



Enterprise for Pro-poor Growth

Project progress report – 1 June to 20 November 2005

Colombo, 20 November 2005

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1. Introduction

The project Micro and Small Enterprise Development for Pro-poor Growth, Enterprise for Pro-poor Growth (Enter-Growth) for short, started on 1 June 2005, immediately following the completion of the GOSL/ILO/Sida Start and Improve Your Business project. It was the result of a meticulous identification and formulation effort by Sida and ILO, in consultation with the Government, which started in August 2003. This included stakeholder consultations in the four project districts, which were fundamental to the project design.

The project aims to “*contribute to the generation of pro-poor economic growth and quality employment for women and men, through an integrated programme for the development of micro and small enterprises that focuses on the North-West and North-Central provinces. The reduction in poverty and unemployment will indirectly contribute to the sustainability of peace and reconciliation*” (project goal). The project takes a participative and inclusive approach to planning and developing its specific interventions, to ensure a high degree of relevance and ownership. Its work covers three thematic areas. The primary entry point is expanding the access of micro and small enterprises to markets for their products and services. Here, the project will support activities that will lead to a more dynamic and effective market for business services that enable enterprises to improve their productivity, become more market-led, and develop linkages to new markets.

Strengthening enterprise culture is the project’s second entry point. The project strategy includes a social marketing campaign that promotes enterprise as a valued option for employment, and support to the introduction of business awareness training in vocational schools.

Improving the local policy and regulatory environment is the project’s third entry point. The project will strengthen organisation of micro and small enterprises, facilitate the development of a dialogue between them and the authorities, support specific policy and regulatory improvements, and strengthen the authorities’ capacity to develop and maintain an enabling environment.

At the national level the experience gained in the Districts will be shared with national level stakeholders and representatives from other provinces. The project also continues support to the Start and Improve Your Business programme, with the objective of full sustainability. In addition, commercial mass media programmes will be developed that provide small businesses with information and a public platform for debate.

The project is being implemented under the Ministry of Advanced Technology and National Enterprise Development. The SIYB Association of Sri Lanka is the national partner for support to the SIYB programme. At the District level, the District Secretaries are the project’s direct partners.

The project’s first six months had a focus on:

- Setting up the project team and infrastructure.
- Establishing the project with the District level stakeholders.
- Further development and operationalisation of the project strategy.

This document reports on progress made, looking first at what has been achieved in relation to project management. This is followed by a review of progress on the project's participatory planning and implementation approach and work done under each of the four immediate objectives. A brief consideration of crosscutting themes and a recapitulation of issues that need to be addressed conclude the report.

2. Management

2.1 Staff

Project staff was recruited in June. In Colombo two national staff from the SIYB project took the positions of Deputy Manager and National Expert. A new secretary and accountant were recruited. For the four District Offices, District Managers were recruited. The different members of the team bring in a wide range of complementary skills and talents. Few have a background in conventional small enterprise development, and most have not spent much time in the public service.

Briefing and training the team were one of the main initial tasks. Sessions were organized on the project's approach, the ILO, business development services, SIYB, and facilitation techniques. The whole team also took part in training sessions provided by visiting international consultants, i.e. on peace and conflict assessment, media for micro and small enterprises (MSEs), promoting enterprise culture and Participatory Assessment of Competitive Advantage (PACA). A strategic planning workshop in July contributed much to the staff's better understanding of the project's approach and the tools it can draw on.

Staff training will be an ongoing activity, and will include skills such as computer literacy and English. The team meets frequently and most thinking and planning for the project is done jointly, using the participatory methods the project promotes.

2.2 Offices and vehicles

Three District offices were fully operational by the end of July. The fourth, in Kurunegala, became operational in August. The offices are modest and inexpensive, but provide sufficient space for meetings and visiting staff and consultants.

District Managers initially worked with rented vehicles. By October project vehicles had arrived and drivers were recruited.

In Colombo the project rents space and equipment from the SIYB Association. The project considered moving out of the SIYB premises, to foster the Association's independence and to have more space. However, it was agreed with the Association that for now the project being in the same office is helpful and that a close relationship is still required. The advantage to the project is the low rent, although the space is only just sufficient even without visiting consultants.

2.3 Strategy development

A strategic planning workshop was held the end of July. Participants included the project team, ILO specialists (including the CTA designate of a sister project in Viet Nam), Swisscontact and GTZ, and a national resource person on enterprise culture. The workshop aimed to:

- Review the project strategy, outputs and activities,
- Establish which tools and expertise are available to implement the activities, which tools need to be developed and how that can best be done.
- Sequence the main steps to be taken.

These objectives were met. The project team gained greater insight into the tools it can draw on and ideas were generated on how to combine them. The selection of an approach to local economic development that would serve as the project participative planning and implementation methodology was one of the main strategic choices that had to be made. The decision to adopt the Local Competitive Advantage methodology (LOCA, known elsewhere as PACA – see Chapter 3) for local economic development, in Sri Lanka as well as, probably, in the sister project in Viet Nam, was therefore one of the main outcomes.

2.4 Work plans

The strategic planning workshop was followed by an internal work planning workshop, which resulted in a tentative phasing of activities and a global project work plan. By October, District Managers had developed their own, more detailed work plans.

In planning and implementation, project management puts a premium on flexibility and responding to opportunities as they arise rather than comprehensive and detailed activity schedules. This is because:

- The project is implementing a range of processes simultaneously, in a manner that depends as much on the environment and stakeholders as on its own efforts.
- The project is comprehensive in its approach and uses a number of tools in new combinations. Some tools are still evolving.
- Specific interventions are meant to come out of the dialogue mechanisms the project facilitates, and can therefore not be pre-planned.

The project work plan is therefore relatively general. It refers to main steps rather than detailed activities. District work plans are more specific. All work plans will have to be updated regularly in order to remain relevant.

2.5 Progress monitoring and documentation

Progress in the Districts is monitored by brief monthly reports against the work plans. The first such reports were done as part of the work planning, in October. This will be done as well for the overall project work plan. Work plans and reports will be placed in a password protected area on the project website (under development), for easy updating and access by all project staff.

In addition to progress reports, project documentation comprises:

- Staff mission reports
- Minutes of meetings
- Workshop reports
- Technical notes on specific topics
- Consultant reports
- LOCA reports
- Photographs

The intention is to have the project's processes and interventions well documented, to optimize learning within as well as from the project.

2.6 Budget control

The project is subject to the ILO's normal budgeting procedures and controls. The Area Office plays an important role in this. In addition, the project prepares more detailed monthly internal reports, which monitor expenditure per budget line and per cost center. These will also be placed in the protected area of the website.

2.7 Budget

The project started with a budget of US\$ 4,724,625. However, in September the ILO requested the project to reduce its budget by US\$ 433,248, to reflect a changing exchange rate. This is a significant reduction. Fewer funds means that less can be done, of course, but for now the project is proceeding on the assumption that eventually the full amount requested will be available.

Expenditure so far is largely as foreseen, except for somewhat higher operational costs, and lower expenditure on consultants and missions.

2.8 Communication strategy

The project has not designed a comprehensive communication strategy, but has taken this one step at the time. So far this has included:

- Design of a project logo and a more useable name.
- Direct contact with stakeholders through meetings and workshops.
- Coverage of MSE Forum meetings and other activities in the media.

In addition the project is developing an interactive website, which will contribute to promoting the project, knowledge sharing and project management.

Internally in the ILO, the project has been uploading documents and news items on the new resource platform of the Job Creation and Enterprise Development Department.

Some MSE Forum members have remarked that the project is not well known enough and needs to be better marketed. Management has proceeded on the assumption that the project will get better known by its achievements, which so far are rather intangible for the general public. However, there may be an argument for developing and

implementing a more systematic communication strategy – even tangible achievements have to be communicated well to be widely known and understood. Given the small project team, it could be considered to outsource this to a professional firm.

2.9 Ministry and Steering Committee

The Ministry of Advanced Technology and National Enterprise Development has played its facilitating role as foreseen in the project document. Due to incompatible schedules it has so far been impossible to arrange a meeting between the project team and the Minister or Secretary, but a staff member did contribute to the strategic planning workshop. The Ministry has also provided the project with an opportunity to promote the EYB programme at a national pre-budget seminar.

The Steering Committee is meeting for the first time in the first week of December. The project document foresees it will comprise representatives of the Ministry, selected Chambers of Commerce and Industry, the Districts, the SIYB Association, Sida, the ILO, and project management. With regard to the Chambers, the District Chambers expressed a preference for representation of the Federation of Chambers of Commerce and Industry.

2.10 Collaboration with other agencies and projects

The project has developed strong partnerships with Swisscontact and GTZ's Economic Strategy Support Programme (ESSP). This dates from the time of the SIYB project, which formed the "BDS Core Group" with these two agencies. Following a period in which the ADB's BSSF project took the lead and tried to expand the membership and scope of the group, during which few meetings were held, the BDS Core Group was revived in its original form earlier this year.

Members soon found they now had a common interest in Local Economic Development. Both Swisscontact and ESSP participated in the project's strategic planning workshop, and there have been other exchanges and meetings as well. This included project participation in an internal Swisscontact workshop on Local Economic Development approaches. The most important concrete result is that Swisscontact as well as the project are now using the LOCA methodology which ESSP first introduced in Central Province. The project has meanwhile developed an independent relationship with the developer and owner of LOCA, the German consultancy firm Mesopartner. Mesopartner missions now support the three agencies, and costs are shared. Joint action and advocacy at the national level is a possible next step.

The project has contributed in time and information to a number of tsunami-related missions and assignments, and participates in coordination meetings and briefings on tsunami microfinance and SME development. This is important because some of the coordination efforts have the potential to grow beyond the tsunami-related assistance, and because what happens in such assistance affects BDS and financial markets across the country.

2.11 Backstopping and relations with New Delhi and Geneva

The Job Creation and Enterprise Development Department in Geneva has provided the project with support and information on request, as well as keeping it informed of relevant ongoing work. This included substantial participation in the strategic planning workshop. This has been useful. However, the Department did so far not meet the project's request to put together a small multi-theme backstopping team, such as the CTA knows to have been useful for other projects taking an integrated approach. Project management therefore refers to individual specialists, which is not an optimal solution.

The temporary Enterprise Development Specialist in New Delhi has been supportive in concrete ways. This included participation in the strategic planning workshop and providing training on association management for the SIYB Association. This has been very useful.

The Area Office in Colombo has provided a wide range of support apart from its normal oversight and administrative functions. This has been much appreciated.

3. The approach

3.1 The concept

The project's approach is based on "dialogue", bringing stakeholders from the Government, private sector and NGOs together in a shared effort and joint activities to advance growth of the local economy through MSE development. Dialogue, consultation and partnerships are essential ingredients of local economic development, and are at the base of the project's approach. This is reflected in the global causal chain below.

3.2 "Tools" for dialogue

The effective, result-oriented facilitation of dialogue requires tools. The project document includes several suggestions, such as MSE forums at District level, MSE service fairs and policy days. Policy and BDS days have been used successfully in other contexts. The service fairs were to be a combination of initiating a dialogue between BDS providers and users, and promoting BDS. MSE forums were to function as a project steering committee, as well as providing a platform for dialogue between the private sector, Government and NGOs.

3.2.1 MSE forums

The strategic planning workshop confirmed the importance of working with District level MSE forums. The project prepared a TOR for the forums that shifted the emphasis to a mandate for MSE development in general rather than limiting it to steering the project. This was meant to strengthen the forums' dialogue function and to ensure greater coordination in MSE development in the Districts overall.

The District Managers started their work with a comprehensive stakeholder mapping and building up a network. In August the project started preparing the establishment of the MSE forums, by a series of mini-workshops in the districts, for the private sector, the Government and NGOs separately (12 workshops in total). The workshops informed

stakeholders about the project, presented the TOR of the MSE forums, and helped participants consider the advantages and disadvantages of collaboration and dialogue with the other sectors. They were then asked to select representatives for the MSE forums. The workshops were attended by between 20 to 40 participants on average, and interest in joining the forums was strong.

The first forum meetings were held in September. So far, all forums have met three to four times. Participation has been good, though there was a decrease during the election period. The forums have set up sub-committees that provide support to specific project activities which are playing an active role.

Most of the forums have requested the project to support their developing an action plan for MSE development in the district. Although this had not been foreseen at this stage, the project has responded positively, and the first plans will be developed through workshops in December. They will focus on identifying achievable objectives and joint action. The project aims to maintain a focus on concrete action and collaboration rather than on discussion, in order to strengthen relationships and trust between the stakeholders. I.e. the emphasis for now is on “dialogue through action” rather than “dialogue through talking”. Discussion of broader, strategic issues may come later once the MSE forums have established their credibility and members interact more freely.

3.2.2 Dialogue at the local level – LOCA

With regard to effective participation of MSEs in dialogue, the MSE forums have the drawback that they are relatively high-level and that only a few MSE organizations can find a place on them, while most MSEs are actually not organized. The MSE fairs and similar events have the drawback that in practice they may be dominated by the more powerful officials, organizations and enterprises, so that the MSEs themselves are little heard. In addition, the way they have been used in other countries is relatively unstructured, and they have generally contributed little in terms of analysis.

While considering how to overcome these drawbacks, the project looked at a number of methodologies used in Local Economic Development. These were discussed at the strategic planning workshop, where the project took a decision in principle to use the LOCA (Local Competitive Advantage) methodology, known as PACA (Participatory Appraisal of Competitive Advantage) outside Sri Lanka. This is a participative approach to assist the private sector, Government and NGOs in a locality or sub-sector to identify their competitive advantages and to plan and implement ways to strengthen them. This approach was selected because LOCA:

- Is democratic and open, providing all players with an opportunity to raise their concerns.
- Is a fully worked-out methodology, with ready manuals and formats, making unnecessary a period of product development.
- Is nevertheless flexible, and can be guided to have a specifically pro-poor focus.
- Can be conducted in two to three weeks time.
- Focuses on concreted results.

In addition, the GTZ’s ESSP has used LOCA successfully in Central Province, where a capacity to use LOCA has been created.

The project has developed a direct relationship with Mesopartner, the owner of the LOCA methodology. In September, a Mesopartner consultant, Jorg Meyer-Stamer, ran a workshop for project staff on the main elements of LOCA and to plan its implementation in the Districts. In October he trained 25 LOCA facilitators from all four Districts and different organisations, including in the private sector, other agencies (Swisscontact, and an AusAid project), and the project (six). The first LOCA was conducted immediately after, in the NNP East Division of Anuradhapura District. The Division had been selected by the MSE Forum, using criteria developed by the project. All five LOCA facilitators in Anuradhapura worked on the exercise. They were supported by the project team.

Participation in the exercise was high, especially from MSEs. Participation of Government and BDS providers could have been stronger, which will need to be addressed in future LOCAs. Although the LOCA team did include members from local stakeholders in the NNP East Division, as is required by the methodology, their contribution was limited. This is in line with experience elsewhere in Sri Lanka. More care needs to be taken in future to keep such team members on board.

Proposals for implementation were developed for eight sub-sectors. These focus on immediate benefits and can largely be implemented using local resources. Action plans for implementation were so far developed for half of these, with other sub-sectors meeting later in November. It is too early to judge to what extent the stakeholders will implement the action plans, but in most of the sub-sectors the signs are positive.

Not all proposals were for short-term, immediate benefits – several will require stakeholders' longer-term investment in terms of effort and resources, and some can be addressed only at the policy level. It is important to keep following up on these longer-term proposals, since the final goal is sustainable pro-poor economic growth, not only a number of successful interventions with immediate impact. There are several possible ways forward with such proposals, depending on their nature and the interest of the stakeholders:

- Bring them to the level of the MSE Forum, for discussion and action there. The MSE Forum may have to take them higher up if they concern national level policies, regulations and organizations.
- If there is sufficient motivation among the stakeholders, facilitate their implementation now.
- Bring these proposals back to the stakeholders once they have been successful at implementing short-term proposals.

The project aims at the greatest possible involvement of the organizations that provide the LOCA facilitators in the facilitation of implementation of the proposals. In the medium term, the strategy is to support these organizations in conducting their own LOCAs, rather than the project taking the lead.

4. Immediate objectives

4.1 Objective 1 – Better market access

“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.”

LOCA will be the main tool for identifying and meeting the needs of MSE with regard to market linkages, productivity improvement, and business development services that address these needs. At present the project does not foresee a conventional BDS market assessment. Where necessary, LOCAs could be complemented by market assessments for specific services.

The extent to which LOCAs can be the basis for development of a better demand for and supply of BDS can be gauged from the proposals that came out of the first LOCA in Anuradhapura. They included:

- Tourism sector – development of a tourist map, website and e-commerce.
- Fruit processing – improving post-harvest technology, organizing farmers and collectors.
- Garments – upgrading of technical skills, more market oriented designs, linking small manufacturers to large buyers.
- Dairy sector – improved packaging.
- Light engineering – productivity improvement training.
- Poultry – strengthening the relations between larger enterprises and their out-growers.
- Rice processing – promoting parboiling at the village level.
- Cut flower growers – linking growers to more reliable supplies of seedlings.

BDS can help MSEs implement these proposals, and in fact some local BDS providers offered their support. In some cases, all the project needs to do is facilitate the contact between a provider and the MSEs. In other cases, however, there may be need for development of a new BDS. This will be especially worthwhile when different LOCAs identify similar needs that cannot be met by existing services. For instance, in Anuradhapura the hotel and tourism association would like to develop a website. The project’s task there is not to contract a company to do that for the association. What the project should consider is whether it is likely that there is more demand for this service than just in Anuradhapura, and whether there is therefore potential for a BDS that helps small businesses get on the Internet and access e-commerce in an affordable way. The project is already investigating this possibility.

MSE fairs as foreseen in the project document were to have two main functions:

- Promoting BDS, i.e. stimulating demand.
- Facilitating a dialogue between BDS providers and users.

At present, the second function is already being addressed through the LOCAs. The project still plans to do so through the fairs as well, but the information and promotion

function will now be the more important. Moreover, the project is exploring how the fairs can contribute to promoting an enterprise culture as well. The MSE forums and individual stakeholders have suggested and the project has agreed that MSEs themselves should have the opportunity to exhibit as well, i.e. as in a trade fair, which may contribute to that objective as well as creating market opportunities and business-to-business linkages.

Because of this shift in emphasis, the timing of the fairs, originally planned for the start of the project, has become less important. The MSE forums recommended strongly holding them in March, after the rainy season and harvest. Moreover, organizing them proved more complex than expected. The project has first explored using commercial event organizers. This, however, proved to be an expensive option, and organizers were not interested in considering the fairs as a business opportunity for them to invest in. In addition, they do not combine the range of functions that was required, so that additional consultants would have had to be hired as well. The project has therefore decided to scale back the size of the events and work with local stakeholders, such as BDS providers, the Chambers of Commerce, and the MSE Forums as the main organizers. In several of the Districts the project will link up with events already planned by Chambers and another NGO.

The extent to which this strategy is feasible still needs to be demonstrated. The project plans a transfer of experience from a Chambers in the Southern province to facilitate this. The fairs are now planned for March 2006.

4.2 Objective 2 – A more conducive policy and regulatory environment

“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”.

The project document foresees that the work on enhancing dialogue between the MSE sector and the Provincial and District Government, and improving the policy and regulatory environment as a result, will start later in the project. The first work specifically dedicated to this theme is now planned for April/May 2006.

The project expects to use an adapted form of LOCA to identify and address policy and regulatory issues and initiate a dialogue. This will provide more structure and greater depth than the policy events originally foreseen. This has already been discussed with Mesopartner. Training on the methodology is expected to take place in March, and the first policy LOCAs could then take place in April and May.

However, the area and sub-sector LOCAs that are being conducted at present do, of course, not limit themselves to needs that can be addressed through BDS. Policy and regulatory issues are being identified as well. These can seldom be addressed immediately or with local resources. At a minimum, they require the involvement of the District or Provincial Governments. The MSE Forums are an appropriate mechanism for taking up these issues and for advocacy at higher levels if required.

For advocacy to be effective, however, work is required to establish the legitimacy of the forums vis-à-vis national level bodies. The process by which the forums were set up has given them a good degree of legitimacy at the District and Provincial level, but the

national level has so far not been involved. A strategy needs to be designed and implemented to address this.

4.3 Objective 3 – Promoting enterprise culture

“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”.

The project document foresees an assessment in the project area of culture in relation to enterprise development, as the basis for developing a comprehensive strategy to promote enterprise culture, including, possibly, a social marketing campaign.

This work started in October, when the project brought together a team of three consultants with exceptional expertise in this field:

- Karin Reinprecht, consultant on culture and enterprise
- Nireka Weeratunga, consultant on Sri Lankan enterprise culture
- Chris Seeley, consultant on social marketing

In November Romesh Fernando, a consultant on social marketing, complemented this team.

The team has:

- Developed a conceptual framework for analyzing culture in relation to enterprise
- Designed and field-tested an approach to assess values and norms
- Carried out an assessment in all four Districts among different ethnic groups and possible target groups – those who take decisions to start or grow their own enterprise as well as those who influence them
- Analyzed the results

At the time of writing, the team is developing the strategy. This, and the social marketing campaign concept, will be completed by the end of November.

The development and production of the campaign materials is expected for February/March 2006. The implementation of other elements of the strategy could start in early 2006 as well.

The Youth Employment Network (YEN) is developing a National Action Plan for youth employment, and is conducting preparatory work for a social communication campaign that is likely to address enterprise culture-related issues specifically for young people. The project is in touch with this initiative, which is supported by the ILO, in order to exchange findings and ideas, and to explore possible synergies, or at least to avoid that there will be two campaigns with different messages. This will require coordination support from the ILO Area Office.

With regard to two interventions, the project has not waited for the strategy to be completed, as it found it appropriate to respond to opportunities as they arose.

The first is the introduction of Know About Business in vocational training institutes. The feedback on the KAB pilot that was initiated under the SIYB project has been positive. Since new vocational courses start again in January, the project felt it was justified to start introduction of KAB in the project Districts, with the training of some 20 trainers. This was strongly supported by the MSE Forums. Awareness raising among institutes and selection of trainers is taking place at the time of writing. The course will be conducted in December.

The second is a response to an informal request of the National Institute of Education, for support to revise the business studies curricula for O and A levels, to include more on entrepreneurship and starting one's own business. There may be a possibility to include these topics in other elective subjects as well. This is taking place in the context of the introduction of revised curricula in 2007. Although not included in the list of activities and outputs, the project document does mention the possibility of support in this area, and the project has responded positively. A number of meetings have been held, but the NIE has so far found it difficult to specify its exact needs. The project is continuing to follow up in the hope that this will be resolved.

4.4 Objective 4 – The SIYB/EYB programme and media

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

4.4.1 SIYB/EYB

The SIYB Association has been fully in charge of the SIYB programme since several months before the SIYB project was completed in May 2005. The Secretariat appears to be effective. Joint Association/project activities are implemented under contracts the project issues to the Association, and are fully managed and accounted for by the Association. However, there are areas that need strengthening, as the Secretariat itself recognizes. Moreover, while it manages to run the existing programme, its capacity is too small to expand into other products and services.

The project provides the Association with ongoing advisory support, for instance through participation in its Executive Council. The Association's management and the project meet quite frequently to discuss work planning and substantive issues, though, due to work pressure, not as regularly as they should. Other support at the organizational level has included:

- A 3-day workshop on association management, run by Tim Dyce, the specialist on enterprise development at the office in New Delhi.
- Support to the revision of the Association's business plan – this is ongoing.
- Support to the improvement of administrative and financial systems.

The workshop resulted in identification of a number of issues that need to be addressed and action plans to do so. The project may provide support as appropriate. The main issue continues to be the legitimacy of the Secretariat, which was also highlighted in the SIYB project's self-evaluation report. The project should also consider supporting the Secretariat by an additional staff member, so that more can be done to expand the scope of the Association's capacity. Without such an expansion, the Association will not be able to play the leading role in BDS development that is foreseen in its business plan,

and will have to keep working at a low level of income. This support would, however, have to be temporary in nature and be accompanied by a clear exit strategy.

The expansion of capacity to provide SIYB training in the North East is proceeding well. Following training of more Tamil medium trainers under the SIYB project, the project has supported the training of six Tamil medium Master Trainers. This has resolved a major bottleneck, since previously there was just one. The new Master Trainers have already been involved in a Training of Trainers for the American Rescue Commission, in Trincomalee. The project will support further training of trainers this year. Demand for training is strengthening, due to more tsunami-related funds coming on stream.

The Association has itself arranged for SIYB/small business promotion broadcasts in Tamil, on Shakti FM. The programmes ran for 12 weeks, without external funding.

Delivery of Expand Your Business is still slow, although there has been improvement. Some 100 fast-growth entrepreneurs have now been trained. In Central Province the programme is well established, through the efforts of the Industrial Development Authority and one of the EYB trainers. Programmes have also been run in Galle and Anuradhapura. A worrying development is, though, the introduction of subsidies from bodies such as the Export Development Board and the Southern REAP. One programme was run for free. The project has advised against this and has requested the Association's Executive Council to not authorize such programmes. A temporary subsidy may be justifiable, if there is a clear exit strategy, but providing the training for free will reduce rather than enhance its market.

The project and the Association have still not been able to develop a national EYB branding campaign, which was one of the recommendations made under the SIYB project. No clear delivery strategy was developed and most of the EYB trainers have shown little interest in taking a supportive role. The unclear ownership of EYB has perhaps contributed to this lack of progress. Although it was decided in the beginning of the year that the SIYB Association would be the formal owner of the programme and would be in charge of national marketing, the project has initially played a leading role, without, perhaps, sufficiently involving the Association. The incentives for the Association are also relatively limited, since the sale of EYB manuals is unlikely to become a major source of income. It is now foreseen, however, that by the end of the year an implementation plan for a branding campaign should be available, for funding in 2006. The Association will involve professional marketing and public relations firms in the development of such a plan.

The project has continued to provide technical support to the Know About Business pilot, including frequent on-site support to trainers and an informal evaluation. It is also supporting the Association in conducting a Training of Trainers for WUSC, and NGO engaged in vocational training. The Association's involvement in this work has been relatively limited. Again, the unclear ownership of KAB may have contributed to this. This needs to be addressed.

4.4.2 Media

The project secured the services of Gavin Anderson, the "inventor" of radio and TV programmes for small enterprises, to guide and support its work in this area. He was with the project in the second half of August, to do an assessment of the media

environment and the potential for small enterprise broadcasts. His conclusions were that the project should:

- Support the establishment of radio as well as TV programmes.
- Work with commercial stations, which will provide a better platform for debate.
- Attempt to work with a local partner organization, for greater local ownership.
- Support the Sri Lanka Press Institute to develop a short, mid-career course in radio and TV business programme production.
- Carry our preparatory research to be better able to make a case for small enterprise programmes.

The project has meanwhile recruited a media consultant, Shimali Senanayake, and a media/social marketing consultant, Romesh Fernando, to support this work, and especially to manage and conduct the preparatory research. An attempt to recruit a consultant through the Press Institute, and so involve a “local partner organization” from the start, was not successful. The project will try to come back to the Institute later.

Discussions with the Press Institute on a course on business programme production are ongoing, and the Institute has expressed interest in such an input into its diploma course as well. Unfortunately the Institute is dependent on generous donor support, and would expect the project to fully fund delivery of the training. Other institutions are therefore also being considered.

Gavin Anderson’s next mission will be in February, when the research findings will be presented to the media and an implementation plan developed.

5. Impact assessment

Monitoring and assessing the impact of a project that responds to needs that are being identified through participatory processes, and that has a mandate to work in three thematic areas, is relatively complex. The project therefore held a workshop with participation of several external experts, including from Swisscontact and the Centre for Poverty Assessment, as well as TNS consult, the market and social research firm that conducted the last SIYB impact assessment, to:

- Review the logical framework matrix with regard to indicators and sources of information.
- Establish some basic principles for the impact assessment methodology.

Recommendations were made for the revision of the matrix, and subsequently the project prepared a strategy note on impact assessment that will guide its work in this area.

In brief, the project will:

- Do a baseline and impact study, on economic, poverty, institutional and enterprise performance indicators, through an enterprise survey, information collection on BDS use and supply, association membership, and use of secondary data sources.

- Do case studies that will enhance the plausibility of a causal link between the project's interventions and poverty reduction and employment generation.
- Carry out monitoring and ad hoc assessments to establish the impact of specific interventions, such as those that come out of LOCAs.
- Keep records on an ongoing basis of process indicators that relate to dialogue and participation.
- Conduct interim qualitative assessments to ensure progress towards the development objective is probably being made.

The baseline assessment is currently being prepared by TNS consult. The enterprise survey will be conducted in divisions in which LOCAs are being planned in early 2006.

The project decided against a quasi experimental approach using a control District or Division, for the following reasons:

- It would be impossible to find a comparable District where, in addition, no external assistance is being provided to MSE development.
- Cost will increase significantly.
- The above combination of measures will make it sufficiently plausible that the project is contributing to its development objective.

6. Crosscutting issues

6.1 Peace and conflict

In Sri Lanka the facilitation of dialogue and collaboration requires sensitivity to latent and active conflicts between the various ethnic communities. At the suggestion of Sida, the project therefore started, in June, by a Peace and Conflict Assessment, conducted by Thania Paffenholz, an internationally known specialist in this field, Vernie Vijayarajah, a national consultant with business development and conflict expertise, and a member of the project management team.

Some of the key recommendations and actions taken so far are summarized below.

Recommendation	Action
Create more awareness and capacity among staff and partner organizations to include the peace and conflict perspective and promote an inclusive, "working together" business culture.	The assessment itself contributed to developing awareness and capacity in the project team. Further action may include awareness raising in the MSE forums and BDS providers, once the project's credibility has been established.
Recruit more Tamil and Muslim staff.	In Puttalam, where the ethnic issue is most prominent, a Tamil speaking Muslim was recruited to assist the District Manager. Ethnic group and language were also taken into account in the selection of LOCA facilitators.

	Tamil translation and interpretation is done when necessary, although perhaps the project should do this with greater consistency.
Assign the responsibility of monitoring the peace and conflict perspective to a particular team member.	Has been assigned to the Deputy Programme Manager, but should be a responsibility of all team members.
Build up a network on the national level of cooperation partners for supporting conflict sensitive development.	No action yet, and not yet planned. Other action at the national level has priority.
Include conflict sensitive monitoring indicators and develop an appropriate monitoring system and checklist.	An attempt was made at the impact assessment workshop to include indicators. They will be part of the assessments. No conflict-specific causal chains were developed yet. A “social objectives” checklist was developed for the LOCA exercises.
Develop transparent selection criteria for partner organizations.	Transparent criteria were developed for the composition of the MSE Forums, selection of divisions for LOCA, selection of facilitators. The issue of partner organizations as such has not come up yet.
Strengthen multi-ethnic institutions.	This has not come up yet. More important, though, is that the project has become more aware of the ethnic affiliations of some of the district level organizations and is taking this into account.

It should here be noted that the project’s development objective states that the project will contribute to the reduction of poverty and unemployment, which will “*indirectly* contribute to the sustainability of peace and reconciliation”. Some of the recommendations of the Peace and Conflict Assessment aim to make that contribution more direct and suggest that the project should take action specifically to contribute to conflict reduction. Although there may be scope to do so, and the project will make use of opportunities as they arise, it may be unrealistic to expect too much from this without a major shift in emphasis. For now, the project is establishing its strategies and methodologies for pro-poor local economic development, keeping the conflict dimension in mind, in order to “do no harm”. At a later stage, a more proactive approach may become more feasible. It could be considered to engage a consultant to give this more profile and substance.

6.2 Gender

Unfortunately the project professional team includes just one woman, for whose recruitment a special effort had to be made. The project is fortunate to have her on the team, as she brings in gender expertise as well as many other skills. The MSE forums, whose members were selected by stakeholders themselves, are 80 to 90% male. This is after the project requested more representation by women, to which the forums responded positively. On a more positive note, about a third of the LOCA facilitators and about half the project's consultants are women.

In implementation of LOCAs, care is taken to invite women entrepreneurs and representatives of organizations, and to include sub-sectors that are dominated by women in the analysis. In the LOCA conducted in Anuradhapura participation by women was very high, and action plans have been developed for several sub-sectors that are made up mainly of women. The anthurium (cut flower) value chain that is the subject of the LOCA being conducted in Kurunegala provides employment to women mainly. With regard to representation of women in the final target group, the project is therefore probably doing well.

7. Summary of issues

Overall, the project is progressing well and in the right direction. There have been some shifts in emphasis and changes in phasing, but these have benefited rather than harmed the substance of the project. In the immediate future (the next 6 months), the following issues have to be addressed in order to remain on course.

Management

- The project should consider developing a more systematic communication strategy.
- It would be useful for the Job Creation and Enterprise Development Department to constitute a multi-theme backstopping team.
- Extension or replacement by someone with similar skills and qualities of the temporary Enterprise Development Specialist in New Delhi, when he leaves in February, would ensure continued good support in the sub-region.

The approach

- The project should increase the participation of Government and BDS providers in the LOCA exercises.
- An effort needs to be made to ensure that local LOCA team members (those from the Division or sub-sector) are fully involved.
- Organisations that provide LOCA facilitators should play a lead role in the follow-up to the LOCAs.
- The project should bring these organizations together to discuss their future role in conducting LOCAs.

Better market access

- The project should review the results of LOCA exercises systematically to identify needs for better or new BDS, and involve BDS providers in this process.

A more conducive policy and regulatory environment

- The project should start strengthening its relations at the national level, especially with a view to establish the legitimacy of the MSE forums vis-à-vis national bodies. Relevant bodies should be identified.

Promoting enterprise culture

- Coordination should be strengthened with the YEN social communication programme. The ILO Area Office needs to take a lead role in this initially
- The project should continue following up its contacts with the National Institute of Education, for a possible contribution to a revision of the Secondary School curriculum.

SIYB/EYB

- The project and the SIYB Association should meet more regularly.
- The Association should review the action plan that came out of the association management workshop, and request project support for implementation where necessary.
- The project should consider supporting the Secretariat temporarily by the assignment of an additional staff member.
- Ownership of EYB and KAB needs to be transferred to the Association officially.
- The Association should counter the move towards subsidies for EYB delivery.
- The Association needs to give priority to the development of a branding campaign for EYB.

Media

- The project should continue discussions with the Sri Lanka Press Institute on possible collaboration, and consider funding such collaboration although this is not foreseen in the project document.

Peace and conflict

- The project should consistently provide interpretation and translation into Tamil whenever this is necessary for reasons of communication or for the way the project is being perceived.

Gender

- The project should continue its efforts to ensure a large share of women among the final target group and those who benefit from capacity building.