

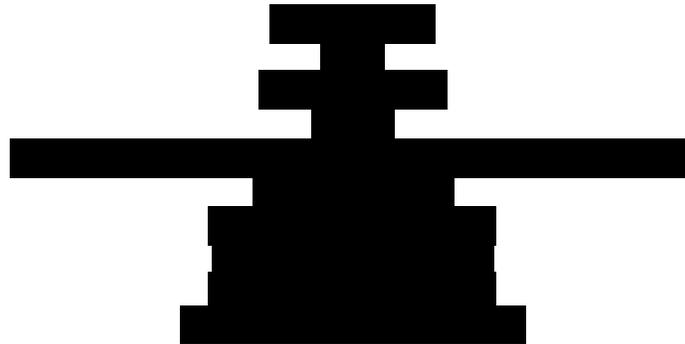


**Quarterly Report
October – December 2015**

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

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

Submitted to:



**Submitted by:
Peter Saling**



For More Information, Contact:



ACRONYMS LIST	3
I. INTRODUCTION	4
II. PROGRAM HIGHLIGHTS AND SUCCESSES.....	4
III. COMPONENT ONE: GRANTS TO NEW AND EXISTING ENTERPRISES.....	9
IV. COMPONENT TWO: CAPACITY BUILDING SUPPORT AND TECHNICAL ASSISTANCE TO ENTERPRISES	16
V. PROJECT-LEVEL ACTIVITIES.....	22
VI. ENVIRONMENTAL COMPLIANCE.....	22
VII. RESULTS ACHIEVED THIS QUARTER	22

ACRONYMS LIST

AOR	Agreement Officer's Representative
BCA	Business Capacity Assessment
BDS	Business Development Services
BSP	Business Services Provider
CCC	Ceylon Chamber of Commerce
COP	Chief of Party
DCOP	Deputy Chief of Party
DDL	Dairy Development Lanka
EDO	Enterprise Development Officer
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
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
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

Land O'Lakes International Development is pleased to submit its quarterly report for the VEGA/BIZ+ project (BIZ+) covering the period from October 1 to December 31, 2015.

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 5,670 new employment and income earning opportunities as of the quarter ended December 31, 2015. This represents an increase of more than 200 new opportunities reported since the last quarter, with the largest new employment from East Lanka Polysack, Eastern Grips, and Yasasiri. The results are in line with our forecasted job numbers because all but a few business partners had completed their initial expansion activities. The target is 6,500 new employment and income earning opportunities including the new investment grant activities that will be implemented during the two-year extension.



[REDACTED], owner of Kings Ice, with Ambassador Keshap, Member of Parliament Samapathan, U.S. Under Secretary of State (designate) Shannon, and Deputy Assistant Secretary in the Bureau of South and Central Asian Affairs Anand.

During the quarter BIZ+ hosted US Ambassador Atul Keshap to tour the operations of All Focus in Polonnaruwa and a delegation from the US State Department led by Under Secretary of State (designate) Tom Shannon and Ambassador Keshap to Trincomalee. In Trincomalee, Honorable Ambassador Shannon delivered an address at BIZ+ partner Amaranthé Bay hotel, met owners of a number of BIZ+ businesses in Eastern Province, and toured the facilities of Kings Ice.

Six BIZ+ grantee businesses received national recognition during the quarter for their entrepreneurial achievements. Three female-owned enterprises, two of which are in the Northern Province – Kobithan Garments (Vavuniya) and White Stone (Kilinochchi) – received the Best Productive Enterprise Award, and the Best Enterprise Award-Hotel & Tourism, respectively, from the National Enterprise Development Authority. The third, Liyark Industries (Batticaloa), received the Best Productive Enterprise Award for the Eastern Province. In addition, Liyark's female CEO, [REDACTED], received the Entrepreneur Excellence Award for the Eastern

Province. From North Central Province, Yasasiri Poly Print (Anuradhapura) received an award

from the National Chamber of Commerce. Rounding up the award winners were two more businesses from Northern Province. Jeyantha Industrial Park, BIZ+'s first grantee, won an award for medium-sized manufacturing industries, and Sarah Industries won an award for excellence. Combined, these businesses have generated over 450 direct employment opportunities since the program investment.

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

- 207 new employment and income earning opportunities reported this quarter, to bring the life of project total to 5,670 against the target of 6,500.
- 258 vulnerable households benefited, to bring the life of project total to 7,953, compared to the target of 8,000.
- \$331,530 in increased household income reported, to bring the life of project total to \$6,390,157, against a target of \$6,500,000.
- \$512,293 leveraged from grantee businesses this quarter bringing the total leveraged to \$13,775,188, 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 six businesses in Northern Province.
- BIZ+ designed and delivered a training program to improve human resource management and interaction at East Lanka Polysack.
- BIZ+ partnered with the USAID Farmer-to-Farmer program and mobilized three volunteer assignments to support BIZ+ partners Pillaiyar Rice Mill and Himalee Dairy Farm Products.

Below, we showcase selected grantee activities and achievements of the program. This quarter, we are pleased to highlight the successful start-up of Lanka Guest House, which does business as Hotel Oviya in Vavuniya, Sarah Industries (Pvt.) Ltd. in Jaffna, and Sivanarul Vocational Training and Production Centre (SVTPC) in Kilinochchi. The three businesses are located in Northern Province and are good examples to present the great variety in the type of businesses and industries in BIZ+'s portfolio.

Hotel Oviya, which aims to be the first star-class business hotel in the area, began receiving hotel guests and is managing a full calendar of events at its pristine event hall.

Sarah Industries is literally a nut and bolt hardware manufacturer. With BIZ+ support, the businesses has expanded into new product areas and relocated from a downtown location to a new factory in Atchuvveli Industrial estate, where it was the very first business to locate there since the industrial park reopened after the war.

Sivan Arul Vocational Training and Production Centre (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.

Lanka Guest House (Hotel Oviya)

Total investment:	LKR	126,530,061
VEGA/BIZ+ contribution target:	LKR	33,400,000
Lanka Guest House cost share target:	LKR	93,130,061
Lanka Guest House contribution:	LKR	68,774,068
New jobs target:		94
New jobs reported:		98



BIZ+ spent LKR 27 million funding construction of the hotel

With the opening of Hotel Oviya for business, Lanka Guest House became the second BIZ+ partner to successfully construct and commence operations of a hotel.

BIZ+'s investment in the partnership primarily included co-funding construction contracts with the business. In addition, BIZ+ supported installation of a back-up generator and the upgrade to a three-phase transformer to ensure a constant and stable electrical supply and provided technical assistance to organize the operations of key functional areas of the hotel and to ensure that a high quality of service is maintained.

Oviya is striving to become Vavuniya's premier location, not just for visiting travelers but also for locals to utilize its reception hall. At the end of November, Hotel Oviya hosted the second ever Northern Bridal Show, organized by another USAID-implementer, Nucleus Foundation. The show exhibited the talents of 56 beauticians from across all five Northern districts, and also allowed wedding-related service providers to promote their products and services.



The Northern Bridal Show, organized by Nucleus Foundation

With construction nearly completed, and with the Certificate of Completion obtained from Sri Lanka Tourist Board for the hotel to officially operate, BIZ+ has shifted focus with Hotel Oviya to building their capacity through technical assistance. This has encompassed a number of areas, including organizing the management structure, restaurant, bar and kitchen, and preparing the hotel to obtain SLTDA star classification.

Sarah Industries (Pvt.) Ltd.

Total investment:	LKR 192,895,966
VEGA/BIZ+ contribution target:	LKR 54,963,505
Sarah Industries cost share target:	LKR 137,932,462
Sarah Industries contribution:	LKR 137,932,462
New jobs target:	101
New jobs reported:	130



[REDACTED], owner, explaining the wire drawing machine, which supplies wire nail production

Sarah Industries is among BIZ+'s first grantees and also, in terms of construction of a new facility, one of the biggest. Already owning a factory space in Jaffna town, Sarah provided metal shearing and electroplating services, but the partnership with BIZ+ enabled them to expand their operations and become the first business to establish a presence in the Atchuveli industrial zone (another BIZ+ grantee, Noble International Papers Lanka is also in the industrial zone). This much larger, better ventilated and lit space is more worker-friendly, and houses the new machinery which BIZ+ procured, for bolt, nut and nail production.

Sarah received an in-kind grant, with BIZ+ procuring over \$400,000 worth of new equipment. The machinery procured under this grant has allowed Sarah to produce wire nails, bolts and nuts used in construction, most of which was previously brought up from the South and resold. Enabling Sarah to produce nuts and bolts locally, filled a major void. With post-war construction booming, demand for nuts and bolts alone was at 40,000 kg per month, and no doubt is climbing as Jaffna continues to see increased investment and development.

At Sarah's original site sit two more machines which BIZ+ purchased that have increased the services which Sarah can offer local customers: lathe and metal bending, allowing Sarah to prepare customized orders for metalwork.

Local production and services offered by Sarah save customers time and money previously spent on travelling to other parts of the country to obtain basic manufacturing services.

Beyond the equipment procured for Sarah, BIZ+ offered assistance after a lengthy dispute with the original equipment suppliers, helping to secure the services of another Sri Lankan company which provided technical assistance in repairing the bolt machine.



BIZ+ procured machinery enabling Sarah to provide a local supply of nails, bolts, and nuts.

Finally, BIZ+ technical assistance provided QuickBooks accounting software for improved financial management, and an occupational health and safety audit to improve workplace safety. Sarah has been one of the most successful BIZ+ grantees, with 130 new full time jobs created, creating over \$240,000 in income.

Sivanarul Vocational Training and Production Centre (SVTPC)

Total investment:	LKR	36,225,906
VEGA/BIZ+ contribution target:	LKR	12,967,051
SVTPC cost share target:	LKR	23,258,854
SVTPC contribution:	LKR	26,471,421
New jobs target:		75
New jobs reported:		58

One of three BIZ+ grantees based in Kilinochchi, SVTPC has completed construction activities, and the partnership with BIZ+ is now totally focused on increasing operations to generate more employment, adding to the 58 jobs they have already created under this partnership.

A social enterprise, Sivanarul processes, packages, and markets rice flour, chili, curry, and spice powders, all the while creating employment primarily for women who were physically and psychologically affected by the war, something that their marketing message highlights. They also assist local farmers, in Kilinochchi and the greater Vanni, by purchasing, processing and selling their paddy harvest.



BIZ+ co-financed a paddy warehouse and workers' hostel

BIZ+'s intervention with regards to Sivanarul was on multiple fronts. Firstly, new equipment was procured in order to increase their capacity. Secondly, a warehouse was constructed to store paddy, addressing the business' current issues with storage and distribution – also assisted by a BIZ+-procured delivery truck.



SVTPC primarily employees women adversely affected by the conflict

Finally, and perhaps most beneficially, BIZ+ provided funding for the construction of a hostel for female employees. Not only does this help the business by decreasing the risk of absenteeism among the majority of Sivanarul's employees, many of whom are heads-of-household too, but also by increasing security for these women. As far as productivity goes, the hostel also allows Sivanarul to operate a second, night-time shift.

Sivanarul has created 46 full time jobs to date, 32 of which are for women. The part-time jobs created have alone benefitted 84 households, and 139 microenterprises have benefitted from the BIZ+-Sivanarul partnership.

III. 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. Below are some additional highlights and challenges of current partners in the last quarter:

- Noble International Papers Lanka is the only Phase 1 business that has not completed its expansion activities. Technicians are currently installing the paper manufacturing equipment which includes a series of civil construction work to prepare pulping tanks and the water and waste water systems. A team of technicians worked on-site for the month of December to supervise equipment alignment and to train the local machine operators and technicians. BIZ+ also continued to work with other partners.
- **Swani Auto Land** formally opened a new IOC filling station as part of their LKR 90 million (\$687,000) partnership with BIZ+. The focus of the investment partnership was the creation of an auto-service and repair facility - which is already operational., By opening its filling station, Swani adds another business operation and the company creates five new jobs, four of which are for women. More jobs will be created with the opening of a small snack store at the filling station. Swani also expects to finalize an agreement with Hyundai to set up a Hyundai car and spare parts center at the facility.
- **WebGurus** exceeded its target of 100 new homestay properties island wide and 50 properties in the designated areas. There are now 127 properties marketed by Neverbeen.com of which 60 are located in the three provinces targeted by BIZ+.
- As a result of **Himalee Dairy Farm Products** expanding its production capacity and improving its milk processing facility, it has increased the number of suppliers by 179 and extended its supply network to dairy producers in Eastern Province. In addition, Himalee directly assists 17 dairy buffalo and cattle farmers, offering financing and technical assistance to improve livestock rearing and milk handling, to construct cattle sheds and feed stores, and to improve genetics through a breeding program.
- **Mullai Virudcham** entered into a supply agreement with Ravi Industries for 50 metric tonnes of palmyrah fibre. Mullai Virudcham can presently produce between 1,000 to 1,200 kilos every two weeks. When rainy season is done, the small company in Mullaitivu can produce 5MT per month. Ravi Industries previously imported 100 percent of its fibre from India, but has determined that there are advantages from Mullai Virudcham's product in terms of quality, flexibility, and colour.
- **Rodman Electrodes:** BIZ+ addressed the challenge of slow and unresponsive performance by Rodman Electrodes by terminating the subaward agreement during the quarter. Rodman started operations over one year ago, but ownership and financial challenges required restructuring the partners' investments and this is delayed the business functioning on a sound commercial basis. BIZ+ and Peoples Bank are working closely to oversee each party's investment and interests. Peoples Bank has now foreclosed on the loan for the building and will auction the property. After giving legal notice to Rodman and in cooperation with the Bank, BIZ+ secured the property and insured the equipment. BIZ+ and Peoples Bank plan to collaborate to re-establish commercial operation at the factory.

Partnerships Under Development - RFA No. 003

BIZ+ worked tirelessly to develop new partnerships. In the first week of October, we announced the results of the RFA 003 for new investment partnerships in Northern, Eastern, North Central, and Uva Provinces. Introductory meetings were held with the selected partners to discuss the due diligence and full application process. We engaged a team of business development consultants to help the businesses complete a full application process, and to analyze business plans, assess the market, prepare financial forecasts, and to prepare a due diligence evaluation.

In keeping with the RFA announcement, a Technical Evaluation Committee (TEC) was formed the concept notes received in response to RFA 003. By October 31st, the committee screened and selected 18 proposals for further evaluation from the 315 received by the submission deadline. The shortlisted businesses currently under evaluation are based in Ampara (1), Anuradhapura (2), Badulla, Batticaloa (2), Jaffna (1), Kilinochchi (2), Monaragala (3), Mullaitivu (1), Polonnaruwa (3), and Vavuniya (2). Nine businesses were placed in a Wait-List. They are based in Badulla (1), Anuradhapura (3), Mannar (1), Trincomalee (1), Batticaloa (1), Jaffna (1) and Monaragala (1).

The TEC consisted of two BIZ+ Officers and two external consultants. The BIZ+ Officers included the Chief of Party and Senior Manager - Investment Partnerships and the external consultants were those selected for their extensive experience and knowledge of the SMEs and the constraints and opportunities for business growth in Sri Lanka. The committee was assisted by a team of BIZ+ staff and two other short term consultants in analyzing financial statements and other specific queries that warranted further information for evaluations. TEC had six formal review and scoring sessions during October. Details of the selection process followed in making the selections was then documented in a Technical Evaluation Committee Report.

Seventeen business proposals are under review and two have already been submitted to USAID for approval. Overall BIZ+, is on-track to submit up to 15 grants to USAID for approval during the next quarter. Environmental screening is taking longer than planned, but we have agreed to submit the investment grants packages when complete and then get the environmental clearance information submitted as soon as possible thereafter.

Completion of Phase 1 Partnerships

As of the end of December, 24 of the grants have ended. BIZ+ decided to extend the term of 11 grantees until March 2016 (8 grants) or June 2016 (3 grants). This provides more time for the 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 administrative closeout of the subaward agreements. We have also listed the status of the service grant agreements, service contractors, and implementing subagreement partners.

	Name of Company	End Date	Status
1	Jeyantha Industrial Park (Pvt.) Ltd.	30-Sep-14	Closed Out
2	Eastern Grip's (Pvt.) Ltd.	31-Dec-15	Closeout in progress

	Name of Company	End Date	Status
3	Liyark Industries (Pvt.) Ltd.	30-Jun-15	Closed Out
4	Arumbugal Foundation (Ltd. Guarantee)	31-Oct-15	Closed Out
5	Asiri Holdings Lanka (Pvt.) Ltd.	31-Mar-15	Closed Out
6	Kumaran Builders (S. Prop.)	31-Jan-15	Closeout pending. Disposition pending.
7	Kobithan Garments (Pvt.) Ltd.	31-Jan-15	Closed Out
8	KKK Apparel (Pvt.) Ltd.	30-Apr-15	Closeout pending. Disposition pending.
9	Sarah Industries (Pvt.) Ltd.	31-Dec-15	Closeout in progress
10	Anchor Coir Industries	31-Mar-16	Active
11	Kings Ice Manufacturers (Pvt.) Ltd.	30-Jun-15	Closed Out
12	East Lanka Polysack (Pvt.) Ltd.	31-Dec-15	Closeout in progress
13	Northern Farm (Pvt.) Ltd.	31-May-15	Closed Out
14	River View Palm (Pvt.) Ltd.	30-Sep-15	Closed Out
15	Building Solutions (Pvt.) Ltd.	31-Dec-15	Closeout in progress
16	Hotel Lux Etoiles II (Pvt.) Ltd.	0	Terminated for non-performance.
17	Lanka Guest House (Hotel Oviya) (S.Prop)	31-Mar-16	Active
18	White Stone (Pvt.) Ltd.	31-Dec-15	Closeout in progress
19	Swani Auto Land (Pvt.) Ltd.	31-Dec-15	Closeout in progress
20	Don's Renewables (Pvt.) Ltd.	31-Jul-15	Closed Out
21	TN Farm Product (Pvt.) Ltd.	0	Cancelled. Financial and land issues made it impossible to implement.
22	Rodman Electrodes (Pvt.) Ltd.	0	Terminated for non-performance.
23	Noble International Paper Lanka (Pvt.) Ltd. (formerly Noble Printers)	31-Mar-16	Active
24	Web Gurus International (Pvt.) Ltd. [www.Neverbeen.com]	31-Dec-15	Closeout in progress

	Name of Company	End Date	Status
25	Orange Tea Company (Pvt.) Ltd.	0	Expired/Terminated for non-performance.
26	Eluwan Company (Pvt.) Ltd.	30-Jun-16	Active
27	Sivanarul Vocational Training and Production Centre (Partnership)	31-Dec-15	Closeout in progress
28	Nanattan Division MPCS Ltd. (MUNASCO)	31-Dec-15	Closeout in progress
29	Livini Distributors (Partnership)	31-Mar-16	Active
30	Dharmasiri Tyre House (Pvt.) Ltd.	30-Sep-15	Closed Out
31	Yasasiri Polyprint (Pvt.) Ltd.	31-Mar-16	Active
32	Himalee Dairy Farm Products (Pvt.) Ltd.	31-Mar-16	Active
33	All Focus (Pvt.) Ltd.	31-Dec-15	Closeout in progress
34	Vanni Resource Self Development Organization (Guarantee) Limited	30-Jun-16	Active
35	Pillaiyar Stores (S. Prop.)	31-Mar-15	Active
36	Wheel Masters (Pvt.) Ltd.	31-Jul-15	Closed Out
37	Agash Textiles Industries (Pvt.) Ltd.	31-Mar-15	Active
38	Mullai Virudcham (Pvt.) Ltd.(Oddusuddan)	30-Jun-16	Active
	Total Management Solutions Company (environmental monitoring contractor)	31-Jul-15	Closed Out
	GreenTech Consultants (environmental monitoring contractor)	31-Aug-15	Closed Out
	Swiss Labour Assistance (service grant for Mullaitivu partners)	30-Jun-15	Closed Out
	Ceylon Chamber of Commerce (service grant for BDS)	30-Sep-15	Closed Out

Grantee businesses have reported creating **5,670** 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 **7,953** households (reference indicator C) and generated a total of **\$6,390,157** income for the households. At the quarter end, the total leveraged by the grantee cost sharing investments reached **\$14,109,725** (This includes \$86,720 contributed by service grants).

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 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

For Component One BIZ+ will emphasize partnership development activities during the next quarter. The objective is to complete due diligence of the 17 partnerships under development, negotiate and prepare grant agreements, and to submit subawards to USAID for approval.

Figure I. BIZ+ Investment Grants - Report on Expenditures, Cost Share and Jobs as of December 31, 2015

BIZ+ Investment Grants - Spending and Jobs (as of 31 December 2015)										
Grantee Business	Grant Spending (LKR)			Leverage Contributed (LKR)		Jobs Reported				
	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	20,419,803	463,000	29,431,840	14,420,947	75	21			21
2 All Focus	40,908,776	40,908,776	0	51,489,001	46,961,945	80	70	152	Agricultural Producers	222
3 Anchor Coir Industries	14,797,435	14,406,440	9,690	14,822,449	12,344,611	101	44	36	Husk Producers, Other Suppliers	80
4 Arumbugal Foundation	18,337,308	18,337,308	200,000	40,251,560	23,365,928	95	95	64	Suppliers	159
5 Asiri Holdings Lanka	51,691,851	51,691,851	0	132,499,388	108,038,750	184	88	92	Distributors	180
6 Building Solutions	28,372,250	28,372,250	0	46,053,084	27,277,529	125	69		69	69
7 Dharmasiri Tyre House	38,027,290	38,027,290	0	70,799,218	77,037,717	125	179	2	181	181
8 Don's Renewables	27,974,100	27,974,100	0	37,446,836	38,715,137	72	70	61	131	131
9 East Lanka Polysack	64,055,138	64,055,138	0	110,802,465	119,231,636	150	130		130	130
10 Eastern Grips	38,170,000	37,786,085	811,131	40,560,704	35,641,940	45	39	6	45	45
11 Eluwan Company	13,438,427	13,278,092	-	18,311,913	12,163,283	82	26	331	Producers, Distributors	357
12 Himalee Dairy Farm Products	27,449,932	27,269,016	0	31,120,557	35,760,852	81	94	196	Producers, Distributors	290
13 Hotel Lux Etoiles II	249,070	249,070	0	0	0	Terminated	6			6
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
15 Kings Ice Manufacturers	31,050,998	31,050,998	0	45,071,730	52,792,312	+500 fishermen	50	1,004	Fishermen, Fish Traders, Distributors	1054
16 KKK Apparel	16,310,096	16,310,096	0	59,562,035	7,759,771	113	68			68
17 Kobithan Garments	23,153,976	23,153,976	0	17,705,760	17,705,759	59	84			84
18 Kumaran Builders	13,478,139	13,478,139	0	14,629,450	10,639,710	55	36	24	Prop Renters	60
19 Lanka Guest House (Hotel Oviya)	33,400,000	33,331,040	536,000	93,130,061	68,774,068	94	102			102
20 Livini Distributors	34,016,575	33,100,359	90,000	57,477,888	57,477,888	83	70			70
21 Liyark Industries	36,493,025	36,493,025	0	50,629,712	59,986,131	63	136	8	Suppliers	144
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 +75 members of co-op	7	95	Agricultural Producers	102

	Grantee Business	Grant Spending (LKR)			Leverage Contributed (LKR)		Jobs Reported				
		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	43,989,913	5,079,219	53,333,160	11,243,962	83	20			20
24	Northern Farm	33,203,430	33,203,430	0	36,026,105	36,026,105	53 + 3000 farmers	31	799	Agricultural Producers	830
25	Mullai Virudcham	9,919,332	8,889,731	765,771	9,918,586	2,480,990	77 + 105 Members of Co-op	16			16
26	Orange Tea Company	144,900	144,900	0	8,024,407	8,024,407	Terminated	30			30
27	Pillaiyar Stores	21,799,734	21,600,487	213,000	23,133,390	31,100,768	75	40	99	Agricultural Producers	139
28	River View Palm Hotel	62,756,250	62,756,250	0	429,471,833	407,517,719	138	202	33	Suppliers	235
29	Rodman Electrodes	22,585,686	22,585,686	0	70,085,900	7,852,137	Terminated	5			5
30	Sarah Industries	54,963,505	54,963,505	0	137,932,462	137,932,462	101	130			130
31	Sivanarul Vocational Training and Production Centre	12,662,015	12,662,015	298,784	23,258,854	26,471,421	75	59			59
32	Swani Auto Land	27,357,426	27,357,426	60,000	61,657,855	77,703,067	82	119	23	Suppliers	142
33	Vanni Resources Self Development Organization	10,954,375	9,032,149	452,700	10,981,223	6,427,373	75	26	36	Suppliers	62
34	Web Gurus International [www.Neverbeen.com]	28,853,368	27,911,322	985,466	46,481,627	47,345,114	22 +50 Home Stay Operators	25			25
35	Wheel Masters	16,707,140	16,707,140	0	30,299,896	30,299,896	78	114	9	Suppliers	123
36	White Stone	25,396,857	25,396,857	0	30,452,518	19,810,925	81	44	29	Suppliers	73
37	Yasasiri Poly Print	38,517,940	38,195,584	1,365,760	42,802,819	42,802,819	95	78			78
N/A	Swiss Labour Assistance (Service grant contributing to Mullaitivu partners)	9,505,487	9,505,487	-	6,676,791	6,676,791	0	0			0
N/A	Tourism Development Activities Eastern Province (Ecowave and East N. West)	n/a	n/a	n/a	n/a	n/a	0	0	48	Tourism Services Providers	48
	Total (LKR)	1,046,901,574	1,028,142,933	11,330,522	2,036,007,691	1,773,103,998	5,000	2,451	3,219	N/A	5,670
	Total (USD)	8,113,000	7,966,864	81,421	15,817,338	13,775,188					

* 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), 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 will be facilitated directly by BIZ+ during the extension period.

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 the use of financial information for better business management and improving profitability for six businesses in Northern Province.
- Managing director of Arumbugal Foundation attended an exchange visit to the Philippines to learn about the design, manufacture, and marketing of handicrafts.
- Mullai Virudcham implemented a staff training, bringing in specialists from India, in machine operations and maintenance at Mullai Virudcham's fiber processing business unit.
- VRSDO began an extended program of English language training for hospitality workers.
- Livini Distributors continued to receive advice from a manufacturing and production engineer to organize its furniture manufacturing lines.
- BIZ+ implemented training in human resources for East Lanka Polysack, which recently opened a new factory in Valaichchenai, Batticaloa.
- Land O'Lakes' USAID Farmer-to-Farmer program for the Middle East and North Africa mobilized three assignments in Sri Lanka for BIZ+ partners, Pillaiyar Stores and Himalee Dairy Farm Products.

Capacity Building of Grantee Businesses, District Chambers and BDS Providers

Figure II below presents a summary of performance against indicators that were also indicators for the CCC service grant. Where the BDS target is also a program Results Indicator, the targets reflect the revised target inclusive of Phase 2.

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

Performance Indicator	Target	Results for Oct-Dec 2015	Cumulative Results for Life of Agreement
Capacity Assessments Completed and Action Plans Agreed with Businesses or other Organizations			

Performance Indicator	Target	Results for Oct-Dec 2015	Cumulative Results for Life of Agreement
i) 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 2 terminated grants) In future quarters new BCA scores for pending partnerships will be tabulated and remaining second round BCAs will be completed.	45	0	57
ii) BDS Action Plans agreed with Business Organizations (Results include 4 S-T action plans for regional chambers)	35	0	35
Service Agreements or Contracts Entered into between BSPs and Grantee or Other Businesses (The results total for LoP was updated to reflect the BDS outputs for indicator 2.2; whereas, we previously reported only results facilitated by CCC. Note that some contracts will extend for a number of months.)	75	6	78
New Technologies or Management Practices put into Practice by Businesses	600	80	793
Training Events Organized and Implemented	187	1	168

BDS Action Plans to 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 these partners a second time to measure any changes at the conclusion of their partnership. For the prospective new grantees, we are using 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.

Human Resources

BIZ+ designed and delivered a training program to improve human resource management and interaction at East Lanka Polysack, which had started commercial operations in the past quarter in Valaichchenai, Batticaloa. The main objectives for the program was to (i) align the new staff with the mission of the company, (ii) address the high staff turnover, and (iii) improve management and workforce engagement.

The activity-based training took place over three days and included participation of 70 people, including owners and shareholders of the company, senior executives, and factory staff. Of the participants, 75 percent were female. This was the first formal training for most of the staff members, and thus the audience was receptive to the training. The outcomes of the training sessions were:

- (i) Staff identifying necessary corrective measures to improve the quality of the end product that East Lanka manufactures in order to reduce rejections from buyers.
- (ii) Senior managers identifying innate leadership and analytical skills of some staff members which were not observed before
- (iii) Promotion of interaction between factory production workers, senior managers and owners of the company.

Improving Financial Reporting and Literacy, and Access to Finance

BIZ+ partners frequently face a major challenge to manage their financial resources effectively, as the business grows and the owner/management must expand its organizational structure and decision making. Often a failure or slowness in making this transition inhibits the business from accessing capital and particularly funding for working capital. This problem is common for many SMEs worldwide and BIZ+ analysis indicates that the businesses simply do not invest time, managerial efforts, and human resources to change this aspect of their businesses. To address this, BIZ+ designed and delivered the first in a series of training programs to improve the use of financial information for better business management.

The workshop, held in Kilinochchi in December, titled “Use of Financial Information for Better Business Management and Improving Profitability” had 15 participants from six BIZ+ partner businesses based in Northern Province: White Stone (4), Sivanarul (2), Northern Farm (1), Kobithan Garments (4), Sara Industries (2), and Jayantha Industrial Park (2). The training was delivered in English language with simultaneous interpretation facilities provided to facilitate the dialog.

The training was built around:

- (i) What determines the profitability of a business - key factors contributing to profitability
- (ii) Who is responsible for monitoring business and financial performance
- (iii) Uses and users of financial information
- (iv) Controllable and uncontrollable factors in managing a business profitably
- (v) Decision making - Use of financial and non-financial information and key financial indicators to monitor and control

The delivery was through a brief lecturing session by the trainer, group work to help participants identify key areas to improve in their organizations and presentation of action plans by businesses.

The training outcomes as recorded by the participants were:

- (i) Recognition and realization of the importance for business owners to use financial indicators in their decision making
- (ii) Understanding of the importance of maintaining a reliable system of financial record keeping
- (iii) Using good financial practices such monitoring debtors and creditors, adopting a suitable pricing structure for goods and services offered by the businesses - and how they could affect customer relationship (as observed by SivanArul, Northern Farm)

In keeping with the request by many of the participants, BIZ+ will organize a follow on session for this group in the next quarter. Additional programs will be conducted to engage partners in the East and North Central Provinces.

Dairy Quality Improvement and Knowledge Transfer Initiative for Himalee Dairy Farm Products

In collaboration with Land O'Lakes' Farmer-to-Farmer (F2F) program, Industrial Technology Institute of Sri Lanka (ITI), and the Rajarata University assisted Himalee to improve their product quality and other businesses practices. A volunteer from Land O'Lakes' F2F program advised the company during a three-week assignment this quarter. BIZ+ also invited and engaged teams from the ITI and Rajarata University, Anuradhapura to interact during the assignment with Himalee. The key outcome from this assignment was impressing of the importance of overall quality improvement throughout Himalee's operations from farm-level care of the livestock to the packaging and storage of the end products.

Specifically, the expert advised Himalee in the following areas:

- i) practices to enhance and ensure quality from the point of collecting milk in the field to the point of final distribution
- ii) simplified methods and apparatus for measuring and monitoring product quality
- iii) production planning to be in line with seasonal fluctuation in availability of input material, and managing occasional excess input material
- iv) possible product development ideas (long-life curd product)



F2F Volunteer Advisor [REDACTED] during his consultancy with Himalee

The expert also addressed ITI's annual workshop on "Quality and Safety Management in Food Industry", on the topic of Quality Management in Dairy Supply Chain" representing the BIZ+ Project. Rajarata University provided Technical Officers to work with him to interpret and transfer the collective knowledge to Himalee in a manner that helps them improve their operating methodologies and practices.

Market Linkages and Exposure Visits

Mullai Virudcham: BIZ+ introduced Mullai Virudcham palmyrah fibre to Hayley's, a multinational Sri Lankan conglomerate with export markets for several products, including for a range of value added coir and palm fibre products. Guided and assisted by BIZ+, Mullai Virudcham successfully negotiated a sales contract to supply palmyrah fibre that is dried, cut and bundled to Haley's specifications. Oddusuddan benefited by gaining a ready buyer for their product at a rate above the market price. Previously, Ravi Industries imported 100% of its palmyrah fibre from India for use in products such as brushes and brooms as the fibre of required finish and quantities is not available locally. Oddusuddan has the potential to improve their fiber quality and develop the trade relationship with Ravi Industries to be a key supplier in the long term. Up to now, Oddusuddan

has provided two consignments to Ravi Industries. After routine quality testing, Ravi Industries have provided feedback to Mullai Virudcham on the areas to be improved – specifically in maintaining a low moisture content and pest control.

East Lanka Polysack: The managing director of East Lanka Polysack completed a three-week professional development visit to the United States this quarter. Sanoon was awarded the opportunity by the International Visitor Leadership Program (IVLP) of the US State Department for his demonstrated business leadership and based on the nomination from USAID and VEGA/BIZ+. Sanoon traveled to Washington, Philadelphia, and Kansas City with his ILVP colleagues from around the world and explore conditions that benefit small businesses, and the role that such businesses can play in driving development, locally, nationally, and beyond. He has shared his experiences at his company, which is based in a conflict-affected area of Sri Lanka, and with other BIZ+ partners to encourage entrepreneurship and innovation in the Sri Lankan SME community.

Eluwan: Lanka Social Ventures, an organization that supports the development of social enterprises in Sri Lanka, agreed to partner with Eluwan with a view to maximizing the social impacts of its business model. Eluwan and Lanka Social Ventures held a series of organizational development meetings with milk producer groups and the parties decided to form an out-grower network consisting of buffalo farmers which would commit to supply of milk to the processing center owned and operated by Eluwan. Arrangements are now underway to make the out-grower network a legal body and to link them with various BDS providers. It is expected that the out grower network will start supplying milk to Eluwan in March.

Anchor Coir: Samples of the coir dust that Anchor Coir accumulated was handed over to Ravi Industries of the Hayleys Group and RioCoco—a business that is being evaluated by BIZ+ for an investment grant. RioCoco is a producer and exporter of value added coconut fibre growth medium, and the company is experiencing a shortage of coir and coconut husks that is insufficient to cater to their current clientele and prospective new customers. If the coir sample meets the company's quality standards, Anchor Coir may become a supplier. The main constraint faced by Anchor Coir in selling their byproduct, coir dust, is their inability to dry it. In December, BIZ+ staff consulted and visited the Coconut Research Institute (in Lunuwila) to observe the method of slow drying the Institute has devised while preserving the chemical properties of the coir, to meet the requirements specified by exporters. BIZ+ will evaluate the financial feasibility of this drying process and its suitability in terms of minimum capacity for the technology to be effective for Anchor Coir in the long run. BIZ+ also consulted a technical expert in fibre, who has served in the Sri Lanka Export Development Board, to recommend an immediate remedy to prevent dust dispersion from the coir stock at the factory premises. BIZ+ will continue to assist Anchor Coir address these challenges

Hotel Oviya: BIZ+ and Nucleus Foundation, which implements a USAID livelihoods enhancement program, collaborated to make the Northern Bridal Show 2015, possible. Organized by Nucleus Foundation, the show was hosted on 28th November at BIZ+-funded Hotel Oviya, which is vying to become the top hotel and function-hall in Vavuniya.

Arumbugal Foundation: The managing director of Arumbugal participated in a training and exposure visit for SME craft manufacturers in the Philippines. The visit was arranged by the Sri Lanka Export Development Board, and the Center for International Trade Expositions and Missions (Philippines), and consisted of visits and seminars focused on the design, manufacture, and marketing of handicrafts, as well as attendance at the Manila FAME exhibition, a design and lifestyle trade fair with over 350 exhibitors. Arumbugal plans to adopt the use of natural dyes, new

designs involving locally available raw materials, and improved labeling and packaging, all of which were aspects learned during the exposure visit.

Next Quarter

A diverse set of learning events, technical assistance activities, and trainings are planned for the upcoming quarter. Some specific activities to be undertaken include:

- Creating and strengthening market linkages for Phase 2 grantees and further opportunities for existing, Phase 1, partners.
- Mobilizing two professionals from Land O'Lakes' corporate Talent Acceleration Program (TAP). Land O'Lakes, Inc. will fund and supervise the professionals as part of their international rotation. They will work with BIZ+ partners that operate food processing or manufacturing businesses or other businesses to improve production planning, scheduling, and quality controls.
- Implementing a second and third workshop covering financial information and decision making.
- In collaboration with the Sri Lankan Export Development Board, BIZ+ will be offering learning opportunities for businesses to prepare to enter export markets.
- Organizing a forum for women managers and women employees with potential to gain managerial experiences.
- Delivering a new activity on entrepreneurship – growing the business, and managing the transition.

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

USAID CCF will conduct a mid-term evaluation of the Phase 2 activities undertaken from the award of the funded extension of the cooperative agreement in May 2015 up to the present status during the coming quarter. We anticipate that the scope will be to understand and analyze the selection process of Phase 2 grantees and to determine that the selected partners are in accordance with objectives of the funding to prevent conflict and to promote recovery after crises and conflict.

VI. ENVIRONMENTAL COMPLIANCE

During the quarter, BIZ+ completed its competitive procurement for environmental assessment and due diligence documentation. We contracted EML Consultants (Pvt.) Ltd. to conduct environmental screening and reporting for businesses that are under evaluation for award of BIZ+ investment grants. EML completed assessments, documenting possible risks and recommending mitigating measures, for the following five proposed Phase 2 businesses:

- Allwin Steel (Pvt.) Ltd., Badulla
- Crown Polypack Lanka (Pvt.) Ltd.- Polonnaruwa
- Orian Lak Steel (Pvt.) Ltd. - Polonnaruwa
- Sahas Wear (Pvt.) Ltd., Moneragala
- Ecowave (Guarantee) Ltd., Moneragala

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 and the service grants have been closed. Annex B provides the final record of the observations by environment impact monitoring teams and corrective action recommended.

The Phase 1 subawards that have been extended will continue to be monitored during the coming quarter and until the end of their agreement and BIZ+ will assist the businesses to address possible areas of non-compliance. For instance, BIZ+ is assisting Anchor Coir to address a lapse in their compliance with CEA regulations. Anchor Coir at present is sun drying the coir peat, with a polythene cover. Due to their inability to dry this coir stock to contain a lower moisture content, the top layer of the stock was apparently dispersed with the wind to the neighboring residences. This led to formal complaint by one neighbor, and the CEA revoked the environmental licenses of the company. Anchor Coir suspended its operations to comply and has appealed to the CEA for a review. It has also obtained “no objection” letters from several neighbors.

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.