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MAHAWELI ENTERPRISE DEVELOPMENT

MED/EIED PROJECT

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

MED/EIED 1993 WORKPLAN



INTERNATIONAL SCIENCE AND TECHNOLOGY INSTITUTE, INC.

WITH :

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

CONSULTANTS TO THE MAHAWELI AUTHORITY OF SRI LANKA

The Mahaweli Enterprise Development Project

The Government of Sri Lanka and the international donor community have given high priority to the development of the natural and human resources of the Mahaweli river basin. The first phase of this development, the construction of dams, irrigation and power systems, roads and other physical infrastructure, is largely complete. The second phase, settling the land and forming an agricultural production base, is well under way. The third phase, the major challenge for the 1990's, is the building of a diverse and dynamic economy, improving employment and income prospects for Mahaweli settlers and their families. In this phase the private sector has a leading role to play.

The Mahaweli Enterprise Development Project (MED) is a USAID-supported initiative of the Mahaweli Authority of Sri Lanka to promote investment and business development in agribusiness, manufacturing, tourism, minerals and services. MED directly assists small, medium and large-scale investors with technical assistance, marketing support, training, business advisory services and credit. MED also provides policy assistance to improve access to resources, such as land, water and capital, and the legal and institutional framework for enterprise development.

The official MED implementing agency is the Employment, Investment and Enterprise Development Division of the Mahaweli Authority. The main MED technical consultancy is provided by a consortium led by the International Science and Technology Institute, Inc., a private consulting firm with head offices in Washington DC. Other firms in the consortium are Agroskills, Development Alternatives, Ernst and Young, High Value Horticulture and Sparks Commodities. Marketing services are provided by SRD Research and Development Group, Inc.

MAHAWELI ENTERPRISE DEVELOPMENT

MED/EIED 1993 WORKPLAN

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OVERVIEW OF 1991-92 MED/EIED RESULTS AND 1993 TARGETS

	Results		Target
	1991	1992	1993
Outgrower jobs created	1,450	2,800	1,500
New jobs generated in enterprises with more than 25 employees (non-garments)	400	20	1,500
Jobs created in enterprises with 1 to 25 employees	400	900	800
New self-employment jobs generated	700	500	500
Total MED jobs created	2,950	4,220	4,300
Jobs created in garment factories	0	4,700	0
Total jobs generated	2,950	8,920	4,300
Outgrower net incomes (not including CTC)	Rs. 35.5 million	Rs. 44.3 million	Rs 68 million
Hectares cultivated directly by agribusinesses (not incl. outgrower cultivations)	385	415	600
Loans arranged for self employed and micro and small businesses	Rs. 6.1 million	Rs. 8.1 million	Rs. 12.0 million
Number of agribusiness investments approved*	12	17	25
Value of agribusiness investments approved	Rs. 35.6 million	Rs. 284.2 million	Rs 300 million
Number of non-agribusiness investments approved*	16	23	25

* An investment is classified as approved after approval by relevant body (MASL Board, Minister, Cabinet) and signing of Memorandum of Understanding by investor and MASL.

MED/EIED 1993 JOB CREATION TARGETS BY BUSINESS CENTER

MED/EIED 1993 Job Creation Targets by Business Center			
	Small enterprises	Medium and large enterprises	Total
B - Welikanda	170	470	640
C - Dehiattakandiya	200	700	900
C - Girandurukotte	*	*	*
G - Bakamuna	100	250	350
H - Madatugama	150	200	350
H - Nochchiyagama	200	400	600
H - Galnewa	**	**	**
Kotmale	130	1,000	1,130
UW- Embilipitiya	130	1,000	1,130
UW - Angunukolapellesa	70	100	170
UW -	***	***	***
Victoria	****	****	****
Total	1,150	4,120	5,270

- * Included in Dehiattakandiya
- ** Included in Madatugama
- *** Included in Embilipitiya
- **** Included in Kotmale

SUMMARY OF 1993 MED/EIED ACTIVITIES AND TARGETS

ACTIVITY

TARGET

MEDIUM AND LARGE ENTERPRISES

- | | | |
|----|--|---|
| 1. | Provide support to investors through pre-investment programs | Implement 12 Pre-Investment Programs (PIPs). |
| 2. | Provide support to investors through special projects | Implement 5 Special Projects. |
| 3. | Promote Mahaweli investment in Sri Lanka | Attain MASL Board approval of 50 investments. |
| 4. | Provide agribusiness investors with field based advisory services and training | Assist 20 agribusiness investors to export products. |
| 5. | Develop export and local markets for Mahaweli products | Provide marketing services to 100 investors and special market assistance to 10 high potential investors. |
| 6. | Develop tourism, minerals, manufacturing and property sectors | Ground broken for four tourism, two mineral based, five manufacturing and two housing projects. |

SMALL ENTERPRISES

- | | | |
|-----|--|--|
| 7. | Provide business advisory services | Deliver 8,000 business consultations to 3,000 SSEs. |
| 8. | Facilitate access to credit | Arrange 1,000 loans; form 30 Savings and Credit Societies. |
| 9. | Provide technical, entrepreneurship, credit and other training | Train 1,300 individuals. |
| 10. | Develop SSE-MLE business linkages | Arrange eight sub-contracts for small enterprises. |

POLICIES, PROCEDURES AND REGULATIONS

- | | | |
|-----|--|--|
| 11. | Establish land policies which support enterprise development | Issue 1,000 special grants (i.e., equivalent to freehold titles) to SSEs and 15 thirty year leases to MLEs. |
| 12. | Improve physical infrastructure for enterprise development | Make telecommunications, road, power or water infrastructure investments to support three private projects. |
| 13. | Commercialize MASL land and facilities | Transfer six MASL farms and 10 DA&DDP farms, 100 buildings, three facilities and 500 new commercial and industrial plots to the private sector. |
| 14. | Improve policies to support Mahaweli enterprise development | Introduce five policy changes in the areas of town and country planning, labor, water, tourism, minerals and housing which improve business environment in Mahaweli. |
| 15. | Improve capacity to sustain market development | Implement programs to assist six private associations. |

OTHER ACTIVITIES

- | | | |
|-----|--------------------------|--|
| 16. | Plan, monitor and report | Produce four quarterly plans and reports and one annual plan and report. |
|-----|--------------------------|--|

MEDIUM AND LARGE ENTERPRISES - ACTIVITY #5

Develop export and local markets for Mahaweli products

Target	Provide basic marketing services to 100 investors and special market development assistance to 10 high potential investors.
Comments	Marketing services will be coordinated with investment promotion, pre-investment programs and field advisory services. Selected investors with high employment potential projects, including those receiving PIP or SP assistance, will receive special market development assistance such as expanded market data, market testing, buyer contacts and trade fair participation.
Tasks	<ol style="list-style-type: none"> 1. Explore possibilities to develop products for substitution of imports <ul style="list-style-type: none"> * preliminary study to identify products and constraints for production * study agronomic feasibility * study commercial feasibility * dissemination of information through seminars and publications * integration with business centres to negotiate deals 2. Explore local markets for non-agri products <ul style="list-style-type: none"> * study on products which need intensive labour deployment * selection of products * dissemination of information * arrange linkages for production and marketing 3. Educate Mahaweli investors and outgrowers on methods of reducing post-harvest losses <ul style="list-style-type: none"> * training and demonstrations 4. Collect and distribute local market information <ul style="list-style-type: none"> * weekly price information on commodities to FBCs associations and MEA offices * send market information reports to FBCs, associations and MEA 5. Provide special market development assistance to ten high potential investors <ul style="list-style-type: none"> * testing and development of samples * test marketing and market visits * to link producers with cold chain facilities * identification products and farmers * awareness and training * production planning and scheduling * Provide marketing services for export markets

6. Hold seminars on eight products - grapes, pineapple, asparagus mangoes (1st quarter) sweet corn, cashew, pickled vegetables, papaya (3rd quarter)
7. Produce eight (8) Export Potential Products Briefs - will be given at seminars to participants
8. Produce eight (8) Market Intelligence Profiles (MIPs)
9. Produce seven (7) Agronomic Viability Brief (AVB) Reports
10. Produce Market Intelligence Briefs (MIBs) on 12 products
11. Data base up dates on thirteen (13) existing products and two (2) new products
12. Publish four (4) Mahaweli Exporter News Letters

Schedule

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MEDIUM AND LARGE ENTERPRISES - ACTIVITY #6

Develop tourism, minerals, manufacturing and property sectors

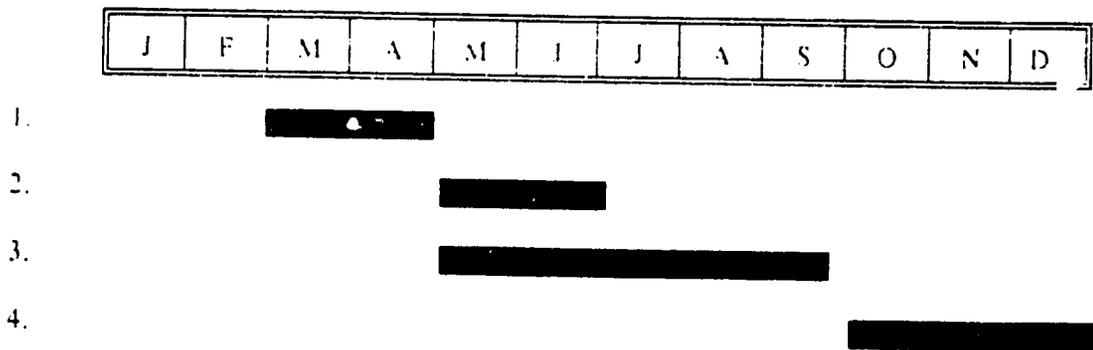
6.4 Housing sector

Target Initiate two housing development projects

Comments Housing supply is a constraint on development of other sectors as potential investors are deterred by the difficulty in finding housing for staff and workers. Labor mobility is effectively reduced. This concern is being considered in the infrastructure study (Activity # 12). MASL policies (e.g., on land alienation to potential investors in housing) as well as national policies (e.g., rent control) are obvious barriers to increased private investment in this area.

- Tasks
1. Demarcate special housing areas in each systems
 2. Carry out investment seminar for housing investors
 3. Identify and promote adjustments to policies which may constrain investment in housing infrastructure
 4. Allocate identified land to investors to build according to their needs.

Schedule



SMALL ENTERPRISES - ACTIVITY #8

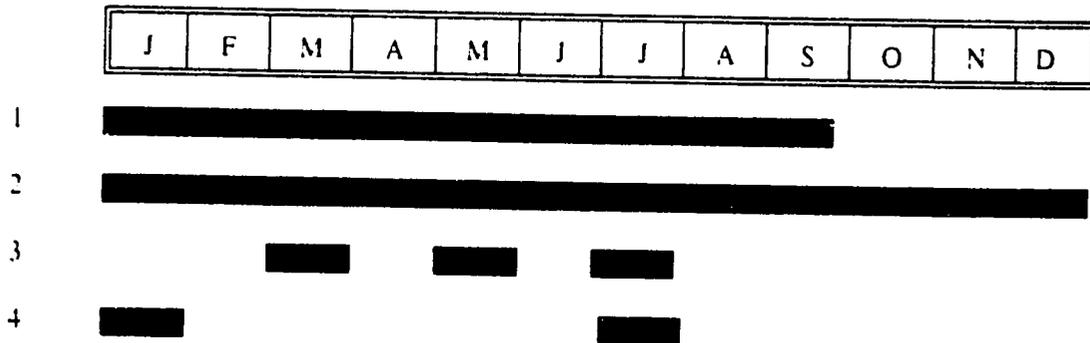
Facilitate access to credit

Target Arrange 1,000 loans to SSE clients and form 30 new Savings and Credit Societies.

Comments Assistance is provided to individual SSEs and to members of Savings and Credit Societies set up with MED assistance. An estimated 3485 of SSE consultancies provided by EIED staff and MED business consultants will address credit needs. They are expected to yield 452 loans (estimate total value of Rs. 7.8 m) for individual SSEs and 475 (estimated value Rs. 16.7 m) for members of S&Cs. While majority of loans will be through Commercial Banks and estimated 100 are expected to be through the Mahaweli Venture Capital Company. Also 33 new S&Cs will be formed for a total of 65. S&Cs will be awarded Rs. 2.8 m in grant funds by way of collateral funds and initial operating expenses. With the experience gained by the field staff during 1991 and 1992, it is expected that this activity could be accelerated in 1993. Once this target is reached attention could be focussed in 1994 on designing and implementing phase two of the credit programme.

- Tasks**
1. Form 30 new Savings and Credit Societies
 2. Make grants to 45 Savings and Credit Societies
 3. Conduct workshops for bankers
 4. Train staff in SSE credit needs assessment

Schedule



SMALL ENTERPRISES - ACTIVITY #10

Develop MLE-SSE business linkages

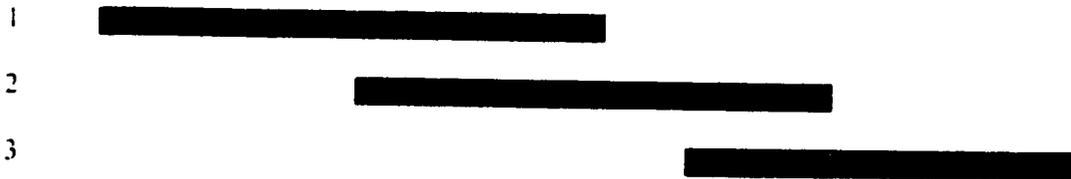
Target Arrange eight sub-contracts for small enterprises.

Comments The establishment of small enterprise linkages with larger firms for achieving exports is an important channel for SSEs who are not able to be direct exporters to enter higher value markets. To date, however, inspite of several attempts, these links have not been established in Mahaweli regions. Discussions will be held with craft and other exporting firms in early 1993 to identify specific product and contract opportunities. Based on the findings, product development, technology and business assistance will be provided to facilitate specific opportunities. As part of this activity, assistance will be provided for participation in trade fairs and the carrying out of special feasibility studies as necessary.

- Tasks**
1. Identify 9 business opportunities
 2. Sign 6 contracts with firms
 3. Develop technical and business skills of identified suppliers/producers

Schedule

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POLICY, PROCEDURES & REGULATIONS - ACTIVITY #11

Establish land policies which support enterprise development

Target Issue 1,000 special grants (i.e., equivalent of freehold title) to SSEs and 15 thirty year leases to MLEs.

Comments The first xxx grants and xx leases were issued at the end of 1992. MED assisted to develop the documentation and program to achieve this and to develop the 1993 program. A specialist in land matters was contracted at end 1992 to assist in the 1993 work program and support of relevant Mahaweli divisions has been assured. Efforts initiated to attain collaboration with other departments will be identified in 1993.

- Tasks**
1. Issue Ministry statement on freehold titles (special grants without restrictions) for SSEs and thirty year leases to large investors.
 2. Employ private surveyors as needed
 3. Establish and hold regular meetings of coordinating group of key persons for survey, valuations and processing
 4. Assist RPMS to introduce titles and leases for survey and processing.
 5. Assist Manager Lands MEA to issue 100 grants each month.
 6. Coordinate with high officials for issuing of initial grants and leases

Schedule

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1	[REDACTED]											
2	[REDACTED]											
3	[REDACTED]											
4	[REDACTED]											
5	[REDACTED]											
6	[REDACTED]											

POLICY, PROCEDURES & REGULATIONS - ACTIVITY #12

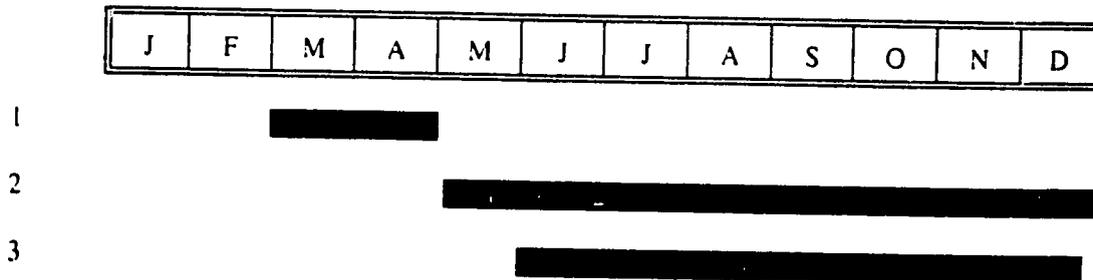
Improve physical infrastructure for enterprise development

Target Make telecommunications, road, power or water investments to support three private projects.

Comments The existing Mahaweli physical infrastructure was constructed mainly to generate power for non-Mahaweli areas and for small farmer irrigation and community development in the Mahaweli. Major gaps in basic infrastructure of telecommunications, roads, power, housing and water supply are constraints on business development. Additional constraints exist in housing infrastructure. During 1992 a study was initiated to identify infrastructure priorities and a separate study was done of options to meet telecommunications requirements in Systems B and C.

- Tasks**
1. Identify three infrastructure investments which will enable specific investment projects.
 2. Introduce policy reforms or other measures which will encourage private sector to develop infrastructure.
 3. Make infrastructure investments.

Schedule



POLICY, PROCEDURES & REGULATIONS - ACTIVITY #13

Commercialize MASL land and facilities

- Target** Transfer six MASL farms, 10 DA&DDP farms, 100 buildings, three facilities and 500 commercial and industrial plots to private sector.
- Comments** Five MASL farms were advertized during 1992 and transferred to private investors. Investor interest was very strong. MED will assist in the transfer of six more farms plus some 10 livestock farms to the private sector during 1993. EIED's roster of available buildings will continue to be promoted to investors. MASL facilities at Digana and Kotmale will also be considered for transfer in 1993. 500 new commercial and industrial plots (5-40 perches) will be transferred to SSE entrepreneurs.
- Tasks**
1. Advertize at least monthly the MASL lands and buildings available to the private sector.
 2. Carry out consultancy and prepare documentation for DA&DDP farms.
 3. Maintain updated roster of lands available in each system for presentation to investors.
 4. Determine how industrial parks might be utilized; survey and block seven; promote three to private sector.

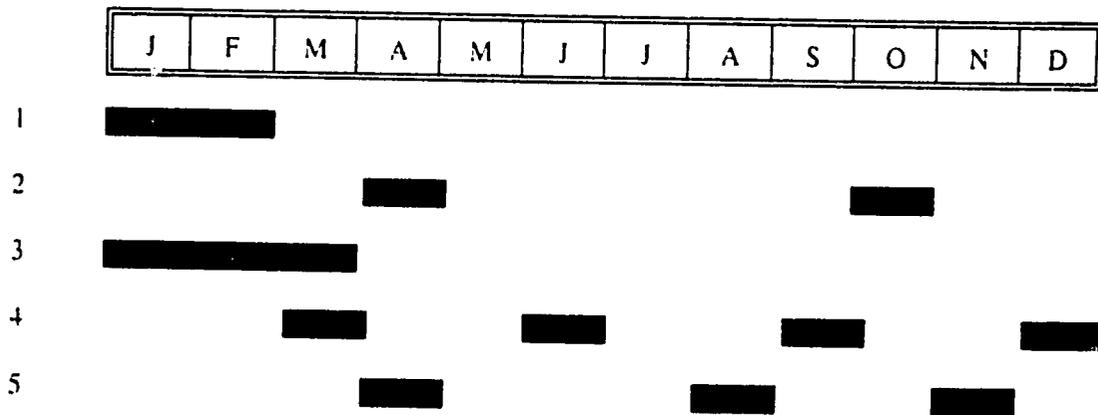
Schedule

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PLAN, MONITOR AND REPORT - ACTIVITY #16

- Target** Produce four quarterly plans and reports and one annual plan and report.
- Comments** During 1992 a census of Mahaweli enterprises and of non-farm employment was conducted. The results will be analyzed during early 1993 and will establish a baseline against which to measure future MED impacts. Periodic surveys drawing upon census frame will provide indications of performance. Also, the monitoring and management information system which was introduced into use in 1992 will be upgraded.
- Tasks**
1. Complete analysis of census of enterprise and employment and establish 1992 baseline data for enterprises and employment in the Mahaweli.
 2. Conduct first survey of progress.
 3. Upgrade monitoring and management information system.
 4. Produce four quarterly plans and reports and one annual report and plan.
 5. Conduct three MED/EIED planning workshops.

Schedule



MAHAWELI BUSINESS CENTER: ANGUNUKOLAPELESSA**Staffing:**

Employment Creation Target: Create 70 full time jobs in small enterprises and 100 in medium and large enterprises

Activity Targets:

- * Deliver 800 business advisory consultations (including 375 to arrange loans and 30 to address land issues)
- * Form 5 additional SCS
- * Serve 128 enterprise and entrepreneur clients
- * Dishurse 8 grants to Savings & Credit Societies (for an estimated Rs 403,200)
- * Arrange 96 loans to SCS members (for an estimated Rs 3,360,000)
- * Arrange 32 loans to non-SCS entrepreneurs (for an estimated Rs 800,000)
- * Deliver 16 Ad-hoc training courses for a total of 230 people including 10 for SCS members
- * Submit 5 grant proposals for private associations

MAHAWELI BUSINESS CENTER: BAKAMUNA**Staffing:**

Employment Creation Target: Create 100 full time jobs in small enterprises and 250 in medium and large enterprises

Activity Targets:

- * Deliver 1250 business advisory consultations (including 400 to arrange loans and 100 to address land issues)
- * Serve 285 enterprise and entrepreneur clients
- * Form 5 additional SCS
- * Disburse 6 grants to Savings & Credit Societies (for an estimated Rs 423,608)
- * Arrange 35 loans to SCS members (for an estimated Rs 1,400,000)
- * Arrange 20 loans to non-SCS entrepreneurs (for an estimated Rs 600,000)
- * Deliver 16 Ad-hoc training courses for total of 120 people including 6 for SCS members
- * Conduct 1 EDP Training course for 30 persons
- * Transfer 20 commercial and industrial plots
- * Establish 1 MLE/SSE business link
- * Submit 1 grant proposal for a private association

MAHAWELI BUSINESS CENTER: DEHIATTAKANDIYA**Staffing**

Employment Creation Target: Create 200 full time jobs in small enterprises and 200 in medium and large enterprises

Activity Targets:

- * Deliver 1500 business advisory consultations (including 300 to arrange loans and 300 to address land issues)
- * Serve 300 enterprise and entrepreneur clients
- * Form 3 additional SCS
- * Disburse 5 grants to Savings & Credit Societies (for an estimated Rs. 400,000)
- * Arrange 50 loans to SCS members (for an estimated Rs 2,000,000)
- * Arrange 100 loans to non-SCS entrepreneurs (for an estimated Rs 1,000,000)
- * Deliver 12 Ad-hoc training courses for total of 180 people including 6 for SCS members.
- * Conduct 1 EDP Training course for 30 persons
- * Transfer 150 commercial and industrial plots
- * 1 MLE/SSE business link established
- * Submit 1 grant proposal for a private association

MAHAWELI BUSINESS CENTER: EMBILIPITIYA, UDA WALAWE**Staffing:**

Employment Creation Target: Create 130 full time jobs in small enterprises and 1,000 in medium and large enterprises

Activity Targets:

- * Deliver 800 business advisory consultations (including 600 to arrange loans and 120 to address land issues)
- * Create 1000 jobs in MLEs
- * Serve 200 enterprise and entrepreneur clients
- * Form 4 additional SCS
- * 7 grants to Savings & Credit Societies (for an estimated Rs 336,000)
- * 70 loans to SCS members (for an estimated Rs 2,240,000)
- * 25 loans to non-SCS entrepreneurs (for an estimated Rs 350,000)
- * Deliver 11 Ad-hoc training courses for total of 120 people including 4 for SCS members
- * Conduct 1 EDP Training course for 20 persons
- * Transfer 15 commercial and industrial plots
- * Establish 1 MLE/SSE business link
- * Submit 2 grant proposals for private associations

MAHAWELI BUSINESS CENTER: KOTMALE**Staffing:**

Employment Creation Target: Create 130 full time jobs in small enterprises and 1,000 in medium and large enterprises

Activity Targets:

- * Deliver 900 business advisory consultations (including 400 to arrange loans and 70 to address land issues)
- * Serve 300 enterprise and entrepreneur clients
- * Form 4 additional SCS
- * Disburse 6 grants to Savings & Credit Societies (for an estimated Rs 584,000)
- * Arrange 40 loans to SCS members (for an estimated RS 1,600,000)
- * Arrange 75 loans to non-SCS entrepreneurs (for an estimated Rs 900,000)
- * Deliver 9 Ad-hoc training courses for total of 100 people including 4 for SCS members
- * Conduct 2 EDP Training course for 250 persons
- * Transfer 30 commercial and industrial plots
- * Establish MLE/SSE business link
- * Submit 4 grant proposals for private associations

MAHAWELI BUSINESS CENTER: MADATUGAMA**Staffing:**

Employment Creation Target: Create 150 full time jobs in small enterprises and 200 in medium and large enterprises

Activity Targets:

- * Deliver 960 business advisory consultations (including 400 to arrange loans and 80 to address land issues)
- * Create 200 jobs in MLEs
- * Serve 214 enterprise and entrepreneur clients
- * Form 4 additional SCS
- * Disburse 4 grants to Savings & Credit Societies (for an estimated Rs 292,000)
- * Arrange 24 loans to SCS members (for an estimated Rs 1,170,000)
- * Arrange 45 loans to non-SCS entrepreneurs (for an estimated Rs 800,000)
- * Deliver 16 Ad-hoc training courses for total of 145 beneficiaries including 8 for SCS members
- * Transfer 15 commercial and industrial plots
- * Establish 4 MLE/SSE business links
- * Submit 3 grant proposals for private associations

MAHAWELI BUSINESS CENTER: NOCHCHIYAGAMA**Staffing:**

Employment Creation Target: Create 200 full time jobs in small enterprises and 400 in medium and large enterprises

Activity Targets:

- * Deliver 1120 business advisory consultations (including 560 to arrange loans and 150 to address land issues)
- * Create 420 jobs in MLEs
- * Serve 340 enterprise and entrepreneur clients
- * Form 4 additional SCS
- * Dishurse 5 grants to Savings & Credit Societies (for an estimated Rs 167,500)
- * Arrange 26 loans to SCS members (for an estimated Rs 916,000)
- * Arrange 50 loans to non-SCS entrepreneurs (for an estimated Rs 1,000,000)
- * Deliver 14 Ad-hoc training courses for total of 150 people including 3 for SCS members
- * Conduct 2 EDP Training course for 30 persons
- * Transfer 20 commercial and industrial plots
- * Establish 1 MLE/SSE business link
- * Submit 2 grant proposals for private associations

MAHAWELI BUSINESS CENTER: WELIKANDA**Staffing:**

Employment Creation Target: Create 170 full time jobs in small enterprises and 470 in medium and large enterprises

Activity Targets:

- * Deliver 1000 business advisory consultations (including 500 to arrange loans)
- * Serve 280 enterprise and entrepreneur clients
- * Form 4 additional SCS
- * Disburse 4 grants to Savings & Credit Societies (for an estimated Rs 260,000)
- * Arrange 60 loans to SCS members (for an estimated Rs 2,400,000)
- * Arrange 80 loans to non-SCS entrepreneurs (for an estimated Rs 1,600,000)
- * Deliver 7 Ad-hoc training courses for total of 60 people including 3 for SCS members.
- * Conduct 2 EDP Training course for 40 persons.
- * Transfer 60 commercial and industrial plots
- * Establish 1 MLE/SSE business link
- * Submit 1 grant proposal for a private association.