



International Science and Technology Institute, Inc.

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MID-TERM EVALUATION OF THE  
SRI LANKA PRIVATE ENTERPRISE  
PROMOTION PROJECT  
PROJECT NO: 383-0082

Prepared for:  
USAID/COLOMBO  
CONTRACT NO. PDC-000C-I-04-6134-00

December 1986



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By:

Robert G. Pratt, Team Leader  
Hector Abeysekera  
Donald Rhatigan  
Ralph Stephens  
Dayalan Tharmaratnam

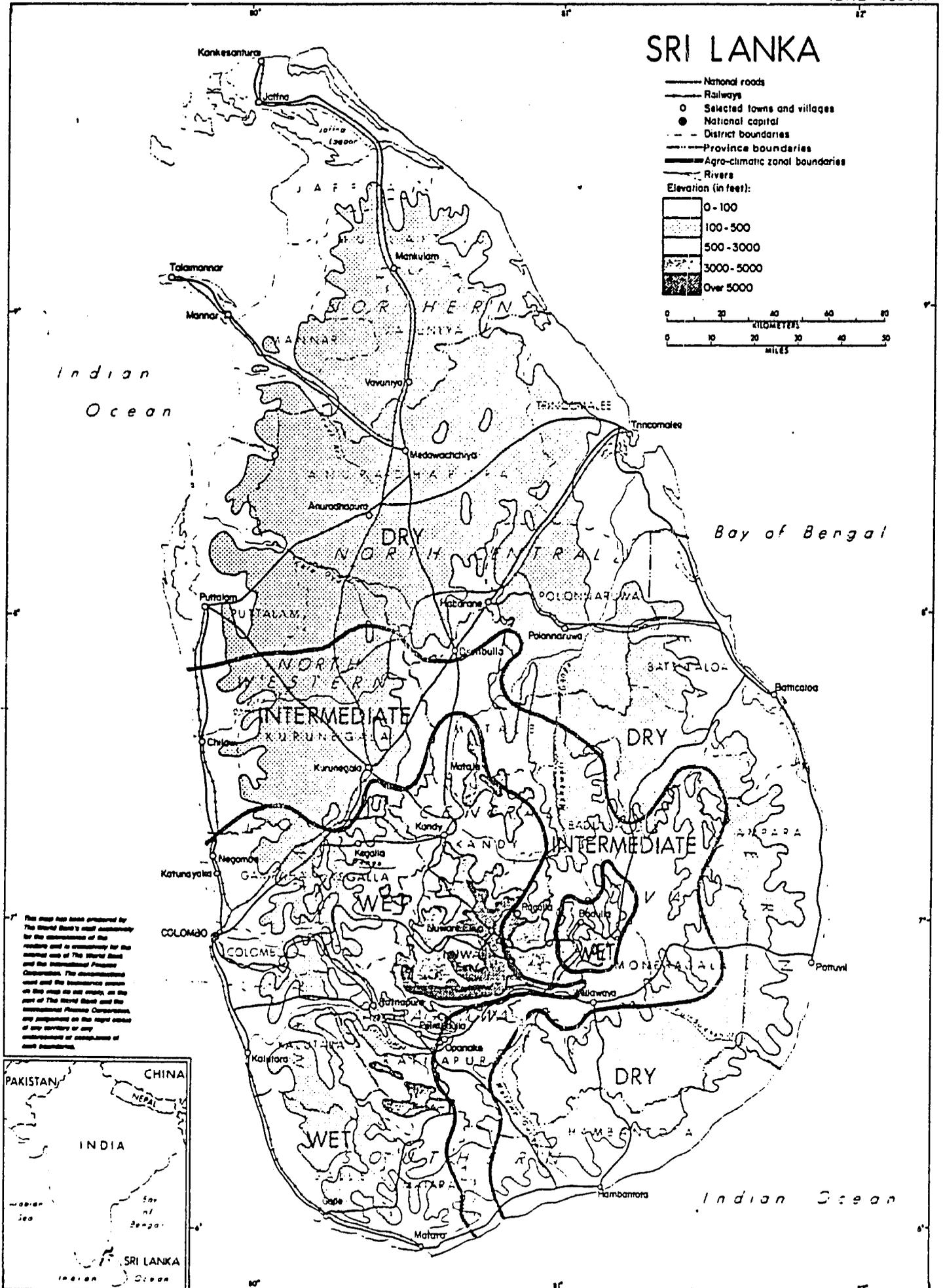
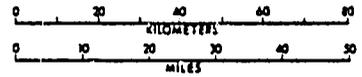
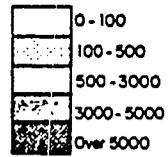
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2033 M Street, N.W., Suite 300  
Washington, D.C. 20036

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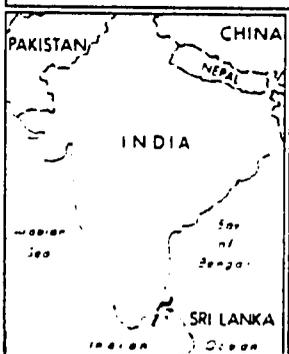
# SRI LANKA

- National roads
- Railways
- Selected towns and villages
- National capital
- - - District boundaries
- - - Province boundaries
- Agro-climatic zonal boundaries
- Rivers

Elevation (in feet):



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Scope of Work: Mid-Term Evaluation,  
Project Number 383-0082  
Memorandum of Association of Sri Lanka  
Business Development Center

i. Abbreviations

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ADL	Arthur D. Little Incorporated
C&I	Coopers and Lybrand
DAI	Development Associates Incorporated
DED	Deputy Executive Director
ED	Executive Director
EDB	Export Development Board
EDD	Entrepreneur Development Division
EDP	Entrepreneur Development program
EDT	Entrepreneur Development Training
FIAC	Foreign Investment Advisory Committee
GCEC	Greater Colombo Economic Commission
GSL	Government of Sri Lanka
HIRDP	Hambantota Integrated Rural Development Program
IDB	Industrial Development Board
IECD	International Economic Cooperation Division
IPC	Industrial Policy Committee
IRDP	Integrated Rural Development Program
ISD	Investment Services Division
MF&P	Ministry of Finance and Planning
MIP	Management In Practice
NAB	National Apprenticeship Board
NDB	National Development Bank
NIBM	National Institute of Business Management
NORAD	Norwegian Overseas Assistance Program
NYSC	National Youth Service Council
PEPP	Private Enterprise Promotion Project
PMP	Practice of Management Principles
RFTP	Request for Technical Proposal
SLBDC	Sri Lanka Business Development Center
SOW	Scope of Work
SIDA	Swedish International Development Agency
USAID	United States Agency for International Development

ii. Basic Project Identification Data

1. Country : Sri Lanka
2. Project Title : Private Enterprise Promotion Project (PEPP)
3. Project Number : 383-0082
4. Project Dates :
  - a. Project Agreements: September 11, 1983
  - b. Project Activity Completion Date (PACD) August 31, 1988.
5. Project Funding :
  - a. AID Loan : \$1,000,000
  - Grant : \$3,000,000
  - b. Other Donors : None
  - c. Host Country : \$3,600,000
6. Mode of Implementation:
  - a. Government Counterpart: Ministry of Finance & Planning
  - b. Private Counterpart: Sri Lanka Business Development Center
  - c. Host Country Contract: Coopers & Lybrand
  - d. AID Personal Services Contract: Nathaniel Bowditch
7. Project Design: Ministry of Finance & Planning  
Private Sector Steering Committee  
Contract Sector Assessment Teams  
- Arthur D. Little & Robert R. Nathan  
USAID/Colombo
8. Responsible USAID Officers:
  - a. Directors : Sarah Jane Littlefield, 1982-1984  
Frank D. Correl, 1984-1986  
Robert Chase, 1986-Present
  - b. Project Officers: James Meenan, 1982-1983  
Ralph Singleton, 1983  
Alexander Shapleigh, 1983-Present
9. Previous Evaluation: None
10. Cost of Present Evaluation:
  - a. AID Staff : None
  - b. Contract : \$60,000

iii. Executive Summary  
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Initiating Mission: USAID Colombo, Sri Lanka

Title: Mid-Term Evaluation of the Private Enterprise Promotion Project (383-0082). December 16, 1986.

Project Description: USAID, the Ministry of Finance and Planning (MF&P) private sector leaders collaborated in 1982 and 1983 to plan and initiate a Private Enterprise Promotion Project whose purpose was to "improve the investment climate in Sri Lanka and to increase investments....". The project agreement was signed September 11, 1983. The project components include:

- 1) Establishment of a private Sri Lanka Business Development Center (SLBDC) which became the project implementing agency for the other four components,
- 2) Investor Services/Investment Promotion
- 3) Economic and Business Policy,
- 4) Management Development, and
- 5) Entrepreneur Development.

A key objective of the MF&P was to stimulate a dialogue on major policy issues between it and the private sector, a role that the SLBDC was expected to play.

Early signs were favorable because business leaders played an active role during the design stage, subsequently served on the SLBDC Council of Governors and Board of Directors, and spearheaded a fund raising drive to establish a SLBDC endowment fund.

The SLBDC was established in May 1984 and it began operations in November 1984. A U.S. contractor, Coopers and Lybrand (C&L), started work in February 1985. C&L was to assist SLBDC and perform a number of specific tasks in each of the four program areas for two years.

Purpose and Methodology of Evaluation: The purpose was to assess the current status of the project and to make recommendations aimed at achieving the project purpose by the PACD of 8/31/88. Primary emphasis was to be on identifying possible mid-course corrections and adjustments to the project objectives.

The evaluation team met with contractor and AID representatives and received documents in Washington prior to initiating field work in Sri Lanka. The team interviewed officers of the USAID, Ministry of Finance and Planning, the Sri Lanka Business

Development Center and some of its clients, the Contractor staff and Sri Lanka businessmen. Two team members visited the site of an Entrepreneur Development Training Course in Hambantota District for five days to interview course participants and local officials. The team also received a substantial number of reports, correspondence and other documents prepared by the SLBDC and contractor.

Major Findings and Conclusions: Considerable work has been performed by both SLBDC and C&L. The evaluation team has determined, however, that progress to date falls short of initial expectations. None of SLBDC's programs is making a truly significant impact on private sector development, although positive steps have been taken and more are planned.

Major project decisions made by AID and MF&P caused many of the problems which have plagued the project. A new untested institution (company) was to plan and implement too many diverse interventions.

The "private sector" is not prepared to engage in a formal dialogue with government on major policy issues facilitated by SLBDC.

Technical assistance (\$2.8 million of the total \$4.0 million AID funds) was substantially underutilized, due in large measure to a poor working relationship between SLBDC and the contractor. That was due, in part at least, to project structural and timing factors. SLBDC was functioning before the contractor arrived and demonstrated, in a number of instances, skepticism about the value of the technical assistance. For its part, the contractor provided some inappropriate consultants, which reinforced SLBDC's attitude. As it has turned out, two months short of contract completion the specific technical assistance services provided contributed only marginally towards achieving overall project objectives, and the poor relationship has actually distracted from achieving those objectives. Most important but unmeasurably, it has distracted the attention of the SLBDC management and Board, MF&P, C&L and USAID away from the main program issues and discouraged some of the private sector supporters from participating.

AID's role has been a key determinant in the outcome to date. Implementation arrangements were not made in advance of project initiation. USAID did not assign sufficient staff time to the design and implementation of this complex project in a new sector with which USAID was heretofore unfamiliar. Pressure from Washington (perceived at least) to press on with private enterprise activities contributed to the problem.

SLBDC represents an interesting experiment by government and the private sector in pursuit of an ambitious goal.

Recommendations: The four SLBDC programs are not now mutually reinforcing and should all be focussed on the same target; new, small and medium scale enterprises. SLBDC should reorganize to direct its energies on that target where it could make an impact. Foreign investment promotion and services should be handled by FIAC and GCEC.

SLBDC should maximize the use of outside local consultants to perform program services and should seek financial support for its programs from donor agencies.

iv. Summary Of Findings, Conclusions  
And Recommendations

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### FINDINGS

1. The quantitative target of ten new investments that resulted from the utilization of feasibility studies and profiles, was largely met. However, investment size or job creation was not specified as a goal.
2. Many profiles (42) were created, of which 25 were "general profiles", 5 were "investor based" profiles, and 12 were "cost based" profiles.
3. Twenty small projects were started as a result of SLBDC's advice and assistance. These were in addition to those investments that followed upon studies and profiles.
4. Two of the three individuals who went on Individual Investment Missions did business.
5. SLBDC passed little business to C&L.

### 1. INVESTOR SERVICES/INVESTMENT PROMOTION

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#### CONCLUSIONS

1. The project, by paying for formal studies, produced an increase in investments, and it may produce more.
2. The value of "general" profiles is, however, suspect.
3. SLBDC's most valuable service is providing direct advice and assistance to new and smaller businesses.
4. The Individual Investment Missions were worthwhile.
5. The C&L resource as a source of feasibility studies & business advice was underutilized by SLBDC.

#### RECOMMENDATIONS

1. Objectives of projects of this nature should relate to the numbers of businesses helped, the amount of jobs created and the amount of money invested, not to the numbers of businesses helped by studies or profiles.
2. Producing and counting "general" profiles should be discontinued.
3. The Investor Service Division of SLBDC should be supported so that it can continue to provide direct advice and assistance to new and small businesses.
4. Individual Investment Missions should continue to be supported.
5. The Investor Services Division will not benefit from a C&L type contract. It should carry one alone.

Best Available Document

## 2. ECONOMIC AND BUSINESS POLICY PROMOTION

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### FINDINGS

SLBDC Council of Governors and Board of Directors do not perform a policy dialogue function.

The Economic and Business Policy Division has performed seven studies, has sponsored more substantial studies planned and has contributed to the Industrial Policy Committee discussions.

Proper R. Lybrand did not produce either of the two policy studies expected from them due to disputes with SLBDC.

Other local and foreign groups conduct policy studies and analyses of issues important to the private sector.

### CONCLUSIONS

1. FEPP assumption that the "private sector" wanted SLBDC to play a leading, public policy dialogue function was wrong.
2. Given the inactive role of the Governors and Directors on policy dialogue and nature of actual and planned studies, the Division's role must be reassessed. It cannot play the major policy role anticipated for it.
3. SLBDC lacked confidence in CAL's ability to carryout the tax policy study without close supervision and direction by it. Tax project management by all parties permitted disputes to prevent the study's completion. Policy studies were not a high priority of the project.
4. These groups can play as useful role in fostering a public-private sector policy dialogue.

### RECOMMENDATIONS

1. SLBDC should abandon expectation of playing national level policy dialogue function.
2. The Division should concentrate its attention on providing analytical support to a SLBDC small and medium scale enterprise development program.
3. SLBDC should not ask foreign contractors to do policy studies.
4. USAID and MF&P should consider funding policy studies by other groups.

Best Available Document

### 3. MANAGEMENT DEVELOPMENT.

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#### FINDINGS

1. C&L/Coverdale conducted a number of human resource development management courses in collaboration with SLBDC and then was terminated after about one year.
2. SLBDC has carried out a number of in-house and "public" courses including both general management and functional subjects. It is targeting large Colombo companies in hope of developing a sustainable income generating business.
3. SLBDC has provided marginal support to other training institutions.

#### CONCLUSIONS

1. Coverdale conducted its courses very successfully but did not address the project's total management development needs, which are too broad to be met by SLBDC and too ambitious relative to PEPP funds available.
2. Although these programs are generally well received, SLBDC will be unable to make a profit from them. Smaller firms require SLBDC assistance more than larger firms.
3. PEPP did not assign enough funds to deal seriously with all of the management training needs identified and SLBDC/Coverdale have used or plan to use directly the funds available.

#### RECOMMENDATIONS

1. No recommendation is required concerning Coverdale but the PEPP management development goals should be narrowed.
2. SLBDC management development program should focus on new, small and medium scale enterprises in collaboration with the rest of SLBDC's discussion, and seek donor agency financial support to do so.
3. Significant assistance to "other institutions" should not be attempted with PEPP. If AID wants to support their management training programs it should do so separately.

**Best Available Document**

#### 4. ENTREPRENEUR DEVELOPMENT.

##### FINDINGS

1. The program's conceptual basis is derived from successful experiences in other Asian countries. It is based on Achievement Motivation Training (AMT) concepts.
2. Some short-term entrepreneur development training programs were conducted by several organizations prior to SLEDC's start-up.
3. The eight-week EDT program pioneered in Harbinota with BUREAU support is popular and has attracted interest of other rural development agencies. SLEDC has been invited to expand its EDT program to four new districts in 1987.
4. The USAID Foundation-financed three-week course managed by EDT is not integrated into SLEDC's program. Participants' response to the Harbinota program is very positive. Young people with no formal training were under-represented among the Harbinota participants.
5. The Harbinota EDT program is highly regarded by the participants, government, and local education and rural development development agencies.

##### CONCLUSIONS

1. A cause and effect link between training and economic activity is difficult to identify, but the experiences of other countries is reassuring.
2. Impacts of these programs have not been measured. Results are thought to be marginal.
3. SLEDC can manage the planned expansion but it must be careful not to exceed its capacity. The EDT clientele and Management Division SME target group overlap. EDT program will require donor agency grant support. EDT program requires a strong follow-up service. Program expansion will require additional competent trainers.
4. Short-term EDT program will have little impact compared to the eight-week programs. Because few vocational students enrolled in the Harbinota course most of the project ideas proposed were service/training courses manufacturing.
5. The SLEDC eight-week EDT model tested in Harbinota has the potential to enhance entrepreneurial activity in the districts.

##### RECOMMENDATIONS

1. AID should support entrepreneur development programs based on these principles.
2. USAID should not support such courses.
3. SLEDC must strengthen its EDT program by a) developing a strong participant follow-up service, b) obtaining more trainers c) improving the management training component. When negotiating with agencies which finance these programs SLEDC must insist on sufficient funds to meet these requirements.
4. Future EDT programs should recruit participants with vocational training.
5. USAID should continue to support this SLEDC program.

## 5. PROJECT STRUCTURE

### FINDINGS

1. a. USHID played a major role in designing the project but did not assign appropriate staff to the task.
1. b. Design errors and implementation decisions contributed to project problems.
2. a. Private Sector leaders contributed substantially to project design and creation of SLBDC.
2. b. Chambers of Commerce have participated only marginally in the project activities.
2. c. Private sector representatives have not used SLBDC as focal point for a policy dialogue with government.
3. MF&P retained responsibility for the C&L contract, creating a tripartite relationship including SLBDC, the implementing agency.
4. a. Relations between SLBDC and the contractor deteriorated rapidly to a hostile basis. Actions by both parties, as well as prior project implementation actions contributed to the problems. SLBDC was wary of the contractor, questioned their recommendations and felt it necessary to direct and supervise their work closely.
- b. The poor relationship detracted from performance of several specific activities.

### CONCLUSIONS

1. Private enterprise promotion is a very complex subject and requires thorough understanding of the local milieu, as well as of technical subjects, for AID to be effective.
2. a. SLBDC has been unable to play a leadership role to date vis-a-vis other private sector organizations.
2. b. Private sector is not ready for formal dialogue with government via SLBDC.
3. MF&P role in contract relationship exacerbated the poor C&L and MF&P relationship.
4. The stage was set for problem by having established SLBDC prior to C&L's arrival. SLBDC was not receptive to utilizing fully the contractor's services and the contractor reinforced that prejudice by assigning some inappropriate consultants.

### RECOMMENDATIONS

1. USAID should increase its staff capacity devoted to private enterprise program. (We note that this is now underway.)
2. SLBDC should abandon role of catalyst or conduct for policy dialogue between business leaders and government.
3. MF&P should relinquish role as middleman between SLBDC and USAID.
4. SLBDC should not utilize expatriate technical assistance unless for very specific services that it defines.

Not Available Document

## 6. SLBDC VIABILITY

### FINDINGS

1. a. Each SLBDC program (division) is making a contribution towards private sector promotion but none has made a significant impact.
1. b. SLBDC's most successful program have provided basic services to small and medium scale firms.
1. c. SLBDC's four separate programs are not directed towards a common target group.
2. While from PEFF, SLBDC's greatest source of income will be from donor agencies. It has encountered difficulty generating income from client fees.
3. a. SLBDC professional staff want to change their time devoted to client services (to PEFF as direct costs, thereby augmenting SLBDC's financial status and time devoted to services).
3. b. Proportion of staff to consultant time for the next year is 40:60 and proportion of "overhead" to direct costs (programs) is 40:60.
4. USAID has been asked to continue to finance some of SLBDC's operating costs, which are high in relation to direct equipment costs.

### CONCLUSIONS

1. SLBDC could make a significant impact on small and medium scale enterprise development if its total program focussed on that objective.
2. SLBDC will continue to have difficulty generating fee income from commercial clients. Prospects are better for raising funds from donor agencies for assistance to small and medium-scale enterprises.
3. SLBDC professional staff time devoted to delivering program services is financially counterproductive for SLBDC. By increasing use of consultants, and charging donor clients sufficient overhead, SLBDC staff could concentrate on planning, managing, marketing and recruiting and generate more income for SLBDC.
4. SLBDC can take steps to improve its operating costs problem as suggested above.

### RECOMMENDATIONS

1. SLBDC should organize itself to concentrate on assistance to the small and medium scale sector.
2. For improved financial viability SLBDC should concentrate its program on SME assistance.
3. SLBDC should set targets for its professional staff to develop projects and using consultants in order to change the ratios from 40:60 to at least 20:80.
4. USAID should provide continued support for SLBDC operating costs contingent on SLBDC measures to reduce the proportion of operating costs to direct costs.

v. Introduction:

This evaluation of the Private Enterprise Promotion Project (Project No. 383 - 0082) was conducted by the International Science and Technology Institute (ISTI) under contract No: PDC-0000-I-00-6134-00 Work Order No. 4. It was carried out in Sri Lanka during November 10 to December 16, 1986 by a five person team. The team members were:

Robert G Pratt, Team Leader  
Hector Abeysekera  
Donald Rhatigan  
Ralph C Stephens  
Dayalan Tharmaratnam

The evaluation methodology included meetings with contractor and AID representatives and review of documents in Washington prior to initiating field work in Sri Lanka. The team interviewed officers of the USAID, Ministry of Finance and Planning, the Sri Lanka Business Development Center and many of its clients, the Contractor staff and Sri Lanka businessmen. Persons interviewed are identified in Annex 1. Two team members visited the site of an Entrepreneur Development Training Course in Hambantota District for five days to interview course participants and local officials.

We received full cooperation and support from all of the parties involved. The SLBDC and Contractor provided extensive information to us, often at substantial inconvenience to them. We shared a draft of our report with the principal parties during the fourth week and received extensive feedback on it from SLBDC, the Contractor and USAID.

We are grateful to all of those who assisted us complete our assignment. A special note of appreciation is due to Mrs Kamini Perera who worked long and hard to type the report on schedule.

vi. Country Context:

The PEPP is taking place in Sri Lanka at a less than propitious time in the country's history.

Sri Lanka's ethnic problem will be an impediment to foreign and some local direct investment until it is solved. Apart from the uncertainty about the outlook for resolving what has become a small scale civil war, the costs of the conflict will have to be borne by tax payers. Foreign businessmen who have not yet established in Sri Lanka are not likely to volunteer for this role; while potential local investors are holding off on commitments for the same reason. A foreign bank account is currently more attractive to many Sri Lankans of means than is a local business proposition.

A second constraint is that Sri Lanka has only been free of a state controlled, socialist and autarchic economy for nine years. The prior fifteen were years of stagnation when private investment virtually stopped and when many talented and ambitious Sri Lankans emigrated. Today, the public sector still dominates the economy and competes with the private sector. This looks to be a very difficult set of circumstances to change; dismantling or selling public enterprises will create a great deal of unemployment in an already underemployed economy.

The brain drain has not been reversed, nor will it be; the emigrees have established new lives elsewhere. For its managers and entrepreneurs, Sri Lanka must rely on the indigeneous population, perhaps the younger generation that hasn't lost fifteen years of potential growth in its skills. It will take time for these people to come into their own.

CHAPTER 1  
-----  
PROJECT HISTORY  
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Performance of the Project to date must be considered in the context of both the project's antecedents, and the actions taken during its start-up period. The evaluation team attempted to learn the expectations and motivations of the Sri Lankans who were responsible for the initiatives which became the Private Enterprise Promotion Project. A partial record of AID's pre-project involvement is available in the Project Paper.

USAID and IECD (MF&P) officers began discussing AID support for private enterprise development in late 1981. The IECD initiated discussions with representatives of the private sector to solicit their views and to seek a representative private sector entity with which the Ministry could maintain a dialogue. USAID submitted a Project Identification Document to Washington for approval in April 1982 and commissioned a study by Robert R. Nathan Associates, in mid-1982. Nathan identified a number of constraints to private sector development and recommended a \$ 4.0 million project to stimulate private investment to increase employment, productivity and output, domestic income and foreign exchange earnings. Seven project components were proposed to serve that objective: administrative unit, sector assessment, financial market development, prefeasibility studies and industry profiles, overseas export/investment promotion, entrepreneur development and management training. With the exception of financial market development the current PEPP includes all the rest, plus a policy analysis component.

USAID rejected the Nathan Report, nevertheless, it submitted a Project Paper to Washington in September 1982 for Phase I (\$ 4.0 million) of a Private Enterprise Project. The GSL understanding at that time was that "... if the activities to be funded under this Phase are successfully implemented, USAID assistance on a greatly expanded scale would be made available for the development of a second phase".<sup>1</sup>

Approval to proceed with the project was withheld by Washington, due in large measure to opposition by the House Appropriations sub-committee on Foreign Assistance. As a result, several significant changes were made in the project design as follows:

- A sector assessment, originally planned as one of the first steps in the project, was conducted prior to PEPP initiation (Arthur D. Little study April-June 1983);

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<sup>1</sup> MF&P (DER) letter to USAID of September 9, 1982 (Annex D to P.F.)

- More emphasis was placed on management training;
- An Investors' Service Center, originally envisioned as a final outcome of the project, was created at the outset instead; and
- Export promotion was included as eligible for AID assistance.

Finally, the PEPP was authorized by AID/Washington in August, 1983, the same month that the ADL study was published, and the Project Agreements (\$3.0 million grant and \$1.0 million loan) were signed in Colombo in September.

While this process was played out between USAID/Colombo and AID/Washington, the Sri Lankans continued to prepare actively for AID support. A Coordinating Committee of prominent private sector leaders and government officials chaired by the Deputy Secretary to the Treasury (MF&P) met periodically to work out PEPP plans. They were most helpful as advisors to both Nathan and ADL during their studies and served as counterparts to USAID during this design period, thereby ensuring equal inputs from both the private and public sectors.

With approval obtained, the way was clear to start up the project. Modifications, or design refinements, of the PP were made by September. The Investors' Service Center, which was to: a) serve as a bridge between the public and private sectors; and b) assist Sri Lankan and foreign "investors" pursue investment opportunities, became the Sri Lanka Business Development Center (SLBDC), responsible for the entire PEPP implementation. The management and entrepreneur development components, which had been given no institutional base in the PP, were lodged within the new SLBDC as was the "Selected Sector Support" component, called the Economic and Business Policy Division.

Throughout the project design stage, USAID had no full time staff person assigned to, nor trained in, private sector work. The task of working with the Sri Lankans to get the project off the ground (and virtually redesigned simultaneously) fell to an officer who could only devote part of his time to this project.

Partly in recognition of this, USAID contracted directly with a U.S. consultant to work as a full-time advisor to SLBDC from October 1983 to April 1985. He worked closely with the Coordinating Committee to draw up the SLBDC Memorandum and Articles of Association and played a major role in determining its structure and operating procedures, and selecting staff and fund raising. The SLBDC was established in May 1984.

While SLBDC was being created, USAID and the MF&P developed the scope of work and a Request for Technical Proposals for a contractor to assist SLBDC carry out its broad mandate. The Project Paper left open the possibility to hire several

contractors, each to deal with the various components separately. The full scope of work have been covered for all four components; all had been lodged with a SLBDC. The RFTP was issued in May 1984 and proposals were received in August from Coopers and Lybrand, Arthur D Little and one other. Coopers and Lybrand was selected. Its proposal involved 2 sub-contractors: Coverdale Organization (for management development) and Development Associates Inc. (for entrepreneur development). In response to a request in the RFTP to provide a number of Sri Lankan consultants for various tasks, C&L offered the services of its local affiliate C&L/Sri Lanka. The contract was signed between Coopers & Lybrand and the MF&P February 7, 1985 and the C&L chief of party arrived February 21.

By this time, the SLBDC had been organized and several of its divisions had initiated programs. For most of the period May 1984 to February 1985, however, the Managing Director had little or no staff (except for assistance by the AID consultant), and was pre-occupied with SLBDC administrative start-up responsibilities. Nevertheless, he completed an initial Business Plan in November 1984, and the Entrepreneur Development Division got underway about that time. Professional staff was also hired for the Investor Services and Policy Division by end 1984 but, unfortunately, the Management Development post remained unfilled until August 1985.

The stage was then set for full-scale project implementation by February 1985, when the Contractor began work. Problems emerged almost immediately and have continued to plague the project ever since. They were due, in part, to imprecise objectives at the outset. This resulted in continuously changing project implementation structures and mechanisms. At the present time, objectives, roles and modalities are still in a fluid state.

CHAPTER 2

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INVESTOR SERVICES/INVESTMENT PROMOTION  
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2.1. Objectives  
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The evaluation Scope of Work (Section 2.2) lists the following as indicators that "the project's purpose has been achieved", with respect to the Investor Services/Investment Promotion component:

"Approximately ten new investments that can be directly attributed to the pre-feasibility studies, investment profiles and investment promotion activities (will have been) carried out under the project; (and)

"Increased export of non-traditional products as a result of the new investments", (will have taken place).

In order to achieve these objectives, the Investor Services component was to be responsible for "approximately 70 new investment profiles, 70 investment profile updates, 25 pre-feasibility studies for large investments (likely to involve foreign joint ventures) and 50 pre-feasibility studies for small investments". An indeterminate number of "sector market studies to determine the markets for groups of products in a particular overseas market" were to be undertaken, as were "smaller domestic market analysis (sic) for product groups that reach beyond the scope of market information in specific investment profiles". In addition, "an outreach program... (was to) be carried out to encourage participation .. of clients outside Colombo ..., and a central library and clearing house of all investment opportunity information .. (was to) be maintained ...".

The Investment Promotion component was to arrange for "five group investment missions to the US, Europe, the Middle East, Japan or other destinations " averaging eight persons per mission, and "40 individual missions", each to pursue "a specific joint venture investment", or perhaps attend "industrial exhibitions or trade fairs". In addition, the Investment Promotion component was to arrange "for short-term training of individuals employed by GSL agencies or non-profit organizations whose principal jobs are related to investment promotion".

2.2. Background:  
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The pursuit of these and other objectives was given to the SLBDC. To assist the SLBDC, C&L signed a host country contract in February 1985.

The contract had slightly different outputs than the RFTP; C&L agreed to create 35 new investment profiles and to update 35 existing ones. It also planned to conduct between 12 and 15 pre-feasibility studies for large investments and 25 for small investments; two "sector market studies", and four studies of the local market for particular items.

With respect to Investment Promotion, C&L agreed to organize two group missions abroad and 30 individual missions. Six people from the GSL or non-profit organizations were to be sent for training.

During June 1985, C&L submitted an "Inception Report" in which the target numbers for their studies and missions were restated.

C&L was to create a total of 40 new and updated investment profiles, divided among "investor based" profiles, "profiles as abstract documents" and "project cost profiles". In addition, it planned to conduct five pre-feasibility studies for large investments, 25 for small investments as well as two "sector market studies" and four local market studies.

C&L also agreed to organize one large and two small group investment missions to oversee trade shows as well as 20 individual missions abroad for local businessmen seeking joint venture partners.

Additionally, it was to participate in the evaluation of grant applications submitted to SLBDC from organizations wishing to exhibit or attend industrial trade fairs. The commitment to send six people on training missions remained.

In the area of Investor Services/Investment Promotion, the Inception Report noted that Sri Lanka would not be competitive with other Asian countries as a locus for 100% foreign owned enclave type investments so long as the ethnic conflict remained unsolved. C&L proposed, therefore, to shift emphasis from direct foreign investment to joint venture and subcontracting opportunities and to explore marketing outlets abroad for Sri Lankan products.

It is the team's understanding that the Inception Report was accepted by all parties and thereby became the working document for the PEPP project, or at least C&L's part of it.

After the fourth month of the project (June 1985), communication between SLBDC and C&L became strained. Communication between the Investor Services/Investment Promotion division of SLBDC and C&L virtually ceased after November 1985. At that time, C&L was excluded from further meetings of the Investor Services Technical Committee. (The Investment Promotion Technical Committee stopped meeting after October 1985). The main result of this in the

Investor Services/Investment Promotion area was that the project divided into two virtually separate parts; C&L and SLBDC each carried out its respective activities without much reference to the other.

### 2.3. Findings:

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The information in this and the following section is condensed from Annex II.

- 2.3.1. According to both SLBDC and C&L, the one quantitative target for the PEPP project - 10 new investments - is on its way to being met. SLBDC informed that four investments resulted from the feasibility studies it had commissioned and four had resulted from investors' reacting favorably to ideas presented to them in "general profiles".

C&L noted that one investment had taken place as a consequence of one of its feasibility studies, and that a second was likely. The NDB had given oral approval for a loan to finance equipment that the project's sponsor had already ordered.

SLBDC received, on behalf of clients, four feasibility studies during October and November 1986, and C&L is completing two more. Both SLBDC and C&L are optimistic that these studies will also lead to new investments.

The objective, however, of "10 new investments" is vague. If "investment" means the commitment of any amount of money to a project, then 10 new investments do not constitute much of a goal. If, on the other hand, it means business expansion or new projects that take place only after organized and professional analyses of their feasibility have been completed, then 10 new investments over a two year period may be too many.

- 2.3.2. Combined, SLBDC and C&L created 42 profiles of which 25 were "general profiles", 5 were "investor-based profiles" and 12 were "project cost profiles".

Of the "investor-based profiles", one, a C&L review of the rice milling industry by has led to a more comprehensive study for the modernization of a rice mill. It is too soon to know whether or not the results will recommend further investment.

The "project cost profiles" were all used by C&L as a part of its overseas investment promotion activities. Most were prepared to be distributed at trade shows in the U.S. One studied the costs of establishing a data entry bureau in Sri Lanka. It was used by a Sri Lankan

businessman on an investment mission to the U.S. to negotiate a joint venture with an American firm. A feasibility study followed and the business, Alphanumeric Logic Systems, is presently operating with 40 new employees.

SLBDC informed us that four of the "general profiles" inspired clients to make new investments and were useful to them when they sought financing.

- 2.3.3. SLBDC informed us that 247 individuals were counselled by the Investor Services Division. As a result of this advice and assistance, over 20 projects were started. These were all relatively small and most were expansions of existing businesses.

Advice was wide-ranging: people were introduced to banks, to suppliers of equipment and raw materials, and to potential customers.

- 2.3.4. SLBDC's Information Unit responded to 62 inquiries about technology, markets and import and export data.

The Unit has an IBM PC and has subscribed to Dialogue, Inca and Infoline data bases. In addition, a consultant's roster with 175 consultant names profiles has been entered into the memory, as have all SLBDC Feasibility Studies, Project Profiles and Opportunity Studies. Compilation of an Exporters' Register is underway.

- 2.3.5. Three individual investment missions (but no group missions) were sponsored under the PEPP:

Mr. de Silva, who exports coconut husk chips, went to Japan. As a result, his sales have increased from one to twenty container loads per month. He has hired 100 new employees.

Mr. Jayasingam visited the U.S. and entered into a joint venture with Datalogic Systems Inc. of Dallas, Texas which led to the creation, in Sri Lanka of Alphanumeric Logic Systems Ltd.

Mr. Samarakkody also visited the U.S. and has pending two projects: a joint venture to manufacture magnetic recording heads, and a marketing contract to produce printed circuit assemblies. Neither agreement has been completed, but those at C&L who arranged the trip are optimistic.

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2.3.6. SLBDC passed very little business to C&L. SLBDC asked C&L to do no more than its original request for eleven general project profiles and made no request to C&L to conduct feasibility studies.

SLBDC informed the evaluation team that it limited C&L assignments to those that required international (as opposed to local) consultants, as a means of most effectively using limited project funds.

C&L, for its parts, noted that it obtained clients for the PEPP project by meeting them independently, and then having them request SLBDC to refer them to C&L for their work.

2.3.7. C&L attended eight trade shows in the U.S. where they presented cost profiles of Sri Lankan manufacturing opportunities. At two of these shows, C&L had booths representing Sri Lanka business interests.

One tangible result of this activity was that Boyaganne D/C Mills entered into a supply contract with a U.S. buyer.

Other possibilities were explored, but nothing tangible has resulted.

As preparation for and follow-up to the trade show activity, C&L opened computer files on about 450 firms which it identified as potential purchasers of Sri Lankan produced goods, or joint venturers with Sri Lankan businesses.

#### 2.4. Conclusions:

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2.4.1. The project did produce increased investment and employment in Sri Lanka. It has not yet produced an increase in non-traditional exports. Eight of the nine new investments that resulted from a formal investment decision process (i.e. included feasibility studies or profiles in their preparation) are either in traditional areas, or make and sell items for the local market. C&L has been employed only for 21 months, however, and its first feasibility study was not completed until January 1986. SLBDC's first commissioned study was only delivered during November 1985. We are, therefore, commenting on investment decisions and actions that took place during one year.

All of the smaller, more numerous investments that resulted from SLBDC's Investors Services division are involved in the local market, or in traditional exports.

- 2.4.2. The evaluation team is skeptical about the value of "general profiles". SLBDC, however, feels quite strongly that they are an important source of ideas for investors.

It seems to us that SLBDC's "Opportunity Studies" are a cheaper and more prolific source of ideas than the "general profiles". The profiles are supposed to contain a great deal of information (note the requirements in Annex II), however, much of it is dated and designed to suit particular investment situations.

The "Opportunity Studies", on the other hand, are ideas collected by SLBDC from the local consulting community and described in a two or three page form. There is virtually no limit to the variety of ideas that can be assembled in this manner, and each can be traced to its source, presumably a consultant registered in SLBDC's roster, who can provide further information.

An additional source of ideas is the IDB's library of profiles which describes production processes. This consists of separate papers describing small-scale production of 190 different products.

- 2.4.3. SLBDC has served new and smaller businesses well through the advice and assistance provided by its Investors Services Division. It was not possible for us to verify the claim that 20 projects were started as a result of this advice and assistance, but interviews led us to believe that this could be the case. Each project was small - in one case a man only needed Rs. 4,000 to purchase a machine to overcome a production bottleneck in his factory. Assistance permitted him to increase his output (of tricycles) from 100 to 125 per month. It is in this area where SLBDC's strength lies.

- 2.4.4. A corollary to the above conclusion is that SLBDC will need more qualified staff if it is to expand this advisory and assistance role. The 247 people who came to SLBDC for help learned of the organization through word of mouth. SLBDC has yet to advertise because the staff does not feel that it could handle the inquiries that this would produce.

- 2.4.5. The evaluation team feels, but cannot prove, that funds C&L spent on feasibility studies were well spent. We are uneasy, however, about the fact that substantial businesses (Air Lanka Catering Services and Jafferjee Bros) that are capable of commissioning studies on a commercial basis, received expensive services virtually for free.

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It is too soon to judge whether or not the studies that were an integral part of a successful investment process - the nine feasibility studies and profiles - were economically sound vis-a-vis each project. Alphanumeric Logic Systems, for example, is not yet profitable, while Lanka Quality Food Packers used its study in combination with an IESC advisor's assistance to develop additional passion fruit acreage.

C&L informed us that the EDB has not circulated the study of the Market for Dessicated Coconut, although it has had it since May 1986. Perhaps if EDB had paid for it, it would use it more intensely.

- 2.4.6. C&L, as a source of feasibility studies, was under-utilized. The PEPP did not limit SLBDC to using C&L only for assignments requiring international consultants. This limitation was, according to SLBDC, a management decision made by the Technical Committee and the Board.

If a more satisfactory working relationship between SLBDC and C&L had been obtained, SLBDC would have employed C&L to do more.

- 2.4.7. The overseas investment promotion activities undertaken by C&L on behalf of SLBDC were too short in duration, and inappropriately assigned to them.

Overseas investment promotion is a long-term activity. Selling a country abroad takes years of consistent effort, and the most successful efforts (Taiwan, Singapore, Puerto Rico) have been launched by governments that have taken the view that representation to the foreign private sector is as important as is representation to foreign governments.

Private institutions participate in these efforts, but the lead and the impetus for them has been a government department.

- 2.4.8. The individual overseas investment missions were successful. The cost sharing formula worked to limit the missions to serious participants and two out of three, (and maybe three out of three) did business.

- 2.4.9. SLBDC's consultant roster looks to be a useful tool for organizing the availability of professional talent for its clients.

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2.5. Recommendations:  
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- 2.5.1. The objectives of an Investor Services/Investment Promotion activity (or for any PEPP type project) should be defined by the numbers of businesses actually assisted (to start up and expand), the numbers of jobs created, or the amount of money invested, not the numbers of new "investments" created. Targeting in priority areas such as exports is probably also a good idea.

Furthermore, the numbers of profiles or feasibility studies produced should not be a contractual target because they do not provide a useful bench mark of progress. (Eleven of the 29 evaluation questions about Investor Services/Investment Promotion related to the number of studies and their effect on investment.) Studies are often an integral part of an investment process, but they are rarely a trigger for beginning the process. There is no cause and effect between the number of studies that a contractor would be called upon to produce and the number of investments that would materialize. Many feasibility studies, for example, are negative.

- 2.5.2. USAID should continue to assist the Government of Sri Lanka with its overseas investment promotion efforts (if the government desires such assistance), but help should be provided directly to the relevant government agency and not indirectly via SLBDC and its contractor.

Additionally, a method should be found to keep the Individual Investment Mission program alive. Perhaps something could be developed with the Chamber of Commerce, FIAC or IESC.

- 2.5.3. SLBDC's Investor Services Division established itself as a useful agent for helping new, small- and medium-scale businesses in Sri Lanka. USAID (or someone) will need to increase direct contributions to SLBDC's overhead if the Investor Services Division is to continue to function because the smaller firms, who have benefited from SLBDC's efforts, are precisely the ones that cannot afford to pay for professional help.

- 2.5.4. The relations between the contractor and SLBDC are also discussed elsewhere, but the evidence suggests that the Investor Services Division managed on its own, without the external support that the contractor was to supply. Therefore, we see no reason for a further C&L type contract for the benefit of SLBDC.

CHAPTER 3

ECONOMIC AND BUSINESS POLICY

3.1. Objectives:

The evaluation Scope of Work (Section 4.3.2) states that a principal purpose of the project is to improve the investment climate in Sri Lanka. Three of the six accomplishments, or conditions expected at the end of the project, cited in Section 2.2 depend in whole or in part on successful implementation of this project component:

- 3.1.1. "Adoption and implementation by the cooperating country of a comprehensive private sector development policy and an Action Plan to translate public policy reforms and actions into additional private sector investments";
- 3.1.2. "Actions by the Cooperating Country to reduce or remove constraints to private investment identified in the study entitled "Developing Sri Lanka's Private Sector and its Investment Opportunities" (ADL August 1983) and or subsequent analyses carried out under the project";
- 3.1.3. "A reduction in time required to establish new business enterprises through improvements in investment approval procedures".

3.2. Background:

During the early design phase of the PEPP project, enhanced private sector capacity to influence government economic policy decisions affecting business was considered to be of paramount importance. Other less important interventions were including investor service/promotion, management training and entrepreneur development. The ADL team, in collaboration with leading businessmen represented on the Steering Committee, proposed that a consultative committee of senior business leaders be formed to meet regularly with the President and key government ministers to maintain a dialogue on major economic and business issues. The consultative committee was to be supported by a technical secretariat. That concept was incorporated in the Project Paper.

That proposal was not adopted in practice, although the objective could have been pursued via the structure and functions of the SLBDC, specifically, the Council of Governors. The Council of Governors, in both its collective capacity to oversee and guide the SLBDC and in each member's private area of expertise, would have been in an excellent position to represent the private sector's interests to government. It also have helped the SLBDC's

Economic and Business Policy Division focus on priority issues for dialogue. That Division corresponds to the 'technical secretariat' capable of providing analyses required to support a serious private sector-government dialogue.

In fact, the SLBDC Memorandum and Articles of Association set forth as one of its primary objectives "to serve as a focal point for the analysis of major policy issues affecting investment and the business community ...".

In view of the above, our assessment of the Economic and Business Policy component of the PEPP includes not only the work performed by the SLBDC staff and C&L, but also the roles of the Council of Governors and Board of Directors, the access to and methods of dialogue with government, and the nature and relevance of topics addressed in the dialogue. We also inquired about the role of other firms and representatives of the private sector in influencing policies affecting the investment and business climate.

### 3.3. Findings:

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#### 3.3.1. Role of Council of Governors and Board of Directors:

The Council of Governors (30 persons) is comprised of prominent business and government leaders who influence public policy through their individual capacities. As a group, the Council has not exercised significant influence over the operation of the SLBDC, and has met only infrequently. Its members have not engaged in policy dialogue among themselves, nor met as a group with the government, nor directed that any policy studies be performed by the Economic and Business Policy Division. It has delegated responsibility for managing the affairs of the SLBDC to the Board of Directors, per Article 29 (2) of the Articles of Association.

The Board has not set a policy dialogue agenda for itself vis-a-vis the government nor set a policy studies agenda for the Economic and Business Policy Division.

This finding is disappointing because as late as April, 1984 it was stated in the RFTP (and presumably accepted by all parties) that a policy dialogue between the private sector and GSL "... will be pursued at a working level within the Council of Governors and Board of Directors ....". In addition, it stated that "an analysis will also be made of broader based mechanisms for dialogue which would attempt to pull together the existing chambers and business organizations and to coordinate the representation of the private sector's interests as a whole". (p.8 RFTP)

This sentiment is still expressed today by representatives of the MF&P and SLBDC. As recently as November 29, 1986 a Board member said that "it is important that we have a more structured dialogue between the private sector and the government. It is not sufficient for a few ministers to have a few meetings with representatives of the private sector or to contact the Chamber of Commerce. For a national effort we need a national strategy that can only come out of a national dialogue. We need a regular forum at which the views and suggestions, and the problems and needs of the private sector can be heard and discussed and agreed by those who decide on the economic policy of this country."<sup>2</sup>

### 3.3.2. Performance of the Economic and Business Policy Division:

#### 3.3.2.1. Studies Performed

The Policy Division (one professional) has completed seven studies or papers since August 1984 as shown in Table X. Of the seven papers, three addressed specific industry issues, three were general reviews of the private sector and one addressed investment incentive schemes for the Mahaweli. The SLBDC credits one paper as having caused a specific policy change - the export development grants scheme. As a general rule they were more descriptive and prescriptive than analytical.

The papers were prepared by the Division staff with some use of outside consultants. They were requested by a variety of sources including industry groups, Chamber of Commerce, SLBDC management and Board members, the World Bank, and the Mahaweli Authority. The major cost of the work has been in time devoted by the Division Executive Director as very little of the work has been contracted out.

#### 3.3.2.2. Studies Underway or Planned

One study is currently underway and four more are planned. The Executive Director is working on a study of labor laws initiated by the Employers Association. The Fisheries Corporation has asked the SLBDC to undertake a major study of its operations and recommend specific reorganization measures, including privatization. SLBDC will form a team of consultants to do the study, using PEPP funds. This study will begin in January and take approximately six months.

<sup>2</sup> The Sunday Observers, December 7, 1986.

A study of leasing and hire purchase experience in Sri Lanka will also be started in January. The initiative for this study came from within SLBDC, based on discussions with a number of business people. PEPP funds will be used for this. Two studies may be done with World Bank funds. A study of implementation systems for a Small- and Medium-Industries III (SMI III) project may be done for the Ministry of Industries and a series of studies of the affects on private firms of government regulatory and approval procedures may be prepared as drafts for a World Bank Consultant to use for an overall study of the subject.

If all of this work materializes it will severely tax the capacity of the Division, which now consists of one person. He will have to use outside consultants for most of the work.

#### 3.3.2.3. Other Activities

The Division Executive Director devotes much of his time to ad hoc activities such as responding to individual company requests for assistance on industry issues and participating in meetings of committees, including the Industrial Policy Committee and critiquing papers of others. He sometimes prepares brief papers for these purposes which do not constitute "studies" per se.

#### 3.3.3. Policy Studies by Coopers and Lybrand:

Coopers and Lybrand was expected to produce two major policy studies: Tax Policy and Policy Requirements for Small Business Development. SLBDC agreed to proceed with the tax policy study, which all parties felt was high priority. Planning for that study began in July 1985, work by the foreign consultant began in January 1986, stopped one month later and has not yet resumed. It now appears that the study will not be done by the Contractor. The SLBDC delayed completion of the study by more than one year because it questioned the contractor's scope of work and work plan.

#### 3.3.4. Role of Other Groups and Private Firms:

The private sector conveys its points of view to government policy makers in a variety of ways. Probably the most frequent method is private conversations between a company director and minister or secretary. Business associations including Chambers of Commerce frequently serve as channels of communication for industry groups to lobby on topics of interest to them. (See table XI for a list of Chambers of Commerce and Industry).

Technical analyses and in-depth studies are rarely used to back up these communications, although "quick and dirty" papers may be prepared by large firms' staffs or the Ceylon Chamber of Commerce Secretariat. Consulting firms, the Marga Institute, and universities which have capability to do more in-depth studies, are rarely asked to do so for this purpose.

3.3.5. Progress towards Meeting the End-of-Project Status Indicators:

3.3.5.1. Adoption of a private sector Development Policy and an Action Plan.

The evaluation team saw no reference to a formal policy, although the recommendations of the Industrial Policy Committee (a group created at the suggestion of the SLBDC Managing Director), might lead to something resembling a private sector policy. An Action Plan for initiating the PEPP project was prepared by the MF&P as a requirement of the Project Agreement, but that is quite different from an Action Plan "to translate public policy reforms and actions into additional private sector investments". In effect, the policy and action plans referred to above have not yet been developed and it is questionable whether they should be. To a businessman, a government's actions are more important than policy statements and action plans. In Sri Lanka in recent years, businessmen have seen some very positive actions, but are looking forward to more, such as repeal of the company acquisition act.

3.3.5.2. Reduction or removal of constraints to investment eg. finance, management personnel and information.

Although some specific project activities aimed at management development and information on markets etc are being accomplished by the respective divisions, the evaluation team saw no activity aimed at reducing or removing constraints on access to or availability of capital.

3.3.5.3. Reduction of time required to establish new business enterprises through improvements in investment approval procedures.

The team saw no project activity aimed at improving investment approval procedures or likely to influence such procedures.

3.4. Conclusions:  
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- 3.4.1. We conclude that the SLBDC has not performed the leadership role anticipated for it. We refer to the leadership role of the Council of Governors and/or Board of Directors in initiating high level policy dialogue with government officials and setting a policy analysis agenda for the SLBDC, as well as to the formal and informal outputs of the Economic and Business Policy Division, and its Contractor, Coopers and Lybrand.

The PEPP assumption that the "private sector" wanted a forum for dialogue and a pre-eminent source of studies and analyses to support that dialogue was erroneous. Evidence to date suggests otherwise. If the business community leadership were truly committed to the concept, they would have used the Council of Governors to their advantage, created a real demand for policy studies to support an active policy dialogue and, used the resources provided through the PEPP to greater advantage.

In fact, contrary to the PEPP expectations, we were told that the business community is reluctant to initiate issues-oriented dialogue in public with the government. They will, however, respond to invitations by the government to participate as private sector members on committees established by government, and contribute to policy decisions in that way. This practice has increased since this project was designed in 1983 (at least by the Ministry of Finance) and may accomplish some of what PEPP was expected to achieve.

- 3.4.2. Performance of the Economic and Business Policy Division:

Given the above conclusion, the role of the Economic and Business Policy Division must be reassessed.

The SLBDC is just one of several groups capable of producing analyses and representing the interests of the private sector. In fact, based on the performance to date, it seems to have little comparative advantages despite the professional calibre of its staff. Stripped of any special access to policy makers which the Council of Governors and/or Board could have provided, the SLBDC staff are left to compete for clients based on the quality of service they can provide. Actual and potential competitors include the Ceylon Chamber of Commerce Secretariat, large firms' own staff, consulting firms, Marga Institute, universities, the new Institute for Policy Studies and, of course, the government agencies themselves.

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Even though the Division expects to increase its participation on government sponsored policy committees and obtain requests for studies from those and other sources, we do not foresee it playing a major policy role.

Furthermore, studies preparation for clients is not sufficient reason for AID to support SLBDC's Economic and Business Policy Division. For example, the Mahaweli Authority could have turned to other sources for the study done by the SLBDC and any studies required as follow-on to the Industrial Policy Committee's report can conceivably be done by others as well.

3.4.3. Policy Studies by Coopers and Lybrand:

SLBDC, C&L, MF&P and USAID permitted a series of disputes between SLBDC and C&L over an ever increasing number of issues (scope of work, work plan, qualifications of the consultant, quantification of findings) to preclude completion of the study. That experience revealed a serious lack of confidence in C&L by SLBDC which felt compelled to supervise preparations for the study very closely. Although both parties insist that they acted in the best interests of the project and were committed to providing a high quality tax policy study, the fact remains that none was produced in eighteen months. We conclude that lax management by all four parties was responsible and cite this as evidence that the project should not be relied on for important policy analyses to support a private-public sector dialogue. The second study proposed by C&L never even reached the discussion stage.

3.4.4. Role of Other Groups and Private Firms:

There are a number of entities capable of doing studies germane to PEPP's objectives which deserve support.

3.5. Recommendations:  
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3.5.1. Because the Council of Governors and Board of Directors are not expected to play a major policy dialogue role on behalf of the private sector and because SLBDC should, in our opinion, concentrate its operating program on the needs of the new, small- and medium-scale enterprises, we recommend that the Economic and Business Policy Division direct its focus toward that group. We recommend that the Division abandon hope of performing studies on national policy issues and ad hoc business issues and concentrate its resources on providing analytical support

to the SME sub-sector (business advisory assistance, entrepreneur development and management development). The second study proposed by C&L in its Inception Report, "Policy Requirements for Small Business Development" would seem to be a good place to start.

- 3.5.2. USAID and MF&P should consider funding policy studies to be performed by other institutions as appropriate.

CHAPTER 4  
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MANAGEMENT DEVELOPMENT  
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4.1. Objectives:  
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The evaluation Scope of Work (Section 4.3.3) cites the dearth of skilled managers as serious business weakness. It states that the management development component of the project is intended to improve management capacities at various levels (larger Colombo-based companies as well as small rural companies) and address other areas of weakness (e.g. general management, quality control, marketing, etc.). Attainment of the last of the six project accomplishments, or conditions expected at the end of the project, cited in Section 2.2 depends on successful implementation of this project component:

- Increased productivity in the private sector through improved training for managers and entrepreneurs, including upgrading of management training courses and entrepreneur development programs offered by existing institutions and the promotion of new programs and institutions.

The Amplified Project Description (Annex I to the Project Agreement) identifies several key subjects (general business management, marketing, production management and financial management), and several institutions targeted for assistance.

4.2. Background:  
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From the outset, management development appears to have been a subordinate element of this project. Policy measures to improve the investment climate and to provide promotional/services were of higher priority. However, the Nathan and ADL studies, as well the Project Paper recognized the management constraint. In addition, several members of the Coordinating Committee were particularly knowledgeable and interested in management training.

The ADL report recommended several measures which the PEPP is attempting to carry out through the SLBDC. The Management Training Division in SLBDC constitutes the Management Development Center recommended by ADL. The Division's program corresponds to the ADL recommendation to provide a series of short to medium, practically oriented courses as well as a problem-solving consultancy service. Furthermore, the PEPP corresponds to the ADL recommendations for measures to be taken by NIBM and the universities through the "Support to Other Institutions" activities. However, the Government does not appear to have followed through another ADL recommendation: the development of a management development strategy.

As late as September 1983, when the Project Agreement was signed, implementation arrangements for the Management and Entrepreneur Development components had not yet been determined. The Project Agreement identified a Sri Lanka Business Development Center, whose functions were limited to investment promotion and services. During the next several months, the Coordinating Committee and USAID came to the conclusion that those two activities should be housed, at least temporarily, within the SLBDC and that the Contractor should be responsible for major elements of those activities. As a practical implementation mechanism, a single institution and a single contractor were selected to implement the entire PEPP, relegating the important management development initiative (to reform Sri Lanka's business management training practices) to a two-person Division within the SLBDC.

#### 4.3. Findings:

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##### 4.3.1. Contractor Performance - Coverdale:

Coopers and Lybrand engaged the Coverdale Organization as a sub-contractor to provide professional services in support of the management development component. Despite the fact that two highly regarded U.S. management consulting firms (Nathan and ADL) had already made assessments of Sri Lankan private sector management development needs, the sub-contractor was asked to make its own assessment of the situation and recommend a course of action in the Inception Report. Coverdale did so and found that a strong demand existed among large- and medium-scale firms for human resource management training, for which their course known as Practice of Management Principles (PMP) was well suited.

During the assessment and design process SLBDC and Coverdale attempted to: a) locate a niche among management training services which was not being met by existing institutions and to which SLBDC could make a significant contribution; and b) to strengthen current programs of other institutions, which were aimed primarily at functional topics for supervisory and mid-level managers. Coverdale was told by persons they interviewed that those other institutions' courses were reasonably effective but that trainers' presentation skills should be upgraded. This led to a request from those institutions for a training of trainers program, which never materialized.

The SLBDC had not initiated any management training activities of its own when Coverdale arrived. In fact, an Executive Director of that division was not on board until August 1985, five months after Coverdale arrived. Coverdale conducted seven PMP workshops and several other courses until March 1986, when their services were terminated.

With full SLBDC agreement, Coverdale selected a small segment of the "market for management training services" with which to begin its program. They decided to target their activities on general management practices for large Colombo-based firms. Coverdale found a strong unmet demand for general human resource development training for which its PMP course was well suited and did an excellent job conducting it. Invariably, participants gave the course high marks on their evaluation forms, and persons we interviewed, including the SLBDC staff, concurred. SLBDC Management Development staff (2 persons) were encouraged by Coverdale to learn this methodology and participate in the PMP courses as coaches in order to carry out the program following contract completion. They did so for a while. However, as time passed SLBDC asked Coverdale to change its approach by (a) addressing several functional management areas which had been identified by ADL and cited in the Project Agreement Project Description (marketing and finance) and (b) serving smaller firms.

Coverdale made an effort to respond but essentially stayed with its PMP approach. It presented a PMP-based course on principles of strategic planning, gave a course on negotiation skills and conducted a PMP for owner-managers of small firms. We were told by SLBDC that Coverdale offered to provide trainers for functional subjects but subsequently said that it could not do so. This account is disputed by Coverdale who assert that SLBDC, USAID, Coverdale and C&L all agreed to discontinue the efforts. Finally, in January 1986, SLBDC advised Coopers and Lybrand to terminate Coverdale (in March) because the Coverdale approach - methodology and target group - did not match the PEPP objectives, and because SLBDC felt the market for Coverdale's courses had been saturated. Criticism has focussed on the nature of the clients served (largest firms in Sri Lanka) and the near exclusive focus on general management practices to the exclusion of more specific subjects.

We sought to understand the reason for this apparent divergence of priorities between the contractor and client. Coverdale's and SLBDC's initial focus on the large Colombo-based firms was an accurate response to the explicit and implicit request for services in the RFTP and the orientation of the management development analyses and discussion in the Nathan and ADL reports and Project Paper. The focus was on management needs at "executive, mid-level and first line supervisory levels" and the training capabilities of NIBM, several university MBA programs and Institute of Chartered Accountants. Even though there were some suggestions for the SLBDC Management Development Center to collaborate with the Entrepreneur Development Center on grass-roots

entrepreneur training, the emphasis for assistance was clearly on the large-scale, modern sector. Nevertheless, Coverdale included smaller-scale firms' needs in its assessments and recommended a number of interventions to address their needs in the Inception Report.

We sought to understand why the management training program was not changed substantially after August 1985 when the SLBDC Executive Director and Deputy were hired. They began to suggest modifications to the Coverdale approach and SLBDC is now critical of Coverdale for being unable to respond. Coverdale, on the other hand, points out that it attempted to respond immediately by sending Ms. Travis to adapt the program to meet the new SLBDC team's priorities but was denied permission to do so until November. Apparently by that time, SLBDC had decided to dispense with Coverdale's services after a final series of PMP courses, which had been completed in March 1986. That decision was reinforced by the fact that the final courses were not fully subscribed, which indicated that the Colombo market for that type of training was becoming saturated. Coverdale points out that SLBDC had taken over the marketing of Coverdale's courses.

The limited PEPP budget available for management development also contributed to the problems. SLBDC and C&L/Coverdale were given an impossible task. The range of unmet management development needs was wide, including both general human resource management skills and specific functional skills. Coverdale concentrated on the former, with apparent full backing of the SLBDC at the outset. The vast majority of funds was assigned, by mutual agreement, to conduct a series of PMP courses to the near exclusion of courses on other "functional" areas and assistance to the other institutions. Funds available for both contract services and for outreach assistance to other institutions were inadequate to accomplish the ambitious project's objectives. Moreover, Coverdale received less than half the amount of funds it initially had requested (\$436,000 in the Inception Report).

Coverdale and the Deputy Executive Director for Management Development prepared a draft booklet of brief profiles of successful management experiences of eight small- and medium-scale enterprises at SLBDC's request. It was done as a management training research and development activity proposed in the Inception Report. The booklet was "to serve as reference and source material for those interested in successful practices of Sri Lankan businesses". It was based on a survey of ten managers during January - February 1986.

In May 1986, SLBDC asked fifteen persons in Colombo to review the draft booklet; four submitted comments. The reactions ranged from positive to extremely negative. The draft remains in the form left by the Coverdale consultants.

We reviewed the material and feel it would serve a useful purpose as it points out a number of basic management principles and practices which could be as helpful to the reader as they were to the profile subjects.

We recommend that SLBDC polish up the drafts and test them as training tools in some of its courses as a means of reaching a decision as to broader distribution.

#### 4.3.2. SLBDC Management Training Performance:

The Management Development Division has developed course materials and conducted several typed courses, since Coverdale left in March 1986. (See Annex IV for a list of SLBDC management development activities).

a) Management in Practice (MIP) - This is a three day course in general management principles for which SLBDC adopted some features of the Coverdale PMP course. It has been given once for approximately eight mid-level managers from major Colombo companies. The course uses a participatory learning-by-doing approach aimed at helping managers develop and implement concrete action plans. Participants come from the same type of companies that sent people to the Coverdale courses, and each is charged a Rs. 3,000 fee.

b) In-house courses - The division has provided tailor-made in-house workshops for twelve large companies on the following subjects: general management, communication, marketing, and finance for non-financial staff. The Director and Deputy Director of the Management Development Division planned, arranged and conducted those courses, with the assistance of outside specialists. SLBDC charges Rs.7,500 for a one-day workshop, and uses the proceeds to pay the consultants it hires.

c) Computer Orientation - A one-day seminar has been designed but has been offered only once to date. It is intended as a general orientation for business managers on the use of computers for better management decision-making. The fee charged is Rs.800 per person.

Managers of companies which received in-house courses responded positively, but sometimes with reservations, about the value of the training. However, as to future demand for SLBDC training services, some said that they would consider SLBDC as one of various alternative

sources of training expertise. Each company said it appreciates the value of good training and is prepared to pay a reasonable price for it. Some companies tend to use internal company specialists, NIBM, SLIM and individual experts, as well as SLBDC for staff training. Several companies said they used SLBDC on a trial basis, were generally satisfied with the results, but would consider alternative sources, as well as SLBDC, for future requirements.

#### 4.3.3. Support to other Institutions:

On thirty-two occasions the Management Development Staff provided technical support to other Sri Lankan institutions. The support consisted of SLBDC staff serving as resource persons for training courses, serving on planning committees, advising on course designs, or other personal assistance to institutions including University of Colombo, Sri Lanka Management Association, Local Government Training Institute, NIBM, and others. No fees are charged for these services.

Demand for this assistance indicates that the Director and Deputy Director are highly regarded and sought after by their management development professional colleagues in Colombo. SLBDC feels this activity is an important way to build working relationships with the other institutions. However, the assistance is provided on an ad hoc basis, does not conform to any plan nor contribute to the program's goals. In fact, some of the institutions it assists are not private but rather public sector entities such as the Local Government Training Institute and Labour Department. It is difficult to identify how much SLBDC staff time has been devoted to these ad hoc activities and to what extent it may have detracted from concentrating on the SLBDC core program. Furthermore, no PEPP financial assistance has been provided to those institutions, except for payments for some of their staff who served as consultants to SLBDC courses.

#### 4.3.4. Case Studies Preparation:

The Contractor and SLBDC agreed to finance the preparation of a book of case studies of actual Sri Lankan business cases. The work was to be done by Prof. Gunapala Nanayakkara of the Post Graduate Institute of Management Studies of the Sri Jayawardenepura University. Unfortunately, due to disagreements over supervision of Prof. Nanayakkara's work between SLBDC and the Contractor, the work has not been started. This was to have been a very simple and clear cut project output.

4.4. Conclusions and Recommendations:  
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4.4.1. Contractor Performance - Coverdale .

Although Coverdale conducted its PMP courses very professionally and the value of the courses and methodology was appreciated by the participants and SLBDC (initially), it was unable to provide assistance to the project's overall needs as expressed in the project design analyses, the contract, its Inception Report and eventually as requested by the client (SLBDC).

We feel that the chances for Coverdale accomplishing the ambitious management training objectives set for it were very slim, right from the outset, for the following reasons:

- a. The training mandate was too broad;
- b. Project and contract funds were inadequate;
- c. SLBDC, as a new institution, had not identified a firm training program to which the contractor could relate;
- d. SLBDC technical counterparts arrived on the scene with their own ideas after the contractor had reached agreement on a program with the relevant technical committee;
- e. The Sri Lankan contract counterpart for this component was considered by SLBDC as inappropriate, and was dismissed in August 1985;
- f. SLBDC questioned the "proprietary" nature of Coverdale's training methodology;
- g. Finally SLBDC felt it could carry out its training program satisfactorily without Coverdale's assistance.

We conclude that project design factors including unclear objectives, budget and timing, and other contract related disputes, prevented the contractor from successfully meeting its objectives.

Recommendation:  
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Since Coverdale's subcontract was terminated in March 1986 no recommendation is required.

4.4.2. SLBDC Management Training Performance:

The large Colombo-based companies which Coverdale targeted, and which SLBDC is still targeting for its MIP public course and specialized in-house workshops, do not appear to be the SLBDC's natural clientele for management development training services. SLBDC hopes to develop a profitable, fee-based training/consultancy business in that market. Such an endeavor does not appear feasible, however, because unless the courses are subsidized, the large companies will definitely shop around for less expensive services and select what they regard as the best buy. More importantly, the team feels that the small- and medium-scale sectors require SLBDC support more than the large scale business sector.

SLBDC may be able to cover its direct costs of in-house and public courses from fees, but it appears very unlikely that it can make that business truly profitable. This is especially true for specialized in-house workshops which require several days of prior consultation and planning to design a product tailored to meet the client's needs. Presentation of standard pre-designed modules can be done much more cheaply, but they are not appropriate for in-house workshops. The standard modules may be appropriate, however, for "public" courses, but clients still do not appear ready to pay enough to make them profitable.

We conclude that the best solution to this dilemma is for SLBDC to develop high quality training modules on several basic functional subjects and management principles which can be delivered frequently at moderate cost for small- to medium-scale enterprises. Donor agencies will probably fund such a program so participants would be obliged to pay only a nominal fee.

The SLBDC's comparative advantage lies with the smaller firms and in supporting the efforts of the Entrepreneur Development Division in the regions. However, this approach will be more difficult logistically, and therefore more expensive, than serving a smaller group of Colombo-based large firms.

Recommendation:

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The SLBDC Management Development program should focus on the small and medium scale business sector, stressing basic business functional skills and general management decision-making principles. It should abandon the up-scale modern sector and abandon its expectation of developing a fee-based money making business of management training and consulting. That should be left

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to commercial enterprises. SLBDC should not attempt to compete with commercial management consulting firms. It should, instead, compete for grants from donor agencies and direct its energies to developing a first class small- and medium-scale enterprise management training capability as part of a comprehensive SLBDC program aimed at that target group in both rural and urban areas. We recommend that USAID support that initiative. If SLBDC does so, we are confident funds from other donors will also come its way.

#### 4.4.3. Support to Other Institutions:

To date, support to other institutions has been of little consequence, although such support received major (but imprecise) emphasis in the early analyses, Project Paper and Project Agreement. New training activities provided directly from SLBDC were only recommended to fill unmet gaps. Apparently Coverdale, SLBDC, MF&P and USAID came to the conclusion that practically the entire program should be devoted to creating new training programs for the SLBDC to fill those gaps. A major reason for doing so was to generate a fee-based income to contribute to the PEPP objective of making SLBDC financially self-sufficient. However, we feel that SLBDC should not target the modern business sector market, even if gaps exist and even if SLBDC is technically qualified to fill some of them. We are also convinced that the PEPP does not have sufficient funds, and never did, to make a major contribution to the "other institutions". The personal support which the SLBDC staff provides to other institutions is probably of some value to both parties.

#### Recommendation:

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PEPP could make a small contribution to the "other institutions" which serve the modern sector by inviting them to identify a few key requirements for assistance that could be met with a small amount of PEPP funds. One suggestion is to help establish a collaborative relationship between one or more Sri Lankan business management training institutions and a U.S. institution such as Harvard or Stanford University. However, unless a significant impact is foreseen, it may be preferable to concentrate PEPP funds and management energy on developing a first-class small- and medium-scale enterprise management development program, conducted by SLBDC, leaving assistance to other institutions to other projects.

.4.4. Case Studies Preparation:

The case studies were an excellent idea.

Recommendation:

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The studies should be commissioned immediately.

CHAPTER 5

ENTREPRENEUR DEVELOPMENT

5.1. Objective:

The principal purpose of the PEPP project is "to improve the investment climate in Sri Lanka and to increase investments (both domestic and foreign), with particular emphasis on industries that use agricultural-based products and produce for export". One of the six accomplishments expected at the end of the project is cited as:

"Increased productivity in the private sector through improved training for managers and entrepreneurs including upgrading of management training courses and entrepreneur development programs offered by existing institutions and the promotion of new programs and institutions."

The objective for the Entrepreneur Development Division (EDD) of the SLBDC is the establishment of programs at the District Level (outside Colombo), to promote small- and medium-scale businesses (both existing and potential) through entrepreneur development activities. This component is targeted specifically at private sector promotion work in the rural areas.

5.2. SLBDC Entrepreneur Development Activities:

5.2.1. Background:

The conceptual basis for entrepreneur development training (EDT) is the research conducted by Professor David MacLelland which resulted in the development of Achievement Motivation Training (AMT). Maclelland and subsequent researchers established positive links between certain behavioral traits and entrepreneurship. Out of this research has come the premise that individuals with certain traits can be identified, and through proper training, be motivated and assisted to engage in increased levels of entrepreneurial behavior. Economists have observed a positive correlation between entrepreneurial activity and economic development.

The development of AMT-based entrepreneur development training in Asia has been led by the Entrepreneur Development Institute of India (EDII), Technonet Asia of Singapore, the Institute of Small-Scale Industries of the University of the Philippines (UPISSI), and various other research and training institutes.

The principal elements of the training programs designed to stimulate entrepreneurship consist of:

- awareness development, by which the role of entrepreneurship in economic development is emphasized.
- achievement motivation, aimed at increasing the level of confidence and achievement orientation of trainees.
- management skills development, to provide the trainees with the skills needed to run their businesses, such as records management, internal administration and production systems.
- on the job or attachment training, where the trainee acquires experience in the actual situation and operation of the enterprise.
- training of trainers to develop training skills among extension officers.

Experience in various Asian countries has shown that follow-up activities are as important as the training itself. Positive results from entrepreneurship training (such as increased economic activity) are much more likely to take place if follow-up extension services (assistance in the practical aspects of businesses by experienced business people) are available.

In Sri Lanka, prior to the establishment of the SLBDC, the following institutions had been active in entrepreneur development training:

- The Industrial Development Board (IDB). Some of its extension officers have received AMT training. It has coordinated (in several districts) with the World Bank SMI loan program to identify and develop entrepreneurs.
- National Youth Service Council. Training programs for self employment and small scale enterprise.
- National Apprenticeship Board. Has attempted to link vocational training with entrepreneur training through various types of programs.
- National Institute of Business Management (NIBM).
- Bank of Ceylon.

- Chamber of Small Industries. The first private sector program, funded by the Asia Foundation, initiated in 1982, and taken over by the SLBDC in 1985.

Program durations have ranged from one day to two weeks. Though scattered statistics are available linking course participation to and increased self employment activity, there has been no serious evaluation to analyze to cause and effect. Lack of follow-up extension has been a persistent problem.

Nine of the ten courses of the Chamber of Small Industries were given in the Colombo Area. Other programs have had a largely rural district center based clientele.

The EDD of the SLBDC initiated operations with a two person professional staff in 1984. The EDD is still experimenting with its program design, and has not yet developed a standardized program format.

Entrepreneur Development Programs (EDP) given to date are based on two different models:

- A two-to-three-week course entitled "How to Begin an Industry" which is funded by the Asia Foundation. Since taking over the program from the Chamber of Small Industries in 1985, SLBDC has offered the course to 171 participants in six District centers. See Annex V for Selected data on this course and its participants.
- The District EDP with Achievement Motivation Training Laboratory.

This seven-to-eight-week program combines all the elements of an integrated approach to EDT. It is the basic format around which the EDD wishes to develop its district programs. The first program of this type was carried out in Hambantota in April/May 1986 for 42 already active businessmen. It was followed in June by two concurrently run programs. One was for educated youth (those with GCE Advanced Level), and the second was for less educated youth (those who had studied up to GCE Ordinary Level). There were 36 participants in the former and 37 in the latter.

All three EDT programs included training modules which covered entrepreneurship, achievement motivation training, aspects of management, project and feasibility study, business opportunity identification and visits to selected industries and businesses.

Selection for the program was based on a combination of tests and interviews to identify candidates who displayed entrepreneurial aptitude.

One of the noteworthy features of the program has been the requirement that each of the aspiring entrepreneurs (in the second and third groups) and prepare a business plan and feasibility study for a business idea of his/her own choosing.

The EDD also has conducted other programs that relate to entrepreneur development:

- Marketing forums. One-half day program to publicize the activities of the SLBDC.
- Business Education Program. 3 to 4 day course for existing entrepreneurs.
- How to start an Industry. Continuation of an ED training program conducted by the Sri Lanka Chamber of Small Industries. A 14-day course for aspiring entrepreneurs.
- Complete Entrepreneur Development Programs with AMT laboratory for both new and existing entrepreneurs. 7 to 8 weeks duration.
- Joint Business Awareness Programs with other institutions such as IDB, EDB, banks, etc.
- Trainers training for industrial and business extension trainers attached to other public and private sector organizations.
- Direct assistance to entrepreneurs.
- Miscellaneous short programs.

These programs are more fully described in Annex VII.

The SLBDC has conducted a program for trainers of the Ministry of Youth Affairs and Employment's National Youth Service Council. Funding and the services of two expatriate consultants have come from the Asia Foundation. For the future, SLBDC's plans include:

- Entrepreneur Development Program for Mahaweli Systems H, C, B and G falling within the districts of Anuradhapura, Badulla, Polonnaruwa and Batticaloa respectively. Course modules have been planned and the SLBDC hopes to conduct the program early next year. This program is to be funded by the Mahaweli Authority utilizing US AID grants.

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- Resource survey of the Matara district to be followed up by an Entrepreneur Development Program. This activity, to be funded by SIDA, is to form a component of an on-going IRD program, also funded by SIDA.
- A survey of resources and a study to identify feasible business opportunities in the Hambantota district. This activity, also to be funded by NORAD, would be a follow-up to the Entrepreneur Development Program already conducted in the district.
- An "opportunity study" of the Numwara Eliya district to be followed up by an Entrepreneur Development Program. This activity is also to be a component in the IRD program for the district. Funding is expected to be provided by the Dutch Government.
- A study for UNIDO on joint venture opportunities in the Engineering Industries located in the Colombo and Gampaha districts. A total of 50 establishments are to be surveyed. This activity is to be performed by two outside consultants. This particular activity, however, seems outside the mandate of the division and would have been more appropriately accomplished under the Investor Services/Investment Promotion program.

5.2.2. Findings:  
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- 5.2.2.1. The SLBDC is convinced that the short-term entrepreneur programs (three days to three weeks) are less effective than the eight week program. The latter was used for the first time in Hambantota in April 1986. There appears to be considerable interest on the part of various bilateral donors to fund the eight week program in other districts.

The Division is aware that none of the programs will have a lasting impact without extension follow-up. The model currently being organized for this purpose will include, therefore, the establishment of District Chambers of Entrepreneurs.

The District Chambers, and the related "Facilitation Centres", would provide a fora for continuing dialogue and interaction between the SLBDC and its clients in the districts. The proposed link up with other rural development service organizations, such as the IDB and the NYSC, state officials and bankers, would accomplish the twin objectives of assisting both entrepreneurs and existing institutions with similar functions. The success of such ventures would depend, however, on the

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presence of full-time SLBDC staff members stationed in each district to organize the activities of the districts and liaise with Colombo. They should also function as field extension officers, and for such purposes, should be mobile.

- 5.2.2.2. The Asia Foundation-funded three week course "How to Begin an Industry" is still not integrated into the other programs of the EDD. The EDD has expressed a desire to revise the program to conform more closely to the long course model being developed. Agreement with the Asia Foundation, however, has not yet been reached.

Initial response among participants to the Hambantota program has been very positive. The evaluation team spent four days in the area and attended a general meeting at which over fifty course recipients appeared (only the Chamber of Entrepreneurs board had been asked to be present). Among the more common themes expressed by course participants were the following.

Participants in the "aspiring entrepreneur" section viewed the course requirement to draw up a business plan and a feasibility study as one of the very positive aspects of the program.

- Although many of the studies were quite elementary, participants found the process to be very beneficial in familiarizing them with banking procedures (about which most knew little or nothing).
- The "established business people" regarded the presence of organizations with whom practical business matters could be discussed without fear of government intervention as one of the very positive aspects of the SLBDC.
- The "established business people" found the practical aspects of the program (such as accounting, marketing, etc.) as well as the contacts made under informal circumstances with local bankers, government officials and consultants to be quite useful.
- Response to these programs has been very positive, especially by young aspiring entrepreneurs. The SLBDC received over 200 applicants for the educated category and 600 for the less educated. Because of the structures of both the Academic and Vocational Education Systems in Sri Lanka, aspiring entrepreneurs, who also possess marketable vocational skills, were seriously under-represented in the

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Hambantota program. This bias results in a very strong tendency among participants towards interest in establishing service or commercial rather than transformation or manufacturing activities.

5.2.3. Conclusions:  
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5.2.3.1. The EDD professional staff includes three members who have been trained as achievement motivation trainers. Outside consultants also teach course components. The planned level of activity for 1987, which includes eight week course programs in four districts, appears to be as much as the present staff can handle. Given the experimental nature of the program in Sri Lanka, the EDD should not be pushed to expand its activities beyond a level with which it feels comfortable. Recruitment and training of new permanent staff and field consultants will be important for program impact.

The EDT program cannot hope to be financially self-sustaining based upon fees charged to course recipients. Given the grant-funding potential which appears to exist for this type of program, the SLBDC should take steps to upgrade its ability to prepare grant requests.

There is a decided overlap between the Management Development Division's programs for small and for established businesses.

5.2.3.2. Feedback concerning the short programs is very weak. Given the lack of follow up, they probably have had little impact.

Only time will tell whether the Hambantota style program, properly conceived and executed, will result in significant establishment or expansion of rural enterprises.

We feel, however, that the future of the EDD is in the Hambantota-style program, rather than the various short courses given in response to requests or the need to generate income.

Among the "established entrepreneurs", some course participants reported that they had already undertaken additional investment or business expansion measures as a result of having participated in the program. Among the "aspiring entrepreneurs" a similar situation prevails. Attribution of course impact under such circumstances is, however, difficult.

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The objective of AMT-based entrepreneur development training is to motivate pre-selected individuals to change the manner in which they view life. Within the rural Sri Lankan context, this implies inducing relatively well-educated individuals to think for themselves and take an interest in economic betterment, rather than settle for government civil service or other salaried sinecure.

Realistic expectations for such a program must be defined in the medium- and long-term and within the opportunity base of Sri Lanka's economic structure.

Virtually all project ideas are service-oriented and one goal of the EDT program is for graduates to establish commercial or service enterprises. The project aims to change the current mode of thinking among participants so that they view self-employment as a realistic option and one that is preferable to salaries employment. Although the establishment of productive activities would be optional, given the dearth of vocationally and technically trained personnel, the pursuit or promotion of such endeavors would be unrealistic at this time.

- 5.2.3.3. In the EDD's operations plan for 1987, it has established quantitative targets to measure the numbers of new businesses created, and ongoing businesses expanded or improved. The targets were based on the program implementation in four targeted districts during the year.

These targets should be viewed as merely indicative rather than definitive measures upon which to base success or failure of the program because:

- The trained EDD staff is small, recruitment and caliber of regional consultants is still uncertain, and follow-up activities are not yet funded or organized. Rapid expansion of the regional program would severely strain currently available human resources.
- Quantitative targets cannot be very meaningful in other than indicative fashion when the base line correlation between course recipients and additional economic activity generated has not yet been established.

The goals of the SLBDC entrepreneur development training programs are entirely consistent with USAID's objective to promote private sector activity in Sri Lanka. If the premise is accepted that this type of program can enhance entrepreneurial activity in Sri Lanka, it is worthy of continued support. Results, however, will be measurable only in the very long term.

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5.2.4. Recommendations:  
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- 5.2.4.1. The various short courses offered by the SLBDC and others that did not provide proper follow-up produced little apparent impact. Programs of this nature should not be supported by USAID.
- 5.2.4.2. Future program funding for the eight-week course (which will be the foundation of the entrepreneur development program) must include resources not only for the courses but also for materials, logistics and the human resources required to pursue effective extension activities.  
  
Future program growth will require a corresponding increase in competent trainers. Support for trainers must also be included in future program funding.
- 5.2.4.3. Better integration is required between the Management Training and the EDD programs. Based upon observations at Hambantota, the courses given by the EDD (for already established entrepreneurs) should be modified to include a stronger practical management training component.
- 5.2.4.4. The SLBDC needs help in the area of "grantsmanship" to take advantage of the grant funding potential which seems to be quite strong for entrepreneur development programs.
- 5.2.4.5. The selection criteria for participants for the aspiring entrepreneur courses must be re-examined. It is biased toward bright, ambitious, "O" and "A" level GCE graduates, and against these with marketable vocational skills. As a result, most participants will gravitate towards service and commercial activities. It is imperative, therefore, that more candidates with vocational training be actively sought. If the AMT is to demonstrate its validity, it will be among the vocationally trained.

5.3. C&L Entrepreneur Development Activities:  
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5.3.1. Background:  
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The contractor's assistance to the SLBDC's Entrepreneur Development Division (EDD) was carried out under subcontract by Development Associates Inc. (DAI). The outputs produced under the DAI subcontract are:

- A four month inception study which consisted of a diagnosis of constraints to entrepreneur development in Sri Lanka; a review of existing and planned

programs of the SLBDC and other Sri Lanka organizations active in the entrepreneur development field; a detailed plan for further program development by the SLBDC; and a proposed workplan for DAI technical assistance to the EDD during the remaining twenty months of the C&L contract. The results of this initial DAI work were reported in Chapter VI of the Inception Report.

- Design of a Teaching Course/Workshop on Product Marketing for small- and medium-scale enterprises.
- Design of a Teaching Course/Workshop for Teaching Quality Consciousness to small- and medium-scale enterprises.

5.3.2. Findings:  
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- 5.3.2.1. The consultant satisfactorily complied with the SOW in the Inception Report for the entrepreneur development study.
- 5.3.2.2. The major recommendations of the Inception Report proposed the use of DAI technical assistance to the SLBDC to prepare course materials. SLBDC regarded this assistance to be unnecessary because it had already designed course materials for the program. Both parties were aware that redundancies existed between the contract SOW and the EDD's already initiated course design work.
- 5.3.2.3. The teaching materials prepared by DAI were rejected by the SLBDC. USAID paid \$60,000 to DAI for these services over the objections of the SLBDC and the MF&P. The evaluation team agrees that the marketing course materials were of deficient quality. On the other hand, we feel that the quality control course materials it developed can be used with relatively minor revisions by a workshop trainer who is conversant with quality control practices in Sri Lanka.
- 5.3.2.4. The SLBDC, its Technical Committee rulings, has judged the value of approximately \$ 120,000 worth of consulting services provided by C&L/DAI to be zero.

The chronology of events which led to this decision is detailed in Annex VIII.

5.3.3. Conclusions:  
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- 5.3.3.1. The decision by the SLBDC not to use DAI's services to design the entrepreneur development training program was due basically to a combination of factors. They were:

- a. the redundancy between the original, open-ended contract SOW for the Inception Phase Study and the already initiated SLBDC course design work.
- b. differences of judgement concerning course content and approach.

5.3.3.2. The original scopes of work for the marketing and quality control studies were revised during the field work period based upon oral rather than written scopes of work. The major miscommunication which ensued clearly affected the quality of the eventual output.

5.3.3.3. The consultants provided by C&L/DAI to produce the two workshop materials were inappropriate for the tasks.

5.3.3.4. The pattern of oral SOW changes and apparent loose supervision which characterized the marketing and quality control studies suggested:

- ineffective contract management by the SLBDC & C&L/DAI.
- communication difficulties among C&L/DAI, the SLBDC and the MF&P.

5.3.4. Recommendation:  
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The experience of the EDD and the SLBDC in the management of consultants and consulting services contractors has been singularly unsuccessful and cost ineffective. We recommend that USAID funding of foreign consulting services for the SLBDC be stopped until they articulate exactly what their requirements are and how they propose to manage any foreign consultants.

CHAPTER 6

PROJECT STRUCTURE

6.1. Role of USAID in Project Conceptualization, Design and Implementation:

6.1.1. Conceptualization:

As indicated in Section 1, Project History, USAID played a major role in the early stages of project conceptualization and influenced subsequent design decisions including project content and structure. At the outset, both AID and MF&P supported efforts to realize constructive policy dialogue (between the public and private sectors) and to facilitate increased foreign and local private investment in productive enterprises. USAID played a catalytic role by helping to bring together business and government leaders to pursue these ideas with the lure of several million dollars for project support.

6.1.2. Design:

The AID-funded studies by Nathan and ADL identified various constraints which deserved attention. These included investment promotion/facilitation, policy analysis and dialogue, management development, rural entrepreneur development and financial markets. During the project conceptualization and design stages, momentum gained to address all constraints in one project. Only one component, financial markets, was deleted from AID's Project Paper.

The evaluation team feels that several errors of judgement were made. First, AID pursued and approved a large, complex project without first having identified an institutional/implementation mechanism. Second, the Sri Lankans involved did not seriously question the design and went toward with the project. Both groups, then, moved ahead with the project before implementation procedures had been completely designed. The evaluation team believes that both groups decided to move forward because neither viewed the lack of a clear implementation plan to be a serious impediment to start up activities. It is our opinion that this was one of the key reasons that problems surfaced later in. It is quite likely,

however, that all parties assumed that the successful collaborative relationship they had enjoyed during the planning stages would be repeated to resolve any differences during implementation.

The problems which arose from pursuing an incompletely designed complex project were compounded when the administration of design and implementation activities were assigned to a part-time USAID project officer. When the officer arrived in the scene in July 1983 to turn the scheme into reality he faced a situation that would have been difficult for a full time person. He confronted a set of four or five conceptually related, but functionally independent project interventions, a plan to house some of them in a new "Investors Service Center", a group of enthusiastic Sri Lankan government and private sector sponsors and a very dynamic and persuasive US Consultant whose task was to help create the SLBDC (nee Investor Service Center). Clearly, it was not feasible for a part-time USAID officer to administer a project involving three Sri Lankan counterpart entities as well as two or three separate U.S. contractors. The practical course was to bring everything into one implementing entity (SLBDC) and to hire one contractor (C&L). Thus, at least partly for administrative efficiency, the project was handed over to the yet to be created SLBDC and its contractor. By the time SLBDC was established (May 1984) and fully operational (October 1984), USAID and its other sponsors felt SLBDC could oversee all of the project components.

6.1.3. Implementation:  
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USAID played an active and positive role during the project start-up phase. Results were impressive in terms of creating the SLBDC and arranging for contractor services. Once the project really got underway and problems began to emerge, however, USAID's contribution diminished. Since then, USAID has been unable to resolve conflicts between the three other parties and has witnessed progressive abandonment or deferral of numerous project objectives. The team recognizes that USAID has been in an awkward position. As donor and financier of a host-country contract, it is excluded from direct participation in project implementation and decision-making. Nevertheless, given that USAID was responsible for initiating the project and for making design and structural decisions, it cannot take a low profile during implementation. A more aggressive stance might have kept the project on track.

As for the future, we commend the recent USAID decision to establish a separate unit devoted exclusively to private sector programs and to staff it with two full time U.S. employees assisted by one U.S. and two Sri Lankan contractors. We feel it was a mistake to undertake such an ambitious project without adequate USAID staff to manage it.

6.2. Role of the Private Sector in the Project:  
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6.2.1. Conceptualization Stage:  
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Private sector representatives played an active role during the project's early stages and advised the MF&P, USAID and consultants on constraints and probable interventions. As members of the Steering Committee, Council of Governors, Board of Directors and Technical Advisory Committees, many senior business executives contributed a great deal of voluntary time to the design and subsequent implementation of the project. Although these individuals were members of various industry chambers, they did not serve as official representatives of those chambers, but rather in their personal capacities.

6.2.2. Project Design Stage:  
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The decision (by MF&P, USAID and the private sector representatives) to concentrate the implementation in SLBDC prevented existing private sector institutions (chambers) from participating actively involved in project implementation. Lack of active participation, however, did not preclude benefits to nor support from the private sector. Some chambers received travel mission support or office equipment. The Chamber of Small Initiatives received a \$6,000 grant for a "Made-in-Lanka Fair". The private sector, moreover, raised Rs 4.0 million from the business community for SLBDC's endowment fund.

6.2.3. Implementation Stage:  
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SLBDC was given two basic functions: to foster a private-public sector policy dialogue and to execute several specific programs. SLBDC has not brought about policy dialogue, but has begun to execute several other programs. The MF&P was correct to give the private sector resources with which to begin the policy dialogue effort. In effect, the MF&P put the ball in the private

sector's court and the private sector has not picked it up. There are various explanations for this, but the fact remains that SLBDC is not now playing a dialogue role.

By contrast, SLBDC has undertaken several vigorous programs in the areas of management training, investment services, studies and entrepreneur development. Contrary to project design, however, SLBDC has implemented all these programs on its own and has not used these funds to support other institutions already active and experienced in those fields. The rationale might be financial prudence, since funds are limited and SLBDC might be able to utilize them more effectively than other institutions. The fact remains, however, that the design called for support to other institutions with relevant expertise.

If indeed MF&P and USAID had really wanted other institutions to participate in PEPP, their lack of involvement cannot be blamed entirely on SLBDC. After all, USAID channeled all the funds through SLBDC. If wider preparation were an objective, funding should have gone directly to other institution not via SLBDC. SLBDC should be supported to carry out its own program and should not be used as an intermediary to support other private sector institutions' programs. The technical advisory committees were created to provide representation to other institutions in SLBDC decisions but they made little impact.

The Ceylon Chamber of Commerce could be used more aggressively by PEPP to identify partners for foreign and local investors, produce policy studies and participate in policy discussions. The Federation of Chambers of Commerce and Industry, National Chamber of Industries and others should be encouraged to participate as well. However, we feel that none of them, nor SLBDC, will be willing to act assertively as a catalyst or spokesman for the entire private sector vis-a-vis the government at this time. Each chamber will continue to pursue the parochial interests of its members spokesman and will not view the SLBDC as its collective.

### 6.3. Role of MF&P:

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The MF&P retained responsibility for the contract and C&L was directed to deal with it instead of SLBDC on many matters. Although the tripartite relationship might have worked in other circumstances, in this case, it served to exacerbate a bad relationship. Nevertheless, no change should be made until the C&L contract terminates in February.

After February, we recommend that the PEPP project be divided. MF&P should take complete charge of an export and foreign investment promotion/services program. This program would assist FIAC, GCEC and EDB facilitate foreign investments and other collaborative ventures, and promote exports. The IESC, JVFF program should be seriously considered to assist those agencies with U.S. connections. PEPP loan funds should be used for this purpose, at least in part.

PEPP funds assigned for the small- and medium-scale enterprise support program (IS., MD and ED) should be administered directly by SLBDC, without any intermediary role played by MF&P. SLBDC has been operating for two years and is supervised by a responsible Board of Directors, including a representative of the MF&P. They are capable of dealing directly with AID. We suggest that the PEPP Project Agreement be amended to permit a grant to SLBDC by AID for this purpose.

6.4. Role of Technical Assistance Contractor:  
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Working relationships between the Contractor and the SLBDC deteriorated to a hostile, non-collaborative basis very soon after contract initiation. Various reasons are given for this including project structure, timing, personalities and actions by both parties, MF&P, and USAID and the team conclude that all contributed to the problem.

This issue is important for two reasons. First, we are convinced that the contractor - SLBDC relationship problem detracted considerably from project performance. Second, there are some lessons to be derived from this experience which should guide design of technical assistance of future projects. This section will address three topics as follows: 1) description of the contractor - SLBDC relationship, 2) its impact on project performance, and 3) recommendations for technical assistance after completion of the C&L contract.

6.4.1. Contractor - SLBDC Relationship:  
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The relationship, which can now be characterized as a hostile, arms-length vendor-client relationship, was expected to be a normal collaborative technical assistance/advisory relationship. The tone of, and specific tasks prescribed in, the Request for Technical Proposals called for such a role by the contractor. It asked the contractor to advise and assist the SLBDC to carry out its responsibilities and assigned the contractor responsibility produce certain products on its own. (Pages 21 - 35 of the RFTP).

In their Proposal, Coopers & Lybrand offer to work collaboratively with the SLBDC management and staff. This is expressed clearly on P.II-3 of their proposal as follows:

"C&L's services will combine advisory and operational support for SLBDC. We believe that the proposed services are intended to build SLBDC into a central force for investment expansion, policy reform and management/entrepreneur development in Sri Lanka's private sector. Accordingly, the mission of the C&L team -- both long and short-term staff, in Sri Lanka and overseas -- will combine advisory and operational functions for SLBDC. In our advisory role we will support the SLBDC's Managing Director and Center Directors in helping to define and analyze policies and programs for the new institution, thus acting as a sounding board and a source of practical experience and counsel for SLBDC management. In our operational role we will provide specific services and outputs within the framework of the SLBDC program, thus serving as a complement and extension to SLBDC's regular staff resources in the early years of the organization and its operations."

The contract, signed February 7, 1985, continued in the same vein, and explicitly outlined some of the tasks C&L would carry out. Also, by this time, funds available for the contract had been reduced from \$3.8 million to \$2.8 million. The difference was allocated for use by SLBDC directly, making it less dependent on the contractor and shifting the emphasis of the contractor's work towards specific outputs for which it was unilaterally responsible. But, C&L was still expected to play a major advisory role and to assist the SLBDC carry out many of its responsibilities. It is clear from all three documents that SLBDC was expected to utilize the Contractor's services in a collaborative manner and not in a vendor - client way. What went wrong?

A number of reasons have been given, most of which have probably contributed to the problem. Some are structural and timing factors. The fact that SLBDC began operations before C&L arrived was a major factor, and deprived C&L from being creating and nurturing SLBDC compatible with its own approach to private enterprise promotion. Other reasons are subjective and attitudinal. It is difficult for outside evaluators to judge the merit of arguments given, but it is fair to say that both C&L and SLBDC share responsibility for what transpired between them and for its negative impact on project performance. USAID and MF&P contributed to the result by setting the stage for conflict via structural factors and not taking more decisive action early in the project.

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The job of providing and receiving technical assistance consultant services requires a high degree of give and take by both parties. In this case, the parties were unable to maintain a productive relationship. In the best interests of the project, C&L, the MF&P and USAID should have terminated the contract in the best interests of the project. To prolong a hostile relationship at considerable cost to project performance is contrary to the best interests of both parties and to the project sponsors, the Governments of Sri Lanka and the United States.

6.4.2. Impact on Project Performance:  
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SLBDC was unwilling to accept C&L's advisory assistance in certain collaborative talks as outlined in the Contract. In response, C&L stopped offering advise and concentrate its energies in performing Investor Services tasks assigned to it alone by the Contract. As a result, PEPP could not take full advantage of this technical resource to support other SLBDC programs. Project performance was compromised accordingly. The disputes are cited as causing some Governors and Board members to withdraw from active participation in SLBDC matters. They may return following termination of the contract.

Disputes between the SLBDC and Contractor were responsible for preventing implementation of several important activities. They are:

- Policy Studies - A tax policy study was identified by C&L agreed to by the SLBDC, and due to disputes between C&L and SLBDC has not been done. A second study C&L was to do was never discussed.
- Case Studies - Case Studies have not been completed. Had they been, they could probably be in use by now by SLBDC, University of Sri Jayawardenepura, and others.
- Training of Trainers - This support to other management training institutions will not be provided by the contractor due to disagreements over the credentials of the proposed contractor.
- Policy Dialogue Mechanisms - C&L was expected to assist SLBDC develop mechanisms for communicating the policy study results to the government's policy makers in the form of a public-private sector dialogue. C&L made suggestions on this in its Inception Report but did not follow through.

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6.4.3. Future Technical Assistance for PEPP:  
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Because the C&L contract terminates in February 1987, the evaluation team recommends that no changes be made to alter the supervisory roles of SLBDC and MF&P vis-a-vis the contractor.

Once the C&L contract expires, we recommend that no other long-term technical assistance agreement be made with SLBDC. Instead, we recommend short-term services from local businesses, foreign volunteers or the Peace Corps. SLBDC will need assistance with promotion/investor services and international linkages.

The Policy Division, targeted on small- and medium-scale business issues must be strengthened by more extensive use of well qualified Sri Lankan experts. SLBDC should pay top dollar, if necessary, to get high quality work. If necessary, they should engage expatriate experts on an individual basis.

In Management Development, the staff has supplemented by local trainer the skills required to meet the needs of the target. The most difficult aspect of the proposed approach will be developing cost effective techniques for reaching new small- and medium-scale firms throughout the country.

An expanded Entrepreneur Development program will require more sophisticated management practices which can be provided by local consultants as needed. The program methodology tested in Hambantota will probably apply in the new areas.

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CHAPTER 7

SLBDC VIABILITY

The evaluation scope of work asks us to "assess SLBDC's viability at this time and its prospects for future financial self-sufficiency".

In doing so, we have drawn upon the findings and conclusions presented previously in and on our financial analysis which is presented in Annex IX.

The issue of SLBDC's financial viability has been a major determinant of its programmatic decisions. Concern for financial independence has preoccupied SLBDC and USAID and we distorted their view of its primary mission. Our assessment of where SLBDC is now, where it should be heading, and the organizational and financial steps it should take to get there, follow.

7.1. SLBDC Capacity and Organizational Objectives:

Each program is making a contribution towards the promotion of the private sector but none has made a significant impact, none will make a significant impact alone. SLBDC must pool its human and financial resources and direct them in a serious way towards helping new small- and medium-scale enterprises, including "entrepreneurs", to get ahead. Each SLBDC division has an important contribution to make, but as part of a collective offer.

Already the four divisions have collaborated, however, on the Hambantota EDT program. The strategy we recommend will require basic restructuring to integrate business advisory services, management training, entrepreneur development and supportive policy analysis of SLBDC into a unit or units capable of delivering appropriate interventions when and where needed. We think this can be done, if there is a will to do it. We feel the chances of managing effectively a concentrated program involving all elements of SLBDC are better than managing effectively four separate programs as has been attempted to date.

If SLBDC follows our recommendation to concentrate its energies on a single target, it should continue to provide all four of its current services. If it does not pursue that strategy we fear that it will dissipate its resources and make no significant impact anyway.

Business persons who have had association with SLBDC spoke of it positively, but with reservations. Those who had no association with SLBDC, were not familiar with its

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activities. We conclude, therefore, that while SLBDC has a number of satisfied clients, it is not widely known in the business community. SLBDC must become more widely recognized and utilized.

Clients' satisfaction with some of the rather basic business advisory services provided by SLBDC suggest that SLBDC can cultivate a receptive market at the lower end of the business scale, where the need is greatest. SLBDC will be less able to meet the demands of the of the large Colombo-based companies who will demand sophisticated levels of services which SLBDC will be unable to provide in a cost-effective way.

## 7.2. SLBDC Financial Self-Sufficiency:

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Our scope of work asked for considerable information about sources and uses of funds. We have obtained as much information as the SLBDC accounting system will permit and present here our interpretation of it. A more detailed presentation may be found in Annex IX.

### 7.2.1. Sources of Income:

The greatest non-PEPP income has been and is expected to be from donor agencies. These funds are to operate the rural entrepreneur and small business assistance programs. By early 1987, SLBDC expects to have grants from NORAD, SIDA, Mahaweli Authority, Ministry of Finance and NDB for such programs. Some of them, at least, will provide for "overhead" to cover operating or indirect costs of SLBDC staff time devoted to the projects. This finding tends to confirm our earlier assertion that SLBDC should be able to attract donor agency funding for its small- and medium-scale enterprise programs.

The converse is also borne out by the numbers. Fees earned by professional staff in 1986/87 for work in PEPP activities almost equalled the combined salaries of the four Executive Directors, but only 22% of total salaries. Income would have to increase almost five times just to match direct salaries, which represented almost half of the operating costs in 1986/87. It is most unlikely that the staff could generate enough fee income to cover SLBDC's operating costs, even at the obvious cost of abandoning the job they were hired for; to develop and manage programs and not to provide consultant services directly.

7.2.2. Ratio Of Operating Costs to Direct Costs:

SLBDC staff complain that they cannot charge their time to PEPP projects as direct costs and therefore SLBDC's financial situation suffers. We have concluded that SLBDC staff are already devoting relatively too much time to performing program tasks or services compared to their use of consultants for that purpose. We recommend that they reduce rather than increase their time devoted to such tasks.

The paper "Implications of Alternate USAID Cost Sharing Fractions" sent to USAID by SLBDC on September 19, 1986, shows a 40:60 ratio of SLBDC ED and DED time versus consultants' time applied to the total program. The ratio should be at least 20:80, (each ED and DED should keep four consultants working). A Director's job should be to plan projects, seek funding and hire technicians to carry them out. Each hour devoted directly to carrying out the projects in place of a consultant means an hour lost from planning, marketing and recruiting. This argument assumes, of course, that the consultants are charged out at a rate high enough to cover SLBDC's operating costs plus a modest profit. If so, then the more consultants employed the better SLBDC's finances become. The organization must begin operating like a business, even as it seeks donor grants.

The financial proportions confirm the existence of the problem. For the year ending March 31, 1987 operating costs plus capital costs will represent approximately 40% of total costs. This represents a 40:60 ratio of overhead versus direct costs. If direct costs, which, it is hoped, will be covered by grants from donors cannot be increased to improve the ratio, then staff should be reduced. They are all on contract, so that can be done, at least at the termination of the contracts.

To summarize, professional staff should be expected to meet targets, for developing projects and for putting consultants to work on them in order to get both the staff-to-consultants and the overhead-to-direct costs (grants) ratios up to at least 20:80 from their current 40:60.

7.2.3. Indirect (Operating) Costs Deficit:

Based on SLBDC's projected levels of activities for the next three years it will incur operating deficits of Rs. 2.8 millions, Rs. 3.1 millions and Rs. 3.4 millions during the financial years ending March 31, 1987, 1988 and 1989 respectively.

If SLBDC modifies the staff-to-consultants ratio and charges appropriately for the latter's services, the operating deficits can be reduced. We feel that USAID decisions to cover SLBDC operating deficits during the remainder of the project should be contingent on the organizational changes recommended above.

We cannot estimate how much PEPP should provide for operating costs because the projections are very tentative and the opportunities to increase other income and to reduce costs, are very real. Responses to the specific questions asked in this section of the SOW are provided in Annex IX.

CHAPTER 8  
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OTHER ISSUES  
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8.1. Women and Development:  
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A review of the consultants' reports (Nathan and ADL) and of the USAID prepared memoranda; does not suggest that gender-specific activities were contemplated in the PEPP project, and thus gender-specific data were not used in the design of project activities.

However, women have been served by the project. At ten separate entrepreneur development courses, attended by a total of 306 students, 33 were women.

Of the two feasibility studies commissioned by SLBDC which led to investments, one was on behalf of a firm owned and managed by a woman.

Of the 247 individuals that SLBDC counselled about investment projects or expansion plans, according to its records, four were women.

Women beginning to be seriously involved in business in Sri Lanka. For example, the Women's Chamber of Commerce is only two years old, but it already has seventy members and conducted two trade shows and is planning a third: a large agriculture, agro-industry fair for next summer.

8.2. Environmental Impacts:  
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There was a negative Initial Environmental Examination for this project. Experience to date has not changed that conclusion.

8.3. Data Collection, Monitoring and Evaluation Plan:  
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The team was requested to assess the adequacy of the current data collection, monitoring and evaluation efforts of the project and provide an outline for appropriate plan. We found the current efforts inadequate but decided not to propose an alternative plan because, if our recommendations are followed, a plan should be designed specifically to support a refocussed and reorganized program.

ANNEX I

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LIST OF PEOPLE INTERVIEWED  
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MINISTRY OF FINANCE AND PLANNING:

- 
- Mr C Cumaranatunga - Deputy Secretary to the Treasury and Director SLBDC
  - Mr W S Nanayakkara - Director, International Economic Cooperation Division

SRI LANKA BUSINESS DEVELOPMENT CENTRE:

- 
- Mr V Santiapillai - Chairman
  - Dr Anton Balasuriya - Managing Director
  - Mr L S Jayawardene - Director, SLBDC  
Chairman, Lever Brothers (Ceylon) Limited.
  - Mr G C B Wijeyesinghe - Director, SLBDC  
Partner, Ford, Rhode & Thornton & Co.
  - Mr C P de Silva - Chairman Council of Governors, Chairman Aitken Spence & Company Limited
  - Mr D S Jayasundera - Member, Council of Governors  
Chairman, Hayleys Limited.
  - Mr Hema Jinadasa - Member, Council of Governors  
Director, Jinadasa Group of Companies.
  - Mr M D Padmasiri Dias - Member, Council of Governors  
Somasiri Huller Manuufactory.
  - Mr N Jayasingham - Member Council of Governors  
Chairman, Harrisons & Crossfield Limited.
  - Mr C S de Saram - Member, Council of Governors  
International Executive Services Corp.
  - Mr Anton Fernando - Executive Director,  
Entrepreneur Development Division
  - Mr M C Muthugala - Executive Director  
Management Development Div.
  - Mr Athula Senewiratne - Deputy Executive Director,  
Management Development Div.

Mr R P C Rajapakse	- Executive Director, Investor Services Division
Dr R Dias Bandaranaike	- Executive Director Economic & Business Policy Division
<u>COOPERS &amp; LYBRAND: (SRI LANKA)</u>	
Mr D C Wijesekera	- Senior Partner
Mr Roger Manring	- Chief of Party
Mr Sarath Wijesuriya	-
Mr T Samaratunge	-
<u>US AID:</u>	
Mr Robert Chase	- Director
Mr Alexander Shapleigh	- Project Officer
Mr Gary Nelson	- Deputy Director
Ms Lisa Chiles	- Legal Advisor
Mr Jan Emmert	- Program Officer
<u>INDUSTRIAL DEVELOPMENT BOARD:</u>	
Mr I Unamboowe	- Director, Industrial Infor- mation Division.
Mr T B Weerasekera	- Director, Regional Develop- ment Division.
Mr Gunapala	- Director, Planning Division.
<u>G C E C:</u>	
Mr Asker S Moosajee	- Deputy Director General
Mr Renton de Alwis	- Additional Senior Manager (Promotion).
<u>POST GRADUATE INSTITUTE OF MANAGEMENT - UNIVERISTY OF SRI JAYAWARDENEPURA:</u>	
Prof. Gunapala Nanayakkara	
<u>NATIONAL INSTITUTE OF BUSINESS MANAGEMENT:</u>	
Prof. Jinadasa Perera	- Director-General
Mr Jayasiri Jayasinghe	- Director, Management Development.

Dr N W Jayasiri	-	Director, EDP
<u>CEYLON CHAMBER OF COMMERCE:</u>		
Mr S S Jayawickrema	-	Secretary
<u>CEYLON NATIONAL CHAMBER OF INDUSTRIES:</u>		
Capt. A G Devendra	-	Chief Executive
<u>WOMENS CHAMBER OF INDUSTRIES AND COMMERCE:</u>		
Ms Beulah Moonasinghe	-	Vice Chairperson
<u>INTERNATIONAL EXECUTIVE SERVICE CORPS:</u>		
Mr. C S de Saram	-	Country Director
<u>CEYLON TOBACCO COMPANY LIMITED:</u>		
Mr J Bandaranaike	-	Personnel Manager
Mr G Wijesinghe	-	Training Manager
<u>SINGER COMPANY LIMITED:</u>		
Mr Hemanka Amarasuriya	-	Chairman
Mr Gamini de Silva	-	Personnel Manager
<u>NISOL LIMITED:</u>		
Mr Nigel Austin	-	Managing Partner/Director
Mr Sohli Captain	-	Managing Director
<u>JAFFERJEE BROTHERS LIMITED:</u>		
Mr Zayed Jafferjee	-	Director
<u>UNITED TRACTOR AND EQUIPMENT LTD:</u>		
Mr Priya Fernando	-	Managing Director
Mr K Paskaradevan	-	Marketing Manager
<u>BOYAGAMA DC MILLS:</u>		
Mr Asitha Gunasekera	-	Director
<u>FORMER EMPLOYEES OF SLBDC:</u>		
Mr Nihal Rangala	-	Joint Managing Director, Yahala Group

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Mr L D Wanniarachchi	-	Director, Chemwood Ind.Ltd
<u>TANNERIDE (CEYLON) LIMITED</u>		
Mr. Christopher Don Carolis	-	Managing Director
<u>PHOTOVOLTAIC LTD:</u>		
Mr Lalith Gunaratne		
<u>HARRISON &amp; CROSSFIELD (COLOMBO) LTD:</u>		
Mr. N Jayasingam	-	Chairman
<u>HAMBANTOTA DISTRICT:</u>		
Mr Leelasena	-	Project Manager, Hambantota Integrated Rural Development Program (HIRDP)
Mr K A S Wickrema	-	Assistant Director, HIRDP
Mr B A Dole	-	District Manager, Bank of Ceylon
Mr D N Dissanayake	-	SMI Appraisal Officer, Bank of Ceylon
Mr R P Banduladasa	-	Chairman, District Chamber
Mr G S Mahanama	-	Treasurer, District Chamber
Mr B Hemasiri	-	Entrepreneur
Mr G Gajasinghe	-	Entrepreneur
Mr K Sudusinghe	-	Course Recipient
Ms A M Anwar	-	Course Recipient
Ms G V K C Malkanthi	-	Course Recipient/ Entrepreneur
Mr L A P de Silva	-	Course Recipient/ Entrepreneur
<u>EMBASSY OF SRI LANKA IN WASHINGTON:</u>		
H.E. Mr. Susantha de Alwis	-	Ambassador
<u>COOPERS &amp; LYBRAND (WASHINGTON):</u>		
Mr. Zoltan Pazmany	-	Partner
Mr. Stephen M Baron		
Mr. Robin D Andrews		

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Mr. G Christian Carrol

Mr. P. Patricio Crespo

DEVELOPMENT ASSOCIATES INC:  
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Mr. John H Sullivan

- Vice President,  
International

COVERDALE ORGANIZATION INC:  
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Ms Sandra E. Travis

- Senior Consultant

ANNEX II

EVALUATION QUESTIONS : INVESTOR SERVICES/INVESTMENT PROMOTION

- 1) What is the quantity of the profiles and studies (1) completed to date ?

SLBDC records show a total of 13 profiles to date, of which 11 are "general profiles", and two of which are "investor based".

C&L records show a total of 29 profiles completed to date, of which 14 are "general profiles", 12 are "cost profiles"; and three are "investor based".

SLBDC has commissioned and received ten feasibility studies and one detailed market opportunity study. C&L have completed five pre-feasibility studies, three market studies and two Industry Pamphlets.

- 2) Which of the profiles/studies are aimed at investments involving foreign joint venture partners vs. no contemplated foreign investment?

Of the profiles prepared by SLBDC, four are aimed at joint ventures with foreign partners, while the remaining nine are targeted towards local businessmen.

Eighteen of the C&L profiles are about joint ventures with foreign partners, while the remaining eleven are for local businessmen.

Of the feasibility studies commissioned by SLBDC, all but one are about wholly owned projects.

Of C&L's pre-feasibility studies, three are for potential joint ventures, while two are for a local business. Two market studies were for local clients and one was for a potential joint venture.

- 3) Which are agri-based vs. other categories (summarized by category)?

Of the SLBDC profiles, five are "agri-based", two are "labour based", two are "service based", and is "resource based", one is "labor and resource" based, and two are not categorized.

Of the C&L profiles, eight are "agri-based", thirteen are "labour based", three are "resource based", two are "linkage based", one is "process based", one is "service-based", and one is not categorized.

Of the C&L Prefeasibility Studies, three were about "agri-based" projects and two were about "labor based projects". One market study was "agri-based" and two are not categorized.

Of the SLBDC feasibility studies, nine were about "agri-based" projects one was resource based, and one was not categorized.

- (1) Definitions appear in Annex III.

Tables I to VIII to display selected information about the profiles and studies.

- 4) How has it been decided which profiles/studies would be undertaken (role of Technical Committee for Investor Services)?.

According to information received from SLBDC, the Investor Services Division presents ideas for profiles and studies to the Technical Committee on Investor Services which then records an opinion, which may or may not be accepted, on whether or not a profile, or a study should be undertaken. SLBDC staff re-examines its ideas after receiving this advice and then solicits approval to undertake studies from its Board of Directors. C&L, however, have had no contact with the Technical Committee since Nov. 1985, and therefore they have created two profiles at the request of FIAC, one for the EDB, four for investors, 14 from their own assessment. Nine profiles were created at the request of SLBDC early in the life of the project. The SLBDC requests were cleared with the Committee and the Board by the SLBDC staff before they were passed to C&L.

C&L's prefeasibility efforts were, as far as can be determined, undertaken on behalf of clients who made contact directly with C&L and then had their requests for work cleared with SLBDC, which followed the above procedures. The same is true for the market studies, including the one which was undertaken at the request of the Export Development Board, but cleared with SLBDC.

- 5) How have the individuals performing the work been selected (by C&L, by SLBDC)?

SLBDC has assigned the creation of all of its profiles to local consultants. Eligible consultants have registered with SLBDC and deposited resume's of their skills in the SLBDC databank. When a profile is required, SLBDC staff select several consultants from the databank, who, in the staff's opinion, are qualified to carry out the work. These are then invited to submit proposals which include cost; and the most attractive is selected.

C & L assign profile work to staff members. Seven local consultants were however, hired from time to time to provide specific technical expertise to the C&L team members.

For feasibility studies, SLBDC again consults its databank and three qualified consultants are invited to negotiate with SLBDC staff and the client about terms of reference for the assignment and its cost. Based on these conversations, SLBDC and the client select a consultant.

C&L assign prefeasibility and market intelligence work to staff members who are also supported by outside technical experts as required. C&L have hired eleven individuals and one firm for this work to date. Of the eleven, five were local consultants.

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- 6) Have the profiles/studies been carried out in a timely way once the decision to proceed has been made?

SLBDC felt that there were teething problems in the production of profiles in the beginning when some consultants were not used to discipline, but these problems have been solved. All of the SLBDC feasibility studies were completed within agreed upon time limits except one. In this case the project sponsor delayed matters by not providing required information on schedule.

C&L set their own schedule with respect to profile production, so timeousness is difficult to determine. Fifty percent of C&L's clientele for the studies have been interviewed and some expressed concern about delays.

- 7) Who has paid for this work (PEPP funds, client fees)?

SLBDC is the collection agent for work carried out both by itself and by C&L.

Local clients pay 50% of the actual agreed upon cost of studies organized by SLBDC and carried out by local consultants and 50% of an imputed cost for similar work carried out by C & L. Table IX shows the prices determined for C&L studies.

Foreign clients, primarily those receiving "cost profiles" and "investor based" profiles, are not billed.

C&L's expenses are completely covered by PEPP funds. All "non-investor based" profiles commissioned by SLBDC are paid for by PEPP funds, while "investor based" profiles and feasibility studies are split evenly between the investor and PEPP.

- 8) What has been the cost of the Profiles/Studies by:  
(1) Type/Complexity of the Profiles/Studies; and  
(2) Whether undertaken by C&L or SLBDC?

According to SLBDC records the 13 completed profiles commissioned by it, cost an average of Rs. 10,480 each.

The ten completed Feasibility studies commissioned by SLBDC cost an average of Rs.15,900 each. The detailed market opportunity study cost Rs. 80,000.

C&L estimate that as of November 30, 1986 they had spent an average of US\$ 1,769 on the 29 profiles that they have completed and a total of US\$ 147,000 on the five pre-feasibility studies that they have completed. The overseas market study cost US\$ 31,938.

C&L has spent a total of US\$ 147,000 on the five pre-feasibility studies which they completed; and \$ 31,000 on the one overseas market study that had been completed by 11.30.86.

Tables I to VIII to list each profile & study with its cost.

Discussing cost by "type/complexity" is not possible. By definition, the more complex the undertaking, the more costly.

9) What use has been made of the profiles/studies when:

(1) They have been "investor-based", i.e. clients have shared their cost and have a proprietary right to their use; or

(2) they have been "generalized" i.e., It has been the SLBDC's responsibility to make them available through advertising, distribution or sale to interested parties?

SLBDC has prepared two investor based profiles and C&L have prepared three.

One of SLBDC's profiles, the description of an "Integrated Farm", motivated the client, according to SLBDC records, to expand his farm and also to seek a feasibility study (in that order). See # 10 below. The second profile has only just been completed.

C&L's profile on Rice Milling also inspired a feasibility study. The other two profiles have not produced results.

All generalized profiles, whether prepared by C&L, or SLBDC, are offered for sale for Rs. 600 each. Unless the purchaser requests further assistance from SLBDC, there is no follow-up. Often the purchaser will be unknown to SLBDC.

SLBDC records show that four generalized profiles have led to investments. See # 10 below.

10) Have profiles/studies been instrumental in moving investors towards actual decisions to invest? How many investments have actually materialized? (To the degree possible based on available information, describe such investments by amount of investment, projected employment, and projected export creation or import substitution.).

One project is known to have been assisted by a C&L pre-feasibility study: Alphanumeric Logic Systems, Ltd. The company is in operation and represents a total capital investment of about Rs. 6,000,000. There are around forty employees, but not all are full time.

The study was helpful to the sponsor Mr N Jayasingham when he negotiated a bank loan of Rs. 4,000,000.

The C&L study for Boyaganne DC Mills has encouraged the client to order some of the suggested equipment and it is likely that he will follow through on all of the recommendations. Approval of his loan application for Rs. 24 million appears likely to come through shortly.

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Two studies in progress by C&L: Jafferjee Rice Mill modernization program and a feasibility study for Photovoltaic Technologies Limited (which follows a market study for the same firm) are quite likely to lead to investments. Jafferjee is a large and well financed group and therefore can act on the study's recommendations without need of external funds. Photovoltaic Technologies, while a modest venture is sponsored by well qualified principals who should be accepted for finance.

SLBDC informed that three of its feasibility studies, one describing the cultivation of passion fruit, the second describing the cultivation of ramie, and the third describing the manufacture (sic) of mushrooms, have led to investments. SLBDC also informed us that four general profiles, the cultivation of ginger, a small scale poultry operation, a modern bakery and a twenty-four hour laundry led to investments, as did the investor based profile describing an integrated farm.

The cultivation of passion fruit has been undertaken by Lanka Quality Food Packers. The principals used the feasibility study, which focused on technical aspects of passion fruit cultivation, along with assistance by an IESC expert, to open 12 acres to passion fruit cultivation. The project was internally financed and has resulted in the creation of 8 jobs.

The cultivation of ramie is a large endeavour. Fifty acres are being planted of ramie by Ramie Lanka Pvt. Ltd at an estimated cost of slightly under Rs. 2,000,000. The company is in the process of borrowing up to half that amount and anticipates that about 40 permanent jobs will be created once the crop is in. At present, 90 to 100 temporary workers are preparing the land.

The mushroom project is just getting started also and took shape as the feasibility study, which has just been delivered, was being prepared. Dr. S Kurundugahamada is the project's sponsor. It is expected to cost about Rs. 1,200,000 of which Rs. 600,000 will be borrowed. Twenty five people will be employed.

The cultivation of ginger, inspired by a general profile, is being done on four acres (as an inter-crop with existing coconut trees) by a Mr Ranatunga. He is spending Rs 70,000 of his own funds on this project and is employing four additional people.

The small scale poultry farm belongs to Mr H S Imadurva. He borrowed Rs. 50,000 to get established, and has employed five people.

The modern bakery was established by Mr K H M P Perera using an estimated Rs. 8,000,000 of his own funds. He is employing 10 people.

The Twenty-Four hour laundry was established by Aquatic Pvt. Ltd using Rs 500,000 of their own funds. This project employs six people.

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The integrated farm, the development of which was inspired by an investor based profile and paralleled the work on a feasibility study, is owned by a Dr Dassanayake. The project cost is estimated to have been Rs. 700,000 and finance is being sought for Rs. 300,000. The farm covers 50 acres and employs thirty people.

It should be noted that SLBDC staff feels that their clients will be able to utilize the general profiles when seeking finance for projects. This is a misconception, which will be shed over time as the staff's experience with project financing practices grows.

11) Have resources devoted to this area been utilized cost effectively (By C&L, by SLBDC)?

It is too soon to answer this question as none of the projects that have been started have had time enough to prosper or flounder.

We do wonder, however, if USAID should be providing for virtually nothing, expensive C&L professional services to firms such as Air Lanka Catering Services and Jafferjee Brothers. These are both substantial businesses and have the resources to hire consultants commercially.

We also wonder if perhaps the EDB, in receiving a free market study, valued it accordingly. The findings have not been circulated, although the EDB has had the Study of the Market for Dessicated Coconuts in the U.S. and Canada for six months. Perhaps if the fee of US\$ 32,000 had been EDB's responsibility, instead of USAID's a different result would have been seen.

12) How many clients have been provided by (1) the SLBDC and (2) C&L with business advisory services, (other than the completion of, or access to, the profiles/studies in above).

The log of the Investment Promotion Unit of the Investors Service Division of SLBDC shows that from December 18, 1985 to September 30, 1986, 161 individuals received sufficient advice to merit a notation.

The log of the Advisory Services Unit of the Investors Service Division of SLBDC shows that from December 18, 1985 to April 30, 1986 71 individuals were advised.

SLBDC informs us that the actual total is 247 people (as of September 30, 1986) and that the Advisory Service Log is incomplete because personnel changed - resulting in a period when the Advisory Service post was vacant.

C&L records show that as of September 30, 1986, 107 firms in Sri Lanka had logged professional time. Most were seeking overseas markets or joint ventures.

Additionally, in the U.S. C&L contacted about 450 firms, (mostly

as a result of trade show participation) and had enough dealings with each of them to open computer records. All of these firms were seeking, or were being convinced to seek, perhaps in a preliminary way, a Sri Lankan partner or supplier.

13) What types of clients have been served (individuals Vs. companies, local vs. foreign investors)?

SLBDC's clients, for the most part, have been individuals seeking advice on starting up a business, or they have been small business proprietors seeking help for a modest expansion plan, or diversification.

C&L's clients have generally been more substantive and interested in joint ventures, foreign markets, or significant projects. Only C&L have had foreign clients - virtually all of whom were found at trade shows.

There has been little overlap. SLBDC sent few clients to C&L unless that client specifically requested C&L assistance. C&L sent all local clients to SLBDC to "check-in" so-to-speak, and then they were re-referred to C&L.

14) Based on SLBDC and C&L record-keeping, what categories (types) of business advisory services have been delivered?

SLBDC records suggest that virtually everyone who approached for assistance wanted information on a business idea. Almost all had a project in mind and wanted to find out more about its feasibility. All were small scale operators or aspiring entrepreneurs.

C&L's clients were seeking joint ventures, marketing outlets, or assistance with a project of some size.

15) What have been the costs of such services (by client, by type of service, and whether delivered by C&L or SLBDC)?

A total of \$63,348 had been charged to business advisory service activities by C&L by the end of October 1986. The time spent on each client was not measured by C&L, nor did C&L attempt to ration professional time. Each client received as much time as C&L thought he needed, rather than a balanced amount determined by the cost of services, the potential results of these services and the client's willingness or capacity to pay. C&L clients were comprehensively served if they wanted to be; cost was not a factor.

SLBDC has two full time professionals, each earning about Rs. 8,000 per month who devote virtually all of their time to providing business advisory services.

16) What fees have clients paid for various services and what percentage has this been of the total cost?

C&L's services have been more or less a free good. Time spent on Advisory Services was not billed to clients.

SLBDC was responsible for billing for C&L studies and established a fee schedule for this purpose. This schedule attempted to equate C&L costs to local ones, and may well have done so. The result was that C&L clients are paying a fraction of the true cost of the work being performed on their behalf. For example, the Alphanumeric Logic Systems study cost US\$ 11,580. The client anticipates receiving a bill for Rs. 16,000.

SLBDC has a program of charging clients 50% of the cost of the studies that it commissions. These costs generally are quite low. For example, the most expensive SLBDC study commissioned to date, an "Opportunity Study of the Domestic Beer Market" cost Rs. 80,000 and the client was billed Rs. 40,000. The average SLBDC study, ex "Beer Market" has cost Rs. 15,900.

17) Have these services resulted in moving investors toward actual decisions to invest?. How many investments have actually materialized?

SLBDC informed us that at least 20 small investment projects, mostly rural ones, resulted from the advice and assistance the Investor Services Division provided clients.

We reviewed the logs of both the Investment Promotion Unit and the Investment Advisory Services Unit and follow-up material as was available from SLBDC files and were convinced that this claim is substantially correct. Time however, did not permit individual client interviews.

All of the projects were small, some involving no more than Rs. 5,000, however, each one helped a business to expand or survive or start. Assistance ranged from finding new markets to arranging small loans.

18) Have resources devoted to this area been utilized cost-effectively by C&L and by SLBDC?.

C&L made no effort to budget the time applied to providing advice (See answer to Question # 15 above).

If SLBDC's assertion that 20 small projects have been started because of its advice and assistance, then this service is the most useful and cost effective one that the Investor Services Division can provide. The out of pocket costs to SLBDC of the two employees who render advice and assistance are no more than Rs. 20,000 per month.

19) What Specific Recommendations does the evaluation team have with regard to business advisory services?

Providing advice and assistance to new, small and medium scale businesses to help them to start, expand and survive should be

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the main thrust of SLBDC's Investor Services Division.

This is however, an activity that will require support from a source of funds external to SLBDC. The very firms that can most benefit from this service are the ones that can not afford to pay for it.

USAID may wish to consider a direct subvention to SLBDC to cover the costs of the individuals employed to provide advice.

This, clearly, is not a permanent solution, but there may not be one. SLBDC may be well advised to develop the talent to arrange funding for its activities, particularly the Investor Services Division, by obtaining grants from time to time from various bi-lateral and multi-lateral donors.

20) Data base/library/information resources: What data or other information relevant to investor services have been collected by the SLBDC and/or C&L?

SLBDC has an IBM Desk Top Computer which C&L acquired for it. This is hooked up to the "Dialog" database which is in Singapore, "Infoline" which is in England and "Inca" which is in Germany.

Also in memories are the consultant roster, (175 individual consultants, cross referenced by speciality); and all of the SLBDC Feasibility Studies, Projects, Profiles and Opportunity Studies. An "Exporters" Register is presently being entered into the memory.

For most information, SLBDC uses the resources of the Trade and Shipping Association library, which is in the same building.

C&L did not specifically add to their library or databases for this project since information is comprehensively available within the firm.

21) How many data have been entered on computer? Is the information being utilized by the SLBDC, C&L and/or SLBDC, C&L clients?

See # 17 above. SLBDC has just begun to employ its computer so its utility can not yet be determined.

The International databases may help SLBDC provide market information for clients.

Computer stored information is part of C&L's stock in trade and therefore its utilization in the preparation of studies takes place in the normal course of business.

22) Has this been a cost-effective use of PEPP resources? What more can/should be done?

It's too soon to tell. The databases have only recently gone on

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line.

- 23) How many decisions to support group or individual missions been made (including role of technical committee) for investment promotion?

The Technical Committee for Investment promotion met for the last time during October 1985, and therefore no investment missions have been approved since then. Three missions, those of Messrs. Jayasingham, Samarakkody and De Silva were undertaken with Committee approval.

- 24) How many group missions have been supported by the project? With C&L inputs, with SLBDC inputs? What specific support has been provided in each case? Is there any information on the results of the missions in terms of investment activity?

No group missions have been organized since SLBDC was incorporated, and C&L began to operate under the contract.

The Secretary of the Ceylon Chamber of Commerce went to Japan and the Nordic countries on PEPP funds as a part of a FIAC mission and the Secretary of the Federation of Chamber of Commerce was sent as a team leader of a FIAC mission to South Korea.

The missions themselves were supported by contract funds.

- 25) How many individual investment missions (IIMs) have been completed? Did these IIMs conform to established eligibility criteria? For each IIM, has a decision to invest in a joint venture been moved forward and/or has an investment materialized?

Three individual investment missions took place. Each participant was approved by the Technical Committee for Investment Promotion. Mr N Jayasingham visited the USA during September 1985 and there completed negotiations for a joint venture that became Alphanumeric Logic Systems Ltd. His project is described in the answer to question # 10 above.

Mr M.M de Silva of MM Enterprises Pvt. Ltd visited Japan during May and June, 1985 and there expanded the market for his coconut chips by twenty fold. He has (according to him) increased his shipment from one container load per month to twenty, invested an additional Rs. 60,000 in his business and employed an additional 100 people.

Mr S J Samarakkody of ESJAY Electronics Pvt. Ltd visited the U S A during January and February 1986. He attended the "Smartex" Electronics Show and had serious conversations with 18 different companies about subcontracting. Although no firm agreements have been reached, ESJAY is in serious negotiations with two US firms: one, if successful, will result in a joint venture to manufacture magnetic recording heads; and the second will result in a contract to produce printed circuit assemblies as a subcontractor.

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26) How many exhibitions, either overseas or in Sri Lanka, have involved support by PEPP? What form has this support taken, who has provided the support (SLBDC, C&L), and what has been the cost to the project in each case?

C&L and SLBDC both attended the Rubber/Plastics Exhibition in Colombo during October 1985.

In the U.S., C&L attended eight trade shows for the purpose of attracting U.S. firms to the idea of either subcontracting to Sri Lanka, or of buying local exports. These were:

Date	Name	Cost:
Sept. 1985	The "MIDCON" Electronics Show	\$ 6,302
Sept. 1985	International Business information Services Off-Shore Production Seminar	782
Nov. 1985	The "WESTCON" Electronics Show	6,209
Dec. 1985	The US International Food Show	3,773
Feb. 1986	The US National Sporting Goods Show	N/A
Sept. 1986	The Data Entry Management Association Convention	1,564
March 1986	The International Business Information Services Subcontract manufacturing Seminar	644
Sept. 1986	The Coil Winding Show	505

C&L sent an individual to each show to visit booths of prospects and distribute literature about Sri Lanka. At the MIDCON the WESTCON and the International Food Show, C&L operated booths.

27) What indications are there of project purpose accomplishment through this support, e.g. actual investments generated, greater awareness of Sri Lanka as an investment location?

No American firm has made an investment in Sri Lanka as a result of C&L's representations at the eight above named trade shows. American business is suspicious of Sri Lanka as a basis for investment because of the ethnic problems. It will take time and a serious effort to overcome these suspicions.

Mr. Jayasingam attended the Data Entry Management Association convention conference with his U.S. partner Datalogics, and that may have helped the two of them to sort out their objectives, but we don't know for certain.

Virtually all of C&L's inquiries for joint ventures and sourcing came from their attending shows, however, none have resulted in business.

28) What are the evaluation team's recommendations regarding the usefulness and continuation of support for overseas investment missions?

The three individual missions all seem to have been productive exercises and a good use of project funds. However, the two missions to the U.S. were both heavily dependent upon advance work by the contractor for the success of one and the potential success of the second. In the absence of this preparation, it is unlikely that the missions would have been as useful and therefore AID may wish to attempt to find an organization within the U.S. and other countries (Chambers of Commerce?) that can help organize missions once the existing contract expires.

29) How many participants have received training to date?

One officer from the Ministry of Finance apparently was sent on a course in the U.S.A.

## ANNEX III

### DEFINITIONS ACCEPTED BY THE PEPP PARTICIPANTS:

#### 1. PROJECT PROFILE:

In making available a range of investable project ideas, the "Project Profile" will be expected to provide the following essential information to enable potential investors to decide on an investible project for further study as to its commercial viability, in relation to the special circumstances in which investment will be ultimately made.

- 1.1 Brief analysis of export market/local market.
- 1.2 Total investment (fixed capital and working capital) in relation to production capacity.
- 1.3 Technology/brief description of manufacturing process.
- 1.4 Raw materials/packing materials and their availability.
- 1.5 Requirements of power, fuel, water and other utilities.
- 1.6 Expected profitability and other important financial parameters. eg. Return on equity and total investment, pay back period of investment, break even point etc.
- 1.7 Foreign exchange earnings/savings etc.
- 1.8 Factors of production - eg. availability of land, labour, etc.

The project profile will therefore be a document of not more than two to three pages, providing indicators as to the market, project size, investment and commercial returns that could be expected, in relation to a specific product. The document will assist an investor to narrow down investment decisions to a particular product/product area out of a range of such investible ideas available to him.

#### 2. PRE-FEASIBILITY REPORT:

"The Pre-feasibility Report" with regard to a particular product is intended to be a detailed study in regard to the commercial viability of production of a particular product. Such a study will not however take into account the specific circumstances under which the investment for the production of the particular product will take place. It is therefore a sort of model project report and not a bankable document.

The pre-feasibility study will inter alia cover the following:

- 2.1 A detailed sector market analysis as well as the specific market analysis for the product - both export and local market.
- 2.2 Estimated total project cost comprising fixed capital and working capital with a breakdown of the cost of capital items. eg. land, buildings, machinery, etc. Recommendation in regard to location, nature and procurement of capital items.
- 2.3 Proposed financing structure of the capital investment.
- 2.4 Details of the technology/production process proposed and an analysis of the alternative technologies available with the changes of machinery/equipment necessary for the adoption of such technologies.
- 2.5 Planned production programme and the details of requirements of raw materials, packing materials consumables and utilities in relation to the production programme and their procurement.
- 2.6 Analysis of commercial viability with financial projections for at least a five year period. This will cover trading and profit and loss account, cash flow, proforma balance sheet, etc.
- 2.7 Analysis of expected returns. eg. Percentage return on equity and total investment, payback period of capital investment, breakeven analysis, internal rate of return, net foreign exchange earnings/savings, etc.

### 3. FEASIBILITY REPORT:

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The "feasibility Report" will cover the same areas detailed above for prefeasibility studies with the exception that the analysis will be in relation to the particular circumstance under which the investment is made. It will therefore be the bankable document.

4. Criteria for Selection of Profiles and Pre-feasibility Studies considering the investment targets for the economy as a whole, and also the medium term export development plan, specially in terms of foreign exchange earnings in relation to the balance of payments position, the following criteria are suggested for selection of items for preparation of profiles.
  - 4.1 Availability of markets and, particularly in the case of export markets, proximity of markets. eg. Middle East Markets.

- 4.2 Extent of net foreign exchange earnings/savings and/or added value.
- 4.3 Availability of local raw material resources and skills/technology. eg. Agrobased products.
- 4.4 Extent of flexibility of commercially viable scales of operations to accomodate entrepreneur investment capacities.
- 4.5 Possibility of backward linkages in production.
- 4.6 Potential for employment generation, including a reasonable labour to capital ratio.

ANNEX IV

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SLBDC MANAGEMENT DEVELOPMENT ACTIVITIES

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MANAGEMENT DEVELOPMENT DIVISION (1986)

I. Consultancy Assignment

Fee

- |  |               |                     |
|--|---------------|---------------------|
| I.1 Study on personnel procedure and practices at Deenam (Pvt) Ltd Thulsdoo Factory Republic of Maldives | Rs. 10,000    | 27 - 30 January '86 |
| I.2 Preparation of Training Modules for Economic project Activities of Sarvodaya Sharmadana Movement     | Rs. 135,000/- | April '86           |
| I.3 Study to develop Organisation structure for Institute of Construction Training & Development         | Rs. 80,000/-  | January '86         |
| I.4 Consultancy service for International science & Technology Institute Washington                      | Rs. 52,000/-  | February '86        |

2. Research Study

- |   |             |
|---|-------------|
| 2.1 Developing Guidelines for Evaluation of Management Development Programme.         | April '86   |
| 2.2 A survey of Successful practices of Sri Lanka Managers with Coverdale Consultants | January '86 |

3. Joint Programmes with Other Divisions

3.1 Entrepreneur Development Division

- a. A M T Workshop Waikkal June '86
- b. T O T " " June '86
- c. E/D Programme Hambantota August '86
- d. E/D " Giraduru Kotte March '86

3.2 Investor Division

- a. Diagnostic Studies
  - M/s Chamanex Limited September '86
  - M/s Samarasinghe Brothers Ltd October '86
  - M/s Studio Vipula November '86

4. In-Company Programme (Offer to a single Client Company)

<u>Company</u>	<u>Subject</u>	<u>Duration</u>	<u>No. of Participants</u>	<u>Fee Paid</u>	<u>Consultancy Fee</u>
4.1 Fentons Ltd	General Management	I day	25	17,500/-	-
4.2 Lever Brothers Ltd	Mgr as a mediator	½ day	18	-	-
4.3 " " "	Mgr as a Problem solver	½ day	18	-	-
4.4 Central Finance Co Ltd	General Management	2 days	35	13,500/-	3,000/-
4.5 U.T.E. Co Ltd	Dev. Marketing Plan	I Month	11	15,000/-	12,000/-
4.6 Anti Malariya Campaign	T O T Workshop	I day	12	3,5000/-	-
4.7 C. W. E.	Communication	I day	26	-	-

4.8	U.T.E. Co Ltd	Developing future plans	½ day	II	6,000/-	-
4.9	Bank of Ceylon	Productivity through motivation	½ day	28	-	-
4.10	C. W. E.	Communication	½ day	30	-	-
4.11	U.T.E. Co Ltd	Tender procedures	½ day	8	6,000/-	2,500/-
4.12	U.T.E. Co Ltd	Buyer Behaviour	½ day	12	3,000/-	1,000/-
4.13	U.T.E. Co Ltd	Industrial selling	two ½ days	13	12,000/-	5,000/-
4.14	U.T.E. Co Ltd	Legal aspects of Industrial selling	½ day	18	6,000/-	2,500/-
4.15	Nestle Lanka Ltd	Co-operation in Management	½ day	16	2,250/-	750/-
4.16	Hayley's Ltd	Sales Executive Prog.		8		
4.17	U.T.E. Co Ltd	Advertising	½ day	14	6,000/-	2,500/-
4.18	U.T.E. Co Ltd	Basic Skills of a Salesman	½ day	14	6,000/-	-
4.19	U.T.E. Co Ltd	Market Research	½ day	15	6,000/-	2,500/-
4.20	U.T.E. Co Ltd	Report writing	½ day	9	6,000/-	2,500/-
4.21	Bata Shoe Co	Communication	½ day	14	-	-
4.22	U.T.E. Co Ltd	Roles & Functions of a Salesman	1 day	12	3,000/-	-

4.23	Ceylon Tobacco Ltd	Negotiation	3 days	24	36,000/-
4.24	Eever Brothers Ltd	PMP General Management	3 days	16	15,000/-
4.25	Hayley's Ltd	Performance Evaluation	1 day		
4.26	Central Finance Co Ltd	General Management	1 day	19	7,500/-
4.27	Hayley's Ltd	Workshop on Communication	1 day	24	3,000/-
4.28	Hatton National Bank	Fundamental of Management	½ day	28	
4.29	Singer (Sri Lanka)	Accounting for Non-Accountants	1 day	39	12,500/-

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MANAGEMENT DEVELOPMENT DIVISION (1986)

4. In-Company Programme (Offer to a single Client Company)

	<u>date</u>	<u>Out side Consultant</u>
4.1 Fentons Limited	14.II.86	-
4.2 Lever Brothers Ltd	11.II.86	-
4.3 " " "	10.II.86	-
4.4 Central Finance Co Ltd	17.IO.86	-
" " " "	18.IO.86	Mr. L C Fonseka (C.V. Attached) Mrs. R Jayasundara (C.V. Attached)
4.5 U.T.T. Co Ltd	Oct. & Nov. '86 ?	Mr. R. Aluvihare (C.V. Attached)
4.6 Anti Malaria Campaign	25.09.86	-
4.7 C. W. E.	26.IO.86	-
4.8 U.T.E. Co Ltd	16.08.86	-
4.9 Bank of Ceylon	09.07.86	-
4.10 C. W. E.	21.09.86	-
4.11 U.T.E. Co Ltd	12.07.86	Mr. S A P Rupasinghe Consultant SLIDA Former Head of Government Stores (Retired C A S Officer)
4.12 U.T.E. Co Ltd	19.07.86	Mr. G Viswasam Industrial Buyer Lever Brothers (Ceylon) Ltd
4.13 U.T.E. Co Ltd	10.05.86 31.05.86	Mr. J C De S Jayasinghe Director Research N.I.B.M Former General Manager Markfed Limited

	<u>date</u>	<u>Out_side_Consultant</u>
4.14 U.T.E. Co Ltd	26.07.86	Mr. U L Kaluarchchi Attorney-at-Law Senior Consultant. N.I.B.M.
4.15 Nestle Lanka Ltd	30.07.86	Mr. R Zaheed Training Manager Hayley's Limited
4.16 Hayley's Limited	20.05.86	-
4.17 U.T.E. Co Ltd	07.06.86	Mr. R Aluvihare (C.V. Attached)
4.18 U.T.E. Co Ltd	03.05.86	-
4.19 U.T.E. Co Ltd	31.05.86	Dr. Upali Nanayakara (C.V. Attached)
4.20 U.T.E. Co Ltd	10.05.86	" "
4.21 Bata Shoe Co	03.04.86	-
4.22 U.T.E. Co Ltd	26.04.86	-
4.23 Ceylon Tobacco Ltd	22.02.86 23.02.86 24.02.86	Coverdale Consultant " " " "
4.24 Lever Brothers Ltd	13.02.86 14.02.86 15.02.86	Coverdale Consultant + SLBDC " " " " " "
4.25 Hayley's Limited	19.04.86	-
4.26 Central Finance Co Ltd	18.01.86	-
4.27 Hayley's Limited		
4.28 Hatton National Bank	31.08.86	-
4.29 Singer (Sri Lanka) Ltd	24.03.86	-

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5. Support to Other Institutions

	<u>Organisation</u>	<u>Programme</u>	<u>Form of Support</u>	
			<u>Recourse Personnel</u>	<u>Other</u>
5.1	International Leadership Training Institute	Financing District Dev. Programmes	+	
5.2	University of Colombo	Postgraduate Diploma in Community Dev.	+	Curricula Dev.
5.3	Young Chartered Accountants Forum	Seminar on Manual to Computers - The Conversion Process	+	
5.4	National Management Conference '87	-	-	Participation in Steering Committee Meeting
5.5	International Council for Adult Education	International Seminar	-	Participation in Organisation seminar
5.6	Sri Lanka Management Association	-	-	Participation in Committee
5.7	CICC - Center of the International Cooperation for Computerization		.	Nominated participants for Computer training
5.8	Labour Officers Association	Management Development Prog. on Communication	+	
5.9	Womens Bureau	Experiential Learning Methodology	+	

5.10	Institute of Chartered Accountants S.L.	Seminar on Strategic Planning Students Training Programme	+	
5.11	N.I.B.M.	Organisation Development	+	
5.12	Local Government Training Institute	Seminar on Management of Change	+	
5.13	National Association for Total Education	Seminar on Group Dynamic	+	
5.14	Rotary International	Time Management	+	
5.15	International Management Club	Seminar on Principles of Management	+	
5.16	University Grants Commission	Organisation Development & Marketing Development	+	
5.17	National Chamber of Industries		+	Course design
5.18	Postgraduate Institution of Management Studies	Workshop on "Using case Methods in Mgt. Training"		Participation in Programme
5.19	Mahaweli Economic Agency	Various training Programme	+	
5.20	University of Kelaniya	Diploma in Industrial Mgt.		
5.21	Aisia Foundation	Lecture on "New Trends in Management Education"		Organisation & Co-ordination
5.22	Other Training Institutions			Developing in inter- grated programme of action with other Training Institutions

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5.23	N.I.B.M. / A P O	Forum on Mgt. Dev. Thailand Mission	+	
5.24	Center for Housing Planning & Building	Session on Human Resouse development	+	
5.25	Labour Department	Lecture: on Communication	+	
5.26	National Training Project		+	Discuxxion on improve- ments to education curriculum for business courses in Technical colleges.
5.27	Institute of Personnel Management		+	
5.28	I. L. O.			Organisation and Co-ordination
5.29	Fertilizer Secretariat	F. A. O. Dev. Programme	+	
5.30	Industrial Development Board	General M.I.P. Programme	+	
5.3I	Jatika Savaka Sangamaya	Management Development Programme	+	
5.32	Internationa Dev. Law Institution	Nominating participants for I.D.L.I. Programme		

6. Public Programmes (participants from diverse Companies)

<u>Subject</u>	<u>Prog. Title</u>	<u>Date</u>	<u>Duration</u>	<u>No. of Participants</u>	<u>From Pvt. Sector</u>	<u>Fees</u>	<u>Venue Ccst</u>
1. General Management	M. I. P.	[23/10/86] [25/10/86]	3+ 1mt. working Assignment	8	8	24,000/=	6,028/=
2. Computer	Using Com. for better Management Decisions	21/10/86	1 day	10	10	6,400/=	2,100/=
3. Time Management	Time Mgt. Workshop	8/3/86	1 day	15	13	12,000/=	
4. General Management	P. M. P.	[ 3/3/86 ] [to 7/3/86]	5 days				
5. Time Management	Time Mgt. Workshop	1/3/86	1 day	24	13	19,200/=	
6. General Management	P. M. P.	6/2/86 to 8/2/86	3 days				
7. " "	P. M. P.	27/1/86 to 31/1/86	5 days				
8. Strategic Planning	P. M. P.	[ 2/12/85 ] [to 6/12/85]	5 days				
9. General Management	P. M. P.	[11/11/85 [to 15/11/85]	5 days				
10. Stress Management	Mgt. of Stress	24/10/85	1 day				

11.	Stress Management	Mgt. of Stress	23/10/85	½ day
12.	" "	Mgt. of Stress	22/10/85	½ day
13.	" "	Mgt. of Stress	19/10/85	½ day
14.	General Management	P. M. P.	[ 1/10/85 ] [to 5/10/85]	5 days

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ANNEX V

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SELECTED DATA ASIA FOUNDATION FUNDED SHORT ENTREPRENEUR DEVELOPMENT  
PROGRAM  
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1. CLASSIFICATION OF PARTICIPANTS BY SEX
2. TRACER STUDY OF TWO COHORTS OF COURSE PARTICIPANTS

ANNEX

ASIA FOUNDATION FUNDED SHORT ENTREPRENEUR DEVELOPMENT PROGRAM

1. CLASSIFICATION OF PARTICIPANTS BY SEX
2. TRACER STUDY OF TWO COHORTS OF COURSE PARTICIPANTS

ENTREPRENEUR DEVELOPMENT PROGRAM  
PERIOD JULY 1985 TO NOVEMBER 1986

Table 1: Table giving the venues of courses, numbers enrolled and numbers completing the courses by sex.

District	No. Enrolled	No Completed	Males	Females
Kurugegala	42	42	41	1
Chilaw	22	17	17	-
Matale	33	29	28	1
Kandy	43	41	37	4
Colombo-1	31	29	25	3
Colombo-11	32	26	24	2
Kalutara	14	13	13	-
TOTAL	217	196	185	11

Table 2: Table giving the results of a Tracer Study of two (2) Cohorts of participants who followed the course.

	Kurunegala	%	Matara	%
1. No. who completed the course	42		46	
2. No who returned completed questionnaires	26		30	
3. No who have started new industries	11	42.3%	7	23.3%
4. No who have started non-industrial economic ventures	5	19.2%	5	16.6%
5. No who have started industrial and non-industrial economic ventures i.e. total of (3) & (4)	16	61.5%	12	40%
6. No who are presently taking steps to start industrial and non-industrial economic ventures.	8		14	
7. Add 1/2 of (6) above to (5) on the assumption that at least 1/2 of (6) will start new ventures	20	76.9%	19	63.3%

- NOTES: 1. The percentages were calculated on the basis of the replies received.
2. The Matara program was given when the program was still being conducted under the auspices of the Chamber of Small Industry.

ANNEX VI

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COURSE OUTLINE  
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ENTREPRENEUR DEVELOPMENT LONG COURSE (7 TO 8 WEEKS)  
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ANNEX VI

COURSE OUTLINE

ENTREPRENEUR DEVELOPMENT LONG COURSE (7 TO 8 WEEKS)

M O D U L E -----	T O P I C S -----	DURATION -----
A. General	- An overview of the Small and Medium Scale Industries (SMI) and Small Scale Business (SMB) in Sri Lanka	1 day
	- Why entrepreneurs are needed in Economic Development	
B. Entrepreneurship	- Entrepreneurship What ? Why ? How ? . Who is an Entrepreneur	1 day
	- Entrepreneurship and Economic Development	
C. Achievement Motivation Training (AMT) Laboratory (I) - (Practical sessions and Games)/	- Self Concept Values - Thematic Appreciation Test - Achievement Imagery - Risk Taking - Use of Feed-back - Taking of personal responsibility - Communication and Leadership - Creativity and Innovativeness - Competition - Achievement Games - 1 - Goal Setting - 1	1 week
D. Essentials of Management I (Lectures, simulations, business games and role play)	- Personnel Management - Hiring and Training of personnel - Human relations - Effective Communication - Leadership - Problem solving & decision making	4 days
E. Essentials of Management II (Lectures, games)-	- What is Marketing? - Need for marketing and market research - Basics of market study for a small business/industry - Channels of distribution - Promotion - Sales forecasting - Effective selling (Practical)	4 days

F. Essentials of Management III (Lectures and practical Sessions)	- - - - -	Production systems and functions Plant location and layout Production Planning and Control Materials handling Quality Control Word Simplification	4 days
G. Essentials of Management IV	- - - - -	Principles of Financial Management (The need and the basic requirements) Accounting record systems Costing Pricing Maintenance of Basic Accounts Cost of decision making	2 1/2 days
H. Fundamentals of Project Feasibility Study Preparation-	- - - -	Format of a project feasibility study Technical information sources and services Economic and market feasibility Technical feasibility Financial feasibility	3 days
I. Identification of Business Opportunities	- - -	Opportunity identification and project selection Forms and Sources of Assistance Product Planning and Development Implementation of the Project	4 - 5 days
J. General Awareness-	- - -	Legal Forms of Business Business Laws and Taxes Labour Regulations and Laws	4 - 5 days
K. Practical Sessions (Field Work) (For aspiring group only)	- - - -	Field studies for information on raw materials, markets, prices, distribution etc. Identification of a suitable project Preparation of a suitable project with the guidance of coaches and resource personnel Presentation of the Project Report individually to a panel of evaluators.	1 week
L. In-Plant Training- (for aspiring group only)	- -	One week of in-plant training for aspiring entrepreneurs (While studying, the participants are instructed to do a diagnostic study on the project). Presentation of the findings and the factors studied.	1 week

M. Achievement Motivation Training (AMT) Laboratory II	- - - -	Achievement Games II Goal Setting - II Overview - Entrepreneur and Entrepreneurship	2 days
N. Conclusion	- - - -	Follow-up systems Evaluations Strategies for continuous assistance and monitoring Conclusion.	1 day

ANNEX VII

DETAILS OF MARKETING FORUMS AND SHORT COURSES PRESENTED BY THE  
ENTREPRENEUR DEVELOPMENT DIVISION: 1985 - 1986.

## ANNEX VII

### DETAILS OF MARKETING FORUMS AND SHORT COURSES PRESENTED BY THE ENTREPRENEUR DEVELOPMENT DIVISION: 1985 - 1986.

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Since the inception of operations, the activities carried out by the EDD can be classified as marketing forums, business education programs, and entrepreneur development programs.

#### 1. Marketing Forums:

Half day marketing Forums, are of publicity programs for the SLBDC where participants who are already in business are told of the structure, functions and activities of SLBDC and the extent to which it could assist entrepreneurial activity in the districts. These forums have been conducted as a joint effort of all the functional divisions of the SLBDC in association with local government officials and bankers. The EDD, has arranged the forums.

The SLBDC has conducted Marketing Forums in eight district centres with 230 participants. (see Table at end of Annex)

#### 2. Business Education Programs:

Business Education Programs, also called "Awareness Programs", have been conducted in response to requests of those who participated in the Marketing Forums. These programs, of two/three days duration, have covered the areas of financial management, marketing, personnel management, etc. with an insight to labour legislation and taxation. Four such programs have been conducted with 103 participants (See Table 1).

#### 3. Trainers' Training Programs for the Ministry of Youth Affairs and Employment.

The SLBDC conducted one 20 days training program, in June 1986, for Trainers/Extension officers of the Ministry of Youth Affairs and Employment engaged in development of self-employment projects in rural areas. Training was on AMT techniques and other aspects of small business and industry management. Twenty eight participants followed the program.

#### 4. Other Short Programs :

- One day business awareness program on "How to run a Small Industry" and a diagnostic study of a food

processing unit at a community development project of US Save the Children Fund in the periphery of Colombo.

- A two-day program to encourage business ventures in the villages of Bulnewa and Galnewa, in the Mahaweli area of Anuradhapura district.
- A two-day program to encourage entrepreneurship activities in System H of Mahaweli Area.

#### 5. Direct Assistance to Entrepreneurs

Apart from the SLBDC's seminars and training programs, direct assistance to entrepreneurs has been minimal. It has, up to date, assisted ten clients - three each in Hambantota and Anuradhapura districts, two in Gampaha district and one each in Matara and Kurunegala districts.

Assistance provided has been in the following areas:

- i) Preparation of feasibility studies/project reports;
- ii) Introductions to Banks to obtain loans;
- iii) Technical assistance through outside consultants;
- iv) Conducting localized market surveys and access to marketing channels;
- v) Training - accomodating in one of the training program;

Requests for assistance have been mostly for the purpose of obtaining bank loans, the main constraint to rural entrepreneur development.

Of the ten clients assisted, seven were for in new ventures while the other three were for expansion of already established businesses. Total employment creation due toof the above activities was twenty six in new ventures and six due to expansions.

TABLE : SHORT COURSE STATISTICS.

1. Half Day Market Forums:

<u>PLACE AND DATE</u>	<u>NO. OF PARTICIPANTS</u>
Kandy 24.01.1985	43
Matale 26.01.1985	28
Hambantota 08.02.1985	41
Kurunegala 17.04.1985	107
Kalutara 08.07.1985	26
Matara 30.09.1985	73
Gampaha 26.10.1985	67
Galle 18.01.1985	45
	-----
	230
	====

2. Short (2-3 days) Business Education Program:

<u>PLACE AND DATE</u>	<u>NO. OF PARTICIPANTS</u>
Kandy 14.02.1985	28
Matale 24.07.1985	26
Matara 29.08.1985	23
Kurunegala 13.09.1985	26
	-----
	103
	===

3. Asia Foundation Funded Short (2-3 weeks) Entrepreneur Development Program:

<u>PLACE AND DATE</u>	<u>NO. OF PARTICIPANTS</u>
Kurunegala 09.09.1985	42
Matale 25.01.1986	29
Chilaw 02.11.1985	17
Kandy 10.03.1986	41
Kalutara 13.10.1986	14
Colombo 09.09.1986	28
	-----
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	=====

Five more programmes are scheduled for the the first half of 1987, to be held in Colombo, Wennappuwa, Ambalangoda, Gampaha and Kegalle. Applications from aspiring entrepreneurs have been solicited for enrollment in these programs through the national media.

ANNEX VIII

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EVALUATION OF C&L/DAI CONSULTING/SERVICES FOR THE ENTREPRENEUR  
DEVELOPMENT DIVISION.

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## ANNEX VIII

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### Evaluation of C&L/DAI Consulting Services for the Entrepreneur Development Division.

#### Phase I Inception Report

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The principal recommendations made to the EDD by C&L/DAI as reported in Chapter VI of the Inception Report were that:

- the EDD delay its stress on achievement motivation emphasis in its programs until "information on current research begins to become available.
- meanwhile "concentrate its program development efforts on more straightforward, direct technical/managerial assistance and selected management training for established entrepreneurs with good growth potential".

The DAI technical assistance activities during the remainder of the C&L contract which were recommended by the DAI consultant were:

- "arrange for training specialists to work with the EDD to develop a training design for potential entrepreneurs with spillovers for established entrepreneurs including ways of identifying and selecting participants".
- carry out two policy studies regarding small scale entrepreneur development.
- provide technical assistance related to production, product development and marketing through the Investor-Services component of the program.

The proposed budget for this TA program was \$170,000, which included approximately 8 to 10 man-months of DAI consultant time in Sri Lanka.

#### Follow up to Inception Report

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At the meeting to discuss the Inception Report's recommendations for the Phase II work program, the SLBDC's Technical Committee for the EDD stated that while they had no quarrel with the quality of the Inception Report, the SLBDC had already initiated a course design of their own and therefore did not need DAI to design another entrepreneur development training course for them. Additional DAI input for course design was therefore rejected by the Technical Committee.

The Committee did however request that DAI supply consultants provide teaching/workshop materials in the following areas:

- Small and medium industry financing
- Marketing workshop
- Quality Control
- Venture Capital (request later withdrawn)

The consulting services in marketing and quality control were undertaken during the period January-May 1986 by two consultants provided by DAI.

The financing study had not yet been initiated at the time of the evaluation due to the difficulties associated with the marketing and quality control studies.

#### Marketing and Quality Control Workshop Consulting Services

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Field work for both of these studies took place in Sri Lanka during the period 20 January - 16 March 1986. The final products which were requested, albeit in verbal form, departed substantially from the original terms of reference. The latter specified development of alternative strategies for developing quality consciousness and marketing; test marketing specified products using the alternative strategies, and the return to Sri Lanka on a second trip by the quality control consultant for the purpose of conducting two four day workshops.

It is not at all clear, given the lack of written documentation, at what point during the course of the two months in Sri Lanka, the focus of both efforts was shifted from the original scope of work to the preparation of course materials for small business seminars. Nevertheless, it is clear that both consultants were aware of the changed focus before they left. The marketing consultant left behind a rough draft, and an outline for a final report. The quality control consultant left behind an outline, but apparently no draft.

The reports, which were submitted to the SLBDC in May 1986, were rejected as being unsuitable for the intended purpose.

At the time of this evaluation the draft reports remain in their original unmodified condition; the SLBDC having refused to approve further expenditure for their modification; and C&L/DAI apparently not willing to expend effort on revising the documents without compensation.

#### Evaluation of the Course Workshop Documents

---

The evaluation team, in light of this background, reviewed both documents. The observations follow:

1. "Design of a Teaching Course/Workshop for Teaching Quality Consciousness to Small and Medium Scale Enterprises."

Without having had the benefit of the consultant's version of what was expected of him, review of the document raises the following issues:

- There must have been a major misunderstanding about the thrust of the field work and the nature of the report content. After one month of field trips and interviews outside of Colombo, the two pages of general workplace quality control observations are unacceptably light as a case study product. Just what was the intended purpose of the fieldwork as understood by the author? A month of field work is certainly not required either for this level of comment, or to get an impressionistic flavour of quality control practice in Sri Lanka. Was the thrust of the field work later changed so that a fieldwork report became superfluous vis a vis the end product teaching document?
  - Why was the author able to produce only the barest of report outlines for an elementary presentation of subject matter in which he had been represented as an expert after having spent two full months in Sri Lanka?
  - The teaching document as submitted seems quite well geared to what the SLBDC said was desired - a very elementary level seminar in basic quality control. Nevertheless, this type of course material has been taught in industrial extension courses in the United States for at least the last sixty years. Course outlines can be readily purchased, or in fact obtained free of charge. Why did it require several man months to reproduce in slightly altered form? That such an event was allowed to happen suggests deficient communication arrangements between C&L, DAI and the SLBDC.
  - To allege, as the SLBDC has done, that the quality control document is incapable of being revised to be used as course material is grossly exaggerated. Any competent workshop trainer familiar with the material, and with quality control practices in Sri Lanka, could make the relatively minor revisions necessary to convert it to a relevant course guide in a few days time.
2. Design of a Teaching Course/Workshop on the Marketing of Products from Small and Medium Scale Enterprises.
- As with the Quality Control Workshop, there appears to have been considerable misunderstanding vis a vis the objective of the field work and the nature of the intended final product.
  - Reviewed as a course outline for teaching basic marketing concepts to rural Sri Lankan entrepreneurs being introduced to formal marketing concepts for the first time, the document
    - (i) is presented in a very confusing manner

- (ii) uses case illustrations of other worldly context (e.g. The Alpine Ski Shop case study; cabbage patch dolls in the U.S. as a fad good; trucker jeans sold at truck stops as a goods distribution strategy; a Porsche convertible as a shopping good to most people, but a convenience good to Princess Diana, etc.)
- (iii) represents poor value for the approximately \$30,000 invoiced cost.

A better product could have been obtained by purchasing a readily available (in the U.S.) marketing principles workshop guide and having it adapted by a Sri Lanka consultant to the local context. As in the case of the quality control workshop, it is reasonable to also inquire as to in what more cost efficient manner useable products would have been produced if the SLBDC had been able to accurately define its ultimate requirements in the original scopes of work for both studies. But communication aside, the consultants did a very poor job and served to exacerbate an already poor relationship between SLBDC and C&L.

ANNEX IX

SLBDC FINANCIAL SELF-SUFFICIENCY

SLBDC FINANCIAL SELF-SUFFICIENCY

In conducting this financial analysis the team reviewed data on actual performance from May, 1984 to March, 1986, projections for the current period ending March, 1987 and projections through March, 1991. We also examined the Audited Statements of Accounts of SLBDC for the years ending March 1985 and 1986 and the September 19, 1986 paper "Implications of Alternate USAID Cost Sharing Fractions". We held discussions about this subject with the Executive Director for Economic and Business Policy and the SLBDC Accountant.

1. SLBDC's annual level of core operating costs have been projected by SLBDC staff as follows:

	(In Rs. Millions)		
	1986/87	1987/88	1988/89
	-----	-----	-----
Staff Salaries			
-----			
General and Administrative	0.71		
ED's ( 4)	0.44		
DED's (10)	0.65		
	-----		
	1.80		
Fringes	0.62		
Staff Travel	0.09		
Rent	0.36		
Vehicle Running Costs	0.09		
Bank Charges	0.02		
Accountancy/Audit	0.04		
Other Costs (Electricity Supplies etc.)	0.42		
	-----		
	3.44		
Depreciation	.27		
	-----		
Total Cost	Rs. 3.71	4.08	4.49
	=====	=====	=====
(Operating costs are projected to increase by 10% per annum compounded).			

SLBDC's principal sources of income to cover their operating costs above are estimated as:

- |    |                                     |       |      |      |
|----|-------------------------------------|-------|------|------|
| a. | Non PEPP activities -               |       |      |      |
|    | Core Staff charges (1)              |       |      |      |
|    | Mahaweli                            | .24   |      |      |
|    | SIDA                                | .21   |      |      |
|    |                                     | ----- |      |      |
|    |                                     | 0.45  |      |      |
| b. | Fees for PEPP services delivered by |       |      |      |
|    | Core staff                          | 0.40  | 0.44 | 0.48 |

c. Interest Income from the endowment fund at 11% per annum (2)	0.81	0.90	1.0
Project deficits in financing	2.05	2.74	3.01
	----	----	----
Project Indirect Costs Rs.	3.71	4.08	4.49
	====	====	====

The SLBDC is also proposing to conduct the following activities for Government and others in the area of Economic and Business Studies upto June 1987. (In process of negotiation).

Ministry of Finance and Planning (Industrial Regulations and Procedures) part funding by World Bank Rs. 360,000  
National Development Bank (Developing SMI III) Funding by SMI II Technical Assistance Funds Rs. 300,000

A fee for SLBDC professional staff time (operating costs) is presumed included in the fee for these studies. (Fee not available).

On the basis of projected Indirect Costs and Earnings from the proposed program of activities of SLBDC to achieve PEPP goals for the years 86/87, 87/88 and 88/89 there will be financing deficits of Rs. 2.05 million, Rs. 2.74 million, and Rs. 3.01 million respectively.

If the proposed program of activity is to be implemented then PEPP funds or other funds will have to be sourced to finance these deficits, or SLBDC will have to cut costs.

SLBDC's salaries and fringes account for 65% of the total Indirect Costs projected for 86/87.

Opportunities for savings in operating costs are available in relation to staff travel, other costs, and Depreciation which is not a cash outflow, amounting to 20% of total indirect costs.

(1) The total fee for these programs from non-PEPP funds is Rs. 975,000. The balance Rs. 524,200 will be set off against Direct costs. A detailed breakdown of the costs as between direct and indirect was not available. Fees are due from MORAB for Rs. 350,000 to be set off entirely against Direct Costs.

(2) Year 1 Rs. 7.4 million,  
Year 2 Rs. 10 million  
Year 3 Rs. 12 million)

- We are informed that staff from Managing Director down to General and Administrative personnel have been hired on contract terms, which expire when PEPP terminates in August, 1988, and can therefore be terminated at that time.

Consequently SLBDC has some flexibility to reduce its Indirect Costs in relation to income.

- From the inception of SLBDC (that is May, 1984 to 31 March 1986) SLBDC's activities were funded by PEPP, interest from Endowment Fund Fixed Deposits and by NORAD (Rs. 550,000 for activities in Hambantota).

SLBDC has also undertaken island-wide activities for Asia Foundation (Rs. 1.8 million) but the income and expenditures on this activity are channelled through a separate set of accounts maintained for Asia Foundation. These activities are still continuing.

SLBDC's accounting system does not allow for matching Direct and Indirect Costs against specific sources of income.

We have ascertained that SLBDC's income from sources other than PEPP to cover both Direct and Indirect Costs as follows:

	Actual to 31 March 1985 -----	Actual to 31 March 1986 -----	Estimated to 31 March 1987 -----
a. Interest from Endowment Fund	Rs. 69,467	660,148	814,000
b. Programs other than PEPP			
NORAD	-	150,000	350,000
* Mahaweli Authority	-	-	575,000
SIDA	-	-	400,000
* Ministry of Finance & Planning	-	-	180,000
* NDB	-	-	150,000
	----- Rs. 69,467 =====	----- 810,148 =====	----- 2,469,000 =====

- \* These programs are in the process of negotiation and had not been finalised at the time of the evaluation.

These funds (together with PEPP funds) have gone/will go to finance the following.

Capital Costs	1,644,786	1,214,880	1,875,000
Direct Costs	750,536	2,094,982	8,953,000
Operating Costs	1,280,285	2,744,657	3,713,123
Other Costs	74,498	74,498	74,498
	-----	-----	-----
Rs.	3,750,105	6,129,017	14,615,621
	=====	=====	=====

CONCLUSIONS AND RECOMMENDATIONS:

Following the findings above, our principal conclusions are as follows:

- That the proportion of SLBDC staff man days to external consultants man days is unrealistic. The projected proportions of 38:62 should be more like 20:80, since SLBDC's objective should be to distribute work as far as possible to external consultants.
- PEPP funding, at least to the extent of 75% of Indirect costs Rs. 2.8 million Rs. 3.1 million and Rs. 3.4 million will need to be provided in the years 86/87, 87/88 and 88/89 respectively, unless SLBDC can reduce its costs, expand its income from other sources, or both.
- As projected by SLBDC a sum of Rs. 8.9 million for Direct Costs and a further Rs. 1.8 million for capital costs will be required for SLBDC to carry out its program of activities as detailed in its paper to USAID of 19 September 1986. On the other hand, SLBDC could scale down activities to match the available funds.

SLBDC's prospects for sourcing funds for its continued existence after PEPP are as follows:

- Grant or contract funds will be for specific purposes. At the present time grant funds from NORAD and possibly later SIDA and Mahaweli Authority (Funded by USAID) will address the needs of the small and medium scale business sector.

Prospects are good for sourcing funds for Small and Medium scale business assistance. In fact grants will be the Principal source of income since the small and medium scale businesses lack the capacity to pay fees and would cover SLBDC's Direct and Indirect Costs on a commercial basis.

- With the possibility of increased activity of the large Consulting Firms, Individual Consultants, and other Institutions such as the Chamber of Commerce, etc. servicing the larger, modern commercial sector, it is considered unlikely that SLBDC could continue to service this sector unless heavily subsidized.

SLBDC's annual Direct, Indirect and Capital costs after PEPP are projected as follows (In keeping with our recommendation of maintaining a 20:80 proportion of SLBDC staff time to External Consultant times).

This implies a certain reduction of Indirect Costs in the post PEPP period.

	(In Rs. Millions)		
	88/89	89/90	90/91
Operating/Indirect Costs	2.7	2.8	2.9
Direct Costs (On basis of Projections for 86/87)	10.7	11.0	11.4
Capital Costs (On basis of Projections for 86/87)	1.9	1.9	1.9
	15.3	15.7	16.2
	=====	=====	=====

Therefore SLBDC's minimum level of business to recover the above Indirect, Direct and Capital Costs would be in the region of Rs. 15 to 16 million per annum.

NOTE:

SLBDC, we are informed, have not projected for the Post PEPP period because of uncertainty about sources of Donor and other funding and the conditions attaching to them.

The SLBDC accounting system does not allow for an effective management information system and consequently managerial decision making is compromised.

It is suggested that SLBDC should implement an Accounting System that will allow for:

- Identification of Profit Centres which in the case of SLBDC will be Business Advisory Services, Economic and Business Policy, Entrepreneur Development and Management Development. While General Administration (Indirect Costs) Will be the Service or Cost Centre.

All Income and Expenditure should be identified with these Profit and Cost Centres.

- All Expenditure must be identified as Direct or Indirect and also analysed to show expenditure related to PEPP activities as distinct from non PEPP activities (At least until PEPP funding ceases).
- All Income too should be identified as relating to PEPP funded and other Donor funded activities.

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Costing and Billing for Services to Clients by all Profit  
Centres of SLBDC.

TABLE I  
 -----  
 FEASIBILITY STUDIES COMMISSIONED AND COMPLETED BY SLBDC  
 (NOVEMBER, 1986)  
 -----

TITLE -----	COST (Rs) -----	PROBABLE OWNERSHIP	TARGETED MARKET	TYPE -----
Manufacture and export of Coconut Husk Chips  Client: MM Enterprises Pvt Ltd Consultant: Mr U Waidyasekera Date Completed: November, 1985	13,000	D	E	A
Availability of raw materials for Rice Bran Oil  Client: TTB Exports Consultant: Dr K G Gunatilake Date Completed: April, 1986	7,500	D	L/E	A
Availability of Pineapple Waste for Animal Feed  Client: TTB Exports Consultant: Technoconsult Pvt. Ltd. Date Completed: March, 1986	6,000	D	L	A
Manufacture of Tawashi Brushes for export  Client: UIP Exporters Consultant: Mr G C Perera Date Completed:	10,500	D	E	A
Passion Fruit Cultivation  Client: Lanka Quality Food Packers Consultant: Agroskills Date Completed: May, 1986	35,000	D	E	A
Cultivation and Processing of Ramie  Client: Ramie Lanka Pvt Ltd. Consultant: Dr B H Samarasekera Date Completed: May, 1986	10,000	D	E	A
Integrated Farm  Client: Dr Dissanayake Consultant: Mr P Periyasamy	20,000	D	L	A

TABLE II

-----  
 PROFILES COMMISSIONED AND COMPLETED BY SLBDC (NOVEMBER, 1986)  
 -----

## "GENERAL PROFILES"

TITLE	COST (Rs)	PROBABLE OWNERSHIP	TARGETED MARKET	TYPE
Cultivation of Ginger	12,000	D	D or E	A
Consultant: Mr P Periyasamy Date Completed: June, 1986				
Manufacture of Pin Tumbler Padlocks	5,000	JV or D	D	L
Consultant: Mr P W Jayasinghe Date Completed: December, 1985				
Small Scale Poultry Farm	N/A	A	D	A
Consultant: Mr E C Soosaipillai Date Completed:				
Production of Yoghurt & Ghee	5,000	A	D	A
Consultant: Mr L D Abeywickrema Date Completed: August, 1985				
Manufacture of Paper Composite Cans	15,000	JV	D	R
Consultant: Mr E de Silva Date Completed: November 1985				
Manufacture of Red Iron Oxide Pigment	20,000	JV	D	N/A
Consultant: Mr W J Fernando Date Completed: January, 1986				
Manufacture of Metal Clasps and Frames	7,500	A	D	L
Consultant: Mr T K G Ranasinghe Date Completed: April, 1986				
Bee Keeping	20,630	A	D	A
Consultant: Agroskills Date Completed: May, 1986				

Date Completed: October 1986

Cultivation and Processing of  
Cassava 30,000 JV L/E A

Client: MBW Adhesives  
Consultant: Technoconsult  
Date Completed: October, 1986

Chemical treatment for Kiln  
Rubber and Coconut 15,000 D L/E R

Client: Malindu Timber Stores  
Consultant: Mr A M A Abeysinghe  
Date Completed: October, 1986

Manufacture and Export  
of Mushrooms 12,000 D E A

Client: Mr S Kurundagahamada  
Consultant: Mr P Periyasamy  
Date Completed: November 1986

Opportunity Study for the  
Introduction of a New Brand  
of Beer into the Sri Lanka  
Market 80,000 D L N/A

Client: Mr W Stammberger  
Consultant: Mr K Abeywickrama  
Date Completed: November 1986

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SOURCE: SLBDC

CODE: D = Domestic  
JV = Joint Venture  
E = Export  
A = Agriculture Based Production  
L = Labor Based Production  
R = Resource Based Production  
S = Service Industry

TABLE III

PROFILES COMMISSIONED AND COMPLETED BY SLBDC (NOVEMBER, 1986)

"INVESTOR BASED PROFILES"

TITLE	COST (Rs)	PROBABLE OWNERSHIP	TARGETED MARKET	TYPE
Integrated Farm	8,130	D	D	A
Client: Ruhunu Farms Consultant: Mr S Soysa Date Completed: October, 1986				
Manufacture of Activated Carbon	10,500	JV or D	E	N/A
Client: Lanka Finance Consultant: Technoconsult Date Completed: November, 1986				

SOURCE: SLBDC

CODE: D = Domestic  
 JV = Joint Venture  
 E = Export  
 A = Agriculture Based Production  
 L = Labor Based Production  
 R = Resource Based Production  
 S = Service Industry

TABLE IV

"PRE-FEASIBILITY AND FEASIBILITY STUDIES COMPLETED BY COOPERS & LYBRAND  
(NOVEMBER 1986)

TITLE	COST (US\$)	PROBABLE OWNERSHIP	TARGETED MARKET	TYPE
Study of the Feasibility of a Data Entry Bureau Client: Mr Jayasingam Date Completed: January, 1986	\$ 11,580	JV	E	S/L
Prefeasibility Study for a Vegetable Production Project Client: Air Lanka Catering Services Ltd. Date Completed: June, 1986	46,075	JV	E	A
Prefeasibility Study on the Preparation of a Business Plan Client: Brown & Company Ltd Date Completed: March, 1986	26,277	L	E	A
Prefeasibility Study for the Modernization and Expansion of a Dessicated Coconut Mill Client: Boyaganne DC Mills (Pvt) Ltd. Date Completed: November 1986	55,224	L	E	A
Prefeasibility study for Ocean Roar Acquatics Client: Ocean Roar Acquatics (Pvt) Ltd Date Completed: November 1986.	7,955	L	E	A

SOURCE: C&L Computer Run 10/86: "Total Time Inputs by Functions" and C&L Estimates.

CODE: D = Domestic  
 JV = Joint Venture  
 E = Export  
 A = Agriculture Based Production  
 L = Labor Based Production  
 R = Resource Based Production  
 S = Service Industry

TABLE V

MARKET STUDIES COMPLETED BY COOPERS & LYBRAND (NOVEMBER 1986)

TITLE	COST (Rs)	PROBABLE OWNERSHIP	TARGETED MARKET	TYPE
Study of the Market for Dessicated Coconut in the U.S. and Canada	\$ 31,938	N/A	E	A
Client: Export Development Board Date Completed: May, 1986				
Study of the Market Potential for Photovoltaic Panels in SL	12,392	JV	L	N/A
Client: Photovoltaic Technologies Ltd. Date Completed: October, 1986				
The Sri Lankan Market for Electric Lamps (Bulbs)	378	D	L	N/A
No Client: General Profile Date Completed: November, 1986				

SOURCE: C&L Computer Run 10/86: "Total Time Inputs by Functions" and C&L Estimates.

CODE: D = Domestic  
 JV = Joint Venture  
 E = Export  
 A = Agriculture Based Production  
 L = Labor Based Production  
 R = Resource Based Production  
 S = Service Industry



TABLE VI

INDUSTRY PAMPHLETS COMPLETED BY COOPERS & LYBRAND (NOVEMBER 1986)

Investment opportunities in Sri Lanka in the Ceramics Industry	\$ 929	JV	E	L
Export & Investment Promotion Pamphlet: Sri Lanka's Granite Industry	1,727	JV	E	R/L

SOURCE: C&L Computer Run 10/86: "Total Time Inputs by Functions" and C&L Estimates.

CODE: D = Domestic  
 JV = Joint Venture  
 E = Export  
 A = Agriculture Based Production  
 L = Labor Based Production  
 R = Resource Based Production  
 S = Service Industry

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TABLE VII

PROFILES COMPLETED BY COOPERS & LYBRAND (NOVEMBER 1986)

"GENERAL PROFILES"

TITLE	COST(US\$)	*PROBABLE OWNERSHIP	TARGETED MARKET	TYPE
Manufacture of Carbon Brushes	\$ 2,688	D	D	R & L
Manufacture of Lead Pencils	449	D	D	R & L
Cultivation of Passion Fruit	1,507	D	E	A
Manufacture of Cocoa Butter/ Cocoa Powder	2,811	JV	E	A
Soya Cultivation	1,120	D	D	A
Manufacture of Specialty Leather Goods	1,831	D	E	N/A
Manufacture of Plastic Vegetable Crates	1,071	D	D	N/A
Manufacture of Woven Labels	976	D	E	L
Manufacture of Buttons	976	D	E	L
Sericulture (Cocoon Production)	1,226	D	E	A
Production of Raw Silk	1,945	JV	D	L&A
Manufacture of Silk Fabrics	1,648	JV	D	L
Wooden Doors for Export	2,369	D	E	L
Cutting and Polishing Diamonds	1,900	JV	E	L

\* Source : C & L Computer Run 10/86 : "Total Time Inputs by Functions" and C&L Estimates.

CODE: D = Domestic  
 JV = Joint Venture  
 E = Export  
 A = Agriculture Based Production  
 L = Labor Based Production  
 R = Resource Based Production  
 S = Service Industry

TABLE VIII

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 PROFILES COMPLETED BY COOPERS & LYBRAND (NOVEMBER 1986)  
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"INVESTOR BASED PROFILES"	COST (US\$)*	PROBABLE OWNERSHIP	TARGETED MARKET	TYPE
Tire Retreading	\$ 10,412	JV	D	S
Client: Bandag Sri Lanka Date Completed: August, 1985				
Rice Milling	5,910	D	E	A
Client: Jafferjee Brothers Date Completed: October, 1985				
Book Repository	2,202	JV	E	S
Client: John Wiley & Sons Date Completed:				
 "PROJECT COST PROFILES" -----				
Data Entry Bureau	1,744	JV	E	L
Manufacture of Athletic Footwear	709	JV	E	L
Manufacture of Hand Sewn Leather Soccer Balls	695	JV	E	L
Investment Opportunities in Sri Lanka in the Ceramics Industry (Investment Promotion Industry Pamphlet)	929	JV	E	L
Manufacture of Soft Toys	1,525	JV	E	L
Manufacture of Electronics	1,734	JV	E	L
Manufacture of Electrical Appliances	1,525	JV	E	L
Manufacture of Rubber Based Products	1,525	JV	E	R & L
Propagation of Hybrid Seeds	1,593	JV	E	A & L
Gem Cutting and Polishing	1,010	JV	E	R & L
Manufacture of Rubber Gloves	1,611	JV	E	R & L
Manufacture of Leather Garments	409	D	E	L

\* Source: C & L Computer Run 10/86: "Total Time Inputs by Functions"  
and C & L estimates.

CODE: D = Domestic  
JV = Joint Venture  
E = Export  
A = Agriculture Based Production  
L = Labor Based Production  
R = Resource Based Production  
S = Service Industry

TABLE IX

SRI LANKA BUSINESS DEVELOPMENT CENTRE

FEE SYSTEM FOR PROJECT STUDIES AND INVESTOR SERVICES

Project Studies by C&L under TA Contract Budget

Type of Study	Cost Equivalent and Cost Share					
	COMPLEX		LESS COMPLEX		SIMPLE	
	Local Cost Equiv.	Invest Cost Share	Local Cost Equiv.	Invest Cost Share	Local Cost Equiv.	Invest Cost Share
Project Profile	Rs. 32,000	16,000	22,000	11,000	12,000	6,000
Prefeasibility Studies	82,000	41,000	-	-	-	-
Prefeasibility Studies	302,000	151,000	82,000	41,000	32,000	16,000
Market Studies	152,000 (foreign Market Study)	76,000	52,000 (local Market Study)	26,000	-	-

Of the Investors cost share, Rs. 2,000 is to be deducted to meet SLBDC operational expenses in:

- (a) Initial analysis of the project idea through a basic check for purposes of approval.
- (b) Documentation for presentation of Technical Committee and the Board of Directors for approval.
- (c) Honorarium to Technical Committee Members.

The balance is to be deposited in a revolving fund for providing services of similar nature in the future.

Project Studies by Local Consultants under Non TA Contract Budget

Type of Study	Cost Equivalent and Cost Share					
	COMPLEX		LESS COMPLEX		SIMPLE	
	Local Cost Equiv.	Invest Cost Share	Local Cost Equiv.	Invest Cost Share	Local Cost Equiv.	Invest Cost Share
Project Profile	Consultants Charge	Actual cost	Consultants Charge	Actual cost	Consultants Charge	Actual cost
Prefeasibility Studies	+ Rs.		+ Rs.		+ Rs.	
Prefeasibility Studies	2,000		2,000		2,000	0
Market Studies						

TABLE X  
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POLICY STUDIES MATRIX  
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TABLE 2  
POLICY STUDIES

TITLE	FOR WHOM	BY WHOM	EFFORT / COST	LENGTH	DATE BEGUN ----- COMPLETE	PAID	USE
POSITION PAPER ON PRIVATE SECTOR MANUFACTURING INDUSTRY	INDUSTRIAL POLICY COMMISSION (AHUNGALA CAMP)	CONSULTANTS	LESS THAN 1MM	7 pp.	----- 8/84	FEFF	AT AHUNGALA SEMINAR WHICH SET UP THE IFC
PRIVATE SECTOR NEED IDENTIFICATION IN THE DEVELOPMENT OF AN INDUSTRIAL POLICY FOR THE COUNTRY	INDUSTRIAL POLICY COMMISSION	CONSULTANTS (DRAUN FROM ADL REPORT)	LESS THAN 1MM	9 pp.	----- 11/84	FEFF	PRESENTED AT IFC MEETING
ANALYSIS OF THE RESPONSE OF THE PRIVATE SECTOR IN SRI LANKA TO THE LIBERALIZATION AND POLICY CHANGES SINCE 1977	WORLD BANK	CONSULTANTS	RS. 10,000	17pp.	----- 11/84	WB	GIVEN TO W.B.
EXPORT DEVELOPMENT GRANTS	EXPORTER COUNCIL	CONSULTANTS	RS. 10,000	8pp.	----- /85	FEFF	POLICY CHANGE RESULTED
A CASE TO SUPPORT OUT LIGHT ENGINEERING SECTOR IN SRI LANKA	TEA MACHINERY PRODUCERS W/ MIN. OF INDUSTRIES	CONSULTANTS	LESS THAN 1MM	3 PAGE DESCRIPTION OF ACTION TAKEN 25pp.	----- 3/85	FEFF	SUPPORT TEA CHINA TRADE UNDER ADB LOAN
INDUSTRIAL POLICY FOR THE PRIVATE SECTOR: ISSUES & POLICY OPTIONS	INDUSTRIAL POLICY COMM.	SLBDC	8 MAN DAYS	14pp.	----- 10/85	ONLY SLBDC STAFF COSTS	GIVEN TO IFC
INVESTMENT INCENTIVE SCHEMES FOR MANANELI AUTHORITY	MANANELI AUTHORITY	SLBDC	3 MAN MONTHS (ROMESH)	60pp.	----- 11/85	MANANELI W/AID FUNDS	GIVEN TO MANANELI AUTHORITY

EXPORT COMMODITY FLOOR PRICING IN SRI LANKA	CEYLON CHAMBER OF COMMERCE & SLBDC	SLBDC W/ CONSULTANTS	1 1/2MM (KRONESH) & RS. 10,000 CONSULT.	27pp.	7/86	CEYLO C OF AND SLBDC RS. 5,000 EACH	C OF C HAS AVAILABLE FOR FUTURE
IMPACT OF LABOUR LAWS ON BUSINESS DEVELOPMENT IN SRI LANKA (STILL IN DRAFT FORM)	EMPLOYERS' FEDERATION OF S.L. AND SLBDC	EMPLOYERS FED OF SL AND SLBDC	15 MM DAYS (UP TO NOW)	14pp.	3/86	ONLY SLBDC STAFF COSTS	INCOMPL-ETE
STUDY OF LEASING AND HIRE PURCHASE EXPERIENCE & POTENTIAL IN S.L. (PLANNED)	SLBDC	SLBDC/ CONTRACTOR	6 MM MONTHS RS. 150000 EST.		1/87 4/87 (EST)	PEPP	TO ENHANCE THE USE OF LEASING THEIR PURCHASE
PRIVATISATION OF FISHERIES CORP. (PLANNED)	MINISTRY OF FISHERIES	SLBDC/ CONTRACTOR	18 MM RS. 500,000 (EST.)		1/87 6/87 (EST)	PEPP	TO PRIVATISE FISHERIES CORP.
REGULATION AND PROCEDURES APPLICABLE TO BUSINESS - 6 STUDIES (UNDER DISCUSSION)	MF & P	SLBDC/ CONTRACTOR	30 MM DAYS + 6 RS 360,000 - 400,000	20 pp. to 30 pp.	1/87 5/87 (est)	PEPP/ WORLD BANK	COMPONENT FOR A PAPER FOR MFRP ON INDUSTRIAL REGUL. AND PROCEDURES
SNI III DESIGN (UNDER DISCUSSION)	NDB	SLBDC/ CONTRACTOR	6 MM RS. 300,000	Large	1/87 6/87 (est)	SNI II TECH. ASST. FUNDS	TO DEVELOP SNI III

TABLE XI

LIST OF LOCAL CHAMBERS OF COMMERCE AND INDUSTRY

LIST OF LOCAL CHAMBERS OF COMMERCE AND INDUSTRY

Federation of Chambers of Commerce and Industry of Sri Lanka

The Ceylon Chamber of Commerce .

The National Chamber of Commerce of Sri Lanka

The Ceylon National Chamber of Industries

Sri Lanka Chamber of Small Industry

The All Ceylon Trade Chamber

Sri Lanka National Council of the International Chamber of Commerce

The Mercantile Chamber of Commerce of Ceylon

The Women's Chamber of Industry and Commerce.

APPENDIX: SCOPE OF WORK: MID-TERM EVALUATION, PROJECT NUMBER  
383 - 0082

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PRIVATE ENTERPRISE PROMOTION PROJECT

Scope of Work

Mid-Project Evaluation

I. The Project

Project Title: Private Enterprise Promotion  
Project Number: 383-0082  
Project Funding: AID Loan \$1,000,000  
AID Grant \$3,000,000  
AID Total \$4,000,000

Project Dates:

- a. Project Loan and Grant  
Agreement signed 9/11/83
  
- b. Sri Lanka Business  
Development Centre (SLBDC)  
established 5/11/84
  
- c. Coopers & Lybrand (C&L) 2/25/85  
contract commenced
  
- d. C&L contract end date 2/24/87
  
- e. Project Assistance 8/31/88  
Completion Date (PACD)

## II. Project Objectives (Logical Framework)

A. Project Goal: The ultimate goal of the project is to increase employment, incomes, and goods and services provided by the private sector which are needed by the people of Sri Lanka (especially in the rural areas) to improve their quality of life.

B. Project Purpose: The project's purpose is to improve the investment climate in Sri Lanka and to increase investments (both domestic and foreign), with particular emphasis on industries that use agricultural-based products and produce for export.

There are six accomplishments listed in the Project Loan and Grant Agreement which are anticipated by the end of the project (End-of-Project Status), and which would be among the indications that the project's purpose has been achieved.

They are :

1. Adoption and implementation by the Cooperating Country of a comprehensive private sector development policy and an Action Plan to translate public policy reforms and actions into additional private sector investments;

2. Actions by the Cooperating Country to reduce or remove constraints to private investment identified in the study entitled "Developing Sri Lanka's Private Sector and its Investment Opportunities" (August 1983) and or subsequent analyses carried out under the project;

3. Approximately ten new investments that can be directly attributed to the pre-feasibility studies, investment profiles and investment promotion activities carried out under the project;

4. Increased export of non-traditional products as a result of the new investments;

5. A reduction in the time required to establish new business enterprises through improvements in investment approval procedures; and

6. Increased productivity in the private sector through improved training for managers and entrepreneurs including upgrading of management training courses and entrepreneur development programs offered by existing institutions and the promotion of new programs and institutions.

### C. Project Outputs:

The outputs of the project fall under 5 project components (summarized below to conform to the four operational divisions of the SLBDC):

1/3

1. Establishment of the SLBDC as a viable, financially self-sustainable private sector promotion organization. Under the SLBDC, the four other components of the project are being implemented.

2. Investor Services/Investment Promotion: preparation of investment profiles, prefeasibility/feasibility studies, and market studies; delivery of business advisory services; local subgrants for investor services; establishment of a library with publications/information on business activity/investment opportunities/etc.; overseas investment promotion missions; local and foreign industrial exhibitions; and trained officers skilled in various aspects of investment and business promotion.

3. Business and Economic Policy: policy studies, related analytical work, and other selected sector support (e.g., grants to private chambers of commerce or industry) to enhance the private sector's role and performance in the country.

4. Management Development: promotion and delivery of management training programs in Sri Lanka for the private sector; experimental short-term overseas training program for private sector participants.

5. Entrepreneur Development: establishment of on-going programs at the district level (outside Colombo) to promote small and medium-size businesses (both existing and potential) through entrepreneur development activities.

D. Project Inputs:

The principal project inputs are :

1. Technical assistance through a combination of expatriates and local consultants. This has included technical assistance provided under a host country contract with Coopers & Lybrand and three subcontractors as well as technical assistance contracted for by the SLBDC through its management of a "Revolving Fund" account. Except for the C & I. Chief-of-Party, all project-funded technical assistance has been short-term. There was also an AID Direct 18-month Personal Services Contractor funded by USAID with non-PEPP funds to assist in the establishment and initial organizational development of the SLBDC.

2. Training (short-term only) for participants selected from the private sector, government investment promotion agencies, and non-profit private organisations. This includes funds for approximately 30 training programs in the U.S. and third countries.

3. Commodities, principally equipment and vehicles to support the SLBDC.

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4. Recurrent Costs, being a share of SLBDC operational costs during the initial years of the project.

### III. Background-Project Structure and Relationships

The 5-year project will have completed three years at the time the evaluation takes place. The first year of the project was devoted to the formation of the SLBDC, which was incorporated in May 1984. It was determined that the SLBDC would be considered to have begun "full operations" starting October 1, 1984, which was significant in that this marked the date from which the project would begin to pay a declining scale of annual SLBDC operating costs. Prior to October 1, 1984, 100% of operating costs were met by the project; from October 1, 1984 to September 30, 1985, the SLBDC paid for 20% of operating costs with its own sources of funds, with the project covering 80%; from October 1, 1985 to September 30, 1986, the SLBDC will have paid 50% and the project 50%; after September 30, 1986, it has been envisioned that the SLBDC would pay 100%.

The SLBDC is charged with managing the implementation of the project on behalf of the Ministry of Finance and Planning (MF&P). This is being done in two principal ways: (1) through the direct management of a "Revolving Fund", to which approximately \$1.2 million in project funds have been committed; and (2) through technical supervision of a host country technical assistance contract between the MF & P and Coopers & Lybrand (C&L), involving a commitment of approximately \$2.7 million. The balance of the \$4.0 million has been administered directly by USAID upon requests by the SLBDC and the Ministry to undertake certain project expenditures.

The SLBDC is governed by a 30-member Council of Governors and a smaller 7-member Board of Directors elected from among the Governors to oversee the SLBDC's operations. About 3/4 of the governors are from the private sector. The Board has one government representative who is the Deputy Secretary to the Treasury within the MF & P. The Board includes six governors and the SLBDC Managing Director. The SLBDC has four staff divisions corresponding to the components of the project, viz., Investor Services/Investment Promotion, Business and Economic Policy, Management Development, and Entrepreneur Development. The total SLBDC professional staff is 13 counting the Managing Director, four Executive Directors and eight Deputy Directors. In addition there are other administrative and clerical staff.

In the initial stage, there was a need to define and formalize the delegation of specific project management responsibilities to the SLBDC Board by the MF&P. This took the form of written implementation guidelines, issued by the MF&P and agreed to by the SLBDC in August, 1984 and included the establishment of "Technical Committees" to advise and guide decision-making for each of the SLBDC's four operational divisions. In practice, the active participation of the MF & P representative on the SLBDC Board has helped to insure that SLBDC actions are acceptable to the MF & P. The MF & P's principal role is to participate in Board decisions on plans, budgets and specific activities, and otherwise to certify SLBDC expenditures of project funds before they are forwarded to USAID for payment. The MF&P is also the formal contracting party with C&L, the technical assistance contractor, although technical supervision of the contract has been delegated by the MF&P to the SLBDC. The two years of the C&L contract will be over 75% complete by the time of the mid-project evaluation.

The project has encountered a serious relationship difficulty between the SLBDC and C&L. SLBDC and C&L cite conflicting reasons for the difficulties in their relationship.

#### IV. Evaluation Questions

The objective of the evaluation is to assess the current status of the project and to make recommendations aimed at achieving the purpose of the project by the PACD of 8/31/88. The evaluation team will be expected to address each set of questions specified below in the fullest sense possible given the time available. Primary emphasis should be on identifying possible mid-course corrections and adjustments to the project objectives.

There are three sets of questions which the evaluation team should address (detailed below). First, there should be an assessment on progress to date in delivering project inputs and achieving project outputs, including any demonstrable linkages between outputs and purpose accomplishment. Second, there is a critical set of questions on the project's structure and the SLBDC's institutional viability. Finally, a number of "cross-cutting issues" are included which are relevant to all AID projects.

A. Inputs/Outputs/Purpose Accomplishment: The project has four components in addition to the fifth component which was the establishment of the SLBDC. Questions regarding the viability of the SLBDC are in Section IV.B. Input/Output/Purpose Accomplishment questions for the other four components follow, subdivided by principal areas of activity. Each should be assessed with a view of providing specific recommendations on specific adjustments, if any, to the basic objectives of the project and the current modes of implementation.

1. Investor Services/Investment Promotion:

Six areas of activity are listed below, with specific questions which the evaluation team is asked to address. The underlying question relating to Investor Services/Investment Promotion is whether the combined activities as currently being carried out are likely to result in increased private investment in Sri Lanka. Answers to the specific questions are intended to provide detailed information to make a judgment on the underlying question and provide the basis for recommending any changes.

a Investment Project Profiles, Prefeasibility/Feasibility Studies and Market Studies. Note: some of the profiles/studies are "investor-based", i.e., a private sector client has paid a share of the cost.

- What is the quantity of the profiles and studies completed to date?
- Which of the profiles/studies are aimed at investments involving foreign joint venture partners vs. no contemplated foreign investment?
- Which are agri-based vs. other categories (summarize by category)?
- How has it been decided which profiles/studies would be undertaken (role of Technical Committee for Investor Services)?
- Who has produced the profiles/studies (SLBDC or C & L)?
- How have the individuals performing the work been selected (by C & L, by SLBDC)?
- Have the profiles/studies been carried out in a timely way once the decision to proceed has been made?
- Who has paid for this work (PEPP funds, client fees)?
- What has been the relative cost of the profiles/studies by: (1) type/complexity of the profiles/studies; and (2) whether undertaken by C & L or SLBDC?

- What use has been made of the profiles/studies when: (1) they have been "investor-based", i.e., clients have shared their cost and have a proprietary right to their use; or (2) they have been "generalized", i.e., it has been the SLBDC's responsibility to make them available through advertising, distribution or sale to interested parties?
- Have profiles/studies have been instrumental in moving investors toward actual decisions to invest? How many investments have actually materialized? (To the degree possible based on available information, describe such investments by amount of investment, projected employment, and projected export creation or import substitution).
- Have resources devoted to this area been utilized cost-effectively (By C & L, By SLBDC)?

b. Business Advisory Services.

- How many clients have been provided by (1) the SLBDC and (2) C & L with business advisory services (other than the completion of, or access to, the profiles/studies in a., above)?
- What types of clients have been served (individuals vs. companies, local vs. foreign investors)?
- Based on SLBDC and C&L record-keeping, what categories (types) of business advisory services have been delivered?
- What have been the relative costs of such services (by client, by type of service, and whether delivered by C & L or SLBDC)?
- What fees have clients paid for various services and what percentage has this been of the total cost? Have these services resulted in improving the performance of existing business? (To the extent possible, quantify the benefits from such improvements).
- Have these services resulted in moving investors toward actual decisions to invest? How many investments have actually materialized? (Describe as in 1.a, above). Have resources devoted to this area been utilized cost-effectively by C&L, by SLBDC ?
- What specific recommendations does the evaluation team have with regard to business advisory services?

c. Other Investor Services.

- Data base/library/information resources: What data or other information relevant to investor services have been collected by the SLBDC and/or C & L?

- How much data has been entered on computer? Is the information being utilized by the SLBDC, C & L and/or SLBDC, C & L clients?
  - Has this been a cost-effective use of PEPP resources? What more can/should be done?
- d. Investment Missions. The project envisions both "group" and "individual" overseas investment mission. For group missions, the project can support a percentage of travel/per diem costs of private sector members of the delegations and/or the organizing costs of the mission. For individual missions, a percentage of travel/per diem costs is given to clients who satisfy eligibility criteria.
- How have decisions to support group or individual missions been made (including role of Technical Committee for Investment Promotion?
  - How many group missions have been supported by the project? With C & L inputs, with SLBDC inputs? What specific support has been provided in each case? Is there any information on the results of the missions in terms of investment activity?
  - How many individual investment missions (IIMs) have been completed? Did these IIMs conform to established eligibility criteria? For each IIM, has a decision to invest in a joint venture been moved forward and/or has an investment materialized? (Describe as in l.a.).
  - What are the evaluation team's recommendations regarding the usefulness and continuation of support for overseas investment missions?
- e. Industrial Exhibitions.
- How many exhibitions, either overseas or in Sri Lanka, have involved support by PEPP? What form has this support taken, who has provided the support (SLBDC, C & L), and what has been the cost to the project in each case?
  - What indications are there of project purpose accomplishment through this support, e.g., actual investments generated, greater awareness of Sri Lanka as an investment location?

f. Participant Training. Limited overseas short-term training is including in the project to permit GSL and non-profit agencies involved with investment promotion activities to upgrade their skills.

- How many participants have received training to date?
- How has the training received been applied by the participants themselves and by their institutions? How relevant has the training proven to be in advancing the objectives of PEPP?

2. Business and Economic Policy:

A principal purpose of the project is to improve the investment climate in Sri Lanka. Several of the expected conditions at the end of the project relate to this (see Section II.B). The underlying question relating to the business and economic policy component of the project is whether policies beneficial to the private sector are being or are likely to be established as a result of the project.

a. Policy Studies/Dialogue.

- What policy studies have been initiated and/or completed to date?
- How has it been decided which studies to undertake (role of SBLDC Board and advisory groups)?
- Who has produced the policy studies (SLBDC and/or C&L)?
- What level of effort (person months) has been involved with each study?
- How have the completed studies been utilized? How have they been distributed to and/or discussed by policy decision-makers?
- Have any studies resulted in policy changes?
- Is the SLBDC performing its anticipated role as an organization capable of representing private sector interests through: (1) formulating agendas for policy dialogue between the private sector and the government; (2) conducting policy studies; and (3) participating in policy committees and the policy decisions-making process?
- What are the evaluation team's recommendations for changes or improvement in the policy studies/dialogue program?
- Have resources devoted to this area been utilized cost-effectively (By C&L, by SLBDC)?

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b. Selected Sector Support.

- Support has been provided to a number of private sector chambers of commerce or industry by the SLBDC. For each chamber, what support has been given (including dollar value), and how has it contributed to the achievement of the project purpose?

3. Management Development:

A frequently cited weakness of the private sector is the dearth of skilled managers. The management development component of the project is intended to improve management capacities at various levels (larger, Colombo based companies as well as small, rural companies) and to address various areas of weakness (e.g., general management, quality control, marketing, etc.). The underlying question relating to management development is whether the priorities and programs adopted to date by the SLBDC and by C&L are likely to have an impact on improving management capacities. Specific questions are grouped as follows:

a. Management Training Courses (Colombo-based).

- Public programs (offered to groups of participants from diverse companies and organizations):  
How many courses (by subject matter) have been offered as public programs by the SLBDC (using SLBDC and/or C & L contract resources funded by PEPP)? What was the duration of each course? How many participants attended these courses? How many were from the private sector? Was this training relevant to private sector management development needs? What inputs (instructors, materials, venue costs, etc.) were used and what was the cost per course and per course participant)? What percentage of this cost was met by client fees?
- In-company programs (offered to a single client company):  
Which companies have been delivered courses to date by the SLBDC and/or C & L? What was the course duration, number of participants, cost? What percentage of cost was met by client fees? How relevant was the course to meeting the clients' management development needs?

b. Supporting to Other Institutions on Management Development.

- What types of institutions have received other management development support by the SLBDC? What forms (e.g., consultancies, courses) has this support taken? How relevant has this been to developing the institutional capacity of the other organizations to: (1) improve their own management practices; or (2) improve management development programs which they deliver to their own clients?

- How much of the cost of this support has been recovered by fees?

c. Management Development and Training (Rural Areas).

- What work has the SLBDC Management Development Division conducted in rural areas (in conjunction with the SLBDC's entrepreneur development programs)?
- Should/can management development courses be conducted which meet expressed needs of rural entrepreneurs?
- What capacity to rural entrepreneurs have to pay for such courses?

d. General.

What future strategy should the SLBDC Management Development Division follow that will best contribute toward the achievement of the project purpose?

4. Entrepreneur Development:

This component is aimed almost exclusively at private enterprise promotion work outside Colombo. The underlying question is whether the various SLBDC activities as they are currently being carried out are likely to have a measurable impact on expanding rural enterprises. Detailed questions are:

a. SLBDC District Entrepreneur Development Program.

- Has this program been well conceptualized? What is the basic methodology? Is the SLBDC approach (methodology) one which will successfully reach and provide entrepreneurial skills to rural participants (districts outside Colombo)? More importantly, will this program result in the establishment or expansion of rural enterprises and does the program have specific targets (by district, by size and number of enterprises) in this regard?
- How many forums, seminars, training programs, etc. have been delivered to date (by district)?
- How many clients (by district) have been directly assisted by the SLBDC, vs. only participating in seminars or training programs? How has this direct assistance been provided? Has this resulted in the establishment or expansion of rural enterprises? If yes, describe such enterprises (to the degree possible based on available information) in terms of type of enterprise, volume of production and employment creation.

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- How many districts, and clients within each district, can the SLBDC realistically serve given the resources at its disposal (PEPP, other funds)?
- How is the SLBDC Entrepreneur Development Division coordinating its programs with the services provided by the other three SLBDC divisions? I.e, to what degree are various investor services, policy studies and management development activities being applied at the rural (district) level?

b. Other SLBDC Programs

- What support, with PEPP funds, has the SLBDC provided to other organizations involved in rural entrepreneur development? How has this support advanced the project purpose? How has such support (or collaboration) been consistent with the SLBDC's basic district entrepreneur development program?
- What other rural entrepreneur development programs has the SLBDC carried out with funds it has received from other donors (e.g., Asia Foundation, NORAD) and how have these programs been linked to the SLBDC's district entrepreneur development program?

C. C&L Entrepreneur Development Activities

- What entrepreneur development activities have C&L and its sub-contractors carried out using PEPP funds?
- What have the outputs of these activities been and how useful are they for entrepreneur development?

d. General.

- How cost effective have SLBDC and C&L entrepreneur development activities been?
- What overall recommendations does the evaluation team have for the continuation/improvement of the SLBDC entrepreneur development program?

B. Structural/Organizational Development Issues

1. Project Structure: Based upon its analysis of the questions posed in Section IV.A., the evaluation team should assess:

a. Role of the Private Sector (SLBDC) in Project Implementation.

- Has the decision by the Ministry of Finance and Planning to delegate implementation responsibility for the project to the private sector, via the SLBDC, enhanced the prospect of the project's purpose being accomplished?
- Does it appear that other private sector organizations (e.g., chambers) could or should share in this role? What can/should be done at this point to change or make more explicit the SLBDC's implementation responsibilities?

- What other structural changes, if any, are recommended regarding the private sector's input into PEPP implementation?
  - b. Role of the MF&P.
    - What is the MF&P's role in project implementation at this time?
    - How, if needed, could this role be made more effective?
  - c. Role of Technical Assistance Contractor.
    - What adjustments are suggested in the SLBDC and/or GSL roles in supervision of the technical assistance currently being provided by C & L?
    - The C & L contract is scheduled to end in February 1987. What specific additional technical assistance, in the evaluation team's assessment, will be necessary after the C & L contract is completed, in order to (a) achieve project outputs and (b) help build the institutional capacity of the SLBDC?
  - d. Relationship Among Principal Parties Involved in the Project
    - What are the present relationships among the four principal parties involved in the PEPP-USAID, MF & P, SLBDC and C & L?
    - What is the historical sequence of events which has resulted in these relationships?
    - What are the reasons for the relationship difficulties between SLBDC and C&L?
2. SLBDC Viability:  
The establishment of the SLBDC was one of the principal outputs of the project. The evaluation team should assess its viability at this time and its prospects for future financial self-sufficiency, as follows:
- a. SLBDC Capacity and Organizational Objectives.
    - At this point in time, in which of its four program areas is the SLBDC making the greatest contribution toward the promotion of the private sector in Sri Lanka?
    - Does the SLBDC have the organizational cohesion and capacity to work effectively in all four program areas simultaneously?
    - Can/should the SLBDC be expected (and be further supported by PEPP) to continue work on all four program areas?
    - Based on the evaluation team's observations, has the SLBDC established a positive reputation within the business community in general and with the clients it is serving which will provide a basis for its continued operations in the future?
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b. SLBDC Financial Self-Sufficiency.

(1) Indirect Costs: This is defined as core operating costs to manage the SLBDC, vs. direct costs which fund specific activities.

- What is the projected annual level of the SLBDC's core operating costs over the next 2-3 years?
- What are the probable sources of funds to cover SLBDC operating costs and their relative importance? (The three principal sources are: (a) overheads charged on grants or contracts received from the government or foreign donors; (b) fees for services delivered by core staff; and (c) income from the SLBDC Endowment Fund).
- AID originally planned to cover SLBDC indirect costs on a declining scale over the first three years of the project, with no support after September 30, 1986. A proposal to continue some coverage of SLBDC indirect costs is now under review. In the evaluation team's opinion, how much support should be provided with PEPP funds to cover SLBDC indirect costs for the remaining period of the project?
- What flexibility does the SLBDC have to reduce its core staff (or other operating costs) if income from the above sources is less than expected?

(2) Direct Costs: All direct costs associated with carrying out specific activities must be recovered 100% by the SLBDC, paid for by its clients (private sector clients, the GSL, or foreign donors). At the same time, the type of activities which these clients are prepared to pay the SLBDC to conduct will dictate what the SLBDC does as an organization.

- What activities has the SLBDC carried out in the past, and what activities is it currently carrying out, that were/are being funded by sources other than PEPP? How much money has been involved? Of this, how much has been used to cover (a) direct and (b) indirect costs?
- What are the SLBDC's future prospects for receiving contracts or grants and/or generating other business which will ensure its continued existence after PEPP?
- As a target, what minimum level of business (total income to meet both direct and indirect costs) should the SLBDC be attempting to generate annually after PEPP?

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It the past, current and potential future non-PEPP funded work consistent with the basic mission of the SLBDC to promote private enterprise? I.e. at the conclusion of PEPP, is the SLBDC likley to continue to fulfill this mission?

C. Cross-cutting Evaluation Issues: The following questions should also be briefly addressed by the evaluation team. These questions are general to all AID mid-term and final project evaluations:

1. Sustainability.

- What project benefits are likley to be sustained after AID funding ends?
- Will the SLBDC (and/or other institutional capacity) be in place to continue to deliver these benefits?

Note: The team's consideration of these questions can be merged with the its findings and recommendations with regard to the sets of questions in Section IV B.

2. Women and Development.

- How were the interests and role of women taken into account at the design stage of the project?
- Have gender-specific data been used in the design of project activities (target setting, resource allocation)?
- Based on gender-specific data gathered while answering evaluation questions listed in above section IV, what are the effects of the project on women?

3. Environmental Impact.

- There was a negative Initial Environmental Examination for the project. Has experience shown that there were any significant environmental impacts during implementation? If so, how have these been dealt with?

4. Data Collection, Monitoring and Evaluation Plan.

The evaluation team is requested to assess the adequacy of the current data collection, monitoring and evaluation efforts being undertaken in the project and to provide, in draft form, an outline for a data collection, monitoring and evaluation plan which could be used during the remaining life of the project. The sections to be included in the outline are on pages 14-15 of the Asia/Near East Bureau's Procedural Guidelines for Evaluation.

5. What specific lessons have been learned which can be applied to the proposed Rural Enterprise Development Sector (REDS) or other private sector project?
6. What were the positive or negative unplanned effects of the project?

V. Team Composition (5 person team):

A. The team will be will be composed of three U.S. consultants and two Sri Lankan consultants.

B. The three U.S. consultants will include: (a) a General Private Sector Promotion Specialist, who will serve as Team Leader; (2) an Investment Promotion Specialist; and (3) a Rural Enterprise Development Specialist. The two Sri Lankan consultants will work in close coordination with the latter two U.S. consultants and will have skills in: (1) Investor Services; and (2) Rural Enterprise Development.

C. The General Private Sector Promotion Specialist/Team Leader will lead the total evaluation and have principal responsibility for questions in Sections IV A.2, IV A.3, IV B and IV C, in above. Qualifications are: an advance degree in business or finance; previous experience in evaluating private sector development projects in less developed countries; familiarity with AID project evaluation requirements; prior supervisory experience, ideally in leading project design or evaluation teams.

D. The other consultants must meet the following qualifications:

1. Investment Promotion Specialist (U.S.): This consultant will have principal responsibility for questions in Section IV A.1, with an emphasis on investor service/investment promotion activities as they have been delivered to or aimed at potential foreign investors. Qualifications are: an advanced degree in business or finance; extensive experience in managing or promoting business ventures, with specific experience in international joint ventures; specific experience in Asian countries; and familiarity with AID-funded or other donor-funded programs designed to promote investment in developing countries.

2. Investor Services Specialist (Sri Lankan): This consultant will also address questions in Section IV A.1, with an emphasis on investor services delivered to Sri Lankan investors. Qualifications are: a degree in business or finance; extensive experience in managing or promoting business ventures in Sri Lanka, including both joint ventures with foreign investors and purely domestic investments; knowledge of the banking, finance, and investment promotion agencies in Sri Lanka; familiarity with the support requirements of smaller, rural-based Sri Lankan companies who are seeking to expand their business; and fluency in English and Sinhalese.

3. Rural Enterprise Development Specialist (US): This consultant will focus on questions in Section IV A.4 and any related areas of PEPP activity which are aimed at district (rural) private sector development. Qualifications are: advanced degree in business or rural development; extensive experience in the field of

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rural enterprise promotion in developing countries; and specific experience in Asian countries.

4. Rural Enterprise Development Specialist (Sri Lankan):

This consultant will work in tandem with the U.S. Specialist for this subject matter. Qualifications are: degree in business or field related to this assignment; extensive experience in managing or promoting small to medium size business in Sri Lanka, ideally in rural (non-Colombo) locations, knowledge of the banking, finance and rural business promotion agencies in Sri Lanka; familiarity with the needs of potential or existing rural entrepreneurs; and fluency in English and Sinhalese.

VI. Methodology and Procedures:

A. Using Chapter 12 of AID Handbook 3 as guidance, the Team Leader will be responsible for developing a methodology for conducting the evaluation, including the division of responsibility among team members. The team will specify the basis for each finding, conclusion and recommendation. Whenever possible, the team will use and report quantifiable or objective evidence and will explain the circumstances when this is not possible. Changes from project inception to the present will be measured through review of project reports and site visits.

B. The duration of the evaluation will be approximately 35 calendar days, net of international travel.

While in Sri Lanka, the team will work a 6-day week. The Team Leader will be responsible for coordination of all evaluation work and for the preparation and editing of the final report.

C. In addition, the Team Leader and the Investment Promotion Specialist (US) will spend two work days in Washington, D.C. to gather information on C&L activities conducted in the U.S. prior to travelling to Sri Lanka.

D. The Team Leader will arrive in Sri Lanka one week before the other U.S. team members. He, in conjunction with USAID Project Officer and the MF&P, will collect relevant documents for use in the evaluation (see Section VIII), set up meeting for the introduction of the full team to USAID and MF&P officials, and establish the preliminary work schedule and site visit itinerary for the evaluation.

E. The Team Leader will work a total of two days in Washington and spend 35 days (30 work days) in Sri Lanka. The last 5 work days in Sri Lanka will be spent in making final changes or edits to a draft evaluation report, which is to be submitted to USAID and the MF&P at the end of the fourth week of the team's work in country. A final version of the evaluation report is to be submitted prior to the Team Leader's departure from Sri Lanka.

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F. The remaining team members will spend work up to 28 days (24 work days) each in Sri Lanka. At the discretion of the Team Leader some of the remaining team members who are not needed for final report preparation may be released earlier

VII. Schedule

Before Day 1	Preparations by USAID/MF&P/SLBDC/C&L
Before Day 1	2 days in Washington by Team Leader and US Consultant #1.
Day 1 (Monday)	Team Leader starts work in Sri Lanka
Day 1-7	Meetings with USAID/MF&P/SLBDC/C&L officials; preparation of evaluation work plan; appointment scheduling; collection of documents; etc.
Day 8	Full team starts work
Day 8-21	Investigations by evaluation team; field visits; data gathering, etc.
Day 22-24	Completion and submission of draft report to USAID and MF&P.
Day 26	Debriefing of USAID/MF&P based on draft report.
Day 29-33	Editing, final printing and delivery of final report.

VIII. Sources of Information

Project Identification Document (PID)  
Project Paper (PP)  
Arthur D. Little Private Sector Assessment  
SLBDC Files, Reports  
MF&P Project Files, Reports  
USAID Project Files, Reports  
Coopers & Lybrand Contract Files, Reports  
ASIA/Near East Bureau Evaluation Guidelines  
Data Collection Guidelines

APPENDIX: MEMORANDUM OF ASSOCIATION OF THE SRI LANKA BUSINESS  
DEVELOPMENT CENTRE

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# MEMORANDUM OF ASSOCIATION

OF

## SRI LANKA BUSINESS DEVELOPMENT CENTRE

1. The name of the Company is "SRI LANKA BUSINESS DEVELOPMENT CENTRE" ("the Centre").
2. The Registered Office of the Centre will be situated in the District of Colombo in the Democratic Socialist Republic of Sri Lanka ("the said Republic").
3. The Objects for which the Centre is established are :-  
PRIMARY OBJECTS:
  - (1) To provide a full range of services to potential Investors and Enterprises in the Private, Public and State/Government Sectors large and small, foreign and domestic in order to encourage and promote Foreign investment, diversify the sources of Foreign Exchange earnings and increase export earnings and foster the establishment of Industrial and Commercial Enterprises to generate economic development and enhance widen and strengthen the base of the economy of the said Republic including for the said purposes the services of Consultants and experts, both Foreign and local if and when necessary.
  - (2) To serve as a focal point for the analysis of major policy issues affecting investment and the business community in the said Republic and elsewhere with the aid assistance and co-operation of the Public State and Private Sectors and their Agencies both inland and abroad and provide the fora to help exchange and disseminate data statistics and business information and explore areas and opportunities of investment for the advancement of commerce and the economic development of the said Republic and the transfer of new and advanced technology to the said Republic.

- (3) To undertake a variety of Management Training and Entrepreneur Development Programmes holding of lectures and seminars exhibitions, classes and conferences, preparation of investment profiles feasibility studies and other information statistics and data of interest to the business community and editing of periodicals and newsletters in order to encourage investment and establish Joint Ventures for the attainment and development of the goals of the said Republic.

ANCILLARY OBJECTS:

- (1) To give, receive, collect, gifts, grants, donations, subsidies subscriptions, whether in cash or kind.
- (2) To collaborate with assist, receive assistance from and promote other organisations both foreign and local engaged in the same or similar objects.
- (3) To borrow any moneys required for the Centre upon such securities as may be determined.
- (4) To lend, advance and make loans to persons, institutions, companies or organisations on security or otherwise.
- (5) To invest and deal with the moneys of the Centre, which are not immediately required upon such securities and in such manner as may from time to time be determined and to vary, sell or otherwise deal with any such investments.
- (6) To make, draw, accept, discount, endorse, negotiate, buy, sell and issue bills of exchange, cheques promissory notes and other negotiable or transferable instruments or securities, and to open and maintain bank savings and deposit accounts.
- (7) To buy, sell, mortgage, lease, dispose of, or otherwise deal with any property and assets of the Centre in whole or in part.
- (8) Subject to any restrictions either now existing or as may from time to time be imposed by law, to purchase, take on lease or in exchange, hire or otherwise acquire and to sell and otherwise dispose of or deal with any movable or immovable property and any rights or privileges which the Centre may think necessary or convenient for the carrying out of any of the objects.
- (9) To grant prizes rewards awards or scholarships to develop promote and encourage creative talents in general or in particular fields.
- (10) To establish and maintain libraries, workshops and reading rooms and to equip the same having regard to the Primary Objects of the Centre.
- (11) To publish articles, periodicals or such other literature and information as may prove necessary or useful for the purposes of the Centre.
- (12) To erect, construct, renovate, alter or otherwise maintain the Centre's offices and buildings.
- (13) To undertake and execute any trusts the undertaking whereof seem desirable, and either gratuitously or otherwise.

- (14) To enter into any contract or contracts for the uses and purposes of the Centre and the performance of the Objects of the Centre.
- (15) To appoint, engage, employ, maintain, provide for and dismiss a Managing Director, Executive Directors, Attorneys, Agents, Superintendents, Managers, Engineers, Technicians, Clerks, Labourers and Servants in the said Republic or elsewhere and to remunerate any such at such rate and in such manner as shall be thought fit.
- (16) To establish and maintain an Endowment Fund, to accept donations and contributions thereto and to honour the directions or wishes of the donors as far as practicable, to make such rules and regulations dealing with the management and administration of the fund including the appointment of trustees to the fund.
- (17) To grant pensions, allowances, gratuities, bonuses, and other benefits to officers, employees and ex-employees or the dependants or connections of any such persons, to establish contribute to and maintain trusts, funds or schemes (whether contributory or non-contributory) with a view to providing pensions, provident fund benefits, sickness or compassionate allowances, life assurance or other benefits for any such persons as aforesaid, their dependants or connections, and to support or subscribe to any charitable funds or institutions, the support of which may, in the opinion of the Governors, be calculated directly or indirectly to benefit the Centre or its officers or employees.
- (18) To promote freedom of contract, and to resist, insure against, counteract and discourage interference there with and to subscribe to any association or fund for any such purposes.
- (19) To aid, peculiarly or otherwise, any association, body or movement having for an object the solution, settlement or surmounting of industrial or labour problems, troubles or disputes or the promotion of industry trade or commerce.
- (20) To enter into any arrangement with any Government or other authorities supreme, municipal, local or otherwise and to obtain from any such Government or Authority all rights concessions and privileges that may seem conducive to the Centre's Objects or any of them.
- (21) To do all or any of the matters and things mentioned in the preceding sub-paragraphs in any part of the world, and either as principals, agents, trustees, contractors or otherwise, and either alone or in conjunction with others and either by or through agents sub-contractors, trustees or otherwise.
- (22) To do in the said Republic or elsewhere all such acts, deeds and things incidental or conducive to the attainment of the objects of the Centre.

Provided that the Centre shall not with its funds support (a) any objects or endeavour to impose on or procure to be observed by its members or others any regulation, restriction or condition which if an object of the Centre would make it a Trade Union or (b) any objects of a political nature.

(23) To procure the Centre to be registered, incorporated or otherwise empowered or represented in any country or place outside the said Republic.

OTHER OBJECTS:

To carry on business as printers and publishers of journals, magazines, books, brochures, periodicals and other articles of interest to potential investors and the business and banking community.

4. The profits, income and property of the Centre wheresoever derived shall be applied in promoting the objects of the Centre as set forth in the Memorandum of Association and no portion thereof shall be paid or transferred directly or indirectly by way of dividend, bonus, distribution in specie or otherwise howsoever or by way of profit to its members or Governors and any such distribution is expressly prohibited.
5. No addition, alteration or amendment shall be made to the Memorandum of Association or to the Regulations contained in the Articles of Association for the time being in force unless the same shall have been previously submitted to and approved by the Registrar of Companies.
6. Paragraphs four and five of this Memorandum contain conditions subject to which the Registrar of Companies by license has authorized and directed that the Centre be registered under Section 71 of the Companies Act No 17 of 1982 as a Company with limited liability without the addition of the word 'limited' to its name.
7. The liability of members is limited.
8. Every member of the Centre undertakes to contribute to the assets of the Centre in the event of its being wound up while he is a member, or within one year after he ceases to be a member for the payment of the debts and liabilities of the Centre contracted before he ceased to be a member, and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributors among themselves such amount as may be required not exceeding Rs 100/-.
9. If upon the winding up or dissolution of the Centre there remains after the satisfaction of all its debts and liabilities any property whatsoever, the same shall not be paid to or distributed amongst the members of the Centre but shall be given or transferred to some other institution or institutions having objects similar to the objects of the Centre which shall prohibit the distribution of its or their income and property amongst its or their members to an extent at least as great as is imposed on the Centre under or by virtue of Clause 4 hereof, such institutions to be determined by the members of the Centre at or before the time of dissolution and in default thereof by a Court of competent jurisdiction invoking for the purpose Section 100 of the Trusts Ordinance (Chapter 872 of 1956 Revised Edition of the Legislative Enactments of Ceylon) and in so far as effect cannot be given to the aforesaid provision then to similar charitable object applying the doctrine of cyprus as provided in Section 99 (2) of the said Trusts Ordinance.

10. True accounts shall be kept of the sums of money received and expended by the Centre and the manner in respect of which such receipt and expenditure takes place, and the property, credits and liabilities of the Centre and subject to any reasonable restrictions as to the time and manner of inspecting the same that may be imposed in accordance with the regulations of the Centre for the time being, shall be open to the inspection of the Governors. Once at least in every year, the accounts of the Centre shall be examined and the correctness of the Balance Sheet ascertained by one or more properly qualified Auditor or Auditors.

11. The several persons whose names and addresses are subscribed are desirous of being formed into a Company in pursuance of this Memorandum of Association.

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Names, Addresses & Descriptions  
of the Subscribers

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- Sgd L Stanley Jayawardena
1. MR LEONARD STANLEY JAYAWARDENA  
17 Cambridge Place  
Colombo 7  
COMPANY DIRECTOR
- Sgd D S Jayasundera
2. MR DHAMITLAL SENAKUMAR JAYASUNDERA  
25 Gower Street  
Colombo 5  
COMPANY DIRECTOR
- Sgd C Chanmugam
3. MR CHANDIRAPAL CHANMUGAM  
167 Inner Flower Road  
Colombo 3  
DEPUTY SECRETARY  
TO THE TREASURY
- Sgd R Poopalasingam
4. MR RAJASINGAM POOPALASINGAM  
1A 28th Lane  
Off Flower Road  
Colombo 7  
CHARTERED ACCOUNTANT
- Sgd K D P Dias
5. MR MALAVIARACHIGE DON PADMASIRI DIAS  
112 Issipatana Mawatha  
Colombo 5  
COMPANY DIRECTOR

Sgd S Kulatunga

MR SUGATHADASA KULATUNGA

118/16 New Airport Road  
Ratmalana

DIRECTOR GENERAL  
SRI LANKA EXPORT  
DEVELOPMENT BOARD

Sgd G C B Wijeyesinghe

MR GAMINI CHRISTOPHER BERNARD WIJEYESINGHE

8A Gregory's Road  
Colombo 7

CHARTERED ACCOUNTANT

Dated the Tenth day of May One Thousand Nine Hundred and Eighty Four.

WITNESS to the above signatures.

Sgd Preethi Wijesooriya

Notary Public

Colombo

1/7/84