

PD-ABC-687
71195

MAHAWELI ENTERPRISE DEVELOPMENT

MED/EIED PROJECT

(USAID/Sri Lanka Project No. 383 - 0090)
(Contract No. C-00-0031-00)

MED/EIED ANNUAL REPORT 1990



INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.

WITH :

**ERNST & YOUNG CONSULTANTS (Sri Lanka)
DEVELOPMENT ALTERNATIVES, INC.
HIGH VALUE HORTICULTURE, PLC.
SPARKS COMMODITIES, INC.
AGROCELLS, LTD**

CONSULTANTS TO THE MAHAWELI AUTHORITY OF SRI LANKA

The Mahaweli Enterprise Development Project

The Government of Sri Lanka as well as the international donor community has given high priority over the last several decades to the development of the resources of the Mahaweli river basin. The Accelerated Mahaweli Development Program was launched in 1978. The first phase of this program, the construction of major capital infrastructure, is complete. The second phase, developing the land for settlement and forming an agricultural production base, is well under way. The third phase, just beginning, seeks to build on the agricultural base to create a diverse and dynamic regional economy, improving employment and income prospects for settlers and their families. It is in this phase that the private sector has to play a leading role in enterprise development.

The Mahaweli Enterprise Development Project (MED) is a five year USAID-supported initiative of the Mahaweli Authority of Sri Lanka (MASL) to foster private enterprise development in the Mahaweli areas. MED assists small, medium and large-scale investors to develop new ventures in the Mahaweli and expand existing ones. This is to be accomplished by a three-pronged approach: 1) investment promotion, technical assistance and marketing support to medium and large-scale investors; 2) advisory services, training and improved access to credit for small-scale enterprises; 3) policy assistance to improve access to resources, such as land and water, and the legal and institutional framework for enterprise development in the Mahaweli settlement areas.

The Employment, Investment and Enterprise Development Division of the MASL is the MED implementing agency. The main technical consultancy is provided by a consortium led by the International Science and Technology Institute (ISTI), a private consulting firm based in Washington DC. Other firms in the consortium are Development Alternatives, Sparks Commodities, High Value Horticulture and two Sri Lankan firms, Agroskills and Ernst and Young. This significant array of organizations and expertise is ready to assist private sector firms in the Mahaweli areas.

CONTENTS

INTRODUCTION	2
PROJECT DEVELOPMENT EVENTS	3
OUTPUT INDICATORS	4
1. Medium and large scale enterprise	
2. Small scale enterprise	
3. Policy, procedures, regulations	
PROJECT ACTIVITIES AND ACCOMPLISHMENTS	7
1. Medium and large scale enterprise activities	
2. Small scale enterprise activities	
3. Policies, procedures and regulations activities	
4. Reporting, planning and other activities	
ISTI SHORT TERM CONSULTANTS	16
ISTI REPORTS	17
INPUTS AND ACCRUED EXPENDITURES BY PROJECT LINE ITEM	18
STEERING COMMITTEE, EIED MANAGEMENT TEAM, MED CONSULTANT TEAM ...	21
PRE-INVESTMENT PROGRAMS: DESCRIPTION AND CRITERIA	22

ACRONYMS

EDTP	Entrepreneurship Development Training Program
EIED	Employment, Investment and Enterprises Division of the MASL
ISTI	International Science and Technology Institute
MARD	Mahaweli Agriculture and Rural Development Project
MASL	Mahaweli Authority of Sri Lanka
MEA	Mahaweli Economic Agency of the MASL
MED	Mahaweli Enterprise Development Project
MLE	Medium and large enterprises
PIP	Pre-investment Programs
SSE	Small scale enterprises
USAID	United States Agency for International Development

INTRODUCTION

This 1990 MED/EIED annual report is submitted in fulfillment of ISTI's contract responsibility to publish an annual report of overall Mahaweli Enterprise Development Project activities. A brief description of the MED Project is given on the inside of the front cover.

Given the integrated nature MED Project implementation by EIED staff and ISTI and other consultants it was agreed with USAID during 1990 to produce joint plans and reports covering MED/EIED activities rather than separate documents.

The main body of this report is an item by item account of MED/EIED activities, planned targets and accomplishments during 1990 organized along the lines of the major MED program areas:

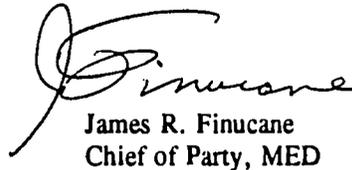
- medium and large enterprise development
- small scale enterprise development
- improvement of policies, procedures and regulations

Output indicators in these major program areas and input levels by Project budget lines are covered in separate sections. Short term technical assistance and reports are recorded in additional sections.

The members of the Project Steering Committee, the EIED management team and the long term consultant team are listed at the end of this report.

A description of the Pre-investment Program for supporting Mahaweli investors is included as the report's final section.

We have pleasure in submitting this report.



James R. Finucane
Chief of Party, MED

PROJECT DEVELOPMENT EVENTS

Efforts during 1990 were devoted in large measure to Project start-up with the pace of MED/EIED activities accelerating during the later part of the year. These activities were carried out in the context of the following project development events:

- award of main MED technical consultancy contract by USAID to the International Science and Technology Institute (ISTI) in April.
- arrival, by July 16, of main ISTI consultant team of six long term advisors (two Sri Lankans, four expatriates).
- one week Mahaweli field trip for MED team organized by EIED at the end of July.
- two day planning workshop in early August of the consultants, EIED and AID staff, MASL officials and representatives of the MARD consultant team.
- Steering Committee approval in August of the MED/EIED workplan, covering activities in which the MED consultant team would be involved, for the balance of 1990 and its subsequent presentation to the Honorable Minister in late August.
- opening of main MED consultants office in Colombo at Unity Plaza, 8th floor, within premises of EIED in mid-September. The logistical and administrative tasks of setting up were completed by the end of November.
- opening of MED consultants office in Kandy in early October in preparation for development of MED field business advisory services.
- award of separate USAID technical consultancy for MED marketing services to S.R.D. Research Group, Inc.
- three day planning workshop in November to review MED activities and prepare for 1991. It was decided to prepare an integrated workplan covering MED funded activities of EIED and the MED consultancy team.
- review in December of year's activities and of 1991 MED/EIED workplan by Project Review Committee.

MED/EIED 1990 REPORT

OUTPUT INDICATORS MEDIUM AND LARGE SCALE ENTERPRISES				
Total Mahaweli		1986 - 1989	1990	Cumulative Total
MLE investment project applications	received	292	31	323
	rejected	186	19	205
	approved	106	12	118
	applications pending at end of period		32	32
Status of approved MLE investment projects	total projects approved by Minister	106	12	118
	projects withdrawn by investor	33		33
	projects canceled by EIED	23	3	26
	land not yet handed over			14
	land handed over			42
	pre-operation			14
	in operation			23
	not in operation			6
	canceled			
	leases issued			1
Results	outgrowers			956
	hectares allocated (irrigable uplands)			437
	hectares allocated (non- irrigable highlands)			425
	hectares cultivated (irrigable uplands)			147
	hectares cultivated (non- irrigable highlands)			186
	employment			871

MED/EIED 1990 REPORT

OUTPUT INDICATORS SMALL SCALE ENTERPRISES

SERVICES

Direct services to SSEs under MED/EIED supported activities will be monitored beginning in 1991. Services to individual enterprises will be recorded and reported by number of services provided by service category. The categories are: (i) business consultancy (business planning, credit access, accounting, marketing, technology and management); (ii) training (technical, accounting, entrepreneurship and other); (iii) association assistance (organization and formation, business planning, credit and financial services access; and (iv) information.

IMPACTS

Direct impact of field business advisory services will be monitored by recording the progress for each enterprise served for the following indicators: employment, gross sales and access to credit. Tracking sheets will be maintained of the services provided to each enterprise as well as updating the key indicators.

The results of the SSE credit assistance will be monitored by recording for the Savings and Credit Associations the number established, membership, value of equity, value and number of loans received and repayment rates.

The impact of the entrepreneurship training will be monitored for the following indicators: number of new enterprises started by graduates; number of existing enterprises which expand employment and sales; number of firms operating after one year.

The program to issue transferable leases is linked to credit accessibility. The number of leases issued, the number which have been successfully used to collateralize business loans and the number of firms with leases which have increased investment in their businesses will be monitored.

BROAD INDICATORS

The proposed key indicators of enterprise development in the Mahaweli regions are: (i) the percentage of mahaweli settler families with income sources other than own account farming; (ii) number of enterprises including self-employment; (iii) employment levels in enterprises; and (iv) percentage of mahaweli employment in activities other than own account farming.

MED/EIED 1990 REPORT

OUTPUT INDICATORS POLICY, PROCEDURES AND REGULATIONS

1990

- 1,600 allotments were selected for the issuing of transferable leases
- the Director General/MASL decided that investors should be levied a charge for water taken from the canals
- the process of approving investor applications was streamlined and made quicker through the appointment of a Ministry representative to the EIED evaluation panel which reviews proposals
- agreement in principle was reached to permit investors more flexibility to respond to market opportunities by establishing a negative list of crops that cannot be cultivated by agribusiness investors to replace the practice of establishing a restrictive positive list of crops which each investor may cultivate. At the moment the intention is to place rice on the negative list.

MED/EIED 1990 REPORT

MEDIUM AND LARGE SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Establish a one-stop EIED investor information service.	Identify requirements, prepare data and documentation center and define service packages and information.	Initiated listing of investors' data requirements and began inventory of available data. Clarified responsibility for data center; specified its location and rules of access. Collated data on land and soils and initiated land use survey for irrigable land in System "B".	Investor information service requires short term assistance to compile data; and functioning information service will require additional personnel for Investor Services/EIED.
Carry out promotional activities in Sri Lanka.	Design 1991 Mahaweli promotion campaign for Sri Lankan investors and identify requirements for 1991 promotions to foreign investors.	Designed 1991 Mahaweli promotional strategy and activities with technical assistance.	Limited budgetary resources ensure that promotional efforts will be severely targeted.
	Conduct six investment seminars and field tours.	Conducted seminar in Uda Walawe which increased investor interest in that area resulting in 12 investor applications.	Limited field tours conducted in System B due to unsettled conditions.
	Develop promotional brochures, project profiles and technical sheets.	Produced two project profiles on pineapples and grapes. Produced draft brochure.	
	Conduct one on one meetings with investors to promote agri-business ventures.	Conducted six one on one meetings with MLEs.	
	Visit at least one foreign country to promote investment in the Mahaweli.		
Develop pre-investment programs (PIP's).	Identify and initiate three PIP's for implementation in early 1991.	Developed PIP criteria and procedures and produced promotional document. Contacted 40 companies to promote PIP program and seek investor interest. Identified six PIPs for 1991 implementation covering integrated fruit processing, silver skin onion production and processing, and production of fruit packing boxes.	Need to advertize and widely promote availability of PIP resources to ensure equal access to opportunity.

MED/EIED 1990 REPORT

MEDIUM AND LARGE SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Provide technical assistance, training and information.	Provide short term assistance to potential investors in fruit drying and other product areas.	Held workshop for 10 companies on fruit drying . Held workshop for 10 companies on tomato industry.	
	Provide short term assistance on local market study.	Completed report on local market potential for brined and pickled vegetables and for frozen duck.	
	Identify early 1991 assistance requirements.	Activities identified in context of PIP development. Contacted Sri Lankan private chambers and associations to promote the availability of MED Project assistance for Mahaweli investors.	Need identified to provide field advisory services to existing investors who are underinvesting due to lack of know how and confidence.
	Identify cold storage needs for selected commodities.	Test freezing of okra carried out. Collaborated with MARD on this subject.	
	Test clay for six tile firms.	Tests carried out for six firms.	
	Assist firms to establish out-grower projects.	Assisted Mahaweli Ministry in formation of gherkin growers group. Supplied entrepreneur with samples of baby corn for participation in trade fair resulting in buyer contracts.	
Disseminate market information.	Establish market information system.	MED marketing contract awarded to S.R. D. Research Group, Inc.	Major work to be conducted in 1991.
Develop tourism resources in the Mahaweli.	Carry out a preliminary identification of tourism potential and development strategies.	Tourist consultant, Ed Coe carried out study and produced report on investment opportunities to be promoted in 1991.	

MED/EIED 1990 REPORT

MEDIUM AND LARGE SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Develop MLE monitoring plan.	Conduct opinion survey.	Investor Services/EIED continued monitoring of performance of investors; carried out two major inspections of System B investors.	Follow up to inspection of agribusiness investors may require cancellation of several land permits. MLE opinion survey postponed until 1991.

MED/EIED 1990 REPORT

SMALL SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Provide field business advisory services	<p>Recruit, train, equip and post 6 MED field business consultants.</p> <p>Equip and open 8 business centers.</p>	<p>Kandy Office/Field Administration Center established.</p> <p>Advertised and received more than 360 applications for field consultant positions. Interviewed more than 50 applicants and proposed six candidates to AID and EIED for approval. Short list of additional 10 candidates ready for final interviews.</p> <p>Surveyed housing availability and identified quarters for MED field business consultants in H, G, B and C.</p> <p>Premises for business centers have been identified in Systems G, H, B and C within MEA compounds.</p> <p>Furniture and equipment needs for business centers identified.</p>	<p>Despite the relatively high salaries being offered, the limited benefit package and the lack of four-wheel vehicle transport has made the field consultant position less attractive to many qualified personnel. This has made recruitment more difficult and delayed the selection process.</p> <p>Houses identified require major renovation work.</p> <p>Short term advantages of placing business centers within MEA facilities are evident, but effort should be made to increase private sector orientation by eventually placing them in private sector organizations.</p>
Conduct, monitor and assess Entrepreneurship Development Training Program.	<p>Improve EDTP course content and follow-up.</p> <p>Conduct 6 training programs for 300 entrepreneurs.</p> <p>Assess effectiveness of EDTP's and make recommendations for 1991 activities.</p>	<p>Introduced improvements in course design.</p> <p>Reviewed 5 bids and selected 3 firms to carry out programs.</p> <p>Trainee selection for EDTPs carried out</p>	<p>Delays in EDTP start up have resulted from protracted negotiations with bidding firms and the newness of the approach</p>

MED/EIED 1990 REPORT

SMALL SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Improve non-farm SSE credit	Complete Mahaweli credit report and initiate preparation of Mahaweli credit program for SSE's based on the establishment of groups of entrepreneurs organized into Savings and Credit Associations.	Met with financial institutions in systems H, G, B and C and in Colombo. Completed data collection and analysis of credit program options. Credit Report completed and recommendations incorporated into 1991 workplan. Ceiling on matching grants from AID to Savings and Credit Associations of Rs. 100,000 is recommended. Grant funds may also be needed for equipment purchase to assist with start up costs of the proposed Savings and Credit Associations.	Credit study recommends a phased program with gradual expansion from individual to group-based borrowing. Only a small segment of entrepreneurs will be able to receive loans through the proposed associations. Covering the start up expenses of the proposed Savings and Credit Associations is problematic.
Review legal constraints on access of associations to financial services.	Complete legal study and recommend actions for participation of private groups and associations in the Mahaweli credit program.	Completed legal study; submitted recommendations for design of credit program; reviewed findings and options with entrepreneur associations in System H,G, B and C. Clarification has been sought by the Director General/MASI from the Attorney General regarding the types enterprises which can be covered under the Societies Ordinance.	Recommended form of legal incorporation of the proposed Savings and Credit Associations is as Societies under the Societies Ordinance. Initial legally required member contribution of Rs. 1000 is high; registration fee of Rs.10,000 is also high; whether all types of SSEs, rather than just small manufacturing industries, can be members of societies under the Societies Ordinance requires clarification by the Attorney General.

MED/EIED 1990 REPORT

SMALL SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Develop SSE craft based projects	<p>Develop design and marketing strategy and initiate activity.</p> <p>Develop skills of 200 crafts people in 8 crafts.</p> <p>Identify new designs.</p> <p>Establish 5 common facilities.</p> <p>Develop products with substitute raw materials.</p> <p>Form 8 producer associations.</p>	<p>Held meetings with craftspeople in Uda Walawe. Identified design, production and marketing constraints.</p> <p>Trained 66 persons in pottery, coir, rush and reed.</p> <p>Introduced 18 designs.</p> <p>Meetings held with National Design Centre, National Crafts Council, Department of Small Industries, Handicraft Development Board and Industrial Development Board to develop handicraft marketing program for Uda Walawe</p>	<p>Inability to contract short term technical assistance by local consultant led to delay on this activity. To be rescheduled for 1991.</p> <p>MLE/SSE linkages in the handicraft area has been scheduled for 1991</p>
Conduct short term technical assistance and training to improve SSE performance	<p>Improve performance of Kotmale Treacle Association by conducting management audit and setting up accounting system</p> <p>Develop ornamental fish projects by establishing breeding stations and plant nursery with Ruvini aquatics; train farmers in C,H, and Kotmale in fish growing.</p> <p>Develop prawn projects; train farmers in B,C, G, H, and Uda Walawe; train 60 farmers in feed preparation.</p>	<p>Conducted training and goat farming and metal working</p> <p>Training conducted in woodcarving</p>	<p>Assistance to Kotmale Treacle Association is incorporated in the 1991 plan.</p> <p>Promotion of prawn cultivation is not compatible with official policy.</p>

MED/EIED 1990 REPORT

SMALL SCALE ENTERPRISE ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Make market information available to farmers. earmarked	<p>Inform farmers of Colombo food prices, production levels</p> <p>Make data on production costs and returns available to investors.</p>	<p>Produced and distributed weekly bulletin on wholesale and retail prices</p> <p>Collected and distributed data on cultivation programs to farmer societies, cooperatives, and commercial farmers in B.</p> <p>Updated and issued data on 13 crops to potential commercial farm investors in B.</p> <p>Produced and distributed weekly bulletin.</p> <p>Produced and issued product and market profiles on okra and baby corn.</p>	
Reconfigure baseline survey of SSE's in the Mahaweli.	Prepare baseline data for MED project evaluation.	<p>Completed reassessment of 1988 survey data. Held discussions with 5 local marketing and consulting firms on re-keying data and conducting surveys.</p> <p>Pre-contract negotiations carried out to re-key data, conduct survey for Uda Walawe and Kotmale, and develop sampling/tracking mechanism for key project indicators.</p> <p>Designed framework for Management Information System for SSEs</p>	<p>Activity has expanded to encompass not only the establishing of project benchmarks for evaluation purposes but also the developing a system to track key indicators on employment and SSE activity in the Mahaweli systems each quarter.</p>
Develop SSE program monitoring plan.	Conduct SSE opinion survey.	Management Information System framework designed for reporting on EIED/MED field services and monitoring employment and business turnover in SSEs assisted	<p>Project Reporting, Monitoring and Evaluation system to be established in first quarter of 1991.</p> <p>Opinion survey to be carried out in 1991 under the policy area.</p>

MED/EIED 1990 REPORT

POLICY, PROCEDURES AND REGULATIONS ACTIVITIES			
Activity	1990 Target	Accomplishments	Issues
Conduct land study to identify appropriate policy improvements, including defining an acceptable & quick procedure to transfer land leases to investors.	Prepare draft policy recommendations on access of commercial farmers to land for nucleus farms.	Submitted draft policy recommendations to MASL officials. Overseeing group set up by the Director General, MASL.	May require further policy level emphasis to ensure full implementation of efforts to allocate 750 before end 1990.
	Assist EIED in transfer of initial 750 leases.	Recommendations provided to EIED/MASL on streamlining of procedures for lease allocations. Recommendations made for improving collateral value of lease document. Authority of Director General, MASL to sign leases has been established. 1,600 plots have been identified; 72 are surveyed and valued; the 139 are surveyed but not valued (separate report available). Initial leases being prepared for System H.	
Conduct water access study.	Prepare a preliminary assessment of availability of water in Mahaweli systems for agro-industries.	Overseeing group established by Director General, MASL.	May require short term technical assistance.
Conduct labor study.	Assess labor supply & demand in all systems to help target MED efforts.	Discussions held with PMU and labor and demographic data review initiated. Identified labor surplus areas as H, G and Uda Walawe and began targeting MED activities accordingly.	
Review inventory of Mahaweli policies and procedures for investors and recommend modifications.	Propose specific policy and procedure changes as appropriate.	Initial review has been completed.	
Establish policy dialogue between Mahaweli entrepreneurs and policy makers.	Identification of policy constraints to enterprise development in the Mahaweli.	SSE representative groups identified. Gherkin growers formed initial group with promotion by Mahaweli Ministry.	

MED/EIED 1990 REPORT

REPORTING, PLANNING AND OTHER ACTIVITIES			
Activity	Target	Accomplishments	Issues
Produce reports and workplans.	Produce reports and workplans in conformance with grant agreement and ISTI-USAID contract.	Completed two annual workplans (covering September - December, 1990 and the calendar year 1991), one 1990 quarterly reports, one 1990 annual report and one quarterly plan (January - March, 1991).	Integration of MED marketing contract activities with total MED/EIED program is problematic.
Develop an EIED management information system which includes MED activities and expenditures.	Work with local contractors (Coopers and Lybrand) to design and introduce monitoring and reporting system.	Assisted in design of input and report systems for management of MED and other EIED service activities.	Implementation of management information system requires some adjustment of EIED internal reporting systems; MED monitoring system will depend in part on EIED's management information system.
Train EIED staff.	Train EIED staff in MED activity implementation.	One day briefing session held for EIED field and headquarters staff on MED activities.	Training delays resulted from delays in contracting MED field consultants and in identifying external training institutions.
	Train EIED staff in business advisory skills.	Designed joint program for MED and EIED field staff training.	

MED/EIED 1990 REPORT

MED (ISTD) CONSULTANTS SHORT TERM TECHNICAL ASSISTANCE JULY - DECEMBER, 1990			
Program area	Topic	Name	Dates
SSE	Legal aspects of SSE credit program	Mr. G.J. Alagaratnam	Oct 30 - Nov 30
SSE and MLE	Local demand for export products preserved in brine and vinegar (incl. gherkins, baby okra, baby corn, silver skin onions, mushrooms, eggplant and capsicum)	Lanka Market Research Bureau, Inc.	Oct 30 - Dec 15
MLE	Investment promotion	Tom Healy	Nov 17 - Dec 5
MLE and SSE	Tourism development	Ed Coe	Nov 1 - Nov 24
MLE	Pre-investment program development	Bob Lee	Sept 16 - Oct 5 Oct 27 - Nov 24
MLE	PIP reviews	Earl Guise	Dec 8 - Dec 15
MLE	Outgrower investments	Ken Aoyama	Dec 3 - Dec 13

MED/EIED 1990 REPORT

MED (ISTI) REPORTS JULY - DECEMBER, 1990		
Title	Name	Report # and date
Tourism potential of the Mahaweli	Ed Coe	1/1990 - November 1990
Pre-investment programs: Background papers	Bob Lee	2/1990 - November 1990
Legal study on access of Savings and Credit Associations to financial services	G. J. T. Alagaratnam	3/1990 - December 1990
Local market for pickled products	Lanka Market Research Bureau, Ltd.	4/1990 - December 1990
Non farm small scale enterprise credit in selected Mahaweli systems	Geoffrey Peters and M. W. Panditha	5/1990 - December 1990
Observations on agribusiness development and pre-investment programs	Earl Guise	6/1990 - December 1990
Promotion of investment in the Mahaweli regions of Sri Lanka	Tom Healy	7/1990 - December 1990

MED/EIED 1990 REPORT

INPUTS AND ACCRUED EXPENDITURES* BY PROJECT LINE ITEM			
Reporting period: July - Dec 1990			
Project line item	Project targets for inputs and expenditures	Inputs this period	Cumulative inputs to date
Entrepreneur training Ad hoc training EIED staff training	Persons trained: xx persons xx persons xx person-months staff training \$650,000	2	2
Pre-investment programs	15 PIPs presented to EIED/USAID 10 PIPs approved 10 PIPs completed 40 firms assisted with PIPs \$250,000 on PIPs	3 presented	3 presented
Investment promotion	40 promotion seminars 6 overseas missions \$750,000	8 seminars	
Information dissemination	xx market seminars xx market studies distributed \$150,000		
Grants to associations	50 SSE associations assisted 50 grants to SSE Savings and Credit Associations 5 grants to other associations \$200,000		
Special projects	5 activities proposed to EIED/USAID 5 activities approved 5 activities completed \$1.0m		

* Figures on expenditures were not available at the time this report was compiled.

MED/EIED 1990 REPORT

INPUTS AND ACCRUED EXPENDITURES* BY PROJECT LINE ITEM			
Reporting period: July - Dec 1990			
Project line item	Project targets for inputs and expenditures	Inputs this period	Cumulative inputs to date
Equipment	5 vehicles	5	
	16 motorcycles	6	
	8 business centers equipped		
	\$	\$48,500	
Surveys, monitoring	8 opinion surveys completed		
	1 MLE baseline established		
	1 SSE baseline established		
	\$200,000		
Evaluation and audits	25 steering committee meetings (including Project Review Committee meetings)	2	3
	1 mid-term project external evaluation		
	1 final project external evaluation		

* Figures on expenditures were not available at the time this report was compiled.

MED/EIED 1990 REPORT

INPUTS AND ACCRUED EXPENDITURES* BY PROJECT LINE ITEM			
Reporting period: July - Dec 1990			
Project line item	Project targets for inputs and expenditures	Inputs this period	Cumulative inputs to date
Planning and operations	750 leases issued		
	6 annual MED/EIED workplans	2	2
	6 planning workshops	2	2
	\$50,000		
Technical assistance	20 MED quarterly reports	2	2
	6 MED annual reports	1	1
	1 mid-term MED report		
	1 final MED report		
	302 months long term MED technical assistance	30.0	30.0
	60 months short term local technical assistance	3.0	3.0
	95 months short term foreign technical assistance	1.5	4.5
	780 months MED field business consultants		
	xx months short term market technical assistance		

* Figures on expenditures were not available at the time this report was compiled.

MED/EIED 1990 REPORT

STEERING COMMITTEE MEMBERS

A.A. Wijetunge, Secretary, Ministry of Lands, Irrigation and Mahaweli Development
K.H.S. Gunatilaka, Director General, MASL
P.T. Senaratne, Secretary General, MASL
Steve Hadley, Private Sector Officer, USAID
Granville Perera, Private Sector Representative
Ajith Jayaratne, Private Sector Representative
W.A.J. Anton Fernando, Director, EIED
Managing Director, MEA

EIED SENIOR MANAGEMENT TEAM

W.A.J. Anton Fernando, Director
Sunil Amarasinghe, Manager, Marketing Division
Mrs. P.C. Mathias, Manager, Finance and Administration
Dr. U. Pethiyagoda, Consultant Agronomist
Indra Phillips, Manager, Investor Services
Buwaneka Samarasekera, Manager, Enterprise Division

MED SENIOR CONSULTANT TEAM

Dr. James R. Finucane, Chief of Party
Jayathana Jayewardene, Deputy Chief of Party
Paul Bundick, Small Scale Enterprise Advisor
Steve Morgan, Medium and Large Enterprise Advisor
M. W. Panditha, Credit Advisor
Geoffrey Peters, Credit Consultant

MED/EIED 1990 REPORT

PRE-INVESTMENT PROGRAMS

A. GENERAL OVERVIEW

Pre-Investment Programs (PIPs) are custom-designed packages of assistance provided by the MED Project to support pioneer investors in the Mahaweli. Through PIPs the Project provides assistance which enable the unusual risks and extraordinary costs which pioneers face to be shared between the investors and the Project. PIPs can give pioneer medium and large enterprises (MLEs) direct exposure to markets and direct access to expertise in production, management and marketing techniques which investors themselves define as needed. PIP assistance can provide:

- * technical guidance and expertise in specialized fields (e.g., agronomic, production, post harvest handling and transport, processing and marketing).
- * overseas travel to investigate markets and establish market contacts.

B. INVESTOR ELIGIBILITY

Investors to be eligible for PIP consideration should meet the following minimum conditions:

- * be a pioneer Mahaweli investor.
- * be willing to share what is learned with other pioneer investors.
- * be willing to share the cost of the PIP assistance.
- * have the management and financial capacity to undertake the proposed investment.

MED/EIED 1990 REPORT

C. ELIGIBLE ACTIVITIES

Investments eligible for PIP support are those based on comparative or competitive advantages. In practice, this covers non-subsidized export or import substitution oriented investments in:

- commercial scale agricultural production (including nucleus/outgrower schemes) with priority on fruits and vegetables.
- post-harvest packing, processing and storage of commercial agricultural crops being produced.
- packaging, transport and marketing activities that integrate to support the commercial agricultural ventures in the region.
- off-farm activities in the manufacturing, tourism and services sectors

D. SELECTION CRITERIA

Investments proposed by investors for PIP support are judged against the following criteria:

- * The investment is technically and financially viable.
- * The investment entails extraordinary costs and risks for the pioneer investors.
- * The investment if successful will stimulate the entry of new entrants into a potentially profitable industry.
- * The investment will expand employment and income earning opportunities in the Mahaweli.
- * The investment is not environmentally harmful and is not in product or market areas prohibited from receiving USAID support due to concerns about possible adverse environmental effects or competition with specific American products.

MED/EIED 1990 REPORT

E. ELIGIBLE EXPENDITURES

Expenditures eligible for PIP consideration include:

- * Costs to bring specialists to Sri Lanka to provide technical or business assistance to the pioneer investor.
- * Travel for Sri Lankan employees of pioneer investor firms to other countries to gain training and make market contacts.
- * Costs to support training programs in or outside Sri Lanka.
- * Purchase of capital items that are approved as justified by EIED and USAID.

F. ESSENTIAL DEFINITIONS

Pioneer investor is an investor engaged in a new activity in the Mahaweli. Most if not all medium and large investors participating in the targeted agriculturally-based industries are pioneer investors due to the novelty of the industries to Sri Lanka and the frontier nature of the Mahaweli.

Pre-investment is an investment required by a pioneer investor to remove a barrier to the effective initiation of an investment or the effective implementation of an ongoing investment.

Cost sharing is the sharing by the pioneer investor in the cost of the pre-investment which receives PIP support through MED. The pioneer investors share can be cash, executive time, or capital inputs already made. For example, for overseas travel undertaken through a PIP, MED would provide tickets for transport and the investor would provide lodging and the time of the most appropriate executive. In cases where the investor is already committing a major investment of time and money this commitment will likely be considered his share of the cost to support the PIP intervention.