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**FINAL EVALUATION OF THE
MAHAWELI ENTERPRISE DEVELOPMENT PROJECT**

(Project No. 383-0090)

FINAL REPORT

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LIST OF ABBREVIATIONS/ACRONYMS

AID	Agency for International Development (USAID)
AM	Assistant Manager
ATI	Appropriate Technology International
BAS	Business Advisory Services
BC	Bank of Ceylon
BOD	Board of Directors
DAI	Development Alternatives Inc.
DM	Deputy Manager
EDTP	Entrepreneurial Development Training Program
EIED	Employment, Investment and Enterprise Development Division
FBC	Field Business Consultant
GSL	Government of Sri Lanka
IDB	Industrial Development Board
ISTI	International Science and Technology Institute, Inc.
LOP	Life of Project
MASL	Mahaweli Authority of Sri Lanka
MBC	Mahaweli Business Center
MED	Mahaweli Enterprise Development Project
MIS	Management Information System
MSI	Management Systems International
MVCC	Mahaweli Venture Capital Corporation
NGO	Non-Governmental Organization
PB	Peoples Bank
PIP	Pre-Investment Programs
PP	Project Paper
PVO	Private Voluntary Organization
RRDB	Regional Rural Development Bank
SCS	Savings and Credit Society
SSE	Small-Scale Enterprise
TC	Training Coordinator
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions

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EXECUTIVE SUMMARY

Background

This Final Evaluation of the Mahaweli Enterprise Development (MED) Project concentrates on the small scale enterprise component of the project. Accordingly, this evaluation does not review the progress made on the other two components of this project, except those aspects which are relevant to the small scale enterprise component.

This evaluation was conducted by Management Systems International (MSI), a consulting firm in Washington, DC, with broad experience in private sector development and in the evaluation of USAID programs. The author of this evaluation, Stephen C. Silcox, is a senior associate of MSI with extensive experience in the evaluation of small enterprise projects, including credit programs and entrepreneurial training. The evaluation was conducted over a period of six weeks and involved document reviews, interviews with project staff in Washington, DC and Colombo, field trips to eight business centers and a sampling of business center clients, discussions with USAID staff and officials of the Mahaweli Authority, and interviews with other individuals in Colombo involved in other USAID projects.

Principal Findings

1. The indicator for attainment of the project purpose relative to the small-scale enterprise component was a net increase of 1,250 jobs in Mahaweli small-scale enterprises by 1995. In fact, project data has recorded a total gain of 3266 full-time jobs and 1697 part-time jobs in self-employment, micro and small scale enterprises through June 1994. The indicators for attainment of the project outputs relative to the small-scale enterprise component were substantially exceeded, with some minor exceptions.
2. MED Project management has done an excellent job of integrating MED consultant staff, both expatriate and local, into EIED operations and staffing patterns. This has permitted effective working relationships and helped to improve the potential for technology transfer.
3. The Director of EIED told the evaluator that EIED now considers its work in small and microenterprise development as its primary concern. The MBCs have become the cornerstone of EIED's efforts in the MED Project. They are the principal point of contact with their private sector clients, particularly small and microenterprises. The staff of the MBCs, both EIED employees and FBCs, are well qualified to perform their tasks. The FBCs have done a good job of working closely with the DMs and AMs and of transferring the business skills and service attitude toward MBC clients to the EIED staff.
4. MBCs have performed well both in providing business advice and technical assistance and training and in assisting clients to obtain credit for their operations from different sources. They have also played a major role, along with the EIED Head Office, in liaising with

other MASL and government agencies to facilitate land transfers and leases for commercial purposes. The number, locations and staffing of the MBCs appear to be sufficient to adequately serve the needs of the entrepreneurs living in the various areas of the Mahaweli.

5. The MBCs have succeeded both in facilitating direct loans from banks and the MVCC to entrepreneur clients and in the formation and initial operation of the Savings and Credit Societies. The experiment with the SCSs has provided some valuable lessons over the past two years in regard to time spent, group solidarity and the role of guarantee funds for microenterprises. However, some aspects of the SCSs require further restructuring in line both with Sri Lanka experience and microenterprise lending experience elsewhere.

The MVCC appears to rely extensively upon the staff of EIED at the MBCs to promote and monitor MVCC loans. This issue has led to some inefficiencies and dysfunctional aspects. The MVCC loans and the SCS loans appear to be aimed at the same target group. Thought should be given to possible linkages between these two credit windows to strengthen both programs.

6. EIED Head Office staff have promoted contractor outgrower arrangements in the Mahaweli and MBC staff have provided a facilitative role for both outgrower companies and contract farmers. These efforts have resulted in extensive growth of farmers employed through these arrangements and a consequent diversification of crops.
7. The MIS is functioning effectively to meet most project needs. However, inaccuracies still exist in the client databases - largely due to under-reporting problems. Available MIS reports are not readily gender disaggregated, although they can be with further efforts.
8. The project has not targeted women entrepreneurs directly, but operates with the approach that enterprise development must be addressed to strengthen the family unit and increase family income. Appointment of women professional staff to the MBCs has been difficult, seemingly due to a reluctance of many professional women to relocate to the more remote areas of the Mahaweli and for single women to live away from their families.
9. The Director General of MASL has expressed keen interest in expanding the MBC concept to areas outside the Mahaweli. It is not known whether this attitude is shared by others in the new GSL. However, it does reflect a commitment to reinforcing the successes of the MBCs and bodes well for future financial support from MASL for these activities.

Conclusions

The Small-Scale Enterprise Component of the MED Project has proven to be the most successful aspect of the project. It has exceeded its targets for achievement and has moved the MASL in the direction of providing more assistance to help develop the economic base of the Mahaweli. Although small and microenterprises are only one part of the economy, they are a critical first step in the process of diversifying sources of income sources in the Mahaweli.

The development of the Mahaweli Business Centers has been the jewel in the crown of MED Project supported activities to assist small and microenterprises. The MBCs have served as focal points for the private sector in the Mahaweli and are viewed as friendly to business, a significant achievement for a government agency. MBC staff appear to be well qualified and trained for their jobs.

The services offered by the MBCs in technical assistance and training and in assistance in obtaining credit and land to create and expand businesses have proven to be effective ways to promote small and microenterprise development in the Mahaweli. Although some improvements to these services are still required, the basic activities of the MBCs appear to be functioning well.

The assistance to MBC clients for direct loans from banks is well established and would continue without much further assistance. However, other credit programs which are tied to the Mahaweli Venture Capital Company and the Savings and Credit Societies require further definition and development.

The management information system for tracking client services and impacts is basically sound, but requires some improvements to facilitate easier access to data, to eliminate data file fragmentation and to increase gender disaggregated data. Current efforts to decentralize data entry and verification should be hastened and strengthened.

Although the project has not targeted women entrepreneurial development, per se, project staff have made diligent efforts to include women in all of their programs and should reinforce these efforts. The current study on women trained by the project might provide direction on what more could be done in this area. The concentration on the family as the locus of enterprise development is the proper approach to take in reaching women and assisting them to develop other income bases.

The activities of the EIED Head Office and MBCs to facilitate outgrower arrangements in the Mahaweli have been very successful in generating both employment and crop diversification. Although it may be necessary to transfer the investor promotional activities to other agencies and donor assisted projects, the facilitation role of the MBCs should continue and be expanded.

Recommendations

1. USAID should make a favorable decision to extend the MED Project Completion date as soon as possible. An extension of 18 to 21 months is recommended. This extension would help to plan and implement future activities and to improve prospects for the sustainability of project activities within EIED.
2. Although the GSL has evidenced a clear commitment to support the MBCs after the completion of the MED Project, it is not yet certain what financial level that commitment will need. This issue should be explored with MASL as decisions are made by USAID regarding any project extension.
3. MED Project staff should concentrate their efforts on the following activities during the remaining life of the project.

- The transition of the MBCs and eventual phaseout of FBCs
- Further refinement and development of the credit related services, exploring greater linkages with the MVCC
- Improvements in the MIS, both in computer software applications and in database improvements, with upgrading of computer hardware as needed
- Possible studies of enterprise and household income to ascertain changes in family income and sources, with particular attention to women
- Further development of the role of the MBCs in facilitating outgrower arrangement

4. Program linkages with the TIPS and AgEnt Projects should be explored.

I. INTRODUCTION

A. Background

The development of the Mahaweli river basin in Sri Lanka is the largest development program ever undertaken by the Government of Sri Lanka (GSL) in modern times. Over \$2 billion has been invested since the late 1970s to bring irrigation to over 100,000 hectares of existing land and to develop an additional 117,000 hectares of new land. In addition, the construction of five dams has resulted in the generation of nearly 600 megawatts of electricity, effectively tripling Sri Lanka's power generation capacity. The major headworks are now largely complete and thousands of new settlers have been allocated land to farm in the irrigated lands. The development of a diverse economic base within Mahaweli to serve the needs of the settlers and their children is a major challenge facing Sri Lanka today.

The Mahaweli Enterprise Development (MED) Project was authorized by the Government of Sri Lanka (GSL) and the United States Agency for International Development (USAID) in early 1989 as a six year project with the **goal** of raising median household incomes of Mahaweli settlers to the national level. Its **primary purpose** was to accelerate the creation of permanent private enterprise employment in small, medium and large enterprises. A **secondary purpose** was to strengthen GSL commitment to market-oriented approaches to Mahaweli development. The project was to be financed with a total of \$24 million, with contributions of \$15m, \$2.8m and 6.2m coming from USAID, GSL, and the private sector, respectively.

The three principal components of the project included the following:

Policy Assistance

The policy assistance component of the MED Project was to examine policies and procedures and interact with appropriate Government agencies by streamlining operations and communicating more effectively. It was to be the responsibility of a small working group within the Employment, Investment and Enterprise Development (EIED) Division of the Mahaweli Authority of Sri Lanka (MASL), supported by technical expertise provided under a technical assistance contract. The total cost of this component was to be \$1.5m.

Support to Small and Microenterprises

The MED Project was to help to increase the number of persons employed by small and microenterprises in the Mahaweli settlement areas, through the provision of technical assistance, training and credit to assist both in the creation of new enterprises and in the expansion of existing enterprises. The total cost of this component was to be \$8.5m and was expected to generate 1,250 permanent jobs.

Support to Medium and Large Enterprises

The activities under this component were designed to stimulate investment in medium and large ventures in Mahaweli through the provision of technical assistance in product, technology and market development, particularly for exports. Venture development support and cost-sharing for

market development was to be contributed for pioneering efforts to develop new markets. The total cost for this component was to be \$14m and was expected to generate 9,200 permanent jobs.

The Project Paper (PP) stated, "Building on A.I.D.'s commitment to the private sector, the project design emphasizes market-oriented solutions to stimulating the formation and growth of enterprises in the Mahaweli. The interventions proposed under this design seek to compensate for well-known weaknesses in the performance of market mechanisms under the given conditions of the Mahaweli to lay the foundations for greater reliance on market forces in the future." In order to shift the focus to the utilization of market forces, the project set forth four covenants to be met by the GSL as a part of the project, namely:

- ensure that private sector entities are able to operate freely in the project area, without unfair competition from public sector entities;
- encourage the establishment of new productive facilities under private ownerships;
- develop land tenure arrangements for private enterprise that are secure over a period of years sufficient to establish and operate viable business ventures and that permit land to be freely transferred between private parties; and
- in the implementation of Mahaweli programs and policies, foster market forces to the maximum extent feasible, avoiding distortions such as subsidies, trade protection, and price guarantees and, if distortions are deemed necessary, consider the full economic costs and implications of their introduction.

B. Context and Scope of Evaluation

A mid-term evaluation of the MED Project was conducted in late 1992. The background section of the scope of work for this final evaluation of the project made the following comments regarding that mid-term evaluation:

A mid-term evaluation of the project was conducted in the Fall of 1992. This evaluation was preliminary and resulted in findings and recommendations that will be difficult to implement. The major recommendation concerned the thorny issue of land tenure. The mid-term evaluation team felt that progress in establishing enterprises in the Mahaweli areas was seriously impeded by current land tenure policies. In fact, the evaluation team recommended that USAID consider terminating the project if significant progress was not made in this area.

That scope of work went on to describe events that have taken place since that evaluation and provides the context and direction for this final project evaluation.

Since the mid-term evaluation, the GSL has made some progress on land titling. USAID/Sri Lanka has decided to continue the project on the basis of performance with job creation, but due to funding limitations will not likely provide full Life of Project (LOP) funding and will de-emphasize assistance to commercial farmers. A recent

assessment of agribusiness activities was completed and an over-all assessment of agriculture projects is planned. This evaluation is to review progress on the Small Scale Enterprise (SSE) component and to identify lessons learned for possible incorporation into future projects.

It should be noted that the last sentence directs that this final evaluation is to concentrate on the small scale enterprise component of the project. Accordingly, this evaluation does not review the progress made on the other two components of this project, except those aspects which are relevant to the small scale enterprise component.

In May of 1994, the International Science and Technology Institute, Inc. (ISTI), the lead contractor for the consortium providing technical assistance to the project, conducted a sustainability assessment of the MED Project. This assessment was concerned with "the practical issue of how to ensure the continuation of the benefits of a specific projects once the donor resources are withdrawn." As preparation for this assessment, EIED and MED staff had also met to analyze the results of the first two years of project implementation. Their analysis and the sustainability assessment resulted in the conclusions that the business advisory services and credit programs for small and microenterprises as well as the contractor outgrower schemes had produced the best results in achieving project purposes. Following a request by the former GSL to extend the project, EIED/MED staff were asked to conduct an analysis and prepare a proposed Sustainability Program which detailed the activities to be conducted during a proposed extension of the project. Based upon this proposal, the new GSL requested a 21 month extension of the project by USAID in order to consolidate and reinforce the successes of the project to achieve greater sustainability.

From conversations with ISTI staff in Washington, DC, and with USAID/Sri Lanka and EIED/MED staff upon the arrival of the consultant in Colombo, it was decided to use these sustainability analyses and conclusions as a starting point for reviewing project success in achieving the aims of the small-scale enterprise component.

C. Methodology

This evaluation was conducted by Management Systems International (MSI) a consulting firm in Washington, DC with broad experience in private sector development and in the evaluation of USAID programs. The author of this evaluation, Stephen C. Silcox, is a senior associate of MSI with extensive experience in the evaluation of small enterprise projects, including credit programs and entrepreneurial training. The evaluation was conducted over a period of six weeks utilizing the following methodology:

- A review of project documents and discussions were held with staff members of ISTI and DAI prior to the departure of the consultant from Washington, D.C.
- Initial discussions were held with EIED/MED staff, MASL officers and USAID/Sri Lanka staff upon the arrival of the consultant in Colombo. These meetings refined the scope and approach of the evaluation, determined appropriate field sites to visit, and ascertained expectations concerning the evaluation. Further

relevant documents were also obtained and reviewed in preparation for the field trip.

- An eight day field trip was made to Systems H, G, B & C and Koornale to interview Mahaweli Business Center (MBC) staff and a sampling of entrepreneurs assisted by the MBC staff in the various areas. The consultant was accompanied by various high level staff members of EIED and MED for all of these field visits. (A field trip to Uda Walawe was also scheduled, but had to be canceled due to the tragic assassination of the Opposition Party Presidential Candidate.)
- Further discussions with EIED, MED and USAID staff were held to obtain follow-up information about the project and to discuss preliminary findings from the field trip. Meetings were also held with representatives from other organizations who could provide information and insights relevant to project evaluation issues.
- An initial draft report was written (for review and discussion purposes) and submitted to all parties holding a stake in the evaluation.
- Following these discussions, a revised, final draft report was prepared and submitted prior to the departure of the consultant. A joint debriefing was given for the various stakeholders to discuss the final draft report the day before the departure of the evaluator.
- The Final Evaluation Report was submitted by MSI in final form upon the return of the consultant to Washington, DC.

D. Format of Report

This report follows the following format:

Chapter One presents the introduction to the report with background information on the project as well as the context, scope and methodology of the evaluation.

Chapter Two reviews the history of the implementation of the MED Project and the origins of its current focus.

Chapter Three provides an in-depth analysis of the small-scale enterprise component of the MED Project. Chapter Four goes on to discuss key institutional and sustainability issues resulting from the analysis.

Chapter Five reviews the achievement of project targets for the Small-Scale Enterprise Component.

Chapter Six discusses current USAID/Sri Lanka Mission Strategy and both current and potential support activities for small and microenterprises within that strategy.

Chapter Seven summarizes the findings. Chapter Eight lists the conclusions and Chapter Nine presents the recommendations of the evaluation.

II. A REVIEW OF MED PROJECT HISTORY AND ACTIVITIES

This section of the report presents a year-by-year synopsis of project achievements and progress. It is meant to provide an understanding of how and why project activities have changed over the life of the project. Most of the information below was obtained from MED/EIED Annual Reports.

1989/1990

Although the MED Project was authorized in early 1989, project activities did not really get underway until 1990 when the main technical assistance contract with ISTI was finalized in April and the resident consultant team arrived in Sri Lanka in July. The rest of 1990 consisted largely of settling-in activities, including orientation, establishing working relationships, opening of offices, conducting baseline and other preliminary studies and planning for project activities.

1991

Work began in earnest in 1991 to achieve the purposes and outputs of the project. Key activities of that year included the following:

- The inauguration of the Mahaweli agribusiness advisory service.
- Assistance was provided to agribusiness investors through Pre-Investment Programs (PIP) and the MED market component, with the assistance of SRD, Inc., another project technical assistance contractor. Activities included the introduction of new export products, improved technologies and the identification of major projects to be carried out the following year.
- Promotional efforts of EIED and MED staff to increase investor interest in the Mahaweli.
- Assistance was given to more than 600 small businesses in connection with accessing credit from banks as well as the design of a credit program using a group guarantee mechanism to encourage banks to loan money to entrepreneurs considered higher risks by the banks. Nine Savings and Credit Societies with a total of 121 members were established.
- EIED's business advisory services to entrepreneurs and small businesses were strengthened through the posting of resident business consultants to EIED field offices in Mahaweli areas and the gradual process of converting them to "Business Centers" was initiated. Over 1,300 enterprises received consultancy services from EIED/MED.
- The policy environment for business development was improved with decisions by the Minister of the Mahaweli Authority to transfer underutilized farms and facilities to private sector enterprises and to offer titles to business sites for small businesses.

The MED monitoring and EIED management information system was designed and put in place.

1992

In 1992, EIED/MED staff continued to implement various project activities initiated in late 1990 or 1991. By midyear, eight field offices became fully operational as Business Centers. Further promotional activities by EIED to increase investor interest in the Mahaweli were conducted. The number of outgrower schemes and farmers employed by them increased (growing from 1,000 in 1990 to 5,300 in 1992). Employment generated by project activities to support small businesses continued to increase (the number of full-time jobs created in 1992 in this area was slightly under 1000 coupled with growth in part-time jobs of over 400). The number of SCSs increased to 21. 91 loans totalling Rs949,000 were made to SCS members and direct loans from banks to entrepreneurs receiving credit assistance from MBCs totalled 512 in number and Rs12,319,300 in amount. Nearly 8000 business consultancies were provided by EIED/MED business center staff and a total of 1413 individuals were trained in general and specific business skills.

Although considerable efforts were applied to developing medium and large enterprises in Mahaweli through PIPs, studies on agribusiness products with export potential, and special technological improvements, the number of active investments in operation remained static. The 1992 Annual Report pointed out a number of constraints to the development of medium and large enterprise investments in Mahaweli.

During 1992, several major constraints continued to confront investors. Investments with large capital requirements and, particularly those with long gestation periods, were hampered by delays in issuing land leases and titles. The lack of secure land tenure also hindered small businesses, many with established track records in the Mahaweli, from raising capital to expand themselves into larger businesses. Secondly, horticulture projects requiring year round water in order to meet international market requirements were hindered by cut-offs in supply at critical times. Thirdly, in some cases, private investment was limited by insufficient physical infrastructure, including telecommunications. Finally, for new and small horticultural exporters, there were difficulties in securing planting materials and air cargo capacity.

The mid-term evaluation of the MED Project was conducted in the fall of 1992. In this rather controversial report, the land tenure issue was highlighted and recommendations were made to the project if this issue was not resolved.

1993

Although most of the project activities similar to those in previous years continued into 1993, it appears that 1993 was a year of reflection for the project. Various studies were undertaken, both internally and externally, to take a second look at project activities well underway to determine deficiencies either in project design or execution and the prospects for improvement. An extensive 1992 Census of Mahaweli Enterprises and Employment and a companion Mahaweli

Business Opinion Survey were published in January 1993. A follow-up survey of a sampling of the enterprises from the 1992 census was undertaken in late 1993 to determine changes in the enterprises over the previous year. In addition, the Center for Development Information and Evaluation of A.I.D./Washington conducted an assessment of USAID's Agribusiness Program in Sri Lanka in late 1993 as part of a multi-country study of agribusiness development programs. The results of these different studies and reports are discussed in other sections of this report.

Through these studies and others, the lack of results in the promotion of investment (either from domestic or foreign sources) in medium and large scale enterprises was confirmed, and strategies were developed to focus the efforts of the project implementors in those areas where it was thought greater success had been achieved. The 1993 Annual Report stated,

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) agribusiness 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 offers fewer prospects for contributing to Mahaweli development.

One very significant new activity in 1993 was the hiring of two consultants by EIED to serve as the focal point and coordinate land transfers from the GSL to private enterprises, either in the form of grants (title transfers) or 30-year leases. By the end of the year, 112 initial long-term leases had been issued to businesses (mainly small scale) for commercial plots in the Mahaweli.

1994

Between January and March 1994, seven multi-agency taskforces studied the operations of the MASL as part of a joint GSL/World Bank exercise to determine the requirements for the sustainability of the Mahaweli river basin and of the investments made in the Mahaweli. Business promotion services was the topic of one of the taskforces. The taskforce recommended that EIED be restructured to

- strengthen its services to develop non-farm microenterprises and facilitate outgrower arrangements;
- strengthen its role as one of facilitator and catalyst in assisting Mahaweli outgrowers and entrepreneurs to access services provided by other line agencies, enterprises and NGOs; and
- shift the services related to the promotion of inward investment by medium and large enterprises and export development to other agencies.

In May 1994, a Sustainability Assessment of the Mahaweli Enterprise Development Project was conducted by a Richard Huntington of ISTI headquarters in Washington, DC. That assessment concurred that the MED Project should concentrate its efforts in small and microenterprise development and in facilitating contractor outgrower arrangements. Different options for sustaining the MBCs were presented and analyzed as well as the alternatives for providing access

to rural credit through mechanisms supported by the MBCs. In addition, the assessment recommended a special study of the outgrower program and an action plan be developed to maximize the sustainability of the outgrower program. Following this report, EIED/MED staff conducted an internal analysis and prepared a proposed Sustainability Program detailing the activities to be conducted during a proposed extension of the project.

Subsequently, the GSL requested USAID/Sri Lanka to extend the MED Project for 21 months until December 1996 to permit EIED to institutionalize its new focus on microenterprise development and contract outgrower arrangements. Based on the understanding that the project was authorized for a total of \$15 million and that projected cumulative expenditures would total \$9.608 million by the current End of Project (EOP) on 31 March 1995, the GSL requested that the extension be funded at a level of \$12.5 million. This was based on an internal EIED/MED tentative estimate of \$11.7 million to carry the project through the end of December 1996. Unfortunately, the current USAID obligation for the MED Project is \$10.9 million. Consequently, an extension would require funding of an additional tranche of \$800,000 to fully fund the 21 month extension (based on the internal EIED/MED estimate of \$11.7 million).

The 1994 MED/EIED Workplan set out the following adjustments to its project activities -

- The emphasis on micro and small enterprises has increased;
- The emphasis on serving all enterprise sectors has narrowed, with agribusiness, 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 on medium and large agribusinesses is now on outgrower based schemes while the focus on individual commercial farms is eliminated;
- The emphasis on growing businesses within the Mahaweli has increased and there is now less emphasis on promoting inward investment, including foreign investment;
- 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 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; and
- The emphasis of strengthening the sustainability of MED/EIED business support services has increased, while maintaining the strong emphasis on achieving results.

III. ANALYSIS OF THE SMALL-SCALE ENTERPRISE COMPONENT

A. Target Group

1. Surveys of Mahaweli Enterprises

The overwhelming majority of businesses in the Mahaweli areas are composed of one person, self-employed persons and microenterprises. This has been a consistent observation by surveys performed both prior to and during the MED Project. A census of enterprises in the Mahaweli was conducted by TEAMS (Pvt) Ltd., a local consulting company, in late 1992. That census utilized the following definitions:

An **Enterprise** was defined as any income generating activity or service, except traditional crop agriculture, which is market oriented and directed by a single entity, other than a state-controlled institution, with a minimum average income of Rs1000/month or a minimum total investment of Rs3000.

Self-Employment was defined as an enterprise where the owner is the principal worker and less than one other full-time worker was employed. All crop agriculture and animal husbandry was excluded in this category.

A **Microenterprise** was defined as an enterprise employing from one to four full-time employees or their part-time equivalent. Animal husbandry was included in this category, but crop agriculture was excluded.

A **Small Enterprise** was defined as an enterprise employing from five to twenty four full-time employees or their part-time equivalent. Non-traditional commercial agriculture and animal husbandry were included in this category.

Medium and Large Enterprises were defined as those enterprises employing twenty five or more full-time employees or the part-time equivalent. All sectors of activity except traditional crop agriculture were included in this category.

It should be noted that USAID uses a worldwide definition of microenterprise as an enterprise employing approximately less than ten full-time employees.

A follow-up survey of a sampling of the enterprises from the 1992 census was undertaken in late 1993 to determine changes in the enterprises over the previous year.

Selected results of this follow-up survey are as follows:

Out of a total number of 10,999 enterprises in the Mahaweli:

- 7926 (72%) were in the self-employment category
- 2767 (25%) were classified as microenterprises
- 194 (2.3%) were classified as small enterprises

30 (0.4%) were classified as medium or large enterprises

In other words, more than 97% of all enterprises in the Mahaweli would be considered as microenterprises using USAID's definition.

2. Analysis of Microenterprises in Mahaweli

James Finucane, the ISTI Chief of Party for the MED Project, recently prepared an excellent study in September 1994 which analyzes the implications of the above-cited distribution of enterprises and other relevant factors for the current directions of the MED Project. That study drew on data from the 1992 census and follow-up surveys of enterprises in 1993, as well as from internal project data on the 3,400 clients of the MBCs to date. (A 1994 survey of enterprises is now being completed.)

This study points out a key characteristic of rural microenterprises in Mahaweli which tends to apply to other developing countries where agriculture is the predominant economic activity. He states that "non-farm employment is one of the main strategies of families in the (Mahaweli) areas to increase their incomes and avoid depending solely on agriculture." Field visits to enterprise clients of the MBC by the evaluator confirmed that many of the enterprises diversify their economic activities and engage in two or more activities. It was observed that quite frequently, different family members engage in different, but often related activities to the principal business activity. Husbands and wives will engage in their own activities that add income to the family; sometimes those activities will intersect and sometimes not.

The following examples from the evaluator's field trip to Mahaweli illustrate the type of diversified activities occurring within families.

One female client in System B was growing layers and selling the eggs. Her husband ran a bakery on the property which accounted for the majority of income for the family. When the husband fell ill and was unable to run the bakery business, the income from selling eggs from the wife's project carried the family until the husband was well again.

In two other cases, wives whose husbands ran retail shops took courses from Lever Brothers organized by EIED and subsequently were producing food items which they were selling from the husband's retail shop. The additional income received from the food processing activities was contributing substantially to the families' welfare.

In another case in System H, the daughter of a family producing sweets took three courses offered by EIED in confectionery production and packaging and was now helping the family business to develop new products and packaging. Sales and profits had increased considerably since the daughter received the training. The father had requested that his daughter receive the training rather than himself since she had more education and better aptitude for training than he did. The MBC had also assisted the father in obtaining a loan from the MVCC to expand their production.

On the other hand, the linkage with the local agricultural economy is such that the potential for business expansion is tied to the income generation potential of the local economy. Finucane

states that "the performance of these businesses is heavily influenced by demand side factors. As most sales by microenterprises are for household consumption, the level and character of market demand for their products and services is most influenced by real per capita incomes in the areas, particularly farm incomes, which have not grown in recent years." He goes on to suggest "the need to continue to stimulate increased demand for microenterprise products and services by facilitating the development of higher value agricultural production and inward investment in larger scale enterprises."

The potential for higher value production and inward investment is not great, as MED experience over the past four years has shown. The impetus for investors, both domestic and foreign, to locate production facilities in the Mahaweli is limited and subject to considerable constraints (as outlined in the Mahaweli Business Opinion Survey by TEAMS Ltd published in January 1993). MASL officials, and EIED in particular, have diligently attempted to attract these investors to the Mahaweli. However, the incentives provided by the GSL to investors appear to have been insufficient to overcome many of the concerns expressed in the Business Opinion Survey. Nevertheless, the evaluator was shown a few medium and large scale businesses which have been attracted to the Mahaweli by cheap rent of government buildings, a ready labor supply, MASL participation in employee screening and training, and other factors. Time will tell if the general improvement of infrastructure and access to labor can overcome some of the climatic and political constraints.

3. Support to Existing Enterprises Versus Start-Ups

One of the key issues raised during the MED project design was regarding the types of small and microenterprises on which to focus project support - existing or start-ups. Much of EIED's efforts up to that time had focussed on "aspiring" entrepreneurs or start-ups. This was consistent with the general thrust of their activities to provide income opportunities for second or third generation descendants of Mahaweli settlers.

Since families settling in the Mahaweli were allocated only one hectare (2.5 acres) of land and subdivision upon the death of the parents was prohibited, this means that only one descendant of a family could continue to farm the allotment. As a result, other family members must find employment elsewhere. Employment opportunities in existing Mahaweli industries and government services are very limited. Consequently, opportunities for the development of small enterprises were viewed as a principal means for retaining families in the Mahaweli, rather than have them seek employment elsewhere (notably in Colombo or other urban areas which would add to urban congestion).

On the other hand, USAID and other experience with small and microenterprise development elsewhere has revealed that the opportunities for enterprise growth and program sustainability are greater if project activities are targeted on existing enterprises (those which have been in business at least one year). Finucane observes in his report on Mahaweli microenterprises that "most jobs and enterprises are created by self-employment units, with the largest proportion being by start-ups. Self-employment units also destroy the most jobs and enterprises. This high turnover, which is as expected in microenterprise sectors under market conditions, suggests the need to continue to ensure and facilitate ease of entry for enterprise start-ups. 23.8% of the units in the microenterprise sector increased their employment during the year, while 23.3% closed,

suggesting the need to target assistance selectively on the minority of enterprises likely to expand if the objective is to generate employment directly in assisted enterprises."

The key question is, therefore, what is the objective of the MED Project at this point? It is here where the GSL's social objective to increase income generation opportunities for second and third generation Mahaweli settlers through the creation of new enterprises must be taken into account. Likewise, the limited development of the economy in the Mahaweli areas means that many new enterprises must be established in order to provide services to residents. In some of the areas in System B & C, nonagricultural economic activity is almost at ground zero. At the same time, economic objectives for enterprise growth should also be given due consideration. In the Mahaweli case, convincing arguments can be made for both objectives. The critical issue arises in regard to the sustainability of enterprise support activities which is discussed further in Chapter IV below.

B. Business Advisory Services and Training

1. Locations and Staffing

Business Advisory Services (BAS) and training are provided by EIED and MED staff principally through the Mahaweli Business Centers (MBCs) in the field. There are currently twelve centers operating throughout the Mahaweli areas and located in the following locations (See Map in Figure 1) -

System H - Nochchiyagama, Tambuttegama, Galnewa and Madatugama

System G - Bakamuna

System B - Welikanda

System C - Dehiattakandiya & Girandurukotte

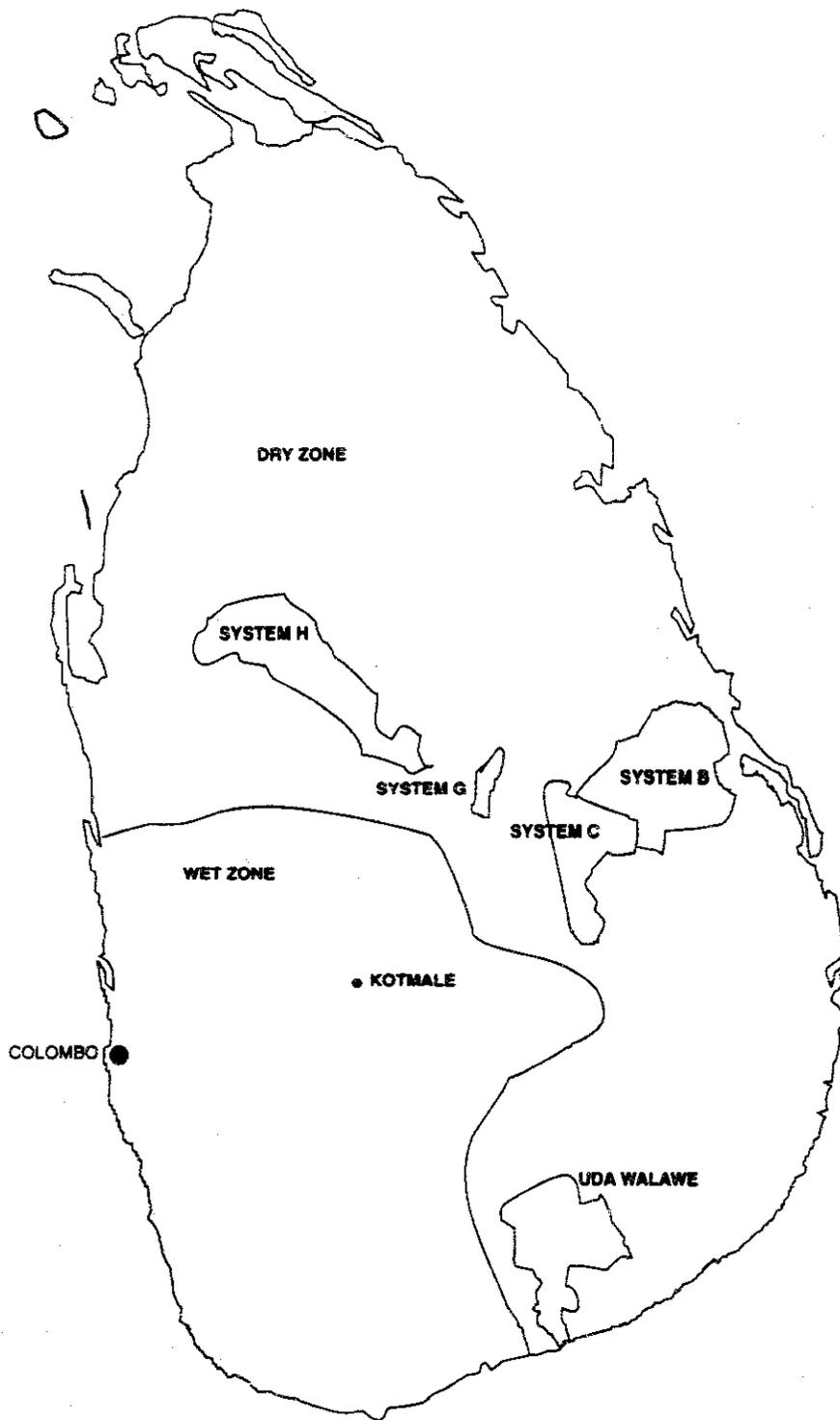
Kotmale - Kotmale

Uda Walawe - Embilipitiya, Sooriyawewa, and Angunukolapelessa

These twelve centers are staffed by EIED employees (Deputy or Assistant Managers) and MED consultants (Field Business Consultants). Each system has a Deputy Manager (DM) and one or more Assistant Manager (AM) - one at each MBC. Each MBC has an FBC as well. The DMs and AMs are full-time employees of EIED and the FBCs are contract consultants hired by ISTI as part of the MED Project.

A review of the qualifications of the various MBC staff was undertaken during the field trips to eight of the twelve centers during this evaluation. Both EIED staff and MED consultants have university degrees in subjects ranging from economics and commerce to geography and mathematics, with many having special degrees and diplomas in subjects other than those within their main degrees. In terms of experience, most of the DMs and AMs have been working in various capacities within MASL for a number of years. This gives them a good understanding

Figure 1: Map of Sri Lanka with MBC Locations



of the functions of the various agencies in the MASL system and allows for long-standing, working relationships with other MASL staff. The FBCs tend to have come from other governmental agencies such as the Industrial Development Board (IDB) or banks as well as the MASL system. The quality of the individuals serving as both EIED employees and FBC contractors was impressive. Although the FBCs tended to be more articulate in English than the EIED staff, all appeared equally proficient in understanding the nature of the services provided to the MBC clients and participated in group discussions regarding the strengths and weaknesses of the MBCs.

An important decision, made early on in the MED Project, was to integrate MED consultants and EIED staff completely in day-to-day project activities at both the Head Office and field office levels. This strategy has greatly facilitated the transfer of knowledge and skills from the consultants to the EIED staff. An important aspect of the establishment of the MBCs was to emphasize an approach to service provision, i.e., to train MBC staff to treat entrepreneurs as their clients, rather than objects of regulation. The MBC staff, both EIED employees and FBCs, have good working relationships and typically share the tasks of the business center. At the same time, the particular specialties and backgrounds of each person are taken into account during the task assignment process. For example, the Bakamuna FBC has an accounting background. This results in his being used to teach bookkeeping skills to MBC clients in System G. Likewise, the EIED staff typically have a better understanding of the land allocation and transfer process and, consequently, tend to handle those aspects of the MBC work dealing with those issues. (An organizational diagram of EIED is shown in Figure 2.)

2. Activities/Services Provided to Enterprises

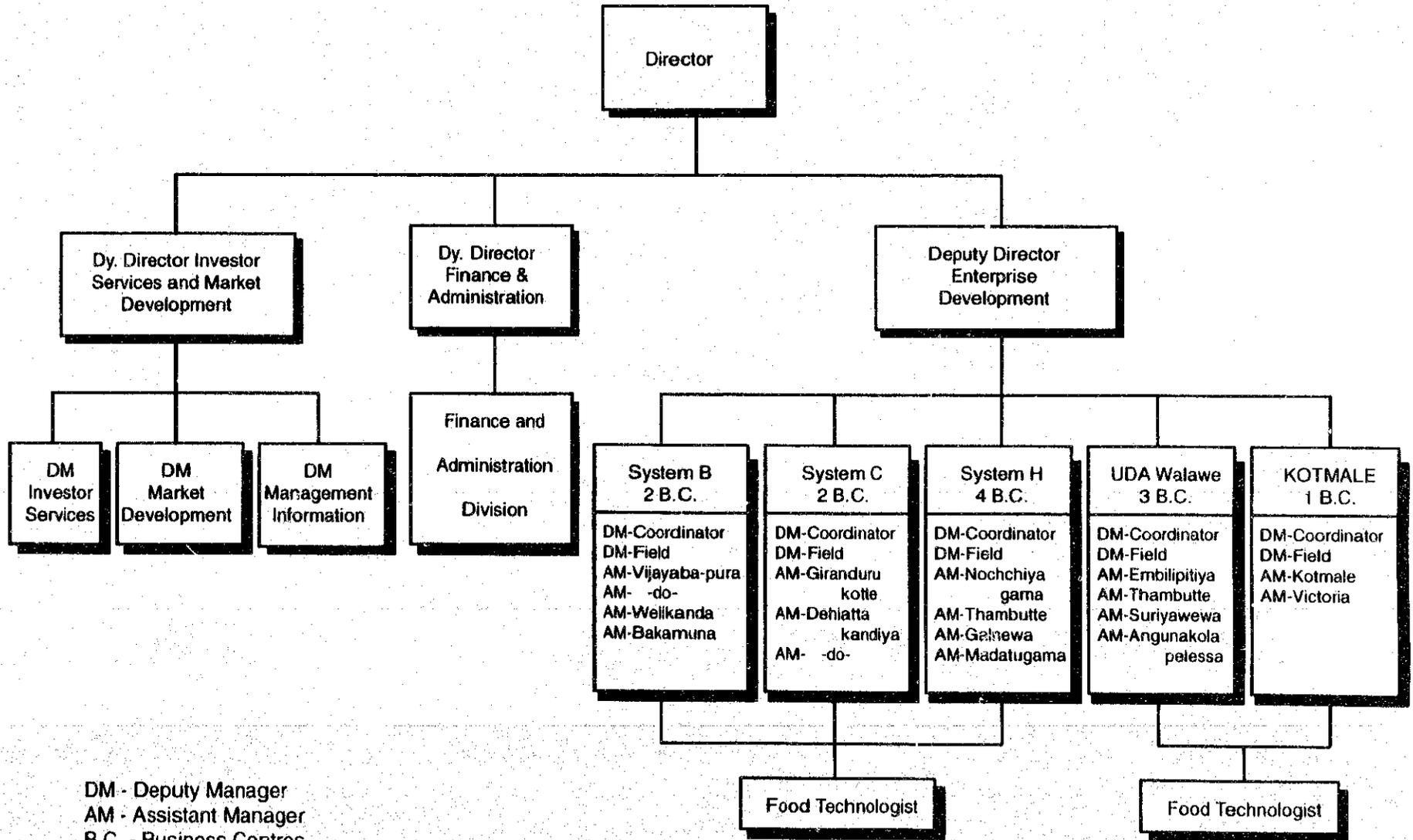
The staff at the MBCs spend their time working in three general areas - consultancies, training and administration/reporting. During the field visits to the MBCs, the evaluator asked the MBC staff to roughly apportion how much of their time was spent on each of the activity areas with consultancies being further broken down into business advice and credit. All MBC staff considered consultancies as their primary area of activity, with estimates of the percentage of time spent performing these consultancies ranging from 50% to 80%. Of this total, the amount of time spent on credit versus other assistance such as business skills or land issues varied considerably depending upon the individual and the business center.

The backgrounds and predilections of the various staff were reflected in how they perceived their tasks in the MBC. For example, staff with banking or credit backgrounds tended to view their activities in providing assistance to entrepreneurs in obtaining credit as being more important, whereas others considered the training and daily technical assistance as more important.

Training activities were perceived by virtually all the MBC staff surveyed as taking up about 10 - 15% of their time. Much of their responsibilities in this area is shared with the Head Office and with various sources of training. Time spent on administrative and reporting tasks varied from a low of 5 - 10% to 30% in one business center.

Details on the type of services provided are discussed in detail below.

ORGANIZATION CHART OF EMPLOYMENT INVESTMENT & ENTERPRISE DEVELOPMENT DIVISION



DM - Deputy Manager
AM - Assistant Manager
B.C. - Business Centres

a. Consultancies

This is the heart of MBC activities and consists mainly of one-on-one assistance to enterprise clients. The type of advice provided depends upon the needs of the client and varies from assistance in obtaining credit to advice on business management to assistance in obtaining a permit or lease for a commercial lot.

Field interviews with entrepreneurs revealed that most initial contacts with the MBC occurred during a visit by MBC staff to the entrepreneur at his/her site of business. Subsequent contact took place either at the MBC or the business site, depending upon the type of assistance required. However, the majority of consultancy assistance took place at the business site.

The types of technical assistance provided included the following -

- general management and business skills
- bookkeeping
- marketing
- production
- agricultural topics
- other sources of information and advice

Assistance on obtaining credit is discussed in Section C of this chapter. Assistance in obtaining land is discussed in Section D.

The entrepreneurs interviewed by the evaluator during field trips expressed much satisfaction with the assistance provided by the MBC staff. When asked how the advice and services of the business center staff had helped them, most entrepreneurs were able to give concrete examples of how either the advice or other assistance provided to them in obtaining a loan or land had helped to either expand or improve their businesses. Most entrepreneurs stated that staff from the MBC visited them on a periodic basis, usually monthly.

b. Training

This task area is shared with the Head Office in Colombo. The principal role of the MBC staff is to identify training needs of their clients and to try to match them up with appropriate training resources, either at the local or regional level or with resources in Colombo or at the national level.

Two types of training are provided by EIED/MED staff - Entrepreneurial Development Training Programs (EDTP) and Ad Hoc Training Programs. The EDTPs are specifically designed for aspiring entrepreneurs or recent start-ups to provide them with motivation and basic business skills on various topics. These four week courses are held periodically throughout the year in the field on a System Level and are conducted by local training contractors hired by EIED. In addition, half-day Entrepreneur Awareness Programs are held in different regions of the Mahaweli from time to time to acquaint local residents with services available to them through EIED and the MBCs.

Ad Hoc Training Programs are designed for existing entrepreneurs or those persons desiring specific technical training in a topic area who are interested in starting a business. The resources for these courses are varied and can come from other government agencies, private sector companies or in-house. In some cases, the courses are paid for by the private sector companies or other government agencies. In other cases, EIED covers the costs of the training programs.

The EIED Head Office plays a key role in designing courses and obtaining training resources to conduct courses in various topic areas. Typically, when a training need area is identified by MBC staff, the needs and the clients' names and locations are submitted to the Training Coordinator (TC) at the Head Office. The TC will group the clients having similar needs and will arrange for a course to be held on a particular topic. If possible, the course is conducted at the local or regional level in the field. If specialized resources are not available to conduct a course in the field, MBC clients will be given stipends to pay for their transportation and per diem to attend a course in Colombo. Discussions with MBC staff revealed that these courses are often held within a month or two after identifying training needs and potential participants. (See list of training courses in 1994, sample EDTP course curriculum and sample entrepreneur awareness session agenda in the annexes.)

C. Credit Programs

A major aspect of the assistance provided by the MBCs is related to obtaining credit for microenterprise clients. Credit is generally available to MBC clients from three different sources:

- Direct loans from banks (mainly from Peoples Bank, Bank of Ceylon and the Regional Rural Development Banks)
- Loans from the Mahaweli Venture Capital Corporation (MVCC)
- Loans from banks using a group guarantee through a Savings and Credit Society (SCS)

(Loans facilitated by MBCs from these three sources is shown in Table 1 on the next page.)

Table 1: Output Indicators: Small Enterprise Credit
(as of 30 June 1994)

Total Mahaweli		Total 1991	Total 1992	Total 1993	Total this Quarter	Total 1994	Project to date
Total loans submitted to banks	Number of loans	896	564	770	189	412	2230
	Value of loans (Rs. '000)	13005	13970	26991	7413	17465	71431
Direct loans submitted to banks for entrepreneurs	Number of loans	896	512	387	52	153	1948
	Value of loans (Rs. '000)	13005	12319	16460	3216	7565	49349
Direct loans received from banks	Number of loans	639	316	278	18	91	1524
	Value of loans (Rs. '000)	6227	6385	10584	833	6980	30176
Loans submitted to MVCC	Number of loans	---	---	153	66	107	260
	Value of loans (Rs. '000)	---	---	5870	1282	3592	9462
Loans received from MVCC	Number of loans	---	---	44	47	120	164
	Value of loans (Rs. '000)	---	---	1481	441	1801	3282
Loans submitted to banks for Savings and Credit Society members	Number of loans	Nil	52	230	71	152	434
	Value of loans (Rs. '000)	Nil	1651	9280	2915	6308	17239
Loans received by Savings and Credit Society members	Number of loans	Nil	34	94	17	69	197
	Value of loans (Rs. '000)	Nil	1243	3472	615	2384	7099
Savings and Credit Societies	No. of societies formed	9	21	31	0	4	65
	No. submitted for registration	7	15	31	4	12	65
	No. registered	Nil	16	26	8	10	52
	Number of members	96	279	518	81	128	1021
	Value of member equity (Rs. '000)	96	400	543	72	178	1217
	Value of collateral funds (Rs. '000)	Nil	336	1256	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	938	1598	525	902	3438
	No. of grants disbursed		8	55	9	15	78
	Value of grant disbursements (Rs. '000)	Nil	115	433	716	858	1406

Source: MED/EIED 2nd Quarter Report, 3rd Quarter Plan 1994

1. Direct Loans from Banks

In the initial years of the MED Project, most loans to MBC clients were obtained as direct loans from banks. Three state banks, namely Peoples Bank, Bank of Ceylon and the Regional Rural Development Bank have extensive branch networks throughout the Mahaweli. Other financial institutions, e.g., Sanasa (cooperative thrift societies - similar to credit unions in the U.S.) and PNN (agency banks), also have extensive operations in Mahaweli. In 1990, MED credit advisors

surveyed the number of financial institutions operating in Mahaweli as part of a broader study to determine options for a group credit scheme. At that time, Peoples Bank (PB) had a total of 16 branches, Bank of Ceylon (BC) had 13 branches and the Regional Rural Development Bank (RRDB) had 4 branches in Mahaweli. Since that time, Bank of Ceylon has added another branch and the RRDB has opened six additional branches. These three banks provide nearly 100% of the direct loans from banks to MBC clients. Between 1990 and 1993, 1233 direct loans totalling Rs 23,196,000 were issued to MBC clients. Credit is provided from normal bank loan windows and on commercial terms. Interest rates vary between 18% and 24% depending upon the type of loan and repayment periods are usually two to three years. Average loans to MBC client range between Rs30,000 and Rs50,000, though there is no limit on size of loan.

The assistance provided to MBC clients in regard to direct bank loans involves help in business plan preparation and loan application. In some cases, the banks refer potential small and microenterprise loan applicants to the MBCs when the applicants have not had any experience in applying for a loan. The MBC staff will assist the entrepreneur in assessing his need for a loan, the size of loan required, repayment capability, and other aspects related to credit applications. The MBC staff will ascertain if the client has had any previous dealings with the bank, since previous bank dealings will usually be a predetermining factor in regard to the chances of receiving a direct loan from a bank. Branch bankers interviewed during the evaluator's field trips expressed confidence in the ability of MBC staff to appraise a loan prospect and to assist applicants in preparing proper business plans and loan applications. They stated that they were much more likely to approve a loan where the entrepreneur had received assistance from the MBC.

Although MBC staff can be substantively involved in the loan application process and can spend considerable time meeting with both the client and branch bankers, once the loan is made, the MBC staff have no further responsibility for loan follow-up or collection. Although the bank might advise MBC staff when repayment problems occur, the MBC does not have any direct responsibility for loan recovery.

2. Mahaweli Venture Capital Corporation Loans

The MVCC was established in 1987 with Rs10 million in capital contributed by MASL and with a contribution of over \$200,000 from Appropriate Technology International, a U.S. Private Voluntary Organization. MVCC's original purpose was to make equity investments in small enterprises in Mahaweli. According to the Chairman of the MVCC, due to lack of staff experience in venture capital appraisals and methodologies as well as some shortcomings in the design of the program, MVCC eventually became more interested in making loans to small enterprises. Also, there would appear to be only a very limited number of venture-type investment opportunities available in Mahaweli. ATI subsequently pulled out of the program.

MVCC began operations in 1990. According to its Accountant, MVCC's current portfolio consists of R2.3m in equity investments, R2.1m in loans using MVCC funds, R1.2m in loans using European Union funds (for farmers association loans in Systems B & C only) and Rs2.6m in call deposits. Maximum first loans are Rs50,000 with terms of two years and interest of 18% with a grace period of one to two months. Second loans have no limit. The average individual loan size is Rs25,000 to 30,000. 56 of its loans (41%) have been made in System H with the

rest distributed throughout the other areas. 15 group loans have been made to date using European Union funds. Of the total 138 projects financed to date, 42 projects have been completed and 83 projects are ongoing. 13 projects are no longer functioning of which repayments are still being made on two. Of the 83 ongoing projects, 64 are current in repayments and 19 are delinquent. The evaluator was told that loan recovery tends to be seasonal with many repayments being made after harvest.

The MVCC is governed by a Board of Directors composed of the Secretary General of MASL as Chairman and other government agency representatives. It is staffed by one Accountant, one Project Appraisal Officer, one Field Officer, two Account Assistants, one General Office Worker and one Driver. The Accountant supervises the Colombo office. The Project Appraisal Officer conducts periodic loan appraisals in the field, but is based in Colombo. The Field Officer is responsible for monitoring the loans and during a month spends two weeks in System C, one week in another system and the fourth week in Colombo.

The BOD decided in its August meeting to concentrate on loans for fixed assets. Although working capital loans can still be made on a case-by-case basis, preference will be given to fixed asset loans. Presumably this will help collections since the fixed assets can be used as collateral. In addition, the MVCC pays the supplier of the fixed asset directly and actually owns the asset until the loan is repaid. No other collateral is taken. MVCC views its target group as those small and microentrepreneurs who have not had previous relations with banks and are viewed by the banks as higher risks. The MVCC will not give loans to members of Savings and Credit Societies established with the assistance of the MBCs. All loans are approved by the BOD at their monthly meetings.

MVCC staff have been working closely with EIED staff at the MBCs for some time. In fact, since both organizations are under the MASL and the MVCC has limited staff, the MVCC has been using EIED staff to perform MVCC outreach, loan preparation, and monitoring functions over the past few years. All MVCC loan applicants are first reviewed by MBC staff and assisted in preparing the loan application and a business plan. After review by the Project Appraisal Officer and approval by the BOD, the loan is disbursed either as a payment to the equipment supplier or directly to the loan applicant, in the case of a working capital loan. The MVCC has accounts in local banks throughout the Mahaweli. Repayments are made to those accounts by the loan recipient. In cases of nonpayment, the Field Officer may accept repayments directly.

In the past, MBC staff have also accepted overdue loan repayments from MVCC loan recipients. In discussing this activity with MBC staff, they stated that they did not feel that it was their role to accept late payments for MVCC loan recipients since this was contrary to their role as business advisors to the same clients. When this issue was discussed with the Chairman of the MVCC, he stated that although MBC staff might have accepted late payments from MVCC loan recipients in the past, this procedure was changed some time ago and EIED staff were not expected to collect payments now. Rather, he said that the loan recipients were to deposit those payments in the local MVCC bank account. The MVCC Field Officer is authorized to accept late payments, but the MBC staff are not supposed to accept them. This is an important point to emphasize, since experience with programs elsewhere has revealed that it is very difficult to combine the role of a business advisor with that of a loan collector. Whereas the business advisor role requires the entrepreneur to have confidence in the advisor and to trust him/her, the

loan collector role is one which requires that the entrepreneur be afraid of the consequences of not repaying the loan.

3. Savings and Credit Societies

A key assumption in the MED Project design was that a principal constraint to small enterprise development in the Mahaweli was inadequate access to credit. In response to this constraint, the project was to "support the establishment of entrepreneur savings and loan associations to leverage members' deposits to borrow from commercial banks and onlend in smaller amounts to the members." The Project Paper went on to state that, "It should be emphasized that the approach is experimental, credit losses at least initially are expected, and that a large number of issues remain to be addressed as the program is designed in detail during the first eighteen months of the project."

The MED staff conducted a study in late 1990 to determine the design of the credit program as described above. Following this study, an attorney was hired as a legal consultant to determine the best legal form for the group guarantee scheme. The end result of these exercises resulted in the decision to form Savings and Credit Societies registered under the Societies Act. It was further determined that, at least initially, these SCSs would not intermediate funds among their members and banks, but would serve as guarantors for their members who would receive loans directly from banks. The target group for SCS loans would be entrepreneurs who were considered high risks and did not have access to credit from banks. The maximum loan amount per member was to be Rs50,000 and interest rates would be charged equivalent to commercial rates normally charged by banks. Loan terms would be two years. In addition, SCSs would qualify for start-up grants from USAID to support the initial purchase of equipment and supplies to establish the societies.

EIED/MED staff began assisting in the formation of SCSs in 1991. Since that time, 56 societies totaling over 700 members have been formed. As of June 30, 1994, 197 loans totalling Rs7,099,000 had been given to members of SCSs. The societies average about 10 to 15 members. An operational guide on the formation and management of the SCSs was written and published in mid-1993. When an SCS is formed, two accounts are set up at a local bank. One contains the share capital of each member (totaling an initial contribution of Rs1000 from each member and increasing to 8% of the total loan amounts) to be used as the primary guarantee fund for loans to members; the other contains funds granted by USAID to the society through ISTI to serve as a supplemental guarantee fund. USAID agreed to grant funds in the amount of 1.5 times the amount of capital from the members in the first account (totalling 12% of the total loan amounts). An agreement was signed with participating banks that committed banks to provide loan funds to members of up to five times the total amounts in the two guarantee fund accounts. An effective leveraging ratio of 5:1 provides a significant risk by the banks and is rare in guarantee programs. Most USAID small and microenterprise guarantee programs known by the evaluator provide between 50 - 100% guarantees on bank funds.

The MBC staff have spent considerable time in helping to form SCSs and to train officers and members of those societies. In some cases, MBC staff are assisting in bookkeeping functions for the societies. During field trips to MBCs by the evaluator, discussion with SCS members and banks providing loans to SCS members revealed that some of the loans are delinquent. This is

not significant in itself, since an experimental credit program should expect some losses. Although actions to be taken by the MBC staff to monitor and promote repayment of loans by SCS members are well established, a timetable with clear deadlines and mechanisms for collection of nonperforming loans needs to be developed. Now that the program has reached a stage where delinquencies are beginning to occur, it is extremely important that a well-thought-out strategy for coping with them be put in place. Although the banks have their own procedures for taking action to recover nonperforming loans, EIED/MED staff would do well to establish appropriate collection procedures and deadlines with the banks so that SCS members have a clear understanding of the consequences they face when their members do not repay their loans.

In discussions with MED and MBC staff, a number of issues of concern in regard to the SCSs have been identified by the evaluator. Those issues are listed below:

- It appears that the target group for SCS loans is the same target group as MVCC loans. The average loan size is about the same and the risk factors appear to be similar.
- MBC staff appear to spend considerable time in the formation and management of SCSs. It could be debated that the time spent on this activity might be better spent in assisting clients to obtain direct loans from banks.
- Although EIED/MED has reporting forms on loan delinquencies by SCS members which are completed by MBC staff on a quarterly and semi-annual basis, a clear commitment to take drastic actions to collect loans was not evident. Although it is the responsibility of the banks to take legal action against defaulters and to cut off credit to other members in SCSs with defaulters, the evaluator noted a reluctance by MED staff to take hard actions against defaulters. Experience elsewhere has shown that unless harsh examples are made of early defaulters, other loan recipients will observe this lack of action and loan delinquencies will multiply.
- The use of two guarantors from the SCS for each loan by fellow members appears to be an illusory guarantee, since those members cannot afford to repay the loans of the members for whom they guarantee. The critical unit for the guarantee is the society as a whole. Collections actions should be directed toward the society as a whole, not toward other society members who have limited influence on the loan recipient and who cannot afford to pay his/her loan. The strength of a group credit approach is in holding the entire group responsible for defaults by members rather than individual members. Since most microenterprise loan programs do not rely on collateral, the incentive for repayment depends on future access to credit. Unless loan recipients (or other members of the group who are waiting their turn to receive credit) believe that their access to future credit is at risk, their incentive for repayment is considerably lessened.
- The loans made with the SCS guarantee seem to be typically for working capital, yet all the loans seem to have two year terms. Successful microenterprise loan programs elsewhere tend to tie repayment periods to the purpose of the loan. For

example, when inventory for retail sale is purchased with loan proceeds, the repayment period is tied to the time when that inventory is sold. This means that loan periods can be for as little as one month if the return on the loan investment is recovered within that period.

(A summary report of SCS activities and a breakdown of SCS loans by MBC and gender are shown in Tables 3 & 4 on the following pages.)

4. Availability of Credit to Rural Mahaweli Small and Microenterprises

The experience of the MED Project has revealed an important factor relating to the availability of credit funds for small and microenterprises in Mahaweli. Finucane raises this issue in his report on Microenterprises in Mahaweli and comments on the ramifications for future availability of financial services.

26% of the self-employment units and 30% of the microenterprises had formal financial sector institutional credits outstanding at the time of the 1993 survey. This coverage is a result of the extensive rural banking networks and the various directed or priority credit programs that banks have mounted over the years. However, the banks indicate problems with recoveries, particularly of agriculture credits, throughout the areas. The continued wide availability of financial services for microenterprises will depend on the continued financial sustainability of the banks providing these services, suggesting the need to strengthen the rural branch banking networks in order to maintain the relatively wide access to financial services which has been achieved.

Table 2: Summary Report of SCS Activities
(as of 30 June 1994)

1.	No: of Societies Formed	:		58
1.1	No: of Socs Registered	:		54
2.	Membership	:	698	
	Males:		598	
	Females:		100	
3.	Project Composition			
3.1	New Projects:	:	200	
3.2	Expansions:	:	498	
			No: of Loans	Value Rs:Mn
				No: of Societies
4.	Loans Submitted:			
5.	Loans Approved:		209	7.973
6.	Loans Released:		185	6.775
7.	Loans Rejected:		33	1.050
8.	Loans Pending:		156	6.301
9.	Repayment:			
10.1	Up to Date:		138	5.095
10.2	Arrears: 3 or less ins:		21	.740
10.3	Arrears: Over 3ins:		26	.940
11.	Projects Financed:			
11.1	New:		52	
11.2	Expansions:		155	
11.	Loan Purposes.			
11.1	Only for Working Capital:		110	4.636
11.2	Only for Fixed Capital:		16	.612
11.3	Fixed and Working Capital:		59	2.327
12.	Grants Approved by MASL			53
12.1	Collateral Funds			2.919
12.2	Start-up Exp			.371
12.3	Operational Exp			.318
13.	Grants Disbursed			
13.1	Collateral Funds			Rs: 824,434
13.2	Start-up Exp			Rs: 2,760
13.3	Operational Exp			--
14.	Leverage:			
14.1	Projects Financed:		186	
14.2	Amount Borrowed		6.8 Mn	
14.5	Cost of Projects		26.9 Mn	
14.5	Grant Component		.816 Mn	
14.6	Members' Deposits		.544 Mn	
15.	Deposits:			
15.1	Members Deposits		55	Rs 1,115,241
15.2	Grant Deposits		31	Rs 799,195
15.3	Operations A/Cs		4	Rs 2,116
15.4	Suspense A/Cs		2	24,000

Table 3: SCS Loans as at 30.6.1994

Centre	Total		Male		Female		Average Loan Size
	No.	Value Rs.	No.	Value Rs.	No.	Value Rs.	
Angunukolapelessa	21	851,000	20	826,000	1	25,000	40,500
Embilipitiya	19	800,000	18	775,000	1	25,000	42,100
Suriyawewa	9	282,000	7	262,000	2	20,000	31,300
Bulnewa	17	672,000	16	632,000	1	40,000	39,500
Madatugama	14	570,000	14	570,000	--	--	40,700
Nochchiyagama	16	163,000	14	88,500	2	75,000	10,200
Tambuttegama	7	260,000	3	140,000	4	120,000	37,100
Girandurukotte	7	263,000	7	263,000	--	--	37,500
Dehiattakandiya	7	114,000	6	100,000	1	14,000	16,300
Bakamuna	39	1,375,000	35	1,260,000	4	115,000	35,300
Welikanda	20	800,000	20	800,000	--	--	40,000
Kotmale	11	450,000	11	450,000	--	--	40,900
Total	187	6,600,000	171	6,166,500	16	434,000	35,300

Values are to the nearest '000

Loan Size Breakdown

1. Rs. 20,000 or less 37%
2. Rs. 24,000 to 40,000 35%
3. Rs. 50,000 45%
4. Average Rs. 35,300

It was clear to the evaluator that, contrary to the situation in many developing countries, numerous sources of credit funds are available from formal financial institutions for small and microenterprises in Mahaweli. **The MED Project has significantly increased access to existing credit funds for their clients.** The MBCs have improved access for two categories of small and microenterprises -

- for clients who have previous relationships with banks (largely savings or current accounts), but who have never received loans before (through direct bank loans), and
- for clients who have had no prior relationships with banks and who would be less likely to be approved for direct bank loans (through MVCC loans and bank loans with SCS guarantees).

It might be appropriate to look at the various needs of microenterprises in terms of sizes of loans, purposes of loans and loan repayment periods and then to determine how those needs are currently being addressed. It would appear that this is an appropriate time to revisit the current composition of the loan vehicles and assistance provided by MBCs and to consider discussions with appropriate parties (banks, MVCC & EIED/MED) to reformulate programs and relationships. This would allow the various players to better address the needs of small and microenterprises through their comparative advantages in credit products and institutional structures during the remaining life of the MED Project.

D. Land Tenure Issues and Assistance Provided by EIED/MED

1. Progress on Land Tenure Issues

As has been previously mentioned, the lack of land tenure for enterprises in Mahaweli has been cited in many studies as a major constraint to enterprise development in the Mahaweli. The Mid-Term Evaluation of the project cited this constraint and recommended that the project be terminated unless progress was made on this issue. Due to a combination of cultural, social, political and economic factors, there has been a reluctance on the part of Government to privatize the land in the Mahaweli. In fact, the President of Sri Lanka must approve all land transfers of government-owned land in Mahaweli to private sector!

The MED Project has made some significant progress on modifying this situation. During the first two years of project implementation, EIED/MED staff were able to gain approval on the part of MASL officials to the concept of transfer of the land to the private sector for commercial activities. During the past two years, their efforts have been directed toward the implementation of procedures to transfer titles or long-term leases to private enterprises in the Mahaweli.

In May 1993, two staff consultants were hired by EIED to coordinate the process of land transfers. These consultants had previously worked in the Lands Commission Office and had extensive experience in how to accomplish transfers of titles and long-term leases. During the second half of 1993, 112 long-term leases were issued to enterprises in Mahaweli. During the first three quarters of 1994, 47 long-term leases have been issued and 3 grants (title transfers) have been issued. EIED staff explained that the elections in 1994 were responsible for slowing

down this process in 1994, since many of the officials who had to sign off on the leases and transfers were busy with that process. However, they expect a total of 35 grants and 75 leases to be issued for 1994.

2. Role of EIED and MBCs in Land Transfers

The process for accomplishing these transfers is a very complex one. EIED staff said that the minimum time necessary required for this process from start to finish is six months and the average actual time is one year. EIED Head Office staff play an important role in coordinating that process and making sure that the paperwork moves along from desk to desk.

On the other hand, MBC staff play an important facilitating role in the field for enterprises who require commercial space. The EIED staff in the MBCs sit on the committees (Kachcheri) appointed by the Resident Project Managers of MASL to help allocate land for commercial purposes and to facilitate long-term leases and grants. It was clear from the field trip by the evaluator that MBC clients have come to rely on MBC staff to present their cases to the authorities in the field offices and to facilitate land transfers.

Under current procedures, an entrepreneur must receive an allocation from the Resident Manager of MASL to a specific parcel of land to develop for commercial purposes. This allocation permit is renewable on an annual basis. The reason for keeping the initial allocation on an annual basis is to be sure that the land is developed according to the commercial or industrial purposes for which they were requested, and to prevent speculators from receiving allocations, without developing the land. Once the entrepreneur has constructed a building and commences operations, he can apply for a thirty year lease. Both the annual permit and the 30-year lease require that the entrepreneur pay an annual rent. After five years of operation, an entrepreneur can request that the land be granted (title transferred) to him/her. It is important to note that all rent payments made either while operating under an annual permit or a 30-year lease are applied to the purchase price of the land. Therefore, an entrepreneur can decide to purchase the land at any time after five years and will only have to pay the balance due on the value of the land after deducting all rent payments made until that time.

3. Relevance of Land Tenure to Microenterprise Development

An significant issue in this regard is the importance of land tenure to the development of microenterprises. It is clear that medium and large scale investors have been deterred from investment in Mahaweli for many reasons, one of which is the lack of land tenure. However, it appears that land tenure is not particularly important to microenterprises. Since the level of investment is rather small for these entrepreneurs, an annual permit seems to be adequate to assure them that they will be able to hold this land and operate their business on it. The other reason often cited for secure land title is the use of land as collateral for bank loans. Since most small and microentrepreneurs appear to have access to credit without collateral, this issue becomes moot.

Finucane comments on this point in his report. He states, "in practice, many entrepreneurs refer to their annual permits as 'grants', and assume that the permits convey full rights to them, an interpretation accepted by the community and officials." (p. 45) He goes on to say,

The relatively high access to institutional credit by self-employment and microenterprise units may be explained in part by the large number and wide spread of the bank branches. Institutional credit to these units is effectively credit to households, and as such a bank's perceptions of ability and willingness to repay of the borrowers, and of the guarantors who as a rule are required for such credits, are more important than in the cases of the more collateral based considerations for credits to the slightly larger, more formally organized small enterprise sector. (p. 46)

(A chart on land tenure status of different sizes of enterprises in the Mahaweli from the same report is presented below.)

Table 4

Land tenure: tenure status of enterprises by size category								
*Land tenure status	self-employment		microenterprises		small enterprises		totals	
	units**	%	units	%	units	%	units	%
1	143	11.61	59	12.22	4	6.35	206	11.59
2	413	33.52	110	22.77	11	17.46	534	30.03
3	292	23.70	139	28.78	25	39.68	456	25.65
4	87	7.06	17	3.52	3	4.76	107	6.02
5	105	8.52	41	8.49	5	7.94	151	8.49
6	192	15.58	117	24.22	15	23.81	324	18.22
Totals	1232	100	483	100	63	100	1778	100.00

*1) Inherited homestead 2) homestead 3) MASL permit 4) encroacher 5) informal purchase 6) informal rental. **Units is the number of enterprises covered in the survey.

E. Outgrower Farmer Arrangements

As the Sustainability Assessment conducted by ISTI in May stated,

With over 6,000 Mahaweli farmers engaged in contract farming, this mode has clearly been shown to be the most successful employment creation modality in the Mahaweli (with the exception of garment factories which employ about 7,000 persons). Furthermore, regarding incomes, it appears that many outgrowers increase their net incomes by at least as much as those who benefit from new jobs created in other kinds of enterprises. So far the results of facilitating contract farming arrangements are the strongest of MED activities, in terms of exceeding the original targets for employment generators.

By the end of 1993, twelve companies had outgrower contracts with a total of 6,474 Mahaweli farmers, up from 770 in 1989. The outgrower contracts were for growing seven specialty crops, the main ones being gherkins and tobacco....The program has become a major force for crop diversification in the Mahaweli areas and has aroused interest in Sri Lanka as a key element of a strategy for crop diversification. (p. 29)

At present, MED/EIED play a facilitative role regarding outgrower arrangements. Headquarters staff in Colombo provide information and advice regarding outgrower opportunities to potential investors. The staff of the Field Business Centers facilitate arrangements at the local level, often acting as "go between" among the company, the farmers or farmers organizations, and the Mahaweli system level officials....The neutral role of "go-between" appears to be key to the continued growth of outgrower operations.

(Table 5 shows the growth of contractor farmer arrangements in Mahaweli with a breakdown of crops grown.)

The Sustainability Assessment recommended that a special study be conducted of the outgrower program which could be used to develop an action plan for future MED efforts in this important area. This study was conducted later in 1994 by a staff person at ISTI headquarters. The draft report is due to be released shortly.

Table 5: Number of Contract Farmers in Mahaweli, by Crop (1991 - 1994)

Crop/Year	1991	1992	1993	1994
Gherkin	766	989	3408	3709
Tobacco, Soya bean, Maize		1641	3207	2435
Chillies		100	60	49
Seed Paddy			80	56
Baby Corn		135	260	
Gherkin in Brine	315	324	650	
Ash Pumpkin				13
Tomatoes				8
Ornamental Fish				21
Total	1,081	3,189	7,665	6,291

Source: MED Survey of Outgrower Companies

Discussions with MED staff in Colombo revealed that, with the departure of the Business Development Advisor in December, they are exploring the possibility of the investor promotion activities relative to outgrower program being transferred other agencies and donor assisted projects, including other USAID projects such as AgEnt & TIPS. However, the role of the MBCs in facilitating outgrower schemes at the local level will continue and will even be bolstered. The Business Development Advisor stated that the MBC staff should continue their current roles and expand on them. He recommended the following tasks to be performed by MBC staff.

- Prequalification of farmers for outgrower schemes using a database of farmers expressing interest in the programs;
- Assisting in the orientation and training of farmers (much like MASL activities to support the training of workers for garment factories);

- Assisting outgrower investors in relations with other government agencies;
- Reviewing farmer contracts for fairness;
- Mediating disputes between contract farmers and investors;
- Possible assistance in forming growers associations.

Interviews with representatives of AgriDev and AgEnt Projects who have experience in outgrower schemes confirmed the need for MBCs to play this facilitator role. The AgEnt Production Advisor stated that there is a great need for field staff to prequalify farmers and to deal with cultural and social issues relative to outgrower schemes. He thought that the MBC staff were well placed to serve in this role.

During field trips, the evaluator visited with managers of gherkin processing plants and field officers of gherkin exporters as well as with farmers raising ornamental fish and chickens on a contract outgrower basis. It was clear that all the parties consider the MBC role to be very important in promoting and facilitating these activities.

F. The EIED/MED Management Information System

One of the contentious issues in the Mid-Term Evaluation was a review of the EIED/MED Management Information System (MIS). Subsequent to that evaluation, an independent consultant from International Project Services, Inc. based in the U.S. reviewed the MIS for the project in April 1993. That report asserted that several observations made by the mid-term evaluation team were inaccurate or misleading. It concluded that the MIS was serving its purpose satisfactorily, and with a few improvements, it could become a model for similar projects in the future. It went on to say,

The most urgent problem is the completion, and establishment of timely maintenance, of the project data base. Until that requirement is met the project team will be vulnerable to errors and misapprehensions in data interpretation, and criticism based on the perception of incomplete information. It is recommended that efforts be continued to acquire the backlog of project data in the field offices and enter them into the system as quickly as possible, and to equip field offices with personal computers and a subset of the project activity data base system for local entry, maintenance, and submission of updates to the Head Office. (Executive Summary)

Prior to departure for field visits, the evaluator went through the MIS with the MIS Consultant, calling up data entry screens, reports and observing the facility of querying the database. FoxPro is used as the database, and the MIS Consultant was clearly capable of manipulating the program to perform whatever tasks were asked of him. The software and data entry system appeared capable in general of performing the tasks necessary for an MIS to track the data required to monitor project performance, although some software embellishments could help to make the query system more responsive in less time.

The MIS Consultant stated that EIED/MED had recently trained clerical staff in the field to enter data directly into database files and that, last month, six of the twelve MBCs had begun entering data directly. Data will be forwarded on diskettes to the Colombo Head Office. While discussing the MIS with MBC staff in the field, they were very excited about the prospect of being able to verify the accuracy of the database entries in the field. In fact, in System B, the FBC had formerly initiated a database file on his own similar to the one kept at the Head Office in order to track information on clients. He will no longer need this separate database now that the MBC will be using the same database program as the Head Office.

Subsequent to the field visits, the evaluator sat down again with the MIS Consultant to verify that the information received about clients in the field was consistent with data in the MIS. In reviewing the data on nine clients distributed throughout the system, it became apparent that much of the client data was fragmented in separate files and much was being under-reported. For example, a number of MIS client files reported fewer employees than the field visits and MBC typewritten client profiles reported. Likewise, training courses attended by clients were not listed in a number of client files. Information on loans was also often out of date. In some cases, updated information was entered in the narrative "comments" section of the update entry forms, but was not entered into its proper field in the database.

A side issue relevant to the MIS involve the use of the terms "active" and "inactive" to describe clients. The evaluator came across the use of the terms "active" and "inactive" while in the field and reviewing the MIS. There seems to be some confusion as to why the two categories are needed and how the differentiation is put into practice. There needs to be some guidance provided to staff by senior management on these issues. Care must be taken to assure that client numbers are not reused which could lead to confusion in the client database.

A second side issue involves a shortage of gender-disaggregated data in the MIS as well as information on family incomes to demonstrate the impact enterprise activities assisted by MBCs are having on family incomes. When data was requested from EIED/MED staff, it was generally not gender disaggregated. When asked for a further breakdown, the gender disaggregated data was usually available, but took some time to collect it. This should be done as a matter of course in the MIS and other project reports. Family income data is very difficult to come by and requires considerable efforts to verify accuracy. Although this data would probably not be appropriate for an MIS, project management should consider different means, e.g., a household survey, to collect family income data to track achievements.

The results of this examination of the MIS was discussed with MED staff and the evaluator was told that previous concern about over-reporting had led EIED/MED Head Office staff to monitor MBC staff reporting and to challenge information which appeared to over-report MBC activity. It seems to the evaluator that the problem might now have switched to one of under-reporting in response to those previous internal audits of data reported. Project management was aware of some of the problems with the MIS and welcomed any recommendations which might be made in this evaluation. In fact, the proposed Sustainability Program prepared by EIED/MED discusses revisions to the MIS to improve institutional capabilities for planning and monitoring activities.

IV. INSTITUTIONAL/SUSTAINABILITY ISSUES

A. Overview

The key issues analyzed here are essentially those related to the long-term sustainability of the institutional services provided by the MED Project. As described in Chapter II above, the focus of the MED Project has shifted to the services supporting small and microenterprises in the Mahaweli. Furthermore, this evaluation was to concern itself only with the small-scale enterprise component of the project. Therefore, the central questions are the following:

- Have the MED Project Consultants, both in the Head Office and in the MBCs, transferred their skills to the EIED staff and has the institutional development of EIED taken place sufficiently to permit EIED staff to continue to provide the services they currently provide to small and microenterprises?
- Can the government finance EIED at a level which will permit EIED to continue those activities supporting small and microenterprises and outgrower contracting schemes? If not, are other sources of funding possible?
- Are the credit services in place which will allow small and microentrepreneurs to have access to credit in the future?
- Should the project continue to work with aspiring as well as existing enterprises?

B. Technology Transfer/Institutional Development

It would appear that the many of the institutional development aspects of the MED Project vis-a-vis services to small and microenterprises have substantially taken place, although a project extension would considerably improve chances for sustainability. With the exception of the credit services provided through the SCSs, most of the EIED staff appear to be capable of carrying on the basic activities currently performed by the MED consultant staff. However, further work is necessary to expand the skill base of the EIED staff in a number of areas, such as production and marketing assistance and MIS. These skills should be worked on during the remaining life of the project.

The institutional development of EIED has been an important focus of the MED Project in developing the capacity to deliver services to small and microenterprises in Mahaweli over the long-term. It would be a shame if support to improve the sustainability of the MBCs were to be cut off now after so much progress has been made. It is recognized throughout the development community that institutional development is one of the most difficult areas to address in developing countries. Despite this recognition, it is rare to see a long-term commitment by donors toward achieving this objective. The MED Project has had considerable success in moving toward this objective and its success has been recognized by both the former and the current Governments of Sri Lanka. An extension of the MED Project would greatly assist in improving the long-term sustainability of the MBCs. Although this evaluator recommends an extension of 18 to 21 months to adequately accomplish all the necessary tasks,

an extension of less than this would also be useful in completing, at least, some of the tasks required for sustainability.

C. Finance of EIED Activities to Support Small and Microenterprises

The current Director General of MASL has expressed much interest in continuing the work of the MED Project supporting small and microenterprises even to the extent of trying to broaden the concept of the business centers to other regions in Sri Lanka. EIED existed prior to the MED Project, so it would seem that MASL will continue to finance the agency. Since the business centers are located mainly in buildings owned by MASL, this would not appear to be an issue. It is extremely important that the business centers continue to operate with a separate identity from that of the other MASL offices at the Block level. This separate identity developed during the MED Project has allowed the perception of the business centers as places welcoming private sector clients to flourish. If EIED staff were to go back to occupying desks in the Block Manager or Resident Manager's offices as before, the services to small and microentrepreneurs would probably diminish. Thus, the main concern here is whether the EIED staff and business centers can continue to operate at the level they are now operating.

The EIED/MED staff have recognized that the staffing levels at the business centers would probably be reduced at the end of the MED Project. Since the MASL could probably not afford to keep the FBCs as consultants, they would depart. However, the role of EIED staff and the business centers has been to utilize resources from other government agencies, from the private sector, and from NGOs as much as possible. The continuation and expansion of this strategy would permit the business centers to function much as they do today.

A key issue, however, is whether many of the training courses currently financed by USAID would be able to continue. Other sources of funding would be required. Since these training courses offer discrete activities with low overhead, these programs are typically attractive to international donors, provided that institutional support is limited. International NGOs are another source of training funds.

During the field visits to the business centers, the evaluator asked the MBC staff how many entrepreneurs used the copiers, telephone, fax, computer and other office equipment. The responses revealed that income from this source is minuscule. Even if this type of service were used even more by local businesses, small and large, it is doubtful that it could finance even a small part of the activities engaged in by the business centers.

The Sustainability Assessment called for experimentation with possible private sector-run services, while recognizing that examples of purely private sector operated services of this nature are difficult, if not impossible to find, even in developed countries. Most countries view the support of small and microenterprises as a quasi-social activity to assist in increasing employment. This is clearly the case in Mahaweli where the main thrust of this activity is to help develop the non-agricultural economies of newly settled areas and to provide employment opportunities for second and third generations descendants of settlers. It is extremely doubtful that a privately operated service to small and microentrepreneurs in the Mahaweli could ever become self-sustainable. Consequently, this evaluation suggests that the government-financed

option, with supplementary finance from donors, NGOs and the private sector, is the only realistic option in the short to medium-term.

However, there is still room for experimentation to determine other potential sources of income for the MBCs. In fact, experience elsewhere suggests that microenterprise programs which strive for self-sustainability (although very rarely reached) perform better than those which assume government or donor funding. Provision of accounting services to small businesses could be one means and was mentioned by one of the FBCs with an accounting background as an area with considerable promise. Charging nominal fees for services to microenterprise clients and higher fees to small and medium-scale enterprises for assistance in obtaining bank loans also has potential. Financial and political support from local entrepreneurial associations is another potential avenue for increasing the sustainability of the MBCs. The establishment of local Advisory Boards for each MBC composed of private sector clients and financial institutions is currently under consideration. This type of organization could be an important resource to the MBCs in identifying both client needs and sources of revenues for the MBCs. A project extension would permit the exploration of these potential alternative sources of finance for the MBCs.

D. Credit Services

The assistance provided to MBC clients to obtain direct loans from banks is, clearly, already sustainable. These services have been provided to MBC clients for over two years now and the methodology to accomplish them is well known by MBC staff. On the other hand, the credit services relative to MVCC loans and SCS-related loans are still in considerable flux. While this evaluator agrees with the author of the Sustainability Analysis of May 1994, that the SCSs are still fragile, infant organizations, he disagrees with the recommendations relative to the formation of unions for the societies. Although the Rules of the SCS Unions specify certain coordination and management tasks to be performed by the unions, they are not perceived as the proper organizations to perform oversight functions. Additionally, the sources of finance for the unions is not clear. Lessons should be taken from the Sanasa Thrift Societies (similar to credit unions in the U. S.) in Sri Lanka regarding this matter. This evaluation received the benefit of a debriefing of a Credit Union Specialist from the World Council of Credit Unions who had just evaluated WOCCU's assistance to Sanasa. He was very critical of the unions in the Sanasa movement. He felt that they were less than useful intermediaries between the apex organization and the primary societies, whose interests were often not consistent with the primary societies' interests. WOCCU experience elsewhere also suggests that the SCSs with a combined membership slightly over 700, members are hardly able to justify an apex organization, much less a number of unions in between. Much more thought needs to be given to what kind of oversight function is required for the SCSs and what organization is best placed to perform it.

Furthermore, there appears to be some confusion regarding the role of the SCSs. The evaluator noted that some SCS members did not appear to require the group guarantee facility of the SCSs, since they were able to receive direct loans from banks. When queried, MBC staff stated that they had enlisted the help of those entrepreneurs to form the SCSs, since they were respected businesspersons in the community. In other words, the SCSs seem to be considered as entrepreneur associations by some EIED/MED staff rather than purely societies for credit purposes. Experience elsewhere is not favorable to this type of role mixing between associations

and credit societies. Although both types of organizations are needed in Mahaweli and their roles may be complementary, each serves a different purpose. The concept of the SCSs clearly requires more thought to clarify what these societies would hope to accomplish.

Providing credit programs to permit entrepreneurs who lack access to bank credit is the principal concern to consider when looking at options for obtaining credit either from the MVCC or through a group guarantee mechanism such as the SCSs. The superstructure for the administration and oversight of these loans requires considerable thought and exploration which will require at least three to six months to sort out, and another twelve to eighteen months to implement with any success.

E. Target Group for Future MED Project Efforts

The clients of the MBCs in the past have been both aspiring and existing entrepreneurs. As mentioned previously, the social objective of the program to provide employment opportunities for second and third generations of Mahaweli settlers is important to the GSL. Furthermore, in some of the more recently settled areas (e.g., Systems B & C), the creation of new enterprises to serve the needs of the farmers is sorely needed. However, experience with microenterprise programs elsewhere has shown that program sustainability is generally better when serving existing enterprises. In light of this, EIED/MED staff might consider focussing on different types of enterprises in different areas. For example, although the MBCs might work with both aspiring and existing enterprises in Systems B & C, it might concentrate on existing enterprises in System H. Then the different areas might be compared both in terms of employment generated and in achievement of sustainability objectives. This type of experimentation would be appropriate during the next phase of MED Project activities and could help to demonstrate the effects of different approaches to enterprise development.

V. ACHIEVEMENT OF PROJECT TARGETS FOR THE SSE COMPONENT

A. Achievement of Project Purposes

The indicators for attainment of the project purpose relative to the small-scale enterprise component was exceeded, namely a net increase of 1,250 jobs in Mahaweli small-scale enterprises by 1995. In fact, project data has recorded a total gain of 3,266 full-time jobs and 1,697 part-time jobs in self-employment, micro and small scale enterprises through June 1994.

B. Achievement of Outputs

The project logframe indicators for attainment of the project outputs relative to the small-scale enterprise component were substantially exceeded, with some minor exceptions. The results as of June 30, 1994 are as follows (Table 6 on the next page presents a more detailed listing of output indicator performance.):

Indicator: Up to 30 EIED and contractor field advisors' positions filled and services delivered throughout Mahaweli to 900 existing and 165 aspiring entrepreneurs.

Results: Field officers totaling 30 persons comprised of EIED staff (Deputy Managers and Assistant Managers) and Field Business Consultants (on contract) were hired who provided services to 2,623 existing entrepreneurs and to 1,157 aspiring entrepreneurs.

Indicator: Ad-hoc short courses conducted for groups of existing entrepreneurs.

Results: 5,788 entrepreneurs trained in ad-hoc courses.

Indicator: Group lending scheme/saving scheme (or alternative) in place and financially viable; used by entrepreneurs and enjoying acceptable repayment rates.

Results: 56 Savings and Credit Societies formed and registered with a combined membership of 1,021. 197 loans made to members of the SCSs totaling Rs7,099,000. Repayment rates are currently acceptable, but potential problems are cropping up.

Table 6: Output Indicators: Enterprises and Employment
(As of June 30, 1994)

Total Mahaweli		Total 1991	Total 1992	Total 1993	Total this Quarter	Total 1994	Project to date
Total jobs created (including self, micro, small, medium and large enterprises, not including outgrowers and garments)	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	1497
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 MLEs	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	289	99	127	1365
Other training (ad-hoc training)		711	1403	2541	269	1133	5788
Business consultancies		4775	6869	11003	1499	3700	26347
Business consultancies to women		675	1585	2240	356	567	5067

Source: MED/EIED 2nd Quarter Report, 3rd Quarter Plan 1994

Indicator: 25 Entrepreneur Development Training Programs completed for at least 750 Mahaweli settlers.

Results: 1365 Mahaweli settlers received training in 6 EDTP courses.

Indicator: 8 business centers established and operating.

Results: 12 business centers established and operating.

C. Gender Issues

While the project design did not specify any particular targets for assistance to women, the PP expected that efforts would be made to increase the numbers of women served by EIED in terms of women entrepreneurs assisted, trained and credit received. The MED Project has tried to address the needs of women entrepreneurs. While most women still tend to be involved in traditional female-operated businesses, e. g., food processing, tailoring and soft toy making, they have not been purposely excluded from non-traditional business opportunities. Appointment of female professional staff has proven difficult due to the apparent reluctance of women professionals to take positions in remote areas. Although the project once had two female FBCs, both have left the project (one for another USAID project with a longer project life).

Discussions with EIED/MED staff revealed that women in Mahaweli have more wage employment opportunities than men, particularly in garment and other factories. On visits to various factories - garment, gherkins, noodles - the evaluator noticed that most of the employees were women. While their opportunities for management positions appear more limited, some instances of women in management were noted, e.g. the manager of the Treacle Coop Factory and some of the line supervisors in the garment factory in Kotmale were women. Table 7 on the following page presents some relevant statistics in regard to employment by gender.

EIED/MED staff stated that, in relation to gender concerns, they have tried to address enterprise development as a family issue, including both men and women. Finucane comments on this matter in his report on Mahaweli enterprises,

Females hold most (69%) of the jobs in the wage paying, higher income medium and large enterprise sector while males hold most (75%) of the jobs in the lower return microenterprise sector. Importantly, however, most (69%) enterprises are family businesses in that they employ only family labor....The multiple activity nature of the family households, the interlinking of the labor supply for the non-farm and farm activities, and the institutional importance of the family household in the operation of both the enterprises and the farms suggest the need to adopt enterprise development interventions which support the continued intactness of family household units or, at a minimum, do not weaken these institutions (p. 2)

A report by LAMSCO, a local consulting firm, was commissioned by USAID to conduct an assessment of the responsiveness of Mission projects to gender concerns in late 1991. It found that the project did not have specific programs targeting women. A special study is currently underway by a consultant financed by MED to review the performance of the MBCs in meeting the needs of women entrepreneurs. This study might be helpful in determining additional steps to be taken that would better address gender concerns in the remaining period of project implementation.

Table 7: Employment: gender distribution of employment types, by enterprise size

Size of enterprise	Self employment		Micro enterprise		Small enterprise		Medium/large		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Working Proprietors	52	14	24 0	05	06	01	00	00	28 5	7 2
Paid Family Labor	00	00	05	02	02	01	00	00	1 5	0 6
Unpaid Family Labor	15 0	14	05	04	01	01	00	00	7 7	7 0
Full Time Employees	00	00	27 0	05	54 0	09	11 0	86 0	14 6	22 6
Part Time Employees	04	00	21 0	03	18	06	00	03	8 8	2 0
Total	71 0	28 0	82 0	19 0	81 0	18 0	11 0	89 0	61 0	39 5

Source: Microenterprises in the Dry Zone, Finucane, 9/94, p. 28

D. Implementation of the Recommendations of the Mid-Term Evaluation

A key recommendation of the Mid-Term Evaluation involved deciding the steps to be taken toward removing land tenure constraints. Substantial progress has been made in this area in that land is currently being transferred to private sector enterprises either in the form of grants (title transfers) or long-term (30-year) leases.

Most of the other Mid-Term Evaluation recommendations were concentrated on the medium to large scale enterprises. However, the Mid-Term Evaluation suggested that the business centers be privatized through a planned buy out to employees. It is not clear from the evaluation how the evaluators expected the business centers to be viable through this privatization process. The discussion of future sustainability of the business centers in the previous chapter of this evaluation expresses the opinion of the final evaluation evaluator on this issue.

Another recommendation that related specifically to small-scale enterprises dealt with the management information system. The team recommended modifying and adapting the MIS data base to provide for an accurate and current method of monitoring individual enterprises and to collect other information relevant to project monitoring. This recommendation has been substantially addressed although some problems with accuracy in the database remain. Current modifications to the system permitting data entry in field business offices should help to correct these inaccuracies. However, further efforts should be made to increase the utility of the database in tracking project services and impacts.

E. Adherence to Project Conditions and Covenants

Although a detailed review of all conditions and covenants was not undertaken as a part of this evaluation, no evidence was brought to the evaluator's attention to indicate that the conditions and covenants were not met prior to disbursements or project implementation. Consequently, it appears that all conditions and covenants were met prior to, or during, the implementation of the project.

F. Administrative Arrangements for Project Implementation

Administrative arrangements for project implementation appear to have been satisfactory overall. Although initial problems in project implementation occurred (as is typical of most projects), administrative arrangements appear to have been sorted out as time went on. Working relationships between the current technical assistance contractor and the local implementing agency are excellent.

MED Project staff expressed concerns over what they perceived as a seeming change in attitude of USAID toward the project when it was transferred from the Private Sector Office to the Agriculture and Natural Resources Office. The MED Project staff felt that USAID's level of commitment to the project was negatively affected by the transfer. However, ANR staff stated that the MED Project had been treated the same as other projects under their control.

The GSL requested an extension to the project in April 1994, but no decision has been reached. The evaluator recommends that a decision be made as soon as possible on this request in order to facilitate improved project implementation.

G. Strategies, Workplans and Implementation Procedures and Activities Carried out under the Project

The evaluator received copies of all relevant project documents including concept papers dealing with initial design issues, annual workplans, and other reports on project progress. It appears that the implementing agency and the technical assistance contractor have satisfactorily fulfilled their responsibilities in this regard.

H. Specific Constraints to Achievement of Project Objectives

Most of the constraints to project objectives were related to the development of medium and large enterprises in the Mahaweli. The project has changed its focus to small and microenterprise support activities, and no significant constraints to the achievement of objectives for the small-scale enterprise component exist.

I. Prospects for Achieving or Exceeding Original Targets under Current Arrangements

Sections A and B above present the information relative to achievement of the logframe targets for the small-scale enterprise component; most of those targets have already been exceeded. The preceding chapter discusses the issues relative to the sustainability of project activities after project completion.

VI. SMALL AND MICROENTERPRISE DEVELOPMENT WITHIN THE CONTEXT OF USAID/SRI LANKA MISSION STRATEGY

The MED project currently fits under USAID/Sri Lanka's Strategic Objective #1 - Broad-Based Economic Growth. USAID will continue to emphasize broad based economic growth through the facilitation and strengthening of micro and small scale enterprise (both urban and rural), and related financial market and credit instruments and infrastructure development. Program components include micro-to-medium sized rural and urban enterprise development; financial and commercial market development; housing for below-median income families; private sector investment in public infrastructure and services; expanded and broad-based credit programs; farmer organizations; business skills development; food security for target populations; privatization and policy reform.

USAID's current activities include a broad array of agricultural development projects including two which are focussed on the Mahaweli - MARD and MED. Although those two projects are currently slated for close-out in 1995, MED represents an opportunity to build on previous work in small and microenterprise development in rural areas and to capitalize on the institutional development resulting from the MED Project.

The Mission has bought into a GEMINI Project microenterprise sector assessment which is expected to take place in late 1994 or early 1995. There is a potential for follow-on work in the design of a new microenterprise project and setting up a microenterprise data collection system. In addition, the Mission will support an enhanced credit program including activities in microenterprise lending through the Small Business Loan Portfolio Guarantee Program and through APPLE, an Anti-Poverty Lending Program using PVOs for lending emphasizing women for low-income agriculture purposes.

There is a need for bridging funds to extend the MED Project activities in rural small and microenterprise development in order to maintain the institutions operating there until a new nation-wide, microenterprise development project can be designed and commenced. The current Director General of MASL is very interested in broadening the concept of the MED business centers to other regions of Sri Lanka. This would help to address the need for business development services and innovative credit programs for microenterprises throughout the country.

Other current USAID projects dealing in agriculture and export development, notably AgEnt and TIPS, are interested in developing their activities to assist small and microenterprises. However, these projects have limited experience with dealing with enterprises at the lower level. Consequently, they will require assistance from field-based institutions in identifying and reaching small and microenterprises. The Mahaweli Business Centers are uniquely positioned to perform that function. Furthermore, the MBCs can serve as a potential model for the extension of these services to other parts of the country.

The experimental credit program implemented by the MBCs using group guarantees has provided some lessons on how to deliver credit to small and microenterprises in a rural setting. Considerably more needs to be done to determine effective ways to build on this experience. However, a meaningful extension of the MED Project would clearly permit further experimentation in reaching microenterprises through group guarantees or other mechanisms.

VII. FINDINGS

A. Overall Project Direction

MED Project management has responded well to internal reviews and evaluations of its work to direct the project toward what is perceived to be its greatest successes. The project has appropriately moved away from efforts trying to entice medium and large enterprises to invest in Mahaweli and more toward assistance to small and microenterprises and contract outgrower farming as these have been the largest generators of employment and incomes.

MED Project management has done an excellent job of integrating MED consultant staff, both expatriate and local, into EIED operations and staffing patterns. This has permitted effective working relationships and helped to improve the potential for technology transfer. While some difficulties in this regard appeared during the time of the Mid-Term Evaluation, they seem to have been resolved.

B. Institutional Development Resulting from Project Activities

The Director of EIED told the evaluator that EIED now considers its work in small and microenterprise development to be its primary concern. The MBCs have become the cornerstone of EIED's efforts in the MED Project. They are the principal point of contact with their private sector clients, particularly small and microenterprises.

The staff of the MBCs, both EIED employees and FBCs, are well qualified to perform their tasks. The FBCs have done a good job of working closely with the DMs and AMs and of transferring the business skills and service attitude toward MBC clients to the EIED staff.

C. Business Advisory Services

MBCs have performed well both in providing business advice, technical assistance and training and in assisting clients to obtain credit for their operations from different sources. They have also played a major role, along with the EIED Head Office, in liaising with other MASL and government agencies to facilitate land transfers and leases for commercial purposes. The number, locations and staffing of the MBCs appear to be sufficient to adequately serve the needs of the entrepreneurs living in the various areas of the Mahaweli.

D. Credit

The MBCs have succeeded both in facilitating direct loans from banks and the MVCC to entrepreneur clients and in the formation and initial operation of the Savings and Credit Societies. The experiment with the SCSs has provided some valuable lessons over the past two years in regard to time spent, group solidarity and the role of guarantee funds for microenterprises. However, some aspects of the SCSs require further restructuring in line both with Sri Lanka experience and microenterprise lending experience elsewhere.

The MVCC appears to rely extensively upon the staff of EIED at the MBCs to promote and monitor MVCC loans. This issue has led to some inefficiencies and dysfunctional aspects. The MVCC loans and the SCS loans appear to be aimed at the same target group. Thought should be given to possible linkages between these two credit windows to strengthen both programs.

E. Outgrower Contractor Support

EIED Head Office staff have promoted contractor outgrower arrangements in the Mahaweli and MBC staff have provided a facilitative role for both outgrower companies and contract farmers. These efforts have resulted in extensive growth of farmers employed through these arrangements and a consequent diversification of crops.

F. Management Information Systems

The MIS is functioning effectively to meet most project needs. However, inaccuracies still exist in the client databases - largely under-reporting problems. Available MIS reports are not readily gender disaggregated, although they can be with further efforts.

G. Gender Issues

The project has not targeted women entrepreneurs directly, but has taken an approach that enterprise development must be addressed to strengthen the family unit and increase family income. Appointment of women professional staff to the MBCs has been difficult, seemingly due to a reluctance of many professional women to relocate to the more remote areas of the Mahaweli and for single women to live away from their families.

H. Interest by GSL in Broadening Program to Other Areas Outside Mahaweli

The Director General of MASL has expressed keen interest in expanding the MBC concept to areas outside the Mahaweli. It is not known whether this attitude is shared by others in the new GSL. However, it does reflect a commitment to reinforcing the successes of the MBCs and bodes well for future financial support from MASL for these activities.

VIII. CONCLUSIONS

The Small-Scale Enterprise Component of the MED Project has proven to be the most successful aspect of the project. It has exceeded its targets for achievement and has moved the MASL in the direction of providing more assistance to help develop the economic base of the Mahaweli. Although small and microenterprises are only one part of the economy, they are a critical first step in the process of diversifying sources of income in the Mahaweli.

The development of the Mahaweli Business Centers has been the jewel in the crown of MED Project supported activities to assist small and microenterprises. The MBCs have served as focal points for the private sector in the Mahaweli and are viewed as friendly to business, a significant achievement for a government agency. MBC staff appear to be well qualified and trained for their jobs. The services offered by the MBCs in technical assistance and training and in assistance in obtaining credit and land to create and expand businesses have proven to be effective ways to promote small and microenterprise development in the Mahaweli. Although some improvements to these services are still required, the basic activities of the MBCs appear to be functioning well.

The assistance to MBC clients for direct loans from banks is well established and would continue without much further assistance. However, other credit programs which are tied to the Mahaweli Venture Capital Company and the Savings and Credit Societies require further definition and development.

The management information system for tracking client services and impacts is basically sound, but requires some improvements to facilitate easier access to data, to eliminate data file fragmentation and to increase gender disaggregated data. Current efforts to decentralize data entry and verification should be hastened and strengthened.

Although the project has not targeted women entrepreneurial development, per se, project staff have made diligent efforts to include women in all of their programs and should reinforce these efforts. The current study on women trained by the project might provide direction on what more could be done in this area. The concentration on the family as the locus of enterprise development is the proper approach to take in reaching women and assisting them to develop other income bases.

The activities of the EIED Head Office and MBCs to facilitate outgrower arrangements in the Mahaweli have been very successful in generating both employment and crop diversification. Although it may be necessary to transfer the investor promotional activities to other agencies and donor assisted projects, the facilitation role of the MBCs should continue and be expanded.

IX. RECOMMENDATIONS

1. USAID should make a favorable decision to extend the MED Project Completion date as soon as possible. An extension of 18 to 21 months is recommended. This extension would help plan and implement future activities and improve prospects for the sustainability of project activities within EIED.
2. Although the GSL has evidenced a clear commitment to support the MBCs after the completion of the MED Project, the financial level of that commitment has not yet been determined. This issue should be explored with MASL as decisions are made by USAID regarding any project extension.
3. MED Project staff should concentrate their efforts on the following activities during the remaining life of the project.
 - The transition of the MBCs and eventual phaseout of FBCs
 - Further refinement and development of the credit related services, exploring greater linkages with the MVCC
 - Improvements in the MIS, both in computer software applications and in database improvements, with upgrading of computer hardware as needed
 - Possible studies of enterprise and household income to ascertain changes in family income and sources, with particular attention to women
 - Further development of the role of the MBCs in facilitating outgrower arrangement
4. Program linkages with the TIPS and AgEnt Projects should be explored.

ANNEXES

ANNEX 1

MAHAWELI ENTERPRISE DEVELOPMENT PROJECT

MAHAWELI ENTERPRISE DEVELOPMENT PROJECT

FINAL EVALUATION

TERMS OF REFERENCE

I. Background

The Mahaweli Enterprise Development project (MED) currently has a Life-of-Project funding of \$15 million. The project activity completion date is March 1995. The goal of the project is to raise median household incomes of Mahaweli settlers to the national level. The purpose of the project is to accelerate the creation of permanent private sector employment in small, medium and large-scale enterprises in the Mahaweli areas of Sri Lanka. A secondary purpose has been to strengthen the Government of Sri Lanka's (GSL) commitment to market-oriented approaches for Mahaweli development. The project was, at the design stage, confined to Systems B,C and H of the Mahaweli scheme. Later in implementation, the special areas of Kotmale and Uda Walawe were added.

The project was approved and authorized in March 1989. The project is implemented through the Employment, Investment and Enterprise Development Division (EIED) of the Mahaweli Authority of Sri Lanka (MASL). The project was to be funded by \$15 million from USAID and \$9.0 million from the host country. Additional contributions were expected from the Private Sector. The total USAID obligation to date is \$9,600,000 and the host country contribution is about \$6,796,200.

There have been several management changes over the life of project. The project was designed and initially implemented by the Office of Private Sector Development, but responsibility for the project was transferred within USAID to the Office of Agriculture and Natural Resources in September 1992. There have been several counterpart Directors of EIED since 1989. The Mahaweli Authority of Sri Lanka itself is scheduled for reorganization. Over the Life-of-Project, progress has been slow on the GSL covenant to issue secure transferrable land leases and titles.

USAID funded inputs include technical assistance, training and operating costs for business promotion and development activities. EIED provides staff and operating costs and project activities are directed toward attracting private sector investment and creation of jobs. Project activities focus on:

- * policy reform/implementation
- * medium and large scale investors
- * small scale enterprises

The project is seen as a key component of the one billion dollar Mahaweli Development Program and is designed to generate increased sustainable economic activity and employment in these Mahaweli areas.

A mid-term evaluation, of the project was conducted in the Fall of 1992. This evaluation was preliminary and resulted in findings and recommendations that will be difficult to implement. The major recommendation concerned the thorny issue of land tenure. The mid-term evaluation team felt that progress in establishing enterprises in the Mahaweli areas was seriously impeded by current land tenure policies. In fact, the evaluation team recommended that USAID consider terminating the project if significant progress was not made in this area.

Since the mid-term evaluation, the GSL has made some progress on land titling. USAID/Sri Lanka has decided to continue the project on the basis of performance regarding job creation, but due to funding limitation will not likely provide full LOP funding and will de-emphasize assistance to commercial farmers. A recent assessment of agribusiness activities was completed and an overall assessment of agricultural project is planned. This evaluation is to review progress on the Small Scale Enterprises (SSE) component and to identify lessons learned for possible incorporation into future project.

II. Scope of Work

The evaluator will conduct the project evaluation by : (a) reviewing project documents, reports and other background materials and related reports pertaining to Sri Lanka and the Mahaweli; (b) interviewing staff of EIED, MASL Mahaweli Resident Project Managers (RPM's); the Ministry of Forest, Irrigation and Mahaweli Development, the Ministry of Lands, the Program Monitoring Unit (PMU) of MASL, the technical assistance contractor, USAID/Sri Lanka, and other GSL agencies and private business persons and investors, settlers and Mahaweli residents; (c) traveling to Mahaweli areas, Businesses, Field Business Centers, and farms and other facilities; (d) visiting SSE's and (e) obtaining and reviewing other relevant information from other sources, as available.

The evaluator will perform the following tasks:

- A. Assess the performance of the SSE component to date. This will include:
- * implementation of the recommendations of the mid-term evaluation;
 - * achievements of the project compared to planned target paying particular attention to the participation of women;
 - * adherence to project Conditions and Covenants;
 - * administrative arrangements for project implementation;
 - * the strategies, work-plans, and implementation procedures and activities carried out under the Project;
 - * specific constraints to achievement of project objectives; and
 - * the prospects for achieving or exceeding original targets under current arrangements.

- B. Review and recommend modifications or adjustments to the current policy implementation agenda supported by the project. Assess whether the current agenda is achievable and how the policy work can be achieved after PACD.
- C. Review the current SSE component activities and mechanisms with respect to sustainability of the project after PACD. Recommend actions to be taken to ensure that project activities and/or employment-generating, sound business environment will be sustained.
- D. Review the MED SSE work and analyze its placement and role in the mission's strategic framework. Should the SSE work or a similar activity be continued by the mission?
- E. Prepare a draft "Project Evaluation Summary".

III. Level of Effort

The total level of effort for this evaluation will be 70 person days divided as follows:

Small Enterprise Specialist	40 working days
Sri Lanka Social Scientist	<u>30</u> working days
	70 person days

A six-day work week is authorized in-country.

IV. Composition of the Team and Qualifications

The evaluator should have experience in implementing and evaluating small enterprise, entrepreneurial training and rural credit programs and should have an advanced degree in development economics or another related discipline. Experience in the analysis of land tenure issues, development issues related to land settlement programs, area development programs, and/or private sector policy issues would be useful. He will be assisted by a Sri Lankan Social Scientist for part of the consulting. A familiarity with USAID and USAID procedures is desirable. Experience in South Asia and knowledge of Sinhala and/or Tamil is not required, except for the Sri Lankan team member.

V. Deliverables

Within four days of arrival of the consultant in country, the consultant will submit for USAID and EIED review and concurrence a schedule for completing work on the evaluation.

Twenty six days after the start of the evaluation, the consultant will deliver a first draft (10 copies) of the evaluation report to the GSL and USAID. The GSL and USAID will comment on the draft and return the comments to the consultants within 4 working days. The consultant will issue a final report (15 copies) incorporating the mission's comments before leaving Sri Lanka and completing the contract. The consultant will ensure delivery of 25 bound copies and a copy of the final report on diskette (in Word Perfect 5.1) before payment for the evaluation services will be made. The consultant will also leave a draft of the Project Evaluation Summary document (AID/W requirement) with the Mission before departure.

SV

The consultant team will be required to brief, at least weekly, the project officer and the USAID evaluation officer on the progress of the evaluation.

The out-briefing workshop will include all interested members of the USAID Mission as well as GSL counterparts. The workshop may be conducted in the USAID Conference Room. It should be scheduled for the last week that the team is in-country.

VI. Relationships and Responsibilities

The consultant will report directly to the project manager of the MED project in USAID/Sri Lanka. The project manager is located in the Office of Agriculture and Natural Resources. The consultant is responsible to the project manager for the satisfactory completion of the evaluation and the report.

The consultant will work closely with EIED field and Colombo staff to complete the evaluation.

VII. Logistics

The consultant will be responsible for arranging all in-country transportation, office space, secretarial and other office support, computer equipment and communications services. The contractor will make all international travel arrangements (in accordance with USG regulations) and hotel reservations.

ANNEX 2

SCHEDULE

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Annex 2

SCHEDULE

9/27 11:00 Meeting with staff at ISTI Headquarters/Wash
Weds
Afternoon - Planning meeting at MSI/Wash

9/28 10:00 Meeting with staff at DAI Headquarters/Wash
Thurs
Afternoon - Arrange logistical matters at MSI

10/3 7:00 S. Silcox departs Washington
Mon

10/5 12:25 S. Silcox arrives in Sri Lanka
Weds

10/6 8:00 Initial Briefing with USAID/Colombo staff
Thurs
10:00 Initial Meeting with EIED & MED Project staff
- Review project documents

10/7 9:00 Initial Meeting with Director General & Secretary General of MASL
Fri
- Finalize field trip with MED & EIED staff
- Discuss project aspects with MED staff
- Draft & submit workplan to EIED/MED & USAID

10/8 Review documents at hotel
Sat

10/9 Off
Sun



10/10 Mon 9:00 Meeting with Jim Finucane, Chief of Party, ISTI
 1400 Meeting with Dias Gunasinghe, MIS Consultant, ISTI
 15:00 Telephone conversation with Gary Alex, USAID, re workplan and fieldtrip schedule

10/11 Tues 6:30 Depart Colombo
 Field trip to System H - Visited Nochchiyagama & Tambuttegama Business Centers and a sampling of enterprises, a Savings and Credit Society (SCS), and a contractor gherkin processing plant

10/12 Weds Field trip to System H - Visited Madatugama and Galnewa Business Centers and a sampling of enterprises and SCSs

10/13 Thurs Field trip to System G - Visited Bakamuna Business Center, an SCS, branch bankers, a sampling of enterprises and a representative of an outgrower contractor

10/14 Fri Field trip to System B - Visited Welikanda Business Center and a sampling of entrepreneurs and a farmers association

10/15 Sar Field trip to System C - Visited Dehiattakandiya Business Center (Giranddurukotte staff also present) and a sampling of enterprises and two farmers associations
 19:00 Arrive in Kandy

10/16 Sun Off

10/17 Mon Field trip to Kotmale - Visited Kotmale Business Center, a sampling of enterprises, and a garment factory

10/18 Tues Field trip to Victoria outside Kandy to attend an Entrepreneurial Awareness Program
 10:45 Depart Kandy
 13:30 Arrive Colombo

10/19
Weds 9:00 Meeting with R. Nishihara & G. Alex at USAID to report on initial findings

10:30 Meeting with Jim Finucane of MED to report on initial findings

- Plan field trip to Uw Walawe for next week with EIED/MED staff

12:30 Meeting with Director General of MASL to report on initial findings

10/20
Thurs 11:00 Meeting with Seneviratne Samarakoon of AGRIDEV to discuss contract outgrower arrangements

14:00 Meeting with MVCC staff to discuss MVCC program

15:45 Meeting with EIED Deputy Director to discuss training programs

10/21
Fri 9:00 Meeting with Secretary General of MASL to discuss MVCC operations and potential relationship to SCSs

11:00 Meeting with Philip Mowbray, AgEnt Project

10/22
Sat 10:35 Leave Colombo

12:45 Arrive Ahungalla

- Review documents

10/23
Sun Off

10/24
Mon (Field trip to Uda Walawe cancelled due to assassination of Opposition Party Presidential Candidate)

11:30 Leave Ahungalla

13:00 Arrive Colombo

10/25
Tues Review notes & draft initial report

14:00 Meeting with Lands Officers at EIED

15:00 Meeting with MED MIS Officer

10/26
Weds
Draft initial report
15:00 Meet with Jim Finucane and M. Panditha at MED re credit program

10/27
Thurs
12:30 Lunch meeting with Spencer King, CEO, TIPS Project
14:30 Meeting with Kamalini Fernando, USAID WID Officer
15:30 Meeting with Dias Gunasinghe, MIS Consultant, MED

10/28
Fri
8:30 Meeting with Dr. Ranjit Wanigaratne, Director, Planning and Monitoring Unit, MASL
10:00 Participated in debriefing by Chris Hansen of WOCCU re credit union movement in Sri Lanka
11:30 Meeting with USAID Evaluation Officer, Kim Kertson, and R. Nishihara

10/29
Sat
Draft initial report

10/30
Sun
Draft initial report

10/31
Mon
Draft initial report

11/1
Tues
Submit initial draft report to EIED/MED & USAID
15:30 Meeting with Richard Nishihara, USAID, re comments on initial draft report
16:00 Meeting with USAID officers in ANR and Private Sector Office re initial draft report

11/2
Weds
Complete annexes and revise draft report

11/3
Thurs 9:00 Presentation of James Finucane on Microenterprise Finance Seminar in Washington, DC

10:00 Meeting with Gary Alex, USAID, re comments on initial draft report

11:00 Meeting with Sunil Amarasinghe, Director, EIED, re comments on initial draft report

11:30 Meeting with James Finucane, COP, ISTI Team, re comments on initial draft report

14:30 Meeting with Director General & Secretary General of MASL, and USAID and EIED/MED Project Staff to discuss initial draft report

11/4
Fri Meetings with EIED/MED staff to discuss individual comments on initial draft report

11/5
Sat Revise draft report

11/6
Sun Revise draft report

11/7
Mon Submit Final Draft Report to EIED/MED & USAID

11/8
Tues 9:00 Final Debriefing with MASL, EIED/MED & USAID at MASL

11/9
Weds 13:25 S. Silcox departs Sri Lanka

ANNEX 3

PERSONS CONTACTED/INTERVIEWED

PERSONS CONTACTED/INTERVIEWED

In Washington, DC

International Science & Technology Institute, Inc. (ISTI)

Richard Huntington, Ph.D., Vice President,

Agriculture & Nat. Resources

B. Umesh Mally, MED Project Manager

Bechir Rassas, Senior Associate

Development Alternatives, Inc. (DAI)

Jane Gleason, Agriculture Economist, MARD Project

Marc Robinson, Project Monitor, MED Project

A.I.D./CDIE

Krishna Kumar

In Colombo

USAID/Colombo

Gary Alex, Agricultural Project Officer

Richard Nishihara, Agriculture Development Officer

Mahinda Gunasekera, MED Project Manager

Kim Kertson, Evaluation Officer

Kamelini Fernando, WID Officer

Mahaweli Authority of Sri Lanka (MASL)

S. W. K. J. Samaranayake, Director General

P. T. Senaratne, Secretary General of MASL and

Ranjit D. Wanigaratne, Ph.D., Director,

Planning and Monitoring Unit

Employment, Investment and Enterprise Development Division of MASL (EIED)

Sunil Amarasinghe, Director

D. P. Wickramasinghe, Deputy Director

U. A. Kularatne, Lands Consultant

Mahaweli Enterprise Development (MED) Project Staff (ISTI & DAI)

James Finucane, Chief of Party

Jayantha Jayewardene, Deputy Chief of Party

M. W. Panditha, Credit Advisor

Kamal U. Hyder, Ph.D., Business Development Advisor

Dias Gunasinghe, MIS Consultant

T. Cruze, Lands Consultant

Mahaweli Venture Capital Company
P.T. Senaratne, Chairman
Sunil Jayamanna, Accountant
R.J.M.A. Senadeera, Appraisal Officer

AgriDev Project
Seneviratne Samarakoon, Director - Agriculture

AgEnt Project
Phillip Mowbray, Production Advisor

TIPS Project
Spencer King, CEO

World Council of Credit Unions
Chris Hansen, Consultant

Informatics (Pvt) Ltd.
Jayantha De Silva, Director, Software Engineering

In Mahaweli

Nochchiyagama Business Center (System H)
S. Wujesooriya, AM
P. P. Wewelwala, FBC

Visited one savings and credit society of pottery makers, a studio, rice & chilli grinding mill, ayurvedic drugs packing facility, light engineering factory & a confectionery maker

Tambuttegama Business Center (System H)
A.N.H. Fernando, DM
M.A.Dharmasena, AM
R.P.K.Seneviratne, FBC

Visited seed production farm, noodles factory, mushroom grower, Peoples Bank branch and savings & credit society

Bulnewa Business Center (System H)
S.A. Samarasekara, AM
I.G.C. Abeynayake, FBC

Visited food processing & ornamental fish breeding & retail shop, light engineering factory, gherkins processing factory, confectionery factory, and a savings and credit society

Madatugama Business Center (System H)

K.M.H.C. Wijeratne, AM
A.I. Elapatha, BC

Visited three handicrafts makers/shops (2 brass & copper makers, 1 basketweavers cooperative & 1 jewelry) and a soya producing/training facility

Bakamuna Business Center (System G)

M.H.H. Bandara, AM
W. Indrasiri, FBC

Visited a rice milling operation, a guest house, a savings and credit society, a gherkins outgrower program, a cycle repair shop, a chilli grinding & packing operation and had lunch with three branch bank managers

Welikanda Business Center (System B)

O.P.W.P. Samarasingha, DM
J.A.S. Dayawansa, AM
D. Jayweera, AM
Sunil Syakkara, AM
S.M. Somasiri, FBC

Visited a retail shop/paddy purchasing center, tailoring shop, woodcarver, banana cultivation society, banana cultivator, poultry farm, basket weaver, ornamental fish contract outgrower's society, bakery, studio and radio/television repair shop

Dehiattakandiya Business Center (System C)

R.A.W. Perera, DM
E.A. Premaratne, AM
E.P. Kularatne, AM
I.M.S.R. Amaratunga, FBC

(Also met with the staff of the Girandurukotte Business Center of System C at Dehiattakandiya)

M. J. Perera, DM
S. Mannakkaru, FBC

Visited a farmers' association the purchased a tractor, noodles factory, neon lampmaker, handloom weaver, bakery, carpenter, retail shop, tailor, chilli grinding operation, coir rope maker & furniture factory.

Kotmale Business Center (Kotmale)

A.G.M. Muthubanda, DM
W.M.U.S. Wijetunga, FBC

Met with a womens soft toymakers group at the business center, visited a large garment factory, a treacle production cooperative, a furniture maker/retail shop, chilli grinding mill, iron toolmaking works, and drum maker.

Pickle Cultivators (Pvt) Ltd.

Kithsiri Kumaragamage, Agronomist

Samarasekera Estates (Pvt) Ltd. (Garment Factory)

H.N.G.B.D. Samarasekewa

Peoples Bank, Bakamuna

T.B. Ratnayake, Branch Manager

Bank of Ceylon, Bakamuna

W.D. Jbilakarathne, Branch Manager

Regional Rural Development Bank, Bakamuna

P.M.D. Sanath, Branch Manager

ANNEX 4

BIBLIOGRAPHY

BIBLIOGRAPHY

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ANNEX 5

LIST OF 1994 TRAINING COURSES

LIST TRAINING PROGRAMMES CONDUCTED IN 1994

MED/EIED MIS 26/10/1994

B. CENTRE	DATE	SUBJECT	No. Of persons	INSTITUTION
Dehiattakandiya				
CD	15/12/93	Making of Sweets & Short eats	1	Sweet House Kadawatha
CD	06/06/94	Goat Farming	1	
CD	06/05/94	Quality Control	14	
CD	09/06/94	Marketing & Production Management	16	Block Office , Nuwaragala
CD	01/07/94	Two wheel tractor maintenance	8	
CD	15/09/94	Training on bee keeping	45	
Giradurukotte				
CG	18/01/94	Training Programme for the Leases	32	
CG	29/03/94	Training for Banana Cultivation	12	
CG	10/03/94	Cottagewise Rice Processing	45	Rice Processing Research & Dev. Centre Al'pura
Bulnewa				
HG	07/01/94	Bank credit & other services available at Bank	10	P/B
HG	16/03/94	Electroplating	1	Electroplating Centre IDB
HG	07/03/94	Preparation of Confectionery items	1	Lanka Commercial & Industrial Board
HG	03/03/94	Rules of regulation of income tax and BTT	32	Mahaweli Business Centre Galnewa
HG	23/03/94	Preparation of Soya food	7	Soya Food Training Centre Madatugama
HG	/ /	Awareness Program for Soya food	42	Plenty Canada Soya Training Centre Madatugama
HG	30/03/94	Business Management Training	10	Mahaweli Business Centre Bulnewa
HG	26/04/94	Confectionery	1	Women Chamber of Commerce & Industries
HG	28/06/94	Business & Financial Management	10	Mahaweli Business Centre, Bulnewa
HG	27/04/94	Cement Products	3	National Engineering Research Dev., I.D.B. Ekala
HG	08/06/94	Rubber Products	1	Training Centre, I.D.B., Pannala
HG	08/07/94		5	Sri Lanka Standards Institution (S.L.S.I.)
HG	16/05/94	Electro Plating	1	I.D.B., Nawa Nuge Rd., Peliyagoda
HG	24/08/94	Implementation of savings mobilization &	10	Mahaweli Business Centre, Bulnewa
HG	30/07/94	Diesel Engine Repair.	6	Technical Collage Anuradhapura
HG	14/07/94	Light Engineering and lathe	2	
HG	05/09/94	Embroidery Training Course	36	Singer Sri Lanka Ltd. (Thambuttegama branch)
HG	20/09/94	Silk Screen Printing	1	Lalith Melroy (Pvt) Ltd., Kirulapana
HG	01/07/94	SLSI Awareness Programme	5	SLSI
HG	21/09/94	Recording System for Business	10	MED & EIED
Bakamuna				
BB	04/06/94	Credit Training for Credit rough officers	6	
BW	22/01/94	Insurance Policy	105	By Head Office/Colombo

B. CENTRE	DATE	SUBJECT	No. Of persons	INSTITUTION
Madatugama				
HM	22/02/94	Credit Training	10	
HM	21/02/94	Facilities & Credit	8	
HM	01/02/94	Carpentry	3	Jinarathana Technical College Mahailuppallama
HM	08/01/94	Manufacture of Dry Fish	2	
HM	01/01/94	House Wiring	6	Youth Service Council
HM	07/03/94	Food Processing	14	
HM	17/07/94	Refresher Course in Light Engineering	2	Industrial Development Board/Resource Dev.
Nochchiyagama				
HN	08/01/94	Smoked Fish Manufacturing	12	EIED
HN	16/05/94	Electro Plating	4	Electro Plating Centre IOB Peliyagoda
HN	26/04/94	Confectionery	14	Women Chamber of Kadana
HN	01/06/94	Packaging & Selling Products	24	Varna Ltd
HN	14/06/94	Awareness Creation Programme For an outgrower	72	Alankulama Farm Anuradapura
Thanbuttegama				
HT	15/06/94	Manufacture of side Cars	1	
HT	31/05/94	Awareness Program on use of packing materials	24	Varna Ltd, Old Airport Rd, Ratmalana
HT	12/05/94	Basic Book Keeping For SCS Members	11	
HT	14/07/94	Refresher Course in Light Engineering	6	Industrial Development Board/Resource Dev.
HT	09/08/94	Catering Service	5	
Kotmale				
KO	26/07/94	One day Awareness programme on standardization	13	
KO	28/06/94	'Disease control' for poultry (broiler) farmer	23	
KO	08/03/94	Food Technology Training	14	Women Chambers of Commencer (Colombo)
KO	18/08/94	Mushroom cultivation	29	Export Development Board
KO	01/02/94	Food technology training	30	
KO	28/04/94	Market tour and manuf. of soft toys	12	Head Office
KO	15/05/94	Training on Book Keeping	10	
KO	01/07/94	Swing & embroidery	5	
KO	08/09/94	Blacksmith training Programme	11	
KO	20/09/94	Animal Husbandry training	39	
Angunakolapelessa				
UA	07/01/94	Credit Saving for SBCS Members	10	Navodaya Savings & Credit Society Ltd.
UA	10/01/94	Credit Training for SCS Members	10	Sahana Savings & Credit Society
UA	02/02/94	Credit Training for S & C S Members	6	Guruwela Ekamuthu Savings & Credit Society Ltd.
UA	08/02/94	Maintenance of accounts of individual books	10	Sahana Savings & Credit Society
UA	16/03/94	Confectionery training to improve production	7	
UA	30/03/94	Book keeping for small businessmen	9	Guruwela Ekamuthu Savings & Credit So.
UA	26/04/94	Confectionery and other food products	14	Kantha Wanija Ha Welanda Mandalaya
UA	27/04/94	Credit & Marketing	4	I.R.M. Amarakoon - Marketing
UA	27/04/94	Manufacture of cement concrete doors & window	2	
UA	05/06/94	Credit Training for S & CS members	4	Murawesihena Savings & Credit So. Ltd.
UA	01/07/94	Marketing Management Training	24	

B. CENTRE	DATE	SUBJECT	No. Of persons	INSTITUTION
Embilipitiya				
UE	02/06/94	Food Processing	1	
UE	27/04/94	Marketing Accounts Keeping	40	MED
UE	28/05/94	Preparation of project report	8	MED
UE	04/08/94	SLS Training	29	
UE	18/07/94	Food Packaging Programme	45	
UE	02/06/94	Food Processing Training	6	
UE	27/04/94	Credit Training for Non SCS members	43	
UE	08/03/94	Training on manufacturing of food products	3	
UE	07/03/94	Food processing programme	4	
UE	09/03/94	Workshop on poultry harvest technology for out.	15	
UE	26/01/94	Credit training SCS members	6	
UE	27/01/94	Awareness programme for selected entrepreneurs	65	
Suriyawewa				
US	16/03/94	Book Keeping MED Program	2	
US	17/03/94	Book Keeping & Marketing	9	
US	07/03/94	Sweets & Other Good	98	The Women Commercial & Industrial Board
US	16/03/94	Making Of Sweet Meat	0	Kethie Rich Institute Embilipitiya
US	27/01/94	How to obtain credit (Access)	126	
US	15/05/94	Credit Training & Project Report Preparation	10	MED / EIED
US	27/04/94	Preparation of Project Report	1	MED EIED
US	28/04/94	Bakery Products	12	Uni Lever (Ceylon) Ltd
US	27/04/94	Book keeping, project reports preparation	19	MED EIED
US	10/06/94	Marketing For Agro Based Products	46	
US	01/07/94	Marketing & Book Keeping	5	
US	20/09/94	Screen printing	4	Lalith Milroy (Pvt) Ltd.
US	18/07/94	Food Technology	5	Embilipitiya Training Centre
US	16/09/94	Embroider training	90	Singer Sri Lanka Company
US	08/09/94	Book Keeping	4	Project SMED Institute

ANNEX 6

SAMPLE CURRICULUM FOR EDTP COURSE

4.2 a Entrepreneur Development Programme for Aspiring Entrepreneur
Course content & Time Schedule.

Day	Module	Content	Durations (hrs.)
1	M ₁	Introductory sessions on Appreciations & Awareness Development.	01
	M ₂	Entrepreneurship - Definition - Characteristics of an entrepreneur - Role & Socio-Economic Significance	05
2	P ₁	Achievement Motivation Training - Exercise I (Thinking) - Exercise II (Thinking) - Exercise III (Action)	07
3	P ₂	Achievement motivation Training - Exercise IV (Action) - Exercise V (Action)	07
4	P ₃	Entrepreneurial Motivation - Cases on successful Enterprises - Interviews with Entrepreneurs	07
5	M ₃	Business opportunities in Mahaweli Areas - Introductory session	1 1/2
	P ₁	- Group Exercise, Group presentation & discussion	2 1/2

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	M ₄	- Facts on Business opportunities (Predominant skills, Existing resources potential demand, export & other opportunities)	03
6	M ₅	Small Enterprise - Introduction - Characteristics	1 1/2
	P ₅	- Strength, weaknesses, opportunities Threats etc. (Group exercise, presentation & Discussions)	2 1/2
	M ₆	Setting up an Enterprise - Logical steps involve constrains & resources	1
	P ₆	Group Exercise, presentation & discussion	2
7	M ₇	Sources of Assistance - Types of Assistance - Supporting Organizations - Ways of Seeking Assistance	3 1/2
	M ₈	Financial Assistance Panel discussion (Bank officials)	4
8	M ₉	Project Feasibility - Economic, Technical, Financial - Sources of Assistance - (EIED/MED)	4 3
9	P ₇	Project Identifications - Group exercise, group presentations & discussion	4
	M ₁₀	Business Planning	3

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10	M ₁₁	Marketing <ul style="list-style-type: none"> - Orientation - Consumer behaviour - Sales presentation - Sales promotions - Pricing - Packaging, Handling, Distribution - Market Survey 	7
11	P ₈	Market Survey (Group exercise - field)	7
		Market Survey (Group exercise - field)	7
12	M ₁₂	Marketing Plan	1 1/2
	P ₉	Preparation of a marketing plan (Group exercise, preparation & discussion)	2 1/2
	M ₁₃	Productions <ul style="list-style-type: none"> - Introduction - Production Cost - Quality Control - Productivity - Product Innovation - Appropriate Technology 	3
13	M ₁₄	Production Planning	2
	P ₁₀	Production planning (Group exercise, presentation, discussion)	2
	P ₁₀	Business Game on Production & Marketing	3
14	M ₁₅	Finance <ul style="list-style-type: none"> - Recording 	
15	P ₁₁	Finance <ul style="list-style-type: none"> - Record keeping practicals 	7

16	M ₁₆	Financial Analysis	4
		- Capital requirement in starting a Business	
		- Sources of funds	
		- Sales Revenue	
		- Operational Cost	
		- Profitability	
	P ₁₂	Practicals on Financial Analysis	3
17	M ₁₇	Human Aspects	4
		- Human relations	
		- Job satisfaction	
		- effective communication	
		- Physical working conditions	
		- Incentives, Labour motivations	
		- Labour productivity	
	M ₁₈	Legal Aspects	3
		- Business registrations	
		- Labour laws	
		- T.T & Tax payments	
		- Environmental regulation	
		- Food laws & Quality standards	
18	P ₁₃	Industrial visits findings & discussions	12
19	P ₁₄	Project selection - by individual participants	3
	M ₁₉	Briefing on project preparation & data gathering	4
20	P ₁₅	data gathering by individual participant	8
21	P ₁₆	data gathering by individual participant	8
22	P ₁₇	data gathering by individual participant	8
23	P ₁₈	Preparation of business plans by participants with the help of resource persons	8
24	P ₁₉	Preparation of Business Plans	8
25	P ₂₀	Preparation of Business Plans	8

26	P ₂₁	Project presentation, to the panel (Teams/EIED/Banks)	
27	P ₂₂	Project presentation to the panel (Teams/EIED/Banks)	8
28	P ₂₃	Course evaluation & preparation for follow-up	3
		Closing Ceremony	1

Instruction (M) - 67
 Practicals (P) - 130
 Total - 197 hrs -

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ANNEX 7

SAMPLE AGENDA FOR ENTREPRENEUR AWARENESS PROGRAM

na

AWARENESS PROGRAMME - VICTORIA

- Date : 18 October, '94
- Venue : Demala Maha Vidyalaya, Rajawella
- Sponsor by: EIED/ MEA/ MED
- 09.30 - Welcome speech - DM Kotmale
- 10.00 - Importance of Enterprise Development in Victoria Project - RPM Victoria
- 10.30 - Why we should think on Enterprise and Entrepreneur Development in Victoria Project - D/D (ED)
- Objective and role of EIED/ MED towards the Development of Enterprise
- 11.00 - 11.15 (a) Objectives & approach - Director/ EIED
- 11.15 - 11.30 (b) Financing & credit - Mr.M.W. Panditha
Credit Advisor/ MED
- 11.30-11.45 - (c) Skills development - D/D (ED)
- (d) Technology development - Mr. A.Thalgodapitiya
D/M EIED
- (e) Field Business Centre assistance & follow up - D/M Kotmale & A/M Victoria
- 11.45 - Strategy to get more participation from Aspiring Entrepreneurs - FBC Kotmale
- 12.15 - Sharing of experience - Existing entrepreneur from the system
- 12.30 - Discussion time
- 12.45 - Vote of Thanks - A/M Victoria