

**APPENDIX D**  
**A.I.D. EVALUATION SUMMARY - PART I**

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE

**IDENTIFICATION DATA**

<b>A. Reporting A.I.D. Unit:</b> Office of Private Sector Development  <b>Mission or AID/W Office:</b> <u>USAID/Sri Lanka</u>  (ES# _____ )	<b>B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?</b>  Yes <input checked="" type="checkbox"/> Slipped <input type="checkbox"/> Ad Hoc <input type="checkbox"/>  Evaluation Plan Submission Date: FY <u>94</u> <u>Q2</u>	<b>C. Evaluation Timing</b>  Interim <input checked="" type="checkbox"/> Final <input type="checkbox"/>  Ex Post <input type="checkbox"/> Other <input type="checkbox"/>
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**D. Activity or Activities Evaluated** (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project/Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/YR)	Planned LOP Cost (000)	Amount Obligated to Date (000)
383-0108	Technology Initiative for the Private Sector (TIPS)	1991	1996	\$12,000	\$9,288

**ACTIONS**

<b>E. Action Decisions Approved By Mission or AID/W Office Director</b>  <p align="center">Action(s) Required</p> <p>1. USAID should undertake a project redesign effort that would include:</p> <ul style="list-style-type: none"> <li>- determination of the optimum funding level and PACD for the project and adjusting the project accordingly;</li> <li>- an exit strategy; and</li> <li>- a plan to reposition the project around a sustainable not-for-profit or for-profit organization.</li> </ul> <p>2. IESC should reconfigure the Monitoring and Evaluation System (MES) to provide more reliable information on performance measurement and to enable broader based adoption of the system.</p>	<b>Name of Officer Responsible for Action</b>  <p align="center">Jon Lindborg Nissanka Weerasekera</p>	<b>Date Action to be Completed</b>  <p align="center">12/31/94</p>
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**APPROVALS**

**F. Date of Mission or AID/W Office Review of Evaluation:** (Month) August (Day) 20 (Year) 1993

**G. Approvals of Evaluation Summary And Action Decisions:**

Name (Typed)	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Signature	Jon Lindborg	Austin Perera	Randall Casey	Terrence Liercke
Date	11 Jan, 1994	19 Jan. 1994	January 3, 1994	1/6/94

H. Evaluation Abstract (Do not exceed the space provided)

The Technology Initiative for the Private Sector (TIPS) Project is a unique form of assistance directed toward private sector development. TIPS has accelerated its schedule, completing activities by early 1993 that were expected to be attained by the mid-term point, early 1994. The accelerated pace, however, has not meant a sacrifice in quality performance. To the contrary, demand by qualified Sri Lankan clients has outraced assistance allocations, and the performance record by TIPS is outstanding.

The report will show that total impact, measured by economic activity (domestic sales, imports, exports, technology transfer, employment, and productivity), compared to project allocations, is enormous: a positive ratio of more than 8-to-1. In addition, quality changes in both entrepreneurial zeal and technological knowledge have been remarkable. These conclusions are presented with measurable data based on an evaluation process that included reviews of client and project records, on-site studies, intense client interviews, and validation procedures such as inspection of original invoices, receipts, letters, and accounts.

Several critical lessons emerged from the study. Success is due to: Rapid response to private sector demand, supported by USAID and the Government of Sri Lanka (GSL), at a distance; client confidentiality; a "demand driven" mandate that avoids sector or industry targeting based on political or economic assumptions; commitment by clients who contribute to activities financially and take a keen interest in cost-effective and beneficial results; and the integrated team approach by the International Executive Service Corps (IESC) ensuring in-country, U.S., and global networking. There are no major difficulties with the TIPS project, USAID sponsorship (which has been exceptional from design to operational support), GSL collaboration (which has been excellent), or IESC/US management.

There are, however, changes that must be addressed. TIPS should be repositioned in design and funding for the long term. The promotional component's primary function of establishing TIPS in Sri Lanka has served its purpose and now must realign. The monitoring and evaluation system must better address end-user needs and data management constraints. The grants component will need enhanced funding to fulfill the contract; if funding is not forthcoming, activities must be curtailed, or TIPS can continue as it has, but ending the project 12-to-18 months early. IESC must resolve TIPS and Volunteer Executive (VE) management responsibilities. Finally, the success of TIPS has underscored the need for USAID to design projects with clear "exit strategies" that include long-term scenarios for continuation or for withdrawing gracefully from activities.

C O S T S

1. Evaluation Costs

1. Evaluation Team		Contract Number OR TDY Persons Days	Contract Cost OR TDY Cost (U.S. \$)	Source of Funds
Name	Affiliation			
David Holt	Checchi and Company Consulting, Inc.	66	\$31,867	Project Funded
Saman Kelegama	--do--			

2. Mission/Office Profession Staff  
 Person-Days (Estimate)      20 person-days

3. Borrower/Grantee Professional  
 Staff Person-Days (Estimate)      50 person-days

**S U M M A R Y**

**J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)**

Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

<b>Mission or Office:</b>	<b>Date This Summary Prepared:</b>	<b>Title And Date of Full Evaluation Report:</b>
Private Sector Development	September 15, 1993	The Interim Evaluation of the Technology Initiative for the Private Sector Project, August 31, 1993

**Background:**

The USAID Mission has developed a strategic framework for assisting Sri Lanka in realizing its vision, focusing on a single strategic goal: **to expand opportunities through a new private-public partnership.** In order to achieve this strategic goal, USAID has implemented a portfolio of programs in Sri Lanka, but has designed and implemented the **Technology Initiatives for the Private Sector (TIPS)** project, complementing USAID's strategic plans through **1996.** TIPS locus of control is with the International Executive Service Corp (IESC), initiated May 29, 1991, Cooperative Agreement, #383-0108-A-00-1027.

The focus of TIPS is captured in its statement of purpose, written in the logical framework, and reads: **To increase international competitiveness of and employment in Sri Lankan private industry improving its performance in choosing, acquiring and mastering technologies, with support from U.S. business and technology.**

Within this framework, TIPS conducts promotional activities, technology subgrant allocations, and supports Sri Lanka's private sector initiatives to compete internationally, find new technologies, improve marketing efforts, and develop linkages with foreign interests for mutually beneficial ventures. The TIPS project is unique and has a broad mandate conceived by USAID in cooperation with the Government of Sri Lanka (GSL) to focus assistance intensely on private enterprise development, and in doing so, to respond effectively to client needs through integrated services. Demand for these services, however, far exceeded expectations, and after two years, the TIPS project was well ahead of schedule, with an exceptional number of achievements for a diversified clientele. This prompted USAID to initiate an interim evaluation to assess the project and the integrity of its activities.

**Purpose of the Interim Evaluation:**

The Interim Evaluation was contracted to make a thorough analysis of TIPS activities and results to date. Because TIPS was accelerated in response to strong demand, the project surpassed its 1993 year-end projections by January 1993. Consequently, the evaluation team was asked to study alternatives for addressing excess demand, to verify the impact of TIPS activities, and to examine the project's component programs for cost-effectiveness and relevance. Also, the team was charged with evaluating the IESC Monitoring and Evaluation system as an assessment vehicle for the TIPS project. The data base monitoring system is under development in conjunction with TIPS as a data base instrument for project evaluation using consistent and measurable performance criteria.

**Evaluation Methodology and Procedure:**

The team interviewed IESC and TIPS/US staff and managers, visited with AID/Washington staff, and conducted comprehensive interviews with GSL officials in Sri Lanka. In addition, the team met extensively with the USAID/Sri Lanka staff, thoroughly interviewed TIPS staff, and made site visits, conducting in-depth interviews and gathering verifiable data when possible, with 20 TIPS clients. The client companies were selected from 11 industrial sectors, and were of various sizes with diversified grant activities. The sample was representative of TIPS clients, and TIPS files and follow-up reports were evaluated covering 48 firms plus eight Volunteer Executive (VE) assignments. Also, four VEs present in Sri Lanka were interviewed.

Reference materials, macroeconomic data, several proprietary government reports, and studies, background materials, notes, letters and memos on the TIPS project, Sri Lanka, and USAID were studied thoroughly. Finally, five clients were selected from TIPS files who had been dropped from the program, withdrew, or refused assistance. They were interviewed toward the end of the evaluation as a control sample to check for possible oversights.

**Overall Project Performance**

The TIPS project has had **excellent results** in all component activities. In less than two years, June 1991 through March 1993, demand for assistance by qualified private sector clients culminated in more than \$3.2 million in approved subgrants compared with budget projections of \$2.4 million. Client grants were being approved at a rate of three per week versus three every two weeks envisaged in the Project Paper. If that rate had continued, grant activities would have exhausted the 1993 budget of nearly \$4.1 million by May. TIPS management and USAID officers recognized this trend in late 1992, and subsequently the Project Committee recommended changes to grant approval guidelines and the Cooperative Agreement which took effect February 1993. The effect of these changes has been to reduce the number of activities, award fewer grants in smaller increments, and to require larger client contributions. Quality performance, however, has not been affected, and demand remains strong.

## SUMMARY (Continued)

TIPS visited 1,089 firms by July 1993, augmented by institutional promotional activities, feasibility reports, speaking engagements, and trade association visits. As a result, more than 280 companies qualified for TIPS assistance; 215 subsequently signed agreements, and there are 205 active clients. Well-planned promotional activities have been responsible for this success. TIPS participated in 58 promotional activities through industry and trade associations, TIPS managers were primary speakers at 26 formal engagements, and they conducted eight formal seminars or workshops on enterprise development and technology transfer.

Promotional and support activities by the TIPS/US office have been crucial to overall performance results. The U.S. staff prepares brief information reports on trade show and industry reconnaissance opportunities, coordinates market and technology research studies through the American Business Linkage Enterprise (ABLE) network, assists in searches for U.S. suppliers, equipment sources, and markets, and coordinates client visits to the U.S., including arrangements with the Entrepreneurs International (EI) program. The U.S. office was involved in 255 formal activities through March 1993, and provided informal assistance for both Sri Lankan and U.S. companies, acting as a linkage conduit. Through July 1993, TIPS/US had completed 128 subgrant activities, and 58 were in progress.

Overall, TIPS promotional activities have directly reached in excess of 5,600 individuals representing more than 3,800 Sri Lankan companies in at least 16 primary economic sectors, government, and public services. Through US support activities and correspondence, approximately 120 Sri Lankan clients and 230 U.S. principals have been mutually introduced.

The real test of success, however, is total impact generated through these activities. Benefits compared to costs for trade show participation, industry visits, technology sourcing, market research, and subsidized consulting services have already resulted in more than a three-to-one ratio. This ratio is based on verified sales, procurement records, and contracted services through mid-July 1993. It also represents only 30 percent of TIPS activities and excludes nearly \$1.2 million in sales orders or procurement contracts that are currently pending. When completed, these current transactions alone will increase the benefit-cost comparison to a six-to-one ratio for those specific clients.

TIPS has been engaged primarily with activities for clients in Sri Lanka (69.5%) as opposed to external and travel-related activities noted above. These activities include grants for sourcing technology, upgrading processes, licensing new products, designing production lines, training, development of marketing materials, environmental and safety improvements, export marketing assistance, quality consulting, laboratory equipment purchases, and linkages for potential foreign collaborations. Results are captured in the following summary.

The composite results of TIPS project activities through July 15, 1993, culminated in nearly \$120 million in new economic activity, at an assistance cost of \$4.9 million. This represents only 48 clients with completed grants and one-year follow-up transactions of increased sales, purchases, production output, and expenditures for technological equipment and training. It does not include the effects of increased employment which have been substantial. If this activity is reduced to include only domestic and export sales, technology purchases, value-added output, and material imports, the benefit-cost ratio is eight-to-one.

Based on mid-term results and specifically validated records for clients with completed activities, the TIPS project has had an extraordinary record of success. There is every reason to believe that current and future activities will be equally successful. The following is a summary of client benefits to date:

- At minimum, a 45% increase in completed new sales.
- A 34% increase in domestic sales; at least 100% in export sales.
- At least a 67% increase in full-time employees.
- Approximately a 32% increase in net output value.
- Nearly a 10% increase in productivity which is understated.
- A three-fold increase in U.S. imports to Sri Lanka.
- Approximately an 87% increase in non-U.S. imports.
- A 200% increase in domestic purchases.
- A 100% increase in expenditures on technology and equipment.
- At minimum, a 55% increase in market research.
- Approximately a 90% increase in fixed assets.

The TIPS project has been extremely successful and cost effective. The immediate effects show that TIPS clients have enjoyed a composite growth rate of approximately 62% (ranging between 34% and 87% for first-year results), compared to the national growth rate of approximately 5.0% in 1992. More than 2,800 new full-time jobs were created in addition to a substantial increase in the number of contracted piece-rate workers. Although exponential growth is unrealistic in the long term, there is every reason to believe that client initiatives will be sustained through self determination and a dynamic market system.

## Lessons Learned and Implications:

- ▶ An **integrated project design** is unique, making TIPS well-suited as a model for A.I.D. and IESC assistance in private sector initiatives. However, it may not be adaptable for other donors that do not have an integrated business network similar to that of SC.
- ▶ A successfully planned and implemented project is incomplete without an **exit strategy** that provides alternative long-term scenarios or a way to withdraw, closing the project gracefully.
- ▶ A **demand-driven** approach works extremely well to "respond to" client needs rather than to presume what type of assistance is needed and then target assistance activities. Consequently, TIPS managers encourage clients to take the initiative and to present proposals. Assistance activities then are packaged to address client proposals.
- ▶ **Non-targeted assistance** avoids making predetermined political or economic assumptions about sector preferences or capabilities. This not only averts potential conflicts in the host country but reinforces client confidence in the project to address proposals impartially, awarding grants on merit and initiative.
- ▶ An enterprise development project can ensure rapid response and efficient services by maintaining **distance in governance**. Although officials at USAID and MIST have been responsible in their governance roles, they have not become involved in operational decisions. This sets the project apart from any undue government influence and strengthens the credibility of a project with its clientele.
- ▶ Data required for measuring impact in a developing country is not easily obtained, nor is it consistently maintained by most companies. Therefore, **project evaluation procedures** and **impact criteria** should not be overly complex, and assistance for development of management accounting and control systems should be more strongly considered.
- ▶ Promoting the concepts of **self-worth** and **self-determination** is essential for success in private enterprise development. Behavioral changes fostered through a free enterprise system are fundamental to establishing a sustainable market economy. It is the collective psyche of a people that is the "engine of growth," not temporary comparative advantage or unusual strength of a particular economic sector.

## Recommendations:

Our primary recommendation is to reposition TIPS around either a not-for-profit or a for-profit organization. This will require project redesign, but to do so without sacrificing the unique qualities of TIPS or to weaken its mandate for private sector development. The improved design would be implemented as the next phase of assistance following successful completion of the current project. This does not preclude continuing the project with enhanced funding after making appropriate adjustments. Meanwhile, USAID should seek funding to support TIPS in its effort to meet accelerated demand through the end of 1996, earmarking funds for design development and new initiatives. If additional funding is infeasible, then the only option is to continue until existing funds are committed, servicing client activities while attempting to reposition TIPS. This implies a short-fall of funds relative to demand, and the consequences are either curtailment of activities or early termination of the project.

USAID and TIPS are faced with immediate strategic considerations to avoid facing a crisis situation in the near future. The immediate step is for USAID to organize a project redesign, perhaps in early 1994, while seeking enhanced project funding. However, there are near-term modifications to consider for improving project operations. These include redefining promotional objectives, making adjustments in packaging subgrant activities, and clarifying project management relationships. In addition, IESC should consider reconfiguring the monitoring and evaluation system (MES) with a universal platform of hardware and software. This will help reposition the MES as a pervasive project evaluation instrument. More specific, but less important, operational suggestions are presented in the report as considerations. **Without change or redesign, however, TIPS is a distinctive project, and it has achieved remarkable success.**

**ATTACHMENTS**

K. Attachments (List attachments submitted with this Evaluation Summary: always attach copy of full evaluation report, even if one was submitted earlier; attach studies, surveys, etc., from "on-going" evaluation. If relevant to the evaluation report.)

The Interim Evaluation of the Technology Initiative for the Private Sector Project (No. 383-0108)  
Checchi and Company Consulting, Inc.  
August 31, 1993

**COMMENTS**

L. Comments By Mission, AID/W Office and Borrower/Grantee On Full Report