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# MAHAWELI ENTERPRISE DEVELOPMENT

## MED/EIED PROJECT

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### RURAL BUSINESS CENTERS: A PRELIMINARY ACCOUNT OF THE CENTERS IN THE MAHAWELI AREAS

by

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CONSULTANTS TO THE MAHAWELI AUTHORITY OF SRI LANKA

## Mahaweli Enterprise Development (MED)

The development of the natural and human resources of the Mahaweli river basin is a high priority of the Government of Sri Lanka. The construction of physical infrastructure, the settlement of the land and the formation of the agricultural production base are largely completed. The challenge now is to build a diverse, dynamic economy capable of steadily raising Mahaweli family incomes. In meeting this challenge, the private sector - farmers, entrepreneurs, companies, community groups, non-governmental organizations - has an important role to play.

MED is a project of the Mahaweli Authority of Sri Lanka and the United States Agency for International Development. MED promotes investment and employment generation by the private sector in non-farm economic activities and contract outgrower programs producing diversified crops. MED does this by: (i) developing technical, marketing, financial and other services which assist self-employed individuals, microenterprises and companies to start and improve their businesses; (ii) developing entrepreneur associations and other participatory groups; and (iii) carrying out studies and analyses to improve the frameworks for development in the Mahaweli areas.

The Employment, Investment and Enterprise Development (EIED) Division of the Mahaweli Authority is the MED implementing agency. Technical consultancy is provided by a consortium led by the International Science and Technology Institute, Inc. (ISTI), and including Ag. skills, Development Alternatives, Ernst and Young, High Value Horticulture and Sparks Commodities.

## PREFACE

This report has been prepared as a background document for a number of discussions on the role of Business Centers. I have attached as annexes: (i) several tables indicating key results; (ii) a description prepared with Sunil Amerasinghe, Director of EIED, of the EIED/MED program and the several shifts from 1993 to 1994 in target groups and activities; (iii) excerpts from the May, 1994, sustainability assessment of the Centers carried out by Dr. Richard Huntington, a rural enterprise development specialist who heads ISTT's Agricultural Division; and, (iv) a description of the EIED/MED microenterprise credit program, prepared with M.W. Panditha, the MED Credit Advisor.

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## **Introduction**

Business Centers were established during 1992 in 12 rural locations in six Mahaweli systems (B, C, G, H, Kotmale and Uda Walawe) which are located in six provinces (Southern, Sabaragama, Central, North Central, North Western and Uva).

This document provides an account of their origin, the process of getting them into operation, their services and clients and their impacts. Also included are some remarks on lessons learned and adjustments made in the light of the ongoing experiences. This is an initial account, compiled in response to requests for information on the Centers and the growing interest in them as pilot efforts in a particular type of approach to rural enterprise development. There is also interest on the part of leaders and officials in considering the Centers more closely in the future as a laboratory experience, to capture and share the learnings from this experience with others engaged in rural enterprise development in the Country, and to use whatever lessons there may be in the development of a next generation of approaches. After discussion of this document, and the gathering of additional information, a more complete description of the Centers will be prepared.

Business Centers are popular as a development tool in the industrialized countries. For instance, they exist throughout the US and Western Europe and can be found at all levels - national, state or province, city, county, town, etc. - with a wide range of types of clients, from high technology, well financed companies to unemployed industrial workers, and types of services, from specialized financial and technical consulting to motivational training.

Increasingly in developing countries various types of Business Centers are being established. In East and Central Europe and in the newly independent states in the former USSR areas, Business Centers have become a commonplace early step in creating the framework for supporting enterprise formation and employment generation.

In comparison with other Business Centers, the Mahaweli Business Centers are unusual in their combination of a number of aspects - their very rural locations (rather than provincial cities or regional centers), their focus on the delivery of extension services to rural private enterprises, particularly non-farm self-employed individuals, microenterprises and aspiring entrepreneurs, and their support for the development of participatory associations of entrepreneurs (rural chambers). They are also unusual in their parallel support for the development of contract outgrower schemes linking established companies with small farmers in the production of diversified crops.

However, setting up the Centers and operating them raises questions which confront other Business Centers - who are the clients, what are the services, what are the impacts, how are the services to be sustained, how to manage, monitor, evaluate and report.

Business Centers are not a cure-all for rural areas with an unsure economic base, but they can be cost-effective elements within a broader development strategy.

**Process analysis.** A process analysis of the Centers could consider a number of aspects - the process of setting up the Centers, the process of integrating the work of clients, officials and consultants, the process of identifying training needs, the process of facilitating credit access, the process of planning and reporting, the process of strengthening the linkages between the Center and the local community, and so on. Which process one would look at most closely would depend on the purpose of the analysis. While this document is not a process analysis as such, in describing selected key aspects of the Centers comments are made about the processes involved in each.

### **Origins of Business Centers**

**Enterprise employment in the dry zone and Mahaweli areas.** Since the 1970's increased attention has been paid to the potential in the dry zone for generating private enterprise employment. Measures were taken in Mahaweli settlement areas with a view to realizing this potential more fully and rapidly than had occurred in earlier dry zone settlements. These included: (i) the grouping of a sufficiently large number of settler farms, (ii) the allocation of farms of sufficient size (usually 1 hectare of irrigated land), (iii) the setting aside of lands for larger "commercial farm" agricultural production, and (iv) the development of a planned series of hamlets, villages and town centers with sites for commercial, industrial and service enterprises. Although there was concern expressed that other aspects were not sufficiently addressed (such as the relationships between the planned centers and the pre-existing nearby centers, such as Mahiyangana, Kekirawa and others, it was considered that the measures which were adopted would contribute to sufficiently high farm family incomes and "agglomeration" economies which, together with public sector investments in physical infrastructure and in the development of the agricultural base, would support the development, at an accelerated pace, of private enterprise jobs in non-farm sectors and nucleus farm - outgrower schemes. A further measure taken was the establishment of the EIED as a specific organizational unit responsible for promoting enterprise development in the areas.

**EIED and its multiple missions.** In 1986 a special unit, the EIED (Employment, Investment and Enterprise Development Division), was setup within the MASL to foment private enterprise development. The mission of the EIED covered a wide range of activities:

- the promotion of inward investment into Mahaweli areas by medium and large scale investors in commercial farms, nucleus farm - outgrower schemes and the agro-processing sector. Irrigated lands in System B and, to a lesser extent, System C, as well as rainfed highlands in other areas were reserved for such investors.
- the recruitment of small, medium and large industrial investors into industrial estates. Lands for such estates were set aside in the systems and infrastructure development initiated.

- the development of entrepreneurship, mainly self-employment and microenterprises, by the second and third generation of Mahaweli settlers.

EIED staff were appointed to each of the systems and a head office was opened to carry out these activities.

**Dual nature of EIED.** EIED operates, on the one hand, as an extension agent, promoter, advisor and facilitator for investors and entrepreneurs, and, on the other hand, as an implementor of official policies and regulations and a monitor of the adherence to regulations by investors and entrepreneurs. Its activities include, for instance, assisting entrepreneurs with business plans and loan applications and recommending whether a commercial site should be allocated to an entrepreneur to enable the start-up of a business, to, on the other hand, recommending the cancellation of land permits when entrepreneurs have not complied with regulations.

This dual nature of the role requires a rather deft balancing on the part of the officials. Also, the balance within the role has tended to shift with the shifting of the main role of the EIED. As the role has become less one of promoting inward investment and more one of fomenting the development of local entrepreneurship, the nature of EIED's role has become less one of enforcing regulations and more one of extending information and advice.

The customer or client focus which is generally regarded as associated with success in a service business, is quite different from the approach one is accustomed to finding in many public sector offices. Building and maintaining such a focus is one challenge with which the Centers contend.

**MED.** In mid-1990, the MED (Mahaweli Enterprise Development) project was started with USAID support to provide EIED assistance in promoting and facilitating inward investment and in developing entrepreneurship and microenterprises. Industrial estates were not to be assisted by MED, as USAID considered these as not likely to be a cost-effective approach. The initial emphasis of MED was more on inward investment, particularly in the agribusiness sector, than on microenterprise development, although both approaches were supported.

**Promoting inward investor investments.** In its early years, while pursuing its wide mission, EIED and subsequently EIED/MED tended to place heavy emphasis on promoting (and monitoring) inward investment into the Mahaweli areas and on providing information and other assistance to potential investors. With most potential investors based in Colombo, the EIED head office took the lead in these efforts. Major studies were carried out of export markets for diversified crops of potential interest to investors, major promotional efforts were planned and executed, and close links were maintained with major private firms and with organizations such as the EDB and the GCEC. The response of larger scale investors to these EIED/MED efforts has not been strong, for a variety of reasons, including the 50 hectare limit on irrigated land for commercial farms, the inadequate communications,

transportation and housing infrastructure, the difficulties and high risks involved in pioneer agricultural ventures in the dry zone, and the expanding availability to investors of higher return, lower risk opportunities in industry, finance and real estate development in other areas. The development of the industrial estates, meanwhile, has been slow. Given the small size of the consumer market in the areas, their locations were not of interest to medium and large investors producing consumer products. For smaller entrepreneurs, the infrastructure advantages of the industrial estates have usually been insufficient to offset the lower costs and convenience of operating from their homesteads or near-to-home locations.

**Shift of main EI/ED/MED emphasis to extension services for local entrepreneurship and microenterprise development.** In mid-1992, rural Business Centers were opened in each system, and by the end of that year nine had been formally opened and three others were operating. Although continuing to pursue all three aspects of its mission (inward investment, industrial estates and local entrepreneur development), the opening of the Centers marked a shifting of the primary emphasis of EI/ED to entrepreneurship and microenterprise development. In most cases the "opening" of the Centers was in fact the renaming of the existing EI/ED office; however, in doing so, it marked a reconceptualization of the function of the field office and a clear recognition that the most important role of the field staff was extension, rather than enforcement. During 1993, this gradual shifting continued, finally being consolidated in the 1994 workplan. With the emphasis on the small scale sector and extension, the Business Centers, with their daily interface with entrepreneurs in the field, became (or, rather, are becoming, this is a process) the key organizational units of EI/ED.

### **Purpose of Business Centers**

In terms of results, a Center's main purpose is to assist entrepreneurs to start and improve their businesses so as to generate employment. In doing this, the Center's also foment the development of participatory associations of entrepreneurs. A secondary, complementary purpose is to provide assistance to nucleus farm - outgrower schemes. With the economies of the areas of the Centers being dominated by settler farmer agricultural production and with most entrepreneurs being members of farm families, this combining of microenterprise and outgrower scheme development activities occurs quite naturally.

Using the language of agricultural development, the Business Centers are "extension centers". Over the longer term, a purpose parallel to the "results" purpose mentioned above is to achieve the sustainability of the Centers themselves as extension service institutions contributing to the development of the areas. This is particularly a concern when one considers that at the end of 1996, MED support will have been phased out.

The purpose of the Centers has evolved steadily from one which was quite broad to one which is now more sharply focused. The process of refining the focus is one which continues, for as issues are identified and resolved, others arise. This process naturally has

implications for staff and for the role and functions of the different organizational units. During the period that EIED maintained a strong emphasis on the promotion of inward investment, the Centers tended to be the field service and support offices for the unit in Colombo which was responsible for the mobilization of investors. As the emphasis has shifted to the development of local entrepreneurship in the areas, the main role of the head office unit in Colombo has shifted (or rather is shifting - this is a process) to one of supporting the operations of the Centers.

### **Clients - microenterprises, family based, with low incomes**

The most direct beneficiaries of the services of the Centers are the customers, who are referred to as clients to underscore the professional nature of the relationship (as for instance between business lawyers and accountants and their clients) and to suggest that the sustainability of the Centers depends in part on the success of the clients.

The Business Center clients are mainly home and family-based self-employed individuals and microenterprises. In the Mahaweli areas, 75% of the non-farm enterprises are self-employment units, 22% are microenterprises employing no more than five people, including the entrepreneur. Most of the individuals engaged in these enterprises are family members and most of the enterprises (including those in the commercial areas) are located at or adjacent to the homes.

Agricultural yields in these predominantly farming areas (and in Sri Lanka generally) have stagnated over the past decade and per capita real farm incomes may have declined. The areas are not experiencing the relatively rapid growth which has been occurring in the more developed areas of the country in the industrial, construction, and financial sectors. In this difficult economic context, there is a steady need on the part of families, most notably the poorer ones, to supplement their farm incomes from other sources, and thus the imperative interest in non-farm enterprises and employment.

At the same time, with the opening economy, the products of the country's industrial sector and as well as imported products, for both agricultural inputs and consumption, are more and more available in the areas with improved levels of quality and competitive prices. The combination of low average incomes in the areas and the increasing availability of products from outside results in the self-employment and microenterprise sectors (the main clients of the Centers) being composed of many units, with very low levels of business incomes, which are under constant threat of competition.

A distinction is made between the Center clients who are existing entrepreneurs and those who are "aspiring". Of the 3,400 clients, as of the middle of 1994, an estimated 49% were aspiring entrepreneurs at the time of initial contact, and 23% are in the aspiring entrepreneur category currently. An additional estimated 18% of the clients were in the start-up category (less than one year old) at the time of initial contact. Currently, of the

clients who are operating enterprises, 34% are self-employment units and 57% are microenterprises (five or fewer employees, including the entrepreneur).

Although only 20% of the self-employment and microenterprise units in the areas are in manufacturing sector, most (estimated 59%) of the operating clients of the Centers are in the manufacturing sector, although this breakdown should be used cautiously as many enterprises have more than one activity.

### **Client targeting and promotion of services**

At the outset, with regard to existing enterprises, the targeting of clients (which types to serve, from which locations, etc.) was not addressed in a detailed fashion. There was emphasis placed on small scale units and aspiring entrepreneurs, but no specific targets were set. With regard to existing entrepreneurs, in practice, as most enterprises in the areas are small and need some type of assistance, the services may have tended to go to those who could most readily use (rather than most urgently needed) the Center services. In other words, there was a fair amount of self-selection of clients. The result has been that there is a mix of clients: while most are very low income businesses, there are others which are quite prosperous, or whom have become quite prosperous. Secondly, it may be (we are examining data on this point) that a disproportionate share of the services are going to enterprises located in the larger centers and in the more prosperous areas within the systems, rather than to the generally lower income interior areas and less prosperous areas (e.g., going to the sections at the upper rather than the lower ends of the command areas). In reviewing data on microenterprise access to institutional credit in the areas, it has been found that the business units located in the centers have a disproportionate share of the credits. This may be for reasons of proximity and the same factor may be at work in the case of the Centers.

With regard to aspiring entrepreneurs, at the outset, targeting again was not very specifically addressed and services may have gone disproportionately to some groups or sections. This point is now being examined. For instance, in the next round of entrepreneur development training, efforts may be made to attract participants from the lower income sections and families of the systems.

Gender has been a target area which has been looked at from the outset, special efforts have been made to expand the number of female clients and to attract female staff, and several training programs have been mounted specifically for women. However, in the areas, the self-employment and microenterprise are largely male (72% and 81% of the jobs in these sub-sectors), while the medium and large enterprise sectors are largely female (69% of the jobs). In fact, 61% of the private wage jobs in the areas are held by females, which mainly reflects their concentration in the medium and enterprise sector (particularly the garment factories). This sector also has most (62%) of the non-family wage paying jobs in the areas. On the other hand, private non-farm male employment is concentrated in the

lower income categories of own account workers. After recently reviewing data on this gender aspect, and on the family basis of most of the self-employment and microenterprise units, increased attention is being paid to the possibility of considering the family, rather than gender, as a key aspect in the targeting of potential clients.

The decisions made, by commission or omission, to target particular groups or types of clients and the methods used to identify and promote services to these clients are more and more being seen as critical. Targeting pre-start-ups (aspiring), expansions or "transformations" has implications for the level and type of social and economic impacts, the cost structure and cost recovery potential, the staff skills required, and so on. Also, geographical targeting has implications for the siting of the Centers and the type of services to be provided. The trade-offs should be seen clearly. For instance, although most (69%) of the enterprise units are in the interior areas and are on average smaller with lower incomes, the ones in the centers tend to be larger and may have (we are reviewing data on this aspect) more employment growth potential. Where should the assistance be targeted? At every level, questions arise, for instance as to the relative balance to strike among assisting the formation of new units, including units which are mainly elements within the multiple activity survival strategies of families, and, on the other hand, existing businesses with the potential to expand and perhaps transform themselves into small business in the "entrepreneurial" mode. In practice, also, the issue arises as to whether assistance provided to one enterprise may negatively affect another enterprise in the same area. This issue is one of the reasons (there are others) why a program of small grants for individual small enterprises (referred to as mini-PIPs, modeled on the MED Pre-Investment Program for medium and large enterprises) moves very slowly.

### **Client densities**

There are an estimated (based on the 1993 survey of non-farm enterprises and employment in the areas) 130,000 families and 11,500 non-farm enterprises in the areas. With variations among the Centers, there is on average one Center for each 11,000 families and one Center for each 1,000 existing enterprises. The variations have arisen for idiosyncratic administrative, communications or other reasons; for instance, one Center is operated for the isolated Kotmale area, although the number of families and enterprises in the area is less than half the average. On the other hand, Kotmale, with no irrigated farms, has a much higher proportion of non-farm enterprises.

Each Center has, on average, some 300 recorded enterprise clients for whom a record is maintained in the database. The actual number of clients served in most Centers is higher than the number recorded, as there has been only a gradually improving adherence by Center staff to the procedures for recording all client contacts. During any one month, 100 enterprise clients receive services.

Each Center on average also deals with one established company and 500 outgrowers.

## **Center locations and equipment**

The Centers are located at sites which are conveniently accessible to local entrepreneurs. As the target clients are mainly aspiring entrepreneurs, self-employed individuals and microenterprises, most of whom are members of farm families, the Centers are located at the "block" level. Centers in some instances are located within the complex of the Resident Project Manager or of the Block Manager; in others, they are located on commercial sites in a business area.

The initial sites for the Centers were selected opportunistically, based on the judgement of the experienced EIED staff who had first hand knowledge of the areas and who had a good sense of the most appropriate locations. Subsequently, based on internal reviews of the early experiences, in which several Centers were having difficulties, several were relocated (e.g., from Galnewa to Bulnewa; or from the back of the RPM's complex to the front, as in Embilipitia) to sites of easier access to entrepreneurs.

Selecting rural, as opposed to provincial capital or regional town locations, is mostly likely a necessary measure in the dry zone, where entrepreneur access is an issue and where for most families the non-farm enterprise is the secondary activity.

Each Center is equipped with basic office furniture and equipment - fax, telephone, photocopier, typewriters (English and Sinhala), and computer, with English and Sinhala word processing, spreadsheet and database software.

While most Centers have all the equipment, a few do not. The lack of telephones has been a constraint in several Centers, and delays in establishing the offices has in a few cases delayed the installation of the equipment.

A persistent challenge is to develop an effective process for maintaining the office equipment in all 12 locations in operational condition, as repairs and major maintenance are problematical in the more remote locations. Several administrative approaches to this challenge have been tried, none as yet has been found to be foolproof.

## **Planning, target setting and integration of the team**

These three processes, in practice, come together.

Program planning sessions were held quarterly basis during 1991 to early 1993, and on a semi-annual basis henceforth. All the professional staff of EIED/MED participate, along with officials of other MASL agencies and USAID representatives. The meetings are "facilitated" by the EIED/MED staff themselves, rather than by outsiders.

The initial sessions were not always smooth, with much discussion about purposes, activities, and working relationships between EIED and MED professionals. These discussions resulted from, first the multifaceted nature of the EIED mission, with its various elements competing for resources, and, secondly, the inevitably incremental process of integrating the EIED and MED personnel.

By early 1993, a fairly solid coherence and consensus had been achieved on objectives and activities and EIED/MED had developed effective working relationships based on a "one team" approach. While these aspects always must be management concerns, the need for quarterly planning sessions was reduced and henceforth planning sessions have been scheduled semi-annually.

The plans of MED/EIED are produced on an annual basis, in line with the requirements of USAID. The plans follow the common pattern of identifying strategies, the activities under each strategy, and the tasks under each activity. By 1994, there were 10 activities, each with a single quantitative target to be regularly monitored.

The attempt has been to continually refine this arrangement, to focus on the most effective and efficient strategies, activities and tasks. The activity areas have evolved and been redesigned during the various planning sessions and in the light of experiences. A fair number of activities, mainly in the areas of medium and large enterprise development, have been discontinued after experiences with them indicated that they were not effective.

### **Operating costs**

The costs of the Centers are mainly personnel costs (assuming two professional staff, one secretary, and a peon), which is consistent with their service sector nature. It has been estimated (Huntington, see Annex III) that as currently structured, if operated privately, the costs would be Rs 80,000 per month (69% for staff and their transport, 18% for amortizing capital costs, and 13% for facilities, rent and supplies). An additional estimated Rs 15,000 per month per Center would be required for head office support and supervision.

This estimate includes the capital costs of motorcycles or, alternatively, the per kilometer costs of using private vehicles for official use. If the purchase of a four wheel vehicle were included, the costs would be higher. In practice, most Centers are equipped with a four wheel EIED vehicle and the MED Business Consultants and some of the EIED staff have official motorcycles. In practice it has been very difficult to recruit professional women to work in the rural areas and the difficulty increases when a four wheel vehicle is not provided as transport; also, above a certain level or age, some male professionals are very difficult to recruit if four wheel vehicles are not provided. To contend with this situation, for MED Business Consultants at the Centers, there is the option of using a private vehicle, for which MED funds pay per kilometer rates.

Operating the Center out of MASL facilities is less expensive than operating privately in the sense that there are economies of scale, for instance in providing security, cleaning services. In instances in which the premises are not required by the MASL for other purposes, opportunity costs of operating the Center are quite minimal. There are other effects, of course. In some cases the Business Center fax and photocopier machines are heavily used by other MASL offices which are not as well equipped as the Center. Nonetheless, not having separate facility results in a sharing of many overheads.

In most of the areas, there are no alternatives to operating out of the MASL complex, as other premises are not available.

**Other costs.** The program incurs other costs related to the activities of the Centers which are of a non-recurrent, non-capital nature. These include, for instance, the costs of training programs, market development activities (e.g., assistance with the costs of sample production), cosponsoring varietal research of outgrower schemes, and grants to partially support a collateral fund arrangement for Savings and Credit Societies. These costs have been met with USAID funds.

### **Cost recovery**

The Centers charge for the direct support services, such as telephone calls, faxes and photocopying, which is done for clients. This has been recently instituted. It does not appear to present a significant problem, although there is only a gradual compliance by the Centers with the procedures for charging for these services. However, it is not expected that cost recovery for these services would be important in the financial sustainability of the Centers, not least of all because the services are only provided in the case of the absence of private suppliers of such services. As additional telephone lines are gradually brought into the areas, as small business develop to provide photocopying and other services, the need for the Centers to provide them will decline.

More critical is the question of cost recovery for professional services. For most training services, some amount is paid by the client, although the principle applied is more one of cost sharing to ensure that the clients put a value on the service than of recovering the costs as such. For instance, for aspiring entrepreneur training, the participants may pay the costs of their daily bus transport to and from the program (the cost to them may be much more in time, as it may take more than one hour of traveling each way to reach the training site), but are not charged for other costs. Discussions have been held with the banks in the areas on recovering part of the costs involved in preparing loan applications and following up recovery problems, but as yet, fees are not charged for these services. There is, however, an agreement under which the banks rebate to the entrepreneurs a portion of the interest charges for loans which are fully repaid on time.

Although much more thought can be given to cost recovery, as the client targeting has been increasingly concentrated on the aspiring and very small, low income units, the cost recovery issue has tended to become submerged in the broader concern of the cost effectiveness of coverage and impacts.

### Cost effectiveness

**Coverage.** With regard to cost effectiveness, one approach is to consider the per unit costs of coverage. Taking the figure of Rs 80,000 per month as the cost of a Center and adding an additional approximately Rs 15,000 per month per Center for maintaining head office back support and supervision of the network of Centers, the total cost is Rs95,000 per Center per month. Assuming that 25% of the Center's time is devoted to association development and 15% to outgrower scheme facilitation, the balance 65% (Rs 61,750) may be set against the enterprise clients. Dividing by the norms of 300 enterprise unit clients per Center, and assuming 0.5 non-family members employed per unit, the result is a monthly cost (Rs. 61,750 divided by 450 families) of approximately Rs 140 per employed family directly assisted. If the families assisted through the outgrower program (average 500 per Center) were included, the per family coverage cost would fall to Rs 75 per family.

**Impacts.** With regard to cost effectiveness in terms of purpose (employment generation), the answer is not so simple. It is continually being readdressed wherever Business Centers operate or are being considered.

A common question which arises is one of attribution. How is one to isolate and attribute the benefits which accrue to the extension services of the Center, as distinguished, say, from the benefits which could be attributed to the farmer whose agricultural income creates the capability to pay for a microenterprise's products and services to the bank which makes a loan to the assisted client, to the client who invests money and time, to the other official and non-governmental agencies which may have provided training or another service at some point, and so on. The counterfactual situation (namely, what would have happened in the absence of the Center's services) is related to this attribution issue. A second set of questions deals with the allocation of costs (e.g., whether costs incurred in entrepreneur association development should be set against employment creation). And a third set deals with the measurement and valuation of benefits, including intangible ones (e.g., how to value a job, what is the opportunity cost, how to value a job saved, what are the multiplier effects on employment, how to consider the slowing of rural-urban migration, the strengthening of farm family household units) to all of which there are many arguable answers. When dealing with employment creation, a benefit issue sometimes mooted is whether the jobs created are "permanent". This is an unfortunate concept, as one of the defining characteristics of the small scale sector, particularly in relatively unfettered markets, is the great amount churning (startups, expansions, contractions, closures, reopenings) that is constantly occurring. In the areas, some 25% of the existing units close each year, a proportion which is comparable to the closure rates in similar sectors around the world, and

thus one of the aspects of the Business Centers is not so much creating "permanent" jobs, but rather assisting new units to enter operation (this is the main source of employment generation in such sectors) and existing units to compete and survive.

The debates on these questions are not joined in this paper, although those considering Business Centers as a development intervention will wish to regularly revisit the issues which they suggest.

For present purposes, we will use estimates which have been made separately of employment generation, based on the Center's monitoring of clients. These indicate that per Center the assisted enterprises on average are generating directly some 12 positions per month. This suggests a per unit cost (Rs. 61,750 divided by 12) of Rs 5,150 per position.

### **Staffing and technical assistance**

A typical Center is staffed by an EIED officer (Deputy or Assistant Manager), a MED Business Consultant, a secretary and a messenger/general assistant (*peon*). The EIED field officers normally have a professional background in investment promotion, training, entrepreneurship and community development or agriculture and considerable experience in the public sector, including the MASL itself. The Business Consultants (all Sri Lankans) have professional backgrounds in finance, accounting or a technical field, and work experience in banks, accounting firms, private enterprises and the Industrial Development Board.

**Staff time and activities.** The professional staff are expected to spend roughly 50% of their time in the field making enterprise visits, meeting with bank officials and in meetings of Savings and Credit Societies, entrepreneur associations and other groups.

### **Services**

**Professional services.** The menu of services of the Centers has gradually, with experience become more limited, which is an aspect of strategies to increase efficiencies by concentrating more on services which appear effective and less on others. The Center staff currently provide the following professional services:

- business identification, planning and problem solving;
- credit facilitation (forming Savings and Credit Societies under the Societies Ordinance, forming other group credit ties under the Agrarian Services Act, assisting in direct access to banks, serving as field staff for MVCC);
- market development;

- technology identification and adoption;
- training (technical, financial, management);
- entrepreneur association development;
- outgrower program facilitation;
- compliance with and understanding of official requirements (e.g., for land).

**Support services.** The Centers provide photocopy, fax, secretarial, courier, typing, telephone, and translation services to clients.

### **Institutional context**

**Entrepreneur associations and Savings and Credit Societies.** The non-farm private enterprise sectors in the areas are very weak in terms of their broader institutional development. The entrepreneur associations and Savings and Credit Societies fomented by EIED/MED are in almost all cases the only participatory organizations available to entrepreneurs in the areas. They are often, in effect, the areas "chambers". In this they are extremely important in terms of providing a reference group within the local community for the Center, and developing such participatory associations and the Center's links with them is another main line within the sustainability strategy for the Centers.

**Linkages with non-governmental organizations and line agencies.** The Centers have gradually increased their linkages with non-governmental organizations and line agencies. Activities have been carried out jointly with NGO's in a number of areas, including food technology and women entrepreneurship development, and with line agencies with specialized skills or functions (EDB, IDB, BOI, CISIR) relevant to the needs of the clients of the Centers. Developing these linkages is viewed as one of the main lines of the strategy for strengthening the sustainability of the Centers.

### **Supporting the Centers from head office**

The 12 Centers are supported by the head office in Colombo. As mentioned earlier, this growing support role of the head office, as opposed to its earlier primary emphasis on inward investment, has been emerging gradually over the past two years. It is the responsibility of the head office to keep the Centers equipped and supplied, to respond to the requests from the Centers for information on a wide array of technical and other topics, and also to take the initiative to provide information to the Centers on an opportunistic basis, to provide training for the Center staff and to ensure that each Center's staff maintain high standards of performance. The adjustments in staff patterns, approach and activities in the head office

which are implicitly required by this changing emphasis in the head office role are being made incrementally; it is a transitional process that is not always smooth. The Centers are now the customer interface for EIED/MED, much as in a chain of stores or service stations. Supporting, motivating and enabling them to perform is the main challenge confronting EIED/MED.

### **Management information system and reporting**

One of the achievements of the network of Centers is the unified MIS which has been developed to record key information about clients, services and impacts. However, it is an achievement which is not yet complete, as the development of the software and its application in a uniform fashion at the Centers has taken considerable time. This experience - the delays, the problems of definitions, the difficulties in getting all the staff to complete the data input forms, the use of parallel reporting systems, etc. - is not unique.

But the power of the MIS to permit reporting and analysis, when it is working, is unusually strong and helpful in management and in improving performance. However, a word of caution - having such an MIS has exposed EIED/MED to unexpected difficulties, as untrained consumers have misinterpreted and misunderstood the data. This is a problem which appears to lessen as the system becomes more developed and staff become more dependent on it. The most important potential in the system is in providing the Centers themselves with a real time, constantly updated data base on their clients. Achieving this is also a process which is as yet incomplete. Currently, the system can provide the Centers with updates monthly with approximately a one month lag (e.g., the August update would arrive at end of September).

The more chief "stakeholders" there are in a program, the more needs must an MIS meet. Meeting the not always similar information requirements of the MASL and the USAID has been one of the burdens on the MIS, which has led to its development and application taking a considerable time.

A viable MIS is in many ways an important ingredient in the mix of measures required to achieve satisfactory cost-effectiveness.

### **Financing the Centers**

The Centers are financed by the MASL and USAID. The MASL provides the physical infrastructure, utilities, most of the normal operating costs (including, for example, fuel, telephones, office supplies), professional staff (on average two per Center) and, in most cases, housing for one Business Consultant per Center. USAID through MED provides the one Business Consultant per Center, the office equipment, a portion of the operating expenses, housing in some cases for the Business Consultants and motorcycles for the Business Consultants. The MASL provides the head office staff (currently some 13 professionals plus financial and administrative staff) and related support staff and expenses; the USAID provides consultants (currently five professionals and a management information specialists) at the head office.

## **Sustainability**

During January - March, 1994, a multi-agency task force which examined the "business promotion services" (EIED) of the MASL recommended that steps be taken to: (i) the strengthen services to develop the non-farm microenterprise sector and contract outgrower arrangements; (ii) strengthen the role of EIED as one of a facilitator and catalyst (rather than as a direct provider of services) in achieving access of Mahaweli outgrowers and entrepreneurs and aspiring entrepreneurs to the services of line agencies, enterprises and NGOs; and (iii) shift to other agencies services related to the promotion of inward investment by medium and large enterprises and direct export development. In May, 1994, an independent assessment of the sustainability of MED supported services of EIED was conducted. The assessment identified MED/EIED services and related institutions which have been effective and which are potentially sustainable after MED support is completed. The assessment found that the services for rural microenterprises and outgrower schemes were contributing to the creation of jobs at a higher and faster rate than anticipated in the original project design, while those related to medium and large scale enterprises were performing at less than the expected level. The recommendation was that during the April, 1995 - December, 1996, period a main objective of MED support should be the enhancement of the sustainability of the microenterprise and outgrower services. Subsequently, three sustainability strategies for the Centers were identified:

- increase the efficiency of the operations of the Center,
- improve staff skills,
- expand and develop linkages and collaboration with participatory associations and with other organizations (line agencies, training institutions, non-governmental organizations, enterprises) with capabilities to provide services to Mahaweli entrepreneurs.

## **Replication and sharing**

Replication is an idea that occurs often to those engaged in a pilot effort. Usually, replication does not occur as such, but rather lessons are learned and passed on, not always formally, and a next generation of efforts are built on the past experiences. Sharing of lessons and experiences is an activity which can strengthen all those who engage in it. For EIED/MED, one of the challenges in the future is to increase participation in such sharing, both to gather ideas on measures which might strengthen the Business Centers and to assist those working in other areas to gain from what is being learned by EIED/MED.

**KEY RESULTS OF MED**  
**OUTPUT INDICATORS: ENTERPRISES AND EMPLOYMENT**  
 (June 30, 1994)

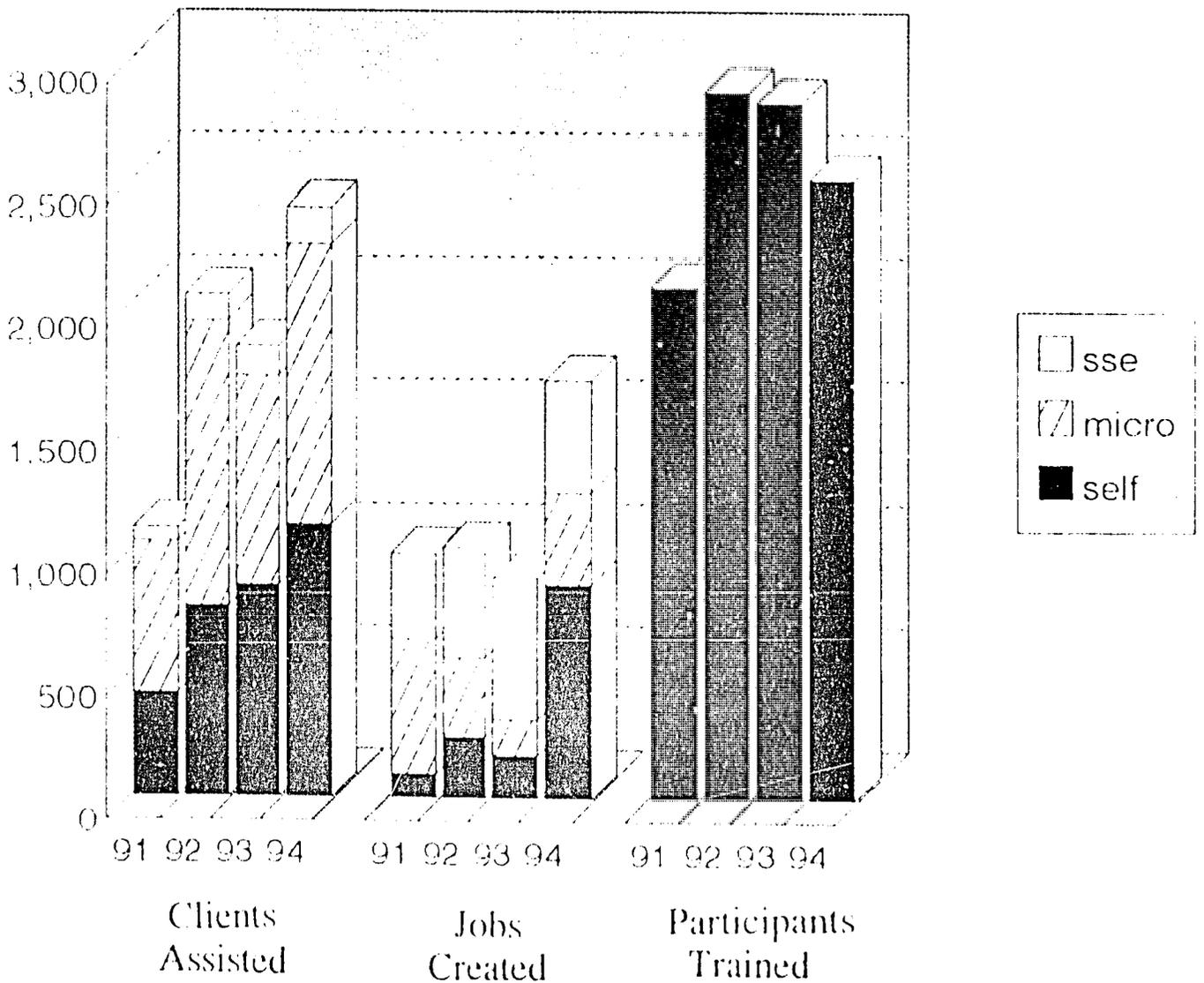
Total Mahaweli		Total 1991	Total 1992	Total 1993	Total this Quarter	Total 1994	Proje ct to date
Total jobs created (including self, micro, small, medium and large enterprises, not including outgrowers and partments)	Full time	1336	1192	1168	535	844	4540
	Part time	774	690	882	466	734	3080
Total jobs created in self, micro and small enterprises	Full time	922	939	783	313	622	3266
	Part time	410	452	476	141	359	1697
Self employment opportunities created	Full time	625	447	180	42	121	1373
	Part time	145	195	99	60	110	549
Jobs created in micro and small enterprises of which	Full time	297	492	603	271	501	1893
	Part time	265	257	377	81	249	1148
a) Jobs created by <u>start-ups</u> of micro and small enterprises	Full time	201	246	287	41	135	869
	Part time	198	112	86	3	37	433
b) Jobs created by <u>expansions</u> of micro and small enterprises	Full time	96	246	316	230	366	1024
	Part time	67	143	291	78	212	713
Jobs created in agribusiness	Full time	397	96	187	126	126	806
	Part time	364	158	142	210	227	891
	Outgrowers	1450	2800	904			6224
Jobs created in other M.E.s	Full time	17	157	198	98	98	470
	Part time		80	264	115	148	492
Jobs created in garment factories	Full time		5153	1912	80	80	7145
	Part time			0	0	0	0 00
Clients assisted total		2079	2871	2620	877	1492	3780
Aspiring entrepreneurs		750	782	585	306	510	1157
Existing entrepreneurs		1329	2089	2035	571	982	2623
Women clients assisted (aspiring plus existing)		353	656	937	131	292	1008
Clients trained		2079	2871	2830	368	1260	9040
Entrepreneur development training - number of participants trained		939	10	389	99	127	1365
Other training (ad hoc training)		711	1403	2511	269	1133	5788
Business consultancies		4775	6869	11003	1499	3700	26347
Business consultancies to women		675	1585	2240	356	567	5067

**OUTPUT INDICATORS: SMALL ENTERPRISES CREDIT**  
(June 30, 1994)

Total Mshaweh		Total 1991	Total 1992	Total 1993	Total this Quarter	Total 1994	Project to date
Total loans submitted to banks	Number of loans	596	564	756	189	412	2230
	Value of loans (RS '000)	13005	13970	26994	7413	17465	71431
Direct loans submitted to banks for entrepreneurs	Number of loans	596	512	387	52	153	1948
	Value of loans (RS '000)	13005	12319	16460	3216	7565	49339
Direct loans received from banks	Number of loans	649	316	278	18	91	1324
	Value of loans (RS '000)	6227	6485	10884	843	6980	30126
Loans submitted to MVCC	Number of loans	***	***	154	66	107	260
	Value of loans (RS '000)	***	***	8870	1282	4892	9462
Loans received from MVCC	Number of loans	***	***	41	47	120	164
	Value of loans (RS '000)	***	***	1481	441	1891	3282
Loans submitted to banks for Savings and Credit Society members	Number of loans	Nil	52	230	1	157	434
	Value of loans (RS '000)	Nil	1681	9280	2915	6408	17249
Loans received by Savings and Credit Society members	Number of loans	Nil	31	91	17	69	197
	Value of loans (RS '000)	Nil	1243	3472	615	2384	9699
Savings and Credit Societies	No. of societies formed	9	21	31	0	4	65
	No. submitted for registration	7	18	31	4	12	65
	No. registered	Nil	16	26	8	10	52
	Number of members	96	279	515	81	128	1021
	Value of member equity (RS '000)	96	400	843	72	178	1217
	Value of collateral funds (RS '000)	Nil	346	1255	284	1290	2882
Grants to Savings and Credit Societies	Number of grants made	Nil	13	24	8	14	51
	Value of grants made (RS '000)	Nil	948	1598	525	902	4148
	No. of grants disbursed		8	55	9	15	78
	Value of grant disbursements (RS '000)	Nil	115	433	316	858	1406

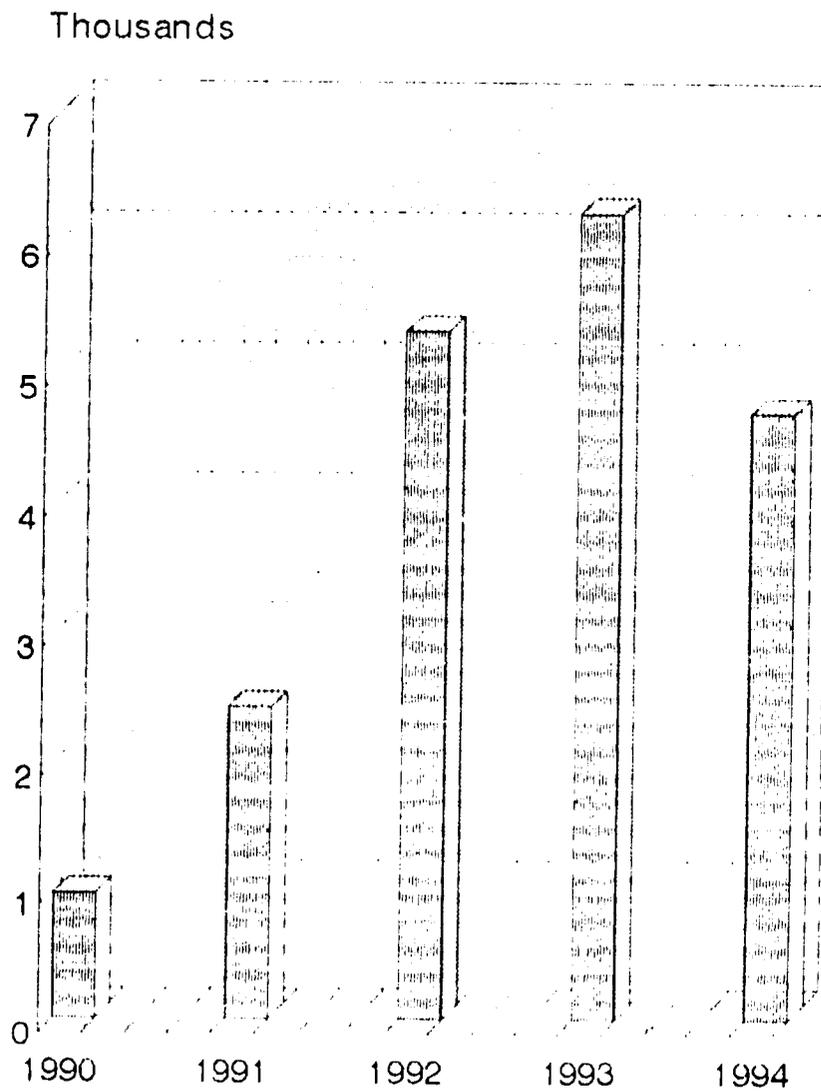
# MICRO ENTERPRISES

## Enterprise Assisted, Jobs Created & Participants Trained



## OUTGROWERS

Total Outgrowers in Systems B, C, H and Uda Walawe



## OVERVIEW OF 9\1994 TARGETS FOR EMPLOYMENT CREATION AND ACTIVITIES

<b>Job creation</b>	<b>Targets</b>
Total employment generation	Create 3,150 jobs, including 1,600 as outgrowers
<b>Activities</b>	
Secure land tenure	Issue 1,000 land grants, long term leases and housing sites to enterprises
Technology transfer	Assist 100 small businesses to adopt new technology and upgrade existing technology
Market development	Assist 120 enterprises to sell products to new buyers or new markets
Small business finance	Arrange credit for 1,100 small businesses
Human resources development	Train 2,700 entrepreneur participants
Business center services	Serve 3,100 small business clients
Agribusiness outgrower schemes	Assist companies to contract with 6,000 settler farmers for export production
Innovative investment projects	Support 50 innovative private investment projects
Private associations	Assist the development of 20 private associations
Policy development	Support 12 specific actions to improve policy frameworks for business development

## ACTIVITIES OF EMPLOYMENT, INVESTMENT AND ENTERPRISE DEVELOPMENT DIVISION OF MAHAWELI AUTHORITY

**1. Background.** Non-farm employment and crop diversification are principal avenues to increased family incomes in the Mahaweli. To advance along these avenues successfully, with widely shared increases in output and productivity, requires a continual process of technological and institutional change, investments in human and physical capital, and a policy framework which encourages increasing efficiency in the allocation and use of resources. The Mahaweli Enterprise Development project was designed during the late 1980's to support actions by EIED and the private sector in all of these areas.

EIED promotes employment, investment and entrepreneurship in Mahaweli areas. The MED project supports EIED activities which generate private sector jobs, particularly for second and third generation Mahaweli settlers, and strengthen the environment for sustainable enterprise formation and growth. During 1993, EIED-MED efforts were increasingly concentrated on sectors which present viable opportunities in Mahaweli areas, particularly (i) non-farm micro and small businesses and (ii) agribusinesses based on contract outgrowers growing diversified export crops. Activities were scaled down in several other areas, notably individual commercial farm development and direct foreign and other large scale investment promotion, which offer fewer prospects for contributing to Mahaweli development. The gradual shift to a more sharply targeted range of activities was consolidated towards the end of 1993 and is now reflected in the EIED-MED programme for 1994.

**2. Start-up.** EIED started the project in mid-1990 with a core technical assistance team in Colombo. Full field operations were initiated in mid-1992. The complete set of activities anticipated in the design were carried out during 1993, with the exception of the group credit phase of the small business program, which will begin during 1994.

**3. Clients.** MED/EIED's clients are entrepreneurs and investors in Mahaweli areas. During 1993, MED/EIED served more than 2,700 clients, covering the full range of enterprise types, sectors and markets, through its head office in Colombo and 12 Business Centres located in Mahaweli areas.

**4. Services.** MED/EIED provide entrepreneurs and investors with: (i) credit facilitation services, such as loan preparations and appraisals and group lending arrangements; (ii) technical, entrepreneur development and business management training; (iii) individual business counseling and technical assistance; (iv) market and technology information and referrals; (v) assistance in obtaining land and buildings; and (vi) other support services where they are not available from the private sector, such as telephone, fax and photocopying facilities. Special cost-sharing grants are provided for innovative projects for pre-investment support, technology transfer and market development.

The 1993 highlights are :

- 1,500 jobs generated
- 6,000 outgrowers contracted
- 2,800 entrepreneur participants trained
- 770 entrepreneurs assisted to access credit from financial institutions, and
- 112 initial long term leases issued to businesses on commercial plots.

**5. Results.** Entrepreneurs and enterprises assisted by MED/EIED have created more than 9,000 jobs in Mahaweli areas, 47% as contract outgrowers, 37% in small businesses half of whom are self-employed entrepreneurs, and 16% in medium and large scale enterprises.

**6. Adjustments for 1994.** The basic design focus on non-farm employment generation and crop diversification through business development remains valid. However, in general, the interventions to support small businesses, including self-employed people, micro enterprises and small enterprises, are yielding results greater than anticipated, while those aimed at medium and large enterprises are yielding results less than anticipated. With our experience and in response to changes in entrepreneur demands and the steady evolution of the policy framework, for the 1994 program we have made adjustments to increase the effectiveness and efficiency of MED/EIED activities:

- The emphasis on micro and small enterprises has increased;
- The emphasis on serving all enterprise sectors has narrowed, with agribusinesses, including manufacturing and services sector enterprises which produce inputs and services for the agricultural sector, now clearly the main, though not exclusive, focus;
- The emphasis on linkages between non-farm and farm sectors within the Mahaweli has increased, along with linkages with other Sri Lankan markets, including indirect export markets in Sri Lanka. The emphasis on direct export markets has lessened;
- The emphasis has increased on technology and marketing support services for small businesses, while maintaining the strong emphasis on credit services;
- The emphasis on secure land tenure policies has now shifted from one of policy *per se*, as the policies now in place for the issuing of land grants and long term leases for businesses are quite adequate, to one of implementation;

- The emphasis on medium and large agribusinesses is now on outgrower based schemes while the focus on individual commercial farms is eliminated<sup>1)</sup>;
- The emphasis on growing businesses within the Mahaweli has increased and there is now less emphasis on promoting inward investment, including foreign investment<sup>2)</sup>;
- The main policy support activities have shifted from land tenure policies to the consolidation (restructuring) of Mahaweli services;
- The emphasis on developing entrepreneur associations and other participatory associations has increased;
- The emphasis on strengthening the sustainability of MED/EIED business support services has increased, while maintaining the strong emphasis on achieving results.

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1) **Agribusiness.** The main opportunities for high employment agribusiness have been: (i) Hand-labor intensive outgrower schemes which produce products for export in a semi-processed form, e.g., small gherkins and tobacco; (ii) services and manufacturing activities which produce low cost, acceptable quality inputs to settler agriculture, such as tractor repair and implement manufacturing; and (iii) small and medium scale food and other agricultural processing for local markets. Not developed have been the anticipated ten 565 acre commercial farms producing horticultural products for fresh export and employing on average one person per acre. Development of farms along such line confronts major constraints, including: (i) national land policy ceiling of 50 acres except in cases which receive Cabinet approval; (ii) policies which protect the rural sector and make it often less competitive in attracting investment resources compared to sector such as finance and manufacturing; (iii) policies which protect small farmer food crops and raise procurement prices of agribusiness based on outgrower production; and (iv) the shortage of technical packages for proven low risk, high yield crop options for Mahaweli areas.

2) **Investment promotion.** It was anticipated that investor promotion and support services, combined with comparative advantages of land and water, would attract medium and large, including foreign, investors into export agribusinesses in the Mahaweli. In the event, extensive promotional activities were carried out over 1991-93, including in collaboration with other national agencies. These were successful in generating hundreds of inquiries, contacts, lengthy discussions, field visits and applications. However, the constraints noted in the previous footnote along with difficulties in securing land and at times the problems of the Mahaweli's rice-based irrigation infrastructure and water issue schedules, appear to have largely offset the anticipated advantages.

**Excerpts from Richard Huntington's May, 1994  
"Sustainability Assessment of MED Project"**

**Sustaining the Field Business Centres**

The Field Business Centres play a major role in providing for business advisory (including technology, training and marketing) services for micro- and small enterprises. They also play a major role in the in the credit programs and, depending on the location of the Center, an important role in contract farming arrangements. In this section, we will discuss the institutional and financial sustainability options for the FBCs and their services, with little mention of their roles regarding credit and contract farming, which will be discussed in the ensuing sections.

**Present Situation**

The main organizational vehicle of the MED/EIED program, as it has evolved over the past three years, is the network of twelve Field Business Centres (FBC) that has been established rural centres in the Mahaweli systems. They were an important design feature in the Project Paper and the individual FBCs are the focal points for delivery of MED/EIED services. As the project emphasis has shifted toward supporting the growth of micro and small enterprises, these FBCs have become even more critical to the achievement of project purposes. The FBCs have played a supporting role in the efforts to encourage inward investment in larger enterprises. In that effort, their role has been to follow-up and support the investment promotion and investor identification activities that were spearheaded by senior staff at MED/EIED headquarters in Colombo. Regarding micro and small enterprise development efforts, by contrast, the Field Business Centres are in the driver's seat, with back-up support required from MED/EIED headquarters. With the main focus of MED/EIED on micro and small enterprise development, the FBCs have emerged as the primary effective delivery mechanism for MED/EIED benefits. The question of providing for the sustainability of FBC activities, of finding a way to assure the continuation of their services to the emerging entrepreneurs of their Mahaweli locales yields no easy answers.

The most important and striking characteristic of these Field Business Centres is that they are customer-oriented, business-like service operations, rather than rural government offices. Each FBC has developed, and continues to develop, a portfolio of clients. They continue to keep track of their clients, helping them grow and deal with new problems that are faced at stages of business development. Clients are tracked in a client-based information system. Each client is given a client number at the time of the first consultancy and basic information on the enterprise and its number of employees is entered. Each subsequent service from the FBC to this client is simply recorded in the course of business. Any changes in the numbers of employees (or credit) are recorded simply on a change of status form. Additionally, every quarter, the MIS produces a list for each FBC of those clients for whom it has recorded no change of status during the previous six months.

The typical FBC is situated in premises in reasonable proximity to local commercial activity and prominently accessible to entrepreneurs. The facilities have in general a pleasant customer-friendly and professional appearance, and are for the most part reasonably well equipped with computer, printer, typewriters, fax and photocopy machines. They intentionally have established more the appearance of business centers than of government offices. Each FBC presently has a combined

staff which includes one Field Business Consultant and a secretary supplied under the MED project, and between one and three field officers from EIED, one of whom is the director of the FBC. The director has a four-wheel drive vehicle provided by the government. The MED Business Consultant has a motorbike provided by the project.

One important decision in the direction of sustainability was taken by MED in 1992, namely the integration of the MED Field Business Centres with the activities of the EIED Field Officers into one team. Starting from that year, each business centre's staff included both EIED and MED field personnel, who together formulated the annual workplan and targets for their FBC, and together manage the monitoring and information system that tracks the FBC's record in meeting these targets. The successful implementation of this integration of MED and EIED field activity means that the sustainability question today is how to continue the activities of the FBC minus the MED personnel; rather than, as it might have been, how to find or create wholesale an institutional home for the entirely project-funded and operated FBC apparatus.

The "one team" approach takes various working forms in the FBCs. While the command is unified in all FBCs, a number of the FBCs tend to divide the relatively heavy workload between the EIED officer and the MED consultant so that the MED consultant takes the lead in much of the business advice and loan facilitation work, while the EIED officer tends to take the lead in the more government-oriented tasks such as securing leases, on one hand, and facilitating the outgrower programs, commercial farms, and medium and large scale investments in the area. In other words, following up on directives that come from headquarters, to help smooth the way for these larger enterprises. This division of tasks is a natural one, maximizing the comparative advantages of skills and networks of each officer. This is not universally the style of FBC operation, however. In some, the EIED and MED officers work more closely together, covering the full range of tasks; in others, they have divided the work geographically, and each handles the clients in his or her assigned territory, cooperating on the reporting and monitoring task. However, in most instances, the FBC staff has taken the easier route of each doing what he or she is best suited for. The implication for sustainability of this work pattern is that, with the end of MED, the EIED field staff are not all prepared to take over the full operation of their FBCs.

The accomplishments of the Field Business Centres are impressive. As a typical example, the Girandurukotte FBC in System C, with one MED Consultant and one EIED officer (supported by a MED secretary), created 165 new full time small enterprise jobs during 1993 through providing advice and service to a total of over 200 clients. Additionally, they arranged a total of 69 loans through three credit mechanisms (directly with banks, to banks through Savings and Credit Societies, and with the Mahaweli Venture Capital Company) with a total value of 2.4 million rupees. They also formed three Savings and Credit Associations with a total of 45 members, facilitated the transfer of over 300 commercial small enterprise plots, and directly delivered or facilitated the arrangements for a total of seven training courses serving over 150 trainees.

Most important, these accomplishments are against specific targets identified in advance, focused targets that result from their strategic analysis of the previous year's results. Furthermore, these accomplishments are appropriately documented and monitored through their computerized MIS. The MIS is important as a self-management tool because it creates an up to date quarterly record of their accomplishments vis a vis their targets, leading them to modify their efforts during the year in order to achieve the desired results.

Such accomplishments are multiplied twelve times, so that in total the FBCs annually assist their client enterprises to create over 2,000 new full and part time jobs. Over one-third (3,000) of the total number of enterprises in the Mahaweli are clients of the FBCs (not including those clients who are still only aspiring entrepreneurs). On the important credit side, the FBC staff facilitate the submission of over 750 loans per year with a value of over 25 million rupees. This is the stream of benefits flowing to micro and small enterprises that needs to be sustained for the foreseeable future -- 2,000 new jobs, Rs. 25 million in credit, advisory services to 3,000 enterprises -- year in and year out.

What are the strengths of the Field Business Centres that explain their success, and which therefore need to be maintained for the future?

- o **Field Location** MED/EIED, through these rural based centers, delivers these services directly to the rural entrepreneurs out where they live and work. The full time residence of the MED business consultant and EIED officers in the Mahaweli system where they work also maximizes their understanding of their clients, of business possibilities, and of those business opportunities that, while attractive, are not realistic possibilities. The Field Business Centres have achieved a certain degree of local rootedness, even after just a few years of operation.
- o **Facilities** The FBCs provide facilities and services to entrepreneurs that are not easily available in these rural areas. Telephone lines, fax machines, photocopiers, and computers bring some necessary urban type services to rural business persons.
- o **Mahaweli Affiliation** It is also useful that they are associated with the Mahaweli Authority and that part of their staff are Mahaweli officers. Facilitation with the government apparatus is one of the important needs of micro-entrepreneurs unfamiliar with government structures. This affiliation may be less important in the future, but for now, given the ubiquitousness of the Mahaweli Authority in the systems, the affiliation is a plus. The role of the EIED Field Officers are particularly important in this facilitation.
- o **MED Business Consultant** Without disparaging the competence and dedication of the EIED field officers, it is important to stress that the presence of the MED business consultants is important. These people are particularly well qualified and articulate. They have an air and credentials that inspire a degree of confidence on the part of local banking officials and business persons. It would be difficult to provide persons of their calibre to remote Mahaweli areas on the public salary scale. They provide a businesslike atmosphere and critical professional expertise to the FBC.
- o **Planning and Management Systems** The organization of FBC activities according to an annual strategic workplan with quarterly targets is an important factor in FBC effectiveness and efficiency. Not that government agencies do not have workplans and targets, but such targets and directives in the public sector generally are set at higher levels and are handed down to field personnel. There is an important sense in which the FBCs establish their own targets and strategies for meeting them. Although this is done in consultation with MED/EIED headquarters, there is an important element of decentralization of responsibility in the FBCs which creates a sense of "ownership" among the field staff.

A plan for sustainability need not replicate the exact present arrangement for the future, but it must provide in some way these characteristic strengths that are responsible for the FBC's effectiveness.

### Options for Sustaining the Field Business Centres

The services provided by the Field Business Centres are a key element of what we wish to continue after the end of the MED Project, and the FBCs themselves, in some form, appear to be an effective and viable service delivery mechanism. They have steadily become more efficient and the project have internalized its learning and this process continues. There are three options for strategies to sustain the FBCs. We will present and analyze each in terms of its financial and institutional sustainability.

But first, it is important to consider some general lessons from the literature on similar small business development centers in other parts of the world. Regarding financial sustainability, nowhere in the world do such centers serving rural entrepreneurs and aspiring entrepreneurs, survive fully off the fees they charge to their clients. This is reported to be the case throughout the United States, in the United Kingdom, and in Eastern Europe. It is of course possible for business centers to support themselves by providing advisory services to private clients, but not if they are dedicated in a significant way to helping new entrepreneurs. In developed countries, small business centers survive on a combination of fees for service, grants from government (national and/or local), support from local business associations and chambers of commerce, or as part of a local university (which also receives a government grant for providing these services). In developing countries (and "economies in transition"), small business centers tend to continue to rely largely on support from international donors, although not necessarily a single donor or the original supporting donor. The example of the Sri Lanka Business Development Centre, a private, non profit organization set up by USAID to provide business services to small and micro enterprises, is not encouraging. Its stipulated clientele is unable to afford its fees for service, and it faces financial crises as it searches for support from one external donor after another.

Regarding institutional arrangements, there are three common models. Small business centers are often government agencies, providing fledgling entrepreneurs with assistance as a means of strengthening the local economy and assuring that "new blood" continues to enter the business community. This is a government service not unlike the services of a government agricultural extension department. The second common model is the business center as an outreach program of a community-based university or of a vocational education institute. The third common institutional home for the provision of such services is the private business association or chamber of commerce.

Obviously these forms of funding and institutional form cannot be simply replicated in the Mahaweli, but they serve to suggest what are the likely constraints and realistic limitations to the sustainability of the MED/EIED Field Business Centres. Within this perspective, three logical options emerge for the Field Business Centres: (a) FBCs serve as the field offices of the EIED, largely funded by government, (b) FBCs as private, for-profit businesses serving the Mahaweli and nearby commercial centers; and (c) the FBCs as a public/private sector hybrid.

**The FBC as a Government Service.** The Field Business Centres could continue as public sector entities as the field offices of the EIED, providing business advisory services to entrepreneurs and encouraging and coordinating NGOs and other government programs to deliver complementary business development services. This option is the direct continuation and evolution of the present situation, and as such builds on the momentum of the MED Project. It is the simplest option both in terms of institutional arrangement and of future financing. This public sector option is foreshadowed to a certain extent, by the decision to integrate the programs of the MED field business consultants and the EIED field officers under the umbrella of Field Business Centres.

As mentioned above, business centers focusing mainly on the start-up and development of micro- and small enterprises are often and appropriately (given the public good nature of most of the services) run as government activities, with varying forms of public-private linkages, elsewhere in the world. Depending on the final outcome of the process of Mahaweli restructuring, the Field Business Centres could either continue to be operated by EIED, or be handed over to a different government agency, although it is not clear just what other line ministry or agency has responsibility for small and microenterprise development in rural areas. The discussions of the Mahaweli Restructuring task force regarding options for business promotion activities, view it as an appropriate public sector activity.

**Financial and Institutional Sustainability.** This option possesses the strong likelihood of financial sustainability. The EIED field officers are already civil servants and the Field Business Centres are, for the most part established in government quarters. Staff salaries, office rent, equipment maintenance, and transportation are covered for the foreseeable future on the government budget.

This public sector option should include the recovery of costs as a supplement to the government support of the FBC. The FBC sets sliding schedules of fees for services such as preparation of loan applications or business plans, based on the abilities of different categories of clients to pay, or on the size of the loan or proposed investment project. Experience worldwide has shown that such fees increase the perceived value of the services to the beneficiaries, and inculcate a businesslike appreciation of the importance of such services. Similarly, the FBC charges clients for use of the fax, phone, and photocopier, using such receipts for maintenance and replacement costs. Training courses should also charge modest fees in order to recover the costs of refreshments, hall rental, and preparation of special materials.

Regarding institutional sustainability, this public sector option can and should include the facilitation and coordination of local NGOs and private business associations to carry out entrepreneurship training and support programs. In these instances, the role of the government FBC might be to provide transportation or other support to programs delivered and funded by the private entities.

When considering this public sector option it is important to remember the reality of the Mahaweli as a relatively recent resettlement area, lacking the sizable towns, chambers of commerce, community universities, and other institutions that normally might support a more private sector institutional structure for the FBCs. Also, the public sector home for the FBCs is a special government division devoted to private sector development. EIED is a small specialized government unit dedicated to private sector development, rather than a large generalized bureaucracy.

**Strategies for Phasing Out and Replacing MED Resources.** How, within this public sector operation, can one effectively operate the FBCs without the resources of the MED Project? What resources can be brought in to permanently fill this gap? The challenge is to develop more efficient management systems, upgrade the human skills, and create a synergy by working more fully with and through local associations, NGOs, and government line agencies. The following strategies would greatly enhance the future abilities of the FBCs to continue to provide the kinds of useful and valued benefits presently being delivered with MED support.

**Training for EIED Field Officers.** What is required is a gradual reorientation of the roles of EIED officers' responsibilities in the FBC, and at headquarters. EIED field officers must be specifically trained and made responsible for the business advising and credit advising activity.

A number of the present EIED officers are already operating very effectively in this mode, but others presently concern themselves with those activities that are to be de-emphasized, i.e. industrial parks, commercial farms, leases, and so on. Furthermore, most have not been specifically trained for the business advisory role, and there has been a general tendency to have the MED consultant take the lead in that area. It is important that each FBC has one more or less dynamic individual, who has the skills to command respect among the entrepreneurs and the banking officials in the area.

The MED project should organize a series of formal training sessions for the selected EIED Field Officers. This training should stress the details of loan applications, business plans, and small feasibility studies, as well as broader concepts of business development and even enhanced communication skills. This formal training should be supported by organizing the FBC workload so as to maximize the joint working together of the EIED Officer and the MED Consultant. In this way the training will be put to immediate use, and the skills gained will be strengthened. This training program will need to work against the prevailing culture of training for government officers which too often involve overseas courses, and then little opportunity to utilize the skills upon return. What is needed in this case is a series of formal short courses, delivered in-country, integrated with a planned program of on the job training and assumption of full responsibility for business advising and all other FBC activities.

**Mobilization of Other Resources.** Continuing and enhancing present trends, the FBCs will coordinate and facilitate the activities of a variety of other persons and institutions providing services to strengthen enterprise development. This coordination and facilitation role might best be put in the hands of a EIED Officer stationed at the RPM complex in each system. The sustainability implications of this strategy extend beyond the provision of supplementary resources. There is also a diversification of institutions providing business development services to the Mahaweli entrepreneurs. In the long run, this increases the likelihood that benefits from some source will always reach the Mahaweli. In the recent past, the MASL was not very open to having other such institutions operating in the Mahaweli, however, there is now a real interest and beginning to the process of "opening up" the Mahaweli. The other resources that can be mobilized and coordinated are:

- o **Local Panels of Experts.** In each system, or each FBC a panel of experts in business, banking, and technologies could be created which could periodically meet to provide advice to FBC clients, and, in the process, to the EIED officers. This panel would essentially be a local service organization and could be registered as such. It could also serve as an

advisory board for the Field Business Centre itself. This arrangement would also help inform the panel members of the entrepreneurial activities near where they live and work.

- o **Non-governmental Organizations.** There are a number of NGOs engaged in training and follow-up activities related to self-employment and micro-enterprise development. Where appropriate, the Field Business Centres should reach agreements with locally active NGOs to provide services through the FBC. Having these agreements tailored to the local level is preferred to having a Mahaweli-wide arrangement with one powerful NGO, as it reduces the political risk and increases the diversity of institutions. EIED and these NGOs could reach a mutually beneficial agreements on cost sharing in support of the activities.
- o **Private Associations.** The FBCs are currently active in forming credit societies and entrepreneur associations. In the future these associations can also serve as resources and means of outreach for the FBC.
- o **Other Government Agencies.** Inevitably, the Mahaweli area is becoming more closely integrated with local government structures and line ministry services. It will be the responsibility of the EIED field officers and the FBCs to facilitate and coordinate this process as it pertains to enterprise development.

**Weaknesses of the Public Sector Option.** The weaknesses from a the point of view of sustainability are the usual problems of public sector institutions in many contexts; the lack of incentives in compensation packages, bureaucratic procedures, personnel shifts regardless of training, talent, or interest, changing priorities and politics, lack of resources (other than salaries), and lack of commitment.

Through an effective program of staff training, measures to continue to increase operating efficiencies and a carefully orchestrated phased turnover of the FBCs to the best and brightest of EIED's already strong field staff, the Field Business Centres would operate effectively. But for how long? The EIED field staff will be tempted by outside opportunities. They will bit by bit be replaced by staff who did not experience the training, management system and so on under MED. The Mahaweli Authority may in the future be reorganized, and government and donor priorities may change. As a public sector institution, the FBC will continue to be supported for as long as government policy encourages rural micro-enterprise development and contract outgrower programs.

**Private Sector Options and Variations.** As stated earlier, nowhere in the world do small business centers aimed at helping new and small entrepreneurs, survive entirely from their fees for service. Therefore there is little reason to expect this to occur in the Mahaweli. However, we should consider at least how similar services might be provided to some Mahaweli entrepreneurs from a private sector institution. MED could consider assisting the establishment of one or more private, for-profit firms, serving Mahaweli entrepreneurs and businesses in the nearby commercial towns. Obviously, such a firm would rely primarily on larger, non-Mahaweli clients, but could conceivably also provide services to some Mahaweli entrepreneurs, some of the success stories that may have grown larger in time. Such service would be supplementary to the services performed by the Field Business Centres. Some of the present MED Field Business Consultants may be interested in investing in such an operation. In discussions with field business consultants, we determined that a fully private FBC would have fixed costs, including good salaries, of approximately 80,000 rupees per month. Figures 2 and 3 show the calculations of monthly costs and capital costs. Figure 4 shows an optimistic estimation of revenue.

Whether or not such private business centers are viable commercial enterprises themselves is not clear. As with most entrepreneurship, there is a significant risk. Whether such enterprises are commercially viable and would still serve a Mahaweli clientele, directly or indirectly, or partially, is also not clear. The option should be explored during the remaining time of MED Project support.

The MED/EIED could support such a potential enterprise, as it does other potential enterprises, by working together with the potential entrepreneurs/investors (in this case some of its own employees/field business consultants) to design a pre investment program (PIP). Feasibility studies should be done to determine the strongest locations, the demand for different categories of services, and so on. An important factor to determine would be what percent of this private FBC's clientele would consist of Mahaweli micro and small enterprises. A small grant could help share the risk of a pilot operation.

A variant approach would negotiate for the private business service to share the space and use the facilities of the EIED FBC. This would reduce the monthly fixed costs of the private business service by approximately 30%, reducing the risk to the private business consultancy while at the same time providing an additional valuable and attractive resource to the EIED Field Business Centre. In exchange, the private business service would agree to provide a certain level of service and certain types of service to micro- and small enterprises of Mahaweli settlers. The private service might, for instance, take the responsibility for organizing and running the activities of the "Panel of Experts", which would likely include some of its chief clients from the nearby commercial centers. Additionally, the private service could offer special training courses and handle a certain targeted number of small business credit facilitations. The EIED officer would focus his or her attention on the Mahaweli clientele, providing direct services and coordinating activities of NGOs, government agencies, and this private business service which shares its official abode.

This option would give the EIED Field Business Centre a strong commercial character while still assuring that it serve in large measure the intended beneficiaries. It could also enhance the important linkages between the settler entrepreneurs and the wider economy as represented by the nearby commercial centers.

### **Recommendations for Sustaining the Field Business Centres**

MED/EIED should implement the program for strengthening the FBCs as EIED operated rural business centers. This recommendation includes the staff training program and the efforts to associate other institutions (Panels of experts, NGOs, private associations, government line agencies) with the FBC programs and increased emphasis on cost recovery and continued increase in efficiencies.

At the same time, MED/EIED should carry out feasibility studies for private, for-profit business service firms in certain of the most promising locations. Based on the results of these feasibility studies, MED/EIED should take steps to support the establishment of a private business service firm, or a hybrid public/private FBC, if either option still seems potentially viable.

**Private Field Business Center  
Estimated Monthly Expenditures**

**Salaries**

Director	25,000
Deputy Dir.	15,000
Secretary	7,500
Cleaner, etc.	2,500
<b>SUBTOTAL Salaries</b>	<b>50,000</b>

**Facility**

Rent	5,000
Telephone	3,000
Electricity	1,000
<b>SUBTOTAL Facility</b>	<b>9,000</b>

**Consumables**

Stationary, Paper	1,000
Toner, ribbons, etc.	1,000
<b>SUBTOTAL Consumables</b>	<b>2,000</b>

**Transportation**

Maintenance, gas	4,000
Depreciation	1,000
<b>SUBTOTAL Transport.</b>	<b>5,000</b>

**Capital Costs**

Repayments on Rs. 500,000 Loan	14,000
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<b>TOTAL MONTHLY EXPENDITURES</b>	<b>80,000</b>
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## EIED/MED MICROENTERPRISE CREDIT PROGRAM

### Background

One of the critical issues addressed by the EIED/MED program is access of small scale entrepreneurs (SSEs) to credit. Studies in the late 1980's found that three out of four SSEs in Mahaweli considered lack of finance to be a major constraint to expansion. The main constraints identified were the high risks and transaction costs associated with formal financial sector lending to small enterprises. The MED project design provided that institutional solutions to these constraints would be promoted which lowered risks and transaction costs by improving the creditworthiness of clients.

In the latter part of 1990, EIED/MED conducted studies to assess the feasibility of credit related assistance. The team, while noting that ten non-farm SSE credit schemes were being implemented in Mahaweli areas by formal sector credit institutions, confirmed the earlier findings with regard to constraints on access to these facilities.

A key finding was that for loans of less than Rs 10,000, usually for start-ups or expansions of very small enterprises, SSEs had relatively easy access as banks were somewhat motivated by public relations and policy concerns and by the availability of directed credit lines, often with refinancing facilities.

A second finding was that for loans in the Rs 10,000 - Rs 50,000 range, often necessary for the solid growth or transformation of the enterprise, the access of entrepreneurs was severely limited, as banks placed more emphasis on security and other aspects of creditworthiness. This was an important credit segment as it is the segment in which microenterprises with one to four employees (as opposed to self-employment, with less than one employee, or small enterprises, with five to 24 employees) are concentrated.

On the basis of the study findings it was recommended that one of the services of the Business Centers, which were being established in 12 rural locations, should be to assist entrepreneurs, particularly microenterprises, to:

- (i) access credit directly from financial institutions.
- (ii) access credit from financial institutions through Savings and Credit Societies (SCSs) along experimental lines similar to those which had been proposed in the project design.

### Results

After two and a half years of operation by the end of June 1994, 2734 small entrepreneurs had been assisted to access credit. 80% by value of the credit arranged for these entrepreneurs was directly with financial institution; 20% was arranged through Savings and Credit Societies.

**SUMMARY OF CREDIT ACTIVITIES**  
(as at 30.6.94)

	Loans submitted		Loans disbursed	
	No.	Value Rs. Mn.	No.	Value Rs. Mn.
Direct (including MVCC)	2338	59.13 (79.4 %)	1475	33.87
Through SCSs	396	15.3 (20.5%)	185	6.77
Total	2734	74.43	1660	40.64

**Direct credit assistance.** The Business Centers assist clients directly to access loans from banks and from the Mahaweli Venture Capital Company (MVCC). The assistance, which is closely coordinated with the activities of the banks which have branches in Mahaweli areas and with the MVCC office in Colombo, is in the form of advice on the preparation and submission of loan proposals and documents backed by complementary assistance in the areas of technology, marketing and business practices. The support and recommendations to the banks and MVCC of the Business Center staff, who have direct knowledge of the entrepreneurs and their businesses, raise the creditworthiness of the clients in the judgement of the bank staff. Under this direct lending assistance, the banks have a direct relationship with the small entrepreneur client and do not inform EIED/MED on a periodic basis of loan performance. In the case of the MVCC, which does not have offices in the field, the Business Centers play a stronger role in the relationship between the small enterprise borrower and the lender. Both the banks and the MVCC inform of problem loans and, as most of the entrepreneurs continue receiving other Business Center services, potential problems and solutions are identified early. The frequent and close consultations between Business Center and bank branch staff and MVCC staff are important in maintaining satisfactory loan performance by MED clients.

**Group based credit.** With regard to accessing credit through SCSs, the broad framework set out in the project design was elaborated during 1991 in detailed discussions with banks, lawyers and USAID resulting in the preparation of legal documentation and a Project Implementation Letter. In negotiations the banks insisted that the programme be developed in a gradual fashion, to enable the institutional capacity of the societies to be developed before their taking on responsibility for borrowings and lendings. Thus the SCS programme was approved as a two phase programme by USAID and the MASL in September, 1991. In the first phase, Societies are formed and lending from financial institutions is facilitated to members. The loans are made direct by the banks to the individual entrepreneurs with the Society as a legal entity providing backing for the loans. In the second, the Societies borrow as legal entities from the banks directly and onlend to their members.

The balance of this report covers this group lending based credit assistance of EIED/MED. (Note: early this year separate programs of group lending, based on societies registered under the Agrarian Services Act, was initiated in System C in a program with Bank of Ceylon, Seylan Bank and the MVCC. This program, which is in its very initial stage, is not covered in this report.)

## Savings and Credit Societies.

### Phase one implementation (1992 - 94).

During the 1992-94 implementation of the first phase of the programme,

- agreements were reached with five credit institutions (People's Bank, Bank of Ceylon, Regional Rural Development Banks of Polonnaruwa and Nuwara Eliya and Hambantota) providing for their participation in the programme,
- 61 Societies were formed with a membership of 893 entrepreneurs,
- 54 Societies completed legal registration,
- 42 Societies entered into Collateral Fund agreements with banks,
- 47 Societies facilitated direct borrowing by 396 entrepreneur members,
- 30 Societies received disbursements of Collateral Fund grants.

**Membership.** The Societies are formed by groups of 10 to 15 non-farm small scale entrepreneurs, mainly from industry sub-sectors, including agro-processing. Of the total membership in societies formed, 14% were women and 29% were aspiring entrepreneurs.

**Grants.** The MASL makes grants to SCSs, utilizing USAID MED funds, for the purpose of providing partial collateral for small enterprise credits. The grant is made through a Memorandum of Agreement (MOA) between the SCS and the MASL which sets out the terms and the grant budget. The grant amount is 12% of anticipated loans, based on the estimated credit requirements of members. The maximum grant per SCS is US\$2,000. After signing the MOA, the SCS enters into a standard Collateral Fund Agreement (CFA) with a participating bank. As of end June 1994, 53 grants for Rs 2,919,000 had been approved by the MASL out of which Rs 824,434 had been disbursed to 30 societies. (In addition to Collateral Fund assistance, SCSs are eligible for grants up to US\$350 for reimbursement of up to 50% of start-up expenses and initial operational costs. This facility has been used sparingly.)

**Collateral fund.** The CFA provides that the bank will lend up to five times the combined amount deposited in two accounts owned by a society, one being for the grant funds, the other being for deposits by members equivalent to 8% of the approved loans to members. These two accounts, which together are referred to as 'the collateral fund', earn market rates of interest. They are used to provide partial security for business loans to a society's members.

**Loan procedures.** Loans are made by the bank subject to the recommendation of the society. The loans may not exceed five times the amount deposited in the collateral fund. Disbursements and recoveries are managed directly by the bank with each borrower. The loans may be secured by business assets, *inter se* guarantees of two members of the society, and the collateral fund. In the event of default, the bank draws, first, the 8% from the collateral fund; secondly, it exhausts the normal legal remedies including claims on the *inter se* guarantees; and, finally, it draws remaining amounts from the collateral fund.

**Loan terms.** Loans are made on normal banking terms. Individual loans may not exceed Rs50,000, and may be for fixed or permanent working capital or both. The period depends upon the requirements in each case. Market rates of interest, currently 20% to 22%, are charged by banks on the reducing balance, with a rebate to the individual of 2% for prompt repayment.

**Performance.** After a very slow start, due to difficulties in Society registration and in completing the initial legal agreements with the banks, as of the end of June 1994: Rs 1.1 million of members' savings had been mobilized and deposited in banks; Rs 27 Mn. of investments by 185 enterprises had been financed backed by MED collateral fund grants of Rs 824,434; a pipeline of an additional 211 projects was pending with the banks; bank credits disbursed were Rs 6.8 Mn; the average loan size was Rs 36,000; 60% of the loans were for working capital, the balance were for a mix of fixed and working capital; average period of the loans was 30 months; repayments on 26 loans were in arrears of over three installments.

#### **Phase one activities by Business Centers (1992-93).**

1. Formation and legal registration of Savings And Credit Societies.
2. Making of legal agreements between Societies and MASL and between Societies and banks.
3. Assisting Societies to access credit for their members.
4. Fostering thrift and savings amongst members.
5. Assisting in technical and marketing support to members.
6. Encouraging good business practices amongst members.
7. Strengthening the internal controls of the Societies.
8. Strengthening the institutional capacity of societies to undertake higher responsibilities of deposit taking and lending to members during phase two.
9. Facilitating, monitoring and reporting on grant disbursements, loans and savings mobilization.

#### **Phase two implementation (1994 - )**

During the second phase, after gaining experience and financial capacity,

- the institutional development of the Societies is being deepened through the establishment of second tier associations of SCSs for each Mahaweli area and subsequently an apex organization of SCSs. These will assume responsibilities for the supervision and internal auditing necessary for the long term sustainability of the Societies. Already five such unions have been formed.
- the membership is being expanded from an average 12 to an average 20 per Society to strengthen their financial viability and their capacity to serve as participatory, representative bodies of small entrepreneurs;
- the capabilities and systems of the individual Societies necessary to function as financial institutions are being developed through training and advice provided through the Business Centers.

- Societies are being assisted to enter gradually into the group lending phase of the programme during which they borrow from credit institutions for lending to their members.
- an upward review of the individual credit limit of Rs 50,000/ is being considered by banks for members who have satisfactorily repaid their first loan.

## MED/EIED PUBLICATIONS AVAILABLE

*Local Market for Pickled Products* (December 1990)

*Non Farm Small Scale Enterprise Credit on Selected Mahaweli Systems*, Geoffrey Peters and M.W. Panditha (December 1990)

*Crop Profiles - Spices, Herbs and Aromatics*, L. Denzil Phillips (July 1991)

*Study of the Tourism Development in the Uda Walawe* (July 1991)

*Potential for Silver Skin Onions in the Mahaweli*, Walter Nueberg (August 1991)

*Nursery Development of Papaya and Mango, Papaya Growers' Guide and Technical Notes for Business Plan for Mixed Fruit Cultivation Investment*, Ben Hatfield (November 1991)

*Dehydrated Fruit Processing Opportunities and Trends in Sri Lanka*, Wanchai Somchit, (November 1991)

*An Evaluation of the Entrepreneur Development Programmes*, Dr. Susan Exo and Hina Shah, (December 1991)

*Aromatics PIP Interim Report on Trials Establishment*, Dr Thomas Davies (December 1991)

*Agro-Business Financing Review*, Dennis De Santis (December 1991)

*Integrated Fruit Drying, juicing, Pulping project - Prep Feasibility Study*, Michael Smedley, Ben Hatfield and Wanchai Somchit (December 1991)

*Cold Chain Requirements for Uda Walawe*, Fredrick E. Henry (March 1992)

*Field Manual for Processing Tomatoes*, Peter Florance (March 1992)

*Processing Tomato Trials in Mahaweli System H*, Peter Florance (March 1992)

*Processing Tomato Trials in Mahaweli System C*, Peter Florance (March 1992)

*Dried Fruit Processing in the Mahaweli*, Dr. Kamal Hyder (September 1992)

*Feasibility Study on Commercial Potential of Snake Venoms in Mahaweli Systems*, Anslem de Silva, (January 1993)

*Census of Mahaweli Enterprises and Employment* (January 1993)

**Most publications are priced at Rs.100/-. The publications are available at the MED Office at 8th Floor, Unity Plaza, Colombo 4. (inquiries, Ph. 508682-4)**

**An EIED publication entitled - "Information Available for the Mahaweli Investor", is also available at the MED Office.**