████████ from Land O'Lakes, Inc. in action at GMP Workshop

For the workshop, BIZ+ brought together 24 partner businesses from various industries and differing scales of operations to create awareness on GMP and to learn and share experiences. Led by ██████████, the 46 participants surveyed the importance of GMP and the link between business sustainability and profitability and heard about the path to success through quality and standards from the CEO of NMK Holdings, a leading Sri Lankan manufacturing and exporter of edible oil products. A factory visit to this company allowed the participants to compare the operations to their own business practices and facilities. Later, the groups' questions about standards and quality improvement programs were discussed by a professional panel made up of the Director General of Sri Lanka Standards Institution, a consultant on quality management system implementation, and the managing director of MA's Tropical Food Processing, a BIZ+ partner business in the food ingredients and spice industry. Feedback on the workshop will inform the next session of BIZ+ partner exchange and learning events.



Photo 4: BIZ+ Partners and Staff explore quality and manufacturing practices the factory site visit.

III. COMPONENT ONE: GRANTS TO NEW AND EXISTING ENTERPRISES

BIZ+ actively manages 23 investment grant partnerships. The 13 Phase 2 investment partnerships approved last quarter began implementing the agreed activities. These new business partners collaborated with BIZ+ and initiated procurement of manufacturing equipment, negotiated and started building-construction contracts, and incorporated expert advice in areas such as industrial engineering, product design, quality control, financial management, and environmental mitigation. Meanwhile, 10 business partners from Phase 1 of the program continued business operations, applying technical and operational assistance provided by the program. These partnerships have been extended to allow businesses more time to achieve market share, improve their operations, and increase the impact on employment growth and household incomes in the communities where they operate.

Investment Partnerships Updates: Phase 2

In Table 1, below, we report the status of the Phase 2 partner businesses.

| Name of Company | Status |
|------------------------------------|---|
| Allwin Steel (Pvt.) Ltd. | <p>Allwin Steel has invested in improving its Badulla factory and showroom in Colombo. The construction work in Badulla is nearing completion while the work on showroom about to commence. BIZ+ has concluded procurement of all the major manufacturing machines and equipment, with deliveries from suppliers to complete in August.</p> <p>The company has designed new products for its consumer portfolio; however, until the new production machines are on-line, the product rollout will not begin. An additional five new products are being designed. The company has hired two new staff and has obtained and submitted recommendations from the Central Environment Authority for the business expansion.</p> |
| Rohana Eastern Dairies (Pvt.) Ltd. | <p>Eastern Dairies will commence operations of its dairy processing factory and begin production of ice cream products in August. In preparation, BIZ+ mobilized technical experts to identify any bottlenecks in the layout of the plant, to organize plant and machinery in a manner that optimizes the plant capacity, and to guide the company in setting up a quality management and assurance system. Eastern Dairies negotiated with milk producers and organized a regional supply network. BIZ+ tendered procurements for packing, filling, chilling, and quality testing machinery, as well as the design and installation of water purification and wastewater treatment systems. Despite having to re-issue procurements because the specifications did not result in acceptable offers, the balance of equipment should be delivered in August.</p> <p>Due to a newly promulgated SLG law requiring that all food manufacturers comply with GMP standards as of January 2017, BIZ+ delivered technical assistance in this area as a proactive measure. Two Land O'Lakes sponsored consultants with prior experience in the food manufacturing industry were assigned to transfer their experience and knowledge and help Eastern Dairies to organize its supply network and to implement quality assurance and occupational health and safety programs. A new fodder variety called "Sugar Graze" was introduced to the milk suppliers in collaboration with a leading company Ceylon Agro Industries Limited by the initiatives taken by the consultants.</p> |
| Crown Polypack Lanka (Pvt.) Ltd. | <p>Crown Polypack will be the first Phase 2 partner to be operational.</p> <p>Crown has completed construction of the expanded factory building at the Polonnaruwa industrial estate. BIZ+ has completed procurement of new industrial polyurethane-thread looms to be integrated into the factory. The supplier has shipped the equipment and BIZ+ is arranging clearance at the Port and Customs. Crown has recruited and trained employees for the expansion, hiring 80 people over the past</p> |

| Name of Company | Status |
|---------------------------|---|
| | <p>quarter (and exceeding the target for the grant). Installation and commissioning of factory is the next step and these activities should be completed in the next quarter.</p> <p>Apart from increasing capacity and production of its current product portfolio, the company has entered into a joint venture with an Indian company to develop and manufacture a range of new higher-value products targeting the international shipping industry. BIZ+ is providing technical advice to help Crown develop a marketing strategy, introduce promotional materials, and to initiate market linkages to international customers and the shipping industry. Furthermore, BIZ+ is guiding Crown at the factory-level, offering training in GMP, environmental compliance, and in improving occupational health and safety issues.</p> |
| Riococo Lanka (Pvt.) Ltd. | <p>Riococo's plans to construct a raw material processing plant in Anuradhapura, in the North Central Province, are behind schedule because the SLG Land Authority has not approved Riococo's land use application. BIZ+ is providing financial support for the construction of the facility, and the agreed schedule of activities has been revised to reflect the planned start of construction in August. Accordingly, Riococo and BIZ+'s are proceeding with the construction tender and the approval from SLG will be granted in July.</p> <p>Despite of the delay in establishing the new Anuradhapura facility, Riococo's business operations have exceeded projections. During the past quarter, the company added a new value-added product to the range of products marketed internationally during last quarter. In addition, Riococo obtained GMP certification from the Sri Lanka Standards Institution (SLS). The company international marketing team secured a new customer from Russia that has ordered five container loads. To meet the growing international demand and need for expanding production volumes, Riococo will construct a 30,000 ft² warehouse, investing LKR 25 million in addition to the LKR 15 million matching investment agreed in the BIZ+ partnership.</p> |
| Sahas Wear (Pvt.) Ltd. | <p>Sahas Wear's building improvements and renovation activities to upgrade the factory and double the current production capacity is behind schedule by about one month. The company, however, has completed the design work for the changes in the wiring, lighting system, and new layout of the machines and assembly areas. Sahas purchased a new human resources management system for the factory and hired a garment industry HR professional to handle the recruitment effort. Sahas also began procurement for equipment items for the company match commitment. BIZ+ has designed the procurement tender and will proceed with Sahas leading the procurement due to the company's BOI tax-free status.</p> <p>Sahas Wear has added 59 employees since the BIZ+ agreement started and will graduate its first 20 trainees in July.</p> |
| Rural Returns (Gte.) Ltd. | <p>Rural Returns obtained credit facilities for paddy purchases under special credit program for paddy, and started enrolling farmers into expanded heirloom rice production program in the Vavuniya District. BIZ+ procured a transport vehicle for Rural Returns during the past quarter, and is working with the company to select and install a GPS tracking device for better administration of the vehicle movements.</p> <p>Groundwork related to obtaining organic certification is in progress. Rural Returns is in discussion with their product packaging service provider regarding expanding their packing capacity. BIZ+ will work with Rural Returns to test and display the nutritional values on the five main rice products varieties marketed. Rural Returns hired one field officer during the period and is operating a rented warehouse in Vavuniya and paddy farmer network in Vanni Region. BIZ+ will supports Rural Returns to coordinate farmer training and production tracking as they aim to add 190 farmers for the specialty crop production.</p> |
| Ecowave (Gte.) Ltd. | <p>Ecowave signed a construction contract and construction of a spice processing facility commenced during the quarter. The building work as progressed to the plinth</p> |

| Name of Company | Status |
|--|--|
| | <p>level of all the blocks. Ecowave is on schedule even though there were significant delays in getting Cabinet-level approval for lease of land in the Buttala Industrial Zone</p> <p>Ecowave selected 250 farmers from Moneragala and Ampara Districts and BIZ+ and Ecowave are collecting data and documenting details about the contracted farmers. Some farmers who had committed to work with Ecowave in Ampara abandoned the cultivation because of drought.</p> <p>Ecowave distributed 3,680 kg of turmeric seeds and 1,800 kg of ginger seeds among selected farmers in the most recent season, increasing the volume of turmeric seeds distributed by 22% and the volume of ginger seeds by 80%. Ecowave is procuring agriculture tools and equipment and distributing the tools to participating farmers in July. In addition, the company is setting up Internal Control Systems (ICS) as part of the process for organic certification.</p> |
| Yharl Enterprise (S. Prop.) | <p>Yharl Enterprise started construction of an edible-oil extraction mill. However, the building and start-up of the factory in Kilinochchi District has faced numerous obstacles regarding land documentation and rights to use. Though Yharl appears to have a legally acceptable land purchase agreement, the local authority has challenged/delayed land use approval because the land purchased was SLG permit land in a resettlement area. The land permit also affects local government approval of the business registration renewal because land address is reflected in the business registration (which resulted in a change in the English spelling of the business from “Jaal” to “Yharl”).</p> <p>Other planned activities are advancing. BIZ+ purchased transport vehicles for Yharl, and is advising the business to establish, track and analyze key performance indicators (KPI) for its operations.</p> <p>During the past quarter, Yharl’s existing coconut de-husking operations handled nearly 70,000 units, generating more than LKR 2 million in sales.</p> |
| Visuvamadu Farmers’ Multi-Purpose Cooperative Society Ltd (MPCS) | <p>Visuvamadu Farmers’ Co-op contracted with the Institute of Post-Harvest Technology (IPHT) to analyze its paddy milling and rice processing operations and redesign the machinery layout for more efficient production and to integrate new machinery and technologies that will be purchased by BIZ+.</p> <p>IPHT prepared new architectural drawings for building work planned, developed drawings for the equipment layouts and defined specifications for additional equipment, which will help Visuvamadu to increase product quality. The company recruited a qualified civil technical officer to prepare and facilitate the construction of raw paddy storage facility and the additional building expansion. The construction tender is behind schedule, but revised schedule of activities will bring the improved and expanded facility on-line for the next harvest season.</p> <p>The business continued apace, processing over 200,000 kg of paddy during the period and recording over LKR 7 million in sales revenue.</p> <p>BIZ+’s procurement of equipment is on schedule with delivery and commissioning by October. BIZ+ is also advising the business to establish, track and analyze KPI for its operations. The program also facilitated an exchange visit between partner businesses where Koularagama Industrial Cooperative Society and Viswamadu Farmers’ Co-op jointly celebrated the International Cooperative Day at Mullaitivu on July 2nd 2016.</p> |
| Orlan Terra Lak Steel (Pvt.) Ltd. | <p>Orlan Lak has nearly completed construction of an extension to their factory that will enable the company to establish a metal door-manufacturing factory, housing industrial steel fabricating equipment that will be procured. BIZ+ has tendered a major, high-cost procurement for the industrial equipment. The tender closes at the end of</p> |

| Name of Company | Status |
|--|--|
| | <p>July and manufacturing equipment is expected to be commissioned by October. The schedule is on-track with regard to timeline.</p> <p>During the past quarter, Orian Lak sold and installed 90 doors, achieving revenue of about LKR 3 million. The company has an outstanding order for 625 doors. Because of the long lead-time for importing the door and components, marketing is forced to decline or schedule deliveries into the future until the manufacturing facilities are ready. During this interim period BIZ+ is assisting the business in a number of areas to build capacity and operational systems, including:</p> <ul style="list-style-type: none"> • To adopt human resource procedures and practices for recruitment and retention of employees • To confirm and document factory layout and fire safety plan • To plan for workplace safety that prevents possible exposure to people and the environment for any paint or powder coating applications and for fire prevention or response • To install and implement an automated accounting software and train staff in the financial management procedures. |
| Koularagama Industrial Cooperative Society, Ltd. | <p>Koularagama Industrial Co-op started marketing their clay and ceramic products. The marketing team met several prospective buyers, including a chain store that sells high-end handicrafts and a few other local institutions, such as Barefoot and the Wildlife Trust of Sri Lanka. Based on feedback from these prospective customers, Koularagama is modifying product designs and improving quality.</p> <p>The business benefited from a one-month volunteer engagement facilitated by BIZ+. An international specialist in the ceramics industry worked for a month at the Co-op's production facility. She provided training focused on generating ideas for new products, customer preferences, and types of material and using them in different product categories, production techniques, minimizing waste and re-using waste material, painting and finishing, cost and breakage reduction, and showcasing the product in display spaces. Two members of the co-op and the volunteer consultant went on a study tour to a Sri Lankan exporter of an exclusive line of ceramic products—Midaya Ceramics—where they learned about best manufacturing practices, quality control systems, and the product development process.</p> <p>The planned small-value construction project is behind schedule because of the need to redesign and ensure that proper architectural drawings were available. Approval of the revised drawings has been received and the construction tender was issued in July, with work to begin in August. BIZ+ provided technical assistance for the building design. Additionally, BIZ+ is assisting the Co-op to improve their accounting system and organize business practices. BIZ+ facilitated better communications and links to the Cooperative Commissioner, which allows Koularagama Co-op to benefit from training programs offered by the government.</p> |

| Name of Company | Status |
|--------------------------------------|---|
| Randeepa Agrarian (Pvt.) Ltd. | <p>Randeepa Agrarian introduced its innovative hire-purchase system during the quarter, holding an orientation session for 14 selected farmers who had been referred by Agrarian Services Centers operating in Polonnaruwa District. BIZ+ commenced procurement of the tractors, though the tender had to be re-issued to correct technical information provided by suppliers. Randeepa has recruited six employees as planned to administer the field and financial operations. The farmer entrepreneur program will be operational by October when the next cultivation season begins.</p> <p>The shortage of two-wheeled tractors for land preparation during the paddy cultivation season has been a major issue faced by the farmers in North Central Province. The special features of this hire purchase system are given below:</p> <ul style="list-style-type: none"> • No Down payments • Flexible repayment plan and low financing rates that extend up to four years, with first installment made only after six months. • Discounted insurance program. |
| North Lanka Family Foods (Pvt.) Ltd. | <p>North Lanka Family Foods started construction work at their selected site in Kilinochchi. Electricity and water connections were completed and two contractors have been awarded construction contracts. Construction of staff quarters has begun, and the company expects to complete construction of the processing center by end September. BIZ+ initiated the procurement process for machinery and equipment.</p> <p>The processing facility will manufacture a range of processed food including dairy, dehydrated vegetables, processed rice and grain products, and culinary oils, and food ingredients for other large food manufacturers such as Nestlé. The BIZ+ partnership is enabling a major investment in the facility that is leveraging funding from a regional impact investment fund. The parent company, MA's Tropical Food Processing is offering training for new employees at its facility in Dambulla.</p> |

BIZ+ Partner Receives Presidential Award of Excellence



Photo 5: Founder and director of Riococo Lanka, [REDACTED], being recognized by Sri Lankan President Mathripala Sirisena and conferred with a presidential honor for his contribution to Sri Lanka. The businessperson who runs Riococo’s international marketing and sales in the United States received the award in July (see the image above). The award recognized the company for its innovation and economic contribution, as well as Mr. Shan’s promotion of Sri Lankan culture and Buddhist religion in the United States.

Investment Partnerships Updates: Phase 1

In Table 2, below, we report the status of the Phase 1 grantee businesses that are still active.

| Name of Company | Status |
|------------------------------------|--|
| Anchor Coir Industries (Pvt.) Ltd. | <p>Production of coir rope and mats has not restarted. BIZ+ is facilitating the sale of a large inventory of coir dust to a major corporation in the fibre industry. A sale of the inventory may enable the business to improve its weak financial position. An inflow of cash from sale of coir inventory and restructuring high cost debt are an additional element to the restarting of the community-based business. The wife of the founder is now managing the business, as the principal director has emigrated from Sri Lanka.</p> <p>At the request of the CEA, Anchor Coir contracted with Industrial Services Bureau (ISB) to assess environmental impacts and to recommend mitigation measures for the facility and building site. BIZ+ had a civil engineer also review the site and estimate the cost to implement the recommended mitigation work on site. The owners of the business met with CEA with support of BIZ+ staff and CEA asked the company to submit a specific request with the ISB report. Only after review of the report and request would the CEA grant approval to implement the recommended mitigation measures.</p> <p>The review and negotiations with CEA have taken entire past quarter. During this time, however, BIZ+ facilitated a promising market link with Hayles Fibre group, which sent a team of coir processing specialists and buyers to Ampara. The team ran the machinery and conducted trial production runs to assess the operations and product quality. Once CEA acts, a supply contract can be negotiated.</p> |

| Name of Company | Status |
|---|---|
| Lanka Guest House (Hotel Oviya) (S.Prop) | <p>Hotel Oviya is in operation with a strong local market opportunity, having a unique and well-equipped facility. The hotel is, however, slow to grow its customer base because management is reluctant to conduct marketing promotional activities and register the hotel under the Sri Lanka Tourism Development Authority (SLTDA).</p> <p>BIZ+ has been providing continued technical support through various consultancies to meet the competitive edge. The event hall has good demand and the main source for earning profit for the business, but the occupancy rate for room reservation is under 30% and the restaurant is offered only to hotel guests.</p> <p>BIZ+ has recommended the management to seriously look in the following three key points to increase the business profitability:</p> <ul style="list-style-type: none"> • Formalizing the status of the hotel: registering with SLTDA, erecting signs and marketing the property, reviewing the occupancy rate, room profitability and food and beverage profitability. • Improving human resource management: Giving staff contracts and roles and responsibilities, informing staff about their benefits, establishing standards for uniform and grooming and greeting guests, offering training and structuring supervisory roles • Quality Control and Customer Satisfaction: establishing standard procedures for cleaning and food safety, assigning someone to check and maintain these standards, monitor and respond to customer feedback, looking at the staff-to-room ratio. |
| Noble International Paper Lanka (Pvt.) Ltd. | <p>Noble Paper will commission the paper-manufacturing factory during the next quarter. Trial production is planned for August.</p> <p>Management and owners of the company have overcome numerous financial challenges that were slowing the company's ability to complete the factory construction and equipment installation and to bring the paper manufacturing business into operations. Since adding a new investor, Noble has accelerated construction of the paper manufacturing plant, which is now nearing completion. Mechanical and electrical system installation work has been completed and laboratory equipment delivered at the site. Noble has also identified and started the procurement process of raw materials from various parts of the country, building inventory toward the required 30 ton in waste paper. A paper-manufacturing consultant has reviewed the factory site and provided recommendation for better quality paper production.</p> <p>BIZ+ is providing on-going technical support through an electrical engineering consultant who advises the company and identifies suppliers and machinery specifications. There is a delayed delivery of industrial pumps required to pump pulp between processes and into the paper plant. There is also a pending procurement of a paper roll to sheet cutter and the technicians need to commission the waste treatment system.</p> |

| Name of Company | Status |
|---|--|
| Eluwan Company (Pvt.) Ltd. | <p>Eluwan continues to develop its 60-acre farm at Unnichchai in Batticaloa District and integrate the farm production with the dairy curd processing facility.</p> <p>During the quarter, Eluwan established a business partnership with another investor in response to recurring cash flow challenges. The company also revised its strategy to run the business profitably. Due to the seasonal nature of milk availability for curd production, Eluwan had faced cash flow challenges.</p> <ul style="list-style-type: none"> • Purchase of additional milking buffalos, increasing the number of animals to 100. • Expand maize cultivation on a rotational basis, cultivating 45 acres on rotational cycle. • Cultivate paddy cultivation during Maha season. • Invest to expand pig and goat livestock holdings <p>Eluwan will recruit and employ managers for each livestock business unit.</p> <p>BIZ+ and Lanka Social Ventures (LSV) will collaborate and support the business improvements underway. BIZ+ will support improvements in Eluwan's financial reporting and management. Including completing the audit of financials to enable the business to approach banks. LSV will support development of the dairy out-grower network and social impact to the community. Further technical assistance may also be necessary for Eluwan's small dairy plant to become certified in GMP.</p> |
| Livini Distributors (Partnership) | <p>Livini Distributors has created 78 out of the expected 111 employment opportunities related to BIZ+ funded business activities. The knockdown factory is operating at 95% of its capacity whereas the solid wood factory has intermittent operations based on orders received. BIZ+ is supporting Livini to develop its customer base for wood furniture and to have consistent demand. A marketing and production arrangement is being negotiated with Singer Homes for solid wood furniture.</p> <p>Livini had sales of more than LKR 50 million during the past quarter. Though we note that in Sri Lanka, April is the best month of the year for consumer sales due to Sinhalese and Tamil New Year festivals. In spite of the high sales, Livini faces liquidity challenges, with the company's net asset and cash positions deteriorating over the last three months. To overcome these financial problems, BIZ+ is supporting Livini to improve sales and streamline operations to reduce cost.</p> |
| Yasasiri Polyprint (Pvt.) Ltd. | <p>Yasasiri Polyprint achieved sales of over LKR 6.5 million over the past quarter and has created 37 out of the targeted 59 employment opportunities at the factory. Presently Yasasiri is facing some cash flow challenges, as the company has not been able to achieve expected sales volumes. This challenge is aggravated due to high interest costs of borrowing from informal sources. The company will have to increase its monthly sales to LKR 3.5 million to bridge the gap between the cash inflows and outflow. Yasasiri is in the process of carrying out an aggressive marketing campaign to increase their sales in order to overcome the cash flow problem.</p> |
| Himalee Dairy Farm Products (Pvt.) Ltd. | <p>Himalee Dairy plans to increase production from the present 5,000 L per day to 9,000 L per day by introducing new product range i.e. Curd 250ml,</p> |

| Name of Company | Status |
|---|---|
| | <p>Curd 500ml and Curd 5 L by end of December 2017. They are overcoming their cash flow problem and the family dispute in managing the organization. The current ratio improved by 20% over the period. BIZ+ is supporting the company to improve quality standards in order for Himalee to obtain GMP and quality certificates.</p> <p>Himalee achieved sales of nearly LKR 58 million over the past quarter and have created 67 production and value chain employment opportunities. The company still faces certain cash flow issues due to timing difference in cash inflows and cash outflows as all the liabilities should be settled within 15 days but majority of current assets takes more than 60 days to convert into cash.</p> |
| <p>Vanni Resource Self Development Organization (Pvt.) Ltd.</p> | <p>VRSDO has gradually increased its monthly sales at the <i>Taste of Vanni</i> restaurant and rest stop to more than LKR 800,000 and ensured a steady growth during the quarter. The business has increased the food production as per the growing customer base by using the extended, fully equipped kitchen facility supported by BIZ+ and Swiss Development Cooperation.</p> <p>To provide satisfactory customer service, management has recruited additional waiters and housekeepers to manage the facility and make certain it is clean all the time. The company's operations are being strictly monitored by the health authorities to motivate the business to follow food-handling practices, adhere to hygienic regulations, and quality production. The restaurant management has decided to start nighttime sales in the next quarter.</p> <p>LSV, a national organization has accepted VRSDO into its business incubator program for women social entrepreneurs, which aims to further develop the management and staff's soft skills. BIZ+ is facilitating support for financial management and accounting. VRSDO has recruited a qualified accountant to ensure that there is transparency and accountability in the business financial transactions.</p> |
| <p>Agash Textiles Industries (Pvt.) Ltd.</p> | <p>Agash Textiles had its best month of sales, achieving LKR 2 million in sales. The company produced over 1,000 pair of trousers and became stronger at managing garment production operations and administration of the business. Training for the tailoring workers was conducted to improve the quality of work and efficiency of production. BIZ+ has provided working capital support to ensure the production inputs are available as the business expands operations and its employee base. The company introduced two new product lines, i.e. men's dress shirts and T-shirts.</p> |

| Name of Company | Status |
|------------------------------|---|
| Mullai Virudcham (Pvt.) Ltd. | <p>Mullai Virudcham produces palm fiber and palm-based food products from the Palmyrah tree. Production of the food products were expanded during the past quarter. Products, such as palm leather, palm flour, and palm root were packed with newly designed labels and distributed to the market for sales. Fiber production operation has been continuously facing challenges in meeting the market demand and supply as the business does not have enough working capital for smooth operation. In addition, Mullai Virudcham management team is inexperienced.</p> <p>The Oddusuddan Palm Cooperative that help found and establish Mullai Virudcham has access to funds, but resists providing working capital support as had been agreed. One solution may be that the Co-op take over management of the facilities. To be attractive, this solution will need to establish a commitment to benefit female employees and keep women as part of management and leadership of the business units. An alternate solution is for Mullai Virudcham to secure bank lending so the company has adequate capital to run the business. BIZ+ is facilitating relationships with Ravi Industries the company's main customer and advises and mediates between Mullai Virudcham and the Co-op.</p> <p>Mullai Virudcham has delivered over 3,000 kg of cut Palmyrah fibre to Ravi Industries. BIZ+ facilitated the market link and assisted the business to negotiate the supply contract, including an opportunity for an advance financing arrangement for the business. The material supplier relationship keeps growing stronger. The partners are currently negotiating an arrangement where Ravi Industries would supply an additional cutting and stripping machine, which will allow Mullai Virudcham increase capacity and guarantee a set volume of supply to Ravi.</p> <p>BIZ+ is providing additional resources to improve workplace safety and ensure a continued and dependable power supply for the machinery.</p> |

BIZ+ Partners Recognized as Remarkable and Inspiring Women



Photo 6: [REDACTED], Managing Director of Liyark Industries (far right), [REDACTED], and [REDACTED] (middle) representing their group business Vanni Resources Self Development Organization (VRSDO) along with BIZ+ Chief of Party, Michael Parr, received awards at the 2016 Professional & Career Women Awards in June. Sponsored by Women in Management and International Finance Corporation the achievements of these two BIZ+ partner businesses were recognized because these leaders inspire other women to succeed. Udeni and Liyark won gold for middle-size entrepreneur in North and East region and VRSDO won gold for small emerging business in the North and East region for their restaurant and travelers rest business “Taste of Vanni.”

Grantee businesses have reported creating 6,014 employment and income earning opportunities. Jobs reported include full time (FT) and full time equivalent (FTE) jobs as well as new and/or increased income earning opportunities for micro-enterprises and micro-entrepreneurs. As the number of reported job opportunities increase, so does household income generated. This quarter, BIZ+ support to businesses benefitted 157 households (reference indicator C) and generated a total of \$317,315 income for the households, bringing the life of project totals to 8,272 households and \$8,176,019, respectively. At the quarter end, the total leveraged by the grantee cost sharing investments reached \$14,542,872.

Figure I., below (following page), provides a summary of investment grant expenditures as well as the status of jobs reported against target. Given the two-year extension of the program, we plan to continue to monitor the financial performance and the level of employment generated by Phase 1 business partners over the period. Accordingly, we expect this longitudinal view will demonstrate that the employment and income earning opportunities generated will exceed the updated target of 6,500 employment and income earning opportunities. It is very important to the program to have this longer time horizon in which to capture business data.

Next Quarter

Agreements with Phase 1 partners will be complete and closed-out as of end of next quarter. Meanwhile, Phase 2 partners will be at the key point in implementing the expansion plans, receiving machinery and equipment purchased, commissioning expanded factories, and training new employees. At present, BIZ+ and our partners are completing infrastructure investments in buildings and plant and equipment and procurement solicitations and other tenders valued at more than \$1 million are outstanding.

Figure I. BIZ+ Investment Grants - Report on Expenditures, Cost Share and Jobs as of June 30, 2016

| BIZ+ Investment Grants - Spending and Jobs as on 30 June 2016) | | | | | | | | | | | | | |
|--|----------------------------------|------------------|--------------|----------------------------|----------------------|--------------------------|--|--|----------------------------|---------------------------------------|------|-----------|-------------|
| Grantee Business | Grant Spending (LKR) | | | Leverage Contributed (LKR) | | Jobs Reported | | | | | | End Date | Status |
| | Grant Value | Expended to Date | This Quarter | Grantee Target | Grantee Contribution | Target (as per subgrant) | Direct (FT and FTE at business) | Micro Enterprises/ Entrepreneurs (along value chain) | Type of Value Chain Earner | Total Jobs Reported | | | |
| Phase -One | | | | | | | | | | | | | |
| 1 | Agash Textiles Industries | 23,261,106 | 21,485,303 | 0 | 23,267,890 | 15,401,784 | 75 | 31 | | Producers, Distributors | 31 | 30-Sep-16 | Active |
| 2 | All Focus | 40,908,776 | 40,908,776 | 0 | 51,489,001 | 46,961,945 | 80 | 70 | 153 | Agricultural Producers | 223 | 31-Dec-15 | Closed Out |
| 3 | Anchor Coir Industries | 14,797,435 | 14,406,440 | 0 | 14,822,449 | 12,344,611 | 101 | 44 | 36 | Husk and Other Suppliers | 80 | 30-Sep-16 | Active |
| 4 | Arumbugal Foundation | 18,337,308 | 18,337,308 | 0 | 40,251,560 | 23,365,928 | 95 | 95 | 64 | Suppliers | 159 | 31-Oct-15 | Closed Out |
| 5 | Asiri Holdings Lanka | 51,691,851 | 51,691,851 | 0 | 132,499,388 | 108,038,750 | 184 | 88 | 89 | Distributors | 177 | 31-Mar-15 | Closed Out |
| 6 | Building Solutions | 28,372,250 | 28,372,250 | 0 | 46,053,084 | 48,319,717 | 125 | 70 | | | 70 | 31-Dec-15 | Closed Out |
| 7 | Dharmasiri Tyre House | 38,027,290 | 38,027,290 | 0 | 70,799,218 | 77,037,717 | 125 | 179 | 2 | Suppliers | 181 | 30-Sep-15 | Closed Out |
| 8 | Don's Renewables | 27,974,100 | 27,974,100 | 0 | 37,446,836 | 38,715,137 | 72 | 71 | 61 | Suppliers | 132 | 31-Jul-15 | Closed Out |
| 9 | East Lanka Polysack | 64,055,138 | 64,055,138 | 0 | 110,802,465 | 139,799,339 | 150 | 130 | | | 130 | 31-Dec-15 | Closed Out |
| 10 | Eastern Grips | 38,170,000 | 37,786,085 | 0 | 40,560,704 | 36,795,927 | 45 | 52 | 5 | Suppliers | 57 | 31-Dec-15 | Closed Out |
| 11 | Eluwan Company | 13,438,427 | 13,388,092 | 110,000 | 13,388,092 | 12,163,283 | 82 | 26 | 331 | Producers, Distributors | 357 | 30-Sep-16 | Active |
| 12 | Himalee Dairy Farm Products | 27,449,932 | 27,294,016 | 0 | 31,120,557 | 35,832,352 | 81 | 102 | 182 | Producers, Distributors | 284 | 30-Sep-16 | Active |
| 13 | Hotel Lux Etoiles II | 249,070 | 249,070 | 0 | 0 | 0 | Terminated | 6 | | | 6 | | Terminated. |
| 14 | Jeyantha Industrial Park | 33,682,905 | 33,682,906 | 0 | 37,270,214 | 37,270,213 | 80 | 28 | 72 | Fishermen, Fish Traders, Distributors | 100 | 30-Sep-14 | Closed Out |
| 15 | Kings Ice Manufacturers | 31,050,998 | 31,050,998 | 0 | 45,071,730 | 52,792,312 | 60 +500 fishermen | 50 | 1,004 | Fishermen, Fish Traders, Distributors | 1054 | 30-Jun-15 | Closed Out |
| 16 | KKK Apparel | 23,440,000 | 16,310,096 | 0 | 59,562,035 | 7,759,771 | 113 | 68 | | | 68 | 30-Apr-15 | Closed Out |
| 17 | Kobithan Garments | 23,153,976 | 23,153,976 | 0 | 17,705,760 | 17,705,759 | 59 | 84 | | | 84 | 31-Jan-15 | Closed Out |
| 18 | Kumaran Builders | 13,478,139 | 13,478,139 | 0 | 14,629,450 | 10,639,710 | 55 | 36 | 24 | Prop Renters | 60 | 31-Jan-15 | Closed Out |
| 19 | Lanka Guest House (Hotel Oviya) | 33,400,000 | 33,331,040 | 0 | 93,130,061 | 85,624,504 | 94 | 107 | | | 107 | 30-Sep-16 | Active |
| 20 | Livini Distributors | 34,016,575 | 33,100,359 | 0 | 57,477,888 | 57,477,888 | 83 | 70 | | | 70 | 30-Sep-16 | Active |
| 21 | Liyark Industries | 36,493,025 | 36,493,025 | 0 | 50,629,712 | 59,986,131 | 63 | 136 | 8 | Suppliers | 144 | 30-Jun-15 | Closed Out |
| 22 | Nanattan Division MPCS (MUNASCO) | 9,865,293 | 9,865,293 | 0 | 16,404,400 | 10,021,914 | 16 + 50 direct paddy and seed paddy farmers | 7 | 95 | Agricultural Producers | 102 | 31-Dec-15 | Closed Out |

| | | | | | | | | | | | | | |
|-----|--|------------|------------|------------|-------------|-------------|-------------------------------|-----|-----|----------------------------|-----|-----------|-------------|
| 23 | Noble International Papers Lanka | 53,390,440 | 52,298,415 | 2,895,955 | 53,333,160 | 11,243,962 | 83 | 26 | | | 26 | 31-Dec-16 | Active |
| 24 | Northern Farm | 33,203,430 | 33,203,430 | 0 | 36,026,105 | 36,026,105 | 53 + 3000 farmers | 31 | 799 | Agricultural Producers | 830 | 31-May-15 | Closed Out |
| 25 | Mullai Virudcham | 9,919,332 | 9,764,365 | 300,244 | 9,918,586 | 3,677,088 | 77 + 105 Co-op Members | 16 | 19 | | 35 | 30-Sep-16 | Active |
| 26 | Orange Tea Company | 144,900 | 144,900 | 0 | 8,024,407 | 8,024,407 | Terminated | 30 | | | 30 | 0-Jan-00 | Terminated. |
| 27 | Pillaiyar Stores | 21,799,734 | 21,600,487 | 0 | 23,133,390 | 31,100,768 | 75 | 40 | 149 | Agricultural Producers | 189 | 31-Mar-16 | Closed Out |
| 28 | River View Palm Hotel | 62,756,250 | 62,756,250 | 0 | 429,471,833 | 407,517,719 | 138 | 202 | 33 | Suppliers | 235 | 30-Sep-15 | Closed Out |
| 29 | Rodman Electrodes | 22,585,686 | 22,585,686 | 0 | 70,085,900 | 7,852,137 | Suspended | 5 | | | 5 | 31-Dec-15 | Suspended |
| 30 | Sarah Industries | 54,963,505 | 54,963,505 | 0 | 137,932,462 | 137,932,462 | 101 | 130 | | | 130 | 31-Dec-15 | Closed Out |
| 31 | Sivanarul Vocational Training and Production Centre | 12,662,015 | 12,662,015 | 0 | 23,258,854 | 26,471,421 | 75 | 59 | | | 59 | 31-Dec-15 | Closed Out |
| 32 | Swani Auto Land | 27,357,426 | 27,357,426 | 0 | 61,657,855 | 77,703,067 | 82 | 119 | 23 | Suppliers | 142 | 31-Dec-15 | Closed Out |
| 33 | Vanni Resources Self Development Organization | 10,954,375 | 10,850,904 | 650,830 | 10,981,223 | 8,613,181 | 75 | 26 | 112 | Suppliers | 138 | 30-Sep-16 | Active |
| 34 | Web Gurus International [www.Neverbeen.com] | 28,853,368 | 28,853,368 | 0 | 46,481,627 | 48,492,566 | 22 +50 Home Stay Operators | 17 | 30 | | 47 | 31-Dec-15 | Closed Out |
| 35 | Wheel Masters | 16,707,140 | 16,707,140 | 0 | 30,299,896 | 30,299,896 | 78 | 120 | 8 | Suppliers | 128 | 31-Jul-15 | Closed Out |
| 36 | White Stone | 25,396,857 | 25,396,857 | 0 | 30,452,518 | 25,433,175 | 81 | 44 | 29 | Suppliers | 73 | 31-Dec-15 | Closed Out |
| 37 | Yasasiri Poly Print | 38,517,940 | 38,195,584 | 0 | 42,802,819 | 42,802,819 | 95 | 78 | | | 78 | 30-Sep-16 | Active |
| N/A | Swiss Labour Assistance (Service grant contributing to Mullaitivu partners) | 9,505,487 | 9,505,487 | 0 | 6,676,791 | 6,692,274 | 0 | - | | | 0 | 30-Jun-15 | Closed Out |
| N/A | Tourism Development Activities Eastern Province (Ecowave and East N. West) | n/a | n/a | n/a | n/a | n/a | 0 | - | 48 | Tourism Services Providers | 48 | | |
| | Phase -Two | | | | | | | | | | 0 | | |
| 38 | Allwin Steel (Pvt.) Ltd. | 10,814,480 | 7,711,710 | 7,711,710 | 14,956,490 | 6,300,000 | 36 | - | | | 0 | 31-May-17 | Active |
| 39 | Crown Polypack Lanka (Pvt.) Ltd. | 27,620,560 | 17,025,158 | 17,025,158 | 77,478,100 | | 66 | 82 | | | 82 | 31-May-17 | Active |
| 40 | Ecowave (Gte.) Ltd. | 26,371,496 | 5,438,978 | 5,438,978 | 33,956,113 | 4,200,000 | 224 | - | | Agricultural Producers | 0 | 31-May-17 | Active |
| 41 | Jaal Enterprises | 9,732,300 | 5,590,000 | 5,590,000 | 11,115,748 | | 38 | - | | Suppliers | 0 | 31-May-17 | Active |
| 42 | Koularagama Industrial Cooperative Society Limited | 12,168,720 | 1,715,500 | 1,715,500 | 12,312,700 | 1,540,000 | 49 | - | | | 0 | 31-May-17 | Active |

| | | | | | | | | | | | | | |
|--------------------|--------------------------------------|----------------------|----------------------|-------------------|----------------------|----------------------|--------------|--------------|--------------|-------------------------|--------------|-----------|--------|
| 43 | North Lanka Family Foods (Pvt.) Ltd. | 57,000,000 | 0 | 0 | 100,000,000 | 5,375,000 | 75 | - | | Agricultural Producers | 0 | 31-May-17 | Active |
| 44 | Orian Lak Steel (Pvt.) Ltd. | 31,958,460 | 0 | 0 | 60,072,256 | 16,888,400 | 43 | 4 | | | 4 | 31-May-17 | Active |
| 45 | Randeepa Agrarian (Pvt.) Ltd. | 16,745,440 | 0 | 0 | 16,778,500 | | 96 | - | | Agricultural Producers | 0 | 31-May-17 | Active |
| 46 | Riococo Lanka (Pvt.) Ltd. | 15,436,823 | 0 | 0 | 17,165,233 | | 42 | - | | Suppliers | 0 | 31-May-17 | Active |
| 47 | Rohana Eastern Dairies (Pvt.) Ltd. | 28,975,050 | 0 | 0 | 104,804,048 | | 44 | - | | Producers, Distributors | 0 | 31-May-17 | Active |
| 48 | Rural Returns (Gte.) Ltd. | 7,716,000 | 5,110,000 | 5,110,000 | 8,047,427 | 5,576 | 198 | 1 | | Agricultural Producers | 1 | 31-May-17 | Active |
| 49 | Sahaswear (Pvt.) Ltd. | 31,133,221 | 0 | 0 | 55,224,135 | 6,300,000 | 227 | 59 | | Suppliers | 59 | 31-May-17 | Active |
| 50 | Visuvmadu Farmers MPC Limited | 34,046,626 | 0 | 0 | 50,994,000 | | 240 | - | | Agricultural Producers | 0 | 31-May-17 | Active |
| Total (LKR) | | 1,363,750,653 | 1,083,878,714 | 46,548,375 | 2,587,824,670 | 1,884,546,716 | 5,851 | 2,638 | 3,376 | | 6,014 | | |
| Total (USD) | | 9,536,718 | 8,353,060 | 348,832 | 18,096,676 | 14,542,872 | | | | | | | |

* N.B. - USD total amounts above agree with the totals in financial reports sent to USAID. In past quarterly reports we had converted based on the most recent month's exchange rate and applied it to the LKR totals in this table. However, due to a recent devaluation (greater than 5%) in LKR to USD, it is more accurate to report LKR and USD totals at actual billed and analyze the average for the life-of-program. Note that grant values and grantee leverage targets are valued in LKR so the USD totals are equivalent values.

IV. COMPONENT TWO: CAPACITY BUILDING SUPPORT AND TECHNICAL ASSISTANCE TO ENTERPRISES

BIZ+ builds the capacity of grantee businesses by facilitating access to business development services (BDS), facilitating market linkages, offering training opportunities, and by working with district chambers of commerce to improve the availability of quality business consulting services in targeted districts. Since the completion of a service grant implemented by Ceylon Chamber of Commerce (CCC), all BDS and capacity building activities are facilitated directly by BIZ+.

The BIZ+ program aims to catalyze economic growth in lagging regions. However, technical and managerial capacity is often an impediment for implementing and managing the rapid growth phase of their businesses for many partners. Not only have the skills and capabilities of the owner and key personnel been suboptimal, but the unavailability and lack of interest of operational tactical level workers with required skills sets have also been a challenge. Believing that stronger enterprises will be seen as employers offering growth potential and a good working environment, BIZ+ encourages workforce improvements and implements support to make the enterprises that we partner with stronger and attractive for job seekers from within as well as from other developed regions of the country.

BIZ+'s model for BDS delivery encourages grantee businesses to purchase the services needed. The program facilitates the process to locate and contract with service providers. This process demonstrates the demand for BDS and aims to improve access and supply of BDS in the regions that are economically lagging. Depending on the urgency and ability to finance, the services are paid for in a number of ways—fully by the business, cost-shared, or by the program directly. Examples of activities completed during the past quarter include the following, which focus on priority areas of improvement:

- BIZ+ facilitated a workshop on good manufacturing practices (GMP) that brought together 24 partner businesses from various industries and differing scales of operations to create awareness implementing GMP and to learn and share experiences.
- An international volunteer provided specialized advice and training to the Koularagama Industrial Co-op, which enabled the co-op to restart production and sales of ceramic and other clay products.
- An accounting firm completed assessment of accounting and financial management capacity of Mullai Virudcham and VRSDO, delivering training to implement QuickBooks accounting software at Mullai Virudcham and identifying risks of poor recordkeeping and lack of transparency at VRSDO.

BIZ+ also has initiated a series of learning programs and activities for partners. The partner learning events cover specific technical areas such as GMP, market orientation and access to markets, project risk management, operational management, financial management, and strategic planning. The learning programs and activities help partners align their businesses to be prepared to manage a rapidly growing operation and their positioning in the market to sustain the level of operation that BIZ+ partnership has helped them reach.

Capacity Building of Grantee Businesses, District Chambers and BDS Providers

Figure II below presents a summary of performance against selected business capacity and improvement indicators. Previously we reported indicators for the CCC service grant, which has

been completed. Going forward BIZ+ will report and provide analysis about selected business performance and capacity indicators and performance targets.

Table 3: Quarterly Results for Business Development and Capacity Building Indicators

| Performance Indicator | Life of Project Target | Results for Apr-Jun 2016 | Cumulative Results To Date |
|--|-------------------------------|---------------------------------|-----------------------------------|
| Capacity Assessments Completed Results include second-round assessment of 13 grantee businesses and baseline assessment of 6 regional chambers of commerce and 38 BIZ+ grantee businesses, (including 4 terminated Phase 1 grants), plus 13 new Phase 2 partners. | 45 | 0 | 70 |
| New Technologies or Management Practices put into Practice by Businesses | 600 | 4 | 801 |
| Training Events Organized and Implemented | 187 | 3 | 172 |

Operations Management – Systems and Improvements

Improving operations, establishing quality, and management control systems were identified as critical areas of capacity building of several business partners. Particular areas of focus were: (i) quality assurance systems within the processing facility of the businesses and throughout the value chain, (ii) operational management monitoring through identification of key performance indicators, (iii) market orientation and access to markets, (iv) environmental mitigation and monitoring, and (v) occupational health and safety.

BIZ+ assisted dairy processing business, Rohana Eastern Dairies, to address key operational areas starting with formulating job descriptions and sourcing staff. BIZ+ also trained staff and management and assisted them to implement quality assurance systems, supply chain management, and productivity and quality improvements for dairy farmers. Likewise, another dairy processor, Himalee Dairy was led through the preparatory work to implement GMP.

Other partners, including Allwin Steel, Visuvamadu Multipurpose Society, Yharl Enterprise, Livini Distributors, and Dharmasiri Tyre House received assistance to identify key performance indicators to improve operational efficiency and to improve their work place safety and health of staff. Through the development of the KPIs, the businesses were able to review their operations objectively and analytically, as setting the indicators required the businesses to view operations of their businesses as a whole. The KPIs that were identified included - sales volume, market related indicators (newmarkets/customers, material sourcing, productivity, financial management indicators (gross profit margin, interest cover, debt position, cash flow, total manufacturing costs), break-even operating levels, HR indicators (employee hired and retention, employee % training completed), employee safety indicators (injuries and accidents), value chain activities and supplier and customer base growth.

Training and Creating Awareness about Good Manufacturing Practices

BIZ+ delivered a workshop on GMP for partners engaged in manufacturing operations during June in Colombo. The workshop entailed a session on the theory and application of GMP, a study tour to a processing plant that has obtained international quality standards, and concluded with a panel discussion. The TAP Associates from Land O'Lakes, who are specially trained and certified in supply chain analysis, manufacturing and quality and Hazard Analysis and Critical Control Points or (HACCP) audits, delivered the session on theory and application of GMP. The study tour was to the processing plant of NMK Holdings (Pvt.) Ltd., a large-scale edible oil and fat processing plant. NMK Holdings is the producer of a well-known range of products under the brand name 'Marina' edible oils and fats, which has obtained international quality standards including HACCP, ISO 22000 and GMP, and exports to more than 70 international markets including Europe, Japan and North America. During the exposure visit, the executives elaborated on the measures they have taken to implement quality assurance and quality control practices in their processing facility, and discussed with the participants the challenges encountered when introducing and implementing the stringent practices, and the benefits they derive in terms of being able to access markets. The workshop concluded with a panel discussion that enabled the BIZ+ partners to discuss the practical issues they face when implementing quality systems, and when applying for and receiving quality certifications from local and international certification bodies. The panel comprised of the Director General, Sri Lanka Standards Institution, a quality management systems consultant and (iii) the Managing Director of MA's Tropical Food Processing (Pvt.) Ltd., a BIZ+ partner whose company has obtained and maintains quality certifications for their range of food and spices.

The learning event brought together 46 participants from 24 BIZ+ partner businesses. The delivery of this workshop was timely as the Government of Sri Lanka, through the Consumer Affairs Authority (CAA) is enacting regulations making Goods Manufacturing Practices (GMP) certification for manufacturers in the food industry (starting with hotels and restaurants) compulsory from January 2017.

Environmental Mitigation Measures for Anchor Coir Industries

BIZ+ contracted an environmental services consultancy firm to study and recommend measures to control and mitigate noise and dust levels resulting from the operations of the coir processing facility of Anchor Coir Industries. Although the results from tests conducted at a previous occasion when the factory was in operation indicated that the noise and air quality test results were within permissible levels under the Central Environmental Authority (CEA) regulations, the Environment Protection License that Anchor Coir Industries obtained the CEA was revoked based on a complaint about the level of sound and air quality by an irate neighbor. BIZ+ liaised with the CEA, who agreed to reinstate the EPL, provided that Anchor Coir adopted mitigation measures to mitigate possible environmental impacts. This approval and reinstatement process is ongoing.

Market Linkages and Exposure Visits

Koularagama Industrial Society Limited linked with Barefoot and Wildlife Trust

BIZ+ identified product designing and accessing markets to be constraints for growth for Koularagama Co-op, and planned for technical assistance to address this gap. One of the first activities completed in this regard was a study tour for the key personnel of the Co-op members with their trainer to visit Midaya Ceramic Company (Pvt.) Ltd. The visitors learned how Midaya

started as a small enterprise and successfully expanded into the international arena. They also got an insight into how the products are manufactured from conceptualization to the finished product, and how the customer needs are identified and sampled. Midaya explained their commitment to quality and demonstrated this commitment in the factory production lines during the visit, and discussed how they attracted and retained a portfolio of clientele that includes Marks & Spencer, John Lewis, Wedgewood, Whittard, Disney and Hallmark. BIZ+ also facilitated discussions between Koularagama Co-op and the internationally recognized, Barefoot, an up-market handloom and handicraft store based in Colombo. Resulting from the discussions and upon inspection of the sample products, the Co-op was guided to improve and bring back three product categories for possible sale at the Barefoot outlet. Lastly, the Co-op was also introduced to the Wildlife Trust of Sri Lanka, Sidhdhalepa Industries and Sampath Bank who have an interest in specific designs and the range of products that the Co-op is able to customize for them. For instance, the Wildlife Trust has an interest in products with animal footprints, and a sales order has already been placed for a product line. Further, the Trust has undertaken to assist the Co-op obtain new animal footprints.

Livini Distributors linked with Singer

Starting in early 2016, Livini Distributors have supplied two designs of home furniture to Singer Sri Lanka. Realizing the potential to benefit from a possible longer term collaboration with Singer, BIZ+ met and discussed with the senior management of Singer how Livini may further strengthen the business relationship between the two parties. Singer and Livini management then made joint visits to manufacturing facilities of Livini Distributors in Anuradhapura and Singer's facility in Piliyandala. Singer found Livini's manufacturing facilities desirable. In addition, Livini is seeking longer-term sub-contracting opportunities and corporate customer relationships that will enable the company to achieve efficiencies and reduce logistical costs. The discussions are ongoing, with both parties approaching this positively. Singer views the technical assistance that BIZ+ is providing Livini positively since it strengthens manufacturing practices and quality systems, and business ethics of the new start up.

Mullai Virudcham (Pvt.) Ltd. (Oddusudan) linked with Ravi Industries Limited

The business relations between Mullai Virudcham and Ravi Industries Ltd. continued during the past quarter. Ravi Industries, which has been importing palmyra fiber from India to cater to their export requirements, intend to work with Mullai Virudcham, and assist them to increase their processing capacity. Ravi Industries sees the potential to source locally processed palmyra fiber and channeling them from small enterprises such as Mullai Virudcham. However, due to constraints in the managerial capabilities, Mullai Virudcham have not been able to exploit the opportunity that have been presented to them, and have not been able to reach the production targets that are demanded by the buyer. Ravi Industries plans to provide training and equipment to help improve the production processes and quality of the product, but the progress has been slow. BIZ+ will continue to work with Ravi Industries and Mullai Virudcham to build their make capacity and help them become a self-sustaining enterprise.

Anchor Coir linkage in progress with Hayleys Fiber PLC

A team from Hayleys Fiber visited the Anchor Coir processing plant, and requested that Anchor Coir compress the accumulated coir pith into 5 kg blocks and transport them to Colombo. In addition, Hayleys is interested in sourcing good quality coir ropes to be used for their value added coir products such as floor mats. The next step to solidify this linkage is for Anchor Coir to get its EPL reinstated by the CEA. BIZ+ will facilitate the formulation and adoption of required mitigation measure, so that Anchor Coir could re-start and operate their business in a sustainable and profitable manner.

BIZ+ Partners Northern Farms linked with Visuvamadu MPCS

Northern Farm, a Phase 1 BIZ+ partner, is interested in sourcing rice of consistent quality and meeting required quantities. BIZ+ introduced Northern Farm and Visuvamadu Farmers' Cooperative as a possible supplier of rice. Business transactions between the two BIZ+ partners started with the first purchase of 20,000kg of rice in May.

Strategic Plan for Livini Distributors

Responding to a request by Livini Distributors, BIZ+ is providing technical assistance to formulate a strategic plan for the enterprise. Livini which was a furniture distributor with 28 employees when initiating the partnership with BIZ+ started manufacturing operations just over a year ago and successfully secured contracts to supply to well established furniture stores, and their workforce increased rapidly to as many as 188 on a contract basis or full time employment to reach production targets. However, as the manufacturing volumes grew, Livini underwent organizational stress to recruit and retain skilled supervisory and factory personnel, and had to invest fresh capital to finance the high volume of production. The company has transformed itself in a short period from a distributor to a manufacturer, and is facing new challenges being a new entrant in the competitive and growing furniture industry. In this context, BIZ+ will assist Livini to formulate an operational strategy to achieve its goals and sustain the economic growth objectives that BIZ+ envisaged through this partnership.

Training in product designing and production techniques for Koularagama Co-op

Koularagama Co-op benefited from a one-month volunteer engagement from late April to May this year, at the Co-op's production facility. The Co-op invited Ms. Zoe Felix, a British national, to work with them, and hosted her assignment, which BIZ+ facilitated. The training focused on generating ideas for new products, customer preferences, types of material and using them in different product categories, production techniques, minimizing waste and re-using waste material, painting and finishing, cost and breakage reduction, and showcasing the product in display spaces.

Ms. Felix joined the Co-op members on the study tour to Midaya Ceramics, and helped the team members translate the new learning into their practice.

Mentoring and Coaching for BIZ+ Phase I partners through Lanka Social Ventures (LSV)

Collaborations between BIZ+ and LSV progressed during the quarter under review with the two organizations coordinating their work with the partners that LSV enrolls into the LSV social enterprise incubator program. With the objective of identifying specific areas to assist, LSV conducted diagnostic studies on the BIZ+ partners that were selected, and have assigned business coaches to both Himalee Dairy and VRSDO. Himalee will benefit from technical advice in quality improvement, managerial capacity building and additional investment to improve waste management system. On invitation by LSV, two founding directors of Himalee participated in a leadership development program for new enterprises, held in Kandy. The training program was designed with the objective of helping business owners and managers to improve their performance by giving them tools specially to overcome barriers preventing them from achieving optimum performance. This seminar is based on Enneagram; a personality typing that may help participants understand how they operate at sub conscious level, their strengths and limitations and how they may maximize their capacity utilization. The program helped the participants identify their leadership styles and made them aware of the need to encourage innovation and the spirit

of entrepreneurship within the organization to transform the business when it grows. Himalee and Eluwan, another incubator business, participated in an exposure visit to CIC Agri Businesses in Hingurakgoda that was organized by LSV. The objective of the visit was to demonstrate the quality assurance practices in place at the manufacturing plant and in managing the dairy livestock. LSV assigned and engaged a business coach for VRSDO who makes regular visits to the business and provides on the job training and advice to the staff. LSV will work with BIZ+ to improve the accounting and management practices at VRSDO and will provide technical training for the cooking and serving teams in the next quarter.

Impact from Technical Assistance to Swani Autoland

In March this year, BIZ+ provided consultations to Swani Autoland to address their high staff turnover rate that was affecting their level of operation and profitability. The consultations included discussions with the owner, general manager and a cross section of the employees of Swani, BIZ+ staff and an HR professional, and an exposure visit to a business (Auto Miraj) that provides services similar to Swani. The consultations helped Swani understand the business activities that generated revenue and contributed to profits. Since the consultations, changes have been made in the way the business is managed, and the staff turnover rate has improved considerably, with one of the key technicians who resigned due to discontent re-joining the company. Some of the main changes that were made in the organization were delegation of work and responsibilities that were held by the owner to other managers in the organizations, and development of supervisory staff. Another change is conducting regular staff meetings that have helped the staff understand the thinking and plans of the senior management. As advised during the consultations, Swani has started recruiting trained youth directly from training centers, and offering them appropriate salaries, rather than recruiting unskilled workers at lower salaries and training them on the job. The next challenge for Swani will be to improve their service levels considerably and rapidly, and win back the customer base that found alternative service providers during the earlier part of the year.

Next Quarter

In the upcoming quarter, BIZ+ plans to undertake the following specific activities:

- Implementing a learning event on Risk Management that was requested by participants of the GMP workshop.
- Implementing awareness building and motivational activity that targets women managers or potential managers at BIZ+ partners.
- Implementing a public SME learning event to explore transition and challenges and successes in family businesses.

V. PROJECT-LEVEL ACTIVITIES

A BIZ+ Team Meeting was held in Colombo in June on the day following the GMP partner-learning event. The focus of the meeting was to understand the demands of the project, individual and team roles and to build team spirit. BIZ+ invited a guest speaker who discussed the importance of communication and use of different communication techniques to manage relationships with stakeholders to gain results.

VI. ENVIRONMENTAL COMPLIANCE

BIZ+ contracted three individual consultants to monitor and report on environmental mitigation and monitoring plans. Up to June 30, three BIZ+ partners enrolled in Phase I were visited and reported on, and the observations are as indicated below. Further details are provided in Annex B: VEGA BIZ+ EMMP Monitoring Details and Follow-up.

- Vanni Resource Self Development Organization: Solid waste management practices to be improved so as to reduce possible environmental impacts stemming from lack of attention to this aspect. VRSDO is testing alternative ways of addressing the accumulated waste, one of which is making compost on the surface of the ground. By not covering the pile with a surface cover, the business runs the risk of having rainwater accumulating paving the way for mosquito breeding. Further, priority would be given for CEA approved water quality tests and related sanitary issues.
- Lanka Guest House (Hotel Oviya): The business was advised to consider alternative water resources as the volume available at present might not be sufficient during high guest traffic times. The water sources available at present are a dug well and a tube well. A treatment plant is installed to purify water. Advised to harvest rainwater. In addition, solid waste management at the hotel should be improved, with a system of separation at source, and disposed. Although the Urban Council is responsible for collection and disposal of waste there have been delays in collections.
- Mullai Virudcham: Waste management and occupational safety and health are to be addressed. The business was advised not to burn the waste, as it is violation of CEA regulations. The business was advised to adopt better waste management methods including separation of waste material at source and composting biodegradable, organic waste. The business was also advised to use biodegradable polythene as packing material for the finished goods. Mullai Virudcham was recommended to better maintain its premises; adopting good housekeeping practices including improving cleanliness of the business premises, proper sorting method to store raw materials and finished goods. Although ventilation and lighting at the two business sites were satisfactory, exhaust fans were recommended to reduce discomfort factor for workers from heat buildup within the premises. The factories are to be provided with fire extinguishers and first aid boxes. In addition, the wiring system has to be improved, as the present wiring is not adequate.

VII. RESULTS ACHIEVED THIS QUARTER

A table is presented in the attached Annex A, which reports results achieved for this quarter and for the revised life of program indicators. We are pleased to note that even considering the increased targets we remain on track to achieve all indicator targets by end of the program.