



Enterprise for Pro-poor Growth

Fifth project progress report

19 July 2007 to 18 January 2008

Colombo, February 2008

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Acronyms

EYB	Expand Your Business
GA	Government Agent
KAB	Know About Business
LOCA	Local Competitive Advantage
MSME	Micro, Small and Medium Enterprise
NIE	National Institute of Education
SIYB	Start and Improve Your Business
SLIDA	Sri Lanka Institute for Development Administration
VCD	Value Chain Development

1. Introduction

This report provides an update of the progress of the Micro and Small Enterprise Development for Pro-poor Growth project, Enter-Growth for short. It considers progress on each of the outputs, impact-related issues, cross-cutting issues and project management.

2. Work done

This Chapter reports on project progress against planned outputs.

District level - Immediate objective 1

Expanded markets for services and products of micro and small enterprises of women and men in the North-West and North-Central provinces, through increased productivity and competitiveness, a stronger demand orientation, and better market linkages.

Output 1.1

The supply strengthened of business services and skills training that enable women and men in MSEs to increase their productivity, offer more market-led products and services, and develop market linkages.

Progress:

The table below updates the number of LOCAs and local Value Chain Development (VCD) exercises that have been conducted.

District	Completed		Ongoing	
	LOCA	Value Chain	LOCA	Value Chain
Anuradhapura	4	1	1	
Polonnaruwa	3	2	1	
Puttalam	5	1		1
Kurunegala	1	3		1

In line with the recommendations of the Strategic Review of January and the project team's retreat in March, the project has continued to focus more on **value chain development**, selecting those that have significant potential to affect the local economy and meet the pro-poor growth criteria that are also outlined in the review report – is it pro-poor, is it pro-growth, and is change feasible.

Value chain projects are being carried out at two levels, the local (several divisions, or a district), and the regional (cutting across districts). **At local/district level (Local VCDs)** the project is currently implementing one on the salt industry in Puttalam district. Two have been implemented in late 2007 in Kurunegala (rice-based products and handloom) for which proposals are currently being followed up by partner organisations and facilitators. Two further exercises are planned, one in Polonnaruwa (either cane-based products or beauty culture sector, starting mid-February) and one in Anuradhapura (fruits and vegetables, also starting mid-February).

The Local-VCD exercises combine the value chain approach with the LOCA methodology. Like the LOCAs conducted during this reporting period, they are now not conducted by the project but contracted out to partner organisations. However, the Enter-Growth district manager still needs to provide guidance and support the implementation of proposals generated.

Some recent activities that came out of LOCA and Local Value Chain Development exercises (excluding with regard to regulations, see Output 2.4):

- 50 vegetable growers in a division in Anuradhapura linked to the national market.
- More carpenters registered and licensed in Anuradhapura.
- Improved access to medicine for dairy farmers in a division in Anuradhapura.
- Establishment of a local travel agency in Anuradhapura.
- Training of tourist guides in Anuradhapura.
- Export market linkages created for 20 floriculture enterprises in a division in Puttalam.
- Establishment of a coir briquettes enterprise in a division in Puttalam.
- Ministry of Rural Industries approval of a budget to promote coir added-value manufacturing in a division in Puttalam.
- Work ongoing to increase the safety of coir milling drums (Puttalam).
- A plan drafted to reduce water pollution from coir mills in a division in Puttalam, budget under consideration.
- Introduction of a new brick making machine in Polonnaruwa, to increase productivity.
- Three more veterinarians assigned in Polonnaruwa, to improve service provision.
- Weed reduced in tanks in Polonnaruwa, to increase productivity of fresh water fish.

At the regional/provincial level (Regional VCDs) the project is bringing together district level work under four initiatives that cut across districts:

- *Coir (Puttalam and Kurunegala)*: This exercise was started in late May and contracted to the Industrial Development Board for implementation. Results were presented to all relevant stakeholders in August. A steering group has been set up to facilitate the implementation of proposals. Findings and proposals are currently being published as a booklet and disseminated for wider use. Several follow-up meetings have been conducted. The proposals include promoting manufacturing of value added coir products; strengthening small business associations; improving access to information on business development services; improving quality of work (developing a Good Working Practices document); improving collection and utilisation of husk; and development and introduction of Good Manufacturing Practices. Most of the proposals are rather ambitious and commitment from stakeholders has been difficult to obtain. The project has therefore decided to initially focus on the smaller proposals that are easy to implement and require fewer resources (e.g. SBA training, BDS

information). The project is also looking for a partner organisation to develop a good workplace practices document. Initially promising contacts with Oxfam and a GTZ project failed to bring results.

- *Dairy (all four districts)*: This exercise started mid-August and was contracted to a private service provider (Irritech) for implementation. Results of several weeks of interviews and focus group discussions were presented to stakeholders in October. Similar to the coir project, a steering group has been formed, which met twice. A booklet is currently being printed in order to publish findings and proposals more widely. The proposals include development of Good Agricultural Practices guidelines; improving public-private dialogue on the sector; establishment of more breeding farms and improving access to artificial insemination; strengthening farmers' associations; promoting dairy processing by MSEs; improving input supply for farmers and processors; improving quality and availability of services. The project is seeking the support of the central government Ministry of Livestock Development to implement some of the proposals. Good progress is already being made with the establishment of private sector breeding farms.
- *Cut flowers and foliage, ornamental plants (all four districts)*: This exercise started mid-November. The Export Development Board in Kurunegala is the host organisation. Research is currently being completed by writing up findings and proposals into a booklet, which will be presented to stakeholders on January 21.
- *Packaging (all four districts)*: Packaging is a cross-cutting sector and has been identified as a major concern for MSEs. A team of facilitators has been selected to implement the project. The overall coordination will be done by the Dambadeniya Development Foundation in Kurunegala. A start-up event is being organised for February 8. This will serve to develop an initial assessment of the sector and inform stakeholders about the initiative.

Regional VCD exercises generate more long-term and strategic proposals than those which are local. Such proposals require more (financial) resources and greater collaboration among stakeholders, and are therefore more difficult to implement. In general, it has been as difficult to get private as public sector commitment. In response, the project will see that short-term and easy to implement proposals will be generated as well.

A value chain development training will be conducted from February 11 to 14 to increase the number of VCD facilitators.

The project is continuing work on the **improvement or development of new business services** that was initiated in 2006.

Packaging training: Service providers were trained under a previous reporting period. The service continues to be provided (9 seminars so far). A refresher training of providers will be conducted in February.

Upgrading private sector training providers of garment making: The training of more than 100 trainers of garment producers, nearly all from the private sector, was completed. The training was conducted by the Clothing Industry Training Institute. This aimed at upgrading their skills in selected areas, which should result in higher quality garments produced by those they train. Feedback has been positive. Impact will be assessed in the first half of 2008.

E-commerce: The project has moved this work to the national level, under new output 4.5.

Improving business ethics: A first 25-minute episode of a possible tele-drama series was finalised under the previous reporting period. Three more episodes are being produced and proposals are being sought for an additional nine. Discussions are ongoing with TV stations to interest one in broadcasting the full series.

Services to help MSEs communicate with larger markets: Some fifty communication service providers participated in a two-day training on marketing of communication services. A database was developed of translators who can be contacted through communication service providers to translate business letters. Other interventions planned include developing templates for business letters, management training and support to developing associations.

Private veterinary services for artificial insemination: There was no further progress in this area.

Investment promotion: In Polonnaruwa, Anuradhapura and Puttalam presentations on regional investment promotion resulted in discussions among MSE Forum members on how to set up an investment promotion unit in District Chambers of Commerce. With support from Enter-Growth, an action plan and a proposal were prepared and presented to national level organisations, such as the Ministry of Enterprise Development and Investment Promotion, Federation of Chambers of Commerce and Industry, Board of Investment, National Enterprise Development Authority and the Inventors' Commission. The reactions were positive and the main task is now twofold: to define the roles of the organisations involved and to find funding. The project follows up on this together with district MSE forums.

Output 1.2

The demand strengthened for business services and skills training that enable MSEs to increase their productivity, offer more market-led products and services, and develop market linkages.

Progress

Business service fairs are planned again for March 2008. Satisfactory proposals have been received for Polonnaruwa and Anuradhapura. Stakeholders in Kurunegala prefer to delay the fair to August and possibly make it a joint undertaking with the Provincial Ministry of Agriculture. The Puttalam fair may also be held in August. Follow up on the 2007 fairs (interviews by phone with exhibitors) indicated a modest though significant effect on demand for services.

Business services continue to be promoted through the Palama campaign. At the end of performances the theatre groups distribute a leaflet that indicates for all service providers in the District what they offer and how they can be contacted. Appreciation of the leaflet is high, among providers as well as the audience.

The project's work on **provincial databases** that include information on buyers and suppliers, services, and Government regulations will be completed by end-February. The web site has been designed (www.bizinfo.lk), but additional data need to be entered. The information on regulations collected for the database has been provided to the Government Information Service, a call centre, for inclusion into its knowledge base. GIC (Government Information Center) has asked for Tamil and English translations, which are being made. Training of users of the database, including communication service providers, will be carried out in the first quarter of the year.

Output 1.3

MSEs' and MSE starters' access to financial services improved through stronger linkages between representative organisations, service providers and Government on the one hand and financial institutions on the other

Progress

A networking workshop was conducted in Polonnaruwa for BDS providers and financial service providers. Over 40 attended and relationships were initiated and strengthened. Some BDS providers agreed to support banks to identify clients for different loan products. More such workshops are envisaged.

LOCAs and Local VCD exercises have continued to contribute to better access to finance for some of the involved enterprises. Regional VCD exercises have contributed to new loan schemes, for instance targeting the dairy sector. Financial service providers also report that the Palama campaign increases demand for loans.

District level – Immediate objective 2

A policy, legislative and regulatory environment in North-West and North-Central province that is conducive to the growth of micro and small enterprises by women and men, and will bring more of them into the formal economy.

Output 2.1

A dialogue established and sustained between provincial, district and local authorities, MSEs, and business service providers

Progress

The **MSE Forums** continue to meet regularly (every 6 weeks on average) and address constraints in the local business environment. The process of handing over the secretariats is continuing. In Puttalam the District Chambers and the Small Enterprise Development Division have taken over this responsibility for the greatest part. They organised a public event to mark this fact, and have also conducted a number of division-level events to promote the forum. In Anuradhapura the Industrial Development Authority has taken over some functions and discussions are ongoing to also involve the Chambers. In Polonnaruwa the District Chambers of Commerce has taken on the task but more support is required to make this function satisfactorily. In Kurunegala the Industrial Services Bureau has been asked to take the responsibility, but has still not taken action.

As foreseen in the project's sustainability strategy, capacity building of the forums has continued. A two-day training on Local Economic Development and Decent Work was provided to 32 forum members. The project also held a second one-day experience sharing workshop for the forums. This event was also very well attended, by 40 members. Improving economic governance was among the topics discussed, based on the index for different local governments recently published by the Asia Foundation. Ways to make the forums more effective were also considered.

The Steering Groups established in the context of the Regional Value Chain exercises are another public-private dialogue sector mechanism the project is promoting. These groups are meant to monitor, guide and support the implementation of proposals that come out of the exercises. They should also function as a forum for broader dialogue. It is too early to say how effective they are. The groups established for coir and dairy have met several times and had lively exchanges of views. So far, however, they have not been effective at mobilising the resources and commitment required to implement proposals.

Output 2.2

Representative organisations of female and male-owned MSEs developed and strengthened to enable them to participate effectively in a dialogue with the authorities and to facilitate their members' access to services and markets.

Progress

The **association strengthening manual** was finalised (in English and Sinhala) with a new section on facilitating the establishment of associations. A refresher training of 10 facilitators was conducted in December.

The project has run, in collaboration with trained facilitators, a number of introductory sessions on the service, to help promote it. This made use of local association success stories. The project also developed and disseminated a promotional brochure. So far, facilitators mainly use the manual in their counselling work, as few have been allocated a budget to provide the service. At the same time, association leaders find it difficult to pay for the service. On the other hand, LOCA and value chain work continues to demonstrate the strong need for association strengthening, in particular for marketing purposes and better integration of value chains. The work of associations with the MSE Forums also demonstrates the important role they can play in public-private dialogue. In this context there is some pressure on the project to subsidize the service itself, which is not in accordance with its role.

The Small Enterprise Development Division is expected to include small business association strengthening in its budgets for this year, so this situation may improve. This comes following a request to train its facilitators from offices across the island. This was done in December as well (18 trained).

The **formation or revitalization of associations** through LOCA and VCD exercises is continuing. However, this is not a one-way process. Some of the associations formed have failed. District Chambers continue to benefit from the project by being involved in the MSE Forums and developing a dialogue with the authorities.

Output 2.3

The capacity of provincial, district and local authorities strengthened to create and maintain an enabling policy, legislative and regulatory environment for MSE development by women and men, within the framework of national policies for poverty reduction and MSE promotion.

Progress

Work carried out in the previous reporting period resulted in an agreement with the Sri Lanka Institute of Development Administration (SLIDA) to develop and conduct a 2-day training programme in all the 76 divisions in the target districts for approximately 3,500 public officials concerned with business registration and licensing at the district, divisional, Grama Niladhari and Pradeshiya Sabha levels. The objective of the training is to improve business regulation services provided to MSEs and to make the regulatory procedure and its implementation more efficient. For the training programme, SLIDA has developed a business registration and licensing manual, encouraging the officials to take a more customer oriented approach as well as making implementation more uniform. In order to computerise business registration and licensing, SLIDA has also developed a business registration database to be used by all the business registration and licensing officials. Enter-Growth has developed a leaflet, targeting unregistered enterprises and outlining the advantages of being legally established. The leaflet will be presented during the training programme and then disseminated to the target group by the officials.

Enter-Growth and SLIDA have cooperated closely on designing the training programme as well as conducting a pilot training and the training of trainers. For this training programme, 20 local trainers from the districts and 5 SLIDA trainers were trained. The training programme consists of the following sessions and topics:

- MSE Awareness and national MSE policies
- Customer orientation, relationship between public official - MSE
- Why business registration and licensing is important
- Building relationships with other organisations
- The big picture of the business registration and licensing procedures
- Technical information about the regulatory procedures
- Introduction to a new business registration database

Each session consists of a presentation of the subject followed by an exercise to ensure the interaction and understanding of the participants. So far 25% of the training has been completed and the response from the participants is positive. Cooperating with SLIDA, which is the national institute for training of public officials, results in a very high turnout of participants.

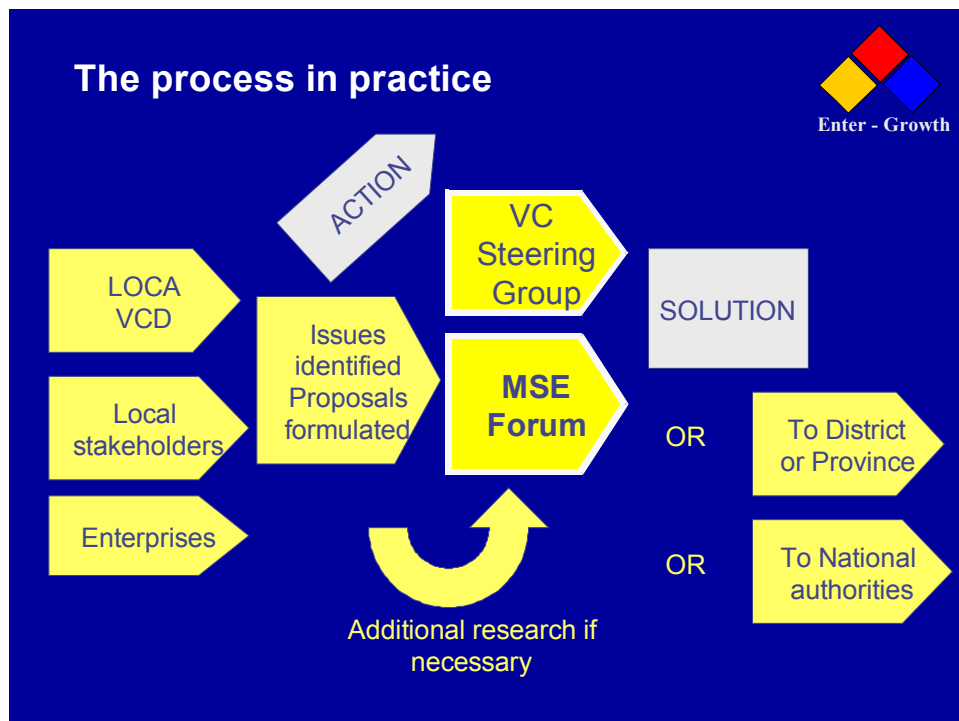
Enter-Growth is also collaborating with SLIDA on a longer-term intervention, the inclusion of private sector development courses in SLIDA's programme at certificate level and other relevant courses. A Memorandum of Understanding to that effect was signed between SLIDA and the project. The development of these courses started in August 2007 and will be ready in March 2008. This has the potential to affect a significant number of public servants with responsibilities related to economic development and improving the business enabling environment.

Output 2.4

Concrete improvements in the policy, legislative and regulatory environment realised benefiting women and men.

Progress

The mechanism for identifying and addressing regulatory issues, described in some detail in the previous report, continues to function. It is summarised in the slide below. The same process brings up issues in market access and the need for training and other services. The mechanism was broadened by the work on Regional Value Chain Development, which results in the establishment of Steering Groups that are meant to play a key role in following up on the proposals that came out of these exercises.



Annex 2 comprises a table that presents the progress and status on the different issues that are being addressed. Recent successes are:

Carpenters in two Divisions in Anuradhapura obtained help from the MSE Forum to obtain the necessary documents from specialised authorities to register their business. Double taxation of enterprises in the Mahaweli area (irrigation scheme) has been addressed through members of the MSE Forum. So far the tax rate has been amended for four enterprises.

The delayed issuance of long-term lease agreements in the Mahaweli area has been addressed through MSE Forum members, making it easier for enterprises in this area to obtain loans and sell their land since they cannot obtain permanent land titles. So far a few enterprises have received their long-term lease agreement.

District level – Immediate objective 3

Authorities and communities in which the poor predominate regard starting and growing micro and small enterprises by women and men as a socially and economically attractive activity.

Output 3.1

A campaign to promote enterprise culture carried out in the target Districts.

Progress

Training of the Puttalam and Anuradhapura Palama theatre groups was completed in December, and the campaign was launched there that month as well. Leaflets on BDS providers, for distribution at performances, have been developed for both districts. Scripts and performances have been reviewed in detail to ensure cultural appropriateness and unambiguous messages about enterprise. The reaction of audiences has been good. Both groups are, however, not large enough and will be strengthened with actors trained with the Kurunegala group. This training will be completed by the end of January, and the campaign will be launched there in early February. Scripts have just been finalised.

In Polonnaruwa the campaign will be completed by the end of January. Enter-Growth has assisted the theatre group to be registered as a company and develop a business plan. Management training has been provided as well, and the project will continue to provide assistance to link the group to possible clients.

So far an estimated total of 101,000 people have participated in Palama performances, most (93,000) in Polonnaruwa. This already exceeds original expectations by some 100%.

However, the training of the groups has taken significantly longer than expected. The project is therefore considering not to go ahead with the mass media work which was originally foreseen, unless additional sources of funding are identified. TV is expensive and can be expected to have an impact only when messages are repeated frequently and over a long period of time, which makes it even more costly. The quasi-experimental study done earlier, on the other hand, indicates that the forum theatre events are effective. Although outreach is much more limited than of TV, the project's priority is to change attitudes to enterprise in the target districts rather than nationwide. It would therefore seem justifiable to use savings made by not expanding the campaign into mass media for more forum theatre work, thereby making more use of the considerable investment that was made in the groups' development.

The project does plan to go ahead with several activities in the target districts that should reinforce the forum theatre messages, such as wall painting at schools and dissemination of stickers. Already it has produced calendars which feature entrepreneurs from the districts, making use of the photographs taken last year for exhibition at the service fairs. The calendars are being distributed to stakeholders, offices and commercial places.

Output 3.2

Know About Business progressively introduced into vocational and technical training.

Progress

There were no further trainers trained in this reporting period, and a refresher training was postponed due to other priorities.

The project and Master Trainers completed the editing of the Sinhala version of the manual.

The use of KAB in the project districts continues in schools under the Vocational Training Authority and the National Apprentice and Industrial Training Authority.

Output 3.3

Support provided to the introduction of entrepreneurial studies in the education system.

Progress

Some delays in curriculum development as well as training of Master Teachers were incurred due to rescheduling by the NIE. In September, October and November the project provided technical assistance to the training on the new Entrepreneurship Studies (as it is now called) courses of 250 secondary school teachers, which was not originally foreseen. The training was conducted by the National Institute of Education. The training of further Master Teachers is planned for March.

From February on the project expects to support the development of the Entrepreneurship curriculum and course materials for grade 12.

The Ministry of Education has maintained its decision to keep Entrepreneurship Studies and Business Studies and Accounting in the same basket of courses, thus forcing students to select either one or the other. Enter-Growth is approaching the new Secretary to take this matter up again, as the subjects are complementary and most teachers promote the course they are familiar with, i.e. Business Studies.

The project and the National Institute of Education developed two posters to promote Entrepreneurship Studies, one aimed at students, the other at parents. These will be disseminated to schools later in the year.

National level – Immediate objective 4

Greater access countrywide to market-led, sustainable business services for micro and small enterprises owned by women and men.

Output 4.1

The SIYB Association enabled to technically fulfil all its mandated functions with regard to sustaining the national SIYB programme.

Progress

Apart from assistance related to HIV/AIDS (see below) and participation in Executive Committee meetings no support was provided or required. The Association is successful and sustainable.

The project commissioned a case study of the Association and the SIYB programme, to identify the key reasons for its success and draw lessons for conventional BDS programmes internationally. This has been completed. Apart from confirming the Association's success, the study points out that it appears to lack adequate strategic direction. It needs to look beyond SIYB and related services, and beyond services, to remain relevant and continue to play a dynamic role in small business development. The project will take this up with the Executive Committee.

The project found that the capacity to provide SIYB training in its four target Districts was inadequate and will support the training of 20 additional trainers, in February.

Output 4.2

The SIYB Association and Partner Organisations supported in marketing the SIYB programme in the North and East of Sri Lanka.

Progress

This output was completed under a previous reporting period. SIYB has continued to be provided in the North and East, as reported in the table below. The most recent figures cover half a year only and will still increase when delayed reports are received. An expected decrease in the number of programmes is largely due to the security situation.

Period	Programmes	Trainees
July 2004 to June 2005	10	186
July 2005 to June 2006	35	656
July 2006 to June 2007	42	751
July 2007 to Dec. 2007	18	293

Output 4.3

A commercially, technically and institutionally sustainable EYB programme under the national SIYB programme.

Progress

The partnership between the SIYB Association and the Sri Lanka Institute of Marketing (SLIM) for the promotion and delivery of Expand Your Business (EYB) was not a success. SLIM was neither proactive nor committed and no results were achieved. In consultation with trainers and the project the Association has started to market the programme on a modular basis. This has resulted in five modular workshops with a total

participation of 28. Either the programme is not reaching the right target group (growth oriented entrepreneurs) or this group is unwilling to pay the full price of the course.

Earlier experience, when EYB was subsidized by a number of organisations, seems to point towards the second possibility. It was for this reason that it was decided to deliver single modules, to lower the initial cost and hopefully attract participants to other modules. The Association will continue to pursue this. It has also been agreed, though, that the principle that EYB should be commercially viable and therefore fully paid by participants will be abandoned. The Association and the project have tried to market the programme on the basis of this principle in a number of ways, but have not been successful. Earlier, with subsidies from donors or the Government, EYB has reached growth oriented entrepreneurs and helped them expand their business and create jobs. It has to be concluded that under current market conditions for BDS in Sri Lanka subsidies for this type of service are expected and/or necessary, and providers will therefore be encouraged to seek such support.

Following participation of the SIYB Association's CEO and the project deputy manager in a global ILO workshop on EYB it was agreed that the new operations management module should be pilot tested and finalised. This is foreseen for the first quarter of the year, in conjunction with a refresher training of trainers.

Output 4.4

Commercial small business radio and/or television programmes established that provide information, offer a forum for discussion, and strengthen the demand for business services.

Progress

The previous report indicated that little progress was being made. To reinvigorate the project's work in this area an international consultant was assigned to provide training on small business programme production to 5 of the stations Enter-Growth is involved with. Supported by the project's national consultant, he:

- Provided journalism and production training to 56 reporters, producers, presenters, editors and camera operators.
- Provided marketing training to 45 advertising sales representatives.
- The training seminars and informal discussions included several top managers.

The assignment was much appreciated and resulted in much goodwill and better programming skills. However, the reality remains one of some programmes having been phased out and few concrete steps being taken towards broadcasts dedicated to small business, although coverage of relevant issues and news in other programmes has increased. Stations quote the political and security situation as a major consideration – news on these is plentiful and has priority. In the case of Tamil language programmes, few resource persons are willing to step into the public eye. Finally, sponsors are cautious and prefer to advertise on entertainment programmes.

The current status is as follows.

Television station	Status
Channel Eye	<p>Weekly business segments which had been introduced in Tamil did not continue regularly, due to a decision of the Sri Lanka Rupavahini Corporation (SLRC) management to use the channel for various live telecast programmes while keeping original schedules on its main Sinhala language channel Rupavahini. Further, lack of skilled production staff has seriously affected the programme division.</p> <p>However, the station has not dropped tentative plans to commence a programme segment on small business news on weekends, as promoted by Enter-Growth.</p>
Vanguard	<p>Vanguard continued to produce business programmes in English which are broadcast on the ETV, Lanka Business Online and Lanka Business Report. These include some coverage of small business. Vanguard is much aware of the need for such coverage.</p> <p>It has also launched a Sinhala language news and information website since February 2007 which includes coverage of small business. Though internet use is still very low in Sri Lanka, the website www.vimasuma.com is likely to capture Sinhala language web users in the months to come.</p> <p>As reported earlier the broadcast of 'Lanka Viyaparika Puwath' – Sri Lanka Business News on TNL TV was discontinued. Vanguard programmers are looking for other stations to launch a programme with a focus on small business, but there is no progress so far.</p>
TNL TV	<p>Business segments were continued on the weekly program 'Rhythm of Life', in Sinhala. This business segment contains interviews of business persons, but most are sponsored by those interviewed. The station also broadcasts a weekly half-an-hour programme in Sinhala promoting microfinance and micro enterprises sponsored by Ceylinco Grameen, a microfinance service provider. This was not facilitated by Enter-Growth.</p> <p>TNL was considering the launch of a half-an-hour program devoted to small businesses but this has been delayed due to financial constraints and under-staffing. It is unlikely to happen soon.</p>
Max TV	<p>There has been no progress and contact with this station has ceased.</p>
Derana TV	<p>Sinhala language Derana TV broadcasts several business news programmes. The new Manager Programmes, who received project training, has started including small</p>

	enterprise related stories. In addition, Derana started a weekly half-an-hour business programme, 'Vanija Vitti', which includes significant coverage of small enterprise and case studies of successful small business persons. The advertising department has expressed interest in marketing a programme fully dedicated to small enterprise. Enter-Growth is discussing with the station how it could support this.
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Radio station	Status
Shakthi FM	The programme initiated on this Tamil language station last year was discontinued due to staff changes and lack of sponsors. The station has meanwhile been re-launched. The new Programme Manager has expressed interest in broadcasting segments on small enterprise, but Shakthi's new emphasis on entertainment is making this difficult.
Max Radio	Plans with this station are no longer pursued.
Uva Radio (SLBC) Ruhunu Sevaya (SLBC) Asura FM	Enter-Growth maintains irregular contacts with the Uva Radio and Ruhunu Sevaya through Matara Media House, by facilitating small business related segments, which are sometimes broadcast over an innovative half-an-hour weekly programme. Contact has ceased with Asura FM due to lack of progress.

Derana TV seems to offer the greatest scope for a programme dedicated to small business. In consultation with the project's international media consultant Enter-Growth is considering support to expanding, temporarily, its production capacity to enable the station to produce such programmes and find sponsors.

A guide on small business for the media was completed and published, and is now being disseminated to stations and journalists nation-wide. In addition two courses on business reporting and small enterprise have been run for regional journalists in the project area. The aim of both these interventions was to enhance the quality of and facilitate reporting on small business related news. Twenty-two journalists participated.

Output 4.5

Access to affordable e-commerce services increased for MSEs.

Progress

Originally part of the project's work on BDS at the district level, this was moved to the national level because interest in the districts was low and it was impossible to achieve the required economies of scale. The project continues to work closely together with Peoplink, the US NGO that owns and promotes an e-commerce software package for small businesses, formerly called CatGen, now OpenEntry.

The www.ExportSL.com market place which was developed with the National Chamber of Exporters of Sri Lanka is now fully operational and has begun to generate orders for the 13 exporters it includes. Enter-Growth trained Chamber's staff and members, and assisted the Chambers to set up an in-house IT department which will overlook and maintain the market place while providing support services to members. In order for the marketplace to operate independently from 2008 onwards, a working relationship was formed between the IT department and the OpenEntry customer support department situated in Nepal.

Enter-Growth also supported the establishment of www.metamart.biz, a marketplace launched and operated by the Federation of Chambers of Commerce and Industry of Sri Lanka. A large part of FCCISL's membership body is made up by MSEs, and the business model developed for the Chamber of Exporters was adapted to suit their different needs. As a result of the six training sessions and the establishment of FCCISL's electronic commerce task force, more than 600 products produced by over 40 small entrepreneurs have been made available for purchase on www.metamart.biz.

In order to operate a marketplace of this size, certain enhancements were requested of OpenEntry. Some of these improvements will be implemented in an upcoming version of the software.

The ICT Agency of Sri Lanka embarked on a pilot project to enable its Nenasala telecentres to become electronic commerce service providers in their respective regions. Through ICTA's community assistance programme grants, existing Nenasalas can upgrade their facilities in order to be able to provide electronic commerce services, using OpenEntry. Two Nenasala's from the Rajarata region were selected to participate in the pilot project and were provided with training and guidance. They are required to launch their catalogues by 31 January 2008. Such individual catalogues will eventually be integrated into an overall Nenasala marketplace.

Following meetings between PayPal, the international web-based payment system, and Peoplink last year, PayPal now accepts payments originating from Sri Lanka. Inward payments are not yet possible, though, and the FCCISL therefore works with Sampath Bank's Payment Gateway.

Output 4.6

Experience gained and lessons learned on district-level integrated MSE development incorporated in the Ministry of Enterprise Development and Investment Promotion's knowledge base, shared with relevant institutions at the national level, as well as with relevant authorities, MSE representative organisations and service providers in other districts.

Progress

Collaboration continued with the Federation of Chambers of Commerce and Industry on the establishment of District Enterprise Forums outside the project area, which are modelled on the MSE Forums. Thirteen forums are now operational. The project provides technical advice on their functioning. The Federation has obtained funding from Sida for a project that will, among other things, continue support to the forums.

At the request of an IOM project in Ampara Enter-Growth provided training and technical guidance to its staff on Local Value Chain Development. This is currently ongoing. Several Oxfam staff are expected to be included in an upcoming training of additional VCD facilitators. At the request of the Small Enterprise Development Division 18 facilitators were trained on small business association formation and strengthening.

The project has shared some of its experience with the Ministry of Enterprise Development and Investment Promotion by providing comments on the proposed national policy on enterprise development.

The development of certificate level courses on private sector development at the Sri Lanka Institute of Development Administration will also contribute to disseminating the project's experience and concepts. The courses will draw on these.

The project has continued to be an active member of the informal Regional and Local Economic Development coordination group, with GTZ and Swisscontact. Invitations to others to join were unsuccessful. Although as an information sharing forum the group is successful, attempts at collaboration have failed. A suggestion from Enter-Growth to organise a joint national event to promote local economic development approaches was not taken up on the grounds that it would probably not reach the right (high) level people.

The library on the project website (www.entergrowth.com) has continued to grow, especially with more reports on specific interventions.

Two project team members presented the Palama campaign at the Chiang Mai global seminar on Developing Business Service Markets and Value Chains. A 15 minute DVD was produced for this purpose. The presentation generated much interest. The DVD is being disseminated more widely and will also be included in the ILO's guidelines for promoting enterprise culture, which draw strongly on Enter-Growth's work.

The project's Local Value Chain Development guide is being used by an ILO project in Madagascar, and informal guidance is being provided to this activity. ILO China is also using the guide, following training conducted by Enter-Growth's consultant on value chains. A business service development project in Zambia will take up this work as well, in early 2008.

Following a presentation of the project's approach and lessons learned at ILO Geneva, the project has suggested that ILO should support a comparative study of recent "integrated" enterprise development projects (Viet Nam, Ghana, Sri Lanka and possibly a Latin American example). This would ensure that lessons are learned with regard to project design and what works under which circumstances, and reflected in future projects. The response was initially positive.

In summary: Enter-Growth's experience is shared widely and there is a clear demand for building capacity on some of the approaches it has developed, both in Sri Lanka as well as internationally.

3. Impact assessment

A detailed study on the anthurium value chain development work in Kurunegala was completed. It showed that after some initial successes problems arose in growers' links to collectors and exporters. These are now being addressed. It also indicated that in spite of increases in the price of flowers the impact on incomes and jobs has been small as anthurium growing is not the main source of income for most of the households. Most of the households can also not be considered poor. However, this value chain is competitive and more growers continue to enter it, with support from the Export Development Board. Enter-Growth continues to facilitate this work.

An intervention report on a LOCA in Hingurakgoda (Polonnaruwa) showed more positive results, with poor fishermen increasing their income due to a ban on fine-meshed nets; seed paddy farmers increasing their sales due to branding; small farmers generating extra income due to a buy-back system for poultry breeding; and more people entering the competitive ornamental fish breeding value chain (impact on income still to be assessed). There is a greater availability of credit for dairy farming, embedded services for ornamental plant growers and poultry breeders, and Government services for ornamental fish breeders.

A report on the work of the Thambuttegama Traders' Association and the MSE Forum in Anuradhapura to address double taxation and land ownership issues shows how the forum enabled the association to take its case to the responsible Minister. When this did not lead to action, the association organised a one-day shut-down of businesses in protest, which resulted in more promises at the highest level. Although the issues have not been solved yet, the study shows that it was membership of the forum that enabled the association to meet decision makers and that gave it courage to protest. Associations in other divisions have requested to join the action.

An intervention report on dairy value chain work in Kurunegala is being completed. It indicates improvements in service provision to dairy farmers, higher levels of investment, and increases in income.

It is important to note that the above was not achieved only or mostly due to Enter-Growth. The project facilitates, LOCA and VCD exercises catalysed ongoing or initiated new work, and in the end it is the involved stakeholders who made these results possible. The project considers its greatest successes those where stakeholders continue work independently, without further Enter-Growth facilitation.

The project has gone through a competitive bidding procedure to select a consultancy/research firm to conduct further impact assessments over 2008. The Sri Lanka branch of the Management Development Foundation was selected. It is starting work in February. The assessment of the work on enterprise culture will be carried out separately and has been planned to be completed by the end of July.

The table below updates the report against indicators that was included in the previous progress report. The first column gives the indicators, the second what the project has done or plans to so to assess impact, and the final column gives examples of signs of impact.

Indicator	What done or planned to assess	Signs of impact
<p>1.1 Two to three years after programme completion, poverty in the targeted districts has reduced more than in comparable districts not included in the programme, among women as well as men.</p>	<p>Assessing this indicator is beyond the scope of the project. Sida, the ILO and the Government could decide to do such an assessment after project completion.</p>	
<p>1.2 By the end of the project, personal incomes have increased by 15% and employment by 10% in targeted value chains at the local level, which will be selected on the basis of pro-poor, pro-growth and feasibility of change criteria.</p>	<p>A detailed case study of the anthurium value chain work was completed. Intervention reports have been done on results in the coir and the tourism value chain, a LOCA in Hingurakgoda, and work of the MSE Forum and a Traders Association in Anuradhapura. A report on the dairy value chain is in progress.</p> <p>The quantitative impact survey (for which there is a baseline) may show increases in income and jobs. This is now planned for late 2008, to be conducted by MDF.</p>	<p>The anthurium study shows increases in price for export flowers, from around 12 to 15 Rs., and for local market flowers from 4 to 6 or 7 Rs., which could eventually result in more income. The number of directly affected households is around 90.</p> <p>In coir some 35 local jobs have been created in one division, with wages 20% higher than usual.</p> <p>In tourism no impact on employment and incomes can be expected until peace is established.</p> <p>In dairy in Kurunegala marketing of fresh milk has resulted in price increases from 20 to 26 Rs. per litre for 95% of targeted farmers. Production has gone up as well. This is likely to have increased incomes.</p> <p>Incomes of fishermen in Polonnaruwa have increased due to regulation against using nets with a fine mesh. Small farmers have increased income due to a poultry breeding buy-back system.</p>

		Job satisfaction, as an indicator for decency of work, has increased for nearly 40% of targeted dairy farmers and is high for the large majority of anthurium growers.
1.3 Sales figures of MSEs in targeted value chains and localities in the two provinces increased by 20 % or more, for MSEs owned by women as well as those owned by men.	See 1.2.	<p>Sales of seed paddy farmers in Polonnaruwa have increased through branding and quality control.</p> <p>Sales have gone up for 57% of dairy farmers targeted in Kurunegala.</p> <p>Sales of anthurium growers in Kurunegala, went up and then down, due to collection problems.</p>
1.4 More MSEs have entered competitive value chains at the local level.	See under 1.2. This is also being monitored through LOCA and VCD follow-up.	Enter-Growth monitoring indicates that an additional 25 enterprises have started breeding tropical fish in Polonnaruwa after the value chain exercise done there, some generating employment for more than the owner. One hundred more are receiving support to start. 35 more people are growing anthurium and have entered the export value chain. This will increase by another 30. At least 30 have taken up commercial milk production.
1.5 Greater integration has been achieved in targeted value chains, through an increase in association or other group membership, other ways of horizontal collaboration, and greater collaboration between different levels in the value chain.	See under 1.2. This is also being monitored through LOCA and VCD follow-up.	Associations have formed among ornamental fish growers, pottery makers, seed paddy growers, poultry breeders, vegetable growers, light engineering enterprises, garment producers and brick makers. Anthurium growers are planning to join together in one association. The Tourism Association in Anuradhapura has become more functional. A cooperative is marketing vegetables from Kalpitiya. A women's cut flowers association is collaborating to expand their business.

		Collection points for fresh milk have been established in Kurunegala.
1.6 Business service providers in each district offer at least four new services or approaches that benefit men as well as women.	The project is monitoring delivery of services it has supported the establishment or improvement of. Services will be evaluated towards the end of the project.	LOCA and value chain exercises continue to be offered in all Districts, albeit generally with project technical and financial support. The skills of private sector garment making trainers were improved. Packaging training is on offer and has been delivered in 9 instances. Provision of dairy related services has improved in Polonnaruwa as well as Kurunegala as a result of assignment of new officers as well as private artificial insemination. In Polonnaruwa the Agricultural Department offers new training and information services to ornamental plants growers. The Export Development Board is providing more services to ornamental fish breeders in Polonnaruwa.
1.7 An increase of at least 20 percent in the number of MSEs who access business services, among women as well as men.	Follow-up interviews have been done with providers who participated in the business service fairs. An intervention report on the fairs will be done in the first quarter of 2008. Overall impact on demand will be assessed towards the end of the project, through interviews with service providers and an impact survey.	Service fair participants reported a moderate effect on demand for their services, but were unable to quantify this. 25% of visitors reported they found useful business services at the fairs. This translates into 37,500 people. 15% said they would follow up on contacts made.

<p>1.8 MSEs and starters in targeted value chains and localities have accessed financial services due to facilitation of better linkages.</p>	<p>This is being and will be covered through intervention reports and case studies, as well as interviews with providers towards the end of the project, and follow-up to LOCAs and VCD exercises.</p>	<p>A few enterprises in the coir sector and around 15 in anthurium (with 15 more in the near future) have accessed credit. Some 30 commercial farmers in Puttalam accessed credit through their cooperative. More credit has become available for commercial dairy farmers. Loans have been provided in Kurunegala for a milk collection centres, investments in cows and farms. Financial services providers involved in LOCAs and VCDs report that they identify good clients through these. They report that demand for loans increases as a result of Palama.</p>
<p>2.1 At least 10 regulatory constraints identified with MSEs have been solved.</p>	<p>This is being monitored by the project.</p>	<p>13 constraints have been solved to varying degrees. Some affect hundreds, others just a few enterprises (see Annex 1 for details).</p>
<p>2.2 Business registration in targeted localities in the programme's final year is up 15 percent or more compared to the first year, among MSEs owned by women as well as those owned by men.</p>	<p>This will be assessed through the impact survey as well as through business registry records, which have been collected.</p>	<p>The intervention has only just started.</p>
<p>2.3 Officials who participated in programme events express greater confidence in their capacity to provide a conducive environment for MSE development.</p>	<p>This will be assessed through evaluation sheets completed by participants and interviews and follow-up interviews.</p>	<p>The intervention has only just started. Early results show that the training is effective in terms of the indicator.</p>
<p>2.4 Authorities independently identify and address regulatory issues in the final quarter of the project.</p>	<p>This is being monitored through MSE Forum minutes.</p>	<p>The forums are identifying issues independently, for instance through meetings with small business associations or the work of Chambers.</p>

<p>2.5 50 % or more of MSEs in targeted value chains in the two provinces, those owned by women as well as those owned by men, agree that regulatory changes carried through are improvements for their businesses, while less than 10 % finds it a deterioration.</p>	<p>This will be assessed through the baseline and impact surveys and studies of particular value chains.</p>	<p>Enterprises in tourism agree that the extension of the validity of the tickets for the archaeological sites is beneficial. The other studies done do not concern regulatory improvements.</p>
<p>2.6 MSE representatives, including women, authorities and business services providers meet at least twice in MSE Forums or other dialogue events in the final year of the programme.</p>	<p>This is being tracked through forum minutes.</p>	<p>The forums have met 64 times and are likely to continue. In addition the forums and the project have organised 9 meetings with all stakeholders, as well as other dialogue events, e.g. with service providers.</p>
<p>2.7 Representative organizations participate more, and more effectively, in dialogue.</p>	<p>This will be assessed through an intervention report planned for mid-2008.</p>	<p>As there was no or hardly any dialogue between representative organisations and the provincial and district government before and that the forums include such organisations, it is likely that this is being achieved. In one division an association that is on the forum staged a protest to press its demands which resulted in dialogue at the highest level, and other associations offering to collaborate.</p>
<p>2.8 The number of MSEs organised in representative organizations has increased.</p>	<p>This is being assessed through the intervention reports, and will also be assessed towards the end of the project, through the impact survey</p>	<p>LOCAs and VCDs have resulted in associations being started in eight value chains, and more businesses joining existing associations (for instance in dairy).</p>
<p>3.1 An increase in the number of people in target communities who consider enterprise an attractive way to make a living.</p>	<p>The impact assessment has been planned for the second quarter of 2008. The campaign will be evaluated in June 2008. KAB tracer studies will be done in the first quarter of 2008.</p>	<p>Informal interviews with spectators and the theatre group indicate that more people who took part in the performance consider enterprise as an option. People already in business express appreciation that the campaign brings them recognition.</p>
<p>3.2 The number of women and men, including youth</p>	<p>A quasi-experimental study of the forum theatre was been</p>	<p>The experiment indicates that there is a statistically</p>

and officials, who consider enterprise an attractive way to make a living increases by 20 percent among those who have participated in project initiated activities to promote enterprise culture.	conducted in June 2007.	significant improvement in appreciation of enterprise in the audience compared to a control group. 26 % increased their appreciation on two measurements of appreciation, while only 17% showed no change at all.
3.3 More than 50,000 women and men participate directly in campaign events.	Records are being kept of events and estimated numbers of participants.	An estimated 101,000 have participated already. The participants are mostly women and youth.
3.4 KAB included in more than 40 vocational/technical training courses nation-wide.	The SIYB Association and the project monitor this.	KAB is being run in 47 courses.
3.5 Entrepreneurial studies running at O-level in 5,000 secondary schools nation-wide.	Information on this indicator needs to come from the National Institute and the Ministry of Education.	According to the NIE and the Ministry the courses are being run nation-wide.
4.1 An increase in the annual provision of SIYB and related services of at least 10 percent, to women as well as men.	This is being monitored by the SIYB Association.	Compared to 2006 current figures show a 30% decrease in the number of trainings. This is likely to be partly due to delays in reporting, as manuals were purchased for 8% more programmes (compared to 2006). It is likely that the final figure will show neither an increase nor a decrease. Considering that in 2006 there was a 40% increase and that with the end of tsunami rehabilitation donor funding has been much reduced, this is still a good achievement.
4.2 An increase in the annual provision of EYB services of at least 30 percent, to women as well as men.	This is being monitored by the SIYB Association.	28 trainees were trained on various EYB modules. This is an increase but still very insufficient.
4.3 40 percent of MSE owners, women as well as men, listen/watch regularly the MSE radio and/or television programmes.	This was planned to be assessed towards the end of the project, through a listener survey. Given that currently there is no programme dedicated to MSEs, media	Has not yet been assessed.

	monitoring to establish if overall coverage of MSEs has increased may be more appropriate.	
4.4 In the programme's final year, the SIYB Association makes no use of technical assistance from the programme.	This is being monitored by the project.	No technical assistance is being provided, apart from that in relation to EYB and participation in Executive Council Meetings.
4.5 SIYB providers run at least 10 programmes in the North and East in the programme's final year.	This is being monitored by the SIYB Association.	Given the results for the past 6 months, 18 programmes, it is likely that this will be achieved in spite of the conflict.
4.6 In the programme's final year, EYB providers run two EYB programmes without technical, management or financial assistance from the programme.	This is being monitored by the SIYB Association.	This may still be achieved although prospects are not very positive.
4.7 At least 4 radio and/or television stations run MSE programmes without financial support from the programme.	This is being monitored by the project.	No programmes dedicated to MSEs are running. Coverage of MSEs has increased on four stations.
4.8 At least two e-commerce metamarkets established with chambers of commerce or business service providers.	This is being monitored by the project.	Two metamarkets are operational.
4.9 At least two key project approaches are being adopted by projects or organisations outside the target districts.	This is being monitored by the project.	The MSE Forums are being replicated by the Federation of Chambers of Commerce and Industry, 13 have been set up. The Value Chain Development guide is being used by other organisations in Sri Lanka and by the ILO elsewhere. The Small Business Association manual will be used by the Small Enterprise Development Division nationwide. The work on enterprise culture has informed the ILO's guide on this subject.

4. Cross-cutting Issues

4.1 Peace and conflict

The security situation has further deteriorated. This affects project access to some parts of the four Districts and the mobility of the Palama theatre groups, which need to perform in outlying villages until late at night. It is also likely to have a negative effect on the potential for local economic development, and therefore the project's final impact.

In the previous report the project team's proposed response to this situation was presented. The table below reports to what extent this could be implemented.

Proposed response	Actual
Continue to pursue a "do no harm" approach, i.e. ensure that the project's interventions do not have a negative effect on ethnic tensions or tensions between the IDPs and the local population, and do not worsen the economic disruption caused by the conflict.	The project has pursued this approach and to its knowledge its actions have not worsened ethnic tensions or contributed to further economic disruption.
In that context, give priority to selection of localities and value chains that are multi-ethnic, or include IDPs, if other criteria, i.e. of growth potential and expected impact are met.	As stated in the previous report, the regional value chain exercises the project is working on are not exclusive to one ethnic group or another.
Assess the actual and expected impact of the situation on the value chains the project works with or considers, to ensure that they are not in decline or expanding because of the conflict. Supporting sub-sectors that somehow benefit from the war, or that replace supply lines from the North and East by others from the South, is likely to reduce the pressure for peace.	The project has not supported work in sub-sectors that benefit from the conflict.
Work with stakeholders to address some of the immediate issues that entrepreneurs face.	The project and its stakeholders raised awareness of the delays perishable goods suffer at the air Airport, due to long security checks. A "Green Entrance" has meanwhile been opened.

4.2 Gender

The situation is similar to what was reported in the previous progress report. On average women participate in and probably benefit from project facilitated interventions to the same extent as men. Participation in Palama events is higher among women.

The number of women in the MSE Forums is still low at about one in ten. The issue has been raised by Enter-Growth but since it does not control the composition of the Forums

it depends on action taken by the members. Although generally 30 to 50% of the trainers and facilitators trained by Enter-Growth are women, this was only about 10% among trainers trained for the workshops on registration and licensing. The participants in these workshops are also in large majority men (around 80%), since the officials concerned are mostly men.

Following reviews of the scripts developed by the four Palama groups, these are now more sensitive to gender concerns in the portrayal of women. Women are cast in positive and model roles more often, without doing injustice to realities in the villages the performances take place in.

4.3 HIV/AIDS

A one-page leaflet on HIV/AIDS has been developed for SIYB trainees, in collaboration with the ILO HIV/AIDS project. It was printed and is now being distributed with the SIYB manuals. A pilot test drew positive reactions. The HIV/AIDS project has also conducted training for 19 SIYB trainers.

4.4 Tripartism

There is no change in the project's situation with regard to tripartite participation, it has decided to invite NATURE and EFC to the next steering committee meeting.

5. The project in perspective

We refer to this section in the previous progress report.

Two additional points are worth noting. One is the security situation, which has continued to worsen. This was already covered under cross-cutting issues. The second is that enterprise development as a strategy for creation of decent work and poverty reduction was included in the ILO's Decent Work Country Programme. Enter-Growth is the main activity that contributes to this strategy.

6. Project management

6.1 Staff

Staff development has continued locally, with staff participating in a local economic development workshop conducted by an international consultant.

Team meetings continue to be frequent, on average every six weeks. District Managers meet separately as well. Due to the increase in project-wide interventions, the regional value chain development work in particular, team members get together more frequently for specific activities as well. Since the Strategic Review there has also been a considerable increase in sharing of information by e-mail.

From 1 January Gemunu Wijesena took over as project manager. His experience as deputy manager, and of being officer in charge during about half the second half of 2007 found him well prepared for this. Roel Hakemulder will continue as adviser to the project manager, on a part-time basis.

6.2 Budget

At the time of writing, 80% of the budget had been committed. Expenditure has been largely as planned, with however some savings which made possible a no-cost extension (see below).

6.3 Evaluation, extension and follow up

The ILO has submitted a proposal for a project extension to 30 September 2009. No additional funding would be required if the project is extended to November 2008 , however , the further extension to September 2009 would require about US\$ 390,000.

The main justification for the extension is that it would significantly enhance the sustainability and long-term impact of the project's achievements, as well as national and international learning from its experience. In particular, the work to develop four regional value chains as well as with SLIDA on business registration and certificate level courses has started only recently. The National Institute of Education will finalise the Entrepreneurship courses only in 2009. Follow up to LOCA and local value chain development would also benefit from an extension.

Sida has meanwhile agreed to a no-cost extension to November 2008, which has much facilitated the project's planning. A decision on additional funding is being awaited.

Project management has drafted a strategy note on possible formulation of a follow-up project, which was submitted to the ILO Colombo, Delhi and Geneva offices in October. The main options outlined are:

- Replication – doing in other districts what was done in Kurunegala, Anuradhapura, Polonnaruwa and Puttalam, with improvements based on experience gained.
- National capacity building – Disseminate the most successful elements of the project's approach to partners across the country. To a limited extent this has started already.

The project also submitted a note on how its approach, in an adapted form, could be applied to post-conflict areas in the country.

The project has started to collect information about the planned and ongoing activities of other agencies, to assess whether there would be scope for a new project based on either or both options. Thus far it appears that there are no plans for similar integrated interventions. There is also demand for training on some of the project's approaches, such as value chain development and small business association strengthening. There may be scope for both options if a donor can be identified.

Given that the project's current completion date is 31 November 2008, and that most of the results of impact assessments will not be available until the last quarter of the year, the project proposes to have a final evaluation in October/November. If the project would be extended to the end of September 2009, an evaluation in the first quarter of 2009 would probably be most effective.

7. Conclusion, issues, and lessons learned

The project continues to make satisfactory progress overall, and the first assessments of its interventions indicate that Enter-Growth's approach is effective in relation to its development and immediate objectives, although not every intervention is achieving the desired impact. More assessments have been done, leading to more internal and external learning. There is considerable interest in the project's approach, in Sri Lanka as well as internationally, and more organisations have taken up different elements of it.

The main constraint on the project continues to be the conflict in the North and East. This affects security in bordering divisions, and the economy in the target districts. It also affects priorities nation-wide, of the Government as well as the private sector.

There are two main areas where progress is unsatisfactory. The TV and radio programmes dedicated to MSEs that were started earlier have not survived due to other programming priorities and difficulties in obtaining sponsorships. What remains is better coverage of MSEs in business and news programmes. The project is, however, still pursuing the establishment of at least one programme dedicated to MSEs.

Some progress was made with the EYB programme, by marketing separate modules. However, this is still not resulting in sufficient numbers of trainees. The SIYB Association and Enter-Growth have had to accept that under current market conditions EYB is not a commercially viable product and that trainers should be allowed to seek subsidies from sponsoring organisations.

The remainder of 2008 will see Enter-Growth completing local and regional value chain development exercises and following up on implementation of proposals that come out of these. More work will be done on the sustainability of the MSE Forums, and development of courses at the Sri Lanka Institute of Development Administration. There will be a strong focus on impact assessment and documentation, while considering different options for a possible second phase. In March the project will conduct an internal review of progress with regard to the implementation of the recommendations that came out of last year's Strategic Review,, and consider if further adjustments are required,

Further main lessons learned over the current reporting period are:

- Regional Value Chain Development exercises have considerable potential for scaling up outreach and impact, but have a tendency to result in longer-term ambitious proposals for which resources and capacity are hard to mobilise. Like local exercises, proposals need to include short-term "quick wins" to maintain momentum and credibility.

- The commitment of large private sector companies to implement proposals for value chain development is as difficult to obtain as from the public sector. They seek immediate rather than longer term benefits and consider industry-wide proposals as public rather than private goods.
- A relatively costly service such as Expand Your Business is unlikely to be commercially viable in a BDS market in which enterprises are used to free or subsidized services, even if the target market consists of growth-oriented entrepreneurs.

Annex 1 Status of specific interventions on regulatory issues

Not priority

Solved

Description of the issue/problem	District	Involved organisations/actors		The role of Enter-Growth	Latest progress	Next step
		private actors	public actors			
Land registration (deeds). There are 12000 land plots in Anuradhapura but only 1500 approved deeds. To get a deed it requires contacts with 26 different public officials in different authorities. P-ruwa has similar problems.	Anuradhapura and Polonnaruwa	The entrepreneurs have to be involved to prove the problem. This is one of the main obstacles for enterprise development and growth in Anuradhapura	There are several authorities that must be involved in this.	To initiate research, to coordinate meetings and to create a platform for discussions.	Meeting with lawyer who described the problem and gave suggestions on how to act. Also meeting with Land Commissioner and Chamber of Commerce. This is highly prioritised. GA wants EG to conduct survey on outstanding land titles first and GA will then take immediate actions. GA has sent letters to all DS to collect information on outstanding land titles.	Enter-Growth has offered to do a short term study as GA wants but also suggests to do a study suggesting long term improvements. EG will focus on the outstanding land titles in Medawachchiya together with GA.
Secure permanent land titles. Business people in the Mahaweli area don't have an official land permit. They face problems in accessing loans because land titles have a validity of one year only.	Anuradhapura/Polonnaruwa	Thambuttegama Traders' Association	EDB, Land Ministry, Mahaweli authority	Coordinate meeting, gather evidence, follow-up, etc.	The Provincial Industrial Secretary met with the President of Sri Lanka and took the opportunity to present the problem. Then, Mahaweli Authority agreed that the Act must be changed but no progress. A demonstration was conducted where petition was handed over to the Mahaweli Director.	Meetings with Minister and Mahaweli authority are planned as a result of the demonstrations. Meetings have not yet taken place and the cabinet paper is not prepared. Land Director at Mahaweli says they have to change the act and it should discuss with the President.
Delayed issuance of long-term lease agreements to business people. As a solution to the problems in issue above, long-term lease agreements (30 years) are supposed to be issued, which would help businesses to access loans and sell their land.	Anuradhapura	Thambuttegama Traders' Association	EDB, Land Ministry, Mahaweli authority	Deva attended the meeting, and is responsible for follow-up and push for progress.	All the involved organisations had a meeting at Export Development Board in Colombo where the Land Ministry and the Mahaweli Authority agreed to issue new titles valid for 30 years on two conditions: The entrepreneurs have to pay the rest of their unpaid taxes and have to use the land for business purposes. Demonstration was conducted where petition was handed over to the Mahaweli Director.	Meetings with Minister and Mahaweli authority are planned as a result of the demonstrations. Meetings have not yet taken place and the cabinet paper is not prepared. However, lease is issued for the entrepreneurs that paid the taxes.
Double taxation of enterprises in Mahaweli area. The enterprises has to pay the usual taxes plus those of the Mahaweli authority.	Anuradhapura	Thambuttegama Traders' Association	EDB, Land Ministry, Mahaweli authority	Deva attended the meeting, and is responsible for follow-up and push for progress.	Involved organisations had a meeting where it was agreed to solve the problem. Demonstration was conducted where petition was handed over to the Mahaweli Director, meetings are planned.	Four cases of affected entrepreneurs proved their case to the Land Ministry on National level and the tax rate was amended for them. Meetings with Minister and Mahaweli authority are planned as a result of the demonstrations. Meetings have not yet taken place and the cabinet paper is not prepared.

Taxes on land and buildings are automatically doubled every five year and based on the current market price of the assets. Businesses demand that it is based on the basic value instead of the commercial value.	Anuradhapura	Thambuttegama Traders' Association	EDB, Land Ministry, Mahaweli authority, Evaluation Department	Coordinate meeting, gather evidence, follow-up, etc.	This is common to all the districts. More info but should not be priority. Unlikely to change. Demonstration was conducted where petition was handed over to the Mahaweli Director, meetings are planned.	Meetings with Minister and Mahaweli authority are planned as a result of the demonstrations. Meetings have not yet taken place and the cabinet paper is not prepared.
Release of performance bond at the time of completion of the contract. When government is the contractor, there is a performance and maintenance guarantee.	Anuradhapura	Constructers' Association	EDB	Coordinate meeting, gather evidence, follow-up, etc.	The association complained with the EDB which has answered but not satisfactory. Next step is to have a meeting with the association. What does the circulars/law say, if against the law, we can bring it to EDB. But Constructers's Ass. should be more active.	Not prioritised since the constructers' association doesn't want to pursue.
Implementation of a standard contract agreement by all government institutions	Anuradhapura	Constructers' Association	EDB, National Procurment Agency	Coordinate meeting, gather evidence, follow-up, etc.	The association complained with the EDB which has answered but not satisfactory. Next step is to have a meeting with the association. Constructers's Ass. should be more active.	Not prioritised since the constructers' association doesn't want to pursue.
One day duration of tickets to archeological sites	Anuradhapura	Local Tourist Association	EDB, Director of the cultural triangle	Coordinate meeting, gather evidence, follow-up, etc.	The issue was presented by Enter-Growth and the association at the EDB forum. It was agreed to change the number of days the ticket was valid but this did not happen immediately.	
Sell leaf springs of public busses to light engineering shops forbidden	Anuradhapura				LOCA Facilitator at IDB could intervene and contact the right people at IDB to find a solution (coordinated with the resp. authorities).	
The carpenters face many problems with regulations. They can't operate within a certain distance from forests. In addition, a new Act, issued recently affects the carpenters severly.	Anuradhapura	Carpenter	Village Officer, Divisional Secretary and the Forest Officer	Initiated meetings, assist in forming association, etc.	All districts. We need more information, we should not try to change the law but to raise awareness among carpenters.	No progress and not prioritised. This is an environmental protection law.
Many carpenters are not registered, which creates problems in their day to day business. This issue has been brought up by carpenters in especially Medawachchiya and Nachchaduwa Divisions. Carpenters claim it's difficult to register since Forest Officer does not give required documents (accused for corruption) and since they don't have land titles.	Anuradhapura	Carpenters and Nachchaduwa Carpeners Associaiton		Initiate meetings between GA and associations, support the process, follow up etc.	EG arranged meetings between Nachchaduwa Carpenters' Association and GA. GA advised GS and AGA to issue land title and other documents so carpenters could register. GA advised DS and carpenters to prepare information, then GA discussed with DFO. Finally, GA collaborated with Forest dept, and registered the carpenters' businesses in Medawachchiya and Nachchaduwa Divisions.	

Transporting furniture products outside the Galenbindunuwewa has been restricted by the police.	Anuradhapura	Galenbindunuwewa carpenters association	GA, Forest Dept, GS,DS	Coordination and follow-up	Report prepared by the association submitted to GA. Letter to the ASP (Police) & Discussion with the police at the division.	No progress and not prioritised. This is an environmental protection law.
Ornamental fish enterprises have problems at the customs clearance, which takes too long at the airport.	Pollonaruwa	District OF Growers Association	Customs	To present the problem to the Forum	A Green Entrance for perishable products will be opened soon, according to Prof. GL Peris, Minister of International Trade.	
Ornamental fish enterprises have checkpoint problems during domestic transports.	Pollonaruwa	Ornamental fish association	NAQDA		Enter-Growth had a meeting with NAQDA, which had a meeting with Deputy Inspector General, which agreed to send a circular to checkpoints and police stations and to have awareness sessions.	This is not implemented.
Permits for cow transportation and cow registration	Pollonaruwa				Would need research. Dairy Value Chain finished in Polonnaruwa.	This problem also came up in the RVC. No progress.
Inconsistencies in timber permits, including import of equipment	Pollonaruwa					No progress, no responsible stakeholders.
Water for ornamental fish ponds. Water is for paddy but also ornamental fish farmers need it.	Pollonaruwa	Farmers' Association	Irrigation Department, Mahaweli Authority	Verbal agreement by Mahaweli authority and farmers to provide water.	Mr. Maithreepala Sirisena, Minister of Agriculture and the head of political situation in the district agreed to attend the problem, in front of the GA and highest level officials and minister Prof. GL Peris. It is minuted and documented.	
Credit cards, limit on use in e-commerce	Colombo				EG's international consultant met with Pay-Pal to encourage them to set up in SL. They have plans to do this during 2007.	Pay-Pal is now accepted into Sri Lanka.
Problem of artificial insemination came from LOCA Dairy. (1) It is a responsibility of Trained Lives stock Dev Instructors (LDI). There has been no recruitment of LDIs since 1990 resulting in shortage of them.(2) Privatized AI is not actively implemented.	Kurunegala	Dairy Farmers	Central and Provincial Govt Ministry & Dept of Animal Prodn & Health	Further studies and reporting of findings. Facilitation and follow up better feasible solutions.	(1)Study and reporting completed. (2) Discussions with responsible authorities about privatization.(3) New 22 LDIs has been recruited for NWP, another 22 to be recruited by the Dept	(1)Discussion at a common forum. (2) Dept and the NWP ministry have included in their annual work plans the issued identified by LOCA. Enter-Growth will work with dairy on a regional level.
Quality certificate to milk based products.	Kurunegala	Producers of milk based products	Veterinary research Institute (VRI)	Facilitate to refer the issue to relevant authorities	(1)Director VRI verbally agreed to assist in issuing certificate after further studying the situation. (2) Producers have requested to form an association	No progress.
Ornamental fish - can't convert paddy fields into fish ponds came from Policy LOCA	Kurunegala	Ornamental fish association, Kurunegala	Related ministries of Central and Provincial Govts., Chief secretary (NWP) and District Secretary, Kurunegala	Referred to the MSE forum, Kurunegala and following up. Facilitation	Chief Secretary agreed to consider favourably case by case.	

Quarantine certificates for flowers difficult to get - came from Anthurium LOCA	Kurunegala	Exporters and Growers	Dept of Quarantine, EDB	Referred to relevant authority	EDB (NWP) coordinated so that 2 exporters obtained the necessary quarantine certificate. Further, a study was conducted resulting in that 4 new common collecting and cool room centres are to set up in NWP, which means that certificates can be issued earlier to the exporters.	One collecting room is established but not operationable.
Export related policy and regulatory issues of cut flower / foliage industry of NWP	Kurunegala	Exporters and Growers	EDB, Prov Agri Ministry, Ministry of Enterprise Dev	Facilitation and follow up with EDB as a co-partner of the programme	Discussed at the exporters forum and Hon Minister agreed to take up the issue with the Ministry of Ports & Aviation	To be followed by EDB. To be briefed to the new Minister
Frequent increase of Air Freight charges	Kurunegala	Exporters and Growers	EDB (NWP)	Facilitation and follow up with EDB as a co-partner of the programme	(1)Lobbied to the exporters forum (2) Minutes of the meeting have been referred to the relevant authorities	To be briefed to the new Minister
Exploring of possibility for operating a special cargo carrier for perishable goods on weekends. This issue aggravates during seasons as most of the Air lines give priority for ready made garments during seasons.	Kurunegala	Exporters and Growers	EDB (NWP)	Facilitation and follow up with EDB as a co-partner of the programme	(1)Lobbied to the exporters forum (2) Minutes of the meeting have been referred to the relevant authorities	To be briefed to the new Minister
Most of the orders are for Monday arrivals in buyers destinations, (Europe) hence a request was made to provide adequate space in such flights.	Kurunegala	Exporters and Growers	EDB (NWP)	Facilitation and follow up with EDB as a co-partner of the programme	(1)Lobbied to the exporters forum (2) Minutes of the meeting have been referred to the relevant authorities	To be briefed to the new Minister
Excessive time taken for security checks and clearance at the Airport	Kurunegala	Exporters and Growers	EDB (NWP)	Presented and solved in the EDB Forum. Facilitation and follow up with EDB as a co-partner of the programme	A Green Entrance for perishable products will be opened Sept 07 at the airport, according to Prof. GL Peris, Minister of International Trade.	
Issuing necessary clearances in NWP/Kurunegala such as forest Dept, Wild Life Dept.	Kurunegala	Exporters and Growers	EDB (NWP)	Facilitation and follow up with EDB as a co-partner of the programme	Under discussion stage/EDB	To be followed by EDB. To be briefed to the new Minister
Clay mining limitations for pottery makers	Puttalam	Brick makers and pottery makers	District Industry Committee, DIC	Coordinate and part of the discussions.	Letter from the brick makers to the authorities. This was discussed in the DIC. A circular was issued for the pottery makers. Potteries can now mine 2 m3 per month. However, the police do not accept the circular.	Need a court order for the police to accept the circular. This must be done by the entrepreneurs. EG will talk to the Access2Justice. Haritha will provide facts.

Clay miners need a type of clay that only exists in Kurunegala, yellow clay. But they are not allowed to transport it.	Puttalam/Kurunegala	Pottery makers	District Industry Committee, DIC	Coordinate and part of the discussions.	The GA in Puttalam has tried to convince the GA in Kurunegala to issue the same circular as in Puttalam.	It will be discussed in the DIC in depth in the next meeting. GA letter from Puttalam GA to Kurunegala GA but it has not worked. Will be brought up at the next Forum meeting in Kurunegala.
Kalpitiya division wants to be declared as a special agriculture zone.	Puttalam			Enter-Growth informed the authorities.	It's now being discussed among the authorities. Resource mapping is conducted and can take a long time. Still no decision.	
Fruits and vegetables exporters have problems with their transports since they are stuck in security checks at the airport. Fresh food goes off.	Puttalam/National	Exporters' Association		Enter-Growth could gather evidence and facts so this can be presented to the authorities.	EG was in contact with the Fruits and Vegetable Exporters and the Exporters' Association approached the President. However, meanwhile, a Green Entrance for perishable products is to be opened soon, according to Prof. GL Peris, Minister of International Trade.	
Environmental problems. The enterprises don't follow the existing regulations and the authorities close down the site. The authority should have a better interaction with the enterprises.	Puttalam			Enter-Growth has planned awareness programmes for the coir sector on the regulations with the divisional secretariat in Mundala.	No progress and not prioritised, environmental protection laws. The environmental authority has not taken any action to conduct the planned workshop.	
Problems in obtaining the standard capacity of electricity – Ceylon Electricity Board (eg. obtaining 3 phase electricity supply) no access to transformers for MSEs	Puttalam	MSEs in rural areas	Ceylon Electricity Board		Nothing. Difficult to change. Not prioritised.	
Electricity problem, general for all producers in rural areas. Transformer, three phase problem. The electricity board does not provide this to rural areas.	Puttalam	Small production sites needs three phase but can't afford it. It costs 1.6 million rupees.	Electricity Board	Enter-Growth has discussed with the Electricity Board.	Discussed in the MSE Forums but can't be solved in the District. GA suggested to use funds to solve this problem in MSE concentrated areas.	
Electricity in the coir industry. Enterprises need stable supply but in rural areas frequent interruptions occur. Generator is needed but electricity board does not provide this to rural areas.	Puttalam	Small coir producers and millers	Electricity Board, GA	Coir RVCD	There is a device that reduces this problem but it's too expensive. The plan is to organise a meeting between CEB and the manufacturers associations to discuss solutions. No progress.	GA has suggested a solution: MSE Forum will write a document, incl. Facts about production losses, etc. to CEB and RVCD can identify hot spots where generators should be installed. GA could use District Development funds.
Levying of high taxes by local authorities (eg. Pradeshiya Sabha)	Puttalam		Pradeshiya Saba		MSE Forum has recognised the problem but can't solve it.	

Regulations in cultivating in abandoned paddy fields	Puttalam		Department of Agrarian Service	Coordination with Dep. Of Agrarian Service	Brought forward to the District Agriculture Committee. However, it's a national policy and there is no political interest in addressing this.	
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Annex 2 Enter-Growth, Global work plan 2008

