



INTERNATIONAL LABOUR ORGANIZATION (ILO)
MULTI-BILATERAL PROGRAMME OF TECHNICAL COOPERATION
FINAL REPORT

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1. Work done

Improving the market system to create jobs and reduce poverty

Enterprise for pro-poor growth, or Enter-Growth for short, was an integrated enterprise development project of the International Labour Organisation and the Ministry for Enterprise Development and Investment Promotion, funded by the Swedish International Development Cooperation Agency (Sida). The project was the result of intensive consultations with stakeholders in the public, private and NGO sector, which took place in 2004. It aimed 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.”
(project goal).

Enter-Growth started in June 2005. and will be completed in September 2009. Activities in the project Districts, Anuradhapura, Polonnaruwa, Kurunegala and Puttalam, were phased out in May 2009.

Basic to the project strategy was the intention to achieve improvements for micro and small enterprises (MSEs) in the market system that would result in better access to services, a more enabling environment, and a stronger enterprise culture (three immediate objectives). This would facilitate access to markets and result in more enterprises and enterprise growth.

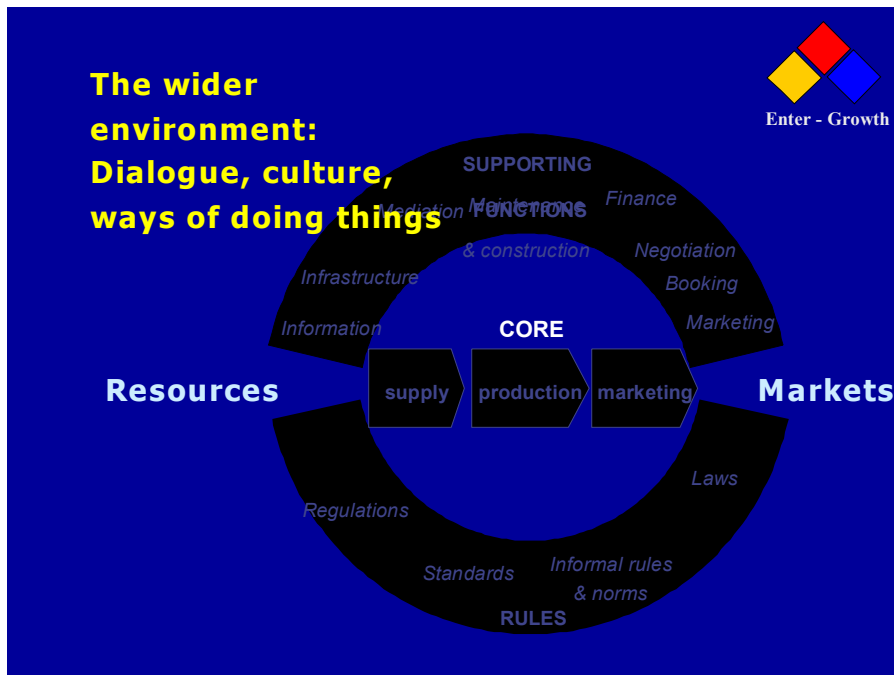
Diagram 1 (see the next page) represents the market system, with at the core the private sector, organised in value chains that link enterprises to markets; the immediate environment of rules and regulations, largely the domain of Government, and of services or supporting functions, such as finance, and other Business Development Services (BDS) provided to enterprises by Government, the private sector and NGOs; and the wider environment of values, norms, “ways of doing things”, macro-economic and other conditions.

Developing dialogue

The project has taken a participative and inclusive approach to planning and developing its specific interventions, to ensure a high degree of local relevance and ownership. It has so intervened and achieved results at different levels. Basic to its approach, and its main achievement in the wider environment, was the establishment of Micro and Small Enterprise Forums (MSE Forums) with representation of the Government, service providers and the private sector. The Forums are chaired by the respective District Secretary and/or the province's Chief Secretary. An independent assessment found that they have developed into viable and effective public-private dialogue forums where no such dialogue existed before, and that they are very likely to be sustainable¹. They were the project's main partners and played a key role in improving the local business enabling environment and support services and planning and coordinating enterprise development activities. In most cases, the District Chambers of Commerce have taken on the secretariat functions.

1 All assessments referred to can be found on the project website, www.entergrowth.com

Diagram 1: The market system



Source: Adapted from the Springfield Centre

Better services and regulation

Dialogue is also central to two methodologies Enter-Growth has introduced to identify and address issues in the value chains at the core of the market system, and their immediate environment of rules and regulations and supporting functions. LOCA2 (for Local Competitive Advantage) is a tool to identify and develop competitive advantages on an area basis, usually in a division. It brings together government, private sector representatives and service providers to determine what are the (potentially) competitive value chains in a division. Taking a participatory approach, the selected value chains are analysed, constraints are identified and proposals are developed to address them. These are usually but not always simple and concrete interventions that can be implemented by local stakeholders themselves.

Enter-Growth developed its own Value Chain Development (VCD) methodology, as this was still a relatively new approach. This applies the participatory principles of LOCA and is action oriented. Other than LOCA, though, it uses an analytical framework appropriate to the assessment of just one particular value chain. The VCD methodology can be used on different levels, i.e. to cover a few divisions, an entire district, or more than one district. The selection of the value chains to be upgraded has generally followed a number of LOCA exercises that demonstrated the importance and potential of certain value chains. To coordinate regional value chain exercises (which cover more than one District), the project has facilitated the establishment of Value Chain Steering Groups of organisations and enterprises with an interest in developing the chain.

2 LOCA is called PACA outside Sri Lanka. It stands for Participatory Appraisal of Competitive Advantage. It is a product of Mesopartner (www.mesopartner.com). Enter-Growth has made some adaptations to the approach.

Enter-Growth has developed a capacity at Government, private sector and NGO business development organisations in the four districts to apply these two tools. More than 40 LOCA and more than 30 VCD facilitators were trained, with whom Enter-Growth conducted 19 LOCA and 18 VCD exercises, of which 4 were regional. More exercises have been conducted independently from the project, which indicates that organisations have realised their relevance and there is a likelihood that at least some will continue to use the methodologies.

LOCA and VCD exercises have resulted in proposals for:

- Improvements in the value chains, to enhance their competitiveness and access to new markets – the focus has been on enhancing cooperation between stakeholders within the chains, vertically and horizontally.
- Provision and improvement of services that improve productivity, quality and market access – linking demand and supply and developing new services where appropriate.
- Improvements in the regulatory environment that reduce unnecessary constraints on growth – reforming the regulations themselves or improving the way they are applied.

Many of these proposals were taken up and implemented directly by the local stakeholders who were involved in the exercises, including, importantly, the enterprises themselves. When issues of coordination or funding were important, they were considered by the MSE Forums, which could facilitate their implementation. Regulatory issues, or issues relating to access to public services (such as electricity), were generally submitted to the Forums. If its members could not take action themselves, the Forums contacted other relevant organisations in the district, province or nationally. This was especially important where regulatory constraints were concerned, as these could often be addressed at the national level only.

Stakeholders used their own resources or requested support from other funding sources. Enter-Growth has provided limited financial assistance to interventions that aimed at improving the market system, for instance by improving or developing a support service (e.g. training on packaging). It has not subsidised or organised the delivery of services to enterprises since this is the responsibility of service providers and the enterprises themselves. This reliance on local initiative and resources for implementation of proposals has contributed to many proposals not being realised. On the other hand, the project has so generated a greater degree of local ownership over economic development and has reduced the dependency on external support.

The following are some concrete **examples** of what has been achieved in this way³.

Direct improvements within value chain:

- Establishment or strengthening of 28 business associations.
- Vegetable growers in a division in Anuradhapura linked to the national market.
- Dairy farmers in Kurunegala enabled to market fresh milk locally.
- Export market linkages created for anthurium growers in divisions in Kurunegala and Puttalam.
- Establishment of a local travel agency in Anuradhapura, which will facilitate access to markets of local operators.
- Establishment coir fiber and briquettes enterprises in Puttalam, which increases local value added and creates direct linkages to national and export markets.

3 Annex 1 provides a full assessment against indicators, from the report of the independent evaluation.

- Increasing the safety and quality of coir milling drums, which will improve safety and health and increase productivity and quality (Puttalam, Kurunegala, Anuradhapura).
- Development and implementation of Good Working Practices for coil mills, to improve safety and health and increase productivity and quality (Puttalam, Kurunegala, Anuradhapura).
- Local branding and packaging of seed paddy, to increase market access.
- Weed reduced in tanks in Polonnaruwa, to increase productivity of fresh water fish.
- E-commerce platform developed with the FCCISL, to enhance access to national and international markets.

Better support functions and linking demand for and supply of service:

- Business service fairs held in each of the districts, with a total number of visitors of around 250,000 over two years.
- Access to medicine improved for dairy farmers in a division in Anuradhapura.
- More veterinarians assigned in Polonnaruwa, to improve service provision.
- Skills upgraded of light engineering workshops in Anuradhapura, to enhance their competitiveness.
- Small business association strengthening service developed, facilitators trained.
- Packaging training developed and introduced, to increase marketability of local products.
- Garment trainers upgraded in the private sector, to enhance the quality and productivity, and therefore marketability, of locally produced garments.
- TV drama series on business ethics broadcast nationally.

With regard to finance, micro and small enterprise finance providers have been able to identify competitive value chains and promising clients, and have provided them with loans. In several cases, for instance in the dairy and anthurium value chains, finance providers have set up new credit lines to support growth.

Better regulation:

- Ornamental fish breeders in Polonnaruwa gain access to water from the Mahaweli Irrigation Scheme.
- Validity of archaeological sites entry tickets extended to three days, which enhances markets for the local tourism industry (Anuradhapura, Polonnaruwa).
- Traditional potters enabled to continue their businesses by a regulation that provides them access to clay (Puttalam).
- Fresh water fishermen discontinue use of small mesh nets, resulting in bigger and better fish stocks (Polonnaruwa).
- More carpenters registered and licensed in Anuradhapura, which will enhance their potential to access services and link with larger buyers.
- Information on business regulations and procedures accessible nation- wide from the Government Information Centre (a successful call centre).
- Officials better able to register and license enterprises through training of 2,900 officials and providing them with a simple manual.

Stronger enterprise culture

Returning to the wider environment of the market system, an assessment carried out for the project indicated that in the target districts attitudes to business were often negative, which limited business start-ups and growth⁴. Enter-Growth's Palama ("Bridge" – from poverty to

⁴ See Reinprecht, K, and Weeratunge, N., *Enterprise for pro-poor growth: Design of a strategy to promote enterprise culture in Sri Lanka, socio-cultural assessment results*. ILO, February 2006, available on www.entergrowth.com.

prosperity) campaign aimed to change this, so more people would consider business an attractive way to make a living, for themselves or their children. Theatre groups were set up and trained in each of the four districts. They made use of a combination of performance and forum (participatory) theatre, which has attracted more than 250,000 spectators. Quasi-experimental and in-depth qualitative studies showed that the approach was effective in changing people's beliefs about enterprise.

Also for promoting enterprise culture, at the national level Enter-Growth supported the National Institute of Education (NIE) to develop an Entrepreneurial Studies course at O level. The NIE and Ministry of Education have introduced the course in schools throughout the country. More than 27,000 students took the final examination in 2008. Similarly, Enter-Growth provided technical support to the introduction of entrepreneurship studies ("Know About Business") in private, NGO and public sector vocational and technical training. This is now running in more than 170 courses throughout the country.

National level activities in business services

At the national level, as a follow up to a preceding project, Enter-Growth supported the Start and Improve Your Business (SIYB) Association to become fully sustainable. Organisational development assistance was provided such as revising the business and strategic plan and developing accounting procedures. The project was also represented on the Association's Executive Council. The project enabled the Association to expand its services in Tamil-speaking communities in the North and East as well. An independent assessment confirmed that the Association is sustainable, but also indicated the need to broaden its services offer and strengthen the strategic functions of the Council.

Also as a follow-up to the preceding project Enter-Growth worked with the Association to establish Expand Your Business (for fast-growth enterprises) as a commercially viable service. This did not prove possible, since even these enterprises expected training to be strongly subsidized.

The project's efforts to promote and support the establishment of commercially viable radio and TV programmes for MSEs were also unsuccessful eventually. Although several broadcasters initiated such programmes during the project period, none survived, due to a lack of sponsorship. The reasons are further considered in section 3. The project was, however, successful at supporting the establishment of an e-commerce portal at the Federation of Chambers of Commerce and Industry of Sri Lanka (FCCISL).

In terms of use being made of the project's experience, the FCCISL has replicated the MSE Forums (which it calls District Enterprise Forums) across the country, in part with Enter-Growth's technical support. A manual on how to establish and manage a Forum was produced jointly. The project's Association Building manual is being used by two national service providers. Its approach to VCD has been used by several organisations outside the project area as well, including in other countries. Its work on enterprise culture laid the basis for the ILO's guide on this topic. The project's experience has been presented at a number of international forums. In June 2009 the project took the initiative for and co-organised a successful conference on Local Economic Development, with the Asia Foundation, USAID, GTZ and the ILO's International Training Centre in Turin (see www.ledconference.lk). The 140 participants included practitioners from Nepal, Bangladesh, Cambodia and the Philippines in addition to those from Sri Lanka⁵.

5 See www.ledconference.lk

2. Impact assessment

A mid-term strategic review took place in early 2007. This helped to strengthen the project's focus on market systems as well as to address some operational issues. An independent final evaluation was done in March 2009. Project management appreciates what both these exercises have added to its approach and its understanding of how well it has worked. This section quotes from the draft final report of the evaluation. Some additional comments are provided in italics where project management believes clarification is useful.

Relevance

Strengths	Weaknesses
1. Project remains highly relevant for the Government of Sri Lanka, SIDA and the ILO. 2. The project has retained its pro poor focus.	

The project's overall Goal is pro poor economic growth and it has made commendable efforts to maintain a pro poor perspective. It operates in Provinces with relatively high levels of poverty, and it primarily engages in sub sectors that involve, or potentially involve, significant numbers of poor people, for instance the Dairy and Coir sub sectors. As such the project has managed to remain relevant for the poor.

The pro poor focus of the project is one way in which it has remained relevant for the Government of Sri Lanka, Sida and the ILO. Several factors support this premise, in particular: ongoing poverty, especially in rural Districts, and the potential for recent economic growth achievements to be reduced by the ongoing conflict in the north and more recently by the global economic downturn which is already impact exporting sub sectors. These factors underline the relevance to the Government as well as Development Partners such as Sida and the ILO, of an effective model for achieving local economic development, and particularly one which can be applied to post conflict areas.

Effectiveness, sustainability

Strengths	Weaknesses
1. The project has met the bulk of the indicators at Development Objective and Immediate Objective levels. 2. Several components of the project have proven very effective, in particular the LOCA/VCD approaches and the MSE Forums 3. Significant achievements in business environment reform and improvements in business productivity and growth 4. Palama, an innovative and appropriate risk, achieved very impressive outreach and good levels of attitude change amongst participants. 5. Significant improvements in measurement of impact by the project since the MTR 6. Achievement of the Development Objective impact indicator 7. The project has achieved impressive scale of impact 8. Impacts at the firm level appear to be	1. The project did not achieve any reductions in MSE informality 2. The tsunami, as well as the resurgence of the conflict in the North East, restricted the potential outreach of SIYB and EYB. In addition, the project found it difficult to extend EYB on a commercially sustainable basis. 3. The media component disappointingly did not achieve an increase in the scale and scope of MSE programming. 4. Embedded services have not been fully developed in some value chains. 5. The BDS market is heavily subsidised and not demand led. Maintaining up to date technology transfers in this context will be difficult. 6. Several reforms don't involve systemic changes to rules, regulations and so forth and may therefore be easier to reverse.

Strengths	Weaknesses
reasonably sustainable. 9. High levels of local ownership and commitment to the MSE Forums and the LOCA and VCD approaches suggest that these mechanisms are likely to survive beyond the lifetime of the project. 10. KAB has been effectively institutionalised in the vocational skills curriculum 11. The SIYB Association is considered sustainable.	

The Enter-Growth project has made impressive efforts to document the impact of the programme, particularly since the MTR (Mid-Term Review). These include:

- Intervention Reports on most of the interventions. These provide a very useful assessment and their structure helps the reader understand what was intended and what has been achieved.
- Impact Assessments for major components such as Palama.
- A sample impact assessment survey for the programme as a whole (in draft at the time of the Evaluation).

Scale of impact: Enter-Growth has impacted, in some form or another, an estimated 50,000 MSEs⁶. This is a very significant achievement and doesn't include the estimated 250,000 participants in the Palama Forum Theatre.

Depth of impact: the project has met its key impact indicator at the Development Objective level: The sample survey of MSEs in 4 target divisions shows a near tripling of household incomes compared to 2006. It shows a 15% increase in employment⁷. This is a significant achievement. However, attribution is always difficult because while there may be a correlation between increased income and project activities, as the report itself indicates, there is a possibility of reverse causation.

In addition, the various impact assessment reports suggest there are good prospects for achieving genuine impact on targeted MSEs in terms of their growth and competitiveness. However, for some of these MSEs, especially those in export markets, these improvements are threatened by the global economic crisis. They have also been affected by the conflict.

*Although not reflected in the summary in the table, the evaluation report adds the following critical notes on the topic of Palama: Firstly, the objective and indicators, and therefore the impact assessment, are focused on attitude change, assuming that behavioural change inevitably follows in the longer term. This is not necessarily the case, and it would have been advisable to drive the programme towards achieving behavioural change. As it stands, there is very little evidence that the attitude change achieved has translated into significant levels of entrepreneurship (although the increased demand for microfinance following a Palama event, is a good indication). The 2008 Impact Assessment found that 6% of respondents had started or restarted businesses after Palama but states that overall 'The number of respondents who had changed their behaviour following the (Palama) performance, was relatively lower than those who had changed their attitudes.'*⁸

⁶ This includes MSEs that have not be directly impacted yet, but that operate in sub sectors which have gone through significant reform and therefore are likely to feel some level of impact, e.g. the Dairy sub sector.

⁷ Source: Impact Assessment Survey 2009

⁸ Impact Assessment on the Enterprise Culture Component (Final Report). Nireka Weeratunge, October 2008.

Comments from project management: With regard to provision of SIYB, post-tsunami funding actually resulted in a strong increase in delivery of the programme through the SIYB Association. With this assistance having been completed, delivery has dropped to pre-tsunami levels and is likely to stay there. The project has recommended that the Association looks at adding new products, and the Association has taken on a role in providing training of facilitators services in VCD and association strengthening.

With regard to EYB and the media component, see section 3.

With regard to Palama project management believes the in-depth impact assessment found sufficient indications of effects on behaviour, such as people starting businesses and loan portfolios going up, especially considering that the study was done shortly after the campaign and it found that behavioural change had taken time. With a direct outreach of more than 250,000 spectators, assuming that only 6% changes behaviour in terms of (re)starting a business (which does not take into account longer-term and indirect impact), this is 15,000 businesses, which is significant. The cost per business would be only US\$ 57, which is very low compared to for instance business training programmes. Project management has also of course not assumed that attitudinal change would inevitably lead to behavioural change, but that it would take longer, which is the reason the impact assessment focussed on this level. The objective was also not to have everyone who changed his or her attitude start a business, but that an overall more positive attitude to business in communities would in the long run result in more people starting businesses themselves or supporting others (like their children) in doing so. As the impact assessment points out, other project activities, such as the Forums, LOCA and VCD exercises, as well as those of other organisations, all contribute towards this longer-term cultural change. Project management also considers that interventions such as LOCAs and VCDs, improving market access, business environment improvements, and development of business services aimed at facilitating behavioural change and are likely to do so in the longer term. The impact assessment does note, though, that the immediate effect on behaviour could have been strengthened by more village-level collaboration with community-based organisations and provides convincing arguments to support this. This was a weakness that was addressed after the assessment.

Efficiency

Strengths	Weaknesses
1. Effective management systems have contributed to the significant scale and success of the project, and in particular its ability to adapt to new thinking. 2. Good team working and hard working staff 3. Spending is on track	1. M&E, while fairly comprehensive could be improved in a number of instances. An overall framework would have been helpful. 2. Clearer role for the steering committee, combined with broader membership, would have ensured better strategic guidance and oversight.

While good efforts have been made to improve monitoring and evaluation (including impact assessment) since the MTR, it could still have been further improved. A good M&E framework, and ideally someone appointed within the team to take responsibility for M&E, would have helped ensure that the mechanisms were practical and that all elements of the project were effectively covered. A more comprehensive and sophisticated database would have been helpful in recording all monitoring information and enabling its analysis. Similarly, inclusion of mechanisms for measuring capacity of a sample of key organisations on many dimensions, and changes over time, would have provided very useful evidence of the impact of the project.

Comment from project management: Although M&E could indeed have been improved further, project management does not think that the approach recommended by the evaluation could well have been combined with the facilitative, “light touch” approach the project stood for. Much of the impact happened at several removes from the project itself and would have cost much time and effort to monitor. There was also a choice, therefore, between doing much and knowing just enough to establish with some certainty that it worked (which was the case, given that the evaluation was able to assess it), or doing less and knowing everything so that it could be comprehensively reported. The project consciously chose the first option.

Gender, tripartism, other cross-cutting issues

The main relevant (ILO) cross cutting issues of gender equality, labour standards and tripartite dialogue, have been reasonably effectively integrated into the project design and implementation.

Gender is included in each Immediate Objective and it is clear that at appropriate points during implementation, the project has tried to ensure that women are effectively represented. For example, involvement of women in a sub sector is one of the criteria for selecting a value chain to support; MSE Forums have been encouraged to ensure their membership includes a reasonable proportion of women; and all impact evaluations have attempted to assess the project’s achievements for both men and women.

Although not a ‘labour standards’ project, when appropriate, Enter-Growth has identified opportunities for working on related issues; the most obvious example is the promotion of good working practices in the Coir sector.

The project has a strong focus on public private dialogue at the local level, particularly through MSE Forums, and also value chain committees. The Enter-Growth Steering Committee involves representatives from Government, the private sector (including the Employers Association) and Labour Unions.

Project management comment: Unfortunately it has not been possible to have unions represented on the MSE Forums, as they do not have a local presence in the Districts. In spite of the project’s efforts, representation of women on the forums has remained insufficient (rising from 5 to about 10 percent). Although at the operational level women are well represented in stakeholder organisations (which shows for instance in the 40% women among LOCA and VCD facilitators), this is not so at management and policy making levels.

3. Problems/constraints

The key assumption in the project's logical framework was that hostilities in the country's ethnic conflict would not be resumed. This condition was not fulfilled. Several project reports and a separate assessment have indicated the effects on project implementation and impact. These can be summarized as follows. A number of divisions, including some in which work had already started, became inaccessible. Mobility of the Palama theatre groups was hindered and a business service fair had to be cancelled. Local economies were affected adversely through the disruption of value chains that linked in to the North and East. Export and Colombo-oriented value chains were affected by the many and lengthy security checks which reduced quality and survival rates of live and fresh produce. Several exporters (e.g. of ornamental plants and fish) who had been attracted to the districts by Enter-Growth supported interventions lost interests and withdrew. Tourism, on which the project did a VCD exercise, came to a standstill.

In response, the project had to reduce its activities in the affected divisions and worked with security authorities to ensure adequate mobility for the Palama groups. Furthermore, it:

- Pursued a “do no harm” approach, to ensure that the project's interventions did not have a negative effect on ethnic tensions or tensions between the IDPs and the local population, and did not worsen the economic disruption cause by the conflict.
- In that context, did not work in value chains associated with one community only.
- Did not work in value chains that were in decline because of or benefitted from the conflict.
- Worked with stakeholders to address some of the immediate issues that entrepreneurs faced. Attempts to reduce the impact of security road checks were unsuccessful, but at the airport a “green gate” was established for live and fresh produce.

As noted in the evaluation report and in the case study on Palama, the campaign suffered from a number of management and coordination problems. It had been the original intention to contract it out to a well-established theatre company. This company, however, withdrew a few months into the start-up of activities, due to differences of opinion about the purpose and management of the campaign. The project then had to manage the activity directly, for which it was not well-prepared, e.g. in terms of having to administer contracts with 70 actors, transportation, renting accommodation etc. This resulted in management and communication problems within the campaign, between the campaign and the rest of the project, and between the project and stakeholders. Although these were resolved eventually, the overall effectiveness of the campaign would have been greater without them. One issue identified by the qualitative impact assessment, i.e. the limited collaboration with village level organisations, was addressed immediately following the assessment. The need for greater learning between the groups, identified in the case study on Palama, was addressed as well.

The work on introduction of Entrepreneurship Studies in secondary schools was affected by logistical and institutional problems within and between the Ministry of Education and the National Institute of Education. This has resulted in many schools dropping the subject. Eventually the Ministry appears to have decided to merge Entrepreneurship and Business and Accounting Studies at A levels. The problems included:

- Course material not being available on time.
- The text book, which was developed by another department, not being in line with the course material.

- Teachers not having been trained.
- Teachers and principals favouring the existing Business and Accounting Studies and not being aware of the purpose of the new course.
- The Institute giving in to pressure from teachers to reinstitute Business and Accounting Studies and students returning to this elective given the above issues.

There was little the project could do about this situation, since it had been specifically asked to provide technical assistance to the development of the course and training of Master Teachers only and to not intervene in the course's introduction. The project has communicated the problems to the Secretary of the Ministry of Education, but was unable to obtain a meeting. An earlier meeting with the Minister had no effect. The project was able to collaborate with the NIE on producing a poster to inform students and parents about the advantages of the course. In the last months of its existence, the project has also supported the workshops organised by the NIE to raise awareness among heads of commerce sections in the schools. It is likely that eventually the course will be established in most schools in the country.

As indicated in the first section, establishing Expand Your Business as a commercial (fully paid for) service proved impossible due to enterprises' expectation that such services are free or subsidized. With the SIYB Association, a number of avenues were explored, including presentations to private sector organisations and collaboration with a highly-reputed marketing management institute. Eventually, the Association and the project had to recognise that the only way to deliver EYB was with subsidies from sponsoring organisations, and the Association is now proceeding on that basis. Over the past year this has, however, resulted in just one programme being implemented.

None of the radio and TV programmes dedicated to small enterprises that had initially been set up with Enter-Growth facilitation has survived. The reasons are various, and include:

- Unlike countries where media development components have had more success, Sri Lanka's media sector is dominated by national players and there are not many local media houses. This has made it harder for radio stations, for example, to develop programming which appeals to specific audiences.
- It seems that the Media Houses did not fully buy in to the Enter-Growth approach (one reason suggested for this is that the marketing departments of the Media Houses were not convinced of the benefits of increasing business programming).
- A key champion of the initiative withdrew from the TV industry, and the project lost a key ally.
- The resumption of the conflict resulted in more time being allocated for conflict related news, and may have encouraged advertisers to be more risk averse.

4. Follow-up actions and lessons learned

The evaluation report includes the following on lessons learned.

There are several important good practices which emerge from the project and which provide valuable points of learning for similar projects in both Sri Lanka and internationally. These are:

1. The 'light touch' catalytic approach which enabled the project to facilitate rather than intervene: this has significantly contributed to the effectiveness of the project particularly in helping stakeholders identify appropriate activities, building local ownership and commitment, ultimately leading to sustainable impact. It's worth acknowledging that the presence of Government or other donor funded projects in the four Districts, has enabled partners to implement initiatives that originated through the Enter-Growth project. Having said this, it is clear that stakeholders took a considerable amount of time to understand and appreciate Enter-Growth's 'light touch' approach, partly because of a very different precedent set by other more interventionist projects. A key success factor here was the project's commitment to the 'light touch' approach, and its ability to stick with it, during the time it took for partners to also come on board.
2. The project combines a variety of components, many of which involve several tools and approaches in their own right. The risk with this multi faceted approach, as pointed out by the MTR, was that the project would fail to develop synergies between these components. However, the evaluation team found that in general, and particularly after the MTR, more strategic coherence was developed and the bulk of the project initiatives were brought under a tighter strategic framework, focused on achieving the overall development objective.
3. LOCA/VCD which improved understanding of market systems: the project moved from a focus on LOCA, which helped identify 'quick win' solutions as well as priority value chains, to a more comprehensive value chain approach, first at the local level and then also at the regional level. The value chain approach enabled a more market orientation and prioritisation of what the project calls 'proposals'. It also enabled better involvement of all relevant stakeholders such as larger companies.

Stakeholders were very much involved in this evolution and have therefore been able to directly learn which approaches work best for them. The downside is the amount of time these analytical approaches took, which caused some frustration amongst the Facilitators.

4. MSE Forums which facilitated improved public private dialogue: these are clearly a major success of the project, and are proven effective mechanisms for improving dialogue (and relationships) between private, public and NGO stakeholders. The key factors behind their success include the light touch approach of the project and high levels of local ownership and commitment; the seniority of many of the members, which, combined with the Forums' ability to resolve issues, has added to their credibility to the Forums. Particularly crucial to the impact and sustainability of these Forums, is that they are not just useful for the project, but are perceived as valuable by the stakeholders **beyond the requirements of the project**. This is a key difference between these MSE Forums and other similar bodies established by development projects, which often serve the purposes of the project only. As a result it's important to recognize that while successful in this project MSE Forums may not work so effectively in different circumstances. Ways should also be explored to enhance the institutionalization of the Forum whilst keeping its open and dynamic character.

5. Regulatory and Legal Reform: on the more general business environment reform activities, key lessons include the value the LOCA and VCD approaches have had in facilitating stakeholders to identify priority reform areas. The 'quick win' reforms achieved through the project have been very important in terms of both their impact and that they have built momentum and commitment. However, as the stakeholders, including the MSE Forums, start trying to address tougher constraints in the business environment, which require systemic changes (reform of regulations, policies and practices at the district, province and national level), it is likely that the advocacy process will need to be more rigorous and may require additional research and analysis to support arguments for reform. This is recognized by many of the stakeholders who expressed appreciation for a recent advocacy course provided through the project, and wished that they had been able to benefit from it earlier.

6. Increasing sustainability: it is clear that economic development at the District level is impacted by national policy, institutions, regulations and so forth. Equally, there is a clear role for learning and experiences at the District level to influence national policies. In order to maximize these opportunities, and achieve optimum sustainability, it is important for a District project, to also build constructive and close relationships with relevant and key national partners.

The evaluation report includes the following short-term recommendations:

1. The project should facilitate a dedicated stakeholder workshop to identify and agree additional opportunities for sustainability. This recommendation is based on comments made by a participant at the Stakeholder workshop, held as part of this Evaluation. A sustainability workshop would facilitate participants to achieve the following: a) focus on and acknowledge the sustainability challenges for key interventions, as a priority; b) identify, through brainstorming and sharing of experiences, opportunities for achieving sustainability; and c) agree actions and responsibilities for realising these opportunities.

Comment from project management: Sustainability issues and strategies have been discussed with all stakeholders in a number of forums, e.g. regular MSE Forum meetings, Forum experience sharing workshops, refresher training and regular meetings of LOCA and VCD facilitators, and meetings with the Palama theatre companies. Project management believes there is no value added in a further, general workshop and there is very little stakeholder interest in such a meeting. It has not taken action on this recommendation.

2. The project should systematically document and disseminate the wealth of accumulated knowledge and experiences, in an accessible format for key audiences. The project has a huge and impressive range of documents describing different components of the project, and evaluating them for a variety of standpoints. To ensure that there is optimum learning from the project, this information should be made more accessible for both technical and less technical audiences.

Comment from project management: Most of the documents produced by the project will continue to be available on www.entergrowth.com for at least three years following its completion. Key documents have also been put on the www.ledknowledge.org site. A video has been produced on the project, and has been disseminated on DVD. The project is placing it on YouTube, with a video made earlier on Palama. The synthesis study of the project funded by ILO Geneva (see section 5 below) is being done in response to this recommendation, although it had already been suggested by project management more than a year ago.

3. All possible attempts, in collaboration with SIDA and the ILO Country office, should be made to find funds for a continuation of the Enter-Growth approach in the short term, primarily for expansion to additional Provinces.

Comment from project management: Follow-up meetings the Sida and the ILO Area Office have not had concrete results.

5. The project in perspective

Enter-Growth worked towards some of the country's main development goals, in particular poverty reduction, creation of employment and the reduction of regional inequalities. MSE development is one of the strategies promoted by the Government to achieve these goals. As noted by the evaluation team, the project was, and remains relevant in this perspective.

Enter-Growth has taken part in planning exercises of the ILO and its constituents, and was included in the Decent Work Country programme. It has exchanged information with and promoted its tools (such as LOCA and VCD) to other ILO projects in the country, such as those on post-tsunami livelihoods recovery, eradication of child labour, youth employment and employment services. Although these contacts have always been encouraging, project management feels that there was potential for more concrete results in terms of joint activities and actual use of tools.

The project has been in frequent and close contact with PRISED, the ILO/Sida sister project in Vietnam. This has been very beneficial in terms of technical advice and mutual learning. ILO Geneva is currently supporting a case study on the project, which will be the basis of a staff development workshop at Headquarters. The study is being done by the leader of the evaluation team under the guidance of the Springfield Centre for Business Development.

Until end-2007 the project was member of a core group of Local Economic Development projects in Sri Lanka. When some of the key projects phased out and staff changed, there seemed to be little interest in continuing. However, the recent conference on LED made the need for more collaboration obvious, and a new group has been started. The Area office has committed itself to continuing ILO participation beyond September 2009.

Annex 1: Objectives, outputs of the project and assessment of achievements against indicators by the independent evaluation

Development objective

The programme will 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.

Indicators of Achievement	Enter-Growth Progress
<p>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>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>1. To be measured 2-3 years after Enter-Growth has been closed.</p> <p>2. <u>Achieved</u>. The sample survey of MSEs in 4 target divisions shows a near tripling of household incomes compared to 2006. It shows a 15% increase in employment. It cannot be said to what extent this is attributable to the project. (Source Impact Assessment Survey 2009)</p>

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, skills training and locality or value chain-based approaches that enable women and men in MSEs to increase their productivity, offer more market-led products and services, and develop market linkages.

Output 1.2: The demand strengthened for business services, skills training and locality or value chain-based approaches that enable MSEs to increase their productivity, offer more market-led products and services, and develop market linkages.

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

Indicators of Achievement	Enter-Growth Progress
<p>1. 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 owned by men.</p>	<p>1. <u>Achieved</u>. In the March 2009 Impact Assessment, 63% of MSEs in a sample of 4 Divisions, report an increase in sales of 22% on average. Sales have increased for MSEs in the following value chains: rice farmers in Polonnaruwa; dairy farmers in Kurunegala (by an estimated 76%); anthurium growers in Kurunegala (although anecdotal evidence suggests that recent economic downturn has reduced this increase somewhat); carpenters in Anuradhapura. For floriculture in Kurunegala, a small increase is reported by the growers that the evaluation team met; tourism in Anuradhapura has not experienced an increase in sales.</p>
<p>2. More MSEs have entered competitive value chains at the</p>	<p>2. <u>Achieved</u> (but no numerical target). According to intervention and project reports, a total of 845 new entrants have been</p>

Indicators of Achievement	Enter-Growth Progress
<p>local level</p> <p>3. 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.</p> <p>4. Business service providers in each District offer at least four new services or approaches that benefit men as well as women.</p> <p>5. An increase of at least 20% in the number of MSEs who access business services, among women as well as men.</p>	<p>recorded in the following sub sectors:</p> <ul style="list-style-type: none"> - Dairy (621) - Ornamental fish (30) - Anthurium (100) - Paddy (40) - Coir (8) - Fish processing (46) <p>3. <u>Achieved</u> (but no numerical target). 26 associations have either been revived or formed from scratch. In addition, membership of existing associations has increased. Evidence of greater integration is several subsectors, for example: Fruit and vegetables: 60 producers linked to export and at least 387 to various large buyers; floriculture, 92 growers linked to export, 30 to new buyers (some services embedded); tourism, 2 linked to international chains; ornamental fish, 200 linked to buyer/producer (with embedded services); dairy, 520 linked to large fresh milk factory, at least 14 marketing fresh milk locally; poultry, 525 included in buy-back systems (with embedded services)</p> <p>4. <u>Achieved</u>. The sample of BDS providers indicates that 18 out of 21 providers have increased the range of services they provide. These include:</p> <ul style="list-style-type: none"> - packaging training delivered 22 times to several different value chains in all 4 Districts. - small business association strengthening in all 4 Districts - garment productivity training in all 4 Districts - good working practices training in 2 Districts <p>More services have become available in the Districts as a result of LOCA and VCD, but not directly related to the above supported training. E.g. the establishment of model dairy and model breeder farms and two exporting zones.</p> <p>In addition some improved⁹ embedded services are being provided to project value chains including by the Sri Abhinawarama Foundation to its member dairy farmers in Kurunegala; input suppliers to the growers and exporters of floriculture in Kurunegala; a supermarket to vegetable growers in Polonnaruwa.</p> <p>Several value chains are dominated by women managed MSEs, such as garments and therefore new services have also benefited them in many instances.</p> <p>5. <u>Not achieved</u>. The sample of MSEs and BDS providers in 4 divisions suggests a decrease in BDS use. However, extensive service provision has been facilitated by the project: an estimated 3,850 services provided by partner BDSPs, according to project reports.</p>

9 The project found it difficult to facilitate the provision of new embedded services, but in some cases was able to 'improve' the provision of existing embedded services, particularly by formalizing the service delivery process.

Indicators of Achievement	Enter-Growth Progress
<p>6. MSEs and starters in targeted value chains and localities have accessed financial services due to facilitation of better linkages.</p>	<p>There has been less progress in developing the BDS market through providers, despite the Service fairs. In addition, there is a question of whether services are genuinely demand led, given high levels of subsidy in many of the above services.</p> <p><u>6. Achieved</u> (but no numerical target). MSE sample survey in 4 divisions suggests an increase from 24% accessing loans 3 years ago, to 31% now.</p> <p>Through the value chain exercise, involving financial institutions in MSE Forums, has enabled at least 740 MSEs to access credit, grants or in kind assistance. In addition, several financial service providers report an increase in demand for financial services in villages following Palama exercises.</p>

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: 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.

Output 2.2: Concrete improvements in the policy, legislative and regulatory environment realised benefiting women and men.

Output 2.3: A dialogue established and sustained between provincial, district and local authorities, MSEs, and business service providers

Output 2.4: Representative organisations of female and male-owned MSEs developed and strengthened to enable them to participate effectively in dialogue with the authorities and to facilitate their members' access to services and markets.

Indicators of Achievement	Enter-Growth Progress
<p>1. At least 10 regulatory constraints identified with MSEs have been solved.</p> <p>2. Business registration in targeted localities in the programme's final year is up by 15% or more compared to the first year, among MSEs owned by women as well as men.</p> <p>3. Officials who participate in programme events express greater confidence in their</p>	<p>1. <u>Achieved</u>. 13 regulatory (or other business environment) issues have been resolved in full or part, the majority through MSE Forums. This is a very significant achievement.</p> <p>2. <u>Not achieved</u>. According to Enter-Growth monitoring reports, overall business registration actually reduced slightly in the 4 Districts since this intervention. However in two sub sectors there is evidence of an increase in business registration following a LOCA exercise, e.g. Carpenters in Anuradhapura identified specific business registration constraints and the MSE Forum has facilitated some removal of these constraints. Possible reasons for the overall lack of progress are explored below.</p> <p>3. <u>Achieved</u>. (no numerical indicator) Enter-Growth monitoring, supported by Evaluation team interviews, found that Officials believe they offer a more responsive service to MSEs wishing to register their businesses. According to a SLIDA report on the</p>

Indicators of Achievement	Enter-Growth Progress
<p>capacity to provide a conducive environment for MSE development.</p> <p>4. Authorities independently identify and address regulatory issues in the final quarter of the project.</p> <p>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% find it a deterioration.</p> <p>6. MSE representatives, including women, authorities and business service providers, meet at least twice in MSE Forums or other dialogue events in the final year of the programme.</p> <p>7. Representative organisations participate more,</p>	<p>training they delivered: 78-98% fully agreed/agreed/partly agreed that they had increased their knowledge and skills regarding business registration and licensing. - 90-97% fully agreed/agreed/partly agreed that they now can better perform their responsibilities regarding business registration and licensing.</p> <p>However, Officials interviewed during the Evaluation pointed to the need to both increase MSE awareness of the benefits of, and how to register, and also to take steps to reduce the complexity of the process.</p> <p>4. <u>Achieved.</u> (no numerical indicator) MSE Forums and some senior Government Officials have taken a lead in 'identifying' priority constraints (in total 38) for MSEs, of these 11 have been solved to date. These issues come from VCD and LOCA work as well as from SBAs and individual entrepreneurs. NB: the wording of this indicator is confusing, as the project does not (and should not) want to encourage Government bodies to but rather to proactively engage with the business community to ensure that any reform process meets the private sector's needs. In reality, the MSE Forums are an excellent route for facilitating this kind of dialogue.</p> <p>5. <u>Likely to have been only partially achieved.</u> The sample survey of MSEs in 4 divisions, none of which are likely to have been directly affected by the improvements, and 90 % of which did not deal with regulations over the past two years, shows greater dissatisfaction with procedures. However Enter-Growth intervention reports and Evaluation interviews suggest that MSEs in several value chains consider that the business environment has improved. These include tourism in Anuradhapura; Dairy in Kurunegala and Anuradhapura; and Carpentry in Anuradhapura; and cover sub sectors where both men and women play a key role. It should be noted that in many of these sub sectors the business environment constraints have been only partially resolved to date.</p> <p>6. <u>Achieved.</u> MSE Forums have been very successful and in all 4 Districts meet as a minimum every month, often more regularly (according to project monitoring reports, a total of 83 meetings between October 2005 and February 2009). MSE Forum membership includes Government representatives (usually very senior), members of the business community, BDS providers (usually Government run agencies), as well as NGOs. MSE Forums now have at least 15% female membership and appear to be aware of the need to improve on this. One MSE Forum is establishing Division level forums.</p> <p>There have been 37 meetings of steering committees of local and regional value chains, mostly over the last 2 years.</p> <p>7. <u>Achieved.</u> This has primarily been achieved through the MSE Forums which themselves are a dialogue mechanism for the three main interest groups (private sector, Government and</p>

Indicators of Achievement	Enter-Growth Progress
<p>and more effectively, in dialogue.</p> <p>8. The number of MSEs organised in representative organisations has increased.</p>	<p>NGOs). SBAs and District Chambers are members of the MSE Forums and participate in dialogue (MSE Intervention report) Most SBAs in 6 case studies (SBA intervention report) report improvements in dialogue. The evaluation found anecdotal evidence to suggest that membership of the Forums has facilitated the building of relationships that result in an increase in informal dialogue outside of the actual Forum meeting.</p> <p>8. <u>Achieved</u> (no numerical target) A study of 26 Associations that have worked with the project showed a 47% increase in membership between 2006-9. Seven of these associations were new. The MSE survey shows an increase in membership of SBAs from 8 to 16%.</p> <p>In three instances, smaller associations collaborated to form larger associations (Dairy, Floriculture and Ornamental fish)</p>

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.

Output 3.2: Know About Business progressively introduced into vocational and technical training.

Output 3.3: Support provided to the introduction of entrepreneurial studies in the education system.

Indicators of Achievement	Enter-Growth Progress
<p>1. An increase in the number of people in target communities who consider enterprise an attractive way to make a living.</p> <p>2. The number of women and men, including youths and officials, who consider enterprise an attractive way to make a living increases by 20% amongst those who have participated in project initiated activities to promote enterprise culture.</p> <p>3. More than 50,000 women and men participate directly in campaign events</p>	<p>1. <u>Achieved</u> (although not a numerical indicator). An in-depth qualitative assessment that compared attitudes in October 2008 to the baseline of early 2006, concluded that attitudes towards business and towards enterprise as a way of making a living have improved. The study concludes that the project, Palama in particular, but also interventions such as the MSE Forums, LOCA and VCD, has made a significant contribution to this. Entrepreneurial Studies could have been a contributory factor, but it has been plagued by implementation problems (Source: Impact assessment on the enterprise culture component, October 2008).</p> <p>2. <u>Achieved</u>. See above. Officials were not specifically targeted but included as inhabitants of the targeted communities.</p> <p>3. <u>Achieved</u>. Over 200,000 men and women have attended Palama events. Anecdotal evidence suggests that the audience is made up of significant numbers of women, and the</p>

Indicators of Achievement	Enter-Growth Progress
4. Know About Business (KAB) included in more than 40 vocational/technical training courses nationwide.	majority are youths. 4. <u>Achieved.</u> KAB has been successfully incorporated into the Government vocational school curriculums, and is being run in 176 courses nationwide. This is a very significant achievement. 5,340 vocational trainees have completed KAB to date; the majority are male.
5. Entrepreneurial studies running at 'O' level in 5,000 secondary schools nationwide,	5. <u>Partially achieved.</u> According to the National Institute of Education and the Ministry, entrepreneurial studies are being run nationwide, however the course is running in only 900 schools due to implementation problems. 27,576 students sat for the Entrepreneurial studies 'O' level in 2008.

Immediate objective 4

Greater access country-wide 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 fulfill all its mandated functions with regard to sustaining the national SIYB programme.

Output 4.2: The SIYB Association and Partner Organisations supported in marketing the SIYB programme in the North and East of Sri Lanka.

Output 4.3: A commercially, technically and institutionally sustainable EYB programme under the national SIYB programme

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.

Output 4.5: Access to affordable e-commerce services increased for MSEs.

Indicators of Achievement	Enter-Growth Progress
1. An increase in the annual provision of SIYB and related services of at least 10 percent, to women as well as men.	<u>Not achieved.</u> Probably an unrealistic target. Compared to 2005, in 2008 the number of trainees has fallen by 19%, to 2,603 trainees, although this number is likely to rise due to late reporting. Delivery peaked in 2006 at 4,226, likely due to post-tsunami assistance. It is now back to pre-tsunami levels. The majority of trainees continue to be women – 72% in 2008 (Source: SIYB Association records).
2. An increase in the annual provision of EYB services of at least 30 percent, to women as well as men.	<u>Not achieved.</u> 28 trainees were trained on various EYB modules in 2007. In the first half of 2008 10 entrepreneurs took the entire course. There was no further EYB training in the second half of that year. This is a decrease compared to the 35 in 2005 (Source: SIYB Association and project records)
3. 40 percent of MSE owners, women as well	<u>Not achieved.</u> None of the programmes

Indicators of Achievement	Enter-Growth Progress
as men, listen/watch regularly the MSE radio and/or television programmes.	dedicated to MSEs have survived. Media monitoring in 2009 shows that compared to the baseline in 2006 business programming has fallen by 2/3. The share of MSE programming in business programming has remained the same (Source: Draft media monitoring report, project records).
4. In the programme's final year, the SIYB Association makes no use of technical assistance from the programme.	<u>Achieved.</u> No technical assistance is being provided, apart from participation in Executive Council Meetings. A case study evaluation in 2008, found the Association to be sustainable in every respect (technical, institutional and financial). In spite of decreasing delivery, the organisation is still profitable. A recent analysis indicates, however, that growth is needed to maintain this.
5. SIYB providers run at least 10 programmes in the North and East in the programme's final year.	<u>Achieved.</u> 29 programmes were run in 2008, in spite of the conflict.
6. In the programme's final year, EYB providers run two EYB programmes without technical, management or financial assistance from the programme.	<u>Not achieved.</u> One programme was run in 2008. It was not supported by the project, but it was subsidized by a Government agency, i.e. it was not run commercially. Several efforts to achieve a commercial footing have failed. (Source: SIYB Association, project records).
7. At least 4 radio and/or television stations run MSE programmes without financial support from the programme.	<u>Not achieved.</u> None of the programmes that were initiated with project facilitation has survived (Source: Project records)
8. At least two e-commerce meta markets established with chambers of commerce or business service providers	<u>Almost Achieved.</u> The National Chamber of Exporters has established one metamarket (www.ExportSL.com) and progress has been made with the FCCISL's metamarket (www.metamart.biz). The project experienced a set back with the closure of the US based NGO which was hosting the portals and had developed the software; however, indicating its commitment to this initiative, FCCISL has developed its own alternative model.
At least two key project approaches are being adopted by projects or organisations outside the target districts.	<u>Achieved.</u> Ten MSE Forums have been established by FCCISL outside the project's target districts; there are plans for the SIYB Association to run a full programme in June/July 2009 for garment manufacturers, with support from the Export Development Board.