

# **Rebuilding lives through employment in Sri Lanka**

**External Evaluation**

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## **1.0 Basic Information**

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Name of local partner	<b>Berendina Microfinance Institute</b>
Name of Person who compiled this report	<b>Alan Brewis</b>
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## **3.0 Abbreviations and acronyms**

EPF – Employee Provident Fund – Similar to pension contributions more information at: <http://www.epf.lk/>

#### **4.0 Executive Summary**

On the morning of December 26<sup>th</sup> 2004 a tsunami hit the coast of Sri Lanka. It is estimated that more than 30,000 were killed, over 100,000 homes were destroyed. Although very little larger scale business is located on the coast, hundreds of small businesses (sometimes on a plot where home and business are next to each other) were damaged, many completely; with their premises left in ruins, their stock destroyed and their production equipment irreparable. This was devastating for families who went from a situation where their viable small business was supporting many family members and employees to instant homelessness and impoverishment.

By the time of this report in 2010 most coastal businesses are trading again and nearly all of the infrastructure is repaired. Hotels are open and much rebuilding of new homes and businesses further away from the coast (with new zoning laws) has taken place. Residents still talk with some bewilderment about the tsunami, how and where the wave rushed in, how in some places buildings were untouched while others a few meters away were completely flattened. And of course of the close relatives that were lost. Many are wary of the ocean now and don't want to spend time near it, others refuse to move far from their homes and the livelihoods they have built up over many years, hanging on to the knowledge that another tsunami is statistically very unlikely in their lifetime. However, any announcement from the early warning system has most grabbing what they can and heading for high ground.

This project was concerned with assisting small businesses to get back on their feet as quickly as possible with a special focus on those that were expected to create employment so that, with the limited funds available, as many people as possible could get back to some form of normality and rebuild their lives in a sustainable way.

Of course the tsunami didn't discriminate: a wide spectrum of types of business were devastated - agro-processing, fishing, beauty, computer, handicrafts, restaurants, motor garages etc. The need to get them working again was clear and they needed to be assisted as soon as possible if they were not to lose their customer base, staff and links to suppliers and to sink further into poverty and dependency. With urgency and confusion comes the inevitable corruption and opportunism. Before the project team even started their work they were aware of cases of false applications and of assistance going where it was not required. In order to avoid this, careful planning and verification procedures were put in place. Police records were checked, though not all worthy businesses saw the value of registering their losses with the police at the time. The original site was visited, damaged equipment was viewed and neighbouring businesses were approached independently in an attempt to verify the applicant's story and level of business prior to the tsunami. Banks were visited where applicants held accounts. Local Chambers of commerce were consulted. Networking with other organisations led to referrals and shared experiences in verification methods. Many applicants had attempted to restart their businesses inland from the coast making them harder to locate. Initially it was difficult and time-consuming for the staff to pull

together all of the necessary information needed to make a judgement on the applicant's case. The staff were strict, not wishing to disperse limited funds where it wasn't needed and it took longer than expected for the project to start assisting businesses. However staff eventually became confident with their approach and follow-ups have shown that the strict and involved selection procedure has been worthwhile.

The assistance package on offer consisted of a 50% grant for new equipment (and a loan for the other 50%), a working capital loan, employment rights training and sometimes business improvement training. Clearly different sets of skills were required to manage the package well. This is where we can see the effectiveness of APT's development model of partnering with a local organisation who have the needed skills and who know where to get the ones it doesn't have. Berandina have years of experience with Business Development Services and their directors are livelihood and microfinance experts. It was clear from the start that the loan management component would need a solid and easy to manage system. Hiring a project manager with formal banking and loan finance experience has led to an accounting system that the regional managers can implement easily and good repayment rates. This previous experience of disbursing loans to businesses in the more formal sector also enabled the manager to discuss business needs and make informed and considered judgements, as well as giving advice, on the appropriateness of applications for new equipment and a realistic judgement of working capital requirements. Employment rights training was carried out in 2 sessions: labour rules and regulations being handled by the Government Labour Office and human resources by an external local consultant. Improve your Business training was given to a small number of clients and this was carried out by local consultants who had been trained by ILO.

There are lessons to be learned from the project as well as some unexpected results. This report is built from interviews with 28 of the small businesses that received assistance. Twenty five of these interviews are presented as case studies. Some of the businesses are still building their production or service levels back up to the level they were before the tsunami whereas some are already as strong as they were. However some businesses have bounced back with a new determination. They have made bold decisions, taken risks, embraced the assistance offered by this project (and other projects) and grown substantially employing many more than before, some with essential linkages to other smaller businesses thereby increasing employment further.

In addition the rights training offered by this project has obviously been carried out with sensitivity and a realistic practical focus since many of the employees and employers seem to be taking their relationship to each other with a new seriousness, an understanding of mutual dependence and an eagerness to build the business together. The rights training covered Employee Provident Fund (EPF) payments and this resulted in much discussion.

Section 9.0 shows that targets have been met, and outcomes are as expected or better than expected, though there have been some delays in implementation due to the unrest in the eastern region.

## **5.0 Introduction to the project**

This project was designed to rebuild livelihoods of people in the coastal regions in the East (Trincomalee and Batticaloa) and South (Matara and Galle) of Sri Lanka, by increasing employment of poor and vulnerable people in small enterprises damaged by the tsunami. It was to revive at least 200 businesses selected on specific criteria, including damage by the tsunami, potential for offering employment and large numbers of links to other small enterprise activities. APT worked with Berendina Development Services, which is staffed by very experienced credit and enterprise development specialists. The project has one small office in each of the two locations.

Activities were planned to re-employ or newly employ approximately 2000 vulnerable men and women:

- 960 vulnerable men, women, and approximately 6000 dependants, it is anticipated that 80% of these families will report an increased expenditure on, and/or more nutritious food, 50% will obtain basic housing improvements (eg repairs, sanitation) and 30% will report other benefits (eg education, medicines, coping with the unforeseen);
- and 1000 men and women (including farmers), and approximately 6000 dependants, using or supplying the targeted enterprises, will have more secure livelihoods and at least one of the benefits above.

The project also planned to rebuild the capacity of communities to provide goods and services locally:

- 200 enterprises will be actively providing goods or services, with 75% of these fully sustainable by the end of the project. The skills of employees and owners will be upgraded, enabling the businesses to be better placed to respond to market shocks and changes.
- 75% of employees in these small businesses will have an improved awareness of the rights regarding conditions of work for employees, and there will be improved working conditions in 10% of businesses.

The project should also document the benefits and disadvantages of using this approach of reaching the poorest and most vulnerable, and will share this information nationally and internationally with others involved in rebuilding livelihoods in post disaster situations.

## **6.0 The evaluation methodology**

The main objectives of this evaluation were to examine lessons that could be learned from the project and to assess how the project performed with attention being placed on any linkages that have been made, especially those that have generated employment.

The project has extensive internal documentation; the proposal, mid term and end of year reports and newsletter articles, as well as data collected about clients locally, loans and their repayment records.

This report presents information and draws some lessons and conclusions based on the above documentation but mostly from information gathered during in-depth interviews with a selection of 28 client businesses from Galle, Matara, Trincomalee and Batticaloa districts. Selection was made after discussions with project staff in each location paying particular attention to the likelihood of forward and backward linkages and selecting a range of business types and size. On occasion the selection was changed as interviews progressed in an attempt to understand the effectiveness of different types of assistance to different types of business.

APPENDIX 1 is the evaluation objective from the terms of reference

APPENDIX 2 is the visit programme.

APPENDIX 3 lists the organisations that the project linked with and their contributions.

## **7.0 Findings from the evaluation**

This section covers what was learned from the case studies. Some analysis of each individual case is given. A summary is given in section 8.0. The case studies are split into three sections:

**Type 1 businesses – results as expected** – those businesses that have now grown to a level with approximately the same number of employees as before the tsunami but with little in the way of linkages to other enterprises.

**Type 2 businesses - better than expected results** – those businesses that are now employing more than before the tsunami but with few linkages.

**Type 3 businesses - better than expected employment and with substantial links** - leading to significant further employment.

### **7.1 Case studies**

#### **7.1.1 Type 1 businesses:**

Case studies where intervention has resulted in businesses recovering to the same employment level as before the tsunami:

<b>Type of Business</b>	<b>Restaurant and guest house</b>	
Name of Proprietor	Rickman Somirathne	
Headed by	Man, (both men and women employees)	
50% Equipment Grant	Rs 200,000 Fridge, TV, Table and chairs	
Working Capital loan	Rs 50,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	5
	Directly after tsunami	0
	Now	7

Mr Somiratna's restaurant was, and still is, by the beach road. His furniture and stock was completely ruined. He was not trading at all directly after the tsunami and was running into debt. He is now earning again and has opened a small guest house for which he has hired 2 new staff. He has also started to make fruit juice, he buys fruit locally and sells the juice to local shops. There may be some future additional employment if the juice business takes off and potentially linkages in the supply of fruits.

<b>Type of Business</b>	<b>Shoe manufacturer</b>	
Name of Business	Malpa Shoes	
Headed by	Man (all male employees)	
50% Equipment Grant	Rs 100,000 Press for cutting insoles	
Working Capital loan	Rs 50,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	6
	Directly after tsunami	4
	Now	8

Mr Krishantha buys sheets of insole and uses the machine bought with the project grant to stamp out soles of various sizes. Previously he cut the insole by hand which was slow and produced a lower quality product. The business then assembles the shoe using imported parts (heels, uppers etc). They have concentrated on women's shoes and demand seems to be high especially since quality has improved. The owner and 4 of the employees undertook employment rights training. He said the training was well suited to small businesses, he appreciated that it didn't demand they conform to the requirements of large industry but that they should understand what will be required if they grow. He was especially appreciative of the section pointing out to employees the necessity that the business makes a profit if employees are to be paid and said that this has improved the relationship and respect between him and his workers. He hopes this will reduce absenteeism leading to more reliable production.

<b>Type of Business</b>	<b>Motor garage</b>	
Name of Proprietor	Gimhan De Costa	
Headed by	Man (all male employees)	
50% Equipment Grant	Rs 192,330 Tools, Compressor	
Working Capital loan	Rs 50,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	7

	Directly after tsunami	0
	Now	6

Mr Gimhana's garage was destroyed, his 7 employees lost their jobs and he sought employment at another garage. After receiving assistance from the project he has restarted his business in a new location employing 6. He and some of his staff had received employment rights training but had no comments to make about it.

<b>Type of Business</b>	<b>Ocean fishing</b>	
Name of owner	Nilantha Ajith	
Headed by	Man (male employees)	
50% Equipment Grant	Rs 300,000 Outboard motor	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	8 (+ 3 temporary)
	Directly after tsunami	0
	Now	8 (+ 3 temporary)

Large numbers of fibreglass boats were wrecked during the tsunami. This is a straightforward asset replacement with results as expected. The number left unemployed and then re-employed is high and this was clearly a worthwhile business to support. The fish are collected by intermediaries and small scale re-sellers who will generally buy from any boat (or a selection of favourite boats). Support to this business has definitely resulted in the crew of 8 being hired and may have resulted in increased commerce for the fish re-sellers especially since a full hold can reach 2 tons of fish. It may be worth following the catch through to resellers to understand if linkages are significant.

<b>Type of Business</b>	<b>Manufacture of Handicrafts</b>	
Name of business	Pilseli	
Headed by	Man (women employees)	
50% Equipment Grant	Rs 150,000	
Working Capital loan	Rs 50,000	
Loan pay back	Fully paid	
Employment rights training	Yes	
Number of employees	Before tsunami	8
	Directly after tsunami	2
	Now	10

All of Mr Dayananda's stock was water damaged by the tsunami and most of his machines were irreparable. He buys locally woven cloth from one small company (that supplies only him) and the government department of textiles which his business cuts and sews into colourful bags, soft toys and garments for export. The business is growing and taking over his house with an additional lean-to extension having recently been built. The products are of a very high quality and Mr Dayananda has attended several international shows. The weaver that supplier this business is "of a similar size" so there are probably linkages though the weaver has not been visited to verify this. Potential for growth looks good. Further assistance in the form of a product designer may help to fine tune his product range. Web page:

<http://www.srilankabusiness.com/etrade/pilseli.htm>

<b>Type of Business</b>	<b>Manufacture of wedding garments and beauty salon focussed on brides.</b>		
Name of Owner	Rupani Illesinghe		
Headed by	Woman (women employees)		
50% Equipment Grant	Rs 75,000		
Working Capital loan	0		
Loan pay back	No arrears		
Employment rights training	Yes		
Number of employees	Before tsunami	3	
	Directly after tsunami	0	
	Now	2	

Mrs Illesinghe lost all of her equipment and stock. After the tsunami she worked on her own from her home. Since the capital injection from the project she has moved to a new rented business unit on the outskirts of Colombo and now has 2 staff. She says her business is back as it was before the tsunami and she has plans to provide a full wedding package in the future (flowers, catering etc). She also teaches 'beauty culture' to other women who wish to start up their own business. She commented that the rights training has prepared her for the legislation on EPF payments.

<b>Type of Business</b>	<b>Furniture manufacture</b>	
Name of proprietor	Subasha Kumara	
Headed by	Man (male employees)	
50% Equipment Grant	Rs 25,000 – 2 wheeled tractor	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	6 (+ 3 temporary)

	Directly after tsunami	1
	Now	6 (+ 3 temporary)

This business buys up used timber from old colonial houses and makes 'antique' furniture. The business has relocated inland away from the flooded and now unstable original premises. However the new location made it difficult to collect wood from traders and to deliver to customers. The project team offered funding for a two wheeled tractor with trailer for transport. The business is back to its previous capacity and demand is good for his very high quality products.

Type of Business	Manufacture of coconut oil	
Name of Owner	Jayathan Liyanage	
Headed by	Man (male and female employees)	
50% Equipment Grant	Rs 250,000 oil press and grinding mill	
Working Capital loan	Rs 50,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	10
	Directly after tsunami	0
	Now	10

This business buys in copra and presses it for oil which is sold to local shops and restaurants. Mr Pithirana also presses on contract charging a fee and taking the cake (which is used as an animal feed). He also grinds chilli and flour. The business is based at his family house near the beach. Flooding ruined most of his equipment and damaged the building. He is now trading at the level he was before the tsunami. Mr Pithirana thought some of his customers were using the oil for making soap but could not confirm it. There may be some employment generating linkages such as soap manufacturers, snack makers and those stripping the copra from the husk. However there wasn't time to follow these potential linkages during the survey.

Type of Business	Steel fabrication for construction	
Name of Proprietor	Sarveswaran	
Headed by	Man, (male employees)	
50% Equipment Grant	Rs 500,000 Sheet metal bending machine	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	20

	Directly after tsunami	10
	Now	39

This is a medium sized business in a large shed carrying out welding and fabrication. They rely on NGO and government contracts. Their premises and some of their equipment was damaged in the tsunami and they have relocated. It could be argued, with a business as large as this, and with such good sales contacts, that they were destined to grow whether or not they received project assistance. However the bending machine does increase their product range and has resulted in the business taking on more staff. The employment level was already 31 when assistance was given – it has risen to 39. The owner does not supply parts or items to other small firms; in fact it sees them as competition. The workshop manager did not consider the rights training useful. In conclusion it is likely that employment has been created but the business would most probably soon have had the capital to buy a bending machine from their own earnings. In hindsight the team accepts that although this business fits the criteria it was probably not a prime candidate for assistance from this project.

### 7.1.2 Type 2 businesses:

Case studies of those businesses that are now employing more than before the tsunami but with few linkages.

Type of Business	Garment manufacture	
Name of Proprietor	Ugitha Wasanthi	
Headed by	Woman (all women employees)	
50% Equipment Grant	Rs 500,000 Sewing machines	
Working Capital loan	Rs 200,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	12
	Directly after tsunami	2
	Now	21

All of Mrs Wasanthi's machines and stock were ruined. Her brother gave her some cash to help her restart. A working capital loan from the project and a 50% grant allowed her to buy 7 used sewing machines. Mrs Wasanthi buys cloth in Fort, designs, cuts and sews in her newly and rapidly expanding rented house in Galle where her families' living space is being crowded by her business as she takes over more rooms and builds on temporary work areas. Within the last year she has increased production substantially, hired several new staff and bought 5 new machines from her earnings. Most of her garments are bought by large scale traders in Colombo, a few go to local shops. She can now apply to her bank for a loan to expand further.

Comments on the rights training were limited to EPF payments, and how her staff did not fully trust that they would benefit and were reluctant to have this deducted from their salaries.

<b>Type of Business</b>	<b>Tailoring</b>	
Name of proprietor	Mr Kannan	
Headed by	Man (mostly female employees)	
50% Equipment Grant	Rs 200,000 industrial sewing machines	
Working Capital loan	0	
% loan paid back	50% paid no arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	2
	Directly after tsunami	Moved premises – 2
	Now	10

This business was originally based in Batticaloa with 2 sewing machines and 2 employees, the tsunami destroyed the machines and the owner relocated to Trincomalee. The owner Mr Aaradanaas managed to source one sewing machine and started work again, he built up a customer base and managed to purchase another 2 machines, and employ 2 extra operators. He approached the project with plans to make ready made shirts of high quality and keep a stock rather than make to order. The project funded a 50% grant for 4 new machines including an overlock sewing machine to enable him to make high quality garments. The business has flourished and now employs 10 people. Sales are made directly from the shop, through other shops and he has contracts with government agencies. This would not have been possible without the industrial machines purchased with this project's assistance. He has found that the rights training attended by himself and most of his employees has lead to a more respectful relationship with an understanding that if the employer does not make a profit the employee can not expect to be paid. The owner asked if further assistance was available, he will be offered a letter of recommendation from the project stating that he repaid his loan on time and that his business is growing rapidly so that he can approach his bank.

<b>Type of Business</b>	<b>Automotive repair garage</b>	
Name of proprietor	Mr Hemanth	
Headed by	Man (male employees)	
50% Equipment Grant	Rs 250,000 Electronic fault diagnosis unit	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	

Number of employees	Before tsunami	3
	Directly after tsunami	2
	Now	5

The tsunami knocked down the workshop and damaged much of the equipment. Mr Hemanth managed to rebuild his business but applied for the diagnosis unit to gain more customers and grow. He now attracts many of the government repair jobs and hopes to become the agent for the unit and sell them on to other workshops. The unit has also resulted in the workshop becoming a preferred apprentice training location. When the tsunami early warning siren sounded a few months ago Mr Hemanth claims he ran for the diagnostic unit before fleeing to high ground.

<b>Type of Business</b>	<b>Carpenter</b>	
Name of proprietor	Yogaraj	
Headed by	Man (mostly male employees)	
50% Equipment Grant	Rs 250,000	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	6
	Directly after tsunami	2
	Now	13

When the tsunami hit most of their equipment was stored on a site near the coast where they were working. All electrical machines were destroyed. The business grabbed the opportunity to upgrade and the project team felt their business plans were viable. The new machines have enabled the business to move into higher quality work and this has led to rapid growth. The employment rights training was well received by both employer and employee with both reporting an improved relationship. Evident on site were new safety dust masks a clean drinking water dispenser and the option of flexible working hours. The employer admitted that prior to the training he paid his employees and expected them to work; if they were unable to work he had considered that to be their problem. He now realises that if the employee has a problem that impacts on their ability to work then it is in his own interest to help his employee to resolve the problem. The issue of employees' reluctance to contribute to EPF payments was raised.

<b>Type of Business</b>	<b>Timber and carpentry</b>	
Name of Proprietor	Gunasekara	
Headed by	Man (all male employees)	

50% Equipment Grant	Rs 225,000 Electric motor, router, chainsaw	
Working Capital loan	Rs 25,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	5
	Directly after tsunami	2
	Now	7 + (3 temp)

Most of Mr Gunasekara's machinery was ruined by the tsunami, his showroom was flattened and his workshop structure damaged. He has rebuilt this workshop and with the machines bought from the project grant he has started production again. He took the opportunity to replace his diesel driven table saw with an electric motor and this has increased production significantly. The business buys in tree trunks, usually with the bark removed by employees of the supplier. The trunks are sawn into planks and sold to builders for roof joists, building frames and trailer bodies. Some of the better timber is used to make furniture on site and Mr Gunasekara intends to reopen his showroom soon, construction has started. The business generates several hundred kg of sawdust each week and this is collected free of charge by mushroom growers and for fuel. This business has grown back stronger than its previous level and has plans for expansion. It is very likely that there are some linkages to employment generated by those who use the free sawdust to grow mushrooms and perhaps customers that buy rough cut wood.

Type of Business	Concrete building materials	
Name of proprietor	Suresh	
Headed by	Man (male employees)	
50% Equipment Grant	Rs 100,000 Motorised concrete block maker	
Working Capital loan	Rs 200,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	3
	Directly after tsunami	1
	Now	6

Mr Suresh's business was washed out by the tsunami. He restarted making concrete items by hand but has managed to double his production with the addition of the concrete block maker. Quality has also improved leading to new markets, especially government and NGO rebuilding projects. The working capital loan enabled him to buy materials in bulk at a reduced price and to hold stock. He and 3 of his employees attended employment rights training, EPF payments were an issue with employees still refusing to contribute.

<b>Type of Business</b>	<b>Motorcycle repair garage</b>	
Name of Proprietor	Kennedy	
Headed by	Man, (male employees)	
50% Equipment Grant	Rs 200,000 Compressor and hydraulic lift	
Working Capital loan	0	
% loan paid back	50% paid no arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	2
	Directly after tsunami	0
	Now	11

The equipment bought with the project grant has enabled Mr Kennedy to gain the local agency for a popular make of Indian motorcycle. This has led to rapid growth and the hiring of more staff. This increased capacity and the agency means that he now receives apprentices for training. This assistance came at a time when the business was poised for growth but did not have the capital, it has clearly led to significant direct employment.

<b>Type of Business</b>	<b>Cleans offices on contract</b>	
Name of proprietor	Chandana Nanayakara	
Headed by	Man (mostly male employees)	
50% Equipment Grant	Rs 280,000 Polisher, vacuum etc	
Working Capital loan	Rs 100,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	100 (some temporary)
	Directly after tsunami	30
	Now	60 (some temporary)

This business cleans offices on contract. Their equipment was damaged and were unable to trade at their previous level. The business is working its way back up to its previous capacity. Although not employing as many as before the tsunami the assistance has contributed to significant re-employment of unskilled labour.

### 7.1.3 Type 3 businesses

Case studies of businesses with substantial links to other enterprises and where the intervention has lead to significant further employment.

<b>Type of Business</b>	<b>Coir fibre manufacture</b>
Name of proprietor	H.L. Jackson

Headed by	Husband & wife (male and female employees)	
50% Equipment Grant	Rs 250,000 Electric motor and machine	
Working Capital loan	0	
% loan paid back	100% paid	
Employment rights training	Yes	
Number of employees	Before tsunami	4
	Directly after tsunami	0
	Now	12
Estimated employment generated from linkages	75 surrounding micro-businesses	

Mr Jackson and his wife buy in coconut husks, the husk and shell are then shredded and separated to give fibre and shell using the machine bought with the 50% project grant. Some of the fibre is made into rope on site for sale to local retailers and for sale to carpet and bag makers but the majority is sold to other micro businesses that use their own locally made manual machines to make rope and sell on to resellers *and then* to more micro-businesses that make bags and rugs. The husk is sold to a briquetter in Galle and the briquettes exported. The business is thriving; the new machine has increased production substantially as well as reducing impacts on the environment and increasing the quality of the fibre. There are a substantial number of linkages with many surrounding micro businesses relying on this processing facility. The coir business will be analysed further in the next section. Mr Jackson clearly appreciated the rights training and has seen a substantial reduction in staff absenteeism.

Type of Business	Coir fibre manufacture	
Name of proprietor	S.N. Algewathe	
Headed by	Man (male and female employees)	
50% Equipment Grant	Rs 250,000 Coir machine	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	3
	Directly after tsunami	0
	Now	7
Estimated employment generated from linkages	50 surrounding micro-businesses	

In this business whole coconuts are bought in and split on site, the copra is then removed and sold to a re-packer for food and also to a local oil press. The husk and shell are then separated to give fibre and shell using the machine bought using the 50% project grant. The fibre is sold to local micro

processors who make rope and then sell it on to other micro processors who dye it and make mats and bags. The husk is given back to growers as a fertiliser and soil stabiliser. The business is thriving; the new machine has increased production as well as reducing impacts on the environment and increased the quality of the fibre. There are a substantial number of linkages with many surrounding micro businesses relying on this processing facility. The coir business will be analysed further in the next section.

<b>Type of Business</b>		<b>Coir fibre manufacture</b>	
Name of proprietor	SOBAKANTHA Women development foundation		
Headed by	Woman (mostly female employees)		
50% Equipment Grant	Rs 450,000 Coir machine		
Working Capital loan	Rs 50,000		
Loan pay back	No arrears		
Employment rights training	Yes		
Number of employees	Before tsunami	0	
	Directly after tsunami	0	
	Now	8	
Estimated employment generated from linkages	30 surrounding micro-businesses		

Although not a business this foundation is run as a business. It was started to assist women affected by the tsunami. Coconuts are grown by woman members and also bought in from other growers. Husks are processed using the machine bought using the 50% project grant. The fibre is taken by local micro processors who have access to an 18 month hire purchase facility to buy their own manual rope making machine from the foundation. Rope is returned to the foundation and a cash processing fee is paid to the micro enterprise. Some of the rope is sold on to other micro processors who make mats and bags. The machine produces high quality fibre which enables the micro enterprises to produce high quality rope, some of the rope can therefore be sold at a higher price to larger buyers for export. The coir business will be analysed further in the next section.

<b>Type of Business</b>		<b>Cash crops</b>	
Name of Proprietor	Evera		
Headed by	Man, (mostly female employees)		
50% Equipment Grant	Irrigation pump and 2 cows. Rs 200,000		
Working Capital loan	0		
Loan pay back	No arrears		
Employment rights training	Yes		
Number of employees	Before tsunami	2	

	Directly after tsunami	0
	Now	6
Estimated employment generated from linkages	2 marketing intermediaries and inputs on credit to other growers.	

Mr Evera grows brinjal and betel leaves under irrigation after his original plot was destroyed. Fruit and betel are sold to 2 marketing intermediaries who distribute to other smaller retailers. The project also assisted him to buy 2 cows which provide fertiliser, however this may have inadvertently reduced the trade for the micro businesses that had previously supplied dung. The business buys in bulk and sells concentrated fertiliser and other agro inputs on credit to over 100 micro scale farmers.

<b>Type of Business</b>		<b>Baker</b>	
Name of proprietor	Faleel		
Headed by	Man (mostly male employees)		
50% Equipment Grant	Rs 430,000 Bread slicer, 3 wheeler		
Working Capital loan	0		
Loan pay back	No arrears		
Employment rights training	Yes		
Number of employees	Before tsunami	6	
	Directly after tsunami	3	
	Now	15	
Estimated employment generated from linkages	Estimated 4 – two mobile bread sellers and several part time rural firewood suppliers		

Flooding destroyed most of Mr Faleel's equipment. Although, on application to the project, this business was trading at the same level as before the tsunami the new equipment enabled it to break into the hotel market. Faleel now operates 2 shifts per day and employs twice the workforce. Apart from the formal markets supplied, 2 small scale sellers buy from this bakery and use bicycles to hawk bread and buns around town. In addition firewood is regularly collected from several rural suppliers. Both employer and employee mentioned improved relationships and the unpopularity of EPF payments.

<b>Type of Business</b>		<b>Cash cropping (mostly vegetables)</b>	
Name of proprietor	Mr Pathmanathan		
Headed by	Man (mainly female employees)		
50% Equipment Grant	Rs???? Irrigation pump and sprinkler system		
Working Capital loan	0		
Loan pay back	No arrears		
Employment rights training	Yes		

Number of employees	Before tsunami	6
	Directly after tsunami	No cultivation for 2 years
	Now	11
Estimated employment generated from linkages	Estimated equivalent of 6 – four small scale vegetable retailers (only part of their business) plus cattle owners earning an income from dung as fertiliser and 2 new irrigation systems fitted for other farmers (who in turn now employ staff).	

Flooding from the tsunami had resulted in the land becoming too salty to grow vegetables. The irrigation system purchased with the project grant has transformed the plot and it is now back in full production with regular sales to four wholesalers. Mr Pathmanathan has also fitted 2 irrigation systems for other farmers bringing their salinated land back into production and he is now the local agent for the sprinkler system. After the rights training a bonus scheme has been introduced and a basic paid maternity leave.

<b>Type of Business</b>	<b>Ocean fishing</b>	
Name of Proprietor	Kuberan	
Headed by	Man, (male employees)	
50% Equipment Grant	Rs 500,000 Outboard motor and deep sea nets. Ice maker.	
Working Capital loan	Rs 100,000	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	4
	Directly after tsunami	0
	Now	20
Estimated employment generated from linkages	15 to 20 micro-businesses	

Here is a story of rapid expansion after the tsunami. Mr Kuberan's fishing boat was wrecked, he received a new boat from an NGO and an engine and nets from this project. Income from this boat enabled him to buy another and operate one boat set up for day fishing and one for night fishing. He then came upon two complete boats that had been donated after the tsunami but were not being used. He bought these, making 4 boats with a crew of 5 each. Catch from the boats is distributed between 15 to 20 small scale fish retailers, most buy around 10kg at a time. These small scale retailers take the fish on credit and pay when they can, though before their next batch. Two larger retailers with cooler trucks buy the rest of the fish. Mr Kuberan also buys fish from other boats for cash to satisfy the larger retailers who expect fish on credit. The project also assisted with the purchase of an ice maker, the business sells ice to smaller retailers. He has good staff retention since a basic wage is paid even when the catch is low. It appears that the project

grant and loan was a stepping stone leading to high employment and useful services to the local fishing community.

Type of Business	Cash cropping (mostly vegetables)	
Name of proprietor	Subendran	
Headed by	Man (mostly female employees)	
50% Equipment Grant	Rs 250,000 Irrigation pump	
Working Capital loan	0	
Loan pay back	No arrears	
Employment rights training	Yes	
Number of employees	Before tsunami	6 (with fishing boat)
	Directly after tsunami	1
	Now	14
Estimated employment generated from linkages	Estimated 4 – two intermediaries collecting vegetables for sale to retailers. A few part time dung and coconut husk fertilizer suppliers.	

Mr Subendran was the owner of a fishing boat, it was destroyed by the tsunami. His then fiancé told him the marriage would not go ahead if he returned to fishing. For someone with no previous farming experience the growth of the 2 year old business is impressive. Thirteen acres of his grandfather's plot is now under cultivation and he has plans for the other 2/3 of the plot. Due to the decimation of farming in the region caused by the civil war demand for vegetables outstrips supply. The business currently supplies to two marketing intermediaries (feeding into several small scale retailers) and buys in fertiliser dung from local cattle farmers and coconut husks to improve the soil structure. Staffing is mostly by women some of whom are tsunami and war widows. Although the business was also assisted by another organisation (with a small solar powered drip irrigation scheme) the contribution from this project was a significant factor in its growth. He is now married.

## **8.0 Analysis of the case studies**

**1) The tsunami did not discriminate.** It can be seen from above studies that the types and size of business assisted were varied; from a cleaning company with 60 employees to a wedding outfitter with 2. The project had to decide which businesses really needed assistance, which ones would go on to hire more workers or would create up and down stream jobs; which were likely to pay back their loans and whether the equipment they wanted to buy was necessary and would lead to growth. Would larger companies requesting larger loans and grants employ more or would it be more effective to offer lesser amounts to more small businesses? Of course the team could not be

100% sure which sector was most likely to achieve the project targets so they wisely spread the assistance amongst a diverse range of businesses and sizes of business.

**2) These are not start-ups.** Although many had all of their assets wiped out completely and had to 'start from scratch' most had years of business experience with a proven record of profitable trading, a customer base and trusted suppliers. A three year project working with start-up businesses could not have achieved this level of employment creation. Some of the businesses visited during this evaluation had shown rapid growth with owners showing an impressive determination to 'build back better', in some cases much better and stronger, as if they were determined to be financially stronger so that they could not be hit so hard again.

**3) Loan payback has been good.** It appears there are two main reasons for this: the loan system was well managed and the businesses were viable before the tsunami and were determined to bounce back. In addition the 3 year period between tsunami and project start-up allowed the project team to choose businesses that had made attempts to rebuild and whose needs were clear.

**4) Employment rights training was well received.** Two issues were consistently raised by recipients of the rights training: EPF payments and improved employer/employee relationships.

It appears that the rights training was carried out sensitively and was appreciated by most participants. Employees consistently reported a new appreciation for their role in ensuring that the business prospers and a realisation that without that prosperity their job could not be guaranteed. Employers of course were pleased that this had been covered in the training but were also made aware of their duties and responsibilities. Repeatedly employees and employers reported increased respect for one another, increased courteousness (taking time to greet each other at start and finish of work was often mentioned), taking time to listening to issues, improved site safety and first aid etc, flexible working hours and reduced absenteeism.

The requirement to pay Employees' Provident Fund (EPF) was covered during the rights training <http://www.epf.lk/>. Many employers and employees reported that employees did not have confidence that they would ever be able to access the fund and were therefore reluctant to make contributions. Although contributions are required from both employer and employee it is clear that any deduction from an already low wage is likely to be unpopular.

**5) Employment was created by linkages.** A significant level of up and down stream employment has been created by assisting small businesses to rebuild and improve their core processing facilities. One shining example is the coir industry where assisting a small business to buy an improved fibre mill results in significant income for tens of surrounding micro-enterprises. A detailed analysis of the coir industry follows later in this section. Other examples from the case study are:

- Fishing; where fish sellers and marketing intermediaries depend on the fishing boats,

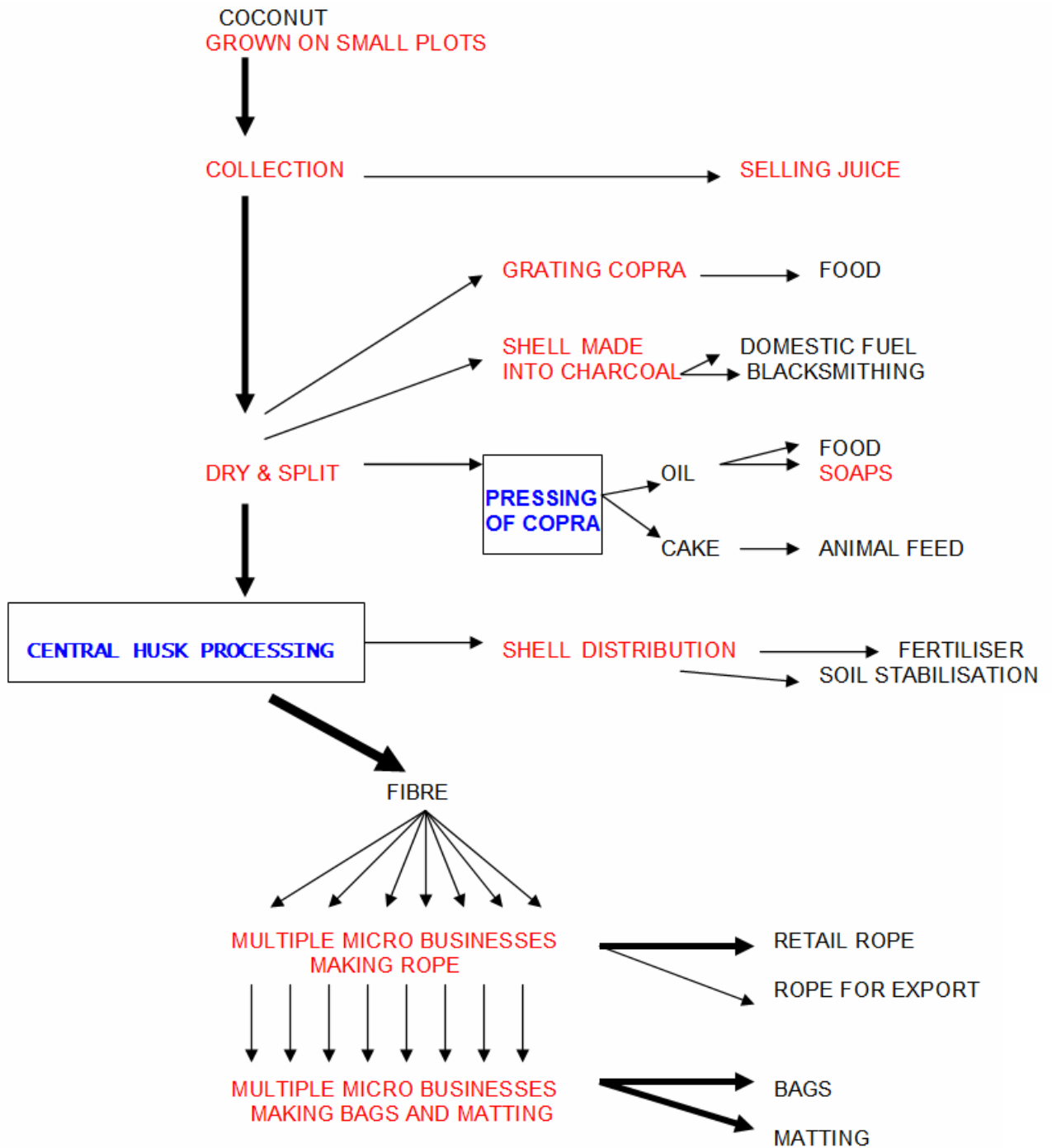
- Copra processing; where removing the copra from the shell and further processing of coconut oil into soap or snacks creates employment.
- The handicraft business Polseli bought cloth from a specialist local weaver.
- Cash cropping (market gardening): where marketing intermediaries, small scale retailers, fruit and vegetable processors, dung suppliers are all required.

Others businesses where a central facility requires and enables other smaller businesses could include: plastic waste collection and processing, solar drying and animal husbandry (butcher, milk yoghurt, dung, skins, wool). However this project was limited only to businesses affected by the tsunami.

### **8.1 A more detailed analysis of the coir industry and the forward and backward linkages:**

The diagram on the next page shows how assistance to a core business, in this case by giving a partial loan and grant to purchase a machine that efficiently separates the coir fibre from the coconut husk, has generated substantial up and down stream employment. It should be noted that the process of removing fibre from husk is not new, however the 'traditional' process requires soaking of the husks in large pits, often near the beach. This softens the husk making manual fibre removal possible but lowers the quality of the fibre; the pits result in soil erosion and provide a habitat for mosquitoes. The machines bought using post tsunami funds enable rapid fibre removal without soaking, resulting in a high quality fibre, some of which is suitable for export.

**Diagram showing the forward and backward linkages created by support to a central husk processing facility**



**KEY:**

**CENTRAL PROCESSOR**

**MICRO BUSINESSES BENEFITING FROM CENTRAL PROCESSOR**

**RAW MATERIAL OR FINISHED PRODUCT**

**Part of the coir process (and some of the linkages) illustrated with photographs.**



1) The whole coconut is split removing the outer husk.



2) The central kernel is cracked and the pulp removed and used as a food ingredient or dried and pressed for coconut oil.



3) The husk is then processed to separate fibre. The outer layer is used as a soil conditioner.

Assistance was provided here at Stage 3 to purchase the fibre mill. This enables the production of large quantities of high quality fibre with much reduced environmental degradation. The fibre feeds into tens of micro-enterprises which process it into rope, mats, brushes etc.



Micro-enterprises buy the fibre from the mill and transport it to their homes.



..... where it is made into rope using manual spinning wheels



Rope is bought by marketing intermediaries



Rope is often further processed into mats, bags, brushes, etc by micro enterprises.

## **9.0 Progress towards outcomes and objectives**

The specific objectives of this project, as stated in the proposal, are listed below with comments on progress so far.

**i) Revival of at least 200 businesses damaged by the Tsunami providing goods and services to local communities.**

The number of businesses receiving support is above the target of 200. 211 have received financial assistance in the form of loans and grants to replace tsunami damaged assets and/or working capital loans. For all but one of the businesses visited during this evaluation this financial assistance had been essential to their recovery and in all cases had resulted in job creation.

All of the businesses visited were providing goods and services to local communities and 8 of the 28 visited were providing services to other microenterprises thereby generating further up and downstream employment.

Delivery of assistance has been later than expected due to reduced local funds being available for asset replacement (local inflation and weakening sterling) and civil unrest in the eastern region. This has been mitigated during the latter stages of the project by offering business and agri based technical training and linking businesses to existing service providers for support. As the unrest in east subsided business growth (and demand for assistance) has been substantial allowing some 'catch-up' in this region. These delays are likely to result in some of the employment creation occurring after the end of the project and therefore some under-reporting .

***Objective i) is on, or above target***

**ii) Enable 1000 micro or small enterprises to have improved access to a market for their goods, or improved sources of supplies, through productive links to the target small enterprises.**

By March 2010, 605 jobs had been recorded as being created through forward and backward linkages particularly in the coir products sector. This evaluation confirmed that significant extra employment was being created in micro-enterprises linked to the businesses being supported. With the late disbursement of asset replacement funds and the recent business training it is likely that linkage employment is being under-reported. A survey towards the end of the project specifically focussed on linkages would result in a more accurate figure against this objective and provide lessons that may be useful in future employment creation projects.

***Objective ii) is currently reported as below target but likely to be on or above target by the end of the project***

**iii) Re-employment or new employment of approximately 2000 vulnerable men and women (at least 30%) with greater understanding of their rights**

Records show that by March 2010 the number of new jobs created by the project was 1,569. If the number of jobs created due to linkages with micro-enterprises can be confirmed it is likely that the target of 2,000 will be achieved. Late disbursement of asset replacement funds and the provision of training late in the project mean that a further survey of businesses and their linkages will be required to confirm this.

Within the case studies undertaken during this evaluation understanding, and more importantly appreciation and application, of the rights training has been impressive. 629 had been trained by June 2010.

***Objective iii) is under target but since objective i) is on target and some services were delivered late it is likely that this target will be reached. Understanding of rights training is on target.***

**iv) Upgraded skills of employees and owners enabling the businesses to be better placed to respond to market changes and shocks**

It was clear from the case studies that the project team offered far more than an asset replacement service. Multiple visits, referrals to other providers, exchange visits, visits to and from technical experts etc. So far 42 businesses have been linked to service providers and 38 have received Improve Your Business training. An additional benefit of this extra assistance is that businesses often took the opportunity to upgrade an asset rather than directly replace or to choose a more appropriate piece of equipment after discussing their requirements with the project team. This has led to expansion in some cases and extra employment.

***Objective iv) is on target***

The specific outcomes of this project, as stated in the proposal, are listed below with comments on progress so far:

- i) 960 vulnerable men, women, and approximately 6000 dependants: 80% of families report an increased expenditure and/or more nutritious food; 50% obtain basic housing improvements (eg repairs, sanitation); 30% report other benefits (eg education, medicines, coping with the unforeseen)

Baseline and follow-up records have been kept throughout the project to measure these outcomes. Records show that benefits were greatest for the micro-enterprises that had linkages with the small businesses receiving direct assistance. This is to be expected as the micro-enterprises are less affluent and more likely to spend income on significant improvements to housing, sanitation and education. Reports show very little or no housing improvements, no better utilities or access to appliances for the small

businesses assisted directly by the project. Project reports show that many clients had received post tsunami housing assistance to rebuild or repair their houses before the baseline survey. Records do, however, show that both groups reported increased spending on nutritious food, education and medicine. Below is a summary table compiled by the local Project Manager from baseline and follow-up data:

Type	Nos surveyed	% More secure livelihood	% Increased expenditure on more Nutrious Food	% Basic Housing Improvements	% Other benefits- education, medicines, etc
<b>Employees</b>	Sep-09				
- Southern	23	78	70	0	39
- Eastern	11	73	82	0	45
Totals & Ave.	34	76	76	0	42
	Jun-10				
- Southern	25	84	84	8	72
- Eastern	25	88	76	8	100
Totals & Ave.	50	86	80	8	86
Grand Total Ave	84	81	78	4	64
<b>Linkages</b>	Sep-09				
-Southern	22	95	32	14	64
- Eastern	11	82	67	33	82
Totals & Ave.	33	89	50	24	73
	Jun-10				
-Southern	16	69	94	13	63
- Eastern	10	70	100	0	90
Totals & Ave.	26	70	97	7	77
Grand Total	59	80	74	16	75

***Outcome i) has been largely achieved***  
*(though spending on housing improvements was less than expected)*

- ii) **1000 men and women (including farmers), and approximately 6000 dependants, through linkages with the targeted enterprises, reporting more secure livelihoods and at least one of the benefits above.**

All of the micro-enterprises relying on links to assisted businesses that were visited during this evaluation clearly had more secure livelihoods. They were appreciative of and dependent on the opportunities provided by the assisted small businesses. The table above shows that of the samples taken during the duration of the project 80% reported a more secure livelihood. The benefit to dependants is more difficult to prove. With baseline and follow-up surveys showing around 2 dependants for each interviewee it is unlikely that 6,000 dependents have benefited.

***Outcome ii) has been achieved for linked micro-enterprises but not proven for the expected 6,000 dependents***

- iii) **Capacity of communities to provide goods and services locally increased through 200 enterprises actively providing services (including employment), with 75% of these fully sustainable by the end of the project.**

This outcome was not reported directly in the end of year 2 report nor this year's mid year report. Over 200 enterprises have been assisted and all are still trading. Of the 28 enterprises visited during this evaluation all were actively providing services, all were employing others and at least 30% were providing products or services that lead to further (sometimes large scale) employment. Sustainability is better than 75%.

***Outcome iii) has been achieved***

- iv) **75% of people in these small businesses will have an improved awareness of the rights regarding conditions of work for employees, and there will be improved working conditions in 10% of businesses.**

Location	Employers trained	Employees trained
Galle	38	119
Matara	18	65
Bataloa	36	122
Trincomalee	28	106
Ampara	16	81
Total	136	493

Of the 200 businesses 136 employers have received employment rights training (68%) by June 2010. Of the businesses visited during the evaluation all that had been trained were more aware of employment rights. The majority of both employers and employees had positive comments and in at least 50% employees could give examples of improved working conditions, in some cases these were visible; for example improved safety, drinking water available, first aid kits. Other examples are given within the case studies.

***Outcome iv) is on course to reach the target***

## **10.0 Summary of lessons learned**

**10.1** Working with small enterprises to create jobs, rather than micro-enterprises to start or sustain self employment, has been effective in this project. Targeting businesses that were successful and employing staff before the tsunami resulted in rapid re-employment since most of the skills, markets and supply chains were still in place and could be re-accessed easily. In addition further employment opportunities were created, with little or no extra investment, by targeting businesses that could provide services and products to other micro-enterprises, as explained below in 10.2. Targeting larger businesses likely to need large numbers of staff and especially those with linkages to smaller businesses has enabled the project to meet its targets. However, as the size of the business grows so the issue of need arises and the question should always be asked; could recovery have been achieved without assistance at the generous conditions offered by the project. There are a very small number of examples in this project of businesses receiving grant/loan funding that may have been able to access funds from mainstream lenders. Having made this point it is important to point out that the majority of businesses assisted were small (less than 20 employees) and that they could not access recovery funds from mainstream lenders. The grants and loans provided by this project enabled them to recover their business and in many cases led to genuine and significant growth. The team were careful to make sure that assistance was only offered to businesses that they judged likely to succeed and create sustainable employment. The process of selection was painstaking and effective.

**10.2** In this project the key to linkage creation appears to be an abundant supply of low cost raw materials that require some low-tech manual pre-processing feeding into a higher-tech central processing facility. Ideally this facility should have substantial advantages over any manual methods such as a high throughput, lower environmental impact, less wastage and a better quality final product. The facility should then feed part processed material into several micro-enterprises which will convert it into high value end products. It is essential that a profit can be made at every stage and that the end product is of a high enough value to sustain the profit margins. The coir process is a good example and is analysed in detail in this report.

**10.3** The project dealt with a very wide spectrum of businesses, as would be expected after a natural disaster. This is unusual for an employment creation project and further analysis of a selection of these businesses may give a clearer picture of the forward and backward linkages that rely on each core business leading to lessons that can be applied to other employment creation projects.

**10.4** There has been some discussion about the timing of the project. An earlier start date would have led the team to businesses where the need was clear with buildings still in ruins and damaged equipment and stock still in place. However starting the project in late 2007 (2 ½ years after the tsunami) allowed them to better judge which ones were likely to use the assistance

effectively to create employment and grow. A slightly earlier start date may have made client selection easier and clearer, there may be an argument for applying a fast track decision making process to post disaster rebuilding projects. On a related issue the project has achieved a great deal in 3 years, this sort of progress could not have been achieved if the project had been working with new start-up businesses.

**10.5** This project has carried out far more business mentoring and service linkage than would occur with a commercial lender. Whereas a commercial lender may spend an hour or a single visit with a client this project has worked closely with clients, visiting repeatedly, linking with other providers and offering mentoring assistance. This has resulted in very high sustainability of the businesses targeted.

**10.6** Businesses in the east of the country failed to respond to assistance until hostilities ceased and communications (and trading) became easier. The region had been described as depressed with businesses finding it difficult to trade and reluctant to invest while any fighting continued. The area now has the feeling of being in an economic boom. Released from restrictions, some of the more business minded entrepreneurs are responding to increased demand and expanded quickly. This was one of the reasons for the late achievement of employment targets and some of the activities. It could be concluded that return on investment in employment creation will be poor during periods of unrest but better than usual during the rebuilding 'boom' period directly after.

**10.7** The rights training was well received and has led to better employee / employer relationships, training the two together at the same time was very effective. The modules may work well in other similar projects.

**10.8** Repayment of loans has been generally good with only a few clients requiring extra attention from staff. Especially in the east the project started to disburse funds later than expected. This means that the local partner will be required to manage the loan scheme well after the end of other project activities. It is unclear whether income from loan repayments will cover the regional part time staff costs for loan recovery and central fund management. Future projects could contain a separate budget line for this which could be released to the local partner at the end of the main project activities.

### **11.0 Replicability**

This project has resulted in rapid rebuilding of previously established businesses damaged by a natural disaster but where the customer base survived, skilled people were available and supply chains remained intact. It has been successful, and the model could be applied to other natural disasters and probably also applied to areas of short lived conflict. The key seems to have been careful selection of businesses that were thriving before the tsunami and with expansion plans. Intervention is especially worthwhile where natural linkages will be created or restored with multiple micro-enterprises such as introduction of a more efficient, less polluting, higher

quality process, facilitation of a high return market e.g. export or a new process using a previously underutilised local raw material.

### **12.0 Unexpected results**

- Technical assistance and linkages have enabled some businesses to become more profitable than before the tsunami. This and a determination by clients to build back better has resulted in expansion and diversification. For example: Timber workers have employed carpenters and opened a retail outlet for furniture, a fishing boat owner now sells ice and buys in extra fish to sell to bulk traders, a taylor now makes higher quality clothes for export, a market gardner now also sells and installs irrigation systems for other farmers, a mechanic is now a manufacturer approved repairer for an Indian scooter brand, a baker has doubled production and sells to hotels and from a mobile shop, farmers supported by the project in the Batticaloa area have grouped together to form their own society and undertake joint activities to deliver economies of scale.
- Involving both employers and employees jointly in the rights based training has built a better understanding and communication between them with better than expected results. For example: some empolyees have received non-financial benefits from their employers such as medicine and school books. Some employers are also maintaining savings for their employees, providing safety equipment offering flexible working hours.
- As a result of the employment creation and expansion in some of the client businesses there is evidence of part time or casual workers being taken on permanently.

### **13.0 Activities recommended for the remaining period**

- Grants and working capital loans provided by this project (as well as the informal business mentoring) have resulted in up-stream and down-stream employment. In some enterprises this has been substantial. The current project documentation shows that employment targets have largely been achieved, it is now clear that they have been exceeded. If more accurate figures for the actual employment created are required then evidence from this report and a further rapid survey of the businesses most likely to generate linkages, and a survey of a sample of the linkage enterprises, will yield a more accurate figure. Given the limited time remaining any survey should only concentrate on the results and lessons learned from working with businesses with linkages. It would not be necessary to survey all business types, only those likely to result in linkages. The survey could follow a product through the linkage chain and document any links observed – similar to the coir linkage flow chart in section 8.1. This activity would also

provide interesting case studies for the design of other linkage generating projects and sharing of information.

- It is clear that many employees do not fully understand or trust the EPF scheme. This information should be shared with the appropriate government office. Perhaps a government mass media awareness campaign, rather than just legislation would lead to better uptake or further consultation to a redesign of the scheme.
- The rights training has been well received, training should continue during the last months of the project to ensure that targets are met. In future exchange visits could be considered to share examples of the benefits of this training.
- The structure for collection of loans after the end of the project needs to be finalised, this is especially important since some of the loans were disbursed late in the project, mostly due to the later than expected opening up of the eastern region due to civil unrest.

## Appendix 1 – Evaluation objective from the terms of reference

The purpose of the evaluation is to make an assessment of how the project has performed/is performing including the following:

- The success of the project in delivering impact and meeting the outcomes set out above;
- Recommend any changes to improve implementation in the final phase to the end of September 2010;
- Examining lessons learned in depth, focussing on the wider lessons generated that will be of interest to other organisations and policy makers working in the small enterprise and livelihoods fields;

## Appendix 2 - Evaluation Schedule

Date in June	Programme
15 <sup>th</sup> Tues	Arrival 08:45 Meeting with project manager Heshan Dissanayake in the afternoon
16 <sup>th</sup> Wed	Morning: meeting at BMI office with Dulan de Silva and Anura Atapattu to discuss the programme for the evaluation and evaluation objectives. Afternoon: travel to Galle, southern region, visit project office and field visits.
17 <sup>th</sup> Thurs	Morning and afternoon: field visits for case studies
18 <sup>th</sup> Fri	Morning and afternoon: field visits and case studies. Travel back to Colombo in the evening
19 <sup>th</sup> Sat	Meetings with Project Manager, report/notes write up.
20 <sup>st</sup> Sun	Report writing and preparation for travel to the eastern region.
21 <sup>nd</sup> Mon	Morning and afternoon: travel to Trincomalee.
22 <sup>rd</sup> Tues	Morning: field and case study visits; Afternoon: travel to Batticaloa.
23 <sup>th</sup> Wed	Morning and afternoon: field visits and case studies.
24 <sup>th</sup> Thurs	Morning: remaining field studies and travel back to Colombo.
25 <sup>th</sup> Fri	Morning: presentation of initial findings to Dulan, Anura and Heshan at Berendina office. Afternoon: Meeting with Project manager - report writing Evening: travel to airport.
26 <sup>th</sup> Sat	Depart 03:15

### **APPENDIX 3 - Organisations that the project linked with and their contributions.**

Chamber of Commerce Matara:

Provided a list of potential clients based on project criteria.

Small Business Development Unit Matara:

Introduced potential clients and assisted in client selection process. Project worked together on 'Improve Your Business' training

Industrial Development Board Matara and Galle: Assisted with client selection, provided assistance to clients (e.g. advice on premises layout for efficiency and safety). Provided technical advice and assisted in choosing appropriate equipment.

Divisional secretariat Galle:

Client selection and ran a forum for local NGOs

SOBAKANTHA Foundation for women's welfare

See SOBAKANTHA case study

INDICOS Matara

Introduced clients, there was some concern about overlap of objectives however INDICOS deal with micro-enterprises rather than small businesses.

SED Galle (Southern Entrepreneur Development)

Client selection. SED run their own IYB programme and the project became involved in this.

Chamber of Commerce Trincomalee and Batticaloa

Client selection and verification of clients

Batticlo Vallachanai

Government agency. Offered potential client lists.

Eastern University (panel of lecturers)

Were involved with tsunami rebuilding programme. Offered advice on clients and agricultural technical training as well as rights training.

Wold Vision Fund Batticaloa

Four clients selected from World Vision's proposals. Also assisted by allowing visits to their projects to learn lessons. Reciprocal visits were arranged. World Vision were very helpful.

Construction Contractors Association: Client selection and technical assistance

Local Police: examination of damage reports, verification of potential clients.