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UNITED NATIONS DEVELOPMENT PROGRAMME

SRI LANKA

AREA BASED GROWTH WITH EQUITY **PROGRAMME**

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Report of the Evaluation Mission

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Introduction

In 1998, UNDP launched the US\$4.7 million Area Based Growth with Equity Programme (ABGEP). First applied in Uva, a remote, mountainous region of Sri Lanka, ABGEP builds on UNDP's ongoing work and experience. ABGEP is aimed at reducing poverty by enhancing broad-based economic growth with equity at a decentralized level. This implies creating strong linkages all the way from community based development to regional and national policy making. Within the objective of promoting sustainable human development, the areas of focus are creation of employment opportunities and sustainable livelihoods, reduction of poverty and inequity and increased social integration.

The ABGEP programme is in its third year of implementation. It is expected to continue until the end of calendar year 2001. This report is a mid-term evaluation of the progress made under the programme. The evaluation was conducted in a three week period, starting the 23rd of October 2000. It aims to assess the quality, effectiveness and relevance of program activities, methodologies used and the suitability of institutional arrangements. It summarizes the major positive and negative outcomes of the programme. On the basis of lessons-learned, recommendations are made to improve design and increase the effectiveness, sustainability and impact of the programme.

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I. Executive

Summary Project

concept and

design.

The Area Based Growth with Equity project, conceived in the mid nineteen nineties, was developed on the basis of regional development approaches elaborated in several policy documents of the Ministry of Plan Implementation and the Uva provincial council.

The emphasis in these was on fostering sustainable private sector led growth to generate higher income and employment, reduce poverty and enhance equity. The project focuses on one of the UNDP's main traditional areas of concentration-poverty alleviation and participatory development, yet in attempting to bring about these results by a process of private sector led growth it makes a new departure for the UNDP approach to development in Sri Lanka.

Programme Document.

The problem and the technical approach.

The basic premise of ABGEP is that development in Uva requires the introduction of more remunerative private sector initiatives aimed at production and marketing at a distinctly higher level than was traditionally the case. In view of the pioneering nature of the initiative, innovative capacity building approaches by fostering partnerships were adopted.

The project supported a combination of central and regional initiatives. In central government the focus was on developing regional policies, improving regional planning tools, enhancing advocacy for more effective decentralization and providing training to overcome local human resource constraints.

The policy and planning elements together with overall management responsibility for the program were located in the Regional Development Division of the MPI.

The regional initiative- in Uva itself- provided support to a large number of innovative agricultural and non-agricultural projects, better land management, improved local planning and policy formulation capabilities, and investments in social integration. The production oriented ventures were mostly to be by the private sector with support from government agencies NGOs and the local chamber of commerce.

The project was designed in a way that fostered a synergistic relationship between program activities aimed at private sector development in Uva and strengthening public sector capacity in investment planning to facilitate private initiative in the Province. National activities were designed to be generally supportive of Uva initiatives.

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Objectives, indicators and assumptions.

The overall objective of ABGEP was to have "an accepted model of regional planning for sustainable economic growth with equity, which is supported at the national level and made a reality in Uva province.

The objectives of the national components focus on strengthened national policy and program frameworks and alleviating regional human resources and information constraints-designed to improving the enabling environment for regional development in Uva.

The two main objectives of the Uva component were the expansion and diversification of economic opportunities with a view to raising low living standards and the development of institutional capacities in the public sector, NGOs and the private sector for sustainable production, equity and participation.

The indicators set for national level activities were mainly in the form of better coordination, resource allocation in line with regional priorities, increased private sector and NGO role, greater awareness and skills in replicating high performance programs, better capacity to manage devolution, greater use of lessons of experience, better capacity for training and outreach and promotion of SMEs supported by NGOs. While these indicators are realistic and in line with project tasks, the indicators for measuring success in Uva are heavily weighted towards output and

therefore somewhat inappropriate in the context of the importance of enhancing profitability, introducing novel technology and raising economic and social returns to investment.

The main assumptions of the project such as the need for private sector-led growth to realize Uva's regional potential and the role process-oriented approaches can play in this were realistic. The design also correctly assumed that NGOs and CBOs would be more effective in assisting the very poor and at addressing sensitive social concerns.

Alongside these some less realistic assumptions also entered into the project design. It was assumed that regional development would increasingly become a provincial responsibility- an assumption whose validity subsequent trends in the field of decentralization rendered doubtful. The program assumed that MPI could play a leading role in regional planning , investment facilitation and policy analysis at the national level- an assumption that still awaits validation. It was also assumed that the pilot-lessons from ABGEP would be transmitted widely and would influence other external assistance projects. In practice capturing and sharing lessons proved to be difficult and slow.

Programme Implementation

ABGEP did not effectively start until the last quarter of 1999. Even after this a series of elections had resulted in some implementation delays. Most activities have, however, proceeded according to annual workplans.

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During implementation a high degree of agreement among the UN agencies, Government and the UNDP was seen.

At the national level several activities have been carried out in the areas of regional development policy and analysis, strengthening sub-national planning, ABGEP programme development and management, M&E program support, regional GDP estimates, review of high performance projects and ABGEP studies. Human resource development was pursued through certain programmes arranged with SLIDA, the Sri Lanka institute for Local Governance and the Ministry of Labour. Performance of the central components in the areas of policy development and generation of new tools and capacities for regional planning have been far below expectations.

At the Provincial level a large number of activities have been and are being carried out. Agrowells and protected agriculture- embracing horticulture, floriculture and fruits- represent the principal innovative activities in the field of agriculture. Many other activities related to agriculture have been undertaken in the nature of support services. Interventions in the fields of post-harvest losses and pesticide- free rice farming bee keeping, aquaculture, livestock and village poultry also figure prominently in the farming sector. In the non-farm sector, enterprise development , eco-tourism, community waste disposal, community based mini-hydro electricity are among the many activities launched.

The many provincial sub-components that were implemented have been broadly effective in meeting their specific objectives. Some 51 "pilot type" initiatives have been mounted generating both lessons and development results.

When the many components, innovativeness and the complexity of ABGEP are taken into account, sound programme management, administration and partnership-building by the Uva Provincial Council, implementing agencies, NGOs and the private sector, ranks as a significant contributory factor to the successes so far achieved.

Project Results.

The goal of private sector led growth with equity in Uva continues to be valid because Uva remains one of the poorest provinces in the country. The purpose, approach, mode of execution and participating institutions relevant at this stage of implementation. A processorientation which characterised the ABGEP approach continues to be appropriate because of the pilot nature of the main programme tasks.

The ABGEP approach to fostering regional development was highly efficient in the use of UNagency resources. This is due mainly to the fact that government and NGO experts provided the technical leadership to many components, excess capacity in government, NGOs and the private sector was put to use through catalytic investment; and institutional development was narrowly focused on building functional rather than general capacity.

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After 18 months of implementation, ABGEP has already generated a number of meaningful outputs, particularly in Uva. In Uva the outputs generated are of a reasonably good quality level and are generally effective in achieving ABGEP's pilot-programme activities. The degree of success in facilitating "model" non-farm activities remains less--reflecting human resource constraints and a lack of commercial pilot initiatives.

Contribution to Program Objectives.

The vast majority of the activities in Uva under the program are less than an year old and have been implemented on a small scale. While it is too early to pronounce on their economic viability initial results warrant optimism on their contribution to diversified regional economic activity. In most of the pioneering high value farming activities yields and financial returns far above the normal figures have been reported. In the non-farm sector, the Entrepreneur Development Fund has provided a mechanism for screening large numbers of project proposals and developing them into bankable pioneering SMI projects. The Uva marketing Initiative is making a signal contribution in greatly relieving the marketing constraints that have for long

operated as an impediment to progress in both farm and non-farm sectors.

A key objective of ABGEP was capacity building. In pursuing this objective, the program has placed emphasis in building functional capacity- the capacity of institutions to address specific issues. The degree to which participating institutions have learned to work in partnership with one another is also a significant capacity-building contribution of the program.

Sustainability.

Increase in productivity due to the new programme sponsored technology, the profitability of the ventures and the prospect of remunerative markets in the capital contribute to the likely sustainability of the initiatives. The willingness of the participants to make a significant contribution to the adoption of new technology further fortifies this optimism in respect of sustainability.

It cannot, however be overlooked that almost all of the investments are of a pilot stage and small in scale. In order to ensure sustainability much remains to be done to increase the scale of the projects, to secure markets and the necessary financial support from the banks.

Conclusions and Recommendations.

ABGEP is a pioneering attempt to pilot test approaches to foster private sector led growth, with better governance and equity, in a decentralised manner. Although these objectives remain valid, the tendency towards a measure of re-centralisation suggests that a multiplicity of institutional arrangements will be necessary to address regional concerns.

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The Mission finds that program performance is good. The pioneering initiatives to foster private sector led growth with equity in Uva should become a replicable model.

The Mission concludes that the program should be rated a success. Though component success is by no means universal, there are clear increases in production, innovative agricultural technology has been adopted, new products have been introduced, losses reduced, arrangements have been made to penetrate distant markets and a small and medium-scale class of entrepreneurs is emerging. Local development has benefited from emerging partner relationships and a fruitful division of labour.

The following recommendations are made to consolidate progress made, to broaden program impact and ensure sustainability:

- Don't abandon innovative, process- oriented approaches.

Those activities that are meeting expectations should be continued; others should either be corrected or abandoned-certainly those crowding-out possible private sector initiative.

- Improve monitoring.

The existing monitoring system is based almost entirely on financial and physical progress. Monitoring needs to be re-focused on results that are hoped to be achieved in relation to the essential project objectives.

- Focus on initiatives to ensure success.

Narrow the range of activities supported and build on the success in a smaller range of highpriority areas.

- Scaling- up.

However this should be linked to building better marketing capacity.

- Involve the private sector more in service delivery.
- Build "mutual interest" partnerships.
- More delegation of authority to the Provincial Council is warranted.

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Project Concept and Design

A. Context of the Project

The project was conceived between 1995 and 1997. During the first half of the 1990s, Sri Lanka's economy recorded robust economic growth, but the incidence of poverty remained largely unchanged. The benefits of growth were largely captured by those in the capital city and in the Western Province, with other parts of the nation lagging behind.

The project was conceived at a time when there was increasing recognition of:

- the leading role of the private sector in generating growth and employment;
- the failure of both top-down and bottom-up approaches to stimulating development in the poorer regions;
- the need to augment local government capacities to lead regional development and poverty reduction efforts;
- the need to develop partners at various levels to foster broad-based development; and
- the need to transform empowerment initiatives into a vehicle for promoting better governance.

ABGEP belonged to the third generation of UNDP poverty reduction initiatives. It was defined to be consistent with the macro-economic approaches outlined in various Government Budget Speeches and the Fifth Development Plan. These stressed private sector led growth, fiscal restraint, poverty alleviation, capacity building for

development devolution and reducing regional disparities.

More specifically, ABGAP built on the regional development approaches outlined in the *Regional Development Programme Framework* (1977) and the *Rural Economic Advancement Programme (REAP): A Reorientation of the Integrated Rural Development Programme* (1997) of the Ministry of Plan Implementation and Parliamentary Affairs. It also relied on the regional development priorities highlighted in the Uva Provincial Council's *Sustainable Regional Development Strategy*. The emphasis in these was on fostering sustainable private sector led growth to generate higher incomes and employment, reduce poverty and enhance regional equity. The specific issues addressed by ABGEP, under the broader umbrella of private-sector led growth, were well documented, in concept papers, discussions and presentations.

Three integrated rural development programmes (IRDPs) were underway in Uva when ABGEP was initiated. There was consultation with these projects and with those running the Government's large Samurdhi programme, but very little actual coordination amongst these efforts. This was probably appropriate. The IRDPs were following more of a social assistance approach involving public works, micro-credit and community group organization. They were operating through project offices outside of local government, with tasks implemented by divisional secretariats and Pradeshiya Sabahs. Their linkages with Provincial government were

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tenuous. Similarly, the Samurdhi programme focused on poverty reduction through regular cash transfers. ABGEP, with its focus on private-sector led growth and equity through better governance and promotion of social integration was deemed to be complementary to these more welfare-oriented approaches'.

There have been more recent attempts to implement the REAP concept in other Provinces. An IFAD supported REAP project is being implemented in Matale and an ADB-supported REAP project is being designed for the Southern Province. Quite different approaches have been adopted in these two efforts, possibly reflecting a desire to experiment and certainly reflecting limited interaction across regions and project proponents.

The project focuses on one of UNDP's main traditional areas of concentration---poverty alleviation and grass-roots participation in development. But it does this mainly through support for private sector led growth, a relatively new area for UNDP in Sri Lanka. It also addresses newer UNDP priorities of advice, advocacy, pilots and partnerships.

The context in which ABGEP was planned has changed significantly since the programme was conceived. First, with the preparation of the GOSL Framework for Poverty Reduction (2000), there is a much clearer understanding of the many strategies that are to be pursued to create opportunities for the poor to participate in a private-sector led growth process. Second, there has been considerable re-centralization of public sector responsibilities (including creation of a number of new central Ministries for development of particular regions) and growing recognition that regional development will continue to be a shared local and central government responsibility for some time. And third, escalation in military expenditures has increased pressure for fiscal restraint and administrative reform at all levels of the public service.

B. Programme Document

1. The problem and the technical approach

The basic premise of ABGAP, that development in Uva would require the introduction of more remunerative (but risky) private sector initiatives aimed at tapping more affluent, distant markets, is widely supported. It is appropriate to provide support to both farm and off-farm private sector initiatives to promote regional growth and economic diversification. That impediments to tap this growth potential, at the local, regional and national level, need to be addressed, is likewise sound. Since the ways of accomplishing this in Uva were largely untested, it was correct that a number of pilot-oriented, innovative approaches to build capacity and foster partnerships were adopted. That private-sector led growth should be complemented by better governance and investments in social integration is also appropriate.

The project supported a combination of central and regional initiatives. In central government, the focus was on developing regional policies, improving regional planning tools, enhancing advocacy for more effective decentralization and providing training in areas where local

Subsequently, the IRDPs in Uva are being restructured to embody more of a REAP orientation.

governments faced human resource constraints. The policy and planning elements, together with the overall management responsibilities for the programme, were located in the Regional Development Division of the Ministry of Plan Implementation and Parliamentary Affairs. At the time, this was appropriate because no other central Ministry was focused on regional policy issues. Since the other tasks involved the participation of a wide array of central government ministries and the private sector, tasks were assigned to relevant ministries and a policyoriented steering committee was constituted.

Within Uva itself, the Programme provided support to a large number of innovative agricultural and non-agricultural pilot projects, better land management, improved local planning and policy formulation capabilities and investments in social integration. The production oriented ventures were largely to be implemented privately with the full support of government agencies, NGOs and the local Chamber of Commerce. Policy and planning investments were focused on the regional and divisional planning service and the investments in social integration were to be mounted by NGOs and aimed at tackling issues of ethnic divide, human rights and assisting the poorest groups. This division of labor, while relying on a fairly high degree of coordination and cooperation, was appropriate given the respective competencies of the institutions in Uva.

Many of the enterprise support activities have a moderate-to-high subsidy component. While most right-thinking economists might immediately object to subsidizing the private sector, in this case it was an appropriate decision. The technologies introduced in Uva were pioneering. They were aimed at non-traditional sub-sectors, at upgrading product quality to generate a new range of high quality

products and to tap non-traditional markets'. These are, by definition, infant industries and they generate substantial externalities that do not accrue to the firm that generates them. For example, the firms that pioneer "high quality greenhouse fruits and vegetables" need to establish a reputation for quality and reliability of delivery. They need to build marketing links and train staff. All of this is costly and the benefits are shared by all of those who follow in their footsteps.

Investments in areas such as ethnic harmony, human rights and other social endeavors may, at first blush, appear somewhat removed from the pro-growth orientation of ABGEP. In fact, they are not. A large segment of the population in Uva are Tamil estate workers who have been kept out of the economic mainstream for a long period of time. At the same time, many families in the region have offspring serving in the armed forces in the North-East. The combination of occupational and cultural separation, and the emotions unleashed by the war, create a situation in which regional social integration is difficult to forge. And social integration is essential to creating an environment in which private investment is likely to be secure and sound.

The development of the ABGEP project was a long, highly consultative process involving Government officials at both the national and provincial levels. A number of committees were formed, with private sector participation, to collect and screen "activity" proposals. The final PSD, however, was drafted by external consultants over a three month period.

² It should be noted that the project quite appropriately avoided Tea and Paddy production, traditional mainstays of the local agricultural economy.

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ABGEP was unusual in that UNDP was providing substantial budget support for a wide range of GOSL designed and executed programs, many of which were to be mounted quite independently by line Ministries. Vehicle, equipment and procurement of TA services was to be done by several UN agencies, but the bulk of the program funding was allocated to implement GOSL defined component programs. Government agencies were encouraged to be creative and cost-effective in their use of the component program resources provided under ABGEP.

The project was designed in a way that there was synergy built-in between program activities aimed at private sector development in Uva and strengthening public sector capacity to plan public investments and enable private initiative in the Province. National activities were designed to be generally supportive of Uva initiatives, but with a few exceptions, the linkages were indirect.

There were certain weaknesses in the technical design approach. First, while ABGEP was designed mainly to stimulate private sector development in Uva, there is no evidence that a formal assessment of the private sector was made prior to the design of the programme. Second, while the private sector, NGOs and CBOs were represented on a number of the project design committees, Government priorities dominated the list of tasks selected for programme inclusion. Third, there is little evidence that the financial, economic or institutional feasibility of the various sub-

components was assessed prior to the launch of the programme. A process approach can be designed to screen for ex-post feasibility during implementation, but only if the monitoring indicators to signal success or failure are appropriate, widely agreed-upon and clearly specified at the start. This was not the case. Fourth, there is no logical framework for the programme as a whole, which makes it difficult to understand how various components relate to one another or what the entire project should accomplish. For some project components, parts of a logical framework are embedded in the text, but for others they are not. Fifth, ABGEP is more a collection of innovative pilot-projects than a tried-and-tested regional development programme. That this was largely uncharted territory, and that there was a need for developing suitable approaches for fostering decentralized private sector led growth with equity, deserved greater prominence in project design. Sixth, gender and environmental considerations were not fully mainstreamed into the project at the time of its design. There were, however, important program components aimed at improving natural resource management and the role of women. And seventh, the programme document provides a long description of the history of the approach, but is rather scanty on explaining why various activities make sense and how they are to be implemented or integrated. As a result, programme implementors continue to express confusion, particularly about how the national and local tasks relate.

2. Objectives, indicators and major assumptions

The overall objective of ABGEP was to have "an accepted model of regional planning for sustainable economic growth with equity, which is supported at the national level and made a

reality in Uva Province". This overall objective is appropriate in that it signals the innovative nature of the approach that is being adopted.

But by including equity, the Programme conveys the notion that ABGEP is, at least in part, a welfare programme. Including some "equity" focus may have been necessary to alleviate concerns that helping private initiative would leave the poor behind. But the fact that ABGEP is working on sustainable growth in the poorest Province of Sri Lanka should have been sufficient to address equity concerns.

The objectives of the national components focus on strengthened regional policy and programme frameworks and alleviating regional human resource and information constraints. It remains less clear whether or not these were the binding "institutional" constraints to regional development, or if a number of well-known policy problems, such as over-regulation, state ownership of lands, poor transport access to Uva, over-employment in the public sector, duplications in public administration in local government and imbalances between devolved authorities and local revenues were far more important constraints. At best, the national objectives were designed to make a modest contribution to improving the enabling environment for regional development in Uva.

The two objectives of the Uva component were (a) to expand and diversify economic opportunities with the objective of raising living standards, particularly amongst the low income groups and (b) to develop institutional capacities in the public sector, NGOs and private sector to promote sustainable production, equity and representational

participation. These objectives are certainly in line with the notion of promoting private sector led growth and development inherent in the REAP. And the need to link better governance, institutional capacity to promote the private sector and investment in social integration is quite sensible. Given the pilot nature of many of the ABGEP tasks, a more appropriate objective would have been the degree to which Uva activities provided a reasonable test of alternative approaches towards fostering an acceptable model of well-governed, decentralized support for private sector led growth.

The indicators set for the national level activities were mainly in the form of better coordination, resource allocation in line with regional priorities, increased private sector and NGO role, greater awareness and skills in replicating high performance programs, better capacity to manage devolution, greater use of lessons of experience, better capacity for training and outreach and promotion of SMEs supported by NGOs. These were generally realistic and in line with project tasks. Some of the expected national outputs, such as "an integrated national planning process" and "more realistic and less expensive development plans and policies" were clearly beyond the scope of the project and bore little relation to the level of project effort or inputs.

The indicators set for measuring success in Uva are heavily weighed towards production of various commodities---so many tons of new and existing products (honey, eggs, high value agriculture, fingerlings, handlooms), physical losses reduced, and involvement of so many beneficiaries in various production, entrepreneurial training and micro-credit schemes. Off-farm

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programs were aimed at developing a number of clay products, mattresses, cement products, coconut shell crafts, bamboo crafts, envelopes and fostering eco-tourism.

By and large, these were the wrong success indicators. They reinforce the notion that Government should plan what the private sector should do---down to the very number of eggs that must be produced. While most of the Uva enterprise components did involve innovative approaches to fostering private sector growth, the targets set focused more on increasing supply than on enhancing profitability, introducing novel technology to early adopters or raising economic and social returns to investment. This, in fact, is what the programme was all about.

The objectives of the institution-building initiatives in Uva were generally in line with the support for planning and management that ABGEP is providing. Some of the success criteria for the complementary, civil-society building activities, such as reduced incidents of civil strife and disorder (under the Promotion of Social Harmony activity) and improved revenue generation (from the Pradeshiya Sabha Orientation) were clearly over-ambitious. The former hinges on the state of the nation's ethnic crisis and the latter hinges on national revenue availability and revenue-sharing procedures.

The main assumptions made in the design of the Programme were correct--- that private sector led growth was needed to unlock Uva's regional potential and foster poverty reduction; processoriented approaches were needed to accomplish this and that reform-partnerships were required at various levels of Government and civil society. The design also correctly assumed that NGOs and CBOs would be more

effective at providing income generation assistance to the very poor and at addressing sensitive social concerns.

Some assumptions are questionable. The programme assumed that regional development would increasingly become a Provincial responsibility. Events of the last two years suggest that this cannot be taken for granted. That decentralization is driven more by security and political considerations than "capacity building" and "policy advocacy" was a mistake. The Programme assumed that the Ministry of Plan Implementation and Parliamentary Affairs could play a leading role in regional planning, investment facilitation and policy analysis/advocacy at the national level. This appears unrealistic. The Programme assumed that the "pilot lessons" from ABGEP would be transmitted widely and would inform other external assistance projects. The assumed ease of capturing and sharing lessons was an error.

3. Beneficiaries

The institutions that were to benefit from capacity building were clearly identified and Programme assistance was linked to an assessment of the perceived needs of those institutions. Direct private sector program beneficiaries in Uva were not explicitly identified because it was decided that agro-ecological considerations, self-selection, contributions in labor and in-kind, and a desire to test new technology would be needed to ensure success. Some program components were specifically targeted to the very poor, such as backyard poultry and vocational training for estate women. These activities also accorded priority to women.

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4. Modalities of Execution

The aim was to promote national ownership by building the management of the programme within national government agencies. Because the project was to be executed by a large number of Government agencies, NGOs, CBOs and private organizations, a hierarchical committee structure was established to guide decision-making. A national steering and advisory committee was established to set policy and oversee all activities. A management committee, reporting to the steering committee, was charged to oversee implementation of the programme components. A programme director, in the Regional Development Division of the Ministry of Plan Implementation was assigned to oversee the national level activities and the Deputy Chief Secretary Planning of the Uva Provincial Council was charged to oversee Programme activities in Uva. The component programme directors were assisted by planning officers and a series of programme-provided consultants. A large number of committees and component directors was necessary in light of the many different components implemented under the programme.

An annual work planning exercise was developed, procedures for budget revision devised, and a financial and physical progress reporting system put into place. The project recognized the need to establish a strong results-oriented M&E system. Special provision was made for this capacity to be established in the Ministry of Plan Implementation and Parliamentary Affairs.

The Uva activities were defined as a sub-component of the overall ABGEP programme. While the Provincial Chief Secretary was represented on the Project Steering and Advisory Committee, that committee was chaired and dominated by central government officials. The limited scope for Uva-generated initiatives to guide central government support was an organizational weaknesses.

III. Project

Implementation A.

Activities

ABGAP did not effectively start until the last quarter of 1999. Its implementation was also delayed by Provincial, Presidential and National elections that took place between 1999 and mid-2000. This contributed to some slippage in program activities relative to the time table established in the Programme document. Most activities have, however, been implemented on schedule according to timetables established in annual workplans.

Implementation of some activities was purposefully delayed. It was decided to delay the development of a regional policy unit while the Asian Development Bank was examining regional policy. It was also decided to delay implementation of the Uva Community Radio station to ensure that it wouldn't be captured by the 1999/2000 electioneering. Training courses aimed at strengthening local government capacity were delayed while a human resources needs assessment was conducted. It was decided to delay several of the Uva-level off-farm income generation components because of the lack of adequate sub-component preparation. The major agro-industrial processing components in Uva were delayed because the commercial banks were not fully receptive to these initiatives. And the launching of an entrepreneur

development fund was delayed in order to provide it with a proper structure and legal framework. In all instances, delays were caused by factors that could not have been anticipated at the time of Programme design. With the exception of the decision to delay the national policy analysis tasks, the other delays were broadly appropriate in that they were process-oriented decisions aimed at enhancing the effectiveness of major programme components.

There was a high degree of agreement between the UN Agencies, Government and UNDP throughout implementation. Providing short-term international advisors, without a clear schedule for their participation, did pose an excessive management burden for the ILO and was the source of some friction.

The main activities that have been implemented at the national level, include:

- Regional Development Policy Unit. A concept paper was prepared and different designs were considered. Proposals were developed on improving office management, manpower and planning job tasks. English training and internal training was conducted on development planning, facilitation and business development;
- Regional Analysis and Networking. A conceptual primer on regional development was prepared; conceptual papers on REAP drafted, workshops conducted, regional policies reviewed and divisional resource profiles prepared for Uva. Guidelines were established for preparation of a district information handbook. A "state of the regions" series has been launched for Badulla and Monaragla. A work plan was developed for a study of agricultural production costs and comparative advantages. A technical report on library and documentation needs was prepared and a web site on regional development resources is being prepared.
- Strengthening Sub-National Planning. Integrated area planning is being tested in 6 divisions of Uva on a pilot basis. Orientation workshops and guidelines have been prepared. A research project with ARTI on models of poverty alleviation is under preparation (Rs. 6.8 million for the above activities).
- ABGEP Program Development and Management. Policy, management and technical committees have been established. National and Provincial program managers have been appointed and a programme coordinating unit was established at RDD. Programme coordinators are actively involved in guiding, monitoring and supervising ABGEP component implementation.
- M&E Programme Support. M&E needs were assessed. National and regional orientation workshops were conducted on M&E procedures and reporting formats; some 738 officers were trained in national and sub-national M&E tools; ; a report was prepared on documentation of project cycle; a report on M&E policy was submitted to the President; performance indicators for M&E were developed; a study tour conducted and news letter prepared; steps were taken to upgrade the National Operations Room and a technical proposal to strengthen SOMIS prepared (Rs.0.8 million).
- Regional GDP estimates. Workshops were conducted in 12 districts to build awareness. Methodologies introduced and data collected for 90% of the components of Uva's

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preliminary regional GDP estimate. Finance Commission officers trained by National Planning Department experts to collect and compile regional GDP estimates for other Provinces (Rs.0.5 million).

- Review of high performance projects. Two workshops have been conducted to share lessons of high performance IRDP projects.
- ABGEP Studies. A review of legal, regulatory and policy constraints in Uva has been prepared for the Chamber of Commerce (Rs.0.5 million).
- Strengthening SLIDA. A management development training assessment survey was conducted and a training plan prepared. Two training courses

on productivity improvement and financial management and one course on advance English writing were conducted in Uva (Rs.0.5 million).

- Human Resources Placement. The Ministry of Labor has established a labor force survey for Uva, established four mobile human resource placement bureaus, conducted mobile registration programs, conducted self-employment and job counseling programs, registered about 1100 job seekers and introduced a system for registering selfemployed persons (Rs. 0.2 million).
- Strengthening Local Government Management. The Sri Lanka Institute for Local Governance conducted a training needs assessment, prepared an action plan for human resource development in five selected local authorities in Uva Province and conducted workshops on government orientation and waste management by local authorities. Training manuals for local authorities are under preparation.

The main activities implemented in the Uva component, include:

- Agro-wells and improved micro-irrigation: production programs were launched in 19 sites with new technology introduced and training provided (Rs.2.83 million)
- Protected Agriculture: Different types of poly-tunnels were introduced in 41 pilot sites; greenhouse production technology and training provided; a Protected Agriculture Association was organized and linkages established to buyers in Colombo (Rs.1.5 million)
- Planting material: Two nurseries were established to provide high quality planting material (Rs.1.5 million);
- Research and Development: adoptive research conducted on greenhouse technologies, post-harvest and mushroom pawn. Training greenhouses and mobile extension services were developed (Rs.4.7 million);
- Commercial Agriculture: A 100 acre commercial passion fruit project was designed (Rs.4.6 million budget);
- Quality Bee Keeping: two NGOs provided training to trainers in quality bee keeping and a revolving fund was established to purchase new bee boxes and equipment. New packaging technology introduced (Rs. 1.5 million).
- Integrated farming and rain water harvesting: 35 locations selected to implement the Thai model of integrated fish ponds, poultry, livestock and field crop farming systems; 240 locations were selected for rain water harvesting cropping demonstrations (Rs. 4.5 million);

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- Aquaculture: Introduction of cage culture units, promotion of fish co-operatives to stock tanks; expanded availability of breeding stocks and fingerlings introduced to reservoirs (Rs.7.2 million).
- Cattle Disease Control. Monitoring units, farmer training, an epidemiology survey and two mobile clinics were established. Breeding units promoted and artificial insemination heifer calves distributed, on an in-kind loan scheme, to participating

- farmers (Rs. 8.9 million).
- Roughage Production. Improved pasture and legume planting materials introduced;
green house established to produce more roughage planting materials; urea molasses blocks as a mineral supplement demonstrated (Rs. 2.7 million);
- Village Poultry. Poultry supplied to poor village groups by two NGOs; a layer unit established and maize produced with contract farmers (Rs.9.8 million);
- Livestock breeding materials. Nucleus breeding herd established at the Rahangala Cattle Breeding Farm; training conducted and improved goat and buffaloes distributed to farmers (Rs.7.4 million);
- Milk Processing. Provision of trucks and motorcycles to improve milk collection. Prepared a feasibility study on a project to improve milk processing and collection facilities (Rs. 0.86 million).
- Land Bank. Training provided on land regularization procedures. 50,000 inspections completed for regularization and issue of permits. Data collected for land use mapping and mapping hardware and software installed (Rs.6.3 million)
- Passion Fruit Program. Chamber of Commerce developed an outgrower program to produce passion fruit. Nurseries were developed to supply planting materials (Rs. 0.6 million).
- Post-Harvest Loss Reduction. Introduced new packaging and harvesting technology for fruits and vegetables (Rs. 0.8 million).
- Uva-Enterprise Development Fund. Established a revolving fund to provide liquidity to participating financial institutes for small and medium-scale Uva private business initiatives (Rs.24 million);
- Enterprise Development. Proposal drafted to establish a one-stop shop for business information and services.
- Commercial Waste Disposal. Chamber of Commerce developed a commercial waste development pilot for Badulla town (Rs.0.3 million).
- Uva Community Broadcast Center: Designed a digital radio/internet community radio center with SLBC support and have commenced site construction (\$450,000 estimate)
- Uva Agriculture Marketing Initiative. Identified demand for Uva agricultural market products; buyers and suppliers have been registered; fairs held; forward contracts developed and sample lots sold to major Colombo buyers (Rs.8.25 million)
- Community Based Mini-Hydro Electricity. Four mini-hydro turbine electricity projects were commissioned for remote villages by an NGO (Rs.8.3 million);
- Crafts and Rural Industries. Trained potters and established village committees for pottery (Rs. 0.7 million).
- Eco-tourism. Developed a strategy, web-sites, promotional brochures and established a Uva tourist bureau (Rs.12.3 million).

- Social Harmony. The NGO Forum mounted programs to promote social harmony by awareness outreach, youth exchange and cultural programs. An estate women's program was launched to provide empowerment and skills training (Rs.3.4 million).
- Suicide Reduction. An NGO pilot project was launched to provide psychological services and reduce the suicide rate in Thanamalwila (Rs.0.36 million). The program was expanded to reduce the suicide rate in eight divisions (Rs. 3.3 million).
- Human Rights Promotion. Awareness and training programs on human rights were conducted (Rs.1.1 million).
- Pradeshiva Saba Orientation. An NGO-Government program was mounted to improve management capacity of local government officials (Rs. 0.5 million).
- Roads Development. A study on high speed mobility and a strategy for highway development was prepared by Moratuwa University (Rs.0.4 million).

The effectiveness of several of the national sub-components was below expectations. Little headway was made in establishing regional policy reforms or developing tools for decentralized planning capacity at the national level. New techniques for divisional planning were developed but remain untested. Results-based monitoring and evaluation procedures and formats were widely disseminated but rarely adopted. The sharing of lessons from "high performance" programs seems to have by-passed many of the interesting process lessons of the Uva program.

The regional GDP compilation initiative has proceeded very well, but the results have yet to feed back into the preparation of regional investment programs. The establishment of mobile human resource bureaus and employment surveys has also proceeded well, but the former appears to be serving mainly as a recruitment tool for the armed forces and the garments industry. The quality of the special studies on policy and regulatory constraints and regional highways was excellent. Efforts to develop national capacity to support local government human resource development are still in their infancy and have yet to be felt broadly in Uva (or elsewhere).

By contrast, the many Uva sub-components that were implemented to date have been broadly effective in meeting their specific objectives. Some 51 "pilot type" initiatives have been mounted, generating both lessons and development results.

Compared to other development projects, ABGEP initiatives were highly cost-effective. The reasons for this are that a) technical leadership for most of the programme components was provided by officers already serving in government; b) under-utilized capital resources in government were drawn into service in order to implement ABGEP initiatives; and c) NGOs and CBOs were drawn into service to cost-effectively reach some of the poorest, socially excluded groups.

Modest gains in cost-effectiveness could have been achieved by: (a) contracting-out some of the central Ministry regional planning and policy analysis initiatives to local think tanks and Universities; (b) requiring (marginally) higher beneficiary co-financing from participants in the

breeding stock, protected agriculture, micro-irrigation, and fingerling stocking programs; and c) levying a charge for job search services provided by the Ministry of Labor.

The main strategies that emerged from the programme were the importance of partnerships amongst Government, the Chamber of Commerce, NGOs, CBOs and the private sector to foster regional development; the importance of working at both the local, regional and national level to tap regional growth capacity; building capacity of government officials to facilitate private sector led growth; and investing in applied or functional capacity building.

The focus on "market driven" agricultural sector development is novel, particularly with regards to rural development in Sri Lanka. Innovative strategies pursued included the formation of direct marketing linkages between producers and large scale retailers/exporters in Colombo and the introduction of value-added technology to reduce losses and widen the appeal of traditional high-value products.

National staff are fully involved in implementing all of the sub-components. Programme components are an integral part of the "role" of the participating government agencies, NGO, CBOs, Chambers of Commerce and other participating implementing agencies. At a national level, the participating Ministries are primarily committed to the individual sub-components that they are charged to implement. In Uva, there is a high degree of both political and technical commitment to the programme, and especially to the innovative approaches being pursued.

That there was a high degree of national staff involvement and a integration of programme activities in line agency work programmes contributes to the high level of commitment to the ABGEP approach voiced by the Government authorities in Uva. Already, a number of ABGEP supported activities are being rolled into the Uva 2001 capital budget, a sign of strong government ownership.³

The programme has experienced a slow startup and several changes in programme management in the Regional Development Division of the Ministry of Plan Implementation and Parliamentary Affairs. The Secretaries and Ministers of key participating Ministries have also been changed, as have elected officials in the Uva Provincial Council. While staff turnover has slowed implementation, particularly for national-level components, it has had a more limited effect on Uva activities. Staff continuity has been far better in Uva, where a majority of those involved in designing the Programme are also implementing programme components.

Considering the many components, innovativeness and complexity of ABGEP, programme management, and administration were generally sound. That the central "focal point" of ABGEP was not the Uva Provincial Council or the Ministry of Provincial Affairs remains a source of considerable concern to several implementing agencies. Uncertainty about whether or not ABGEP should have been centrally managed, and if so by whom, complicated programme

a Government sources estimate a Provincial contribution of Rs.14 million for the community radio, Rs.15 million for the enterprise development fund and Rs. 10 million to support a range of ongoing ABGEP agriculture, livestock and fisheries activities in fiscal 2001.

decision-making. Over reliance on a few key persons has also contributed to delays

in implementing a number of tasks. A lack of clear guidance from the national programme management to the Uva officials, on matters such as accounting and reporting requirements, also contributed to modest delays. Over time, the Steering and Advisory Committee has tended to lose much of its policy-advocacy clout, with lower-ranking deputies delegated by senior officials to attend the committee meetings. The management and technical Committees generally performed the roles expected of them. Once work plans and budgets were approved, sub-component managers had a high degree of autonomy and authority to implement their individual components. The individual components were generally managed reasonably well.

Some of the Uva programme components which were partly funded by UNDP have witnessed modest delays because of general Government funding shortfalls. Lengthy and time-consuming budget revision procedures have also discouraged sub-component managers from making suitable mid-course task corrections.

The main management problem that the programme encountered was delays in identification and recruitment of technical experts. This was addressed by involving UNDP directly in recruitment of national consultants, greater delegation of authority for managing programme activities to component managers and "purposeful" delays in implementation of certain programme tasks.

Regular consultation amongst ABGAP program managers and with the UNDP official charged to oversee the programme helped to resolve most problems before implementation was impeded.

ABGEP has provided two international Senior Advisors (Planning and M&E) on a long-term basis and programme coordinators are funded at the national and provincial levels. Four longterm consultants (rural credit and entrepreneurial development, environment and land use, and agro-enterprise development) have been provided to the Uva Provincial Council. A UN Volunteer in information technology has been provided to the Uva Provincial Council. A number of local technical consultants have been provided to the Uva line agencies. International shortterm consultants have been supplied by ILO in the areas of ecotourism, entrepreneurship, private sector development and management training. Short-term consultants in a range of planning and management disciplines has also been provided. The range of expertise provided to the programme was appropriate in light of the initial programme design. That a decision was made to defer implementation of the regional policy formulation tasks and to refocus M&E work on developing a national system weakened the effectiveness of the long-term international advisors. A number of high-quality ILO consultants have been provided to the Uva Provincial Council. The effectiveness of this assistance could be enhanced if they were more directly integrated into assisting the Council implement one or two key programme components (rather than providing policy advice or action plans). Overall, there has been a high degree of teamwork, learning-on-the-job and transfer of expertise and responsibilities from advisors to national officers in the case of all of programme-provided advisors.

ABGEP has supported a large number of functional, in-country training courses in areas such as planning, management, English writing, M&E, regional policy, office technology, drip irrigation, greenhouse management, livestock disease control, fruit and vegetable loss reduction, fish pond management, packaging, marketing, entrepreneurship, orientation for local government, regional economic account preparations, regional comparative advantage, review of high performance projects, human rights, empowerment and ethnic relations. Literally thousands of government officials, farmers, estate women and private sector representatives have received some training. In almost all instances, "functional" training was directly linked to the initiatives that ABGEP was pursuing. Those who were selected for training were the groups expected to apply this new knowledge in programme tasks or in their routine work. In several instances, functional training (in M&E, impact of high performance projects and regional policy) was provided to officials from other parts of the country to spread new knowledge more widely. The main advantages of functional training are that it focused on practical approaches that could be readily applied and was tailored to the needs of different categories of beneficiaries. This strategy was broadly effective and appropriate. The adoption and utilization of new techniques from functional training was the greatest in the areas of information management, public investment programming, regional account formulation and technical skills training for agriculture-activities in Uva. Training in several of the other areas were designed more to sensitize and introduce topics (management, M&E, human rights) than to foster immediate skill application.

ABGEP has supported the development of a series of new training programs in local governance for five, sample Pradheshiya Sabhas. Providing a "crash course" in public administration for local politicians who find themselves vested with public administration authority is an important objective of the programme. A needs assessment has identified the main areas in which training is required.

ABGEP has also provided formal overseas training and overseas study tours to senior officials and the Minister in charge of Regional Development. International study tours in the technical agriculture areas (fisheries, integrated fish, poultry crop systems, protected agriculture) have, with the exception of the protected agriculture course, been found to be useful. International study tours for national officials have had less of an apparent impact on improved policy or programme development.

Computers and vehicles were the main form of equipment provided under the project. These appear to be fully utilized in the execution of programme tasks. They have been absorbed into the motor and equipment pool of the different participating line agencies and appear to be well maintained.

B. Quality of monitoring and backstopping

Internal programme monitoring and annual programme reviews have focused on financial and physical implementation of programme components. Prior to this mid-term review, no in-depth external evaluations have been conducted of programme components to date. Sub-component managers carefully monitor the implementation

of their individual components.
The

management and technical committees do discuss the validity of various sub-component approaches, but relatively little attention has been paid to the cost-effectiveness, expected impact, likely results or long-term benefits that ABGAP components are likely to lead to.

Programme reports focus on the implementation of component activities. For some of the national components, no reports have been generated. Monitoring and reporting of the Uva activities is far better, with a number of sub-components reporting on the effects of program component interventions on productivity, farm incomes and profitability.

A long-term advisor was secured by UNDP to provide a results-based monitoring and evaluation system. Results-based monitoring forms have been prepared and submitted to the various ABGEP component managers. That assistance has focused on nation-wide M&E capacity building, with out-reach activities undertaken on pre-investment appraisal techniques, performance indicators, post-evaluation training, management of the project cycle and redesigning institutional arrangements for M&E in government.

While a M&E expert was to be recruited for Uva, this has yet to take place. This, plus the limited attention of the national M&E advisor to ABGEP activities in Uva has meant that relatively little progress has been made in the introduction of results-oriented M&E techniques in Uva. Few of the new M&E forms have been fully completed. While the proposed system has certain merits, it has yet to be adequately introduced to those in the Province. The involvement of the long-term advisor in developing a national level monitoring and evaluation policy has merit, but this is quite tangential to the immediate monitoring and evaluation needs of area-based development in Uva. A proposal has been made to create a separate UNDP project on Results-based Monitoring and Evaluation, and to hive-off the existing ABGEP supported activities into that new project. A decision on this should be made as soon as possible, both because of the importance of national M&E work, and because of the need to refocus ABGEP M&E programme support more towards assistance to Uva-based activities.

ABGEP has had one tripartite review on 1 February 2000. The review found that many of the activities in the central component were rated as being unsatisfactory. That review focused on management issues and identified four major problems, which were: a) delays in staff recruitment; b) lack of a clear understanding of the national elements of the programme concept; c) lack of basic facilities for project staff and consultants; and d) weaknesses in the decision-making mechanisms on programme related matters. It was agreed that management could be improved by delegating decision-making authority and by allowing implementers to proceed once workplans were approved. A separate

budget line item for local training in M&E was to be provided. Support would be given for a small number of Master's degree courses and RDD would enhance outreach to overcome confusion regarding the understanding of the national component. RDD would also provide the necessary services and facilities for the project personnel. These topics were certainly of some importance to the smooth execution of the program. But in light of the poor rating of several central components, the tripartite meeting could have been more effective had issues of programme scope, component impact and component integration also been addressed.

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ILO, UNOPS and UNV are implementing partners of UNDP for ABGEP. UNOPS has provided two long-term technical advisors. UNV has provided limited, but effective, assistance in documentation and eco-tourism support. The ILO is charged to provide short-term international technical assistance in cooperative development, eco-tourism, public sector management, micro-enterprise development and private sector development. Communication problems impeded effective utilization of the assistance provided in eco-tourism. The other short-term ILO advisors have been well-received by Government in Uva. An ABGEP financed Women-inDevelopment advisor has been funded for a short-term assignment with the IFAD-supported IRDP in Badulla and OECF has cofinanced some of the community irrigation development initiatives. Site visits have been made by IRDP project managers and planning officers from other parts of the country to Uva to learn about the programme's approach and experience. Other than this, no formal attempts have been made to forge cooperation amongst on-going external assistance projects.

IV. PROJECT

RESULTS A.

Relevance

The purpose, approach, mode of execution and participating institutions remain relevant at this juncture of implementation. The goal of private sector led growth with equity in Uva continues to be valid because Uva remains one of the poorest Provinces in the nation. Initial ABGEP results show that there is scope for pioneering new private sector initiatives and that these can serve as the basis for higher incomes, poverty reduction and economic diversification. A process-orientation is still appropriate because of the pilot-nature of the main programme tasks. Working at several levels of Government at once has also proved valuable, less in terms of forging an integrated approach to regional development policy or planning, and more in terms of policy advocacy and securing national attention for problems that surface in Uva. Building partnerships between the Government, NGOs and the private sector has proven to be a successful way for Government to expand market access, extend the reach of government technology programs and address sensitive social integration concerns. The participating institutions in Uva and the central government have a well-defined role to play, and the processorientation allows them to broaden

participation, fill performance gaps and scale-up programme activities.

B. Efficiency

With only minor exceptions, the ABGEP approach to fostering regional development was highly efficient in its use of UN-agency resources. The main reason for this is that government and NGO experts provided technical leadership, excess capacity in government, NGOs and the private sector was put to use through catalytic investment and institutional development was narrowly focused on building functional, rather than "general purpose" capacity.

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An example may help illustrate why this approach is so cost-efficient. The national component project of NPD and the Finance Commission to develop methodologies, collect information and establish a system for regularly generating regional GDP accounts has spent close to \$70,000 and is expected to cost just under \$100,000 when the pilot-phase in Uva is complete. If international experts had to be mobilized and spend a year working on this task, a team of local researchers hired and trained in GDP collection methods and then surveys mounted in different sectors, the cost could easily approach US\$1 million for this sub-component alone.

The same comparisons could be made for each of the different component tasks undertaken in Uva. Cost-savings are 5 to 10 times greater by undertaking activities in a manner that enables national design and execution than would be the case in an assistance mode that involves establishing new institutions and creating new technical capacities.

C. Output

After 18 months of implementation, ABGEP has already generated a number of meaningful outputs. At the national level, a Programme Coordinating Unit at RDD has been established, programme committees are operable, divisional planning guidelines and divisional resource profiles for Uva have been prepared, GDP estimates for Uva are 90 percent complete, a training needs assessment was conducted for local government management, SLIDA courses on financial management and productivity improvement for the Uva Provincial Council were completed, four human resource placement centers were established in Uva, a labor market survey conducted, employment opportunities identified for just over 250 of the more than 1,100 job applicants, a study on legal and regulatory constraints to investment in Uva was completed and awareness of results-based monitoring and evaluation has improved.

Relative to the schedule set at the start of ABGEP, however, outputs in regional policy, planning, M&E and human resource development support for local

government are lagging behind. There has been a considerable amount of work done by many officers in the participating line agencies, and much of this may yield more tangible results in the years to come. However, at this juncture, relatively little progress has been made on regional (or rural development) policy. This deters efforts to improve the enabling environment and guide local planning efforts. Introduction of improved planning tools is also slower than expected, limiting the contribution of the programme to better public investment planning at a local level. Monitoring and evaluation awareness has improved, but there is little sign that the proposed M&E forms or results-oriented M&E techniques suggested by the long-term advisor have been adopted in Uva.

In Uva, the outputs generated are observed to be of a reasonably good quality level and are generally effective in achieving ABGEP's pilot-programme objectives. Less progress than expected has been made in facilitating "model" non-farm activities. This reflects human resource constraints and a lack of ready-to-go commercial pilot initiatives.

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Major agricultural outputs generated by the programme in Uva include: (a) agro-well and microirrigation farming systems have been installed in 19 sites and layouts for 28 sites prepared; (b) 41 poly tunnels for protected agriculture (horticulture and floriculture) have been established

and associations for Protected Agriculture and Floriculture have been formed with more than 700 members; © two model nurseries were established by an NGO in Monaragala with more than 65,000 plants for sale; (d) an adaptive research program on hot climate green houses commenced, five green houses for youth training programs were established, planting material for improved horticulture imported and mobile extension units established; (e) ten demonstration sites were established and 30 locations identified for integrated poultry, fish and crop farming systems; (f) an additional 400 kg of honey produced using equipment, boxes and loans provided to Sarvodya (NGO); (g) 240 locations were selected for rain water harvesting and cropping demonstrations in the dry zone; (h) cage culture for tanks was introduced in 25 fisheries cooperatives, seed farms established to produce 5000 fingerlings every three months, 2 large tanks, 5 medium tanks and 15 farm tanks were stocked with fingerlings and fisheries cooperatives were provided with three-wheelers for marketing fish; (i) a cattle disease monitoring unit was established, two mobile clinics were conducted in each Veterinary range each month, an epidemiology survey was completed, 24 medium-scale breeding units were developed, 556 cattle sheds upgraded to improve milk hygiene and 893 artificial insemination heifers distributed (in an in-kind loan scheme) to participating farmers to improve cattle stock, a nursery at Rahangala farm to demonstrate improved pasture/fodder practices for cattle was established; (j) the Wahilihi foundation (NGO) established a layer unit, contract poultry rearing system and contract maize production system for small farmers; (k) a nucleus breeding herd of 25 cattle was provided to the Rahangala breeding farm, 30 goat breeding units were established and 82 breeding goats were distributed; (l) a small cooperative milk processing unit and 6 sales centers were constructed; (m) 150 farmers began producing maize for feed under contract to the Bibile MPCPS using locally available feed ingredients, the commercial sale of urea molasses block feed

was developed at the Badarawela Milk Producers Co-operative society; (n) 102 back yard poultry units were established as demonstrations; and (o) training was conducted for Grama Niladaries, land officers and graduate trainees on land regularisation procedures while 50,000 permits were issued under the land regularisation programme.

Major outputs generated by the non-farm enterprise development activities in Uva included: (a) a grower and producer mutual support programme run by the Chamber of Commerce linked a passion fruit processor with 90 passion fruit producers; (b) better packaging, labeling and handling techniques for fruits and vegetables have been introduced (plastic crates and wooden boxes) which significantly reduced waste and transport losses; (c) three medium/large scale agro-processing enterprises were identified for funding through the Entrepreneur Development Fund; (d) a commercial garbage disposal and recycling industry was established by the Chamber of Commerce in the Badulla municipal area (which included establishment of a commercial compost industry); (e) the Department of Agriculture founded the Uva marketing initiative (see box 1) which introduced forward contracting and fostered market linkages for a number of Uva products; (f) an Entrepreneur Development Fund was established, capitalized at Rs. 25 million, screened more than 1100 project loan applications and established procedures for setting up a rotating fund with local financial institutions; and (g) an eco-tourism strategy was identified, a tourist bureau established, website developed and a video film contracted.

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In the area of planning and management, the following outputs were generated: (a) the residential, in-service training center at Bindunuwewa was upgraded; (b) contacts were made between Pradeshiya Sabas and Divisional Secretaries; (c) an orientation programme was conducted for selected Pradeshiya Sabas; and (d) land use data was digitalized and entered into a GIS system to support land-use planning and the development of a land bank.

In the area of social integration, major outputs included: (a) inter-ethnic youth exchanges, interreligious discussion groups, Sharamadhana camps, youth friendship camps, gender programs and inter-ethnic friendship festivals were held to foster better ethnic relations; (b) 11,250 persons, mainly school children and women from the rural and plantation communities, were involved in human rights awareness and training programs (provided by the NGO Forum); (c) 25 social mobilizers were trained in the estate community, 36 small groups have been set up in the estate and rural areas, self-employment projects (screen printing, sewing, patch work) have been established in the estates, an elder's health programme launched and more than 1,000 estate workers provided social awareness training; (d) efforts to reduce suicide and combat depression were mounted in seven DS divisions that involved awareness programs, training classes for officials, street drama, training of village leaders and counseling; (e) four mini-hydro electricity facilities were constructed, with community participation, to bring electricity to 266 families in very remote villages; and (f) construction was launched at the site of the future community radio station.

D. Contribution to Program Objectives

The vast majority of the activities mounted in Uva are less than a year old. These have all been implemented on a small scale and it is too early to declare them economically viable. But initial results suggest that diversified regional economic activity is certainly possible.

Producers who have adopted protected horticulture, integrated fish, crop and livestock farming systems, agro-well/precision irrigation systems and fish-fry production report incomes that are 50-100 percent higher than what they were previously earning. Producers of "improved" honey products and pesticide free rice report incomes that were fifty percent above traditional production techniques.

From field discussions, Poly-tunnel horticulture and floriculture producers report net incomes ranging from Rs. 50,000 to Rs. 500,000 per annum from these ventures. The Provincial Agriculture Ministry estimates that the gross returns from producing bell peppers, for example, are Rs.240,000 for a six month period, and the costs half of that. On a capital investment of approximately Rs.20,000 in an integrated fish, fruit crop and poultry operation, farmers earn Rs.35,000 per season, easily paying off their investment in under one year. The use of micro-irrigation systems results in nearly Rs.20,000 in costs savings (for labor, fuel and fertilizer), lower water consumption and, in the case of chilies, papaya and mangoes, a 50-70 percent yield increase (from 300 kilos. Per acre to 650 kgs in the case of chilies). Cost savings, higher productivity and the possibility of extending cropping intensity lead to incomes that are double to triple that realized under rainfed production conditions.

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Floriculture productivity has witnessed a five-fold leap as a result of the introduction of improved seeds and vegetative propagation techniques. Producers of pesticide free rice report both higher yields (10-20%) and significantly higher product prices (50% above white rice price). Fruit producers who have adopted improved harvesting, boxing and packaging techniques report that post-harvest losses have been cut in half. Livestock health programs have significantly cut disease incidence and the pilot-test of improved forage and curd production shows considerable promise. Efforts to revitalize inland fisheries through innovative fry cultivation techniques and restocking ponds with fingerlings has been shown to generate positive rates of returns for participating community members. Bee keeping programs have improved product quality and increased returns by 10-30 percent. And the backyard poultry programs have improved household nutrition while raising cash incomes of the poorest families by about Rs.500 per month.

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Box 1 : The Uva Agricultural Marketing Initiative

UvaAs small farmers have little knowledge of what is demanded in distant markets. The quality of what

they produce generally does not fetch premium prices. incomplete markets and remoteness constrain growth and cap incomes.

In early 2000, an Uva Agricultural Marketing Initiative (UAMf) was established by the Provincial Ministry of Agriculture. The objectives were to: a) introduce Uva products to distant buyers; b) introduce Uva producers to these buyers; c) establish a forward contract system to reduce price fluctuation; d) organize producers of highvalue horticulture and floriculture crops; e) upgrade packaging and product quality to add value and better meet demand in urban and overseas markets and t) help establish market links between distant buyers and Uva producers.

On January 20 and 21, UAMI advertised Uva agricultural products in Colombo newspapers and encouraged interested buyers to register. Some 75 major produce buyers responded and registered with UAMI. On February 27th. UAMI advertised in the Uva newspapers for producers interested in supplying Colombo buyers. Approximately 250 producers responded and registered. On March 6. a display of Uva products was held at the Taj Samudra hotel in Colombo. The Uva product fair was widely publicized and attended by a large number of interested buyers. A follow-up fair was organized in Bandarawela in which Uva producers were able to meet and strike deals with Colombo-based buyers.

While this was on-going, efforts were being made to help organize a protected agricultural association and a floriculture association. By early 2000. the Uva Protected Agriculture Association had 610 members and the Floriculture Association had some 205 members.

In April. Sri Lankan Airlines contracted with UAMI to supply bell peppers. UAMI selected several local suppliers and established a fixed, forward price contract system. The initial deliveries to Sri Lankan Airlines were wellreceived and requests were made to substantially increase product volume.

New packing technology was introduced for bee honey and pesticide free rice in the first half of the year. Fixed future price contracts were arranged with NGOs who were assisting producers and, on August 15, UAMI launched the introduction of these products in two CWE supermarkets in Colombo. Demand immediately outstripped supply and UAMI was given large orders to supply more of these goods. New types of organic rice (red varieties) have been ordered for the export market and production has been initiated. Orders for fruits and vegetables for export to the Maldives have been underway and other large orders have been placed with UAMI for ginger and soybeans for export.

Keeping pace with exploding demand for market maker services is the main challenge facing this ABGEPsupported institution.

The Entrepreneur Development Fnd has provided a mechanism for screening large numbers of project proposals and developing these into bankable, pioneering SMI projects. Thanks to the contribution made by the Uva marketing initiative, markets for the new products are deeper,

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buyers are more aware of the products available in Uva, forward contracts are becoming accepted and market access is more secure. Thanks to the Chamber of Commerce initiative to process urban waste, public health conditions in Badulla have improved (ie. Children no longer play on a waste dump), and profits are being made from recycling garbage and the sale of organic fertilizers. For more details, technical annex 1 presents a set of case studies drawn from interviews with participants in several of the ABGEP-supported enterprise development initiatives in Uva.

It needs to be noted, however, that these initiatives are at a small, pilot-stage of development. Some of the "pioneering" technology has already failed, as is to be expected in any pilot-test situation. The smaller, 500 square foot poly tunnels appear to be economically un-viable, except in special circumstances. Those protected agriculture projects that were located in highwind areas, have tended to fail. Both government and agro-business associations appear to have learned from these failures and have incorporated technological fixes in the latest round of implementing these ABGEP components.

The social integration activities have been well-received by those who have participated in these programs. More formal evaluation of changes in awareness and knowledge is needed to assess the contribution of these efforts to empowerment and social harmony.

Another key objective of AGGEP was capacity building. In this area, the most significant contribution of the programme has been in building functional capacity, or the capacity of institutions to address specific issues. The Finance Commission and NPD have developed local capacity to collect regional GDP estimates. SLIDA and the Institute for Local Governance have developed capacity for tailoring training programs to the needs of local government. The agriculture, fisheries and livestock services of Uva have developed the capacity to introduce pioneering technology, post-harvest techniques and innovative marketing arrangements for a variety of "high value" farming systems. As a result of the Uva Marketing Initiative, the Government has developed the capacity to bring distant buyers and Uva producers together. The establishment of an Uva Entrepreneur Development Fund provides the Uva Government

with the capacity to build a private project pipeline and channel some support to the next generation of private investors. The Uva Chamber of Commerce has developed the capacity to mount projects in cooperation with government and to operate municipal waste services at a profit. NGOs have developed the capacity to conduct outreach in ethnic harmony, empowerment of estate women and suicide prevention.

The degree to which the participating institutions have learned to work in partnership with one another is also a significant capacity-building contribution of the programme. In Uva, departments that might otherwise be rivals competing for public resources have cooperated well in undertaking a vast array of enterprise support projects. Cooperation between the Provincial Council and the Chamber of Commerce has been excellent and the two are discussing the formation of a number of joint-venture companies. Cooperation between the various line agencies and local-agro-industry associations is a public-private partnership model

that will surely be employed in future endeavors. Government cooperation with leading NGOs to conduct outreach programs for poor farmers (bee keepers, backyard poultry) and to mount programs aimed at improving social integration are signs of a growing appreciation in Government of what NGOs and CBOs can do well.

At this juncture, however, it appears that ABGEP has not had a significant impact on influencing policy and programmes in regional/rural development at the national level. At the national level, the main planning "innovation" has been the start-up of a process aimed at compiling regional GDP accounts. There is scope for the use of these in national revenue sharing arrangements and the Finance Commission intends to do so. Otherwise, there has been no meaningful progress in advancing "regional policy" or "rural development policy" that can be directly attributed to ABGEP initiatives since the start of the programme. Unless the RDD division becomes much more pro-active in policy analysis and planning methodology development, and unless the practical lessons of the ABGEP experience are captured and reflected in national policy making, it appears unlikely that ABGEP will make a significant contribution to improving the overall national enabling environment for either regional development or rural development.

In Uva, there has been a clear improvement in policy analysis and planning capacities directly attributable to learning opportunities provided by the programme. Provincial and local officials routinely assess the financial feasibility of investments that they propose to the farm community. There is far more awareness of the need to marry the introduction of new technology with better marketing linkages, reduction in losses, improved packaging and increased value-added. Having put this into practice in a number of ABGEP-funded pilot programs, local officials can better understand how to do this in other areas. The degree to which public investments are likely to inspire efficient private sector development has become a key criteria in the process of setting priorities and allocating regional capital expenditures. More rigorous planning techniques, based on land-use mapping and cost-benefit analysis, have begun to percolate into the preparation of the Provincial capital budget. Provincial policy making now involves regular consultation with stakeholders and attempts to find local solutions to investment impediments. The special studies on high-speed mobility and legal and regulatory constraints have exposed the Provincial planning service to the merits of collaborating with top-tier researchers to investigate major policy concerns.

For many officials in Uva, ABGEP represents a model of how to plan and implement a multisectoral private sector support programme. There is good reason to believe that this model will serve as a foundation for future initiatives funded from the Province's own resources.

E. Effectiveness

The approach adopted by the project, particularly in Uva, has proven to be reasonably effective. A large number of strategic partnerships have been formed. The transaction cost of these "partnerships" has been kept low and a spirit of collective responsibility and team-building has been promoted.

In theory, efforts could have been made to foster private-sector led growth by operating outside of the Government altogether or implementing similar tasks through district level project offices (as in the IRDPs). Certainly, the lack of a strong corporate sector and the limited role of business associations in Uva would have limited scope for operating entirely outside Government. Tasks could have been executed from the District level project offices, as in the IRDPs, but this would have limited the interest, enthusiasm and willingness to experiment of the government technical services. Ultimately, national ownership would have been much less.

It could be argued that the program could well have been led and managed from Uva, with central government agencies providing services at the direct request of Provincial authorities. On the other hand, the degree to which national authorities can learn from ABGEP experience in Uva and apply those lessons to policy reform and public investments in other parts of the country argues for continued central government involvement.

At this juncture, just over half of the US\$4.7 million has been expended for various ABGEP activities. The returns to participating enterprises and the lessons learned from the 51 separate activities piloted in Uva are more than sufficient to justify this cost. Added to this are the benefits that accrue from improved resource allocation that will arise from the use of regional GDP accounts, the shift to more of a private-sector facilitation role in local government and from the use of improved regional planning methods. There is also the contribution made to building social integration that results from investments in improved ethnic relations and reaching-out to those who are socially excluded. Long-run fiscal savings should be significant, to the extent that ABGEP has persuaded provincial authorities to invest their scarce resources in facilitating growth rather than focusing spending on welfare transfers.

F. Capacity Building

The project has followed two approaches in capacity/institutional development. One is the traditional method, and is exemplified by the long-term technical assistance and training provided to RDD in MPI. The advantage of this approach is the ability to combine broad-based human resource development, organizational and management initiatives with program supported initiatives. The disadvantage is that this can only succeed if there is strong leadership committed to transforming institutional culture and with the freedom and resources to do so. This has not been the case, at the national level, in those components where ABGEP has pursued a traditional capacity-building approach.

Investment in functional capacity is the main strategy that ABGEP has adopted. An example of this is the provision of an agro-enterprise advisor to the Uva Agricultural Marketing Initiative to develop links between commercial farmers and large-scale buyers. Institution building to meet specific functional needs has had

a high short-term payoff. Skills are transmitted and immediately put to the test. The disadvantage is that, once successful (as in the case of the marketing initiative), the human resource and organizational capacity to expand operations may become a binding constraint.

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Institutional capacity has improved as a result of ABGEP. New planning competencies in government were developed, most notably the ability to prepare regional accounts, regional profiles and land-use GIS systems. The Uva Government's capacity to provide technical advisory services in protected agriculture, agro-well based cropping systems, inland fisheries, animal forage and disease control, post-harvest control and marketing has substantially improved. The technical and business management competence of close to 2,000 small agriculture and non-agricultural businesses directly assisted by ABGEP were strengthened as a result of the Programme. The capacity of the Uva planning service to prepare sound public investment programs and to plan and execute activities in cooperation with the private sector and NGOs has vastly improved. A range of dairy, fisheries and NGO (Sarvodya) cooperatives were strengthened through provision of training and equipment. The creation of the Uva Agricultural Marketing Initiative and the Entrepreneur Development Fund expands the competence of the Provincial government in the areas of market development and project finance. These improvements in institutional capacity were the direct result of investments in human resources, through functional training, learning-by-doing and targeted provision of technical assistance.

G. Impact

The programme was formulated when the UNP was in power and has subsequently been implemented during a period when the People's Alliance party was in power. During the preparation and implementation process, meetings were held with representatives of both parties to discuss the ABGEP objectives, rationale, approach and activities to be supported under ABGEP. Bipartisan political support was secured for the programme. This, in turn, has helped insulate programme tasks from political interference. That the project was not captured by party politics is certainly a positive outcome.

A second significant and largely unforeseen impact is the extent to which programme activities have revealed market demand for high-value products that are produced in Uva. That there is tremendous demand in urban and export markets for a wide range of goods (other than tea) that can be competitively produced in Uva is a surprise to many enterprises and officials.

A third significant and unforeseen impact is the extent to which a programme funded special study has inspired policy makers to invest in improved transport links for Uva. A national meeting was convened to discuss the findings of the University of Moratuwa study on market access and highway development at RDD. At that meeting, agreements were reached to begin implementing certain

road investments immediately and to phase-in others as budget resources permit. The contribution of improved highway development to access (and transport timesaving) in Uva should be considerable. The analytical approach used to assess strategic transport linkages and evaluate the costs and benefits of highway construction has been used as a model for the analysis of highway programs in other regions.

Those individuals and enterprises who have participated directly in the Uva development projects, even at a pilot stage, have clearly benefited from ABGEP. Surrounding businesses that have adopted technology introduced under ABGEP have also benefited. Those individuals

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and agencies who have received technical, planning, entrepreneurial, managerial, human rights and civic development training have benefited in the form of improved skills, knowledge and awareness. Poor women, in the estates and elsewhere, have benefited from backyard poultry projects, social mobilization efforts and vocational training.

The "pilot successes" of several of the ABGEP initiatives have enhanced the reputation and credibility of the Uva Provincial Council, an impact that is of some importance to the Province's politicians. The most important benefits are the "demonstration" value of new technologies introduced, new market links established, new product-lines created and the improvements in Uva's business reputation. These benefits spill-over to the community as a whole.

The project appears to have had a positive net impact on the environment. Land registration for some 50,000 claims has helped regularize encroachments and ease pressures on protected lands. Community tank management schemes has helped reverse resource degradation. Recycling of waste in the Badulla township, better water management through precision irrigation and the promotion of pesticide free rice have all made a positive contribution to natural resource management. And the promotion of social harmony between the Tamil and Sinhalese community has helped diffuse tensions and instill respect and understanding across cultures at a particularly difficult time.

The fact that much of the new technology introduced in Uva has been found to raise productivity, be profitable (at least at the pilot stage), manageable by SMEs and generate goods which find ready markets in Colombo augers well for the sustainability of these investments. In most (but not all) instances, participating farmers have had to contribute half (or more) of the equity for the ABGEP supported investment, through a range of investment-in-kind, rotating credit and repayment-in-kind schemes. The willingness of participants to make a significant contribution to the adoption of "novel" technology is a promising sign and augers well for future sustainability. The mini-hydro projects are the main capital works investments supported by ABGEP so far and village electricity consumer associations have been formed to fund the recurrent costs and repairs of these facilities.

Almost all of the investments are at a pilot-stage. Scaling-up the investments to reach larger groups will require bank finance. The banks are willing to lend, but the preparation of bankable projects is a difficult task. The Entrepreneur Development Fund has screened more than 1100 applications to generate some 39 projects that it submitted to the banks. Developing a credit culture and assisting small businesses prepare bankable projects will require continued support.

In many instances, it remains to be seen if new enterprises will be willing to follow the "pioneering projects", especially as subsidy levels are reduced. The higher startup costs for the "late adopters" combined with many years of welfare transfers and grant assistance has reduced risk-taking behavior in the private sector.

H.

Sustainability

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Scaling-up the pilot projects will also require secure market links with the Colombo buyers (Air Lanka, CWE, Keels, Eastern Airlines and International Foods). These market links are somewhat precarious, and the degree to which they will be maintained depends on whether the Uva Agricultural Marketing Initiative can (quickly) evolve into a professional joint venture company.

A revolving fund has been created to help scale-up a number of investments. That the participating financial institutions have agreed to assume the default risk for enterprise development loans is encouraging. That an extensive, multi-tier screening process has been introduced is also a promising sign. But the fact that the interest rates are highly subsidized doesn't auger well for the long-term sustainability of the fund or of credit discipline.

Market and technical risks will certainly effect sustainability. High-value perishables, livestock and fisheries products face volatile markets and an array of pest and disease management problems. Managing these risks will be an ongoing challenge.

In the case of the livestock and fish-pond initiatives, ABGEP initiatives have supported the release of a large number of fingerlings into ponds and improved breeding stock to eligible farmers. The degree to which these investments are sustained depends very much on how well medium and large tanks are managed and the degree to which farmers repay the animal health department with the offspring of the improved heifers. It may well prove difficult to sanction over-fishing or to penalize farmers who don't handover the improved cattle.

Under ABGEP, Government has expanded the number of public greenhouses for crop breeding, government farms for producing plant varieties, livestock health and breeding centers, human resource placement bureaus, training institutes and tourist information facilities. What is notable is that all of these supply quasi-commercial resources to the public with no direct cost recovery. Government already is confronted by recurrent cost shortfalls and one must wonder if these facilities will be adequately funded in the future.

Efforts to promote eco-tourism are in their very early stages. The development of this sector hinges on better transport links to Colombo and an end to the internal conflict. At this juncture, neither appear imminent.

Central government efforts to build institutional capacity for regional policy analysis is not off to a good start. Whether institutional capacity for national-level regional policy and planning can be created, and can be sustained (at least under ABGEP supported arrangements) is still indeterminate.

Social development initiatives undertaken by the NGOs (promote social harmony, prevent suicide, mobilize estate women) are laudable, but will need to be funded and continued for several years if they are to have a lasting effect. Sustainability hinges on the degree to which local Government or the donor community continues to finance such initiatives. That local Government is very supportive of these initiatives is a positive sign.

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Some of the more "project task implementation" partnerships created under ABGEP are likely to recede in importance once the Programme comes to an end. Others, such as the links between buyers and the Provincial Agriculture Department, between the Chamber of Commerce and the Uva Provincial Council, links between the private sector and the local support services and the links between national training institutes (SLIDA and the Institute for Local Governance) and local governments are likely to be sustained.

One of the most important outcomes of the ABGEP experience is the change in attitudes of politicians and local government officials in Uva. The view expressed by many leaders that the region can competitively grow its way out of poverty and that Government can facilitate private sector initiative is unlikely to change soon. This shift in leadership attitudes and awareness, together with an acquired penchant for process-oriented, local-growth supporting initiatives, is likely to be one of the most enduring legacies of the ABGEP effort.

V.

CONCLUSIO

NS A.

Findings

The overall objective of the Area-Based Growth with Equity Programme (ABGEP) is to have an accepted model of regional planning for sustainable economic growth with equity, which is supported at the national level and made a reality in Uva Province.

The objectives of the central component are:

- To support & promote equitable regional economic growth through strengthened institutional policy & programme framework at national & sub-national levels.
- To alleviate constraints imposed by low human resources development & the lack of technical information on the operationalization of REAP, ABGEP & sub-national planning.

The main objective of the Provincial component is:

- To expand & diversify economic opportunities & output so as to enhance the comparative advantage of Uva region, the living standards of people in Uva in general and in particular among low income groups.

At the national level, the main outputs are an improved enabling environment for regional/rural development, better regional planning techniques, better budgets and allocations to local government, enhanced human resource capacities in local government and better linkages between national and provincial authorities. At the Provincial level, the main outputs are higher incomes and reduced poverty through a wide spectrum of private sector initiatives. A second set of outputs are improved governance practices and greater social integration.

Project identification followed a participatory approach and built on national policies, regional plans and new (REAP) strategies for private-sector led growth. The focus on working at several levels

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(local, regional and national), promoting partnerships, a process oriented approach and locating the programme in Uva were generally appropriate. But there were flaws in the design. While ABGEP was designed mainly to stimulate private sector development in Uva, there is no evidence that a formal assessment of the private sector was made prior to the design of the programme. Since the private sector, NGOs and CBOs were represented on a number of the project design committees, Government priorities dominated the list of tasks selected for programme inclusion. There is little evidence that the financial,

economic or institutional feasibility of the various sub-components was assessed prior to the launch of the programme. A process approach can be designed to screen for ex-post feasibility during implementation, but only if the monitoring indicators to signal success or failure are appropriate, widely agreed-upon and clearly specified at the start. This was not the case.

Futhermore, the context in which ABGEP was planned has changed significantly since the programme was conceived. With the preparation of the GOSL Framework for Poverty Reduction (2000), there is a much clearer understanding of the many strategies that are to be pursued to create opportunities for the poor to participate in a private-sector led growth process. There has been considerable re-centralization of public sector responsibilities (including creation of a number of new central Ministries for development of particular regions) and growing recognition that regional development will continue to be a shared local and central government responsibility for some time.

The Mission finds that program performance is good. Progress is less satisfying at the national level than it is for the Uva-based initiatives. The integration of the two is also less than what was originally expected. But the pioneering initiatives to foster private-sector led growth with equity in Uva should become a model that can be followed by local governments throughout the country.

A key objective of ABGEP was capacity building. In pursuing this objective, the program has placed emphasis in building functional capacity- the capacity of institutions to address specific issues. The degree to which participating institutions have learned to work in partnership with one another is also a significant capacity-building contribution of the program.

Increase in productivity due to the new programme sponsored technology, the profitability of the ventures and the prospect of remunerative markets in the capital contribute to the likely sustainability of the initiatives. The willingness of the participants to make a significant contribution to the adoption of new technology further fortifies this optimism in respect of sustainability_ It cannot, however be overlooked that almost all of the investments are of a pilot stage and small in scale. In order to ensure sustainability much remains to be done to increase the scale of the projects, to secure markets and the necessary financial support from the banks.

A. Assessment

1. Relevance

ABGEP is a pioneering attempt to pilot-test approaches to fostering private sector led growth, with better governance and equity, in a decentralized manner. These

objectives remain valid today. However, creeping re-centralization suggests that a multiplicity of institutional arrangements will be needed to address regional concerns. Government's rethinking of approaches to combat poverty (in the *Framework for Poverty Reduction*) imply that a wide spectrum of reform initiatives, over and above area-development, will be needed to foster sustained poverty reduction.

2. Performance

The Mission finds that program performance is good. Progress is less satisfying at the national level than it is for the Uva-based initiatives. The integration of the two is also less than what was originally expected. But the pioneering initiatives to foster private-sector led growth with equity in Uva should become a model that can be followed by local governments throughout the country.

3. Success

The Mission concludes that the program should be rated a success. While not all components are fully successful or likely to be sustained, there are clear increases in production, innovative agricultural technology has been adopted, new products have been introduced, losses reduced, arrangements have been made to penetrate distant markets and a small and medium-scale class of entrepreneurs is emerging. Local government has become far more supportive of the private sector. A division of labor in fostering local development has begun to emerge. Government is playing a supportive, facilitating role for a number of small and medium-scale enterprises and is actively collaborating with the Chamber of Commerce. Public sector support is being provided to NGOs and CBOs to directly assist the very poor and address key social integration concerns.

VI. RECOMMENDATIONS

The main challenge for ABGEP is to consolidate progress made and focus on those key initiatives that are necessary to broaden impact and ensure sustainability. In this regard:

Don't abandon innovative, process-oriented approaches. The real strength of ABGEP is the great number of highly innovative approaches that are being tested to advance regional development. There are signs that the process (or pragmatic-cum-experimental) orientation of ABGEP is giving way to a more traditional blueprint approach. Certain central government tasks

are certainly not meeting expectations, but there is little sign that innovative-processes are being used to ensure that overall program results are achieved.

For example, little progress has been made in generating regional development policy or new tools for Provincial planning. It may be appropriate at this point to contract-out those tasks to local research institutes (such as IPS) or local Universities. National policy work should, in any event, focus on learning the extent to which the lessons (and explanations for the success and failures) from the Uva experience can be generalized to other parts of the nation. Towards this end, the following issues could be examined: (a) the role of the marketing initiative; (b) private sector facilitation efforts by the Provincial Council; (c) market (or demand) driven technology introduction in Uva; (d) how to build functional capacity; (e) private sector and Chamber of Commerce involvement in service delivery (ie. Waste disposal in Badulla and others); (f) building business associations; (g) public-NGO cooperation to reach the poor; (h) public-NGO cooperation to strengthen social integration; (i) involving business management/private sector individuals in assisting the public sector; (j) getting the political authorities on board; (k) promoting experimentation, risk-taking and team-work in the public sector; (l) the role of the entrepreneur development fund in preparing bankable projects; and (m) central-local government cooperation to improve enterprise policies.

It also appears that annual, input-control-oriented budgeting and funding are also impeding a more process oriented approach. The benefits of experimentation, learning-by-doing and innovation may be lost if inertia sets in. At this juncture, those activities that are meeting expectations should be continued; those that are not should either be corrected or abandoned; those activities that appear to be crowding-out possible private sector initiative should certainly be abandoned; and those activities that aren't "innovative in nature" (or likely to survive postABGEP without continued external or public funding~ should be challenged to become more so.

Where new initiatives are needed to ensure programme success, and especially to foster sustainability, these should be supported. Institutional arrangements are in place, at both the national, provincial and local level, for a "learning oriented" process-approach. These mechanisms should be challenged to continuously justify the initiatives underway and to identify better ways of meeting program objectives.

Improve monitoring. The existing monitoring system is based almost entirely on financial and physical progress. This information is necessary but not terribly useful for process-oriented decision-making. Monitoring needs to be improved for this, and also so that the lessons learned from ABGEP can be used by other donors and local governments in other parts of the country. Monitoring should focus more on the results that one actually hopes to achieve within the immediate confines of the programme rather than global development objectives. In most instances, this means that the objectives set for the different project components---in terms of employment, incomes and welfare---will need to be re-cast to reflect the more pilot-project nature of these initiatives. A very small set of monitoring indicators (profitability, return on investment, number of early adaptors) should be sufficient to judge success for most of the field activities in

Uva. The policy, planning and institution-building activities should be monitored in terms of their contribution to creating an enabling environment for private sector led growth in Uva, again with a number of simple indicators (i.e. policies or programs changed, public investment planning processes improved, more responsive governance established) used to

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assess progress. Results monitoring should be conducted by both the program implementers and by the beneficiaries themselves. Monitoring reports should feed into the committees charged to plan and manage ABGAP tasks. These should also provide a basis for the more "process oriented" reviews that can be used to bring the lessons of success (and failure) of ABGEP to other donors and to other parts of the country. A full-time M&E expert should be provided to the Uva Provincial Council to lead this effort. Splitting off the national results-based monitoring activities into a separate UNDP project has merit and would allow greater focus on M&E capacity building in Uva.

Process-evaluations should use a **business-school case study approach** to distill the lessons from how public-private partnerships were developed to foster equitable growth in Uva. Government consultations, donor meetings, site visits, seminars and dissemination through the media can be used to share these lessons more widely. Those assigned to work on "regional development" policy matters in central government should be redirected to capture the lessons of ABGEP reforms (at both the national and regional level) and translate these into a toolkit for facilitating private sector led "growth with equity" that can be adopted in other parts of the country.

A decision has apparently been made in central government to evaluate the implementation impact of a large number of Uva sub-components at the end of this calendar year. This is clearly premature, since many of these components are pilot-projects that have not been fully implemented. Process evaluations, as noted above, would be more appropriate at this point in time.

The Uva Provincial Council plans to conduct an environmental impact assessment of a number of programme components (agro-wells and drip irrigation, protected agriculture). This has considerable merit. While a gender assessment was not made at the start of the project, there is little merit in conducting one at this point in time.

Focus to ensure success. Area development projects tend to sprawl in many directions, if for no other reason than the fact that there are always many things that could be done in a region. The more activities that are added to ABGEP, the more difficult it will be to manage, coordinate and ensure success in any one area. Given the experimental nature of many of these tasks, it would be appropriate for the programme to narrow the range of activities supported, and build on success in a smaller range of high-priority areas. Some activities could be wound-down because their lessons as a pilot test have largely

been learned. Some activities could be halted because the probability of success now appears low. Government could absorb some smaller activities in its routine budget. This would leave a core set of potential high payoff activities that merit expanded capacity-building support. Carrying these through to a successful conclusion would generate the core competence that Uva requires to build a successful approach to area-based growth with equity.

Scaling-up. Uva producers are faced with demand for a number of high-value crops (vegetables, ginger, organic rice etc.) that far exceeds local supply capacity. But the main challenge is not to quickly scale-up production. It is to build better marketing capacity. Unless

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there is a proper system for organizing the links between the large-scale Colombo-based buyers and Uva producers, these markets will buy from other sources. The "wrong way" to scale-up successful private sector pilot projects is to encourage producers (and the banks) to

quickly increase supply and simply hope that marketing arrangements will be in place. An immediate (and difficult) challenge is to assist the Uva Agricultural Marketing Initiative grow into a private-public company that can manage large-scale contract farming, enforce product quality control and effectively manage risky but lucrative high-value agro-product contracts. Institution building, in business strategy, legal, accounting, market development, quality control and contract farming, will be needed if this is to become a reality. Some additional equipment, for packaging, transport and shipping, may also be needed to capitalize this new concern. New shareholders from the private sector will be needed to add resources and management competence that the public sector doesn't possess. If the marketing initiative can succeed on a

larger scale, the combination of a secure and deep distant market with the capacity of Uva producers to produce a range of high-quality products that are in strong demand, will provide the incomes and employment needed to foster regional growth and equity.

Developing sustainable marketing institutions, especially with some degree of public involvement, is a difficult challenge indeed. Experience in Sri Lanka suggests that Government marketing boards and trading companies will eventually fail. New forms of private-public business partnerships are needed if this is to succeed.

Involve the private sector more in service delivery. The more the private sector is involved as a "provider" of supporting services, the lower the risk that ABGEP tasks will be politicized, burdened by public sector over-employment or fail for lack of funding after donor support comes to an end. New, innovative ways of involving the private sector in managing program activities (such as managing fingerling tanks) on behalf of ABGAP merit continued support. The highly innovative community radio initiative would also benefit from a private sector equity (and management) contribution at an early stage. Supporting the private sector to deliver key services, such as provision of improved planting material and veterinary services would certainly be in line with national policies in these areas.

Build "mutual interest" partnerships. Most of the partnerships established under ABGEP have come about because of a shared interest in implementing a specific programme component or sub-project. Partnerships that go beyond time-bound cooperation in implementing donor-funded tasks are more likely to prove durable in the long run. Building on the positive experience with the Chamber of Commerce and the Enterprise Development Fund, one option might be to explore the possibility of establishing a venture capital fund for Uva in which Provincial Government takes a minority stake in selected new business startups.

More delegation of authority to the Provincial Council is warranted. Greater authority should be extended to the Uva Provincial Council to manage project activities. Experience to date suggests that they certainly have the capability to do so. There would be advantages to transforming funding arrangements so that central government responded to demands for services generated locally, rather than the other way around.

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But there is little merit in radically changing implementation arrangements for ABGEP at this stage, since there is a risk that this could disrupt project implementation. However, once annual work plans are approved, signatory authority for implementing the Uva components of those plans should be fully delegated to the Provincial Council Secretary. Proposals for revisions in the Uva component of the programme should be provided directly to UNDP, instead of passing through a range of central government committees. In addition to greater delegation of ABGAP authority, the Provincial Government should be charged to formalize cooperation amongst different projects implemented in the Province, such as the two ongoing IRDPs, and to explicitly link ABGEP initiatives into a program for private sector development in the Provincial capital budget.

VII. LESSONS LEARNED

Future UNDP programs can build on key lessons learned from ABGEP:

- A process-oriented approach, involving "innovative" experiments, initiatives at many levels of government, public-private-ngo-community partnerships and a focus on functional capacity building, shows considerable promise as an approach to stimulating private sector growth and employment in disadvantaged regions. The ABGEP model is a good approach for testing innovative, process oriented, initiatives.
- Process-oriented pilot-projects are useful only if the key results are continuously monitored and if the lessons-learned are used to make mid-course corrections and provide a toolkit of sensible approaches that can be applied elsewhere. Monitoring systems should be designed at the start.

- Efforts to develop the private sector in Uva have quickly encountered constraints posed by physical access, human resources and public policy. Central government supported solutions, of the type identified in the Framework for Poverty Reduction, will be needed to address these constraints;
- Decentralization and devolution aren't proceeding smoothly. It is difficult for central government to "let go". For some time to come, "regional" development will likely be an ill-defined, shared responsibility of both central and local government.
- ABGEP involved several UN agencies (UNDP, UNOPS, ILO and UNESCO) in implementing this task. Greater coherence could be achieved if the relative competencies of the UN specialized agencies are build upon in program design and if the importance of a process-orientation is stressed with all the implementing organizations.

There may be merit in extending the ABGEP close-out date for another year or two in order to complete planned component activities. But much of the value of pilot-testing innovative approaches to support private sector development in Uva will be reaped by the conclusion of this programme. By the time ABGEP is completed, the authorities in Uva (and central government) should be able to formulate and fund regional private sector development

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programs from national budget sources. Too much donor support, over too long a period of time, could impede the development of self-reliance by the private sector.

The ABGAP approach---involving working at (and within) different levels of Government, a process orientation, strategic partnerships between government, NGOs and the private sector and functional capacity building---should be extended to future UNDP (and possibly other UN family) initiatives. This approach has resulted in a sense of purpose, risk-taking and dynamism in participating Uva government agencies and their partners. That same spirit could be harnessed to tackle a wide range of development management problems.

Policy and regulatory reform, better institutional governance, community empowerment, extending market access across regions, improving access and management of basic utilities, restructuring health care services, refocusing and improving targeting of the government's main welfare program and enhancing the quality and relevance of education and training services are just some of the priority initiatives highlighted in the Government's Poverty Reduction Framework. Progress in these areas---at both a central and local government level---would complement the private sector development initiatives underway in Uva. Innovative, processoriented approaches are needed to test many of these new strategic initiatives before "new approaches" are promulgated more widely. Uva could continue to serve as a laboratory for institutional and

policy reform, but with the focus shifted from the productive to the supporting sectors. For others (i.e. policy, regulatory and administrative reform), central government may be the more appropriate focus for assistance.

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CASE STUDY NO-01

(1)Component

Poultry Farming Project at Siyambalanduwa

(2)Total Estimated Cost

(3)Financial Contribution ABUEP

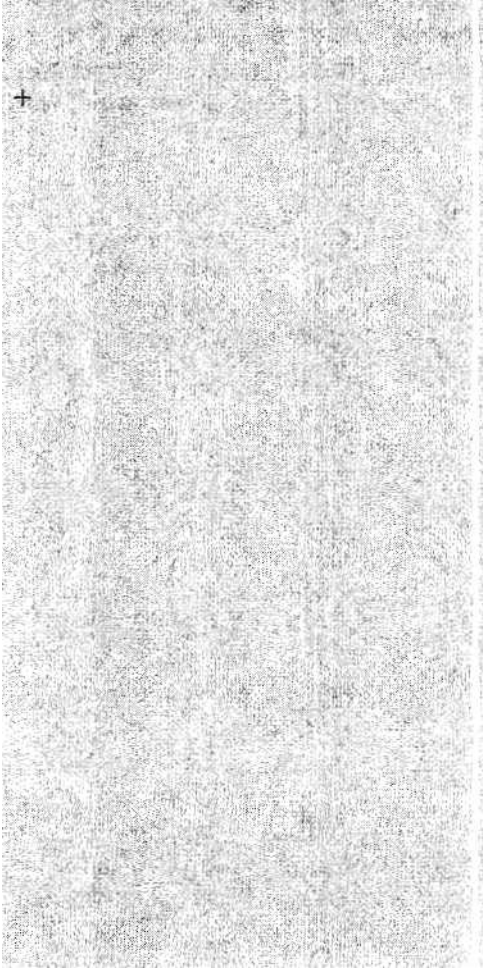
by

(4))Financial Contribution by Stakeholders

Rs.2.4 million Rs.1.53 million Rs.0.8 million

(5)Approach Taken to Foster Private Sector Development

(a)



The task of the breeding of one day old chicks has been undertaken by the Vehilihi' Organization for the period of two months. Obtaining high breed chicks from the Golden coin company and the NLRB farm at Mara~, ilu and provide these chicken' to the farmer families. Organized a propaganda campaign against the low -quality eggs which supplied from outside the district.

- (d) Established and mobilized farmer groups to start the business and provided technical training for them.
- (e) Provision of loans for the farmer families to purchase chicks, poultry feed and equipment and construct the poultry shed.
- (f) Joined to the All Island Poultr' Association and made an agreement with the association to get rid from the outside competition for the production.
- (g) Used strategic analysis method (Evaluated the characteristics of individual farmers through the interviews) to select the farmers.
- (h)-Provision of continues extension services to the farmer families.

Provision of transport facilities to the production cycle.

Vehilihini Center has undertaken the marketing process.