



**Institute of Social Studies**

**GRADUATE SCHOOL OF DEVELOPMENT STUDIES**

**Stakeholder Integration Processes : Toward The Creation of Competitive Advantage. A Case Study: Local Competitive Advantage (LOCA) Initiatives in Sri Lanka.**

*A research paper presented by*

**Tutik Rachmawati**

**(INDONESIA)**

**In Partial Fulfillment of the Requirements for Obtaining the Degree of**

**MASTER OF ARTS IN DEVELOPMENT STUDIES**

*Specialisation :*

**LOCAL AND REGIONAL DEVELOPMENT**

**Members of the Examining Committee**

**Supervisor: Dr. P. Knorringa**  
**Second reader: Dr. N. Awortwi**

**The Hague, December 2005**

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**Enquires:**

***Postal Address:***

**Institute of Social Studies  
P.O. Box 29776  
2502 LT, The Hague  
The Netherlands**

**Telephone : -31-70-4260460  
Telefax: -31-70-4260799  
e-mail: [postmaster@iss.nl](mailto:postmaster@iss.nl)**

***Location:***

**Kortenaerkade 12  
2518 AX, The Hague  
The Netherlands**

## TABLE OF CONTENT

LIST OF FIGURES .....	II
LIST OF TABLES .....	II
LIST OF ACRONYMS AND ABBREVIATIONS .....	III
<b>1. INTRODUCTION .....</b>	<b>1</b>
1.1. BACKGROUND.....	1
1.2. RELEVANCE AND OBJECTIVES OF THE STUDY .....	2
1.3. RESEARCH QUESTIONS .....	4
1.4. RESEARCH METHODOLOGY AND LIMITATIONS OF THE STUDY .....	4
1.4.1. <i>Study Area Selection</i> .....	4
1.4.2. <i>Limitations of Study</i> .....	5
1.4.3. <i>Sampling</i> .....	6
1.4.4. <i>Data Collection</i> .....	6
1.5. STRUCTURE OF THE PAPER.....	7
<b>2. LITERATURE REVIEW .....</b>	<b>8</b>
2.1. INTRODUCTION .....	8
2.2. LED .....	8
2.3. COMPETITIVE ADVANTAGE.....	10
2.4. TRUST .....	11
2.5. LOCA: A WAY TO STAKEHOLDER INTEGRATION.....	14
2.6. SMALL MEDIUM ENTERPRISE .....	15
2.7. CONCLUSION.....	18
<b>3. CASE STUDY AREAS: MINIPE AND UDAPALATHA .....</b>	<b>20</b>
3.1. INTRODUCTION .....	20
3.2. LOCAL COMPETITIVE ADVANTAGE IN SRI LANKA.....	20
3.3. ROLE OF LOCAL GOVERNMENT .....	22
3.4. CONTEXTUAL BACKGROUND OF STUDY AREAS .....	24
3.4.1. <i>Minipe Ds Division – Kandy District</i> .....	24
3.4.2. <i>Udapalatha DS Division – Kandy District</i> .....	26
3.4.3. <i>Conclusion</i> .....	29
<b>4. ECONOMIC SECTORS OF STUDY AREAS .....</b>	<b>30</b>
4.1. INTRODUCTION .....	30
4.2. COMPETITIVE ECONOMIC SECTORS IN MINIPE DS DIVISION.....	30
4.2.1. <i>Commercial Vegetables Sector</i> .....	31
4.2.2. <i>Paddy Seed Sector</i> .....	33
4.2.3. <i>Brick Sector</i> .....	36
4.2.4. <i>Pottery Sector</i> .....	38
4.3. CONCLUSION ON COMPETITIVE ECONOMIC SECTORS IN MINIPE DS DIVISION .....	40
4.4. COMPETITIVE AND NON COMPETITIVE SECTOR IN UDAPALATHA DS DIVISION .....	41
4.4.1. <i>Milk Sector</i> .....	41
4.4.2. <i>Cut Foliage</i> .....	43
4.4.3. <i>Spice Sector</i> .....	45
4.4.4. <i>High Value Vegetables Sector</i> .....	47
4.4.5. <i>Mushroom Sector</i> .....	48
4.5. CONCLUSION ON COMPETITIVE ECONOMIC SECTORS IN UDAPALATHA DS DIVISION.....	49
4.6. CONCLUSION ON ECONOMIC SECTORS OF STUDY AREAS .....	49
<b>5. MICRO ENTERPRISE, STAKEHOLDER INTEGRATION AND LED.....</b>	<b>51</b>

5.1.	INTRODUCTION .....	51
5.2.	MICRO ENTERPRISE: COMPETITIVENESS OR POVERTY ALLEVIATION? .....	52
5.3.	SUCCESSFUL STAKEHOLDER INTEGRATION: TRUST? .....	55
5.4.	IMPACT ON LED .....	59
5.5.	CONCLUSION.....	62
<b>6.</b>	<b>CONCLUSION AND RECOMMENDATIONS.....</b>	<b>65</b>
6.1.	CONCLUSION.....	65
6.2.	RECOMMENDATIONS.....	68
	<b>ANNEXES.....</b>	<b>72</b>
A.	PACA NEWS.....	72
B.	QUESTIONNAIRE .....	72
C.	LOCA EXERCISE PROCESS .....	79
D.	SEED PADDY CERTIFICATION .....	81
E.	AGRARIAN DEVELOPMENT ACT NO, 46 OF 2000 .....	84
F.	AGRARIAN DEVELOPMENT ACT NO. 46 OF 2000 .....	85
G.	SAMURDI PROGRAM .....	85
H.	SAPIRI KIRI PRODUCTS .....	86
	<b>BIBLIOGRAPHY .....</b>	<b>88</b>

### List of Figures

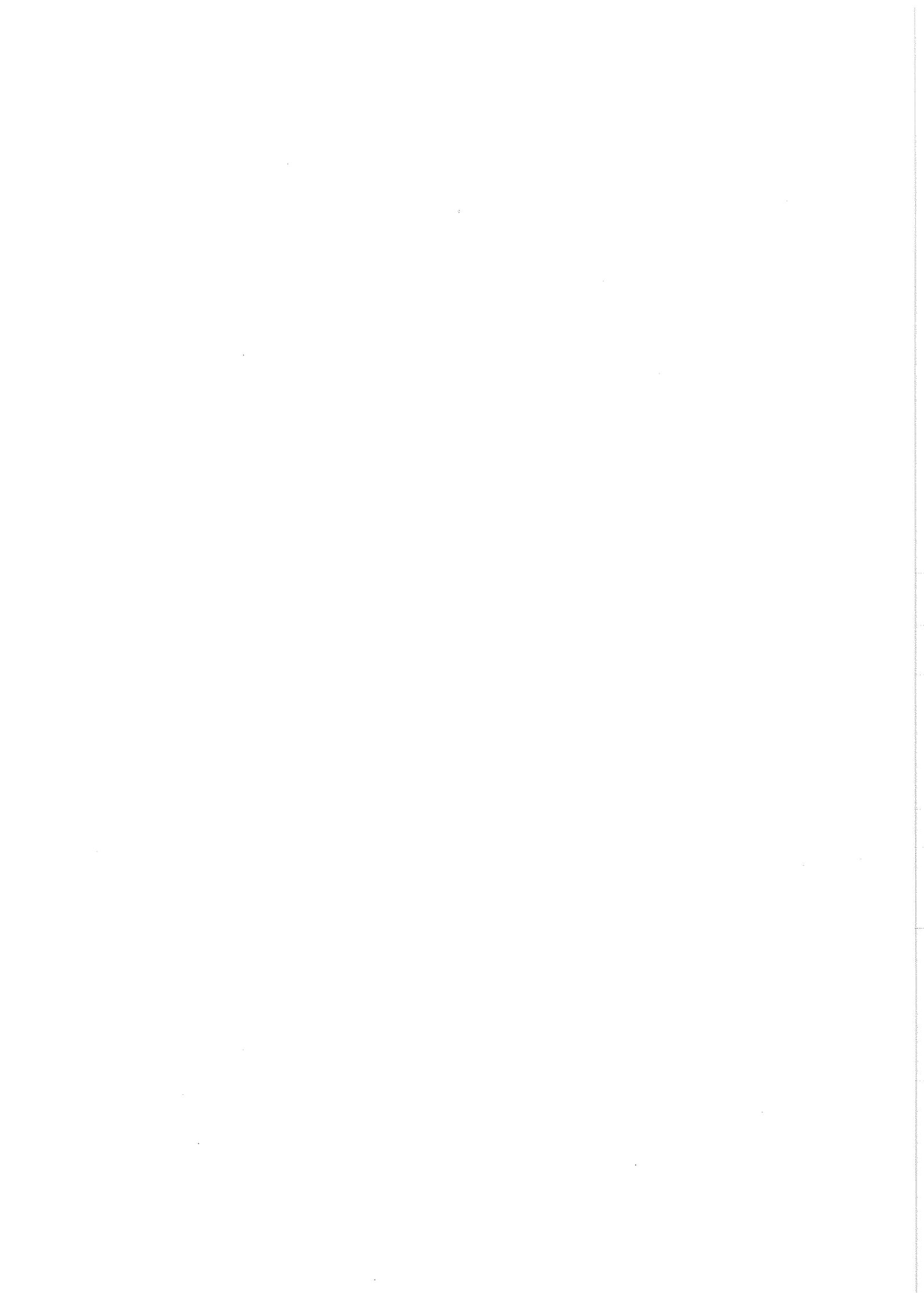
<b>FIGURE 1 CMI COMPETITIVENESS .....</b>	<b>11</b>
<b>FIGURE 2 DIAGRAM OF CONCEPTS .....</b>	<b>19</b>
<b>FIGURE 3 A DIAGRAM OF MAJOR FINDINGS .....</b>	<b>64</b>

### List of Tables

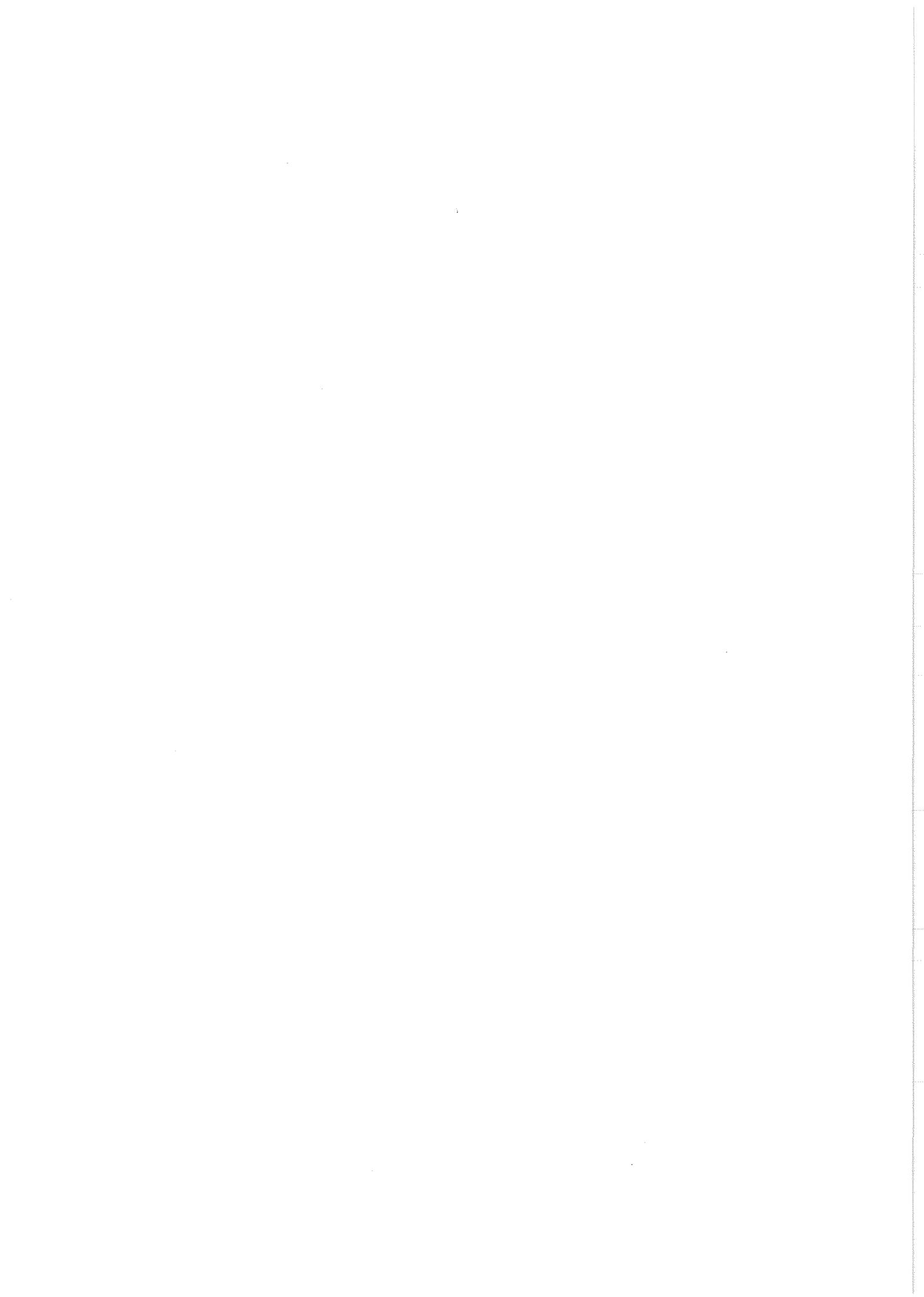
<b>TABLE 1 SMES IN SRI LANKA.....</b>	<b>16</b>
<b>TABLE 2 CONSTELLATION OF DECISION TO CONDUCT LOCA .....</b>	<b>23</b>
<b>TABLE 3 NUMBER OF ENTERPRISES AND TAX REVENUE BY DS DIVISION (2002) .....</b>	<b>27</b>
<b>TABLE 4 TOTAL LABOUR FORCE BY DS DIVISION (2001, CENSUS DATA).....</b>	<b>28</b>
<b>TABLE 5 AVAILABILITY OF INFRASTRUCTURE .....</b>	<b>28</b>

## List of Acronyms and Abbreviations

CMI	: Cuadro de Mando Integral
DPU	: District Planning Units
DS	: Divisional Secretary
ESSP	: Economic Strategy Support Programme
GN	: Grama Niladhari
GTZ	: German Technical Cooperation
LED	: Local Economic Development
LKR	: Sri Lanka Rupee
LoCA	: Local Competitive Advantage
MPTUD	: The Ministry of Posts Telecommunications and Udarata Development
PACA	: Participatory Appraisal of Competitive Advantage
PAEA	: Protected Agriculture Entrepreneur's Association
SPC	: Spice Producer's Circle
SWOT	: Strength, Weakness, Opportunity and Threat



**For Prasetyo R. Soeharyanto,  
for  
the endless and insightful love**



## Acknowledgement

I would like to express my deepest gratitude to Dr. Jorg Stamer- Meyer who made this piece of work possible, Dr. Peter Knorringa for his restless support and guidance during the process of this paper, Dr. Nicholas Awortwi for the insights and critical comments. Dr. Steigarwald, Mr. Ratnayake and Mr. Samarathunga for giving me a “home” during my stay for field work in Kandy, Mr. Attanayake and Ms. Renuka for the laughs and comforting companion and All ESSP Kandy staffs.

I am deeply grateful to my mother, Agatha Sukatirah who continuously inspires me to undertake this intense and enriching experience. I owe a great deal to the beautiful individuals who contribute to my well being during my stay in The Hague. It is a tremendous and cherished experience, I owe you a great deal. Lastly, I can never thank my husband, Prasetyo, enough for understanding my absence during our first year of marriage, I owe him a great debt.



# 1. INTRODUCTION

## 1.1. Background

Competitive advantage has been a concern for localities for the past couple of decades. Several strategies on how to boost the creation of competitive advantage of local economy have emerged; they vary from enterprise development to community economic development, but the idea about how best localities can identify, formulate and implement those strategies remains contested.

Many localities have developed strategic planning as the master plan for local economic development, but to set it up is a complex and resource consuming process, which many localities could not afford since LED strategies need a continuous response to new alternatives and opportunities.

Local Competitive Advantage (LoCA)<sup>1</sup> initiative in Sri Lanka is designed as an alternative to traditional government-driven, top-down planning. LoCA methodology attempts to combine the idea of stakeholder integration process in which active participation of all stakeholders is required, with the important role of kick starting initiatives for LED to enable learning. As mentioned by Cunningham (2004, p.2), LoCA is a rapid survey of local economic opportunities and challenges combined with implementation and action learning. Further,

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<sup>1</sup> A modified re-labelling of Participatory Appraisal of Competitive Advantage - PACA® method, PACA® is a patented methodology to promote LED created by *mesopartner*, a German consulting company, hereafter will be called LoCA instead of PACA, which is a word with a negative connotation in Sinhala

Cunningham (2004, p.2) sees that within LoCA exercise local stakeholders learn how to work together, build trust in each other and in their own communal activities. LoCA mobilises the local people toward small, easily implemented LED activities. While these small activities are being identified, some larger opportunities or bottlenecks that will take formal project management are also identified and should not be ignored.

LoCA was developed with the intention of being a breakthrough to start LED differently. Different in the sense that it is driven by opportunity, it is looking for short term results and maximising the time efficiency of the actors involved. Furthermore, LoCA suggest doing things differently in terms of addressing market failure, stimulating business networking, addressing fragmentation of institutions and actors in a project in opportunity driven way (Meyer-Stemmer 2004, p.8). However, it is important to note that the LoCA exercise is not meant for creating radical innovations, instead, the purpose of LoCA exercise is to identify local innovations, pioneers and to strengthen them by using and disseminating their experience and messages. LoCA does not necessarily focus on new ideas but on the existing ideas, and with the facilitation of LoCA these ideas are gathered, discussed with the local players, checked for their availability, and made to work by connecting the right players (Meyer-Stemmer 2004, p.11).

## **1.2. Relevance and Objectives of the Study**

LoCA has has been applied in several countries (see annex A). Although the focus of LoCA is to integrate local stakeholders, stakeholder integration is not

easily achieved and remains one of the challenges to LED. It is also not easy to conduct such a sound stakeholder integration process. Many factors influence the degree of local stakeholder involvement in the LoCA. Moreover, successful kick-start initiatives for LED do not guarantee the sustainability of LED or further the creation of competitive advantage. Apart from the difficulty to ensure the sustainability of kick-start initiatives, past experiences of the stakeholders regarding doing business with the government, or other actors in LED, could be one of the determinants of their participation and willingness to coordinate with other actors of LED. In the Sri Lankan experience, it is not easy to convince groups of business people to address a given issue unless government, or in this case through the Economic Strategy Support Programme (ESSP)<sup>2</sup>, offer a grant that covers part of the expenditure (Ratnayake, 2004 p.11). Existing trust will also influence the involvement of local stakeholders in this approach.

This paper focuses on how LoCA exercise facilitates the creation of trust among local economic stakeholders, the types of trust established and the dynamics of LED in the areas studied.

Trust is difficult to study, even though many scholars attempt to prove the significant relationship between trust and the economic performance of a locality. It is yet to be proven that trust truly matters for local economic performance. Moreover, we do not know about the causality of the importance of

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<sup>2</sup> ESSP stands for ECONOMIC STRATEGY SUPPORT PROGRAMME (ESSP), is a joint development project of the Governments of Sri Lanka and the Federal Republic of Germany focused on organising micro, small and medium enterprises (MSMEs) to increase their bargaining power and enhance their competitiveness. The Ministry of Posts Telecommunications and Udarata Development (MPTUD) executes the programmes from the Sri Lankan side. The contribution made by the German Government is provided through the German Technical Cooperation (GTZ)

trust in LED, whether the existence of high level of trust means high performance of LED, or is it high performance in LED is the cause for high level of trust. This paper hopes to have a contribution to the existing discussion about trust and its relationship to LED.

### **1.3. Research Questions**

This research will address the question of

*In what ways does the implementation of the LoCA approach bring about changes in LED in the study areas in Sri Lanka?*

The secondary research questions are as follow:

1. What are the characteristics of the study areas?
2. What are the characteristics of the sectors of economic activities?
3. In what ways have LoCA intervention influenced stakeholders integration and trust building?
4. In what ways have stakeholder integration and trust building influenced LED in study areas?

### **1.4. Research Methodology and Limitations of the Study**

#### **1.4.1. Study Area Selection**

Since early 2004 LoCA is being implemented in Sri Lanka. Although it is still in the early stages for reviewing the impact of the LoCA exercise, it is believed that

studying the preliminary impact of LoCA in Sri Lanka will benefit the future implementation of LoCA within Sri Lanka. The author had the opportunity to study the implementation of LoCA in study areas of Sri Lanka to provide a preliminary assessment of its possible impact on LED.

In this paper the two areas studied are Minipe Divisional Secretariat (DS) Division, rural area and Udapalatha DS Division, an urban area. The selection of these two areas was based on the difference in distances from the central of service provider (either services from the government or services from the facilitator of LoCA/ESSP which assume that this will lead to differences in level of local economic development).

#### **1.4.2. Limitations of Study**

The field work was done from July 23 to August 9, 2005. Within this short period the author succeeded in doing a quick observation with a relatively thorough collection of primary data and secondary data, exhibited by the quite large number of interviews. There were 28 respondents, covering actors in all nine sectors and from relevant departments.

During the fieldwork, the author relied on the assistance of translators who were also the facilitators for LoCA exercises, the people in charge of economic of sector activity, and stakeholders in the stakeholder integration process. The role of translator during the field work was necessary due to the fact that the majority of respondents only speak Sinhala and few speak English. It is necessary to note that the author may have lost valuable information for the study.

There are several significant issues that need to be addressed while discussing LED in Sri Lanka. These are: decentralization, ethnic conflict, national security and independence movement, gender and national economic growth. However, taking into account the author's limitation, this paper only focuses on the case study about economic activities under LoCA at the lower level of administrative unit and the changes that take place. Therefore, this paper does not deal with broader issues such as the ethnic conflict and national security in Sri Lanka.

#### **1.4.3. Sampling**

The sampling method used is a combination of judgment sampling and snowball sampling. The interviewees were chosen based on suggestion by LoCA facilitators considering the knowledge and information occupied by the interviewees and further using reference from these interviewees, the next interviewees were contacted.

The interviewees represent nine sectors in both study areas of LoCA activity. Those are: commercial vegetable, paddy seed, brick, pottery, milk, spice, cut foliage, mushroom and high value vegetables. These sectors represent various economic activities that LoCA's supports in the community.

#### **1.4.4. Data Collection**

This paper is based on primary data collection based on field work. Interviews and questionnaires (see annex B) were done in order to get complete data from all of the stakeholders involved in LoCA.

This paper used secondary data about LoCA such as documents of Economic Strategy Support Programme in which LoCA has been used, documents about proposal and local initiatives as the result of LoCA workshop

### **1. 5. Structure of the Paper**

This paper is structured into five chapters. The first chapter will discuss the nature of the study, the background and relevance. In this first chapter the main question to be addressed is formulated to provide guidance for the discussion in the paper. Chapter 1 also give contextual background to the importance of the study and the methodology used. Chapter two deals with the concepts within LED and concepts of trust are elaborated and applied as an analytical tool to understand the phenomenon in the study areas. Chapter three elaborates the contextual background of each study area and how LoCA was implemented. Chapter four presents the two study areas and how LED activities represented by competitive sectors have started to move as a result of LoCA implementation. Chapter five is dedicated to analysing micro enterprises in the study areas, how LoCA facilitates the creation of trust among local stakeholders and trust impacts on LED. Chapter six is the conclusion and the recommendations of the research paper taking into account the existing knowledge and the empirical study found in the study areas.



## **2. LITERATURE REVIEW**

### **2.1. Introduction**

This chapter explores how concepts in LED are used to explain the phenomenon in the Sri Lanka. Those concepts will be used as an analytical tool to review fieldwork findings and to contribute to the debate on LED and the LoCA methodology in order to improve the performance of its application.

### **2.2. LED**

LED proposed by Blakely (1989) points out that LED represents a fundamental shift in the actors as well as activities associated with economic development. The shift in the actors must be done in an inclusive manner. It is thus that Blakely (1989) argues that local government/or community based groups must enter into partnership arrangements with the private sectors. The key notion is partnership of all actors in the locality.

Economic development now is shifting its focus away from “exogenous development”, which is proved to be more sensitive to any economy shocks and put local regions in a more vulnerable situation to “endogenous development”. In LED the orientation has shifted focus to local initiatives to create new jobs and stimulate increased economic activity. In performing these goals all actors are expected to be involved and they must assess the potentials and allocate the

necessary resources to design and develop LED. None of them should undermine each other; local government, community institutions and the private sectors are all essential partners in the economic development process.

LoCA perfectly capsulate the paradigm and orientation shift argued by Blakely (1989). LoCA methodology is meant to identify possible entry points into stakeholder integration and collective action in order to create positive and encouraging experiences. By addressing issues prioritized by local actors and launching a learning action for local actors, LoCA stimulates an important learning process.

Local government's role is significant as the champion of LED. Helmsing (2001) claims the role of local government is prominent due to several factors. First, decentralization of the public sector generate the need for local resources to finance the transferred responsibilities, as such it brings concern for local economic development. Second, new rules and regulation have facilitated local government to enter public-private partnerships. The third factor is the change in poverty reduction efforts which see the local government as a key actor and more active in pursuing local employment creation. Fourthly, some support programmes have been launched to enable local and regional government to become more active in LED. The last factor is the regionalist pressures which stem from political demands in response to past neglect, but which also may arise from the build up of local initiatives in association with successful processes of local and regional specialization.

### 2.3. Competitive Advantage

One important issue in LED is how to create competitive advantage. Many scholars contribute to the debate on competitive advantage and Porter (1990) is the most prominent. The notion of competitive advantage brings a fundamental shift in seeing competitiveness. Competitive advantage shifts the focus of comparative advantage which is primarily based on factor endowments.

Meyer-Stamer in Elkaduwa, P. Samarathunge, P.G. & Steigerwald, V. (2002) proposes indicators of competitiveness within systemic competitiveness. Those are:

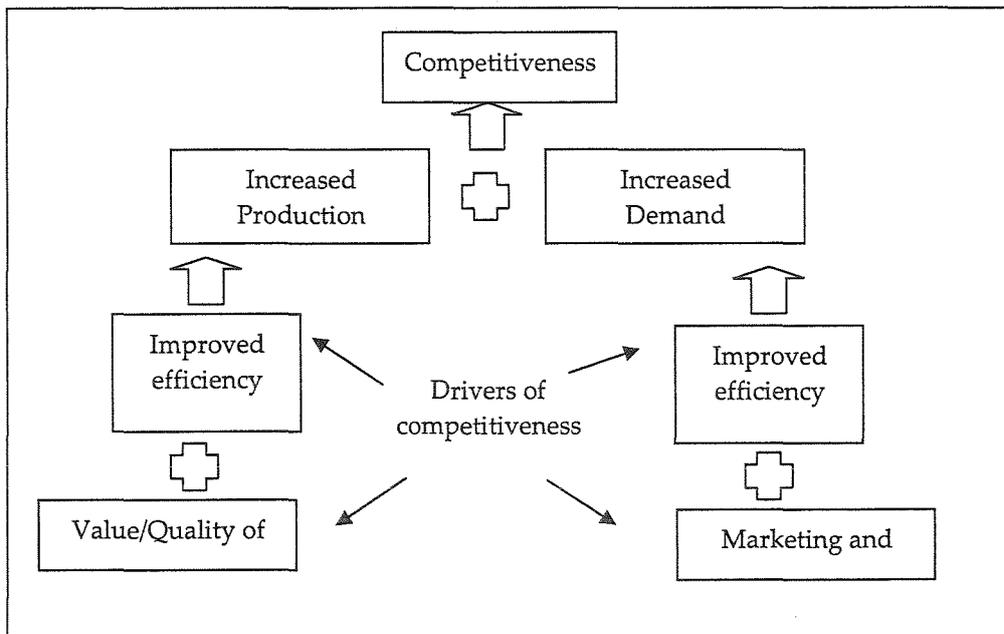
1. Improved ability to carry out innovation of enterprise
2. Increased value addition within individual enterprises or within strategic alliances
3. Increased demand and customer satisfaction at an institutional level
4. Improved efficiency of project implementation and success in attracting national and foreign investor
5. Higher intensity relationships between government and private sector lead to higher efficiency of policy implementation for framework conditions
6. At the meta-level, a stronger regional or provincial identity and the development of a vision and desire to become the leader.

There are essentially two ways to achieve competitive advantage. First, the ways in which firms organize and undertake distinct activities, and second, by a process of discovering novel and enhanced ways of competing in a market. The latter includes not only technical progress, but also improved working and

managerial methods. LoCA represent these two ways. It applies the competitive activities within a locality but also tries to incorporate innovation and technical progress.

The ultimate goal of LoCA is the creation of competitiveness, and the model of competitiveness that fit into LoCA exercise is the model developed by Cuadro de Mando Integral (CMI) in Meyer-Stamer (2004). The model is as follow:

Figure 1 CMI competitiveness



## 2.4 Trust

The important role of trust for LED is debated contested. Helliwell, Knack and Keefer in Staveren (2000) find that the variables of trust and civic norms have a significant and positive impact on the economic performance of countries, with more explanatory power for countries with more (income) equality. At the

community level, trust is needed to ensure that LED program is done smoothly. Nel (2001) states that LED initiatives, particularly at the community level, will rely on high degrees of social cohesion and that joint identification and implementation of projects will ensure that there is complementarities between LED and the currently vogue notion of social capital.

Putman in his work on social capital in northern Italy (Buckland, 1998)—draws attention to features of social organization, such as trust, norms (customary behaviour), and networks, that can improve the efficiency of society by facilitating coordinated actions (Buckland, 1998, p. 241). Trust form the basis for voluntary association (Tonkiss&Passey (1999) in Anheier & Kendall: 2000). It is believed that trust and co-operation reflected in sound stakeholder integration are essential for achieving indigenous effort as the focus of LED at the community level. Knorringa (1992) in his study on footwear industry in Agra, India comes to the conclusion that trust strengthens voluntary cooperation which fosters innovations of all kinds.

Many factors contribute to the creation of trust; history and culture of a territory may generate shared values and codes of social behaviour. This facilitates the creation of (situational) trust among entrepreneurs, something which in turn provides the basis for inter-firm collaboration (Knorringa, 1996). Anheier & Kendall (2000) argue that trust is seen not a developing through mutually advantageous interactions, mediated by concrete or virtual market place or market like games, but socially embedded, supported by normative infrastructure whose distinctiveness from the market is the very aspect which facilitate trust. It is the absence of market logic that allow trust to evolve. In this

study, it will prove that trust may be socially embedded or created through the facilitation of external factors.

Defining trust is problematic. Sako (1992: 37-38) in Humprey & Schmitz (1996:10) define "goodwill trust" as 'mutual expectations of open commitment to each other' (1992: 38). Similarly, 'someone who is worthy of "goodwill trust" is dependable and can be endowed with high discretion, as he can be trusted to take initiatives while refraining from unfair advantage taking' (1992: 39).

Zucker (1986) in Humprey & Schmitz (1996:14) mentioned that there are two definition of trust: ascribed trust and process based trust. Ascribed trust develops among groups with strong identity and provides only a limited basis for transactions. It may however, be an important stage in the initial development of trust. If people do not know whom to trust, then family, ethnic or community ties are one basis for discriminating between potential partners, this discrimination will be based on both the presumed ties of solidarity and the potential for redress in case of default when defaulter is part of an identifiable community with whom the agent also has social ties. Process based trust, on the other hands can extend more widely. It is particularly important for repeated inter-firm transactions, where enterprise can build up a relationship over a period of time. It can form a basis for contractual and competence trust.

Humprey & Schmitz (1996: 17) define trust based on the scope of trust and the level of trust. They argue that generalized minimal trust which is provided by a combination of generalized morality and institutional trust is needed for market economy to function well and effectively. The absence of this type may make traders resort to selective trust strategies. In contrast, extended trust, most often developed through experience (process-based trust) is by definition restricted.

Extended trust is needed to set up a basis for international competitiveness. Generalized trust occurs in situations where trust is a characteristic of the system of exchange as a whole and its context. In such situations trust is accorded to a wide range of agents. In contrast, selective trust is accorded to particular individuals, groups or institutions (1996:10)

## 2.5. LoCA: A Way to Stakeholder Integration

Stakeholder integration was initially a business management concept (Buckens & Hinton (1997, p.2). It is rooted in stakeholder theory which provides theoretical groundings for organizations to expand their understanding of how they have an impact on, and are affected, by groups such as suppliers, stockholders, customers, and employees. Freeman (1984) and Freeman and Gilbert (1987) in Ulmer (2001, p.4) suggest that if organizations are going to be successful they need to look beyond their stockholders and also to their stakeholders. He explains that if an organization neglects a stakeholder group, that group has the ability to have a negative impact on the organization.

Based on that theory, a new concept of corporate social responsibility is raised. This concept brings awareness to companies of the need to actively involve the stakeholders. Heath (1997) in Ulmer (2001, p.4) stresses the importance of developing strong pre crisis relationships with stakeholders, arguing that organizations should focus on building “mutually beneficial relationships” with stakeholders. To achieve a strong relationship, a stakeholder integration must be done and, as Mushove & Vogel (2004, p.2) argued, one of the key aspects of stakeholder engagement is the issue of participation.

In this paper, the LoCA methodology is grounded in stakeholder integration in which stakeholders engage with each other in a negotiation process, building mutual trust around areas of common interest and eventually forging mutually beneficial partnerships. This is reflected in the sequences of stages of the LoCA methodology applied in certain localities.

## 2.6. Small Medium Enterprise

International Organization Development (2000) & Taskgrow (1993) in Broembsen (2003) argued that the objective of supporting SMMEs is to enable them to be vehicles of *economic growth*, motivated by macroeconomic concerns, such as improving the competitiveness of the economy, the provision of accessible consumer goods for the poor, and job-creation. This fits LOCA objective of identifying economic sectors to achieve competitiveness. However, Community Development in LED, which addresses poverty alleviation issue, is focussed on survivalist enterprise. This raises a question whether the creation and support of survivalist enterprises can be matched with the creation of competitiveness.

The classification of small and micro enterprise has rested in two most accepted criteria; degree of informality and the size of employment (Adrangi, B. Allender, M. E. & Anderson R. (2003)). Regarding informality, Sandaratne (2001) define Sri Lanka's informal economy as consisting of a wide range of individuals and small production units producing goods and providing services mainly through the use of their own labour resources, and often employing very little capital. They are characterized by following very few formal procedures, seldom keeping formal accounts and even when they employ others these are non-contractual

informal engagements, terminable at will. Most informal enterprises are household activities, even when they employ a few persons.

Bolton Committee (1971) in Premaratne (2002) classified the definition of the small enterprises based on two criteria: economic and statistical definition. In the economic definition, three criteria are presented: they have had a relatively small share of their market place, are managed by owners or part owners and are independent, in the sense of not forming part of a large enterprise.

Staley and Morse (1965) in Premaratne (2002) explain that within qualitative criteria, the SMEs may have; relatively little specialization in management, close personal contacts, handicaps in obtaining capital and credit. The distinctions can be found in terms of outlay, product type, patterns of technology and system of organization and management.

Different definition of small enterprise in Sri Lanka is used. They are mainly categorized by capital and number of employment (Premaratne (2002))

**Table 1 SMEs in Sri Lanka**

Institution	Definition	
	Capital	Number of employment
Department of Census and Statistics (DCS)	no criterion involving capital	less than 25
Department of Small Industries (IDB)	initial capital not exceeding Sri Lanka Rs. 4,000,000	No employment criterion
Industrial Development Board (IDB)	fixed assets excluding land, buildings and permanent working capital not exceeding Rs. 4,000,000	less than 50
Ministry of Youth affairs	fixed assets not exceeding Rs. Division 500,000	not more than 3 persons excluding proprietor

Farbman and Lessik (1989) categorize entrepreneur into three sub sectors. The first is *survival sub sector*, comprised of the 'poorest of the poor' engaged in economic activities of last resort, whose returns are extremely low. The second is a *micro enterprise sub sector*, made up of firms of up to ten workers. Using traditional technology and serving local markets, these firms are said to correspond to the ILO version of the informal sector, and to be found in rural areas (where they provide approximately 50% of manufacturing employment) and in urban areas. An incrementalist strategy leading to the 'graduation' as fully mature small scale firms is advocated for micro enterprises. The third is *small scale enterprise sub sector*, comprised of larger firms having between ten and fifty workers. The so called 'business approach' is recommended for the established small scale sector.

Mead (1998) in Adrangi, B. Allender, M. E. & Anderson R. (2003) states that survivalist enterprises are enterprises in which the equation between poverty and informal sector is most apparent. Engaged primarily in commerce, but also in basic and low quality forms of production, those running these enterprises are typically at the level of subsistence, with the income earned being one of a number of sources that must be combined together in order for survival. Yusuf & Schindebutte (2000) in Adrangi, B. Allender, M. E. & Anderson R. (2003) defines a survivalist entrepreneur as one motivated by adverse economic conditions and a lack of paying jobs. Rogerson et al 1997; Von Broembsen et al 1995; Ruiters et al 1994; Taskgrow 1993; Riley 1993 in Broembsen (2003) ascribe key characteristics to survivalist enterprises: they tend to operate in limited sectors, either in retail or in the service industry, selling the *same* products or services to the *same* limited

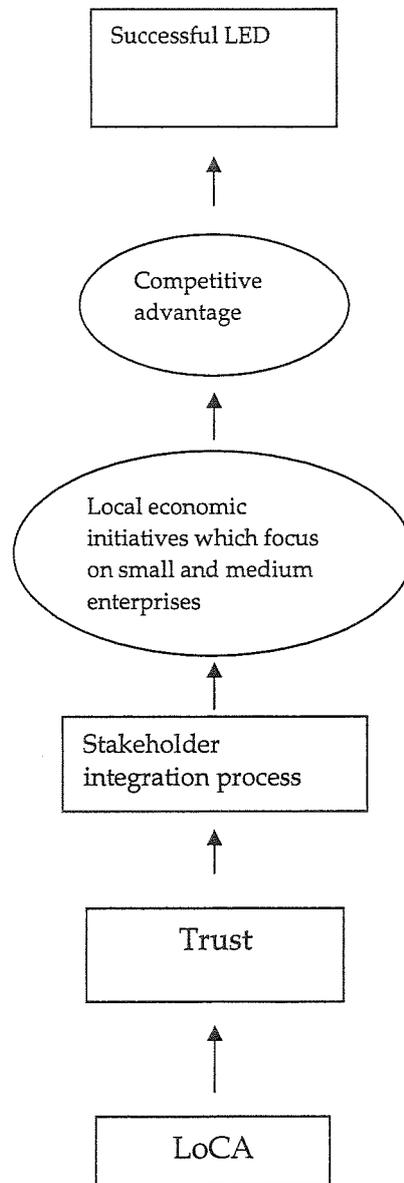
market. Not only are they trading in low value-added activities, but their profit margins are very low and competition is fierce.

(Taskgrow 1993) in Broembsen (2003) claims the focus of poverty alleviation should be on 'person-based' enterprises: survivalist or micro-enterprises. The programme should provide inputs such as training in basic business skills, with the objective of equipping the person to engage in business more profitably and in so doing, enabling him or her to 'cross the poverty line'. Meanwhile, a growth objective should target a 'going concern', very small, small and medium size enterprises and perhaps a negligible number of micro enterprises. Interventions would be aimed at increasing the both the turnover and the number of employees of the 'going-concern'

## **2.7. Conclusion**

To conclude this chapter, below one will see diagram of concepts elaborated in the literature review to explain the study area.

Figure 2 Diagram of Concepts



### 3. CASE STUDY AREAS: MINIPE AND UDAPALATHA

#### 3.1. Introduction

This chapter discusses the LoCA methodology and its application in the study areas. Further, a contextual background of two study areas, the *Minipe* DS Division<sup>3</sup> and the *Udapalatha* DS Division in the Kandy District, the Central Province of Socialist Republic of Sri Lanka as the study areas are elaborated.

#### 3.2. Local Competitive Advantage in Sri Lanka

LoCA started to prepare its activity in Kandy since June 2003, but the implementation in each economic activity began in early 2004. With a contextual background of Sri Lanka especially in Kandy, LoCA has two purposes; first, to identify quickly and systematically government-created obstacles for businesses; second, to formulate practical proposals on how to create a more business-friendly framework

LoCA exercise consists of eight steps and each step has its own purposes and main activity (see Annex C). The product of the LoCA exercise is proposals of practical activities to make the LED process start to move. The criterion of LoCA proposal is that it can be implemented with locally available resources (motivation, time, skills, money) and that the proposals can be implemented quickly and in short time. Furthermore, Balanced Scorecard Approach is applied

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<sup>3</sup> DS Division is Divisional Secretariat Division

to assess the feasibility of the local economic activities proposed. Generally, there are some areas that should be highlighted for the following reasons; the timeline of 2-5 years is appropriate for a territorial development programme, the strategic alignment is required to promote collaborative action amongst industry stakeholders, change readiness in each industry (to collaborative as well as to compete) is assumed to be low, and the technical capabilities and risk tolerance are assumed to be medium.

Meyer-Stamer (2004) draws a conclusion about the typical constellation regarding business sectors in Local Economy, He distinguish the sectors into four categorizations. First sector is *strategic sector* which has long root history of joint problem solving. This is the ideal and the dream of all scholars and practitioner as the basis for creating competitiveness. Second, *desperate sector* which is not doing very well but the local actors put an effort to do something about their crisis. This sector would be enough to make LoCA team convenient and become an obvious option for LoCA team. The successful starting to do joint problem solving analysis will create important showcase for other sector. Third, *busy sector* which is doing fine and companies are busy and really do not have much time to waste for any meeting, LoCA team has absolutely obligatory to accept this. The last sector, *hopeless sector* in which there is an obvious need of joint activities but the local actors are unwilling to do so.

In the study areas, the result of the LoCA exercise is a categorization of competitive sectors and non competitive sectors. Before start up workshop, LoCA team have done a field work about the economic sectors. Several factors are used as considerations to decide sectors and areas. Those are the rank of DS division based on number of registered enterprise, types of administrative units

in local government (rural, urban and mix of rural-urban), larger impact of benefit from economic sector, and the preference of MPTUD to give priority to Kandy District as the pilot project of LoCA. Combining personal experience about the known sectors, data from regional information system and factors mentioned above, LOCA team proposes a list of competitive and non competitive sectors. It will be presented in start up workshop involving all local stakeholders. By using SWOT analysis, the decision over competitive and non competitive sectors is made.<sup>4</sup> LoCA brings all local stakeholders in the sequences of exercises and integrate them into one collaboration and partnership to work together. This is what the author defines as stakeholder integration.

### **3.3. Role of Local Government**

LoCA's fundamental insight is to unburden government. This means less delivery services done by government. LoCA as breakthrough approach explicitly defines the role of government not as the driven of local economic development, but one of various facilitators. LoCA challenge the mindset of government officials who used to be key agents of development. LoCA approach may raise certain resistance.

The role of local government as one of the facilitators for LED is significant as the critical factor of the successful of LoCA exercise. LoCA exercises which were implemented in different municipalities in Central Serbia turned to be less successful (Meyer-Stamer, 2004) as the result of the absence of a real champion/motivator. Municipalities or the local offices that supposed to be

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<sup>4</sup> Interview with facilitator LOCA in Tuesday, August 16, 2005, 3:40:04 PM

responsible to initiate LoCA exercise are reluctant to accept the role and did not appear to have interest in LoCA. The main message from this lesson is that it is crucial to identify a local champion and that successful LoCA can not driven by external actors alone. There are four different typical constellations in the decision to conduct LoCA, as summarized below:

**Table 2 Constellation of Decision to Conduct LoCA**

		The decision to conduct a LoCA	
		Is taken by a domestic organization	Involves foreign donor organization
The decision to conduct LoCA	... is taken at higher level of government	1. Regional / provincial government or a regional development agency decides to conduct LoCA at the local or sub regional level	2. A technical assistance project decides to offer LoCA to local government/local actors
	... is taken by local government or other local actors themselves	3. Local Government or other local organisation decides to conduct a LoCA	4. A locally based technical assistance project decides do conduct a LoCA

In Sri Lanka, decision number 2 is applied. The District Planning Units (DPU) becomes the coordinating body for LoCA exercise (LoCA motivator) together with GTZ (German Technical Cooperation). In Sri Lanka case, the role of local government is significant in changing the behaviour, stimulating the change, and providing learning process which will lead to cooperation, partnership, and network. In the study areas, LoCA team works with Pradeshya Sabha and Divisional Secretary and other government agencies.

Meyer-Stamer (2004) stated that LoCA has a potential to substantially contribute to one of the key elements of the "Regaining Sri Lanka" vision: *Increasing substantially the efficiency in the critical government function*. Based on this, LoCA

become significant to be part of the ESSP. ESSP as one of the players in the LoCA process occupies the role to advertise LoCA, raise support, be responsible for adaptation of LoCA methodology, produce PR material and methodological instructions, raise the interest of other players (e.g. Central Region Administration), allocate staff for LoCA exercises and follow up, coach other members of LoCA group, organise additional training and other follow up training.

### **3.4. Contextual Background of Study Areas**

*Minipe* DS Division and *Udapalatha* DS Division were chosen as study areas. They represent different characteristic, *Minipe* is a rural area and *Udapalatha* is an urban area. They are also different in distances from the service centre (local government or LoCA facilitator (ESSP-GTZ)). *Minipe* is closer to the service central and *Udapalatha* is farther from the service central.

#### **3.4.1. *Minipe* Ds Division – Kandy District**

In *Minipe* DS Division, LoCA is implemented in 4 Grama Niladhari (GN) Divisions; *Hasalaka, Palewatta, Gurulopatha, Ambagolla*. In this 4 GN Divisions, 4 economic sectors are supported by LoCA. Those are paddy seed, commercial vegetable, brick and pottery sector.

*Minipe* has poor quality of infrastructure facilities. the common infrastructure facilities including transport, water, telecommunications, electricity etc, are very poor in Sri Lanka although they are the most important facilities for the

industrial development (Premaratne, 2002). Small entrepreneurs in rural areas are suffered from delay in obtaining electricity, water supplies and telecommunications facilitates. Two most important infrastructure; electricity and water are very poor especially in dry seasons. Electricity blackouts and frequent cuts water supply are common in Sri Lanka during the dry season. Recently, ESSP reported in its Consultancy Report (2003: 30) that in most DS Divisions some areas suffered from declining supply of electricity. The situation has worsened especially in Gangaihala Korale and Minipe (Kandy District), in Galewela (Matale District) and in Nuwara Eliya District where these areas are more evenly spread.

The absence of government's interest to provide infrastructure for rural area development was clearly reflected in Minipe DS Division. From the interview<sup>5</sup> it was found that there was a project from the government to build permanent road. During the implementation, the contractor did not perform their job well and even manipulated the project funding. The people in the community can do nothing. There is no supervision and monitoring from the government about this project. This was worsened by the fact that this area is located in isolated area and hard to get access to. The area in which pottery industry is located still suffered from the poor infrastructure including water and electricity.

The distance from the service centre and poor quality of infrastructure brings another disadvantage for *Minipe*. From the interview it was found<sup>6</sup> that the number of public officers who are assigned in their area is too limited and not

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<sup>5</sup> Interview done on Thursday, July 28, 2005, 11:11:19 AM

<sup>6</sup> interview with the commercial vegetables producer in Gurulopotha done on Thursday, July 28, 2005, 11:22:24 AM

sufficient to assist them. Not many public officers willingly work in this area because their most priority is their family especially on their children' education, whereas there are not sufficient infrastructure of education.

*Minipe* is considered as an area with the share of the rural population is high, together with five other areas *Dambulla, Naula, Galewela, Wilgamuwa,* and *Tumpane*, the share of the rural population reaches almost 100%.

In *Kandy* District, areas with high concentration of enterprises can be found mainly in *Medadumbara* and *Udawalatha* DS Division (ESSP, 2003: 43). On the contrary, the lowest concentration of enterprises can be observed in the sparsely populated rural parts of the province, especially in the eastern part of the Central Province. Nevertheless, *Minipe* DS Division is an exceptional. A relatively high number of enterprises are found in *Minipe* where commercial lowland agriculture based on paddy cultivation plays an important role (showed by high number of grinding mills). Moreover, *Minipe* is centre of bricks production in *Kandy* District. The advantage of *Minipe* DS Division is the *factor endowment* of abundant water resources which is favourable for the main economic activity of this area; paddy cultivation. However, this resource is not distributed equally. *Gurulopatha* and *Ambagolla* are the two areas which experience the difficulty for accessing water especially in dry season.

#### **3.4.2. Udawalatha DS Division – Kandy District**

Udawalatha DS Division comprises two areas, Gampola East and Gampola West. This area has a higher share of urban population (28.2 %) and is the most urban

citizens among other areas in Kandy District together with Gangawata Korale (65.1 %) and in Matale (51.4%). In this area, five economic sectors are supported by LOCA. Among those five sectors, four sectors (milk, spice, cut foliage and high value vegetables sector) are categorized as competitive sector and one sector (mushroom sector) is non competitive sector.

Generally speaking, tea, garment factories and spices are the dominating industries in the Central Province, and so it is in Udalapalatha.. Udalapatha is categorised as a division with high concentration of enterprises, together with other areas: Kandy-Colombo road and Medadumbara DS Division (ESSP, 2003: 43). Below is the comparison of number of enterprises and tax revenue in both study areas.

**Table 3 Number of Enterprises and Tax Revenue by DS Division (2002)**

DS Division	Number of Enterprises	%	Tax Revenue	%	Average Tax / Enterprise
Udawalatha	1 081	3.69	495 464	2.12	458
Minipe	545	1.86	127 055	0.54	233

Source: SOCIO ECONOMIC DEVELOPMENT IN THE CENTRAL PROVINCE, SRI LANKA: result of a survey in the central province. THE REGIONAL INFORMATION SYSTEM – CENTRAL REGION Consultancy Report, December 2003.

It is also important to note that the share of urban rural and estate population by DS Division is linked to the ethnic composition. Most Tamils ethnic can be found in areas where tea is a dominant crop while a large share of the Sinhala population is mainly found in paddy growing areas, e.g. Minipe. (ESSP, 2003:25).

Higher number of labour force found in *Udaplatha* DS Division, but the percentage of number of unemployed between two study areas is the same, 9.8%.

**Table 4 Total Labour Force by DS Division (2001, Census Data)**

DS Division	Total Labour Force	Unemployed	% of Total	Employed
Minipe	17 018	1 668	9.8	15 350
Udapalatha	30 691	3 008	9.8	27 684

Source: SOCIO ECONOMIC DEVELOPMENT IN THE CENTRAL PROVINCE, SRI LANKA: result of a survey in the central province. THE REGIONAL INFORMATION SYSTEM - CENTRAL REGION Consultancy Report, December 2003.

Comparing the condition of infrastructure, Udapalatha has better infrastructure than Minipe DS Division. Good road and electricity are provided sufficiently in Udapalatha enabling any economic activities to grow. Data available in Regional Information System of Central Province show the comparison of the infrastructure mainly in electricity, road, phone and public phone.

**Table 5 Availability of Infrastructure**

DS Division	Electricity		Road Classification						Phone	Public Phone
	With	without	type A	type B	type C	type D	type E	footpath		
Minipe	626	515	3.6	1	0	0	23.6	8	92	2
Udapalatha	793	40	3	0.5	0.26	0	0.5	3.25	310	2

Source: SOCIO ECONOMIC DEVELOPMENT IN THE CENTRAL PROVINCE, SRI LANKA: result of a survey in the central province. THE REGIONAL INFORMATION SYSTEM - CENTRAL REGION Consultancy Report, December 2003.

### 3.4.3. Conclusion

LoCA gives full support to the competitive sectors identified by LoCA exercise in accordance to the manual of LoCA methodology and taking into account the existing potential economic activities in study Areas.

The study areas represent different characteristic. Minipe is rural area and Udapalatha is more urban area. Two issues are highlighted as the marking of the difference between those two areas. First, the economic base of Minipe is paddy cultivation and spice and tea plantation are the economic base of Udapalatha DS Division. The second different is in term of infrastructure availability. Minipe DS Division is in severe condition in infrastructure compare to Udapalatha DS Division.

General similarities can be found in both areas. First issue is the concentration of enterprises. Even though Minipe represents rural area but in term of number of enterprise, it also has the same high concentration of enterprise (especially in paddy production) as Udapalatha which is more urban area. Second, although the total number of labour force is different and Udapalatha has higher number of labour force but the percentage number of unemployed in both areas is the same, 9.8%.

It is fair to say that LoCA try to balance the spread of its application in rural areas and urban areas in Kandy District. LoCA was originally applied in more urban condition in which problems and challenges are different from rural areas. This different will result on different local economic developments activities and its nature among those two areas.

## **4. ECONOMIC SECTORS OF STUDY AREAS**

### **4.1. Introduction**

This chapter will elaborate the economic sectors activities, how LoCA support the growth of competitive sectors and all local actors to be actively involved in stakeholder integration. Facts regarding the creation of trust and its impact on economic activities will be discussed.

LoCA activities were categorized into competitive and non competitive sector. This classification has consequences on the supports and services provided by LoCA. For competitive sectors there will be full support from LoCA facilitators and ESSP and for those belong to non competitive sectors the support and services provided will be very limited and much more open to local economic actors' independency.<sup>7</sup>

### **4.2. Competitive Economic Sectors in Minipe DS Division**

In *Minipe* DS Division, all economic sectors are categorized into competitive sectors. Those are *Paddy seed, Commercial Vegetable, Brick, and Pottery* sector.

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<sup>7</sup> Information obtained during the ESSP team meeting, 9 September 2005 in ESSP Office, Kandy city.

#### 4.2.1. Commercial Vegetables Sector

*Commercial vegetables sector* took place in *Gurulupotha* GN Division, a small village inhabited by 125 families. Farmers without land for paddy cultivation find an alternative of livelihood by cultivating vegetables. During the stakeholder integration process within LoCA exercise, the availability of water in dry season was identified as the main problem. Unequal distribution of water leads to difficulty for producers to get water for cultivation. During wet season, water is sufficiently available and easily accessed enable them to produce large quantity of vegetable but with minimal profit because of ample supply vegetables come from other areas resulted in high competition market and lead to low price. In dry season, the price is higher but they can not properly cultivate vegetables without enough water.

LoCA provide portable water pumped and pipe line. Funding mechanism of 25%-75% between recipient and donor is applied. Vegetable producers contribute 25 % of total value of machinery (21,250 LKR) and 75% (85,000/LKR) provided by ESSP<sup>8</sup>. Every member of the association contributes the same amount of money<sup>9</sup>. LoCA also provide certified seed for the vegetables grower and training program.

LoCA expect that as the result of the project, problem of low price and high competition in peak season is gradually resolved and they can cultivate

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<sup>8</sup> Agreement between ESSP and Gurulupotha Vegetables Seeds Producers' Collective, article I

<sup>9</sup> In this sector the respondent to be interviewed contributed the largest portion of 25% (4,000 LKR). This type of contribution can also be found in other economic activities supported by LoCA in which one of the local economic actors (part of the beneficiaries of LoCA project) becomes the biggest contributor, for the continuation of LoCA implementation in certain area.

vegetables during wet season/peak season and dry season/off season. As the result of training, they know varieties of vegetables for each season and they can produce vegetables at any season in much more stable price. They occupy better skills in decision making, in issues on how to sell their products and access market. The production quantity increases 20% and the quality increase 50%<sup>10</sup>, however they still get lower price because their product can not compete with other products from other area in the market.

As reflection of stakeholder integration, LoCA facilitate the creation of an association (Guruluphota Vegetable Seeds Producers' Collective), from which producers benefit a collective action. They no longer work individually but help each other in land preparation and share labour cost. They occupy the knowledge how to cultivate systematically and timely in land preparation, planting, harvesting and selling products.

LoCA found that it is easy to get people together, to actively participate in the association, to attend all meetings either formal or informal. The willingness of one member performs the function of secretary of the association to dedicate time; energy and labour for the association also contribute to the success of the association establishment. It is worth to mention that the people trust the secretary of the association. It is proven by the rejection of members when another candidate wants to run for the election of secretary, people do not chose the other candidate because she represents a certain political party. The members are afraid that she might misuse the association as the political weapon for the political party.

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<sup>10</sup> Based on qualitative information collected during the interview on July 28, 2005, 11:22:24 AM

## Conclusion on Commercial Vegetables Sector

Vegetable sector improve its performance under LoCA. However, the problem of unstable price due to the seasonality has not been solved yet. Stakeholder integration is done in easy way with active participation from members represent the awareness to trust to each other among members that at the end enable them to do joint action in their business.

### 4.2.2. Paddy Seed Sector

Economic base of *Minipe* DS Division is paddy and seed paddy. *Minipe* especially in lowland part has potential for producing good seed paddy which is a way to create a value added to paddy. Paddy for consumptions is sold 10 LKR /kg but seed paddy, especially certified by *Agrarian Service Centre*, is sold up to 30 LKR /kg.

Certifying seed paddy takes a very long process. The long and complex procedure creates an opportunity for bribery. It forces farmers to pay some amount of money for the certification. If the farmers refuse to pay the bribe, the officers will bring seed paddy from the outside area to manipulate the seed paddy which is need to be tested. This will bring consequence of the failure of the certification.<sup>11</sup> Anyhow, a certification guarantees quality of the paddy seed. Certification by department of Agriculture reflects the effort from public

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<sup>11</sup> Based on interview with LoCA facilitator on August 06, 2005, 8:00:09 AM

agency/Government to facilitate creation of trust among the producers, suppliers and buyers (Humprey & Schmitz, 1996).

Despite the fact of its potential for high quality of seed paddy, there were not any training programs for seed paddy production in *Minipe*. Government/Provincial Department of agriculture did not put adequate attention to this economic activity. Recently, LoCA facilitates trainings by Department of Agriculture for seed paddy producers. They also plan to provide mobile training in the future.

The impact of the training provided is the quantity and quality increased up to 50%, the decreased in mechanical damage. The demand they can meet increased from 8% to 20% (the other 80% provided by private company, farmers and the other paddy seed that uncertified).<sup>12</sup>

On the other hand, LoCA helps the producers to improve the product through the provision of machinery (*thrasher mat, bag machine and moist meter*). Paddy producers provide almost 56 % of the value of machinery (62,500 LKR) and 46% from ESSP (110,000 LKR)<sup>13</sup>. As the result quality and quantity of seed paddy is improved (see annex D) and less time to clean is needed. This lead to price change in paddy seed from 22 LKR/kg to 27 LKR/kg. The yield production is also increased about 15% (from 80 to 90 bushels<sup>14</sup> /acre to 120 bushels).

Seed paddy price highly depends on the seasonality, in peak season price tend to drop as abundant supply found in market and during low season when the

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<sup>12</sup> Qualitative calculation based on interview with extension officer of Dept. of Agriculture Thursday, July 28, 2005, 1:17:46 PM

<sup>13</sup> Agreement between ESSP and Seed Producers' Association Minipe, article I

<sup>14</sup> 1 bushel equal to 20 kg

availability of the product is limited, the price goes up. In the time of interview, the interviewee had 200 bags @40 kg of seed which he could not sell. He kept the seed in the barn and planned to sell it in next season. He suggested having contractual agreement between the seed producers and the farmers as an alternative to solve this problem. This idea represents willingness to build trust between supplier-buyers that will secure the sustainability of this economic activity.

Seed paddy producers have two types of buyer; farmers and department of agriculture. Seed paddy producers treat them differently in transportation cost. They charge transportation cost to the farmers but not to the department of agriculture.

Within stakeholder integration process, producers are actively involved and contribute time and energy, share transportation cost among members of Seed Producers' Association Minipe (*Beeje Nipadawannange Sangamaya Minipe*).

### **Conclusion on Paddy Seed Sector**

There is improvement in relationship between the producers and the department of agriculture. The existing of trust is reflected in the easiness of organizing seed paddy producer into stakeholder integration lead to establishment of association and also the idea to have contractual agreement between producers-buyers. Producers received stronger trust from financial organization (bank) for loan. There is an effort from the government to facilitate trust through certification. Although the impact on economic performance has

not yet significantly proven but there are improvements in the production and seasonality seem to be the main problem.

#### 4.2.3. Brick Sector

Brick production is located in *Palewatta, Minipe* DS Division which is well known as brick main supplier for Kandy and other areas in Central Province.

When LoCA's was introduced in October 2004, there were difficulties to coordinate the brick producers, get them together, and work in groups/association. There are some brick producers who consider joining association will caused them paying money to the government as a fine for their illegal production and without official permit from the government(see annex E). The fact that LoCA facilitator for brick sector is public officer makes coordination amongst them harder. LoCA application in brick sector brings anxiety among illegal brick producers. They have no trust on LoCA.

There are three categories of illegal brick producers in *Palewatta*. First category is those who produce bricks to avoid paddy cultivation. It means they produce brick in paddy field which is according to Agrarian Development Act No. 46 OF 2000 it should be cultivated with paddy. Second category is those who produce brick by taking soil from river bank. This is forbidden according to the rule of Department of River Bank Development. The third category is those who produce brick near by irrigation system network invested by the government (see annexes F).

There are also three groups of brick production exist in this sector; First, big producer companies, second, household level producers both legal and illegal (outside LoCA) and third, 15 brick producers under LoCA. Having understood this composition, LoCA maps the existing condition of economic activity and trust among producers and facilitates the 15 legal producers.

Under LoCA, 15 legal brick producers join in one association (*Mahiyangan Bricks Producers Collective/Mahiyangana Gadol Nispathakayange Ekamuthuwa*) and create a trade mark for their bricks. They believed that when it becomes famous trade mark it will raise the bricks' price. The price is increased from 5 LKR/brick to 6.5 LKR/ brick. However, it is important to note that the increasing price is not the result of trademark but as the result of mechanism supply and demand in the market and they still encountered problem such as transportation.

Before LoCA, there are various brick pricings. Now, among 15 brick producers, they set one price and this enable them to be competitive to others producers. Further, they are able to meet high demand from the market. There is increasing self confidence among brick producers in the association, they believe they create more employment and reduce the level of unemployment<sup>15</sup> However, the fact that labour competition with other economic activities lead to difficulty to get permanent labours. The other economic activity is illegal sand exploration, it offers higher payment. There are no efforts from the political or community leader to solve this problem of illegality. The main reason is the local politicians are afraid of losing vote and support from their constituents because this sand exploration and illegal brick production are two main source of income for most

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<sup>15</sup> Based on the interview done on July 28 2005 3:58:39 pm, it attracts almost 50 other people as the brick productions labour.

people in the locality. They are potential voter for any local politicians. As a consequence, although it is illegal, local politicians do not have any courage to take action against those illegal sand exploration and brick producer.

### **Conclusion on Brick Sector**

The stakeholder integration process suffered from a difficulty to organize people's active participation due to the nature of illegal economic sector. It can be concluded that insecurity feeling of the illegal economic actors vis a vis the government, rule and regulation cause the difficulty. Realizing this situation, LoCA maps the condition and decided to facilitate the group in which the highest level of trust exist. There is improvement in price as result of joint action. It also creates more employment. As an addition to 4 categorization of existing economic sectors (Mayer Stamer, 2004), this sector represent 'conflict sector', a sector with conflict over illegal economic activity combined with political matters. It makes difficult for LoCA to do stakeholder integration process.

#### **4.2.4. Pottery Sector**

There are 15 pottery producers in Ambagolla GN Division which is considered as highlighted industry by LoCA exercise. This economic activity needs to be improved and expected to be one of the competitive economic sector in *Minipe*. Those 15 pottery producers have unique relation. They are relative who lived within one village. This unique relation among producers makes it easy to set up a co-operation. One producer contribute almost one third of the values of the machine which equal to 20,000 LKR and ESSP contribute 60% (60,000 LKR).

Producing pottery is their main economic activity, they do not make decent profit out of pottery production; they mainly provide money for day to day life and hardly make any saving. The producer's characters as they are poor people hinder the production. They are afraid to try something new and do innovation. Moreover, high level of poverty is an obstacle for this economic activity since they do not have ability to invest. In fact, they also received Samurdhi program (see annex G). There is no proper guidance conducted in this economic activity. Their production heavily depends upon the traditional knowledge.

Another problem is seasonality which influences the capacity to product pottery. Partly, this also due to the fact that they have no proper shed for production, they only use backyard under the shed of trees for production. The production is dropped at the lowest rate in rainy season especially in December as the result of limited space for production. During the field work, the pottery producers with support from new government program begin to build a workshop in order to be able to produce pottery at any season.

LoCA provide clay girding mill which they use to grind the raw material before this material processed and made into pottery within 10 minutes (previously it will take 1 or 2 days). With this new machine they produce pottery in shorter time and less labour. They now produce 6 potteries per hour, and prepare for new order values for 2500 LKR per week.

It is also important to note that there is a concern about sustainability of this sector. The respondent said that this sector never be an interesting sector for young generation because of the traditional method and traditional machinery it is used. This is proven during the field visit. Those who are active in this

industry mainly are old generation. This is worsened by the fact that plastic industry massively replaces the usage of pottery as tools and appliances in home.

### **Conclusion on Pottery Sector**

The existing of extended trust (Humprey & Schmitz, 1996), as the producers are relatives, makes the stakeholder integration was carried out easily and association called *Makul Karmikayange Rural Development Society* was established. Improvements in the ability to produce more in shorter time and meeting bigger demand take place as the result of LoCA support. Problem of seasonality exists but to be addressed with the support of other government program. There is no impact on employment creation; instead there is a concern about sustainability of this sector.

### **4.3. Conclusion on Competitive Economic Sectors in Minipe DS Division**

Each competitive economic sector identified and developed has its own uniqueness. There are similarities and difference. Several distinction features are worth to be mentioned. First, the ability of local economic actors to contribute largest contribution to the total value project is found in pottery sector, second, the creation of a trade mark as the initial stage economic improvement found in brick sector. Third, the pricing sets up by the association enable brick producers to be more competitive in price competition and fourth, a positive impact on employment creation. Those last three features are found in Brick Sector.

Similar problem which has not been solved exist. First, there is no significant improvement to solve the problem of seasonality which affects the price instability during peak season and off season. Second problem is transportation. Third, economic sectors are suffered from finding permanent labour due to the competition with other bigger economic sector within the same locality.

Stakeholder integrations within LoCA exercises are also done well in four GN Divisions and as the result associations were established. LoCA facilitator faced difficulties in organizing stakeholder integration in brick sector but mapping of existing trust help them to establish the association.

#### **4.4. Competitive and Non Competitive Sector in Udapalatha DS Division**

Five competitive economic sectors and one non competitive economic sector are identified in *Udapalatha* DS Division.

##### **4.4.1. Milk Sector**

Main economic activity in this area is milk sector, almost every family has one cow, and there are 200 potential milk producers. Some people do cultivation especially in spice but hardly had they cultivated paddy. Milk sector become competitive sector based on LoCA exercise.

LoCA has assisted this sector since the beginning of the year 2004. So far it manages to support the milk producers to set up a milk dairy. At the time of the interview, it has been only two week since the milk dairy start to operate. The

dairy cover only 5 farmers and collect 60 litter milk per day but in the future this will be increased since the machinery capacities is up to 2000 litter milk per day. They produce three products yogurt, gee and milk toffee with a trade mark of *Sapiri Kiri* but they are preparing several other milk products (see annexes H).

As the result of LoCA, an association namely the board of members was established. It brought a change in the interaction of local economic actors. It represents various local economic actors. There are 14 people in the board of members, two are milk producers, and others are businessmen and university representation. The board of members performs a function as main shareholder in the investment for the dairy factory. It is engaged in administration, book keeping, marketing and products diversification. In investment scheme, the board of members contribute about 60% of the fund (3,900,000 LKR). The board of members also manages to get loan from Kunderata Development Bank (KDB) as part of the investor.

The milk dairy is now able to buy milk from producers with price of 20 LKR/litter. Previously, the milk producers sell it to the milk company (*Nestle, Samilko* and *Milko* in Central Province) at lower price range from 12-15 rupee. Thereafter, the condition slowly starts to improve.

Previously, the milk producers lost their interest in milk production as the result of several problems, such as: high cost of production, low price of milk, high transportation cost and the difficulty to find full time and permanent labourers as the result of the competition with other economic activity (tea plantation) which offer higher salary. Working in milk production require continuously and

very focus work, hence, labourers usually expect 5/10 LKR higher than the standard payment.

### **Conclusion on Milk Sector**

The stakeholder integration in the milk sector has a positive impact on the relationship among producers, investors and private organizations (university). It facilitates the creation of trust among them. The dairy milk influences positively in milk price, which is bring confidence and trust from the milk producers to engage in this economic activity. The problem of labour competition which leads to difficulty to find labour is also arisen.

#### **4.4.2. Cut Foliage**

In *Gampola*, the cut foliage sector occupies small percentage of the economic activity, however the cut foliage sector is considered to be competitive sector by LoCA. Cut foliage cultivation becomes the most viable option since it requires less water, less time and fewer labourers compare to tea cultivation. They expect make a decent income for the daily life out of this sector.

Previously, it was hard to get people to work together, but there is one producer who is very determined to get people together and made people agree to work an in co-operation. Later on, the group is inactive but again as the result of the informal leader's role, now they are fully engaged in the co-operation, members work together and exchange labour in land preparation. They contribute 1200 rupee as fix fund which is allocated for providing new varieties of cut foliage.

In 1980's it was really hard to get access to visit the cut foliage company field. It showed the reluctance from the company to share information, knowledge and access to the market. A field visiting program for the cut foliage producers to the company was done on 21<sup>st</sup> December 2004. Now, they are no longer trusted the price set by the wholesale collector because they know the real price of each size of the cut foliage. This brings more bargaining power to the growers against the wholesale collectors, the knowledge bring changes in their attitude toward the cut foliage activity. The Cut foliage producers and the company now have a good contact. Worth to mention that this is also because the company is never able to meet the demand, the idea of cooperation and sharing part in the market seems to be a good alternative for the company to meet the high demand.

New varieties (cane palm, Chinese grass, cordiline varieties and dracaena varieties) are introduced and provided by LoCA. LOCA also conducted one day awareness program about foliage plants at botanical garden as representation of public organization on 19<sup>th</sup> October 2004. Previously, Botanical Garden provided training for public and cut foliage is a small part of training's material. With LoCA facilitation, Botanical Garden is now providing special cut foliage training to the association. LoCA encourage public institution to learn a new knowledge and transfer the knowledge to the growers. Cut foliage producers still have some problems about pest and diseases, for this purpose, they will produce a booklet as the guidance for the cut foliage producers and a way for transferring knowledge.

This activity attracts young people; their number constitutes 10-15 people out of 33 members in the association. This economic activity is now an alternative

source of income, a hobby, and worth activity to build good image for Sri Lanka. The association is also able to get small loan from local bank as a revolving fund.

### **Conclusion on Cut Foliage Sector**

The stakeholder integration in this economic activity face difficulties at the beginning but finally they commit to each other and work together in the association because of the informal leader role. The members of co-operation actively participate and contribute money. It is proven that LoCA bring improvement in the relation among the producers and public agency Botanical Garden, the producers and private company. As the result of good contact with the cut foliage company, asymmetric information about price is reduced and there is a possibility to share market with the cut foliage private company. It has also positive impact on employment creation.

### **4.4.3. Spice Sector**

Since 1975, Sri Lanka government had several programmes aiming at producing large quantity and high quality spice. For this purpose, government give subsidies scheme of 80.000 rupee/acre but now this program is ended and government only support on planting material and agriculture technology.

Recently, a detailed value chain study of the Sri Lankan Spices and a SWOT analysis of the existing condition of spice cultivation in the central province had been done during LoCA exercise. This lead to identification that spice industry is a competitive business sector in several divisions of the province. Afterward, Spice Producers's Circles (SPC) are established taking into account that some

producers are willing to act as village coordinators. Programs to link those circles with exporters, service providers and to other related institutions has been identified as a practical remedy for most of the current problems that the spice growers faced. At this moment 25 SPCs have been established in the Gampola, Udapalatha, Doluwa, Harispattuwa, Pathadumbara and Panvila DS Division<sup>16</sup> and 10 SPCs have been established in the Gampola and Doluwa DS Division with the fullest cooperation of the Department of Export Agriculture (DEA) and the Agriculture Research and Production Assistants.

LoCA's aim to link these SPCs directly with exporters/suitable intermediaries is to give them a comparatively higher price to their product. It is also said that the establishment of SPCs is to increase the income earned by spice producers. LoCA have several other programs; get SPCs to organize them selves raising own funds; organize training programmes including crop Husbandry, Post harvesting Technology etc.

In the GN division the author conducted the interview, ESSP contribute 30.000 rupees and one of the spice producers contributes 10.000 rupees for the availability of the machinery. Upon the availability of the machinery, every member of the circle contributes 1-2 rupee/kg for using the thrasher machine. This circle fund is allocated for transportation, marketing, buying fuel and also maintenance of the machine.

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<sup>16</sup> Based on ESSP internal memo dated 30-03-2005

As the result of the LoCA assistance in this area, the spice producers now acquire new skill, such as cultivation, post harvesting processing within standardized procedure from the trainings LoCA facilitated.

### **Conclusion on Spice Sector**

Spice sector has potential as competitive economic sector for Sri Lanka. The stakeholder integration was done easily; however, it can not be claimed that the creation of SPCs owes to the existing trust although the level of willingness among producers to be village leader found. They only see the practical gain being the member of SPCs. The creation of SPC is also not facilitating trust among the members. At the time of interview, it is found that no co-operation among small spice farmers and big spice farmers. In fact, the relation among them is employer-labour relation. They expect to get benefit from stockpiling and further pursue joint market to the spice auction but it has not happened yet. In this sector, complaining about government responsibilities showed the dependency syndrome of the growers to the government subsidies.

#### **4.4.4. High Value Vegetables Sector**

High value vegetables are vegetables with higher price in super market chain and these vegetables were planted in green house. Based on the research done by LoCA it is necessary to provide a Pack House to help the high value vegetables producers to increase the value added of the products. The pack house was set up in the Protected Agriculture Entrepreneurs' Association (PAEA) which has been involved also in the program facilitated by ESSP namely Nucleus

Program<sup>17</sup>. The establishment of the pack house will lead to production improvement, quality assurance, regular supply and scale up-grading. The PAEA contribute about 1.5 million rupees for the availability of the machinery and allow farmers to have a share on this equipment.

The establishment of the pack house is one step to get a better position in value chain. The PAEA is the key institution to lead growers to cultivate the vegetables in accordance to the standard of high value vegetables. The application of standardization of high value vegetables cultivation provide a learning process for the growers and to some extent this also facilitate the information spread and knowledge transfer to other farmers who are not belong to the supervision of PAEA.

#### **Conclusion on High Value Vegetables Sector**

There is no significant stakeholder integration process done in this sector. LoCA support is the availability of machinery. It is hard to review the existing of trust. It can not be claimed that LoCA in this sector facilitate the creation of trust. The economic performance has not proven to be improved yet. This economic sector to some extent mixed with the result of other program of ESSP: nucleus program.

#### **4.4.5. Mushroom Sector**

This sector was considered semi competitive sector for the area. Number of farmers covered by LoCA activity in this sector is 20 farmers and they spread throughout the area of Gampola. This sector has no significant improvement

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<sup>17</sup> Component number 2 of Economic Strategy Support Programme aim to create an economic chamber for the economic cluster in central province.

under LoCA, and in this sector LoCA only facilitates the trainings for the mushroom growers in Central Training for Agriculture, Department of Agriculture.

#### **4.5. Conclusion on Competitive Economic Sectors in Udalalatha DS Division**

Reviewing those five sectors, several features are needed to be addressed. First, the ability of local economic actors to contribute largest amount of money for the availability of the machinery is found in spice sector. Second, the creation of a trade mark and a positive impact on employment creation are found in milk sector. Third, problem of seasonality in spice sector and labour competition in milk sector has not been solved.

The success story of the stakeholder integration which brings new type of relationship among private businessmen, university and financial organization in the board of members is found in milk sector. Cut foliage producers faced difficulties in stakeholder integration but with the informal leader role, they finally they are able to do it. In spice sector, stakeholder integration was done easily; however, this is due to the members see the practical gain, there are no cooperation among small spice farmers and big spice farmer. In high value vegetable sector and mushroom sector there is no significant stakeholder integration process done in this sector.

#### **4.6. Conclusion on Economic Sectors of Study Areas**

Economic sectors in study areas have similar feature. First, the ability of some local economic actors to contribute largest amount of money to the total value of each project is found in both study areas. Second, the creation of a trade mark as the initial stage of improvement in the economic activity can be found in brick sector in Minipe DS Division and milk sector in Udapalatha DS Division. Third, as the result of establishment of co-operation, the members benefit from the pricing set by the co-operation which enables them to be more competitive in the price competition. Fourth, the impact of the economic sectors on employment creation can be found in both study areas

Some problems arise in both areas which have not been solved. First, even though, the programs dedicated for all economic sectors under LoCA support is to increase their performance but up to the time of field study there is no significant improvement to solve the problem of seasonality which affects the price instability during peak season and off season. Second problem, local economic actors considered high transportation cost as one of the obstacles in their economic activity improvement. Third, although some sector succeed in employment creation but some other sectors suffered from finding permanent labours to be employed due to the competition with other bigger economic sector within the same locality.

The issues are mentioned above lead to conclusion that the dynamics of the economic sectors in the study areas is exist and it leads to better performance of the economic sectors. It is proven that this dynamics is the result of LoCA application. However, the question whether they contribute to the creation of the competitive advantage still remains.



## **5. MICRO ENTERPRISE, STAKEHOLDER INTEGRATION AND LED**

### **5.1. Introduction**

It is important to understand the characteristics of local economic actors in order to analyze the changes in the LED. Further, analyzing the existing trust and the creation of trust is useful to for the discussion that trust affects LED. This chapter focuses on three important issues: micro enterprises, trust building and stakeholder integration.

The first section discusses the issue of the informal sector and small medium enterprises, what are their characteristics and into what categorization do the small medium enterprises in the study areas fit into with in the existing literature. The question to investigate is whether the focus of LoCA to create competitiveness is reached or if LoCA in practice more focused on community economic development and poverty alleviation.

The second section discusses stakeholder integration and trust building. How LoCA facilitates the creation of trust through stakeholder integration which is one of the key ingredients for successful LoCA application. Furthermore, I will elaborate on whether trust and stakeholder integration makes a significant contribution to the success of the economic activity in study areas and how it works.

## 5.2. Micro Enterprise: Competitiveness or Poverty alleviation?

Defining local economic actors in study areas is not easy. According to the Bolton Committee (1971) in Premaratne (2002), small medium enterprises have a small share in serving a limited local market. This can be seen in the brick sector and the spice sector. Based on their nature they have their own markets, due to their role in economic competitiveness, either within Kandy (brick sector) or Central Province (spice sector). Market improvement took place in the pottery sector in which they are getting closer to being demand driven; they produce pottery as market required (small school in the neighbourhood). One of the LoCA's efforts to be able to win a significant share in the market is by stockpiling. This took place in the spice sector. LoCA linked them to the Colombo Spice Auction but as a result of insufficient products they have to defer until the next season to reach the auction quota. The milk sector take advantage of its physical location which is near to Kandy City, it made it easier to sell their products in the market. High value vegetable has its own special market (supermarkets, hotels). The cut foliage sector can now identify their position in the value chain of the cut foliage export industry thanks to the facilitation of the LoCA, allowing them to have good contact with one big cut foliage company in Colombo city. As characteristic of micro enterprises defined by Bolton Committee (1971) in Premaratne (2002), all sectors in study areas are managed by owners or part owners and they are independent not become any of a large enterprise.

Premaratne (2002) compares the definition of SMEs from various institutions in Sri Lanka. The main criterion is number of employment. Only the definition of Ministry of Youth Affairs fits into the actual condition of SMEs found in study areas. None of the enterprises employ more than 3 people.

Based on qualitative criteria (Staley and Morse (1965) in Premaratne (2002)), enterprises in the study areas hardly had specialization in management, except for the milk sector which has the board members functioning as the investor and running the management of the milk dairy. Entrepreneurs in the pottery sector have more close personal contacts among themselves since they are relatives. A small number of individuals in the association in both study areas (usually hold the important function: leader, secretary or treasury) are willing to contribute large amounts of funding for the availability of the machinery. This is indicative of the constraints in obtaining capital and credit among others. It also shows that the level of trust in investment is high. In terms of technology the local economic actors in the study areas found that the support from LoCA is generally dedicated for the provision of higher technology and provide them with better tool for the production.

All sectors in study areas fit into the categorization of informal sector (Sandaratne, 2001). They use their own labour resources and employed very little capital; they do not have a special place for their production. The backyard and part of the house become their production. They are not registered and do not distinguish between personal and business accounts, and when they do employ others these are non-contractual informal engagements, terminable at will. Thanks to LoCA, some of sectors are in the process of getting business accounts and loans.

The need to combine income earned with other sources in order to survive (Mead, 1998) in Adrangi, B. Allender, M. E. & Anderson R. (2003)) is found in Minipe DS divison which is a more rural area. They can be categorized into the

informal sector (Sandaratne 2001) which is mainly found in rural areas. The vegetable sector, seed paddy and pottery producers perform their activities due to adverse economic conditions and a lack of paying jobs (Yusuf and Schindebutte 2000 in Adrangi, B. Allender, M. E. & Anderson R. (2003). The vegetable and pottery sectors are trading in low value-added activities, with very low profit margins and fierce competition (Rogerson et al 1997; Von Broembsen et al 1995; Ruiters et al 1994; Taskgrov 1993; Riley 1993 in Broembsen (2003)).

The pottery sector is situated in an area in the infrastructure, such as paved road, water and electricity are in poor condition. The condition of the house of the pottery producer clearly reflects that of survivalist entrepreneur (Farbman and Lesik (1989:107)). The house has no electricity; the wall is non-permanent and limited furniture is available in the home. This economic activity is the main activity for their income as they have no other option for generating money for their livelihood. Regarding the income, of the 15 members of the association the majority of their earnings are barely enough for the daily life and is clearly not enough for any savings and investments.

Farbman and Lesik (1989) also identify the significant relationship between survival entrepreneurs and the social security system in a few developing countries. Uribe- Echevarria (1992:35) argue that in 'survival activities', entrepreneurs have extreme difficulty in gaining access to normal delivery systems and thus require special programmes as well as concessionary terms. This also applies in Sri Lanka, all of the pottery producers belongs to the targeted group of the *Samurdi Program*.

The important debate in the discussion of micro enterprises is whether the creation and support for micro enterprises can reach the creation of competitiveness in the locality or if they merely address problems of poverty and employment creation (Taskgrow, 1993 in Broembsen, 2003). LoCA's aim is to create competitive advantage and this is found in the Udapalatha DS division, the study area which is more urban, and the economic sector much more established like spice and milk sector which has a long standing history in the Central Province. In contrast, in the Minipe DS Division, it is hard to say that the support of the local economic actors will reach the goal of competitiveness. Instead, LoCA addresses the problem of poverty and employment creation by providing training in basic business skills, providing machinery to engage in business more profitably, and enable them to 'cross the poverty line'.

### **5.3. Successful Stakeholder Integration: Trust?**

It is hard to identify the existing trust within such a short period of field work as is mentioned in the study limitation. LoCA facilitates the creation of cooperation among the local economic actors. Some sectors found it difficult to cooperate amongst them (brick sector and cut foliage sector). Generally speaking, LoCA succeed in bringing people together through stakeholder integration. The question is whether the creation of cooperation reflects the existing trust or if it is merely the understanding of practical gain within co-operation. However, some hints about trust can be mentioned. Those are profit seeking behaviour as indication of non trust, good will trust, process-based trust and ascribed trust, willingness to contribute money, community – public – private partnership and knowledge sharing.

Based on the observation, there is an indication of something goes against building trust. This is similar to the conclusion of the survey done by Webster and Charap (1995:211) in Humprey & Schmitz (1996). They concludes that given the degree of uncertainty in the economy such as lack of paying job and harsh condition of economic condition in study areas (pottery sector, commercial vegetable sector), it is rational for most entrepreneurs to focus on quick profits which obviate the need to develop a reputation. It shows that cooperation among entrepreneurs and members of co-operations is basically motivated by profit seeking. Thus, based on this observation, joining in the co-operation reflect no trust but profit seeking behaviour.

Another hint of existing trust is the willingness to contribute high amounts of money for investment. This explains that LoCA's assessment mapped the constellation of trust among the local economic actors to make stakeholder integration easier.

Good will trust (Sako (1992: 38)) is found in the majority of economic sector in both study areas. In the commercial vegetable sector it is odd that the existing problem of inadequate water for cultivation will be solved by joining the association and making use of the machinery LoCA provided. This also applies in the spice sector; they are easily joined in an association because the producers realize that by stockpiling and joining the auction that they will bring benefit to their economic performance. In the paddy sector, the producers join the association knowing that LoCA provides training to improve quantity and quality of seed paddy production. In the brick sector it is much clearer that brick

producers are aware that by joining in the association they can also create a trade mark which will help them to improve their business.

The idea of contractual agreement among the seed paddy producers and the buyers shows the willingness to have process-based trust. Additionally, the creation of certification from the Dept of Agriculture also is an initial stage toward the process-based trust (Zucker, 1986 in Humprey & Schmitz, 1996).

According to Zucker, 1986 in Humprey & Schmitz, 1996, within ascribed trust, family, ethnic or community ties are one basis for discriminating between potential partners. This is evident in the pottery sector. It was easy to get people join the co-operation and contribute some amount of money for the project since all producers with whom LoCA facilitated are family. In the paddy seed sector, it is said that most seed paddy producers are Singhala. This shows that the creation of cooperation is easily done within the same ethnic community as Nadvi (1996) argues in his article that a high level of trust is takes place more easily within groups who are of the same ethnic group or even in this case, relatives and living in the same place. Further, Nadvi (1996) argues about the importance of commonality in social identities. He argues: 'being local, although a "weaker" social tie compared to family, appears to have a more important function in strengthening inter-firm relations than either Biradari or family kinship, social reputation based on "knowing and being known" locally is critical part of social capital of the cluster where the costs of failure or default on the part of an interacting agent can be extremely high for the other partner (Nadvi, 1996:155). In my view this observation also applies in economic sectors in the Udapalatha DS Division.

The cooperation which take place within the co-operations set up by LoCA is clearly what is argued by Knorringa (1992), that cooperation is mainly characterised by the acknowledgement that both parties are interdependent. Realising this interdependency will prevent opportunism and create a certain degree of trust which based on a thorough knowledge of each others situation. This type of trust is not based on idealism or naivety, but a one which is based on the realisation that they need each other and they need to trust each other.

Most members of the cooperation willingly join the cooperation because they are aware and understand the importance of membership for the sake of the economic performance of their business or their economic activities. Members benefit from the co-operations in many ways. The existence of co-operations makes it possible to do collective action, not only in preparation of production but also in the production process. Also, in co-operations, they set prices and reduce the competition amongst themselves, sharing labour costs and transportation costs.

Another hint of trust is public-private relationships. LoCA facilitates good relationships and better partnerships between community, the private sector and also the government. Humprey & Schmitz (1996) mentioned that other schemes through which public agencies can facilitate trust include the development of common industrial standards, services for measuring and testing products, certification of products and processes, or accounting and auditing reform. It is also mentioned that by promoting networks of small and medium firms and by encouraging better linkages between large firms and their suppliers, governments hope to promote efficiency. These are the things that LoCA tries to facilitate for all economic sectors in which LoCA operates.

In the *Udapalatha* DS Division a change in relationships among local economic actors (community – public – private) took place. The milk sector succeeded through its *board of members* to gather various local economic actors. In the cut foliage sector, the need to provide training to the cut foliage growers required botanical garden (part of department of Agriculture) to get more knowledge and to share it with the growers. Additionally, LoCA improved the relationship between the growers and the cut foliage company.

It is also worth mentioning how the co-operations bring forth high levels of confidence for the people who work in the brick sector. They are now eager to ask government to provide good infrastructure. Apart from that, private sectors are also beginning to put trust into those local economic actors by giving loans for expansion of their economic activity.

Morris (2003) argues that trust always takes time to be established and one has to precede at the most cautious pace. In the end, trust is established through concrete activities demonstrating the clear benefits of cooperation. Knowledge sharing takes place in the study areas and acts as the oil that maintains trust and allows collective strategies to be marshalled and deployed.

#### **5.4. Impact on LED**

It can not be claimed that the improvement brought about by LoCA made significant improvement in LED in the Minipe DS Division. However, some changes took place.

The first change is in capital ownership and technology occupancy. As urged in the LoCA manual version 5.0, it is important for external agencies facilitating the LoCA exercise to not underestimate the local champion and the need of strong ownership at the local level for the exercise to be well prepared, well implemented and have a significant impact. In each economic sector, local economic actors contribute some amount of money for the availability of the machinery. They are not solely relying on the external agency (ESSP). This brings ownership to the local economic actors.

One of the competitiveness indicators in systemic competitiveness is innovation. Creation of trade mark in the brick sector and the milk sector, and the ability of pottery producers to create new designs for its market illustrate the existence innovation.

Another indicator is a change in demand. Almost all sectors under LoCA are able to fulfil the increased demand. In the seed paddy sector, the producers increased the supply of certified seed paddy from 8% up to 20%. In the brick sector, the producers were able to meet the demand of a large amount of orders up to 14000 pieces of brick. For the pottery sector; they are now preparing to fulfil orders valued for 2500 LKR per week.

The model of competitiveness according to CMI is fit to explain the stage to achieving competitiveness. Most economic sectors in the study areas are now in the stage of increasing the quality and quantity, along with this effort, problems of marketing are also being addressed. The improvement in value/quality and quantity will lead to improved efficiency. This is shown in the paddy seed sector,

pottery sector, brick sector, and milk sector. Those sectors are now able to increase their productivity and increase demand. This at the end was seen by CMI as a way to competitiveness.

The next issue is the ability to address the problem of seasonality. The main problem found in every sector in both study areas is that they are highly depending on the season. This means that the productivity, the profit they can generate, and also the incomes they can generate are heavily influenced by season. There are always peak seasons and off seasons that determines productivity and the price of their product. As result of the machinery provision by LoCA, the problem of seasonality is slowly being removed and an increase in productivity and in the profit making as well is expected.

Sub-contracting is an important issue in networking and becomes one aspect of economic growth. Some theorists on small firm development emphasize the positive aspects; especially regarding new opportunities in inter firm market that subcontracting firms would have a positive influence on the efficiency of small firms and on their capacity to innovate (Liedholm & Mead, 1989 in Knorringa, 1992). Others stress the negative side of subcontracting, pointing to the dependencies that emerge between (large) firms and their small firm subcontractors.

In most countries, governments play an important role in promoting subcontracting, but barely in Sri Lanka. However, in Sri Lanka, subcontracting generally occurs, as larger and small firms are located near each other. It is clear that larger enterprises play a big role in subcontracting linkages. Nestle and other milk companies in the Central Province organized the supply of milk from

more than 14,000 registered milk producers in different districts. But past experience of milk producers interviewed in the study areas prove that subcontracting is not profitable for the milk producers. They did not have strong bargaining position in milk pricing against the four big companies. This, at the end, resulted in withdrawal of most milk producers from dairy production and nearly the end of dairy production in the Udapalatha DS Division.

Dias (1991) in Premaratne (2002) explores the experience of small enterprises in Sri Lanka. Most of them are not able to develop linkage patterns without institutional support. However, it is found that it is also very difficult to get institutional support without good personal relationships. Experience of cut foliage growers explains this. Earlier, even though they engaged in the cut foliage sector they hardly knew about the pricing which is based on size, the standard of cleaning and packing. However, recently with the facilitation of LoCA (to replace the good personal relationship) they were put into contact with the company and got a clearer idea and complete information. LoCA also tries to connect all of the growers with the registered wholesale collector, from whom usually the big company buys the cut foliage to meet the export demand.

## 5.5. Conclusion

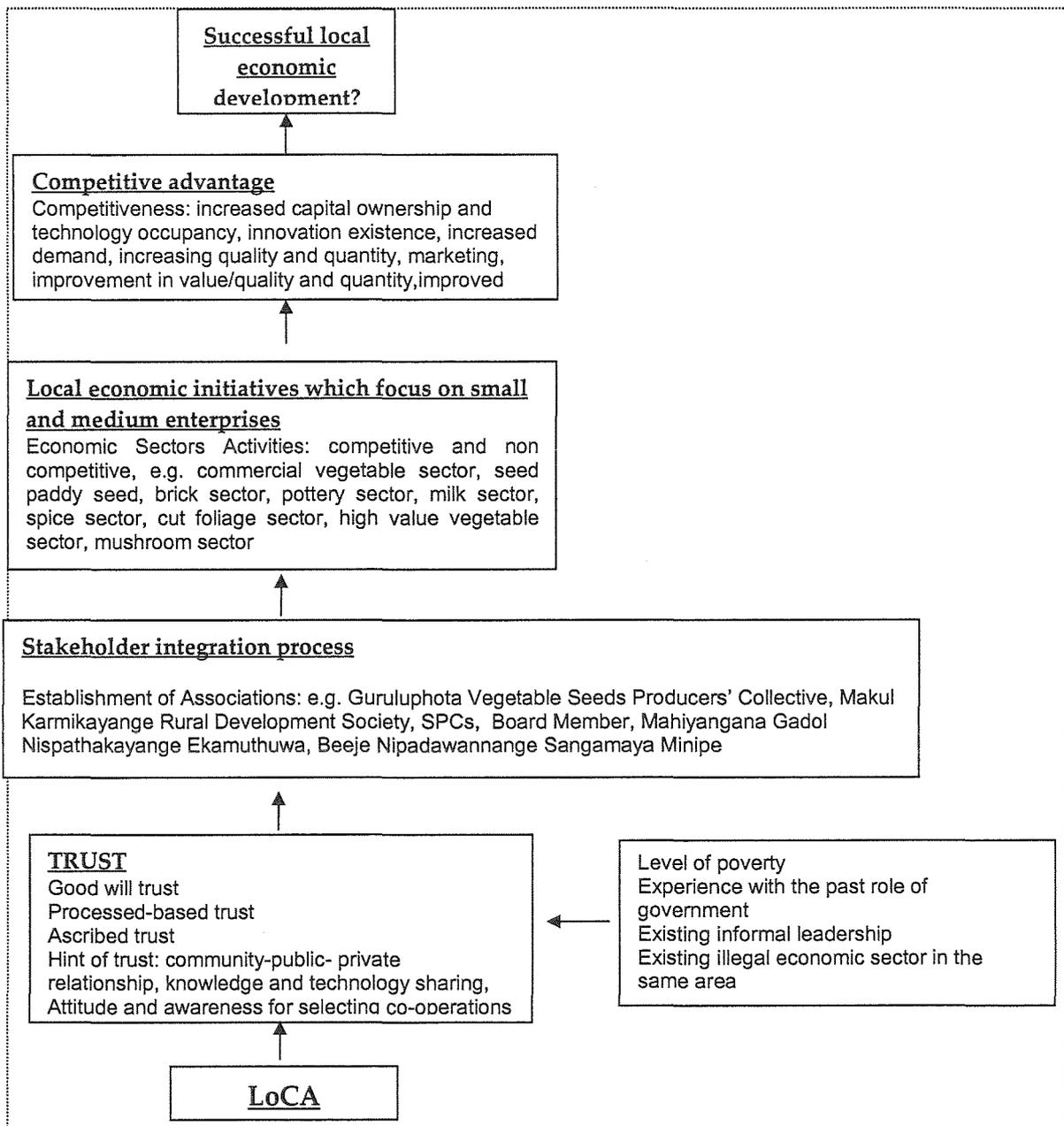
Based on the existing literature about informal micro enterprise, most local economy actors in the study areas can be categorized into *Micro Enterprise* and in some sector (the vegetable sector and the pottery sector) can be categorized into *Survival Enterprise*. Moreover, enterprises in both study areas can be classified as informal sector.

Based on the literature review, several types of trust are found in the study areas; good will trust in the spice sector, the brick sector and the paddy sector. Processed-based trust was found in the seed paddy sector, and ascribed trust found in the pottery sector. In the Udapalatha DS division, the first hint of trust is in community-public- private relationships and the second is in terms of knowledge and technology sharing.

The level of trust in each economic sector has a significant impact on the performance of economic activities. Although it has not significantly improved the condition of LED in the Minipe DS Division, there are positive changes as the result of the LoCA application, especially in capital ownership, technology occupancy, innovation existence and increased demand. A problem of seasonality has been highlighted but is not yet fully solved.

Reviewing again the literature and the concepts used in this paper, below is the overview of it together with the main findings in the study areas.

Figure 3 A Diagram of Major Findings



## 6. CONCLUSION AND RECOMMENDATIONS

### 6.1. Conclusion

LoCA was developed with the intention of being a breakthrough to start LED differently. It combines the idea of a stakeholder integration process in which active participation of all stakeholders is required, and with the important role of kick starting initiatives for LED to enable learning. Local stakeholders learn how to work together, build trust in each other and in their own communal activities Cunningham (2004, p.2). There is a need to review the implementation of LoCA for the purpose of getting valuable input for further LoCA application in other areas and other economics activities in Sri Lanka. This paper is dedicated to a preliminary assessment of LoCA's possible impact on LED, the role of LoCA in facilitating the creation of trust among local economic stakeholders.

Blakely (1989) argues that the key notion in LED is a partnership of all local actors to create competitive advantage. Systemic competitiveness (Meyer stamer in Elkaduwe, P. Samarathunge, P.G. & Steigerwald, V. (2002)) and competitiveness according to CMI (Meyer-Stamer 2004) are used to review the achievement in competitive advantage of economic activities under LOCA. Among the existing authors about trust, definition of trust by Sako (1992: 37-38), Zucker (1986) in Humprey & Schmitz (1996:10) and Humprey & Schmitz (1996: 17) are used to explain the existing trust in the study areas. The literature about SMMEs is also used to explain the debate around the creation of competitiveness or poverty alleviation.

LoCA is applied in the Kandy District, Central Province of Sri Lanka beginning in June 2003 and implementing its activity in early 2004. In Sri Lanka, The District Planning Units (DPU) as the representation of local government becomes the coordinating body for the LoCA exercise (LoCA motivator) together with the GTZ through ESSP. This paper elaborates two study areas with a different characteristic; an urban areas and a rural area, which also reflects differences in the main export base and infrastructure (especially in water, electricity and road). The Minipe DS Division is a rural area with a lack of infrastructure but is not the case for the Udapalatha DS Division. Minipe's main export base is paddy and brick. Generally, there is a low concentration of enterprise in rural areas, this is not the case for the Minipe DS Division, it has a large amount of enterprises especially in grinding mills and brick production. Meanwhile, tea and spice is the economic base of the Udapalatha DS Division. Each area has competitive sectors supported by LoCA. Paddy seed, commercial vegetable, brick and pottery sector are found in the Minipe DS Division, and the Udapalatha DS Division has milk, spice, cut foliage, high value vegetable and mushroom sector (which become non competitive sector).

LoCA is conducted within a joint development project between GTZ (which represent foreign donor organization) and MPTUD. It is applied within a framework of technical assistance to Local Government of the Central Province, Sri Lanka. This fact makes LoCA as an external factor in the process of LED. The author concludes that the LoCA methodology as an intervention is considered as an external factor in stakeholder integration and trust building. It succeeds in bringing local actors and stakeholders to work together in each economic sector in a form of cooperation or association (Putnam in Buckland (1998:241)). Trust

facilitates coordinated actions/stakeholder integration. One specific case in stakeholder integration that could add to LoCA's methodology is the role of LoCA as a conflict mediator in a sector with problems related to politics and in the way LoCA work in comfort zone (legal producers) in brick sector. LoCA application in brick sector was suffered from a lack of trust among illegal brick producers. This illegality has prevented them from joining the association. But the wise and smart approach of the LoCA to facilitate only those who are legal producers with high level of willingness to join in the cooperation is successful. Thus, legality of 15 brick producers made the establishment of co-operation succeeded. In some sectors, rather than the level of trust, it was the willingness to cooperate and the awareness of the need to be in a co-operation for the benefit of business performance which is dominant. It is not so much about trust which facilitated most of the processes of stakeholder integration but the practical attitude and awareness that membership of co-operations brings economic gains.

Another debate is whether LoCA stimulates competitiveness or poverty alleviation. The central point in this debate is whether LED is a way to achieve competitive advantage or if it is a strategy of poverty alleviation. The elaboration of enterprise types in the study areas revealed that in the Minipe DS Division, LoCA mainly dealt with informal survivalist enterprises, in which LoCA aimed at the creation of more income and employment opportunity. In contrast, in the Udapalatha DS Division which is more urban, micro enterprise dominated, especially for economic sectors which by nature are the main economic activities for its locality. As it is discussed by Becker (2004), three types of LED projects can be distinguished based on their objectives and components, the first is *sector-oriented LED projects* which aiming at raising the competitiveness of a particular value chain or cluster, second is *community-oriented LED projects*

which aiming at developing economic of locality and the third, *poverty-oriented LED projects* with a focus on poverty reduction. In the Minipe DS Division it was found that the poverty oriented LED dominant, while in Udapalatha, sector oriented LED projects which aim at raising the competitiveness of milk, spice, cut foliage and high value vegetables are applied.

The importance of learning that may lead to a motivation to replicate the same approach in other sectors and other localities is possibly a main factor to support LoCA implementation. As mentioned by Murgueytio (2004), the importance of LoCA is its butterfly effects which can be valued by three important aspects. First, LoCA activity creates the learning about competitiveness; it creates motivation, and communication between different actors. It creates the conditions and a platform to continue work for further initiatives that will lead to something bigger. There are behaviour changes in terms of more cooperation, partnership and networking (means less hierarchy). LoCA has stimulated change and has brought a learning processes, as one of the major advantages of the LoCA approach is that it stimulates and mobilizes local actors to actually start doing something to make their local economy more vibrant (Trah, 2004).

## **6.2. Recommendations**

The case study on the LoCA application in Kandy District, Central Province, Sri Lanka highlights three possible learning points for LoCA methodology. First, even though LoCA succeeded in moving the dynamism of the economic sector, the major problem found in the study areas is seasonality. This is not only a problem for agricultural products (vegetables, seed paddy, spice) but also for

non- agriculture products (pottery, brick). Several efforts (stock piling, providing machinery) have been done by LoCA to reduce this problem but it has not yet resulted in significant improvement. This leads to the conclusion that the problem of seasonality will still be a major challenge for the LoCA methodology being applied in Sri Lanka taking into account that other areas in Sri Lanka will most likely have the same conditions as the study areas. To address this problem, the continuation of LoCA efforts, together with the identification of bigger markets will possibly bring positive impacts. For seed paddy for example, the identification of additional types of buyers can be one way to guarantee the sustainability of sales even in off season.

Second, LoCA had gathered valuable experience dealing with “conflict sector” in brick production. LoCA got the advantage to learn how to deal with economic sector with high level of conflict and low level of trust, the strategy to find the safest player (legal brick producers) seems to be a good alternative. How to deal with other illegal producers remains the main challenge for LoCA, taking into account that this economic sector is the main income source for people in the locality but the economic actors are suspicious and have a low level of trust because of the insecurity of their illegal activities. Addressing this issue will need a large effort from all economic actors, not only private but mainly government since it relates to the rules and regulations of the country. To have an outstanding improvement within the association that LoCA established will be a strong proof for other producers and can lead to motivation for others producers to replicate the same process.

Third, the LoCA methodology to use value chain studies to identify the competitiveness of a product is very effective in the study areas especially for the

spice sector and cut foliage sector. It is recommended that further LoCA applications do a value chain studies for each sector.

LoCA perfectly capsule the paradigm and orientation shift in LED. As a reflection of the LoCA application in the Kandy District, the Central Province of Sri Lanka, it can be concluded that LoCA is a useful method for LED initiative under several conditions.

1. LoCA will be more likely successful to be applied in the locality in which the existence of entrepreneurs in the locality is high. They are not necessarily big entrepreneur, small and micro entrepreneur will provide a good basis for a starting point. The existence of entrepreneur in the locality will make the identification of entry points for collective action easier that at the end will create positive and encouraging experiences.
2. LoCA will benefit from the enabling local government and the openness of government agencies to start a new relationship with the community and private sectors.
3. LoCA will most likely address the real issues prioritized by local actors in good stakeholder integration. The stakeholder integration will be easier in the locality in which the level of goodwill trust exists. It is sufficient for the starting point for LED, if local economic actors have the attitude and awareness that membership of co-operations brings economic gains. In this way.
4. LED key point is not always about the creation of competitiveness but more on locally based economic or 'endogenous development' activity to increase productivity, create new jobs and stimulate increased economic activity. LoCA is very much inline with this.
5. The existence of external agency to facilitate the local economic activities is important but it is more important to create the sustainability of the local

economic activities. LoCA provide a good basis for the sustainability and ownership by encouraging the local economic actors to make a contribution to the provision of the machinery.



## Annexes

### A. PACA news

PACA news dated January 2003 to March 2005 stated that PACA has experiences in several countries such as Thailand, Indonesia, Sri Lanka, Vietnam, Nepal, Montenegro, Serbia, South Africa, Bolivia, Colombia, Chile, the Dominican Republic, Ecuador, and Nicaragua. The implementation of the PACA methodology has various characteristics depend on particular situation in each and every country. For the past years, Mesopartner Company mainly dealt with the LED in Latin America and Eastern Europe with limited and scattered activity in Asia. Since LED is process which is local oriented it must have variety in its application.

### B. Questionnaire

The questionnaire was made to accommodate all questions in the Research Paper Design. It consists of 5 parts

- a. Basic line assumption in LoCA activity
- b. Basic elements of locality which is addressed as a reflection of the past relationship between the government and the community/private sectors and the new condition reflected in LoCA activity.
- c. Trust
- d. Cost and Benefit of Participation
- e. Public – private relation
- f. Questionnaire for each of sector in LOCA (the same questionnaire is used for other economic sectors)

**I. Main Question (basic line assumption in LOCA activity):**

- 1) How is the mechanism for the selection of division in which LOCA application take place?
- 2) How the decision for undertaking specific project in specific sector took place? Was it chosen as the result of PACA exercise upon the agreement of all the stakeholders?
- 3) How is the mechanism for the selection of stakeholders in LOCA exercise, based on pre selection? By who? Random selection? Other mechanism?

**II. Building Block (Basic elements of locality):**

- 1) What do you do to live?
- 2) What do other people do in your region/division for their live?
- 3) Do you have any business activity?
- 4) Do you know any business activity take place before the activity done as the result of LOCA exercise?
- 5) What were their specialized products?
- 6) To which market/city did they sell their products?
- 7) Do you think that your region is safe place?
- 8) Were there any conflicts took place in this region? What conflict? And how did it happen?
- 9) Did your region received grant or any other special program from the government? What are they? Were other region also received the same grant/program?
- 10) Who do you think somebody in your community act as the leader?

- 11) Are they politician, government, religious leader, ethnic leader or community worker?
- 12) What do your leaders do for you and your community?
- 13) Do you think that they concern about community problem?

### **III. TRUST**

- 1) How many formal meeting of LOCA exercise did you attend?
- 2) How many informal meetings of LOCA exercise did you attend
- 3) What type of resources that you given away for a spesific ativity agreed in LOCA activity?
- 4) What are the type role in which you are responsible to in agreed activity in LOCA.
- 5) Do you enjoy this role?
- 6) What are the things that you have done in fulfill your role?
- 7) What do you think of yours colleague in LOCA activity see this performance ?
- 8) What are your purposes to join in LOCA activity?
- 9) What are the majority purposes of people who join LOCA activity?
- 10) Do you think that all of the people join in LOCA activity has the same purposes?
- 11) In what specific sector/issues you believe problem exist?
- 12) Do you think that you could solve this problem? And How?
- 13) Do you contribute to the solution of the problem? What types of contribution you will put?

- 14) Did you experience the situation in which they do not agree on something in LOCA activity?
- 15) What are the things they don't agree with other member?
- 16) Why they don't agree on something?
- 17) How they solved this disagreement?
- 18) Have you ever experienced the situation in which you have to make decision by your self without taking into account others member in LOCA activity?
- 19) Are there any regular meeting in your division? What are those? How many times in a week/a month?
- 20) Are there any other event in which all of the people get together? What are they?
- 21) Do you get new thing (knowledge/skills/customer/client) after joining PACA activity?
- 22) Do you make any changes to your products to make it better? How?

#### **IV. Cost and Benefit of Participation**

##### **A. Benefit of each stakeholders participation in LOCA activity**

- 1) Do you feel that after joining LOCA activity you know more people or remain the same?
- 2) do you feel that you get more respect from your other colleague or business competitor after joining LOCA activity?
- 3) Do you feel that you get more support in your individual business activity after joining LOCA activity ?
- 4) Do you feel that you now in secure condition to sustain your business apart from the uncertainty environment for investment?
- 5) Do you get any new skills?

- 6) How do you feel about those new skills? It is useful or useless?
- 7) How do you feel about being work with other business owner? Do you feel is is harder or easier?
- 8) Do you think that you get more information rather than before after joining LOCA activity?
- 9) How do you find about the access to raw material for your product? Easier or harder?
- 10) How do you find about access to credit or grant and other financial capital for your business? Is it easier or harder?

**B. Cost of each stakeholders participation in LOCA activity**

- 1) What do you give in the LOCA activity? (Money, time, idea or any other thing?)
- 2) Have you ever come across to any conflict or disagreement took place in LOCA activity?
- 3) Do you experience when everybody in LOCA activity did not support your effort/idea?
- 4) Why do you think you did not get their support?
- 5) What did you do in order to get their support?
- 6) Is it succeeded? If not succeed why?

**V. Public – Private Relation**

- 1) Were there any policies (except ESSP) by the government especially in economic development exist in your division? What are they?
- 2) Do you feel that those policies were addressing the economic problem in your division? If not why do you think so?

- 3) Were you invited to all of the process of planning and implementation of those policies?
- 4) Did you make any contribution during the planning process? Or in the implementation process? What were your contributions?
- 5) How do you feel about government (in province, district or division) role in economic activity in your division?
- 6) Do you get any benefit from those policies? What are the benefits?

## **VI. Sector Activity in LOCA**

### **A. Spice Sector**

- 1) How many group of spices producers exist now?
- 2) Are you able to raise fund to finance this activity?
- 3) How do you raise the fund? Based on the willingness of every member of the group? Or is there any certain amount of money agreed by the member of the group?
- 4) What kind of improvement you expected in your business?
- 5) What kind of equipment and machineries available now?
- 6) Do you contribute to the availability of those equipment and machineries?
- 7) What is your contribution?
- 8) To which markets or cities do you sell your product?
- 9) Do you get better price?
  - a) How much do you get for your product before join the group?
  - b) How much now after join the group?

### **B. Seed paddy Industry & Commercial vegetables sector**

- 1) What kind of equipment and machineries available now
- 2) Do you contribute to the availability of those equipment and machineries?
- 3) What is your contribution?
- 4) Are there any changes in amount of production before and after joining LOCA activity? Better or worse?
- 5) How much was your yields before? How much is your yields now?
- 6) Do you now occupy new skill/knowledge? What are they?
- 7) How far the government sector (dept of agriculture) made available its service compare to initial stage?

**C. Commercial vegetables sector**

- 1) What kind of equipment and machineries available now
- 2) Do you contribute to the availability of those equipment and machineries?
- 3) What is your contribution?
- 4) Are there any changes in amount of production before and after joining LOCA activity? Better or worse?
- 5) How much was your yields before? How much is your yields now?
- 6) Do you now occupy new skill/knowledge? What are they?
- 7) Are there any changes after you apply the certified seeds? What are they?
- 8) Are there any associations exist in GN division?
- 9) How is the condition of the association before and after LOCA activity?

**D. Brick Sector**

- 1) How many group of brick producers exist now?
- 2) Are there any associations exist in your division?
- 3) How is the condition of the association before and after LOCA activity?
- 4) Are you able to raise fund to finance this activity?
- 5) How do you raise the fund? Based on the willingness of every member of the group? Or is there any certain amount of money agreed by the member of the group?
- 6) What kind of equipment and machineries available now?
- 7) Do you contribute to the availability of those equipment and machineries?
- 8) What is your contribution?
- 9) To which markets or cities do you sell your product?
- 10) Do you get better price?
  - a) How much do you get for your product before join the group?
  - b) How much now after join the group?
- 11) Do you now occupy new skill/knowledge? What are they?

### C. LOCA Exercise Process

The process of LOCA exercise consist of eight steps, each step has its own purposes and main activity

1. *Build-up*, this stage usually takes place for few weeks aiming at mobilising stakeholders, recruiting LOCA team, and organizing workshops and interviews.
2. *Hypotheses workshop*, this workshop will last for 3 hours or more. The purpose of this stage is to introduce LOCA methodology and

the programme of fieldwork, doing team building in LOCA team and align expectations.

3. *Kick-Off workshop* last for 3 hours. In this workshop, local stakeholders were informed about the purpose of LOCA and along with this activity, the information about local economy was being gathered.
4. *LOCA fieldwork* which last for 1 – 2 weeks and aiming at conducting mini workshop to gather information about specific sector of the local economy and doing depth interview to collect complete information. LOCA fieldwork has four purposes; first, to understand the structure of the local and performance of the local economy, second, to identify possible activities to strengthen the performance of the local economy. The third purpose is to identify entities and individuals who can take responsibility for the implementation of such activities and lastly to start stimulating networking between local actors, mainly by conducting mini workshop
5. *Result workshop of LOCA Team* took place within 1-2 days and within these days elaboration of diagnosis will be done together with elaboration of practical proposals.
6. *LOCA Presentation Event*. This stage will last for 3 hours and diagnosis and proposals are presented to the local stakeholders, by then feedback and suggestions for implementation shall be given by the local stakeholders. In
7. *Way Forward Workshop*. This workshop is the last workshop in the series of LOCA exercise. In this stage, proposals are prioritised,

project champions are identified and tasks and responsibilities are defined.

8. The last stage of the LOCA exercise is the *Implementation*.

#### **D. Seed Paddy Certification**

බීජ සහතික කිරීම සඳහා බීජ පරීක්ෂණ වාර්තාව  
 விதை அந்தரங்கப்பரிசீலனைக்கான விதை பரிசீலனை அறிக்கை  
 SEED TEST REPORT FOR SEED CERTIFICATION

වාර්තා අංකය  
 අවිෂ්කය  
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Aluttarama.

කෘෂිකම් දෙපාර්තමේන්තුවේ බීජ පරීක්ෂණාගාරය - පේරාදෙණිය/මහලුපුල්පල්ලම/අලුත්තරම/බටදහ  
 கமத்தொழில் திணைக்களத்தின் விதை பரிசீலனை நிலையம் - மகா இலுப்பள்ளம்/அருத்தமம்/பட்ட அத்த  
 Department of Agriculture-Seed Testing Laboratory - Peradeniya/Maha Uluppallama/Alutharama/Bata Atha

දිනය  
 திகதி  
 Date 05.03.22

ලියාපදිංචි අංකය පதிவு අண் Registration No.	KY/PG/1086	බීජ නිපදවූ තැනැත්තා விதை உற்பத்தியாளர் Seed Producer	E.W.C.B. Ekanayaka	වලක අංකය பரிசீலனை எண் Analysis No.	00260/PPB-183/34581
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අස්වනු නෙලූ දිනය அறுவடைத் திகதி Date of Harvest	05.03.06	තොග අංකය கூறு எண் Lot No.	P/1/5/ALU/1100	නියැදි ලබාගත් නිලධාරී மாதிரிப் பொருளை எடுத்தவர் Sampling Officer	OIC, SCS
නියැදි ලබාගත් දිනය மாதிரி பெற்ற திகதி Date Sampled	05.03.16	පරීක්ෂණයට ලැබුණු දිනය கிடைத்த திகதி Date Received	05.03.17	බීජ තොගයේ ප්‍රමාණය விதைக் கூற்றின் அளவு Quantity of seed lot. පරීක්ෂණය අවසන් වූ දිනය பரிசீலனை முடிவுத்திகதி Date test concluded	37 x 41 Kg 05.03.22

බීජ තොගයේ තත්වය පරීක්ෂා කිරීම (බීජ ගණන 500 කට) விதைக் கூற்றின் கட்டுப்படுத்தற் பரிசீலனை (500 கிராமில் எண்ணிக்கை) Seed lot control test (number per 500 grams)						පාරිශුද්ධතාවය (බර අනුව %) இனத்தூய்மை (நிறையின்%). Purity (% by weight)				ප්‍රභවණය % முளைப்பு. Germination %				%	%	වෙනත් කරුණු/குறிப்பு/Remarks	
01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16		17
වෙනත් හැඩ වෙනස් වූ අනෙකුත් වර්ගයක වෙනස් වූ Other distinguishable varieties (O.D.V.)	අනෙකුත් වර්ගයක බීජ විකෘති: කහ බීජ Non-viable weed seed	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Other crop seed	වැඩි වැඩි + යාන්ත්‍රික හානි වූ බීජ පූජි. + යාන්ත්‍රික හානි Insect + Mechanical damage	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Appearance	ප්‍රභවණ වැරදි Smell	පවුල බීජ தூய்மை Pure seed	අනෙකුත් වෙනත් බීජ වෙනත් වෙනත් බීජ Inert matter	වර්ගය වෙනත් බීජ වෙනත් වෙනත් බීජ Weed seed	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Other crop seed	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Normal seedlings	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Abnormal seedlings	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Hard seed	අලුත් වූ බීජ புதிய முளைப்பற்ற விதைகள் Fresh seed	මියුණු බීජ முளைப்பற்ற விதைகள் Dead seed	විභාගය (වෙනත් වෙනත් බීජ) වැරදි වූ බීජ (වෙනත් වෙනත් බීජ) Viability (I.T.C. test)	වෙනත් වෙනත් බීජ වෙනත් වෙනත් බීජ Water content	Resubmission of a Sample after re-processing / re-drying is recommended.
16	66	00	39	Good	Good	100	Tr	Tr	00	-	-	-	-	-	96	11.5	

\* ස.අ. (බීජ)  
 பி.ப. (விதை)  
 D.D. (seed)  
 \* ස.අ. (බීජ)  
 பி.ப. (விதை)  
 D.D. (S.C.S.)

\* ස.අ. (බීජ)  
 A.D.A. (seed)  
 \* ස.අ. (බීජ)  
 விதை உற்பத்தியாளர்  
 Seed Producer

Aluttarama

රටපතා කල  
 சரிபார்க்கப்பட்டது  
 Checked

REJECTED

බීජලේඛය / சமர்ப்ப / Recommendation

සහකාර කෘෂිකර්මාන්තය ( )  
 உதவி விவசாய பணிப்பாளர் (வி.ப.ப.)  
 Assistant Officer of Agriculture  
 Seed Testing Laboratory  
 Aluttarama.

O.L.C.  
SCS

Aluththarama

බීජ සහතික කිරීම සඳහා බීජ පරීක්ෂණ වාර්තාව  
விதை அத்தாட்சிப்படுத்தலுக்கான விதை பரிசோதனை அறிக்கை  
SEED TEST REPORT FOR SEED CERTIFICATION

වාර්තා අංකය  
அறிக்கை  
Report No. **B 21642**

කෘෂිකම් දෙපාර්තමේන්තුවේ බීජ පරීක්ෂණාගාරය - පෙරාදෙණිය/මහලුසුද්දපල්ලම/දළුත්තරම/බඩදක  
கமத்தொழில் திணைக்களத்தின் விதை பரிசோதனை நிலையம்-மகா இலுப்பள்ளளமை/அளுத்தறம்/பட்ட அத்த  
Department of Agriculture-Seed Testing Laboratory - Peradeniya/Maha Illuppallama/Aluththarama/Baddakka

දිනය  
திகதி  
Date **21.03.03**

ප්‍රතිලාභ අංකය  
Registration No.  
කෘෂිකම්  
Crop  
අවසාන අවසාන දිනය  
அறுவடை நாதி  
Date of harvest  
නියම දිනය  
சேமிக்கப்பட்ட நாதி  
Date Sampled

ND/PG/1086  
**Paddy**  
**07.03.03**  
**20.03.03**

බීජ නිපදවූ තැනැත්තා  
விதை உற்பத்தியாளர்  
Seed Producer  
ප්‍රභේදය  
வரிக்கம்  
Variety  
කොට අංකය  
கறு எண்  
Lot No.  
පරීක්ෂණයට ලැබුණු දිනය  
சேமிக்கப்பட்ட நாதி  
Date Received

**E.W.G.B. Ekanayaka**  
**Bg 403**  
**P/1/3/ALU/1005**  
**20.03.03**

විශ්ලේෂණ අංකය  
பரிசோதனை எண்  
Analysis No.  
බීජ පංතිය  
விதை வகுப்பு  
Class of seed  
බීජ කොටසේ ප්‍රමාණය  
விதைக் கற்றல் அளவு  
Quantity of seed lot  
පරීක්ෂණය අවසන් වූ දිනය  
பரிசோதனை முடிவுத்திகதி  
Date test concluded

**PPB-99/14158**  
**Certified**  
**33 x 41 Kg**  
**21.03.03**

බීජ කොටසේ පරීක්ෂණ (බීජ ගණන 500 කට) விதைக் கற்றல் සිටුවාගන්නා පරිசோதන (500 கிராமය) (எண்ணிக்கை) Seed lot control test (number per 500 grams)						පාරිශුද්ධතාවය (බීජ අනුපාත) இனத்தூய்மை (நிறைவு) Purity (% by weight)				ප්‍රචුර්ණය % முளைப்பு % Germination %				වෙනත් කරුණු/குறிப்பு/Remarks			
01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	
අනෙකුත් වැඩි වශයෙන් ප්‍රචුර්ණය වන අනෙකුත් විශේෂ (O.D. V.) Other distinguishable varieties (O.D. V.)	කොටසේ වැඩි වශයෙන් බීජ විකෘත කොටසක් වන්නේ Nonviable weed seed	වෙනත් කොටසක් බීජ විකෘත කොටසක් වන්නේ Other crop seed	කෘෂිකම් + යාන්ත්‍රික හානි වූ බීජ பூ, சி. & ப. ஏ. හානි Insect-Mechanical damage	පෙනුම Appearance	සුවඳ Smell	වඩිලි බීජ தூய விதை Pure seed	අවිලි බීජ பிற பொருட்கள் Inert matter	විලිබැඳී බීජ களை விதைகள் Weed seed	වෙනත් භෞමි බීජ வேறு பවිල් விதைகள் Other crop seed	සාමාන්‍ය බීජ පාල සාමාන්‍ය බීජ පාල Normal seedlings	අසාමාන්‍ය බීජ පාල அசාමාන්‍ය බීජ පාල Abnormal seedlings	බරු බීජ கடின விதை Hard seed	අලුත් අලුට බීජ புதிய முளைப்பற்ற விதைகள் Fresh seed	මරුණු බීජ முறைப்பற்ற விதைகள் Dead seed	විකෘතතාවය (වෙනම පරීක්ෂණය) வாழ்க்கை (செய்து பரிசோதனை) (விசை) Viability (V.C. test)	කොමතාවය சுரப்பதல் Water content	
00	00	00	26	Good	Good	99.9	0.1	00	00	-	-	-	-	-	96	11.9	

60  
2003.3.26

බී.අ. (බීජ)  
D.D. (SEED)  
බී.අ. (බී.ස.ස.)  
D.D. (S.C.S.)

Aluththarama  
A.D.A Hasalaka  
Seed Producer

*Pura*  
පරීක්ෂා කළා  
Checked

**ACCEPTED**

නිර්දේශය/சுயமதிப்பு/Recommendation

*D. Jayathilaka*  
විකෘතතාවය පරීක්ෂක (බී.ස.ස.)  
உதவி விவசாய இயக்குநர் (விவசாய)  
Assistant Director of Agricultural Laboratory  
Aluththarama

**E. Agrarian Development Act No, 46 OF 2000**

Agrarian Development Act No, 46 OF 2000 part 1: 30 (1) ' Paddy lands which have been identified by the Commision – General as paddy lands from which the maximum production can be obtained by the cultivation of paddy shall be cultivated with paddy during every season on which paddy can be cultivated thereon.

Agrarian Development Act No, 46 OF 2000 part 1: 34 (1) 'No person shall use an extent of paddy land for any purpose other than for agriculture cultivation except with the written permission of the Commissioner – General.

Agrarian Development Act No, 46 OF 2000 part 1: 32 (1) Any person who, without obtaining written permission from the Commissioner – General –

- (a) fills up an extent of paddy land with soil or other material or attempts to fill up such extent of paddy land;
- (b) uses any extent of paddy land for a purpose other than an agriculture purpose or does any other act for such purpose;
- (c) construct any structure within any extent of paddy land or does any act in furtherance of such purpose;
- (d) removes soil from an extent of paddy land or attempts to do so; or
- (e) utilise an extent of paddy land in violation of the terms and conditions of the permission issued by the Commissioner – General,

shall be guilty of an offence under this Act.

**F. Agrarian Development Act No. 46 OF 2000**

Agrarian Development Act No. 46 OF 2000 Part VII. 83 (1) The Commissioner – General may, if it appears to him that any person has –

- (a) blocked up, obstructed or encroached upon or caused to be blocked up, obstructed or encroached upon, damaged or caused to be damaged, any irrigation channel, water course, bund, bank, reservation tank, dam, tank reach or irrigation reserve; or
- (b) wilfully or maliciously caused the waste of water conserved in any irrigation work ; or
- (c) without the prior written approval of the Commissioner – General carried out any cultivation in or removed earth from or caused earth to be removed from, a tank, canal within catchment area or from a minor irrigation channel, water course, bund, bank, reservation tank, dam, tank-reach or irrigation reserve.

Make an order requiring such person to take such remedial measures as are specified in the order

**G. Samurdi Program**

Samurdi Program is a government welfare program for poor people, to develop their social land economic standard. Within this program, *Samurdi* recipients be encouraged and promoted to start- up self employment ventures. This program was promoted by Industrial Development Board. It is an island-wide program, which mainly helps poor people providing basic needs for poor people including employment

opportunities. This program is large scale poverty alleviation programs based on micro finance, income generation and small scale infrastructure development such as Janasaviya and Samurdhi which have incorporated up to half the population of the central province. In 2001 Kandy District staggering 135.962 households (47% of the total) were recipients. The micro finance component of Samurdhi since its inception in the year 2001 has reached large number of clients within the province, with an enormous sum of Rs. 611, 5151, 000 accruing to households.

#### **H. Sapiri Kiri Products**



සපිරි කිරි ඉලක්කරිස්  
சப்பிரி கிரி தயாரிப்புகள்  
**SAPIRI KIRI PRODUCTS**

No. 17/1, Storefield Estate, Gampola.

Office Telephone : 077-3293877, 077-6037164

Factory Telephone : 077-6957998

Name & Address :

Invoice No. : 0187

M.S.  
.....  
.....

Index No.	Description	Unit	Qty.	Rate		Total	
				Rs.	Cts	Rs.	Cts
1.	Yoghurt	80ml					
2.	Yoghurt	250ml					
3.	Ice Cream Vanila	80ml					
	Chocolate	80ml					
	Fruit & Nuts	80ml					
4.	Ice Cream Vanila	1/					
	Chocolate	1/					
	Fruit & Nuts	1/					
5.	Ice Cream Vanila	2/					
	Chocolate	2/					
	Fruit & Nuts	2/					
6.	Milk Toffee						
7.	Curd (Pots)	150 ml					
	Curd (Pots)	500					
	Curd (Pots)	1/					
	Ghee						
	Butter						
	Pannier						
	Lacy						
	Kiri Bite						
	Fresh Pasteurized Milk	200ml					
	Fresh Pasteurized Milk	500ml					
	Fresh Pasteurized Milk	750ml					
	Fresh Pasteurized Milk	1/					
	Flavoured Milk Pasteurized						
	Total						

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