

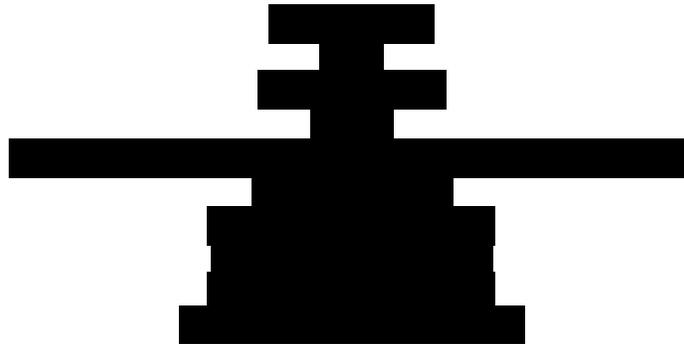


**Quarterly Report  
January – March 2016**

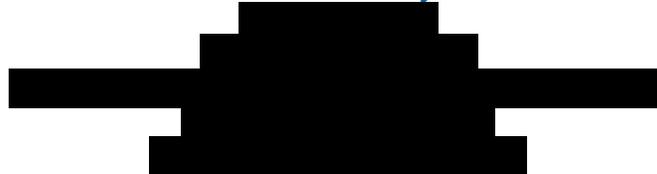
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## ACRONYMS LIST

AOR	Agreement Officer's Representative
BCA	Business Capacity Assessment
BDS	Business Development Services
BSP	Business Services Provider
CCC	Ceylon Chamber of Commerce
CCF	Complex Crisis Fund
CEA	Central Environmental Authority
COP	Chief of Party
DDL	Dairy Development Lanka
DFAT	Department of Foreign Affairs and Trade (Australia, Canada, UK)
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
GIZ	German Development Cooperation
HEC	Human Elephant Conflict
IFC	International Finance Corporation (World Bank Group)
IT	Information Technology
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
NCP	North Central Province
NGO	Nongovernmental Organization
OSH	Occupational Safety and Health
PMP	Performance Monitoring Plan
PPA	Public Private Alliance
PWDs	Persons with Disabilities
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
WUSC	World University Service Canada

## **I. INTRODUCTION**

Land O'Lakes International Development is pleased to submit its quarterly report for the VEGA/BIZ+ project (BIZ+) covering the period from January 1 to March 31, 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 detailed information about findings and follow-up actions related to environmental monitoring.

## **II. PROGRAM HIGHLIGHTS AND SUCCESSES**

BIZ+ reports a total of 5,858 new employment and income earning opportunities as of the quarter ended March 31, 2016. This represents an increase of more than 161 new opportunities reported since the last quarter, with the largest impact reported by Pillaiyar Rice Mill, VRSDO, and Webgurus. The results are in line with our forecasted job numbers because the Phase 1 business partners have completed their expansion activities and the Phase 2 partnerships were approved during the quarter, so have just begun implementation. The target is 6,500 new employment and income earning opportunities.

USAID Sri Lanka has confirmed approval of 13 new investment partnership, thus BIZ+ has exceeded the targeted number of 11 additional new investment grants for the extension period. The businesses are based in four targeted provinces with the highest levels of poverty and highest number of families displaced or impacted due to war. Awarding investment grants valued at \$1.8 million, BIZ+ will support the 13 businesses to rapidly implement business plans that will create employment and new income earning opportunities for nearly 2,000 individuals in the targeted communities. In addition to the new investment grantees, 11 from the first round will continue this quarter to receive additional technical assistance and monitor impact. With the new round, 47 businesses will receive investment support from BIZ+. We provide a synopsis of the new investment partnerships in this report.

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

- 161 new employment and income earning opportunities reported this quarter, to bring the life of project total to 5,858 against the target of 6,500.
- 174 vulnerable households benefited, to bring the life of project total to 8,090, compared to the target of 8,000.
- \$831,067 in increased household income reported, to bring the life of project total to \$8,278,458, and exceeding the target of \$6,500,000.
- \$338,886 leveraged from grantee businesses this quarter bringing the total leveraged to \$14,108,973, against the target of \$17,500,000.

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 on the use of financial information for better business management and improving profitability for eight businesses in Eastern and North Central Province.
- Market linkages initiated by BIZ+ were further strengthened. For example, Ravi Industries Ltd. and Mullai Virudcham concluded a supply arrangement and Hayleys Fibre Ltd. is in discussion with Anchor Coir for a significant purchase of coir dust and other coconut fibre products.
- Over the life of the program BIZ+ has mobilized 1,021 days of volunteer advisory services, including 103 days level of effort by volunteers during the past quarter.

Below, we showcase two examples of volunteer programming that are central to the successful BIZ+ implementation model. Firstly, we highlight the work of Ashley McDonough and Daniel Coen who began working for BIZ+ in February, serving as quality and operations management advisors wholly funded by Land O'Lakes, Inc.

Secondly we review the contributions of Frank Nuscheler who completed a five-week volunteer consulting assignment mentoring and training the staff and management at the *Taste of Vanni* restaurant run by BIZ+ partner VRSDO in Mankulam.

## Land O'Lakes Donates Talent to Sri Lankan SMEs

Land O' Lakes mobilized two industrial supply chain professionals, [REDACTED] and [REDACTED], to serve as volunteer advisors in the area of operations management and quality improvement. They offer technical assistance and advice in the areas of manufacturing processes, environmental impact monitoring, and quality assurance to BIZ+ partner businesses. Collaborating with managers and factory workers at the businesses and working as an integral part of the BIZ+ team, Ashley and Daniel are helping to build the capacity of the businesses and support the development and implementation of investment grants.

[REDACTED] and [REDACTED] are full-time employees of Land O' Lakes in the supply chain division, yet the company has sent them to Sri Lanka for five months as part of Land O'Lakes' CSR commitment to share knowledge and know-how, while offering the team a unique overseas work experience and engaging with entrepreneurs. Ashley and Daniel are part of a two-year Talent Acceleration Program (TAP) that provides exposure to business critical functions for growing leaders within Land O'Lakes. Targeted areas for the work with BIZ+ includes Quality Improvement, Operations Analysis, Sourcing and Supply Chain Management, and Environmental Management for a portfolio of BIZ+ partner businesses. Ashley and Daniel will apply their experience working at a number of different Land O'Lakes corporate manufacturing facilities as well as their involvement on company's continuous improvement team, managing capital projects, serving in supervisory roles for food production, and gaining HACCP certification.



[REDACTED] and [REDACTED] inspect a pressed coir product at Riococo Lanka



Daniel reviews products and procedures at Kolaragama Industrial Cooperative during an environmental assessment.

[REDACTED] and [REDACTED] are addressing technical priorities identified by BIZ+ during the due diligence review of Phase 2 business partners. This includes both business-critical and regulatory compliance activities. Having worked at Land O'Lakes food manufacturing operations previously, they will specifically assist North Lanka Family Foods, Eastern Dairies, and Jaal Enterprise, in their expanded food processing operations.

From quality program implementation, to establishing supply networks, tracking yield, and environmental action plans, they will contribute a combined total of 220 days of professional time to BIZ+. Key Performance Indicators (KPIs) will be established for each business that they assist. These KPIs will be monitored and the businesses trained in how to analyze the results and adapt business processes. In addition, the indicators will help measure the impact of BIZ+'s capacity building activities and can quantify the contributions from Land O'Lakes.

## Volunteer Technical Assistance - Coaching for *Taste of Vanni*



BIZ+ mobilized an international volunteer restaurant and hospitality consultant to build the capacity of Vanni Resources Self Development Organization (Pvt.) Ltd. (VRSDO) to operate and manage its restaurant *Taste of Vanni* in Mankulam, Mullaitivu. In January and February 2016 [REDACTED] completed a six-week consulting assignment in rural, war-affected area of Sri Lanka. He also assessed two other BIZ+ partner businesses in the hospitality industry. The assignment was organized in collaboration with Senior Expert Service (SES) of Germany.

The assignment was a tremendous success because the volunteer was uniquely able to apply his expertise, positive energy, and success in motivating and transferring knowledge and skills to people. [REDACTED] mentored and trained the staff and management at Taste of Vanni, with constant

focus on ensuring that the right people were recognized and positioned to ensure that the women's group could manage and grow their business. Because of Frank's energy and deep understanding of people's capacity and way of learning, his work was highly successful and, in fact, appears to have transformed aspects of business' operations.

At the conclusion of the assignment, the restaurant hosted an "East-West Food Celebration" event where the business served variety of specialty dishes for about 100 invited guests, including the Acting Mission Director of USAID Sri Lanka. This event was useful as both promotion for the restaurant and as a capstone activity to demonstrate the results of [REDACTED]'s mentoring and coaching.

Formed by the Mankulam Women's Rural Development Society, VRSDO was formed as women's community organization to partner with VEGA/BIZ+ in order to construct a rest stop on the popular A9 road, which links Kandy and Jaffna. The rest stop includes comfort facilities, which have access for people with disabilities, in addition to food and beverages for sale, as well as an exhibition and sales center for locally-made Palmyrah products.



Volunteer, [REDACTED] with team from VRSDO

One important, yet controversial, outcome of the consultancy was that the business had to cut the working hours on average from 55 to 45 hours. This would mean

- Offer less money to the individual (because they were all paid by the hour)
- Create more efficiency when working (setting fixed hours for kitchen operation)
- Leave more time for individuals to attend to their children, family, and/or cows.
- Generate more money for their own company

## II. COMPONENT ONE: GRANTS TO NEW AND EXISTING ENTERPRISES

BIZ+ concentrated its resources on two areas during the quarter: (1) monitoring and building the capacity of existing grantee businesses and (2) developing new business partnerships, successfully completing due diligence and awarding 13 new investment grants. In addition, 11 investment partnerships from Phase 1 of the program continued. Most of the Phase 1 grant agreements businesses that are still active were the final set of partnerships approved in 2014, so by extending the agreements the businesses have adequate time to complete expansion plans, grow employment impacts, and prove financial impact. Accordingly, BIZ+ actively manages 24 investment grant partnerships; while 23 of the 34 Phase 1 investment grant agreements are complete.

Below are some additional highlights and challenges of current partners from the past quarter:

- **Sivan Arul Vocational Training and Production Centre (SVTPC)** officially opened a workers' dormitory in February. BIZ+ Chief of Party, diaspora investors, and the trustees for the Sivan Illam Trust unveiled a permanent plaque thanking USAID and the BIZ+ program for the financial support to build the dormitory and other contributions to expand the rice flour and dried spice processing center. SVTPC is a unique business structure for Sri Lanka. A social enterprise, created by a charitable trust, SVTPC operates to provide work and sustainable earnings for women affected by the war. By reinvesting its profits, SVTPC strives to offer work, hope, and opportunity to women-headed households as well as orphaned young women who do not have a family structure as a safety net. Though the agreement is complete, BIZ+ is facilitating the on-going development of the business, linking SVTPC to mentoring and coaching services provided by a social enterprise development service provider – Lanka Social Ventures.
- **Vanni Resources Self Development Organization** was recognized as a leading female-led entrepreneur by ITN Television Network. [REDACTED] of VRSDO received the award at the International Women's Day (March 8<sup>th</sup>) ceremony in Independence Square in Colombo and the ceremony was broadcast on television. VRSDO, which was founded by a women's community group, manage *Taste of Vanni* restaurant in Mankulam, Mullaitivu. Investment by USAID VEGA/BIZ+ and Swiss Development Cooperation allowed the women's group to start the business that has proven to be a special success story in this region of Sri Lanka that was heavily affected by the past armed conflict.



[REDACTED],  
Chairwoman, accepting  
entrepreneurship award.

- Riococo Lanka**, a new BIZ+ partner, inaugurated a new office complex at its coconut fibre product factory in rural Kurunegala District in March. This important event was celebrated by the Foreign Minister, Hon. Mangala Samaraweera, Sri Lanka Ambassador to U.S., Hon. Prasad Kariyawasam, and Commercial Economic Officer of U.S. Embassy Sri Lanka, William Humnicky. Riococo exemplifies the growing bilateral trade opportunities between Sri Lanka and the United States. The company is an environmentally conscious producer and marketer of clean and renewable coir based grow-medium for wholesale and retail greenhouses. Ceyhinz Link International Inc., incorporated in USA and headquartered in Dallas is the marketing arm for Riococo Lanka, which serves customers in 33 countries. Riococo is the exclusive producer for the product portfolio of Ceyhinz Link. The products are marketed under specific trademarks to different markets; for example, Riococo is the registered trademark for products marketed in USA and Growcoir is the trademark for New Zealand.



Hon. Mangala Samaraweera, Foreign Minister, and [REDACTED] founder and CEO of Riococo tour the factory.

- Anchor Coir** received permission from the Central Environmental Authority to restart operations after implementing identified corrective measures to control possible air pollution from coir dust and to re-organize machinery to minimize sound from the coir rope manufacturing processes. BIZ+ supported the company to petition the CEA and to communicate with neighboring residents. The program will now lead Anchor Coir through all necessary remedial actions and monitor the operations to ensure that the business implements and maintains mitigation measures. At the time of closure last quarter, the business employed nearly 50 persons most of whom were women from the area; many of them widows who are now unemployed, with no other income earning opportunities. Anchor Coir, is one of few businesses that provide income earning opportunities for the people in this area.

- Eluwan** successfully restarted its milk processing operation at its new facility. Test marketing of its curd was successful and Eluwan is distributing 840 one-liter curd pots per week to local retailers. Eluwan collects buffalo milk from collection points in Batticaloa District under an agreement with Himalee Dairy Farm Products, another BIZ+ partner. The demand for the curd has been very high due to the prevailing hot weather in the Eastern Province. Based on current sales, Eluwan plans to double the supply of curd to the market. BIZ+ will continue to support improvements in Eluwan’s manufacturing practices and quality measures.



Buffalo Curd Product from Eluwan

## Synopsis of Phase 2 Partnerships

BIZ+ initiated 13 new investment partnerships during the quarter. Business planning, financial analysis, and due diligence reviews were completed during the quarter, and BIZ+ submitted subaward agreements for USAID's approval. Following clearance by the Mission Environmental Office, we began implementing the partnerships. All 13 agreements include procurement of equipment and machinery and four partnerships have construction activities funded in-part by BIZ+. In addition, more than LKR 13 million (USD 90,000) is included in grant budgets for technical assistance, training, and business capacity building for these new partners.

The businesses are based in four targeted provinces with the highest levels of poverty and/or highest number of families displaced or impacted due to war. Four businesses are located in Northern Province, one in Eastern Province, four in North Central Province, and four in Uva Province. A synopsis of the approved grants are included in the table below.

<p>Allwin Steel (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 10,814,480 42% of total investment</p> <p>Allwin Steel's Contribution: LKR 14,956,490 58% of total investment</p>	<p>Allwin Steel will expand their steel furniture manufacturing business and diversify into a new product range, creating employment and enhancing income levels of communities in Badulla District in Uva Province. The expansion of the manufacturing capacity involves adopting new production technologies and processes which will enhance the skill level of the under-employed youth in the District. Badulla is predominantly an agriculture based economy, with industrial sector employing less than 12 percent of the available labour force. Though there are a few technical training institutions in Badulla District, lack of job opportunities in the industrial sector has resulted in migration of trained and skilled labour to other more industrialized regions.</p>
<p>Rohana Eastern Dairies (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 28,975,050 22% of total investment</p> <p>Eastern Dairies' Contribution: LKR 104,804,048 78% of total investment</p>	<p>Eastern Dairies will commercialize its investment in dairy processing and to develop and market a range of products. The 3,000 liter dairy plant will create employment and enhance income levels of communities in and around the Ampara District in the Eastern Province. Eastern Dairies applied for a BIZ+ investment grant in 2013, which was not awarded due to the program's budget and time limitations at that juncture. However, the company proceeded with its business plans, incorporating the advice and recommendations offered by BIZ+ previously, and constructed and equipped the facility such that with BIZ+ support at this stage, the business expansion can be rapidly executed and commercialized.</p>
<p>Crown Polypack Lanka (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 27,620,560 26% of total investment</p> <p>Crown Polypack's Contribution: LKR 77,478,100 74% of total investment</p>	<p>Crown Polypack will expand their current business of manufacturing and distributing woven polypropylene packaging products, increasing the company's current production capacity by 66 percent over the next two years from 1.2 million to 2.0 million units per month. The investment partnership will also assist the company to develop at least one new value-added flexible packing product and create a market linkage for that product. Crown Polypack applied for an investment grant in 2013, which was not awarded due to the program's budget and time limitations at that juncture. Crown Polypack however proceeded with its business plans, constructing a new factory building and staff facilities. BIZ+ support at this stage will accelerate the manufacturing capacity and the business expansion, and create 66 direct employment opportunities for the community.</p>
<p>Riococo Lanka (Pvt.) Ltd.</p> <p>BIZ+ Contribution:</p>	<p>Riococo will expand its current business of manufacturing and distribution of value-added, organic growing substrates. Riococo manufactures coconut coir based products that are used as a plant</p>

<p>LKR 15,436,823 47% of total investment</p> <p>Riococo's Contribution: LKR 17,165,233 53% of total investment</p>	<p>growing medium for wholesale and retail greenhouses. Their products are supplied to 33 countries around the globe. The proposed investment partnership with BIZ+ is to establish a raw material processing plant in Anuradhapura, in the North Central Province. By expanding its operations from 3,360 to 6,000 metric tons per year. By locating its plant near to coconut cultivation areas, Riococo aims to secure a continuous supply of coconut husk for processing and to position the company to meet growing international demand for its specialized products. The new operation in Anuradhapura will create 42 direct employment opportunities and enhance the income levels of communities in North Central Province. The planned expansion will also establish new sustainable income opportunities for five microenterprises to process raw material and sub-factories to manufacture finished products.</p>
<p>Sahas Wear (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 31,133,221 36% of total investment</p> <p>Sahas' Contribution: LKR 55,224,135 64% of total investment</p>	<p>Sahas Wear will to expand and improve its garment manufacturing facility in Wellawaya, Uva Province. Sahas Wear currently has four production lines that can produce a maximum of 21,600 pieces per month. The proposal is to expand the plant to 10 production lines that will have a manufacturing capacity of 61,600 pieces. An additional 227 employees will be recruited. The company will upgrade the factory and double the current production capacity. In addition it will implement incremental improvements to the recently purchased factory in terms of production efficiency and the working conditions for staff. The investment will result in increased jobs, better working conditions for machine operators and more efficient energy use.</p>
<p>Rural Returns (Gte.) Ltd.</p> <p>BIZ+ Contribution: LKR 7,716,000 49% of total investment</p> <p>Rural Returns Contribution: LKR 8,047,427 61% of total investment</p>	<p>Rural Returns will expand its network of contract farmers in Vavuniya and Mullaitivu Districts, to increase production of specialty heirloom paddy rice, and to enhance its business operations and market position. Rural Returns works directly with farmers and introduces incentives for farmers to produce traditional, heirloom rice and to intercrop high-value pomegranate. The company procures and distributes specialty seed paddy varieties which are most suited and profitable for its farmers and then buys back the harvest offering a price which is higher than the market price for traditional rice varieties. The company mills the paddy and packages and markets the specialty rice under its brand name. Rural Returns sells products at the main high-end retail grocery chains, has its own sales office in Colombo, and places product in selected independent stores or specialized "health food" outlets in Colombo and suburbs. The proposed expansion will enhance the production volume of paddy to 130 metric tons, expand the farmer network by 198 new farmers to a total of 409 farmers and increase the number of full-time employees by 7 to a total of 15.</p>
<p>Ecowave (Gte.) Ltd.</p> <p>BIZ+ Contribution: LKR 26,371,496 44% of total investment</p> <p>Ecowave Contribution: LKR 33,956,113 56% of total investment</p>	<p>Ecowave will to establish a spice processing operation in Monaragala and to expand, develop, and build skills and capabilities of a network of farmers who will supply a variety of fresh spices, herbs, and produce (mainly rhizomes) that will be processed and marketed by Ecowave. A minimum of 200 spice farmers and producers will benefit directly from activities that include: extension services, planting materials and inputs, post-harvest handling, advice and record-keeping for organic certification, and access to credit facilities. Ecowave's spice processing facility will create 24 employment opportunities and increased income for the 200 producers. In addition, Ecowave's institutional investment and marketing of spices should contribute towards building the spice and allied industry in and around Monaragala District in the Uva Province.</p>

<p>Jaal Enterprise (S. Prop.)</p> <p>BIZ+ Contribution: LKR 9,732,300 47% of total investment</p> <p>Jaal Enterprise Contribution: LKR 11,115,748 53% of total investment</p>	<p>Jaal Enterprise will expand its operations vertically and become a manufacturer of coconut oil. Jaal Enterprise will enter the value-addition market step-by-step, first expanding its existing de-husking and coconut fibre and corpra trading operation and then entering the niche markets for coconut oil and coconut flour. The investment partnership with BIZ+ will enable Jaal Enterprise to establish the oil processing plant in Kilinochchi District in the Northern Province. The expansion will enable the business to increase its processing capacity from 3,500 nuts per day to 7,000 nuts per day. Jaal Enterprise will secure a supply base of smallholder coconut growers to ensure a continuous supply of coconuts and will create 38 full time jobs in the factory and office.</p>
<p>Visuvamadu Farmers' Multi-Purpose Cooperative Society Ltd (MPCS)</p> <p>BIZ+ Contribution: LKR 34,046,626 40% of total investment</p> <p>Visuvamadu Contribution: LKR 50,994,000 60% of total investment</p>	<p>Visuvamadu MPCS will improve the efficiency of its existing paddy milling plant and expand the production capacity by adding new machinery, equipment, and facilities. Visuvamadu MPCS has approximately 2,166 member farmers who will stand to benefit from the business improvements and expansion. Visuvamadu MPCS produces Attakari rice variety, a highly sought after traditional variety cultivated in the region. By constructing new paddy drying and storage facilities and introducing electronic sorting technology and new product packaging, the Co-op will generate higher revenues which ultimately go to farmer member-owners as community dividends. The proposed expansion will nearly treble the production capacity of the paddy milling and packaging facility from approximately 5.2 metric tons of rice per day to approximately 15 metric tons per day. The Co-op will employ an additional 18 employees and have the ability to service and buy paddy from an additional 222 farmers.</p>
<p>Orian Terra Lak Steel (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 31,958,460 35% of total investment</p> <p>Orian Lak Contribution: LKR 60,072,256 65% of total investment</p>	<p>Orian Lak will establish a metal door manufacturing plant. Orian Lak is currently the only supplier of steel doors in Sri Lanka, importing door assemblies from South Korea and selling and installing the doors for local institutional and individual customers. The company has already invested in the factory building and built a customer base, but sales are constrained by the long lead-time to import doors. Orian Lak will now expand into production of the steel doors locally with the technical support and mentoring of Daedong Ace Steel Door, the Korean company for which the business owner had previously worked. Orian Lak aims to manufacture, sell, and install 2,900 doors in its first year of production. The shared investment will create 43 new full-time job opportunities in Habarana, North Central Province and will introduce new technology in Sri Lanka and industrial development to the Polonnaruwa region, enabling skilled and unskilled youth to obtain employment and marketable skills.</p>
<p>Koularagama Industrial Cooperative Society, Ltd.</p> <p>BIZ+ Contribution: LKR 12,168,720 50% of total investment</p> <p>Visuvamadu Contribution: LKR 12,312,700 50% of total investment</p>	<p>Koularagama Co-op will restart production and marketing of its unique ceramic and clay products. The company will improve its product designs, product quality, manufacturing processes, and business practices. The business will also re-activate training and skills development activities that benefit its cooperative members and the surrounding community. Koularagama Co-op's production center will offer income generating opportunities to the local rural community that has limited income earning opportunities other than small-scale crop cultivation. The business expansion will especially benefit younger females who face a number of socio-economic challenges due to the high level of poverty in the community. Koularagama Co-op's business expansion and improvements will create 49 new jobs and expand the number of active members in the cooperative members by 60 by the end of December 2016.</p>

<p>Randeepa Agrarian (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 16,745,440 50% of total investment</p> <p>Randeepa's Contribution: LKR 16,778,500 50% of total investment</p>	<p>Randeepa will expand its agricultural equipment business by establishing a machinery hire network in the farming communities. The new business line will increase farmers' access to mechanized agricultural equipment, specifically two-wheeled tiller tractors, and empower a new actor in the agribusiness value chain. Randeepa will meet the market need for agricultural equipment on a timely basis and address the farm-labour shortage that is constraining growth. The expansion will create 90 micro-entrepreneur tractor operators under contract with Randeepa and add 6 fulltime positions at Randeepa's Polonnaruwa facilities. In addition, 1,320 small landholder farmers, who are members of farmer associations, are expected to benefit directly along the value chain from improved access to tractors and other agricultural machinery.</p>
<p>North Lanka Family Foods (Pvt.) Ltd.</p> <p>BIZ+ Contribution: LKR 58,500,000 34% of total investment</p> <p>North Lanka Family Foods Contribution: LKR 115,867,000 66% of total investment</p>	<p>North Lanka Family Foods will establish a processing facility to manufacture a range of processed food and food ingredient products including dairy, dehydrated vegetables, processed rice and grain products, and culinary oils. The food products will be marketed locally and exported through existing sales channels of the parent company, MA's Tropical Food Processing (Pvt.) Ltd. In many ways the business model replicates the company's processing center in Dambulla, Central Province, but the expansion is also intentionally designed to benefit local farming communities in the region (who represent the most marginalized and war-affected population in the country) by linking producers to a higher value supply chain. The scale of investment and class of the planned facility is a landmark for post-war, private sector development in Kilinochchi District. The company's commitment to quality will be maintained by inculcating stringent food handling standards and by training farmers and factory workers on quality assurance, including establishing good manufacturing practices and organic certification for facilities. North Lanka Family Foods will create 76 new full time jobs at the Kilinochchi facility and offer enhanced income earning opportunities for 150 identified farmers from the area.</p>

### **Status Update of Phase 1 Partnerships**

As of the end of December 2015, 24 of the Phase 1 grants were completed and closed. BIZ+ extended the term of 11 grantees, providing more time for these businesses to achieve market share, improve their operations, and increase the impact on employment growth and household incomes in the communities where they operate. In the table below we report the status of the Phase 1 grantee businesses that are still active.

<b>Name of Company</b>	<b>Status</b>
<p>Anchor Coir Industries (Pvt.) Ltd.</p>	<p>Production of coir rope and mats has not restarted. BIZ+ is facilitating possible 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 business is now being managed by the wife of the founder as the principal director has emigrated from Sri Lanka.</p>

Name of Company	Status
Lanka Guest House (Hotel Oviya) (S.Prop)	Hotel Oviya reports over LKR 6.5 million in sales for the quarter, with 50 percent of revenue from events held at its reception hall and the balance from rooms, food and beverage sales. The restaurants at the hotel are not yet open, but are scheduled for May. BIZ+ supports the company to implement and adhere to adequate hotel operations that will enable them to get a star-grading. The job targets have not been met primarily because of the company's focus on wedding event business, which is more cyclical.
Noble International Paper Lanka (Pvt.) Ltd.	Noble continues a very long and time-consuming process to bring the paper manufacturing plant on-line. BIZ+ is being patient with the business in order to ensure that adequate financial resources are available and that the equipment is installed in a proper way. Noble added a new financial investor during the quarter. The facility is about 80 percent complete. A paper technician from India was engaged to review the plant set-up in preparation for commissioning of the factory in the next quarter.
Eluwan Company (Pvt.) Ltd.	Eluwan conducted trials and commissioned the milk processing factory. Resulting from positive responses from the market testing of curd, Eluwan is planning to distribute at least 700 units of one-liter curd pots per week to local retailers. Eluwan harvested its paddy fields, and cultivated 20 acres of green gram, black gram and sesame seed. In addition 90 buffalo farmers were trained in improved dairy production techniques. BIZ+ will continue to support improvements in Eluwan's manufacturing practices and quality measures. Although the enterprise has the potential to triple their curd production volume, they are constrained by the ability to collect sufficient volume of liquid milk. There are also several identified lapses in hygiene and manufacturing practices, so Eluwan will be supported to make necessary corrections to improve in these areas.
Livini Distributors (Partnership)	<p>Livini Distributors secured sales contracts with Singer Sri Lanka to manufacture sitting room furniture for the domestic market. As a result the two-year old furniture manufacturing business achieved over LKR 50 million in sales for the quarter. Because of high demand and sales contracts, Livini leased new manufacturing space and increased their manufacturing area for sofas and other furniture. More than 200 contract workers were also engaged in order to meet the production demand leading up to the April new year holidays in Sri Lanka.</p> <p>Though a very successful partnership, the planned hardwood furniture business has not matched apace the other product lines. Accordingly, BIZ+ and Livini agreed to extend the agreement for an additional period of time, with the expectation that Livini will invest in the human resources and management expertise to realize the expected results and impact for wood furniture. If not successful, BIZ+ will look to redeploy the high value wood curing and manufacturing equipment.</p>
Yasasiri Polyprint (Pvt.) Ltd.	Yasasiri added eight new products since the beginning of 2016 and grew its revenue for the quarter to nearly LKR 7 million. The value of product sales was fairly evenly divided between color seal machine and accessories and polymer seal machine and accessories. Whereas the unit of production numbers were highest for yoghurt and

Name of Company	Status
	<p>curd cups, producing more than 70,000 units. Diversifying its product line is an important step for this food packaging and plastics printing manufacturer. Yasasiri also purchased and implemented a number of new molds. BIZ+ and Yasasiri agreed to extend the grant agreement for an additional period of time because the level of job creation to-date is below expectations. By adding the molds and correcting machine maintenance and set-up problems on one of the production lines, has scheduled hiring of new machine operators that is directly linked to projected sales and production targets. Yasasiri has revised and provided its staff employment plan and is working closely with BIZ+ to meet an updated job target.</p>
<p>Himalee Dairy Farm Products (Pvt.) Ltd.</p>	<p>Himalee weathered a severe cash flow crisis during over the past quarter and with BIZ+ support has implemented actions to improve collection from debtors, to restructure terms on debt instruments, and to diversify its sales channels to lessen the dependence on retail grocers that require extended payment periods.</p> <p>In spite of the cash flow challenge, Himalee recorded sales of nearly LKR 40 million during the quarter. The bulk of sales are buffalo curd sold in various (sizes and types) packages. Himalee distributes over 80,000 units per month in processed and packaged buffalo curd which is sold in grocery retail outlet island-wide. BIZ+ and Himalee agreed to extend the grant agreement for an additional period of time so that manufacturing processes and quality management procedures can be established and the business can apply for SLS (quality standard) certification.</p>
<p>Vanni Resource Self Development Organization (Pvt.) Ltd.</p>	<p><i>Taste of Vanni</i> restaurant was awarded Female Entrepreneurship Award in concert with International Women's Day. The business also hosted and collaborated with an international restaurant consultant during the quarter. Overall the business demonstrated a high degree of independence as BIZ+ lessened the level of direct managerial support. In financial terms, the business earned over LKR 845,000 for the quarter.</p> <p>BIZ+ and Swiss Development Cooperation (SDC) also continued their collaboration and support for the woman-led business. SDC invested in construction of a new kitchen and storeroom facility directly behind the restaurant service counters. BIZ+, in turn, agreed to install the gas, electric, and plumbing inputs and facilitate the commissioning of the new kitchen. In general, BIZ+ remains closely involved to support financial management and to ensure that technical matters are addressed.</p>

Name of Company	Status
Pillaiyar Rice Mills (Pvt.) Ltd. /Pillaiyar Stores (S. Prop.)	<p>Pillaiyar Rice Mill produced and sold 150,685 Kg of rice during the quarter. The company invested LKR 20 million into the business to ensure smooth financial position. Part of the investment was to construct and improve its waste water system to meet the environmental and health authorities' requirements.</p> <p>The financial procedures and systems at the company are still poor, but management has indicated renewed willingness to improve and adopt systems recommended by BIZ+. The company's audit has been contracted to introduce controls and accounting systems at the business. In the meantime BIZ+ has provided technical guidance to overcome a financial crisis.</p>
Agash Textiles Industries (Pvt.) Ltd.	<p>Agash Textiles produced over 1,900 pair of trousers and sold 745 during the quarter. The main sales channel was through textile shops in the Jaffna District, complemented by a direct sales approach, utilizing two mobile sales vehicles to offer goods at several ceremonial and festival locations. Agash established a more structured administration area at the factory and ordered office furniture and fixtures. 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 operational requirements. The company plans to introduce two new product lines, i.e men's dress shirts and T-shirts. Production is planned to start in the next month.</p>
Mullai Virudcham (Pvt.) Ltd.	<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>

Grantee businesses have reported creating **5,858** 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 **8,090** households (reference indicator C) and generated a total of **\$8,278,458** income for the households. At the quarter end, the total leveraged by the grantee cost sharing investments reached **\$14,108,373**.

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**

BIZ+ and the 13 new partners will be implementing the planned and agreed activities. The first step is completing infrastructure investments in buildings and plant and equipment. Procurement solicitations and other tenders valued at more than \$1 million will be issued. This activities is led by a BIZ+ staff procurement specialist. If construction is involved, contracts will all be in place and work underway. BIZ+ has engaged a civil engineer on an extended consulting contract to supervise and monitor construction activities. In addition, beginning in April all new partners will begin reporting on performance, completion of special award conditions and financial cost share contributions that leverage USAID funding. BIZ+ Enterprise Development Managers are the point of contact to coach and lead grantee partners and to ensure that they comply with the terms of the subaward agreements.

We expect that new employment results will begin with the agricultural related partners. However, the businesses operating in manufacturing industries will begin to demonstrate results and increased job numbers only after the infrastructure and plant and equipment are in place. Thus there will be some lag time from award of the grant until significant new job numbers are achieved.

**Figure I. BIZ+ Investment Grants - Report on Expenditures, Cost Share and Jobs as of March 31, 2016**

BIZ+ Investment Grants - Spending and Jobs (as of 31 March 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		
1 Agash Textiles Industries	23,261,106	21,485,303	1,065,500	23,267,890	14,420,947	75	31	-		31	30-Jun-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 Producers, 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	27,277,529	125	69	-		69	31-Dec-15	Closeout in progress
7 Dharmasiri Tyre House	38,027,290	38,027,290	0	70,799,218	77,037,717	125	179	2		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		57	31-Dec-15	Closed Out
11 Eluwan Company	13,438,427	13,278,092	-	18,311,913	12,163,283	82	46	311	Producers, Distributors	357	30-Sep-16	Active
12 Himalee Dairy Farm Products	27,449,932	27,294,016	25,000	31,120,557	35,832,352	81	102	189	Producers, Distributors	291	30-Sep-16	Active
13 Hotel Lux Etoiles II	249,070	249,070	0	0	0	Terminated	6			6		Terminated for non-performance.
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	Closeout pending. Disposition pending.
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	Closeout pending. Disposition pending.
19 Lanka Guest House (Hotel Oviya)	33,400,000	33,331,040	0	93,130,061	85,624,504	94	104	-		104	30-Sep-16	Active
20 Livini Distributors	34,016,575	33,100,359	0	57,477,888	57,477,888	83	70	-		70	30-Jun-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 MPSC (MUNASCO)	9,865,293	9,865,293	0	16,404,400	10,021,914	16 + 50 direct paddy and seed paddy farmers +75 members of co-op	7	95	Agricultural Producers	102	31-Dec-15	Closed Out

BIZ+ Investment Grants - Spending and Jobs (as of 31 March 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			
23	Noble International Papers Lanka	53,390,440	49,402,459	5,412,546	53,333,160	11,243,962	83	20	-		20	30-Sep-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	8,889,731	614,390	9,918,586	3,674,033	77 + 105 Members of Co-op	16	18		34	30-Jun-16	Active
26	Orange Tea Company	144,900	144,900	0	8,024,407	8,024,407	Terminated	30			30		Expired/Terminated for non-performance.
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 in progress
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	Terminated	5	-		5		Terminated for non-performance.
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	60,000	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	9,470,839	1,167,924	10,981,223	8,613,181	75	26	105	Suppliers	131	30-Jun-16	Active
34	Web Gurus International [www.Neverbeen.com]	28,853,368	28,853,368	942,046	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	Outsource Member 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		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)	9,505,487	9,505,487	0	6,676,791	6,692,274	0	0			0	31-Jul-15	Closed Out
N/A	Tourism Development Activities Eastern Province	n/a	n/a	n/a	n/a	n/a	0	0	48	Tourism Service Providers	48		
	<b>Total (LKR)</b>	<b>1,054,031,477</b>	<b>1,036,026,714</b>	<b>9,287,406</b>	<b>2,029,843,741</b>	<b>1,821,911,660</b>	<b>5,000</b>	<b>2,503</b>	<b>3,355</b>	<b>0</b>	<b>5,858</b>		
	<b>Total (USD)</b>	<b>8,168,416</b>	<b>8,028,885</b>	<b>62,022</b>	<b>15,730,658</b>	<b>14,108,973</b>							

\* N.B. - USD totals 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, however, that the grantee cost share/leverage targets are valued in LKR so the USD totals are meant to be 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, all BDS and capacity building activities are facilitated directly by BIZ+.

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 market linkages for a number of partners during the past quarter.
- BIZ+ and Lanka Social Ventures—an organization that supports social enterprises—agreed to collaborate and has accepted four BIZ+ partners into its mentoring program. The four businesses are completing their BIZ+ grant agreements and transitioning out of the investment partnerships.
- Three international volunteer provided technical and industry-specific advice and expertise to help build the capacity of BIZ+ partners.
- BIZ+ facilitated a workshop on the use of financial information for better business management and improving profitability for eight businesses in Eastern Province and Polonnaruwa District.
- An accounting firm completed its service contract to train and assist four partner business to implement Quickbooks accounting software.

#### **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.

**Figure II. Quarterly Results for Business Development and Capacity Building Indicators**

<b>Performance Indicator</b>	<b>Life of Project Target</b>	<b>Results for Jan-Mar 2016</b>	<b>Cumulative Results To Date</b>
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.  BCA assessments complete for all Phase 2 partners.	45	13	70
New Technologies or Management Practices put into Practice by Businesses	600	80	793
Training Events Organized and Implemented	187	1	168

### **Build Business Capacity**

As noted in the table above, the management, governance, and operational processes/practices of our current grantee businesses have been reviewed using a standardized business capacity assessment (BCA) questionnaire. We have also assessed 13 of Phase 1 business partners a second time to measure any changes at the conclusion of their partnership. Analyses indicate that the business' overall management and governance capacity improved through the BIZ+ interventions. The composite average score BCA score increased from 1.93 to 2.01 (maximum score is 4.0) based on second round assessments. Though incremental the improvements are noteworthy.

For the 13 new business partners, we completed the BCA survey as part of the pre-award analysis. The results of the assessment are useful to inform the pre-award risk assessment and to plan and budget for capacity building interventions and activities that we will specify in the subaward agreement. The baseline composite average score for the 13 new partners is 2.25 which is materially higher than the baseline (1.93) for Phase 1 partners.

### **Improving Financial Reporting and Literacy, and Access to Finance**

A second workshop on “Use of Financial Information for Better Business Management and Improving Profitability” was conducted in Batticaloa for the benefit BIZ+ partners in Eastern Province and Polonnaruwa District. The main objectives of the workshop were to:

- (i) initiate an interest in the owners and senior managers to use accurate and real time financial information in their decision making,
- (ii) be proactive in managing their businesses,

- (iii) improve the businesses' managerial capabilities, and
- (iv) to encourage financial reporting with a long term view on their ability to access and raise funds from formal financial sector institutions.

During the workshop, areas other than financial management were also addressed. For instance, human resources and operations management as they have a direct link to the financial information and records.

The workshop was delivered by the same resource person who delivered the workshop for the northern business partners last quarter. The workshop was attended by 16 participants from eight BIZ+ partner businesses based in Eastern Province and Polonnaruwa including (i) All Focus, (ii) Asiri Holdings, (iii) Dharmasiri Tyre House, (iv) Eastern Grips, (v) East Lanka Polysack, (vi) Eluwan, (vii) Kings Ice, and (viii) Swani Autoland. The training was delivered in English language with simultaneous interpretations to facilitate a dialog amongst the Sinhala and Tamil speaking participants. Participants included owners, senior managers and accountants.

The feedback from the participants called for more intensive follow up sessions that will give the businesses the opportunity to engage with the trainer closely on addressing specific challenges they encounter in managing their businesses, and obtaining his advice and guidance in addressing them. Accordingly, BIZ+ will organize follow up sessions for business partners to have consultative sessions that will have action oriented outcomes.

### **Investments in Improved Financial Management**

BIZ+ obtained the services of Global Associates to set up the chart of accounts of White Stone and to train their financial staff on use of QuickBooks software. This assignment ended during the early part of this quarter, replicating similar successful assignments at Yasasiri Poly Print and Livini Distributors.

In addition, Global Associates assisted Himalee Dairy to find a solution to an urgent cash flow problem. As a result of the advice provided, Himalee was successful in managing through the potential crisis. The company also decided to hire the services of Global Associates to oversee Himalee's finance department. Similarly, Yasasiri Polyprint extended the contract with Global Associates to carry-out a monthly internal audit in order to make sure that the company's accounts are up to date and that internal controls are adhered to.

The direct benefit to BIZ+ is that the businesses (Himalee, Livini, White Stone and Yasasiri) are all now in a position to produce and provide monthly financial reports. This was not possible previously, evidenced by the fact that no other partner of BIZ+ has ever submitted monthly financial statements (Profit and Loss Accounts, Balance Sheet, and Cash Flow Statement). Having access to the management reports of these two businesses on a monthly basis, provides valuable information about the status of these companies and allows the program to target managerial and technical assistance.

### **Market Linkages and Exposure Visits**

#### **Collaboration with Sri Lanka Export Development Board**

Resulting from requests by three BIZ+ partners for assistance to access export markets and to develop potential linkages with overseas buyers, BIZ+ initiated discussions with Sri Lanka Export Development Board (EDB) to explore possibilities that are available to obtain EDB's services. The

institution was receptive to working with BIZ+, and viewed the potential as timely since they were considering reach out to funding agencies, NGO's and other such organizations to facilitate training sessions for exporters and potential exporters island wide. They also indicated their readiness to provide training exclusively for BIZ+ partner businesses to create awareness on export market and industries, and requirements to be met in order to be successful exporters.

The services that EDB could provide include:

- (i) Training through regional and Colombo Offices of EDB conducted for the benefit of entrepreneurs to meet standards generally demanded by export markets.
- (ii) Information and contact details of overseas buyers for local producers (at nominal fee of LKR 15 per potential buyer's address)
- (iii) Facilitation of ISO certification for selected exporters (through a competitive selection process). Applicants will be selected via an interview process and the selected applicants will have to bear only 50% of the cost to obtain the ISO certification and the other half will be borne by EDB. When applied via EDB, the ISO certification consultation fee will be borne by them
- (iv) Businesses that are registered with the SL Registrar of Companies with 'exporting' may register with the EDB.

#### **Mullai Virudcham (Pvt.) Ltd. Linked with Ravi Industries Limited**

The market linkage between Mullai Virudcham and Ravi Industries Ltd. was further strengthened during the last quarter. Ravi Industries have purchased two consignments of Palmyhra fibre by the end of the quarter, and have also purchased off cut fibre to be used in their other products such as mattresses, further increasing the sales revenue for Mullai Virudcham.

Ravi Industries, a subsidiary of Hayleys Group is one of the largest exporters of a range of coir brushes to markets which are quality conscious. Hence, the expected quality of the material that Mullai Virudcham are expected to meet pre-specified quality standards. One such standard is the moisture content of the fibre. Since the moisture content of the collected material was found to be high once transported to the buyer's site, in January BIZ+ purchased a moisture meter to help Mullai Virudcham test the material prior to collection by the buyer, and to take corrective action. The coop is expected to maintain the moisture content below the acceptable maximum level of 17 percent. Officers from Ravi Industries have since then visited Mullai Virudcham, and over time will train the factory staff responsible for quality control and production management.

#### **Anchor Coir Introduced to Hayleys Fiber PLC**

A market linkage is being built between Hayleys Fibre PLC and Anchor Coir. BIZ+ facilitated testing of the coir dust that Anchor Coir has accumulated, and will facilitate a visit to Anchor Coir's production facility. Hayleys Fibre has gained global recognition for their innovative and tailor-made solutions, and manufactures and distributes more than 105 products locally and internationally. The company is a subsidiary of Hayleys and is a leading manufacturer and exporter of value added coconut fibre products such as brushware, floor coverings, erosion control and bio engineering products, rubberized coir pads and mattresses. Anchor Coir will benefit immensely from a linkage with Hayleys Fiber as they will gain access to a steady market source for their coir dust as well as for coir fiber and fragmented fibres.

## **Next Quarter**

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

- Implementing a learning event that brings together representatives of the BIZ+ partner businesses from Phase 1 and Phase 2.
- Mobilizing the two TAP Associate manufacturing and quality control professionals to deliver technical advice and training for Rohana Eastern Dairies, Crown Poly Pack, Jaal Enterprise, Himalee Dairy Farm Products and North Lanka Family Foods. The objective will be to support these and other manufacturing businesses to improve production planning, scheduling, and quality controls. One TAP Associate will also participate in market exposure visit regarding flexible packaging in cooperation with a Land O'Lakes team visiting Vietnam.
- Implementing training to partners as follow-up to the recent workshops about financial information and decision making.

Broader-based undertakings will include partner exchange visits, training sessions in financial literacy, and prospectively a women management development workshop.

## **V. PROJECT-LEVEL ACTIVITIES**

### **Complex Crisis Fund (CCF) Evaluation**

BIZ+ coordinated an evaluation and observation visit by a representative from USAID/Washington CCF. The assessment was considered a mid-term evaluation of the Phase 2 activities. The CCF lead and a team from USAID Sri Lanka's programs office visited 14 BIZ+ partners during a four-day program. The itinerary included site visits to 10 private sector partners engaged with BIZ+ in Phase 1 and four new partners that were just negotiating their investment grants—pending USAID approval—with BIZ+. Feedback from the site visits and interviews with partners was positive and provided CCF firsthand exposure to the community-level impacts of BIZ+ program model. The positive feedback affirmed that the results of Phase and partners selected for Phase 2 advance USAID's objectives to prevent conflict and to promote recovery after crises and conflict.

### **eTenders.lk**

BIZ+ agreed to use the services of eTenders.lk and B2B.lk marketplace as a way of expanding the reach and transparency of the program's many procurements. BIZ+ will advertise and post procurements on the web-based marketplace sites to increase the transparency of major procurements for grantees.

### **Development/Donor Project Collaboration**

BIZ+ and USAID Sri Lanka's SPICE program are cooperating in Eastern Province to enable SPICE to maintain a presence in the region though the program is downsizing. SPICE staff will co-locate (under a serviced office sublease agreement) at BIZ+'s office in Batticaloa.

BIZ+ and the International Finance Corporation's (IFC) tourism development activities are continuing the partnerships established in 2013. IFC's program is training firms in the tourism

industry in Eastern Province and Mannar District. BIZ+ supports the initiative by introducing businesses that applied, and were vetted, for investment grants. In addition staff from IFC's program utilize the BIZ+ office in Batticaloa to conduct outreach meetings and to register as the base location. In addition, a newly formed destination management company that was accepted to the IFC training program has access to the meeting space at BIZ+'s Batticaloa office.

BIZ+ and the World University Service Canada (WUSC), which is implementing a Canada funded bi-lateral program to build vocational skills, agreed to collaborate to identify vocational training opportunities linked to BIZ+ partner businesses. Hotel Oviya, VRSDO, and Swani Autoland have committed to participate with the WUSC opportunity.

BIZ+ is collaborating with GIZ's dairy development project, DFAT Australia's Market Development Facility, and Ceylon Chamber Commerce's SME outreach program to introduce businesses that applied to BIZ+ but were unsuccessful in the RFA solicitation completed at the end of 2015. More than 300 businesses applied to the program and only 13 have been awarded investment grants, so we are introducing as many businesses as possible to other donor-supported business acceleration or assistance programs.

### **VEGA Filming**

In January a film crew from VEGA came to Sri Lanka. BIZ+ facilitated the team's logistics and meeting with beneficiaries, but the activity was funded entirely by VEGA. The film will be part of a video outreach program to increase awareness in the United States about utilizing volunteers in economic development programs. The video campaign will highlight how USAID funding in Sri Lanka has successfully harnessed the energy, knowledge and networks of skilled volunteers to promote effective and sustainable development programs here and across the globe. The campaign is being called "Volunteer Impact 360", as it will discuss impact from various perspectives: the volunteer, the host/ beneficiary, the donor and the program manager.

### **Visit by Harvey Johnson and Don Taussig**

Two executives from Land O'Lakes corporate visited BIZ+ during the quarter. Don Taussig, Director of Security, and Harvey Johnson, Director of Talent Acceleration Program reviewed the work plans and activities of the TAP associates. Mr. Taussig also assessed the security situation for Land O'Lakes and confirmed that the arrangements for Ashley McDonough and Daniel Coen, TAP Associates working for BIZ+, were acceptable. The Land O'Lakes team also visited BIZ+ partners in Ampara and Polonnaruwa. As an outcome of the visit, the immediate work plan for the TAP Associates was confirmed and work begun. Both Ashley and Daniel were assigned to Rohana Eastern Dairies to help the nascent dairy processor to organize its manufacturing system.

## **VI. ENVIRONMENTAL COMPLIANCE**

With the support of EML Consultants, BIZ+ developed and submitted environmental monitoring plans for 11 newly approved grantees (two plans for Randeepa Agraian and Koularagam Co-op have not been submitted to USAID). After an initial business consultation, screenings, and site visits, BIZ+ developed a framework that would give each grantee action items to complete in order to remain compliant. This was done in conjunction with best practices identified by USAID.

From a waste perspective, it will be important that each business understands their different waste streams and emissions in order to practice proper disposal and mitigation measures for

hazardous or toxic wastes. Uncontrolled burning was an identified practice that will need to be eliminated at some of the businesses, per Sri Lankan regulation. There was significant emphasis placed on employee health as safety as well. Based on guidelines from the UN and the Sri Lankan Department of Labor, items such as appropriate safety gear, welfare facilities, and training requirements were outlined. Many grantees had unique business environments where additional precautions will be needed. For example, grantees who had elephants in the area will have electric fences that pose a potential safety concern and will need to be maintained. Spray painting was one of the most serious hazards identified, as toxic fumes would need to be properly ventilated, employees will need additional safety gear, and air quality tests will need to be conducted down wind. Other businesses have lorries or vehicles transporting materials, some of which are hazardous. Without a Sri Lankan regulation on driving hours, they will follow the US standard for appropriate licenses and keep a driver log to prevent potential employee vehicle accidents.

These are just a few key areas of the overall environmental plan that the business will work towards completing. There are certain regulatory requirements and licenses that need to be obtained, otherwise operations could be suspended by the government. Imbedded in this monitoring tool is a graphical representation that the businesses can use to track their progress and remain operational.

The environmental mitigation and monitoring plans of Phase 1 partner businesses have been completed. All deliverables for monitoring the environment impact from the first phase of BIZ+ grantees have been completed. Annex B provides the final record of the observations by environment impact monitoring teams and corrective action recommended. BIZ+ will continue to monitor the Phase 1 subawards that have been extended until the end of their agreement. BIZ+ will also assist the businesses to address possible areas of non-compliance.

### **Regional Environmental Adviser for Central and South Asia**

The Regional Environmental Adviser for Central and South Asia, and OAPA (Office of Afghanistan and Pakistan Affairs) accompanied the USAID CCF and program office team that visited BIZ+ partners. Some of those visits were to partners from the first phase of BIZ+ and some were at businesses that had been approved for Phase 2 but had not yet executed agreements. The Regional Environmental Adviser later issued an internal USAID report. The recommendations and observations did not indicate any specific problems at any particular partner business. It offered observations and suggestions for potential hazards. Though an internal USAID report, BIZ+ reviewed the document and informed the AOR. Our response indicated that BIZ+ could not necessarily force further change or improvements at partners for which the agreement with BIZ+ was closed. BIZ+ did commit to sharing the recommendation and observations with the contracted environmental consultant and we committed to including the suggestions from the regional environmental advisor. The points listed below were consolidated:

1. Occupation, health and safety, and use of personal protective equipment should be improved, and related environmental attributes, e.g. noise levels, temperature, etc. should be monitored and recorded; first aid kits should be available
2. Health records of hires staff should be in place; female/male employees should be of permitted age and they should handle only permitted weight
3. Fire protection equipment, e.g. fire extinguishers, should be regularly checked so that these are in working conditions and appropriate to the type of potential hazard at site
4. Dust suppression mitigation measures should be continuously implemented and recorded

5. Quality of water should be monitored, recorded and comply with GOSL standards
6. Implementing partners should be complemented to initiating solid waste management and recycling activities, and these should be enhanced; substituting local wood for prefabricated steel for various types of structures, e.g. doors, should be encouraged
7. Hygiene at food facilities should be enhanced, e.g. cooking areas should be insulated from outside impacts and toilet facilities should have screens, water quality from existing sources should be tested to ensure that ultimate products meet relevant standards, e.g. ice for commercial and food purposes

The Regional Environmental Advisor also observed that organizations "run by women were in better environmental and OHS state than those run by men."

## **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.