

IDENTIFICATION DATA

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

| Project No. | Project Program Title | First PROAG or Equivalent (FY) | Most Recent PACD (Mo/Yr) | Planned LOP Cost (000) | Amount Obligated to Date (000) |
|-------------|---|--------------------------------|--------------------------|------------------------|--------------------------------|
| 383-0090 | Mahaweli Enterprise Development Project | 88 | 3/95 | 15,000 | 10,900 |

ACTIONS

| E. Action Decisions Approved by Mission or AID/W Office Director | Name of Officer Responsible for Action | Date Action to be Completed |
|--|--|-----------------------------|
| Action(s) Required | | |
| 1. Extend PACD to end December 1995 | Nishihara/Mahinda | 1/31/95 |
| 2. Strengthen Mahaweli Business Centers to Improve Sustainability of benefit streams. | Nishihara/Mahinda | 12/31/95 |
| 3. Develop strategy for restructuring Savings and Credit Societies. | Nishihara/Mahinda | 3/31/95 |
| 4. Develop Mahaweli Business Centers (MBC) linkages with TIPs, AgEnt, NGOs, GSL and Private Sector Business Promotion Organizations. | Nishihara/Mahinda | 6/30/95 |

APPROVALS

F. Date of Mission or AID/W Office Review of Evaluation: _____ (Month) _____ (Day) _____ (Year)

G. Approvals of Evaluation Summary and Action Decisions:

| | Project/Program Officer | Representative of Borrower/Grantee | Evaluation Officer | Mission or AID/W Office Director |
|--------------|-------------------------|------------------------------------|--------------------|----------------------------------|
| Name (Typed) | Richard Nishihara | Sunil Amarasinghe | Kim Kertson | David Cohen |
| Signature | | | | |
| Date | 3/29/95 | 6/4/95 | 3/29/95 | 3/29/95 |

ABSTRACT

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

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 to accelerate the creation of permanent private enterprise employment in small, medium and large enterprises and to strengthen GSL commitment to market-oriented approaches to Mahaweli development. The three principal components of the project included policy assistance, support to small and microenterprises and support to medium and large enterprises. Over the four years the project faced considerable difficulties in attracting both domestic and foreign investors to locate in the Mahaweli areas. The principal successes of the project have been in the small and microenterprise sector. Consequently, the scope of work directed that this Final Evaluation concentrate on the small-scale enterprise component and 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. The project is implemented by the Employment, Investment and Enterprise Development (EIED) Division of the Mahaweli Authority of Sri Lanka (MASL). Principal technical assistance was provided by the Institute for Science and Technology, Inc. (ISTI) and Development Alternatives, Inc. (DAI). A key feature of the implementation of the project was the establishment of twelve Mahaweli Business Centers (MBCs) throughout the Mahaweli areas. These centers have provided services to assist small and microenterprises in the areas of technical assistance and training, facilitating access to credit through existing financial institutions and to obtain government land in the Mahaweli to develop enterprises. These centers have also assisted investors to locate and prequalify farmers for contract outgrower arrangements.

The methodology of this evaluation included the a review of project documents, interviews with contractor staff in Washington, DC; initial discussions with EIED/MED staff, MASL officers and USAID/Sri Lanka staff; an eight day field trip was made to Systems H, G, B & C and Kotmaie to interview Mahaweli Business Center (MBC) staff and a sampling of entrepreneurs assisted by the MBC staff in the various areas; follow-up 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 and submitted; following discussions with the various stakeholders in the project, a revised, final draft report was prepared and submitted and a joint debriefing was held to discuss the final draft report prior to the departure of the evaluator.

Key project successes include:

- A net increase in 4,789 full-time equivalent jobs in micro-enterprises and (SSE's) assisted by the project.
- A net increase in 5,555 full-time equivalent jobs in medium and large enterprises (MLE's) assisted by the project.
- Project Purpose and Output Targets for the small-scale enterprise component were achieved or exceeded in almost all cases.
- EIED and MED Project staff have excellent working relationships & institutional development has been effective.
- EIED now considers its work in small and microenterprise development as its primary concern. The Mahaweli Business Centers (MBCs) have become the cornerstone of EIED's efforts in the MED Project.
- 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 MBCs have succeeded in facilitating direct loans from banks to entrepreneur clients. MBCs also have been responsible for the formation and initial operation of the Savings and Credit Societies (SCSs) as well as facilitating loans from banks to SCS members.
- 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.

Key areas requiring further efforts include:

- The experiment with the Savings and Credit Societies (SCSs) has provided some valuable lessons over the past two years in regard to time spent on formation, 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. Thought should be given to possible linkages between the SCSs and MVCC to develop synergies.
- The Management Information System (MIS) is functioning effectively to meet most project needs. However, inaccuracies still exist in the client databases - largely under-reporting problems.

Lessons learned include:

- Attracting medium and large-scale investors to the remote locations in Mahaweli seems far more difficult than stimulating local entrepreneurs.
- Outgrower arrangement is a cost effective way of promoting micro-enterprises and raising farmer incomes.
- Sustainability of rural credit intermediaries must be carefully analysed at the time of formation or facilitating such on intermediary.
- Business Centers offer viable option for enterprise promotion.

COSTS

1. EVALUATION COSTS

| 1. Evaluation Team | | Contract Number OR TDY Person Days | Contract Cost Or TDY Cost (U.S. \$) | Source of Funds |
|--------------------------------------|--|------------------------------------|-------------------------------------|-----------------|
| Name | Affiliation | | | |
| Stephen C. Silcox | Management Systems International, Inc. | 383-0090-C-0031-00 | 40,000 | Project |
| 2. Mission/Office Professional Staff | | 3. Borrower/Grantee Professional | | |
| Person-Days (Estimate) 15 | | Staff Person-Days (Estimate) 35 | | |

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

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

Address the following items:

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| <ul style="list-style-type: none"> • Purpose of evaluation and methodology used • Purpose of activity(ies) evaluated. • Findings and conclusions (relate to questions) | <ul style="list-style-type: none"> • Principal recommendations • Lessons learned |
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Mission or Office:
USAID/Sri Lanka

Date This Summary Prepared:
November 8, 1994

Title and Date of Full Evaluation Report:
Final Evaluation of Mahaweli Enterprise Development

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 policy assistance, support to small and microenterprises and support to medium and large-scale enterprises.

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 a senior associate of Management Systems International, Inc. 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

- Established 12 Field Business Centers which have increased the income and employment opportunities in the Mahaweli region through promotion of non-farm micro and small businesses and agribusinesses based on contract outgrowers growing diversified export crops.
 - Instituted a land titling program which has finally started a process of issuing titles or leases to individuals. The project also started a process of privatization of unused GAL assets.
 - Instituted an innovative approach to rural credit through Savings and Credit Societies. To date the project has formed 65 societies with 773 members.
 - Provided extensive marketing information and data for use by Mahaweli firms and of benefit to firms throughout the country; helped launch a fresh produce export cold chain; improved a 200 ha cashew plantation; and completed 14 pre-investment programs to support new investment.
 - 13,807 people have increased their income through full or part time employment. Thereby approximately 69,035 people (including family members) have become direct beneficiaries of the project. These employment opportunities resulted from micro-enterprises, self-employment and medium and large enterprise development.
 - A total of 1,900 small scale entrepreneurs have received bank loans through project interventions.
 - 6,219 clients who have benefitted from business consultations provided by the project. Of these 1400 were women.
 - 9600 participants who have been trained in entrepreneurship development and/or skill development.
1. The indicator for attainment of the project purpose of 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 Deputy Managers and Assistant Managers 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.

SUMMARY (Continued)

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 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 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.
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 GAL. 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 to 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 GAL has evidenced a clear commitment to support the MBCs after the completion of the MED Project, it is not yet certain at what financial level that commitment will take. 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, upto date data entry
 - 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.

ATTACHMENTS

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

COMMENTS

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

Mission finds the report to be a thorough and valid reflection of the Project